# Building the Future

moving towards a renewed profession



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## **Introduction**

"Periti owe a duty of care to their clients. Their work has a profound and long lasting effect on the community at large. As projects grow in scale and complexity, there is a growing awareness of the need for the profession to meet today's challenges and demands and deliver its product at a level of quality commensurate with today's expectations and standards of living. The Kamra tal-Periti is working to improve its structures and those of the profession to allow its members to better serve their clients and society through their work." – The Urban Challenge, Kamra tal-Periti

The Kamra tal-Periti and its members have on several occasions discussed improvements to the legislative framework within which they operate for the betterment of the profession. These included discussions on the Periti Act, the Code of Professional Conduct, the Kamra's regulations, issues of professional liability and professional indemnity insurance, professional fees and standard forms of agreement between *periti* and their clients. During the past year, the Council of the Kamra tal-Periti embarked on an extensive programme in order to be able to present to its members a comprehensive package that could have long lasting, and hopefully positive, effects on the services provided by warrant holders and that takes into consideration the requirements of the Services Directive which will be implemented in 2009.

A large part of the existing local legislation regulating the profession is regrettably antiquated and often obsolete. In this regard the Kamra is committed to revisiting all regulations and to proposing the amendments it deems appropriate. These include Chapter 390 of the Laws of Malta (the 'Periti Act') and the associated Subsidiary Legislation which together establish and regulate the profession, the Code of Professional Conduct, the Regulations of the Kamra tal-Periti and the relevant section of the Code of Organisation and Civil Procedure which regulates the profession. There is a pressing need to update our laws to ensure their relevance to today's needs.

## Session 1 The Periti Act

The Periti Act was introduced in 1996 and addressed the anomalies of the Architect's Ordinance of 1919 – in particular the requirement that for anyone to obtain a warrant to provide the services of a perit one had to be qualified from the University of Malta. The opportunity had been taken to also introduce other changes to address the needs of a developing profession and the introduction of a Warranting Board. Such new elements included the recognition of partnerships and the requirement for Professional Indemnity Insurance cover.

The Kamra tal-Periti, in the knowledge that the legislation introduced in 1996 has caused the improvement of issues regarding the profession also acknowledges the need to update such legislation particularly in the light of new issues raised by:

- → Membership within the European Union
- → The impact of the Qualifications Directive and the Services Directive in particular
- → The experience attained in our participation in the ACE, UIA and UMAR
- → Our working experience with the Periti Act in its current form
- → Efforts of the Kamra to raise the profile and credibility in the profession
- → Our commitment to provide an excellent service to our clients and the community
- → To continue to work in the interest of the members of the profession.

The Kamra has embarked on the execution of a Quality Agenda aimed at improving the delivery of services of Periti, in the interest of the Built Environment, the community and the profession. The position described here cannot be detached from the holistic approach that has been adopted and that includes the preparation of proposals for a set of regulations for the Kamra; a revised Code of Conduct; a proposal for liability and PII; a revised Tariff and Cost information system; and standard forms of agreement between periti and their clients. Furthermore, these changes have to be read also in conjunction with another Position Paper already issued this year which deals with The Urban Challenge - the Built Environment and Quality of Life; and the Council's opinion on the current operations of the Warranting Board and relevant legislation

This document aims at stimulating a debate within the profession, on the basis of extensive discussion that has taken place over the past years within the Kamra and in particular its Council. Opinions have already been taking shape, but it is not the intention of the Council to limit or fix parameters to the extent of the discussion. On the other hand, the Council felt that it should be catalysing the evolution of a definite position to identify those parts of the legislation that governs that require reconsideration in order to address the changing nature of the profession. Moreover, it considers this to be a major opportunity to present its thoughts in a coherent manner, read in conjunction with an integrated range of documents and proposals, in agreement with its members, and to engage in a process leading to the formulation of firm recommendations for change.

The main headings the Council has identified for discussion are, but not necessarily limited to:

• To increase the role of the Kamra as a professional institution in regulating the profession and to achieve a higher degree of self-regulation, by strengthening its remit to investigate and the conduct of all warrant holders and the Kamra's role as advisor to government on all matters related to the Built Environment and the Building Industry (on a separate note the Kamra will be requesting Government to be granted the status of Single Point of Contact in terms of both the Services and the Qualifications Directive, the profession being the institution best positioned to provide such services).

