



THE LATVIA ASSOCIATION OF ARCHITECTS

THE LATVIAN ASSOCIATION OF CIVIL ENGINEERS

Proposal for Cost Information System in Latvia

HISTORIC ASPECT OF CIS

- Regulation of costs for design works and services
in construction
(from 1995 to 2005)
- Proposal of new CIS
(started in 2008)



REGULATION OF COSTS FOR DESIGN WORKS AND SERVICES IN CONSTRUCTION (1995-2005)

- Approved by the Latvia Association of Architects
- Based on construction costs – shows percentages of design works per construction costs
- Competition Board accuses LAS for collusion
- The reason of accusation – Regulation of Costs for Design Works and Services in Construction approved by General Assambly of LAS and widely used among professionals as well as the clients
- Problem solved peacefully after banning Regulation of Costs and Design Works and Services by General Assambly of LAS



PROPOSAL FOR NEW CIS (STARTED IN 2008)

○ General idea

- guidelines for state and municipal authorities
- base of information for budgeting reasons
- bounds of prices in Public Procurements

○ Stages

- questionnaire (filled by architectural offices)
- summarization (done by LAS or independent agency)
- cost information system updated annually (available to all interents)



QUESTIONARY

| | | GENERAL | Development t Proposal | Sketch Design | Technical Design | Site Inspection |
|--|---|------------------|---------------------------|---------------|------------------|-----------------|
| 1st PROJECT | a) type of the project | | Jā | Jā | Jā | Jā |
| | b) type of construction | new construction | | | | |
| | c) duration (months) | | | | | |
| | design | 6 | | | | |
| | construction | 12 | | | | |
| | f) number of specialists involved | | | | | |
| | senior specialists | 1 | | | | |
| | junior specialists | 1 | | | | |
| | technicians | 2 | | | | |
| | g) technical data of the building | | | | | |
| | construction site area, m2 | 1000 | | | | |
| | gross building (design) area, m2 | 200 | | | | |
| | building volume, m3 | 600 | | | | |
| | total length of external engineering, m | 50 | | | | |
| | h) construction costs (LVL without VAT) | | | | | |
| | total | | Ls 2 500.00 | Lr | | |
| | project management | | Ls 500.00 | | | |
| | master plan | | Ls | | | |
| | architecture | | Ls 2 | | | |
| | structural part | | | | | |
| internal engineering | | | | | | |
| external engineering | | | | | | |
| technological part | | | | | | |
| acoustics | | | | | | |
| fire fighting | | | | | | |
| energy efficiency | | | | | | |
| i) construction costs (LVL without VAT) | | | | | | |
| j) difficulties which could influence design | | | | | | |

