

# ENGINEERING INC.

www.acec.org

JANUARY/FEBRUARY 2011

THE AWARD-WINNING BUSINESS MAGAZINE

## POWER SHIFT



And What  
It Means for  
Our Industry

- >> Effective  
Project  
Management
- >> Competition  
Drives PLI  
Rates Lower
- >> M&A  
Game  
Changers



ACEC

AMERICAN COUNCIL OF ENGINEERING COMPANIES

100 Years of Excellence



## Guaranteed Income to protect your DC plan against market declines

You and your plan participants need to know their retirement income is guaranteed. Prudential's innovative fund option, Prudential IncomeFlex® Target<sup>SM</sup>, combines the desired features of defined contribution and defined benefit plans:

- **Simplicity of a target-date fund**
- **Protection against market downturns for retirement income**
- **A "pension-like" guaranteed lifetime income stream**
- **Access to principal**

**Prudential IncomeFlex Target will be available to ACEC Retirement Trust Plans early 2011.**

### THE ACEC RETIREMENT TRUST

- Oversight by the ACEC Board of Trustees
- Strong client satisfaction and retention rates
- Simplified investing solution through the GoalMaker® asset allocation program offered by Prudential Retirement®
- Guaranteed lifetime income option through Prudential IncomeFlex

To learn more about the benefits of the ACEC Retirement Trust, contact Nancy Barrette of Wells Fargo Advisors, LLC at 1-800-521-9463 or via email at [nancy.barrette@wellsfargoadvisors.com](mailto:nancy.barrette@wellsfargoadvisors.com)



**Prudential**

Please keep in mind that application of asset allocation and diversification concepts does not ensure safety of principal and interest. It is possible to lose money by investing in securities.

Securities products and services are offered by Prudential Investment Management Services LLC (PIMS), Three Gateway Center, 14th Floor, Newark, NJ 07102-4077. Prudential Retirement's group annuity contracts are issued by Prudential Retirement Insurance and Annuity Company (PRIAC), Hartford, CT, a Prudential Financial company. PIMS and PRIAC are Prudential Financial companies.

Prudential IncomeFlex® Target<sup>SM</sup> funds are investment options available under group variable annuity contracts issued by PRIAC. PRIAC does not provide any guarantee of the investment performance or return of contributions to those separate accounts. PRIAC's guarantee of certain withdrawals is supported by PRIAC's general account and is contingent on its claims-paying ability. You should consider the objectives, risks, charges and expenses of the funds and guarantee features before purchasing this product. You should carefully review the Prudential IncomeFlex Target Important Considerations before purchasing this product. Product availability and terms may vary by jurisdiction. Subject to regulatory approvals. Annuity contracts contain exclusions, limitations, reductions of benefits and terms for keeping them in force. Contract form # GA-2020-TGWB3-0805 or state variation thereof.

Prudential, the Prudential logo, and the Rock symbol are service marks of The Prudential Insurance Company of America, Newark, NJ, and its related entities, registered in many jurisdictions worldwide.





8

## Cover Feature

### POLITICAL SHIFT

What will the new Congress mean for engineers? Industry insiders handicap some of the most critical legislative issues.



20

## Features

### 2010 PROFESSIONAL LIABILITY INSURANCE SURVEY OF CARRIERS

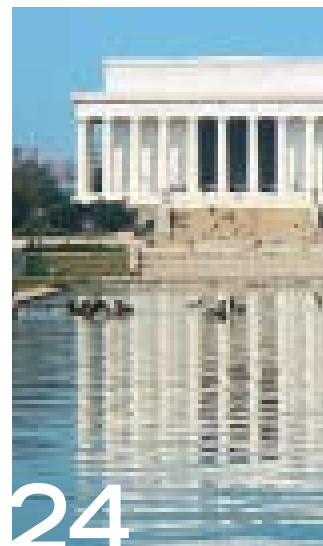
Competition is keeping rates competitive, but firms should place a premium on vigilance.

### ALL IN THE DELIVERY

Effective communication is the key to successful project management.

### 2011 ANNUAL CONVENTION PREVIEW

Join your colleagues to address industry challenges and opportunities at ACEC's Annual Convention and Legislative Summit in Washington, D.C.



24

8

## Departments



4

### FROM ACEC TO YOU

The new Congress and our industry's agenda.

### NEWS AND NOTES

Survey: Americans willing to pay more to fix crumbling water infrastructure; Iraq partners with Oregon officials to advance sustainability.

### MARKET WATCH

Industry projections: look beyond 2011 for construction rebound.

### LEGISLATIVE ACTION

President's fiscal commission identifies needed measures; critical infrastructure initiatives to carry over to 2011; Congressional action urged on 3 percent withholding.

2

### BUSINESS INSIGHTS

Know the legal risk exposures that could harm your firm; prospecting for good government projects; new professional designations *MgtEng*, *ExecEng*, *MgtPro*.

4

### MEMBERS IN THE NEWS

Michael Kesler appointed chief operating officer at Kleinfelder; Barry J. Schulz appointed PBS&J Transportation Group president.

5

6

### MERGERS AND ACQUISITIONS

New feature looks at past and future M&A activity.

26

28

32

THE OFFICIAL PUBLICATION OF THE  
AMERICAN COUNCIL OF ENGINEERING COMPANIES

## AMERICAN COUNCIL OF ENGINEERING COMPANIES

|   |  |
|---|--|
| CHAIRMAN  | Gerald Stump                                     |
| PRESIDENT & CEO   | David A. Raymond                                 |
| VICE PRESIDENT,<br>OPERATIONS                           | Mary Ann Emely                                   |
| VICE PRESIDENT,<br>GOVERNMENT AFFAIRS                   | Steven Hall                                      |
| VICE PRESIDENT,<br>INSTITUTE FOR BUSINESS<br>MANAGEMENT | Jeffrey L. Beard                                 |
| DIRECTOR, COMMUNICATIONS<br>and MEDIA                   | Alan D. Crockett                                 |
| STAFF EDITOR  | Andrea Keeney<br>akeeney@acc.org<br>202-682-4347 |
| SENIOR COMMUNICATIONS<br>WRITER                         | Gerry Donohue                                    |

## ACEC PUBLIC RELATIONS AND EDITORIAL ADVISORY COMMITTEE

|          |                  |
|----------|------------------|
| CHAIRMAN | Cynthia K. Allen |
|----------|------------------|

## TMG

|                 |              |
|-----------------|--------------|
| MANAGING EDITOR | Corey Murray |
| ART DIRECTOR    | Jeff Kibler  |
| PROJECT MANAGER | Katie Mason  |

## ADVERTISING SALES

Nina Goldman  
Director, Sales and M.O. Services  
ACEC  
1015 15th Street, NW, 8th Floor  
Washington, D.C. 20005-2605  
202-682-4325  
ngoldman@acc.org

*Engineering Inc.*, Volume 22, Number 1 (ISSN 1539-2694), is published bi-monthly by the American Council of Engineering Companies (ACEC), 1015 15th Street, NW, 8th Floor, Washington, D.C. 20005-2605. Periodicals postage paid at Washington, D.C., and at additional mailing offices. Annual subscriptions are \$24 for members (included in dues as a non-deductible amount); \$45 for U.S. non-members; \$65 for institutional subscriptions. Back issues are \$15.

POSTMASTER: Send address changes to *Engineering Inc.*, c/o ACEC, 1015 15th Street, NW, 8th Floor, Washington, D.C. 20005-2605.

© 2011 American Council of Engineering Companies. All rights reserved. This publication may be copied, downloaded from the ACEC website, stored in electronic or hard-copy format, and disseminated to third parties for educational and information purposes. ACEC expressly disclaims any liability for damages of any kind in connection with such copying, downloading, storage, and/or dissemination. By copying, downloading, storing and/or disseminating this publication, the recipient of this publication expressly agrees to defend, indemnify, and hold ACEC, its officers, directors, employees, volunteers and agents harmless from and against any and all losses, damages, claims, causes of action and liabilities, including reasonable attorneys' fees and costs, arising out of or resulting from the recipient's use of this publication. Notwithstanding the above, no part of this publication may be altered, resold, licensed, or used for any other commercial purposes without the prior written permission of ACEC. Recipients may opt out of receiving the electronic version of this publication from ACEC by sending an e-mail with the subject line "Unsubscribe" to ACEC at [magazine@acc.org](mailto:magazine@acc.org).

*Engineering Inc.* subscribers: If you have a mailing address correction or need to add or remove an employee from the *Engineering Inc.* mailing list, please contact the ACEC Membership Department at [memberservice@acc.org](mailto:memberservice@acc.org) or call 202-347-7474 and ask for Member Records.

**ACEC**  
AMERICAN COUNCIL OF ENGINEERING COMPANIES  
[WWW.ACEC.ORG](http://WWW.ACEC.ORG)

## The New Congress and Our Industry's Agenda

**T**he new Congress will bring a more business-friendly approach to a number of key industry issues, but also a degree of uncertainty as budget-cutting pressures conflict with a need to boost critical infrastructure investments.

Bipartisan agreement in the closing days of December averted major tax increases that could have affected engineering firms and created further drag on the economy, an indication that—despite the partisan divide—both sides are capable of coming together to pass meaningful initiatives and promote economic growth.

Our message to Congress and the White House is very simple: More needs to be done to spur the economy and put America's engineers back to work. ACEC will be working closely with lawmakers in the coming months to ensure that the nation's recovery agenda includes a new six-year highway and transit program, multiyear aviation and water bills, and new bipartisan energy initiatives. The future holds some tough challenges, but ACEC is going to stay on offense and look for every opening to move your interests forward.

This issue of *Engineering Inc.* considers the opportunities and challenges we face in achieving meaningful progress with the new Congress. *See page 8.*

A new Mergers & Acquisitions column by Mick Morrissey, managing principal of Morrissey Goodale, also debuts in this issue. *See page 32.*

And don't forget to plan now for the upcoming 2011 Annual Convention and Legislative Summit, March 30–April 2, in Washington, D.C. The industry's largest and most influential legislative advocacy event comes at a critical time. Your participation can help achieve significant legislative "wins" for our industry and our country. *See page 24.*



Gerald Stump  
ACEC Chairman



David A. Raymond  
ACEC President & CEO







## Find Your Critical Path to Success: Risk Management With Lockton

Your most profitable projects are a solid combination of project management and risk management. Make risk and surety solutions from Lockton part of your equation.

With Lockton, you have the global resources of the world's largest privately held insurance broker and the specialized talent of Lockton's Design and Construction Team.

You have dedicated Associates providing you with competitive, intelligent and creative programs designed to ensure one thing: **your success.**

To learn more about Lockton's design and construction expertise, contact Grover Simpson at 816.960.9114 or [gsimpson@lockton.com](mailto:gsimpson@lockton.com).

[www.lockton.com](http://www.lockton.com)

WE LIVE SERVICE!®

Risk Management for Engineers • Architects • Construction

444 W. 47th Street, Suite 900 • Kansas City, MO 64112 • 816.960.9000

© 2010 Lockton, Inc. All rights reserved. © 2010 Thinkstock. All rights reserved.



## Survey: Americans Willing to Pay More To Fix Crumbling Water Infrastructure

A majority of Americans say they are willing to pay significantly more in water bills to help repair the nation's deteriorating water infrastructure, a new survey by the ITT Corporation shows.

The nationwide survey of 1,003 registered voters revealed that 63 percent of Americans are willing to pay an average of 11 percent more on their water bills each month to ensure consistent access to clean water. An additional survey of 502 industrial and agricultural businesses showed that 57 percent are willing to pay an average of 7 percent more per month for adequate supplies of water.

Applied across all American households, this increase is equal to \$5.4 billion—or four times the F.Y. 2009 federal investment in our nation's drinking water systems, according to ITT.

"Water is one critical issue missing from the national infrastructure debate," said Gretchen McClain, president of ITT Corporation's Fluid and Motion Control business. "Yet, when presented with the facts, Americans recognize a looming crisis and are willing to pay their share to properly maintain the systems that bring clean water into their homes."

The survey also found that:

- An overwhelming 95 percent of Americans rate water as "extremely important,"



more than any other service they receive, including heat and electricity.

