



Hanscomb

NEWS UPDATE

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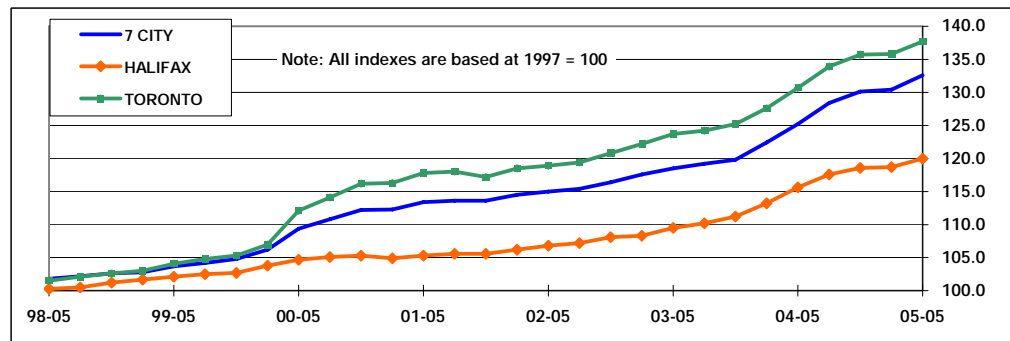
The mid-May 2005 Non-residential Construction Price Indices are now available from Statistics Canada. Indices for the third quarter of 2005 should be available in mid-November.

Nationally, the composite price index has risen from 130.4 to 132.6 or 5.9% over the same period in 2004. After a first quarter that saw almost no growth (0.2%), the second quarter index rise of 1.7% appears to indicate that national growth trend experienced in the latter part of 2004 is continuing. Statistics Canada reports that the second quarter increase is largely due to increases in labour and fuel costs and a strong non-residential building construction market.

Second quarter 2005 results for each of the seven cities in the survey are generally in line with the current national trend. Halifax, Montreal, Ottawa and Toronto all reported moderate growth in the second quarter of 2005. In the west, Calgary, Edmonton and Vancouver showed larger increases of 2.5%, 2.1% and 2.2% respectively. In all cases, the quarterly increases were up substantially from those reported in the first quarter of 2005.

Expressed annually, Halifax at 3.8% has the lowest growth rate. At the opposite end of the country, and the growth spectrum, is Vancouver at 7.7% year over year. It also interesting to note that Calgary and Edmonton both posted annual increases of 7.1%, well above the national average. Construction growth in western Canada continues to outpace Ontario and Quebec as it has done for more than a year now.

Looking forward, the massive damage inflicted on the Gulf area of the United States by Hurricanes Katrina and Rita can be expected to put upward pressure on the index during the third and fourth quarters of 2005 due in large part to a sudden rise in demand for construction materials. Transportation costs will also continue to be a factor as petroleum prices have spiked sharply in the aftermath of the storms. Some analysts have indicated that construction material costs may rise as much as 10% over the next 12 months – well above the pre-hurricane predictions of 6 to 8%.



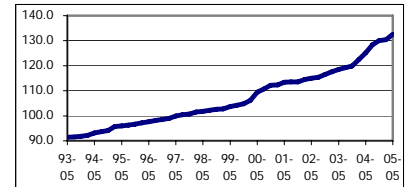
The source data used to prepare the charts in this newsletter is drawn from Statistics Canada's Construction Price Statistics publication – catalogue 62-007-XPB. Specifically, we used table 5.1 – Non-residential Building Construction Price Indices.

More information about this and other construction related indices published by Statistics Canada are also available on line at www.statcan.ca

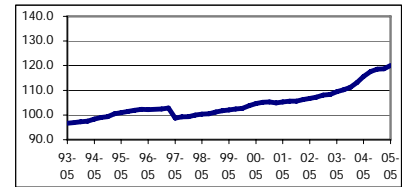
- Paul Westbrook

STATISTICS CANADA NON-RESIDENTIAL CONSTRUCTION COST INDICES, IN EACH CITY 1997 = 100 (Cat. No. 62-007-XPB)

