

TENDERED PROCUREMENT OF PROFESSIONAL SERVICES: CITY OF CAPE TOWN

The following survey was conducted as preparation for a panel discussion at the Western Cape Property Development Forum's annual conference which took place in Cape Town between the 16th and 17th of May 2019.

www.wcpdf.co.za

The panel discussion was entitled "PROCUREMENT PROCEDURES IN THE CITY" and was led by Dr Len Mortimer, Senior Extraordinary Lecturer, School of Public Leadership, University of Stellenbosch / CEO, Ultimate Consulting Solutions. The panel members were Mr Stefan Bothma, Managing Director, Power Developments; Mr Chris Steffen, Representing the Association of SA Quantity Surveyors and Director of Talani Quantity Surveyors; Mr Fabian Sepkins, Head of Tenders & Contracts, City of Cape Town

The survey was as follows:

Introductory email

Dear Built Environment Professional

Please take some time to complete this very short survey being conducted by the Western Cape Property Development Forum.

Please forward this email on, if necessary, to all persons in or outside your organisation whom you believe would be able to complete it.

All responses are anonymous.

Survey engine: <https://my-echo.co.za/>

Survey welcome message

TENDERING FOR PROFESSIONAL SERVICES: CITY OF CAPE TOWN TENDERS

The Western Cape Property Development Forum, in its bid to improve the conditions under which property development takes place in the Western Cape, has prepared this survey.

This information will be used to assist in engaging with the City of Cape Town with respect to its procurement processes.

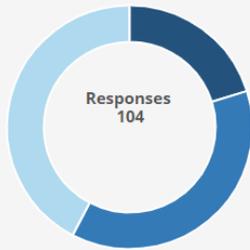
Thank you
Chris Steffen
Procurement Work Group
Western Cape Property Development Forum

RESULTS BASED ON 104 RESPONSES

Q1. Do you submit tenders for Professional Services to City of Cape Town?

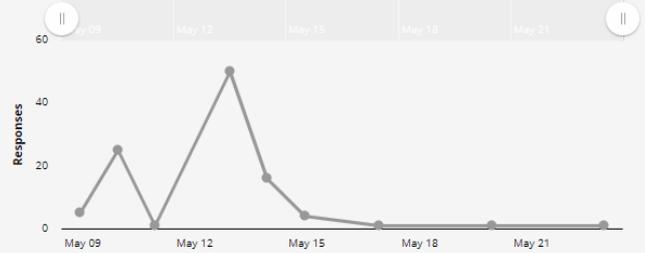
Distribution of Responses

Number of responses & percentage by answer
(Click chart for more detail. Click legend to enable/disable answer)

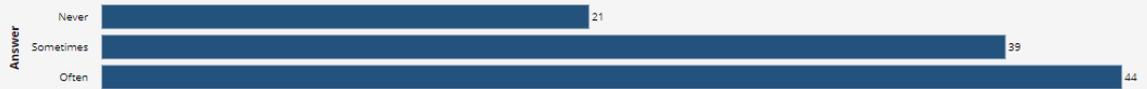


Never	21	20.19%
Sometimes	39	37.50%
Often	44	42.31%

Number of responses by date responded
(Click chart to view breakdown)



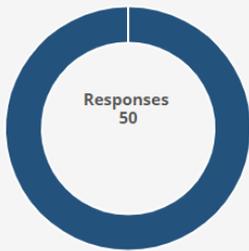
Number of responses by answer
(Click to view respondent detail and comments for answer selected)



Q2. If you answered Never or Sometimes, please give an indication of why.

