2013 LEGISLATIVE OUTLOOK
Budgets, Tax Reform and Your Firm

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ACEC Ally Bill Shuster Named House Transportation Chair
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From ACEC to You

Hard Fought Wins in 2012; More Challenges Ahead in 2013

Despite the deep partisan divide between Congress and the White House and a contentious political season, ACEC scored points in the last legislative session on key industry items. Congress cleared major surface transportation and aviation bills—with strong bipartisan margins—that protected funding levels and included significant reforms.

We scored notable wins in pushing back against government competition and alleviated major regulatory burdens that threatened our members. Our political program achieved a new level of success in backing lawmakers on both sides of the aisle who support our industry's legislative agenda.

It's yet another reminder that a focused and proactive advocacy program can produce results, even in the most challenging of times. 2013 will include extraordinary legislative challenges as Congress and the White House confront major budget and tax policy decisions that will have a profound impact on our industry.

Using our grassroots and political resources, ACEC will engage aggressively to protect and expand infrastructure programs, secure new energy initiatives and ensure that tax policy changes are balanced to support a growing economy.

This issue of Engineering Inc. takes a close look at some major spending and tax issues still to be addressed in 2013, and their potential impact on the industry. (See page 8.)

Also included is an analysis of the 2013 marketplace for engineers, with projections on which markets are expected to power ahead, and which are expected to pick up their pace. (See page 4.)

Looking forward to the upcoming 2013 Annual Convention, April 21–24, in Washington, D.C., we are planning a solid lineup of forward-thinking political and industry experts. (For a preview, see page 30.)

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Economic Experts: 2013 to Look A Lot Like 2012—Only Better

The national economy will continue to improve through 2013, forecasters say, but the recovery will be gradual.

Building upon 2 percent growth in the U.S. gross domestic product (GDP) in 2012, the Federal Reserve expects GDP to grow by 2.5 percent to 3 percent in 2013 and by 3 percent to 3.5 percent in 2014.

The engineering sector looks to be on the same page. Strong markets, especially energy, will steamroll ahead. Slower markets, including office construction and water/wastewater, will incrementally increase. A few long-dormant markets, including land development, are also poised for growth.

“I’m optimistic,” says Dean Fox, CEO of Atkins North America in Tampa. “With the economy improving, we’re seeing more opportunities across a lot of our markets.”

Energy

Industry consultant and researcher FMI forecasts energy sector growth of 9.6 percent in 2013 and 8.8 percent in 2014.

“The growth in oil, gas, mining and natural resources is very robust,” says Michael Landry, managing director, FMI Capital Advisors in Denver. “And that growth offers opportunities for a wide range of engineering firms.”

Hydraulic fracturing, he says, has significant potential for water/wastewater firms because of the huge amounts of water used in the process, as well as environmental firms to provide technical services and remedia-

These columns show the annual activity in the sectors, in millions of dollars.

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Source: FMI

Transportation

Surface transportation remains problematic, largely due to funding challenges. According to FMI, highway/street activity fell 2.1 percent in 2012 and will recoup only a third of that (0.7 percent) in 2013. Not until 2015 is that sector expected to climb to about 4 percent in annual growth.

“Transportation has flat funding for the next two years,” says Fox. “The only way to turn transportation into a growth market is to find alternative financing solutions.”

Landry agrees. “States and municipalities are the ones stepping up with transportation dollars, especially with bridge projects,” he says.

“The private side is more poised than the public side to invest in infrastructure,” says Colvin Matheson, managing director of Matheson Financial Advisors, Inc., in McLean, Va. “Corporations are sitting on tremendous amounts of cash and are looking for ways to deploy and invest it.”

Airport construction, on the other hand, has been strong in recent years and will continue to outperform. “There’s a lot of money going into airport planning and modernization,” says Fox. “It’s a competitive market, so I see that continuing.”

Water/Wastewater

The growth rate in the water/wastewater segment is expected to nearly double in 2013 compared with 2012, with an overall growth rate of 3.4 percent.

“Water infrastructure is stressed at almost every point, but there still doesn’t seem to be a focused financing mechanism in place,” says Matheson.

Over the short term, that mechanism will likely be a mix of bonds and other local funding solutions. Over the long term, says Fox, privatization may be the answer. “Over the next five to 10 years, I think we’ll see small-scale privatization in this country,” he says.

Office Construction

FMI forecasts that office construction will grow 5.6 percent in 2013 and 6.4 percent in 2014.

In San Francisco, for example, Chris Poland, chairman of Degenkolb Engineers, says, “We’re seeing a general reconstruction of downtown. There are new high-rises going up, but we’re also seeing a lot of reuse work for our industry.”

One of the hottest sectors in office construction is retrofitting for energy efficiency. “MEP firms are getting a lot of work because they can demonstrate the significant and quick payback from these retrofits,” says Landry.

Health Care

After a few quiet years, health care is also expected pick up in the months and years ahead. According to the FMI forecast, health care construction will grow 6.5 percent in 2013, 7.5 percent in 2014 and 11.3 percent in 2015.

“A lot of hospital infrastructure is aging and the market is consolidating into a few big players,” says Matheson. “Those factors, plus demographic trends, suggest a very strong health care market.”

Gerry Donohue is ACEC’s senior communications writer. He can be reached at gdonohue@acec.org.
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Steve Isaacs  |  919.785.7200  |  sisaacs@fminet.com  |  Grant Thayer  |  303.983.7255  |  gthayer@fminet.com
Budget, Tax Debate Continuing in 2013

egotiations between the White House and Congress over major tax hikes and spending cuts are expected to continue into 2013 as both sides develop long-term options for reducing the budget deficit and the nation’s debt. An early challenge in the New Year will be the need to increase the nation’s debt ceiling, which is expected by February.

Beyond the debate over individual tax rates, ACEC and other business organizations continue to press Congress for a comprehensive approach to tax reform that simplifies the tax code and promotes economic growth. House Ways and Means Committee Chairman Dave Camp (R-Mich.) has proposed lowering the top corporate and individual rates, which are used by S corporations and other pass-through businesses, to 25 percent. Senate Finance Committee Chairman Max Baucus (D-Mont.) agrees that tax reform must be comprehensive and address both the corporate and individual sides of the tax code.

In addition to advocating for increases in the top individual tax rate, the Obama administration has expressed willingness to lower the top corporate rate. The administration has floated a proposal to tax large pass-through businesses as corporations, an idea also raised by Chairman Baucus but opposed by Chairman Camp.

Congress and the White House will also continue to address spending, including defense, discretionary and entitlement programs. ACEC is working with stakeholder allies to advocate for key federal infrastructure programs, which are critical to economic growth.

ACEC Seeks Transportation Funding Resolution Amid Federal Spending Debate

ACEC and stakeholder allies are pressing Congress and the White House to protect transportation programs and set aside funds for a new multiyear program as part of a budget agreement.

Transportation programs essential to economic growth and productivity would be reduced by nearly $2 billion under the sequestration process, including $673 million for highways and $176 million for transit grants funded through the general fund. Expenditures from the Highway Trust Fund and Aviation Trust Fund were exempted from the scheduled cuts.

ACEC has joined other transportation stakeholder organizations in seeking additional transportation revenue as part of the broader negotiations over spending and taxes. The Council views the package of spending decisions and tax reform as a critical opportunity to resolve the continuing long-term uncertainty over transportation funding and the fiscal health of the Highway Trust Fund.

The Highway Trust Fund faces its own “fiscal cliff” at the end of fiscal year 2014 when MAP-21 expires and the balance of the fund will be depleted. Without new revenue, additional transfers from the general fund will be needed to avoid steep funding cuts to highway and transit programs.