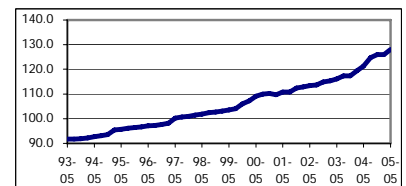
COMPOSITE 7 CITY	2003				2004				2005	
	Mid-Feb	Mid-May	Mid-Aug	Mid-Nov	Mid-Feb	Mid-May	Mid-Aug	Mid-Nov	Mid-Feb	Mid-May
Index	117.6	118.5	119.2	119.8	122.4	125.2	128.4	130.1	130.4	132.6
Year / Year				2.9%	4.1%	5.7%	7.7%	8.6%	6.5%	5.9%
Quarterly	1.0%	0.8%	0.6%	0.5%	2.2%	2.3%	2.6%	1.3%	0.2%	1.7%
Q. Cumulative	1.0%	1.8%	2.4%	2.9%	5.2%	7.6%	10.3%	11.8%	12.0%	13.9%



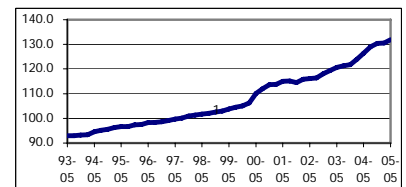
HALIFAX	2003				2004				2005	
	Mid-Feb	Mid-May	Mid-Aug	Mid-Nov	Mid-Feb	Mid-May	Mid-Aug	Mid-Nov	Mid-Feb	Mid-May
Index	108.3	109.5	110.2	111.2	113.2	115.6	117.6	118.6	118.7	120.0
Year / Year				2.9%	4.5%	5.6%	6.7%	6.7%	4.9%	3.8%
Quarterly	0.2%	1.1%	0.6%	0.9%	1.8%	2.1%	1.7%	0.9%	0.1%	1.1%
Q. Cumulative	0.2%	1.3%	1.9%	2.9%	4.7%	6.9%	8.8%	9.7%	9.8%	11.0%



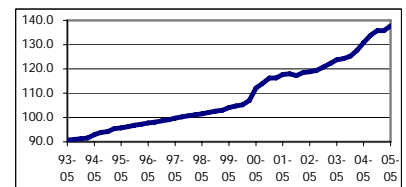
MONTREAL	2003				2004				2005	
	Mid-Feb	Mid-May	Mid-Aug	Mid-Nov	Mid-Feb	Mid-May	Mid-Aug	Mid-Nov	Mid-Feb	Mid-May
Index	115.4	116.1	117.3	117.4	119.4	121.3	124.7	126.0	126.0	128.0
Year / Year				2.2%	3.5%	4.5%	6.3%	7.3%	5.5%	5.5%
Quarterly	0.4%	0.6%	1.0%	0.1%	1.7%	1.6%	2.8%	1.0%	0.0%	1.6%
Q. Cumulative	0.4%	1.0%	2.1%	2.2%	3.9%	5.6%	8.5%	9.7%	9.7%	11.4%



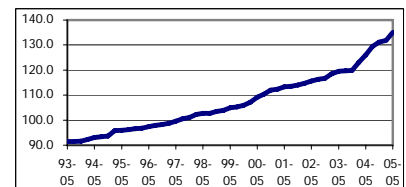
OTTAWA	2003				2004				2005	
	Mid-Feb	Mid-May	Mid-Aug	Mid-Nov	Mid-Feb	Mid-May	Mid-Aug	Mid-Nov	Mid-Feb	Mid-May
Index	119.4	120.7	121.3	121.8	124.0	126.3	129.0	130.4	130.5	131.9
Year / Year				3.1%	3.9%	4.6%	6.3%	7.1%	5.2%	4.4%
Quarterly	1.1%	1.1%	0.5%	0.4%	1.8%	1.9%	2.1%	1.1%	0.1%	1.1%
Q. Cumulative	1.1%	2.2%	2.7%	3.1%	5.0%	6.9%	9.2%	10.4%	10.5%	11.7%



