CONSTRUCTION - GENERAL

1987

JAN - ~~NOVEMBER~~ DECEMBER

R57m in building plans passed

D.D. 9/1/87

(32)

EAST LONDON — Building plans to the value of R57 114 000 were passed by the city engineers department in 1986.

This is an increase on the 1985 figure, which was R56 062 400, even though 61 more plans were passed in 1985 compared to the 839 in 1986.

In December 1986 the city approved 58 plans at an estimated cost of R2 455 300.

The most costly plans approved by the department for December, estimated at R615 400, were for a block of 15 flats built in St Peters Road by G. M. van Zummeren.

The only other building to be approved that cost over R100 000 was the offices for R. B. Harraway in Pearce Street, which were estimated to have cost R496 000.

The most unusual plan passed was for a gun safe, estimated at R15 000, in Epsom Road. — DDR

(32)

Revenue from tollroads 30% higher than forecast

STUART SUTTON

SA TOLLROADS are operating successfully with average revenue 30% higher than forecast, says Deputy Director General of Transport Ronnie Meyer.

He says that although initial traffic estimates were reasonably conservative, he is happy the projects are ahead of target.

Three state-run tollroads are presently operational — Tsitsikamma on the Garden Route, Mariannhill near Durban and Kranskop in the Northern Transvaal.

Gross revenue from the Tsitsikamma tollroad of R725 000 was slightly below the budgeted income of R761 000 for the financial year to March 1986.

However, Meyer says that since raising the tariffs in June, income up to November is 30% higher than budget.

The Mariannhill tollroad between Pinetown and Kloof near Durban, has been doing very well since it opened in March last year, says Meyer. "Takings are 35% up on predictions."

Revenue from the Kranskop tollroad near Warmbaths is 30% more than expected, says Meyer. The road, which has been in operation since July last year, is drawing about 60% of the total traffic using the route.

Three other tollroads are currently in the pipeline: the 4km long Dutoit's-kloof tunnel, a stretch from Frere to the bottom of the Van Reenen's Pass in Natal, and a part of the N1, from Koppies to Vergenoeg.

Rise in subsidy ceiling mooted

Construction, property boost

Cape Times 14/1/87 (32)

By AUDREY D'ANGELO and NEILL HURFORD

THE CONSTRUCTION and property industries are expected to receive a shot in the arm soon through a rise in the ceiling price to qualify for the first-time home buyers' subsidy, from R40 000 to R50 000.

The National Association of Home Builders has been pressing for this for some time and its executive director, Johan Grotius, said yesterday that he believed it was now "almost certain" that the government would agree to the subsidy being paid on houses costing up to R50 000 exclusive of the site.

Stimulate demand

He said that this, together with lower interest rates, would stimulate the demand for homes.

Some building companies are specializing in homes qualifying for the subsidy, now the most active part of the real estate market.

They are developing sites all over the Peninsula for buyers of all races.

But the MDs of local construction companies pointed out that the R40 000 "ceiling" had been unchanged for more than two years, while building costs had escalated.

This meant that houses had become too small for many would-be buyers.

"If the ceiling is raised, it will make all the difference to the home building industry," said Bellandia MD John Clark.

"Our houses have had to become more and more compact as costs rise, and it is becoming increasingly difficult to keep the price below R40 000.

"Two-bedroomed homes have become more popular than ever before. People are buying them and building the third bedroom later."

Aska MD John Gloyne said: "The ceiling of R40 000 was set at a time when you could build reasonable accommodation for that.

"Now the escalation of costs means that you cannot build nearly such a good house for that price."

Willem de Klerk, MD of Multibou, said that rising costs over the past two years had made it "more difficult to provide a decent house for R40 000".

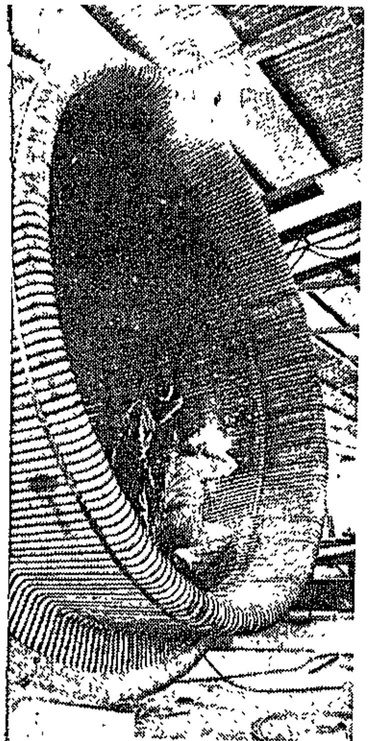
Increasing costs

"With costs expected to escalate 18% this year, it is essential that the R40 000 ceiling be raised," he said.

Hans Moser, joint MD of Faircape Homes, whose business is exclusively in the area of first-time buyers, said the raising of the R40 000 ceiling would be an adjustment to increasing costs.

It would allow houses of similar dimensions and finish to two years ago to be built.

"This move, when it happens, will be long overdue," he said.



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15 percent drop in new building work

19/1/87 STAR (32)

By Frank Jeans

South Africa's builders come back from the holiday break far from inspired by short-term prospects for the industry.

The value of building going on in the Johannesburg area at the end of last month totalled R614 million — a 15 percent drop on the R724 million for the same time in 1985.

There is little encouragement, either, from new work in December which was R10 million as against R32 million previously.

Mr Lou Davis, executive director of the Building Industries Federation, believes it will be mid-June this year before there are clearer indications about future developments in the industry.

"The formal building industry revolves around investor confidence," he says, "and much will depend on how we bed down after the forthcoming election."

The Bifsa director believes that under present conditions, there will be a "structural change" in the formal building sector and a drift away from the "multinational and go-go projects" and more towards the smaller developments which will give a much needed boost to the medium-size contractor.

While there are plenty of opportunities in the low-cost housing area, Mr Davis also foresees little additional benefit to the formal building sector.

"I believe much of the housing contracts will be diverted to self-help schemes and the smaller black building companies," he says.

"This is a good thing, for as the informal builders grow they will develop into more formalised building areas. That is what the industry wants."

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babwe capital demand still exceeds supply.

Building of houses in the low-density suburbs is also under way in the first residential construction of any substance for 15 years.

The supply of rented ...

virtually no shops having been vacant for two to three years within the central business district.

Only 5 000 square metres of prestige office accommodation is available, reprsenting one per-...

Zambian oil search

LUSAKA — The Zambian government and Mobil Exploration Zambia Incorporated, the local affiliate of Mobil Oil Corporation, have signed a production sharing concession agreement for a ...

Construction company liquidated

28/8/86 Star

A construction company, Vaal Homes, was yesterday finally liquidated in the Rand Supreme Court.

Director and shareholder Mr Michael Pearce said in papers that the company had done satisfactory business until June 1984.

DEMAND

But then demand for housing dropped and prices of materials escalated.

Now the company's liabilities of R597 000 exceeded their R256 000 worth of assets, he said.

Blues for the builders

B/Day 29/1/87

(32)

Business Day Reporter

LITTLE improvement should be expected in the SA construction industry in the foreseeable future, said Federated Timbers group MD Dick Pratt.

"For there to be any significant improvement in the traditional construction industry, we will have to receive a major inflow of overseas capital. There needs to be a general improvement in confidence in SA as an investment opportunity for overseas groups," he said.

Pratt, who controls SA's largest supplier of building materials, did not see this happening in the short term.

He gave his pessimistic forecast of the building industry, which is experiencing its worst trading conditions since the Second World War, at a recent company function in Port Elizabeth.

Black housing provided great opportunities. But Pratt said this market had to be handled correctly by the authorities or "we could end up with a bureaucratic nightmare".

"I do not believe we must start seeing stars where none exist. We have to adhere now to the best traditions of marketing. Anything that creaks must be thrown out," he warned.

labour force. Official figures show the

● To Page 2

Final accord on Jhb-Dbn tollroad soon

HAMISH McINDOE

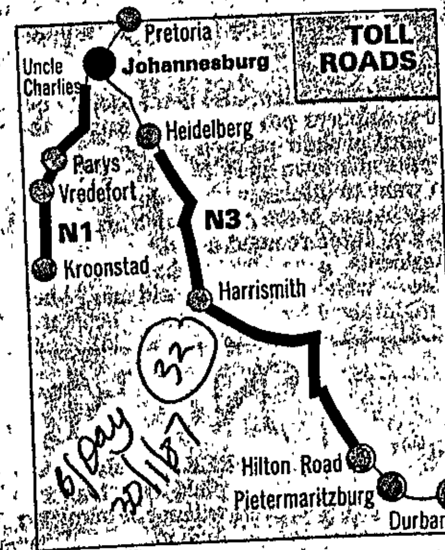
FINAL agreement on the R1,5bn Johannesburg-to-Durban tollroad is expected to be reached before the end of March between the Department of Transport and the Tolcon consortium, which is bankrolling the venture.

This was confirmed yesterday by Tolcon CE Ron McLennan who disclosed an interim agreement had been reached on the project late last month.

Tolcon intends to toll the N3 from south of Heidelberg to the Hilton road, and the N1 from Uncle Charlie's to Kroonstad.

McLennan said the consortium will build its own road across the Kheeversfontein-Warden gap; making clear that in terms of SA toll road legislation alternative routes must be provided.

The consortium comprises Murray & Roberts, Group 5, Grinaker, Sanlam and consulting engineers TV Steyn. It expects the project to be finished by 2012.



SA Association of Freight Forwarders executive director Alan Cowell said the quality of the country's roads would become a critical issue for many transport firms once the "fetters" of the road transport permit system were removed in terms of the National Transport Policy Study's recommendations.

COMPANIES (32) B Day 20/1/87

Chubb earnings rise

MERVYN HARRIS

A SHARP reduction in interest charges helped Chubb Holdings lift earnings a share by 24,8% to 20,6c (16,5c) for the half-year to October 10, on a slight increase in the number of shares in issue.

The interim dividend has been raised 1c to 7c a share and management is confident second-half results will show an improvement.

Group turnover increased by 12,5% to R42,16m (R37,47m), with the electronic-security and fire-security divisions producing real growth.

But the continuing recession in the construction and building industry is still hampering the performance of the physical-security division, which showed only a marginal increase in turnover.

The 13,1% increase in trading profits to R2,6m (R2,3m) indicates margins were maintained, while the interest bill declined by 42% to R493 000 (R850 000).

The reduction in the interest bill reflects not only lower interest rates but a significantly lower level of borrowings, down by R2,5m (R5,5m a year ago) to R3m.

This left pre-tax profit 44,2% higher at R2,16m (R1,5m). But the rise in taxed profits was trimmed to 29,1% at R1,1m (R865 000) by a hefty increase in the tax bill.

Financial director Rob Firth says some upturn has been noted on the building-supply side of the physical-security division, which benefited the lock division.

"However, sales of safes, strong doors and fire-proof cabinets for record protection have been hit by the slow construction of new commercial and industrial buildings.

"Furthermore, while many businesses have closed down over the last 18 months, few people are starting new businesses," Firth says.

The forecast of improved second-half results should come from the continued strength of the electronic-security and fire-security divisions.

Chubb's share price has languished around its current level of 350c for the past year.

Cape Times 2/2/87

LTA doubles its turnover

Financial Editor 32

THE introduction of a labour-only sub-contractor system, instead of direct employment on an hourly basis, has enabled LTA housing to almost double its turnover since the middle of 1984, chairman Allan Bebbington said last week.

And more staff are being employed to cope with its increased market share.

Three new contracts managers, two new quantity surveyors and six more foremen have been employed and a third new quantity surveyor is sought.

Bebbington said that under the new system, the number of artisans employed directly dropped from 1 800 to about 400 and productivity increased dramatically.

He said it took a year to iron out problems with the new system.

The following year the company moved into a profit situation.

In the current financial year it would again show a profit, although at a lower percentage of turnover than last year.

Next year it was planned to consolidate and "return to the right percentage of profitability on this kind of turnover."

LTA Housing projects in the Western Cape include 500 houses at Elsies River, an old age complex at the Strand and plot and plan houses in Cape Town.

Allan Bebbington

R33m govt contract for Basil Read

9/2/87

Business Day Reporter

THE Public Works Department has awarded a civil engineering contract worth more than R33m to Basil Read (Pty).

Basil Read has announced that works on site — in the Northern Transvaal, about 20km from Naboomspruit — will start at the beginning of February.

The company said the scope of the work included construction of an armaments and storage depot for the SA Defence Force, roads, concrete paving, water and sewer reticulation, various concrete buildings, railway lines, reservoirs, stormwater systems and electrical works.

B/Day

32

The contractors expect to employ more than 300 people on site, with completion of the project due within 27 months.

Building industry 'in trough before upswing'

10/2/87

The downturn in the South African building industry has steadied and it now finds itself in the trough before the upswing, outgoing president of the Pretoria Master Builders' Association, Mr Neels de Jong, said yesterday. Star

He was reacting to building industry figures released by Central Statistical Services (CSS) in Pretoria. (32)

These show that while the total value of building plans passed for 1986 was 12,5 percent less than in 1985, the decrease was lower than the drop of 18,5 percent from 1984 to 1985.

The value of building plans passed for dwelling houses increased by 21,3 percent last year, but the average price of each house was only R42 600 against R53 500 the year before due to more plans passed for dwelling houses in black urban areas.

Mr de Jong called on the Government to liaise with the building industry to help finance building in the black housing sector. — Pretoria Bureau.

Call for study of on-shore construction facilities

EPost 16/2/87 (32)

By GAVAN O'CONNOR
Municipal Reporter

PORT ELIZABETH could soon redouble its efforts to benefit from exploitation of Mossel Bay gas by launching a study into construction of on-shore facilities for the project.

The City Council's Policy and Resources Committee will consider a recommendation this afternoon that consultants report on the cost and implications of preparing a study on the onshore facility similar to that prepared for the offshore facility.

Mr Arthur Clayton, City Engineer, reported that a recent MCI and civic deputation to the Central Energy Fund had been congratulated on the interest the city had shown and that it had become clear Port Elizabeth was well ahead of Durban and Cape Town in this area.

It had been pointed out the city's efforts had been concentrated on the offshore platform and the delegation had been advised not to ignore the onshore facility which would involve contracts three times larger than those for the platform.

Mr Clayton said there was some doubt that technology for converting gas to liquid fuels would be made available to SA.

If the city wished to stay ahead of Cape Town and Durban, he said, it seemed likely that an effort would have to be made to investigate construction of the on-shore facility.

After considering Mr Clayton's report, the Development Working Committee has recommended to the Policy and Resources Committee that a team of municipal officials and Midland Chamber of Industries representatives be appointed to continue to promote the city for the gas project.

Another recommendation was that the City Engineer be authorised to visit SA organisations to investigate the possibility of construction of the onshore facility taking place in the city and also to visit the overseas plant on which the Mossel Bay project is to be modelled.

- Revamping of the Feather Market Hall has been stalled and an 18-month option given to developers has expired.
- The Eastern Province Rugby Union has asked for an additional loan because the contract price of R1,6 million for improving the Boet Erasmus Stadium was considerably higher than expected, but it is unlikely this will be granted.
- The R1 800 cost of making 100 clocks for the Mayor to present to local businessmen will be considered by the committee.

17/2/87

B Day

Govt unable to act 'as State funds are low'

Subsidy freeze floors first-time home buyers

JANE STRACHAN

THE home-building industry and many members of the public have been dealt a body blow by government's failure to raise the subsidy ceiling for first-time home buyers' from R40 000.

The decision, by a committee of housing Ministers, comes months after repeated representations to government. Disappointment is particularly sharp as the industry believed that pleas by the National Associaton of Home Builders (NAHB) had been successful.

The issue has been referred back to the SA Housing Advisory Council. Although no specific reason was given for the decision, the Ministers told the NAHB that while they were aware of the plight of the industry, it had to be borne in mind that State funds were low.

Gough Cooper MD Tony Acton said that while the black, coloured and Indian markets will not be affected much, the ceiling was a serious problem in the white sector.

He agreed with other industry representatives that it was becoming increasingly difficult to provide homes for whites at this level. Margins are being eroded and as costs rise this will become more of a problem.

One advantage, he said, was that it would force buyers' aspirations down.

Vista Homes marketing manager Adrian Hartnady said the decision was disappointing. He feared that because a R40 000 home these days was "really tight and small", home-seekers might decide to stay in their flats rather than buy an unacceptably small house.

NAHB executive director Johan Grotsius said it was a fallacy that the building industry could adjust itself to dwindling standards. The eroding effect of rising costs was to demolish a very important sector of the industry, he said.

The subsidy was introduced in June 1983 to promote the provision of houses in the affordable price range. The R40 000 limit applies to the building cost of the home.

"The building industry reached great heights in design and construction techniques, to produce practical and aesthetically pleasing accommodation within the constraints of the scheme.

"But the stage has now been reached where the housing gap experienced in the past years is reappearing," he said.

The Star Thursday February 12 1987

More building plans passed

B/day 24/3/88

(32)

GERALD REILLY

PRETORIA — Building plans passed in January increased by a huge 45,6% to R477,4m compared with January last year, says Central Statistical Services.

Plans passed for houses increased by 34,9% to R194,5m, and for flats and townhouses by 108,9% to R38,1m.

The value of plans for non-residential buildings rose by 18,1% to R83m.

Additions and alterations increased by 47,1% to R133,9m.

The statistics cover about 90% of the building activities financed by the private sector and public corporations.

The value of buildings completed in January increased by 1% to R260m.

 B/Day 19/2/87

(32)

Basil Read makes offer of 3,5m shares in private placing

MERVYN HARRIS

BASIL READ, the civil engineering and building contracting company, is privately placing 3,5-million shares at an issue price of 175c a share.

There will be a total of 13,5-million shares in issue after the placing. The offer opens today and closes on Wednesday, March 4.

The shares are expected to make their debut in the building and construction sector of the JSE on Wednesday, March 11.

The issue is not being underwritten, but the directors are confident the share placing will be fully subscribed. The sponsoring broker is Martin and Co.

The purpose of the listing is to raise R6,12m to expand the activities of the group and to offer employees, business associates and selected parties the opportunity to take part in the growth of the group.

After Basil Read's management buy-out, the group was obliged to raise its own finance. This, with high interest rates prevailing in 1985 and 1986, resulted in abnormally high interest charges.

The interest bill rose from R601 000 in 1984 to R2,9m in 1985, falling to R1,98m in 1986. The effect was to stem the rising earnings trend which peaked at 29,4c a share in 1982.

After dipping to 25,5c a share in 1984, earnings recovered to 29,2c in 1986 and the directors are forecasting earnings of 31,9c for the year to June 1987, based on a weighted average of more than 11-million shares in issue.

The earnings forecast of 37,3c a share for the year to June 1988 is based on 13,5-million shares in issue.

The directors intend distributing between 30% and 35% of taxed income as dividends. As the group will only be listed for about four months of the 1987 financial year, the planned dividend of 3,4c a share represents, on an annualised basis, 11,4c a share, yielding 6,5%.

The proposed dividend for the 1988 financial year of 12,4c a share yields 7,1% on the issue price.

The group has a 1987 order book of about R200m, including R20m housing and development work and R39m for the building division, with the balance of the order book made up mainly of civil engineering work.

The group has plans to diversify, particularly in the property development, black housing and mining sectors. Further long-term benefits are expected from the group's 16% holding in Toll Highway Development, which was formed to privatise the Krugersdorp to Springs toll road.

Furthermore, Basil Read has a 20% interest in a construction joint venture formed to undertake the construction of the toll road. Negotiations to privatise the toll road are expected to be finalised this year with construction beginning soon afterwards.

BASIL READ 20/2/87 FM

Bold plans

(32)

Basil Read comes to the JSE ~~in an~~ act of bravado, confidently pitching its shares into a pall of gloom overhanging the building and engineering sectors. So confident, in fact, is the company of finding eager hands for the 3,5m shares it intends placing privately at 175c that it has decided not to have the issue underwritten.

The issue appears in little danger, though, given that Basil Read comes with a profit history that looks creditable in the light of traumatic trading conditions, and its shares at 175c are quite attractively pitched. At this price, the prospective earnings and dividend yields are 18,2% and 6,5% respectively, compared with average yields of 6,3% and 2,7% on building sector shares. Whether or not there will be much stagging profit in the issue is another matter. Stags are not what this issue is all about.

Since 1982, turnover has grown from R85m to R147,4m in 1986, and is projected to reach R155m in 1987. After-tax profit moved from R2,2m to R2,9m, and should reach R3,53m in 1987 and R5m in 1988. While the performance on paper looks like nothing to write home about, it was acceptable for a company whose main sources of business are in civil engineering, earthworks, road construction and building and housing.

The fact that Basil Read is one of few companies to have changed hands in a management buy-out is unlikely to do its image much harm either. The group was founded in 1951 by Basil Leonard Read, and in 1974 joined forces with CMGM and McLaren and Eger to become the major elements of Group Five. In 1984, ownership changed in an unusual management buy-out involving 380 employees, including 125 black employees. Today, no single employee shareholder holds more than 2% of the equity, but after the listing they will collectively retain 70% of the shares.

At the time of the buyout, Group five was paid R6m by buyout members, and it stripped another R9m from the company via a special dividend. This placed a 5 times p:e on the deal. If the shares trade at only 175c, Basil Read's capitalised value will be R23,6m, providing an attractive premium to staff members who paid R15m.

The issue, while perhaps offering little stagging profit, should attract sufficient serious investors to fulfil management's main objective of having their shares listed and traded above issue price. *Neville Glaser*

S M GOLDSTEIN FM 27/2/87

More to come (32)

One of the first signs of an improvement in the building and construction market has come in S M Goldstein's (SMG) results. Chairman Stan Goldstein sees the main reason for the turnaround as the ending of subsidiary Gough Cooper's losses. But he points out that, "the whole construction market has a better tone though this has not yet translated into better prices".

Yet the rebound from loss to profit has left him far from satisfied. "Our return on shareholders' funds is very low", he concedes, but he is confidently predicting that earnings, 10,5c a share for the six months to December, will reach 50c a share (R5m) in the year to end-June 1988.

Though the homebuilding section contributes only 20% of turnover, it was homebuilding subsidiary Gough Cooper which dragged SMG down. Concentration upon the "burgeoning black home market", of which Goldstein estimates his group has 5%, has been a major factor in Gough Cooper's improvement and about 70% of turnover is black housing.

A new entrant to the market is Goldstein Homes (GH), whose objective is mass-production of black homes; GH sells only to blacks and does not personalise its housing as does Gough Cooper. "Blacks are very discriminating buyers and every bit as particular as whites, thus we must and do deliver exactly the same quality".

On the construction side, Goldstein says market share has "risen steadily" and R205m or four fifths of last year's turnover is already in the order books. "We are known to work fast and deliver as promised", says Goldstein. Current projects include the Armscor headquarters, parliament building in Lebowa, new mine hostels, Richards Bay coal bunkers and several sewage treatment plants in Natal.

Goldstein attributes the success of the construction business to "dedicated and determined staff" who moved into the homelands market, where a lot of fixed investment is taking place. He also emphasises geographic and market sector diversification, which, he says, helped the group to survive.

Some of the work on hand will be at better margins, but margins have already improved from 0,7% in the six months to December 1985 to 2,1% in the second half of 1986.

Borrowings are a problem. The company's debt:equity ratio is 62% and Goldstein expects the financing of black housing to "affect our gearing in the short to medium term". Management is examining financing options which may avoid further increases in borrowings.

Goldstein, however, says he considers an increase in the debt:equity "not that important if one has a reasonably short-term profit objective in mind". Still, if funding plans fail, the ratio could increase to 100%. Most black housing is financed by building societies, with almost all bonds guaranteed by employers or by the government. Problems usually tend to arise at the lower end of the scale.

Financing will be given priority as Goldstein believes the group is on the brink of another growth phase. He says he is confident his earnings forecast will prove correct on the basis of the amount of work on hand, the projects the group is bidding and negotiating for, and the strength of its land holdings in the black market. A bonus could arise if the application for reclassification of certain land holdings to coloured areas is successful.

GOLDSTEIN'S RETURN

Six months to	Dec 31 '85	Jun 30 '86	Dec 31 '86
Turnover (Rm).....	127,2	132,6	136,9
Operating Profit (Rm)	0,9	0,9	2,9
Attributable Profit (Rm)	(0,6)	0,8	1,1
Earnings (c)	(5,8)	7,9	10,5
Dividends (c).......	—	—	—

At 195c, the share, which has leapt from 90c last May to a high of 200c this month, is on a forecast earnings yield of 26%. This makes it look like a classic recovery stock and ready to climb further.

Pat Kenney

Re-think needed on exemptions

A Alpha warns on changes

32

MICK COLLINS

ONE of the Big Three producers in the cement cartel has urged the Competition Board to evaluate the after-effects of enforcing changes in the industry.

Chairman of Anglo Alpha (A Alpha), Peter Byland, said: "We urge that all the issues be carefully considered."

He was commenting on developments since the board granted a two-year exemption to cement producers from the provisions of the Maintenance and Promotion of Competition Act 1979.

The exemption, granted in May, was on condition that the three major producers tried to increase the degree of competition within the industry.

Addressing shareholders in the A Alpha annual report, Byland said discussions were being held with the board with a view to finding suitable ways of meeting these requirements.

"The board appears to recognise the merits of the industry arrangements and has emphasised that it does not wish to bring about any disruption in the market place."

He said cartels were a feature of the free market system and had developed because of the particular circumstances facing capital-intensive industries.

"They face high interest burdens and cannot readily liquidate their assets in troubled times. At today's prices the most economical capacity expansion costs about R500m. This means that cement production is a high-risk business. By having some form of market stability, that risk is reduced which permits the industry to operate with a lower cost of capital, thereby keeping selling prices as low as possible."

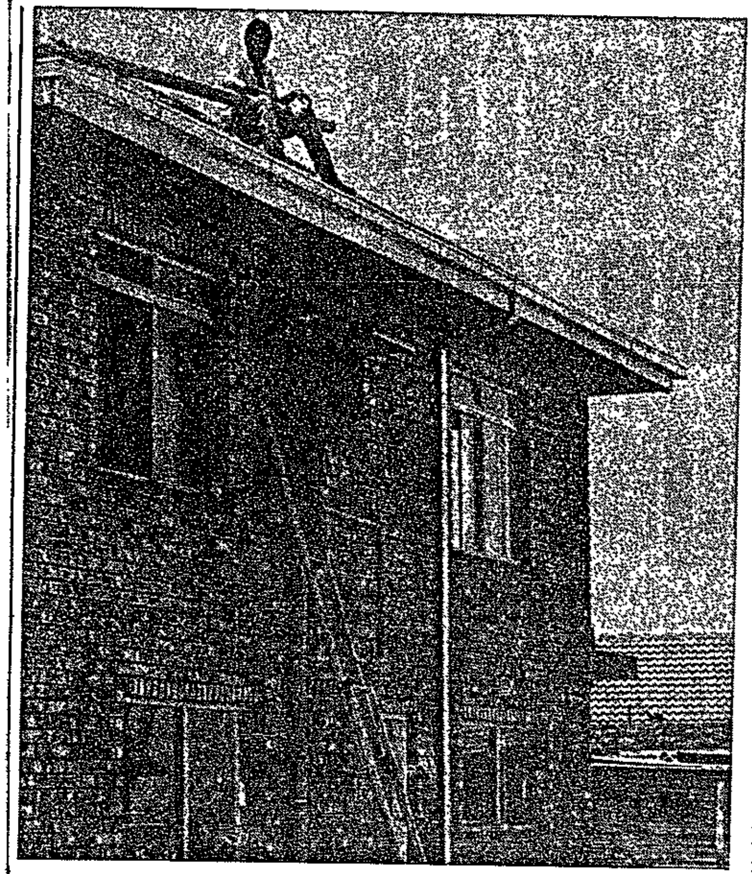
He said that provided a cartel acted responsibly, it could be in the best interests of the producer.

In an uncertain market, producers might not be willing to risk the substantial investments required for plant replacement and expansion, he said.

Byland said the existing competition between the three producers to achieve the lowest production cost per ton and thereby the highest profitability, ensured that the cost effectiveness of the local cement industry, which was high by world standards, would prevail.

32

Owners are fuming



Although the workmen seem busy, will they finish the house on time?

Special report: SANDILE MEMELA

SOWETO home-owners who have hired the services of black-owned constructors and builders have expressed anger and dissastisfaction at the quality of service rendered.

Most home-owners who wish to turn their matchbox-homes into mansions experience problems with black constructors. Lack of professional service by black constructors has led to many home-seekers and owners flooding to "surburbs" like Protea North, Dobsonville and Mapetla Extention rather than hiring constructors to alter existing matchbox houses.

Some clients have even expressed the idea that though white-owned service charges were exhorbitant, the speedy service made the price worthwhile.

A housing-scheme inspector with a building society in Johannesburg – who asked not to be identified – confirmed the allegations.

"Though the constructors are to blame to a large extent, the problem is not solely theirs. Sometimes the clients have money problems and this results in the slow progress of the building," he said.

An incomplete house that has been temporarily abandoned by builders.

On-the-spot observations found houses with incomplete walls. Houses are often left in an shambles with pot-holes, cement and working tools lying around.

In other places labourers were seen milling around the working area with nothing to do. Asked to explain their position, some labourers said it was impossible to expect them to work without tools.

A *City Press* probe has revealed that a number of home-owners have had their houses demolished by black constructors, forcing families to lodge with relatives or friends while construction on the home was in progress.

However, often the affected family is left in the lurch as the constructors disappear.

Allegations levelled against black constructors include:

- Labourers work irregular hours and are undisciplined.
- Construction-owners are reluctant to buy the material needed.
- Work on site is seldom completed on schedule.
- Material used for building is of poor quality.
- There is lack of contact between the home-owner and construction company owners. At times this has resulted in the immediate cancellation of contracts or heated confrontation.
- Hired labourers are unskilled and often cannot use current methods to measure plans.
- After completion newly built homes have roof leakages and sewerage problems.
- As constructors work at several sites at the same time there is insufficient man-power.

A Diepkloof resident told *City Press* that it took a black-owned construction company almost a year to complete his house.

"I learnt that the man was busy with another project in another area. I had to go after him and neighbours were saying that I didn't have the money to complete my house," he said.

Another resident said they had to move into the house before it was completed.

"We now live in a house that has a number of faults and we have notified the man concerned about them. But for the past three weeks nothing has been done," said the resident.

DIAGONAL STREET / by DAVID CARTE

Construction on firm base after bad years

32

IRRESPECTIVE of Mossel Bay, the Lesotho Highlands water scheme and booming black housing, the construction industry will recover slowly.

"There was a time," recalls Murray & Roberts chief executive David Brink, "when we had Koeberg plus a couple of coal-fired power stations, the Richards Bay railway line and a big industrial and commercial building programme all running together.

"Mossel Bay and any other large projects will be welcome, but on their own will not get the industry working flat out again."

ARMSCOR

Stan Goldstein, whose SM Goldstein recently pipped M&R at the post for the R90-million Armscor building in Pretoria, is more optimistic.

He believes civil-engineering and building capacity has been severely depleted by recession. The trimmed-down industry could soon be short of capacity again and looking at respectable margins.

The civil-engineering and construction industry depends on gross domestic fixed investment (GDFI), which is thought to have fallen by 10% or 15% in real terms last year. For four years, builders have bled.

The big spenders in GDFI are the Government and the parastatal corporations, mining, industry, commerce and property developers. Right now only the mines and Escom — on a reduced scale — are spending.

The Government has been forced to slash its real spending on infrastructure because its excessive salary and other day-to-day running costs have exceeded its tax income.

Not only has the Government failed to spend on infrastructure, it has neglected its maintenance.

NOBLE

In its long-term economic plan, the Government has committed itself to keeping its deficit before borrowing to less than 5% of gross domestic product.

This noble objective limits its ability to spend on infrastructure in the foreseeable future.

One notes with interest, though, Barend du Plessis's statement at the Frankel Kruger conference three weeks ago that this objective could be shelved from time to time, depending on circumstances.

Now appears to be the hour.

The Government has declared its intention to spend more on the third-world sector — on urbanisation, black housing, education and township electrification. Affordability remains the big limitation.

The private sector will also be a big spender on black housing. Thousands of employed blacks, particularly those in the public sector, are demonstrating willingness and ability, with their employers' support, to build their own houses at a cost of between R25 000 and R40 000.

In the past, parastatals, such as Escom, could expand as long as they could borrow. No longer. So their spending has fallen dramatically. There is little prospect of a real increase, although one civil engineer believes the a go-ahead on the Majuba power station is imminent.

GLUT

In the private sector, few industries are expanding capacity. In fact, there is a glut of industrial space in all the main centres.

Hundreds of thousands of square metres of shop and office space are looking for tenants.

Outside black housing, Lesotho Highlands and Mossel Bay, the only bright spot is mining where companies such as Shaft Sinkers and RUC (owned 50-50 by M&R and Gencor) cannot cope with demand and many other civil engineers are picking up work above and below ground.

Mossel Bay should be worth R5,5-billion — 70%, or R3,85-billion, of which will be spent in SA. The Government reserves the right to cancel the project (after the election?).

Assuming a go-ahead, most of the work will go to structural engineers, shipbuilders and pipeline companies, not to civil engineers and construction companies.

SHOT IN ARM

The Lesotho Highlands scheme will be a far greater shot in the arm, as will any private-sector synthetic fuel project.

Judging by the lack of enthusiasm one detects among potential participants, synfuel appears to be on the shelf.

Toll roads could provide an important source of work. But construction companies will have to get institutions to help fund them.

M&R and Group Five will build the toll road from Heidelberg to Mooi River and Concor, LTA, Basil Read and Grinaker the one from Springs to Klerksdorp. Each company will gain at least R20-million a year of work from this source, which is likely to grow.

All things considered, the five-year outlook for civil engineering and construction has improved even if it is still not brilliant.

Companies have reduced overheads to the bone. They have taken nasty medicine so even on small volume improvements, there will be impressive recoveries from present depths.

After its bath, Group Five, for instance, is looking for a R17-million turnaround next year.

After losing R10-million in 1986, Concor has reported break even and aims at R2-million after tax in 1988. It is capitalised at R14-million — only seven times conservatively stated forward earnings.

David Brink confirms that M&R's industrial companies are experiencing a marked improvement.

His company and others, such as LTA, will benefit from lower interest rates and non-recurrence of losing contracts, if not immediately by much better demand.

PEOPLE

M&R appears to have been more than conservative in accounting for last year's disasters. So I would not be surprised at a fairly dramatic revival.

Ola Grinaker once told me a civil-engineering and construction company was as good as its people. This seems to have been borne out over the years.

Over the years, companies controlled by entrepreneurs — Roberts, Murray, Stewart, Grinaker, Savage, Lovemore, Goldstein, Bester, Read — have outshone their professionally managed rivals.

The worst performers in recent years have been the giants — LTA, D&H (Group Five) and M&R.

Had it not been for its Anglo American connection, it is conceivable that LTA would no longer be around.

LTA seems not to be bottom-line driven. It appears to take volumes of work without sufficient regard to profitability. Anglo is always there to recapitalise in case of need.

LTA is expected to recoup millions on disputed Soweto and SA Transport Services contracts. If so, recoveries will come back above the line. The company's image on the Johannesburg Stock Exchange has been severely damaged, but LTA will recover despite itself.

Some of the smaller companies — for instance, Goldstein, Basil Read, Ozz and, on a larger scale, Grinaker — have fared less awfully and appear to be wresting market share from the giants.

But one construction heavyweight warns against being too dazzled by the success of small companies getting large contracts.

"As LTA has found", he says, "you can lose a bundle on large contracts. Some small companies have taken huge contracts at suicidal prices and are highly exposed to contract losses."

Construction may be cyclical, but in good times it is a cash cow.

M&R's industrial division was built on its construction retentions, and D&H's diversifications came largely from cash generated by Savage & Lovemore.

Group Five also stashed construction retentions in unfortunate diversifications. Grinaker redeployed construction profits more successfully in electronics, but less happily in National Bolts and Claude Neon.

Most these companies must regret that they did not give surplus cash back to shareholders. Perhaps they will in the future.

PROSPECTS

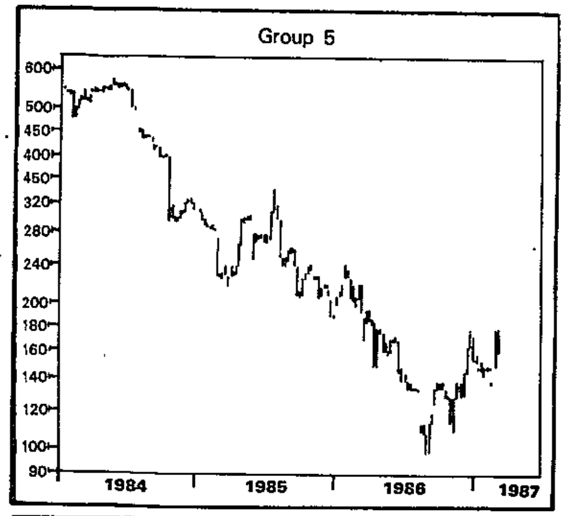
In the next year, lower interest rates, slashed wage bills and over-provisions last year will lift profits.

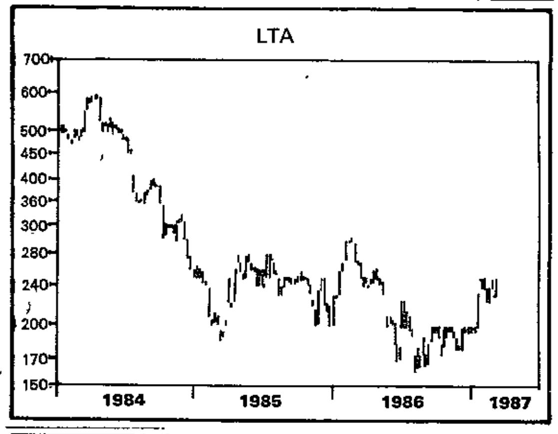
But a contract signed today takes two years to reach the bottom line. It may be another year before better business conditions start to make themselves felt.

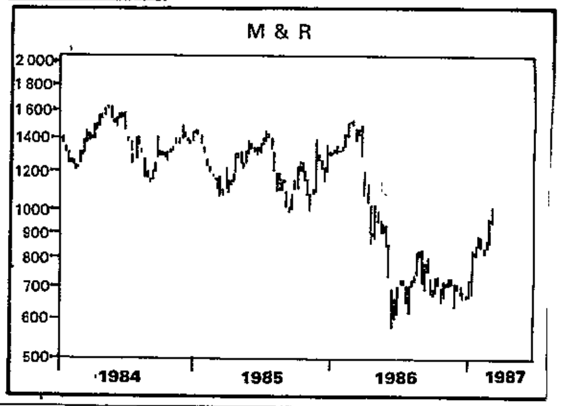
So far the construction companies have been neglected in an overpriced market. The big thing for an investor to remember is that the shares will run long before the profits do.

The entire sector is likely to move soon. Some shares will obviously outrun others. To choose one from another, one needs to scrutinise each company.

On gut feel, the best construction-related prospects for the next two years look to be M&R, LTA, new listings Time Holdings and Basil Read, Group Five, Grinaker, Concor and Goldstein.







Builders' chief hits out at price-fixing

By Frank Jeans

The Witwatersrand builders' chief yesterday accused price-fixers and cartels "of ripping off" the industry while it has been struggling to recover from the long slump.

Mr Ian McAlpine, outgoing president of the Master Builders Association, in his address to the annual meeting last night, said: "The time has come for the industry to put an end to unwarranted price rises. We must investigate every price rise thoroughly and resist an increase which is unwarranted."

Urging a monitoring of the market place to sort out the "price-fixers, cartels and monopolies" all of whom must be eliminated, Mr McAlpine said they had been the root cause of the phenomenal rise in building costs.

He was in no doubt either, that the building industry, in its present state and with a declining workforce, could never cope with a sudden surge in activity.

While there are signs of an improvement, Mr McAlpine referred to the "alarming drop" in labour and material resources and said the industry no longer had these in sufficient numbers to handle more than a mild form of recovery.

"Even a gradual increase in building activity would see costs rising progressively as greed and shortages of materials bit and the extremely serious scarcity of skilled and semi-skilled labour was felt," he said.

"Tender prices must also rise from their unrealistically low levels once the work availability crisis ends. Trading conditions could become chaotic and the cost of building would rocket."

While he is confident about future prospects, Mr McAlpine questioned whether the builders could contain inflation on their own.

Calling for a collective effort to re-establish stability in the industry, Mr McAlpine said that otherwise there was no point in the Building Industries Federation spending millions on training facilities for a vast pool of limited skilled labour.

"Stability would greatly reduce the risk factor in construction and the manufacturing and material supply sectors would be able to plan ahead effectively and expand with confidence," he said.

"More entrepreneurs would be drawn into the manufacturing sector, thus creating more effective competition.

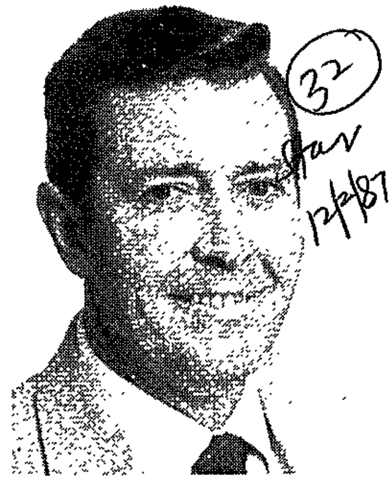
"The mothballing of billion rand cement and brick production facilities built on 'gut feelings' would not occur and neither would wasteful stockpiling of building materials take place."

Urging a Government-builders get-together aimed at devising a long-term strategy for orderly growth of the industry, Mr McAlpine said this would prevent "boom or bust" situations of the past.

"Government efforts in this respect have failed dismally only because the private sector was not consulted and has not been actively involved.

"Stability is our highest priority in 1987," he said.

32
Star 12/2/87



Mr Graham Volck was elected president of the Master Builders Association (Witwatersrand) at last night's meeting.

Mr Volck, a director of builders and cement merchants, Macdonald & Volck, is also a member of the executive of the Building Industries Federation.

Cloud over Basil Read listing

32

LESLEY LAMBERT
and BRIAN ZLOTNICK

B/Day 7/3/87

BASIL READ makes its debut on the JSE today with storm clouds gathering on the horizon after allegations by Sun Homes CC that the construction group's prospectus is misleading and prejudicial to investors.

On the eve of the listing, Sun Homes makes these claims through their attorneys, Allan Levin & Associates, in a letter sent to the JSE listings department.

They claim their client is entitled to a 50% interest in Basil Read Sun Homes (Pty) Ltd.

However, the prospectus shows that this company is a wholly-owned subsidiary of Basil Read.

Moreover, directors Walter Jeffery and Petra de Beer of Sun Homes contend that Basil Read has attempted to prevent them from benefiting from at least R20m worth of housing contracts secured by the subsidiary.

Basil Read financial director David Wassung said in a hard-hitting state-

● To Page 2

Row erupts around Read listing

32 11/3/87 B/Day

● From Page 1

ment that "in no ways was Sun Homes legally the owner of 50% of the disputed equity, as they have not fulfilled certain terms of an agreement".

He added that it was strange that Sun Homes had approached the JSE at the last minute without a lawsuit, as they had ample time ahead of the listing to dispute the issue.

According to Wassung, the listings committee requested Basil Read to alert shareholders to the financial implications of the dispute.

Taxed profits for the 1987 financial year to June would be hurt by R187 500, equal to 5% of total profits and by R437 500 or 8,7% of forecasted profits in the 1988 financial year.

In January this year, Basil Read Sun Homes succeeded with an urgent interdict to prevent Sun Homes CC from collecting monies in connection with sales from the housing project.

14/3/87 STAR

In-fighting splits building professions

By Frank Jeans

Unethical fee competition based on outdated codes, along with lack of co-ordination, is splitting the building professions and resulting in inefficiences and bad reputations.

Indeed, the effect of this "professional in-fighting" might well be seen in the growth in the number of actions against architects. Statistics covering about 60 percent of the market reveal that claims in 1980 totalled R103 000, while in 1985 this figure had soared to more than R2 million.

These facts emerged at a seminar entitled "Are the Professions Dying?" organised by the South African Propety Owners Association in Johannesburg recently, and at which architect Mr Owen Powell, of Neill Powell-Neill, hit out at the unnecessary and heavy overlapping of services and responsibilities of the disciplines.

Referring to the "nefarious breed of consultants" calling themselves project managers, Mr Powell said: "I know of one instance where a lawyer with no previous construction experience, was appointed project manager for a R20 million building development."

Commenting on the "rising wave of trigger-happy, intolerant clients", Mr Powell also pointed a finger at the so-called "clued up client who, through in-house professionals" influences design and construction methods and systems.

"Often mistakes are client related and then there is, to cap it all, the soaring rate of indemnity litigation," he said.

Urging the elimination of overlapping and unproductive in-fighting, Mr Powell said there was a need to clamp down on unethical behaviour and poor and negligent service *before* the client resorts to litigation.

"The client should be able to turn to us for solutions to his and the industry's problems — not the lawyers," he said.

Endorsing the view, Mr Bernard Snoodyk, development manager of Sage Properties, said there was a grave shortage of professionals to serve the needs of the business community, yet they continued to waste almost 90 percent of these resources by illogical divisions of responsibilities.

"There is an amazing lack of interaction between the professions and contractors," he said.

Referring to the "brain drain", Mr Snoodyk said South Africa had lost about 40 percent of its professionals over the past two years, and there was little evidence that anything positive was being done by the profession to reverse the flow.

While he did not believe the professions were dying but were "bleeding badly", Mr Cliff McMillan, director of Ove Arup, said: "The power struggle between client, architect and quantity surveyor has left the engineer out in the cold, mainly because he talks a language that is foreign to all three.

"The divide and rule approach, rather than building team commitment to the project, convinces many young engineers that they would be better off pursuing their careers in 'real engineering', rather than attending political meetings where whatever they do is changed half a dozen times in a mismanaged process before the project is finally built.

"They are often, too, blamed by a client who was never informed as to precisely what they were intending to provide."

32

B/Day 11/5/88

New transport permit system

MICK COLLINS

PARTIAL privatisation of road testing facilities would come into force after promulgation of the Road Traffic Bill now before Parliament, a Transport Department official said at the weekend.

And drivers of vehicles used for hire or reward would have to apply for professional driving permits in terms of the Bill.

"Private heavy goods vehicles and all passenger vehicles containing 12 seats or more will have to obtain this annual roadworthy certificate," the official, Pen Mainwaring, said.

To spread the testing load — estimated to become five times the number of vehicles in the transport industry currently requiring certificates of fitness — privately owned testing stations would also be recognised and registered.

In addition, all private and public vehicle testing stations would be upgraded according to standards laid down by the SA Bureau of Standards.

"Registration and subsequent monitoring of testing stations will ensure that standard tests are carried out by adequately qualified personnel according to prescribed procedures," Mainwaring said.

He would be speaking on the new Bill at a July 4 to 8 transport convention at Pretoria University.

"Once the Bill is in in force, drivers requiring a professional driving permit (PrDP) will have to present an existing valid driver's licence and a medical fitness certificate on initial application and with subsequent compulsory biennial applications for renewal."

Mainwaring added PrDPs would be issued subject to consideration of a driver's licence, health, vision and traffic offences record.

He said the regulations would also call for transport vehicles to carry a plastic card identifying the operator of the vehicle.

Large amounts proposed for further road construction in PE

(32) EPOST 17/3/87

Municipal Reporter

A PROPOSED capital programme of R61,1 million for 1987-88 will be considered by the Port Elizabeth City Council's Policy and Resources Committee this afternoon.

A capital programme of R54,2 million was approved for 1986-87.

Among the large amounts earmarked for the next financial year, which begins in July, is R5 million on Langenhoven Road, R1,1 million on Mati Road reconstruction and R1,6 million on the urban traffic control system for Main Street.

While controversy rages on the new route of the Strandfontein link to Summerstrand, the programme sets aside R730 000 for the project.

For housing, the proposed capital programme sets out expenditure of R8,5 million from national housing fund in the northern areas, R976 000 in the Indian area and R694 735 in the city.

● The Cape Provincial Executive Committee (Exco) wants to reallocate Port Elizabeth's beaches to various races but will not do so until the President's Council has completed its report on separate amenities legislation.

