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Memo

To: Interested Parties

From: Kaye Henderson

Date: 3/7/2005

It is my understanding that consideration is being given to changing Texas' Qualifications Based Selection (Q.B.S.) process. This is a subject on which I have substantial knowledge, and therefore offer my experience. I served as Secretary of the Florida Department of Transportation beginning in 1987 for a period of almost three years.

For context, you should know that I was asked to served by the governor-elect who campaigned "to reform the Florida Department of Transportation." At that time, the Governor was responsible for the Executive branch only, and the Legislative branch was dominated by the opposite party.

This political constraint was substantial and had implications that you can readily appreciate. I agreed to leave the private sector, introduce and persist in the establishment of several major "reforms" providing Governor Bob Martinez allowed me to put my experience and well-grounded principles to work. He did, and I did. One

of the conditions of my service was to study the existing policy of “bidding engineering services.”

As Secretary, I inherited a system of selecting design professionals on the basis of competitive bidding. The results were uniformly negative. Price-based selections for design services don’t work. It didn’t work for the public, the agency administrators, contract managers or even office holders.

Why? Because once price is mentioned, it becomes the dominant and controlling factor throughout the remainder of the process: selection, design, construction, etc. Price suffocates decision-making and contract compliance. This old adage is true, “You get only what you pay for.”

Is there a place for discussion of price? Sure. After a selection has been made based on qualifications – “The best firm for this assignment, in this place, at this time.” Then and only then should price enter the dialogue.

Did bidding engineering services make the selection more cumbersome? Yes, without a doubt. Once “numbers” are on the table, they inevitably become the only topic, and such critical factors as quality, service, and performance are muted. Under a price-based selection, you can forget such professional ingredients such as innovation, added value, accountability, and advancing the science of engineering.

Did the bidding system (let’s call it what it is) lead to increasing change orders? Yes, it did. The logic is plain. You have established a policy that regards “price” as the equivalent of “value,” and they are separate by almost 180 degrees. True value should be the goal in the acquisition of professional service, and value will not be obtained through a bid.

Did price-based selection of engineers increase construction costs? Probably. This is a contentious subject because you can only receive construction bids on one set of plans – not two. You can't receive bids on a set of "true value" plans and simultaneously receive bids on a set of "lowest cost" plans. Once price is inserted, the dominos are set on end and will fall only one way – toward cheap.

I am sure of this: the "life-cycle costs" of the product (i.e. roads, bridges, structures) and every aspect of a transportation system are increased and useful life decreased when design services are bid.

The reality of these factors enabled us to convince the Legislature to move back to QBS for the first time in 15-20 years. A homily that I used in 1988 is still applicable today:

"If you want good, clean, fresh oats, you must be willing to pay a fair price. If you can be satisfied with oats that have already been through the horse, that comes a lot cheaper."

Engineering is like oats.

Fallacies and Guarantees in the Procurement of Engineering Services

Fallacies:

1. “That better technology has reduced the need for engineering expertise.” False. But, it has freed up the best engineers for more creative and productive tasks (i.e. project management).
2. “That innovation cannot be achieved with Q.B.S.” False. Actually the best innovations are produced by the best brains, and they are not to be bought for the lowest price.
3. “That cost of service (price) and qualifications to serve (value) can be discussed simultaneously.” False. Once price is mentioned then selection is always based on the cheapest proposal offered. And, why not? All contenders have already been found “qualified.”
4. “That price considerations can be overridden by other considerations such as superior project management, availability to serve, past record of performance (good or bad).”
False. It never happens!

Guarantees:

1. If a public agency selects on a “lowest” price basis, more money will be spent on trying to insure adequate quality in the design documents than would have been spent to secure a negotiated fair price from the most highly qualified source.
2. Prior to selection, check a firm’s mission statement. If you find a declaration to “offer our clients the lowest possible price,” then “run, not walk to the nearest exit.” On the other hand, if the mission statement mentions “core values” such as, integrity, quality service, and valuing employees, then proceed with confidence.