



Keeping you informed

# INSIDE TRACK

March 2003

## ESCA announces new fee guidelines

**A**fter many months of hard work and negotiations, the new guideline fee scales were approved by The Engineering Council of South Africa's (ECSA) fees committee and published in the *Government Gazette* on 28 February 2003. The new fee scales see increases of between zero and 15% for percentage fee scales and significant increases in indicative time based fees (these new fee scales are available on ECSA's website: [www.ecsa.co.za](http://www.ecsa.co.za)).

New indicative time fees have been set at R1 040 per hour for Category A (specialists), R883 per hour for Category B (partners and directors), R496 per hour for Category C (all professionally registered staff) and R399 per hour for Category D (all other technical staff).

Vice President of SAACE, Craig Clarke and retired member Gert Basson, together with Sello Semanya of South

African Black Technical and Allied Careers Organisation (SABTACO), spent months researching and producing the draft guidelines which were published for comment in December last year.

In terms of the Engineering Profession Act of 2000 and the Council for the Built Environment Act of 2000, the professional councils in consultation with all stakeholders now have the responsibility to determine professional fees. The fees committee of ECSA was highly participative and included various organs of the state such as the Department of Public Works, Department of Water Affairs, the National Road Agency Limited and the South African Property Owners Association (SAPOA) as well as the relevant service providers such as SAACE and SABTACO.

"Although ECSA publishes the new fee scales, of importance is that it is the outcome

of a consultative process which provides an opportunity for all relevant parties to contribute," says Bob Pullen, President of ECSA and chairperson of the fees committee.

The new fees are the first step in moving from professionals selling time to professionals selling value.

"What we have tried to do is to produce a guideline reference for current best practice standards. The new fee scales are intended to ensure that the public interest is served by providing for fair and reasonable remuneration for consulting engineers. Clients will be provided with services at a fair, market related cost, which reflects adequate compensation to enable consulting engineers to render good quality service.

"We have also tried to ensure that the guideline fees take into account the great variety in terms of nature, size and complexity of engineering projects," explains Bob.

The guidelines include both percentage based and indicative time based fee scales. Percentage fees are calculated as a percentage of the cost of the works for which the service provider is responsible using accumulative sliding scales, which results in a reducing percentage as the cost of the works increases. The new guidelines also include fee scales for electronic engineering, engineering management services and the fees for reinforced concrete and reinforced steel have been significantly altered. The aim is to bring fee scales for public sector work in line with the private sector.

In terms of indicative time based fees, the fees committee negotiated with the public sector and believes they have come up with new indicative time based fee scales, which are far more representative than the previous system and should

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## Message from Graham's desk



Quality continues to be a high priority of the SAACE with members unanimously having approved an amendment to the Code of Conduct, which requires member firms to implement and maintain a Quality Management System within their practices.

The Association would like to be viewed as the custodian of quality for the consulting engineering profession as this gives clients a significant measure of confidence in using a

member of the Association.

The Association recommends an ISO 9001:2000 based quality management system with eventual third party evaluation leading to certification.

To assist members, the International Federation of Consulting Engineers (FIDIC) has produced a set of quality management guidelines and manuals including a training kit.

In addition, there is a set of Guidelines for Business

Integrity Management in the Consulting Industry (also ISO 9001 based), which ensures that a firm's values permeate through the business environment.

However, there are a number of issues, which are compromising quality including the discounting of fees and a fee regime that does not support an adequate return or remuneration, especially when measured against risk.

For some time now, we have

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## New fee guidelines

Continued from page 1

have universal acceptance. It calculates the actual cost of remuneration of the person employed on the service. The method is also in line with the draft guideline on fees for consultants, which has been developed by the Department of Public Service and Administration.

The aim is to create a system which is more deregulated and where the fee is more appropriate for the service provided. The idea was to produce a simple fee scale, which is easily applied but which can be further improved upon in the future to take into account experience, qualifications and specialisation.

The guidelines also provide the full scope of services provided by consulting engineers and a detailed list of additional services and take into account quality assurance systems, the role of lead consultants, engineering management services and targeted procurement. There are also guidelines on expenses and costs.

Also of importance is a section dealing with the application of fee scales, which describes circumstances under which the fees can be adjusted for either increases or decreases. This is an excellent tool for clients and consulting engineers. It is not about dishing out discounts, a practice which can compromise quality and which must be stamped out.

It is extremely important that after gaining the input and approval of all the industry players including clients, consulting engineers do not undo the effort to make the profession viable by discounting fees.

