# Never mind the price – ask what the cost is?

## EFCA would like to see a more effective, innovative and sustainable system for the awarding of construction projects, writes David Eades

Value, value, value – it is the key to any contract in any field, but in construction and in engineering, the question is what the best route to the best value is, when the word itself has become synonymous with "lowest price".

In the world of consultant engineers, the need to raise the importance of lifecycle cost over simple cost of construction, has been recognised in the European Directive of 2014. The introduction of Most Economically Advantageous Tender (MEAT), as the award criteria is called, offers a more enlightened approach to tendering and selecting a contract partner.

But the construction industry is still dominated by a feeling that the lowest tender will often win a contract, and this is the conundrum facing consulting engineers when public authorities, in particular, find it difficult to look beyond one simple element of value: "What is the price of this project, as we must look after the public purse?"

"It is hardly a new question," said Marcin Mikulewicz, vice president of Poland's National Association of Consulting Engineers (SIDiR), "but it has been forgotten by most customers and employers.

"Price and cost are two different things. Price, really, is nothing. I just think about the cost, because you can have a higher price at the start, but it may serve to lower costs over the lifetime of a construction.

"If you only work on price, it is more than certain that the product, whether it's a road, or building, or a whole infrastructure, will not be designed the optimum way."

Experience has shown in Poland that this can lead to even greater costs for public authorities, and "disputes on everything you can think of, especially costs of implementation and time extensions".

### QUALITY CRITERIA

Poland's common approach to "quality criteria" focuses on price first, and then warranty period and timeframe for execution.

"Most of the time, bidders offer the longest possible warranty and the shortest possible execution time," said Mikulewicz.

"This way the public client takes the cheapest option and quickest execution time promised – and on top of that, possibly the longest warranty period too.

"Actually, this is probably a worse deal than just going for a simple price-based selection, because the result is that construction companies may go bankrupt by offering too low a price to start with. Then there's a need to search for a new contractor, plus the cost of repeating the tender process – all additional expenses caused by going too cheap in the first place."

That is where the new EFCA guidelines come into play, a document which is being promoted now in Poland and which reshapes the way engineers and public authorities should think about the criteria for any engineering project.

The purpose is simple – to ensure that MEAT is the norm in the tendering process. EFCA has drawn up a clear, simple methodology, based on five steps, for reaching the best informed decisions for any project.

These are: formulate main project goals; derive possible quality criteria; choose a maximum of four; attribute weights to the criteria; and test your set by performing a crash test.

Experience shows that the more complex the project, the better use can be made of the quality-based criteria.

Pawel Zejer, board member of EFCA and of the Polish Institute of Building, agreed.

"If you do use this methodology, customers will be pleased with the consultants' services, because the benefits are quite obvious.

"Best value procurement is mentioned in the introduction to these guidelines. In most cases, if you select expert consultant engineers, vendors, builders, those who really know how to do the job, it leads to a lower lifecycle cost.

"Consultants must be educated in this as well as clients," added Zejer. "It's a paradigm shift required on both sides as they have become so used to the market of lowest price selection."

By using the guidelines, consulting engineers may come to see that public procurers are willing to pay more than they thought for quality over price.

Mikulewicz gave an example from Poland, where just two criteria were required in tendering for a simple concrete construction.

"The weighting was 40% for warranty and 60% for price. There were only two tenders, one for PLN1.4 million, and the other for PLN500,000. The more expensive tender provided for a 60-month period of warranty, compared to 36 months for the lower-priced option.

"Well, the formula for calculating quality criteria and price shows – and I checked this – that actually the employer would have been prepared to pay another PLN500,000 for just having two years of added warranty period for a very simple concrete project. So here the contractor would have been much better off testing their own offer. It can work both ways."

### LIVING DOCUMENT

This best-value methodology has taken root in some countries, notably the Netherlands, Sweden and Finland, although Mikulewicz sees the EFCA five steps guidelines as a living document, which can be monitored and updated over time.

Behind the ambition, though, lies the truth that many countries still lag behind. Zejer said, "It would be very rewarding for everybody. The markets for construction engineers would be more stable, and it would boost innovation, I am sure. It will increase effectiveness, and raise quality of services, meaning it will help create new solutions and new technologies.

"And for the client, it will reduce the number of disputes, bring down the number of delays in construction, reduce lifecycle costs and have a significant impact on the entire market."

Mikulewicz said, "We can use much more sophisticated materials than ever before. We can use technology better, computers more effectively. And we should be chasing other industries, like automotive and agricultural engineering." ce

### About EFCA

The European Federation of Engineering Consultancy Associations (EFCA) has member associations in 24 countries, and is the sole European federation representing the engineering and related services industry, which employs one million staff, the majority of whom are highly skilled in a breadth of disciplines.

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