- To discuss the role and scope of the warranting board and to establish where the responsibility of investigating the provision of services as defined in legislation by persons who are not warrant holders.
- The consideration the possibility that warrant holders be permitted to provide services through alternative legal persons such as limited liability companies, subject to liabilities in terms of the Civil Code being retained by individual warrant holders or groups of warrant holders forming partnerships of warrant holders.
- Legislation is specific as to who may practice the profession of perit. Clarity is required as to whether this is equivalent to the right to provide services and whether it refers solely to the profession of perit, or is also applicable to the provision of services as an architect, a civil engineer or a structural engineer. This argument is also extended to a discussion on the permitted use of these designations.
- The implementation of mandatory PII for all periti, including those in government service.
- Clarification with regards to the status of periti employed by other warrant holders or other persons and their position with regards to the framework that regulates the profession.
- Membership of the Kamra tal-Periti; should all warrant holders be considered to be members?

#### **Definitions**

(i) Articles 1-2 provide no definition of the term 'perit' although it does define the profession which it describes to mean the,"... assuming responsibility for the design and, or, construction of building works, under the generic title of Perit and includes works in architecture and civil and structural engineering;"

This responsibility that a perit assumes is not defined elsewhere other than in the civil code; indeed the responsibility defined there, and which refers to manifest collapse of buildings, may be considered to be restrictive and not representative of the actual responsibility assumed by periti in dealing with the range of complex projects undertaken today. The Act also makes reference to the title 'perit' to be a generic title (rather than a profession in its own right) and then refers to works (presumably meaning services) in architecture, and civil and structural engineering. This is interesting in that it is the only place in the Act where reference is made to structural engineering. Moreover there is no reference to the perit's role as a valuer, which we deem to be an intrinsic element of the services that only periti may provide.

- (ii) Article 2 also makes reference to the Minister and identifies him as the one responsible for works (currently the Ministry of Infrastructure and Resources). The composition of cabinet has also evolved throughout the years and architecture, and construction, development and indeed environment, are now the realm of a number of ministries, for example Urban Development and Roads. Architecture Policy on the other hand is the responsibility of the Ministry for Culture and Tourism while planning rests within the realm of the Ministry for Environment. The question here is whether the Warranting Board should fall under the Ministry responsible for Works or should another scenario be considered such as the Warranting Board falling under the responsibilities of Office of the President).
- (iii) The law deals uneasily with issues of language. It makes a clear reference to the law being called Periti Act in the English version (though in other areas it is called the Building Professionals Act). It also calls the Kamra tal-Periti the Kamra though it later, in the same Act, makes reference

to the Chamber of Architects or the Chamber. The Kamra would be satisfied with a fixed definition translated in either language.

(iv) Article 3 states that no person shall practice the profession unless he is the holder of a warrant. Presuming that by person, the law is referring also to legal persons, such as partnerships and limited liability companies, the Kamra deems it important to obtain clarification whether this also means that the service of a perit may only be provided by a perit; and whether this is also referring to the contents of the generic description to the title perit, that is may architectural, civil engineering and structural engineering services only be provided by periti?

### **Qualifications for warrant**

(v) Article 3 of the Act also refers in one instance to the academic qualifications obtained from the University of Malta or such other university or academic institution as may be recognised by the Warranting Board after consultation with the Kamra. The same article refers to a duration of academic studies of five full years and a year of practice. Is representation on the warranting Board sufficient for consultation with the Kamra?

# Session 2 Regulations of the Kamra

At the start of 2007, the Council of the Kamra, in outlining the future direction which they wished to embark upon, made references to the existing Legislation and Subsidiary Legislation of the Laws of Malta which govern the various aspects of our Profession and the Kamra which was established to regulate it. It was felt that there was a dire need to re-visit all the legislative documents that affect our profession and examine them in detail so as to upgrade and fine-tune them in a way which would place both the Profession and its members, as well as the Kamra itself, in a better position to deal with and address the challenges and opportunities facing our profession both in the present and also in the future. The Professional Practice Standing Committee was charged with the responsibility of studying the documents in question and proposing amendments and modifications to achieve this goal.