Transportation financing provisions have been included in previous deficit-reduction deals, most notably in 1990 and 1993, the last time Congress raised the federal gas tax.
Rep. Bill Shuster To Become New Transportation and Infrastructure Committee Chair

House Republicans have appointed Rep. Bill Shuster (R-Pa.), a strong ACEC ally, as chair of the Transportation and Infrastructure Committee in 2013-14.

Shuster, who was a guest speaker at ACEC’s 2011 Annual Convention, replaces outgoing chair Rep. John Mica (R-Fla.), who was term-limited under Republican Conference rules. Shuster had been chair of the Transportation and Infrastructure Committee’s Subcommittee on Railroads, Pipelines and Hazardous Materials. His father, Bud Shuster, chaired the House Transportation and Infrastructure Committee from 1995-2001.

“The engineering industry will have no better friend in the chair than Congressman Shuster,” said ACEC/Pennsylvania Executive Director Eric Madden.

The committee’s 2013-14 agenda will involve several issues critical to Council membership, including water resources development legislation for U.S. Army Corps of Engineers programs and projects, water and wastewater infrastructure funding and a highway and transit bill to succeed MAP-21.

ACEC Working With Senior Democrat to Include Wastewater Funding in Budget Package

ACEC is working with Rep. Tim Bishop (D-N.Y.), senior Democrat on the House Subcommittee on Water Resources and Environment, to build support for water infrastructure funding as part of a budget agreement.

Thirty House members joined Bishop on an ACEC-backed letter to House Republican and Democratic leadership urging modest investments in water infrastructure funding programs.

“Additional investment in wastewater infrastructure through the Clean Water State Revolving Fund, as well as through direct loan and loan guarantee programs, has broad, bipartisan support in Congress and among states, municipalities and many stakeholder groups,” the Bishop letter said. “Increased federal investment will create tens of thousands of jobs in the construction, engineering and manufacturing industries that support wastewater infrastructure projects.”

Senator Water Infrastructure Bill Includes ACEC-Backed Financing, Engineer Liability Provisions

The Senate Committee on the Environment and Public Works released the Water Resources Development Act of 2012 in November, which includes a new financing mechanism for water projects and addresses engineering firm liability concerns.

To expand the number of funding sources available for water resources projects, the legislation includes the Water Infrastructure Finance and Innovation Act (WIFIA), which would provide $50 million annually in federal loan guarantees to help secure financing for water projects.

Experts say such guarantees could leverage an additional $500 million each year for water projects.

“To begin to address this funding shortfall, the bill establishes an innovative financing mechanism, known as the Water Infrastructure Finance and Innovation Act, to allow the Corps and Environmental Protection Agency to provide loans and loan guarantees for flood control, water supply and wastewater infrastructure projects,” said Committee Chair Barbara Boxer (D-Calif.). “This five-year pilot program, based on the successful Transportation Infrastructure Finance and Innovation Act program, would support local efforts to leverage funds for water resources projects and help speed construction of local projects.”

The bill also addresses ACEC concerns about liability issues for firms working on levee safety projects. The secretary of the Army would be required to report to Congress on policy recommendations to address liability issues “that prevent levee owners from obtaining needed levee engineering services,” according to the legislation.

ACEC has submitted comments to the committee to further improve sections of the bill, which is expected to be reintroduced in early 2013.

For More News
For weekly legislative news, visit ACEC’s Last Word online at www.acec.org.
Cutting Industry to be challenged by reduced federal spending and tax reform.
Regardless of efforts to avert the “fiscal cliff”—the results of which were still unclear at press time—numerous budget and tax issues remain as critical challenges for the engineering industry in 2013.

**Takeaways:**

- Continued uncertainty in Washington clouds the 2013 funding picture.
- Congress is amenable to broader tax reform as a means of reducing the deficit.
- Spending on heavy engineering projected to increase in 2013.

“The uncertainty out there is impacting all businesses across the country, and it affects every bit of our industry,” says Richard Smith, CFO of Stanley Consultants, Inc., based in Muscatine, Iowa. As lawmakers set about the task of walking the nation back from the “fiscal cliff,” Smith added that one priority for lawmakers should be deciding on a long-term transportation package to improve the nation’s roadways.

Brian Reardon, executive director of the Washington, D.C.-based S-Corporation Association of America, which advocates for small and family-owned businesses, says that the uncertainty is inhibiting investment and job creation. “So our hope is that whatever Congress does, it does so quickly,” Reardon says.

**Budget Reductions**

The devil, as always, is in the details. “I don’t see it as an all-or-nothing proposition,” explains Reardon. “I think that Congress will act to extend some provisions and choose not to extend others. Exactly what’s on the list to get extended and what’s not is what the fight is going to be over in next couple of months.”

While Congress could choose to delay a decision on current spending levels, for example, he says a decision on budget cuts could come fairly quickly. Where taxes are concerned, “it would be really hard to do less than a year extension.”

Unless Congress acted prior to Jan. 2, across-the-board cuts totaling $984 billion over nine years—or sequestration—would be set into motion.
Half of the cuts ($492 billion) would come from Defense Department programs, impacting numerous agency design and construction initiatives important to the engineering industry. The remaining half would come from domestic discretionary programs.

While certain federal infrastructure programs financed through dedicated excise taxes, such as the Highway Trust Fund and the Aviation Trust Fund, are statuteually exempt from the sequestration process, other programs funded though general fund revenues would be affected. These include EPA water and wastewater programs, the U.S. Army Corps of Engineers Civil Works program ($4.631 billion in 2012); Department of Energy programs, GSA construction and other efforts that support relevant industry markets. A budget deal to replace sequestration could include further entitlement reforms, and Congress has indicated an interest in broader tax reform as part of a comprehensive agreement to reduce the budget deficit.

Whether sequestration occurs in its most extreme form, “I think the engineering industry has to expect ongoing reductions in federal funding for infrastructure,” says Ken Simonson, chief economist at The Associated General Contractors of America. “I think engineering businesses are going to conclude that the good news is going to continue and they need to invest more.”

KEN SIMONSON
THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA

Tax Reform
One important area up for debate is taxes. Experts say any long-term benefits will require a compromise between C corporations and pass-through entities. As commonly known, President Obama wants to increase taxes on the top 2 percent. Any increase in individual taxes, including higher rates, caps on deductions or any other revenue raising measure, would also impact engineering firms established as sub-chapter S corporations, partnerships or sole proprietorships. Those entities are taxed at individual rates, not corporate rates.

“A sizable majority of policymakers see tax reform as lowering rates, broadening the base and making it comprehensive,” says Reardon. “But the president and some folks in the Senate are either looking at corporate owner reform or don’t see lower rates as part of the overall tax reform effort. “For the business community, that’s the biggest challenge—making sure that if we do tax reform that it’s comprehensive in the general approaches, lowering the rates and broadening the base.”

Reardon says the House is likely to take a comprehensive approach to tax reform, ensuring the individuals, pass-throughs and C corporations are addressed through inclusive legislation.

No Great Abundance
Extending existing tax cuts and tempering sequestration will likely help the nation avoid an all-out fiscal disaster, but neither move solves the larger issue of continuing resolutions and short-term funding agreements for federal projects.

The Federal Aviation Administration previously endured dozens of short-term funding agreements, some lasting as few as six weeks. “That makes it difficult for contractors to develop any kind of visibility into how long a project will last—periodically they had to stop working because the money ran out,” says Greg Ip, U.S. economics editor for The Economist.

Some economists have hopes for a “grand bargain” next year, a notion that Republi-

Sandy Impacts 2013 Federal Budget and Engineering Firm Projects

In October, Superstorm Sandy roared through the northeastern United States, vastly altering the landscape of the Eastern Seaboard. But reconstruction projects will not significantly alter the outlook for engineering firms in 2013, says Bernard Markstein, U.S. chief economist at Reed Construction Data.

