

2023

CAPITAL WEEK

MARCH 27-29 • 2023
ROCKVILLE • MARYLAND

IGE Summit: Construction: A Contact Sport - How Industry and Government Can Improve Project Delivery

March 29, 2023, 1:15-5:00 PM

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HOUSEKEEPING NOTES & TIPS

- ✓ **Take Note of Emergency Exits**
- ✓ **Silence Your Mobile Devices**
- ✓ **Thank You to Our Sponsors!**
- ✓ **Questions will be addressed in the allotted time**
- ✓ **Presentations will be posted in the Attendee Service Center (ASC) post conference**

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**Welcome to the first
SAME IGE Summit!**

**Cindy Lincicome, F.SAME
President, TLI
Construction, Inc.**

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Host Update and Agenda: Construction Task Force

**Mike Wehr, P.E.
Vice President, Defense Sector
Manager, Federal Business
Unit, Atkins**

Time	Description	Room
12:30 - 1:15	Lunch	Salon A
1:15 - 1:45	Welcome and Topic Introduction	White Flint Amphitheater
1:45 - 2:00	Networking Break	
2:00 - 4:15	Collaborative discussion of topics	
	<ul style="list-style-type: none"> The Shrinking Federal Contractor Base 	White Flint Amphitheater
	<ul style="list-style-type: none"> Got Risk: How to improve current project delivery methods 	Salon B
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The Shrinking Federal Contractor Base

Mario Burgos
President & CEO
Burgos Group, LLC

First a Walk Down Memory Lane

“Military engineering has so many areas where the risks to private industry make it difficult to participate. There are many regulations which deal with overhead allowances, contract terms, etc., where both government and industry participants would benefit from exchanges in seminars.

Such seminars, and particularly their conclusions, could go a long way toward consolidating the views of the Society on problems and issues, without taking on the appearance of direct lobbying.

The presence, as participants, of members of Congress or their staffs, and members of the affected Executive Departments, could go far to dispel any concept of lobbying. Taping of any seminars for distribution to posts and regions could assist in fostering a feeling of participation on the part of members who could not be present for the firsthand discussions.”

- *Report By Blue Ribbon Panel
SAME in the 21st Century, March 1986*

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Small Business Environment

“[Small Businesses] account for over ninety nine percent of all employer firms and generate over forty-four percent of our Nation’s economic activity.”

“... contracting, participation of small business in the defense industrial base has declined by over forty percent in the past decade. Small businesses comprise more than seventy percent of the companies that do business with the Department. If the Department does not work to reverse the decline of small business contracting, then the industrial base that equips our military will weaken.”

*Lloyd J. Austin III, Secretary of Defense
U.S. Department of Defense Small Business Strategy, January 2023*

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Current Situation - Labor

“Contractors also expect to continue to struggle to find enough workers to keep pace with demand in 2023. Washington’s failure to pass immigration reform, combined with a significant funding gap between collegiate education and career and technical education tracks, means there are very few new workers entering the construction labor pool domestically or from other countries. At the same time, demographics continue to work against the industry, as the size of the U.S. workforce continues to shrink relative to the overall population.”

*Associated General Contractors (AGC)
The 2023 Construction Hiring and Business Outlook*

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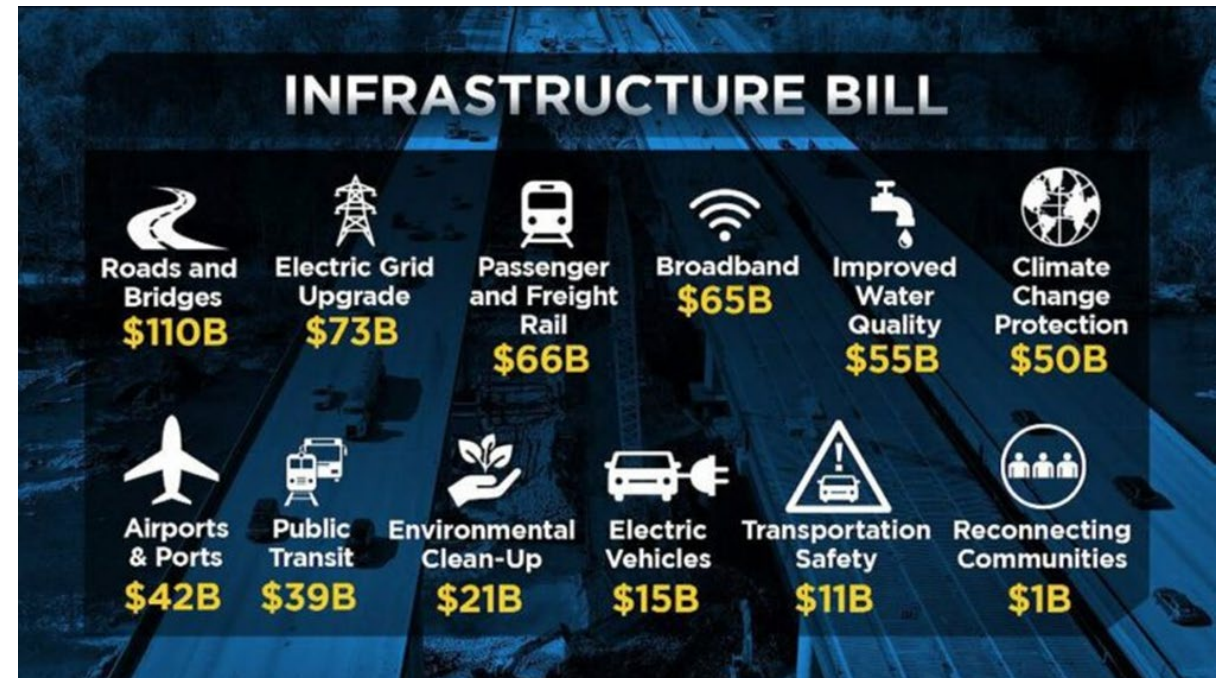


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Why do we care?