Project stage

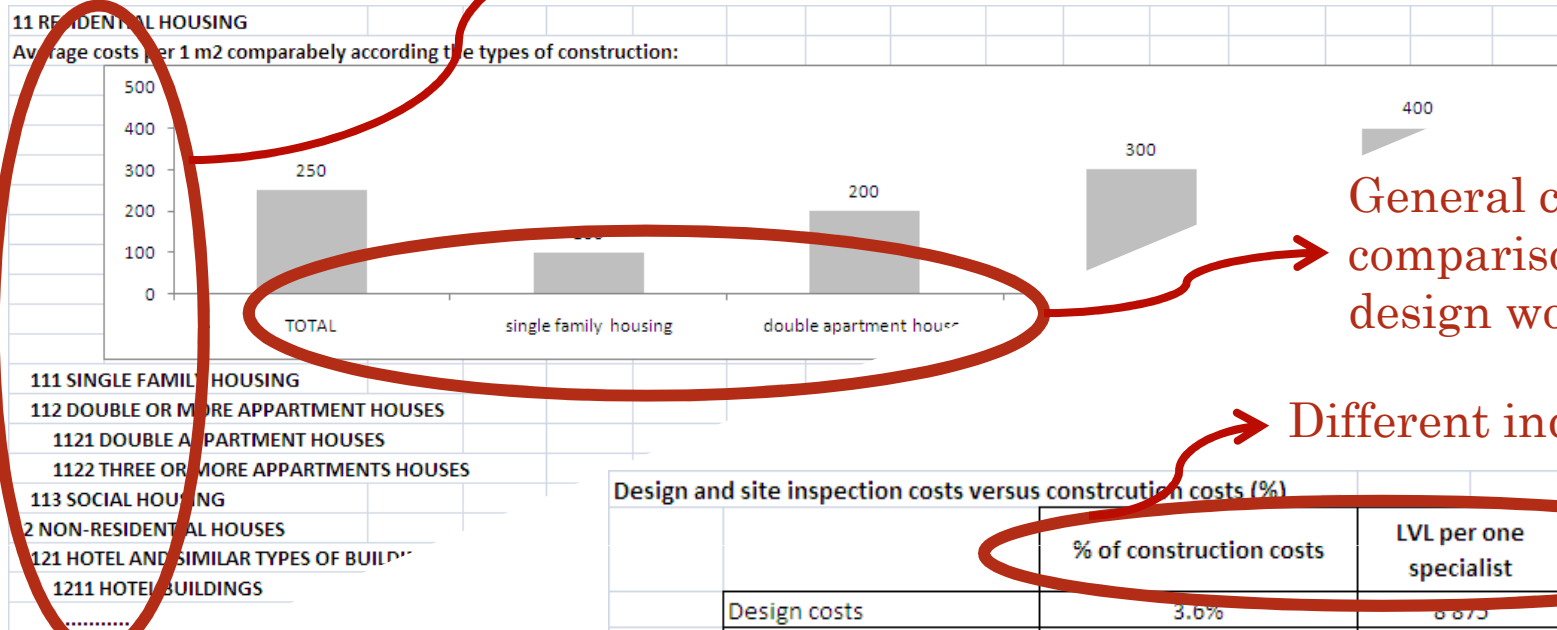
New construction or reconstruction

Technical data of building

Costs of design works
Construction costs

RESULT

All building types according the CC classification



General chart with comparison of 1m² design work costs

Different indicators

| Design and site inspection costs versus construction costs (%) | | | |
|--|-------------------------|------------------------|---------------|
| | % of construction costs | LVL per one specialist | LVL per month |
| Design costs | 3.6% | 8 875 | 5 917 |
| Site inspection costs | 5.0% | 12 500 | 4 167 |

| NEW CONSTRUCTION | Development proposal | | | Sketch design | | | Technical design | | | | Site inspection | | |
|----------------------|----------------------|------------------------|--------------------------|--------------------|------------------------|--------------------------|--------------------|------------------------|--------------------------|-------------------|--------------------|------------------------|--------------------------|
| | LVL/m2 (site area) | LVL/m2 (building area) | LVL/m3 (building volume) | LVL/m2 (site area) | LVL/m2 (building area) | LVL/m3 (building volume) | LVL/m2 (site area) | LVL/m2 (building area) | LVL/m3 (building volume) | LVL/m (length of) | LVL/m2 (site area) | LVL/m2 (building area) | LVL/m3 (building volume) |
| total | 3 | 13 | 4 | 8 | 38 | 13 | 26 | 128 | 43 | 510 | | | |
| project management | 1 | 3 | 1 | 1 | 3 | 1 | 1 | 5 | 2 | | | | |
| master plan | 0 | 0 | 0 | 4 | 18 | | 5 | 25 | | | | | |
| architecture | 2 | 10 | 3 | 4 | 18 | | 10 | | | | | | |
| structural part | | | | | | | | | | | | | |
| internal engineering | | | | | | | | | | | | | |
| external engineering | | | | | | | | | | | | | |
| technological part | | | | | | | | | | | | | |
| acoustics | | | | | | | | | | | | | |
| fire fighting | | | | | | | | | | | | | |
| energy efficiency | | | | | | | | | | | | | |

1m² costs per any other indicator



LETTER OF COMPETITION BOARD

1. Summarization of historic information by independent bodies could be one of the ways how to provide a consumer with knowledge about the costs of services on the market not violating collusion prohibition. Still it does not exclude the responsibility for illegal exchange of information, e.g. exchange of information performed with assistance of independent bodies is recognized as discrepant to legislation acts concerning competition by the decision of European Commission of 10 December 2003 in the case of ORGANIC PEROXIDES clause [1] 8. In the definite case the price is not available publicly (as it is e.g. in respect of fuel or consumer goods) and the potential customer would like to know approximate value of the services on the market. Still this kind of information could be obtained without any publicity (e.g. organizing a survey of the participants of the market). Other criteria should be evaluated as well - in order to conclude whether summarization and publication of historical information could be allowed according the Competition Law.