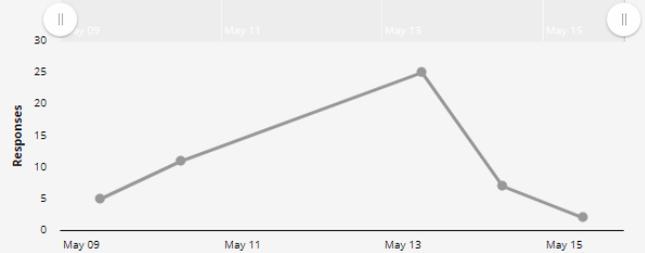
Distribution of Responses

Number of responses & percentage by answer
(Click chart for more detail. Click legend to enable/disable answer)



Comment C...	50	100.00%
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Number of responses by date responded
(Click chart to view breakdown)



Number of responses by answer
(Click to view respondent detail and comments for answer selected)

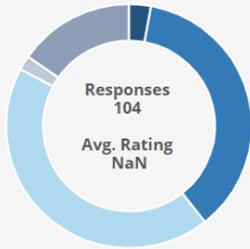


See written responses to Question 2 below

Q3.
How satisfied are you with the sufficiency and clarity of the description of scopes of services?

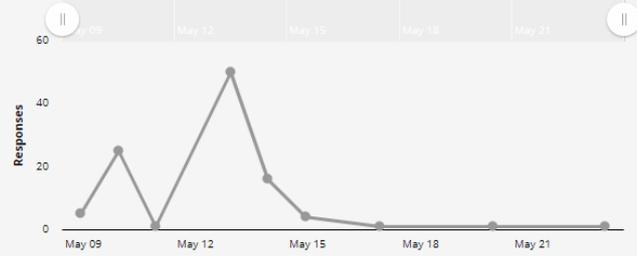
Distribution of Responses

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(Click chart for more detail. Click legend to enable/disable answer)

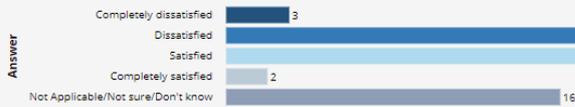


Completel...	3	2.88%
Dissatisf...	38	36.54%
Satisfied	45	43.27%
Completel...	2	1.92%
Not Appli...	16	15.38%

Number of responses by date responded
(Click chart to view breakdown)



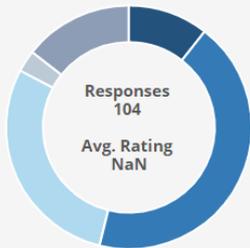
Number of responses by answer. Average Rating NaN
(Click to view respondent detail and comments for answer selected)



Q4.
How satisfied are you that you are able to price tenders with confidence?

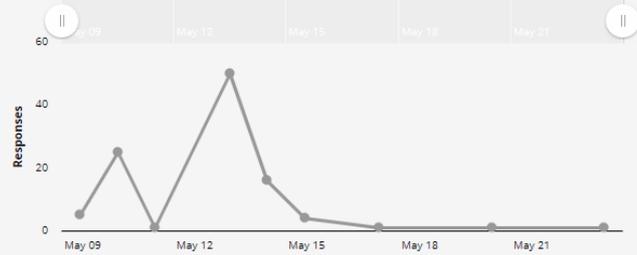
Distribution of Responses

Number of responses & percentage by answer
(Click chart for more detail. Click legend to enable/disable answer)

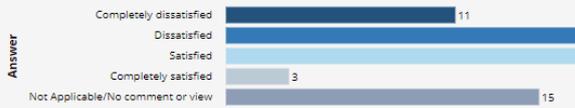


Completel...	11	10.58%
Dissatisf...	45	43.27%
Satisfied	30	28.85%
Completel...	3	2.88%
Not Appli...	15	14.42%

Number of responses by date responded
(Click chart to view breakdown)



Number of responses by answer. Average Rating NaN
(Click to view respondent detail and comments for answer selected)

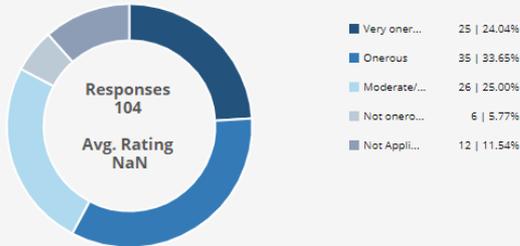


Q5.