# President's theme se transform the industr

SAACE President for 2003, Dempsey Naidoo's, theme 'take back your pride' aims to regain the pride engineers lost to their profession. In an interview with *Inside Track*, he explains the theme and how his ambition can be achieved.

“Consulting engineers are one of the most valuable professional resources to South Africa’s economic wellbeing, and must overcome the challenges which stand in the way of recognition for the vital role they play in providing basic amenities and infrastructure to the people of this country and beyond its borders. The very fabric of our health and wellbeing is delivered from infrastructure conceived and delivered with consulting engineers’ intellectual capacity. It will not be ‘business as usual’ if we neglect the wellbeing of this sector.

“One of the most alarming issues facing the profession is the lack of new entrants, particularly the low number of black and women entrants. More than 60% of consulting engineers are white males over 40. While we are keen to transform, we have to ensure that there are enough candidates in order to implement this transformation. The shortage of suitable matriculants with

mathematics and science is concerning,” says Dempsey.

Dempsey feels that the government needs to intervene at primary school level to ‘stream’ learners at an early age, so that they continue studying science and mathematics.

While committed to attracting new entrants, it is vital that the SAACE fosters and builds relationships with other bodies within the built environment professions (BEP) such as SABTACO and SAICE to address joint issues relevant to the industry.

“Another issue facing the profession is that consulting engineers are being asked to be more socially responsible and aware, in addition to being businessmen. Solutions must ensure the sustainability and relevance to the

**Graham Pirie, SAACE Executive Director; Althea Povey, SAACE Vice President and Dempsey Naidoo, SAACE President.**



Dempsey Naidoo

community, especially in rural environments,” he explains.

Dempsey believes that consulting engineers need to have a more rounded outlook, something that cannot be taught during four years at university. We cannot purely have a

project mentality that appeals to their technical egos.

“Our engineers are the tigers of Africa with the relevant standards, qualifications and life experience to compete globally. The negative side is that South African consulting engineers are starting to be recognised for this internationally and are being paid in dollars, which is more attractive.

Emigration of engineers is a problem, but the good news is that the local profession is attracting some people back,” says Dempsey.

“The challenge is to ensure that our profession is a good, challenging and rewarding profession to keep our talent in South Africa.”

Dempsey says consulting engineers must stop allowing the discounting of fees, with the private sector often being the biggest culprit in this regard.

“There has to be a certain amount of money in it, if we want to deliver sound services to our clients. The discounting of fees



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can compromise quality. We have  
to regulate fees for a little bit  
longer until the economy  
improves and then the free market  
can kick in. If we pay engineers  
well, it will become a sought after  
career choice again for young new  
entrants from all racial groups.

“I am a businessman who hap-  
pens to be an engineer, and I am  
in it to make some money and  
contribute to my country's future  
wellbeing. I want to be a role  
model and show that consulting  
engineering is a viable, profes-  
sional business. Profit is not a  
dirty word if well-earned,”  
states Dempsey

He also stresses that profes-  
sional indemnity is becoming  
too expensive and South Africa  
needs to avoid a situation such as  
in Australia where smaller  
organisations are no longer  
taking indemnity, as they simply  
cannot afford it.

Dempsey maintains that “con-  
sulting engineers must take back  
their pride. We have an invaluable  
role to play in the development of  
South Africa and Africa. I trust  
our government and private sector  
will recognise this in institutions  
such as the New Partnership for  
Africa's Development (Nepad).  
The good news is that unprece-  
dented work levels are expected  
and we have a favourable curren-  
cy. We don't need to be afraid of  
too little work, but rather having  
too little adequate human  
resources.”

# New medical aid scheme for consulting engineers

After numerous enquiries from members, a special steering committee made up of representatives of member firms was founded to investigate the possibility of setting up a restricted membership medical aid scheme for consulting engineers. Profhealth Benefits Consulting (Pty) Ltd was mandated to investigate the market and after much research, including types of benefit structures and administrators, a proposal was put together and an application was made to the Council for Medical Aid Schemes.

After the Registrar had called for an independent actuarial evaluation and was happy that the necessary R5-million guarantees by Nedbank were in place the scheme was approved on 9 November 2002, with registration taking place on 15 November. In the meantime, the Association of South African Quantity Surveyors (ASAQS) and the South African Institute of Architects (SAIA) expressed an interest in the scheme and the definition of membership was extended to built environment

professionals and the staff of their firms. The approved scheme is registered as the Built Environment Professional Associations' Medical Scheme, abbreviated as BEPMEDS.



