ACEC
American Council of Engineering Companies
100 Years of Excellence
of Delaware

Newsletter

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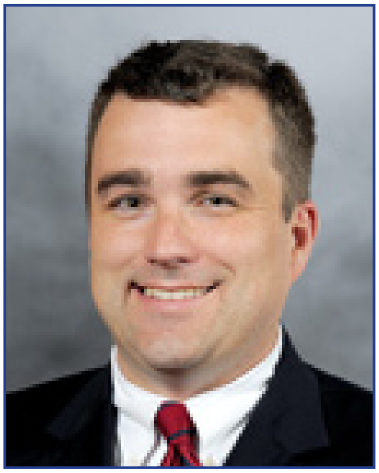
Spring Greetings to You and Your Family!

Mike Karia, Executive Director



In this Issue

President's Corner

By Ted F. Januska, P.E.

My last two president's messages have primarily focused on the business issues and legislative activities of ACEC Delaware. We've been very active in engaging our leaders and elected officials in Delaware and Washington. However, in this message, I want to discuss our organization's most important asset…*our member firms*!

ACEC Delaware wants to see and hear from you. We want to see both old and new faces at our programs and committee meetings. We want to hear from you about the issues and challenges that face your businesses. We want to know how ACEC Delaware can better work for our members, especially for our smaller firms and MEP firms. Please do not hesitate to contact me at tjanuszka@pennoni.com or Mike Karia at mikekaria@msn.com with questions, comments, concerns, suggestions and ideas.

So with that being said, I have recently formed a subcommittee to develop a Five Year Strategic Plan for ACEC Delaware. The subcommittee will be chaired by Scott Rathfon. Joining Scott on this committee will be Steve Johns, Mike Riemann, Bruce Jones, Dave DuPlessis and Mike Karia. I believe this group represents a good cross section of ourmembership. This strategic plan will clearly set 1-, 3- and 5-year goals for ACEC Delaware that can be benchmarked by our executive committee and our member firms. We will provide you updates on the progress of this strategic plan at our September dinner meeting.

With respect to our newsletter, we also are seeking business and technical articles on topics that impact our industry. Please submit your article to Mike Karia for inclusion in our Fall newsletter.

I look forward to hearing from you, as well as seeing you at our Annual dinner meeting on May 26th at the White Clay Creek Country Club.

Ted

ACEC Delaware | Our Programs | January 2010

Members enjoying our January 2010 program on **"Solar Energy- Current Trends and Future Outlook"**

Our Keynote speaker: Dr. Allen Barnett, Electrical and Computer Engineering, University of Delaware

ACEC Delaware | 2010 EEA | February 2010

M. Shane Minner, P.E.
Chair, Education and Public Relations Committee

Education and Public Relations Committee

ACEC Delaware presented a $500 2010 Engineering Scholarship to Ms. Meghan Cash, a senior at Dover High School, at the Engineering Week Banquet held on February 18, 2010 at the DuPont Country Club in Wilmington.

Meghan plans to pursue Biomedical Engineering at the University of Virginia this Fall.

Ted C. Williams, P.E.
Chair, Legislative Committee

Legislative Committee

On Thursday, April 22, 2010, we had the ACEC Delaware “Legislative Day” at the Legislative Hall in Dover. President Ted F. Januszka, Vice President Scott L. Rathfon, Chair, Transportation Committee Michael A. Angelo and I met with the Senators, Representatives, Governor and Lieutenant Governor at the Legislative Hall and presented the issues and solutions related to Delaware’s engineering industry.

ACEC Delaware had distributed the package of information to the elected officials on the morning of our Legislative Day. The 2010 Legislative Brief is available for you on ACEC Delaware’s website at www.acecde.org.