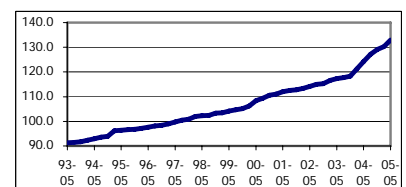
TORONTO	2003				2004				2005	
	Mid-Feb	Mid-May	Mid-Aug	Mid-Nov	Mid-Feb	Mid-May	Mid-Aug	Mid-Nov	Mid-Feb	Mid-May
Index	122.2	123.7	124.2	125.2	127.6	130.7	133.9	135.7	135.8	137.7
Year / Year				3.6%	4.4%	5.7%	7.8%	8.4%	6.4%	5.4%
Quarterly	1.2%	1.2%	0.4%	0.8%	1.9%	2.4%	2.4%	1.3%	0.1%	1.4%
Q. Cumulative	1.2%	2.4%	2.8%	3.6%	5.6%	8.2%	10.8%	12.3%	12.4%	14.0%



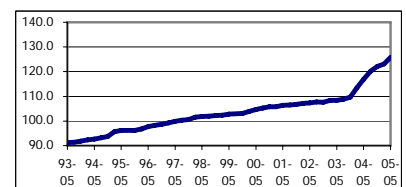
CALGARY	2003				2004				2005	
	Mid-Feb	Mid-May	Mid-Aug	Mid-Nov	Mid-Feb	Mid-May	Mid-Aug	Mid-Nov	Mid-Feb	Mid-May
Index	118.5	119.5	119.7	119.9	123.0	126.1	129.4	131.1	131.9	135.0
Year / Year				2.7%	3.8%	5.5%	8.1%	9.3%	7.2%	7.1%
Quarterly	1.5%	0.8%	0.2%	0.2%	2.6%	2.5%	2.6%	1.3%	0.6%	2.4%
Q. Cumulative	1.5%	2.4%	2.6%	2.7%	5.4%	8.1%	10.9%	12.3%	13.0%	15.7%



EDMONTON	2003				2004				2005	
	Mid-Feb	Mid-May	Mid-Aug	Mid-Nov	Mid-Feb	Mid-May	Mid-Aug	Mid-Nov	Mid-Feb	Mid-May
Index	116.6	117.4	117.7	118.3	121.3	124.2	127.2	129.2	130.3	133.0
Year / Year				2.7%	4.0%	5.8%	8.1%	9.2%	7.4%	7.1%
Quarterly	1.2%	0.7%	0.3%	0.5%	2.5%	2.4%	2.4%	1.6%	0.9%	2.1%
Q. Cumulative	1.2%	1.9%	2.2%	2.7%	5.3%	7.8%	10.4%	12.2%	13.1%	15.5%



VANCOUVER	2003				2004				2005	
	Mid-Feb	Mid-May	Mid-Aug	Mid-Nov	Mid-Feb	Mid-May	Mid-Aug	Mid-Nov	Mid-Feb	Mid-May
Index	108.4	108.3	108.9	109.7	113.5	116.8	120.2	122.2	123.1	125.8
Year / Year				2.0%	4.7%	7.8%	10.4%	11.4%	8.5%	7.7%
Quarterly	0.7%	(0.1%)	0.6%	0.7%	3.5%	2.9%	2.9%	1.7%	0.7%	2.2%
Q. Cumulative	0.7%	0.7%	1.2%	2.0%	5.5%	8.6%	11.7%	13.6%	14.4%	16.9%



Using Value Management to Get More and Pay Less

Value Management (VM) is a powerful and proven project management decision-making tool that involves a conscious and explicit set of disciplined procedures designed to seek out optimum value for money. VM is an intensive analysis of all facets of the proposed design with a view to reducing both initial capital and long-term operational costs without abridging utility, function or performance. VM is based on the following principles:

- that every design has room for improvement (this is not a reflection on designers),
- that more creative ideas of alternatives are generated by groups than by individuals,
- that a methodical approach produces better results,
- that everyone is basically creative, and
- that product or facility life cycle costs (initial and future) should be as low as possible.

Put simply, the objective is to determine project improvement opportunities in the scope, function, design, material selection, construction techniques and capital and life cycle costs of the key components of the facility. Often, these cost reduction opportunities are found through the identification and elimination of unnecessary function.