- Three in four voters (74 percent) and two in three businesses (68 percent) are "concerned" about the state of U.S. water infrastructure.
- 80 percent of voters say water infrastructure needs reform, and about 40 percent say "major reform" is necessary.
- 85 percent of voters and 83 percent of businesses agree that federal, state or local governments should invest money in upgrading water pipes and systems.

McClain said survey respondents recognize that the nation's water distribution and

treatment system is worsening under the combined pressures of population growth, urbanization and chronic underinvestment. Some realities of the current state of the nation's water infrastructure include:

- The U.S. population has more than doubled since much of the water infrastructure system was first put in place, and in many areas, systems struggle to keep up with increasing demand.
- Every day in America, 650 water mains break—one every two minutes. These breaks and other leaks result in the loss of roughly 1.7 trillion gallons of water every year—enough to supply water to 68 million Americans, according to the U.S. Geological Survey.
- According to the Congressional Budget Office, the gap between what is needed to invest and what is actually invested in the nation's water infrastructure is about \$19 billion each year.

"We all have a role to play, starting with more efficient use and conservation of water," McClain said. "Citizens and businesses need to understand that the delivery of clean water comes at a price, and we need to value that clean water accordingly. Government can enact environmentally effective, economically sustainable and fair water policies that ensure proper investment in the infrastructure for future generations."

## Iraq Partners With Oregon Officials to Advance Sustainability

Iraq has secured the assistance of the Oregon state government and Oregon State University (OSU) to implement sustainability in the reconstruction of its war-torn infrastructure.

In a Memorandum of Understanding signed in November by Oregon Gov. Ted Kulongoski and Iraq Ministry of Higher Education and Scientific Research officials, the Middle East nation confirmed its hopes for new infrastructure, along with development of sustainable engineering curricula

and expanded research labs at Iraq's 23 public colleges of engineering.

The agreement—the first of its type between the Iraqi government and any U.S. state government or university—was initiated by Iraq and also involves OSU and the Michael Scott Mater Foundation (MSMF), a nonprofit organization dedicated to building relationships between the United States and foreign nations.

"Iraq is one of many Middle East countries challenged with

water, agriculture and infrastructure problems—and what is applied in one nation can be expanded for application in surrounding nations," Kulongoski said. "Equally important in this partnership is that Oregon engineering students will get hands-on experience in learning how to apply sustainable engineering design in geographic places and in conditions they normally would not have the opportunity to learn about."

The agreement builds on efforts by OSU and the MSMF

to enhance Iraq's infrastructure reconstruction efforts, such as coordinating Iraq engineering school faculty participation in several previous OSU-sponsored green building workshops.

The agreement includes a five-year implementation plan designed to meet the goals of the Iraq Ministry's new National Education Program in Sustainable Engineering to implement the enhanced sustainable engineering education, research and outreach into all aspects of the nation's rebuilding efforts.

# Industry Projections: Look Beyond 2011 for Construction Rebound

Construction spending was down 11 percent in the first 10 months of 2010, with the nonresidential component plunging 26 percent, the U.S. Commerce Department reports.

Contracts for new construction—a key indicator of future activity—fell 3 percent overall (11 percent in nonresidential building) in the year's first nine months, according to McGraw-Hill Construction (MHC).

What's clear is (a) economic forecasting is more difficult than it was a few years ago; (b) construction is in an actual depression, not a recession; and (c) while everyone (forecasters, engineers, contractors and developers) suspects that the nation has already seen its construction bottom, no one

is willing to project a full-bore recovery anytime soon.

If indicators of a construction turnaround are what you are after, you'll want to look more closely at available data on the years beyond 2011.

## McGraw-Hill Construction

As shown in *Table 1*, MHC's economists recorded strong business from 2005 to 2007 and mediocre business from 2009 to 2011. MHC includes the Dodge unit, which tracks construction starts where "actual" numbers for past years closely reflect reality.

In its 2011 outlook, MHC drew a dividing line between its "starts" forecast and what's likely to show up in the Commerce Department's 2011 forecasts. Though there's an 8 percent

uptick in the dollar value of 2011 construction starts, Commerce's "put-in-place" (spending) number is likely to be down 3 percent this year, MHC says.

The report notes that "for the closely watched non-residential building sector in 2011, the construction start series has a 4 percent gain, while construction put in place will be down another 6 percent. In short, what's expected to be a slow and extended recovery for construction starts will be even more so for construction put-in-place."

MHC's monthly "Forecast & Trends" piece can be accessed (free) at [snipurl.com/1gi9yk](http://snipurl.com/1gi9yk).

## Reed Construction Data

In a recent presentation, Jim Haughey, chief economist for Reed Construction Data (RCD), attempted to project 2011 Commerce Department numbers. RCD predicts more positive signs for 2011, though not big gains.

More compelling are Haughey's projections for 2012, which indicate a gain of 12.8 percent in residential construction and a 13.4 percent surge in non-residential construction. Sectors that RCD believes will do particularly well in the next two years include:

- Health care construction, up 7 percent in 2011 and 13 percent in 2012.
- Highway construction, up 7 percent in each of the next two years.
- Water/sewer, up 8 percent and 6 percent, respectively (after a 4 percent increase in 2010).

After recent down years and mediocre numbers for 2011, RCD projects that 2012 will be a great year for retail construction (up 12 percent), office construction (up 19 percent) and hotel construction (up 22 percent).

## Associated General Contractors of America

Ken Simonson, chief economist for the Associated General Contractors of America, chimed in with 2011 forecast numbers during an RCD-sponsored webcast. His projections included:

- Nonresidential spending, flat to up 5 percent.
- Residential spending, up 5 percent to 10 percent.
- Total construction spending, up 3 percent to 8 percent.

## FMI Corp.

Each quarter, FMI Corp. posts a "Construction Outlook" to its website, [www.fminet.com](http://www.fminet.com). Not known as an economic shop, it projects four years ahead (see *Table 2*).

FMI believes total construction for 2014 will reach \$1.135 trillion. Construction last exceeded \$1.1 trillion in 2005, 2006 and 2007.

*Joe Salimando writes on construction at [www.electricalcontractor.com](http://www.electricalcontractor.com). Reach him at [ecdtdcom@gmail.com](mailto:ecdtdcom@gmail.com).*

**Table 1** Construction Start \$ Values, 2005–2011  
(Dollars in billions)

| Year  | Total Construction | Public Works | Commercial Buildings |
|-------|--------------------|--------------|----------------------|
| 2005  | \$670.2            | \$95.9       | \$72.2               |
| 2006  | \$689.3            | \$112.5      | \$92.9               |
| 2007  | \$641.7            | \$121.3      | \$101.3              |
| 2008  | \$555.2            | \$121.0      | \$91.6               |
| 2009  | \$420.7            | \$121.6      | \$46.7               |
| 2010E | \$411.3            | \$123.6      | \$38.8               |
| 2011F | \$445.5            | \$122.3      | \$44.6               |

Source: McGraw-Hill Construction  
E = estimated, F = forecast

**Table 2** Construction Outlook 2010–2014  
(Dollars in billions)

| Year | Total Construction | Residential | Nonresidential | Nonbuilding Structures |
|------|--------------------|-------------|----------------|------------------------|
| 2010 | \$ 842.2           | \$268.7     | \$360.3        | \$213.2                |
| 2011 | \$ 881.1           | \$297.9     | \$357.1        | \$226.1                |
| 2012 | \$ 962.3           | \$342.7     | \$377.4        | \$242.2                |
| 2013 | \$1,044.4          | \$376.3     | \$407.2        | \$260.9                |
| 2014 | \$1,135.3          | \$406.7     | \$444.8        | \$283.8                |

Source: FMI Corp., Q3 Construction Outlook



# Legislative Action

## President's Fiscal Commission Report; Gas Tax Hike, Other Options Could Influence Future Budget Debate

**W**hile the chairs of President Obama's National Commission on Fiscal Responsibility and Reform failed to achieve the super majority vote needed to force congressional action, options identified to reduce the deficit could be resurrected during the budget debate this year.

ACEC strongly endorsed elements of the plan that singled out infrastructure as critical investments in an era of constrained budgets. Transportation spending would be buoyed by a 15-cent increase in the gas tax, beginning in 2013, dedicated solely to transportation and eliminating the need for general fund bailouts.

"Even in a document that lays out very tough choices to cut spending and balance the budget, infrastructure investment is set aside as essential to future economic growth and competitiveness," said ACEC President Dave Raymond. "Congress has heard this message many times already—we need to restore the solvency of the Highway Trust Fund and embark on a major building effort that will create jobs and economic growth, both now and for years to come."



SANDRO DI CARLO PARSA/GETTY IMAGES



DANIEL ACKER/LOONBERG VIA GETTY IMAGES

## Consensus Energy Package Could Emerge in 2011

**E**nergy supply and sustainability might be an area where the White House and the Republican-led U.S. House of Representatives can find common ground in the new legislative session.

One or more consensus energy bills could contain key provisions backed by ACEC, including: incentives for nuclear plant expansion; preventing burdensome restrictions on offshore drilling permits and fracturing of shale for natural gas; preemption of state authority over location of interstate transmission lines; incentives for renewable energy projects, including the potential adoption of a renewable or "clean" energy standard mandating that utilities obtain at least a portion of their energy supply from renewable sources (or "clean" sources, which could include nuclear energy and clean coal).

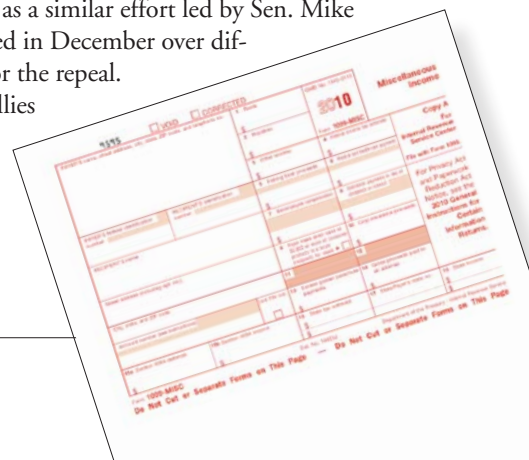
## Congress Continues Effort to Repeal 1099 Filing Mandate

**U**.S. Senate efforts fell short in the closing days of the last session for the ACEC-backed repeal of a new federal IRS Form 1099 filing mandate, but congressional supporters have vowed to continue the repeal effort to prevent it from taking effect in 2012.

Under the new law, business purchases of goods and services valued at more than \$600 annually from any vendor must be reported to the IRS.

Late last year, Senate Finance Committee Chairman Max Baucus (D-Mont.) announced his intent to repeal the mandate. His repeal legislation, as well as a similar effort led by Sen. Mike Johanns (R-Neb.), faltered in December over differences in how to pay for the repeal.

ACEC and coalition allies will continue working with Baucus and other lawmakers in the coming weeks to include a repeal provision in other legislation.





# Critical Infrastructure Initiatives Carry Over To 2011

Despite progress in 2010, the major elements of ACEC's infrastructure agenda—including passage of multiyear surface transportation, aviation and water infrastructure initiatives—will carry over into 2011.

Revenue shortfalls and financing options continue to be primary obstacles to a new six-year highway and transit program to replace SAFETEA-LU. Despite an endorsement of the president's deficit commission, boosting the gas tax may not be politically viable, requiring Congress to turn to alternative proposals to supplement the Highway Trust Fund, such as the adoption of a National Infrastructure Bank, Public-Private Partnerships (P3s), tolling and other financing methods.

A reauthorization is also expected to include pilot projects to facilitate the transition from the gas tax to a vehicle-miles-traveled fee for funding transportation programs.

Congress came close to passing a new multiyear aviation program prior to adjournment last year, which might clear the way for early passage in 2011. ACEC is seeking increased funding for the Airport Improvement Program, raising the \$4.50 cap on Passenger Facility Charges (PFCs) and applying Qualifications-Based Selection (QBS) to projects funded through PFCs.