“Clearly the engineering industry, particularly in that part of the country, will be involved in the rebuilding,” he says. “At the same time, some other projects that were planned or set to go forward will be delayed or, in rare cases, abandoned. On net, there might be some additional work but not a lot. Though an extreme case, note that we are still rebuilding after Katrina, plus new damage from Isaac.”

Specifics on federal assistance for Sandy reconstruction projects were still unclear in late December. The Obama administration submitted a $64 billion supplemental appropriations request to assist state and local recovery efforts, although it was uncertain when Congress would act or how it will pay for the new spending.

“Most of the rebuilding from Sandy will be done by private households, states and local governments, not by the federal government,” says Greg Ip, U.S. economics editor of The Economist. “The federal government will finance part of this via FEMA, but any additional spending is subject to the appropriations process and sequester and, at present, I don’t see much wiggle on either.”

“There will be pressure to provide disaster relief without offsetting cuts in the federal budget,” says Ken Simonson, chief economist at The Associated General Contractors of America, “but much of the funding will probably be transferred from other accounts and may thus come at the expense of projects that might have involved engineering.”

There might also be opportunities in ongoing efforts to reduce the flooding vulnerability of low-lying areas, “but the funding sources for such a massive rebuild are not apparent,” Simonson says.

Still, Markstein is optimistic. “Historically, the federal government has stepped in with emergency aid, ignoring budget concerns. I don’t think that even the budget hawks would fight that this time around—too politically dangerous.”
ACEC 2013 Legislative Priorities

Energy
A robust, diverse and innovative approach to energy development is essential to U.S. economic security. ACEC is urging:  
- New offshore oil and gas leases on the Outer Continental Shelf, as well as expanded energy exploration and development on federal lands.  
- Clear rules for developing U.S. oil shale resources.  
- Approval of the Keystone XL pipeline.  
- Renewable energy initiatives.

Transportation
With successful enactment of MAP-21, which provided stable federal funding through FY. 2014, ACEC advocacy in transportation in 2013 will focus on laying the groundwork for the next bill, including:  
- Securing a sustainable, long-term funding solution to support a new six-year transportation program.  
- Monitoring implementation of the landmark programmatic reforms in MAP-21 and making corrections where necessary.

Water/Wastewater
ACEC is pressing for increased water infrastructure financing as Congress considers new ACEC-backed funding sources. Key priorities include:  
- Protecting and expanding the State Revolving Fund (SRF) programs to finance water and wastewater projects.  
- Lifting the volume cap on private activity bonds (PABs) for water projects, which would raise an estimated $5 billion a year.  
- Creating a new program of loans and loan guarantees based on TIFIA to provide states with low cost financing and extended repayment periods for water needs.  
- Enacting legislation to create a water trust fund financed through dedicated excise taxes.

Tax/Finance
ACEC supports tax policies that reduce the tax burden on business and protects industry priorities, such as:  
- Comprehensive tax reform that simplifies the tax code and embraces a balanced approach to benefit both corporations and pass-through entities.  
- Clarification of the “municipal advisor” issue with the SEC to exempt full range of engineering services to municipal clients from registration requirement.  
- Passage of key tax “extenders” – such as R&D tax credit, bonus depreciation, and renewable energy tax credits.

International
ACEC is promoting legislation and agency reforms that will create market opportunities abroad and improve the effectiveness of U.S. foreign aid programs, such as:  
- Improving competitive positions for U.S. firms on infrastructure projects in developing nations funded by U.S. tax dollars.  
- Securing the use of QBS by multilateral development banks and federal international programs.  
- Raising infrastructure investment to a higher priority in U.S. and international aid programs.

Less Federal Spending
Despite expected budget reductions, ACEC considers the ongoing spending debates an opportunity to address the uncertainty over long-term transportation funding. Transportation financing provisions have been included in previous deficit-reduction deals, most notably in 1990 and 1993, the last time Congress raised the federal gas tax.

The Highway Trust Fund faces its own “fiscal cliff” at the end of fiscal year 2014 when MAP-21 expires and the balance of the fund will again be depleted. Congress has moved $34.5 billion to the trust fund from the general fund since 2008 to keep it solvent.

Regardless of the outcome, one thing is clear: The federal government will not be the funding gravy train that it once was—“not for a very long time,” says Ip. He cautions engineers, “If you sell a lot to the federal government, don’t expect that to be the funding gravy train that it once was—"not for a very long time," says Ip. He cautions engineers, “If you sell a lot to the federal government, don’t expect that to be a growing portion of your business in the next 10 years.”

What’s more, there is no guarantee that voters will support new revenue proposals and tax increases to support infrastructure repair, especially in light of more pressing needs.

Fortunately, spending in other engineering sectors is projected to improve, which should benefit the economy.

“We will continue to see spending,” says Bernard Markstein, U.S. chief economist at Reed Construction Data in Norcross, Ga. “There will be a slowdown in terms of growth, and government spending will continue to be a problem, but the private sector will pick up some of the slack.”

Markstein projects a 4.6 percent increase in spending on heavy engineering in 2013, which includes highways, dams, port facilities, airports, water and power. That’s down from a 6.8 percent increase in spending for the same projects in 2012, but still in the black, thanks largely to an increase in public-private partnerships.

Despite all the challenges facing Congress and an almost certain downturn in federal spending, industry watchers contend that the economic outlook is brighter today than it has been.

“There are a lot of positive developments going on below the scary headlines,” Simonson says. “I think engineering businesses are going to continue to conclude that the good news is going to continue and they need to invest more.”

Stacy Collett is a business writer based in Chicago.
When I turned 50 in 1998, I started thinking about who was going to be the best person to lead this company into the future,” recalls James Duncan, who retired last April after 37 years at Seattle-based Sparling. He joined the electrical engineering and technology-consulting firm in 1975, was named president in 1991 and chairman of the board a year later, then became Sparling’s first CEO, serving from 2000 to 2006. Duncan remained chairman until retiring last year and becoming the firm’s first chairman emeritus. Eric Overton, CEO since 2007, succeeded Duncan as board chair.

Takeaways:

➤ Long-term firm success is threatened by the lack of a good leadership succession plan.

➤ Strong succession plans identify potential leaders and begin training them early in their careers.

➤ Retiring leaders must step away gradually to give new leaders an opportunity to assert themselves.
The methodical process of choosing and preparing Overton to lead Sparling, as well as transitioning Duncan into retirement, was new to the firm, and the process required the careful development of a leadership succession plan. While succession planning exists throughout the corporate world, it’s gaining wider attention among ACEC Member Firms, especially as baby boomer executives retire, turning the reins of corporate leadership over to a new generation of bosses.

According to a 2010 Korn/Ferry global survey of 1,300 companies, though 98 percent of firms believe CEO succession plans are important, at the time of the survey, just 35 percent had one in place. What’s more, 49 percent of firms said they hadn’t had one in place for the past three years.

A 2011 CareerBuilder survey found that nearly one-third of companies with more than 1,000 employees lacked a succession program. In addition, 50 percent of senior management positions—CEO, CFO, senior VP, et cetera—and 52 percent of vice presidents said they did not have a successor to fill their current role should they leave the firm or retire.

Getting Out of Our Own Way

“Succession planning for A/E firm leaders has all the characteristics of what’s called VUCA—volatility, uncertainty, complexity and ambiguity,” explains Geordie Aitken, a consultant at Aitken Leadership Group. “The world has changed radically in the last 50 years since the boomers first ascended professionally and enjoyed hitherto unseen opportunity. Now, by virtue of age or stage, or out of necessity to ensure their firm’s continuity, leaders are having to let go and divest themselves of this thing they’ve built.”

Sparling was a relatively small but successful firm, founded by Thomas Sparling and Jeff Pavey in 1947, when Duncan first came aboard. He steadily rose through the ranks, eventually ascending to the firm’s top spot through a less-structured process than the one in place today. “I had been president and CEO for 16 years—growing the company from about 30 people to 120 people and working 60 hours a week—when I decided to transition out of my role,” Duncan recalls. “It was exciting, but not something I wanted to do past a certain point. I thought it was healthier for the firm to have someone new take over and look at the company in a different way.”