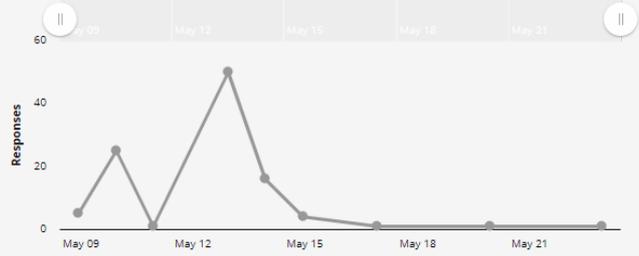
How onerous is the compilation of the submission with respect to documentation that needs to be submitted with the tender?

Distribution of Responses

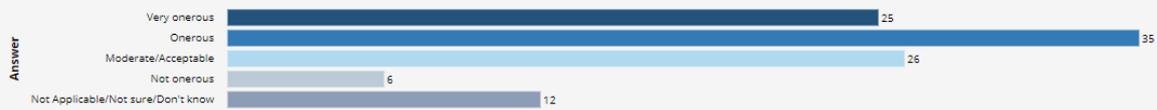
Number of responses & percentage by answer
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Number of responses by date responded
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Number of responses by answer. Average Rating NaN
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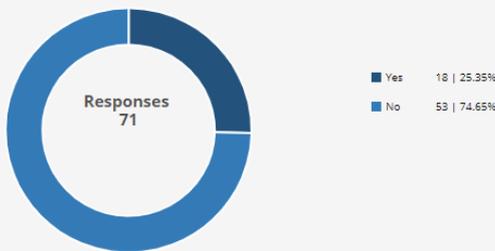


Q6.

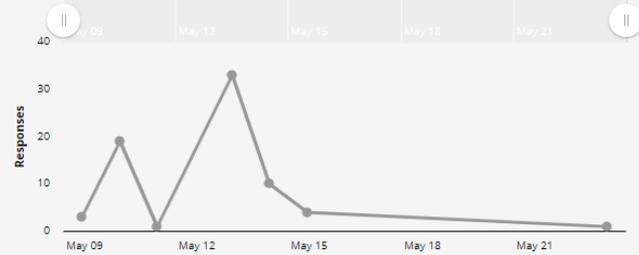
If you answered Onerous or Very Onerous to the previous question, do you feel it is necessary for this information to be submitted in the light of the requirement for tenders to be registered on supplier databases, e.g. the Central Supplier Database, etc.

Distribution of Responses

Number of responses & percentage by answer
(Click chart for more detail. Click legend to enable/disable answer)



Number of responses by date responded
(Click chart to view breakdown)



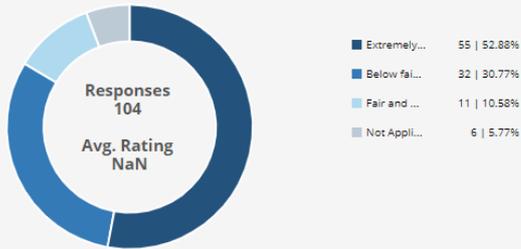
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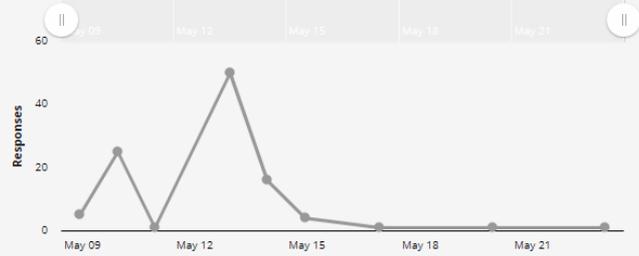
Q7.
In order to be competitive do you believe you need to submit a price that is:

Distribution of Responses

Number of responses & percentage by answer
(Click chart for more detail. Click legend to enable/disable answer)



Number of responses by date responded
(Click chart to view breakdown)