Tim M. Anderson, P.E.
National Director

ACEC National Director’s Message

As a part of the ACEC Annual Spring Conference in Washington, D.C., President Ted F. Januszka, Vice President Scott L. Rathfon, Chair of the Legislative Committee/ ACEC National Vice-Chairman Ted. C. Williams, and I visited the offices of Senator Thomas R. Carper, Senator Edward E. Kaufman and Congressman Michael N. Castle on Tuesday April 27, 2010 to present three national issues affecting the engineering industry with suggested solutions. The three national issues were: 1) Maximizing Private Sector Innovation, 2) An Infrastructure-Based Recovery Agenda, and 3) Repeal of the 3% Withholding Mandate.

The issues and the solutions are available at the ACEC Delaware website at www.acecde.org under Legislative Work 2010. I encourage you to read the issues and the solutions offered and provide us your thoughts, by email to: acecde@dca.net.

We value your opinions and participation.

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AMERICAN COUNCIL OF ENGINEERING COMPANIES

Maximizing Private Sector Innovation

FACT SHEET

ISSUE

Despite the fact that the United States is home to the world's best engineering firms and talent, efforts continue at the federal and state levels to limit the ability of public agencies to enlist the capabilities of America's engineering industry.

Last year, the Administration and OMB released government contracting guidance that seeks to replace engineering firms and other service contractors with in-house employees. In addition, legislation is pending in Congress – HR 2104 – that would prevent state departments of transportation from turning to engineering firms to provide critical construction inspection services.

America's engineering companies play an essential role in helping public agencies deliver and upgrade the nation's critical infrastructure – to reduce congestion on the nation's roads and bridges, provide clean drinking water to consumers, develop energy-efficient and sustainable buildings, and enhance the security and safety of the public.

Agencies that contract with engineering firms are able to acquire unique capabilities, adapt quickly to economic conditions and fluctuating workloads, ramp up their programs when funds are available, and ramp down when funding cycles demand savings. By contrast, government policies that require the use of in-house engineer workforces stifle innovation and competition, limit experience application, and dampen economic growth.

KEY POINTS

- Public agencies should not be limited in their ability to engage the private engineering industry in addressing engineering challenges; government procurement policies should encourage, not discourage, the use of the private sector.
- America's energy independence, transportation mobility, access to clean water, response to climate change, safety and security, energy savings, and other public policy priorities depend upon the innovation of America's engineering industry.

ACTION REQUESTED

Oppose efforts – such as the Administration's government contracting guidance and HR 2104 – that restrict the ability of federal and state agencies to contract out for engineering services, and promote policies that maximize the use and innovation of America's engineering industry.

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AMERICAN COUNCIL OF ENGINEERING COMPANIES

An Infrastructure-Based Recovery Agenda

FACT SHEET

ISSUE

Significant investments in the nation's infrastructure will create and sustain hundreds of thousands of jobs and support a sustainable economic recovery for years to come. Critical components of an infrastructure-based recovery agenda are before the House and Senate right now:

Aviation: Both the House (HR 915) and the Senate (Senate amendment to HR 1586) have passed FAA reauthorization bills that increase investments in airport projects through the Airport Improvement Program (AIP); the House bill makes additional funds available by lifting the cap on Passenger Facility Charges (PFCs) collected by airports for development projects.

Water: The House has a five-year, $14 billion bill (HR 1262) to reauthorize and expand the Clean Water Act State Revolving Fund (SRF) program; the Senate Environment and Public Works Committee adopted an even bigger program (S. 1005) that would invest nearly $40 billion over five years in water and wastewater infrastructure through the Clean Water Act and Safe Drinking Water SRF programs.

Highways & Transit: House Transportation and Infrastructure Committee Chairman Jim Oberstar (D-MN) has proposed a new, six-year $450 billion highway and transit program to replace SAFETEA LU; the Senate Environment and Public Works Committee is currently working on companion legislation.

All three initiatives have bipartisan support and represent the core of a very effective jobs and economic growth package that can be accomplished in 2010.

