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BOARD NOTICES • RAADSKENNISGEWINGS

BOARD NOTICE 184 OF 2021

**CALL FOR COMMENTS****2022 GUIDELINE TARIFF OF PROFESSIONAL FEES:
Professional Construction Health and Safety Agent (PrCHSA)**

Written comments and inputs are invited by the South African Council for the Project and Construction Management Professions (SACPCMP) from the Public on the 2022 Guideline Tariff of Professional Fees.

The SACPCMP is empowered in terms of Section 34(2) of the Project and Construction Professions Act (Act No 48 of 2000) to annually determine guideline professional fees and publish those fees in the Gazette.

The Revised Guideline Tariff of Professional Fees document can be downloaded from www.sacpcmp.org.za.

The submission of comments (call for comments) must be submitted no later than **16:00 on 17 January 2022** to:

Ms. Linda Maruma (SACPCMP Professions Governance Department) via email: ProfessionalFees@sacpcmp.org.za

THE CALL FOR COMMENT FORM CAN BE ACCESSED VIA THE SACPCMP WEBSITE

Postal Address
SACPCMP
P.O. Box 6282
Halfway House MIDRAND
1685

Website: www.sacpcmp.org.za

Proposed 2022 Guideline Fee

The 2022 fee-update has been based on the inputs and methodology described in the BACKGROUND section below.

Table 1: Updated 2022 Guideline Fees						
Cost Bracket	Cost of the works*		Primary Fee	Plus Secondary Fee		
	From	To		Add%	For value over	
1	1	11 200 000	5 765	3.26	-	-
2	11 200 001	22 500 000	370 885	2.93	11 200 000	
3	22 500 001	45 000 000	701 975	2.63	22 500 000	
4	45 000 001	90 000 000	1 293 725	2.37	45 000 000	
5	90 000 001	180 000 000	2 360 225	2.09	90 000 000	
6	180 000 001	359 900 000	4 241 225	1.84	180 000 000	
7	359 900 001	719 800 000	7 551 385	1.58	359 900 000	
8	719 800 001	1 439 700 000	13 237 805	1.36	719 800 000	
9	1 439 700 001	2 879 400 000	23 028 445	1.17	1 439 700 000	
10	2 879 400 001	-	39 872 935	1.01	2 879 400 000	

BACKGROUND

The South African Council for the Project and Construction Management Professions (SACPCMP) appointed Enterprises University of Pretoria (Pty) Ltd (Enterprises UP) to rebase the current fees of Registered Construction Health and Safety Professionals for **PROFESSIONAL HEALTH & SAFETY AGENTS** to be effective for 2022. This provides the methodology and assumptions used to rebase the existing Guideline Tariff of Fees to 2022.

2019 Fees

The most recently gazetted fees were published in 2019 in Board Notice 167 of 2019 titled *SACPCMP Guideline Scope of Services and Recommended Guideline Tariff of Fees for Construction Health and Safety Professionals Registered in terms of the Project and Construction Management Professions Act, 2000 (Act No. 48 of 2000)*. The table below is taken from the above-mentioned gazetted board notice as the 2019 fees in respect of normal services in the field of Construction Health and Safety Agent, pertaining to building projects. The fees and project costs shown below are exclusive of Value Added Tax ('VAT').

Table 2: Gazetted 2019 Guideline Tariff of Fees					
Cost Bracket	Cost of the works*		Primary Fee	Plus, Secondary Fee	
	From	To		Add%	For value over
1	-	10 000 000	5 195	3.30	-
2	10 000 000	20 000 000	335 086	2.97	10 000 000
3	20 000 000	40 000 000	632 248	2.67	20 000 000
4	40 000 000	80 000 000	1 166 309	2.41	40 000 000
5	80 000 000	160 000 000	2 128 450	2.11	80 000 000
6	160 000 000	320 000 000	3 819 989	1.86	160 000 000
7	320 000 000	640 000 000	6 795 767	1.60	320 000 000
8	640 000 000	1 280 000 000	11 916 100	1.38	640 000 000
9	1 280 000 000	2 560 000 000	20 727 063	1.18	1 280 000 000
10	2 560 000 000		35 888 570	1.02	2 560 000 000

*The "Cost of the works" in the above table is defined as the total amount, inclusive of the value of free issue items, exclusive of value added tax, certified or for which would be certified for payment to contractors (irrespective of who actually carries out the works) in respect of the works in respect of which the Construction Health and Safety Agent is performing a construction health and safety service, before deduction of liquidated damages or penalties.

Methodology and Assumptions

In order to increase the rates from 2019 to 2021, the following were considered:

- The increase in project costs from 2019 to 2021
- The increase in construction health and safety service fees from 2019 to 2021.