There were three vice presidents at Sparling whom Duncan and the rest of the board identified as emerging leaders as far back as 1998. The board ultimately selected Overton, who was given increased responsibilities before assuming the newly created role of chief operating officer in 2001 and president in 2004. Although Sparling’s succession process was handled internally to that point, “we used a management consultant who met with us a number of times and coached Eric—we called it ‘readiness coaching’—to get him ready to assume the leadership position,” Duncan says.

The consultant also helped Duncan define his gradually declining influence within the firm, “so I wouldn’t be in the way of the new leader,” he says. “It would have been a mistake to just be sort of hanging around. So having a consultant help with those traditions was very valuable.”

Ron Magnus, managing director of FMI’s Center for Strategic Leadership, works exclusively with construction companies, coaching executives and their teams to develop leadership skills. He has come to understand the unique nature of his A/E clients. “The engineering mentality is focused on what I have in front of me today,” Magnus says. “So to think about succession planning takes a mental model that stretches the typical time frame that an engineer tends to think about. The firms that have done it well are those with leaders that are actively thinking about what the company will look like in 15 or 20 years, and from a legacy perspective, what they want to leave behind.”

That pretty well describes the process by which RS&H, a facilities and infrastructure consulting firm headquartered in Jacksonville, Fla., prepared for the transition of former CEO Leerie Jenkins to board chairman last summer. “We hired a consultant in February 2009,” says Jenkins, who orchestrated an employee buyout of RS&H in 1990 and oversaw its growth from $20 million in 1991 to $150 million in 2011. “We wanted to do two things with my legacy within the company: One, go through an orderly transition of the CEO position; and two, create a separate five- and a 10-year vision for the firms.” The two steps began almost simultaneously.

Within a year, three CEO candidates were identified. Each went through 15 months of one-on-one executive coaching with the consultant. In February 2012, the firm announced that on August 1 Brian Reed, senior vice president of RS&H’s aviation unit, would succeed Jenkins, who would stay on as board chairman.

In addition to preparing himself and Reed for the leadership transition, Jenkins felt it was important that leadership work to maintain the firm’s culture. “That’s probably the most important thing that we felt had to stay in place,” he asserts. “During the process, we worked hard to
Leadership Contingencies

A pitfall of leadership succession is the potential for hard feelings among valued employees and, at worst, departures among leadership candidates passed over for top positions, something Jenkins and Reed worked to get ahead of. “We notified our other two candidates right away,” Jenkins says, “and are very fortunate that they have stayed and are pleased with their roles.”

The key, says Reed, is communication. “The first thing I did was to pull us all together to talk for a couple of hours. Clearly they were stinging a little bit with not having the opportunity, but we talked about our future and our very responsible positions within the company. We still get together every week or so.”

Bob Felsburg was one of three principals who in 1984 launched Felsburg Holt & Ullevig (FH&U), a Centennial, Colo.-based firm that specializes in regional transportation projects. Within five years, the leaders of that firm set about the unfamiliar task of creating a leadership succession plan. “We formed the business to practice the profession we love doing,” Felsburg says. “With that philosophy in mind, we wanted to build the business so it would continue long after we were gone.” As the youngest of the firm’s founders, Felsburg’s ascendance to the presidency was fairly straightforward. “But the next one was going to be pretty challenging and we needed to plan ahead, so we started early in the process,” he says.

When Dean Bradley was tagged as Felsburg’s eventual successor seven years ago, he emerged from the firm’s future leaders program (see above sidebar). As the succession plan progressed, his role within the firm began to expand.

A designer at the firm for more than a decade, and one of its 10 owners, Bradley moved into a newly created position of executive vice president. He became instrumental in major business decisions and accompanied Felsburg to meetings with key clients.

“We were constantly looking for opportunities for Dean to lead special efforts or initiatives, which allowed him to lead mixed groups within the firm, as well as a chance to be in front of the entire staff,” says Felsburg. “So once we made the announcement in July that I was stepping down as president, it was absolutely no shock, no surprise, no concern.”

Felsburg remains FH&U’s chairman and is involved in business planning and development, as well as mentoring younger staff members. Personally, the transition required a significant adjustment. “Outgoing leaders need to be prepared for a change,” Felsburg says. “You need to show that you’re still involved, but you don’t want to step on toes, either. You need to get out of the way and just trust yourself that you’ve chosen the right person and have prepared him or her to lead the firm.”

“I sometimes equate it to when you give away your daughter’s hand at her wedding. You’ve spent her whole life preparing this young woman to move ahead and be successful, and now you’re handing her over to somebody else to be the key person in her life. That can be very emotional as the founder of a firm.”

If departing leaders get it right, however, as Sparling’s Duncan did, they can look forward to a rewarding future. “I don’t like the word retirement,” says Duncan, describing his leadership roles at two Seattle-area nonprofit organizations. “I’m probably as busy as ever—and I’m having a ball.”

Bob Woods is a business and technology writer based in Madison, Conn.
How effectively engineering firms manage major projects can mean the difference between on-time and on-budget completion of work and weeks or months of delays at much higher-than-anticipated costs.
A/E project information management software is designed to help firms deliver projects more efficiently and effectively. Firms use the products to oversee the universe of models, drawings, e-mails, markups, submittals, images, contracts, specifications, change orders and other documentation created in the course of designing, building and operating facilities.

The No. 1 advantage of such software is the ability to manage financials and operations in one place, says Matthew Pfohl, vice president of business development at GeoSpec Systems, a Denver-based provider of project management software.

“Project managers can monitor how well a project is performing financially and how well their resources are performing against the project plan,” Pfohl says. “Many companies still manage their projects in two or three systems, creating an inaccurate picture of how well they are doing.”

GeoSpec offers GeoSpec Enterprise, powered by Microsoft Dynamics AX 2012 software, which aims to integrate financial and operations systems. The software provides a range of functions, such as project and contract management, scheduling and resource management, automated tests, inspections and data collection, time and expense management, human resources, and payroll and financial management, to name a few.

Project management software “serves up information in user-friendly and intuitive ways,” says Bob Stalilonis, senior solution architect at Deltek, Inc., a Herndon, Va.-based provider of enterprise software and information solutions for professional services firms and government contractors.

One of the most significant developments in project management software is the use of graphical displays. Traditionally, project management tools provided information via numerical values. “But engineers have a very graphical orientation,” Stalilonis says. “The more you can present information in that format, the more successful it will be.”

Another key development is improved collaboration. Deltek, for example, has introduced features to its project management tools that allow companies to more effectively share project information online within the organization and with clients and partners.
Deltek Vision enables improved oversight of all stages and processes in the project lifecycle. The Vision product allows managers to create new projects, estimate costs, budget, plan for and staff projects, register project activity, conduct project follow-up (progress and reporting), automate project billing, and close and analyze ongoing projects.

In addition, Deltek offers Vision Navigator. The web-based management portal allows project managers to capture data, manage projects remotely and share project status with various stakeholders. Vision Navigator is accessible via mobile devices such as tablets and smart phones, Stalilonis says.

**Software as a Difference Maker**

Project management software is especially valuable to engineers who understand the industry but have little or no exposure to project management aspects of the profession, Stalilonis says.

“A lot of firms don’t have a good handle on which projects are successful and which are not,” he adds. “That’s a byproduct of not having strong project management skills.”

There are hindrances to effective adoption of the software, Pfohl says, including the need for executive sponsorship and a lack of proper training. “Many firms don’t make the proper investment in training their teams, which results in low user adoption,” he explains.

Firms should be prepared to work with the software providers on product implementation and training. “Training needs to be an ongoing process, and companies must provide adequate time to train people” in how to best use software tools, Stalilonis suggests. If users aren’t adequately trained, it is unlikely that they will apply the technology to the best of its ability.