The scheme is administrated by Sovereign Health, a division of Medscheme, and is the only medical scheme administrator in the country to be ISO 9001 certified. The first trustee meeting took place on 31 January 2003 at the offices of Sovereign in Durban, which gave the trustees a chance to investigate the state-of-the-art administration systems. For more information on Sovereign and some of the well known medical aid schemes they administer visit their website on [www.sovhealth.co.za](http://www.sovhealth.co.za).

The benefits of having a restricted membership scheme,

which is industry specific, is that the trustees were able to design a benefit structure tailor-made for the industry according to the claims history of some member firms. It is also beneficial to the

premium structure of the scheme, as it will not be carrying the cost of general increases based on the poor claims history of the general population. Any future profits will be ploughed back into the scheme for the benefit of the members.

Some of the special additional features that have been negotiated on behalf of the scheme include: Netcare 911, International Travel Assistance (Euro Assist, which will be of special interest to member firms working outside South Africa's borders), an AIDS Programme (soon to become a requirement for firms) and a wellness programme.

For more information on the benefit structure and premiums please contact the Principal Officer, Vincent Knox on (012) 460-0430 or via e-mail: [pbc2@netralink.com](mailto:pbc2@netralink.com).

## Message from Graham's desk

*Continued from page 1*

been saying that a key problem facing consulting engineers is the move by some clients towards procurement of professional services on the basis of price. Reluctance by clients to pay for adequate supervision of projects has exacerbated the problem.

Another consequence of this is that consulting engineers either begin to explore other career opportunities or emigrate. Engineering is no longer considered a career of

choice among younger people for the same reason.

This leads to a situation where industry has strained resources and capacity to draw upon, which further compromises quality. We see an increase in reported failures, which impacts negatively on the professional indemnity insurance market and which in itself, is becoming expensive.

The Association has, however, been working hard at improving business profitability of the profession including negotiating

higher fee scales encouraging members to reduce unrealistic exposure to claims with regard to time and amount; encouraging the use of enhanced risk management procedures and the use of approved forms of agreement and contracts. The Association is also assisting to improve the business climate and raise the awareness of business issues with members and their clients.

**Graham Pirie**  
Executive Director





# Government commits to infrastructure investment

**I**n his State of the Nation Address in February 2003, President Thabo Mbeki stated that the government is committed to infrastructure investment, specifically social infrastructure.

He stressed that attention will be given to areas already identified in the context of the Urban Renewal and Rural Development Programme, by means of an expanded Public Works Programme. R55-billion has been set aside specifically for infrastructure investment over the Medium Term Expenditure Framework (MTEF) period, which bodes well for the consulting engineering industry.

The planned Growth and

Development Summit scheduled for May 2003 will address issues such as higher rates of investment, job creation, economic restructuring, improved efficiency and productivity, and greater social equity.

Some of the key economic infrastructure projects already identified include the John Ross highway to Richards Bay, a dam on the Olifants River in the Limpopo Province, the construction of Ngqura (Coega) port, concessioning of the Durban Container Terminal, the relocation of Durban International Airport to La Mercy and the establishment of Dube Trade Port.

Finance Minister, Trevor Manuel supported the President's initiatives in his

2003 Budget Speech by announcing that municipalities are to receive R6,5-billion more for free basic services, investment in infrastructure and job creation.

In addition, R38-billion has been set aside to improve roads, revitalise hospitals, buy medicines and schoolbooks, and improve the response to HIV/AIDS. Although, much of this money does not directly impact on the industry except for infrastructure improvements, issues such as HIV/AIDS and education are of major importance to all South Africans and impact on all industries.

While the government continues to put fixed investment back on the map, it is bound to

raise gross fixed capital formation from 16% of the GDP to a more realistic level of 25% some time in the future.

However, the obstacle which stalls government spending most in the area of infrastructure development, remains a shortfall of capacity within local government to initiate and manage infrastructure projects. A number of liaison initiatives are being set up between local government and the industry to assist in the delivery process.

The government has indicated that it will use the provision and maintenance of infrastructure as a tool in its strategy to alleviate the unacceptably high levels of poverty and to accelerate job creation.

# International business development underway

Members of the International Business Development Section (IBDS) recently had a successful engagement with a delegation of senior officials from Algeria who were looking for investment and consultancy services in the water sector. IBDS Manager Roelof van Tonder believes this is a classic case of how the IBDS will ensure cost-effective relationship building between members and potential clients.