Project costs were assumed to increase by Consumer Price Inflation ('CPI'), as published by Statistics South Africa ('StatsSA'). CPI represents the overall increase in price levels across the economy. Therefore, CPI is the most appropriate inflationary measure to estimate the general increase in project costs. Construction health and safety service fees were assumed to increase by a sub-component of CPI, specifically, CPI for services, as published by 'StatsSA'. This is the most appropriate measure when estimating the inflationary adjustment required for construction health and safety services as it is specific to the price level increases that are applicable to the services sector of the economy. Delineating cost adjustments based on both CPI and CPI for services enables a more accurate and realistic portrayal of the actual price and cost adjustments for both project costs and project management services. CPI was selected as the most appropriate inflationary measure for this fee escalation as this index is a more general inflationary index that encompasses price fluctuations with regard to project costs and project management service fees. A comparison between CPI, PPI and the BER¹ Building Cost Index was undertaken. The table below shows this comparison and reveals that there were no material differences between the escalation rates between CPI, PPI and the BER Index for 2019 and 2020. For 2019, CPI was 0.6 percentage points below PPI and 0.4 percentage points below the BER Index. Conversely, in 2020, CPI was 0.6 percentage points higher than PPI and 0.2 percentage points higher than the BER Index. All the considered indexes will therefore result in similar 2021 tariffs.

Table 3: Comparison of CPI, PPI and the BER Index

Year	CPI ²	PPI ³	BER Index ⁴
2019	4.0	4.6	4.4
2020	3.1	2.5	2.9
Cumulative increase	7.2%	7.2%	7.4%

¹ BER, Building Cost Index, <https://www.ber.ac.za/Research/Indices/Building-Costs/>

The 2021 rates were therefore set in such a way that the average fees earned per project would be expected to increase by CPI for services, if it is assumed that project costs increased by CPI.

The following inflation indices were applied in the rebasing calculations of the 2022 tariff fees.

Table 4: Inflationary Rates

Effective date	Index		Implied annual rate % vs prior year	
	CPI	CPI for services	CPI	CPI for services
31 December 2018	109.4	110.7		
31 December 2019 Error! Bookmark not defined.	113.8	115.2	4.0	4.1
31 December 2020 ⁵	117.3	119.5	3.1	3.7

The total CPI increase over the two-year period is 7.22% (117.3 divided by 109.4). This increase was applied to the cost of works values in the fee table, with values rounded to the nearest R100,000. The total CPI for services increases over the two-year period is 7.95% (119.5 divided by 110.7). The Add %'s in the fee table were adjusted such that the expected total fee payable at the top end of each project cost bracket (and R5,490 billion on the top bracket, which is the bottom end of the top bracket plus double the difference between the top end and the bottom end of the second highest bracket) would increase by approximately 7.95% (ie the CPI services increase). These percentages were rounded to the nearest 0.01%.

The Primary Fees in the fee table were set based on the Add % as calculated above to ensure that the fees are smooth between brackets, with values rounded to the nearest Rand. We have developed a simple Microsoft Excel Based model to calculate the 2021 fees, based on the following inputs:

¹ Stats SA Statistical Release P0141: Consumer Price Index December 2019

⁵ Stats SA Statistical Release P0141: Consumer Price Index December 2020

- 2019 fee structure
- The increase in project costs from 2019 to 2021
- The increase in project management service fees from 2019 to 2021
- Rounding criteria.

The 2021 fee update based on the above inputs and methodology described in this document

The table below provides the 2021 fees in respect of construction health and safety agent services pertaining to building projects, based on the methodology, assumptions and 2019 Tariff of Fees guideline, described in the sections above.

Table 5: 2021 Guideline Tariff of Fees

Cost Bracket	Cost of the works*		Primary Fee	Plus Secondary Fee	
	From	To		Add%	For value over
1	1	10 700 000	5 608	3.32	-
2	10 700 001	21 400 000	360 848	2.99	10 700 000
3	21 400 001	42 900 000	680 778	2.69	21 400 000
4	42 900 001	85 800 000	1 259 128	2.42	42 900 000
5	85 800 001	171 600 000	2 297 308	2.13	85 800 000
6	171 600 001	343 100 000	4 124 848	1.87	171 600 000
7	343 100 001	686 200 000	7 331 898	1.61	343 100 000
8	686 200 001	1 372 400 000	12 855 808	1.39	686 200 000
9	1 372 400 001	2 744 900 000	22 393 988	1.19	1 372 400 000
10	2 744 900 001		38 726 738	1.03	2 744 900 000

The 2022 Professional Tariff of Fees being gazetted (Table 1) is an increase of fees from the 2021 Fees (Table 5) using the most recent CPI figures at the time of call for comment.

TEL: (011) 318 3402

EMAIL: ProfessionalFees@sacpcmp.org.za

CLOSING DATE FOR SUBMITTING COMMENTS: Monday, the 17th of JANUARY 2022

Visit www.sacpcmp.org.za for the Call for Comments form

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