



## Recommended Fee Guideline 2023

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### Background

This fee guideline was developed by ACEC-NL to help provide member firms and their clients with a remuneration reference for the provision of consulting engineering services in the Province of Newfoundland and Labrador. The guideline offers commentary on the process of selecting an engineering consulting firm; discusses various fee arrangements; and provides a recommended schedule of minimum hourly rates for professional and technical staff commonly employed by consulting engineering companies.

The rates presented are intended as a guideline for consulting engineering services in the Province of Newfoundland and Labrador for the calendar year 2023 and are subject to annual revisions.

### Selection Process

Selecting an engineering firm should be regarded not as a cost but rather as an investment. Quality engineering can contribute greatly to the control of project construction cost and schedule as well as result in lower long-term project life cycle costs.

Many clients have developed long-term relationships with consulting engineering firms and as such select their engineering consultants based on a "sole source" basis. This "sole source" process is recognized as a preferred method of consultant selection as it is primarily based on qualifications rather than price.

If a client elects to go the competitive route for consultant selection, then a Qualifications Based Selection process is recommended. Qualification Based Selection incorporates principles that help ensure a competitive process that will achieve the goal of adding the greatest value for the client. This selection process diverges from price-based selection practices in that it allows the consultants to demonstrate how they can add maximum value to a client's project rather than focusing on how to minimize their fees to 'win' an assignment. More information on Qualifications Based Selection is available at <https://www.acecnl.ca/selecting-a-consultant.html>.

Regardless of the selection process utilized, ACEC-NL recommends that a formal client/consultant agreement be established describing the terms and conditions of the engagement prior to beginning the work.

### Fee Arrangements

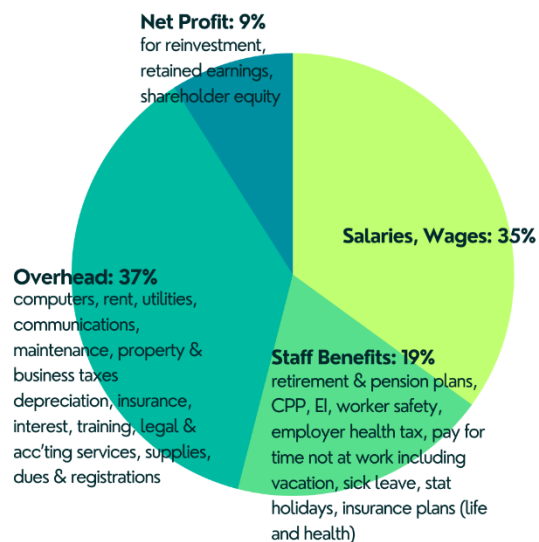
The word "fee" is generally assumed to be the money paid for services rendered. Depending on the type of project, nature of the work, and the terms and the conditions of the client/consultant agreement, the following fee arrangements are commonly used:

1. **Fixed fee** – a lump sum arrangement is recommended in situations when the scope of services and schedule can be clearly defined and understood. Fees of this type can be developed from the bottom up or derived as a percentage of construction cost. For example, the percentages utilized for building projects are listed in some Client standard agreements as well as in the *Guidelines & Recommended Minimum Fees for Architectural & Engineering Projects* (<https://www.acecnl.ca/fee-guideline.html>), issued jointly by NLAA and ACEC-NL. In addition, when the Prime Consultant assigns sub-consultants to complete portions of the design, the fees for those services can range between 80% and 100% of the Prime Consultant's fee for that portion of the design. The percentage fee may also apply only to the labour component of a fee with expenses considered extra. The consulting engineer assumes a risk to perform the work within the fixed fee offered. The consulting engineer's return for assuming this risk is built into the fixed fee and therefore a breakdown is not usually provided.
2. **Hourly** – a time and material arrangement is recommended in situations when the scope of services and/or schedule cannot be clearly defined (see Development of Hourly Rates & Charges for Disbursements sections for details). Rather than commit to an upset limit which imposes a fixed return for unknown risks, it is recommended that the consulting engineer monitor fees and provide the Client with regular status and forecast updates.
3. **Per diem** – per day fees is a variation on the hourly rate type fee arrangement whereby a cap on hours per day is effectively implied.
4. **Expenses** – for fixed fee, hourly or per diem arrangements include internal and external costs. Internal costs include photocopying, printing, couriers, fax, telephone, etc. and historically, these costs were tracked individually. In recent years, professional services providers (including consulting engineering, legal, and accounting firms) have moved to a percentage of labour charges for these costs, e.g., typically 5-10%. This streamlines the tracking and billing process for both consulting engineering firms and their clients. External costs include out-of-pocket expenses for mileage, meals, lodging, etc. as well as sub-consultants where applicable and these costs may be subject to a mark-up for handling costs (See Charges for Disbursements section for details).
5. **A Combination of These Arrangements** – may be employed for projects where a large part of the scope can be defined, i.e., fixed fee, but where additional services may be required, i.e., hourly or per diem.