Congress also made significant progress on major water infrastructure legislation in 2010, setting the stage for final approval this year. ACEC's agenda in the water sector is threefold:

- Secure passage of multiyear legislation to authorize significant funding increases for water and wastewater projects under the Safe Drinking Water and Clean Water Act State Revolving Fund (SRF) programs, and apply a QBS requirement to projects funded under the SRF program;
- Continue working with coalition partners to pass legislation that supports P3s for water infrastructure, including lifting the private activity bond cap for water projects, the creation of a water infrastructure bank and removal of regulatory barriers;
- Seek passage of a new Water Resources Development Act that provides new funding authorizations for U.S. Army Corps of Engineers water projects.

Congress came close to passing a new multiyear aviation program prior to adjournment last year, which may clear the way for early passage in 2011.



ROBERT NICKELBERG/GETTY IMAGES

## ISSUES ON THE MOVE

Consensus energy legislation

Highway, aviation and water bills

3 percent, 1099 repeal effort

## WHAT'S NEXT

Possible action on one or multiple bills by the summer

Aviation likely to move first

Add repeal legislation to coming budget/tax legislation in the spring



MIKE SEGAR/PIGETTY IMAGES

## 9/11 Bill Passed

ACEC and major contractor organizations succeeded in gaining final passage of key 9/11 liability reform legislation prior to adjournment in December.

The bill provides liability relief for engineering firms and contractors involved in the response and cleanup of the Ground Zero site following the 9/11 attack on the World Trade Center.

Separately, more than 95 percent of first responders who sued the city and Ground Zero contractors approved a settlement that provides compensation for their illnesses. Plaintiffs who agreed to the settlement must drop their lawsuits, and passage of the reform legislation will help resolve the remaining lawsuits.

## ACEC, AGC Urge Congressional Action On 3% Withholding

ACEC and the Associated General Contractors (AGC) want congressional leaders to either repeal or delay implementation of the 3 percent withholding mandate as part of upcoming budget and tax bills expected to move through Congress.

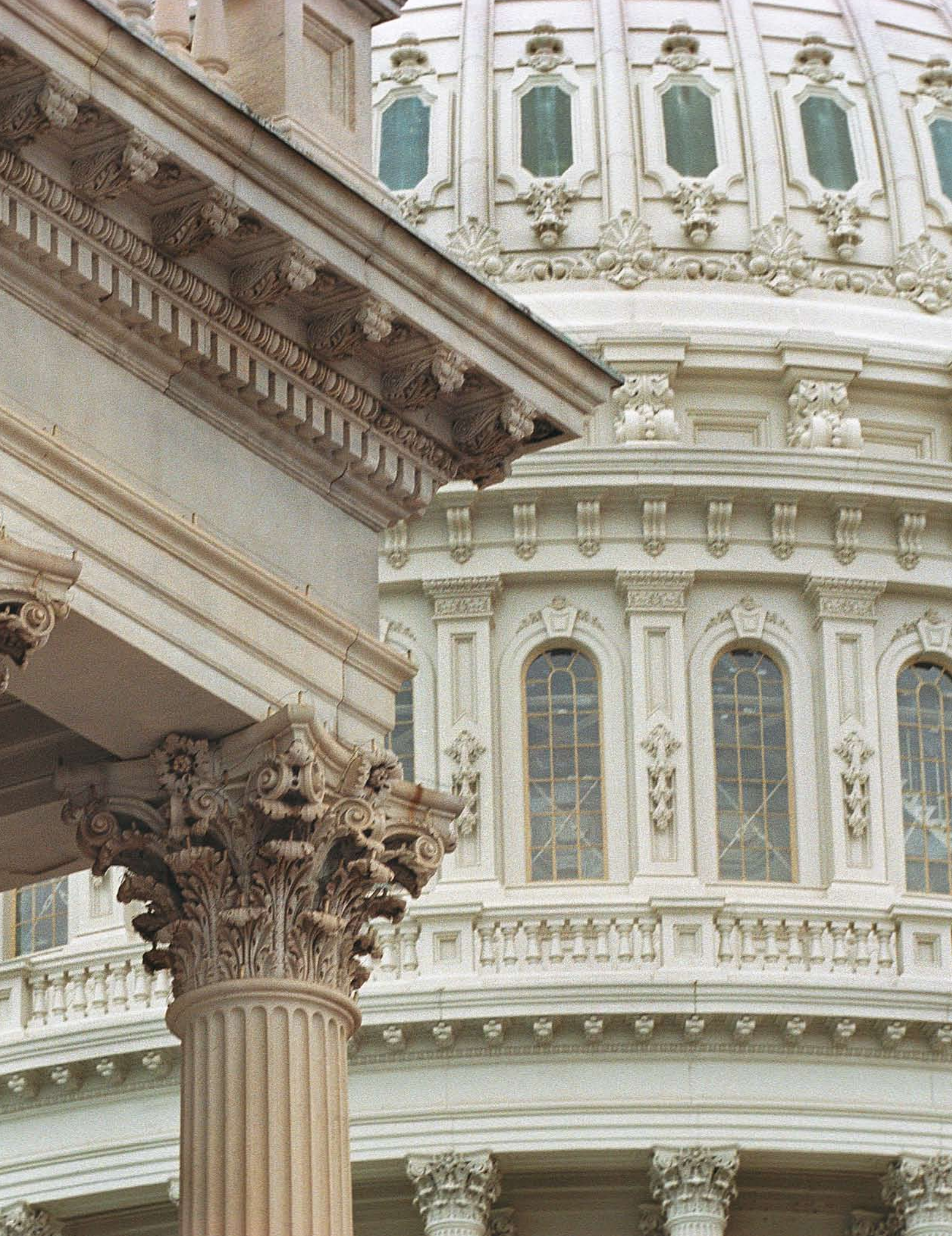
The withholding mandate, which takes effect in 2012, will affect all contracts with federal, state and larger city governments, requiring those clients to withhold 3 percent of payments owed to engineering firms and other contractors.

ACEC and AGC had urged Congress to address the withholding problem in a larger tax package that extended the expiring tax-rate cuts on individual income, capital gains and dividends in the closing days of the last session. Congress opted to extend all of the tax rates for two years, but failed to address the 3 percent issue. ACEC and its business allies will continue to press for action early in 2011.

## For More News

For weekly legislative news, visit ACEC's *Last Word* online at [www.acec.org](http://www.acec.org).







# Political Shift

What will the new Congress mean for engineers?  
Industry **insiders** handicap  
some of the most critical legislative issues.

By Alan Joch

## Takeaways

- >> As a new, presumably more business-friendly Congress convenes in Washington, several important infrastructure measures—including passage of multiyear surface transportation, aviation and water infrastructure initiatives—are under consideration, and billions worth of projects hang in the balance.
- >> ACEC is backing a new six-year surface transportation program to replace SAFETEA-LU, which expired in 2009. Multiple short-term extensions have kept money flowing, but don't address the revenue shortfalls that have stunted improvements to the nation's transportation systems.
- >> The House and Senate have adopted separate plans for a multiyear expansion of the Clean Water Act and Safe Drinking Water State Revolving Fund programs, which total \$54 billion for water and wastewater infrastructure.

**N**ovember's midterm elections may have shifted the gavel of congressional power from one side of the political aisle to the other, but many of the same critical legislative initiatives for engineering that stalled in the previous legislative session remain on the docket for the new Congress.

Several important infrastructure measures—including passage of multiyear surface transportation, aviation and water infrastructure initiatives—are on the table in 2011, and billions worth of projects hang in the balance. Myriad tax issues with implications for firms' financial health are expected to receive priority consideration.

The question for the engineering industry is this: Will a new, presumably more business-friendly Congress open the door for much-needed increased infrastructure funding? >>

Or will contentious political warfare and a persistent outcry to reduce federal spending by any means necessary continue to impede legislative progress?

The outcome has the potential to affect more than the flow of federal dollars. "We as an industry thrive on knowing what the playing field is; when we don't know that, some of our clients hold back on new spending until we can figure out what's going to happen," says Edward Mortimer, director of government affairs at URS Corp. "Over the last year, there's been a lot of uncertainty."

"A divided Congress and White House certainly create the recipe for inaction over the next two years," says Steve Hall, ACEC's vice president for government affairs. "At the same time, both sides need to show that they can move an agenda forward and govern effectively, which means coming together on certain issues. It's that dynamic that may present opportunities for our industry."

The following scorecards show how some engineering leaders are handicapping the legislative outcome of several issues vital to the industry.

#### **Scorecard #1:** **The Deficit and Taxes** **Where Things Stand**

The spiraling federal deficit and important business tax measures remain important topics for the engineering industry. The chairs of a White House-commissioned panel to study ways to reduce the federal deficit issued formal recommendations



**"We as an industry thrive on knowing what the playing field is; when we don't know that, some of our clients hold back on new spending until we can figure out what's going to happen. Over the last year, there's been a lot of uncertainty."**

EDWARD MORTIMER  
URS CORP.



**"Rather than pass a comprehensive and sensible budget for the year, there will be another three-month stopgap measure. That might mean a whole year of this constant brinksmanship."**

GREG IP  
THE ECONOMIST

in December, advocating a mix of spending cuts and tax increases that drew support and criticism from Republicans and Democrats alike. The commission also recognized the need to make substantial investments in the nation's critical transportation infrastructure, and urged a phased-in, 15-cent gas tax increase, beginning in 2013, to be dedicated solely to transportation.

Other tax issues include the Form 1099 provision in the new health care reform act—which various business groups, including ACEC, oppose—that would require businesses to report any purchases of goods or services worth more than \$600 to the IRS. Also in the legislative crosshairs is repeal of a 3 percent withholding mandate that in 2012 would require federal, state and big-city governments to set aside payments on contracts with engineering firms and other service providers.

#### **Possible Outcomes**

Efforts to repeal the Form 1099 requirement failed in December 2010, but congressional supporters have vowed to continue the repeal effort and to prevent it from taking effect in 2012. ACEC and the Associated General Contractors are urging Congress to either repeal or delay implementation of the 3 percent withholding mandate as part of upcoming budget and tax bills expected to move through Congress this year.

Greg Ip, U.S. econom-



New members of the 112th Congress pose on the steps of the U.S. Capitol.

ics editor at *The Economist* and author of *The Little Book of Economics: How the Economy Works in the Real World*, outlined two possible outcomes on the overall tax debate. He notes that the best-case scenario is a comprehensive policy that provides additional stimulus funds for 2011 (added with) the extension of the Bush tax cuts to help the economy in the near term. "Then, over the next five to 10 years, bring in a serious deficit-reduction plan that addresses a mix of spending and taxes," he says.

#### **Most Imposing Hurdle**

Political infighting. Elements of the deficit-reduction plan and revisions to the tax rates "in theory ought to be supportable by both parties, but they're not getting much traction," says Ip. "Rather than pass a comprehensive and sensible budget for the year, there will be another three-month stopgap measure. That might mean a whole year of this constant brinksmanship."

#### **Scorecard #2** **Energy Legislation** **Where Things Stand**

Energy supply and sustainability might be an area where the White House and congressional Republicans find common ground. A decision by Congress to abandon controversial cap-and-trade legislation and other sweeping "energy





MARK WILSON/GETTY IMAGES

packages” could open the door for more limited energy proposals in the coming year. President Obama has publicly acknowledged that reducing carbon emissions could be done in “bite-sized pieces.”

#### Possible Outcomes

Bipartisan support might emerge for expanding incentives for nuclear energy and fossil fuel development, as well as domestic natural gas, balanced with additional incentives for renewable energy, including a possible requirement for utilities to derive a minimum percentage of their energy from renewable sources. Other proposals could include energy efficiency in buildings, support for electric-car manufacturing and overturning EPA’s Greenhouse Gas emissions regulations, along with expanding incentives for nuclear energy and fossil fuel development, and domestic natural gas in particular. There could be several opportunities for Republicans and Democrats to form coalitions that encompass regional and national energy issues.

“One would expect less direct federal financial incentives for wind, solar and other alternative energy projects,” says David Cobb, HDR Engineering’s national director of civic affairs. “I believe there will be a much greater emphasis on clearing the path for faster development of transmission and distribution systems since this is emerging

as a significant impediment to the development of alternative-energy projects.”

ACEC promotes an “all of the above” approach that supports expansion of all domestic energy resources, including oil, gas, nuclear, coal, renewables and other resources, as well as modernizing the nation’s electricity transmission grid and deploying new technologies and efficiency practices.