**What’s the Price Tag?**

The cost of project management software can range from $20,000 to several hundred thousand dollars, depending on the sophistication and number of users, Pfohl says.

“We needed a solution that would make it easy to both save and extract e-mails from within the project record.”

COLLEEN MULROONEY DELTA ENGINEERS, ARCHITECTS, & LAND SURVEYORS, P.C.

“Cloud-based solutions like we have at GeoSpec mean less upfront costs and a variable investment model, allowing the firm’s investment in technology to change with the demands of the business,” Pfohl says. “Our licenses range from $85 to $180 per user per month, and are truly on demand.”

Vanasse Hangen Brustlin, Inc., a Watertown, Mass-based firm that provides multidisciplinary planning, design, engineering and consulting services, employs several project management software tools, says Michael Altobello, software development manager.

For smaller projects, the company typically uses Microsoft’s Project tool. For large projects that require complex coordination of sophisticated teams and more resources, it employs Oracle Corp.’s Primavera Portfolio Management system.

One of the drawbacks of more complex software, such as Primavera, is that it often requires a substantial amount of employee training, Altobello says. “You need to have the entire staff trained,” and that can be time-consuming.

Delta Engineers, Architects, & Land Surveyors, P.C., in Endwell, N.Y., uses Deltek Vision for its project management in conjunction with an e-mail management tool from Newforma called Newforma Project Center, which enables the firm to more effectively share project information.

"E-mail management was a significant issue for us. E-mails were being stored in user mailboxes, placing a strain on our Exchange server, as well as making it difficult for the project team to share the information," says Colleen Mulrooney, the firm’s IT manager.

“We needed a solution that would make it easy to both save and extract e-mails from within the project record,” Mulrooney says. “The additional capability of being able to associate e-mail with other project items significantly improves communication within the project team and keeps our project teams organized.”

“The Info Exchange module within Newforma allows us to transfer large files, track when they have been downloaded and provide notifications to everyone on the project team,” Mulrooney says. “Info Exchange also provides us with access to the information within Newforma from mobile devices so that our project teams have access to their information from anywhere.”

One additional benefit is the available integration between Deltek Vision software and Newforma, which completely automates setting up projects, setting permissions and archiving projects at closeout, Mulrooney says. “This process saved several hours per week of time within the IT department and eliminated the wait time for the project teams to access their projects,” she explains.

So far, the biggest challenge has been transitioning team members from the firm’s existing file management processes to Newforma. “We initiated a Newforma power users group to encourage users who are taking full advantage of Newforma to share their experiences with those who have not yet discovered its benefits,” Mulrooney says.

Bob Violino is a business and technology writer based in Maspalousta Park, N.Y.
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Competition in the Professional Liability Insurance (PLI) market remains high, but the days of declining or flat rates are drawing to a close, according to the ACEC/AIA/NSPE annual survey of PLI carriers.

By Maureen Conley

Hardening market could signal an end to declining premiums
When You Need Professional Liability Protection, It’s Always Good to Have a PLAN.

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Hard Market Coming
Relatively low rates have made PLI options even more attractive. “Carriers that came into the market in 2009 and 2010 may have missed some of the recession-driven claims of 2007 and 2008,” says Beazley U.S. A/E focus group leader Jim Schwartz. “We see those newer carriers pricing their rates as much as 30 percent below market,” he says. Older carriers also have the ability to be “aggressive in their pricing,” says Jeff Connelly, senior vice president of Marsh, broker for the ACEC Business Insurance Trust.

But the soft market won’t last forever. When claims start coming due, PLI experts expect the market to harden. The bargain basement prices of the past four years—driven unsustainably low by an ever-growing supply of insurance carriers—are beginning to creep upward. That was the consensus among participating carriers in the survey and in separate carrier interviews in which ACEC was represented by John Farrar, vice president at Clark Dietz Engineers; Tim Corbett, president and founder of SmartRisk; and Jim Messmore, vice chairman of ACEC’s Risk Management Committee and senior vice president of Hanson Professional Services.

Bob Rogers, global head for A/E PLI at Chartis, characterizes the current market as “transitional.” He points to a “wide divergence” in premiums, which is not characteristic of a true hard market. The market is hardening “in a selective way,” adds Tom Bongi, professional lines managing director at Catlin, “mainly in parts of the market that have seen significant claims in recent years.”

Most carriers are establishing rate increases somewhere in the neighborhood of 4 to 10 percent, says Farrar. The absence of investment income makes rates even more critical to underlying profits. Insurance carriers with a long track record can generally manage with reduced investment income, even while offering lower premiums. But they typically pay a price when hiking rates back up, says Professional Liability Agents Network President Jeff Hirst. As newer carriers begin to pay out claims, the absence of investment income quickly makes clear whether rates were high enough to begin with, says Kate Frownfelter, managing director of Victor O. Schinnerer.

Each carrier surveyed this year indicated that firm billings are the most important factor in determining premiums. Claims history, type of practice and type of projects round out the top four factors, according to the survey. A firm’s experience and location are also considered.

Firms with recent losses on the books and those that work in “riskier” fields, such as residential construction, should expect higher rates this year, says Bongi. Each carrier takes a slightly different approach to determining how much firms should pay.

Travelers, for instance, “looks at each account individually,” says managing director John Rapp. The carrier sets premiums based on exposures, project types and discipline. Structural engineers typically experience a higher claim rate, which translates into higher premiums.

In some cases, project owners have begun asking designers to secure policies with higher limits, particularly when working on public projects. Such requests have driven many to seek excess coverage, says SmartRisk’s Corbett. As the market continues to firm up on the property and casualty side, underwriting guidelines are tightening for PLI and
into a specialized industry sector, such as condominium design, or if an opportunity exists to lock in a fixed premium for multiple years.

But be careful. Pancoast says that firms that switch PLI carriers too frequently can sometimes find it difficult to find a willing insurer, particularly if a firm begins to experience claims or is driven back to the market by higher billings.

Connelly says Marsh does not recommend switching carriers except to access better risk management tools, significantly lower premiums or improve coverage through multiyear policies, first dollar defense, lower deductibles or fewer coverage limitations.

“The supply of carriers far outweighs the demand,” says Hirst. Carriers need three to seven years to know whether they have correctly priced the risk, he adds. If not, corrective steps are inevitable, such as underwriting restrictions, higher rates and even mergers. Hirst urges design firms to look for partners with which they can build a long-term relationship and that can help them deliver profitable results.

PLI carrier Catlin offers a 10 percent premium credit to insureds that take part in educational programs or other risk-management training, says Bongi. The credits recognize that continuing education, “particularly in areas of risk management and business practices, helps us all in the long run,” he says. Chartis offers underwriting credits to insureds that are “dedicated to risk management.” Rather than offer credit for a specific activity, the carrier “asks specific questions in the application process to gauge how a firm does risk management” and prices its policies accordingly, Rogers says.

Travelers offers premium credits to firms that require written contracts on each project, says Rapp. Policies cost less for firms with insured subconsultants, those that specialize, and those that have repeat clients—evidence they manage projects well over time, he says.

Claim Trends
Residential work continues to generate a lot of claims, and schools and other public projects are beginning to experience claim increases, says Pancoast. Farrar adds geotechnical and structural services to that list, noting that firms involved in such projects generally pay higher premiums and may be denied coverage by some carriers.

Catlin insures more civil engineers than any other discipline so most of its claims arise out of roads, highways and other pavement projects, says Bongi. He says the claims range from personal injury to fatality claims in some cases, as injured parties second-guess design and construction of roadways, intersections and even parking lots.

Small errors made by architects and structural engineers can lead to large claims, says Rogers. Chartis is seeing more claims out of K–12 schools, residential projects and process engineering projects. Two basic root causes are technical errors requiring a redesign or rebuild and project mismanagement related to “undocumented scope creep,” engineering changes and cost overruns, Rogers says.