KEY POINTS

- A $1 billion investment in transportation infrastructure supports over 34,000 jobs; each dollar invested in highway and transit construction generates $1.80 of GDP in the near term.
- According to the most recent U.S. DOT Conditions & Performance Report, we are investing less than half of what is needed to improve the nation's highway and transit systems; simply maintaining current spending levels will lead to an 11% increase in congestion delays, a 17% worsening of pavement ride quality, and a 13% backlog in addressing already deficient bridges.
- A $1 billion investment in water and wastewater infrastructure results in an estimated 20,000-26,669 jobs.
- The EPA and GAO estimate the gap between current investments in water infrastructure and what is needed is in excess of $300-$500 billion over the next 20 years.

ACTION REQUESTED

Congress should move quickly to complete work on multi-year water (S 1005) and aviation (HR 915) bills, and make passage of a six-year, $450 billion surface transportation bill a priority in 2010.

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Repeal the 3% Withholding Mandate

FACT SHEET

ISSUE

Section 511 of the Tax Increase Prevention and Reconciliation Act of 2005 (P.L. 109-222) is a sweeping new requirement mandating that federal, state, and local governments withhold three percent from payments to engineering firms and other contractors for goods and services. The law, which takes effect in 2012, will cover all payments for products and services made by the federal government and state governments, as well as local governments that have annual expenditures that exceed $100 million.

ACEC is deeply concerned about the impact and unintended consequences of this new requirement on all companies that receive contracts or other forms of government payments. The provision was designed to deter tax evasion, but it will primarily penalize honest taxpayers and place unnecessary and onerous financial burdens on both small and large firms alike. In addition, implementing the provision will cost federal agencies and state and local governments billions of dollars. A Department of Defense study estimates that it will cost DOD alone $17 billion in the first five years to comply with this mandate.

KEY POINTS

- The withholding mandate will apply to the total cost of the contract, not to the net revenue generated or the size of the company. Many companies realize a profit margin of less than three percent on a contract, and withholding three percent up front for tax purposes will force them to divert funds needed to complete the contract, creating cash flow problems. As a consequence, government agencies may see the cost for goods and services increase as firms seek to offset the impact of the three percent mandate.
- The new mandate will have an especially onerous adverse effect on smaller firms, both in terms of creating cash flow problems as well as affecting the important role they often play as subcontractors on large government contracts. Prime contractors may be compelled to pass the costs associated with the three percent withholding requirement to their subcontractors, or possibly shift from subcontracting work out to self performance.
- The law will also impose significant administrative costs and information reporting requirements on governments and businesses. This will be a serious concern for subchapter S corporations and other pass-through entities because these withholdings will have to be reported to each partner in the partnership and will affect their tax liability.

ACEC POSITION

- Cosponsor H.R. 275 introduced by Representatives Kendrick Meek (D-FL) and Wally Herger (R-CA) and S. 292 introduced by Senator Arlen Specter (D-PA) to repeal Section 511 and eliminate the 3% withholding mandate.
- Oppose efforts to broaden the withholding requirement or speed up its implementation.

Your Committees at Work for YOU

Bruce Jones, P.E.
Environmental Committee

ACEC has presented three (3) issues that affect the engineering industry currently and the recommendations to solve them to our legislators in Washington.

ACEC Delaware's President Ted F. Januszka, Vice President Scott L. Rathfon, National Director Tim M. Anderson, Chair of Legislative Committee Ted C. Williams and Chair of the Environmental Committee Bruce W. Jones visited Senator Thomas R. Carper, Senator Edward E. "Ted" Kaufman and Congressman Michael N. Castle on April 27, 2010 to present these issues and recommendations.

Following are the issues and the recommendations:

Sustainable Project Rating and Certification Program

In partnership with the American Public Works Association and the American Society of Civil Engineers, the American Council of Engineering Companies (ACEC) has begun the development of a sustainable infrastructure rating and certification program.