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EU COMMISSION DECISION, CASE OF ORGANIC PEROXIDES

Beginning from 1971, the main producers of organic peroxides at that time (Akzo Nobel Chemicals International BV and Akzo Nobel Polymer Chemicals BV, Luperox GmbH (which became part of the main German subsidiary of Atofina SA) hereinafter Akzo and Peroxid-Chemie GmbH & Co KG) entered into and participated in a continuing agreement contrary to Article 81(1) of the Treaty and Article 53(1) of the EEA Agreement covering at times all and at times most of the Community and the EEA, by which they agreed on market shares, fixed the prices of the product, agreed on and implemented a mechanism for price increases, allocated customers and set up a machinery to monitor and enforce their agreements. Peroxidos Organicos S.A. (1975 to 1999) took part in a specific arrangement within the overall agreement. AC Treuhand AG (1993 to 1999) was involved as well.

continuing agreement

market shares

fixed prices

increase of prices

allocation of customers

monitoring of agreements



LETTER OF COMPETITION BOARD

2. Accessibility of information by other participants of the market and potential consumers as well as the level of detailing of the summarization of such information should be evaluated. The exchange of information should be qualified as distorting the competition in the case if information about the average price is available only to the participants of the market but is not available to the user of the services (consumer's benefit could be the only goal of exchange of such information, the price for the services should be defined the participants of the market themselves considering their expenses).



LETTER OF COMPETITION BOARD

2. “Costs of Design Services” schedule submitted by LBS and LAS to Competition Board for evaluation is going to be used to summarize information and it could be concluded that it would contain information with a lot of details concerning services offered by architects and civil engineers. In this case it would be important that such a summarization would not reflect sensitive information provided by one single entrepreneur or it could be used to conclude a definite prize for the services of a definite entrepreneur, e.g. in the case if only one large public building would be constructed in a previous year the average prize of such item (if included) in reality would reflect the definite prize.



LETTER OF COMPETITION BOARD

2. Besides due to the reason that construction is a relatively long process consisting of a sequence of stages following one another one year old information according to Competition Board could still be considered as sensitive information. Besides in a recent past the prices were fixed on associations level (and long enough) thus publication of the average price in the definite case could be interpreted as definition of a recommended (fixed) price by the participants of the market and the clients so it could support inadequate level of the prices in each definite segment of the market as well.



LETTER OF COMPETITION BOARD

3. Calculation and publication of the average prices for the services of architects and civil engineers applied a year ago would not reflect the situation on the market due to rapid development of construction sector at that time which led to higher prices for several types of design and construction services than now. Thus average prices do not give true understanding regarding the price level compliant with the real situation on the market, so they would not facilitate the process of planning state and municipal budgets for public procurement. Such assumption was proved by the representatives of Procurement Monitoring Bureau and Riga City Property Department as well during the meeting with representatives of Competition Board. Thus the suggested goal of such an exchange of information – benefit for the consumer – would not be achieved.



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LETTER OF COMPETITION BOARD

4. Competition Board suggests that defining and publication of one year old information could diminish price competition in the current economical situation including participation in the public tenders. **Thus publication of an average price could influence the behaviour of other participants of the market and diminish competition.**



CURRENT STATUS UNCLEAR

- Summary of the letter of the Competition Board

- a) Participants of the market have rights to submit an application about collusion witch is recognized to be legal according the Competition Law.



CURRENT STATUS UNCLEAR

- Summary of the letter of the Competition Board
 - b) Competition Board is in power to take a decision about collusion cancellation of the participants of the market.



CURRENT STATUS UNCLEAR

- Summary of the letter of the Competition Board

c) Thus no more definite conclusions could be made in respect of the case of CIS at the current moment.