#### Most Imposing Hurdle

Energy legislation could fall victim to a lack of bipartisan cooperation or the expected push to cut federal spending.

#### Scorecard #3: Roads and Transit Systems Where Things Stand

ACEC is backing a new six-year surface transportation program to replace SAFETEA-LU, which expired in 2009. Multiple short-term extensions have kept money flowing but don’t address the revenue shortfalls that have stunted improvements to the nation’s transportation systems.

In December, Congress approved an extension to fund federal highway and transit programs at current levels through March 4, 2011.

#### Possible Outcomes

“As an industry, we would much rather see a six- or 12-month extension versus a two-month extension,” Mortimer says. “When

state DOTs see only a two-month extension, they are very reluctant to move forward with their full-year transportation plans.”

Beyond that, the prospects for a long-term authorization are muddled, at best, says Larry Shockley, vice president of government relations for Parsons Corp. “The overall economic environment at the federal level and state and local levels raises serious concerns about the availability of funding for a new long-term bill,” he says.

Rep. John Mica (R-Fla.), the new chairman of the House Committee on Transportation and Infrastructure, gave hope to the possibility of a longer reauthorization recently when he called a multiyear transportation bill a top priority. The Obama administration is also expected to include a reauthorization proposal in its F.Y. 2012 budget outline in February.

Because a gas-tax increase or other new financing is viewed as essential to passing a long-term transportation bill, ACEC is calling for bipartisan support to get an increase approved. “At this point, I think the best hope for a user fee increase will be in the context of a larger tax and/or budget deal, part of a ‘Grand Bargain’ between Democrats and Republicans,” says ACEC President David Raymond.

Plans to increase gas taxes garnered further support in December when co-chairs of a deficit-reduction commission recommended a 15-cent increase in the gas tax by 2015 to fund transportation projects.

Shockley, however, remains unconvinced. He cites a new Republican majority in the House that opposes fuel-tax increases and a lack of administration support as hurdles potentially too high to overcome. "Given those conditions, the best we may get is a shorter-term reauthorization (two years) at a reduced level of project spending," he says.

### Most Imposing Hurdle

Legislators must come to grips with how to adequately fund a multiyear bill. A key sticking point is whether the new Congress will raise user fees to support increased investments or opt for a scaled-down federal program under an austere budget.

### Scorecard #4:

#### Aviation Infrastructure

#### Where Things Stand

Since 2007, no multiyear spending program has been in place to fund airports and improvement projects for runways and other facilities. Instead, Congress has authorized a series of short-term extensions.

The House and Senate have voted to expand federal Airport Improvement Program grants for aviation infrastructure, leading some observers to believe Congress is close to passing a final bill. Final hurdles include disputed provisions on labor laws covering FedEx, and the number of long-haul flights between Washington Reagan National Airport and the West Coast.

## Follow the Money

Funding multiyear legislation for transportation and water projects has widespread implications for engineers and the economy as a whole.

- \$1 billion invested in transportation infrastructure = 34,000 jobs
- \$1 invested in highway and transit construction = \$1.80 of near-term GDP
- \$1 billion invested in water and wastewater infrastructure = 20,000+ jobs

Source: ACEC Fact Sheet

### Possible Outcomes

"The prospects are good, given how far Congress has already come with the FAA reauthorization language," says Robin Black, director of government relations at CDM. "There are some minor issues that we think can be resolved." Republican control of Congress could speed the resolution of these lingering issues. "The Republicans strongly supported FedEx and its ability to stay union-free, so my guess is the issue is going to go away," Mortimer says. "There's a very good possibility that fairly early in 2011, an FAA bill will get done."

It all comes down to timing. "I think the best hope for a multiyear reauthorization was to conclude the current conference and pass the existing bill in the lame-duck session," Shockley says. "That was very doable, but in the new session of Congress, I would expect it to be a much lower item on the priority scale." ACEC will continue to advocate for increased funding for the Airport Improvement Program and raising the cap on passenger fees collected for airport projects.

### Most Imposing Hurdle

The lingering disagreements over the number of cross-country flights in and out of Reagan National Airport and whether cargo carrier FedEx can continue to avoid being unionized—unlike its competitor UPS.

### Scorecard #5:

#### Water Infrastructure

#### Where Things Stand

In 2010, the House and Senate adopted separate plans for a multiyear expansion of the Clean Water Act and Safe Drinking Water State Revolving Fund (SRF) programs, which total \$54 billion for water and wastewater infrastructure.

### Possible Outcomes

Prospects for extending the SRF are good, but CDM's Black doubts engineers will see funding increases in 2011 and says the



**"The prospects are good, given how far Congress has already come with the FAA reauthorization language. There are some minor issues that we think can be resolved."**

ROBIN BLACK  
CDM

political climate is too unpredictable to gauge whether the new Congress will pass a multi-year spending plan. Black expects no action on the House and Senate authorization bills until the White House releases its F.Y. 2012 budget proposal. "Congress will have its own ideas, but we don't know quite where the House will be next year given the new leadership," she says.

Given the nearly half-trillion-dollar funding gap between current investments and need over the next 20 years, ACEC continues to support a multiyear water program that includes reauthorization

of the SRFs, a robust new Water Resources Development Act bill and public-private water funding alternatives.

On the question of earmarks, URS' Mortimer doesn't rule them out in practice, but thinks they could go under a different name, such as "congressionally directed spending." "If Congress doesn't allow earmarks, then the administration, through its budget requests, will be the one putting all the 'earmarks' in," he says. "Maybe I'm just crusty after doing this for 20 years, but I find it hard to believe that a Republican House would allow a Democratic administration to fund programs only the way it sees fit."

### Most Imposing Hurdle

Earmarks. The term became a lightning rod during the midterm elections, with some politicians and voters considering earmarks to be synonymous with government waste. Black says the ability of Congress to authorize spending for individual projects is at the heart of many large-scale water projects, including U.S. Army Corps of Engineers programs.

"The organizations that will be adversely affected by a blanket earmark ban will be the state and local infrastructure organizations," explains Shockley. ■

*Alan Joch is a business and technology writer based in Franchetown, N.H.*





# When You Need Professional Liability Protection, It's Always Good to Have a PLAN.

Why ACEC members choose the Professional Liability Agents Network for their insurance needs:

- Access to exclusive professional liability and property/casualty coverage for A/E/E firms.
- Innovative risk management programs that earn continuing education credits.
- Valuable contract review and dispute resolution services.
- More than 20 years of experience helping design and environmental firms avoid losses and preserve client relations.

The personal service of one. The combined resources of many. That's PLAN.

## Professional Liability Agents Network

[www.plan.org](http://www.plan.org)

**PLAN**  
PROFESSIONAL LIABILITY AGENTS NETWORK  
-Since 1984-





A Network of Brokers Dedicated to the Insurance Needs of Design Professionals



## Insurance, Advice, Advocacy, Risk Management and Continuing Education for Design Professionals

**a/e ProNet brokers offer extensive expertise in:**

- Delivering competitive, lower premiums
- Providing Risk Management services after the sale
- Offering premium financing if needed
- Providing quotes from the majority of companies in the marketplace

Our highly seasoned brokers and agents have the expertise and the market relationships to find the best solution for even the most difficult to place risks.

Visit our new and improved website to download our quick reference guide:  
**Insurance 101 for Design Professionals: [www.aepronet.org](http://www.aepronet.org)**



a/e ProNet members represent many insurance companies; these companies are our current platinum, gold and silver sponsors. Contact us at [info@aepronet.org](mailto:info@aepronet.org)



# Weighing Your Options

By Maureen Conley

**Competition is keeping rates competitive,**  
but firms should place a premium  
on vigilance

## Takeaways

- >> As many as 30 new insurance carriers entered the U.S. PLI market in 2010, bringing the total to more than 50. While a handful of firms continue to dominate the market, several smaller providers have joined the fray, offering price breaks and other incentives not consistently available through more established carriers.
- >> New competition in the marketplace is keeping PLI rates low, though experts caution firms to thoroughly research the stability and reputation of prospective PLI carriers, and not to choose a policy based solely on price.
- >> PLI carriers urge designers to adhere to core risk management principles—carefully selected clients, managed expectations, well-written contracts and accurate, well-managed accounts.

**T**he weak economy has led to lower Professional Liability Insurance (PLI) rates. According to the 2010 ACEC/NSPE/AIA Survey of PLI Carriers, new choices and competitive rates have helped firms better protect their interests in the midst of an uncertain business climate.

As many as 30 new insurance carriers entered the U.S. PLI market in 2010, bringing the total to more than 50. While a handful of firms continue to dominate the landscape, several smaller providers have entered the fray, offering price breaks and other incentives not consistently available through more established carriers. >>

Bob Coleman, president of a/e ProNet and Professional Underwriters, Inc., says some newer carriers—many of which might “buy their way” into the market with low premiums—also offer “well-seasoned” underwriters and claims handlers, and make for an attractive alternative for firms looking for discounts or those priced out of more expensive plans.

In addition to lower costs, carriers have added flexibility on a range of issues, from deductibles to billings rates to project insurance. What’s more, few issues have cropped up as a result of the economic downturn to potentially drive rates higher, explains John Farrar, vice president of Clark Dietz, who helped oversee the survey.

Tom Bongi, president of Catlin Design Professional, says “with all the PLI choices out there, it’s worth at least exploring what options are available.”

### Business Picking Up?

Not that firms need to be in too big of a hurry. With so many carriers vying for market share, industry watchers say rates likely will stay low—at least for the near term.

Dan Bradshaw, president of the Professional Liability Agents Network (PLAN) and owner of the Benchmark Insurance agency in Utah, says many carriers consider offering PLI to design firms to be attractive because they can collect income on premiums without having to pay client claims for one to two years.

That’s good news, especially as designers look for work to begin picking up again in 2011. While some firms weathered the downturn with federal stimulus funds or large project backlogs, others are in urgent need of new contracts.

Jeff Connelly, a vice president with Marsh and the sales leader of the ACEC Business Insurance Trust (BIT), is seeing “lots of requests for higher limits” on projects, especially public ones, and coverage requests from startup engineering



**“With all the PLI choices out there, it’s worth at least exploring what options are available.”**

TOM BONGI  
CATLIN DESIGN PROFESSIONAL

firms. ACEC BIT is also fielding more requests from firms that had previously dropped their PLI policies.

### More Flexibility

Some PLI carriers have changed how they calculate premiums. Victor O. Schinnerer & Co., for example, examines current rather than past billings, says Kate Enos Frownfelter, senior vice president and construction program manager. Schinnerer has also lowered its standard premiums, and most firms have lower deductibles,

keeping in line with lower revenues. The carrier has also reduced its threshold for allowing firms to pay premiums through a no-interest installment plan and will consider lowering limits to help maintain coverage, she says.

But with added flexibility may come risk. Carriers occasionally offer deductibles that are too low, leaving the designer without “skin in the game, such that the focus gets taken off risk management,” explains Bongi. The deductible should “give the design professional pause” and encourage error prevention, rather than be accepted as a cost of doing business, he says.

Underwriter Dana Hughes of Beazley, which uses a three-year average of fees to determine its rates, says her firm considered the possibility of a more flexible rate base, but found through a survey that 80 percent of claims are made a year after a project gets under way, confirming its use of the fee-average approach. Travelers also decided against deviating from its weighted three-year average of billings. Managing director John Rapp says today’s billings generate tomorrow’s claims.

Most PLI carriers report

a stable and steady frequency of claims, but caution that claims are developing more quickly and with increasing severity.

Al Rabasca, director of industry relations for XL Design Professional, says as long as finance and credit markets remain tight, “claimants will make larger demands more quickly in order to salvage projects.” Where it used to take three to five years for claims to develop, claims now develop in two to four years on average, he says.

Tim Corbett, founder and president of SmartRisk, a risk management consultancy, conducted a survey last year of 20 law firms representing 292 lawyers specializing in design and construction litigation, which shows that the frequency and severity of claims is on its way up. Plaintiffs reportedly are “much more aggressive over smaller amounts,” Corbett says, and filing claims sooner than they used to. Corbett sees downsizing as one factor in these changes.

Beazley’s Hughes says technical errors and omissions are on the rise—a potential consequence of fewer eyes to review projects. Such errors can be costly, she says, particularly when the insurer admits that its client is responsible.

