

BOARD NOTICE 182 OF 2021

**CALL FOR COMMENTS****2022 GUIDELINE TARIFF OF PROFESSIONAL FEES:
Construction and Project Managers (CPM)**

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

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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		For value over
	From	To		Add%		
1	1	1,100,000	18,477	7.89	-	-
2	1,100,001	2,200,000	105,267	7.89	1,100,000	1,100,000
3	2,200,001	4,500,000	192,057	7.78	2,200,000	2,200,000
4	4,500,001	9,000,000	370,997	7.75	4,500,000	4,500,000
5	9,000,001	18,000,000	719,747	7.7	9,000,000	9,000,000
6	18,000,001	36,000,000	1,412,747	6.91	18,000,000	18,000,000
7	36,000,001	72,000,000	2,656,547	6.22	36,000,000	36,000,000
8	72,000,001	144,000,000	4,895,747	5.52	72,000,000	72,000,000
9	144,000,001	287,900,000	8,870,147	4.83	144,000,000	144,000,000
10	287,900,001	562,400,000	15,820,517	4.18	287,900,000	287,900,000

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 AND PROJECT MANAGERS** 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 168 of 2019: SACPCMP Amended Guideline Scope of Services and Recommended Guideline Tariff of Fees for Persons Registered in terms of the Project and Construction Management Professions Act, 2000 in respect of Professional Construction Project Management Services (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 Project Management services, pertaining to building projects. The fees and project costs shown below are exclusive of Value Added Tax ('VAT').

Table 2: 2019 Tariff of Fees

Cost Bracket	Cost of the works*		Primary Fee	Plus, Secondary Fee	
	From	To		Add%	For value over
1	1	1 000 000	16 650	8.00	0
2	1 000 001	2 000 000	96 650	8.00	1 000 000
3	2 000 001	4 000 000	175 400	7.95	2 000 000
4	4 000 001	8 000 000	334 400	7.85	4 000 000
5	8 000 001	16 000 000	648 400	7.80	8 000 000
6	16 000 001	32 000 000	1 272 400	7.00	16 000 000
7	32 000 001	64 000 000	2 392 340	6.30	32 000 000
8	64 000 001	128 000 000	4 408 340	5.60	64 000 000
9	128 000 001	256 000 000	7 992 400	4.90	128 000 000
10	256 000 001	500 000 000	14 264 400	4.24	256 000 000
11	500 000 001	1 000 000 000	24 610 000	3.66	500 000 000
12	1 000 000 001	2 000 000 000	42 910 000	3.16	1 000 000 000
13	2 000 000 001	3 000 000 000	74 510 000	2.83	2 000 000 000
14	3 000 000 001		102 810 000	2.58	3 000 000 000

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 project manager is performing a construction project management 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 African ('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.

Project management service fees were assumed to increase by a sub-component of CPI, specifically, CPI for services, as published by 'Stats SA'. This is the most appropriate measure when estimating the inflationary adjustment required for project management 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 BER 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 ¹	PPI ²	BER Index ³
2019	4.0	4.6	4.4
2020	3.1	2.5	2.9
Cumulative increase	7.2%	7.2%	7.4%

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.

³ BER, Building Cost Index, <https://www.ber.ac.za/Research/Indices/Building-Costs/>

The following inflation indices were applied in the rebasing calculations of the 2021 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 ⁴	109.4	110.7		
31 December 2019 ⁴	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 increased 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 R4,2888 billion on the top bracket, which is the bottom end of the top bracket plus 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:

- 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

⁴ Stats SA Statistical Release P0141: Consumer Price Index December 2019

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

The table below provides the 2021 fees in respect OF CONSTRUCTION AND PROJECT MANAGERS 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: CPM

Cost Bracket	Cost of the works*		Primary Fee	Plus Secondary Fee	
	From	To		Add%	For value over
1	1	1 100 000	17 974	8.05	0
2	1 100 001	2 100 000	106 524	8.05	1 100 000
3	2 100 001	4 300 000	187 024	7.94	2 100 000
4	4 300 001	8 600 000	361 704	7.90	4 300 000
5	8 600 001	17 200 000	701 404	7.85	8 600 000
6	17 200 001	34 300 000	1 376 504	7.05	17 200 000
7	34 300 001	68 600 000	2 582 054	6.34	34 300 000
8	68 600 001	137 200 000	4 756 674	5.64	68 600 000
9	137 200 001	274 500 000	8 625 714	4.93	137 200 000
10	274 500 001	536 100 000	15 394 604	4.27	274 500 000

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.

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CLOSING DATE FOR SUBMITTING COMMENTS: Monday, the 17th of JANUARY 2022
Visit www.sacpcmp.org.za for the Call for Comments form

