

18 Newton Street
Newton Park
6055

P.O. Box 7699
Newton Park
6055

Tel No (041) 363-1990
Fax No (041) 363-1997
E-Mail: michelle@ecasa.co.za

URGENT NOTICE TO ALL MEMBERS

All members are aware of the exorbitant increases in material costs during the past 2-3 years.

These increases have jeopardised the profitability and the very existence of many electrical contractors in South Africa.

The huge increases in material prices have unfortunately also impacted negatively on the Contract Price Adjustment Provisions (CPAP). Members involved in major electrical projects have reported large discrepancies between the CPAP indices and actual cost increases in material prices, resulting in ECA member companies having to absorb these to the detriment of the member.

There are currently two CPAP work groups published by STATS SA for the Electrical Industry, viz 160 and 162.

These indices are compiled and published monthly in order that members could adjust their contract values for purposes of recovering escalation in labour and material costs.

In recent years however there has been a drastic under recovery on commodities such as PVC wire, trunking, heavy duty cable trays and cable, with actual increases ranging between 20% to 170% measured over a 3 year period.

When compared to the CPAP recovery rate of between 25% to 30% over the same period it is clear that CPAP is not adequately compensating for cost increases.

The ECA Contractual Standing Committee has accordingly agreed to issue an urgent recommendation to all members involved in projects where escalation applies.

The ECA recommends that, wherever possible, members do not sign final accounts in the immediate future as there may be an adjustment to the CPAP indices due to the under recovery over the past months.

The ECA has informed JBCC of its intention to revise the composition of the current basket of materials under SEIFSA Table G-Electrical Engineering Materials.

Currently these baskets of materials comprise 23 products ranging from wood and paper to steel and electrical motors. It is generally believed that this basket of materials does not accurately reflect the materials used in a typical domestic, industrial or commercial electrical installation (WG 160), neither does it represent the materials required for underground or overhead reticulation work (WG 162).

At a meeting between representatives from ECA and SEIFSA held in Johannesburg on 6 May 2008 it was agreed that ECA prepare and submit the revised basket of materials to SEIFSA. SEIFSA has indicated that they would be prepared to publish, free of charge; a separate index headed "Electrical Contracting Materials" in their current TABLE G of the monthly SEIFSA indices.

The contractual work-group at its meeting in Johannesburg on Tuesday 6 May 2008 has prepared the following proposed "basket" of materials for WG 160:-

<u>PRODUCT</u>	<u>WEIGHTING</u>
1) M/V Switchgear & Transformers	5%
2) Cable	10%
3) Cable Racks / Wireways	15%
4) Distribution Boards / LV Switchgear	10%
5) Wire: T/E, NORSK and BCEW	10%
6) General Electrical Materials: Switches, Sockets Isolators, Consumables, Glands	5%
7) Light Fittings	20%
8) SEIFSA Labour	10%
9) CPIX	10%
10) Transport / Fuel	5%
	100

ECA would however also need the consensus of the JBCC constituent members before approaching Stats SA to publish the revised tables.

At the JBCC Technical meeting held in Midrand on 7 May 2008 the ECA was reminded that all the JBCC constituent members would be required to agree in principle, at least, to our proposed changes. I was assured though that JBCC would not unreasonably withhold such approval as it was primarily a problem facing electrical contactors which needed to be resolved by the ECA. There would accordingly not be undue interference in our domestic affairs.

Listed below are the names of the current JBCC constituent bodies:-

Association of Construction Project Managers.
 Association of South African Quantity Surveyors.
 Master Builders South Africa.
 South African Association of Consulting Engineers.
 South African Institute of Architects.
 South African Property Owners Association.
 Specialist Engineering Contractors Committee.

From the discussions at the JBCC meeting it was evident that CPAP in general is posing major problems for air conditioning and refrigeration contractors, engineering as well as building contractors, who are also seriously looking at the composition and weighting of their respective baskets of material.

The time to act is now. We have support at SEIFSA and JBCC. We do however need your assistance to get the mix of materials right. We have only one opportunity and must ensure that the interests of all our members are adequately addressed.

Please have a look at the products and weightings listed above and advise me if you agree with the make up.

You can e-mail me or send a fax to (041) 363 1997.

We will soon commence work on revising the basket of materials for reticulation work (WG 162) and would in the meantime also invite comments from members on the committee involved in this type of work.

Kind regards

LM Bowles
Regional Director
East / South Cape