Travelers writes policies on firms that specialize in education projects and has not seen a lot of claims in this area, says Rapp.

*Note: Did not answer.
The results are in...

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We’d like to thank our ACEC member customers for taking the time to respond to the 2012 ACEC Professional Liability Survey*—21% of all responses came from XL Group customers—that’s a higher percentage than any other carrier.

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Continuous improvement is always important—especially when it comes to servicing your claim or providing you with advanced risk management tools. Our A/E customers know that a successful project is judged by client satisfaction and that means taking quality control seriously—so do we. Thank you for your business.

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*The complete results of the American Council of Engineering Companies (ACEC) 2012 PLI Survey of Member Firms for 2011 is available through the ACEC Bookstore at www.acec.org (code: 13495-DL). ACEC does not endorse a provider of professional liability insurance.

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many cases, these firms “have relationships with school boards” that lead to “repeat clients,” he says. The firms’ specialization, combined with more sophisticated clients and good contracts, have made writing insurance in this specialty area “a very positive experience.”

Another carrier, XL Design Professional, has not seen an increase in claim severity, says Director of Industry Relations Al Rabasca. But claims are increasing in the public sector—primarily schools, universities and wastewater treatment plants, he says. Rabasca believes these increases are likely driven by the tough economy.

PLI Outlook
Engineering and design firms focused heavily on the public sector have “enjoyed the bounty” of stimulus spending in recent years but now face inevitable cutbacks, says Hirst. On the other hand, private developers, hit hardest at the outset of the recession, are now seeing business recover, he says.

As the nation’s focus turns to infrastructure, Rabasca projects growth in nontraditional building projects, such as public-private partnerships. When pursuing this work, he cautions designers to be aware of high expectations and a “heightened standard of care,” strict requirements that could negate their existing PLI.

To the degree they can, engineers should be involved in and aware of “what is being negotiated upstream” between the private sector and government agencies, he says. It’s important to read and understand contracts before signing them. Talk with brokers and carriers’ attorneys and develop a strategy for handling any increases in the standard of care, even if the business decision ultimately is to take on an uninsurable risk, Rabasca says.

One area that has always been problematic is condominiums, adds Schwartz. Low demand and a downturn in the national housing market have meant that fewer of these projects have been built recently. Several that were built were eventually converted into apartments. As the economy improves, Schwartz says building owners could convert apartments back to condominiums, potentially exposing designers to a higher level of risk.

Another challenge could come as sustainable design practices work their way into existing construction codes, says Rabasca. Such practices could increase designers’ risk, for which firms should be paid a higher fee. But Rabasca cautions that some project owners may not recognize the increased risk exposure and could balk at paying more to meet the code.

Some experts have suggested that certain PLI carriers might attempt to limit losses by issuing “reservation of rights” letters, a formality that preserves the right to deny a claim if some technicality negates the coverage. But the carriers generally say they issue such letters only when state law requires such a step or if there is a need to do so, says Messmore.

Best practices for PLI coverage continue to include good communication and proper documentation, says Pancoast. Connelly adds that firms need to “be careful” in selecting clients. “If you have any question about the reputation of your client, it may be in your best interest not to take the job,” he says. Hirst says the single best risk management practice is to secure “a clear, well-written scope of services.” He advises clients to be “judicious,” noting that even choosing A-rated carriers “doesn’t tell you anything about how they handle design professional claims.” Bongi urges firms to look closely at claims-handling experience. He says insurance is really “a promise that on your worst day, when you really need assistance, someone is going to be there to help.”

Maureen Conley is a business and technology writer based outside Washington, D.C.
Replacing a Design Professional On an Abandoned Project

When the economy took a severe downturn in the fall of 2007, it was not uncommon for one or more design projects to be suspended or terminated. As the economy slowly improves, some projects will be resuscitated. What if you are asked to take over another firm’s abandoned project?

There are many things to consider, including responsibilities as a business entity and obligations as a registered design professional. Complete openness between the firm and the client is an essential first step.

Try to determine why the client wants to change designers. If the original firm was not a good fit, what makes your firm a better fit? You might know whether the original consultant was competent and had the technical expertise to adequately design the project. Did the relationship sour over invoices that remained unpaid since the project was abandoned?

Ask for the client’s permission to talk with the previous design firm. This discussion could clarify the client’s thinking. If the client will not give permission, there may be something they do not want you to know. Be aware of professional confidentiality obligations. Do not contact the other firm without the client’s permission.

Determine the rightful ownership of the instruments of service. If the client does not own them or cannot obtain permission to use them, they cannot be used without risking legal action for infringing on the other firm’s rights. Any similarity of the new firm’s design to the original design could be construed as a violation of those rights unless the client has procured the ownership interest of the original consultant’s instruments of service.

Responsible Charge

When completing another firm’s design, certain professional obligations must be met, starting with fulfilling the requirements of being in responsible charge. State definitions of “responsible charge” vary but there are many similarities. The design professional in responsible charge must be involved in developing the standards and materials to be used, selecting the alternatives to be investigated, and comparing the alternatives for the professional work.

One cannot ascertain why materials or design methods were chosen from partially completed construction documents. The person in responsible charge must also know the technical capabilities of the personnel who will perform the professional work. It is very difficult, if not impossible, to meet these professional obligations without restarting project design from the beginning.

It may be less troublesome to take over a project after completion of the design phase. But providing professional services for construction administration can be challenging, especially if the original design professional is not involved. A designer that was not involved in developing construction documents will not have a good understanding of why certain materials and methods were used.

It can be similarly tricky if the new design professional is approving shop drawings. No one can be as familiar with the design as the original designer. The review of shop drawings gives the designer one last chance to look at a design before it is built. If the original consultant is not reviewing the shop drawings, an important opportunity for one last look will be lost.

Protect Your Interests

When drafting the contract, make sure to include clauses covering the additional risks the firm takes on when supplanting another design firm. The new firm should obtain indemnification for any acts, errors or omissions by any prior design firm. The new firm should also have indemnification from any claims of copyright or patent infringement arising from the use of any documents provided by any previous design firm. In addition, the client should also warrant that the company has the right to provide the documents to the new design professional and that the information and documents are accurate. The new design firm should be able to rely on the information being accurate and complete without having to verify the information.

Replacing a previous design professional on an abandoned project can have many hazards. But these risks can be minimized with complete openness between the client and the design professional. The project contract should include language addressing the additional risks of replacing another consultant. If these protections can be achieved, a design professional will have made great strides in managing the risks.

Glen R. Mangold is managing director of the Architects/Engineers program for Markel Corporation. He can be reached at gmangold@MarkelCorp.com; Charles W. Kopplin is former chairman of the ACEC Risk Management Committee. He can be reached at cw.kopplin@gmail.com.

The material in this article is provided for informational purposes only and is not to be regarded as a substitute for technical, legal, or other professional advice. The reader seeking such advice is encouraged to confer with an appropriate professional consultant or attorney.
Ethics an Essential Component in Continuing Education for Engineers

Many state licensing boards require an industry-specific ethics course as part of continuing education to maintain professional licenses.

ACEC offers an array of programs on ethics specific to engineering through webinars and conference and convention sessions. These programs provide vital information on the benefits achieved when ethical standards are applied in daily engineering practice, including:

- ACEC Professional and Ethical Conduct Guidelines
- Duties of the Engineer in “Responsible Charge”
- “Standard of Care” and Engineering Practice Issues

On Feb. 5, 2013, ACEC will present the webinar Ethical Decision-Making for PEs: Today’s Standards and Benefits, led by Gerard P. Cavaluzzi, vice president and division counsel at ARCADIS U.S., which concentrates on ethics from the individual engineer’s perspective to assist in daily decision-making. This timely webinar offers a new understanding of professional ethics and licensure issues applicable to the licensed professional engineer and includes a review of the ACEC Professional and Ethical Conduct Guidelines. Participants will develop a better awareness of ethical practices and their application in the engineering industry.