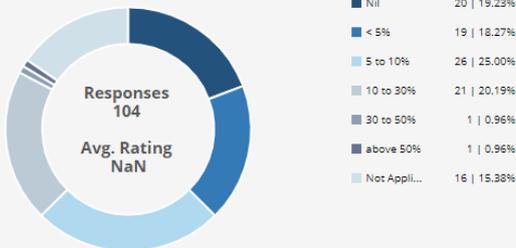
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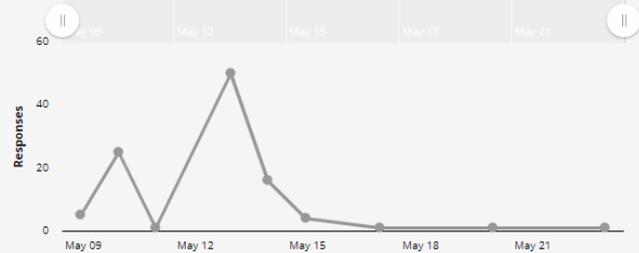
Q8.
What is your success rate at being awarded CoCT tenders?

Distribution of Responses

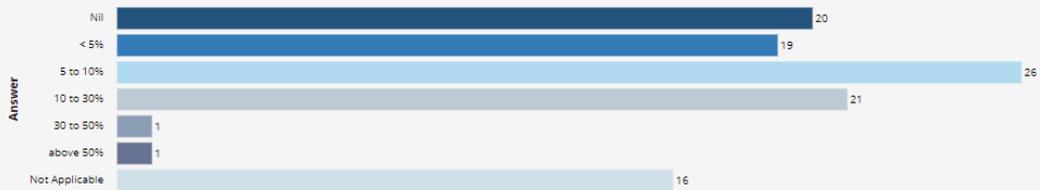
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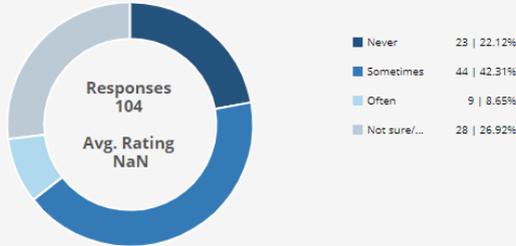
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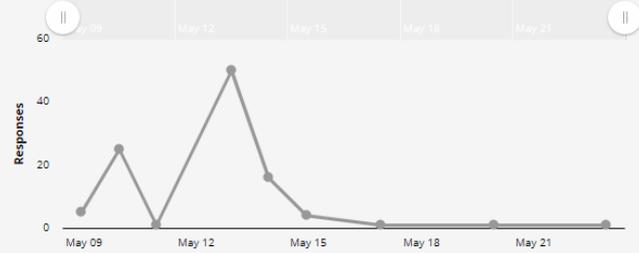
Q9.
In your experience and to your knowledge are tenders generally adjudicated and awarded within the tender validity period?

Distribution of Responses

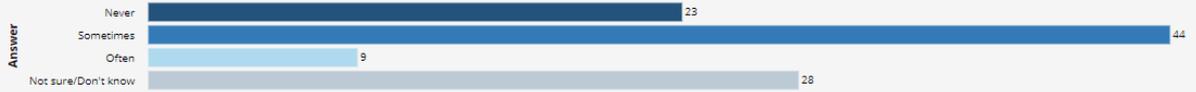
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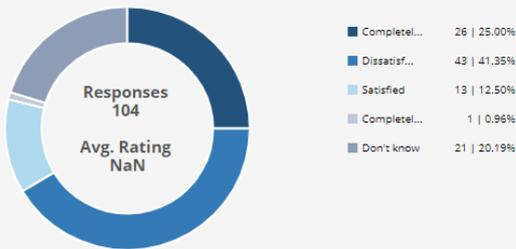
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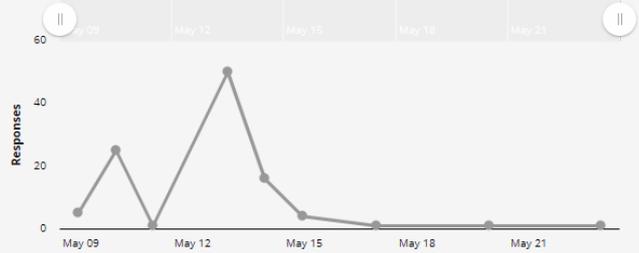
Q10.
If you are appointed for professional services in response to a tender submission to CoCT. How satisfied are you that you are adequately compensated to cover your firms/practice's overhead commitments in terms of CSI, training and mentoring, supplier development, enterprise development, maintenance of your BBBEE rating?