This response has been received by the City Council in answer to its vote last year to open the beaches to all races and the referendum in which most people polled favoured segregated beaches.

The letter from the Provincial Administration is tabled at this afternoon's meeting.

● The Algoa Regional Services Council (ARSC) is to be accommodated in Brister House — one of the Port Elizabeth Municipality's office buildings.

The City Council has been appointed the principal agent for ARSC and is empowered to do preparatory work and to incur costs, the City Treasurer, Mr Amandus Strydom, reports to this afternoon's meeting.

Alterations are already in progress to provide offices on the 17th floor of Brister House.

● A competition for the best design of a municipal cheque will be weighed by the committee this afternoon.

The council issues about 30 000 cheques a year to a wide spectrum of institutions and people, many of whom live outside the city, Mr Strydom reports to the committee.

● Improvements to ventilation at the Market Square bus station will also be considered.

Last year at this time the matter came before the committee but was deferred for a year.

The City Engineer recommended at the time that consulting engineers go ahead with detailed designs and tender documents for improvements to ventilation which would cost more than R300 000.

● A proposal to allow the National Chinese Tournament, which includes a variety of sports, to be held in the Feather Market Hall complex next month at a reduced rent will also be considered.

32

B/Day 18/3/87

Builders' fund gets a boost

SOPHIE TEMA

THE IBM SA Projects Fund (IBM SAPF) loan scheme has been increased by $500 000 to help small builders affiliated to black builders' associations throughout the PWV.

This announcement of the extension of the pilot project, started a year ago, was made in Johannesburg this week.

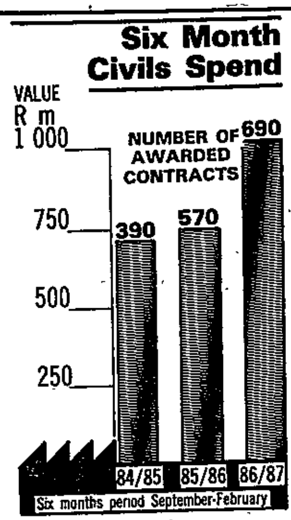
The IBM fund initially made available R300 000 to use as bridging finance for the Small Builders Contractors Association (SBCA).

Addressing representatives of the various associations in the PWV area at the launch of the project, branch manager of the fund Neville Davies said: "Such has been the success of the SBCA scheme that we were encouraged to extend it to the entire PWV area and increase the loan facility by a further $500 000.

"A large construction company has also offered courses in skills such as site management and lay-out, estimating contracts, specification documents and tendering.

(32) B/Day 18/3/87

Civil engineering contracts for February rise



MICK COLLINS

THE CIVIL engineering sector continued to record gains during February, when R215m in contracts was awarded.

This brought the total for the first two months of 1987 to R365m, which compared favourably with the R250m and R280m awarded during the first two months of 1985 and 1986 respectively.

The SA Federation of Civil Engineering Contractors (SAFCEC) said yesterday the largest single contract was R27,5m for the construction of the civil structures for turbine sets 5 and 6 at Matimba Power Station, which Escom awarded to LTA Civil Engineering (North) for completion in 50 months.

SAFCEC said in the roadworks category the Transkei government awarded a R11,6m reconstruction of 30km of existing gravel road between Flagstaff and Magusheni to Savage and Lovemore (East Cape) for a contract period of 18 months.

A number of sizeable municipal road contracts were awarded during February — in Boksburg, Stocks Roads will undertake the widening of Barry Marais Road ~~over a period of 10~~ months at a contract price of R5,1m. The construction of Langenhoven Drive in Port Elizabeth was awarded to Savage and Lovemore (East Cape) for R5,5m.

In Pretoria, the construction of a new road bridge over the Moreletaspruit and the extension of the double-lane Lynwood Road would be undertaken at a cost of R4,6m. In Sandton, Con Roux was awarded the contract for a link road between Katherine Street and Bowling Avenue for R4,3m.

W J M Construction (Cape) was awarded the largest project in township services with an R11,7m contract for the construction of civil engineering services for 2 000 erven in area K, Mitchell's Plain.

The construction of roads, stormwater drainage, water and sewerage reticulatiopn in Bhongweni, Kokstad, was awarded by the NPA at R6m and Goldstein Civil Natal will construct a road and services for Dimbaza west, Ciskei, for R2m.

The largest sewerage scheme awarded was the Department of Local Government, Housing and Agriculture's contract for the design, construction and operating of a 40Ml/day sewage treatment works for Blue Downs and Khayelitsha at R9,4m.

Moves against Sandton road

(32) STAR 20/3/87

By Inga Molzen

A resolution was last night adopted by the Sandton Civic Foundation to oppose the planned PWV3 highway.

A petition was launched and plans were mooted to launch a further campaign to lobby against the R25 million east-west arterial road which will cut through the Sandton Field and Study Centre.

Many ratepayers — their representatives include the Sandton Civic Foundation and the Braamfontein Trust — rejected Sandton councillor Mr Ricky Valente's experiment which invited them to take their pick of proposed roadways.

It was proposed the highway could either be routed through the town's biggest park on a stretch of Braamfontein Spruit Trail or suburban streets could be converted into highways.

Without relevant information, residents claim they have been denied the opportunity to debate whether "there is a need for an east-west thoroughfare. It is a presupposition".

The major municipal road is expected to run through Benmore Gardens and River Club, and cut through the Sandton Field and Study Centre.

There is strong conflict between those in Sandton council who say there is a definite need for a new highway and those who believe there is a definite need for open space.

Members of the Sandton Field and Study Centre have unanimously decided that Sandton's "only two decent parks" are non-negotiable.

Following meetings with the Sandton town councillors on March 10, the civic foundation's executive stressed: "We are not in office to decide where the road must go but to ensure that open spaces and our environment is to be protected."

● Petitions sponsored by the Johannesburg Metropolitan Action Group are available from the PO Box 4938, Johannesburg 200, or from the Sandton Civic Foundation. Anyone with an interest in saving the Field and Study Centre can man tables in shopping centres.

Cape Times 23/3/87

45c a share earnings

(32)

R11,8m profit for streamlined M & R

By AUDREY D'ANGELO
Financial Editor

MURRAY & ROBERTS (M & R), which ended the year to June with an attributable loss of R14,4m, has achieved a dramatic turnaround with an attributable profit of R11,8m for the six months to December.

Earnings were 45c a share, compared with a loss of 55c at the end of the financial year.

The directors say they expect the group's recovery to continue and believe it will "trade profitably during the balance of the financial year".

But borrowings have increased by R13m and at R87m represent 24% of permanent capital and the dividend has been cut to 7c (10c) a share.

The group has been streamlined and restructured under its new CE, David Brink.

The sale of its interest in the Bromor Foods Division to Cadbury Schweppes, and the acquisition of 100% of Honeywell (Pty) — a leading supplier of industrial automation and control products — and of 100% of M & R Foundries in which it previously had an 85% stake, shows changes in its investment strategy.

Group operating profit after tax, but before the cost of servicing permanent capital, rose to R15,9m.

A non-operating profit of R7m resulted mainly from the sale of Bromor Foods.

The cost of servicing permanent capital through compulsory convertible debentures rose to R4,6m, compared with R442 000 a year ago and R5m at the end of the financial year.

The summarized consolidated balance sheet shows that total assets are now R753m, compared with R767m a year ago and R780m at the end of the financial year.

Preference share capital and outside shareholders' interest has risen to R57m, compared with R49m at the financial year end.

The average number of ordinary shares in issue has risen to 26,5m, compared with 26,3m at the end of June.

☐ Anchusa Holdings, which has a 45,8% stake in M & R, also returned to profitability in the six months to December, but has declared a lower dividend of 5c (8c) a share.

Trading profit after tax was R5,4m, compared with R5,1m a year ago and a loss of R6,6m at the end of the financial year. Earnings were 39c a share compared with 36c a year ago and a loss of 50c at the end of the financial year.

BLUE CIRCLE

Off the floor

27/3/87

Activities: *Manufacture and supply of basic materials to construction and building industry. Manufacture and distribution of engineering products.*
Control: *Blue Circle Industries PLC (UK) and Darling & Hodgson Limited each hold 42,2%.*
Chairman and Managing Director: *T G Coulson.*
Capital structure: *27,5m ords of 50c. Market capitalisation: R241m.*
Share market: *Price: 875c. Yields: 4,4% on dividend; 8,3% on earnings; PE ratio, 12; cover, 1,9. 12-month high, 900c; low, 385c. Trading volume last quarter, 272 000 shares.*
Financial: *Year to 31 December 1986.*

	'83	'84	'85	'86
Debt:				
Short-term (Rm) ..	48,8	45,1	59,7	36,2
Long-term (Rm) ...	108,2	121,2	126,9	97,6
Debt:equity ratio	0,97	0,89	0,98	0,86
Shareholders' interest	0,46	0,51	0,44	0,44
Int & leasing cover .	1,6	1,4	1,1	1,7
Debt cover	0,16	0,15	0,15	0,27

Performance:

	'83	'84	'85	'86
Return on cap (%) ..	9,9	13,0	9,9	10,9
Turnover (Rm)	296	194	291	301
Pre-int profit (Rm) ...	35,0	47,8	42,9	41,4
Pre-int margin (%) ..	11,8	24,6	14,7	13,8
Taxed profit (Rm)	11,2	18,6	4,7	13,0
Earnings*	53,4	80,9	17,1	72,6
Dividends (c)	38,5	38,5	11,0	38,5
Net worth (c)	756	808	679	673

* Excluding extraordinary items

After the loss of 1985, when earnings dropped by 81%, Blue Circle regained much of the lost ground in the 1986 year. The most favourable aspect of the recovery was that the largest improvement came at operating level; trading profits jumped by R12,2m to R41,4m. But what remains worrying is that interest-bearing debt did not fall much, and the group is still highly geared. This problem needs to be resolved before shareholders can really breathe easily.

There is little doubt that progress has been made with the operations. Cost reductions in the cement division, brought about by the use of only two of its modern kilns, boosted its operating margin to a record 30%. Market demand did not provide any help, as capacity utilisation in the division fell to a mere 50%. The value of sales declined by 5% from the levels achieved during the 13-month period for 1985.

Less encouraging was the performance of the materials and engineering divisions, where price competition in their markets kept operating margins close to 5%. Management says it is making efforts to redress the situation in these divisions, currently providing 64% of group turnover but only 22% of pre-tax income.

The materials division, which supplies basic construction materials including ready mixed products, sand and stone, was reshaped last year to make its activities more focused and geographically structured. Ash Resources was transferred from the materials to the cement division and the shareholding in Embecon SA was sold. It is expected that these steps will improve profits in 1987 on a maintained sales volume.

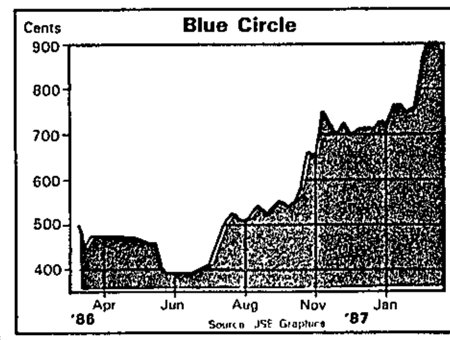
The engineering division's manufacturing side has experienced difficult trading conditions and price discounting, but started 1987 with a good order book and is optimistic on profits. Engineering trading has suffered mixed fortunes; however, Hubert Davies secured a substantial order for trackless mining equipment and significantly increased trading profit. Champion Road Machinery is to be restructured.

A comparison of these divisions' performances with the cement division highlights the advantages of the price and market sharing practices long enjoyed by cement producers.

Blue Circle's Coulson ... now for the balance sheet

However, regulations prohibiting market sharing arrangements in the industry were enacted in 1984. Producers were granted a two-year exemption from May 2 1986. In this period, Blue Circle is required, in consultation with the Competition Board, to consider changes to its marketing methods. One effect could be greater competition, including price cutting.

Cement division MD David Bath says that despite encouraging signs, such as government plans for increased spending on roads and housing, and progress on the Lesotho Highlands Water Scheme, no significant improvement in demand for cement is expected until the general level of capital investment revives, "and we see little prospect for this in 1987."



Executive chairman Trevor Coulson evidently sees the balance sheet as a priority. Debt:equity on gross borrowings, at some 86%, is well above gearing levels of the group's competitors. Even if year-end cash holdings are taken into account this still leaves gearing at 76%, and the cash, in fact, dropped from R24,8m to R14,5m last year.

Coulson notes that with capital expenditure and working capital requirements low, cash flow will further reduce borrowings and thereby interest charges. "It is imperative that borrowings and the resultant finance charges must be reduced to the lowest level possible in as short a period as is consistent with maintaining the long term structure and future of the business," he says.

He forecasts earnings of at least 100c a share in 1987, on roughly maintained sales volumes. The share price is now more than double the 410c low after the final dividend was passed in 1985. Analysts say that given a moderate economic recovery, Blue Circle's 1987 year-end earnings could be higher than expected, giving the share some attractiveness at its current price of 875c.

Medium-term prospects are enhanced by a growing number of new capital projects. And Coulson notes that in 1985 the group completed a five-year, R200m expansion of cement capacity, and 80% of its capacity is now among the most modern in the world.

Dave Edwards

NEI

Long pipeline

In view of the difficulties it had to face in 1986, NEI's 7% rise in earnings a share seems creditable, even though it's a long way from the 18% increase posted in 1985. The slower rate of growth partly explains why the company intends, through acquisitions, to decrease its dependence on heavy engineering subsidiary ICAL.

COMPANY ROUND-UP

PRELIMS	Turnover (Rm)	% change	Pretax profit (Rm)	% change	Attrib profit (Rm)	Earnings (c)	% change	Div (c)	% change
Botrest	*98,9	-17,6	-19,0	n/a	-8,3	n/a	n/a	—	—
Longdis	16,8	+37,9	2,7	+164	1,2	10,3	n/a	4,1	n/a
INTERIMS									
Anchusa	n/a	n/a	n/a	n/a	5,3	39	+8,3	5	+37,5
M & R	n/a	n/a	n/a	n/a	11,8	45	+7,1	7	-30,0
Minorco O	n/a	n/a	n/a	n/a	44	18	-25	6	—
Gubings	n/a	n/a	2,7	+157	2,6	148,5	+109,7	15	+36,3
Prescat	16,6	-9,7	0,55	-25,4	-0,19	-3,2	n/a	n/a	n/a
Refco	n/a	n/a	2,3	+115,1	1,7	4,23	+415	1,5	n/a

n/p — not provided. n/c — not comparable.

Pennypinchers target swells to R2,8m profit

By Terry O'Donovan

PENNYPINCHERS, the low-cost building-supply company, has thumped its listing forecast with a 144% increase in earnings.

The Cape equivalent of Cashbuild hoisted turnover by 72% to R40,8-million and taxed profit by 809% to R435 000 (1986:R48 000). Earnings a share were 4,35c in 1986 compared with 1,78c in 1985. That was 38% better than the listing forecast.

Managing director Fasie Malherbe aims for sales of R70-million this year. He believes he can improve the pre-tax margin from 3,2% to 4%, suggesting a pre-tax profit of R2,8-million.

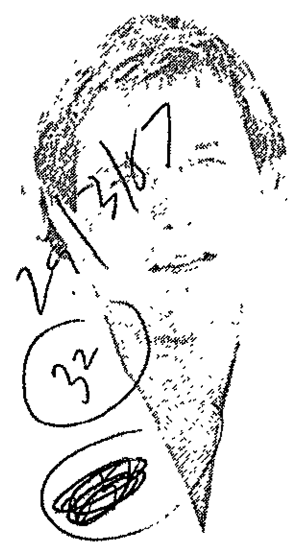
An abridged balance sheet shows long-term debt down to R988 000 (R1,6-million) and there are cash balances of R503 000. Stocks doubled to R4,9-million (R2,1-million) and debtors rose by 71% to R3,4-million. Creditors were up by 84% to R7,8-million and provided most of the finance but there were net current assets of R301 000.

Expansion continues apace, market penetration being consolidated on the Garden Route and in the Eastern Cape. Windhoek, Mr Malherbe says, will be considered.

Premises have been acquired in Port Elizabeth, enabling the various divisions including building materials, Jetmaster and tiles and boards to be separated.

Ailing

Pennypinchers recently acquired ailing B&B Plastics, marketers of high-pressure laminates. The company has achieved a profit of R140 000 since December. It has entered Transvaal markets in association with Lotus Louvres, while continuing with the Blum range of cabinet fittings and laminates in the Cape.



Fasie Malherbe ... looking for R70-million sales

With major low-cost housing projects, such as the estimated R4-billion development at Blue Downs on stream, the group is well placed to increase margins.

Mr Malherbe says: "Our Blackheath store is the only retailer in the area. Having concentrated mainly on individual builders, we are now entering the big contract market in spite of its being a marginal business."

The group does not operate on franchises, and all stores are tightly controlled and administered by senior management from the Lansdowne head office.

About 60% of sales are cash.

Mr Malherbe says: "I do not believe you can run a building-supply operation on a cash-and-carry basis. In this business, personalised attention and expert advice are essential."

The company organises loans from building societies for customers buying home fittings.

Efficient security ensures a shrinkage factor of only 0,2%, but good staff morale boosted by worker participation in profit, also helps. Mr Malherbe says labour disputes with the non-unionised staff of 500 are minimal.

on – 87%
on – 520%

19%

	% change	Year ended 30 06 1986 (Audited) R000

B/Day 22/4/87

Detainees: PFP goes to court

Own Correspondent

THE Progressive Federal Party has launched a Supreme Court application for an order overturning the Commissioner of Police's latest "notice" banning campaigns for the release of detainees.

State President P W Botha and the commissioner have until today to file replying affidavits and the case is scheduled for trial on Friday, according to legal sources.

An affidavit filed in support of the application by Gardens MP and PFP general executive chairman Ken Andrews, argues both Botha and the commissioner have acted beyond their legitimate power.

The State President acted *ultra vires* on December 11 last year by defining as a "subversive statement" one which encourages or incites people to commit an act identified by the commissioner as threatening public safety or order, Andrews said. This amounted to delegating the power to make regulations to the commissioner, a power clearly vested only in the State President, he said.

Motor sales figures may be 25,9% up

22/4/87

GERALD REILLY

PRETORIA — SA's recession-hit motor industry is firmly on the mend, according to National Association of Automobile Manufacturers (Naamsa) director, Nico Vermeulen.

B/Day

Vermeulen said Central Statistical Services figures, released yesterday, showed total trading revenue in the motor industry for 1987's first quarter was expected to be 25,9% up, compared with the 1986 January-March period.

Revenue in the first quarter this year amounted to R4 443,2m, compared with R3 529,5m in the same 1986 quarter. Vermeulen said the 25,9% increase in trading revenue reflected the escalation in vehicle prices, as well as an actual improvement in the numbers sold.

In January-March this year 46 100 new cars were sold — 10,3% up on the 41 789 sold in the period last year. The quarter's combined commercial vehicle sales were up by 14,1% to 23 502 units, compared with January-March 1986.

Contracts value 25% up

B/Day 22/4/87

32

DAVID FURLONGER

THE value of new civil engineering contracts in the first quarter of 1987 is more than 25% up on last year.

In all, 125 contracts worth a combined R160m were recorded by the SA Federation of Civil Engineering Contractors (Safcec) last month. After figures of R150m in January and R215m in February, a first quarter total of R525m is well ahead of the R400m in the same quarter of 1986.

Safcec says the figures reflect "a continuous, substantial improvement in the flow of new work since the middle of 1986".

Of March's new contracts, only one was for more than R10m — a R10,6m contract for work at Dunswart station for Benoni Town Council. Other major contracts included one for R9,2m to build a reinforced concrete reservoir for the Rand Water Board at Klipfontein.

The combined value of March contracts for building township roads, stormwater drainage and internal water and sewerage services was R51m.

AIRLINE MOVEMENTS

BUSINESS

CONSTRUCTION

ARGUS 23/4/87 (32)

R525m flow of work for contractors

By TOM HOOD, Business Editor

CIVIL engineering contractors report a "satisfactory" intake of new work in the March quarter.

Contracts worth R525-million were awarded, about R100-million more than in the first quarter of last year and almost R200-million above the low of R300-million of new work to be awarded in the second quarter of last year.

In March 125 contracts worth a total of R 160 were awarded. This follows R150-million in February and R215 in January.

Mr Kees Lagaay, executive director of the Federation of Civil Engineering Contractors, says the figures indicate a continuous, substantial improvement in the flow of new work since the middle of 1986.

Major contracts embraced R51-million of new township roads, stormwater drainage and internal water and sewerage services and included R4,4-million of work at Belhar-Erica to be undertaken by Savage and Lovemore.

Another R3-million of roadworks for Bellville Municipality on the north-south Modderdam Road went to Earthmovers United in a 12-month contract.

Township roads and services costing R5,7-million in the Western Cape were also approved.

SFS Constraction received a 46-week contract for R3,1-million of houses and associated civil engineering services in Macassar Extension 7.

The same company will also build 3 km of main roads, stormwater drainage, trunk water mains and sewer main in Khyelitsha in a six-month contract worth R2,6-million for the Capr Provincial Administration.

LTA Construction is also to construct beach facilities at Monwabisi, Swartklip over 10 months at a cost of R3,3-million.

BUSINESS NEWS IN BRIEF

GROUP FIVE (32) F/14 24/4/87

Back to basics

Activities: *Operations include civil engineering roads, earthworks, building construction, housing and property development.*

Control: *Gencor is the ultimate holding company.*

Chairman: *H F Brown; chief executive: P K Clogg.*

Capital structure: *13,38 m ords of 50c. Market capitalisation: R41,5 m.*

Share market: *Price: 310c. 12-month high, 310c low, 100c. Trading volume last quarter, 88 0000 shares.*

Financial: *Year to December 31.*

	'83	'84	'85	'86
Debt:				
Short-term (Rm) ..	0,9	4,8	5,9	4,7
Long-term (Rm) ...	2,9	13,9	1,5	0,5
Debt equity ratio	0,10	0,35	0,18	0,18
Shareholders' interest	0,30	0,32	0,29	0,22
Int & leasing cover .	9,6	2,9	—	—
Debt cover	6,3	1,1	—	—

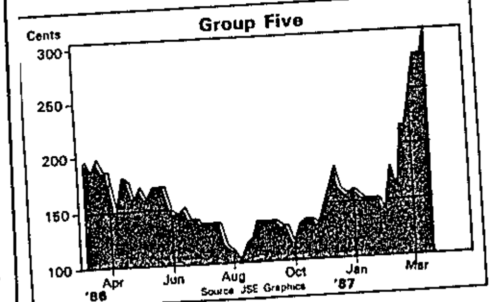
Performance:

	'83	'84	'85	'86
Return on cap (%) ..	7,9	8,7	—	—
Turnover (Rm)	437	518	498	457
Pre-int profit (Rm) ...	150	13,8	(2,0)	(10,9)
Pre-int margin (%) ..	3,4	2,7	—	—
Taxed profit (Rm)	12,3	13,0	(8,7)	(7,5)
Earnings (c)	108	98	(62)	(52)
Dividends (c)	32	32	—	—
Net worth (c)	412	398	304	221

Cleaning out this group is proving more painful than new CE Peter Clogg might have expected. Shortly after his appointment a year ago, Clogg told the *FM* he hoped to see the company break even this year. Instead, red ink continued flowing through the accounts, and at operating level the performance was far worse than the previous year. Fortunately, a sharp fall in finance costs to R236 000 (R11,2m) massaged the poor operating performance, cutting bottom line losses to below the previous year's figure.

In its construction divisions, Group Five managed to post R1,8m profits after incurring losses the previous year. But the peripheral interests, including Servitek, the electronic subsidiary, and Thermcon, an airconditioning company, cost the group dearly in terms of both their trading losses and closure costs. Thermcon's closure costs amounted to R1,4m, while R2,5m was incurred in shutting Servitek, on top of R2,7m operating losses it incurred last year.

The property division is another millstone, costing the group R7,5m last year in losses



taken and provisions. Group Five has now provided for all outstanding losses flowing from a string of disadvantageous buy-back contracts entered into by previous management. In a more positive vein, the company is said to have R15m worth of property in excess of its requirements; these, says Clogg, it will be looking to sell.

Assuming such sales are successfully concluded, they should further improve a cash flow position that, given the extent of recent losses and the capital-intensive nature of the group, looks surprisingly healthy. At end-December, the group had a debt:equity ratio of only 0,18, not taking into account R20,5m cash balances at year end.

Having absorbed the worst of its cleaning-out losses, Group Five is expected to post a profit this year, based on continued improvement in the core businesses, and aided by its strong financial position. This expectation is presumably what is driving the share price, which stands on a one-year high of 310c, well up on last year's low of 100c. *Neville Glaser*

As backlog in road expenditure is estimated at more than R70bn . . .

(32) 24/4/87 B/Day

Asphalt vs concrete row rages

MICK COLLINS

SOUTH AFRICA'S backlog in road expenditure is now estimated to be in excess of R70bn, SA Bitumen and Tar Association (Sabta) executive director Pieter Myburg says.

Reacting strongly to claims made by the Portland Cement Institute that market penetration by concrete for new roads is in the order of 50%, Myburg says SA's road network is predominantly blacktop — and will stay that way.

"Sabta believes recent trends towards concrete are unfortunate as this does not represent the best allocation of scarce resources to eradicate the backlog, estimated to be in excess of R70bn."

Myburgh says in a statement that privatised road-building schemes are proving the advantages of building in asphalt.

"For example, asphalt is being used on the 60km rehabilitation of the N3 section between the Umgeni River and Estcourt in Natal.

"The Department of Transport considered concrete for about 11km of the section, but the planned use of asphalt by a private consortium will result in a saving of several million rand.

"We believe more use of asphalt will be made in such schemes. Perhaps government should develop methods for analysis that come to the same conclusions as private financiers because it is the taxpayer's money that is being allocated for road construction."

Abecol MD John Dreyer says concrete is more expensive in the first place, so the only way for it to be competitive is to keep adding the cost of overlays to asphalt until it seems to cost more than concrete — over 30, 40 or 50 years.

"As far as SA is concerned, we do not have any examples of concrete roads of quality that have lasted anything like 40 years. In the US, a survey has shown that concrete joints are subject to routine repairs on average every eight years.

"Major structural repair costs are extremely high because the material has a low salvage level."

Dreyer says asphalt pavements, which have been designed to be relatively maintenance-free, have performed very well.

"Take for example the N1 outside Cape Town, which has given maintenance-free service for 11 years and is likely to do so for many years to come."

The Durban freeways, he says, have lasted for 20 years and show no signs of deterioration.

"Sometimes it makes economic sense to design asphalt pavements so that strengthening can take place in stages. This positive aspect, although decried by some as disruptive, is a method that, above all, satisfies the financier.

"Can we afford road policies that purport to minimise costs in decades ahead? We must make the best use of available resources now, and asphalt is the best value-for-money solution for our immediate — and urgent — road needs," Dreyer says.

Mossel Bay refinery: no new housing

B/Day 24/4/87

Business Day Reporter

MOST of the 6 000 workers and their families expected during the height of the Mossel Bay refinery construction would be accommodated in existing housing rather than in new townships, Central Energy Fund director of projects Bob St Leger said yesterday.

He said certain recommendations would be incorporated into the projects housing policy.

Fast highways would make short duration bussing of construction workers already living in George and Albertinia a distinct possibility.

Spreading the accommodation impact through the region would also obviate the need to demolish redundant temporary accommodation at the end of construction and ensure the retention of property values.

He said the Central Energy Fund would also mount an intensive skills training programme to counter any possible skills shortages.

The programme included maximum use of South African staff, labour, and construction equipment, while still meeting quality and productivity targets.

Training would be aimed at the use of semi-skilled and unskilled labour in the coastal areas and while aimed at the synfuel project as a whole, the programme would also produce trained people who could be absorbed elsewhere in the labour market.

But civil engineers are unhappy about the decision not to put a R96m water scheme for the proposed gas-to-petrol refinery out to tender.

Defending the decision to build interdepartmentally, deputy chief engineer of the Department of Water Affairs Frans Stoffberg said there was not enough time to go through the lengthy tender procedure.

Although a final decision had not been taken, the scheme was expected to centre on a giant dam on the Great Brak River, 70m high with a volume of 23 million cubic metres. A 35km pipeline would stretch to the refinery site.

He said, however, that other aspects of the scheme were still open and may be put out to tender.

Meanwhile, one of the most detailed environmental studies ever conducted in SA is being undertaken on the impact which the gas project will have on Mossel Bay.

Environmental consultant Dave Beaumont said the study included socio-economic concerns and was aimed at determining the attitudes and expectations of residents as well as judging the nature and impact of the recession which could hit Mossel Bay after the first flurry of development.

Cape Times 27/4/87 (32)

R160m SAFCEC contracts

Financial Staff

AMONG the 125 contracts recorded in March by the SA Federation of Civil Engineering Contractors (SAFCEC) is a R4,4m contract awarded to Savage & Lovemore for work in Belhar.

The total value of the "satisfactory" month's contracts amounts to R160m compared with R215m in February and R150m in January.

Rehabilitation

There was only one contract award of more than R10m — the construction and widening of several bridges and related work at Dunswart Station for the Benoni Town Council which went to LTA Civil Engineering (North) for R10,6m.

Savage & Lovemore (W Cape) also won a R9,2m contract for the rehabilitation of 40 km of road between Richmond, Hanover and Colesburg for completion in eight months.

Bellville Municipality awarded the construction of the north-south Modderdam Road to Earthmovers United for R3m with completion in 12 months.

Water mains

Contributing to the substantial total value of contracts awarded for township roads and internal services category was the R3,1m contract for the construction of houses and associated services in Macassar Extension 7 to be undertaken by SFS Construction in 46 weeks.

The same company will construct 3 km of main roads, stormwater drainage, trunk water mains and a foul sewer rising main in Khayelitsha Phase 4, Town 2, for the CPA for R2,6m.

iness Repor

MONDAY, APRIL 27, 1987

Moves to restore profitability

Basil Starke to control Oil

32

Cape Times 27/4/87

Financial Staff

OVENSTONE GROUP (Ovgroup) is selling its fishing interests to Premier Group and acquiring the construction and engineering interests of the Cape Town-based civil engineering firm, Basil Starke, in a major move to restore the troubled group to profitability.

Premier's Tony Bloom has already taken concerted action to satisfy Oil and Ovenstone Group (Ovgroup) shareholders.

Faced with debt in excess of R100m — reduced to about R70m after the sale of Ovdeco's property and construction interest to a consortium of former Ovenstone directors — the burden was too heavy for a group that size.

Interest on the reduced debt will amount to R10m alone and the group is operating at heavy losses and will continue to do so.

Today's announcement says Bloom's solution is for Premier to buy Ovgroup's fishing interests as Premier has the size, financial strength and diversity of operations to provide the necessary time needed to restructure the fishing interests, reduce the debt and restore them to profitability, without having to take short-term pressures into consideration.

Ovgroup will acquire the construction and general engineering interests from Basil Starke, which will acquire Premier's shareholding in Oil. Control of Oil will therefore pass to Basil Starke.

Oil and Ovgroup shareholders have a choice of three alternatives, with Rand Merchant Bank being retained to act as advisers on the fairness and reasonableness of the entire transaction.

Ordinary shareholders can either remain invested in Oil and/or Ovgroup, which are propsed to change their names to Basil Starke Investments and Basil Starke Group to reflect the new activities; exchange all or any of their shares for shares in Premier or accept a cash offer for all or any of their shares.

Oil preference shareholders will receive a cash offer for their shares.

The notice reminds shareholders that the board of directors of Oil and Ovgroup had advised that there would be signifiacnt losses for the year ended March 31, 1987, results of which are to be published on or about May 22, and this should influence shareholders on the course of action to be followed.

Oil shares, suspended at 30c, and of Ovgroup, suspended at 38c, will be reinstated in the industrial holding sector today.

Building bill expected to be R8,1bn

Public sector to spend more on construction

B/Day 28/4/87 (32)

DAVID FURLONGER

PUBLIC sector spending on construction this year is expected to total R8,1bn — up from R7,4bn last year and R6,5bn in 1985.

Of this year's figure, nearly one-third — R2,5bn — is scheduled to be spent on non-residential buildings, which includes hospitals, clinics, schools, prisons and offices.

The figures are included in the latest Central Statistical Services (CSS) breakdown of public spending plans. The figures exclude Namibia and the four TBVC states — Transkei, Bophuthatswana, Venda and Ciskei.

The biggest spenders are central government and provincial administrations, which expect to fork out nearly R3,5bn on construction work this year, compared to just under R3bn in 1986.

In addition to the R2,5bn non-residential bill for total public sector construction this year, another R806m will be spent on residential work; R1,8bn on roads, streets and bridges; R592m on water schemes; and R370m on sewerage.

A further R1,95bn will be spent on what CSS defines as "other", which includes electricity projects, railways and harbours, airports, land development, mining development and the survey and development of townships.

The Johannesburg and Pretoria areas — in which Randburg and Brits are classified — are scheduled to receive more than one-sixth of the construction cake. Combined spending there this year is expected to total R1,46bn, compared to R1,34bn in 1984.

Sil...
tached.

CAPE TIMES 29/4/88 (... 30)

OVCON in the swim in Atlantis

THE OVCON (Cape) Building team will at the end of this month top out on the pavilion section of its R1 327 378 contract for an Olympic-size swimming pool and related buildings at Wesfleur, Atlantis.

The client is the Divisional Council of the Cape, which has already developed rugby, cricket and soccer fields, tennis courts and a baseball diamond adjacent to the site.

The pool will measure 50 m X 25 m and will be 3,6 m deep at the diving end, which will have three diving boards. There is also a separate circular children's paddling pool nearby.

Ovcon's sub-contractors, GCF Construction, completed the 4 000 m³ excavations in five weeks.

Ovcon report that the excavation has been largely in stable clay and they have benefited from the fact that it took place in the dry summer months.

A cut-off trench was established around the pool, so that it was not necessary to install a well-point dewatering system.

The consulting engineers on the project, K F D Wilkinson and Partners, are satisfied that the material will form a firm foundation for the pool.

The pool will have 160 mm thick reinforced concrete walls and will be tiled in white NCI tiles, with dark blue tiles indicating the lane lines. There will be eight lanes in all.

Architects for the project are Stauch Vorster, with Mr John Whitton in charge.

Ovcon is on schedule for handover at the end of July.

– unissued: R181 845 divided into 3 636 500 ordinary shares of

32

Figures show homelands, border areas will benefit

Govt hands out building boost

DIANNA GAMES

CONSTRUCTION in the homelands and border areas will be given a massive boost this year if government and provincial council estimates for 1987 remain true.

Central Statistical Services' detailed breakdown of government and public sector spending around SA for the past two years — including an estimate for the current year — shows vast increases for those areas.

The Eastern Cape towns of East London and King William's Town have been budgeted R40,5m this year by central government against about R13m in 1985.

Similarly, that for the combined Eastern Cape towns of Cathcart, Komga, Queenstown and Stutterheim have risen from R13,1m in 1985 to an estimated R48,5m for this year while local authority spending has dropped.

The budget for Kirkwood, also in that region, has tripled in two years while a combined central government budget for Aberdeen, Graaff-Reinet and Pearston has increased from R278 000 to R12,2m.

Budgets for Middelburg and Cradock in the Eastern Cape have risen from 1,9m in 1985 to 10,2m this year.

In the northern Transvaal, the central government budget for the combined areas of Letaba, Messina, Phalaborwa, Pietersburg and Soutpansberg amounted to R62,4m in 1985 and is expected to rise to R136,3m this year.

A central government budget for the combined areas of Gordonia and Kenhardt in the remote north-western Cape has risen from RR21,7m in 1985 to an estimated R36m for this year.

KwaZulu's estimated central government budget predicted for this year is R279,4m (up from R124,5m in 1985) with non-government buildings taking the biggest slice. Total public sector spending there is likely to rise from R194m in 1985 to a R376m for this year.

Spending for Lebowa increased from R76,3m in 1985 to a predicted R131,4m for 1987, as has that for QwaQwa, from R63,8m to R133,2m.

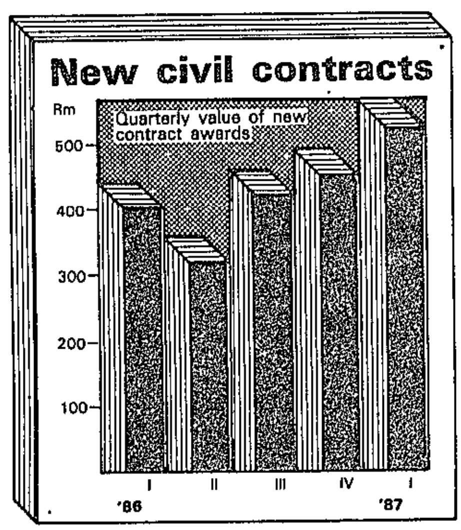
CONSTRUCTION 32

Turnaround at last

The mood in the construction industry is changing from gloomy to positive, with the latest indications that business is at last beginning to pick up.

The most consistent users of contractors' services are still the public sector and the mining houses — but the growth in private sector development is accelerating fast.

According to the South African Federation of Civil Engineering Contractors (Safcec) the value of new contracts awarded in the first quarter of 1987 totalled R525m — 31% up on last year's R400m (see *Plant Hire*).



And, Safcec executive director Kees Lagaay tells the *FM*, contracts valued at R125m awarded in April this year were a sharp 66% above last year's R75m — confirming the upward curve.

The latest Stellenbosch University Bureau for Economic Research building survey also reports that, for the first time since 1980, fixed investment in construction is showing positive growth (*see Economy*).

Safcec's first-quarter figure is significantly above any other single quarter last year (see graph), although the value of contracts placed with civil engineering contractors have been increasing steadily since the second quarter of last year.

Meanwhile, Central Statistical Services' information shows that public sector spending on construction should total R8,1 billion this year, compared with R7,4 billion last year, and R6,5 billion in 1985.

The BER survey reports that there is a higher level of confidence in the construction industry, with building contractors and architects reporting more work on hand. Grinaker Construction executive director Arnold Clintworth confirms the trend.

"There is no doubt that there is an upturn. A lot of money is being poured into black housing and roads. Black housing provides longer-term work while roads are mostly short-term, so it is a moot point as to how long the upswing will last.

"But the mines are very buoyant and there is plenty of work there. Margins are also starting to pick up again."

Concor Construction financial director Graham Mulany says since February Concor has experienced a marked upturn in business. He says there is a lot of work in the mining sector, notably in headgears and reduction plants."But we also have township reticulation and road work on hand.

"Margins are looking a lot better," adds Mulany "though they are still nowhere near where they ought to be."

Murray & Roberts Construction and Engineering executive chairman Geoff Knudsen says he is also budgeting for more work this year.

One of the biggest contracts awarded last month, for R34m, went to Group Five. It was for work on Escom's new Majuba power station near Amersfoort, and follows an earlier R6m contract won by the group.

Meanwhile, LTA Construction has just been awarded a R9m contract for the construction of earthworks, retaining walls, a bridge and roads at the R500m Bruma Lake development outside Johannesburg.

Things are looking up — and there is plenty more in the pipeline — especially with major projects like the Lesotho Highlands Water Scheme and the Mossel Bay gas plant passing beyond the planning stage.

KWV

Sparkling results

In what is arguably its best performance ever, KWV last year turned in record profits, hiked bonuses to producers, reduced the "wine lake" and increased export earnings in the face of foreign boycotts of South African wine.

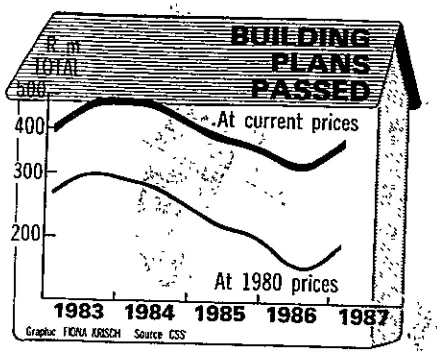
These sparkling results flow from the smallest wine crop since 1981 and follow a fall in wine production for the third consecutive year. Last year's 7,62m hectolitres crop was 8% below 1985's 8,26m.

The wine co-operative's annual report will be formally presented to KWV's 6 300 wine farmer members at the AGM in Paarl next week.

Last year's surplus production was only 4,7%, compared with 20,2% in 1985. This emphasises that "wine is in the first place an

(32) B1 Day 12/5/87

Value of building plans passed continues to increase



MICK COLLINS

THE upward trend in the total value of building plans passed in the latter half of last year is continuing, says Central Statistical Services (CSS) in Pretoria.

Figures released at the weekend show that for the three months to February 1987, the value of plans passed reflected a seasonally adjusted increase of 20,7% compared with the previous three months (September-November 1986).

The largest increase of 38,4% was recorded in the value of building plans passed for non-residential buildings.

The total value of buildings completed for the last three months up to February 1987 also reflected a seasonally adjusted increase of 7,5% in comparison with the preceding three months.

Values of non-residential buildings show an increase of 16% for the corresponding period.

In another report, the CSS pointed out that the contract price index for new houses for the fourth quarter of 1986 showed a decline of 2,7% compared with the third quarter.

With the exception of the rest of Transvaal, where the contract price increased by 1%, that of new houses decreased in all other areas.

Large decreases occurred in East London (7,9%) and Kimberley (7,7%) and the smallest decline, 0,7%, occurred in the Cape.

In contrast to the decline in the quarterly index, the annual index (fourth quarter of 1986 compared with the fourth quarter 1985) increased by 1%.

This was, however, a lower increase than the 5,1% recorded during the third quarter of 1986.

Cape Times 14/5/87

Basil Read scoops Clifford Harris

32

By JANE ARBOUS

CIVIL engineer and building contractor Basil Read Holdings has bought Cape Town-based Clifford Harris, a wholly-owned subsidiary of Mitchell Cotts.

"The acquisition will give Basil Read a sound base in the Cape," says Basil Read's financial director Dave Wassung.

The acquisition, effective from July 1, is for a cash price of R3,3m, to be adjusted subject to the performance of certain current contracts.

Mitchell Cotts CE Martin Mealin, who flew to Cape Town yesterday, said he did not anticipate retrenchments as Clifford Harris had a number of current contracts staff would be needed.

No immediate effect

According to sponsoring brokers Martin and Co and merchant bankers Hill Samuel, the acquisition will have no immediate material effect on the asset value and earnings per share of Basil Read.

Clifford Harris is a construction company engaged in civil engineering, road construction and tunnelling with a current turnover of about R35m. A subsidiary company is involved in civil contracting for the mining industry.

Wassung said the benefits that would accrue to Basil Read include the acquisition of a highly trained workforce, ranging from skilled operators and artisans toforemen, surveyors, engineers, construction and company managers familiar with conditions in the Western Cape.

Employees are experienced in complex tunnelling, pumped storage and hydro-electric projects.

The acquisition offers additional benefits of a wide range of well maintained construction plant, participation in the proposed Mossel Bay project, and the acquisition of a successful mining company based on the Witwatersrand.

SA architects 'could be a failed species'

By DENISE BOUTALL

ARCHITECTS could become a "failed species" in South Africa unless they redefined their role, a senior lecturer in architecture at the University of Port Elizabeth, Dr Franco Frescura, said this week.

The warning, given at a conference of the Institute of the South African Architects (ISSA), came weeks after the institute withdrew from the world body, the Union of International Archictects (UIA).

In addition, the Royal Institute of British Architects (RIBA) has announced that from 1991 it will not recognise South African qualifications, confirming the South African profession's "pariah status".

Questioned about the UIA membership, Professor Danie Theron, head of architecture at UPE and chairman of the Eastern Cape committee of the institute, said the withdrawal from the UIA had been negotiated to prevent a public confrontation over the ISSA's continued membership.

He said that architects qualifying at the universities of Port Elizabeth, the Orange Free State and Pretoria had never enjoyed recognition by the RIBA. However, it was relatively easy for South African architects to write the examinations necessary for them to practise overseas.

Addressing the conference on "Architecture in a developing region", Dr Frescura warned that unless architects seriously rethought their position their role as creators of the built environment would be taken over by engineers, accountants, town planners, geographers, schoolteachers and "kitchen-top practitioners".

The conference was attended mainly by students. Apart from the speakers, only five professional architects were there.

Dr Frescura said a progresssive-thinking architect could involve himself in projects whose scope allowed him to remain in close contact with his clients "rather than ventilate his ego through the kind of anti-social megalomania which punctuates our urban skylines".

He listed police stations, sectarian monuments, corporate headquarters, bantustan legislative assembly halls and District Six condominiums as the kind of projects that progressive-minded architects would avoid.

He called on architects to involve themselves in training, both at universities and in in-house training schemes for black draughtsman. To date only two black architects had qualified in South Africa.

A Johannesburg architect, Mr Ron Kirby, said that since 1948, when the present Government came into power, the design profession had been "hanging on to the skirts" of the technocrats.

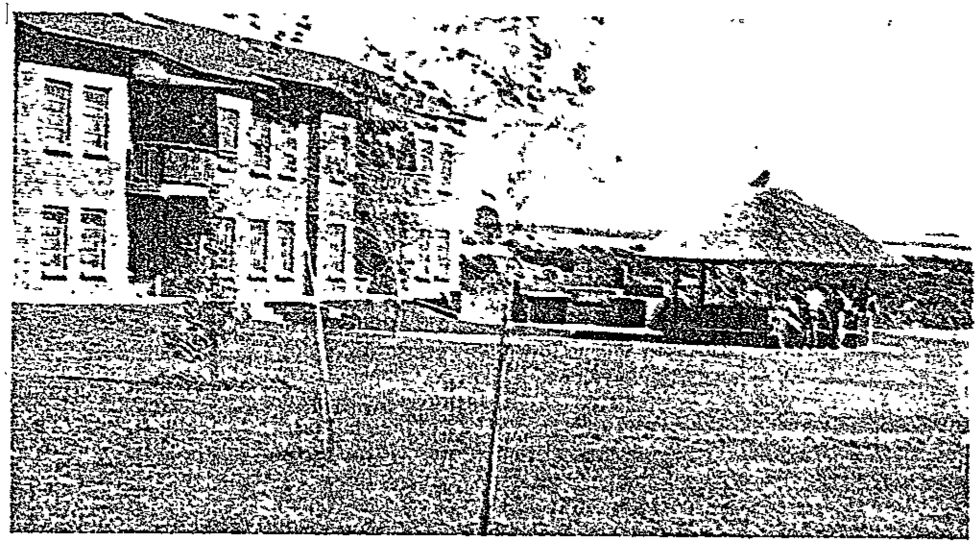
This "professional connivance" with the authorities, combined with the fact that people who were educationally or financially disadvantaged had great difficulty training as architects accounted for the "pariah status" of the profession in the eyes of the world.

He warned that the ISSA was seen as an ivory tower and called on the profession to move to a closer relationship with builders and the general public.

Mr Kirby also voiced his concern about the "alarming decline" in basic craft skills in the building industry.

BUSINESS

JCI building 'new concept' migrant hostels



One of the new-look single quarters blocks, with outdoor facilities, at H J Joel gold mine.

By Finance Staff

New concepts in the design of migrant labour hostels on gold mines, with the emphasis on their convertibility to married quarters, have been developed atthe JCI-managed H J Joel mine, near Virginia in the Orange Free State.

According to JCI, the migrant labour system has invariably been characterised by overcrowded and inferior accommodation. The company says its objective is to move towards a stable workforce which will have the freedom to live at or near the mines with their families.

It is implementing home ownership and housing allowance schemes for housing close to the mine. However, the company says it will be a long time before the majority of employees are accommodated in that way, and it therefore envisages providing single accommodation for many years.

The new HJ Joel single quarters comprises four villages of about 400 residents accommodated in 29 blocks. Each block consists of four units housing 16 men (or eight seniors), and each unit has its own lounge including TV and beverage counter, ablutions, laundry and outdoor living area.

Each bedroom accommodates two men — but one in the case of seniors, who make up about 13 percent of the complement.

Design has been particularly directed towards future conversion of the units into family accommodation, if the need arises.

Other features of the new quarters are toilet and ablution facilities located within the units, modern kitchen and dining facilities, a community hall, tavern, shopping centre, clinic and sports facilities.