For a complete listing of this and other ACEC webinars, visit www.acec.org and click on the “Education” tab.

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EJCDC Construction Document Update

The contract document Standard General Conditions of the Construction Contract (C-700) is the mainstay of contract documents—the result of deliberation and meticulous planning by the Engineers Joint Contract Documents Committee (EJCDC).

EJCDC documents are widely used and tested, reducing the potential for errors, omissions and conflicts in the documents, and they have been updated to reflect industry trends, court decisions and changes in laws and regulations. Many contractors have said they feel a significant degree of comfort regarding these standard forms because they know what to expect and what will be required.

Key EJCDC Document Features

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- Language on electronic transmittals
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- Coordinated with EJCDC engineering agreements
- Focuses on issues typical of engineered construction

To see a list of all EJCDC documents, go to www.acec.org and click on the “Store” tab at the top of the homepage.

Tools for Land Development, Site/Civil and Geo-Technical Firms

The Land Development Coalition (LDC) launched the inaugural LDC Business Practices and Procedures Products in November 2012. These member-developed checklists, best practice guidelines and marketing tools will position land development and site/civil firms for increased business and profitability. LDC publications focus on marketing, project management, financial management, risk management and staffing. Each area includes worksheets and sample documents for engineers engaged in land development.

In addition, LDC released these new publications:

Go/No-Go Process—Can your firm win the work? Evaluate your firm’s overall chances of winning the work—upfront—with a well-structured go/no-go process.

Project Start-Up—When the “client manager” and the project manager are different individuals, the client manager needs to directly communicate project information to the client. A Project Start-Up Checklist—no matter the size of the project—can facilitate the client service manager-project manager discussion.
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• Other Leading-Edge Business Education Forums and Seminars

ENGINEERING EXCELLENCE AWARDS GALA
• The “Academy Awards of the engineering industry”—black-tie reception, dinner and awards ceremony to celebrate the year’s most outstanding engineering achievements.
• A “Champagne After Party,” featuring live music and dancing, free to all Gala registrants.

FEDERAL LOBBYING AND MARKETS
• Lobby Congress on Infrastructure, Water, Transportation and other key business issues
• Federal business opportunities from top officials at the U.S. Army Corp of Engineers, General Services Administration, NAVFAC, State Department, Homeland Security, Department of Energy, Veterans Administration and other agencies
• ACEC/PAC Sweepstakes and Congressional Fundraiser

TEAMING FAIR
• Small firms participate in one-on-one interviews with large firms for subcontracting opportunities on federal contracts.

CONVENTION INFORMATION AND EARLY REGISTRATION FEES

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HOTEL INFORMATION
The Grand Hyatt Washington, located in downtown Washington, D.C., between the White House and Capitol Hill and easily accessible by Metro. The ACEC room rate is $299, single/double occupancy, plus 14.5 percent tax. Room reservations must be received by Wed., March 13, 2013. After this date, rooms may not be available or not available at this rate. Rooms are available until the cutoff date or until rooms in the ACEC room block are gone, whichever occurs first.

To make your hotel reservation online, visit www.acec.org/conference/annual-13 and click on “Hotel and Travel” to access the hotel reservations link. A reservation confirmation will be sent to you directly from the online reservation agent, at which time your reservation is definitely held at the Grand Hyatt. Or call toll free, 1-888-421-1442, and reference “ACEC Annual Convention.”

To register, or for more Convention information, e-mail meetings@acec.org.
Quality Time

William (Bill) Stout is chairman and CEO of Gannett Fleming in Camp Hill, Pa., a global planning, design and construction management firm with more than 2,000 professionals in 60 offices worldwide. He has been a member of the firm’s board of directors since 1996 and has served as chair of ACEC’s Business Resources and Education Committee. He is also a graduate of ACEC’s Senior Executives Institute.

Q. What is the primary reason you chose to become an engineer?
A. My becoming an engineer was a result of a series of serendipitous events. First, I won the Rensselaer Medal as a junior in high school, which led to attending Rensselaer Polytechnic Institute (RPI). The summer before freshman year, I had a job pulling weeds for the state of New York. When my allergies flared up, they took pity on me and reassigned me to the district bridge section. I enjoyed the work. Finally, in my first week at RPI as a math major, the language requirement overwhelmed me and I switched to engineering, which had no language requirement. Of course, the fact that my dad was an engineer likely was a contributing factor.

Q. If you had not pursued a career in engineering, what other profession(s) interested you?
A. I was interested in teaching mathematics in college because I thought there was no way I could sit behind a desk for eight hours a day. Apparently, 10 or 11 hours a day wasn’t a problem.

Q. What is the best advice you ever received?
A. My dad always told me to keep matters in perspective, know what’s really important, don’t sweat the small stuff and trust in God.

Q. What do you know now that you wished you had known 20 years ago?
A. On a professional basis, I now know that although many of the attributes of a good leader are developed over a lifetime of experience, there is also much to be learned in a more formal setting. Attending ACEC’s Senior Executives Institute, learning from the instructors and colleagues and being introduced to key literature on the subject have been a tremendous help to me in leading our organization. I continue to read leadership books and only wish I had started this learning journey 20 years ago. On a personal basis, I wish I had known to give my wife and children more of my attention. We spent a lot of time together going to sports events, taking trips and visiting family. But those busy activities don’t qualify as giving your attention to the needs of another. It may be a cliché, but I didn’t set aside enough quality time.

Q. Do you have a unique hobby that takes up a significant amount of your time?
A. The simple answer is no. My areas of interest outside of work include reading, golfing, playing the piano, singing and teaching Sunday school. None are unique, nor do they take up a significant amount of time.

Q. If you were president of the United States for one day and could make one executive decision, what would it be?
A. I’d require all executive agencies to cut their staff by 10 percent. That’s probably not enough, but, like the 10 lawyers at the bottom of the ocean, it’s a good start.

Q. What do you consider your greatest professional achievement and why?
A. I represented public utility companies in rate proceedings. My area of expertise was depreciation, the ratable recovery of the both the utility plant’s original cost and the ultimate cost of retiring the asset during its service life. Several utility commissions decided it was too speculative to recover the unknown cost of retiring during the asset’s life and that a reasonable estimate of such costs could not be made and, therefore, the utility should wait and recover the cost of retiring after it was incurred. I was successful in defending the recovery of such costs from the customers that used the assets while they were in service and in having the idea of collecting such costs from a later generation of customers rejected. This achievement greatly improved my utility clients’ financial condition.
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Members in the News

On The Move

Englewood, Colo.-based CH2M HILL announced two leadership appointments. Thomas P. Klin was promoted to vice president and northeast geographic manager. Patrick King was named vice president and director of CH2M HILL’s ports and maritime business. Klin and King are both based in New York City. In other firm news, Dennis Ferrera was named president of CH2M HILL’s nuclear business group. Ferrera succeeds Mark Fallon, who will become managing director, U.K./Europe region. Ferrera is based at the firm’s corporate headquarters.

Oakbrook Terrace, Ill.-based Professional Service Industries, Inc. (PSI) announced that Vincent Franceschi has joined PSI as executive vice president overseeing firm offices in the western region states. He will be based in Oakland, Calif. Steve Howell was appointed vice president overseeing all of PSI’s Denver operations. Scott Palmer accepted a vice president position overseeing firm operations in the state of Washington. He will be based in Seattle. John Gordon has been appointed principal-in-charge of PSI’s geotechnical service line and is based in Memphis.