### Problem Areas

One of the largest and potentially most troublesome concerns is the propensity for some design firms to “go bare,” or cancel their PLI, says Farrar of Clark Dietz. Such a decision could result in a gap in coverage, leaving firms unprotected for certain projects.

It’s “an incredibly significant issue,” says Schinnerer’s Frownfelter—and one that is increasingly affecting larger firms. Through “vicarious liability,” subcontractors without PLI transfer their liability upstream to contractors and designers that do. To limit vicarious liability, Schinnerer offers an underwriting credit to firms that request certificates of insurance from contractors.

Building construction, particularly housing,



**“Look hard at a prospective carrier’s attributes and use Qualifications-Based Selection to choose a provider.”**

HOMER SANDRIDGE  
TRAVELERS



## Characteristics in the Premium Determination Process

(1 is the highest level of influence, 8 is the lowest)

|                      | AVRECO | Beazley | Catlin | Euclid | Hanover | Insight | Lexington | Liberty | RA&MCO | State Farm | Travelers | VOSCO | XL | Zurich |
|----------------------|--------|---------|--------|--------|---------|---------|-----------|---------|--------|------------|-----------|-------|----|--------|
| Location of firm     | 5      | 6       | 6      | 6      | 1       | 5       | 7         | 8       |        | 4          | 4         | 1     | 7  | 6      |
| Location of projects | 7      | 5       | 7      | 7      | 1       | 7       | 6         | 7       |        | 5          | 7         | 1     | 8  |        |
| Type of practice     | 1      | 2       | 2      | 2      | 1       | 2       | 4         | 3       | 3      | 1          | 3         | 1     | 2  | 4      |
| Type of projects     | 4      | 4       | 3      | 4      | 1       | 3       | 5         | 4       | 4      | 6          | 5         | 1     | 3  | 3      |
| Annual billings      | 2      | 1       | 1      | 1      | 1       | 1       | 1         | 1       | 1      | 2          | 1         | 1     | 1  | 1      |
| Claims history       | 3      | 3       | 4      | 3      | 1       | 4       | 2         | 2       | 2      | 3          | 2         | 1     | 4  | 2      |
| Firm experience      | 8      | 7       | 5      | 5      | 1       | 6       | 3         | 5       | 5      | 7          | 6         | 1     | 6  | 5      |
| Other                | 6      |         |        |        |         |         |           | 6       |        |            |           |       | 5  |        |

Source: 2010 ACEC/NSPE/AIA Professional Liability Insurance Survey of Carriers

continues to generate the most claims. Claims involving high-end custom homes are rising, while claims on condos and schools continue to be high. XL's Rabasca says residential owners tend not to be as experienced and to have higher, more unrealistic expectations than those involved in commercial projects.

Geotechnical and structural engineers are often targeted for claims. PLAN's Bradshaw says geotechnical engineers get blamed for any crack that develops in a building. Rather than simply provide a report, Bradshaw recommends that geotechnical engineers insist that "they be paid to do the full scope of services," including overseeing excavation and backfill to ensure contractors follow their recommendations.

Some carriers also voiced concerns

about the steady "erosion" of PLI rates. As new competition drives rates lower, Hughes says carriers have a responsibility to balance the need for market share against "knowing when to walk away" from a potentially risky client.

### Green, BIM, IPD

Carriers have not seen the increase in claims they expected from integrated project delivery (IPD), Building Information Modeling (BIM) or sustainable design. Still, they caution designers to carefully manage client expectations on green projects and avoid providing guarantees.

Bongi says Catlin is "embracing green design" by providing premium credits to firms that provide it. Though the firm still monitors green products for potential problems, he says, sustainable designs are

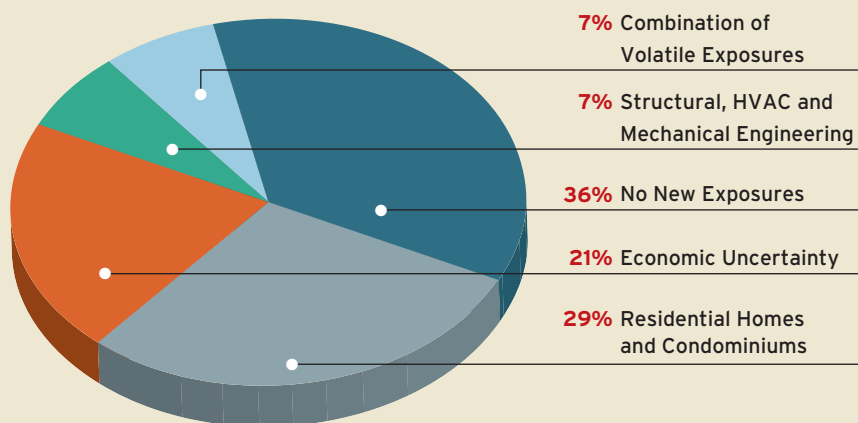
not the wildcard they once were in the minds of insurers.

Rabasca urges designers to get involved in building code development, particularly as sustainable concepts are worked into mandatory federal and local standards. The International Green Construction Code—which Rabasca expects will become mandatory on many building sites once it is finalized—is under development at the same time that the U.S. Green Building Council is reviewing its popular LEED certification program, California is developing its own sustainable design code, and ACEC is collaborating with the American Public Works Association and the American Society of Civil Engineers on a new voluntary tool to rate the sustainability of an infrastructure project.

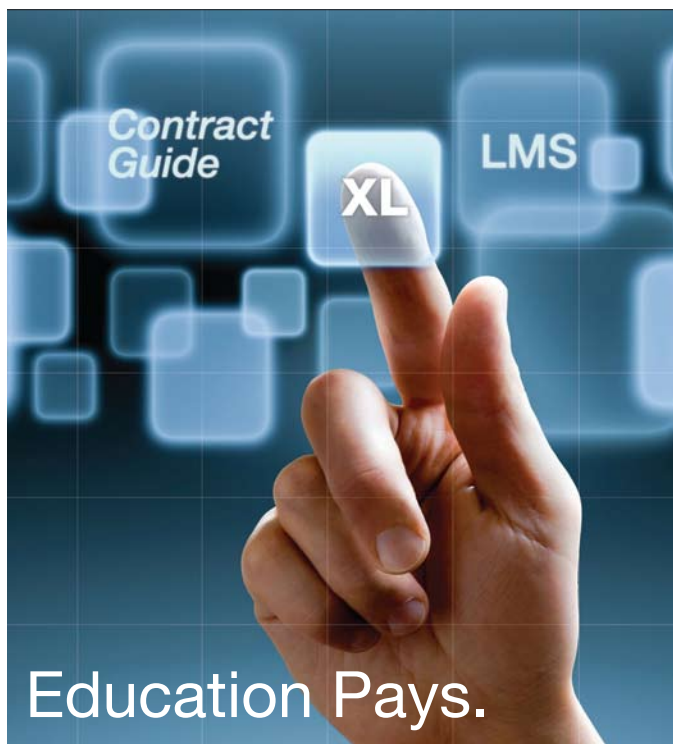
Most carriers offer technology coverage as part of their basic policies or as an inexpensive endorsement to such policies. XL, for instance, includes BIM in its definition of professional services, which is covered under its standard policy. Travelers offers "cyberliability coverage," which covers liability for computer viruses, denial of access and unauthorized access to networks and computer systems, and the failure to protect confidential information.

IPD, however, is more challenging, says Rabasca, largely because of the partnership it necessitates between owner, designer and contractor. He urges designers to "work with an insurance professional" to determine whether an IPD project is covered. IPD can blur traditional lines between design and construction recognized by existing contracts and case law, so traditional insurance products "do not necessar-

## Particular Exposures That Might Lead to Higher Rate Increases Than in Recent Years



Source: 2010 ACEC/NSPE/AIA Professional Liability Insurance Survey of Carriers



## Awarding \$14M annually in premium credits proves we're serious about proactive risk management.

The Design Professional group of XL Insurance offers more than professional liability coverage tailored for architects & engineers. Our Risk Management Program helps reduce the cost of loss through free courses, loss prevention workshops and tools to improve business practices.

## Delivering more value more quickly.

Our online Learning Management System (LMS) provides customers with 24/7 access to loss prevention courses and to *The XL Insurance Contract Guide*—one of the industry's most complete resources for up-to-date information about contract language and negotiation.

## Learn & Earn.

Successfully complete an approved program each policy year to earn a 10% premium credit for the first \$5M in coverage. All courses offer Professional Development Hours (PDHs) and many are HSW qualified.

**XL INSURANCE**

Our programs are registered with the national AIA. Not all states and licensing boards accept these programs for learning units.

"XL Insurance" is the global brand used by XL Group plc's (NYSE: XL) insurance companies. Coverages underwritten by Greenwich Insurance Company, Indian Harbor Insurance Company, XL Specialty Insurance Company and XL Insurance Company Limited—Canadian Branch. Coverages not available in all jurisdictions.

**FREE:**  
**Earn 1 PDH**  
**today: go to**  
**[xldp.com/tools](http://xldp.com/tools)**

ily address all the risks," adds Bongi.

## Looking Ahead

Carriers say the current PLI market isn't likely to change until engineering and design firms get more work. But they urge designers to prepare for that eventuality. Like most markets, they say, the PLI market is cyclical. "Firms with a really good loss history will be able to maintain a stable program," explains Beazley's Hughes, "while those with claims and losses will be affected more in the next few years."

Carriers interviewed for the survey ranked client selection and well-written contracts as the most important ways to manage risk. Where contracts used to focus on who does what and how companies get paid, Bongi says clients now use these documents as "a wholesale risk-shifting mechanism" written to put as much onus as possible on the designer.

PLI experts advise engineering firms to stay on top of billings, especially for cost overruns and change orders on projects with tight budgets or low-bid contractors. Think twice before filing a fee claim, they say—and if you do, expect a counterclaim alleging negligence.

SmartRisk's Corbett advises designers to be "cautious" and to forge a long-term partnership with a carrier with experienced product line managers and underwriters. Homer Sandridge, vice president of Travelers, counsels engineers to "look hard at a prospective carriers' attributes and use Qualifications-Based Selection to choose a provider."

With so many new carriers entering the PLI market, Bradshaw says "chaos" could result from a sudden contraction, especially if smaller providers cannot sustain current rates. Carriers will usually exit the market systematically with advance notice, but design firms could find themselves suddenly without PLI if their carrier becomes insolvent. In either case, he says, firms looking for new coverage will face "an insurance sellers' market," not the buyers' market that exists today.

To best prepare for the future, PLI carriers also urge designers to adhere to core risk management principles: carefully selected clients, managed expectations, well-written contracts and accurate, well-managed accounts. As design work picks up in the coming months, these and other time-tested principles should help minimize the risk that often accompanies higher revenues.

The results of the 2010 ACEC/NSPE/AIA Professional Liability Insurance Survey of Carriers are available on the Risk Management page of the ACEC website. ■



**"Firms with a really good loss history will be able to maintain a stable program, while those with claims and losses will be affected more in the next few years."**

DANA HUGHES  
BEAZLEY

*Maureen Conley is a business writer based outside Washington, D.C.*



# Take control of your future...



***with Professional Liability Insurance through the ACEC Business Insurance Trust.***

## ***What will happen to your future if you face a lawsuit today?***

Regardless of the safeguards you put in place, claims and lawsuits can happen. Not only can these risks be financially devastating, they can severely disrupt your firm...and your future.

The ACEC Business Insurance Trust helps you take control of these risks with affordable professional liability insurance.

## ***The ACEC Business Insurance Trust Professional Liability Program provides you:***

- Solutions and insurance options guided by practicing engineers who understand the issues you face every day in the management of your practice
- Competitive premiums through access to multiple markets
- Comprehensive coverage tailored to your firm's needs
- Expert legal counsel and defense of claims and lawsuits

*Plus*

- Your participation in the ACEC Business Insurance Trust Program benefits both ACEC and your State Member Organization



### **▲ Marsh Sales Team**

AR Ins. Lic. #245544

CA Ins. Lic. #0633005

Brokered and/or administered by Marsh U.S. Consumer, a service of Seabury & Smith, Inc., d/b/a in CA Seabury & Smith Insurance Program Management

The ACEC Business Insurance Trust (BIT) has authorized Marsh U.S. Consumer to make engineer's professional liability insurance available to member firms. Neither ACEC nor The BIT endorses any one professional liability provider. It is the objective of Marsh USA Inc. to offer a choice of providers for PLI coverage. The selection of underwriters may change from time to time.