JCI says that in the complex it has tried to reduce the numbers accommodated per room and to upgrade the standard of accommodation, with the emphasis on offering privacy.

Project management of the design and construction of the complex was done by Anglo American Property Services, and R41 million has been budgeted for it.

Ovbel shows R1,7m profits for first half

Cape Times 13/6/87 (32)

By AUDREY D'ANGELO
Financial Editor

THE eagerly awaited results of Ovbel — the new company formed from the property and construction interests of the loss-making Ovenstone Group (Ovgroup) — were released yesterday, and, as forecast, they were good.

Ovgroup shareholders who suggested the property market was about to rise may again question the wisdom of selling off Bellandia Homes, construction firm Ovcon and property developing and timesharing firm Ovland, when they see that Ovbel has ended the six months to March with attributable profits of R1,7m.

This is equivalent to earnings of 5,8c a share and although no ordinary dividend has been declared there is a preferred ordinary dividend of 3,75c in respect of the five months since shareholders bought their shares.

Andrew Ovenstone

However, critics should remember that Ovgroup was faced with multi-million rand debts, interest rates were higher at the time the sale was agreed and a rights offer at that stage would have been unlikely to succeed.

Ovbel chairman Andrew Ovenstone forecasts that attributable profits for the current year to March 31, 1988, will exceed the placing forecast of R2,7m or 9,3c a share, provided the company succeeds in selling off rented properties and more construction work is obtained at reasonable margins.

He confirms that Ovbel intends to seek a listing on the Johannesburg Stock Exchange (JSE) this year.

Financial director Justin Millar said in an interview that the group had no need to raise a significant amount of cash by way of the listing.

Millar said the reason for the listing was that a number of shareholders would like the liquidity this would give, and the company would benefit from a higher profile.

Ovenstone says in the annual report, circulated to shareholders yesterday, that Ovbel does not intend to retain its rental producing fixed property portfolio and "has mounted a strenuous realization programme for the current year".

Justin Millar said that R2m had already been raised from the sale of two Cape Town properties. These were a commercial property abutting on Somerset Road and a site on the Foreshore.

Discussing the current year, Ovenstone says in the annual report that: "Prospects appear quite favourable insofar as our property interests are concerned and our housing business has a full order book."

But, he continues, "the construction market remains very tight although encouraging signs are beginning to appear".

Ovbel discloses total assets of R92,7m of which R55,1m are in current assets, R16,5m in fixed assets, R16,5m in investments and R4,3m in undeveloped land.

Total liabilities of R55m are spread between short and long-term borrowings of R26,5m, and trade creditors and other non-interest bearing liabilities of R28,5m. Total shareholders' funds are R37,6m.

The report shows that between October 1 and March 31 the new company achieved a turnover of R65,3m and after-tax income of R1,8m.

The report also shows that in the previous year to March 1986 the companies making up Ovbel achieved after-tax income of R3,1m, compared with R1,1m in the year to March 1985 and R5,4m in the year to February 1984.

will remain entrenched within the mining industry, or how rapidly it should be dismantled.

To Page 2

To Page 2

Rank Xerox SA sold to Altron

19/6/87 B/Day

NEW YORK — Xerox Corp affiliate Rank Xerox Ltd has signed a definitive agreement to sell its Rank Xerox South Africa (Pty) Ltd affiliate to Altron for undisclosed terms.

Xerox said the preliminary agreement to sell the affiliate to Fintech, an Altron unit, had been reached in March.

Xerox said completion of the sale awaited approval of Fintech shareholders and a review by the JSE.

Rank Xerox SA was founded in 1964 as a wholly owned unit of Rank Xerox, the Xerox affiliate that manufactures and markets Xerox products in many countries.

The company would become a wholly owned unit of Altron, Rank Xerox said.

A total of 40% of Rank Xerox SA's 800-strong workforce are black, coloured or Asian. — Reuter.

□ Last night Fintech confirmed it had acquired Rand Xerox (Pty) with effect from May 1, 1987.

M & R back on the profit trail

19/6/87 B/Day

DAVID FURLONGER
Industrial Editor

MURRAY and Roberts is back in profit following its losses of last year and despite a real decline in turnover in the last 12 months, says CE David Brink.

The group's 1987 financial year ends on June 30. While refusing to give figures before results are published later in the year, Brink said the group had achieved its objective of returning to the black after its R14,5m attributable loss last year — a R57m collapse from 1984's R43m profit.

Market analysts said yesterday Brink's comments confirmed the market's view that M&R was a recovery stock. Its share price has more than doubled since last September, when the 1986 losses were announced.

From 575c in September, it peaked yesterday at R12,50 — 50c up on the day and 125c up on a week ago.

M&R reported an interim attributable profit this year of R11,9m. The group reported a similar profit at the same stage last year before year-end results were hit by a heavy tax bill.

M&R's operations are split fairly evenly between construction and industrial activities. Brink said that while its industrial holdings were continuing the improvement they began last year, construction had also made a positive contribution to group profits.

Brink blamed mismanagement for last year's losses and said the turnaround was largely the result of rationalisation. It had sold off several under-performing companies and reduced its construction operations from 26 to 16.

GUY'S NEW HAIR RESTORES HIS KICKING FLAIR

AUCKLAND — French wing Didier Camberabero, whose goal kicking could prove vital in tomorrow's World Cup rugby final against New Zealand, has a novel explanation for the new-found confidence in his play.

Camberabero, who made his debut for France five years ago, attributes his remarkable comeback after several years in the wilderness to a hair transplant.

... Camberabero, the goal-kicking master of the 1960s, was dropped after only two games in 1983 and did not return until he was picked as a replacement for the injured Philippe Berot for the World Cup tournament.

The transformation in Camberabero's attitude came earlier this year when, increasingly embarrassed by premature baldness, he agreed to an offer of a hair transplant.

Camberabero appeared in New Zealand with a new head of black hair and promptly set a world record of 30 points against Zimbabwe and then kicked a vital 14 points in the upset semifinal win over Australia.

"I am happy to tell everyone how important it was for me to have a transplant because I am sure that many young people who suffer from loss of hair feel the same," Camberabero said.

"I only hope I can help them to recapture their confidence like I did." — Sapa-Reuter.

DIAGONAL STREET

LTA could be the one to bring smiles

ST. Bus. Times 21/6/87

IT must be satisfying to pick on a successful "recovery stock" long before the rest of the market.

It is pleasurable to buy a penny stock that turns into a blue chip, or to sell a blue chip at its peak and smile to yourself as the share price plummets, and then be able to tell everyone, "I told you so."

With all the interest being generated by projects like Mossel Bay gas, the Lesotho Highlands water scheme, toll-roads and others, maybe there is the potential to find a company that will benefit over the next few years.

I began by looking at LTA. Its current price is 310c, having ranged from 160c in July last year to 335c in May. There are 13,1-million ordinary shares and 13,2-million little-traded convertible preference shares which are entitled to 20c a year. About 80% of the company is held by Anglo American Corporation.

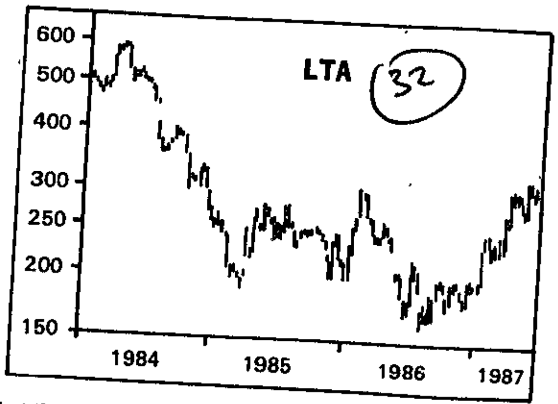
ALL SECTORS

If there is such a thing, LTA could be classed as "upper-speculative", the speculation arising from "the unknown". LTA's recent past has not been a bed of roses.

Its business lies in all sectors of the construction and civil-engineering industries. In the annual report to March 1986 the chairman's statement gave three reasons why the results were "very poor indeed".

The first is the legal wrangle over payment for contracts carried out on the electrification of Soweto. The loss provisions made some years ago were about R12-million.

The contractual clients in this matter are the three community councils of greater Soweto, and "one realises



that that we are likely to suffer further difficulties and delays in obtaining payment".

The chairman's second reason was the severe recession which hit in the construction industry although LTA appeared to have "stood up rather well".

The most important reason behind the losses stemmed from LTA's international operations. Political problems in Australia made it impossible to continue operations there, and substantial losses were anticipated. These, and other offshore losses, have been included on the balance sheet as discontinued operations.

A provision of R23-million was made to cover all eventualities, but may not be needed. This will only be known over the next couple of years. Yet another R8-million was set aside into non-distributable reserves, but this was reversed at September 1986.

If some unkown amount of theses losses can be recovered, loans could be repaid and the interest bill would fall. That would make LTA look more attractive.

Managing director Colin Wood says LTA is a major player in the SA economy and will therefore respond to its fluctuations. But people misassess the importance of a big-name contract such as Mossel Bay. Although important, such contracts are only a small part of the overall group turnover.

Mr Wood says competition is stiff and there can 20 to 30 tenders on some building contracts. On a contract of R50-million the tenders can fall within a range of only R50 000. Margins are so slender that even a 1% error on a tender can be the difference between a profit and a loss.

IN LINE

Previous big spenders in the industry, such as SA Transport Services, Eskom and Iscor, have all cut back on capital expenditure, and until confidence returns to the economy it is unlikely that major undertakings, such as office blocks and shopping centres, will be embarked on.

LTA's share price is in line with many Development Capital Market shares, but it is a company with R87-million worth of assets on the balance sheet. Its year-end results should be an improvement on last year's.

It remains not for widows and orphans, but could be worth a punt if any of the provisions for losses can be recouped.

BUSINESS (32) (32)

Revamped M & R com

Murray & Roberts appears to be coming to terms with the shortcomings that left it with an unprecedented loss. CE David Brink is confident the group will show a profit again this year. M & R's 1987 financial year-end is next week and Brink is confident September's annual statement will bring good news to shareholders. Industrial Editor DAVID FURLONGER reports.

MISMANAGEMENT, not the recession, is to blame for Murray & Roberts' problems. Unclear chains of command and decision-making, diversification into unsuitable activities and an unwillingness to shed unwanted companies all contributed to M & R suffering a R14,5m attributable loss last year.

It was the first time in 80 years that M & R, or the two companies that merged to form it — Roberts Construction and Murray Stewart — had recorded a loss.

But two things indicate that M & R is coming to terms with its shortcomings: CE David Brink's assertion that the group will show a profit again this year, and market confidence that has seen M & R's share price more than double on the JSE since last September.

M & R's 1987 financial year-end is next week and Brink is confident September's annual statement will bring good news to shareholders.

On target

"We said at the beginning of the financial year that we would come back to profit in 1987. We were on target at the interim stage and we are going to make profits this year, although I won't say to what extent."

The return to profit will be achieved despite a real decline in turnover during the year — proof, says Brink, of M & R's better asset management and successful weeding-out of unprofitable activities.

Brink, who succeeded Bill Bramwell at the end of 1985, has no doubt why M & R has been under-performing.

"M & R was a victim of the extended recession, but there was no excuse for the loss situation. That was the result of mismanagement. We had a structure that wasn't clear enough in terms of responsibilities."

Part of the problem dates back to the Roberts Construction/Murray Stewart merger. Rather than establish a clear chain of seniority and command, the new company muffled the issue through joint command in many of its divisions.

Brink believes the group is curing that problem and others that have emerged since.

"Our activities are split nearly 50/50 between construction and industrial activities. That's a pretty good balance, but it hasn't been matched by a balance of business cycles. Too many of our industrial activities were down at the same time as construction. There wasn't as much contracyclical effect as we hoped.

"Allied to that, M & R in the past was very bad at disinvesting. We tended to hold on and leave it too late. This year, we have disinvested in certain companies and acquired others better suited to our needs. In the next couple of years, we will see the balance we want.

"We have also made our policy of decentralised management more real and pruned head office. My view is that if you have a decentralised management style, then do it properly. Companies must stand on their own feet. We have become much more demanding of discipline and performance and less accepting of people weeping about their problems."

The issue of striking a cyclical balance between construction and other activities is important for M & R. Construction traditionally lags economic trends by a year or two. While other sectors have enjoyed better conditions since the middle of last year, Brink says construction companies are only now beginning to see an upturn.

Remained profitable

Gillis-Mason, with its considerable Eskom contracts, and RUC Mining have both remained profitable, but other construction activities have done little more than break even, with the profits of the money-makers being cancelled out by losers. In rationalising the division, M & R has reduced the number of its construction companies to 26.

The same has happened with its operating groups. Not so long ago, M & R had seven. Today there are four — construction and engineering, industrial, suppliers and services, and properties.

The group is re-assessing its international activities, although Brink is shy of offering too much detail of the group's holdings in Africa and overseas.

Nevertheless, he says: "There was a time when overseas operations formed an important part of M & R's strategy. It was part of the cyclical balance because they were unlikely to have the same problems as we do here. Today, we don't see them anymore as an important part of our overall business. We have made moves to merge some of our overseas companies. Our approach is more defensive."

That, and the continued re-direction of M & R's industrial portfolio, are the main challenges in the next two to three years. Brink wants everything in place before the economic upturn peters out — "it's probably worth a couple of years" — while financial director Jeremy Ractliffe is looking at a three-year business plan from the start of the next financial year in July.

Both men point to the recent acquisition of Honeywell's local operation from its disinvesting US parent as an important step towards the group's goal.

Room for shake-out

"Our big savings this year have come in setting the direction of our portfolio of businesses and doing what we are good at. There is a lot of room for shake-out in industrial activities," says Ractliffe. "The Honeywell acquisition was a good one. It has been incorporated with Westinghouse and is a good platform from which to grow in the electronics area."

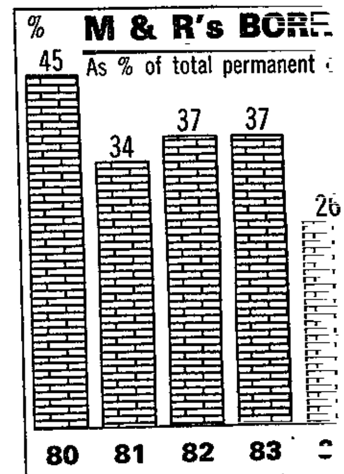
Ractliffe believes M & R has overcome its tendency to demand immediate returns on investment and is prepared to look farther down the road.

"A fault of M & R was to want immediate annual profits. It's like the "quarteritis" problem in the US, where companies report every quarter. You're too concerned with tomorrow to be aware of longer-term possibilities."

Financing its re-direction and industrial rationalisation — acquisitions this year have cost about R90m, while disinvestments have brought in some R45m — has increased M & R's borrowing requirements. Borrowings, as a percentage of total permanent capital, have increased significantly since last year.

At the end of 1986, M & R had increased its permanent capital to R346m from the previous year's R306m, but reduced borrowings from R123m to R74m.

"Last year, borrowings were 21% of total permanent capital," says Ractliffe. "This year, with the Gillis-Mason acquisition only effective from January and paid for in May, I would fully accept borrowings as high as 50% of total permanent capital."



Graphic FIONA KRISCH Source MURRAY & ROBERTS

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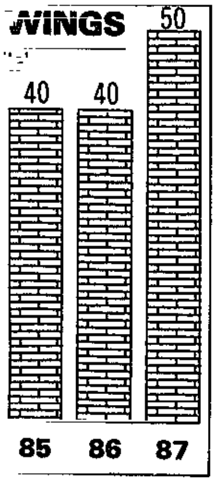
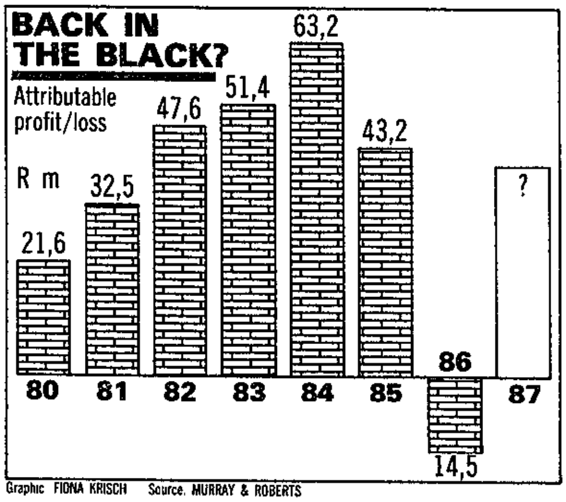




Graphic FIONA KRISCH Source. MURRAY & ROBERTS

● BRINK

● RACTLIFFE

							MONTHS	DATES
[illegible] BLOEM	Orange Free State	Craftsman	+10.06	+10.06	-3.75	-3.75	12	5/84- 5/85
BUILDING KIM MAIN	Cape Central & Northern	Artisan	+4.84	+9.92	-5.33	-10.37	6	11/84- 5/85
BUILDING NATAL	Natal	Craftsman	+3.99	-14.56	-5.89	-30.01	6	10/84- 4/85
BUILDING MIDLANDS	Natal	Craftsmen	+3.99	+8.13	-6.42	-12.42	6	10/84- 4/85
BUILDING NTH NATAL	Natal	Craftsmen	+3.99	+8.13	-6.01	-11.66	6	10/84- 4/85
BUILDING CPT	Western Cape	Artisan	+0.00	+0.00	-8.36	-16.02	6	11/84- [illegible]
CANVAS GOODS WITS	Transvaal	Mechanic	+5.00	+10.25	-3.57	-7.01	6	10/84- [illegible]
CLOTHING DURBAN	Natal	Mechanic	+12.36	+9.14	-9.09	-6.90	16	1/84- 5/85
CLOTHING PMB	Natal	Mechanic	+12.36	+9.14	-9.56	-7.26	16	1/84- 5/85
CLOTHING BLOEM	Orange Free State	Mechanic	+6.02	+12.41	-1.34	-2.66	6	11/84- 5/85
CLOTHING KIM	Cape Central & Northern	Mechanic	+6.02	+12.41	-4.26	-8.34	6	11/84- 5/85
CLOTHING KROONSTAD	Orange Free State	Mechanic	+6.02	+12.41	-2.65	-5.24	6	11/84- 5/85
CLOTHING PARYS	Orange Free State	Mechanic	+6.02	+12.41	-2.65	-5.24	6	11/84- 5/85
FURNITURE BORDER	Border	Gr I/Mach Main	+4.18	+5.62	-4.10	-5.42	9	7/84- 4/85
FURNITURE OFS	Orange Free State	Mechanic	+9.17	+9.17	-4.44	-4.44	12	4/84- 4/85
SWEET EL	Border	Sweetmaker	+12.47	+11.45	-1.32	-1.22	13	3/84- 4/85
SWEET JHB	Transvaal	Sweetmaker	+7.00	+17.63	-0.34	-0.81	5	11/84- 4/85
TOBACCO TVL	Transvaal	Artisan	+11.50	+11.50	-3.68	-3.68	12	4/84- 4/85

SD Friday, June 26, 1987

(32)

Millions for new E Cape developments

By BARBARA HART

EAST LONDON — Nearly R61-million is to be spent in the Eastern Cape and Transkei on building projects of the South African Department of Public Works and Land Affairs.

The biggest single project, worth R14 650 000, is for prison facilities in Cradock.

Other major projects include a total of R16 390 000 to be spent on three separate developments at the Komani Hospital in Queenstown, and R13 960 000 for three police station projects in East London.

A total of R60 720 000 is to be spent on 12 projects in seven Eastern Cape towns and in Umtata.

By the end of March this year R34 190 000 had already been spent on the projects. A total of R10 630 000 has been budgetted for the 1987/88 financial year while the balance, R15 900 000, would be provided later, according to a memorandum from the department.

The projects are: A police station and court accommodation at Kenton-on-Sea (R1 450 000), police facilities at Woodbrook, East London (R3 730 000), police facilites at Adelaide (R1 520 000), Cambridge police station (R2 430 000), Cradock police station (R14 650 000), Fort Glamorgan Prison, East London (R7 800 000), Fort Beaufort Tower Hospital (R9 200 000), Fort England Hospital, Grahamstown (R3 100 000), Komani Hospital, Queenstown (R11 280 000 + R160 000 + R4 950 000), and Umtata embassy housing (R450 000).

Police find boiled body of sangoma

DURBAN — Police investigating the killing of a sangoma (witch doctor) near Kokstad in Natal have discovered boiled human remains in a metal trunk.

Cape Times 30/6/87

Breakeven forecast outstripped

LTA back in the black with R4,5m

From MERVYN HARRIS

JOHANNESBURG. — Construction group LTA outstripped its breakeven forecast for the year to March 31, 1987 by returning to the profit ranks.

The dramatic turnaround in the company's fortunes from a loss of R18,3m to a profit of R4,5m came in the wake of the decision to concentrate on its domestic operations, while taking steps to check further losses from its international operations.

Furthermore, the company has felt confident enough to reverse R8m from non-distributable to distributable reserves. This amount was set aside to cover the most severe foreseeable contingencies.

And while chairman Zac de Beer is prudently planning for another difficult year, certain huge government projects — in which the company hopes to participate — will add significantly to the overall size of the construction industry.

Turnover from continuous operations rose slightly to R1,06 billion (R991m) but with fierce competition and margins remaining under pressure, operating profit fell from R11,6m to R10m.

However, a big drop in the interest bill from R9,2m to R2,6m lifted operating profit before tax from R2,3m to R7,3m.

A higher tax bill was offset by a fall in outside shareholders interest but profit of R38 000 from associated companies was reversed into a loss of R572 000, leaving earnings of R4,5m or 22c a share, up from R215 000 or 2c a share last year.

With no further losses from discontinued operations after last year's loss of R18,5m or 141c a share, total earnings remained at 22c.

LTA back to profitability

(32) B/Day 30/6/87.

MERVYN HARRIS

CONSTRUCTION group LTA outstripped its break-even forecast for the year to March 31, 1987, by returning to the profit ranks.

The dramatic turnaround in the company's fortunes, from a loss of R18,3m to a profit of R4,5m, came in the wake of the decision to concentrate on its domestic operations while taking steps to check further losses from its international business.

Furthermore, the company has felt confident enough to reverse R8m from non-distributable to distributable reserves. This amount was set aside to cover the most severe foreseeable contingencies.

And while chairman Zac de Beer is planning prudently for another difficult year, some huge government projects — in which the company hopes to participate — will add significantly to the overall size of the construction industry.

Turnover from continuous operations rose slightly to R1,06bn (R991m) but, with fierce competition and margins remaining under pressure, operating profit fell from R11,6m to R10m.

However, a big drop in the interest bill from R9,2m to R2,6m lifted operating profit before tax from R2,3m to R7,3m.

A higher tax bill was offset by a fall in outside shareholders' interest, but profit of R38 000 from associated companies was reversed into a loss of R572 000, leaving earnings of R4,5m or 22c a share, up from R215 000 or 2c a share last year.

With no further losses from discontinued operations after last year's loss of R18,5m, or 141c a share, total earnings remained at 22c.

● See Page 11

Building societies said it was early

To Page 2

To Page 2

Construction squeeze on

BDay 1/7/87

MICK COLLINS

(32)

CONSTRUCTION conglomerates are continuing to hack profit margins to the bone, with many admitting to 3% and less to keep afloat.

All sectors — building, construction and civil engineering — are labouring under tight conditions.

Industry sources say what was viewed as a normal 15% contract mark-up 10 years ago is now a dream as suicidal tendering and a dearth of contracts sees the squeeze on margins tightening.

Group Five CE Peter Clogg says he is operating on 3% on cost just to keep the organisation going.

Basil Read director Chris Jarvis says margins are less than 5%.

LTA group MD Colin Wood says conditions over the past year have continued to be difficult throughout the industry.

SA Federation of Civil Engineering Contractors executive director Kees Lagaay says the recent improvements in conditions have proved to be short-lived.

R5m FORFEITURE SET ASIDE

JENNY BOBERG

THE forfeiture to the State of more than R5m in cash and property belonging to a former African Bank employee was set aside by the Pretoria Supreme Court yesterday, and the SA Reserve Bank was ordered to pay certain costs.

But the court upheld the attachment of the property, which remains frozen.

The urgent application to set aside the forfeiture and attachment was brought by Arthur Edward Ferreira, former assistant GM of African Bank, his wife Emelia Lorraine Ferreira and Arlo Financial Services.

The State President, the Minister of Finance, the SA Reserve Bank and its Governor and Senior Deputy Governor were named as respondents.

Ferreira is one of eight former African Bank employees named in a Government Gazette as suspected of contravening exchange control regulations.

He faces 105 charges of fraud and 315 charges of contravening exchange control regulations through which, it is alleged, he gained more than R6m.

The SA Reserve Bank was ordered to pay Ferreira's costs. Ferreira's wife and Arlo Financial Services are to pay the costs incurred by the respondents.

Turkish union urges SA coal ban

BDay 2/7/87

HAMISH McINDOE

A CALL by Turkey's metalworkers' union on Istanbul to ban SA coking coal imports is baffling coal exporters and steelmakers.

The reason: SA's coking coal sales to Turkey are infinitesimal.

But some steel industry sources believe a loud call for an embargo on SA coking coal will help deflect international attention away from SA steel and iron ore sales to Turkish steelmakers.

Turkey is said to be embarrassed by accusations it is being used as a back door for SA steel to enter the EC.

If true, it is unclear why a Turkish union, and not the government, has taken up the anti-SA sanctions gauntlet.

Breakfast treat for ladies' tennis men

32

Pressure builds up on civil engineering

B/Day

3/7/87

MICK COLLINS

THE civil engineering industry came under intense economic pressure during the past year, the Civil Engineering Advisory Council (Ceac) said yesterday.

It said, in its annual report, a drop in construction turnover saw civil engineering contracts become very competitive.

The position was exacerbated by the continued low level of the rand, which inflated the cost of imported plant and equipment.

Despite the low level of economic activity, the number of contracting firms had not decreased significantly. An overall drop in activity by individual contractors occurred, as indicated by a fall-off in the total workforce employed by contractors.

A survey conducted by the HSRC for the SA Institution of Civil Engineers, and partially funded by Ceac, showed students did not have a positive perception of civil engineering as a career.

Ceac said: "This is a distressing finding, and one that should be countered by more aggressive promotional campaigns, as the training of civil engineers is essential for the future development of the infrastructure of SA."

Thus, the Ceac has invited civil engineering professorsto provide guidance. Technikon staff will also be included.

It was hoped this would give the council first-hand knowledge of training engineers and technicians, and the problems facing teaching institutions.

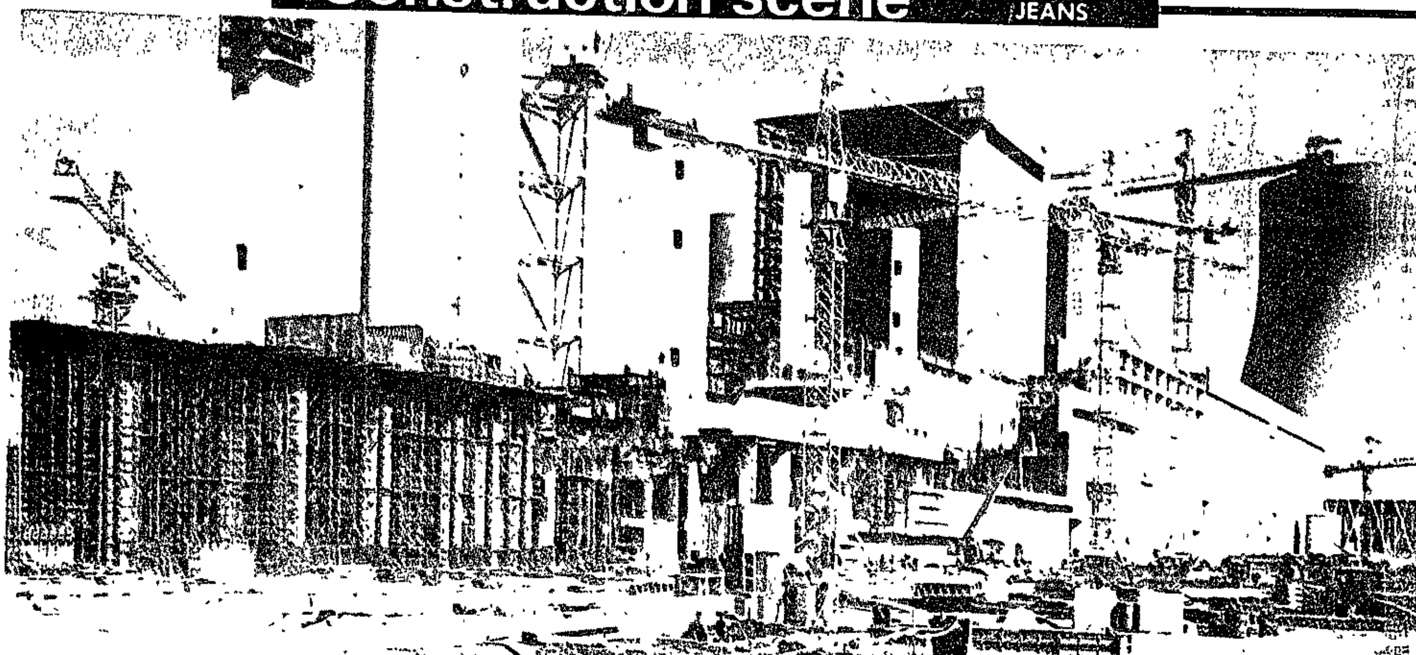
Star 9/7/87

BUSINESS

(32)

Construction scene

By FRANK JEANS



Construction group Gillis Mason is well ahead with its R80 million civil engineering contract for a new turbine hall at Escom's Kendal power station. The picture shows work on the turbine hall, auxiliary bay and concrete lift shafts (foreground) and boiler houses (background).

Construction industry ups cost effectiveness

The construction industry is an estimated 50 percent more cost effective than it was seven years ago as a result of severe belt-tightening in the face of recession, and more conservative plant replacement.

The industry is also feeling the benefits of a third factor, which contractors are recognising as being more and more essential to their wellbeing — the push for productivity.

"Top management's preparedness to accept responsibility and become visi bly involved in the change process is the first and foremost prerequisite for productivity improvement to take place," Mr Charles Lundall, of the National Productivity Institute told a recent seminar for building and construction leaders in Johannesburg.

Endorsing this view was Mr Charl van der Merwe, chairman of Gillis Mason Construction who, in defining quality as "conformance to requirements", said the reason for success or failure of a company was its top management.

"If you achieve quality, higher productivity levels must follow," he said.

"We realise that in most companies there is a hidden gold mine which, if tapped, can release vast sums to the bottom line in terms of profit."

Mr Van der Merwe estimated that the price of non-conformance, or the cost of not doing it right first time, could amount to about 20 to 30 percent of a company's turnover.

Mr Jerry Eccles, manager of NPI's construction unit, said the old management structure under which ultimate responsibility fell on white artisans and foremen on site had given way to greater involvement of skilled and semi-skilled blacks.

"There now has to be a 'doing situation' to bring these fellows into the problem-solving process," he said.

Referring to the Japanese approach to productivity and quality assurance, Mr Eccles said their concept was Emperor first, company then the family.

"Black culture is very much the same insofar that they view the company on a tribal basis and as they are part of the "tribe" they feel they have to contribute to its well-being."

Concor in Lesotho

The Concor group has moved early into the multi-million rand Lesotho Highlands water project.

In a R3,5 million joint venture with Hochtief, the company will undertake exploratory shaft and tunnel works for the main delivery tunnel.

In a six-month operation, Concor-Hochtief will sink a 135 m shaft into a hillside near Caledon in the Free State.

Concor and Hochtief are also currently at work on the Du Toit's Kloof road tunnel between Paarl and Worcester in the Cape.

Grinaker boost

In a drive for greater flexibility in building and construction, Grinaker has brought its building and projects divisions under one banner.

The companies will operate as branches of Grinaker Building Inland Division.

"We can now offer a turnkey package comprising financing, conceptual analysis, construction and project management," says Mr Roger Dawson, divisional managing director.

Moolman ahead

Moolman Brothers Construction has completed the 12,3 km Vryheid by-pass nine months ahead of schedule — a contract valued at more than R10 million.

The by-pass is just east of Vryheid and eliminates the need for heavy coal trucks to go through the town.

The new road is also significant in that Vryheid is on the Demoina Route, so-called because at the time of the hurrican destruction, the only usable road from northern Natal to the Transvaal went through the town.

LTA

10/7/87

Slow recovery

Activities: *Diversified building and engineering group.*
Control: *Anglo American Corp has a controlling interest.*
Chairman: *Z J de Beer; managing director: C J M Wood.*
Capital structure: *13,2m ords of R1; 13,2m conv cum prefs of R1. Market capitalisation: R43,6m.*
Share market: *Price: 330c. Yields: 6,7% on earnings; PE ratio, 15. 12-month high, 355c; low, 160c. Trading volume last quarter, 214 000 shares.*
Financial: *Year to March 31.*

	'86	'87
Debt:		
Short-term (Rm)	33,9	24,6
Long-term (Rm)	9,9	5,9
Debt:equity ratio	1,09	0,43

Performance:

	'86	'87
Return on capital (%)	3,6	2,8
Turnover (Rm)	1,11	1,07
Pre-int profit (Rm)	11,6	10,0
Pre-int Margin (%)	1	1
Taxed profit (Rm)	0,96	5,55
Earnings (c)	2	22
Net worth	290	319

LTA turned sharply around, despite its own earlier prediction that it would only break even. At operating level, profits were marginally down. But help emerged below the operating level, where lower finance charges and stable offshore conditions saw the group move well out of the red.

Gearing improved with the issue of 10% convertible prefs last August, raising R26m. Combined with low interest rates, this helped cut the interest bill to R2,7m (R9,3m).

The vexing problem of offshore losses, totalling some R47m over the last thee years, seems a thing of the past. LTA came a cropper particularly in Australia, after PM Bob Hawke took an unprecedented decision in 1985 to remove contracts LTA had already clinched by tender.

Recognising the inherent risks, LTA provided in recent years R47m for likely losses offshore; another R8m was transferred to non-distributable reserve, in the event of "absolutely everything going wrong." However, says chairman Zac de Beer, "our confidence (offshore) has improved to the extent that we felt able to reverse the R8m."

Back in local markets, De Beer warns shareholders to "plan for another difficult year, much like the one that has just passed." While acknowledging that some economic upswing is in progress, De Beer notes that "it is not very strong, and in any case our industry usually lags the economy."

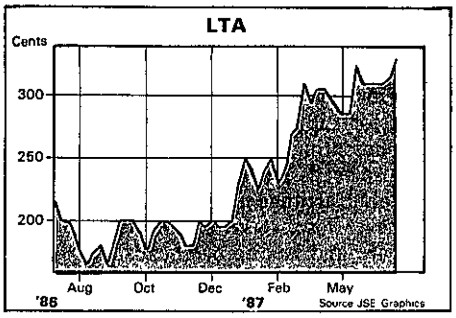
Nevertheless, recovery is implied in LTA's

LTA's De Beer ... expects another rough year

order book, R856,6m at end-March, compared with R813,6m last year. One does not know at what margins business was contracted, but these could hardly be squeezed thinner than last year, when R1,1 billion turnover produced only R10m operating profit.

LTA, of course, is notorious in building markets for taking business on margins so thin that some suspect it traded in recent years merely to keep staff and infrastructure intact. This is not altogether a bad thing, as the group will be in a strong position once markets begin to turn.

There are two main divisions: construction, which accounts for 65% of turnover, and is subdivided into earthworks, building and civil engineering; and Steeledale, ac-



counting for 25% of turnover and engaged in the supply and fixing of reinforced steel.

While earthworks is profitable, and according to De Beer has "reasonably good prospects," the building division is having a rough time, and last year earned a "very small" profit. Conditions remained poor in civil engineering, and according to MD Colin Wood "no immediate relief is in sight."

Despite depressed building conditions the building division had a generally busy year, and work on hand this year is only slightly down. Margins remain thin at Steeledale, though work on hand remains satisfactory.

In general, LTA looks well placed to ride with our slow economic recovery. Offshore, no nasty surprises seem to remain. Investors have regained some confidence, pushing the share price up sharply last year to its current 330c.

Neville Glaser

Cape Times 27/2/87 (32)

Civil engineering at a low

Own Correspondent

JOHANNESBURG. — The civil engineering industry is just about at its lowest ebb — and the Government was accused last week of being a major cause.

Chairman of the Natal region of the South African Federation of Civil Engineering Contractors 'Bean' Bornheimer said in Durban that the Government had cut back tremendously on work on offer and too much work was being carried out departmentally.

As a case in point, he said, a scheme to build a dam as part of the Mossel Bay project — a contract he said was worth R100 m — was to be carried out by the Department of Water Affairs.

A delegation was to see the authorities about the possibility of privatising this work.

"Eighty percent of the civil engineering work comes from the Government and they have cut back tremendously," said Bornheimer.

"The work volume is the lowest ever, in spite of a small upturn at the beginning of the year. The workforce is now 83 000 compared with 130 000 in 1983.

"What makes it worse is the lack of privatisation. Of the R2,5 bn's worth of work nationwide in a year, R0,7 bn is being undertaken by the Government. I feel strongly this is an area where it could do a lot to improve the state of the industry.

"The lack of planning is unbelievable. When one thinks of the money that is being spent on townships, we find that officials don't know where the money is being spent. Durban has been cut off entirely," he claimed.

Bornheimer also expressed concern about the brain drain in the civil engineering industry. Many engineers had left the country, and the intake to universities was lower in numbers and quality.

"It's a doom and gloom scene and the young chaps don't like taking civil engineering any more. When the upturn comes, we are going to have problems."

Bornheimer urged the speed-up of reform, which he said remained the underlying problem. The election swing to the right in Natal had meant that the province was underwriting what the Government was doing.

Des King, Natal regional manager commented: "The indisputable benefits that flow from privatisation are not being realised because the State persists in unfairly hogging for itself that which rightfully belongs to the private sector.

"If capitalism and the free enterprise system works and socialism and monopolies don't, why does the State propound one and employ the other?"

ARGUS 27/7/87

COMPANIES (32)

BUSINESS

Pennypinchers in R4,4-m rights issue

By TOM HOOD
Business Editor

PENNYPINCHERS, one of the new Cape listings on the Johannesburg Stock Exchange, is aiming to raise about R4,4-million from its shareholders and use the cash to open new retail outlets.

The hardware and builders' supplies group increased its outlets from 24 to 32 since its listing last November and spent R1,8-million since on buying out 50 percent stakes in Pennypinchers Retreat (Pty), Pennypinchers (Boland) and 45,5 percent of Pennypinchers Boards (Pty) held by three executives.

The cash to be raised will come from a rights issue on the basis of 20 new shares for every 100 held, the offer to close on August 21.

The shares are tightly held, with the directors estimated to be holding 90 percent.

Sanlam also holds a block of shares and has agreed to support the rights offer and increase its shareholding.

The new capital will be used to take advantage of various acquisition opportunities and fund the opening of new outlets, say the directors.

Turnover is now expected to top R65-million this year, well ahead of the forecast of R48-million, rising to more than R100-million next year.

Earnings for the current year will be materially different from those forecast in the pre-listing prospectus and the forecast has been revised to 9,5c a share — more than 60 percent up on the original 5,89c.

Net asset value is expected to be 49,71c a share at December 31, a threefold increase on the previous forecast of 15,01c.

● **Shield Trading Corp** is set to virtually double the store-opening programme forecast in its recent prospectus. Five new wholly-owned cash and carry operations, part of the group's Success chain, are now set to start trading before the end of this year.

The first Success store in the Western Cape — at Phillipi, Cape Town — is scheduled to open in August.

Shield was listed in the Retail and Wholesale sector of the JSE in early July. Its dominant business is centralised buying on behalf of independent wholesalers and retailers, but it is expanding its network of owned outlets.

Group Five fights off takeover bid

B/Day (32) 28/7/87

CHERILYN IRETON

SHAREHOLDERS in the Darling and Hodgson (D & H) and the R50m Group Five construction group have been warned to trade with caution following rumours of a takeover bid of Group Five by rival construction group, Murray and Roberts.

Murray and Roberts apparently made an offer for the shares to Malbak, which has a controlling interest through its managerial control of D & H, who in turn hold 76% of the Group Five shares.

Told of the bid last Thursday, Group Five management apparently reacted strongly against it and made it clear it wanted to make a counter bid.

Sources said it was given until Monday afternoon to do so — but were told it had to better the Murray and Roberts' offer.

At a meeting in Rivonia on Saturday, Group Five MDs from all over the country reportedly expressed unanimous opposition to the takeover. They pledged to raise R10m by Sunday evening in an attempt to avert the change in control.

Indications are that this figure was exceeded and, by yesterday afternoon, it became clear that Group Five had also managed to raise the bridging finance required for its a counter bid.

Jubilation at Group Five has been tempered by a fear that the battle for control of the group may not be over. The company employs more than 12 000 people, many of whom believe they will lose their jobs if the Murray and Roberts deal goes through.

Building industry picking up

32 SAK 28/7/87

By Sven Lünsche

The building and construction industry is moving out of the doldrums, with building tender prices rising at more than twice the rate they did last year, says the Bureau for Economic Research at Stellenbosch University (BER).

In their latest survey on the industry BER says that preliminary building tender prices for the second quarter of this year indicate a 16,2 percent increase on the same quarter last year.

This follows a very low 5,7 percent year-on-year increase for the fourth quarter of 1986 and a 8,9 percent rise in the first quarter 1987 on last year's first three months.

Says BER: "The sharp improvement in the second quarter shows that builders are receiving more invitations to tender and are confident about increasing their tendered amounts to more realistic levels."

As more questionnaires are processed the Stellenbosch academics expect the figure to come down slightly in the second quarter, but they add that an expected average rise in building tender prices of 14,5 percent over the year, should be higher than the average increase in input costs.

"At this stage it seems as if contractors are trying to make up for the small margins which had to live with during the past few years," BER says.

Some builders, however, might feel the pinch through the steady increase in labour costs.

Says BER: "Some of the major construction companies are showing healthy profits after huge losses in the previous financial year. Labour is bound to claim their share so that we anticipate a rise of more than 15 percent to be negotiated during the second half of the year."

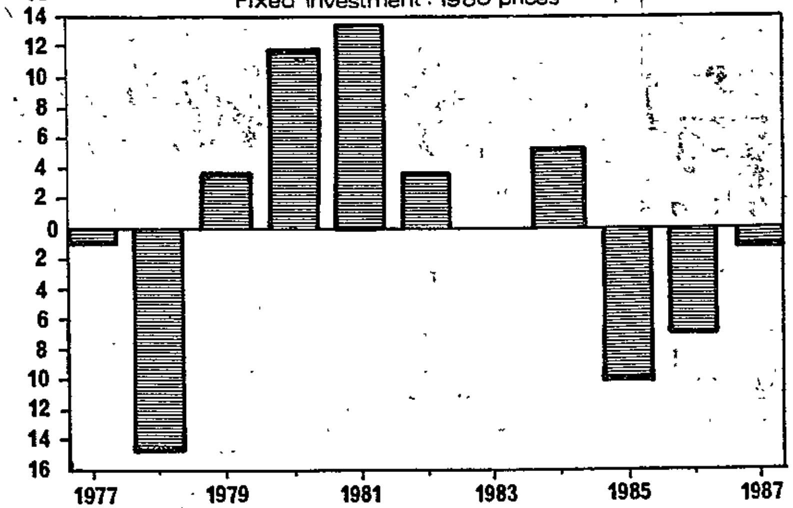
While contractors have seen an overall turnaround in their fortunes, latest Reserve Bank figures suggest that fixed investments in residential building are not yet keeping pace.

The figure for the first quarter of 1987 was slightly down on the fourth quarter of the previous year, but BER says that only a small portion of the R400 million transferred to the Housing Trust created last year, has yet been spent.

BER is therefore optimistic on the future of residential building activity and points to two other indicators to support this statement:

- The total value of building plans passed during the first four months of 1987 was 19,1 percent higher than for the corresponding period of 1986.
- The average price of houses throughout South Africa increased by 14 percent in February 1987.
- Increasing attention is given to the funding of houses for the black community, with a higher proportion of blacks now in the position to afford the mortgage bond repayments.

Total Buildings
Fixed investment: 1980 prices



On prospects in the construction industry, the Bureau says that the first indication about fixed investment in this sector in 1987 suggest a reversal in the declining trend that has been persistent since 1980.

"The private sector continues to invest about 80 percent of its funds in construction works on the mines, while the public authorities have increased the funing of roads in particular."

"Infrastructural developments have been neglected during the past few years, but the authorities seem to be committed to rectifying the matter," BER concludes.

(32) BDay 29/7/87

CIVIL ENGINEERING IN CRISIS OVER WORK

MICK COLLINS

THE closure of one of SA's oldest piling companies, McLaren and Eger, has led civil engineering leaders to call on government to create more work to alleviate the crisis in the industry.

SA Federation of Civil Engineering Contractors president Ron McClennan said the sector had shrunk from 130 000 employees in 1982 to the present level of 85 000.

He said the reported uplift in the building sector had not filtered through to civils, and the industry was in a dire situation.

"Instead of doing civil engineering work inhouse, government must put its work out. We thought there were signs that the economy was improving but it did not happen for us.

"The industry is suffering from over-capacity and a serious shortage of work."

Commenting on the demise of McLaren and Eger, he said: "The closure is just a sign of the distress that is facing us. The decline in piling work has been more drastic than civil engineering overall."

A spokesman for holding company Group Five, confirmed the 55-year-old concern had stopped work, but said as many as possible of the staff would be placed with other contractors within the huge engineering group.

While most of the company's operations were concentrated in the Transvaal, the firm has been prominent in Natal with its recent work on the beach redevelopment.

Group Five given time

MICK COLLINS and CHERILYN IRETON

BDay 29/7/87 (32)

GROUP Five management was yesterday given two weeks to formulate a formal offer for control of its R50m construction interests.

This follows a takeover bid late last week by competitor Murray and Roberts (M & R).

In an attempt to avert a takeover, management yesterday lodged a counter offer — believed to be in excess of R50m — with controlling shareholder Malbak. Malbak has control of Group Five through Darling and Hodgson (D & H), which holds 76% of the equity.

After a lengthy board meeting yesterday, D & H chairman Hugh Brown confirmed there had been two offers. He said: "The offer from management is significantly higher. We have now given them two weeks to formulate that offer. We are giving management a chance, after all they know the company."

Denying the M & R bid was hostile, Brown said Group Five did not fit into the long-term plans of D & H, hence the interest in the M & R offer.

However, suggestions that 9 000 people would lose their jobs if M & R got control were last night strongly rejected.

M & R Construction Group CE Geoff Knudsen said: "Nothing is further from the truth. Jobs are not on the line. M & R has a sound track record with acquisitions, and that would be the last thing we would want to do."

Knudsen also disputed suggestions the acquisition was a move by M & R to wipe out its competition. He said: "Our culture and background is in the construction sector. It is natural we would look in that area for acquisitions.

"Our bid is certainly not hostile, but I'm not so sure we would want to take over Group Five if it didn't want us."

Group 5 slipped into the red in 1985 but is now said to be in a strong position with initial profit estimates for the year ranging between R8m-R9m.

Company heads for JSE

Cape Times 30/7/87

Building upturn boosts Mewa

32

BY JANE ARBOUS

THE upturn in the construction industry is providing a strong boost for Cape Town-based Mewa — the country's No 2 manufacturer of stainless steel products — heading for a listing on the main boards of the JSE in September.

Chairman and joint MD Eli Rabie said yesterday the increase in construction activity, which started in the second half of last year, had been rapid and although levelling off now, it was still on an upward curve.

Rabie cited schemes such as the Blue Downs coloured housing project coupled with the government's recently announced expenditure programme on black housing. The construction of black schools was also a major growth area.

The "boom" would continue, he said.

So much so that Mewa is expanding its product range and is already manufacturing items previously imported.

"We are also introducing new production processes and steel alloys that will result in cost-effective use of raw materials and factory resources.

"Production is already at full capacity and part of the reason for seeking a listing is to raise the working capital to increase capacity through the installation of additional equipment.

"Such fundings would also be used for selected acquisitions in fields complementary to our business."