- More difficult to find qualified contractors
- Increased costs or delays in completing projects.
- Reduced competition
- Higher prices
- Less innovation
- Global geo-political instability
- Rival nations

\$1.2 Trillion Package



What are some of the causes?

- Lack of new entrants?
- Contract bundling?
- LPTA?
- Increased regulations?
- Risk shifting?
- What else?

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The Rest of this Session

01

Explore Potential Solutions

- Creative Thinking
- Brainstorming
- Consider Pros and Cons

Assess the Impact

- Evaluate the potential impact of each solution on the industry and government
- What are potential unintended consequences?

03

Develop an Action Plan for addressing the shrinking contractor base

- Who are the key stakeholders who need to be involved?
- What is a reasonable timeline?
- What specific action items need to take place?

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Creative Ideas to Get us Started



Simplify the Bidding Process



Offer Incentives



Expand Outreach Efforts



Use of technology

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**Got Risk: How to
improve current
project delivery
methods?**

**Ben Nichols
President,
Harkins Builders, Inc.**

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Ben Nichols
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Design Bid Build

- Represents most of the Federal Government's procurement
- Results in awards to contractors:
 - Chosen the lowest bid in each trade
 - Developed overly optimistic schedules
 - Not had ample time to plan their operations or to plan for how to staff the job.

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Construction Management at Risk

- Results in a qualitative selection of a contractor
- The contractor immersed in the design process to review:
 - Constructability
 - Develop budgets, plan for operations
 - Project staffing plan
 - Risk identification in a transparent way with the owner & design team
 - Develop a Guaranteed Maximum Price with shared contingency for identified risks
 - Open book selection of trade partners.
- Results: leads to successful execution with fewer change orders / disputes which results in a better reputation for all parties.

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Why do Contractors avoid Design, Bid, Build (DBB)?

- Cost of estimating, submitting proposals and covering the complete scope rarely results in a win – awards goes to contractors who making the biggest mistake or took the biggest risk.
- Since it is rare to win DBBs and since the estimating team only looked at the project for 30-60 days, staffing is not planned in advance and the quick start to the project after award results in inadequate planning resulting in poor execution.
- Margins on DBB opportunities are often very low to win the procurement. Although contractors do not need to make excessive fees, what they need to commit early resources during design is the expectation to earn a reasonable margin during construction.

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Consider...

- What needs to change in current processes to attract both general contractors and skilled labor to the Federal market?
- What are the constraints to the Government utilizing more alternative delivery methods such as Early Contractor Involvement and Design Build?
- Why does the Government award procurements to design teams based on qualitative selections and then negotiate fee but not do the same for the contractor?

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Consider...

- There are many alternative delivery methods available to include design build, progressive design build, early contractor involvement, CM@R with a GMP, and cost plus etc. Which one of these should the Federal Government explore utilizing more?
- What does the design community think about early contractor involvement?
- Does the design community have preference to what delivery method and what alternative delivery method they prefer?
- What type of projects should the Government ear mark for alternative delivery methods and what type of projects should the Government ear mark for DBB?

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**Can we afford the
consequences of not
making changes?**

**Rear Adm. John W. Korka,
P.E., CEM, F.SAME, USN (Ret.)
Division President,
Clark Construction Group**

What are we looking at?

- Today:
 - Considerable increased military operations surrounding Taiwan
 - PLA exhibiting more aggressive and unprofessional behavior in INDOPACIFIC AO
- 2023:
 - Xi Jinping elected for a 3rd term
 - President's top echelon, 14th National People's Congress (NPC), are loyalist
 - China increases defense spending by 7.2% (~\$230B, 1.7% GDP v. US: ~750B, 3.7%);
- 2024:
 - Taiwan Elections
 - U.S. Elections
- Xi Jinping's stated goal is to have control of Taiwan by 2027; Military officials predict sooner than 2027

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Consider...

- Do Contractors (A/E & GCs) understand the “Sense of Urgency” and “Consequences” of “on-time”, “on-budget” delivery when it comes to National Security?
- What assistance does industry require to jobs completed with the right scope, on time and in budget? What needs to change? What do you need from Government?

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“The Pacific Naval Air Bases (PNAB) was the worlds greatest single construction contract in money value, diversity of character and dispersion over vast distances.” The cost of the PNAB works was put at \$300M...”

ADM Ben Moreell, Builders for Battle

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Consider...

- Are our Construction Contractors “All in” for a “PNAB #2”?
- What more do you need from the Government to further support being “All in” to WIN? It is our collective Duty

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Wrap Up, Next Steps

- **The Shrinking Federal Contractor Base:** Mario Burgos
- **Got Risk: How to improve current project delivery methods?:** Ben Nichols
- **Can we afford the consequences of not making changes?:** John Korka

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Q&A

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