



# Professional Fee Guideline for 2016

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# WHAT ARE PROFESSIONAL FEES?

- **Gazetted normally once a year, usually around December.**
- **Current version is No. 39480; 4 December 2015, each version repeals the previous version. Commencement date given (shall be) as 1 January 2016. The date of appointment normally “defines” the fee scale to be used.**
- **Full title: “Guideline of Services and Processes for Estimating Fees for Registered Engineering Professionals”**
- **To quote:**
- **“This document provides an approach for determining fees to be paid for engineering services that are **fair** and **equitable** to **all parties**.”**

# WHAT ARE PROFESSIONAL FEES?



- **It is important to note that it is a guideline document. Competition board ruled that fixed professional fees are discriminatory.**
- **Document is seen as a basis of negotiation by ECSA (Engineering Council of South Africa).**
- **Scope of Work needs to be clearly defined. You need to be able to compare apples with apples. This is seen as major challenge to date. Consultants need to look at range of factors in determining price, such as environment, location, risks, amongst many others.**
- **Scope of Works: Wash car with bucket....**

# SCOPE OF WORKS: WASH CAR WITH ONE BUCKET



# DIFFERENT TYPES OF PROFESSIONAL FEES?



- Fees can be:
  - Time based fees,
  - Percentage fee based on cost of works,
  - Fees for services that are additional to those provided for in the normal percentage fee based calculation.
  - Value based fees agreed based on the value added through the consulting engineer's services.
- Consultant can also be reimbursed for expenses.
- Important to note that reimbursable rate guidelines are published with the guideline by ECSA, though normally only available late in January each year.

# WHAT IS IT FOR?



- **Complex process. This is in itself a challenge for some parties.**
- **I am providing a brief overview of a 44 page guideline, so please feel free to ask any questions you might have after the presentation.**
- **Six stages of a normal Project:**
- **Stage 1: Inception**
- **Stage 2: Concept and Viability (Also termed Preliminary Design)**
- **Stage 3: Design development (Also termed Detail design)**
- **Stage 4: Documentation and Procurement**
- **Stage 5: Contract Administration and Inspection**
- **Stage 6: Close out**

# PLANNING, STUDIES INVESTIGATIONS AND ASSESSMENTS



- These typical services relate to carrying out studies and investigations as well as the preparation and submission of reports embodying preliminary proposals or initial feasibility studies and will normally be remunerated on a Time and Cost basis.

# ADDITIONAL SERVICES



- **These are not “Normal” services:**
  - i. **All services defining the Scope of Works,**
  - ii. **Enquiries not directly related to the Works,**
  - iii. **Making arrangements for Wayleaves, Servitudes or Expropriations,**
  - iv. **Negotiating and arranging for the provision or diversion of services not forming part of the works,**
  - v. **Topographical and Environmental surveys,**
  - vi. **Investigating or reporting on tariffs or charges leviable by or to the Client,**
  - vii. **Arranging forward cover for imported goods, materials or services,**
  - viii. **Preparing detailed operating, operation and maintenance manuals,**



## ADDITIONAL SERVICES cont.



- ix. **Work and services related to targeted procurement that could entail, but is not necessarily limited to any or all of the following:**
- incorporation of any targeted participation goals and training goals,**
  - the measuring of key participation indicators,**
  - the selection, appointment and administration of participation and;**
  - auditing compliance with the above by any contractors and/or professional consultant,**
- etc.**

**There are a total of 25 listed additional services in the guideline.**

# FEES BASED ON COST OF WORKS



- All Projects with a cost of Works **under R2m** should be based on a Time and Cost basis.
- There are eight fee categories (A, B, C, D, E, F, G, M), there is an N but refers back to time cost fees. Also differentiated between Civil, Agricultural & Structural; Mechanical Engineering services; Electrical Engineering services; and Miscellaneous Services.
- These categories set fee percentages “bands” based at a R11.5m Cost of Works.
- Eg.
- Category A:           6%       to       8%
- Category B:           7%       to       9%
- Category G:           13%     to       17%
- Category M:           2%       to       4%
- BUT this is only for a R11.5m Cost of Works project.