The first move after the listing, on September 15, after a private placing to raise R2,5 m between August 6 and 27, is likely to be the acquisition of a distribution network.

Eli (left) and Ernest Rabie, the joint MDs of Mewa Holdings, which is heading for a main board listing.

Another element of the listing is a share-benefit scheme, which, unlike many companies, is being extended to all levels of staff. The only qualification is that the employee must have at least three years service, but out of a complement of 290, 70% qualify for the substantial share offer. The shares will be given free, but employees have to pay part of it back at issue price within a specified number of years.

Mewa, which is more than 60 years old and one of the first in the industry to be awarded the SABS quality mark for its products, was bought by the Rabie family in 1963 after they founded Western Steel 40 years ago.

It sources its raw material from both local and foreign rolling mills, and sells to a wide range of sanitaryware and builders' merchants and State departments.

Turnover for the year to February 28 this year was just over R9 m, yielding an after-tax profit of R1,12 m.

GROUP FIVE (32) FM 3/7/87

Contested bid

Group Five management could be set to succeed in its buyout, though the deal is not yet finalised. Management of Group Five opposed the bid by Murray and Roberts (M & R), though Darling and Hodgson (D & H) chairman Hugh Brown says the M & R bid was not itself hostile. Malbak subsidiary D & H, which owns 76,5% of Group Five and was considering the M & R offer, gave management from Friday to Tuesday to counter-bid.

They succeeded in obtaining the finance, according to Group Five CE Peter Clogg. From management down to the lowest level of employee, all brought their savings to help with the finance. Bank finance was also obtained and the package put together.

Brown says that the board, which met on Tuesday, felt an obligation to Group Five management and the management offer was "meaningfully higher" but "not in the form we want." Management has been given two weeks to finalise it, though what remains to be done is not clear.

Group Five seems quite a plum, being virtually ungeared and with R25m cash. In addition, Clogg apparently expects 1986's losses of R11,4m to be turned into a profit of around R8m this year. He also points to a good order book, including the Majuba power station and a large building in central Johannesburg.

Whether M & R will try another bid if it does not want to have to cope with a hostile management and staff is problematic.

Also unknown at present is the value of the two bids. Cash holdings amount to R1,87 per Group Five share, and earnings should reach at least 60c. On the current price of 410c, this means the share is on a p:e of 6,8, which seems cheap.

Pat Kenney

Stevenson wins big PE post office job

MICK COLLINS

GROUP Five building company Stevenson Construction has been awarded a R35,7m contract to build the new executive Post Office and regional headquarters building in Port Elizabeth.

Another Group Five building company, Group Five Building (East Cape), has already completed the first phase for R5,5m.

The second phase will consist of the completion of the lower basement, upper basement and lower ground floors, as well as a four-storey podium and a 13-storey tower block.

The contract period is 36 months and a start will be made on the project within the next six weeks, said Group Five Building deputy chairman Bob Stevenson.

● Group Five top management is still trying to stave off an attempted takeover of the company.

Last week the management team was given two weeks to formulate an offer for control of its R50m interests and to lodge it with controlling shareholder Malbak.

The move followed an earlier attempt by rival construction giant Murray & Roberts (M & R) to gain control of the company.

Management reacted by lodging a bid which was said to be substantially higher (R56m) than that offered by M & R.

37

BDay 6/8/87

D & H sells Group Five

B/Day 7/8/87 (32) (332)

MICK COLLINS

A TOP management Group Five consortium has fought off a rival bid and taken control of the company from Darling & Hodgson Industrial Holdings (D & H) at a cost of R39,4m.

Headed by Group Five CE Peter Clogg, the consortium has spent the past 10 days putting together the finance for the acquisition.

The announcement follows an earlier bid by construction rival Murray & Roberts, whose offer was said to be significantly lower.

Clogg, who said he was delighted to have succeeded, added the consortium was overwhelmed by the support it received. This enabled it to finalise the deal earlier than planned.

"We have spent many hours over the past week working on the finances and now want to settle down and get on with running this business.

"We believe Group Five has a great future and want to prove it to the people who have supported us."

The offer is for 76,5% of Group Five's issued share capital (equivalent to 10 238 970 shares) and, at the purchase price of 385c a share, puts the total price of R39,4m on the deal.

In addition, D & H will receive the Group Five interim dividend of 10c a share, making the offer an attractive 395c a share.

Making the announcement, Corbank said it was acting as principal for the consortium which would ultimately hold 50,07% of Group Five.

Corbank has placed the balance of the shares with investors. It has undertaken to make a similar offer to Group Five minority shareholders and documentation will be posted to shareholders as soon as possible.

The effect of the sale on D & H's net asset value, after taking account of the recent rights issue, is to boost its historic net asset value by 22c, from 237c to 259c.

From an earnings perspective and on the basis that the proceeds of D & H's rights issue had been received on January 1, 1987, and that the sale of Group Five took place on the same date, D & H's earnings decline from the forecast 30c a share made in the recent rights circular to 28c a share.

This calculation is based on 60 616 343 shares.

M & R profit rises, turnover dips

MURRAY & ROBERTS has announced a R58,6m profits turnaround despite a decline in real turnover.

An unaudited profit statement shows the company achieved R44,1m in attributable earnings in the year to June 30, against a R14,5m loss the previous year. From losses of 55c a share, M & R has recorded earnings of 166c.

It has announced a final dividend of 42c after 7c at the interim stage. Last year it paid a 10c interim and passed the final.

CE David Brink last night attributed the turnaround to restructuring and rationalisation within the group, which receives about half its earnings from construction and half from industrial activities.

Turnover was "roughly the same" as the previous year's R2,5bn, representing a decline in real terms.

Brink was confident the group would continue its earnings and dividend improvement in the current financial year.

CMGM wins big contracts

Day 27/8/87

MICK COLLINS

GROUP FIVE company CMGM (Natal) has secured more than R40m in new contracts at the Majuba power station near Amersfoort.

Escom has signed a formal agreement with the company for the R34m main civils contract for phase one of the power station project.

The company has also clinched a R6,5m contract from one of Escom's main contractors, GEA, for the concrete platforms associated with the dry cooling towers.

The company recently completed work on the main civils contract at Tutuka power station near Standerton.

The contract for phase one at Majuba is for three units. When completed, the station will have a capacity of six units.

GOLDSTEIN/GROUP 5 (32)

14/8/87

Golden Group FM

Group 5 management has succeeded in its MBO. The company is now controlled jointly by management and S M Goldstein, with 25% each. Many employees have also bought shares.

There will be no impact on Goldstein's EPS, as debt raised for the acquisition will use any dividends from Group 5. A rights issue to finance the purchase is possible.

But the deal must make Goldstein more interesting. Chairman Stan Goldstein says the two may combine on major projects such as Mossel Bay and the Lesotho Highlands. In addition there will be a joint thrust overseas, anticipating local recession after the present improvement in the construction industry has run its course.

It might seem that joint control could create problems, but Goldstein says there is no joint management. As chairman he can only influence policy and suggest lines of approach. Goldstein feels control is now clearer, with Peter Clogg as MD. He does not expect any changes in personnel.

There could be some re-organisation, though. Gough Cooper could be made a subsidiary of Group 5. After its listing via K & L Timbers, Goldstein will own 70% of Gough Cooper, which Stan Goldstein expects to earn at least R3m after tax next year.

"It was an albatross for many years, but the market has turned and home building is booming," he says.

Goldstein is looking strong already. Stan Goldstein forecasts 1988 EPS of 50c, a forward earnings yield of 12,5%. Brokers suggest the price has a long way to go.

Pat Kenney

M & R (32)

Leaner, meaner

After an appalling experience in 1986, M & R has bounced back with an effective R58,6m profit turnaround in the year to end-June 1987. The extent of its recovery goes way beyond the prevailing modest improvement in building markets, and is thanks largely to remedial action taken last year, when the group geared itself for a "no-growth environment."

M & R eliminated three operating divisions, leaving four divisions in industrial, construction and related industries. Having paid a price for its expansion some years ago, these are the markets which M & R feels comfortable with. Last year it divested from Foods (which was listed), and sold 1,2m Cadbury Schwepps) and part of Crown foods (which was listed), and sold 1,2m shares in Anchusa. The divestments added R16m non-operating profits (R1,8m loss) to last year's operating profit of R37,3m (R7,6m loss). The group has rationalised its construction and engineering division.

While M & R has a clearer focus — and gearing remains low — it is left with a highly cyclical trading mix, and is heavily reliant on fixed investment. It was to escape from the fixed investment cycle that M & R diversified into food and other markets. Having seen the dangers of straying too far from its core business, M & R is now looking to expand into such compatible areas as industrial consumables.

FINANCIAL MAIL AUGUST 14 1987

(32) FM 14/8/87

It was, perhaps, concern about exposure to recession-sensitive markets that tempted M & R to launch its raid on Group Five recently. Had the bid for control come off, M & R could have added Group Five's roads division to its earnings profile, which would certainly have reduced cyclical risk. The merger would have enabled large rationalisation of resources, almost certainly precipitating the trimming of Group Five's construction work force. In both its operating and investment dealings, M & R plays hardball.

Group Five is, of course, eminently raidable. It has large cash resources which could, in theory, be used to pay for part of the cost of acquiring it. Group Five is also said to have a strong order book, which would have helped boost M & R's own construction book.

Outstanding orders, says an M & R spokesman, "are a similar size to last year, which is down in real terms." But the spokesman stresses the quality of the orders, struck at substantially improved margins. This, he says, is the result of a conscious effort to improve margins.

This quality of business, combined with M & R's leaner overhead structure, enables CE David Brink to predict further good growth this year. At 1 475c, the share trades on an historic p:e of 8,9 times, based on total (including non-operational) earnings; and 14 times when calculated on operating profits only. This high rating anticipates further strong recovery in M & R. *Neville Glaser*

M & R'S RECOVERY

Year to June 30	1986	1987
Pre-tax profit (Rm)	(9,4)	53,3
Attributate profit (Rm)	(14,5)	44,1
Earnings (c)	(55)	166
Dividends (c)	10	42

14/8/87 B/Day

Group Five builds solid interim profit

MICK COLLINS

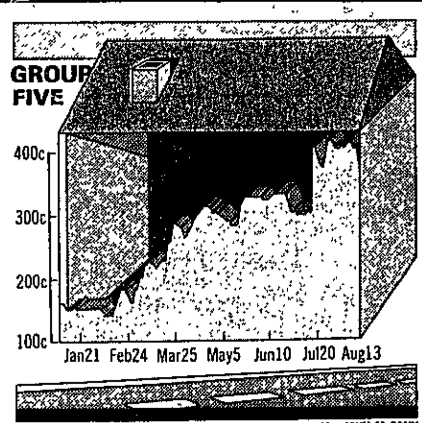
AFTER successfully fighting off a hostile bid by rival construction giant M & R, Group Five's interim results give lie to reports that the company was in serious trouble.

With after-tax profits of R5,4m, the group is to pay an interim dividend of 10c a share and expects further dividends at the same or better levels than those paid in the past.

Financial director Theunis Kotzee says the company has come through the traumatic 1985/86 period in a healthy and strong state.

"After the buyout from the D & H/Malbak group, the organisation is keen to satisfy all new shareholders that made the buyout possible and those that stuck with us.

"Corporate Merchant Bank must get



Source. JSE Graphic: JOHN McCANN

full marks for its key role in the management buyout. Our association with the Goldstein group will not affect our current operations but opens up exciting opportunities for large projects."

All non-construction activities within the group have now been closed or sold with no further losses incurred.

CE Peter Clogg says the disposal of excess properties has progressed well and has resulted in a profit of R2m for

● To Page 2

B/Day 14/8/87

Group Five produces good interim results

● From Page 1

B/Day

the six-month period.

"This disposal will still take some time to complete as care is being taken to get the best prices in an improving market.

"Realising surplus assets and continuing good management have resulted in a cash balance at the end of June of R21,7m."

The roads division has continued its excellent performance, he says.

"Formal negotiations by the toll road consortium for a concession to toll sections of the road from Johannesburg to Kroonstad and from Heidelberg to Hilton have reached an advanced stage."

Dealing with the building division, Clegg say the sector produced a small profit and has a good order book.

"The board is confident that the operational results for the six months ended June 30 will be maintained or improved on during the remainder of the financial year."

Cape Times 15/8/87 (32)

M & R rebounds after 'startling' losses

Murray & Roberts was losing money when CE Dave Brink took over last year. In a frank interview he told AUDREY D'ANGELO this week how the conglomerate was saved from "gurgling down the sink".

THE business world was startled when Murray & Roberts (M & R), which had apparently been weathering the recession, ended the year to June 1986 with an operating loss of R7,61 million and an earnings loss of R14,5 million.

Dave Brink, appointed CE a month later, started at once on a programme of streamlining and re-organization.

Last week M & R was very definitely back in the black, with attributable earnings of R44,1m, and the directors forecast continued growth in earnings.

But the number of people employed by the group had fallen from 70 000 to 42 000.

Not all had lost their jobs. Some worked for companies sold off by the group and some, Brink explained, were construction workers who left normally when contracts had baen completed.


Dave Brink

But 2 000 were retrenched. Explaining that this was unavoidable to save the group, Brink said he felt sorry about it. "But you have to think of the people who are staying behind. You cannot ruin a whole operation to be kind to one person."

He said M & R had been over-extended in the boom years and was hit hard by the steep fall in gross domestic fixed investment. Although turnover had apparently risen to R2,5 billion compared with R2 billion in 1982, inflation meant it had fallen steeply in real terms to such an extent that "it is a wonder we didn't gurgle down the sink".

In these circumstances, M & R had met the challenge of "prospering in no-growth conditions" and he was satisfied it would continue to do so, even though he thought South Africa would be lucky to achieve a growth rate of 2% this year from a low base.

"I am very encouraged about the future," he said. "The construction industry is lifting."

One M & R subsidiary has a long order book for power stations and another is enjoying boom conditions in shaft sinking and tunnelling for mines.

Other subsidiaries are heavily involved in black housing and in educational buildings and infrastructure. And there will be work for the group at Mossel Bay.

CAPE TIMES 5/8/87

Civil engineering upturn grinds to halt

JOHANNESBURG. — The recovery in the civil engineering construction industry came to a halt in the April-June quarter, with a growing percentage of companies viewing overall business as poor, says the SA Federation of Civil Engineering Contractors (Safcec) after its latest opinion survey among members on industry business conditions.

Safcec executive director K Lagaay said in a statement yesterday that the federation's monthly reviews of tender activity and contract awards in the industry had shown that after somewhat better conditions in the second half of 1986 and the first quarter of 1987, "There was unfortunately a reversal of this trend in the second quarter of this year."

This setback, he added, was also reflected in the latest opinion survey. Preliminary results of the poll conducted during July pointed to a weakening since the April survey of contractors' overall assessment of current conditions, taking into account present levels of activity, work on hand, outlook for new work, competition and prices.

The net percentage viewing overall business as poor increased from 21% in April to 28% last month.

Furthermore, while in April a net 17% had experienced an improvement in conditions over the previous three months, a net 3% now reported a deterioration in conditions over the last three months — a turnaround of 20%.

Lagaay said a regional analysis of returns for the April survey — 125 returns covering companies with a total labour force of 53 000 employees, or more than 60% of the whole industry — indicated contractors in the Cape and in Transvaal and the Free State held very similar views, both on conditions prevailing at that time and on the improvement over the preceding three months.

However, contractors in Natal, as in previous surveys, continued to take a far dimmer view of the situation than those in the other provinces.

The vast majority of the industry in Natal assessed conditions to be poor, while a significant net percentage also felt conditions between January and April had deteriorated.

On the employment position, Lagaay said the industry's labour force had shrunk from about 89 000 in February 1986 to some 81 000 by the end of the year. Employment improved by about 2% to February this year, and a further 1% between February and May, restoring the labour force to around 84 000.

● The SA Institution of Civil Engineers' Award for the most outstanding civil engineering achievement for 1986 was made at the annual banquet of the institution in Johannesburg last night, for the construction of the city's Uncle Charlie's complex.

The R56m complex system of interchanges and intersections was constructed under three separate contracts.

The central contract, worth R25m, was undertaken by LTA Earthworks North (Pty) Ltd, for a contract period of 30 months. Basil Read completed the R21,3m northern contract within 27 months, with Stocks Roads (Pty) Ltd completing the southern contract, valued at R9,5m, in 18 months.

Resurgence was short-lived

32

Civil engineering back in doldrums

MICK COLLINS

THE resurgence experienced by the civil engineering sector in the first quarter of 1987 came to a halt in the second quarter, a survey among contractors has found.

The findings are reinforced by the SA Federation of Civil Engineering Contractors (Safcec) monthly review of tender activity and contract awards.

Safcec executive director Kees Lagaay says the second-quarter setback is reflected in the results of the latest opinion poll among its members.

"Preliminary results of the poll conducted during July point to a weakening since the April survey of contractors' overall assessment of conditions — levels of activity, work on hand, outlook for new work and prices.

"The net percentage of respondents viewing overall business as poor increased from 21% during April to 28% last month. Furthermore, while in April a net 17% had experienced an improvement over the preceeding three months, a net 3% now reported a deterioration in conditions during the last three months."

Larger contractors said overall conditions in April were still somewhat worse than seen by the smaller contractors.

Lagaay says Natal contractors continue to take a far dimmer view of the situation than those in other provinces, with the vast majority assessing conditions to be poor.

"A further significant net percentage was of the opinion that conditions between January and April had deteriorated."

Employment levels in the sector also dropped from 89 000 in February 1986 to 81 000 at the end of that year.

However, employment showed a 2% improvement to February 1987, and another 1% between February and May, restoring the labour force to about 84 000.

"The next employment survey will be taken later this month and will establish whether current order books and the flow of new work are sufficient to sustain the industry at the May level or allow a further slight expansion," Lagaay says.

Sandton builders get big contracts

Star 2/7/8 (32)

By Frank Jeans

A Sandton-based construction company, Group Five, has won the R32-million contract for insurance giant Old Mutual's 19-storey super block at the corner of Harrison and Pritchard streets in central Johannesburg.

The office block which will rise from the old BP Centre property is scheduled for completion in about two years.

Group Five has also scored another big one on the construction scene — the much sought-after first phase of a civil engineering contract at Escom's capital-intensive Majuba power station.

32

Executive lifestyle

Group Five folk reap reward for tough fightback

FRANK JEANS

Autonomy, particularly when you have to fight for it, is good for a business.

So say the folk of Group Five who recently rallied round management to beat off a takeover bid by construction giant, Murray & Roberts, and gain control after an hour-by-hour battle to raise millions and finally outbid M&R for Darling & Hodgson's 76 percent shareholding.

Putting it all together within a four-week deadline might well be a record in management buyouts for it called on the Group Five faithful to generate nearly R13 million for their stake of 3 350 000 shares, with another strongman of the construction scene, Stan Goldstein of Wynberg's SM Goldstein, coming in with the same to secure joint control.

Just how emotional the matter had become, can be seen from the fact that there was plenty of outside support from clients, with one professional associate contributing R50 000 "to help Group Five from being swallowed up".

Doubtless, there will be any amount of sweat equity in the Group Five ranks now, although it is already apparent that despite the takeover tension and uncertainty, there has been no loss of corporate image.

The response from the marketplace is evident from the award of the plum central Johannesburg contract to build Old Mutual's R32 million office tower on the old BP Centre site — the go-ahead for which, it is understood, the insurance group had delayed until the outcome of the takeover struggle was clear.

Combrink's job it was and Combrink's job it is, with the Group Five building associate now at work.

Ed Wilson, head of Group Five's countrywide building operation, is well pleased with orders totalling R85 million, including the Old Mutual development, won this month alone, and more big jobs with a combined value of R35 million virtually certain before the end of the year.

Group Five Building's Ed Wilson . . . all clear and going for new business.

While it all adds up to a boom for Group Five, the surge of new work for the company might well signal an upturn generally in the building and construction industries.

Nevertheless, Ed Wilson has no intention of "sitting about waiting for the tenders to come in".

With a spread of six building divisions throughout South Africa under his direction and company morale now at a new high, he intends to steer Group Five Building into its own developments in the housing and commercial sectors.

"I believe the tender market will remain tight in the near future, while at the same time our new set-up has unquestionably improved our status in the market," he says.

"We aim to capitalise on this situation."

He makes the point that no matter how successful an operation has been in the past, there must still be a better way to do it.

"Nothing should be regarded as sacrosanct merely because it has always been done a certain way in the past," says Ed.

Certainly, his philosophy is working down Port Elizabeth way, where Group Five Building is involved in a 330-unit housing development for blacks at KwaMagxaki.

BUSINESS Argus 3/9/87

(32)

ECONOMY

R40-million boost for city building industry

By DEREK TOMMEY
Finance Editor

SIGNS are growing that the depressed building industry could be heading for better times.

In the first six months of this year plans for buildings worth R2 056-million were approved by by authorities in the 22 principal municipalities and surrounding areas.

This was an increase of R462,6-million — or 29 percent — on last year's corresponding figure.

As this increase is well above the inflation rate it indicates that the industry should at last show real growth.

The biggest upsurge in building activity appears to be centred on the Free State gold fields. The value of buildings planned for this area in the first half of this year is R48,1-million which is 84 percent above last year's figure.

Bloemfontein also seems destined for a building boom. Plans for buildings worth R94,5-million for the city and surrounding areas were approved in the first half of this year — an increase of R54-million or 137 percent on the year ago figure.

Other areas where the building trade should do appreciably better in the coming months are Durban, where the value of buildings planned is up 42 percent to R214,9-million, the Vaal Triangle where the increase is 44,5 percent to R73,7-million and, most encouragingly, Port Elizabeth. Here plans for new buildings worth R51,6-million were approved in the first half of this year — 39,5 percent increase in a year ago.

However, business conditions appear to be still depressed in East London where the value of new buildings planned dropped 20 percent to R16,7-million.

In Cape Town and the surrounding areas, plans for buildings worth R298,6-million were approved in the January-June period.

This is an increase of almost R40-million on the year ago figure. But on a percentage basis it amounts to oonly 15 percent, which is much in line with the inflation rate.

Pretoria seems to be in the same boat. It is also showing only a 15 percent increase to R262,2-million in the value of new buildings planned.

However, builders on the Witwatersrand should soon be much busier. The value of buildings planned for that area is R930,2-million, which is R193-million or 26,2 percent higher than last year's figure.

Although the improvement in new buildings planned is patchy, the figures do suggest that there has been a revival in confidence in the gold producing areas, which should spread in time to other areas of the country.

Meanwhile, the United Building Society reports that house prices continued to rise in the second quarter of 1987.

The price of a medium-sized house is now about R77 000, which is an increase of about 8 percent on a year ago.

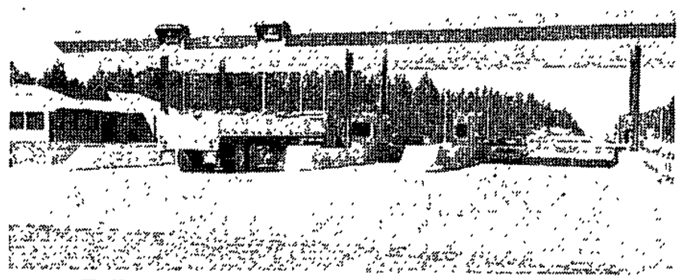
CONSTRUCTION

Tolling the roads

(32)

Civil engineering contractors with idle hands and lean order books are looking at the prospect of building toll roads on spec.

And, if discussions between consortia of contractors and Transport Minister Eli Louw reach fruition, privatisation in SA could take a quantum leap forward.



Toll roads ... a new era for privatisation

While State-owned and operated toll roads are no longer new in SA, the notion of privatised roads built and operated for profit certainly is. In terms of the concept being proposed, agreement with government would see the initiation of new toll roads by the private sector for its own account.

Most advanced in their planning is the Tolcon consortium, which consists of Murray & Roberts (M & R), Grinaker, Group Five, consulting engineers Keeve Steyn and financiers.

The companies began looking at the prospect of joining forces in road building operations as long ago as September 1984 and the Tolcon consortium was formalised in mid-1985. However, it was only last month that Ronnie McLennan, formerly a divisional director of M & R, was appointed as chief executive of the new company.

The other consortium consists, on the contracting side, of LTA, Basil Read and Concor. LTA Construction & Engineering joint MD Ian Robinson says the consortium hopes to reach agreement soon on the construction of a toll road from Springs to Krugersdorp.

The two roads which Tolcon is looking at are the N3 between Alberton and Hilton Road and a road from near Uncle Charlies to Kroonstad via Koppies. The N3 would incorporate sections of the existing road but there would be a completely new section from Warden over De Beers pass (north-east of Van Reenen) to a point near Ladysmith.

Total distance of the N3 section to be tolled will be 438 km while the road to Kroonstad will be 169 km. The aim is to complete the road via Koppies by next year and the new sections of the N3 by 1993. Total cost of these ventures will be around R900m in 1987 money terms.

McLennan says the initiative for the projects came from the private sector. Close links between the public and private sectors in this sort of enterprise are a prerequisite and government will have three directors on the Tolcon board. "Government will be responsible for any expropriations in terms of existing legislation and will indicate the broad routing. But their powers are limited as we will be putting up all the necessary finance. We will maintain and operate the roads and are in this business to make a profit," he assures.

The concept of these privately sponsored toll roads arose out of a need to create additional work for civil engineering contractors and to maintain high employment levels in the industry (*Business* August 21).

An interesting side-effect is that if the State is relieved of the responsibility of constructing new inter-city national roads, the fuel levy could be applied more to the construction and maintenance of urban and peri-urban roads. This is in keeping with the Margo Commission's thinking that the toll paid on inter-city routes should be treated as a user tax.

McLennan says as far as he is aware, the only other private toll roads are in France, one in Spain, while in Italy some of the *autostrada* are joint ventures between State and the private sector.

There is a downside, however. National road building, according to Transport Minister Louw, costs anything from R1,1m/km to R6m/km for a two-lane highway — depending on the type of terrain traversed.

Contractors have clearly not yet done all the sums, but it is fairly obvious that to recoup costs — not to mention make a profit — on a 400 km toll road at those prices, users would have to dig deep in their pockets. ■

ARGUS 9/9/87 (32)

Welcome home

TODAY'S WOMAN

TRISH HANDLEY

WHEN the first residents move in to the Forest Village suburb at the massive Blue Downs housing project near D F Malan airport, Hazel Gohl will be there to welcome them.

And she's very excited about her new appointment.

AS PRO for a construction company, Hazel is to help new residents of Forest Village by providing a service — be it advice on placing a stove or arranging courses on gardening — that extends beyond handing over keys of new homes.

She intends to cut a lot of red tape along the way to meeting residents' cultural and community needs, like establishing creches and churches. And her aim is to "knit the community".

The Blue Downs development east of the airport is a private-ownership "coloured" housing scheme, being developed by various companies.

Forest Village, of about 1 000 houses, will be one of the first schemes to get off the ground. It's a "nice" village, in Hazel's words, in a wooded area.

Homes will be one to three-bedroomed. Show houses will be ready by the end of October, and selling begins in a week or two.

Her past experience includes being PRO (Housing) for the Cape Town City Council when the sprawling Mitchell's Plain was a fledgling on the Cape Flats.

But she quickly points out a difference: "There won't be any rented housing at Forest Village. It's all privately, not council, owned."

The average price of the houses at Forest Village is expected to be between R35 000 and R45 000.

And hers will *not* be welfare work, Hazel insists: "It's a very positive PRO excercise."

For ten years she helped build Mitchells Plain into a community. A regular newsletter with a circulation of 38 000 kept touch with the residents, she organised talks and garden competitions — "anything to help people learn to cope with being home owners". And to manage on their budgets.

There was a great need for cultural development in Mitchell's Plain. Hazel even established a horticultural society. "And it's still going now."

Being privately developed homes, there will be no authority such as a municipality for home-owners at Forest Village to approach, says Hazel. (The area falls under a divisional council.) This is where Hazel hopes to help cut red tape.

Advice

Already she has made calls to churches and Grassroots Education Trust, preparing the groundwork for establishing a creche.

She wants to welcome each new resident, and if necessary help advise what school their children should go to, or where to pay electricity accounts.

She hasd also worked on house renovation and kitchen design — and is ready to advise in this area too.

She is involved in designing the show house — ensuring it's furnished with fittings prospective home-owners can afford. "No gimicky things either."

Hazel wants residents who move in to have social contact with one another, to establish a "sort of neighbourly feeling".

Hazel Gohl, PRO, aims to help "knit" new residents of Forest Downs at the massive Blue Downs housing project.

(32)

Builder Disa set for JSE

By Udo Rypstra

DISA Development Corporation, a Cape-based residential project management group, will seek a main board listing on the Johannesburg Stock Exchange next month.

It will make a public offer of 2,4-million shares and place 3,6-million privately.

The R5,1-million it hopes to raise will fund expansion and cover the cost of acquiring the trademark, assets and business of Disa Homes CC.

Recession

The offer will open on September 17 and close on October 8.

Disa Homes was established in 1981 by chief executive Theo Stergianos. In spite of inflation and recession, it has achieved impressive growth. Its taxed profit was R851 000 on a turnover of about R10-million in its latest year.

Disa aims to meet the middle-income group's growing demand for financial and project management support in acquiring houses. This is said to be the speciality of Mr Stergianos who has more than 17 years' experience in the development of residential townships on traditional capital-intensive methods and skills in financing, design and project management.

He conceived an operation which could finance itself without incurring long-term interest-bearing debt, allowing Disa to provide high-quality housing at affordable prices.

The group has access to more than 1 000 developed stands and undertakes projects only on behalf of committed buyers with secured finance.

Bulk

Mr Stergianos is assisted by two young executives, Danie Buys and Jannie Visser.

All construction work is sub-contracted and Disa has no investments in costly equipment and no large labour force to manage. Bulk buying of building materials effects savings.

Its houses cost between R25 000 and R65 000 — excluding land.

Theo Stergianos ... 17 years in the business

Bid to improve road transport quality still causes 'concern'

32 WPost 19/9/87

By RALPH JARVIS
Motoring Editor

THE new road freight quality system, proposed in the White Paper on national transport policy, does not set sufficient standards to encourage fit, competent drivers who operate safely.

This is the view of Mr Johan Bothma, chairman of the SA Association of Road Transport Consultants, who was speaking at the Castrol Trucking Deregulation Conference, 1987, in Port Elizabeth this week.

Mr Bothma said quality control, as spelt out in the Road Traffic Bill, was not enough to ensure "an environment in which the transport market could be deregulated to allow free competition on an equal basis, to protect the public safety and to enhance operator quality".

Mr Bothma said the stated policy of the Road Freight Quality System was that public safety should be protected.

The implementation of the White Paper proposals would probably lead to an improvement in safety standards because the testing requirements were stricter than the existing standards.

But, he said, "the enforcement programme gives rise to concern".

"The discretionary powers of the law enforcement officers and the Administrator are far too wide.

"To protect his livelihood the operator will have to take steps to ensure that no penalties are automatically recorded against him because this could lead to the cancellation of his vehicle licence for offences like oil leaks, defective lights and even parking offences.

"The offences to be considered in terms of the demerit system will have to be spelt out clearly, otherwise it will mean that every operator will have to defend every alleged contravention of the standards to protect his interests.

"This could result in escalating costs."

Mr Bothma said operators had to prepare themselves for stricter quality control.

"The authorities have provided operators with clear indications of the future control measures and it is now up to the industry itself to determine which aspects are to be implemented with as little disruption to their daily operations as possible.

"The end of the negotiating process is in sight and unless the industry makes use of this opportunity to play an active part in determining its own future, it will have to survive on an environment created for it by others."

At the same session Mr André Jacobs, chief executive of the National Association of Private Transport Operators, told the conference that a clear schedule for the implementation of the recommendations was urgently needed.

● ● Road traffic information available in the Central Vehicle and Ownership Register and the Central Drivers' Licence Register is at present being distributed on microfiche to all law enforcement agencies.

This was disclosed at the conference by Mr Theuns Botha, manager of the Transport Information Bureau at the Council for Scientific and Industrial Research.

Mr Botha told delegates that the Central Road Traffic Bureau (CRTB) would operate at least four main registers: a Central Vehicle and Ownership Register (CVOR — already in operation), a Central Drivers' Licence Register (CDLR — also in operation), a Central Traffic Offences Register (CTOR) and a Central Accident Involvement Register (CAIR).

Warning on need for tight control

Motoring Editor

THE announcement by Transport Affairs Minister Eli Louw of the extension of existing permit-free areas to a radius of 300km around designated major centres throughout the country has been generally welcomed.

It is not all that the deregulation lobby has requested, but it is an important first step.

That seems to be the view of many in the private transport industry.

But in a week which saw the question of the new national transport policy debated at the deregulation conference, a warning note was sounded by Mr Phil Erasmus, chief executive officer of Transport Technical Industries (TTI) and a vice-president of the Public Carriers' Association.

"Deregulation without proper quality control regulations could be a disaster," he said.

"The transport industry could become a free-for-all of cut-price operators, with standards of safety going to the wall.

"A flood of new and largely irresponsible hauliers looking for a quick profit would do lasting damage — and could set the industry back a decade almost overnight."

Mr Erasmus is particularly concerned about the transportation of hazardous chemicals and other substances, for which scrupulous safety standards are needed.

But if Government does not ensure that high standards are maintained in its projected overhaul of traffic regulations, he foresees major problems.

"What we need is not so much deregulation — implying the removal of all restraints — as re-regulation.

"That is, the revision of the existing regulations, plugging loopholes on the one hand and relaxing unfair or unworkable measures on the other.

Disa forecast 200% increase in profits

BDS/BDL 37 32 CT

INCREASING demand from first-time home buyers is one of the reasons Disa Development Corporation — the Cape-based residential project management group seeking a main board listing in the "Banks and Financial Services" sector of the JSE — predicts an increase of nearly 200% in after-tax profits for the current financial year.

It forecasts taxed profits of R2,5m (R850 000) for the year to August 1988. Turnover is expected to rise by 130% from R10m to R23,2m in the same period.

The directors base their forecast on the increase in consumer spending, resulting from an improved economy. This, they believe, has led to a growing demand for high-quality, low-cost housing.

They say almost 300 new building contracts have been accepted in the first month of the new financial year.

The proceeds from the listing will be used to extend Disa's services to the project management of mass-housing schemes for the lower-income sector and commercial developments. The group has recently been awarded two multi-million rand project management contracts.

They say Disa's management team has developed sound marketing strategy to design modern homes in the R25 000 to R65 000 bracket and with increasing financial assistance from the government and private sectors, these homes will be easily affordable to first-time homeowners.

The listing of the Disa Development Corporation, which takes the form of a private placing of 3 600 000 shares and a public offer of 2 400 000 shares, closes on October 8.

The sponsoring brokers are Fergusson Bros, Hall Stewart & Co Incorporated.

A total of 30m shares will be in issue when Disa is listed. The group is forecasting earnings of 8,7c a share for the year ending August 1988, giving an earnings yield of 10,5%. Dividend yield is expected to be 4,7%. The directors intend maintaining a cover of 2,1 times.

Bid to boost small Cape bu

builders

w/e News 31/10/87 (32)

By TOM HOOD,
Business Editor

SMALL building companies in the Cape have been left out in the cold at Blue Downs, the giant housing project near D F Malan airport, says Mr Joe Taylor, managing director of the South African Housing Trust.

He wants to give them a piece of the R2-billion action and is negotiating with one of the country's building giants to help the small builders by providing expertise, management and access to materials at bulk buying prices.

All the home building contracts at Blue Downs have gone so far to large building companies, some of them based in the Transvaal.

Mr Taylor said this week that the State-backed Housing Trust last month approved its first project involving a major company that was prepared to adjust its operating structure to meet the trust's requirements.

OFF THE GROUND

"We want organised industry to help to get the small coloured or Indian builder off the ground," he said.

"The big companies want us to put up the superstructure.

"We will do it if they will act as project managers at a fee of 3 percent. They have the experience, support systems and bulk buying arrangements."

The trust aimed to produce houses selling for less than R20 000 and to increase job creation and help smaller builders.

"We are the Pick 'n Pay of the construction industry with low margins and high profits," he told the Building Industries Federation congress this week.

"Our market has certain limits — only 6 percent earn more than R1 200 a month — so costs must be kept right down."

While older black people might be prepared to accept traditional methods of construction, young people wanted bricks and cavity walls — "not even building blocks."

Speaking of the big logjam in housing and the shortage of land, he said: "Our market cannot afford serviced sites at R10 000 each.

"We will have to work at it and produce serviced for about R5 000."

Mr Taylor, a former banker, was switched from the State President's office to become managing director on January 1 and start up the housing trust.

He is considering raising funds from the market, possibly through debentures, to finance low-cost housing.

One investor had said he was prepared to take R100-million of debentures.

The trust received funds of R400-million earlier this year and has already earmarked R281-million for projects around the country — 95 percent in the black low-cost market.

Lack of management and supervision caused the failure of many earlier aided self-help schemes.

The trust has opted for development in stages as a way of providing houses.

Infrastructure and a part of the house are contractor-built and the rest is completed by the owner.

"In practical terms this means we will first develop and finance the provision of infrastructure to produce serviced sites at a cost compatible with our market segment."

The construction of these houses would be handled by local businessmen acting on behalf of the owner, under the umbrella of a development agent, such as a major company.

Initial successes were expected to grow into a very powerful vehicle which would make a big impact on the country's housing backlog.

"By offering both bridging or development capital and long-term bond finance at soft subsidised interest rates, we believe we will provide the stimulus for increased activity in the affordable housing market," added Mr Taylor.

"By lowering the entry threshold to mortgage finance many more low income families will be helped."

The Trust's 8 percent bond rate works out at R125 a month repayment requiring a monthly income of only R418 and that, says Mr Taylor, is what many people already pay in rent for backyard rooms.

Mr Taylor added the public tender approach to housing in a developing country had proved itself as a world-wide failure because it took no congisance of the wishes of the end user, the availability of value of local entrepreneurs, labour and the resourcefulness of those directly confronted with the problems of the housing shortage.

"In contrast, staged development, which invariably includes upgrading, and aided selfhelp have proved as viable alternatives in other developing countries."

Building giant brings R253-m to the boards

4/10/87

By David Carte

STOCKS & Stocks, one of the biggest unlisted companies in SA, is to be listed on the Johannesburg Stock Exchange.

The construction giant that built Sun City, Unisa and Rand Afrikaans University is aiming at turnover of R650-million and taxed profit of R13-million in the year to April 1988.

With total assets of R253-million, it ranks as the fifth biggest construction company after Murray & Roberts, Group Five, LTA and Grinaker.

Stocks & Stocks is issuing 11,5-million new shares at 260c, bringing the number in issue to 52,3-million. The listing price values the company at R135,9-million. This is the biggest industrial listing this year.

Eight million new shares will go to institutions and 3,5-million to the public.

Plunging

M&R, LTA, Group Five and Grinaker have lost millions in construction in recent years because of plunging gross domestic fixed investment, but Stocks & Stocks has gone from strength to strength.

Turnover has risen from R192-million in 1982 to R645-million in the 14 months to April this year, while taxed profit has soared to R10,3-million from R2,9-million in the same period.

Earnings have grown at 25% pa compound in spite of recession and the order book is a record R540-million.

"I guess we have done well partly because the management owns the company," says managing director, Reg Edwards. "We are working for ourselves. Anyone who dies or leaves does not take his shares with him. They are sold to a trust, which holds them for the staff still on board — so no-one can rule from retirement or from the grave.

"At the moment management has 100%. After the listing it will have 78%. Our wealth will still be in the company, so we shall be as strongly motivated as ever."

Mr Edwards, who has been with the company for 24 years, is confident that the order book will keep growing.

REG EDWARDS
"Working for ourselves"

"We are well positioned in all the major areas — in black housing, in the mining industry, in former homelands, and in roads and bridges.

"On the property development and building side, there is constant demand from people looking for corporate headquarters. The government plans a number of big new buildings and I see that, among others, First National Bank is contemplating a large new head office complex.

Property

"Finally, institutions are starting to look at property again now the stock market is so high."

There will also be increasing amounts of civil work at Mossel Bay and on the Lesotho Highlands water project but Stocks & Stocks is not over-enthusiastic.

"Look, if work is available at reasonable margins, we'll take it, but experience has been that prices on mega-projects have been horrible. Other firms have lost millions on focal point projects. We prefer to take work they can't handle in less popular spots."

A livewire property development arm run by one of Stocks' stars, Bart Dorrestein, is one reason Stocks never ran out of work in the recession. It has bought strategic properties, then actively sought institutions or companies that wished to build on them. This company is unusual in construction in that it markets aggressively.

Another reason is that Stocks & Stocks has been prepared to go far out into the country for work. It has been a major force in construction in former homelands.

The head office is in Pretoria, which also kept growing through the recession on the strength of government work.

Difference

But because of the profound culture difference between the two cities, Stocks has a big office in Rivonia, Sandton. It has thus kept one foot in government territory and one in big business.

It is also strongly represented in Durban and Cape Town.

The R30-million proceeds of the listing will bolster the group balance sheet, halving debt:equity from 52% to 26%. All debt is in the property division, which holds stock. Construction is completely ungeared. The issue price is 15,4 times historical earnings but only 10,4 times forecast earnings.

Standard Merchant Bank is merchant bank to the issue and Ivor Jones Roy Inc the sponsoring broker.

Hansard

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The MINISTER OF DEFENCE:

No, (a), (b) and (c) fall away.

Bridge over Kraai River

610. Mr S S VAN DER MERWE asked the Minister of Constitutional Development and Planning:

(1) Whether consideration is being given to the reconstruction of the bridge over the Kraai River between Motkop Station and Clanville in the district of Dordrecht; if not, why not; if so, what matters are being taken into account in this regard;

(2) whether any representations have been received with regard to this matter; if so, (a) what was the nature of the representations, (b) (i) by whom were they made and (ii) when were they received;

(3) whether a decision has been taken on this matter; if so, (a) what decision and (b) when?

The MINISTER OF CONSTITUTIONAL DEVELOPMENT AND PLANNING:

(1) No. The reconstruction of the bridge over the Kraai River between Motkop Station and Clanville cannot be justified as the trafic count of 100 equivalent vehicle units per day makes the project uneconomic.

(2) No, not in recent times.

(3) Falls away.

~~Cape Town/Upington: bus service~~

611. Mr S S VAN DER MERWE asked the Minister of Transport Affairs:

(1) Whether the South African Transport Services operate a bus service between Cape Town and Upington; if so, (a) at what intervals and (b) what is the (i) percentage utilization of this service and (ii) optimum percentage utilization for a service of this nature;

(2) whether consideration is being given to (a) curtailing and (b) taking any other steps in respect of this service; if so, (i) what steps are being considered in this regard and (ii) why;

(3) (a) where do buses travelling between Cape Town and Upington stop *en route* and (b) for what purpose is each of these stops made;

(4) whether any changes are to be made regarding these stops; if so, (a) why, (b) what changes and (c) when are they due to be implemented?

The MINISTER OF TRANSPORT AFFAIRS:

(1) Yes.

(a) One return trip per week with a frequency increase on an ad hoc basis according to demand.

(b) (i) 92 per cent.

(ii) 96 per cent.

(2) (a) No.

(b) Yes.

(i) Conversion from the dual class service to an International service.

(ii) To satisfy clients' needs.

(3) (a) Malmesbury, Moorreesburg, Piketberg, Craig Royston, Citrusdal, Clanwilliam, Klawer, Vredendal, Van Rhynsdorp, Niewoudtville, Calvinia, Kootjieskolk, Tontelboskolk, Brandvlei, Kenhardt, Neilersdrif and Keimoes.

(b) For the loading and/or offloading of passengers and also for refreshments at Moorreesburg and Kenhardt as well as for passengers' biological needs at Citrusdal, Van Rhynsdorp and Calvinia.

(4) Yes.

(a) To better satisfy clients' needs.

(b) Due to lack of support the bus will no longer stop at Moorreesburg Station, Kootjieskolk, Tontelboskolk and Neilersdrif Garage whilst it is envisaged to stop at the Post Office in stead of the

Hansard

agency at Clanwilliam, the Van Riebeeck Restaurant in stead of the agency at Van Rhynsdorp, the hotel in stead of the Post Office at Niewoudtville, Pik and Java Cafe in stead of the hotel at Brandvlei and Welkom Cafe in stead of the station at Keimoes.

(c) Not later than 1 December 1987.

Hutchinson/Calvinia: conveyance of passengers

612. Mr S S VAN DER MERWE asked the Minister of Transport Affairs:

(1) Whether any provision is made at present for the conveyance of passengers on trains between Hutchinson and Calvinia; if not, why not; if so, (a) what provision, (b) how often do passenger coaches run on this line and (c) to what extent is this passenger service being utilized;

(2) whether consideration is being given to discontinuing the passenger train service between Hutchinson and Calvinia; if so,

(3) whether a decision has been reached in this regard; if so, (a) what is the decision and (b) when (i) was it reached and (ii) is it due to be implemented?

The MINISTER OF TRANSPORT AFFAIRS:

(1) Yes.

(a) One first and second class composite passenger coach and one third class passenger coach.

(b) Between Hutchinson and Calvinia on Sundays and between Calvinia and Hutchinson on Fridays.

(c) An average of eight first and second class passengers and 34 third class passengers.

(2) The possibility to close the branch line is being considered.

(3) No. (a), (b) (i) and (ii) Fall away.

Hutchinson/Calvinia: discontinuation of train service

613. Mr S S VAN DER MERWE asked the Minister of Transport Affairs:

(1) Whether consideration is being given to discontinuing the train service between Hutchinson and Calvinia; if so, why;

(2) whether any interested parties have been consulted in this regard; if not, why not; if so, (a) who and (b) with what result;

(3) whether a decision has been reached on this matter; if not, when is it anticipated that a decision will be reached, if so, what was the decision?

The MINISTER OF TRANSPORT AFFAIRS:

(1) Yes. The line is currently being operated uneconomically.

(2) Yes.

(a) (i) The local members of Parliament.

(ii) Representatives of the Regional Development Advisory Committee (Regions A and B).

(iii) Representatives of the Regional Development Association (Regions 14 and 16).

(iv) Representatives of the commercial and agricultural community of Calvinia, Loeriesfontein, Brandvlei, Williston, Vosburg, Victoria-Wes, Nieuwoudtville and Carnarvon.

(b) The community was informed why Transport Services was considering the closure of the line while the community made representations for the retention of the line.

(3) No. The community was invited to form a committee in conjunction with Transport Services with the purpose to investigate alternatives that may

Reuter

CAPE TIMES 8/10/87 32 (3032)

Basil Read hits R4,05m target

JOHANNESBURG. — Basil Read Holdings — bought out by employees from Group Five Engineering in 1984 then listed in its own right in March this year — achieved the targets set at the time of listing with net income of R4,05m in the year to June 30.

And chairman Leon Dison says in his annual report that the group has gone a long way towards acquiring its required workload for the 1987-88 year.

It is confident, he adds, of achieving in the coming year the profit target of R9,66m, before interest and taxation. This was the forecast at the time of listing.

He says the acquisition of the Cape Town company, Clifford Harris (Pty), with its Reef-based mining and tunnelling organization, has sparked off a re-organization within Basil Read itself.

It is to be restructured into a number of separate divisions, which will help to rationalize its various activities.

The group, says Dison, was well placed to help meet the challenge of making up the country's great backlog of urban housing and infrastructure, and was preparing to play a part in major developments such as the Lesotho Highlands and Mossel Bay projects. — Sapa

INDUSTRY

ARGUS 8/10/87

Upswing for Boland builders

32

By TOM HOOD
Business Editor

BUILDING work throughout the Boland has shown a marked increase since the start of the year, particularly for smaller builders involved in housing and house extensions, says Mr Dries du Toit, deputy director of the West Cape Master Builders Association.

The recession hit the Boland in the second half of 1985 and continued throughout 1986, he said. The long-awaited upswing had been very slow in coming — but was now definitely here.

"Judging by the number of tenders issued and by reports from our builders, we are at present looking at an improvement of about 20 percent in turnover on last year.

"What is more, the indications are that it will last well into the second half of 1988."

Certain builders were not able to take full advantage of this upswing yet, said Mr du Toit, because they were still handling very tightly priced contracts taken on in the leaner period.