Unlike LEED, which is focused on buildings, the new program will focus on the specific needs and requirements of infrastructure projects, both new and existing. The system will focus not only on performance aspects (Are we doing things as sustainably as possible?), but also on questions about whether or not the project is the right solution for that community in the long-term. All non-building infrastructure projects, including transportation and water infrastructure, will be eligible for the new sustainability rating.

The new system is intended to be:

- performance-based (outcomes) rather than prescriptive
- scalable for size and complexity of projects
- provide for self-assessment, as well as independent verification of attainment by certified third-party engineering companies or peer groups

To complete this program, ACEC and its partners will also be offering sustainability training and developing a certification program in an effort to further promote sustainable design and practice. The first phase of this program is expected to go into testing in the fall of 2010, and then to be publically available in the spring of 2011.

Through the use of this rating system, the partnership will work to help policymakers, owners and communities understand the importance of the triple bottom line: meeting the economic, environmental, and social needs of users. Similarly, we hope that infrastructure owners will begin to incorporate life-cycle analysis at the project's inception.

The infrastructure systems we have now have served us ably in the past, but won't be able to meet tomorrow's demands. Planning for our future begins with a commitment to sustainable practices.

FIVE STRATEGIES YOU CAN IMPLEMENT NOW TO PREPARE YOUR FIRM FOR THE FUTURE

By John Geddie, President, Geddie & Associates

"Whether you prevail or fail, endure or die, depends more on what you do to yourself than on what the world does to you."

– Jim Collins, How The Mighty Fall

There is no doubt – the last couple of years have been tough for A/E firms. A worldwide economic downturn, declining tax revenues, and a soft private sector market have combined to create a perfect storm of cutbacks, drawdowns, and reduced revenues for many firms. Firms that make key strategic decisions today will be the ones prepared for the swing of the pendulum to more prosperous times tomorrow. Firms which want to survive are not content to let these circumstances dictate their future. Rather, these firms develop proactive strategies and re-align their employees to new corporate goals in order to heighten their chance of future success.

I've developed several strategies firms can consider implementing today to prepare for the future.

#1: Develop your leaders early so they can contribute to the success of the firm. Geoff Colvin, Fortune Magazine editor and author of Talent Is Overrated, says organizations can enhance performance by identifying promising performers early and investing significant time, money and resources in developing people. Not only do you build a cadre of future leaders to assist you with succession planning, you benefit from the enhanced performance of those individuals today. The research is clear – a leadership development program that provides a structured, cohort learning environment is the most successful way to accelerate the development of your employees. Now is also a time to consider culling non-performers from your workforce. You will find that your top performers will appreciate it. Information about our High-Potential Leadership Program can be found on our web site.

#2: Focus on enhanced project profitability. Your firm's profitability ultimately results from consistent project profitability. Consistent project profitability results from the systematic application of basic project management techniques. It's time to re-emphasize the basic triple-constraint philosophy of project scope control, cost containment and disciplined schedule execution to improve the success of projects in your firm. A refresher course for your project managers may be just the key to getting them re-focused on project success. A suggested curriculum is the Geddie & Associates Project Management Practitioner Program shown on our web site.

#3: Dazzle your existing clients. It's likely your current clients have experienced budget shortfalls as a result of the current economic conditions. Show them they're still on your radar screen even when times are tough. Look for creative ways to add value without expecting anything in return. How can you do that? Read the trade journals your clients read. It's a great way to gain insight about the issues your clients face every day.

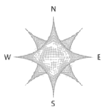
#4: Revisit your marketing targets for new work. It's ironic but when economic times get tough, the first casualty is often the targeted marketing strategies firms have developed over years. Instead, firms start chasing every business opportunity that comes along, even those outside their core competencies, and ignoring the go/no-go decision-making tools they have relied on in the past. It's time to refocus on those potential clients you have the greatest potential to win work with – and show them why you are the best choice.

