

## **DEFENCE CONSTRUCTION CANADA**

### **Preliminary Annual Public Meeting**

**March 30, 2009**

**RCAF Officers' Mess, 158 Gloucester St., Ottawa, ON**

### **Summary of Proceedings**

Defence Construction Canada (DCC) held its preliminary annual public meeting on March 30, 2009 in Ottawa. This meeting was attended by representatives of three key associations, the Royal Architectural Institute of Canada (RAIC), Association of Canadian Engineering Companies (ACEC), and the Canadian Construction Association (CCA), the Department of National Defence (DND), members of DCC's Board of Directors and the Corporation's entire Executive team. In total, approximately 25 people were in attendance.

#### **INTRODUCTION**

The Chair of DCC's Board of Directors, Robert Presser, welcomed all of the participants and acknowledged that the representatives from the three key associations were the most suitable stakeholders for this particular event because of their role and ability to speak on behalf of their industry communities.

Mr. Presser articulated the rationale and the expectations for the meeting and encouraged the entire group to bring forward ideas, suggestions and comments in a frank exchange between the stakeholders and DCC. Mr. Presser then opened the meeting and introduced Mr. Ross Nicholls, President & CEO of DCC.

Mr. Nicholls, explained the federal government's direction to Crown corporations to engage their stakeholders and that DCC considers the associations present to be the primary voices of the industry. He underscored that DCC has always been, and will continue to be, steadfast in its commitment to listening to any issues that are raised by its stakeholders.

Also in the introduction, Mr. Nicholls outlined the following objectives of the meeting: inform the group of DCC's mandate, operations and priorities; learn about the mandate, activities and priorities of industry; gather concerns, comments and suggestions for improvement related to DCC operations; and obtain feedback from attendees about how subsequent public meetings might be organized.

Mr. Nicholls stressed that the proceedings were to be interactive and informal and that a summary of the proceedings, highlighting the key issues, would be drafted and shared with all participants and posted on DCC's website.

## DCC CONTEXT

Mr. Nicholls explained the mandate of the Corporation, to provide a wide variety of property-related services in support of the timely delivery of defence projects, and gave a brief overview of the evolution of DCC from 1950 to today – describing the various services that DCC provides to its client, DND, and the business opportunities DCC offers to the industry.

Mr. Nicholls also outlined some of DCC's key operating principles and mentioned that more detail of all aspects of this contextual introduction are included in DCC's 2007-2008 Annual Report, which had been provided to the attendees prior to the meeting. A key principle is that DCC seeks to add value to the project delivery process and to respond efficiently to the needs of DND. Another is that DCC seeks to maintain a solid working relationship with industry and to look to the private sector for the delivery of services – Mr. Nicholls specifically acknowledged how DCC's knowledge of and relationships with industry allow DCC to leverage industry capacity to the benefit of the client. One other principle is that, to ensure accountability, DCC's business and corporate governance practices are transparent and fair.

Mr. Scott Stevenson, Assistant Deputy Minister (Infrastructure and Environment) for DND helped to explain the general direction of infrastructure planning in the Department and how the construction program drives DCC's implementation plans.

## ASSOCIATION OVERVIEWS

The RAIC is the leading voice of the architectural profession on a national level and has close to 4000 members. In her address, Paule Boutin, President of the Institute, outlined the various functions of the organization, specifically in the areas of professional practices and member services. Ms. Boutin identified the most important issue for architects in public procurement as the issue of qualifications-based selection of firms – a fair and transparent system without competition on the basis of price is the desired end state.

The ACEC is a national association representing 600 consulting firms that provide engineering and other technology-based intellectual services. The key concerns for ACEC members, as noted by Jeff Morrison, President & CEO of ACEC, include: ensuring an adequate supply of trained, skilled human resources; the use of strictly qualifications-based selection criteria for professional firms; and adequate investment by the government in addressing Canada's infrastructure deficit.