"Furthermore, on the bigger contracts — which are mostly for the public sector, for example for schools and housing — there is still such tough competition that the profit margins of the winning contractors are as yet very little better than they were a year ago. Here, too, however, the situation is likely to improve in the next few months."

In the year ahead, said Mr du Toit, the Boland should benefit considerably from the upsurge of housing work at Blue Downs.

"About 90 percent of Blue Downs actually falls into the Boland MBA's area of jurisdiction," he said. "We should therefore benefit greatly from the housing work done here which should do much to stimulate the building industry.

"With large housing companies where subcontractors are used to a large extent, up to 80 percent of the work involves economic housing. The emphasis is therefore on the coloured and black townships where there is a great demand for housing."

He added that the Boland still offered prospective investors "the best of both worlds — reasonable labour rates and land prices, coupled to an established infrastructure close to large markets".

FM 9/10/87 (32)

CIVIL ENGINEERING

Natal floods a boon

The silver lining emerging through Natal's flood scenario — if there is one — is that restoration work could prove to be a tremendous fillip for the region's stagnant civil engineering industry.

SA Federation of Civil Engineering Contractors (Safcec) executive director Kees Lagaay says a number of members have already been approached by the Natal provincial authorities, Sats and municipalities to handle repair work.

"There simply isn't time to consider tenders, and contractors are making their own financial arrangements directly with the authorities. One problem is the authorities don't have the money. Damage runs into hundreds of millions of rand and central government might have to step in."

Murray & Roberts Natal MD Andrew Stewart says 14 bridges in the province have suffered structural damage to a greater or lesser degree. Moreover, a lot of the damage caused to pipelines and aqueducts — not to mention houses and buildings — also falls into the province of civil contractors.

Lagaay says the situation is still somewhat confused and it is difficult to accurately quantify the total value of the work.

"But this will not be done in a day. Immediate priority is to effect temporary repairs to get things on an even keel. After that, more permanent repairs will take months, even years, to effect. In the case of the John Ross bridge, for example, we are looking at a complete structural rebuild, possibly involving new design techniques, that could take two to three years to accomplish."

Emergency supports

A spokesman for M & R in Johannesburg says group subsidiary Armco is already supplying emergency culvert supports to Sats, having moved onto a number of sites over the weekend.

"This is a real case of where one man's poison is another man's meat," he adds wryly.

However, LTA Construction chairman and current Safcec president Brian Hackney believes the respite for the industry may only be of a temporary nature and localised to Natal.

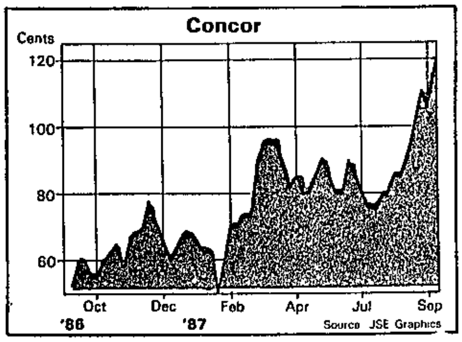
"While we are obviously more than happy to be part of the restoration process, there is a fear that some monies may be diverted from other projects to meet the more pressing needs of Natal." ■

CONCOR (32) FM

Profits again

Concor showed some resilience in the 1987 year, swinging back into the black with a R11,1m profit turnaround, despite seeing only a slight improvement in trading conditions in the construction industry.

Extensive rationalisation and attention to productivity turned the previous after-tax losses of R9,7m into a R2,4m profit, achieved on a 10% decline in turnover. An attributable loss of R10,4m in 1986 was converted to a profit of R1,3m. With a



9/10/87

Activities: *Civil engineering, building, property development and letting, earthworks, road making, mining engineering, mechanical, electrical and related fields.*

Control: *Directors own a combined 17%.*

Chairman: *F A W Aab; managing director: J J C Schultz.*

Capital structure: *20,6 m ords of 25c. Market capitalisation: R24m.*

Share market: *Price: 125c. 2,7% on earnings; PE ratio, 19,7; high, 125c; low, 50c. Trading volume last quarter, 1,04m shares.*

Financial: *Year to June 30.*

	'84	'85	'86	'87
Debt:				
Short-term (Rm) ..	2,5	2,8	3,9	4,0
Long-term (Rm) ...	2,5	3,6	5,4	2,6
Debt:equity ratio	0,30	0,24	0,38	0,31
Shareholders' interest	0,31	0,29	0,15	0,18
Int & leasing cover .	3,6	1,2	—	1,70
Debt cover	1,7	0,6	—	0,99

Performance:

	'84	'85	'86	'87
Return on cap (%) ..	20	2	—	4,2
Pre-int profit (Rm) ...	6,6	1,9	(8,3)	4,1
Taxed profit (Rm)	5,0	0,6	(9,7)	2,4
Earnings (c)	24,4	2,5	(47,6)	6,3
Dividends (c)	6,0	2,0	—	—
Net worth (c)	121	130	74,90	82,4

strengthened balance sheet — gearing was down to 0,31 — the group looks capable of continuing its recovery in the current year. Chairman Frank Aab says the group looks forward to further improvement in results in the current year.

In line with the reduced turnover, stocks were trimmed by 13% to R7,45m. With debtors rising by R3,6m, total working capital expanded from only R235 000 in 1986 to R2,24m. The stocks reduction resulted partly from attention given to quality of business: contracts in progress were reduced by 11%, representing R5,15m.

Further rationalisation is being considered. Director Brian Murphy says the coal division, hit by low export prices and reduced demand, has been "mothballed," and costs were pared through the closure of all mines. He says a decision is still to be taken on the future of the division; alternatives other than complete disposal are being considered.

Disposal or rationalisation of sectors responsible for the previous year's losses produced a leaner organisation, better able to concentrate on core business, but Murphy warns that the construction industry is not yet out of the woods. He does not expect large projects such as Mossel Bay and the Lesotho Highlands Water scheme to mop up over-capacity in the industry for the current year, although greater profitability is expected to flow from these in the longer term. However, he believes price levels are set to improve. Medium-term profits will benefit from construction of the toll road between Springs and Krugersdorp, due to begin in the first quarter of 1988.

Contracts in the western Cape, where margins were squeezed by competitive tendering, have been completed other than the Knysa road past Plettenberg Bay, where provisions have already been made. The profitable joint venture in Peru has been completed and no major continuation of overseas work is expected. At R355m, order books for the current year look good, with contracts for a R65m office block in Verwoerdburg, R50m for the Majuba power station and a Wynberg shopping complex among the most notable.

After this turnaround and rationalisation effort, the share has reached a high of 125c. With further profit recovery expected, the counter trades on a 19,8 times p:e, well ahead of the sector average of 16,4.

Kay Turvey

BIFSA CONFERENCE

32/37(123)

Manufacturers in move towards mixed housing

AKG 45 27/10/87

By TOM HOOD, Business Editor

PORT ST JOHN'S. — Two major manufacturing companies are currently talking to their shared trade union about joint support for a mixed housing scheme for their employees.

This was disclosed by Mrs Kate Jowell, assistant director and senior lecturer in industrial relations at the University of Cape Town's Graduate School of Business.

At the annual congress of the Building Industries Federation yesterday, she said the union would only confirm to her that the question of a mixed development was on the agenda for negotiation.

The successful establishment of a mixed area, even if supported only by black and brown workers, opened up "the next layer of the onion — education," she said.

"And so the peeling off proceeds to expose core after core issue to incremental reform."

Business and labour, she said, must get involved in the political change process because "the major political actors" were unable or unwilling to move at present.

"Besides, business and labour have a shared interest in securing a viable economy and the kind of economic and political system that allows them both a measure of independence in securing the interests of their respective shareholders," Mrs Jowell said.

Mrs Kate Jowell

Housing represented another opportunity for reform-minded business and labour, given the publication of the President's Council report on the Group Areas Act.

Residential separation of the races has been a core issue for Government since the 1950s.

OBSCURE

The Government had accepted in principle that certain areas may become mixed by a process of local choice, although the process remained somewhat obscure.

ARGUS 27/10/87

Unions are outwitting employers in negotiations

Business Editor

PORT ST JOHN'S. — Few employers can match the expertise of the new generation of trade union negotiators in collective bargaining skills and they end up compromising themselves and other employers in their industry by pushing up wages and employment conditions.

This was claimed by Mr Bokkie Botha, group personnel manager of AECI at the Building Industries Federation annual congress yesterday.

The country faced a dramatic rise in shop floor bargaining compared with the old system of industry-wide agreements. Collective bargaining levels could even involve one department instead of the whole of the labour force in one enterprise, he said.

"The industrial council system is under fire from above and below — trade unions see them as racist and favouring whites, while many small employers see them as pushing wages too high."

Mr Ike van der Watt, president of the Boilermakers' Society, said the future of traditional trade unions, which sought work-related benefits looked bleak.

EXCLUSIVE CLUB

Unless the traditional trade union became more involved in the total spectrum of labour in industry and found some way of influencing the membership, it might as well make up its mind to become a benefit society or institution which would be only an exclusive club within the industry.

The growth of black membership had resulted in Cosatu claiming a membership of 700 000 or more than 65 percent of union membership in this country.

"As a result there is no doubt that the labour movement will be hijacked by politicians unless some acceptable form of political representation can be achieved soon," he added.

Building cost rise likely

27/10/87

CAPE TOWN — Building costs are likely to rise rapidly in 1988 as a result of keener demand for houses combined with a shortage of skilled labour, says the University of Stellenbosch's Bureau for Economic Research.

In its latest building and construction survey, the bureau says builders are also likely to widen their profit margins in an attempt to recoup some of their losses of the past few years.

Demand should also become keener for the services of building contractors.

The survey says growth in fixed investment is taking place mostly in the residential sector and predicts that this might even accelerate.

Although building activity in the non-residential sector remains sluggish, building costs will increase sharply when the sector becomes more active, the survey says.

Office space rentals are also edging upward which implies that there is little spare capacity and explains an increase in plans being submitted for non-residential buildings.

6/11/87 FM

GENREC HOLDINGS (32)

Difficult conditions

Activities: *Engaged in construction, manufacturing and engineering industries.*

Control: *Murray & Roberts holds 67% of the issued capital.*

Chairman: *G R Knudsen; chief executive: I G Colepeper.*

Capital structure: *4,89m ords of 80c each. Market capitalisation: R17,1m.*

Share market: *Price: 350c. 12-month high, 419c; low, 135c. Trading volume last quarter, 333 000 shares.*

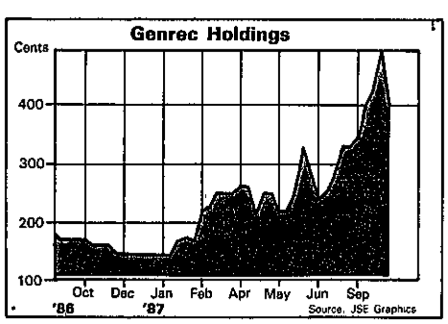
Financial: *Year to February 28.*

	'84	'85	'86	'87
Debt:				
Short-term (Rm) ..	4,5	7,7	9,7	10,9
Long-term (Rm) ...	10,1	15,2	14,0	12,3
Debt:equity ratio	0,42	0,67	0,72	1,17
Shareholders' interest	0,39	0,37	0,38	0,26
Int & leasing cover .	1,96	0,48	1,24	0,74
Debt cover	0,46	0,03	0,18	0,09

Performance:

	'84	'85	'86	'87
Return on cap (%) ..	5,7	—	4,1	—
Turnover (Rm)	n/a	n/a	176	177
Pre-int profit (Rm) ...	5,0	(0,1)	3,9	1,7
Pre-int margin (%) ..	n/a	n/a	2,2	1,0
Taxed profit (Rm)	4,4	0,2	1,7	(1,1)
Earnings (c)	92	4	28	(18,6)
Dividends (c)	22	3	—	—
Net worth (c)	701	702	723	392

Genrec is an important cog in Murray & Roberts' (M & R) revival plans. Newly appointed CE Ian Colepeper has a sizeable task. The slump to a R1,1m taxed loss for the year to February reveals an underlying competitive weakness in local engineering business conditions. Outgoing chairman Hendrik Joubert describes it as "probably as difficult (a year) as any experienced by the group since its beginnings over 30 years ago."



The biggest problem seems to be that Genrec failed to replace the old plant regularly — and is now suffering the consequences. Aggregate depreciation is 71% of original cost of fixed assets (excluding property), but replacement costs are particularly high in our inflationary environment. Joubert points out that the Wadeville works are over 30 years old and admits "design and layout can be considerably modernised." Certain of these works returned a loss last year and margins fell sharply from 2,2% to 1,0%.

The group also has large (R2,8m) lease expenses on machinery and vehicles. This is close to the R2,7m paid out in interest on R23m total debt. Interest and leasing cover fell to a weak 0,84 with debt:equity, which stood at 1,2 times at year end, on the rise.

Joubert regards current market prices as "unrealistic when related to the level of risk involved, particularly in view of the high inflation rate which still shows little signs of abating." Though this may be a fair assessment, more modern equipment and better material and products flows would have greatly improved competitiveness.

With M & R in control, the position should change for the better, although this will take time. An important development is that Genrec has negotiated a further R14m long-term loan. This should relieve financial strain exacerbated by spending R7,9m on restructuring and upgrading the works division. This extraordinary item pushed loss per share from 19,1c to an exorbitant 188,2c.

Genrec started rationalising before year-end. Non-distributable reserves were cut by R5,9m to bring factory land and building valuations back to cost. It is also trying to sell surplus property.

When the M & R deal was announced Colepeper said the move was "opportune and a springboard for the future." His fire, and M & R's financial strength, seem the right medicine. Says Colepeper: "We submitted quotes for Mossbay platform piles last week and quotes for jackets this Monday. Now we're holding thumbs." *Dave Edwards.*

MURRAY & ROBERTS

33

Vital signs

Activities: *Industrial holding company with subsidiary and associated companies operating in construction, engineering, supplies and services, manufacturing, project management and property.*
Control: *Anchusa holds 42,2%.*
Chairman: *W F de la H Beck; chief executive: D C Brink.*
Capital structure: *26,6m ords of 50c each. Market capitalisation: R352m.*
Share market: *Price: 1 325c. Yields: 3,2% on dividend; 12,5% on earnings; PE ratio, 7,9; cover, 3,7. 12-month high, 490c; low, 135c. Trading volume last quarter, 579 000 shares.*
Financial: *Year to June 30.*

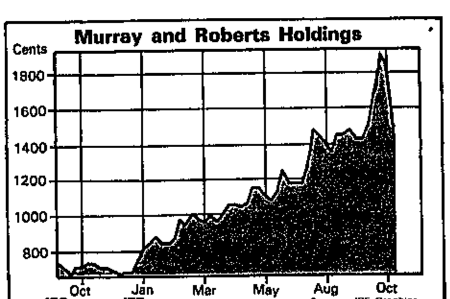
	'84	'85	'86	'87
Debt:				
Short-term (Rm) ..	8,4	58,4	25,5	60,0
Long-term (Rm) ...	59,2	65,0	48,4	48,7
Debt:equity ratio	0,34	0,54	0,29	0,49
Shareholders' interest	0,35	0,32	0,42	0,36
Int & leasing cover .	4,3	2,2	1,7	2,4
Debt cover	1,7	0,7	0,6	0,7

Performance:

	'84	'85	'86	'87
Return on cap (%) ..	17,4	13,2	7,9	11,1
Turnover (Rm)	2 282	2 349	2 645	2 447
Pre-int profit (Rm) ...	129,7	114,1	60,6	88,3
Pre-int margin (%) ..	5,7	4,4	2,3	3,6
Taxed profit (Rm)	74,3	50,3	2,6	45,4
Earnings (c)	243	165	(55)	166
Dividends (c)	77	60	10	42
Net worth (c)	877	933	807	785

Management must take much credit for turning round Murray & Roberts (M & R) after its dismal 1986 performance. The company was restructured into four viable operating groups and under David Brink, who took over as CE in July 1986, disclosure in the 1987 annual report has improved.

An important factor has been the ability to deal with a difficult environment. With gross domestic fixed investment (GDFI) falling, the group concentrated on quality of product and earnings rather than turnover growth.

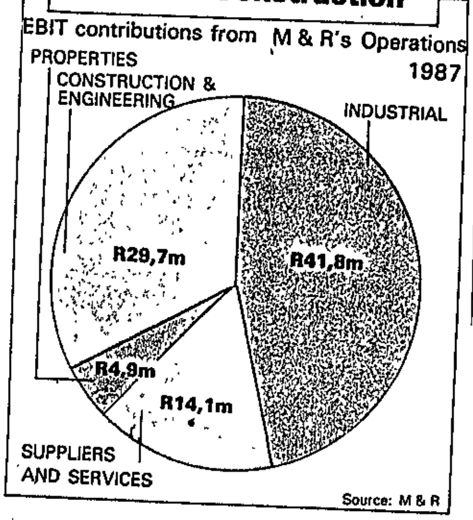


Group turnover fell 23% in real terms in the year to June, but improved operating margins and a lower interest bill pushed pre-tax earnings up 89% to R73,1m (R38,6m).

A tax rate drop from 93%-38% also helped. Financial director Jeremy Ractliffe explains: "1987 profits were more evenly distributed through the group so unlike last year we didn't have losses, many of which could not be offset for tax purposes against profits earned by other companies."

Operating statistics show a strong resurgence in broadly defined industrial activities. Pre-interest income from this sector trebled to R51,9m on a R740m turnover, and contributed 41% of operating profit. The suppliers and services group also did well, increasing pre-interest earnings by 40%. Bucking this trend, property earnings were nearly halved in a depressed market.

M & R's Construction



A division yet to reach the full potential of its large asset base is construction and engineering. Though restructured and rationalised, earnings rose only marginally, though Brink says it met budget. Operating margin was only 4% against 7% for the industrial group and 8% for suppliers and services.

Ractliffe believes M & R does not need GDFI growth to prosper. "We have become more selective. Contract negotiation is all-important, so that both client and contractor conclude a win:win agreement. This means clients should beware the lowest bidder. It is also essential to deliver the required quality of work — the cost of non-conformance is enormous. In addition, the industrial operating group's thrust into industrial and commercial consumables reduces dependence on GDFI growth."

Still, Ractliffe expects GDFI to grow by 1,5% in the 1988 financial year and a further 2,5% in 1989. Though more conservative than some economic forecasts, the impact on M & R's construction and engineering group, strengthened by the acquisition of Gillis-Mason (100%) and Genrec (67%), should be significant. "Even though I expect the industrial group to do better this year, construction and engineering could become our biggest contributor," predicts Ractliffe. The R75m accumulated tax loss should benefit the group over the next few years.

The share price has risen strongly and is still substantially above the year's low, so the return to the 1985 earnings level has been largely discounted. But the dividend at 42c is below past highs. Brink considers: "There is more than enough opportunity for developing M & R during the 1988 financial year." Provided the economic environment improves and the revitalisation of management culture continues, I see room for growth.

Dave Edwards

CASHBUILD (32)

Cashing in

Perhaps the biggest news for Cashbuild this year was the resignation of charismatic CE Albert Koopman from end-March. The latest results still reflect mainly on Koopman, as successor Gerald Haumant was in the driving seat for only three months.

Cashbuild continued its rapid expansion and steady profit growth. Attributable income, at R2,4m, exceeded the prospectus forecast by 42,5%, as organic growth and additional stores increased the share of the cash 'n carry building materials market by 19%, boosting turnover 34% to R117,2m.

Five new stores were opened, two in urban areas following group policy to expand the essentially rural-based operation. Chairman Mervyn King says the geographic shift should accelerate, given government's more accommodating position on urban growth. He believes the authorities' positive attitude to land allocation means soaring demand for black housing and makes prospects for black home building particularly encouraging. Haumant says sales of isolated pockets of land should create new markets.

New store openings pushed leasing charges up from R180 000 to R1,3m, but the group, with cash holdings of R7,7m and gross borrowings of only R1,2m, is in a strong position to pursue urban expansion.

Further growth should come from the Frasers/Metro deal, which amalgamates Frasers' interests with related Tradegro subsidiaries. Cashbuild will take over 24 Frasers' Buy 'n Build stores and convert some into retail outlets under the U-Build banner, though this is planned to be mainly a franchising operation. Buy 'n Build stores should increase turnover R40m to R200m this year.

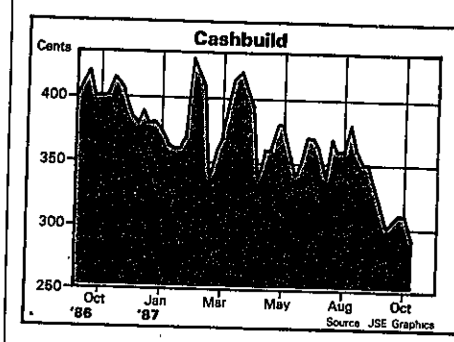
Haumant has introduced a policy of stocking up in early-June, before the peak building season. This should maximise seasonal sales and improve margins before traditional July price increases. Stock at year-end was up 63% to almost R15m.

But, while the potential may be there for growth in the burgeoning black housing market, the share at 285c is already at a demanding level. A p:e of 24,2 it is well above the sector average (16,8), and the dividend yield is only 1,8%.

Kay Turvey

Activities: *Investment holding company with subsidiaries and associates which wholesale building materials.*
Control: *Tradegro has a 79% stake.*
Chairman: *M E King; managing director: G R S Haumant.*
Capital structure: *20m ords of 1c each. Market capitalisation: R57m.*
Share market: *Price: 285c. Yields: 1,8% on dividend; 4,1% on earnings; PE ratio, 24,2; cover, 2,3. 12-month high, 430c; low, 280c. Trading volume last quarter, 263 850 shares.*
Financial: *Year to June 27.*

	'86	'87
Debt:		
Short term (Rm)	—	—
Long term (Rm)	1,3	1,2
Debt: equity ratio	—	—
Shareholders' interest	0,38	0,36
Int & leasing cover	20,5	4,8
Debt cover	1,75	2,8
Performance		
Return on cap (%)	15,3	17,5
Turnover (Rm)	87,5	117,2
Pre-Int profit (Rm)	3,9	4,7
Pre-Int margin (%)	4,5	4,0
Taxed profit (Rm)	2,1	2,9
Earnings (c)	8,3	11,8
Dividends (c)	—	5,25
Net worth (c)	48,6	55,1



FM 6/11/87

BASIL READ

Building growth

Basil Read (Basread), better known as a construction company, has moved incisively into housing and property development. "There is an urgent need to make up SA's backlog of urban housing and infrastructure," says chairman Leon Dison. "This is a substitute for our cyclical civil engineering business."

Basread's operating profit doubled to R7,1m (R3,5m) in the year, with housing and property development contributing R1,1m in its first year of operation. While turnover from civil engineering and building contracts remained more or less stable at R146m — overall turnover rose to R159m (R147m) — the R12,5m in housing and property turnover made up the difference. Significantly, the 8,9% margin on the latter is more than double the 4% margin on the traditional business.

Though the R2,9m acquisition of the Clifford Harris Cape Town-based construction and civil engineering business seems to be mainly a consolidation move with geographical benefits, Dison sees a diversification aspect as well. "We are actively supporting a research project which aims at improving support systems in deep-level gold and platinum mines," says Dison. "Clifford Harris's reef-based mining engineering interests could prove a valuable entry for us."

Basread has also acquired 50% interest in a business which mines and exports black granite. Work has already started at the quarry, 60 km north of Belfast. A trial export delivery has shown acceptable quality, and production at 200 m³/month (close to Kudu Granite's proposed monthly production level) will start next March.

Such diversification could make Basread much less dependent on its civil engineering in the relatively short-term, though the group is still closely involved in government's major capex projects.

The group's balance sheet looks stretched. Gearing is high at 0,98 after heavy investment in plant, equipment and machinery. Pre-tax profit last year reached R3,9m after deduction of R5,2m in depreciation and R2,1m in interest. Though plant and equipment depreciation is calculated on the basis of an hourly working rate that effectively puts pressure on management to operate at healthy margins. Financial director Dave Wassung points out that modern, reliable equipment is essential.

He says that management is forecasting taxed earnings for 1988 of 20% to 25% up on the R5m forecast in the prospectus (Basread was listed in March). That indicates earnings of at least 44c a share for the 1988 year against the previous 35c and a forward p:e of 5,2 on the 230c price.

Dave Edwards

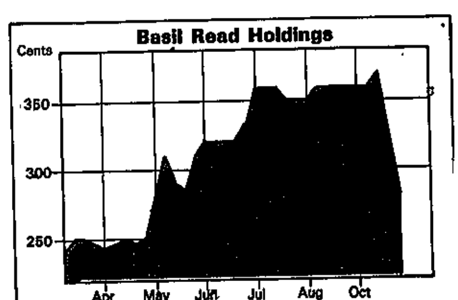
Basil Read's Dison ... into housing and property

Activities: *Investment holding company subsidiaries active in areas of civil engineering and building; including road and rail construction and housing and property development.*
Control: *Management and employees hold 60% of issued share capital.*
Chairman: *L Dison; managing director; I R Rudolph.*
Capital structure: *13,5m ords of no par value. Market capitalisation: R41m.*
Share market: *Price: 300c. Yields: 1,5% on dividend; 11,6% on earnings; PE ratio, 8,6; cover, 6,7. 12 month high, 370c; low, 210c. Trading volume last quarter, 392 000 shares.*
Financial: *Year to June 30.*

	'86	'87
Debt:		
Short-term (Rm)	8,8	13,8
Long-term (Rm)	13,0	8,7
Debt:equity ratio	3,1	1,0
Shareholders' interest	0,13	0,30
Int & leasing cover	3,0	6,3
Debt cover	0,52	0,55

Performance:

	'86	'87
Return on cap (%)	11,1	10,9
Turnover (Rm)	147	159
Pre-int profit (Rm)	5,3	8,4
Pre-int margin (%)	3,6	5,2
Taxed profit (Rm)	2,9	3,9
Earnings (c)	29,2	34,9
Dividends (c)	5,7	4,5
Net worth (c)	131	170



S M GOLDSTEIN

Rising activity

Activities: *Civil engineering and building contracting; residential housing and land; commercial and industrial property development and management; and privatisation.*

Control: *S M Goldstein Investments holds 56,6%.*

Chairman: *S M Goldstein.*

Capital structure: *10m ords of 50c. Market capitalisation: R22m.*

Share market: *Price: 220c. Yields: 4,5% on dividend; 12,3% on earnings; PE ratio, 8,1; cover, 2,7. 12-month high, 450c; low, 120c. Trading volume last quarter, 1,1m shares.*

Financial: *Year to June 30.*

	'84	'85	'86	'87
Debt:				
Short-term (Rm) ..	5,5	11,5	7,3	8,8
Long-term (Rm) ...	4,5	5,4	6,7	5,6
Debt:equity ratio	0,36	0,64	0,18*	0,46*
Shareholders' interest	0,24	0,24	0,26	0,24
Int & leasing cover . .	10,0	0,15	0,92	2,15
Debt cover	1,2	0,22	0,18	0,44

Performance:

	'84	'85	'86	'87
Return on cap (%) ..	8,4	—	1,9	5,6
Turnover (Rm)	219	293	260	302
Pre-int profit (Rm) ...	9,7	0,1	1,86	6,74
Pre-int margin (%) ..	4,4	—	0,7	2,2
Taxed profit (Rm)	5,2	(1,7)	0,8	3,3
Earnings (c)	52,1	(31,3)	2,1	27,0
Dividends (c)	15	—	—	10,0
Net worth (c)	279	264	265	282

* Net of cash.

S M Goldstein chairman Stan Goldstein has been busy in the past year. Apart from turning a pre-tax loss of R248 000 into a profit of R4,5m he acquired control of K & L Timbers and, after the year end, joint control of Group Five. Now he has plans to restructure the group and is exploring possibilities outside the country.

The turnaround was achieved despite civil engineering work being in short supply and at narrow margins. "Prices are tight," says Goldstein.

Homebuilding activity which has already improved on the strength of black demand will expand further with good margins, says Goldstein. "We shall see the white home buyer coming back now," he predicts. Interest rates could have a profound impact but he sees no prospect of rates changing until the second half of next year.

Rates could affect the group in another way. Goldstein had to borrow substantial amounts to buy into Group Five and he is anxious to restructure debt. Despite the market downturn he still plans to acquire a pyramid with cash and use it for refinancing by means of a rights issue.

Group Five also plans to form a pyramid to entrench control between Goldstein and Group Five management and Goldstein says they will proceed as well.

There are other plans in conjunction with Group Five. One of these is the possible expansion overseas. "It will be in the same type of business," says Goldstein. "We are looking at a proposition in the US and also one in an adjacent territory."

Goldstein says the group is on target and will make the R5m taxed profit forecast (R2,7m).

Pat Kenney

13/11/87

CAPE TIMES 14/11/87 (32)

Anglo enters housing boom

The Western Cape housing market is coming rapidly back to life. Peter Gardiner, estate development director of Anglo American Property Services, talked to AUDREY D'ANGELO about it.

ESTATE agents, property developers and bank executives have been saying for the past few weeks that the medium-priced housing market in greater Cape Town is recovering fast.

Now Anglo American Property Services (Ampros) are back in it with a rush. To make sure no-one overlooked the fact they launched the final phase of their Marina da Gama development at the weekend — after an interval of about five years — with showbiz flair.

City councillors and people in the property market were among guests invited to lunch in a marquee set up at the waterside yesterday, with guitar music to put them in the right mood and a fashion show and windsurfing to watch.

There were boat trips round the beautiful marina for the Press, who saw for themselves that the waterways were full of jumping fish, the island in the centre full of birds and the views breath-taking.

With all this distraction it was almost possible to overlook the fact that plans of the house designs available were not yet ready and the water-front for the new phase, Marina Moorings, not yet provided with jetties although the imposing gateway for those arriving by boat was already in place.

"I'm a bit embarrassed that the jetties aren't there yet," Anglo American estate development director Peter Gardiner explained disarmingly. He had been in a hurry to put the property on the market in time for Christmas.

"The stands are all marked out and ready for people to choose."

Estate development manager Fred Booysen said: "We left the Western Cape market for a time because it was completely dead.

"Now it has definitely come alive again . . . with a rush."

The marina was started

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Anglo enters housing boom

● From Page 13

13 years ago with houses designed by architect Revell Fox in a very upmarket version of the traditional Cape cottage.

The last phase consists of 70 stands with an average price of R31 000, although those with water frontage cost about R55 000. Buyers must build from a design by Revell Fox and conform with conditions set by the Homeowners Association to ensure that standards do not slip.

Gardiner said there would be five or six designs to choose from and they would be made available free to builders.

Anglo American Property Services estate development director Peter Gardiner (left) with wind surfer Annelise Fitchat and Clive Keegan, chairman of Cape Town City Council Town Planning Committee, at a party to launch the final phase of Marina da Gama.

BUSINESSMAN OF THE WEEK

Coming a long way in a short time

W/E ARGUS 14/11/87

32

By DEREK TOMMEY

THE value of helping workers become shareholders in their company is a major topic of debate in business circles at the moment.

But one employer who can vouch for the beneficial effects of this policy is Colin Glen, managing director of Basil Starke, the rapidly growing Cape Town based civil engineering and manufacturing company.

"One of the joys of the company's listing earlier this year was that we could bring in our staff as shareholders."

Nearly 350 workers in the company, ranging from labourers upwards, were given shares, he said.

POSITIVE

The results had been very positive. "We had noticed a deterioration in attitudes, possibly because of the troubled times. I think the share issue has helped to reverse that."

However, he pointed out that it had been easy for his company to issue the shares as no payment had to be made for them. They were a gift from the chairman Mr Basil Starke, and other top management to the workers.

He also believed that the staff realised management had their best interests at heart.

"We've always done our best to honour our responsibilities as an employer."

But he had a good example of the problems companies can face when making gestures such as Basil Starke's share offer.

"After Mr Starke had finished explaining to the staff why he was giving them shares one worker said he would like to ask a question. 'What is a share?' he wanted to know".

Colin Glen . . . values integrity

Mr Glen, who is 40, was born in Johannesburg and was educated at St Martins and the University of the Witwatersrand, becoming a chartered accountant.

After four years in practice, during which he became a partner in Alex Aiken and Carter, he came to Cape Town in 1981 to study for an MBA at UCT.

After completing his studies he joined Basil Starke and has remained here.

Former Ovenstone shareholders who remained with Basil Starke after the reverse takeover of the shell, will be pleased with the company's progress.

"We expect to meet our profit projections. We've the best order book we've ever had and margins are improving.

"We see no reason for that to change and 1988 is looking extremely positive."

Basil Starke began as a civil engineering contractor in 1968 and its first big contract came in 1973 when it was awarded a township development contract at Atlantis. The was followed by a bigger one at Mitchell's Plain.

In 1982 it bought Sebotti Construction (Pty) which specialises in concrete engineering and in 1984 it bought what was left of National Tractor extending its operations into the earthmoving business.

The company has manufacturing interests as well. In 1981 it bought Autotube, a precision engineering shop, which provides automotive components to Atlantis Diesel Engines and tubing for the furniture and construction industries.

It also has a controlling interest in Optima Hydraulics which makes hydraulic presses and cranes.

Another manufacturing operation owned by Basil Starke is Premier Wire which it took over earlier this year. This company had been making losses for years but was now profitable again.

Where is Basil Starke going now? "We are restructuring, putting things in the right boxes.

"We're planning to enlarge our manufacturing side, either by expanding existing operations or by takeovers.

(Turn to Page 3)

Coming a long way in a short time

W/E ARGUS 14/11/87

(From Page 1)

32

"And we are getting involved in township development.

"We see a long term active market particularly in the field of low-cost housing, simply because of the growth of urbanisation."

Basil Starke has come a long way in a short time.

"And one reason for this is that we value integrity. We believe there is a place for honest businessmen."

House prices up by over 20%

ARGUS 18/11/87

32

By TOM HOOD, Business Editor

AFTER three years of stagnation, house prices have soared by more than 20 percent this year and are ahead of "boom-time" levels of 1984, according to Stellenbosch University's Bureau for Economic Research.

And prices will go up again next year, says Dr Ockie Stuart, the bureau's director, in a survey released today.

Such a price rise means a home selling for R70 000 in the Peninsula a year ago will now cost the buyer at least R14 000 more. And a buyer who fancied a R120 000 home a year ago would have to find another R24 000 for the same property.

Prices are increasing fairly rapidly around the country, according to the bureau. The four main factors fuelling the boom are:

- Low interest rates;
- Expectations of high inflation rates;
- Increased disposable personal income;
- Increased economic activity in general.

The demand for houses is keen after an improvement in consumer confidence and more residential building is going ahead, the survey says.

"Building costs are likely to rise rapidly as a result of the keener demand. This will especially be the result of a shortage of skilled labour," says Dr Stuart.

"Also, builders are more likely to widen their profit margins in an attempt to recoup some of their losses of the past few years."

The cost of building a house has already accelerated. A year ago, costs were rising at an annual rate of 5,8 percent. But this increased to 11,3 percent for the June quarter of this year and to nearly 16 percent for the September quarter.

BUSIER NOW

Dr Stuart comments: "The increase in costs is perhaps a low price to pay for the additional jobs that will be created."

Another indicator of an upswing is that architects and quantity surveyors are busier now than they were a year ago, says Dr Stuart.

However, most building companies cannot find enough artisans. According to the survey, more than 60 percent of home-building companies are short of artisans.

In view of the present low level of building activity, these indications are "rather ominous" since they point to upward pressure on wages, the survey concludes.

Business Report

Concern over housing costs

CAPE TIMES 27/11/87 (37)

By DAVE PHILIP

THE non-profitmaking Housing League fears that soaring building costs may soon put a home beyond the reach of many people in the lower and middle income groups.

Chairman G H Hansmann warns that rising interest rates will inevitably push up monthly instalments paid to building societies by home-owners.

In the annual report he states, "the effect of lower interest rates for home buyers was welcomed as a means of financial relief, but it is important to view this as a short-term bonus."

He also says: "The escalating cost of housing is a grave matter for concern and unless it can be contained, the provision of homes will become a most vexing problem.

"In order to effect some measures of relief, the maximum amount allowed to qualify for a subsidy should be increased."

Properties owned by the league for future development for whites include three farms at Kuils river, flat sites in Milnerton, Kuils River and Diep River and plots in Zwaanswyk.

"Negotiations are also being conducted with various authorities for a site at Bloubergstrand," Hansmann says.

The league has decided to use its last pocket of land at Thornton for flats.

Marketing has begun for the R4,5m retirement project in Constantiaberg, which is due for completion in 1989, and some units have already been sold.

"Primary concern in the choice of a site for retirement projects has been that senior citizens not be isolated but should continue to integrate into the social mix," Hansmann says.

The sales campaign for houses built with State funds over the past year has been most successful in Bishop Lavis Township, while at Ruyterwacht and Brooklyn it has been much slower.

In conjunction with the SA Housing Trust, the league will be "endeavouring to obtain land for the development of black and coloured housing" says Hansmann.

(32) B/day 1/12/87

Increased competition expected

Steyn to alter Bifsa by-laws

GERALD REILLY

PRETORIA — An amendment to the Building Industries Federation of SA (Bifsa) by-laws will mean far-reaching changes in the buiding industry, Economic Affairs and Technology Minister Danie Steyn said yesterday.

They were also expected to lead to increased competition among tenderers — Bifsa members as well as non-members.

The most important changes concerned competition of main and sub-contracts and the negotiability of contracts. Amendments mean Bifsa members and non-members can compete where three or fewer Bifsa members had submitted tenders.

A builder could ensure competition between Bifsa members and non-members by asking tenders from no more than three Bifsa members. The activities of Bifsa affected by the prohibition on collusion were contained in a set of by-laws, Steyn said.

"These traditionally restrictive Bifsa by-laws led to serious dissatisfaction on the part of the SA property owners' association (Sapca) as well as among groups of sub-contractors."

The Competition Board (CB) asked Bifsa and interested parties to discuss important tendering procedure problems.

Steyn said he believed the competition problems arising from Bifsa's tender conditions had now been eliminated. A number of justified restrictive conditions would continue to exist in the by-laws.

He had therefore, on the recommendation of the CB, granted exemption from the prohibition on horizontal collusion on conditions of supply.

Office building boom may hit city

W/C News 5/12/87 32

THE building industry may expect an upswing in Cape Town as more companies invest in corporate headquarters, while the city's industrial and business property market appears to be the most buoyant, according to leading construction and property experts.

By HENRI du PLESSIS, Finance Staff

Murray and Roberts executive director Mr Geoff Knudsen said Johannesburg — where there is a great need for office space — was the industry's main growth point at present, but Cape Town could soon follow suit.

The concept of a corporate HQ building had gained credence because companies wanted their staff to identify readily with the company, he said. Security had also become a major factor.

"It is good to have staff identify with their own headquarters," said Mr Knudsen.

"We've just completed the new Reserve Bank building in Pretoria and security played a major role there.

"But the main idea is for a company to be able to project their own image."

The trend was for corporations to decentralise. One reason for this was to avoid traffic congestion. Mr Knudsen cited the Eskom building in Bellville as an example.

"There is a lot more confidence among businesses.

He admitted, however, that the cost of construction was a major inhibiting factor.

Companies were apt to have more austere buildings erected as a result.

"GUTSY DECISION"

"But this is when companies should take a gutsy decision — in the long term a more expensive but high quality building would mean lower costs.

"The cost of maintenance is very high, so quite a bill could be run up if a building needs a lot of attention

"The construction industry had to face a heavy demand for increases in wages without productivity being increased. We need to be efficient in our use of materials, building method and time.

"If you can complete a building in 15 months, why take 18 months? Rather than lowering standards of quality, one should find other ways of cutting costs," said Mr Knudsen.

Most of the contracts at the moment were for shopping centres, medical clinics and black housing, he said.

Mr Roland Walker, a director of Richard Ellis, said the property market was very "patchy" at the moment, but that Cape Town was the most buoyant of the major centres.

He said the Cape Town market had shown a more steady growth than in the rest of the country, although he could not explain why.

Mr Walker, a past president of the SA Property Owners Association, said his company had also found there was a great interest among businesses to have their own corporate headquarters, but they usually advised against this.

"Engineering and legal firms often consider having their own buildings because they believe they would save on rent.

"But we point out to them that, if they want their buildings to be viable, they have to charge themselves full rental anyway. And with that would come all the other expenses.

"There has been an increase in rent in prime office areas because of the amount of space taken Our property index shows that values have increased while yields went down by about one percent.

"There is a steady growth, but nothing spectacular. An inhibiting factor would be building costs — costs could increase by about 25 percent or even more in the next 12 months," he said.

From R500 000 to R50-million

Business Editor

ASSETS of the Cape clothing industry's provident fund were only R500 000 when Mr Hardy Nel joined the secretariat.

This week they topped R50-million when Mr Nel, secretary of the industrial council for the industry, announced his retirement. He will be succeeded by Mr John Vaughan.

The fund was formed in 1953 and pays retirement and other benefits for the industry's 54 000 workers. It has also paid out R9-million in housing loans to 1 600 families.

Tributes were paid this week to Mr Nel by leaders of the industry as well as by Dr Piet van der Merwe, Director of Manpower, and Mr Louis Petersen, general secretary of the Garment Workers Union.

'Results justify JSE listing'

CMT Times 1/12/87 32

Ovbel chalks up R2m

By AUDREY D'ANGELO
Financial Editor

OVBEL Holdings — formed last year from the property and construction interests of the former Ovenstone group — achieved after-tax earnings of more than R2m in the six months to September 30.

Income attributable to ordinary and preferred ordinary shareholders was R1,9m compared with R1,6m in the previous six months.

The asset value of each share has risen to 102c compared with 98c six months ago and earnings at share level were 6,7c compared with 5,8c in the previous half year.

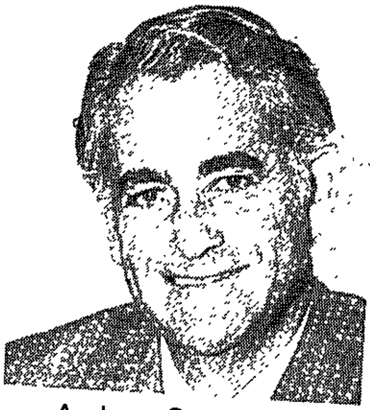
Total liabilities have been reduced to R46,9m (R55m) with long-term borrowings down to R12,7m (R22,4m).

Chairman Andrew Ovenstone forecasts earnings of 12c a share for the year to March 31, on the basis that the preferred ordinary shares are converted into ordinary shares at a meeting to be held on December 9.

He expects the final dividend to be 3,5c a share "which, together with the-interim- preferred ordinary dividend of 4,5c, equates to approximately 6c a share".

Confirming that it is still intended to seek a listing on the JSE in the first quarter of the New Year "although we reserve the right to withdraw if the situation warrants that," Ovenstone said the company did not need to go to the market to raise money "and therefore the fact that the market has changed should not matter that much to us.

"When we put the group together to form Ovbel we indicated that we would go for a listing. The results certainly justify it."



Andrew Ovenstone

The results are certain to revive the regrets of former shareholders who were not happy about splitting off the property and construction interests from the rest of the group, in spite of assurances from chairman Tony Bloom that it would be too expensive to continue to hold land and that there was unlikely to be a housing boom in the near future.

"We were fortunate to put together the team and the investors to take over these good companies with enviable track records," said Ovenstone.

"But they did not fit in with what was required by the former controlling shareholder (Premier group)."

Ovenstone is optimistic about the future, although he admitted that the stock exchange crash might affect time share and resort developer Ovland's up-market schemes. These include the third phase of a resort at Cape St Francis, which will be launched this month.

"A lot depends on whether the stock market crash encourages people to invest in property rather than the equity market, or whether the loss of their paper profits made in the last year makes them feel less affluent so that they put off purchases like time share units and serviced plots in resorts.

"That will become apparent in the next few weeks."

However, Ovland has traded well so far this year, with 25% of the units at its Bantry Bay time-share block sold in the first two months for a total of R5m.

The group has sold R17m worth of fixed property. Ovenstone explained that this was part of a new policy to concentrate on property trading, with a quick turnover, rather than holding on to assets for long term growth.

FM 11/12/87

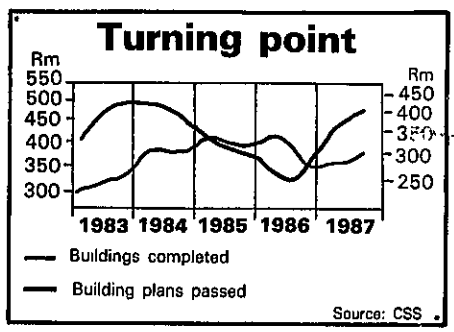
BUILDING INDUSTRY 32

On the mend

The building industry seems set for steady growth in 1988, indicated by massive increases in the number of building plans passed this year. And more good news, in the light of the housing shortage, is that the residential sector appears to be the most active.

According to third-quarter figures released by Central Statistical Service, the total value of building plans passed for September 1987 was R569m — 52% up on September 1986.

This is mainly due to a 53% increase in plans for residential buildings in urban areas such as the Witwatersrand, Cape Town and Pretoria. The figures also show an increase of 73% in plans for additions and alterations, mainly in the same areas.



And although the total value of buildings completed in September fell 3% compared with September 1986, the value of houses completed rose 19,5%.

Also, the total value of residential buildings completed in the first nine months of 1987 rose 7% compared with the same period last year.

The figures show a disappointing 39% decrease in the completion of non-residential buildings in the first three quarters of this year, but this reflects the low number of plans passed in the slump of 1985-1986.

Non-residential plans passed so far this year show an increase of 20,5%, compared with the same period last year, indicating some good times ahead.

The increase in plans passed might also indicate fears of massive building material cost increases, and a perception that financing may become more difficult as interest rates rise towards the end of next year.

Other factors which bode well for the industry include an improvement in the general business cycle and an overall improvement in confidence. (However, the CSS figures do not reflect the effects of October's stock market crash.)

Also, as the graph shows, although the year-on-year three-quarter comparison shows a decrease in buildings completed, from 2 820 to 2 547, the trend in 1987 was upward, as opposed to a severe downward movement in 1986. ■

FM 11/12/87

CONSTRUCTION

Cracks showing

The civil construction industry, placed under severe pressure during the recession, is now facing a new problem: even a 5% increase in

business will mean difficulties in coping with demand.

The major reason is a shortage of experienced, qualified staff, lost to the industry as some contracting companies closed their doors and others were forced to retrench.

Murray & Roberts (Natal) MD Andrew Stewart says the extent to which the industry has shrunk was highlighted by the recent Natal floods. "It took an event of this kind to make it clear how many contractors have been forced out of the market in the quiet times, and just how acute the shortage of skilled workers has become. The construction industry is going to face problems in coping with an upturn in the building industry."

LTA Civil Engineering MD Daan Hurter says: "The contraction of the industry resulted in many people leaving, either to set up their own non-construction businesses or joining the mines. Also, construction people previously brought to SA have left."

It is unlikely that those who did find stable employment outside the cyclical construction industry will be enticed back. Nor is the route through which SA often solved its skills problems in the past — recruiting from abroad — the answer. The rand's value against major world currencies makes recruiting expensive, and outside perceptions of SA's political situation are another hurdle.

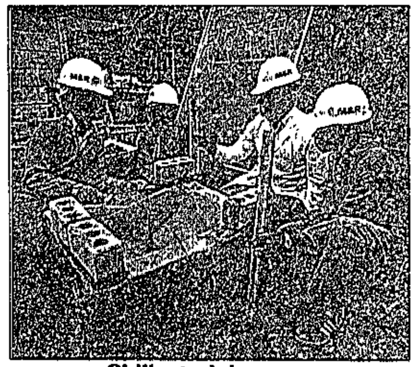
What's more, a foreign shortage of experienced skilled people appears to be developing — which would push salaries up even further and exacerbate recruitment problems.

Basil Read financial director Dave Wassung says: "There appears to be a shortage of qualified people on a worldwide basis. In fact, overseas companies have been recruiting in SA. Here, our people are given responsibility ahead of their overseas counterparts, and this makes them attractive to employers."

Based on a 5% increase in business, Wassung estimates Basil Read would experience a shortfall of 10%-15% professional and managerial staff. There would be a shortage of around 30% of artisans, and about 20% of semi-skilled workers.