The Standing Committee reviewed the Regulations of the Kamra, both in the light of the Subsidiary Legislation and the Regulations approved by AGM in the mid-nineties(which were never approved by the Minister concerned and issued as a Legal Notice to replace those included in the Subsidiary Legislation). It was felt that certain aspects of the former Regulations needed to be reinforced and defined more clearly. Not least amongst these was the Regulatory role of the Kamra with respect to all Warrant Holders and its right to take disciplinary action against those found guilty of malpractice, misconduct or abuse in terms of Article 8 of Chapter 390 of the Laws of Malta. For this reason the section regarding the Board of Professional Conduct was substantially augmented and a new Schedule of Disciplinary Action was included (Schedule E). Following lengthy discussion in Council, it was felt that since the role of the Kamra extended not only to the interests of its members but to those of all Warrant Holders then conversely, all Warrant Holders were benefiting from the various activities and undertakings of the Kamra. It therefore stood to reason that all Warrant Holders should actively contribute to the maintenance and upkeep of the said Kamra. In addition to this, it was also felt that the Kamra could also offer certain privileges and benefits to persons other than practicing Warrant Holders. A new scheme with various levels of Membership was thus drawn up and is being proposed as Schedule D. It was also felt that some articles of the original regulations made by the Kamra as well as some of the new proposals did not require to be entrenched in the Subsidiary Legislation and any changes envisaged in the future would therefore not require the Minister's consent. These included subjects such as benefits of membership and of the proposed different levels thereof, procedural matters of the Council, membership fees and similar issues which, it was felt, should remain firmly within the prerogative of the Kamra's members rather than requiring such Ministerial approval. These items will be dealt with at a later stage in the proposed By-Laws of the Kamra, following the approval of the revised Regulations.

## Session 3 Code of Professional Conduct

The architectural profession has always been characterised by its ethical and responsible approach to the provision of services to society. For this reason Codes of Conduct for the profession exist in all Member States of the EU. In the local case, the unusual scenario exists wherein the responsibility for investigation and inquiry is delegated by the Minister, through the main body of legislation that regulates the profession, to the Kamra. The latter then makes direct recommendations to the Minister for his endorsement. The charged warrant holder then has recourse to the Court of Appeal. It is fundamental therefore that the Kamra exercises this duty with a clear transparent, fair and efficient set of procedures to strengthen the credibility of the profession in Malta in the interest of community, the consumer and all warrant holders.

Article 37(1) of the Services in the Internal Market (SIM) Directive states that: "Member States shall, in co-operation with the Commission, take accompanying measures to encourage the drawing up at Community level, particularly by professional bodies, organisations and associations, of codes of conduct facilitating the provision of services or the establishment of the provider in another Member State, in conformity with Community law".

The implication of this provision is that there will be, over time, a greater convergence of professional rules at European level and the profession will have to examine ways and means by which this can be achieved.

The Professional Practice Working Group's first task was to gather all versions, past and present, of the Code of Professional Conduct and to review the contents of each (including, in particular, the current version forming part of the Subsidiary Legislation and the revised version approved by an EGM of the Kamra but never approved by the Minister concerned and issued as a Legal Notice). In addition to this, various other documents were referred to such as the RIBA¹ Code of Conduct and the ACE² Deontological Code – the latter document approved by the General Assembly of the ACE, including the Maltese delegation representing the Kamra. The layout of the ACE document was later adopted to serve as the basic framework for the new proposed Code of Professional Conduct, a move which was considered opportune, given Malta's membership in the European Union and the Kamra's membership in ACE. The proposed new document, whilst including provisions derived from a number of sources, not least our own former Codes, also brings the Code of Professional Conduct onto a common platform and framework shared with similar Documents of our counterpart professional organisations in other European Member States and those of the ACE.

It is evident, particularly from the proceedings of the Ethics Standing Committee over recent years that such service comes at a high cost; it may suffice to state that the committee, consisting of five members, a reserve member and a secretary met no fewer than seventeen times in 2007. For this reason, the revised proposal being submitted for discussion includes for the provision of an administration fee for the request from the public or a warrant holder to perform an investigation into a specific case brought o the attention of the Kamra.