#5: Use downtime effectively. Use overhead time productively. When work slows down, train workers on new skills and new technologies. Consider having all employees "adopt a client" and "stalk a competitor". Have them research everything they can about the issues a client is facing by reading news stories, conducting Internet searches, and attending public meetings. Learn what your competitors are doing by focusing your attention on them as well. After all, it's hard to position your firm as a better alternative to clients unless you know your competitors' value propositions. The data can be gathered by all employees and forwarded to your marketing director or principals for further action.

The good news is that times will get better. When they do, any firms will be left behind because they are not preparing now for the future. These firms will be playing "catch-up" in the new competitive market place.

ACEC-Backed Measure in Water Bill Could Free Up $6 Billion for Financing

Rep. Bill Pascrell (D-N.J.)



The House of Representatives cleared legislation this week that will give communities a new tool for raising revenues to finance local water projects.

The Small Business and Infrastructure Jobs Tax Act of 2010 (H.R. 4849) includes an ACEC-backed provision that would waive the state volume cap on private activity bonds for water and wastewater projects, significantly expanding the availability of low-cost financing for local communities.

The Council worked closely with Congressman Bill Pascrell (D-N.J.), who has championed this provision to make it easier to fund critical water infrastructure needs.

"As ACEC members know firsthand, there is a considerable gap right now between available financing for water projects and the needs facing communities in New Jersey and throughout the country," said Pascrell. "The House-passed legislation will help to close that funding gap and shows that job creation is our top priority in Congress."

Wall Street experts and the Environmental Protection Agency have projected that this simple change in the tax code could make available as much as $6 billion annually for the nation's water infrastructure replacement needs. The cost to the federal government would be significantly less, as recent Joint Tax Commission estimates put the bill's price tag at only $372 million over the next 10 years.

Senate Approves Airport Funding Increases in FAA Bill

The Senate approved legislation this week to reauthorize federal aviation programs and expand available project funding. The ACEC-backed bill renews FAA programs and funding through F.Y. 2011 and includes significant increases for the Airport Improvement Program.

The bill now goes to negotiations with the House, which passed its own FAA reauthorization bill (H.R. 915) last year. Like the Senate, the House bill increases airport grants to $4 billion in 2010 and $4.1 billion in 2011, an increase of $500 million each year over current levels. The House bill also raises the cap on passenger facility charges from $4.50 to $7.00, potentially raising an additional $1.1 billion annually for airport development projects.

ACEC is seeking to maintain a House provision to mandate the use of QBS on local airport projects funded through passenger ticket fees. Current law only requires QBS on federal airport improvement funds.

Congress is also working to approve a three-month extension of FAA funding and programs to allow time to resolve the differences in the bills. The current FAA extension expires March 31.

House Armed Services Panel Endorses 3% Withholding Repeal

A recently released draft report from the House Armed Services Committee has provided a critical boost to the efforts of ACEC and its allies to repeal the 3 percent withholding mandate.

The requirement, slated to take effect in 2012, requires that federal, state, and many local governments withhold 3 percent of their payments for goods and services.

The House Armed Services Committee's Defense Acquisition Reform Panel released its draft recommendations for reforming the Department of Defense's procurement systems.

One of the panel's key recommendations is repeal of the 3 percent withholding requirement. The report states, "Although the Panel is deeply concerned about firms that are delinquent on taxes getting defense contracts, it believes that this section will substantially discourage commercial firms that are tax compliant from bidding on defense contracts and that this requirement should not be applied to the Department's contracts."

The Department of Defense has estimated that implementing the 3 percent withholding provision will cost the department over $17 billion in the first five years.

The panel held a final hearing on the draft report on March 11 and will release the final report after reviewing input from stakeholder groups.

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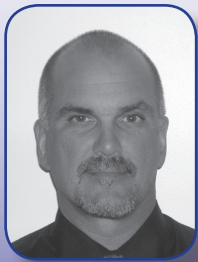

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