The semi-skilled problem could probably be rapidly corrected, as there are already people working in jobs beneath their experience and level of skill. Also, semi-skilled workers require less time to train, and their training is normally via sandwich courses with on-the-job training.

However, the artisan problem would probably worsen, as any increase in building activity encourages those in employment to



Skills training ... industry responsibility

become independent subcontractors.

Brian Herd, MD of Grinaker Construction Transvaal, says the company already has problems finding all levels of supervisory staff from section leaders upwards. "If business for the civil construction industry were to grow by 5%, I estimate we would have a shortfall of about 10% supervisory staff, 15% highly skilled and about 10% semi-skilled."

Nor is there any relief forthcoming in the figures from SA universities on the number of students opting for civil engineering degrees. University of Pretoria head of civil engineering Archibald Rodhe says there has been a 50% decrease in the numbers of students taking civil engineering degrees in SA over the past 10 years; from an intake of 585 in 1976 to 263 this year. And only about 50% of students who start civil engineering degrees actually qualify.

Rodhe expects a short-term drop in demand of 3% from the present level; but the long-term demand for civil engineers will probably increase by 3%. As it is, he says, he is continually being asked by contractors if there are any civil engineers just qualifying who are available.

"We are losing completely in the long term. If the civil contractors' business were to increase by 5%, there would not be enough graduates entering the job market to meet demand."

So the civil construction industry has little choice but to train people itself. Department of Manpower director general Piet van der Merwe says the industry is making enormous efforts in this direction. However, he adds, some companies are doing little or no training in the expectation of being able to poach staff from the companies who do train.

"The need is for all the companies in the industry to accept responsibility for training. The department is providing industry with incentives to train by means of tax advantages, subsidies and advice."

The industry appears only too aware of the need for self-generated training and it does have a history of providing it. However, during recession, these efforts are reduced in response to reduced business and squeezed margins.

Says Grinaker's Herd: "Our training levels have dropped. In 1981 in the inland region we were training 600 to 1 000 people each year, which has dropped to 200 to 300 — and a large part of this is upgrading of existing skills and adding others, rather than training new people."

LTA has also started a crash training programme, says Hurter. The scheme is targeted at semi-skilled workers and has been successfully applied to repetitive hi-tech skills such as chimney lining

However, there remains the problem of multi-disciplinary training: "We aren't getting the flow of people from trade schools who have gone through the full apprenticeship training, and so are having to take lower skills and improve them."

One thing that is forming a foundation for the industry is the National Career Path scheme. This means that a worker, regardless of race, can progress from labourer up to foreman.

Civil contractors expect to draw business in the next 12 months valued at R2 billion The National Transport Commission, for example, will maintain expenditure levels. Also, if gold continues on an upward path, this could put pressure on the mining houses to engage in additional capital expenditure; in fact, there are signs this is already taking place. And the industry expects the Lesotho Highlands water project and toll roads to generate further business.

This trend certainly seems in evidence: if it gathers momentum, it could soon bring about the 5% increase in business, bringing the skills shortage into sharp focus.

Tradegro property company Coreprop will spend R8m on the extension of its Avenues retail complex in Springs, increasing the size of the mall, including the Post Office tower, from 6 000 m² to around 46 000 m².

11/2/87 FM

STILL ON TRACK

(32)

While sudden surges in demand may create temporary regional shortages, materials and plant essential to the contracting industry don't appear to be a restraining factor.

Gary Bell, MD of Richard's Bay-based Bell Equipment, says: "A lot of equipment did go out of SA during the downturn. However, real upward movement won't happen overnight — and we have the capacity to quickly step up production, so any shortage would be very short-lived." Civil contractors agree, although they add that the costs of new equipment and particularly spares have risen dramatically.

Cement is a critical material requirement for the industry, but once again there appears to be no immediate problem. The cement industry is currently producing 6,5 Mt/year and capacity is 11,5 Mt, says Portland Cement Institute executive director Dean Norton.

While some plant would need to be taken out of mothballs to achieve full production, Norton says this can be done by the time any major tender is placed and the project comes off the drawing boards.

CONSTRUCTION 32

Homeland millions

Millions of rands of taxpayers' money have found their way into the coffers of South African contruction companies operating in the homelands and independent states. In fact, earnings derived from projects in these areas have played a major role in keeping the pressured construction industry afloat during the past three years.

Direct revenue transfers from SA to the TBVC territories (Transkei, Bophuthatswana, Venda and Ciskei) totalled more than R5 billion in 1986-1987 (*Economy* October 16). Much of this has been earmarked for roads, public and administration buildings and schools, as well as for decentralisation incentives for private sector commercial and industrial building.

In addition, the Development Bank of SA (DBSA), jointly financed by the South African government and TBVC, increased its total number of projects approved to 611 in the 1986-1987 financial year. These have an estimated loan value of R3,8 billion.

Of the 611 projects, 105 were newly approved by the DBSA in 1986-1987, and have a loan value of R604m. It will probably approve 140 in 1987-1988 with a value of R1,5 billion (*FM Survey, Development Bank of SA*, November 13).

Though more difficult to quantify, the support of the six "self-governing territories" (SGT) for the industry has also been considerable. The third-quarter building figures issued by Central Statistics Services, for example, show a total value of buildings completed, including in the SGT, as R2,3 billion.

An illustration of how well South African companies can do comes from S M Goldstein, which completed R115m worth of homeland projects in the past 12 months. It is now finishing off the R24m Lebowa Legislative Assembly complex.

Private enterprise has also played a role in encouraging construction outside of SA's official borders — largely because of the government incentives offered to entrepreneurs to set up business there.

Transkei Development Corporation MD Monty Ntloko reports that R119m was invested in the development of 57 new industries, and that R112m worth of hotels are under construction.

Property services manager of the Bophuthatswana Development Corporation Doug Forrest says the value of private construction projects is expected to increase to R150m in 1987-1988, R70m up on last year.

Hans Kruger, CE of the Venda Development Corporation, says the past year has seen an expenditure of R16,4m on commercial and industrial construction, including 17 major factories, and that there will be a need for more development capital in 1988.

Dave Heart, GM construction of the Ciskeian People's Development Bank, says commercial and industrial development amounted to R18,9m in 1985-1986; nearly doubled in the following financial year to R36,6m; and is expected to increase in the 1987-1988 period to R48m.

Another company which has done well out of homeland contracts is Grinaker. It is to build a R4m shopping complex in Umtata, Trankei, and a R3,1m centre in the upmarket suburb of Fort Gale. The latter development is being financed by a consortium of eight Transkeian businessmen and has the approval of the TDC.

Grinaker is at present constructing the R27m College of Education in Umtata; the R10m Legislative Assembly; and, in Bophuthatswana, the R52m Megacity Shopping Centre in Mmbatho. ■

Builders see signs of 'modest' upturn

Bday 18/12/87

(32)

MICK COLLINS

DESPITE a bleak scenario of rising costs, increased union activity and a near-crippling shortage of skilled labour, the building industry sees signs of a limited upturn in 1988.

Reviewing 1987 and outlining prospects for next year, Building Industries Federation of SA (Bifsa) president Neil Fraser said the industry had bottomed out and seemed set for a modest upturn.

"But there is no cause for euphoria, since we are coming off an extremely low base."

Fraser warned that with anticipated labour and material increases, overall building cost increases would exceed the rate of inflation in 1988.

Shortage of skills in the middle to senior management levels threatened to have crippling effects. The political climate in the country, coupled with the weaker rand, militated against further overseas recruitment.

Fraser said: "What we as an industry need to do is to launch a large scale programme to bring non-white people into the ranks of middle and upper management.

"However, this is easier said than done, because of the general gap that exists between black secondary and tertiary education."

Significant developments this year had been the accord reached between Bifsa and the SA Property Owners Association (Sapoa), and changes to Bifsa's by-laws.

"These changes will inevitably lead to more balanced competition in the industry."

The strong emergence of the informal building sector — particularly in black housing — was another important development.

Cementation doing well

B/day

32

LIZ ROUSE 30/12/87

WITH an order book standing at R220m, Cementation can face the year with increased confidence.

Losses from the civil construction business, since closed, have been eliminated.

However, chairman Ron Shaw says in his annual review that time and money lost in the past year owing to industrial unrest was considerable.

With clear evidence that the skills shortage is rapidly increasing, labour costs are expected to rise.

GFC Mining again made the major contribution to group results with a turnover of R138m and a pre-tax profit of R7,39m. Its order book stands at R106m.

The expanded forgings division, with R35m new plant investment, achieved a R7,6m turnover and a pre-tax profit of R450 000 (1986: loss). The general engineering divisions chalked up a turnover of R28,5m and a pre-tax profit of R1,1m, Moir's Railways a turnover to R7,9m and pre-tax profit of R894 000, while Cemtec achieved sales of R14,6m and a pre-tax profit of R553 000.

Cementation maintained its dividend at 22c on slightly higher earnings of 46,04c a share in the year to September.

More company reports on Page 6.

(32) B/day 30/12/87

Survey reveals shock statistics

Overloaded trucks ruin SA's roads

MICK COLLINS

SHOCK statistics released after a countrywide transport survey show the rear axle loads of heavy vehicles travelling on SA roads to be an average of 16% over the legal weight limit.

The survey, compiled by the National Institute for Transport and Road Research at the CSIR, says the damage to roads caused by overloaded axles amounts to about R120m a year.

Calling for stricter law enforcement, the report says the scale of fines imposed upon conviction should be increased.

"The fines currently imposed on conviction are neglible in comparison with the damage caused and clearly ineffective in discouraging overloading.

"Research in the US and SA has shown that damage to the road by axle loads that exceed the legal limit increases out of all proportion to the loads — an axle carrying twice the legal load causes 18 times as much damage as one legal axle load."

The report says that with investment capitalised at about R26bn, the yearly upgrading of the country's road network is rapidly falling behind the new vehicle rate.

Currently about R1,2bn is spent yearly on new construction and maintenance. Of this amount about R820m is spent on rural roads (national and provincial) and about R380m on urban roads and streets.

The CSIR figures show the growth rate at which new roads are added to the system is 3,5% a year, which represents a slowing down in new construction in recent years.

This contrasts sharply with the growth rate in total vehicle population which is estimated to be about 7,5% a year between now and the year 2 000.

"In fact, the annual expenditure on the rural road network has been decreasing in real terms over the last ten years," the CSIR says.

Meanwhile, reports from Harare say the current road maintenance backlog in sub-Saharan Africa is estimated at about R6bn.

According to a paper presented at the fourth African highway maintenance conference which took place recently in the Zimbabwe capital, inadequate maintenance in the past has resulted in the current road maintenance backlog.

Annual maintenance costs are estimated at R800m to prevent further deterioration of the region's network.

"Expenditures required to clear up the existing backlog of maintenance work represent an amount of the order of 3% to 4% of the Gross National Product."

The problem, says the report, is in part a matter of awareness, particularly among core government agencies which allocate or fail to allocate resources for road maintenance.

"A new approach is needed, and it is proposed to establish a road maintenance initiative in some countries in sub-Saharan Africa by offering financial and technical assistance to establish action plans for the implementation and monitoring of progress. Present plans envisage a five-year programme to be implemented in three phases," says the report.

During the first phase, three workshops will be held in 1988 to build awareness of and change attitudes towards the road deterioration problem in Africa.

Some of the factors which the report says retard road maintenance are that political authorities regard maintenance as easy to postpone, as well as lack of funds and difficulties in recruiting, training and retaining qualified and motivated personnel.

World Bank representative Jean Doyen says although most African countries have launched comprehensive maintenance and rehabilitation programmes, on the whole results have been below expectation.

"While these programmes have slowed down the deterioration of the road networks, they have not reversed the trend."

CONSTRUCTION - GENERAL

JANUARY - DECEMBER

1988

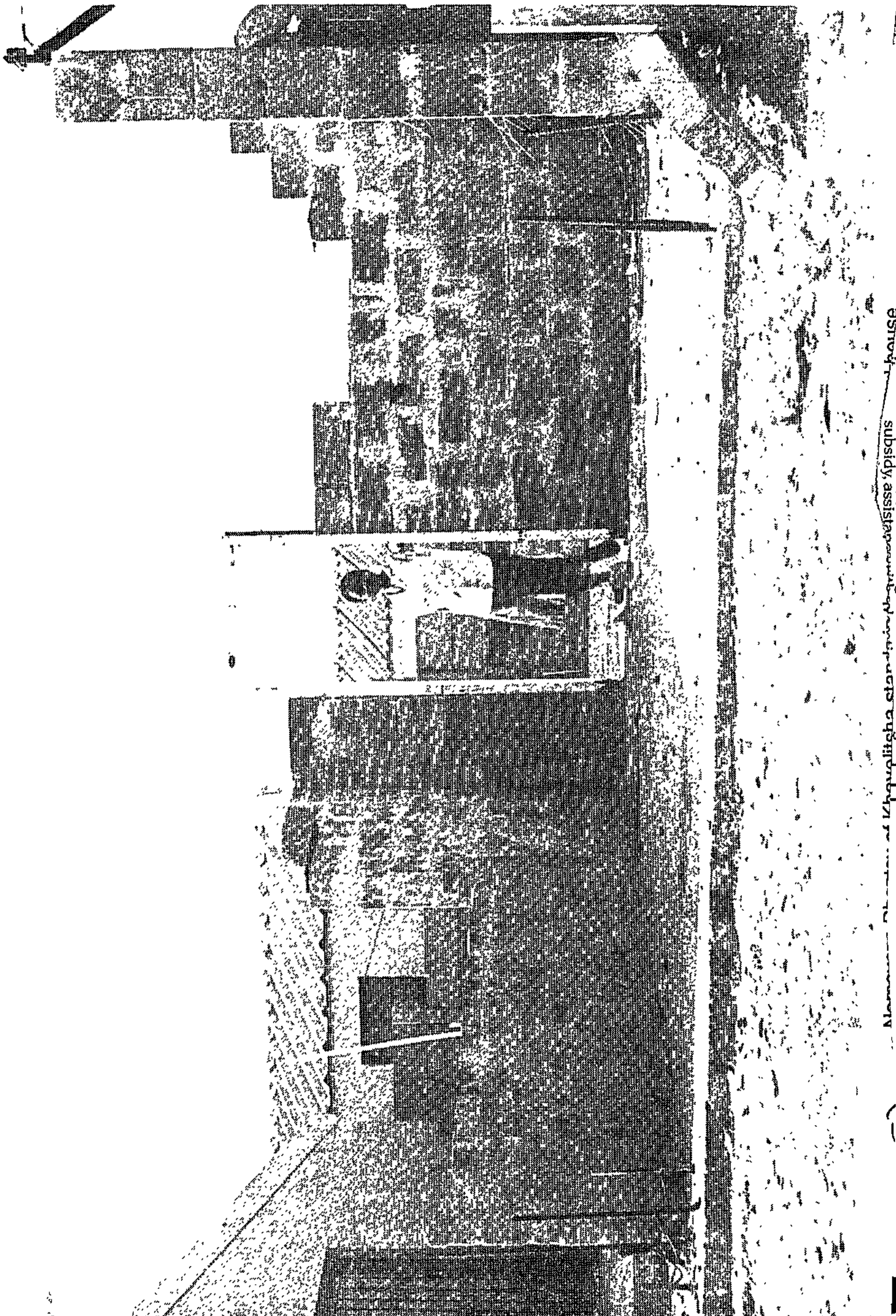
BUILDING, CONSTRUCTION AND ALLIED WORKERS' UNION

Founded: 1975

SOUTH, JANUARY 14 TO 20 5

South NEWS

Trail of unfinished homes



... and Johannesburg;

Roadmaking Industry in Sasolburg;

e) Stonecrushing Industry in Kempton Park and Krugersdorp;

Owners are angry with builders

32

C/P 3/1/88

By DAN DHLAMINI

NEW home owners in the Western Transvaal are up in arms against building contractors they allege have exploited them.

Owners in Klerksdorp and Potchefstroom who were granted loans by building societies have threatened to take legal action against building contractors because they claim their homes are incomplete.

In Ikageng, luxury site owners have complained of cracks in their newly-built houses and of leaking roofs.

The recent record rainfall has led to Potchefstroom residents discovering thattheir homes leaked.

More than ll2mm of rain has fallen in Potchefstroom this month. Some houses are electrified but the current is not on.

"We have to contend with candle light as well as the water that causes damage to our expesive carpets and ceilings. The contractors must complete their jobs or we will take them to court because we are deep in debt at various building societies and banks," said angry residents.

Some owners complained that building societies from whom they borrowed money did not send inspectors or evaluators to check if their dwellings were up to standard.

Western Transvaal branch manager of the Allied Building Society in Klerksdorp, a Mr Du Preez, told *City Press* he was not prepared to comment on the question of sending inspectors to check whether the houses were without faults before the occupants moved in.

The branch manager of Permamanent Building Society, S Botha, whose society runs an advice office in Klerkdsorp, said it was difficult to spot inherent faults in new houses, because the evaluators were not on site daily when building was in progress.

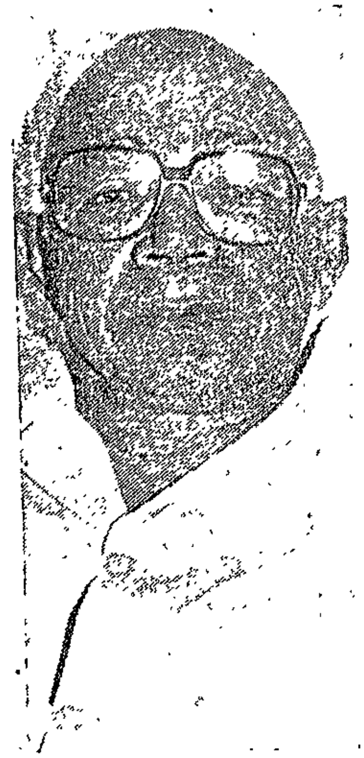
He said that when final payment was made to contractors a certificate was issued and signed by the occupant if he was satisfied with his new home.

Attempts to contact some of the contractors named by angry Western Transvaal home owners failed as most have closed for the festive season.

This worried home owners, who are not sure whether their contractors would still be in business next year.

Meanwhile, in Joubertton, the council has halted new developments and resolved not to allow contractors to continue building houses before tarring the roads and installing street lamps as per contract.

Ikageng's new mayor, Richard Sepotokele, said property developers and



Richard Sepotokele

building contractors had exploited residents and the council would see to it that everything was rectified in the New Year.

"These people took advantage of the excitement of the residents who, after many years, have now qualified to get loans from bulding societies. They must rectify their faults before they come to us for more sites and we will see to it that no building contractor hands over the keys before thorough inspection is done," said Sepotokele.

He added that one property developer in Ikageng had promised to plant trees, instal street lamps and tar the roads before the actual building of houses started, but this had not been done.

He said there were documents which would serve as evidence should contractors fail to keep their promises.

MANPOWER MIRROR by JULIE WALKER

22 S/1 3/11/86

Civil engineers in operation upgrade

THE critical shortage of civil engineers outlined in last week's Manpower Mirror has raised several comments.

An unemployed registered professional engineer claimed that the Department of Manpower had 100 out-of-work engineers on its books.

However, Hennie de Clercq, chairman of the Institution of Civil Engineers committee for public relations — endorses the view put forward in Business Times.

"In the recession of the past two years there were no more than enough civil engineers available. I knew of only one or two qualified engineers who were out of work in that time and generally speaking, they were difficult to employ. There will always be a few who do not make the grade in spite of their qualifications."

Plummeted

Dr de Clercq says that not only the numbers but the calibre of students applying for university admission have plummeted in the past few years.

"The medical schools are inundated with applications for places and are able to take the best students. But the business and engineering faculties also require top students. The medical profession is sitting with all the good guys. There needs to be a better spread of skills."

He says civil engineering has always had its ups and downs and at the moment it is unpopular. It is a reflection of the long-term business cycle. Money-making opportunities are not always obvious, but Dr de Clercq believes that the civil engineering sector is taking off.

"The upturn in the economy is highlighting the shortage of skilled staff."

Incomes of civil engineers vary significantly. A top-notch consulting engineer normally takes a percentage of the contract value as a fee. In the recession such contracts were few.

Long-term development is taking place not only in SA but in the rest of Africa. SA skills, already in demand, would be a powerhouse for Africa if it were not for political differences.

Protec scheme

The entry of black students to the engineering disciplines has been slow, but is quickening. In 1981, the Protec scheme was initiated by the Institution of Civil Engineers. Protec, a contraction of programme for technology, seeks to select top students in mathematics in Standard VIII from underprivileged areas.

Started in Soweto, the scheme now extends to 10 areas. It is an informal, privately financed body which offers pupils an opportunity to develop a career along technological lines. It runs for three years and includes extra lessons on Saturday mornings and during school holidays.

The scheme has come through the experimental stage and has made a positive impact on the numbers of blacks seeking to enter the profession.

Another problems contributing to the shortage of engineers is the high drop-out rate among first-year students, especially blacks. Wits University has introduced an experimental system where the work normally covered in two years is spread over three. This should ensure that the standard is maintained.

Many corporate sponsors have responded to the high drop-out rate and consequent high wastage of bursary funds. Some are offering bursaries to students who have successfully completed the first year of their studies.

Others, especially the larger groups with many interests, offer one year's employment in the group to students who wish to receive bursaries before they start tertiary studies.

They hope to give students a proper view of career opportunities. It remains to be seen whether or not the drop-out rate will decrease with a more mature student intake.

Difficult

Dr de Clercq believes that there could be opportunities for rationalisation between the university departments offering civil engineering courses.

There are civil engineering departments at Wits, Natal, Rand Afrikaans University, Cape Town, Pretoria, Stellenbosch and Durban Westville. Some of these departments find it difficult to attract not only students but academic staff.

Wits has a vacancy for a professorial chair. Low academic salaries have been the main reason why it is so difficult to attract high-calibre teaching staff. Engineering academics are usually held in high regard by industry and the private sector.

Dr de Clercq says that in terms of remuneration the future looks bright for civil engineers.

"There are many opportunities within the discipline which many people do not directly associate with civil engineering.

"It requires skills from the nitty-gritty level of designing structures to the broad communication skills — for instance, in negotiation. The installation of basic sewerage services at a squatter camp must go every bit as far as the contribution to health care made by the medical profession."

Negotiations

Management skills are also important. People from a variety of backgrounds are [illegible]ed to run any business efficiently. Management must be able to handle people, money and other resources.

Civil engineers have also become much more ecologically aware, and courses covering this topic are offered at most faculties.

"We aim to improve the quality of life for everyone," says Dr de Clercq.

Builders accused of inflating prices

6/1/88

EAST LONDON — Some building contractors have been accused by teachers here of charging inflated prices for state-built houses.

The Atasa conference was told that because the association had no architect or property valuator, house prices were being inflated by the contractors.

The association called on the government to formulate ways by which the values of government-subsidised teachers' houses could be checked to prevent cheating.

The delegates said they were sceptical about the prices of some houses and felt it was unfair for teachers to pay what they should not actually be paying.

The government should step in to prevent teachers from being ripped off.

Earlier, Atasa's secretary-general reported that numerous complaints had been received from teachers about the prices of their houses.

He said Atasa officials had been unable to help because no professional people who could check the prices of the houses were employed by the organisation.

The delegates were also told that married women were discriminated against when housing subsidies were given to teachers.

The conference heard that the government had ruled that only unmarried women teachers would be granted housing loans.

A married woman could be granted a housing loan only if she was the sole breadwinner in her family or if she could produce medical evidence proving that her spouse was medically incapable of working.

The conference decided to make another government approach in this regard.

Enjoying a cup of tea are two Transvaal delegates, Mr E. M. Yeni (left) and Mr N. C. Moruthane.

(32) Star 19/11/86

Public fleeced to pay for 'SADF' roads — Assocom

Own Correspondent

DURBAN — Government plans to build shorter major roads on which tolls are then levied, have been linked to a possible military strategy.

Whether the public is being fleeced to pay for a more efficient road system that will ease the speedy movement of military vehicles to trouble spots, is one of the questions being asked by the Association of Chambers of Commerce (Assocom).

Assocom's spokesman on transport affairs, Ms Peggy Drodskie says: "Some of the country's roads are of such a high standard that military aircraft can land on them.

"Roads in certain strategic areas such as the N2 North on the way to Mozambique, are of a high quality which favours military vehicles being speedily despatched.

"It can only be hoped that toll roads are not being built in certain areas to recover the high costs that were incurred in building other roads to suit the military."

Colonel John Rolt, spokesman for Defence Headquarters in Pretoria, said it is not the responsibility of the Defence Force to build roads.

He says the National Transport Commission is responsible for the country's road network, and that in most cases the natural terrain determines the route to be followed.

He says he doubts the military have any say in decisions to build roads.

There is also growing dissension on the privatisation of the N3 highway between the Transvaal and Hilton in Natal.

The concession was provisionally awarded almost a year ago, to a consortium called Tolcon but has not been finally approved.

Assocom has sent a memorandum to the Department of Transport outlining objections to the privatisation of roads.

Ms Drodskie says the privatisation of roads will probably only be viable if there are no existing roads which have already been paid for.

Tolls must be abolished once the cost of building the road had been recovered.

"The National Transport Policy Study Group recommended that roads be financed through a levy on fuel and by adjusting licence fees.

"Already there has been an adjustment of the fuel levy and increased licence fees are being phased in.

"This should have provided sufficient funds to build new and better roads," Ms Drodskie says.

She says it has been estimated that if the entire N3 between Johannesburg and Durban is tolled, it will cost R100 more to transport a goods container between these two centres.

"This will cost the country's economy millions of rands. The price of goods will increase and people may be forced to use rail transport instead of roads."

The National Association of Private Transport Operators (Napto) says that while it is not against the privatisation of roads as a concept, it is concerned about the manner in which it is being done.

Mr Andre Jacobs, chairman of Napto, says the goal of privatisation of road building and maintenance should be to reduce costs and improve standards and quality of infrastructure.

Toll road 'not so expensive'

Own Correspondent

DURBAN — Good news for motorists who were dismayed by recent predictions of apparently exorbitant toll charges on roads of the future between Natal and the Witwatersrand — it shouldn't be so expensive after all to use them.

The toll road concession company responsible for building the toll roads between Durban and Johannesburg said today that when the planned road was complete, it would only cost R25 a car in today's money.

Mr Ron McLennan of Tolcon was reacting to claims that it could cost R170 for a return trip between Natal and the Witwatersrand.

He said this figure was incorrect.

He said that the proposed road from Hilton to Alberton was still in the planning stage.

Estimates indicated that it could be completed in the next six to seven years.

Motorists would then be able to travel more safely on a limited access road, which would be 13 percent shorter in distance.

Company defends pay-road system

Own Correspondent

DURBAN — While brickbats are being hurled at the decision to convert the entire highway between Johannesburg and Maritzburg into a toll road, the company that has negotiated for the concession to take over the N3 has only praise for the concept.

Mr Ron McLennan, chief executive of Toll Road Concessionaires (Pty) Limited, said Tolcon's agreement with the State was in an advanced stage of negotiation but approval for the concession had not yet been given by the Government.

Tolcon was formed by a group of shareholders comprising Sanlam, Group Five, Murray and Roberts, Grinaker Construction and Keeve and Steyn to finance, design, construct, maintain and operate privatised toll roads in the Republic.

"It is intended that the concession company will ultimately have the State as a significant shareholder and the general public will be invited to become shareholders at a stage when it is convenient to list the company."

The company will design, construct, finance, maintain and operate toll roads for a period of 25 years and the company will have the right to negotiate a further concession for which it will pay.

The roads will remain the property of the State.

Mooi River faces rocketing transport costs

Own Correspondent

DURBAN — Mooi River farmers are up in arms and residents in the tiny farming community have signed an angry petition against the not one but three toll plazas Tolcon plans to construct outside the town.

A main toll plaza on the Johannesburg-Durban N3, plus two minor toll booths on the north and south interchanges, is planned to block free access from the N3 to Mooi River within the next two years.

Angry farmers and residents have called the plans "iniquitous" and claim the R6 main toll, and R3 offramp fare, will rocket transport costs and push up the price of fresh produce and spares.

"We're being victimised," said the chairman of the Mooi River Farmer's Association, Mr Arthur Elliott.

"Other communities further south will use the toll road free while we carry the burden. We'll be penalised every time we want to go to town."

Plans for the toll plaza, to be one of an eventual chain on the N3, are awaiting Cabinet approval.

Once the whole scheme is completed a one-way Johannesburg trip could, according to the Automobile Association, clock up R170 in toll fees alone.

"Farmers go into town for spares and to deliver fresh produce every day," said Mr Elliott. At R6 extra a go, the price of products will definitely soar.

"Add to that, a trip to school and back twice a day and you're looking at R12 extra a day, R240 a month."

Tolcon has set up a base in the town and this week had started repairing the road surfaces.

The chief executive of the huge consortium, Mr Ron McLennan, said he could not comment on Tolcon's plans.

BUILDING MATERIALS 32

Price pressure

This could be an expensive year in which to build a home. But builders, whose margins have been under pressure for several years, should be smiling.

Building costs are rising rapidly as material price increases predicted in the last quarter of 1987 (*Business* October 16) take effect.

One of the largest hikes has been in the price of timber. The average increase announced this month is 16% — although many sizes used in housing have gone up 30% or more. According to the National Association of Homebuilders, timber accounts for 5% of the cost of a 100 m^2-175 m^2 three-bedroomed house.

Paint (3% of cost) is set to go up 8,5% this week — an effective increase of around 35c/*l*.

And in February, builders will probably face another brick price increase. Some 11% of the house cost is accounted for by bricks which, according to Central Statistical Services (CSS), went up 7,3% (face) and 4,8% (stock) between October and November 1987.

Although cement (3% of cost) is not expected to cost more this year, builders are beginning to feel the effects of the November's 7,5%-8,5% increase, which pushed prices up by 37c/50 kg for bulk or mini-bulk and 48c/50 kg for bagged cement.

Last year also saw an increase in the price of steel of between 15% and 19,5% and Macsteel's Sheldon Smuts says a further 12% hike can be expected in 1988. Steel is used in window and door frames and roofing tiles, which collectively make up 6,5% of a house's construction cost.

Glass (1% of cost) increased 5% in September 1987 and is estimated to rise between 12% and 15% in 1988. September also saw a 13% increase in the price of aluminium, used in kitchens, windows and light fittings (3% of cost). An anticipated increase of below 10% is expected in the second half of 1988.

Undoubtedly a large constituent of housing costs, builders' margins, are also likely to come under review this year. Builders have been tendering at cut price rates through the recession and they will almost certainly be looking to recover some of their lost profit in the year ahead.

Another major cost factor in housing is the cost of subcontract and specialist labour (30,5%). Wage increases approved in October are 6% for skilled labourers, 16% for semi-skilled and 15% for unskilled workers. Master Builders' Association director Basie Pretorius says further increases can be expected in May, dependent on negotiations with trade unions. ■

Building industry boost expected

32

Daily Dispatch Reporter

EAST LONDON — The availability of building society finance and low bond interest rates are expected to give the building industry here a boost this year.

A spokesman for a construction company here said that although it was too early to tell exactly what the new year would hold, they had already been contracted to do "quite a bit" of factory building.

The director of the Master Builders' and Allied Trades Association, Mr G. Reed, said there was "a lot of activity", especially in Transkei and Ciskei.

"Because it is still so early in the year, however, most of the contractors are waiting to see what happens," Mr Reed said.

A spokesman dealing with loans at a building society, Mr Owen Thompson, said recent developments in this area had made a difference in applications for loans.

"Construction companies have really supported us," he said.

"We also have a lot of money for loans at present."

The loans manager of another building society, Mr Mike Williams, said he had seen an increase in the number of loan applications over the last three months.

Mr Williams said that the fact that major South African banks had raised their prime lending rate to favoured customers would not be detrimental to building societies at all.

"Actually we are clapping our hands, because banks are our main rivals," Mr Williams said.

"With this increase, we might even see bond rates coming back up."

The Border region is not the area where there will be an increase in construction companies applying for building society loans.

In Natal, a number of construction companies have reported "bulging order books" for this year.

The director of the Natal Master Builders' Association, Mr Pieter Rautenbach, said that employment opportunities in the building industry appeared to be more favourable than last year.

Spokesmen for construction companies in Natal were optimistic that the building industry was on the upswing due to the easy availability of building society funds and the low bond interest rates.

Sub-contractors join forces for a better deal

The row between sub-contractors and specialist contractors has taken a new turn, with 12 registered employer associations and independent sub-contractors establishing a national representative body for the "vital support sector of the building industry".

A spokesman for the group, which represents about 60 percent of the activity on conventional building site, says they have been "traditionally placed in a subservient position to the builder contractually and financially".

Now the Electrical Contractor's Association of South Africa comes out in support of a federation of specialist contractors.

Mr James Baker, executive director of the ECA, says: "This move is long overdue.

"Sub-contractors have traditionally preferred independent action and as a result could make little impact in negotiations aimed at rectifying contractual imbalances that favoured the builder in main contractor-sub-contractor disputes.

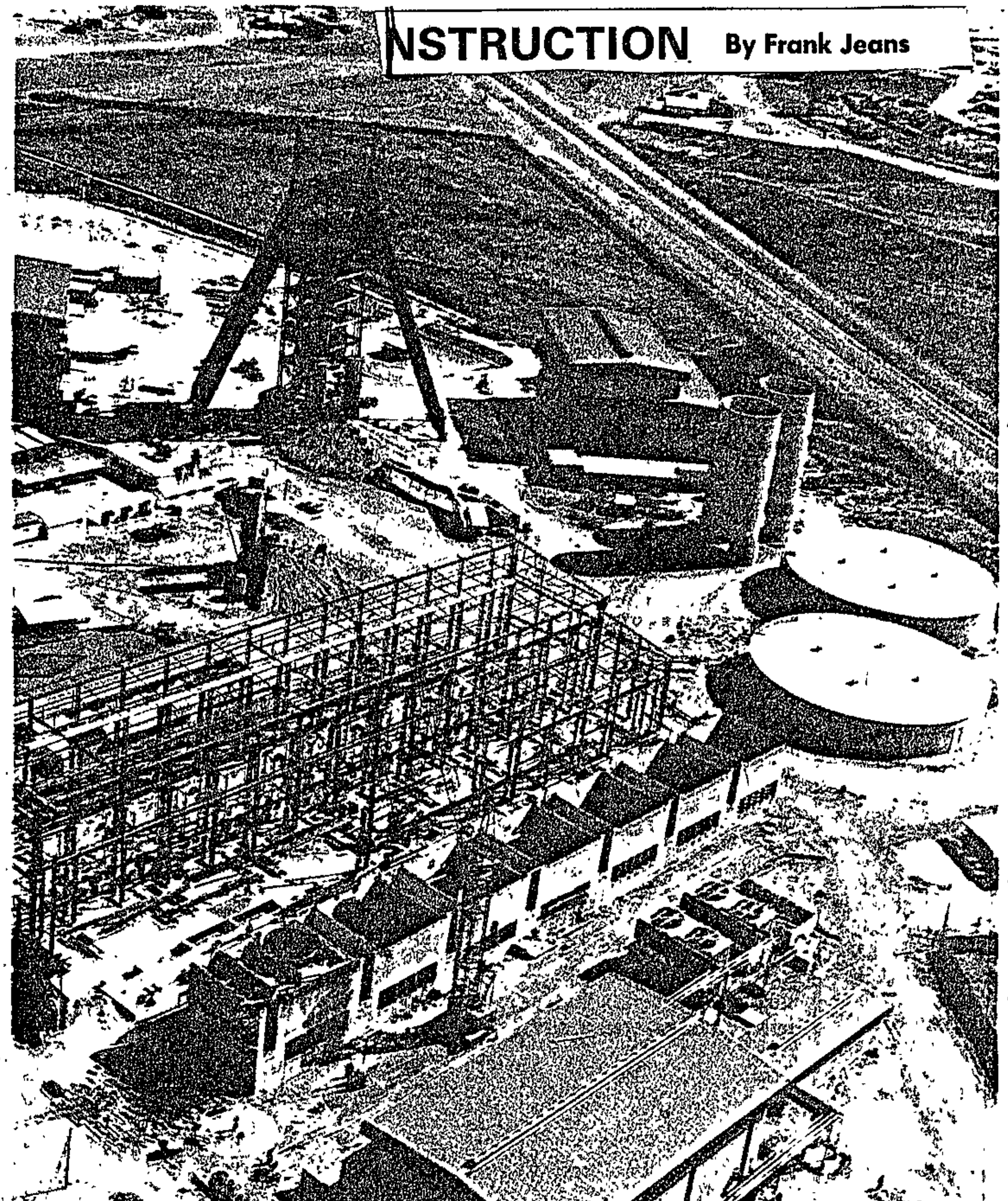
"By uniting in a common purpose, the federation will be able to present the sub-contractors' case much more forcefully to those bodies responsible for the structuring of contracts for the construction industry."

A working group is formulating a draft operations plan for presentation at an inaugural meeting to be held in Johannesburg soon.

One of the specific aims of the federation will be to improve conditions of payment to sub-contractors.

"All the sub-contractors want is fair play. They do not want to be taken for a ride and this why this federation will be formed," says Mr Baker.

NSTRUCTION By Frank Jeans



The new Far East vertical shaft at ERPM takes shape. SM Goldstein's civils division in the Transvaal is building extensions at the shaft — a R2,4 million contract due for completion this June.

R40-m contracts at SM Goldstein

Star 2/2/88 (32)

Wynberg construction group, SM Goldstein has a good spread of major contracts on its books, with the total value of current projects and recently completed ones hitting the R40 million mark.

The company's Transvaal building division is now undertaking the third phase of the Lebowa Legislative Assembly complex at Lebowa Kgomo, about 50 km from Pietersburg, following completion of the first and second phases last year.

The final stage — an R18 million contract scheduled to finish next February — consists of a health and welfare centre, museum, library and conference centre.

Other big jobs completed by the company include extensions of the Rietvlei water works near Pretoria (R6,4 million); an office-shopping complex at Harrismith (R2,7 million); Umlazi (Natal) sewage treatment works expansion (R5,1 million); Botshabelo sewage works 50 km from Bloemfontein (R4,8 million); and the civil engineering services for the black housing development at Edendale, near Maritzburg.

● In last Tuesday's Property and Construction page, the main contractor appointed to build a R15,3 million office block for Atlantic and Continental Assurance in Auckland Park, Johannesburg was incorrectly given as Grinaker Building (Transvaal). The builder is, in fact, SM Goldstein.

Building industry improves training methods

Star 4/2/88

32

The building industry has given training a boost with the establishment of the Building Industries Training Board aimed at streamlining the country's teaching spectrum.

Mr Lou Davis, executive director of the Building Industries Federation (Bifsa), says: "The industry will now have a far better structured training method.

"The most important facet is that trainees must acquire the right skills through accredited training organisations, whether they are technical high schools, technical colleges or private training centres."

Pointing out the effect the recession has had on the industry, Mr Davis said the alarming shortage of skilled manpower meant that a considerable training burden would fall on all contractors and sub-contractors if they hoped to meet the future needs of South Africa.

And by co-ordinating the training efforts through the BITB, there would bound to be a drop in the amount of wasted manpower. The time taken to train an individual will also be more strictly monitored and controlled.

"Because of the slump," says Mr Davis, "much training time has been lost and it is vital that the industry turns its attention to the problem of getting sufficiently skilled and competent people back on to the building sites around the country.

"When one looks at the demand for buildings, houses and office complexes in the years ahead, it is patently clear that the industry as a whole has very little hope of completing all the work with skilled manpower resources currently available."

Civil engineering in turn for better

Star 4/2/88

32

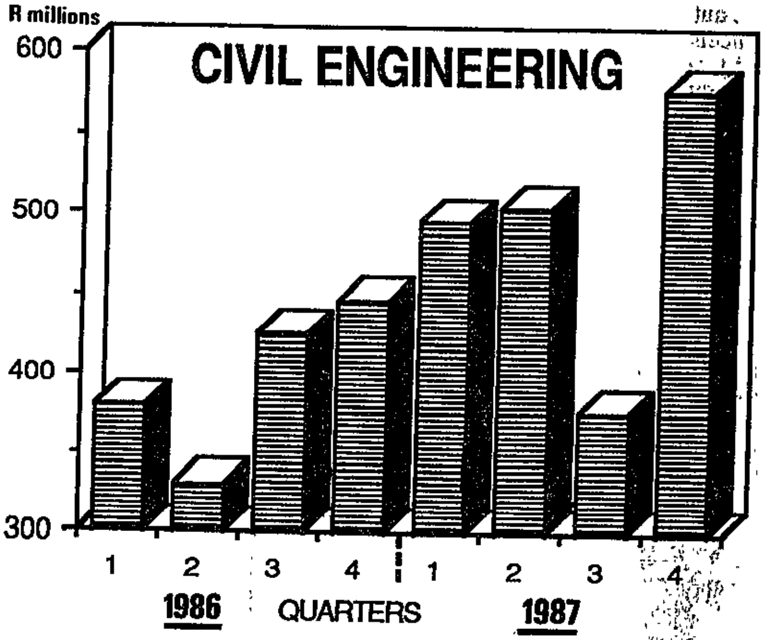
By Frank Jeans

The long-embattled civil engineering industry appears to be firmly on the recovery road after the December award of 75 contracts with a total value of R185 million.

The South African Federation of Civil Engineering Contractors (Safcec) says this compares with R72 million for the same month in 1985 and R86 million in December 1986.

The boost for "civils" comes from the road business, with half of the December total awarded by the National Transport Commission.

The largest road contract, won by Concor, was for the R42 million Geldenhuis to Old Barn reconstruction of the N3, followed by four contracts in the R33 million to R36 million range.



The graph shows the recovery of the civil engineering industry, with the value of work hitting nearly R600 million for the fourth quarter of last year.

Fourth quarter

The late 1987 flourish, along with the high November awards of R260 million, brought the total for the fourth quarter of last year to R580 million.

The total for all of 1987 was R1,9 billion (R1,5 billion in 1986).

When adjusted for inflation, the volume of new civil engineering contracts last year was about 10 percent higher than in 1986.

Safcec also reports encouraging trends in employment within the industry.

The workforce rose from 82 000 early last year to 85 000 by the second half.

The rise in construction costs of 16 to 20 percent in 1986 slowed down last year to between 12 to 13 percent, but certain materials went against this trend.

Looking ahead, Safcec says: "The industry has entered the year with order books better filled than at this time in previous years and the total value of work still to be undertaken on all existing contracts is of the order of R2,3 billion."

There is also a word of caution for, despite the turnaround after five years of decline, the industry's overall activity is still at a low level.

"There is also a dire need for a general upturn to profitability to ensure that the industry will again be able to operate on a viable basis," says the federation.

Barmitzvah | Friend, passed away | Doves and ...

cash theft

Opposition to road privatisation

Star 5/2/88

By Sven Forssman

Strong opposition has been voiced to the privatisation of existing roads.

The Transport Consultative Committee (TCC), which comprises the Association of Chambers of Commerce of South Africa (Assocom), Public Carriers' Association and the SA Federated Chamber of Industries, yesterday expressed "total opposition" following reports that the main Reef to Durban route may be privatised.

A TCC spokesman said the committee believed that long-standing rights would be withdrawn if the N3 proposals were accepted.

The private sector had never objected to paying fuel levy and licence fees for road funding. And the private sector accepted the principle that new roads might, in some instances, only be constructed if a toll was levied. In this context the imposition of a toll on the N17 (Krugersdorp-Springs road) was accepted.

"The Transport Advisory Council should be given the opportunity to debate the issue before major decisions concerning transport were taken".

In a separate statement yesterday, Assocom called on the standing committee of Transport Affairs not to privatise the N3 motorway between Johannesburg and Durban.

Assocom objected to the privatisation of the N3 because there was no viable alternative to the N3, a private sector monopoly would be formed and the toll would be considerably higher than if Government operated it.

Brits minister leaves NGK

Star 5/2/88

Another Nederduitse Gereformeerde Kerk minister has left the church to join the whites-only Afrikaanse Protestantse Kerk (APK) — along with 60 of his 600 congregation members.

The resignation of Rev Marthinus Taute, of the Sanddrif NGK congregation near Brits, follows a complaint by a church member about the way he criticised new NGK policies from the pulpit.

New control for Gold Reef City

Star 5/2/88

The Johannesburg Gold Reef City company is to be liquidated and a new one formed, but operations will not be interrupted, JGRC managing director Mr Stuart Shaw announced in a statement yesterday.

He added that arrangements would be finalised within six to eight weeks. New proposals include reduced entrance fees and no-charge parking.

Mr Shaw said the liquidation of JGRC had been proposed as part of the reconstruction announced in December.

Reconstruction was necessary because JGRC, a non-profit company, had an inappropriate structure and its establishment costs had greatly exceeded estimates.

The new company, Newco, will have substantial capital. It will lease the premises for 60 years at a nominal R1 a year from Gold Mine Museum.

Safcec voices support for privatisation

Star 6/2/88 (32)

FRANK JEANS

Mr Kees Lagaay, executive director of the South African Federation of Civil Engineering Contractors (Safcec), commenting on President Botha's moves on road privatisation, says:

"The federation supports the concept of privatisation in respect of infrastructure work such as national roads, water purification and sewage works.

"One of the main reasons is that due to lack of finance, the public sector may find it difficult to provide these services timeously, so that by mobilising private resources, such projects can be undertaken earlier."

Mr Lagaay says the roads mentioned in the President's report have heavy-density traffic.

In these circumstances, toll companies should remember that they should not price themselves out of the market.

"They should note that the State President has already stated that alternative routes will remain," says Mr Lagaay.

R196bn for civils contracts

12/2/88 (32) 5/1

CIVIL engineering contracts worth R185-million in December pushed the 1987 total to R1,96-billion compared with R1,58-billion in the previous year.

Adjusted for inflation, new contracts awarded were 10% higher than in 1986.

The SA Federation of Civil Engineering Contractors says that of the contracts awarded in December half were from the National Transport Commission.

The largest road contract last year was the R42-million Geldenhuis to Old Barn reconstruction of the N3, followed by four contracts in the R33-million to R36-million range.

BUSINESS/PROPERTY

ARGUS 9/2/88

32

CONSTRUCTION

Building materials could soar by 16 pc

By TOM HOOD, Business Editor

MATERIALS used to build an average house soared by 9,9 percent in price from September to December and they could rise by 16 percent for 1988, estimates Professor Gaye le Roux, head of the Department of Quantity Surveying at the University of Port Elizabeth (UPE).

But building costs could escalate more than this because of wage increases, the high cost of replacing equipment and recoupment of profits lost in the recession, she said in an interview yesterday.

Many contractors could not afford to replace their plant or equipment and some had foolishly sold plant overseas.

"They will now have to import goods at a higher exchange rate and they will have to recoup that cost," she said.

NO PROBLEMS

Unfortunately too many people accepted price increases as a *fait accompli* but quantity surveyors knew "how to apply the brakes on this rampant ride".

Professor le Roux

Some rises could be negated or controlled by negotiating fixed price contracts over certain periods and escalations could be phased in.

The petite Professor le Roux, believed to be the only woman professor of quantity surveying in the world, says she had no problems fitting into the hard-headed building industry, which is essentially a man's world.

She started as a quantity surveyor in 1956 and never ran into discrimination in the industry.

She has become president of the Association of South African Quantity Surveyors at a time when they face one of their biggest upheavals — since January, the profession has ended restrictions and allowed surveyors to advertise, allowed canvassing for work and abolished fixed fees.

"BEST PRICES"

"One benefit is that a house-owner, for example, does not require a whole range of services, so fees can be trimmed to within his pocket.

"Some people will not buy a door lock or roofing materials without consulting a QS, who knows the best materials and prices going."

The high cost of house building now made it worthwhile for the home-owner to consult a QS, she said. Few people realised the importance of future cost control and the QS was probably in the best position to advise on choice of materials for the coastal region.

Examining the contracts of a large Transvaal firm, she was impressed to see the largest was R36-million and the smallest R5 000.

D/D 9/2/88

EL builders hope for upturn

32

Daily Dispatch Reporter

EAST LONDON — Local building contractors are optimistic that the slump the industry is in at the moment will not last, while real estate agents have complained about the lack of quality housing.

The chairman of the Building Industry Association which is the new name for the Master Builders' Association here, Mr Ian Friend, said the building industry was in a "poor state".