Distribution of Responses

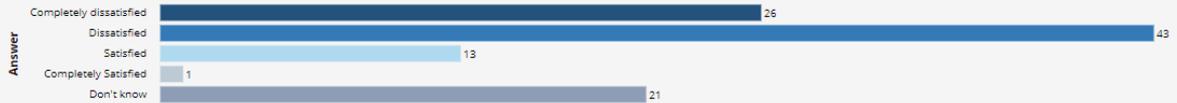
Number of responses & percentage by answer
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Number of responses by date responded
 (Click chart to view breakdown)



Number of responses by answer. Average Rating NaN
 (Click to view respondent detail and comments for answer selected)



Q11.
Any other comments or concerns you wish to note?

Distribution of Responses



See written responses to Question 11 below

SELECTED WRITTEN RESPONSES TO QUESTION 2

There are always a few who tender ridiculously low with the result that the norm for a QS service is above 50% reduction against tariff. This is simply destroying the profession.

The Professional Fees that are submitted, are generally far too low, and a proper service cannot be offered at these tendered fees - It's not sustainable for any Professional Company -

1) CCT can't answer queries adequately and clearly. Hence lots of uncertainty surrounding the tender.

2) Onerous

There are not that many tenders available and usually the requirements are very onerous. One then has to compete with BBEEE requirements and other consultants who offer extraordinarily low fees and often with a compromised service. This does not seem to be taken into account in the tender evaluation so it is often not worth the effort to submit a tender

I do not live in Cape Town. The discounts expected are extremely excessive.

We do not believe we can provide a proper service by cutting our fees down to beyond cost in the tender market.

Not competitive with other 'cheaper' tenderers that will not give the same level of professionalism and service to the works.

Being the sole proprietor of my practice, I would presumably not comply with the stringent requirements of BBBEE regulations and those of the CoCT. That aside, accounts of ridiculously high discounts tendered are horrifying (don't we learn the lessons from the consequences of deregulation of the professions in countries such as the UK, Canada and the USA?! The lawyers end up getting rich).

Provided QS services only to Private Developers

Tendering takes so much professional time that one has to be selective.

Not many tenders require a QS

Difficult to come into consideration due to BEE requirements

Tender notification lacking and/ or not received; tender document pricing not in line with ECSA

It is dependent on the qualification criteria in terms of key personnel, resource requirements, etc. We tender on the tenders which fall within our core business

Need to cut fees too much to compete. Not sure where the tenders are advertised. BEE is further limiting possibility of success. Much time and effort with too much documentation to submit and to have certified as original copies etc.

I use to and did provide my service on a few projects with COCT. But then they required tenderers to be Consortiums. After issues with other professional team members (lack of trust, effort, risk, etc.), I decided not to provide tender anymore.

Occasionally we are requested to be part of a joint fee proposal

I struggle because of my BEE status. I am a small entity which employs 4 people in my organisation including myself. Because I fall within the QSE category, if my turnover is more than 1.5m a year, I need to be BEE compliant and have

51% black ownership. Therefore, I cannot grow. My company can't afford to employ a black person at management level. I am between a rock and a hard place. If I do find someone and they buy a 51% stake, then there is no room for me. Given Government's performance and red tape and all the stories I here from fellow professionals, I don't believe it is worth even attempting. Have tried over the years but always get blocked. Does not help that BEE policy changes continuously.

It's not worth the effort required for all the documentation that you have to produce when people are tendering at massive discounts and have very high BBE ratings.