**Take control of your future with the  
ACEC Business Insurance Trust.  
Call for more information  
and a quote today:  
1-800-338-1391**





---

# All in the Delivery

Effective communication is the key  
to successful project management

By Gerry Donohue

## Takeaways

- Good project managers are competent in every phase of the project process: planning, estimating, design, finance and client management.
- Communication is key to effective project management. The best managers integrate input from the client and from different team members to keep the project moving forward on time and on schedule.
- One consequence of a project manager's inability to effectively communicate is "scope creep," or a gradual increase in the project's scope because of client changes without increases in the budget.

**T**he summary of required skills for a project manager at an engineering firm reads like a wish list for the perfect employee.

Project managers must be competent in every phase of the project process: planning, estimating, design, finance and client management. Managers need to foresee potential problems and respond quickly to unanticipated challenges. And they have to keep their eyes on the big picture, even while managing minute details. >>

As if it weren't already difficult enough to be a project manager in today's market, increasingly complex designs, narrower margins, tighter regulations and progressively more demanding clients make the job ever more challenging. Expectations are high across the board.

"It's not a question of whether we want our project managers to beat the budget or meet the schedule or hit some quality level," says Bill Howard, executive vice president of CDM in Cambridge, Mass., and a former ACEC chairman. "We want it all."

"It's a daunting job," says William Ramroth, author of *Project Management for Design Professionals*. "Project managers have to know enough about architecture, structural, civil, mechanical, electrical engineering, etc., to know how the different disciplines are interrelated, and how each logically plays off the work of the others."

But the best project managers are also masters of another fundamental skill. "It all comes down to communication," says John Langhans, project manager at MSA Professional Services, a 270-person firm with a dozen offices in the Upper Midwest. "It is the critical component in successful project management."

## Delivering the Project

If sales and marketing teams generate the work, project managers are the life force that keeps firms strong—and clients coming back.

"We put the financial health of the firm in the hands of project managers," says Howard. "If they are delivering projects on time, on budget and to the satisfaction of our customers, we have a very successful firm. And if not...I wouldn't want to think of the consequences."

Delivering a design on time, on budget and with satisfied customers requires exceptional planning, adept execution and the ability to think on your feet.

Project managers are in charge of plan-



**"We put the financial health of the firm in the hands of project managers. If they are delivering projects on time, on budget and to the satisfaction of customers, we have a very successful firm."**

BILL HOWARD  
CDM

ning and scheduling projects; budgeting and billing; creating and leading design teams; interacting with clients, officials and the public; selecting and contracting consultants; inspecting potential project sites; obtaining insurance for projects; making presentations to clients and other stakeholders; cost estimating; value engineering; and maintaining quality control.

"You also have to be able to identify the critical path items on the project and anticipate, early on, any potential roadblocks," says Langhans. "Things will go wrong, and it's up to the

project manager to figure out how to get everything back on track."

## Meeting Expectations

Most recruiters do not rank communication high on their "must-have" list of qualities when looking for a new project manager. In his consulting work with numerous engineering firms, Steve Isaacs says communication often doesn't even make the list.

"Firms looking to promote someone to project manager tend to choose a PE who is really terrific at solving technical problems," says Isaacs, a division manager of architecture & engineering services at FMI Corporation, who works out of Walnut Creek, Calif. "But when you draw a relationship chart for a project, the project manager is at the center. They have to communicate with everyone—the team, senior management, client, subcontractors, regulators, zoning people, code people—yet, we commonly put people in that position who are much more

comfortable sitting in front of a screen doing technical work."

If project success were determined by project completion alone, that would make sense, but Ramroth says project management requires much more.

"Meeting all the project participants' expectations is the most challenging goal of project management," he says. "It is also the most subjective, with the most diverse and elusive requirements. It's ironic that it just might be the most important goal."

Given the number of hands involved in these projects, meeting expectations can sometimes seem impossible.

"Clients, design firms, project managers and design team members approach a project with differing expectations," Ramroth says. "The project manager has to work with all of them, bringing them together to identify common goals and to agree on what defines project success. To do that, you need good communication skills."

As part of its recent Lake Delton project—a 2010 ACEC Engineering Excellence Awards Honor Award winner—MSA engineers worked with a team that fast-tracked the rebuilding of a dam, highway and other infrastructure destroyed after torrential rains breached the shoreline of the man-made lake and drained 600 million gallons of water in less than two hours. Project managers communicated with the team daily—and often more frequently, says Langhans.

"We focused on up-front communication," he says. "We kept everyone informed about what was happening all the time, so when there was a hiccup, we had the buy-in we needed to keep the project on track."

## Maintaining Relationships

MSA employs a relatively standard project management system, with several dozen project managers operating under senior firm management. Project managers lead the team and are the primary client contact.

Other firms use differ-



**"Firms looking to promote someone to project manager tend to choose a PE who is really terrific at solving technical problems."**

STEVE ISAACS  
FMI CORPORATION



ent project management structures. Some large firms use the Customer Service Manager (CSM) model, in which the CSM is the primary client contact.

"CSMs have a different skill set than project managers," says CDM's Howard. "Project managers are good from a technical standpoint and the CSMs are better at sales, at maintaining relationships with the client and with the stakeholders."

While Ramroth says the CSM model has advantages, especially in firms that are big enough to carry such a specialized position, he points out that a project's communication requirements extend beyond the client.

"Someone has to lead the team, to let them know what is expected, and to define what the client's needs are," he says. "It's the project manager's job to push information down to the trenches so they can do the work."

Degenkolb Engineers, a 160-person structural engineering firm with six offices on the West Coast, designates the firm's two dozen principals as its project managers.

"We use the terms interchangeably," says Stacy Bartoletti, president and COO of Degenkolb. "Our principals and associate principals are heavily involved in project management, not only in business development, but in the technical responsibility of doing the project, leading the team and coordinating with the client."



## Learning to Communicate

Communication isn't easy, especially for many engineers, says Isaacs. "These skills don't come naturally to a lot of technical people," he explains. "But they can be taught."

He lists four communication skills that successful project managers must have in today's market:

- **Team building**—Getting both internal and external people to work together effectively.
- **Collaborating**—Working with people and through people to solve problems.
- **Facilitating**—Leading groups and meetings with a clear agenda and achieving results based on that agenda.
- **Negotiating**—Achieving a resolution that satisfies the firm's interest.

"The problem is that we still spend most of our effort training project managers on how to do the numbers, understand the contract and maintain a schedule," Isaacs says. "All of those are essential, but they are not enough."

## Halting Scope Creep

One of the biggest consequences of a project manager's inability to effectively communicate is "scope creep," or a gradual increase in the project's scope because of client changes without commensurate increases in the budget.

"Typically a client incrementally makes small changes, and the project manager agrees to them for no charge," says Ramroth. "Eventually, the project manager realizes that the project scope has significantly expanded, but he has no way to pass on the costs to the client."

That's where better communication can help. "With the first change, even if it's small, the project manager must communicate with the client that you're going to do it, but just this once, and then confirm in an e-mail," he says. "When the next one comes along, remind them of the first one and explain that the scope now has to change. Because you've been up front with them, they'll usually understand."



**"It all comes down to communication. It is the critical component in successful project management."**

JOHN LANGHANS  
MSA PROFESSIONAL SERVICES

FMI's Isaacs says there are seven simple words that can stop "scope creep" in its tracks.

"When the client asks for something out of scope, turn to them and say, 'How do you want to handle that?' Typically, they will ask what you mean. Now you have the opportunity to address the issue of scope and budget."

The importance of strong communication has prompted many firms to emphasize the skill in project management education. And every firm has its own process.

"We have a basic training program where people develop the proper skill set to be a project manager," says Howard, who oversees his firm's project manager certification program. "For the more advanced project managers, we offer conflict management classes. And after they complete that, we have leadership and clientship training."

Degenkolb has a well-defined career track for project managers, says Bartoletti. "It's still technically oriented, but we emphasize planning and negotiating skills, giving and receiving feedback, and working together to solve problems."

MSA relies on a combination of training and mentoring. "We have a very strong internal training program, but we also allow people to go outside the company for training if it's warranted," says Langhans, an inaugural member of ACEC/Wisconsin's Engineering Future Leaders program.

As a team leader, Langhans directly mentors two other project managers and has several mentors who help him in his own career.

"It's a great way to learn about what makes for successful project management," he says. The most important key to remember: "Communicate, communicate, communicate." ■

*Gerry Donohue is ACEC's senior communications writer.*





## ACEC Annual Convention and Legislative Summit

March 30–April 2, 2011  
Grand Hyatt Hotel  
Washington, D.C.

# Opportunities & Challenges

### The New Congress and the Future of the Industry

**J**oin ACEC at its Annual Convention and Legislative Summit, March 30–April 2, where top congressional leaders will outline the dynamics of the new Congress and what it will mean for the engineering industry. Find out about new market opportunities from federal agency leaders. Gain valuable insights on future industry trends and challenges from key engineering firm CEOs. Take advantage of first-class business education sessions to help boost your firm's profitability.

**GENERAL  
SESSION  
LUNCHEON  
BOB  
WOODWARD  
AN INSIDER'S  
VIEW OF THE  
PRESIDENCY**

Award-winning author and investigative journalist Bob Woodward will provide a unique perspective on the Obama White House.



**Bob Woodward**



## OPENING GENERAL SESSION "POLITICAL DYNAMICS OF THE NEW CONGRESS"

Congressional leaders outline the new Congress and what the latest changes mean for the future of our industry.



**Speaker of the House**  
**John Boehner**  
(invited)



**Transportation and  
Infrastructure Chair**  
**John Mica** (invited)



**Former U.S. Rep.**  
**Tom Davis**

## PREMIER LEGISLATIVE SUMMIT AND FEDERAL MARKETS CONFERENCE

- Lobby New Congressional Members on Infrastructure, Water, Transportation and Other Key Business Issues
- Attend Congressional Briefings
- Meet With Key Federal Officials
- Gain Insights on the New Congress From Former U.S. Representative Tom Davis
- ACEC/PAC Fundraiser With Key Congressional Members
- Business Opportunities with the U.S. Army Corps of Engineers, NAVFAC, GSA, Energy Department, Veterans Administration, State Department and Homeland Security
- **NEW!** Federal Markets Large Firm/Small Firm Teaming Forum

## INSIGHTS FROM INDUSTRY LEADERS

- Keynote by AECOM CEO John Dionisio on "Vision for 2020"
- General Session CEO Panel on "Industry Trends and Challenges" with Robert Gomes, Stantec, Inc.; Ann E. Massey, MACTEC, Inc.; and Paul A. Yarossi, HNTB Corporation
- CEO Roundtables
- 13 Seminars to Boost Profitability
- Special Briefing on New Infrastructure Sustainability Rating System



**John Dionisio**  
**CEO, AECOM**



**Robert Gomes**  
**CEO, Stantec**



**Ann E. Massey**  
**CEO, MACTEC**



**Paul Yarossi**  
**President, HNTB**



## ENGINEERING EXCELLENCE AWARDS GALA EMMY AWARD-WINNING HOST

Known as the "Academy Awards of the engineering industry," this annual black-tie reception, dinner and awards program celebrates the year's most outstanding engineering achievements.



**Ross Shafer**

## RECEPTION AND DINNER THE CAPITOL STEPS

The Capitol Steps return to the Annual Convention to perform their all-new show—"Politics as Unusual!"—a satirical look at today's political scene.



## CONVENTION INFORMATION EARLY REGISTRATION FEES

| FULL CONVENTION         | EARLY BIRD | AFTER 2/18 |
|-------------------------|------------|------------|
| Member                  | \$995      | \$1,075    |
| 2nd + Member, same firm | \$850      | \$950      |
| Non-Member              | \$1,350    | \$1,450    |
| Spouse/Guest Fee        | \$385      | \$385      |

## HOTEL INFORMATION

Convention activities will be held at the Grand Hyatt Washington, located at 1000 H St., NW, between the White House and Capitol Hill and easily accessible by Metro.