<sup>&</sup>lt;sup>1</sup> RIBA – Royal Institute of British Architects

<sup>&</sup>lt;sup>2</sup> ACE – Architects' Council of Europe

## Session 4 Liability & PII

Essentially this report consists of three parts; the first is an introductory background that describes the situation in Malta with regards to the profession and PII in particular. The second part deals with the roadmap the Kamra have been following and what our intentions are for the immediate future. The final part deals with the package that the Kamra has negotiated with Elmo Insurance Agency and its partners for the implementation of a scheme and their appointment as Preferred Partners on the provision of PII for the benefits of the members of our organisation.

The Kamra has over the past few years attempted to establish a way forward for the provision of Professional Indemnity Insurance cover for periti. Previous sub-committees and volunteers had in the past arrived at a common policy with an insurance firm, but apparently this scheme was not very popular with the periti, especially since a proper PII cover is, up to now, not mandatory.

However, as we all know, the obligation to obtain and maintain a PII policy for all practicing periti is entrenched in the 'Periti Act', though not yet enabled [para.11 (1) and (2) Chapter 390 of the Laws of Malta]. The Kamra is moreover informed that the Ministry concerned may decide to activate this provision in the near future, as part of the process to implement the Services Directive (SIM). When this happens, all locally practicing periti will have to adhere to this regulation, and due to this, the Kamra has therefore been seeking to develop an optimal solution for the profession. It also wishes to engage in talks with the Ministry to ensure that other operators in the industry are also encouraged to obtain cover. Moreover, one of the primary issues would be the guarantee that such cover is available to all warranted periti. The Kamra is also investigating the possibility of regulating the adherence of periti to the eventual requirements of the Legal Notice that will be enacted according to an established set of criteria, such as the fixing of a minimum level of cover.

After sounding the principal Insurance agencies and brokers, we have had various lengthy discussions with five individual firms, who had showed some interest in this market. However as talks progressed, the number of credible potential providers fell to three, and these talks are now reaching conclusion. The selected agency has, on a number of occasions, even brought over from abroad specialized insurance brokers and underwriters with the intention of drafting a specific policy for Maltese periti. The efforts of the Council of the Kamra have also included for seeking an insurance service provider that would be interested and motivated to develop a relationship with the Kamra and its members and a custom built package that makes clear reference to the specific nature of the profession in Malta.

The main issue that has arisen in the past in discussions with insurance providers which all interested firms naturally brought up is the 15-year (+ prescription) liability period of the perit as established in the Laws of Malta. The Kamra intends to bring up this matter before the relevant authorities in the general discussion on all matters pertaining to the profession of the perit. It is felt that a serious review of the perit's liability is long overdue (both in terms of liability period, limits of liability and terms of responsibility) and, particularly, now that Malta is a member of the European Union. This issue is of particular importance now that, with an evident increase in mobility and the presence in Malta of foreign practices providing services for projects in Malta, that a level playing field is created to permit unrestricted access to practice by Maltese warrant holders. On the other hand, other insurance providers always commented on the excellent record of warrant holders and the low volume of claims.

We have in the meantime carried out an exercise to establish the term and extent of liability of other architects in the European Union. It was found that, though there is a planned attempt to harmonize this liability throughout the EU, the situation as it stands shows a wide spectrum of very divergent situations. However the large majority do not carry more than 8 years liability, and

Council suggests that we should be proposing to the authorities that we should be aiming at this reduced limit. Ideally also the limit of liability should not be indefinite but should be capped, for example as a multiple of the professional fees due. Both the above amendments would reduce the premiums payable considerably and make them less of a burden on periti.

There are of course many other issues to be clarified, particularly as normally claims are accepted by insurance agencies on a 'claims made basis' that is only when the insured party is still paying the premiums. This raises the question as to what happens when a perit retires from practice and is expected to continue to pay the premium for the following 15 years — another good reason to suggest a reduction in the period of liability. Another aspect that requires clarification and discussion are the terms of responsibility — those areas which the profession deems the responsibility of a warrant holder and for which the perit is considered liable and for which cover is therefore required.

