

18 July 1989

Lands and Works Branch Technical Circular No. 9/89

**Adjustment of Consultants' Remuneration by the
Civil Engineering Works Index**

Introduction

This circular describes the measures approved by the Engineering and Associated Consultants Selection Board (EACSB) to compensate the eroding effects of inflation on consultants' fees which are calculated as a percentage of the Cost of Works.

Civil Engineering Works Index

2. The Civil Engineering works Index (CEWI) was developed as a means of relating the costs of civil engineering works at current prices to those at 1980 when the current standard Scale of Percentage Fees (Appendix A) was first established. The CEWI is based on the labour index and various materials costs indices published monthly by the Census & Statistics Department. The weighting factors used for compiling the CEWI were based on a comprehensive review of over 350 civil engineering works contracts during the period 1984-1987 from the Civil Engineering Services Department, Water Supplies Department, Housing Department, Highways Department and Territory Development Department. A list of the weighting factors adopted and the values the CEWI calculated for the period since 1980 are given in Appendix B. The CEWI is calculated by the Director of Civil Engineering Services and notified to the Director's Representative quarterly.

The CEWI Remuneration Method

3. The CEWI remuneration method involves the following procedures :-
- (a) The Net Cost of the Works for any construction contract should be deflated by the ratio of the Civil Engineering Works Index (CEWI) in 1980 to the CEWI at the close of tenders for that contract. The Net Cost of any part of the Works for which tenders have not yet closed should be deflated by multiplying the latest estimate of the Net Cost of that part of the Works by the ratio of the 1980 CEWI to the CEWI at the time of the latest estimate.

- (b) The deflated Net Cost of the Works obtained by summing the deflated Net Costs of the various parts of the Works should then be used to obtain the overall fee percentage from the Scale of Percentage Fees, which should then be applied to the Cost of the works, Net Cost of the Works and Adjusted Net Cost of the Works to calculate the fees due.
- (c) The additional fee on the reinforced concrete portion and on the structural metalwork portion of the Works may also be calculated in the same manner.

..... 4. A worked example of the CEWI remuneration method is at Appendix C.

Application

5. The CEWI remuneration method applies to new engineering Investigation, Design & Construction (IDC) agreements signed on or after 1 July 1989.

6. This method also applies to the following types of existing IDC agreements, subject to mutual agreement between the consultants and government:

- (i) Single-contract agreements where the closing date of tender is on or after 1 July 1989.
- (ii) Multi-contract agreements where the closing dates of tender of all contracts in the agreement are on or after 1 July 1989.
- (iii) Individual "phases" of a multi-contract agreement where there are provisions for the calculation of fees for each "phase" of the work and that the closing dates of tender of all contracts for that phase are on or after 1 JULY 1989.

7. The CEWI remuneration method and the method for dealing with uncharacteristic tenders as described in Lands and Works Branch Technical Circular No. 10/89 "Adjustment of Consultants' Remuneration for Uncharacteristic Tenders" shall be applied as a package in the existing agreements described in Para. 6 above.

..... 8. A standard Clause (Appendix D) should be included in all new agreements and to supplements of existing agreements described in paragraph 6 above requiring that the CEWI remuneration method be adopted.

9. The current remuneration systems, including the use of the Consultants Remuneration Index (CRI) as promulgated in Lands and Works Branch Technical Circular Nos. 9/84 and 2/85, will continue to be applied to existing consultancy agreements other than those described in para. 6 above. The Director of Civil Engineering Services will continue to publish quarterly the CRI for use in existing agreements.

(Graham Barnes)
Secretary for Lands and Works

Subsumed