

# the Voice of efca



European Federation of Engineering Consultancy Associations

Representing FIDIC in Europe

JUNE 2017



## European Values Defended by Engineering Consultancies

In retrospect of his three years' mandate as EFCA President, Flemming Bligaard Pedersen told the Voice of EFCA that "Aiming for fair and balanced business conditions for the consulting engineering industry across the EU and EFTA is the main goal of EFCA, but to achieve that, we need to stand together in solidarity. Only then policymakers and legislators will show interest in listening to our voice." That is why the President committed to further integrate the national, regional and international levels of representation of the engineering consultancy industry.



This approach reinforces EFCA's mission in promoting the European engineering consultancy industry in Europe and internationally and to represent it to the European institutions. "Businesswise, this approach should also sharpen our ability to keep pace in the increasingly competitive global marketplace" told the President who developed his initial 300 employee consultancy to a 14,000 employee consultancy during his career.

## Better projects and faster innovation if consulting engineers brought in earlier



David Cramér

*The need for innovation in cities has never been greater and investment across Europe in public projects is on the rise. David Cramér, Market Analyst at the Swedish Federation of Consulting Engineers (STD), sees an opportunity for public funds to go much further simply by changing procurement practices and the way public authorities relate to consulting engineers. Better projects and faster innovation is well within our grasp, he says.*

A Sector Review, published recently by STD, reflects a construction and engineering industry that took a hit in the 2008 financial crisis but is now getting back on track. Profits doubled in 2015 for Europe's largest consulting engineers to 4.3%, and companies are growing at rates of 7% and more. Large infrastructure projects like the Stockholm Bypass with its circular motorway, tunnels and bridges, or the ambitious motorway in Norway linking Oslo and Trondheim across a challenging landscape, are fuelling the market in Nordic countries where recovery has been particularly good. After decades of under-funding, says Mr Cramér, some governments are investing heavily. Gentle upward trends are expected across most of Europe.

### Billing ratios dangerously high

The problem for consulting engineers, however, is that within this optimistic market lurk some dangerously high billing ratios – with some fee rates barely covering salaries and leaving little room for innovation. "The questions I would like to raise are what the taxpayers should be asking," says Mr Cramér. "What are we getting for our money" and "Are we getting the best solution?"

**What are we getting for our money?**

"Consulting engineers are doing all they can to win contracts, public projects are their bread and butter, but the low fees are creating long-term problems, including not being able to always include senior engineers on projects. What does this mean for our changing cities, the railways, and the roads? Our order books are full for the time being," he adds, "but that doesn't mean projects couldn't be even more effective."

### Price not the only measure of success

Mr Cramér urges public authorities to move away from tendering so heavily on initial project costs which pinch fees to unsustainable levels. "Price has been the measure of success for so long," he continues, "that it's not easy to change mindsets or processes." The EU Public Procurement Directive was amended to allow for more quality aspects to be taken

“Since EFCA aspires to positively influence EU legislation that impacts on engineering consultancy services and that it promotes fair competition and transparent procurement rules”, continued the President, “our federation needs to support the EU institutions as an expert knowledge broker and assist our member associations in achieving common European goals.” Many of our companies want “more Europe and more common market”, in the form of greater policy convergence and integration.

“But we also need to explain to policymakers and legislators how the engineering consultancy sector is contributing to overall welfare and a livable environment for society and how for example it assists clients in optimizing investments; these aspects are unfortunately ill-known at large. Stronger productive investment will be critical to ensuring that Europe’s economic recovery remains on track.”

In conclusion, the President called on EFCA and the larger FIDIC consulting engineering community (world federation) to continue promoting global values such as human equality, sustainability and livable technology, principles that have a proven track record for hundreds of years.

“To achieve the potential of the investment plan, the EU will need to address lingering areas of fragility, including remaining financial risk, regulatory uncertainty, the direction of the Eurozone, and where possible, geopolitical concerns such as migration and the integration of refugees, as well as populism. It could also help companies harness digitization, enabling the EU to achieve more of its digital potential.”



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into account when spending public money but habits are slow to change. Alternative measures could be based on innovation, lifecycle costing, knowledge, competence, energy efficiency, or environmental issues.

This emphasis on price has already hit competency levels. “In Sweden we have started to see outsourcing of services to companies mainly in the Baltic region, but also other eastern European countries,” Mr Cramér explains. And with fees not advancing as much as in other knowledge and creative industries, like architecture, law or management consultants, the sector faces a recruitment problem. Young people, highly motivated to change the status quo, are creative and have a natural affinity for the use and potential of new, especially digital, technologies. “We need this generational change,” says Mr Cramér, “but people are also attracted to other sectors like IT or the car industry, by more competitive salaries.”

### ***Clients don’t always know what is possible***

“Part of the problem is that public clients don’t always know what is now possible,” he continues. “There is a lot of potential to integrate city functions and make savings over the longer term. The more complex projects become, the more difficult it is to know beforehand what you are asking for. It is hard for clients to have all the knowledge they need – especially in increasingly complex situations.”

“We are a very traditional sector and slow to change,” admits Mr Cramér “though our capacity is higher than ever. We should be offering far better solutions than simply what the clients ask for but our lack of self-confidence means we are not promoting what we can sell as well as we could do. There has to be some point where consulting engineers can explain what they can offer and propose ideas, then later develop them into completed solutions.”

### ***Self-promotion also important for progress***

“It’s a big challenge to stay at the front despite falling fees and low profitability,” he adds, “Public authorities should invest in their own procurement teams as well as inviting us in during the planning phase. That’s a recipe for better projects and faster innovation. But in the meantime, we must take the initiative and do some self-promotion.”

***We must take the initiative and do some self-promotion.***

Nordic markets are now attracting British, French, even American companies. Half of the 50 largest Swedish consulting engineering and architectural firms are now foreign owned, compared to about five 10 years ago. “Some companies complain competition has increased,” reflects Mr Cramér, “but many are also finding new markets outside of Scandinavia. Company size is important in consolidating geography and disciplines – lots have acquired architectural firms so they can offer broader services but also to balance the ups and downs of the market. With digital structures you can utilise the competence of your group regardless of where they are located. Solutions for a lot of the problems in the world today lie in the hands of consulting engineers – and that is what we need to promote.”

### ***More dialogue means a more sustainable future***

Taxpayers’ expectations for a more sustainable future rely on the ingenuity of engineers. “The future is in our hands,” concludes Mr Cramér.

It’s time consulting engineers came out of the shadows, and its time public authorities were open to earlier advice and support. More dialogue could ultimately mean that, yes, taxpayers are getting the best solution – for them and for the planet.

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**EFCA has member associations in 25 countries, and is the sole European federation lobbying on behalf of engineering consultancy and related services, a sector that employs around one million staff in Europe. EFCA contributes with a strong and cohesive input to legislative actions of its national associations on issues affecting market conditions. Furthermore, the organisation works as a Europe-wide platform for national associations and their member firms to gather relevant facts and discuss issues with their counterparts.**