IBDS members were given the opportunity to meet with the Algerian delegation individually as opposed to exchanging business cards at a conference. This was made possible through the close co-operation between the Department of Water Affairs and Forestry and SAACE. The basic premise of this co-operation relates to the fact that many Government Departments regularly meet potential clients who frequently use the services of the consulting engineering fraternity. This model for co-operation seeks to benefit from this situation and will be extended to other Government Departments.

The activities of the IBDS received another boost when Roelof was asked to present a paper on 'SAACE a resource for NEPAD' at a NEPAD Conference in Mozambique. The industry was well represented at the conference which forms part of the process of making sure that the profile of IBDS members is increased internationally.



Delegates that attended the GAMA Conference in Livingstone.

## Livingstone I presume?

The Group of African Member Associations (GAMA), affiliated to the International Federation of Consulting Engineers (FIDIC), held its Annual General Meeting and Convention in Livingstone, Zambia, from 12 to 15 March 2003.

The Victoria Falls proved to be a magnificent backdrop to the deliberations where Zambia was host to representatives from Nigeria, Uganda, Zambia, Botswana, Egypt, South Africa and FIDIC itself.

The theme of the conference revolved around New Partnership for Africa's Development (NEPAD) and how the consulting engineering sector could assist in furthering the aims of capacity building and provision of

infrastructure on the African continent. The slogan 'African work for African consulting engineers' set the tone of the debate where various speakers gave input on topics such as:

- Appropriate technology
- Water supply and sanitation
- Business opportunity for local and regional consulting
- Challenges of cross-border interaction

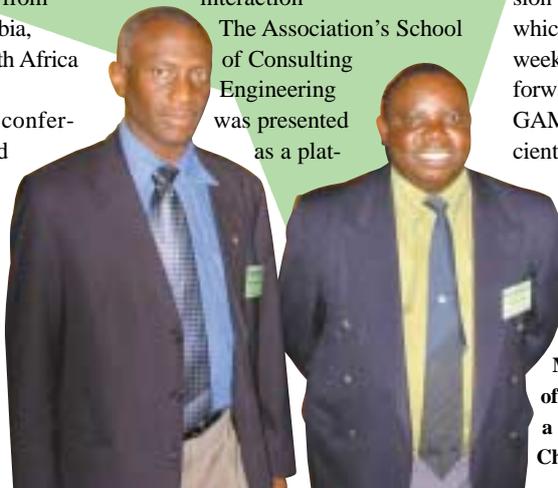
The Association's School of Consulting Engineering was presented as a plat-

form for capacity building among the other member associations on the continent, which generated, once again, much interest. This follows a very successful course given in Tanzania earlier this year on FIDIC contract documents which was attended by 150 delegates.

The Annual General Meeting compiled an agenda for discussion with the NEPAD secretariat, which took place the following week in Johannesburg. It also put forward mechanisms to make the GAMA network more self-sufficient and effective.

The next GAMA Annual General Meeting and Convention will probably be held in Abuja, Nigeria, in March 2004.

Mr L. Mondoloke, Chairman of ACEZ in Zambia (left) shares a moment with Levi Zulu, Chairman of GAMA.



### PRESIDENT'S DIARY

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Here is an insight into some of the meetings the President has set up for the first quarter of the year.

- 10 Jan** Meeting with Thabo Mokwena, CEO of South African Local Government Association
- 22 Jan** President's Media Breakfast at Rosebank Hotel
- 6 Feb** Member-firm lunch in Pretoria
- 17 Feb** Breakfast with South African Black Technical and Allied Careers Organisation
- 21 Feb** Member-firm lunch in Johannesburg
- 12-14 Mar** Group of African Members Associations Conference in Livingstone, Zambia
- 17 Mar** Meeting with Sunday Dogonyara, Principal Programmes Coordinator of New Partnership for Africa's Development
- 26-27 Mar** Presidential visit, Northern Cape



Dempsey meets members of SAACE's Gauteng North Branch during his Presidential visit.