Pasadena, Calif.-based Parsons Corp. named Thomas E. “Tom” Barron director of strategic initiatives. He is based in Washington, D.C. Todd K. Wager was appointed president of the firm’s transportation group. He is based in Parsons’ corporate headquarters. Mary Ann Hopkins was appointed senior vice president and manager of the national security & defense division for the government services group, and is based in Center- ville, Va. Kurt H. Tripp was appointed vice president and manager of the defense & security section of its government services group and is based in Arlington, Va.

AECOM Technology Corporation appointed Thomas Peck senior vice president and CIO. Prior to joining AECOM, Peck served as CIO at Levi Strauss & Company, MGM Mirage and at the entertainment business unit of NBC Universal. Peck will be based at AECOM’s Los Angeles headquarters.

Guy E. O’Connor has been promoted to senior vice president of Volkert & Associates, Inc. O’Connor is based in Volkert’s Mobile, Ala., corporate headquarters.

New York City-based Parsons Brinckerhoff appointed Norman Rhodes senior vice president and tunnel services technical director. Rhodes will be based at the firm’s corporate headquarters. Scott Roux was appointed vice president of U.S. operations for North Vancouver, B.C., Canada-based Buckland & Cedar Rapids, Iowa-based Shive-Hattery promoted James A. Lee to president. Thomas M. Hayden has served as president and chairman of the board since 1996 and will remain company chairman.

Thomas P. Klin
Patrick King
Dennis Ferrera
Vincent Franceschi
Biff Lyons
Kurt H. Tripp
Mary Ann Hopkins
Guy E. O’Connor
Norman Rhodes
Thomas Barron
John S. Prizner Jr.
Taylor, Ltd., a firm that provides specialized bridge engineering services. Roux is based in the firm’s Seattle office.

Michael Baker Jr., Inc., based in Moon Township, Pa., appointed John S. Prizner Jr. vice president and eastern-region rail and transit manager. He will be based in Rocky Hill, Conn.

Welcome New Member Firms

ACEC/California
Crawford & Associates, Inc., Sacramento
MacDonald-Bedford, LLC, Alameda
Neill Zerlang - Land Surveyor, Inc., Visalia
Williams Associates Engineering, a Cal Corp., Santa Rosa
ACEC/Georgia
Wenck Associates, Inc., Roswell
ACEC/Illinois
Duffield Consulting Engineers, Ltd., Joliet
ACEC/Indiana
Guidon Design, Inc., Indianapolis
Robert E. Curry & Associates, Inc., Danville
ACEC/Mississippi
Roger Foster, LLC, Brandon
ACEC/Montana
Northern Engineering & Consulting, Inc., Billings
ACEC/New Mexico
Council Rock Consulting, Inc., Rio Rancho
ACEC/North Carolina
FDH Engineering, Inc., Raleigh
ACEC/Ohio
Advanced Engineering Consultants, Columbus
ACEC/Oklahoma
Cowan Group Engineering, LLC, Oklahoma City
Mbroh Engineering, Inc., Oklahoma City
ACEC/Pennsylvania
Senate Engineering Company, Pittsburgh
ACEC/South Carolina
Coastal Science & Engineering, Columbia
ACEC/Texas
Broad Oak Energy II, LLC, Irving
C1S Group, Inc., Dallas
Civil Associates, Inc., Dallas
Eikon Consultant Group, LLC, Waco
Grimes & Associates, Consulting Engineers, LP, Wolfforth
Material Science Research Consulting Engineers (Optimum Corrosion Solutions), El Paso
The Rios Group, Inc., Fort Worth

Calendar of Events

JANUARY
8 Team Network Analysis: Fixing Bottlenecks Across High-Functioning Teams (online seminar)
15 Design Project Management (online seminar)
17 Workplace Wellness: Building a Foundation of Better Health (online seminar)
23 Large Water Pipelines: What Is Being Done, What Needs to Be Done (online seminar)
30 Managing Key Contract Risks (online seminar)

FEBRUARY
5 Ethical Decision-Making for PEs: Today’s Standards and Benefits (online seminar)

APRIL
21-24 ACEC Annual Convention and Legislative Summit, Washington, D.C.

To sign up for ACEC online seminars, go to www.acec.org/education.

Additional information on all ACEC activities is available at www.acec.org.

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Mergers and Acquisitions
A 2013 M&A Industry Outlook

The pace and nature of industry consolidations this year will be tied directly to the level of economic recovery—and how it is perceived by buyers.

Industry consolidation got off to a slow start in the first quarter of 2012, lagging behind the pace set during the same period in 2011. But mergers and acquisitions (M&As) picked up in the second quarter, to the point where the domestic engineering industry consolidated at roughly the same pace as it did the prior year—or approximately one merger every two days. This flurry of activity demonstrated a rising confidence among buyers in the economy—despite lingering post-election concerns surrounding the “fiscal cliff” and other budget issues.

In 2013, we anticipate an uptick in deal making in the United States of approximately 10 percent. Two reasons why:

• There is still an oversupply of firms in the industry. Many firms have been hanging on for the past four years and are in tough shape in terms of capitalization and morale. As the economy picks up, these firms will sell to buyers entering or reentering the M&A market with greater confidence as the economy picks up steam. The New Year will also see increased levels of M&A activity within states as peers and former competitors combine to shore up market positions.

• The broader energy sector will continue to be robust, creating a renaissance of sorts for the consulting engineering industry. Major firms that do not have a position in this sector will look to establish one through strategic hires and acquisitions in 2013.

ACEC Deal Makers
Here’s a list of some ACEC Member Firms that were active in the M&A arena at the end of 2012:

• Stantec (Edmonton, AB) signed a letter of intent to acquire 150-person South Florida engineering Firm C3TS (Coral Gables). The move will establish a strong presence for Stantec on Florida’s Atlantic coast, bringing total staff in the state to more than 350 in 12 offices.

• Parsons (Pasadena, Calif.) announced that through its Brazilian subsidiary, Parsons do Brasil, it has signed an agreement to acquire privately held CT MAIN Engenheiros (São Paulo), a leading provider of project management and engineering services to the energy and infrastructure market in Brazil. CT MAIN Engenheiros will increase Parsons’ presence in Latin America and enhance its efforts in infrastructure development, power systems, pipelines, and oil and gas.

• Kleinfelder (San Diego) announced the acquisition of Omni Environmental LLC (Omni) (Princeton, N.J.). Omni provides consulting services in the areas of water quality management, environmental contamination, renewable energy and more. The official announcement of the merger followed several months of integration planning between the management teams of both firms.

• Merrick & Company (Aurora, Colo.) announced its acquisition of Energy Ace (Decatur, Ga.). Energy Ace has been guiding architects, engineers, construction managers, owners and developers in the design and operation of efficient environments since 2002. The acquisition further strengthens Merrick’s sustainable services offerings in its target global markets of energy, sustainable infrastructure, life sciences and national security.

• Professional Service Industries, Inc. (Oakbrook Terrace, Ill.) announced its acquisition of the Hi-Tech Testing (Longview, Texas) family of companies. Hi-Tech Testing is a full-service non-destructive testing, inspection and consulting organization with specialized data collection equipment and reporting capabilities.

• Pennoni Associates (Philadelphia) announced its acquisition of Green Stone Engineering (Wilmington, Del.). “The addition of Green Stone Engineering enhances our water resources capabilities and provides an expanded client base for all of our services,” said Pennoni Senior Vice President for Strategic Growth David DeLizza.

To view the most up-to-date and “live” versions of the M&A heat maps that accompany this article and see the buyers and sellers in each state, go to www.morrisseygoodale.com.

Watch the M&A Takeaway video that accompanies this article, presented by Mick Morrissey at www.morrisseygoodale.com/ACECMergers/JanFeb2013.

Mick Morrissey is managing principal of Morrissey Goodale LLC—a strategy, M&A and human capital solutions firm serving the A/E/C industry. He can be reached at mmorrissey@morrisseygoodale.com.
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