The VM function is complementary to the design process and intended to facilitate and expedite design tasks, not hinder or frustrate them. A VM program is not intended to contribute technical expertise, but to create a forum that allows for different ideas and viewpoints to be expressed freely and evaluated objectively in a timely fashion. It bears remembering that during the early design phases (representing 10-15% of design costs), decisions will commit 80% of the project budget.

Hanscomb has provided Value Management Services for a wide range of building projects including airports, roads, office buildings, healthcare facilities, prisons, hotels & resorts, performing arts centres, defence facilities, schools and petrochemical processing plants.

Hanscomb has qualified and experienced staff that can organize and facilitate VM Workshops at key project milestones. Workshops are typically convened at two or three points during the design period and can run for two to five consecutive days depending on the scope and complexity of the project.

Workshops are intensive and interactive and can involve as many as 25 people representing the owner, users and design team. The Success of a VM requires the involvement and support of the owner and user

groups as well as the active participation and cooperation of the design team. For this reason, the VM Workshop 'core team' is best composed of key members of the project team including designers, builders and users. Specialist consultants are brought in to assist where specific expertise is required.

Hanscomb can assist in the selection of the VM team, set the agenda and assist in the identification, review and distribution of required materials to all participants.

Workshops follow the Society of American Value Engineers (SAVE) 5 Step Value Management Job Plan. The Job Plan is a formal, explicit and visible approach to problem solving. Each step in this plan plays an important role in identifying potential project improvements. The workshop itself is a multi-disciplinary team effort that exploits the wide range of project team experience and expertise

Each workshop will generate 'Value Management Proposals' detailing key aspects of each idea including the baseline condition, the proposed alternative, the advantages and disadvantages of the alternative, the cost implications, etc.

At the close of the workshop, all of the Value Management Proposals, together with any supporting sketches, calculations, estimates, etc., are collated, summarized and distributed to the team and owner. Where appropriate, ideas developed at the workshop

It is not unusual for workshops to produce value improvement ideas worth between 10 and 15% of the project construction cost.

can be implemented without delay by the design team. For the owner, VM benefits take the form of lower costs and/or a marked increase in value for funds expended in accordance with stated value objectives. Being at or just below the budget is not the sole criteria by which design performance is measured. The Owner can feel secure that all alternatives have been carefully considered and well documented in the search for value.

For designers, there is the satisfaction that value has been sought and delivered for all major building systems and sub-systems, with the evaluation results well documented to back up major decisions.

For more information about Hanscomb's Value Management Facilitation Services, please contact Paul Westbrook at (416) 487-3811 or westbrook@hanscomb.com

Hanscomb

ANNOUNCEMENT

As noted in our previous Newsletters, Hanscomb Limited established a Hamilton Office under the management of Hanscomb Director, Susan Neil. As of October 1, 2005 Hanscomb's ninth Canadian Office will be located at:

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Calgary	David Crane	(780) 426-7980
Winnipeg	David Crane	(204) 775-3389
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	Dale Panday	
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Muscat	Steve Bale	968-24481664
Doha	Ron Butler	974-4673808
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Loan Monitoring	Ray Murray	(902) 422-3620
	David MacKay	(416) 487-3811
Mech./Elec. Services	Al Wright	(416) 487-3811

SERVICES

Cost Planning & Control

- Quantity surveying
- Construction cost planning
- Construction cost estimating
- Master plan cost estimating
- Construction claims analysis
- Bills of quantities
- Bills of materials
- Replacement cost estimates
- Final accounts preparation

Value Management

Applied Research

- Life cycle costing
- Cost/benefit analysis
- Construction price indexing
- Cost research
- Cost publications
- Risk analysis

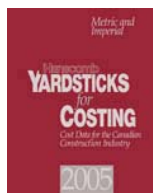
Project Loan Monitoring

Feasibility Studies

Time Management

- Design scheduling
- Construction scheduling
- Schedule analysis

Litigation Support



2005 Hanscomb Yardsticks for Costing

The 2005 edition of Hanscomb's Yardsticks for Costing is available. To order your copies, please contact RSMMeans, 1-800-334-3509.

www.Hanscomb.com