



Use of private design firms' good public policy

October 07, 2013 - Design / Build

Using private design firms allows government to complete project in a cost-effective and timely manner, while allowing agencies to focus on managing programs that provide safe and reliable roads, bridges, mass transit, dormitories, hospitals, schools office buildings and treatment facilities.

A 2011 report by Polytechnic Institute of New York University reaffirmed a 2008 report that pegged the cost differential between public and private designers at about 15% and substantiates the claim that New York State can achieve significant cost savings by using private-sector engineers. The study found that a typical NYS DOT employee costs more than \$6.4 million over a 30-year career because of the state's lush benefits package, policy of considerable paid leave and shorter work week. The report draws cost conclusions based on overhead, direct salaries adjusted for hours of work per week, fringe benefits, workers' compensation insurance, unemployment and social security costs. Moreover, private design firms offer a host of cost benefits, including paying engineers only for the time they work on a project, expertise in specific design areas and cost control.

Outsourcing design work to private sector engineering firms allows government agencies to focus their resources on the total program, and not tie up resources with the high fixed costs associated with larger staffs. Since design typically costs less than 2% of total life cycle project costs, a smart design investment can save millions of dollars in construction and long-term maintenance.

Utilizing private design firms works to the advantage of taxpayers. Typical government contracts with private sector design firms provide several noteworthy benefits to taxpayers:

- * Costs are capped. When the state contracts with a private-sector engineering firm, the maximum amount the state will pay is established by contract.
- * Schedules are defined. Contracts with the private sector have firm deadlines for completion. These limits ensure that projects are completed within prescribed schedules.
- * Other taxpayer-supported costs are reduced or eliminated. From the civil service department performing human resources functions or general services departments performing indoor and outdoor maintenance or building repairs, public agencies often rely on many external tax supported services.
- * Private-sector contracts mean that public agencies can be more flexible and avoid constant higher fixed costs. With outsourcing, public agencies can get the job done without paying for design staff that are not needed on a full-time basis.

The use of private-consultant engineering firms improves the revenue base for state and local governments. Private-sector firms pay sales taxes on supply and computer purchases, property taxes, and business income taxes. Conversely, when choosing state agencies to perform tasks, the state exempts the agencies from a variety of state and local taxes, including sales taxes, property taxes, business permits and occupational fees.

For complex jobs, the competitive nature of the private sector fosters a level of expertise and

technical competence that is higher than can be harnessed by the state. Private-sector engineering firms make significant investments in technology and staff development every year—investments that the state can take advantage of without having to pay for them directly.

By allowing public agencies to better manage design resources, New York will be able to address its infrastructure needs quickly, efficiently and with more resources going into direct investment. Working with private design firms, these agencies can provide the necessary services with the confidence that they are getting the best-designed projects.

ACEC New York is a proactive coalition of more than 270 firms representing every discipline of engineering related to the built environment. More information on ACEC New York legislative positions can be found on the ACEC New York website at www.acecny.org.

Jay Simson, CAE, is president of ACEC New York, Albany, N.Y.

New York Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540