



## **REVISED POLICY DIRECTIVE TO DETERMINE DEMOLITION COSTS RELATING TO FORMAL STRUCTURES**

*(Extract of approved submission)*

Since the initial approval of the Policy Directive to Determine Demolition Costs in 2012, the costs have not been aligned to inflationary changes and current market trends. This has created a challenge for implementing agents and developers to undertake rectification work in the current economic environment. In view thereof, the Revised Policy Directive to Determine the Demolition Costs Relating to Formal Structures was approved by the honourable MEC for Human Settlements and Public Works with effect from 6 January 2022.

### **1. Methodology:**

Market related costs need to be measured against a scientific norm that can be quantified. Such an approach needs to satisfy the requirements of the Public Finance Management Act in that a specific cost can be measured against a specific task. In view thereof, a market-based approach that identifies key areas to be considered in determining an annual demolition guideline is imperative.

Thus, the costings were based on the following:

#### **a) Plant calculation:**

This entails hiring of machinery i.e., tractor-loader-backhoe (TLB), bobcat and truck. The hire rate per each item of machinery, with a further breakdown of the fuel costs to operate the machinery and the approximate number of hours the machinery could be utilized to undertake the demolition.

#### **b) Labour calculation:**

This entails hiring qualified drivers to operate the specific machinery with a further breakdown of the costs to operate the machinery measured against the number of hours each driver would be required to undertake the demolition. The costs for Plant hire and Labour are added to total an amount for each demolition based on an 18 m<sup>2</sup> unit. Concessions are made for possible overheads and maintenance.

## 1.1 Determination of Revised Costs

To revise the demolition costs, the basic principles used in the initial directive based on an 18m<sup>2</sup> unit was used. The Department's quantity surveyor undertook the revision of the costs based on the current average market related prices/costs at an increase of 15%. The revised costs are as calculated in the tables below.

### DEMOLITION CALCULATIONS (based on 18m<sup>2</sup> unit)

PLANT	HIRE RATE (per hour)	FUEL (Cost per Hour)	NO OF HOURS	TOTAL
TLB	R311.00	R207.00	1	R 518.00
Bobcat	R207.00	R138.00	2.5	R 862.50
Truck 10m <sup>3</sup> & driver	R403.00		1	R 402.50
Establishment	R59.00		10	R 591.43
<b>PLANT COST</b>				<b>R2373.93</b>

LABOUR	HIRE RATE (per hour)	NO OF HOURS	TOTAL
TLB Driver	R28.80	1	R 28.75
Bobcat Driver	R31.63	2.5	R 79.06
Truck 10m <sup>3</sup>	Included in Plant Cost above		
Supervision (GF)	R230.00	4.5	R1035.00
<b>LABOUR COST</b>			<b>R1142.81</b>

PLANT COST	R2373.93
LABOUR COST	R1142.81
<b>TOTAL: A</b>	<b>R3516.75</b>

Cost Rate per m <sup>2</sup> for 18 m <sup>2</sup> unit (Total: A ÷ 18)	<b>R195.37</b>
---	----------------

MAINTENANCE ALLOWANCE*	R99.63
OVERHEADS	R351.67
<b>TOTAL: B</b>	<b>R451.29</b>

<b>*Market Price for New Machines Used to Calculate Maintenance Allowance</b>	
Cost TLB New	598 000
Cost Bobcat New	399 970

Cost Rate per m <sup>2</sup> for 18 m <sup>2</sup> unit (Total: B ÷ 18)	<b>R25.07</b>
---	---------------

<b>GRAND TOTAL: (Total A + Total B)</b>	<b>R3968.04</b>
<b>Rate per m<sup>2</sup></b>	<b>R 220.44</b>

**NB:** it is acknowledged that the costs may vary from time to time, hence it is suggested that all submissions of this nature be verified by the Department's quantity surveyors to confirm that the costs are reasonable, based on current market related costs/prices.