What is however common in all proposals received and discussed is that sustainable premiums depend on the largest possible number of periti being so covered; there should therefore also be a discussion on whether periti employed with Government, Government agencies or contractors should be obliged by law to have a PII cover just as other periti engaged in private practice and whether current practices are leaving our colleagues inadvertently exposed to possible litigation. In this regard, the Kamra is also introducing the Chamber of Engineers (Engineers already have the relevant legislation of the introduction of compulsory PII enacted) to our partners on PII.

Again we have looked at what other countries are doing in this regard, and again we have found all possible variances on this theme. Some associations (RIBA) have a preferred agency, others own their own scheme, and others still have no involvement at all with their members' way of obtaining their PII cover.

#### The Roadmap

- Define current situation and legislation; this exercise amply confirms that the contents of legislation governing the profession (Chapter 390 of the Laws of Malta) and enacted ten years ago should be reconsidered. The Kamra is presenting a position paper to this effect with the intention of making proposals for amendments to legislation. In particular the responsibilities and duties of the warrant holder require discussion.
- Prepare report for submission to Ministry for Resources and Infrastructure, which includes a comparison of periods of liability, limits of liability and the description of the role of the warrant holder, with other countries that are members of the EU; this information is obtained from research carried out by the Catalan Association of Architects on behalf of the ACE (Architects Council of Europe). It is immediately evident that there is a case for a firm proposal to be made for a substantial reduction in the period of liability in conjunction with an improved definition of the responsibilities of the warrant holder.
- The suggestion is therefore to make a proposal for a reduction in period of liability against a firm commitment that Kamra will ensure that all members of the profession are adequately covered with Professional Indemnity Insurance and keep a register in this regard. There is also the need to establish fields of activities and actions to be covered. It is important to note here that the services provided by the perit are multi-faceted; the perit provides architectural, civil engineering, structural engineering, valuation, and quantity surveying services; several practices provide most or all of these.
- Make direct comparison with professional indemnity insurance cover provided and required in other countries in the EU; obtain the advice and assistance of bodies like ACE, CAA (Commonwealth Association of Architects) and the RIBA.

- Compare different operative frameworks in other countries; define Kamra's level of involvement.
- Obtain legal advice, along the whole route, particularly in terms of EU directives and legislation, in particular the application of the Services Directive.
- Apply a holistic approach to cause change in the workings of the profession including an improved legislative framework, revised regulations governing the workings of the Kamra a revised Code of Conduct, standard forms of agreement and the introduction of a more workable Tariff structure and Cost Information Systems. The Kamra is asking its members to approve this proposal and to engage in negotiations with the Government and to implement these measures.
- Appoint an insurance agency to provide a custom built insurance scheme and to assist and advise the Kamra in discussions with government.

# **Session 5 Professional Fees, Tariffs & CIS**

The average customer purchasing intellectual services such as architectural planning has no specific skills and/or expertise to carry out the service himself. He needs the skills and the knowledge of the expert he is seeking. As he is not able to carry out the services on his own, he also lacks the necessary expertise to evaluate the quantity and quality of the service offered to him. This is especially true if the customer has to compare different offers. As intellectual services by definition cannot be objectively measured, the only piece of understandable information an average customer can deal with is the price. The real value of the offered service (its amount and quality) is hidden behind a "veil of (the customer's own) ignorance" (F. Hayek).

The Professional Practice Standing Committee undertook to investigate the Cost Information Systems (CIS) that were either already in use or currently being prepared by our counterpart professional institutions in other EU Member States. To this end, a meeting held at the Brussels ACE headquarters was attended and the first steps towards the eventual development of a CIS for Periti in Malta were embarked upon. At present one of the documents provided by ACE which outlines the system of CIS currently in use or being prepared by nine European States is being studied as background and reference material.