# Friends of the SAACE

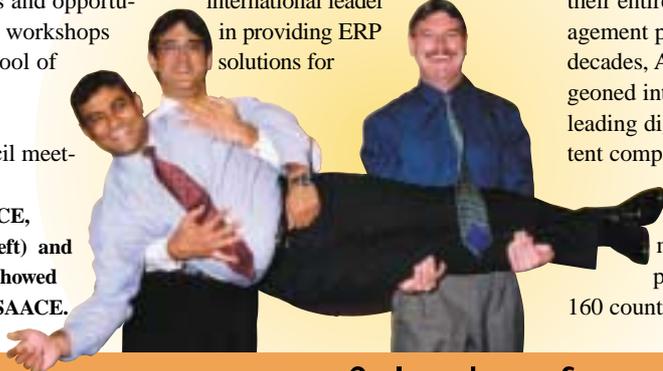
In 2002, it was decided to create a select category of formalised sponsorship to offer those organisations, which are not eligible for SAACE membership, the prospect of supporting SAACE and gaining business opportunities through such synergy.

The number of 'Friends' will be limited to five or six at any one time, and have to be approved by the Council as companies that subscribe to our Code of Conduct and provide value-added products or information to our members.

Some of the benefits to the Friends include preferential options to sponsor events, discounted advertising rates, opportunities to speak to members at branch meetings and opportunities to present workshops through the School of Consulting Engineering.

At the Council meet-

'Friends' of SAACE, Craig Yeatman (left) and Thys Buitendag showed their support of SAACE.



ing, which took place on 12 February 2003, the first two Friends, Autodesk (Worldsview Technologies) and Columbus I.T./BST were formally welcomed. Another Friend, Lafarge Cement, has since come on board and will be invited to the next Council meeting on 14 May 2003.

## Columbus I.T.

Columbus is dedicated to working together with customers to build profitability. Its core competencies are in project management and product development of integrated business solutions. It is driven by a commitment to provide cross-border services with international standards supported by local knowledge. Columbus I.T. is an international leader in providing ERP solutions for

companies, units of larger enterprises and consulting engineers. The company has representation in 27 countries, 850 dedicated employees and is the local supplier of BST's integrated e-Business applications, which facilitate the management of projects, financial processes and resources across the global enterprise.

## Autodesk

Autodesk is a leading design software and digital content company, offering customers progressive business solutions through powerful technology products and services. It helps customers in the infrastructure, building and manufacturing fields increase the value of their digital design data and improve efficiencies across their entire project lifecycle management processes. In just two decades, Autodesk has burgeoned into one of the world's leading digital design and content companies – its products and services have become essential tools for more than five million professionals in over 160 countries around the globe.

## Editor's note

I've just returned from two days in the Drakensburg viewing possible venues for the SAACE Annual General Meeting and Convention, which is scheduled for 16-18 October 2003. The event promises to be informative and a great chance to meet fellow members of the Association. More information on the programme and speakers will follow in future bulletins.



The entry forms for the SAACE Glenrand MIB Excellence Awards are on their way to your office. In addition to our usual categories, this year we have added a new category 'International Business Developer of the Year'. The deadline for entries is Friday, 16 May 2003, and the Awards Event will take place on Wednesday, 13 August 2003 at Caesars Palace.

Book your advertising space for the Directory of Firms as soon as possible. The directory is sent to all public and private clients as well as trade missions and it is well worth having a presence in the advertising section. Don't miss out!

Lynn McSweeney  
Member Services Manager  
lynmmc@saace.co.za

## Calendar of events

### Important dates to diarise

Date	Event	Venue
*2-3 Apr 2003	Business Finance for Non Financial Managers course	Polokwane
*7-8 Apr 2003	Business Finance for Non Financial Managers course	KwaZulu-Natal
*April 2003 (provisional)	Negotiation Techniques course	Gauteng
16-17 Apr 2003	Presidential visit	KwaZulu-Natal
5 May 2003	Presidential visit	Western Cape
*15-16 May 2003	FIDIC Contract Documents course	Western Cape
*May 2003 (provisional)	Risk Management workshop	Western Cape
3-4 Jun 2003	Presidential visit	Bloemfontein
17-19 Jun 2003	Presidential visit	Border/Eastern & Southern Cape
*June 2003 (provisional)	Risk Management workshop	Western Cape
13 Aug 2003	Awards banquet	Gauteng
6-10 Sep 2003	FIDIC Convention	Paris
16-18 Oct 2003	Annual General Meeting and Annual Convention	Drakensberg
8 Nov 2003	Consulting Engineers Relay	Pretoria

\* School of Consulting Engineering



Tony Mills of Ninham Shand bungee jumps at the Victoria Falls, which is the highest bungee jump in the world. He tackled this jump during the GAMA conference, which was held in Livingstone, Zambia. Read more about this conference on page 5.