The CCA has over 20,000 member firms that represent contractors across a wide variety of sectors including general contractors, trade contractors, and design-builders. The CCA is the only national association that speaks on behalf of its members about the various

issues affecting them. Brad Greene, Chair of CCA's Board of Directors, also identified the supply of both labour and management resources as a priority issue for this association. Mr. Greene further noted the CCA's concerns about: the increasing trend toward public private partnerships as a project delivery method – particularly the bundling of smaller projects into very large contracts; the challenges being passed onto contractors as a result of the lack of consistency in, and timeliness of, federal security screening procedures; and the unlimited liability being passed onto contractors by the conditions of the standard federal construction contract.

## THEMES

Mr. Nicholls then proposed four themes be used to help structure the discussions: the economy, its impact on industry, and industry's points of view about the government's infrastructure spending stimulus plan; industry itself, its current capacity and competitiveness; the government of Canada and any suggested improvements for policies, processes and practices related to procurement or contract management; and DCC in general.

## DISCUSSION

Following the presentations, the group discussed the priorities and areas of concern that had been brought forward. It was recognized that some of the priorities were common for all of the associations, and others were unique.

### *Labour:*

The associations identified that labour supply continues to be a key issue. However, it was noted that different regions within Canada are experiencing the economic downturn in different ways. For example, at the moment, there is a serious slow down in British Columbia, while Quebec remains active. The same dichotomy was noted for the different market sectors as well. This matter was seen as an ongoing issue that would continue indefinitely and it was suggested that the federal government should acknowledge labour supply challenges as a national priority.

### *Infrastructure:*

It was noted in the government's economic action plan, as part of the federal government's 2009 budget, that the infrastructure stimulus funding should create jobs in the construction and engineering sectors. All participants were interested to see what the federal government has in store in relation to infrastructure stimulus measures. It was specifically acknowledged by all participants that if infrastructure spending was identified as soon as possible, and if the planned spending period covered at least the next five years, this predictability would be beneficial for planning purposes. In addition, it was stated that standing offers could also help industry planning activities.

*Security:*

Security issues related to the security screening of individuals as well as to the safe guarding of documentation were noted. Regarding security clearances, the key issue identified was the length of time it takes for the federal government to process requests. It was noted that the Canadian Industrial Security Directorate of Public Works and Government Services Canada will roll-out an educational program related to its Designated Organization Screening for construction companies working on federal government projects. DCC noted that approximately ten per cent of its construction contracts require security clearances at this point.

*Risk management:*

Issues related to insurance, contractor liability, and the government's current approach to risk management were put forward. The self insurance policy of the federal government, coupled with the absence of a limit to liability in the standard federal construction contract, places an unreasonable risk on contractors. In fact, the CCA is ready to issue an advisory to its members suggesting they carefully consider the risk before bidding on federal contracts.

*Selection procedures and qualifications-based selection (QBS):*

Associations agreed that DCC's selection procedures are, and should continue to be, fair and transparent, and that price should not be a part of the selection process.

It was further noted that since October 1, 2008 in Quebec, provincial ministries and agencies must use QBS to procure engineering and architectural services. This means that firstly, all the firms that are vying for a contract are to be assessed and ranked based on criteria such as qualifications, appropriate technical expertise and competence, knowledge and understanding of client needs, and proven performance. Secondly, once the appropriate ranking has been done and the top firm has been identified, the scope of the contract, the expected time period involved, and the pricing is negotiated between that firm and the government entity that requires the service.

The two most important points that were underscored in relation to this topic were that with QBS, price has no influence in the decision making process and that innovation, on the part of the service provider, is encouraged. DCC acknowledged the QBS principle and noted that for the selection of professional services, its current policy is to include a price factor with 10 – 15% weighting in order to determine the best value. DCC further noted that the use of a neutral observer in the selection process is something that would be considered.

*Public-private partnerships (P3):*

It was noted that the federal government has established a new Crown corporation, PPP Canada Inc., to administer a P3 fund and to encourage P3 development. While one opportunity for a P3 project is being considered, it is an exceptionally large and complex project. However, P3 is not anticipated to become a common project delivery method.

CONCLUSION

For efficiency's sake, the participants noted that the next annual public meeting should take place close in time to national conferences or other events in which the associations and their members would take part.

In closing, Mr. Nicholls thanked the association members and the Board of Directors for their participation in this meeting.