"The work there is is at suicidal prices for the builder," he said.

"The building industry is in its worst period for quite a while."

Mr Friend said this situation had prevailed since 1984.

A local building contractor, Mr Andre Steyn, said there had been an improvement in the building trade in the last two years.

"It can't really be described as a boom, however, but there definitely has been a slight improvement," he said.

Another contractor, Mr Louis Robinson, said he was expecting a boom in the industry this year.

"This is as a result of all the off-shoots from all the big developments which should take place this year, like Clarendon Gardens, the Kings complex and the beach front development," he said.

"Another reason is the low interest rates which are the lowest for the last two-and-a-half years."

Mr Robinson said there was "a reasonable amount of work at the moment".

"Put it this way I've got enough work to keep me busy," he said.

Mr A. Pearson, who also owns his own building company said the first industry to be affected by a recession was the building trade.

"I've got work at the moment, but it is only small stuff.

"With all the developments anticipated for East London this year, work will pick up for the big guys, but not really for the smaller developers," he said.

Mr Robinson said the public was being ripped off by some contractors because their work wasn't up to standard.

"At the moment it is a case of the butcher, the baker and the candlestick maker. Anyone with a wheelbarrow and a truck thinks they can start building," he said.

Mr Robinson said he felt there should be tighter government control.

"By tighter control I don't mean there should be any more industrial councils, because they are actually the ones retarding the building industry," he said.

A Beacon Bay estate agent, Mr Des Nish, said there were still a lot of houses on the market.

"The better stuff normally goes quickly," Mr Nish said.

"There is a big shortage of good stock in the R70 000 to R90 000 bracket."

He said there had been about a ten per cent increase in the price of "quality houses".

"At this stage it is better to buy a house in East London than to build one.

"East London tends to remain constant and doesn't experience the highs and lows of other centres," he said.

Another estate agent, Mrs Janet Schreiber, said that houses were not as plentiful as in the past.

"The big problem is matching the right house with the right person.

"Basically there is a shortage all round, but in some areas one really battles to find a house," she said.

Mrs Schreiber said that house prices had increased over the last few years.

"The expensive houses, however, are selling quite well."

Prosperous times ahead for construction industry

32

The construction industry is well set for a prosperous future — and that prediction comes from a company at the "grass roots" of any building job, scaffolding and formwork group, Form-Scaff.

Managing director, Mr Lee Koch, believes that the next nine months will see strong activity in construction and building, although much depends on a favourable gold price and exchange rates.

Apart from the State President's general remedy for the economy, particularly by way of privatisation measures, the big contracts — still some way down the line from actual starts — such as the Lesotho Highlands Water Scheme and Mossel Bay offshore oil project will be further boosts.

Major projects

"Building activity is expected to be revitalised as major projects come off the shelves," says Mr Koch.

"Indeed, should the gold price move up we could witness a further 60 percent rise in construction activity over and above the 51 percent increase revealed by our survey."

The Form-Scaff graphs are made up of a number of composite leading indicators icluding building plans passed.

The company is also contributing to labour-cost saving through new scaffolding handling methods.

Uniformity

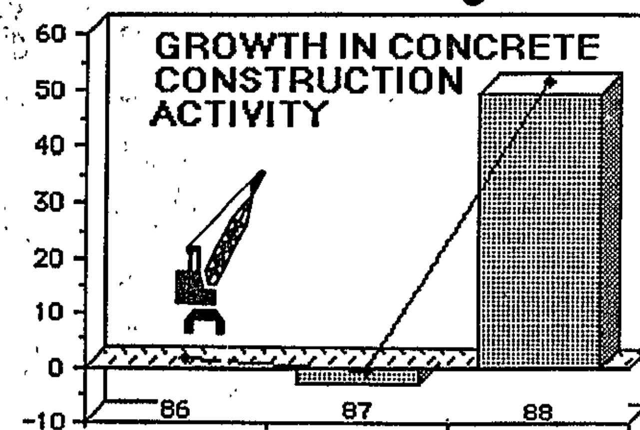
"We are approaching the Scaffolding Association of SA to introduce product handling uniformity in the industry which, we believe, could achieve a 10 percent saving in labour," says Mr Koch.

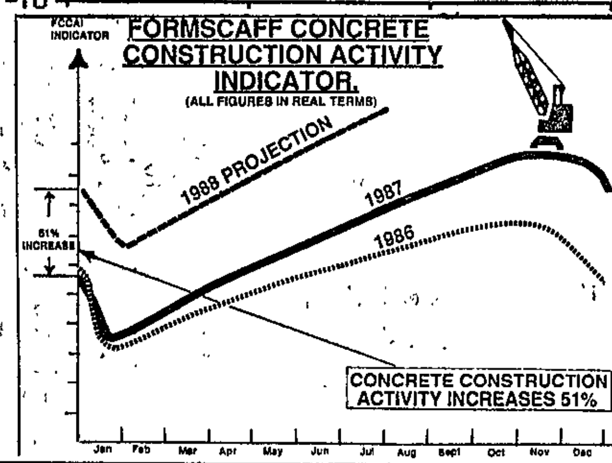
Also bullish on the prospects for construction is Mr Kees Lagaay, executive director of the South African Federation of Civil Engineering Contractors.

"Civil work at Mossel Bay and Lesotho is due to start this year," he says in the latest Safcec review of the industry.

"While these projects are important, of particular relevance to the civil engineering industry's workload in the coming years will be the Government's privatisation policy.

"This is particularly true in the area of private toll roads and the contracting out of civil work which is currently undertaken by the public sector's construction units."





Black builders resisting membership of the MBA

(32)

Star 11/2/88

By Frank Jeans

The increasing role of the informal building sector, while desirable in the national interest, is becoming a threat to the organised industry.

Resistance from the informal builder to the Master Builders' Association (MBA) is so pronounced that in the past year only one black builder joined it.

This attitude to the white-dominated building industry was highlighted by Mr Graham Volck, outgoing president of the Master Builders' Association (Witwatersrand and Transvaal South) at the annual general meeting in Johannesburg.

"How the authorities intend to deal with this problem is not clear," he said, "but what is clear is that the informal sector is not anxious to be formalised and regulated."

While he saw optimism and enthusiasm within the building industry, Mr Volck said that in view of population growth, building activity was "going backwards".

"In a country which has unemployment as one of its major threats, together with its most serious side-effects, and as, as one of its major opportunities, a vast untapped and comparatively cheap labour resource, one must surely be alarmed at the lack of progress being made," he said.

Expert opinion was that expected growth rate of about three percent would be insufficient to accommodate all entrants into the labour market.

Group Five recovers to show profit

32 By Finance Staff 12/2/88
Star

In its first year as an independant company, Group Five made a dramatic return to profitability and resumed dividend payments during the 1987 financial year.

The construction group's attributable income was R11 million compared to a loss of R11,4 million in 1986. A total dividend of 35c was declared.

While turnover rose by only nine percent to almost R500 million, the group's effective rationalisation and improved margins pushed operating income to R10,4 million compared to a loss of R10,3 million previously.

The directors report that all divisions performed satisfactorily and the group was now well placed to take advantage of the improving conditions in the industry and therefore maintain the after-tax level during 1988.

They added that a pyramid holding company for the consortium — formed in August last year by SM Goldstein and Group Five — would be proposed to shareholders soon.

CIVIL ENGINEERING (34)

Skills shortage looms

Just when capital projects are coming back into fashion, the civil engineering profession is facing a potential shortage of qualified people.

From a peak enrolment of 700 in 1972, the number of new civil engineering students at universities almost halved by 1977 and has dwindled to less than 300 this year.

Wits, the country's premier civil engineering school, experienced its lowest intake in 30 years this year. Of these, only 50% will graduate, while at least 25% of graduates usually emigrate. Moreover, while some move into the electrical and mining engineering fields, far more are being attracted to non-engineering disciplines.

Wits Dean of Engineering, Professor David Glasser, said recently: "I think there isn't an adequate reward structure in the system and many of our bright engineers rush off and do MBAs and move out of the technical side into management."

The SA Institute of Civil Engineers has begun a campaign to improve the image of the profession.

"After the boom of the Seventies, there was a slowdown in Sasol and other major capital projects. This gave civil engineering a feast-or-famine reputation, which was not improved by contractors' constant grumbling about cuts in government capex," says spokesman Hennie de Klerk.

He claims the volatility is exaggerated. "While architects couldn't find work and some 40% left the profession, there has always been work for top civil engineers."

He concedes the downturn in capex and the large intake of engineers in the early Seventies has meant there are few signs of a skills shortage — thus far. However, the shortage of graduates couldn't have come at a worse time. The low rand, higher taxes and lower incomes have made SA less attractive to foreign engineers — the industry's traditional skills reservoir.

The only remaining major source of overseas expertise is contract work. Personnel agency head Eric Henderson says experienced men in their forties are vital for projects such as the Mossel Bay gas plant.

"These men are transient and move from the North Sea, where there is presently a downturn in activity, to the Middle East, US or wherever there is work. They don't come cheap, but they can't be produced in local universities."

However, only the bigger projects such as Mosgas and the Lesotho Highlands Water Project, can successfully use contract workers. "It would be far too expensive to use overseas contract work on mundane road building jobs, for example," says De Klerk.

One problem is the shortage of engineers from the black, Asian and coloured communities. De Klerk says it is vital that top students from these groups are singled out for special technical education.

ARGUS 17/2/88

Builders wary of wages freeze

Business Editor (32)

THE No 1 issue for the construction industry in President PW Botha's new economic reform proposals was the privatisation of certain Government and quasi-Government operations which promised considerable benefits, says Mr Neil Fraser, president of the Building Industries Federation.

Commenting on aspects of the proposals, Mr Fraser, divisional director in Murray & Roberts Construction, said: "I am hopeful that other Government-controlled industries will be privatised because such moves would result in a further outflow of benefits to the industry.

"Probably the most important factor within the privatisation decision is that monies raised through it will be ploughed back to relieve South Africa's debt and go into infrastructural development on a broad basis, making more money available to benefit the construction industry generally."

Mr Fraser said of the suggested pegging of wages in the private sector: "While we are sympathetic to the principle of the State President calling on the private sector, in practice this issue is going to be far more difficult.

"The construction industry, because of its state over a number of years, has lost a great percentage of its professional and semi-professional staff who can only be enticed back at vastly increased salaries.

"Then, with the rate of inflation over the past 12 months, we have been and will continue to be under considerable union pressure on wages, and I cannot see the unions being too tolerant or sympathetic to the State President's call."

Road called a gift to Tollcon

32

B/day 18/2/88

N3 toll row causes split in business

DIANNA GAMES

THE continuing furore over the proposed privatisation of the N3 Durban-Johannesburg highway threatens to split the ranks of organised commerce and industry.

The handing over of the highway, officially estimated to be worth R350m, to private toll consortium Tollcon has turned into a straight fight between vested interests in the construction sector and the broad spectrum of commerce.

Private construction industry sources said even with amortisation over the past 10 years, the Department of Transport (DoT) estimate of R350m was conservative and the value could be closer to R800m at 1988 prices.

The DoT yesterday denied the road, built originally at taxpayers' expense, was a "gift" to Tollcon, which is to rebuild and maintain it for the next 25 years.

Assocom's powerful Transport Consultative Committee (TCC), which represents all associate members' interests, has come out strongly against the idea and has recommended the plan be scrapped.

However, the Automobile Association, Safcec and Safto, have dissociated themselves from the TCC motion which called on government to protect the interests of motorists and the transport industry.

Commerce and industry yesterday again voiced its fears that the cost to the road user, particularly on container traffic, would see an increase in the cost of goods being transported and said the move was inflationary.

It also feared the project could set a precedent for the privatisation of other arterial roads.

DoT director, national roads, Malcolm Mitchell said the maximum toll rate was set at 75% of the estimate of what the road user would save in time and distance.

The toll rates had been the subject of a great deal of decision-making, negotiation and investigation, he said, and were worked out according to an internationally accepted formula.

Mitchell said it was common knowledge the fuel levy system had resulted in an under-recovery from the road user and Tollcon would step into the gap of upgrading and maintaining the road.

At the end of the 25 years set aside for Tollcon's contract, there would be four toll gates and only one — at Mooi River — on a section of existing road, Mitchell said.

He denied allegations that the alternative routes were so badly maintained that they were not considered a viable option, saying they were better than alternative routes on other toll roads, such as Tsitsikamma.

Also at issue was the cost to the private motorist, who, according to one transport source, "had been sold down the river".

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N3 toll row causes business split

● From Page 1

An AA spokesman said yesterday the association had accepted that in the circumstances it was feasible and necessary to have the road given to private enterprise as there were no public funds available.

While the AA would like to see government paying for the road, it had had to adopt a "pragmatic approach".

But the transport industry source said the AA's about-face on the issue of toll roads, to which it was originally opposed, was tantamount to "throwing its members to the wolves".

AA figures show the toll rate agreed on for the section of road between Kheeversfontein, near Van Reenen's Pass, and Estcourt has been set at R6,50 for the 16km stretch.

This is more than double those for relative distances on state-owned toll roads such as Tsitsikamma (R2,50 for 10kms) and Kranskop (R2,60 for 13km).

Blue Circle earnings show 108% increase

Finance Staff

Blue Circle more than doubled its earnings in the 1987 financial year, with earnings per share soaring by 108 percent to 151,2c.

A final dividend of 30c lifts the total distribution to 50c, covered three times.

INCREASE

The buoyant conditions in the building industry are reflected in an increase of 25 percent in turnover to R378 million.

The profit before interest and tax shows a 75,4 percent improvement, indicating a high level of cost and operating efficiency.

While both the cement and engineering divisions bettered their performances during the year, the major contribution to the group's profit came from the considerably enhanced results achieved by the materials division

Group borrowings have been reduced by some R43,7 million to R100,5 million as a result of strong operating cash flows which, together with lower interest rates, led to a saving of R5,6 million in the group's interest bill.

Tax charges have absorbed a greater proportion of the group's profit.

This is due to the higher profits offsetting tax losses previously available for relief.

However, a large increase in deferred tax and tax benefits in the balance sheet indicates that actual tax payments are still relatively low.

CONTRIBUTIONS

Associated companies improved their contributions to the group by 40 percent to R7,65 million.

The group's balance sheet has been considerably strengthened.

Borrowings to shareholders' funds having been reduced from 78,6 percent to 48,1 percent.

19/2/88 Star

D/D 22/02/88 (32)

One tollgate on N3 to reap R780 000 a month for firm

Daily Dispatch Correspondent

JOHANNESBURG — The R60 million section of road being built by the government on the N3 highway between Johannesburg and Durban and "given" to private toll consortium Tolcon, was part of a package deal between the consortium and the government, a government spokesman said.

The toll plaza on this stretch, also built and funded by the government, will charge motorists a R6,50 toll fee, which would go into the coffers of Tolcon, the private consortium contracted to rebuild and maintain the N3 for 25 years.

It has been estimated that an average of about 4 000 cars a day would travel the route — between Bester and Frere — over the whole year, which would result in earnings of around R26 000 a day or R780 000 a month from the one toll gate alone.

The Director General of the Department of Transport, Mr Ronnie Meyer, said the decision to go ahead on the building of that stretch of road took place several years ago when negotiations with various consortiums were still taking place.

Three more toll gates are to be built before 1995, bringing the cost of a journey between Johannesburg and Durban to between R25 and R30.

A highly placed source in commerce said the addition of as little as one third of a cent on the fuel levies would pay for the road.

He said if the Treasury could guarantee the Department of Transport funds on a long-term basis, the private sector would not be drawn into this type of project at what amounted to the public's expense.

He said even if the government used the private sector to raise finance, repayments to that sector should come from government and not from the individual motorist.

Mr Meyer said: "The Treasury has too many holes to plug. They could not give a guarantee from one year to the next. I think by doing it this way we are able to ensure it does get built earlier than would otherwise be possible."

Mr Guy Harris of Pim Goldby Management Consultants warned the differing positions of the construction industry and business organisations on the toll roads issue was in danger of creating precedents which would later be regretted.

R60m road 'part of Tolcon's deal'

(32)

B/day 22/2/88

DIANNA GAMES

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Transport Department director-general Ronnie Meyer said the decision to go ahead on the building of that stretch of road took place several years ago when negotiations with various consortiums were still taking place.

"We eventually decided we couldn't wait any longer and in the absence of an agreement with the consortium at that time, the project was started," he said.

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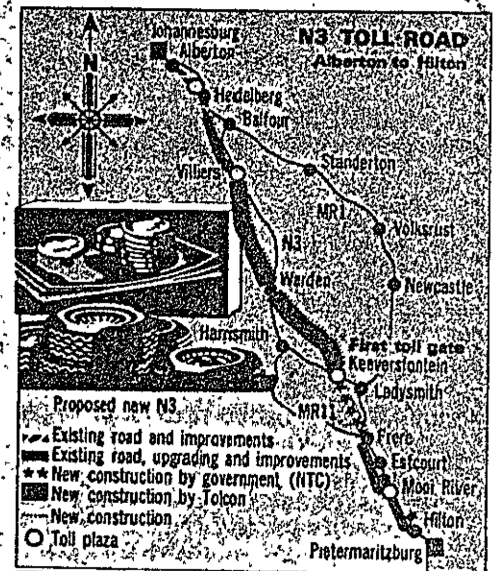

Source: TOLCON Graphic: JOHN McCANN

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To Page 2

Tolcon's package deal includes a R60m road

From Page 1

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Pim Goldby Privatisation expert Guy Harris warned the differing positions of the construction industry and business organisations on the toll roads issue was in danger of creating precedents which would later be regretted.

Harris, Durban director of Pim Goldby, said government must act to set up effective regulations.

He said it was possible to establish controls — necessary for the privatisation of any monopolistic industry — to ensure the consumer was not taken advantage of, while allowing the operator to run an effective operation.

DID 24/2/88

Ominous for home builders

32

CAPE TOWN — Home builders are experiencing a boom, but there are "ominous" signs that non-residential building in South Africa is on a path that could affect the industry negatively in 1989, says Bureau for Economic Research of Stellenbosch University.

Announcing the results of its latest quarterly analysis of building and construction activity, the bureau's director, Dr Ockie Stuart, said house prices — even though they shot up by an astonishing 27 per cent last year — were accelerating at a furious pace.

Building costs were expected to jump more than 20 per cent this year.

"Home builders, however, are operating with wafer-thin profit margins. This is probably the result of government policy coupled with structural changes now taking place in the house market."

The government had introduced an interest subsidy scheme for first-time buyers of new houses in 1983 that had saved builders during the recession, Dr Stuart said.

However, it had set a ceiling of R40 000 — a figure which still prevailed — on the value of the house and as a result profit margins of many builders who catered to this market had fallen drastically.

"Also, some non-residential contractors have gone into home building because of a lack of work in their own field, and this has increased competition further," Dr Stuart said. — Sapa

'Home building in boom phase'

CAPE TIMES 24/2/88 (32)

Builders' profit margins 'squeezed'

By AUDREY D'ANGELO
Financial Editor

RISING costs mean that building firms specializing in the first-time home buyer market are having their profit margins squeezed "wafer-thin", the Stellenbosch Bureau for Economic Research (BER) points out.

The ceiling price for houses attracting the government's subsidy for first-time buyers is still R40 000 exclusive of the land, in spite of attempts by the industry to have it raised.

BER director Ockie Stuart says "the profit margins of the many builders who cater to this market have fallen drastically — in some cases reportedly from 20% to 5%."

Other factors helping to squeeze profits in this market are stiff competition and the fact that costs cannot easily be passed on to lower income purchasers.

But, Stuart says, "in spite of these reduced profits home building is definitely in a boom phase at present".

And he expects demand for more expensive new houses to rise as prices of existing houses — which went up by 27% in the 12 months to October 1987, according to the Rode Index — start approaching replacement values.

He forecasts a 22% increase in tender prices in 1988 "as contractors make up for the small profit margins with which they have had to live for the past five years".

However, although he thinks building activity is on an uptrend now, Stuart warns that there are already signs of an impending downturn in non-residential building next year.

"Architects report a decline in the number of commissioned projects at working plan stage, although sketch plan work is quite healthy.

"This might indicate that developers are shelving many projects after the initial viability study."

However, he says, further data will have to be gathered before any firm conclusions are drawn about this.

"If these negative signs are shown to be valid indicators of a downturn this will probably eventuate only well on into 1989."

Grinaker leaps 680pc

32 BD 25/2/88

JOHANNESBURG — A massive 680 per cent leap in pre-tax profit has helped lift the consolidated earnings of Grinaker Holdings —the Anglovaal construction and electronics group — by 129 per cent to R7,6 million in the half-year to end-December, from R3,3 million in the comparable 1986 period.

Further, earnings in the current January to June period are expected to exceed those in the first half, say the directors..

Earnings a share climbed from 10,3c to 23,6c and the interim dividend has been lifted by 133 per cent to 7c (1986: 3c).

Cover is unchanged at 3,4.

The board says the improvement results from extremely good performances by the electronics subsidiaries -- including those of the JSE-listed Siltek Limited from July last year -- and improved performances by Grinaker's construction and construction-related interests.

During the six months, consolidated turnover rose by 66 per cent to R406,6 million (R244,6 million). The consolidation of recently-acquired subsidiaries, combined with a general improvement in the group's trading, brought a 358 per cent rise in trading profit to R25,8 million (R5,6 million).

With the interest charge reduced by 30 per cent to R1,8 million (R2,6 million), there was a pre-tax profit of R24,1 million (R3,1 million) — a 680 per cent improvement. —Sapa

Plan to boost tollroads

32 DIANNA GAMES

GOVERNMENT is considering a further boost to the privatisation of the N3 highway between Johannesburg and Durban by selling its 25% shareholding in the private consortium Tolcon when the company is eventually listed.

Transport Department director Ronnie Meyer said yesterday its maximum 25% shareholding option in Tolcon would be taken up through the reinvestment of what the consortium would pay in tax. When the company was listed — within 10 years — government would sell that shareholding to private enterprise.

He said using money that would otherwise be paid by Tolcon in taxes in this way would help the viability of the project in its early stages.

After the listing, Tolcon's taxes would be directed in the normal way.

Meyer, responding to criticism that Tolcon had been "given" an existing road paid for by taxpayers, said the idea of privatisation was to decrease government involvement in capital expenditure.

The 53km, R60m stretch presently being built by government and to be tolled by Tolcon was part of a total project agreed on. Without it the contract would not go through.

Investigations into tolls on more roads were taking place, including the road skirting Pretoria West to Sandton, but these plans were at a very early stage.

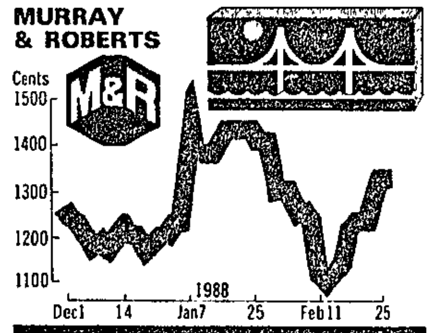
B/day 26/2/88

M & R interim profit up 139%

32

B/day 26/2/88

MICK COLLINS



Source JSE Graphic JOHN McCANN

CONSTRUCTION and industrial giant Murray & Roberts (M & R) staged a strong comeback for the six months ended December with after-tax group operating profit rising 139% to R38,2m compared with the R15,9m for the same period in 1986.

Turnover was up 9% to R1,4bn (R1,3bn) and attributable earnings were up by 157% to R30,5m (R11,9m).

The interim report released yesterday shows a 151% improvement in earnings a share to 113c (45c) for the six months and the group posted an interim dividend of 25c a share (7c).

However, financial director Jeremy Ractliffe said the performance was good but cognisance had to be taken of the low base from which the company had returned and the previous year when M & R was in a loss situation.

"The return on average assets at 15% was an improvement but was still below the inflation rate for the period under review and as yet, does not meet the group's objectives."

Operating earnings (earnings per unit of capital employed) was 102c (49c).

"This must be viewed against the 157c for the whole of last year. If we stay on track, and I am confident this should be in the region of 200c for the whole of 1988 — a 33% improvement," Ractliffe said.

"These results are in line with the objective set at the start of the financial year of achieving significantly increased operating profits and continued growth in total earnings and dividends in 1988."

During the period under review the group finalised a number of acquisitions including control of Genrec Holdings

● To Page 2

M & R interim dividend up from 7c to 25c

27

B/day 26/2/88

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and crane hire group Q Rentals and 50% in brickmaking company Tricrete.

The directors report that during the half-year all but the properties operating group performed well. This group reported profits at a low level due to the past depressed conditions in the property market. However, M & R said: "More recent activity levels auger well for future profits."

The directors anticipate a further improvement for the group as a whole in the second half of the 1988 financial year.

Basil Read's up

32

D/D 26/2/88

JOHANNESBURG — Civil engineering and building contracting group Basil Read has posted impressive interim results for the half-year to December, with operating income up 48 per cent to R5,1 million.

Turnover of the group has increased by a substantial 74 per cent over the previous year to R127 489 000, largely as a result of the acquisition of Clifford Harris (Pty) Ltd, in July last year.

This performance results in earnings of 22,5c a share, an increase of 25 per cent a share for the comparative period in 1986.

A interim dividend of 5c a share has been declared payable.

The group's after tax profit rose 69 per cent to R3 046 000, with taxation applicable to the period totalling R855 000.

Commenting on the results, the financial director, Mr Dave Wassung, notes that the ratio of profit to turnover of 2,4 per cent meets the expectations of the Board.

The directors said that the company had a full order book at improved margins, with a present value totalling in excess of R300 million.

Various new projects are expected to make substantial, contributions to company profits in the period to end June 1988.

These include inter alia, the R40 million Quaggasentrum Shopping Centre development in Pretoria West and the particularly successful Belvidere Township development on the banks of the Knysna Lagoon, a black granite mining operation and the participation of Basil Read in the Toll Road Consortium.

Contributing to their order book, Basil Read was recently awarded a R22 million roads contract in the Bloemfontein area, and a further R24 million roads contract to undertake the D F Malan roads extension in Randburg. — DDC

Dividend cheques will be mailed not later than 15

Star 1/3/88

Floods show up bridge-design weaknesses

32

By Frank Jeans

In the wake of the deluge in the Free State and Natal, the question is asked: How safe are South Africa's bridges?

This was the topic at a lunch in Johannesburg recently organised by the South African Association of Consulting Engineers and consensus was that a "bridge is just as safe as the money that is spent on it."

On the other hand, it might well be argued that when there is an element of risk and lives are threatened, the cost factor should not be a consideration.

Mr Andre Oosthuizen, of consulting engineers, Hawkins Hawkins & Osborn, believes the engineering industry will have to change its "bible" in bridge construction and "get its act together".

"Bridge stability must be in jeopardy when a flood larger than the design flood comes along. Then, the bridge can only be washed away," he said.

Mr Oosthuizen questioned the present design flood philosophy "which has no regard whatever for larger floods which cause overtopping, resulting in the loss of the bridge."

He believes, too, that of the many decisions taken over the years in bridge design and construction, invariably a few of these decisions have proven not to be the right ones.

Looking at the modes of failure, Mr A Dawson of Grinaker Construction said failure of foundation was the main cause of the more dramatic collapses of the bridges on the Tugela, the Umfolosi, Illovo, Scottburgh and Umhloti.

"Founding at the Umfolosi, for instance, was small diameter and unreinforced bored piles were not socketed into rock," said Mr Dawson.

And his conclusion? South Africa's bridges are not very safe and there was no doubt that we can expect more failures in the future, with each flood having its own peculiar effects.

Dr AC Liebenberg of Liebenberg & Stander, said the history of engineering throughout the world was littered with failures that had greatly contributed to the advancement of knowledge.

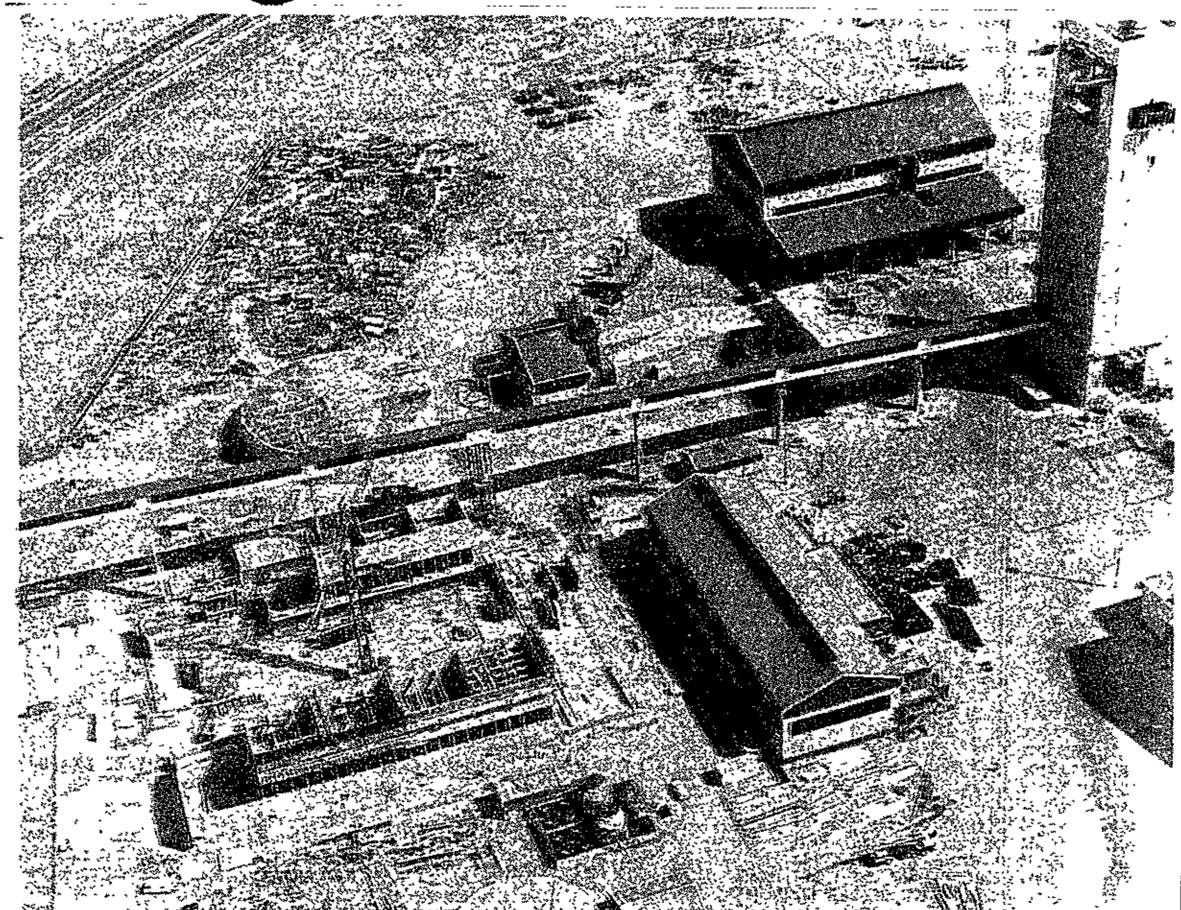
"What we are experiencing in South Africa is no different to that in other advanced countries," he said.

"Our application of the art and science of bridge design is based on and is largely equal with standards in Western and other advanced countries."

Dr Liebenberg pointed out, however, that on account of the recurrence of such failures in recent times, it might appear that there is something wrong with the design of bridges

"Perhaps certain assumptions that are used as the basis for design my need re-examination," he said.

"I refer specifically to the procedures used to predict magnitudes of floods and their frequencies and the design procedures for bridges subject to flooding."



A bird's eye view of the new refrigeration plant at President Brand gold mine No 5 shaft which was built by SM Goldstein (OFS) at a cost of R3 million.

DID 4/3/88

Informal building sector active?

JOHANNESBURG — Although it is difficult to measure the fast growing informal sector, it is thought that the number of informal building operations is the same as the number of formal building businesses.

The executive director of the Building Industries Federation of South Africa (Bifsa), Mr Lou Davis, says that there is no concrete evidence to prove the enormous size of the informal building sector but there are indications which point to this activity.

The increase in activity in the formal sector has not matched the sales of raw materials recorded. Only half the amount of the materials sold are bought by the formal sector.

Another indication is that smaller amounts of materials are been sold. For example, a few years ago brick manufacturers were reporting 90 creditors per million bricks sold. Now they are reporting 900 creditors per million bricks sold. — Sapa

Informal growth

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(32)

not accelerate socio-spending just because of privatisation, but by what the economy can carry. There are dangers if you go at a rapid pace because you are turning certain assets into money and then spending it. Then maybe government's share in the economy won't even fall.

Does successful privatisation partly depend on creating the perception in the public mind that they are part of this process? In other words, is the issue of enlarging a shareholder democracy important?

Bethlehem: Of course. The Sasol example was a tremendous success and I don't see why Eskom shouldn't be just as successful.

What political factors are relevant to economic performance this year?

Bethlehem: The future of the market economy is on the line in southern Africa and in SA in particular. For one thing, there is a snowballing attitude in the black community in favour of a socialist future. There is also a threat in how the government sector has increased its share of expenditure. Then there is the question of success of government policy. If the anti-inflation policy fails, there may be a mounting demand within government's own constituency for a direct management of resources.

De Vries: Political instability is one reason why we must keep some fat in terms of our current account and reserves.

Against the projections and uncertainties we've highlighted, what would be your message to the business community?

Geldenhuys: We've adjusted to the shocks of the Eighties and though we may have slow growth for the next two or three years, we can look forward to more stability.

❛ We shouldn't accelerate socio-spending just because of privatisation, but by what the economy can carry. ❜

— Geldenhuys

Bethlehem: The businessman must take three things into account: the State President's commitment in his opening of parliament speech; the banning in the past few days of 17 anti-apartheid organisations; and the Budget. He must look for a government commitment to continued reform — hopefully not just on the economic front.

De Vries: It will be in businessmen's interest to accept that the rate of recovery will slow down, but the fruits of that will be that the growth phase will last longer.

Should investment plans be cancelled?

De Vries: No, especially if interest rates rise. But investors remain careful and adaptable. ■

MURRAY & ROBERTS

Making room to do better

32

Under new management, M & R is well set and looking forward to better days. Interim results suggest the group is on target — but it remains highly diversified and, as M & R moves towards its planned shape, it will have to show how adroitly it can manage change.

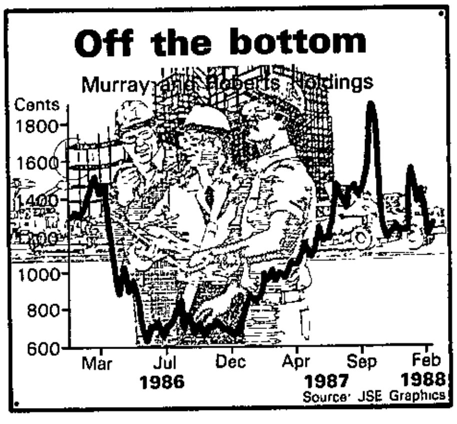
Few will doubt that Murray & Roberts' (M & R) upper echelon of management is in a far more confident mood than a year or two ago. The cause is plain enough — after the R14,5m attributable loss in 1986, this week's interim results showed renewed zest. EPS rose by 151% to 113c against the year-ago 45c and the figures were ahead of many analysts' most optimistic forecasts.

Under David Brink, who had the uncomfortable task of telling shareholders of some embarrassing — and uncharacteristic — operational losses only a few weeks after taking office as CE in July 1986, M & R is forcing its way back to sound profitability. Survival, or Phase 1 (as Brink describes it), is now considered complete. And M & R, says Brink, is now "about one third of the way through Phase 2 — the process of attaining respectable returns." He expects Phase 2 to be completed by the end of the group's 1989 financial year.

This strict agenda, like the phraseology, harks back to M & R's historical engineering strength, which appeared to be dissipated as the group strove to grow though diversification. That policy is gone. Gone, too, is any intention to merely expand turnover. And the exposure in international operations — a major cause of the 1986 fiasco — has been largely eradicated. Under Brink, the focus has been to return to M & R's core competencies and get group business back to previous levels as measured by past key performance ratios.

Given the results to date — a 55c a share loss in 1986, followed by a 166c EPS in 1987 (on par with the 1985 performance) and what is expected for 1988, the recovery is real. Financial director Jeremy Ractliffe says: "I am not fazed by market expectations of EPS of 200c-240c a share for the year to end-June 1988." But shareholders must be looking for far higher earnings. M & R achieved EPS of 243c in 1984, when the result was the group's best ever.

Neither Brink nor Ractliffe have much doubt that there is room for further organic



growth in the confines of the present economic outlook. "We will take a conservative approach in view of the potential overheating of the economy," says Brink, "but there is plenty of room to do better." Adds Ractliffe: "We have still to develop the full value of our own resources — before 1985, M & R was operating at an average return on capital employed of around 35%. That's far higher than the 26% return on capital reached this half. The acquisition of a further 33% of Genrec (M & R now holds 67% of Genrec) inhibited improvement in return on capital this half. I believe 35% is attainable, even in a flat economy."

But, as the graphic shows, current earnings growth comes mainly from M & R's widespread industrial interests, which contributed 48% of total operating earnings during the past six months, against 28% in the 1986 year. Similarly, supplies and services now contribute 28% of income against 21% in 1986.

Though there has been rationalisation, increased consumer spending has been the big influence in both cases. Construction and engineering provided 21% against 37% in 1986, while property's contribution has dropped from 15% to 3%.

Brink has taken a careful attitude to the construction and engineering business. He is not looking for full order books at any cost and is actively seeking win-win deals, where clients are satisfied with work done and M & R gets the benefit of adequate margins. This disciplined approach was evident at the interim presentation last week, when Brink admonished one errant construction company that had filled its order book. "This may be premature. They may live to regret it," he pointedly commented.

Such open criticism seems typical of the present management style — clear uncomplicated objectives with straight-from-the-

D/D 7/3/88 (32)

Road fund plundered says Durban chamber

DURBAN — The Durban Chamber of Commerce has slammed the privatisation of the N3 and said the move highlighted the plundering of the national road fund by the State Treasury over many years.

"Motorists and carriers have paid billions into the fund by way of fuel levies and licence fees, being under the mistaken impression that these contributions have been dedicated to extending, improving and maintaining the country's road network."

In a leading article in its weekly bulletin to members, the chamber said motorists had now been told that the cupboard was almost bare.

"The mice from the treasury having steadily cleared the shelves leaving only about 20 per cent of the garnered harvest to be used for the purpose for which it was collected."

Unfortunately, it said, the amount collected by way of the national road fund levy on fuel was a closely guarded secret, but it must be an enormous amount.

The chamber believed the cash had been diverted to other "pressing" needs.

"But the principle... is wrong and the perpetual cry that the road fund cannot meet the demands placed upon it, underscores the chamber's long held belief that moneys collected to fund the country's highways should be used only for the purpose for which it was collected.

"Had all the moneys collected for road funds been used for the purpose intended, would it now be necessary to privatise highways?

DD 9/3/88

Committee allocates R95 000 to upgrade Buffalo Flats road

32

EAST LONDON — Windyridge Road in Buffalo Flats is to be upgraded and widened at a cost of about R95 000, the Coloured Management Committee (CMC) decided at a meeting yesterday.

An amount of R118 000 has been allocated by the 1987/1988 roads programme and the CMC decided to use most of the money on Windyridge Road as it was a dangerous and busy road.

The rest of the money will be used to start work on Fairfax and Innisfree Roads and the money allocated in the 1988/1989 financial year will be used to complete the projects.

The acting chairman of the CMC, Mr D. W. Alexander, proposed that the committee do an in loco inspection of Windyridge Road to assess the situation.

Two suggestions for a street name for the portion of road leading off John Nash Crescent were decided on and are to be put to the street name sub-committee for consideration.

The two names suggested were Link Road, proposed by Mr A. V. Green, and Arcadia Crescent, proposed by Mr Alexander.

It was decided at the meeting that a social worker, Mrs Monica Brown, would report back to the committee in six months time to decide whether another social worker was needed "for the upliftment of the community".

The committee also decided to meet with the East London Principals' Union on the matter of recreational facilities in the coloured area.

Mr Alexander said the committee was not afraid to meet with anyone but they would not "be bullied into anything".

"We will take the final decision as the Principals' Union is not involved with the daily life of people," he said."

Selborne College approached the administration manager about the possibility of a group of senior students undertaking a survey of the senior citizens in the coloured area in order to obtain statistics to enable the community to determine their needs.

The CMC accepted this and Mr Green recommended that a coloured school be approached as well to join the survey. — DDR

ANGLO ALPHA

(32)

Better climate

Activities: *Industrial company with interests in cement, stone aggregates, sand, lime and limestone products, industrial minerals, paper sacks and ready mixed concrete.*

Chairman; *Holderbank Financière Glaris holds 34% of the equity.*

Chairman: *P Byland; managing director: J G Pretorius.*

Capital structure: *30,1m ords of 50c. Market capitalisation: R444m.*

Share market: *Price: 1 475c. Yields: 4,7% on dividend; 12,6% on earnings; PE ratio, 8; cover, 2,7. 12-month high, 1 850c; low, 1 250c. Trading volume last quarter, 144 000 shares.*

Financial: *Year to December 31.*

	'84	'85	'86	'87
Debt:				
Short-term (Rm) ..	22,8	76,6	68,1	67,2
Long-term (Rm) ...	290,5	287,5	212,2	158,4
Debt:equity ratio	0,73	0,61	0,42	0,28
Shareholders' interest	0,45	0,48	0,58	0,64
Int & leasing cover .	8,5	2,16	2,75	4,45
Debt cover	0,33	0,21	0,33	0,51

Performance:

	'84	'85	'86	'87
Return on cap (%) ..	9,4	7,6	7,6	7,9
Turnover (Rm)	309,1	321	347	418
Pre-int profit (Rm) ...	88,5	83,2	90,7	104,6
Pre-int margin (%) ..	28,0	25,4	25,2	24,2
Taxed profit (Rm)	44,4	38,2	43,6	56,7
Earnings (c)	144,5	123,8	142,3	185,5
Dividends (c)	52	52	60	70
Net worth (c)	1 423	1 741	2 290	2 790

Fixed investment, which has recently perked up after stagnating for years, could help Anglo Alpha to improve on last year's buoyant performance. Various economic indicators such as the weak gold price are forcing investors to seek defensive shares that offer a hedge against possible capital losses in a bear market while also providing acceptable dividend income. Anglo Alpha may have some of these qualities.

Support for the share is shown in its recovery since last October, during which period the price has regained about half of its value while many others have continued sinking to new lows. Any renewed weakness in the price could present a buying opportunity. For the present, though, the 1 475c price looks expensive.

The company was in any event expected to benefit particularly from on-going spending on such building projects as low-cost housing and schools. But the floods could mean a bonanza; repairs will have to be made to bridges and dams and there will even be some rebuilding of both infrastructure and houses. Under-utilisation of the group's production capacity during recent years means that large capital investment should be avoided for some time.

Earnings per share rose by 30,4% last year

Anglo Alpha's Searle . . . margins increased

despite the continued decline in fixed investment — which has been falling since 1981 — and the fact that sales of residential buildings began showing some life only in the last quarter. The bottom line result could have been better had the tax rate not increased from 24,5% to 30%. The tax rate could rise to about 45%, but that need not preclude further growth.

Deputy MD Ronnie Searle says: "Earnings could easily grow by 10% this year as the building industry and building supplies should do well and profit margins have increased substantially," One analyst believes that earnings may well grow by 15%.

Attention paid to the balance sheet last year has reduced the risk profile. Interest-bearing debt dropped by R57,7m, with debt: equity falling from 0,42 to 0,28. Shareholders funds rose by 21,8% or R151m to R840m. The group has enjoyed strong cash flow, thanks partly to the policy of current cost accounting, ensuring adequate funds are retained for capital investment. As chairman Peter Byland notes: "Current cost accounting should ensure shareholders' equity is maintained in real terms, by reporting true profits which assist in determining dividend and profit retention policies."

Gross cash flow increased by 24,8% to R115m, against the previous year's increase of 22,6%. With this, and the fall in the interest bill by 34,3% to R20,3m, rising rates need not be cause for concern.

Even now, the sustainability of firmer investment expenditure remains an open question. But Anglo Alpha may benefit from the extent of pickup that does materialise, given the importance of infrastructural spending.

Byland says that fixed investment could be further boosted by the October crash on the JSE, as more funds may be moved into property and fixed investment. It could, in fact, be part of a long-awaited phase of growth in the building and construction industry.

Louis Venter

Cape Times 12/3/88 32

M & R will weather next slump in economy

JEREMY RACTLIFFE: Financial director of Murray & Roberts.

MURRAY & ROBERTS — which pruned staff drastically during the recession — will continue to do well even if the economy turns down again, financial director Jeremy Ractliffe told AUDREY D'ANGELO this week.

MURRAY & ROBERTS (M&R), which returned to profitability last year after incurring disastrous losses in 1986, is in the second phase of a recovery process. This will improve returns to shareholders, says its dynamic financial director, Jeremy Ractliffe.

The group shocked shareholders and the business world in 1986 by reporting an attributable loss of R14,4m and passing the final dividend.

This followed a year when earnings suddenly plunged to 165c a share from 243c in 1984.

The 1986 debacle caused a drastic restructuring of M & R by its newly appointed CE, David Brink, who admitted to me afterwards that the huge diversified group, with interests ranging from construction and engineering to food, had been in danger "of going down the plughole".

"We were complacent," Ractliffe admitted this week. "And some of our operations were over-staffed.

"At our peak we employed 75 000 people. Now, in spite of recent acquisitions, we employ 45 000. We have learned, the hard way, how to succeed when times are bad and even though they have improved we shall continue to run a very tight, efficient, operation."

The group was successfully turned round in 1987 when it achieved attributable profits of R44,1m and resumed payment of dividends with a final of 42c a share following an interim of 7c.

In the current year profits for the six months to December were R30,5m — 157% above the R11,9m achieved in the first half of the previous year — and the interim dividend is 25c.

Ractliffe believes the economy will continue to do well this year but he fears it will tail off in 1989/90.

However, even if SA finds itself in recession again, soon he is confident this time the group will weather it. "We have learned how to succeed in bad times," he says.

M & R now lays heavy emphasis on productivity. Ractliffe jokes that he carries it out in his private life — he has a family of 11 "six daughters of my own and five children I inherited".

His second wife has five children including quads. "That is

☐ To Page 17

Cape Times 12/3/88

M & R

32

☐ From Page 1

productivity I cannot match."

He is a Capetonian who now lives happily in Johannesburg but says: "Both cities are splendid places."

But he originally joined M & R, in the days when its Cape operation was Murray & Stewart, to avoid being transferred to Johannesburg by his previous employers.

He is a B Comm of the University of Cape Town and not a chartered accountant "although I have CAs working for me".

Despite this he was chosen by Murray & Stewart from more than 100 applicants, and claims he talked to Des Baker, who was then CE, "for nine hours and convinced him I could be a bridge between the accountants and the engineers".

Admitting he tends to work too hard, Ractliffe says: "I love work — I really enjoy it. But I work less hard now than I used to.

"I was persuaded to slacken off a bit by Dave Brink, who told me I was working too hard and short-changing myself and my family.

"He is the only boss I have ever had who told me to work less."

BUSINESS

D/D 15/3/88

R325m civil contracts

(32)

JOHANNESBURG — The civil engineering industry had a record month in February, indicating the beginnings of a sustained upturn in the industry.

The SA Federation of Civil Engineering Contractors has announced that 145 new contracts with a total value of R325 million were recorded — exceeding last year's peak of R260 million in one month, recorded in both July and December.

"Although of course inflated by the continual rise in construction costs, the February figure nevertheless reflects a satisfactory intake of new work," the federation's executive director, Mr Kees Lagaay, said.

He said the total of R470 million for the first two months of the year compared favourably with the R280 million and R370 million in the same periods of 1986 and 1987 respectively.

Nine contracts last month exceeded R10 million each, totalling R175 million. All but one were road contracts, the exception being a R11,8 million pipeline in Cape Town awarded to Basil Starke.

Among the major road contracts were a R33,8-million contract and another for R29,2-million, awarded by the private roll road consortium, Tolcon, on the N3 in Natal. These went to Savage and Lovemore and Murray and Roberts Civils respectively.