We believe that in the past the evaluation procedures were biased. The last tender that we submitted was on the extensions to the CTICC.

We operate in a field dealing with the rehabilitation and resurfacing of existing roads and the design of new roads. Unfortunately, not much work in this area seems to be done by the CoCT and is restricted to one term tender (generally 3 to 6-year contract period) which generally ends up being awarded to only 4 consulting firms for this period. Very little to no new roads are being constructed in Cape Town, thus no tenders for new roads are being let.

Selected bids are submitted where these align with our business skillset and strategy

Consultants tender too low and then they cannot provide the level of service that they should

We don't believe that we can compete on price with the scores of consultants bidding for routine work

Limited opportunities

To stand a realistic chance of winning a tender the tendered price is too low to justify the both the expense of tendering and then winning the tender. Another issue is that the City has asked for some large tenders in the past with tenderers, either individually or in consortium, having to invest significant resources in preparing the bid with no hope of recovering the bid costs if successful or the tender is cancelled. I think this last is extremely disingenuous as the City benefits from seeing well thought out plans/concepts which they can use as a basis for future planning without paying for the plans/concepts. Case in point the Foreshore Precinct Project.

CoCT tenders are tedious to complete and not in line with the latest tender procedures and contracts. Hassle does not always outweigh the potential benefits.

For the past 5 years, unless we were invited onto a team, we did not submit any tenders to CoCT. We will submit for a current framework and see if it is worthwhile to look at the CoCT for future tenders.

Tried very seriously once but tender was extremely unprofessionally and amateurishly handled.

Almost an exercise in futility for a level 4 BBEE

The professionals are so desperate for work that they are discounting their fees to rates that a general practitioner can't afford. This creates a system of employing mediocrity and poorly delivered projects. Unfortunately, the so called "lowest price" takes precedent without any look at the design or its related cost to build. Innovated and green solutions are simply ignored. What a shame that the city is not calling for excellence in building - this is just terribly SAD.

Onerous to complete, very low success rate

WRITTEN RESPONSES TO QUESTION 11

All requests for additional compensation are mostly rejected unconditionally

I have nothing against the process of tendering. However, the award should be based on a reasonable fee for the work. To this end what could work is for the top 10% and the bottom 10% to be discarded and the average of the remaining calculated. The tenderer closest to this average to be considered for the award.

There is a total absence with respect to a collective industry approach to address/challenge the status quo. Professionals are leaving the industry at an alarming rate that will impact the industry in the medium to long term.

Total lack of communication after tender has closed.

Drive for work is competitive in the market therefore Consulting firms are discounting fees drastically, far below ECSA rates, which in turn renders projects non feasible.

In this world one usually gets what one pays for. Professional fees are usually determined via a recommended fee scale issued by the respective body. Whilst one understands that there are commercial restrictions and one has to remain competitive. However, it must be assumed that the recommended fee scales are compiled commensurate with the level of effort and expertise required. When consultants offer substantially reduced fees it must be

questioned whether they are competent to, and will provide the professional level of services required. I believe that a consultant performance risk assessment should form part of the tender adjudication and this should be disclosed in the tender document

CoCT reserves right to negotiate tendered rates (normally further down!) with tenderers

The current tendering environment is not conducive for quality provided at a fair price but however only deems price of professional services to be the main consideration. I feel that the city should not try and save money on professional services amounting to less than 10% of the project total as this invariably leads to project budget overruns due to lack of time (determined by the fee charge) on the part of the professional team. Paying a fair professional fee will allow the team to optimize the design and save the client money on the construction end of the project which normally amounts to 90% of the project cost.

I still use the fee scales as the basis on private projects, notwithstanding their "illegality"; how else can one tell the client what services they can expect for the relevant fees? (one of our PI insurance renewal questions raise this issue in assessing my risk profile e.g. do we use the fee scales and if so, what %age discount do we offer?).