# ADJUSTMENT FOR COST OF WORKS

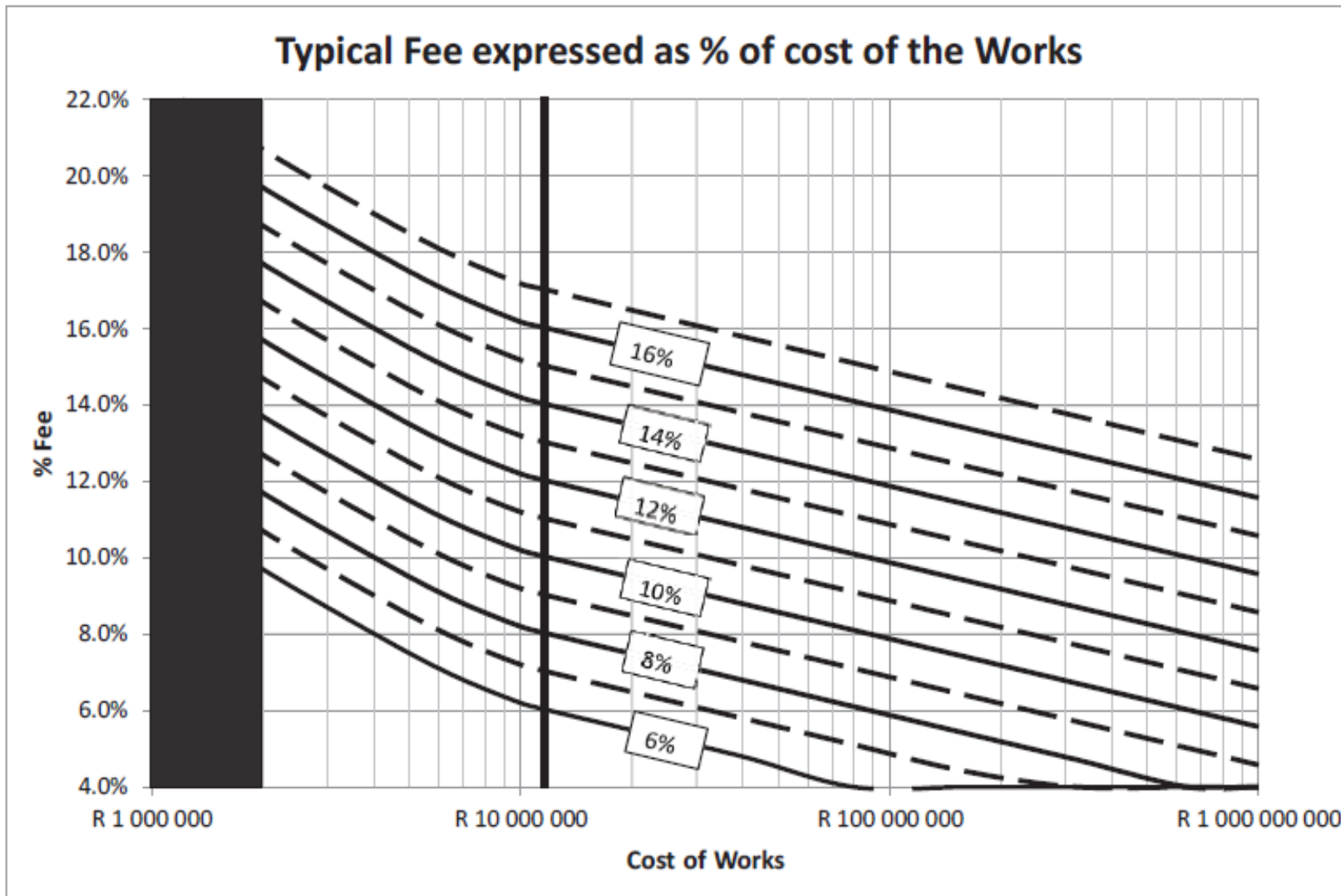


Figure 4-1: Adjustment for Cost of works with value > R11.5m [% Fee = (FeeCat+16.3%) – 0.023Log(Cost of Works)] (Min 4%)