## Development of Hourly Rates

Since the consulting engineering firm is a business offering professional services, the fee charged to clients must cover pertinent engineering business costs and margin as illustrated in the Typical Distribution of Consulting Fees at right:

Each consulting firm has a unique mix including professional, technical, and administrative support staff with differing levels of experience, expertise, and responsibility. These individuals are grouped into various staff classifications accordingly. To enable the recovery of the costs associated with overhead and staff benefits, as well as to generate a profit, consulting firms typically develop hourly rates predicated on a multiplier of salary costs. In 2005, the Consulting Engineers of Ontario (CEO) issued a legal opinion based advisory to its members indicating that the practice of providing an individual's salary cost multiplier to a client conflicts with federal privacy legislation. The Personal Information Protection and Electronic Documents Act (Canada) restricts how personal salary information can be collected, used or disclosed in the course of commercial activities. Rate provision is not problematic. However, the provision of an individual's salary cost multiplier applicable to a rate can allow a client to determine that person's salary. Since engineering fees are increasingly subject to public scrutiny and audit, personal salary information could easily become public.



**Typical Distribution of Consulting Fees**

The recommended **minimum hourly rates** presented in this Fee Guideline are predicated on staff working at a reasonable chargeability rate in a consulting engineering office.

However, for unique assignments, a consulting engineer can revisit the rates examining the circumstances under which an employee is working. For example, a seconded employee's benefits may be no different than those for an office-based employee. However, the remaining elements may be different and may hold the potential to lower the hourly rate over the extent of the project. Similarly, if the work is highly specialized and/or high risk in nature and a consulting engineering firm has niche resources to do the work, then this may hold the potential to increase the hourly rates charged.

Ranges for minimum recommended hourly rates are provided below for role classifications commonly associated with consulting engineering works. With some interpolation and internal requirements, a reasonable rate should be able to be developed to better ensure work is being completed for a profitable and reasonable fee.

Lastly, note that since hourly rates are derived from the Typical Distribution of Consulting Fees, the rates listed in this Fee Guideline are subject to revision annually. Similarly, for multiple year assignments, it is recommended that a rate escalation clause be included in the terms and conditions of the client/consultant agreement.

Title	Years Experience				
	< 5	5 to < 10	10 to < 15	15 to < 20	20+
<b>Specialist</b>	---	\$175 - \$200	\$200 - \$250	\$250 - \$300	\$300 - \$400
<b>Engineer</b>	\$95 - \$120	\$120 - \$160	\$160 - \$190	\$190 - \$220	\$220 - \$250
<b>Technician/Technologist</b>	\$95 - \$105	\$105 - \$125	\$125 - \$155	\$155 - \$175	\$175 - \$205
<b>Resident Site Observer</b>	\$90 - \$95	\$95 - \$105	\$105 - \$110	\$110 - \$115	\$115 - \$125
<b>Clerical</b>	\$90 - \$115				

Note: Unfair methods of competition in terms of providing fees for service or obtaining clients must not be engaged in, particularly as prohibited under federal competition legislation. Unfair methods of competition can include, but not be limited to, price-fixing, conspiring to allocate customers, or the under-scoping of projects.