It is my opinion that tenderers should only be allowed to offer a maximum discount and this discount has to be stipulated in the tender document. The current discounts that we have seen in tenders is not sustainable and is also hurting the industry. A minimum professional fee according to the ECSA Government Gazette Guideline should be stated in tender documents. This would also ensure that the client will get quality work.

Do we request tenders for a doctor's services? NO! Why not? Too much at stake... So why do we have to hang our intellectual knowledge in the wind, to be adjudicated by someone who is usually far more junior than the average registered QS?

Government is exploiting the built environment professionals, especially the engineering sector by paying fees that are not sustainable. There is a reduction in the quality of consulting work produced which results in projects which overall costs are more than what they should be.

The CoCT should really start focusing on people who can do the work and not by what race/colour they are. It is unfair.

Poor communication gets people from industry that understand what they are talking about.

For EME's, training and mentoring, supplier development, is very difficult.

There seems to be a common thread in the industry that the cheaper the better, which is absolute nonsense. We sell time. I have seen all too often with these larger consulting firms who do a lot of Government work that they put juniors onto the projects with little or no experience. We as tax payers lose out!!! I have been involved with many contractors who do Government work so that is how I know the quality of the work that they need to build from. When working with some of these same firms on private sector projects, 90% of the time we pick up problems with them meeting deadlines and the like. I believe working for Government makes you lazy, since Government is not really interested in savings once a budget has been approved. It blows my mind! Would you pay a Structural Engineer a R 250,000 fee to design a structure which say ends up costing R 15m on the project, or pay a fee of R 500,000 for more senior staff and have them design a more economical structure at say R 13,500,000. Yes, you pay R 250,000 more for the service, but you save R 1,500,000 on the structure when compared to the other quote / service. That equates to a net saving of R 1,250,000 for the overall project at the end of the day! Which one makes sense to you?

The current tendering regime and the way it is adjudicated for both professional services and construction works come at a price over the long term. In most cases there is a big difference between a realistic price and the lowest price. Very scarce expertise and experience have left the market and are not completing in tenders anymore. The state of the construction industry is a good example. Very little money, if any is spent by professional companies on training these days. To make matters worse the BBBEE screws are being tightened every year and the private sector cannot compete with municipalities and parastatals when it comes to salaries etc. Over the past number of years our company have lost some 20 people of colour to CoCT with salaries that are beyond our reach in a tendering market where price dictates!! If the current tendering regime is to be continued, a blacklisting system where non performing companies are placed after a hearing must be investigated. This might lead to more realistic costs. Another option is to work on average prices received in tenders for professional services.

Point 7 says it all!

Tendering for professional services should be done away with as tenders are generally badly specified and no two tenderers are therefore tendering for the same work.

Queries related to clarification on scope and conditions, pricing etc. are not dealt with adequately and fairly. In one instance, the officials responded that certain information related to pricing would not be divulged. This is not transparent and is deemed one of the main challenges of tendering for the City

The current CoCT procurement environment where tenders are awarded to the cheapest tenderer bring us to a point where we seriously need to consider whether we still want to go through the effort to prepare a tender. Better investing that time to secure work elsewhere.

yes, the city is now catering to larger and previously so-called white firms. the smaller 100% black owned (not BBEEE) do not stand a chance to get work from the city. It seems to me that a lot of the bigger players are getting the work from city.

I do not know why I do not receive applicable invites for Professional Services. Do they even tender these services? I have tried but are unable to change the system.

Cut throat market out there! Have to tender at ridiculously low levels to be competitive. Also, the issue of expiring term tenders has seen us lose out on many projects - e.g. being chucked at after prelim design. having to hand over to some other consultant in mid design phase. Completely nonsensical.

The Built Environment industry is dying a slow death & spheres of government are concerned about compliance & clean audits. There will be no one left to design & build the infrastructure

The above responses are based on City tenders in the past 3 to 4 years

Overhead / gov requirements are not fairly covered by the tendered fees. We do not tender to appoint Dr's and Lawyers - why should Built Environment Professionals tender mostly based on price, surely quality and execution should take preference?