# FACTORS AFFECTING FEES

Municipal Services	Greenfield site with few interfaces	Complex existing site with many service interfaces
Parking lots	Few accesses, few stormwater options and few interfaces	Many accesses and routes, many stormwater paths and interfaces
Pipelines	Relatively straight and level pipelines with minimal requirements in respect of removal of air and silt	Complex pipe geometry with many thrust blocks and valves. High wave energy for submarine pipes.
Ports – Quays, Breakwaters etc	Uniform foundations, simple loading good information	Variable foundations, complex load cases and complex bathymetry and geology
Power Stations Civil and Buildings	Uniform foundations, with repetitive layout and known loadings	Variable foundations and complex layouts and load calculations
Railways (Excluding Cost of Track)	Few turnouts and minimal rolling stock requirements	Many turnouts, extensive rolling stock requirements
Road Rehabilitation	Relatively uniform conditions and minimal road furniture and drainage improvements	Variable conditions with many requirements in respect of road furniture and drainage improvements
Roads	Flat topography, few intersections and minimal obstructions and interfaces.	Difficult topography with many accesses, intersections, interchanges and interfaces with existing infrastructure and utilities
Stormwater Pipes	Straight pipelines with minimal inlet and catchment designs	Complex pipe networks with extensive catchment modelling requirements
Stormwater structures and canals (Designed)	Uniform foundations, straight and rectangular	Variable foundations and complex geometry and load calculations
Underground Structures	Uniform geology and hard ground	Complex geology and soft ground
Unique structures	Uniform foundations, straight and rectangular	Variable foundations, seismic loads and complex geometry and load calculations
Water Retaining Structures, pumpstations and Treatment Works	Uniform foundations and shape with simple configuration and inlet and outlets, packaged plants and tanks	Variable foundations and complex shapes as well as complex and submerged inlet and outlet works



**"Our employees are our greatest asset. I say we sell them."**

# SOME COMMENTS: ECSA

Thank you for submitting this query to ECSA. We apologise for the delay in replying but we had to discuss the matter with the original authors responsible for the revised ECSA Guideline which was published in December 2015, in order to obtain clarity about your query and the background as to how the revised fee graphs were derived.

Prior to December 2015, the fee graphs published by ECSA, comprised straight line graphs, the shape of which could be determined by the application of a formula which ECSA made available on request. We point out that ECSA did not generally publish the formula because, as originally explained by the primary author of the fee guidelines, **“the whole idea of having the graphs and not the formula is to have a non- precise answer so that the client and engineer can agree a project based fee in broad terms and then work to that fee. We initially had the formula in the document and then threw it out exactly for that reason.”**

During the past two years it became increasingly clear that, for a number of reasons, the shape of the straightline graphs was problematic. This was mainly due to the manner in which the graphs were interpreted and applied on projects having smaller values, generally below R11,5 million. After considerable research, the ECSA Fees Committee decided to alter the shape of the graph as indicated in Fig 4.1 of the December 2015 ECSA Guideline.

**We point out that the latest graphs were not produced on the basis of a formula and the shape of the graphs was simply determined to provide a smooth curve for project values between R2 million and R11,5 million.**

Therefore, while the formula may be used to determine the shape of the graphs where the project value exceeds R11,5 million, for values between R2 million and R11,5 million, the fee value should be determined by reading the values directly from the graphs to obtain a guideline value, and then adjusted according to the particular project circumstances.

# SOME COMMENTS

- **F.2.14 Information and data to be completed in all respects**  
**Accept that tender offers, which do not provide all the data or information requested completely and in the form required, may be regarded by the employer as non-responsive.**

## **F.2.17 Clarification of tender offer after submission**

Provide clarification of a tender offer in response to a request to do so from the employer during the evaluation of tender offers. This may include providing a breakdown of rates or prices and correction of arithmetical errors by the adjustment of certain rates or item prices (or both). **No change in the competitive position of tenderers or substance of the tender offer is sought, offered, or permitted.**

- **F.2.10.3** Provide rates and prices that are fixed for the duration of the contract and not subject to adjustment **except as provided for in the conditions of contract identified in the contract data.**



***Thank you for your attention!***