

Annex C: Initiatives Arising from the Taskforce for Architectural and Engineering Consultants

1 The number of locals in the BE sector has increased gradually over the past few years, from 150,000 in 2019 before the COVID-19 pandemic to about 170,000 in 2024. With the strong construction demand and pipeline of developments, such as Jurong Lake District and the Greater Southern Waterfront, the sector will continue to offer good career opportunities for locals keen to play a role in building Singapore's infrastructure. There is therefore a need to maintain a strong and competent local core. This involves working with our industry stakeholders to strengthen (a) talent attraction, (b) talent development, and (c) talent retention, so as to make the BE sector a career of choice.

2 To further strengthen the talent pipeline and business sustainability of the BE professions, the Taskforce for Architectural & Engineering Consultants ("Taskforce") was set up in Sep 2024.

3 The Taskforce is co-chaired by 2M Indranee Rajah and Mr Chaly Mah, Chairman of Surbana Jurong Group, and comprises representatives from the key Trade Associations & Chambers (TACs), consultancy firms, major service buyers, Institutes of Higher Learning (IHLs), public agencies and young professionals.

4 Since its set up in Sep 2024, the Taskforce has been working on 4 key areas of focus, namely:

- a. Talent pipeline – to strengthen the talent pipeline and position BE careers as a preferred choice.
- b. Business sustainability – to foster business models that are sustainable, profitable and value-adding.
- c. Industry and workforce transformation – to grow and enable a dynamic and progressive BE consultancy sub-sector.
- d. Morale – to raise standing of BE professions and morale of BE professionals.

Reduced Fee Score Formula and Contractual Clauses Review

5 The Taskforce recognises the industry's concerns on how aggressive tender bidding behaviours could undermine firms' ability to invest in human capital, technology and innovation. As a major buyer of BE consultancy services, the Government has been progressively enhancing our procurement approach to deter fee-diving and strengthen quality-based procurement.

6 Today, the majority of public sector for BE consultancy service tenders are awarded to bids with top quality scores. Correspondingly, the proportion of tenders awarded to low outlier bids has declined significantly from 2017 to 2024, in tandem with our progressive enhancement of the Quality-Fee Method used to evaluate tender bids.

7 To give the industry greater assurance to invest more in human capital and innovation, the Government will expand the 'Reduced Fee Score' pilot to more public sector projects, and also review contractual clauses to ensure fairer balance of risks between service buyers and consultants. This includes reviewing the use of Limitation of Liability in the Public Sector Standard Consultancy Agreement amongst others. This will provide for greater assurance to firms, and make the professions more sustainable.

8 Reduced Fee Score Formula. As part of the Government's efforts to deter fee-diving and strengthen quality-based procurement, the "Reduced Fee Score" pilot was first introduced in March 2024 for all consultancy tenders with an estimated construction project cost of S\$50mil and below. For such projects, all low outlier bids that fall below 70% of the median price bid will be disqualified. This complements the existing Quality Fee Method (QFM) framework which scores bids on both price and quality criteria and gives greater weightage to the quality score in determining the winning bid. The expansion of the pilot will further deter fee-diving behaviour and increase the emphasis on quality proposals.

9 Reviewing contractual clauses. One of the areas of review include the use of the Limitation of Liability clause in the Public Sector Standard Consultancy Agreement (SCA). In November 2024, the Government had introduced an optional Limitation of

Liability clause in the SCA. This sets a cap on the maximum damages that can be claimed from BE consultants in the event of a breach or error, thereby allowing BE consultants to acquire the appropriate Professional Indemnity Insurance (PII) coverage and enable more sustainable risk-sharing at the sectoral level.

10 Locally, BE consultants of several Government agencies, such as the Land Transport Authority (LTA) and the PUB, have already benefited from the Limitation of Liability contractual provisions. Such contractual provisions have also become increasingly common in other jurisdictions in Australia, Europe and New Zealand. Drawing upon the lessons from these practices, the Government is looking at further expanding the use of Limitation of Liability in public sector BE consultancy projects.

11 Another area of review is the “Fit for Purpose (FfP)” clause in the Public Sector Standard Conditions of Contract for Design & Build (D&B) construction contracts. “Design & Build” contracts allow developers to contract out both design consultancy and construction works as a package to builders, to promote better integration between the design and construction processes. In such contracts, builders are responsible to ensure that the resultant building is ‘fit for purpose’ or will be liable for claims. However, some builders may pass on the FfP liabilities to their BE consultants, thereby exposing BE consultants to significant liabilities that are uninsurable through the consultants’ PII.

12 The Government will be reviewing the FfP clause to ensure a fairer balance of risks. We noted that the FfP clause has been removed from or made optional in the D&B public sector construction contracts in other jurisdictions such as the UK and Hong Kong.

13 The Taskforce is also engaging the private sector to adopt similar efforts and principles to strengthen quality-based procurement, ensure fairer balance of risks, and give firms the assurance to compete on quality and invest in human capital and innovation.