Based on the amended Preferential Procurement Regulations gazetted by National Treasury and made effective on 01 April 2017, the City of Cape Town has exercised its right as an organ of state to include pre-qualification criteria for preferential procurement (see 3yr Framework Tender for BEP Professionals 341C/2019/19 -F2.1.4.7 – Page 15 of 213) for bidding entities meeting a minimum B-BBEE status level contributor, i.e. Level 3. In my opinion, the above criteria will certainly affirm the participation in this tender to bidding entities with good B-BBEE credentials. More specifically, this criterion is well suited to supporting and encouraging business development opportunities for Exempted Micro Enterprises (EME's), however the tender has not included any further pre-qualification conditions to limit participation to only qualifying EME's or QSE's. It is my opinion, that by not including additional pre-qualification criteria, qualifying large global and multidisciplinary consulting engineering firms can participate in this tender without any preferential procurement requirements to sub-contract a minimum of 30% to designated EME's or QSE's that meet the requirements of the amended procurement regulations. The introduction of this criterion encourages the participation and development of new entrants in the market particularly market access for black companies in the construction sector. In my view, the target procurement strategy is encouraged, however more consideration is required by the City of Cape Town with regards to the pre-qualification criteria being included in tenders to provide more support to up and coming black consulting engineering companies.

I find the procurement process to be exceptionally cumbersome and is not suited for work other than business-as-usual tenders for the City. As soon as the scope and contractor requirements are exceptional, the process seems to grind to a halt due to the inability of the City to process and adapt to these unique requirements internally.

City tenders these days are geared towards specific groups of specialists, and for long periods (3 to 5 years), which rules smaller companies out of the picture. This indirectly makes the tender process unfair, even though it is legal.

Most tenders are driven and awarded by BBBEE and database accreditations. I'm not BBBEE and simply don't get tenders awarded to our professional company although we actually spend weeks preparing the correct information. Most submitted tenders start low when submitted and they then add additional claims afterwards which pushes the price up.... meaning tenders are always over spent or out of the original budget. This has been happening for years and those who gave the correct and fair price with the professional service in mind simply just don't get it. Basically, enjoy your game as that's all it is...an admin exercise to pass the ropes.

The City has moved away from tendering individual projects to making term appointments. These term appointments are open to abuse by City Officials as work that larger projects that could be tendered are issued under the mantle of the term appointments. It is interesting that in the smaller municipalities (Drakenstein, Stellenbosch and others in the Western Cape) the maximum discount that can be given on DPSA fees is 15%, with a greater discount disqualifying the bid.

The State and the City should do away with Tenders. Prices are too low to deliver quality service. Scope of works are not clear and you have to price without full scope of work. Work must be given to consultants on a Roster System based on Quality and experience and not price. will you go for a heart transplant based on lowest price? why do you want to design multi million Rand projects based on lowest price? - Insane!

Current tender prices are at or below 1% which represents about an 80% discount on standard fees. Most recent CoCT panel tender documents require such an onerous list of staff to be employed by the Firm, up to around 20 specialist staff, that they can only be written for the large multi national Firms. Smaller Firms are being written out of the process

The entire procurement process needs to be re-looked at. SCM staff need to be adequately trained and also given the correct information in order to prepare a meaningful tender document. Unfortunately, there appears to be little or no thought put into preparing documents that are complete and accurate for the project/framework that is being tendered on. There appears to be a blanket professional team template that is "dropped" into every tender, whether this is required or not. This does not work when each profession is required to submit individually or if the requirement is for buildings but marine and coastal engineers are required as part of the team. These are just a few comments.

Full report back on events post tender, acknowledgment of tender receipt, and advice tender award and lowest tendered is needed. The system as experienced was seriously flawed.

How fair is the distribution of work, is it always the lowest price?

Please get them to get this sad situation sorted out.

Thank you!

Your responses are valued.

WCPDF Annual Conference:

**"The Perfect Storm:
Investment and Jobs or Bureaucracy and Stagnation"**

16 to 17 May 2019

<http://sbs.co.za/wcpdf2019/>