



Private Security Industry  
Regulatory Authority

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## INDUSTRY CIRCULAR

**To : ALL SECURITY SERVICE PROVIDERS**

**From : MANABELA CHAUKE  
DIRECTOR**

**Date : 24 JULY 2020**

**Subject : ILLUSTRATIVE CONTRACT COSTING GUIDELINE**

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Please be advised that the Minister of Employment and Labour, acting in terms of section 32(2) of the Labour Relations Act, published the Collective Main Agreement of the National Bargaining Council for the Private Security Sector (Government Gazette No: 11045 dated 20 February 2020).

The main agreement determines minimum conditions of employment (including wages) for the sector in which employers and employees are associated for the purpose of guarding or protecting fixed property, premises, goods, persons or employees, including monitoring and responding to alarms at premises which are guarded by persons or by electronic means, as well as car guards. The agreement does not cover all sectors of the Private Security Industry or seek to regulate fees or costs services for all sectors.

Taking the foregoing into consideration, the Authority compiled an Illustrative Contract Pricing Guideline, that can be used by security businesses as well as clients of security service providers.

The purpose of the Illustrative Contract Costing Guideline is therefore four-fold, namely-

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- for security businesses to recognise and understand what employee costs they will have to take into consideration in order to comply with labour legislation; and
- for security businesses to be mindful of specific and other costs of operations that must be considered whilst quoting for security services and their impact on overall cost of business
- for consumers and prospective consumers of security services to consider the contents thereof when budgeting and procuring security services, in particular guidance for considerations of requests for quotations, requests for proposals and competitive bids. Most importantly statutory obligations of contractual parties in respect of prescribed amounts payable by security businesses for such services. The variable costs as indicated in the Illustrative Contract Costing Guideline that are non-negotiable statutory amounts provided for in terms of the labour law.
- The last section of the Illustrative Contract Costing Guideline provides for an estimated share of overheads costs of the security business. In this regard, the Authority historically use 40% of the variable costs and continue to do so purely to ensure consistency in the costing structure for deployment of security officers going forward.

The 40% share of overheads is intended to cover all other costs associated with providing the security service i.e. liability and other insurance, payroll and administrative costs, control centre, transport costs (vehicles, maintenance and fuel), fixed infrastructure, rates & taxes, registers, security aids, occupational health and safety compliance, management and supervision and other statutory fees payable, but the list is not exhaustive of the costs, (and percentage share), may obviously differ from business to business.

In addition to a percentage provided for the share in overhead costs, the Illustrative Contract Costing Guideline excludes VAT as well as Net profit, as the targeted profit margin will differ from business to business.

With reference to the foregoing, we wish to further advice the illustrative guidelines are intended to negate or undermine fair competitive business practices and or determine, promote or encourage uncompetitive market practices in whichever form or shape within the Private Security Industry.

We trust that the above information will be of assistance to you.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Chauke', written over a horizontal line.

**MANABELA CHAUKE**  
**DIRECTOR**