It is prudent to note that although the Schedule of mandatory fixed fee rates (legal advice has confirmed the Council's opinion that Tariff K is neither a maximum or a minimum) applicable for professional services rendered by Periti in Malta forms part of the Code of Organisation and Civil Procedure, this does not render it immune to the dictates of the EU Commission and it is presumed that it will only be a matter of time before the said Commission makes the relevant overtures to the Maltese Government for it to be repealed to ensure compliance with the Competition and Services Directive. Although it may be some time before this actually occurs, it is the intention of the Professional Practice Standing Committee to seek to establish a Cost Information System prior to this so as not to be caught unprepared. In the preparation of each CIS by other countries, various different costing methods were used for collection of data on fees charged by professionals in the different member states. These ranged from a fee per square metre to a percentage of the cost of works to an hourly rate with each system applied over specific categories of building type and complexity of work. The merits and disadvantages of each particular system will be closely studied for potential applicability to our own situation and a presentation made to Council.

The Council of the Kamra has agreed however that the specific nature of architectural services (and this confirmed by a resolution on Architectural Quality made by the Council of the European Union in 2001) may provide the basis for a strong argument for the retention of a Tariff structure at least for some services that periti provide. It is with this in mind that the Kamra is proposing that a transitory proposal is made to the Minister concerned for changes to the current tariff that would make its contents more workable and relevant to our work. This would include the fundamental separation between those services considered as Basic Services (required for the design and erection of buildings) and Additional Services, namely those services for which the services of a perit are required or which periti provide but which may also be provided by other professionals or specialists; the liberalisation of fees for specific services such quantity surveying and the establishment of hourly rates; the amendments to fees for valuations such that such rates are relevant to the current state of the property market; and the introduction of mechanism with regards to terms of payment and definitions of construction cost. Moreover, the schedule of Additional Services included in the proposed revisions to the Tariff will also be reflected in an identical manner to the schedules forming part of the Standard forms of Agreement discussed separately in this document.

In parallel to these measures, the Kamra is drafting a document that will provide guidance to clients (provided to them by periti) that will describe the services that a perit may provide and an explanation of fees that may become due and what additional fees are due for services not contemplated, for example, in the Basic Services. The Council firmly believes that his approach will provide the necessary clarity, as also demanded by the provisions of the SIM directive, on the type, quality and cost of services that periti provide.

# Session 6 Standard Forms of Agreement

Consumers may often ask whether Periti are delivering what they promise and what they are charging for. Is the quality of service given by Periti of an acceptable level? Does the Perit visit the site as often as he should? Does the quality of design seek to achieve a standard of excellence that improves the built environment? Similarly the profession may ask: Does the client appreciate the type and level of service required for a particular project? Is it clear to the client what his obligations are? Does the client understand which services are NOT included in their agreement with the perit?

The Kamra is hereby proposing Standard Forms of Agreement for the Provision of Services by a Perit. These clearly define the services an employer / client may expect and a Perit would be requested to deliver, the fee structure and the manner in which the services are delivered and remunerated. It is furthermore understandable that the employer is not always fully aware of the complexities of undertaking a construction project, the risks involved and the time frames, costs and procedures they face on the road to achieving their goals. Such forms of agreement will explain the various aspects of a project in order to assist the consumer in understanding such complexities.

Five standard forms are being proposed for adoption. The choice of which contract is to be used depends on the project being undertaken, and is a function of the size and complexity of the project at hand. The full document, that for large projects, is the mother document and from which the other lesser documents are derived. Ultimately it is the discretion of the perit that will provide guidance on the type of agreement to be adopted. The Council has consulted similar documents provided by other similar organisations and, in some cases, thresholds based on estimated construction cost, or building types have been created to advise on the type of agreement to be used.

The necessity to encourage the use of written agreements for all services provided by periti is also a result of the process introducing mandatory PII cover for all warrant holders and the natural conclusion that the management of risk will be facilitated by the availability of clear agreements that define rights and obligations in as unequivocal a manner as possible. Evidence of this is the obvious predicament of a number of periti, seeking the advise of the Kamra or appearing before the Ethics Standing Committee, and the issues brought up which could so easily have been avoided if only agreements were proposed discussed and signed before the commission was accepted.

The Kamra is also referring to international bodies that provide advice on contractual matters and dispute resolution, the latter being another matter considered by the SIM Directive. Finally, the Kamra is considering assuming membership and national representation for FIDIC in Malta.