The ACEC room rate is \$290, single/double occupancy, plus 14.5 percent tax. The hotel reservation deadline is Friday, Feb. 18. After this date, rooms may not be available or will be available at a higher rate. Rooms are available until the cut-off date or until rooms in the ACEC room block are gone, whichever occurs first.

To make your hotel reservation online, visit [www.acec.org](http://www.acec.org) and click on 'hotel,' or call toll-free: (888) 421-1442 and reference **ACEC Annual Convention**.

**To register, or for more Convention information, e-mail [meetings@acec.org](mailto:meetings@acec.org) or visit [www.acec.org](http://www.acec.org).**

## Know the Legal Risk Exposures That Could Harm Your Firm

Engineering firms must constantly sidestep contractual pitfalls that can negatively affect a project's profitability and a firm's bottom line.

Using EJCDC contracts—time-tested contract models where a full range of contingencies are addressed—can offer more protection during dispute resolutions than nonstandard contracts.

But what do you do when faced with a nonstandard contract that, for whatever reason, *you must sign*? Bottom line—you still must know the various legal exposures that, left unaddressed, can damage your firm.

ACEC has developed a new course to help firms identify those critical legal and contracting issues—*Ten Major Legal Issues Facing Engineers*—to be held May 12–13, 2011, in Philadelphia. Specific areas of risk to be addressed include:

- Health insurance
- Public/private partnerships
- Required and voluntary disclosure and privacy issues
- Licensure issues
- Indemnification
- Economic loss doctrine
- International issues
- Directors' and officers' issues
- Insurance
- Complex contracting provisions (such as BIM) and litigation

Visit our online Events Calendar, [www.acec.org/education](http://www.acec.org/education), for more information or contact Ed Bajer at [ebajer@acec.org](mailto:ebajer@acec.org).

## Prospecting for Good Government Projects

ACEC's *Market Forecast Series* presents valuable, up-to-date contracting opportunities from federal agency officials who provide insights on agency budget outlooks and modifications in procurement procedures.

These 90-minute online seminars offer information on how to do business and win projects with federal agencies and various private-sector owner representatives. Agencies represented may include: U.S. Army Corps of Engineers, Naval Facilities Engineering Command, General Services Administration, U.S. Air Force and others.

The first in this series for 2011 will be *An Inside View of the Programs and Funding of USDA's Rural Development* by Ben Shuman, senior environmental engineer, U.S. Department of Agriculture, Feb. 16. The mission of Rural Development (RD) is to fund projects and increase economic opportunities in rural areas. In that role, RD distributes more than \$1.5 billion annually in loans and grants for:

- Water and wastewater projects



- Environmental projects
- Electrification
- Telecommunications
- Renewable and energy efficiency programs
- Bio-energy and bio-based projects
- Health clinics
- Emergency service facilities

Visit our online Events Calendar, [www.acec.org/education](http://www.acec.org/education), for more information and to register.

## New Professional Designations ExecEng, MgtEng, MgtPro

ACEC officially launched new management and leadership designations at the October Fall Conference.

Past ACEC Chairman Edward J. Mulcahy says he'll use his recently awarded "ExecEng" designation "with great satisfaction and pride," and John R. Fee, ExecEng, says "this is an honor I very much appreciate. I am very impressed that ACEC has initiated such a practice."

The Executive Engineer (ExecEng), Management Engineer (MgtEng) and Management Professional (MgtPro) designations recognize business achievement. Individuals who qualify for the ExecEng are licensed professionals with 15 to 20 years of management experience who have acquired 300 professional development hours (PDHs), or a master's degree plus 200 PDHs, as well as a leadership capstone course, such as the ACEC Senior Executives Institute.

The Management Engineer, or MgtEng, designation is for licensed engineers who have seven to 10 years of management experience and have achieved 150 PDHs, or a master's plus 50 PDHs.

Professionals who earn the MgtPro are not PEs, but have seven to 10 years of management experience related to the engineering industry, as well as 150 PDHs, or a master's degree plus 50 PDHs.

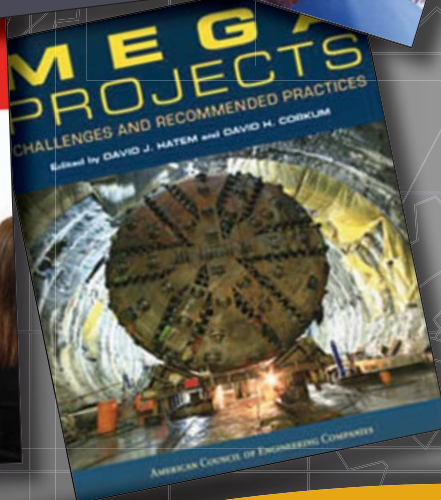
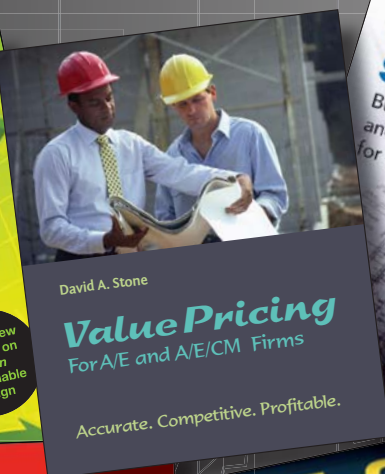
For more information about how to apply or for a list of new designees, visit [www.acec.org/education/designations](http://www.acec.org/education/designations) or contact Maria Buscemi at 202-347-7474, ext. 323, or at [mbuscemi@acec.org](mailto:mbuscemi@acec.org).

The ACEC Institute for Business Management provides comprehensive and accessible business management education for engineering company principals and their staffs.

Visit ACEC's online educational events calendar at [www.acec.org/calendar/index.cfm](http://www.acec.org/calendar/index.cfm) or bookstore at [www.acec.org/publications](http://www.acec.org/publications), or call 202-347-7474, ext. 338, for further information.



# Advance yourself and your FIRM with ACEC's educational programs & publications!



## UPCOMING ACEC COURSES:

Green Infrastructure and  
Sustainable Communities

Feb. 1-4 – San Antonio, TX

The Business of  
Design Consulting  
May 4-7 – Las Vegas, NV

Ten Major Legal Issues  
Facing Engineers  
May 12-13 – Philadelphia, PA



For more information on these and other upcoming seminars and webinars, go to [www.acec.org/education](http://www.acec.org/education) and to check out products at the ACEC Bookstore, go to [www.acec.org/publications](http://www.acec.org/publications)

# Members in the News

## On The Move

**AMEC** appointed **Dr. Hisham Mahmoud** president of its Earth & Environmental business. Mahmoud replaces Roger Jinks, who is retiring from the firm.

**J. Bryan Jordan** was appointed president and CEO of Houston-based **Jones & Carter, Inc.**, where he succeeds **J.R. (Bob) Jones**, who will continue as chairman of the board of directors. Formerly, Jordan managed the Houston Metro Region of Jones & Carter. Jordan is also president-

elect of the Houston Chapter of the Texas Council of Engineering Companies for 2010-11.

**KCI Technologies, Inc.**, appointed Executive Vice President **Harvey M. Floyd** and Senior Vice President **Joseph J. Siemek** to its board of directors. Floyd is chairman of ACEC/PAC and treasurer of ACEC/Maryland's Political Action Committee. Siemek leads the firm's Telecom/Utilities discipline.

**Michael Kesler** has been appointed chief operating officer at **Kleinfelder**, where he has spent 14 years with the firm in a diverse set of technical, operational and market-development roles.

**Parsons** appointed retired **Maj. Gen. (USAF) Earnest O. Robbins II** president, Parsons MENA+ (Middle East, North Africa and the northern Mediterranean Sea border countries), succeeding **Jeffrey F. Squires**, founding president



Dr. Hisham Mahmoud



J. Bryan Jordan



Harvey M. Floyd



Joseph J. Siemek



Michael Kesler



Earnest O. Robbins II

**PBS&J**, an Atkins company, appointed **Barry J. Schulz** the company's Transportation Group president. Schulz started his career at PBS&J in 1998 and has held a number of key roles at the firm.

**Brig. Gen. Alexander Kozlov**, U.S. Army Reserve, joined **Parsons' Infrastructure & Technology** group as vice president, supporting the firm's projects in the Pacific Rim. He is based in Guam.

**Lee Parrish** has joined the firm as vice president and chief information security

officer. **Leonard D. Dorr** was appointed vice president and power delivery and renewables sector manager of the Energy, Life Sciences & Industrial Division for the firm's Commercial Technology group.

**Steve Noonan** was named assistant vice president in **Parsons Brinckerhoff's (PB's)** Newark, N.J., office, where he will manage PB's Northeast Rail Vehicle Group.

**Borton-Lawson** appointed four new vice presidents: **Mark Boris**, vice president, trans-

portation services; **Scott Bush**, vice president, structural services; **David Summers**, vice president, automation; and **Mike Wilk**, vice president, civil business unit.

**Michael A. Lucki** joined **CH2M HILL** as senior vice president and chief financial officer.

**David A. Boaté** has joined **Gannett Fleming** as vice president and director of transit and rail for the Northeast region and will be based in the New York City office.



Barry J. Schulz



Leonard D. Dorr



Steve Noonan



Michael A. Lucki



David A. Boaté



## Welcome New Member Firms

of the MENA+ region. Squires will take on a new assignment reporting to the group executive for strategy/development. Robbins will be based in Parsons' regional headquarters in Abu Dhabi. **James D. O'Reilly** was also appointed vice president and west region manager of the firm's Buildings Division for its Commercial Technology group. He will be based in Pasadena, Calif.



Jeffrey F. Squires



James D. O'Reilly

**Carol Benassi** joined **Thornton Tomasetti's** Building Performance practice as vice president in the Irvine, Calif., office. Before joining Thornton Tomasetti, Benassi founded C Benassi Architecture, an independent forensic consulting firm in Irvine, Calif.



Carol Benassi

### ACEC/Arizona

**AI Field & Associates, LLC**, Phoenix

**Gutierrez-Palmenberg, Inc.**, Phoenix

### ACEC/Arkansas

**CWB Engineers, Inc.**, Heber Springs

### ACEC/California

**Anchor Engineering, Inc.**, Lafayette

**Khazra & Associates, Inc.**, Los Angeles

**Lenax Construction Services, Inc.**, Los Angeles

**MARRS Services, Inc.**, Fullerton

**Phoenix Civil Engineering, Inc.**, Ventura

### ACEC/Colorado

**Beam, Longest and Neff, LLC**, Denver

**Forensic Consultants Group, LLC**, Morrison

**Shea Carr Jewell**, Westminster

**The Leffler Group**, Arvada

### ACEC/Florida

**Apollo Engineering, LLC**, Apollo Beach

**Tamayo Engineering, LLC**, Miami

### ACEC/Illinois

**Midwest Engineering and Testing, Inc.**, Champaign

### ACEC/Kansas

**J2 Engineering & Environmental Design, LLC**, Olathe

**SMH Consultants**, Manhattan

### ACEC/Louisiana

**C. H. Fenstermaker and Associates, Inc.**, Lafayette

### ACEC/Michigan

**LOTUS Engineering, Inc.**, Ann Arbor

### ACEC/Missouri

**ABNA Engineering, Inc.**, St. Louis

### ACEC/New Mexico

**Source Technologies, LLC (DBA STC Engineering)**, Albuquerque

### ACEC/New York

**C. V. Associates NY; PE, LS, P.C.**, Harriman

**Hudson Valley Engineering Associates, P.C.**, Beacon

### ACEC/North Carolina

**Engineered Designs, Inc.**, Raleigh

**Genesis Engineering, Inc.**, Matthews

### ACEC/Oklahoma

**Midwest Transportation Engineering Consultants, P.A.**, Tulsa

**White Hawk Engineering & Design, LLC**, Moore

### ACEC/Oregon

**LanPacific, Inc.**, Portland

**Pinnell Busch, Inc.**, Portland

### ACEC/Pennsylvania

**Ackenheil Engineers, Inc.**, Pittsburgh

**Raudenbush Engineering, Inc.**, Middletown

**Stone Consulting, Inc.**, Warren

### ACEC/South Carolina

**Wiser Company, LLC**, Columbia

### ACEC/Vermont

**Forcier Consulting Engineers, P.C.**, Colchester

### ACEC/West Virginia

**H. C. Nutting Company**, Charleston

**Triad Engineering, Inc.**, Morgantown

### ACEC/Wisconsin

**Osborne Engineering, Inc.**, Madison

**Saga Environmental & Engineering, Inc.**, Jefferson

**Stormwater Solutions Engineering, LLC**, Hartford

### Texas/CEC

**Bryant Consultants, Inc.**, Carrollton

**JRB Engineering and Testing, LLC**, Houston

**Schneider Engineering, Ltd.**, Boerne

**Simon Engineering & Consulting, Inc.**, Frisco

FMI is pleased to have served as advisor on the following transactions:

**EMC\***  
ENGINEERS, INC.

has been acquired by

**EATON**

**SAT** Southern  
Associates, Inc.  
Engineering • Construction • Planning

has been acquired by

**ZACHRY\***  
Zachry Group, Inc.

\*Company noted has been represented by FMI

FMI's Investment Banking group is a leading middle market investment bank serving the engineering and construction industry, including architectural, engineering and planning firms. We have been serving the design and construction market for more than 50 years. It is our sole focus. We have closed over 600 transactions, with an aggregate transaction value in excess of \$15 billion. We offer:

- Seller and buyer representation
- Capital structuring and sourcing and other capital markets advisory services
- Valuations and fairness opinions
- Ownership transfer planning
- ESOP planning

**FMI**

MANAGEMENT CONSULTING • INVESTMENT BANKING  
for the ENGINEERING and CONSTRUCTION INDUSTRY

MERGERS & ACQUISITIONS | FINANCIAL ADVISORY SERVICES

For more information, contact:

Michael Landry at 303.398.7283 ■ [mlandry@fminet.com](mailto:mlandry@fminet.com)

Hunt Davis at 919.785.9212 ■ [hdavis@fminet.com](mailto:hdavis@fminet.com)

or visit FMI's website at [www.fminet.com](http://www.fminet.com).

# FIND

## YOUR NEXT ENGINEER on ACEC's Job Board...

where today's  
engineering job seekers  
go to find their next jobs.



Since the ACEC Job Board's inception in August of 2005, over 2,000 member firms have posted job openings and more than 17,000 job seekers have posted resumes. Find your next new hire at:

[www.acec.org/jobbank/index.cfm](http://www.acec.org/jobbank/index.cfm)

Check out the ACEC Bookstore during March to

# save 20%

on CASE documents & publications!



[www.acec.org/publications](http://www.acec.org/publications)





# Members in the News

## Calendar of Events

### JANUARY

- 20** Responding to Requests for Discounts or Unilateral Fee Reductions (online seminar)
- 26** Engineering Opportunities in the Upcoming Urban Water Crisis (online seminar)
- 31-March 27** Green Buildings and Preparing for LEED Green Associate Exam (online seminar)

### FEBRUARY

- 1-4** Green Infrastructure and Sustainable Communities: Opportunities in Expanding Markets, San Antonio, Texas

- 2** Wired to Clients: Insights On Getting Inside Your Customers' Minds for Success in Business Development (online seminar)
- 9** BIM for Bosses (online seminar)
- 16** An Inside View of the Programs and Funding of Rural Development, U.S. Department of Agriculture (online seminar)
- 17** The Perfect Storm: A Bad Lawsuit; A Bad Contract; Indemnification and the Duty to Defend (online seminar)

### MARCH

- 16** DOE Energy Efficiency Block Grant Funding: Market Opportunities in a \$3 Billion Program (online seminar)
- 30-April 2** **ACEC Annual Convention & Legislative Summit, Washington, D.C.**

### APRIL

- 13** Recommended Practices for Engineering Expert Witnesses (online seminar)

To sign up for ACEC online seminars, go to [www.acec.org/education](http://www.acec.org/education).

Additional information on all ACEC activities is available at [www.acec.org](http://www.acec.org).

# LET

# WORK

# FOR

# YOU

*Engineering Inc.*

With an ad in **Engineering Inc.** you can:

- **REACH** your clients and colleagues.
- **ENHANCE** business prospects.
- **THANK** those important to your success.



Contact ACEC Director of Advertising **Nina S. Goldman**  
at 202-347-7474, by e-mail at [ngoldman@acec.org](mailto:ngoldman@acec.org),  
or visit the website at [www.acec.org/directories/advertise.cfm](http://www.acec.org/directories/advertise.cfm).

Life Demands  
a Degree of  
Flexibility

Convenient online and distance  
education that fits into  
your busy career.

Graduate Degrees and Certificates

- Biomedical Engineering
- Civil Engineering
- Mechanical Engineering
- Systems Engineering
- Applied Industrial/Organizational Psychology
- Computer Science
- Business Administration
- Statistics
- Green Building

Colorado  
State  
University

[www.CSUACEC.com](http://www.CSUACEC.com)

# Mergers and Acquisitions

## The Year in Review and a Look Ahead

BY MICK MORRISSEY

**C**onsulting engineering mergers and acquisitions (M&A) got off to a slow start in 2010. The volume of deals in the first quarter was down some 6 percent over the same period in 2009, and the early part of the year provided no hint of the action that was to follow.

By mid-2010 and in quick succession, we witnessed a number of game-changing deals, including the acquisition in May of transportation engineering firm **LPA, Inc.** (Columbia, S.C.) by **Michael Baker Corporation** (Moon Township, Pa.); **AECOM Technology Corporation's** (Los Angeles) July acquisition of **Tishman Construction Corp.**, a New York-based construction management services firm; and the October acquisition

by **WS Atkins plc** (Epsom, U.K.) of **The PBSJ Corporation** (Tampa, Fla.). It seemed suddenly that the whisperings of potential mega-deals in advance of the possible expiration of the Bush tax cuts were coming to fruition. As a result, third-quarter M&A activity spiked 24 percent over the same period the prior year. And it wasn't just the big players. Deals were taking place all across the country (see map for state-by-state overview of M&A activity through November 2010), with total deal activity globally up some 5 percent over 2009.

### The New Year

Looking to 2011, we anticipate the following themes will play out across the consulting engineering industry, providing opportunities and challenges

for ACEC Member Firms:

- **Increase in M&A activity:**

It is anticipated that the pace, which fueled the sharp 2010 third-quarter increase in deal activity, will play out through the fourth quarter. For 2011, we anticipate an overall year-over-year increase in M&A activity of approximately 15 percent.

- **Continued influx of overseas capital:**

Overseas buyers will acquire between 30 and 40 U.S. consulting engineering firms over the next 12 months (up from a projected 30 this year and 19 in 2010).

- **Investment in U.S. firms:**

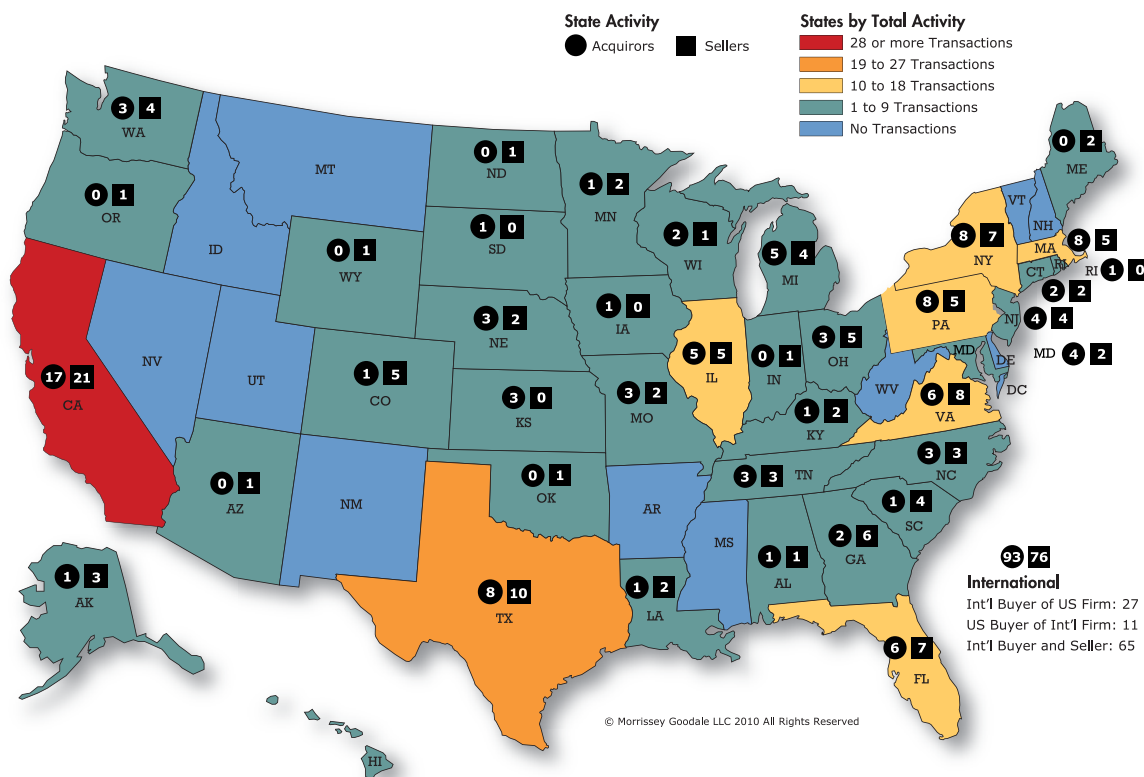
We anticipate five of these deals will involve firms with more than \$50 million in revenue. These acquisitions will be long-term invest-

ments to position the buyers for the inevitable rebound in the U.S. A/E/C market and opportunities presented by the inevitable rise of the public-private partnership model in the United States to develop and rehabilitate infrastructure and facilities. We anticipate that one or more of these major acquisitions will involve a Chinese or Korean buyer.

- **A return to growth-driven deals:**

One effect of the recession is that it has compelled many struggling firms from the same state to combine to survive. As the economy rebounds and private money re-enters the market, we anticipate more cross-state growth-focused deals (at around 60 percent of the total) taking place.

### 2010 Merger and Acquisition Activity through 11/12/10




*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](mailto:mmorrissey@morrisseygoodale.com).*





**We insure professional liability and property casualty,  
and we keep you safe from big bad wolves.**

No matter what your materials are, your building has to stand. And sometimes it has to withstand the unexpected. Travelers understands, and has both professional liability and property casualty lines of insurance tailored specifically for engineers. And because our underwriters specialize in underwriting engineering risks, your coverage will evolve alongside your most complex projects. For more information on Travelers insurance for engineers, contact your independent agent or call 443-353-2253. Suddenly, those big bad wolves aren't so big, or so bad, after all.

**TRAVELERS**   
Insurance. In-synch.™



## We wanted to know how to design the most suitable health care coverage plan for engineers. So we talked to engineers.

If you ask an engineer, there's always a better way to do things. That's why ACEC Life/Health Trust – representing the needs of more than 1,100 engineering firms – got together with UnitedHealthcare. We offer our members affordable health care coverage plans, including medical, dental, vision, life and disability.

**Call 1-866-469-9226 or  
visit [uhctogether.com/acec](http://uhctogether.com/acec)  
for more information.**

### You and your employees can also get:

- Access to a nationwide network of more than 617,000 physicians and health care professionals, plus 5,010 hospitals and 60,000 pharmacies, so you can get care wherever it's convenient for you
- A vast product portfolio of traditional and consumer-driven health plans, including Health Savings Accounts and Health Reimbursement Accounts
- Strength in numbers, in that coverage is provided to an exclusive group of engineering peers and member firms frequently pay less than the average cost of insurance in their area
- Dedicated sales, service and wellness representatives

Insured and serviced by:



The American Council of Engineering Companies (ACEC), the ACEC Life/Health Insurance Trust and United HealthCare Insurance Company are three separate legal operating entities and, as such, the organizations are governed and function independently. UnitedHealthcare's services are provided with the authorization of the ACEC Life/Health Trust. Questions related to health benefits offered through the Life/Health Trust should be directed to 1-800-573-0415.

UHCEW346178-009