Mr Lagaay also noted that tenders for the first major civils project of the Lesotho Highlands Water Project closed towards the end of February.

"The lowest of seven tenders was by LTA at a price of R97,1 million, followed by two Italian contractors at R98,1 million and R98,1 million," he said. — Sapa

February sets record for civil contracts

(37) Blacks

MICK COLLINS 15/3/88

NEW civil engineering contracts with a value of R325m were awarded in February, making the month the best in the history of the SA Federation of Civil Engineering Contractors (Safcec).

The figure pushed the January/February total for the industry to R470m, up 67,8% on 1986's R280m and 27% on 1987's R370m for the same two months. The February figure was also 25% up on last year's monthly peak of R260m, which was reached in both July and December.

The 145 contracts awarded were a strong indication of the beginnings of a sustained upturn in the industry, said Safcec executive director Kees Lagaay.

"Although inflated by the continuous rise in construction costs, the February figure nevertheless reflects a very satisfactory intake of new work.

"It contributes to a further strengthening of the industry's order books which, having been depleted by several years of depression, began to recover in the course of 1987," he said.

Lagaay also revealed that tenders for the first major civils portion of the Lesotho Highlands Water Project — a 70km northern access road from Pitseng to the Katse intake — had been received.

"Tenders for this project — which runs through difficult, mountainous terrain and includes an 80m high, 465m-long bridge — closed towards the end of February.

"The lowest of seven tenders was by LTA at a price of R97,1m, followed by two Italian contractors at R98,1m and R98,2m," Lagaay said.

Nine contracts last month exceeded R10m each, totalling R175m. All but one were road contracts, the exception being a R11,8m pipeline in Cape Town awarded to Basil Starke.

Among the major road contracts were a R33,8m contract and another for R29,2m, awarded by the private toll road consortium Tolcon on the N3 in Natal: the Umgeni River to Mooi River section, which was awarded to Group Five's Savage and Lovemore at R33,8m, and the Mooi River to Frere section which will be undertaken by Murray and Roberts Civils for R29,2m.

Fishing interests dumped, losses reversed

BSG turns Ovenstone: Profit R1,4m, 5c div

Cape Times 18/3/88

By AUDREY D'ANGELO
Financial Editor

THE Stikland-based Basil Starke Group (BSG) — which acquired the loss-making Ovenstone group in a reverse take-over last year and disposed of the fishing interests — has succeeded in turning it around very decisively in the nine months to December.

Attributable profit by the renamed Basil Starke Investments (BSI), formerly Ovenstone Investments (Oil), is R1,4m and earnings at share level 24c. Turnover was R77,2m and net profit after an abnormal item of R168 000 was R2,7m.

An ordinary dividend of 5c a share has been declared, together with an 8,5% preference dividend of 4,25c and an 11% preference dividend of 5,5c a share for the six months to February.

Comparative figures are meaningless because of the change of ownership and restructuring, as a result of which the business has changed from a fishing group with general engineering interests to a construction group with general engineering interests.

MD Colin Glen said last night the turnaround was due to "the disposal of the loss-making highly-geared fishing companies and the acquisition of the profitable Basil Starke Construction and engineering interests".

Review period

● The Basil Starke Group, formerly the Ovenstone Group, ended the nine months to December with an attributable profit of R2,2m and net profit of R2,7m on a turnover of R77,1m.

Earnings at share level were 25,1c and a final dividend of 3c has been declared.

Chairman Basil Starke and director Colin Glen say Premier Wire, which lost approximately R5m in the 12 months to March, lost only R0,4m in the review period. It is now part of the Basil Starke Autotube division.

"We are pleased with this performance as this operation was a cause of grave concern at the time of the Basil Starke shareholders gaining control of the Ovenstone companies," they say, forecasting that Premier Wire will make a profit in the current year.

They say the structural organization of the group has been almost completed. "The management systems required to monitor operations are in place and the group looks forward to continued satisfactory results."

Glen said last night that the directors were "very happy" with the results. The group will continue to expand and may make a high-tech acquisition "but it will probably expand more by internal growth than by acquisition".

He said a move into property development last year "should show results" in the current year.

The group is building a residential township in Somerset West which, Glen said, was "practically sold out", and an office park in Bellville.

18/3/88 (FM) 32

CIVIL ENGINEERING

Let's be more civil

Although the floods in Natal and the Free State are expected to benefit civil engineering contractors, they also highlight one of their biggest gripes — that government doesn't contract out enough work.

SA Federation of Civil Engineering Contractors (Safcec) president Brian Hackney says the association believes that, while it is government's responsibility to undertake the overall planning of infrastructure, the private sector should carry out the design and construction work.

But more than R1bn, or 35%, of State civil engineering expenditure is handled internally by the Department of Water Affairs, SA Transport Services, provincial roads departments and city or town engineers' departments.

Hackney says the private sector has proved its worth in the immediate aftermath of natural disasters, when called on to do so.

This is a view echoed by Safcec's Natal manager, Des King, who says the efficiency and rapid response time of the private sector was proved outright after last year's Natal floods.

"Some projects, including road repairs and restoring the ground under railway lines, were completed in half the time it took public bodies. Private companies were also asked to go down roads fixing whatever they saw, without supervision — the public sector couldn't begin to do this."

But Water Affairs development engineer Paul Roberts denies the private sector is necessarily more efficient.

Cost-effective

"We are running two parallel schemes in the Eastern Cape — one at Amatola handled by the private sector and another at Fish River Head, handled in-house. They are comparably efficient and cost-effective. When we built the P K le Roux dam in-house, we met all the cost and time requirements."

Nevertheless, Water Affairs is sticking to a policy of not expanding its in-house work. The private sector now accounts for 25% of the department's work.

Roberts points out the Lesotho Highlands Water Project will be handled entirely by the private sector — and that's far bigger than other water projects to date. ■

FM March 18/88

BUILDING TRAINING

32

Filling two needs

Many good ideas are so obvious that one wonders why they weren't thought of before. Such is a scheme recently introduced by Murray & Roberts (M&R) Construction in Natal.

Tackling the acute shortage of skills in the building industry, M&R has been running building training programmes with the support of the Department of Manpower. Part of the course involved students constructing "practice" houses at the training site — then demolishing them.

Now, says MD Andrew Stewart, it has been decided to build such houses in surrounding areas — and leave them standing for occupation by members of the local community.

In this way not only are students acquiring vital skills, but also helping to address — if only in a small way — the housing shortage.

As the necessity for training programmes of this nature becomes recognised, homeland governments are giving preferential treatment to companies which tender for housing developments if they are using and training local labour.

For example, in the documents which developers are now required to submit to the KwaZulu government, in order to be approved as township developers and to obtain land allocations, they are now required to state what use will be made of local labour and how many local people will be trained.

What's more, it could pay developers handsomely to comply with these conditions as business in the homelands is increasingly lucrative. The main barrier to development now is the allocation of land and Stewart has already appealed to black community leaders in Natal and KwaZulu to help make this available. ■

R950m to improve roads

(32) B/day 18/3/88.

GERALD REILLY

PRETORIA — The Transport Department has R950m in the Road Fund to spend this year on road improvement, maintenance and on new projects, transport director general Ronnie Meyer said yesterday.

About R400m of the total was made up of funds carried over from the 1987/88 financial year.

Of the total about R25m will be spend on new roads.

The remainder will go on existing projects some of which will be completed this year.

From this year, too, Meyer said fund money for roads would come directly from treasury.

Until now the National Road Fund got its funds from a 10c a litre levy on diesel fuel, and 8c a litre from petrol.

Among the major projects being continued this year on the N1 are the R18m rehabilitation of the stretch between Ribblesdaal and Sandkraal north of Bloemfontein, the finishing off of the toll road between Koppies and Vergenoeg north of Kroonstad at a cost of R41m.

Another is the reconstruction of a large part of the Ben Schoeman highway at a cost of R49m which should be completed early next year. The widening of the Pretoria bypass will cost another R16m.

Major work on the N2 to continue includes the interchange at Swartklip near Cape Town. This will cost about R28m and is scheduled to be completed early in 1989.

N3 projects include completion of the dual carriageway toll road between Frere and Keeversfontein at a final cost of about R118m, a major rehabilitation of the interchanges at Old Barn and Geldenhuys near Johannesburg.

BSG stages a dramatic turnaround

Finance Staff

Basil Starke Group (BSG) showed a dramatic turnaround in profitability when it said yesterday that earnings a share rose to 25,1c for the nine months to December (loss of 99,6c in the the 12 months to March 1987).

These are the first results since the reverse takeover which made BSG primarily a construction-based group.

A dividend of 5c for the nine months has been declared.

The turnround was achieved on turnover that was down from R121,5 million to R77,2 million.

Net profit before tax and abnormal items was R2,9 million (loss of R6,1 million).

Attributable profit at R5,7 million was a dramatic change from the previous R46,5 million loss.

The directors say the construction and plant hire divisions realised their expected profits.

"The bulk of the loss was incurred in the early months of the period under review and we expect a continuation of this positive trend to reflect a satisfactory profit in the current financial year."

Holding company Basil Starke Investments showed earnings for the nine months of 24c (loss of 127,4c).

It has paid a final dividend of 3c.

Star 2/3/88 (32)

R145m to avoid a mountain pass

32 20/3/88

By Don Robertson

THE largest civil engineering contract undertaken by the National Transport Commission (NTC) — the Du Toitskloof tunnel — was officially opened on Friday.

The R145-million project links Paarl and Worcester through a 3,9km tunnel which was built by Concor Construction and German giant Hochtief.

The tunnel shortens the distance between Paarl and Worcester by 11km, but a toll plaza at the entrance charges R4 a car and R5 an axle for heavy trucks.

The NTC insists that the route is safer than the scenic Du Toit's Pass over the Klein Drakenstein mountains. In spite of the toll, the new route will be cheaper than the old because fuel costs will be cut.

The tunnel is said to be as safe as any other road. A total of 22 high-resolution TV monitors survey the tunnel 24 hours a day. Computers ensure good visibility and safe carbon monoxide levels. Fans clear the air of fumes. The lighting ensures that motorists are able to adapt to reduced light in the tunnel.

If there is any obstruction, lights will regulate approaching traffic. Emergency services will help motorists who call from any of the 25 SOS booths in the tunnel.

The tunnel will be operated by Tuncor, a division of Concor, which will maintain the R34-million worth of electro-mechanical equipment.

The tunnel was holed through from each side of the mountain with an error of only 3mm. Because of the unstable soil, it was necessary to freeze the saturated earth in some sections before cutting could begin. This was done by Shaft Sinkers.

The tunnel was lined with reinforced shotcrete. A second unlined tunnel has also been developed.

Brian Murphy, chairman of Concor, said at the opening that more engineering companies should enter joint ventures to tackle major projects and in so doing counter the increasing interest being shown by foreign contractors in SA.

"Joint ventures spread the financial risk for individual companies, secure jobs for South Africans and limit the country's outflow of capital."

The trend to joint ventures among construction companies was clear abroad. Joint ventures shared risk and made best use of resources.

Mr Murphy said: "There is no doubt that SA companies in joint ventures are easily able to tackle high-tech jobs, such as the Mosgas and Lesotho Highlands preoject."

D & H profits hit R15m

Bday 22/3/88

HELENA PATTEN

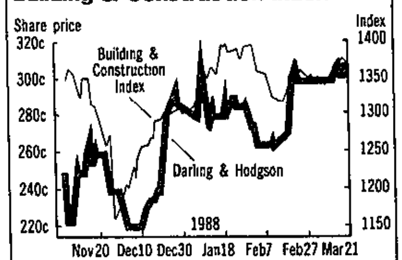
CONSTRUCTION Holding company Darling & Hodgson (D & H) has reported interim profits of R15m for the six months to end-February 1988 — an 86% increase in after-tax earnings before extraordinary items over the six months to end-June 1987.

An interim dividend of 6c a share has been declared for the six months to February, which compares with a single dividend of 5c a share paid for the eight months to end-August 1987.

Turnover was reduced dramatically to R163m, a 51% drop, but the sharply improved contribution from Blue Circle Limited — in which D & H has a 42,2% holding — came to the group's rescue.

D & H's earnings of R15m before abnormal profits are 232% up on the six months to June 1987 (R4,5m), while earnings a share of 23,1c before abnormal profits increased 44% from 16c.

Darling & Hodgson compared to Building & Construction Index



Graphic FIONA KRISCH Source JSE

Abnormal profits in 1987 related to the disposal of properties by Group Five (R2,1m) and the release of a deferred tax benefit on the sale of Group Five (R1,5m).

The acquisition of Rocla and Solid Manufacturing last year led to an extraordinary incurrence of R10m in the six months, resulting in an after-extraordinary-items profit of R4,9m (R4,2m).

The directors say the Rocla and Solid Manufacturing acquisitions of September last year performed to budget and had a favourable impact on earnings a share.

D & H MD Richard Bruyns said in a statement that with the traditional seasonality of the construction industry, increased earnings from all divisions were expected in the second half of the year.

He said "the group is in a strong financial position. Borrowings are low at 10% of permanent capital. The balance sheet is strong and the group is well placed to benefit from the current upturn in the building industry, evidenced by the improved demand we experienced in the initial months of 1988," Bruyns adds.

He did not rule out the possibility of further acquisitions.

D & H's share closed unchanged on the JSE yesterday at 310c a share.

BSG stages a dramatic turnaround

Finance Staff

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It has paid a final dividend of 3c.

Star 2/3/88 32

Roads need R60bn, says Sats man

GERALD REILLY

PRETORIA — A total of R60bn was needed to bring the national road network up to standard, but providing capital of this magnitude was hardly within the compass of the local capital market, Sats railways deputy GM Barry Lessing said yesterday.

Speaking at a passenger transport conference at Unisa, he said shortage of funds over the past few years had led to a decline of about 22% in real terms in spending on road maintenance.

Funds remained limited, even though taxes were high.

Foreign capital was hard to come by because of SA's big foreign debt, and the effect of economic sanctions.

"The fairest source would be individual users, but based on user-pay principles they would face such enormous costs that movements towards more efficient transport would probably result."

Major arteries to the core of most SA cities were already clogged and were becoming more clogged by the day.

Past government policy had led to most SA people living far from their employment areas.

Changes in government's attitude, particularly towards the Group Areas Act and influx control, would have a major impact on urbanisation.

There was little doubt that without public transport services, and specifically commuter train services, urban transport would run into severe problems.

B/day (32) 23/3/88.

More building plans passed

B'day 24/3/88 (32)

GERALD REILLY

PRETORIA — Building plans passed in January increased by a huge 45,6% to R477,4m compared with January last year, says Central Statistical Services.

Plans passed for houses increased by 34,9% to R194,5m, and for flats and townhouses by 108,9% to R38,1m.

The value of plans for non-residential buildings rose by 18,1% to R83m.

Additions and alterations increased by 47,1% to R133,9m.

The statistics cover about 90% of the building activities financed by the private sector and public corporations.

The value of buildings completed in January increased by 1% to R260m.

Faircape Homes pays 5c maiden

Finance Staff

Cape homes developer, Faircape Homes, reports 15,45c earnings per share for the year to December, double the forecast made in the prospectus lastMay.

Sales increased from to R19,5 million (R7,2 million).

Taxed profits rose to nearly R1,2 million (R336 000 in 1986). A 5c maiden dividend has been declared.

Joint managing director Mr Michael Vietri says the exceptional growth was attributable to purchases of strategic parcels of land, which have escalated massively in value, for development in the coloured and black housing sectors.

The directors say they are expecting earnings per share to more than double this year.

Star 12/4

25/3/88

Agreement signed in Pretoria

(32)

B/day 28/3/88

Privatisation of N1, N3 is now official

MICK COLLINS

THE privatisation of most of the N3 and part of the N1 was officially brought into force on Friday after the signing of an agreement in Pretoria.

The agreement, which was strongly opposed by certain sections of organised commerce and industry, was signed on behalf of government by the Director-General of Transport Ronnie Meyer and Tolcon CE Ron McLennan.

Tolcon (Toll Road Concessionaires) is the consortium formed to construct, maintain and toll the sections of freeway involved. The consortium shareholders are Group Five Investments, Murray & Roberts, Grinaker, Sanlam, and Keeve Steyn Inc.

In terms of the agreement, Tolcon will construct freeways up to the highest standards of safety where freeways do not yet exist, or rehabilitate existing freeways up to the required standard, and levy tolls on them for the next 25 years.

At the end of this period, the roads will revert free of charge to the Department of Transport, which may sell them back to private enterprise for a sum related to their market value, for a further 25 years.

In such case, Tolcon will have first option to repurchase the roads.

The sections involved are the N3 between Alberton and the Midmar Dam, near Maritzburg, and the N1 between Grasmere, 30km south of Johannesburg, and Kroonstad.

Tolcon will be obliged to resurface its roads every eight years, and upgrade them, adding additional lanes where traffic growth requires it. Radio telephones will be provided every few kilometres for motorists in distress. The agreement follows three years of negotiation between Tolcon and the department.

A condition is that Tolcon seeks a listing on the Stock Exchange once the roads are being profitably tolled. Government will be able to take up to a 25% shareholding in the company.

Outlining the advantages of privatisation for government, Meyer said it would reduce the state's involvement in net fixed investment, it would broaden the tax base, and ultimately should result in reduction in income tax levels.

Engineer brain drain reversed

29/3/88 32

Own Correspondent

JOHANNESBURG — The engineering brain drain which has caused concern in professional ranks over the last two years has been reversed, with latest immigration statistics showing a positive trend.

Immigration figures for late 1987 reflect a dramatic inflow with 37 engineers coming into SA in October 1987 (25 in October 1986), and 30 emigrating (35 in October 1986).

Compared with a total of 21 engineers immigrating to SA in November 1986, 39 immigrated in November 1987 and only 18 emigrated (24 in November 1986)

In December the positive trend continued with 29 engineers immigrating to SA (15 in December 1986) and only 17 emigrating (24 in December 1986).

Commenting on the change, Titaco Group marketing director Mr Pat Davies said: "The overseas engineers — mainly from the UK — are essentially interested in the Mossgas project. They seem to be applying for permanent-type salaried positions, rather than merely contract work where the salary is paid elsewhere.

"Applicants include specialists — chemical engineers with oil-refinery experience and marine engineers."

Mr Philip LLoyd, past president of the Federation of Societies of Professional Engineers said some top positions on the Mossel Bay gas project were filled by overseas applicants (top package earned was about R360 000 a year which Mr Lloyd said was justifiable in equivalent Sterling terms) but it was difficult to attract immigrants because of unrest in SA and the drop in value of the rand.

He said the internal supply of civil engineers was particularly poor. In the mid-70s SA produced about 400 a year, but now only 200 graduate each year.

SA produced about half its engineering needs — 1 000 professionally qualified engineers a year are produced though 2 000 are needed.

Total emigration figures showed a net loss of 3 221 for 1987 and a loss of 1 858 professionals. However the net loss in 1986 was a high 6 717 with a loss of 2 165 professionals.

were undisclosed. The industrial index

D/D 30/3/88 32

Faircape lifts earnings 245pc

JOHANNESBURG — Faircape Homes has lifted earnings for the year to December by an impressive 245 per cent to 15,45c.

This is double the forecast in its listing prospectus last year.

After-tax profits rose to nearly R1,2m on sales of R19,5m (R7,2m) and a maiden dividend of 5c per share has been declared.

Joint MDs, Mr Mike Vietri and Mr Hans Moser, say that, based on budgets, they expect earnings per share to more than double in the current financial year.

Mr Vietri said that the exceptional growth last year was due largely to the fact that Faircape bought "strategic parcels of land for development in the coloured and black housing sector — land which has escalated in value since we bought it."

He said activity in the current year "has been more than lively.

"Pre-sales on land being developed already reflects 30 per cent of the projected turnover for 1988."

Mr Moser said that although the white residential market was still buoyant "it is dependent on ups and downs of the economy and interest rates in particular."

Faircape was therefore concentrating on the black and coloured housing sector and also on the top end of the market, with luxury flats in Sea Point and Rondebosch.

These flats were "mainly being bought by people moving out of houses now too large for them."

Solid growth likely in cement industry

CHERILYN IRETON

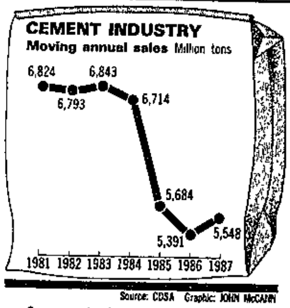
THE cement industry, enjoying the rising wave of activity in the building sector, seems poised for significant growth during 1988.

With a favourable first quarter already behind it, the industry is hoping for an increase in sales volumes — possibly as high as 10% — for the year.

Sales volumes during the traditionally sluggish first quarter were up almost 10% on those achieved in 1987, even though flooding affected output in February and March, say industry sources.

Bad weather, and resultant demand for infrastructure and housing repairs, is, however, likely to boost demand.

With gross domestic fixed investment (GDFI) expected to rise by 3% — in real terms — in the current year, much of the increased demand is expected to emerge from infrastructural projects such as Mossgas and various black housing developments.



Davis Borkhum Hare economist Mike Brown said in a recent report that while the increase in GDFI would be modest, faster progress on these projects could serve to accelerate capital spending, particularly in the areas of construction spending and residential housing — all of which bodes well for the country's big three manufacturers, PPC, Blue Circle and Anglo Alpha.

The industry's optimism is backed by estimates that 200 000 black housing units are needed annually.

With the industry operating at around 60% of capacity, it is well positioned to cope with any upturn in demand.

Last year volumes — excluding Western Cape sales — rose 2,9% to 5,5-million tons, but this was not enough to make up the losses suffered between 1983 and 1986, when sales plunged from 6,8-million tons to 5,4-million tons.

Marks, Thomas out on R500 bail

32

TWO people charged with furthering the aims of a banned organisation were released on R500 bail in the Oudtshoorn magistrate's court last week.

They are William Patrick Thomas, 26, youth co-ordinator of the United Democratic Front (UDF), of Hanover Park, and Andhor Marks, 23, a third-year law student at the University of the Western Cape, of Steenberg.

Both men were arrested two weeks ago and held at the Oudtshoorn police station.

Lawyers said it was not yet known which banned organisation the court referred to.

7-13/4/88

The case had been postponed to May 20 for further investigations.

SOUTH

(32) 12/4/88

INDUSTRIAL AND COMMERCIAL PROPERTY

A Business Day Survey

Smaller tenants create demand

SINCE October last year, the industrial property market has shown significant signs of improvement, says Richard Ellis's Simon Noyes-Lewis

And the bulk of the newly created demand — Noyes-Lewis puts it as high as 60% to 70% — appears to be from smaller users requiring around 500m² of space.

Landlords, in fact, achieve much higher rentals from smaller tenants than the larger users of space, he points out. However, one has to weigh this up against the higher administrative and collection costs

Noyes-Lewis says rentals have now reached the R5,50/m² mark in the popular Selby area in Johannesburg with figures of R3,75/m being achieved in Robertville and Stormill.

The R3,75/m² level is also being achieved in Germiston's Wadeville industrial area, he says.

Have government's decentralisation and deconcentration benefits lured many of these prospective tenants away from the large urban conurbations? Seemingly not, claims Noyes-Lewis.

"In fact, I have not come across anybody who has opted for those areas in favour of being close to their major markets," he says.

"People would prefer to pay a premium for the convenience of being near their base of distribution as well as being near to the major source of skilled labour."

DOUBLED

Noyes-Lewis puts a figure of some 16% on just how much industrial rentals have increased in recent months. Not only that, but from October last year until March, he claims, the volume of inquiries for industrial space has doubled.

What of the success rate of these inquiries? "While there have been twice as many calls, we cannot, however, claim that we have concluded twice as many deals," he says.

What does concern him is that the supply of good quality industrial space in the central areas is drying up Even areas such as Marlboro on the boundary of Alexandra township are filling up fast, he says.

Waiting lists have even been started for space in the Small Business Development Corporation's Penneyville and Wadeville projects.

Noyes-Lewis observes that tenants are, however, looking to longer leases than they were in the past. One year ago, industrial leases were being signed for two to three years. Today, tenants are looking to sign leases for longer periods — such as three to five years, he says.

Landlords in general, he says, are prepared to oblige — depending on the quality of the tenants signing up.

Rental terms, naturally, have firmed. Escalation rates, which a year ago hovered around the 10% mark, have moved upwards to about 12%. Operating costs are, in general, being charged at around the 50c/m² mark.

There is also an increase in the number of industrialists wanting to buy property through participation mortgage bonds. However, because of the inflexibility of part bonds they are not favoured by developers who are looking to build for onselling to institutional investors, says Noyes-Lewis

DEMAND

"Our biggest problem at present is that of finding suitable space for the large users of industrial space"

As for the once go-go area of Midrand, demand seems to have slowed down, he says. Most popular area among industrialists still appears to be Denver with its access to the M2 freeway.

Space is becoming available for smaller industrial operations in the area east of Troye Street where there are some good bargains available.

Out-of-town rent shows rush is on

RENTALS in the decentralised areas around Johannesburg — and notably the Sandton area — have reached the R20/m² mark and are an indication of demand for prime out-of-town space.

Certainly those rental levels have only been achieved with the smaller deals but, as Richard Ellis director Tim Corby puts it, that is usually an indication that it will not be long before the larger space-takers follow suit.

Still there appears to be no shortage of takers and on current supply — he estimates that there is currently only about 2 500m² available for immediate take-up — demand exceeds supply

How long this situation in which the landlord is king will prevail seems unsure, as there are a good many plans to construct in the Sandton municipal area.

Over the next 18 months, Corby estimates that some 80 000m² will be coming on stream — around two years supply at the current take-up rate in Sandton of between 40 000 and 50 000m²/year.

On the other hand, very little of the new space coming on stream is uncommitted. He estimates that of that 80 000m² some 50 000m² is already pre-let and committed well before occupation

However, there are a lot of plans for new construction in the pipeline or unannounced and this could alter the picture in the longer term.

Areas which are attracting renewed attention are Braamfontein and Bedfordview as well as Richmond and Auckland Park, because of their proximity to the CBD.

Another problem that could affect the decentralised scene is the price war that could develop between CBD developers and those hanging their hopes on out-of-town accommodation.

Corby hastens to add that the "war" is unlikely to be an open one — more the pity since it could only serve to encourage leasing and expansion. He is concerned that CBD office space price cutting could lure many prospective tenants away since with a R5/m² saving on rentals for equivalent quality space it could be tempting to renters as a 15 000m² space letting could result in a R180 000m²/year saving

LONG-TERM

Anglo American Property Services' (Ampros) first spec 4 000m² development at Bruma should also prove an interesting experiment. Corby believes that the attraction of premises on a lake as well as the easy accessibility to the Johannesburg CBD and freeway system could prove an attraction.

However Bruma must first establish itself as an office node before it becomes a threat to any other areas, says Corby. "It really has to be looked at as a long-term development and will pose no threat in the short-term" he says

Bedfordview with its lower rentals (compared to Sandton) of around R15/m² gross is, however, an attraction as the infrastructure there is already well developed. So, too, is Randburg where similar rentals are being obtained by landlords

Rosebank, says Corby, is still marginally cheaper than Sandton and deals there can be struck at 5% to % less, depending on position and the quality of accommodation

But there is little space available for letting and he currently puts the vacancy figure here at around 21 000m² Space is still available here in the developments-Sanlam Rosebank Arena site as well as the Murray & Roberts development on the corner of Sturdee and Baker

In Randburg, says Corby, there is presently only about 20 000m² available of which the largest chunk is probably no more than 1 000m², setting a problem for large space-takers

There is probably some 55 000m² coming on stream, but with the current take-up rate of 30 000m²/year it will probably be absorbed as and when the different projects come on stream

Isaacs warns of possible letting market damper

ISAACS

LANDLORDS are likely to meet resistance to rentals of R20/m² by year-end and this could place a damper on the current bouyant letting market, believes broker Wilfred Isaacs.

The R20/m² net rental benchmark, however, will be forced upon developers by rising construction costs which could rise by some 30% in the coming months, Isaacs says

He believes that larger users — those looking for space over 1 000m² — will baulk at the R20/m² level as it will add a substantial hike to their annual rental bills

The most significant improvement in the property market this year, he says, is in the industrial sector where inquiries as well as lettings have shown strong signs of improvement

"The first three months of this year have been particularly good in industrial lettings — particularly in areas such as Wynberg and in industrial areas east of Johannesburg

"To the west of the city, there has been interest in industrial space close in, but the improvement does not appear to have filtered through to the industrial areas further west, such as Krugersdorp," he says

Isaacs believes that the JSE crash last year has given the market a psychological boost and that there are now more people looking to investment in real estate.

The firming of mortgage and interest rates has not yet impacted on the development market, though, he believes

Decentralised office space is much in demand, with Sandton now firmly established as the leading out-of-town market. Randburg, also, has attracted a lot of new interest with its lower rental levels when compared with areas such as Sandton.

Isaacs points out that last year saw the most significant turnaround in the property market in general and that 1988 seems to be keeping up with the levels established in 1987. He doesn't however, see much of an improvement on last year's levels and is concerned that letting interest may slow down by year-end

NOT EVERYTHING IS BULLISH, WARNS RMS SYFRETS MAN

CURRENT euphoria over rocketing rentals should be tempered with an awareness that the market is a complicated one and not all the factors which apply to it are bullish, say RMS Syfrets directors Mark McCreedy and Mike Deacon.

The principal factors to be considered are the supply of buildings, the type of buildings in demand, interest rates and yields, the supply of land suitable for development, and building costs

McCreedy issues a particular caveat with reference to Sandton He points out that in the next 12 to 18 months a total of around 150 000 m² of accommodation could be newly completed or under construction in Sandton. Of this, about 53 000 m² is already let, leaving a balance of about 87 000 m² of new space available. This excludes any projects which might arise as a result of the Sandton council's initiative to redevelop the area around the civic centre

"This is a lot of space", observes McCreedy. "If the present momentum continues — at more than 50 000 m² per annum — the market should cope One should bear in mind, though, the possibility of the economy turning down again, taking the property market with it."

Another factor influencing take-up in the Sandton CBD, he says, is that many of the developments going up there now will not suit the large corporate user who are looking to decentralise

"While there are a number of well-conceived buildings already existing or planned for the CBD, this type of user is often not really interested in getting back into the office building environment .. the office park concept is more appealing"

For this reason, he believes the Sandton peripheral areas will be the ones to watch in the next couple of years — places like the forthcoming Woodlands development, Sunninghill and extensions of Rivonia

McCreedy also perceives a shift in favour of the Johannesburg CBD prompted, to a large extent, by the massive First National Bank (FNB) scheme announced recently and by the number of refurbishments being undertaken

Probably the most critical factor of all when contemplating the market, he says, is the direction in which the SA economy is going

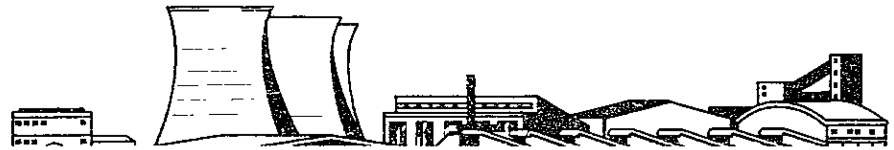
"Rental levels have always been a function of the general activity level in the economy and, while the [illegible] price, which is critical to economic activity, has been reasonable no one knows where it will be in a month [illegible] a year from now"

As far as the supply of completed buildings is concerned, it should also not be forgotten that there are numerous parties within the industry who are likely to become involved in the creation of new office space and any extreme scarcity is unlikely to prevail for any length of time In fact, what is more likely to happen if history is to be noted, is that a point will be reached fairly shortly where the situation would tend to abundance rather than scarcity

Building cost is also a critical element and, McCreedy notes, it should not be forgotten that in an inflationary society the cost of labour and materials is likely to rise and that, on top of this, the margins to contractors and building contractors is not great

Generally speaking, he concludes, yield patterns are difficult to anticipate and one must weigh up predictions of higher interest rate patterns in the future, that institutional investment buildings are extremely scarce, a relatively stable historical pattern of prime leaseback yields and the better unit trusts which are trading at yields [illegible] below those rates

But it is by no means certain whether the yields on unit trusts will move up or prime leaseback yields will move down



Building costs gloomy

BAD news for developers is that while office rentals will rise to reflect the increase in building costs, they are unlikely to outperform the cost of construction

the positive conditions, with the results that we are not experiencing the same shortage of available space as during the early eighties, and that [illegible]

ing the next two years, then rent increases will have to average approximately 25% to catch up with building costs and to ensure a viable yield on new investments."

This is the belief of the Stellenbosch Bureau for Economic Research (BER), which observes in a report that over the longer term, office rentals have fluctuated but the growth has remained near to that of building costs

It notes that during the growth phases of the economy in the late '60s and early '80s, building costs and rentals increased sharply, but rentals tended to outperform costs

"We are once again in a growth phase and the question can be asked whether we will have a repeat of this situation," the report says "For a number of reasons we believe this is unlikely".

These reasons include factors such as the fact that property investors have reacted more quickly to

more careful not to over-supply.

"If we assume that building costs increase by an annual average of 20% during

rentals are likely to increase to reflect the increase in building costs as measured by the Building Cost Index of the BER.

(32)

Edited by TERRY MEYER

Ampros leasing chief tells of scramble for office space

SUBSTANTIAL hardening of rentals has been focal feature of the Johannesburg office mar- et so far this year

And, interestingly, says Anglo American Prop- 'ty Services (Ampros) national leasing director rahame Lindop, a number of small, new com- nies are proving to be a noteworthy entry into e rental pool.

These companies are mainly suburban tenants id are providing business for Ampros particu- irly in Parktown, in the 200m² to 500m² range.

"Across the board, though, there's been an ab-)lute scramble for space," Lindop says.

The availability of prime office accommodation diminished rapidly in the first 10 weeks of the year and Ampros estimates that in the Johannesburg CBD, available A grade space reduced to 39 000m² — less than six months' demand in a normal market

Although a number of major developments have been announced, says Lindop, most notably a massive First National Bank scheme, these will come on stream only from 1990 and should have very effect on the short-term letting market. Rentals are now in the R18 to R20/m² range.

Braamfontein, which until fairly recently was something of a headache for Ampros, has seen a massive mopping up of space . . . at Total House, for example, deals were done for 2 000m² last month alone.

Lindop believes the rapid firming of rentals vindicates the decision taken by Ampros earlier this year to put up its rentals and not to compromise.

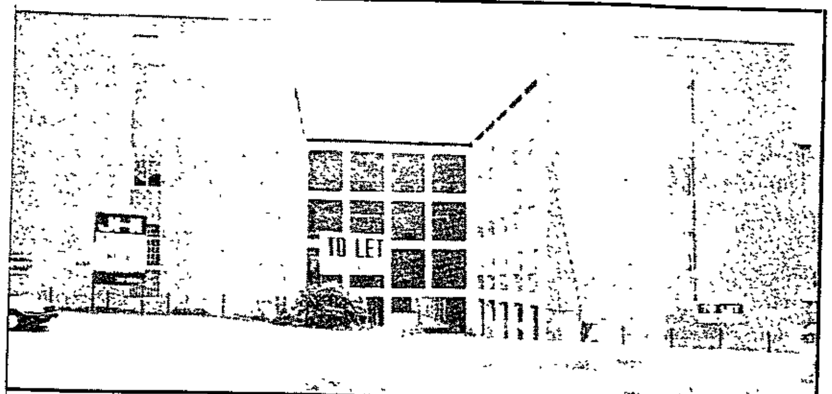
"Net rentals on our central space have gone up by 25% since the beginning of the year and will be rising by a further 15% in July.

"We would rather keep space empty than compromise and lock ourselves into something unacceptable for five years. This policy decision has not cost us any deals."

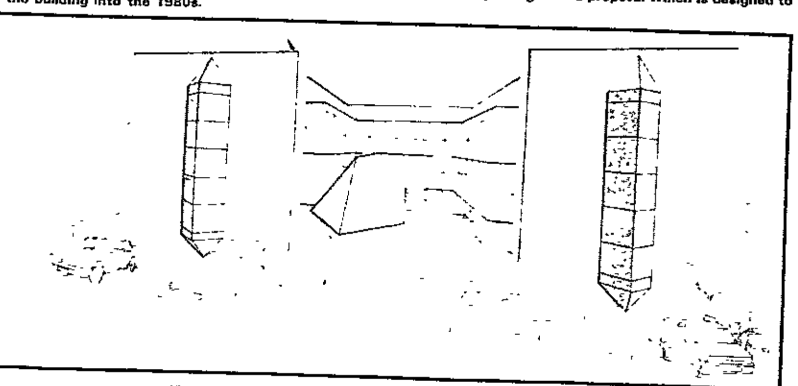
Looking at areas outside the CBD, Lindop comments that the suburban letting market is very strong. In Sandton, the property industry is waiting with considerable excitement for the release of land around the municipal offices.

Finally, he says the Pretoria market continues to be dominated by government and the amount of available space is negligible. The first two year rent reviews for government leases have passed without any upward advantage for landlords, he says, and it is understood that a number of major rent reviews are presently deadlocked, with considerable pressure for increased rentals.

JANE STRACHAN



WITH an injection of R2m this somewhat dated building in Wynberg (above) will become high-quality corporate space elow), tying in with a 5 000m² factory/warehouse development alongside. The 5 000m² Fortuna House has been anding empty for 18 months. Working with architects SKM, Divaris has put together a proposal which is designed to ke the building into the 1980s.



A new look at refurbishment

RADITIONAL institutional investors should change eir attitude towards the refurbishment of industrial commodation and take advantage of the existing pool potentially lucrative property, says RMS Syfrets' Mike 'own

Brown points out that there are not enough industrial asebacks to go around and that no new schemes are ing announced.

He believes that if the pension funds and insurers are epared take a more progressive view of their property vestments, there is a wealth of good industrial space to

Divaris Real Estate (DRE) director Tim Foster-Greenwood adds that although the supply/demand imbalance has seen the development of the few remaining pockets of land in areas such a Wynberg and Eastgate, but with this stock let, there is little good space to go around.

"Undoubtedly one route is through the rejuvenation and break-up of existing large and outdated blocks of buidings," says Foster-Greenwood "This leads not only to the creation of new stock, but, if the rejuvenation process is handled ...

Many taking a cautious approach

HOPES that last year's improvement in the property market would lead to a massive property boom have not been sustained.

The general economic improvement and the October equity market crash have not provided enough of a fillip to keep the momentum going. Many real estate developers, brokers and owners confirm that the hearty optimism and flurry of activity which lasted through to the first two months of this year has now given way to a more cautious approach

Developers say they will have to see further positive signs that the economy is definitely on the mend before speculative projects come off the drawing boards

Building costs — which some say could rise by as much as 30% this year — are also expected to keep the lid on activity this year, with landlords concerned that they may not be able to achieve the rentals necessary to make developments viable at new construction price levels.

Nevertheless, today's market is undoubtedly much stronger than that of 1986 . . vacancies have dropped dramatically, rentals are firming, a lot of building is taking place and contractors margins are more healthy Architects report that there are a number of smaller office developments on the drawing boards for contractor/developers with an eye to onselling to institutions

Certain areas and types of accommodation are doing particularly well the Sandton office market is arguably the busiest node in the country at present, with rentals reaching R20/m² in some cases and virtually no space available for the larger user.

The concept of a northern corridor stretching from Johannesburg's northern suburbs along the highway to Pretoria continues new developments in areas such as Rivonia and Woodmead at one end and Verwoerdburg at the other serve to strengthen this

HUGE PROJECT

Midrand, however, not long ago the focus of considerable attention from developers and potential space users, appears not to be performing according to plan. Much depends on when consultants and developers J H Isaacs and Old Mutual start developing their Grand Central scheme based on the city of Irvine, California

The once-ailing Johannesburg CBD has been given a shot-in-the-arm with the announcement by First National Bank of plans for its R430m banking city This huge project is expected to revitalise the central city and has already prompted several deals and refurbishments.

INDUSTRIAL AND COMMERCIA PROPERTY

A Business Day Survey

JO'BURG CBD IS STILL DRAWING SOME CROWDS

DOWNTOWN Johannesburg is still alive and well with a significant improvement in inquiries for commercial office space, claims Richard Ellis's Stan Arenson

And the recent announcement by First National Bank that it is to build its R430m headquarters in the CBD has given the central area a major boost.

Arenson sets the amount of A-grade and upper-B grade available space at around 75 000m² in the CBD. In that figure he includes space vacated by Lifegro in its old 35 Sauer Street building, some 7 000m² currently letting in the Standard Bank building; 18 000m² in the new Colosseum block and Old Mutual's Inner Court — once the John Orr's department store

Excluded from Arenson's guestimate is the 11 500m² that will come on stream when the Dion city centre shop is converted into offices as well as the 6 000m² of offices that Anglo American Property Services (Ampros) will bring on stream at 35 Diagonal Street. Also excluded is the proposed new JCI development behind The Star newspaper building which will introduce a further 12 000m², and the North State building which is being revamped by Sage Those building excluded are some time down the track and are not currently available for occupation

Current take-up rate in the city centre is put at around 100 000m² so current available space could be taken up within a year at the current average CBD rentals of between R14/m² and R19/m² gross, he believes To those average rentals, of course, have to be added operating costs which currently hover in the R3/m²-R4/m² region.

CBD rentals, Arenson points out, are on average currently running at a 25% count on prime decentralised accomm tion, making the city centre a rel bargain

He believes that a price war betv decentralised and CBD space is abou take off.

"City centre rentals are making businessman think twice about decen lising and for a large company a 25% on rentals can be substantial," he say

Nonetheless, rentals have firmed in last six months and, for example, rental Kine Centre have moved up from R10 to the R14/m² mark. Arenson sees a pi lem in Ampros filling its 56 Von Weill Street building which he says is trying attract the legal fraternity.

"Lawyers simply do not want to be commodated east of Smal Street," he sa

A test of the improvement in the mar is the number of buildings which o stood for long periods and are now do well The AA Life (previously AA Mutu building and 94 President Street are t such properties, although there is a f deal of sub-letting now taking place in t former.

Arenson, however, doesn't see much o future for the Newtown area as an offi node

"It would, however, make an excelle multiracial residential area," he says.

had
Dilapidated buildings, either vacant or tenanted at iliculously low rentals, are available at virtually land st, he says, and, with imagination, can be turned ound to produce more than acceptable yields.

PGRADING EFFICIENCY

"It's more than giving the building a pretty face," own observes "It's a question of upgrading its total ficiency In the process, whole areas can be transrmed and direly needed industrial space made availole"

He cites Sage Properties' transformation of Benrose d Reuven as cases for what can be done with imaginaon and a progresseve attitude

The type of building Brown is referring to is to be seen many parts, but he gives Booysens, Industria, sections Isando and Selby as examples

In an analysis done on the potential of a large property sewhere it has been shown that with a purchase price of 6m, and refurbishment and other costs of approximate- R2m, it would take a total of R8m to get the space into ceptable shape To achieve an acceptable yield, rentals R4,50/m² could be asked Yet to start from scratch on a milar building would cost R11,2m, requiring R5,90/m² r the same yield

prices.

In assessing the potential for this type of activity in Wynberg, Divaris came across Fortuna House (see pictures). Although the building is an office block, the principal is the same: also, it ties in with a 5 000m² factory/warehouse development alongside.

The 5 000m² Fortuna House has been standing empty for 18 months Working with architects SKM, Divaris has put together a proposal which is designed to take this 15-year-old building out of the doldrums and into the 1980s

By spending R2m, the block will be turned into high-quality corporate offices which can be put onto the market at a gross rental of around R11/m².

"With a lease of this size, the saving to the tenant over a 10-year period equates to R1m a year compared to a new Sandton image address," says Foster-Greenwood, who believes firmly in the importance of a flexible approach to areas and buildings.

Agreeing with this, Mike Brown concludes by saying that it is important to be able to look at a property and not just see it as it stands

However, location, size and configuration are the sensitive points, he adds, with the greatest size demand currently in the 500 to 3 000m² range.

"The refurbishment route is the path of the future," he says "It just requires a change in attitude"

JANE STRACHAN

(32)

R150m developments planned

A DECISION was taken by the property arm of Lifegro before the October stock market crash to spend proportionately more on property than in the past couple of years.

Developments worth at least R150m are currently on the cards and hindsight has certainly vindicated the stronger move into property says Koos Smith, AGM Property Investments

Nevertheless, he observes that the general optimism seen in the real estate market in the first two months of this year has cooled With this in mind Lifegro has adopted a "cautiously optimistic" approach being guarded about exposure to risk ventures coming on stream beyond the end of the year

"We have moved much more towards pre-let situations now and would, exceptional cases apart be very wary of speculative projects,' he says

These sentiments do not affect the confidence he feels about Lifegro's growing portfolio and its involvement in a variety of developments

"Vacancies are very low, having reduced to what the company considers to be optimum levels, and failures on renewals have dropped to almost nil as part of a continuous trend over the past two years '

He attributes the low vacancy figure in part to general market improvement, but also to Lifegro Properties' (LP) management and portfolio make-up

The company's size in relation to the bigger institutions means less pressure to find suitable investments, he says, and therefore more room to be selective

Projects underway or with firm commitment include

☐ Two developments for computer company CDS One is an R8 5m 4 860m² head office on which Lifegro has a five-year renewable lease being developed by Retail Property Projects (RPP) and due for completion by mid-year Rentals are in the range of R16/m² gross The other CDS building is a 4 500m² block being developed by Oakwood Ventures at Meadowdale The total financing package comes to R6,1m, which includes the full site, not all of which is being developed at this stage,

☐ The Epsom Downs office/retail complex being developed by RPP on the Bryanston/Sandton border, opposite the existing Sloane Square centre. LP's involvement is with shops of 4 890m² and offices of 9 250m² spread over four blocks Total capital cost is about R30m, with anticipated office rentals of R17,50/m² gross;

☐ The R16m Tuinhof in Verwoerdburg;

☐ Funding of the R36m Quaggasentrum in Pretoria West, a 22 500m² retail complex co-ordinated by RMS Syfrets and developed by Basil Read subsidiary Clifford Harris

JANE STRACHAN

INDUSTRIAL AND COMMERCIAL PROPERTY

A Business Day Survey

Durban market enjoying boom

THE industrial property market of greater Durban has shown dramatic improvement in the last six months increased demand for space has brought a spate of land sales, major property development plans and a rise in rentals.

A recent survey by Russell Marriott and Boyd Trust (RMBT) reflects substantial rental increases from the first quarter of 1987 to the first quarter of this year

☐ 17,8% in Pinetown/New Germany;

☐ 15% in Jacobs Mobeni,

☐ 23,6% in Prospecton, and,

☐ 6,1% in Phoenix.

The survey was conducted on space of approximately 1 000m² in size.

Focus of the current industrial land buying spree is the Springfield Industrial Park 6km north of Durban's CBD, according to RMBT sales director Peter Malan.

Malan believes Springfield Park, a joint venture between Amaprop Townships and the Durban municipality, will be a model industrial township.

Amaprop Townships director Peter Gardiner reckons that, ironically, the Natal floods were partly responsible for the sudden increase in interest at Springfield. The development is on the banks of the canalised Umgeni River and some potential buyers had been concerned about the flood risk However, the minimum damage caused by the deluge appears to have assuaged those fears

Malan confirms this "Sales at Springfield were virtually non-existant until November We had negotiated a sale of 5 500m² in July to GS Vickers, who began building a 4 000m² warehouse in October We believe this pioneer development, together with the fact that Springfield was virtually unaffected by the September floods, trigged interest in the park

"From November to February RMBT sold 24 sies totalling 42 000m² in 12 separate transactions"

Total sales by all agents now exceed 170 000m² of the available 490 000m² and as at the beginning of the moth (March) a further 93 500m² was under serious consideration

Malan says another major boost for Springfield came from the sale by Acutts, CG Peet & Co of 6ha to SA Breweries

An indication of demand is the rapid price rise on small sites which now fetch R125/m² against R100/m in November.

Old Mutual Properties (OMP) regional property manager Paul Nicholson describes the marked improvement in industrial letting as part of an exciting trend which augurs well for property investment

"Although there is still an oversupply of industial space in the Durban area, we recently signed six new leases covering 11 500m²," he says "Net rents averaged R4/m² against R3/m² last year"

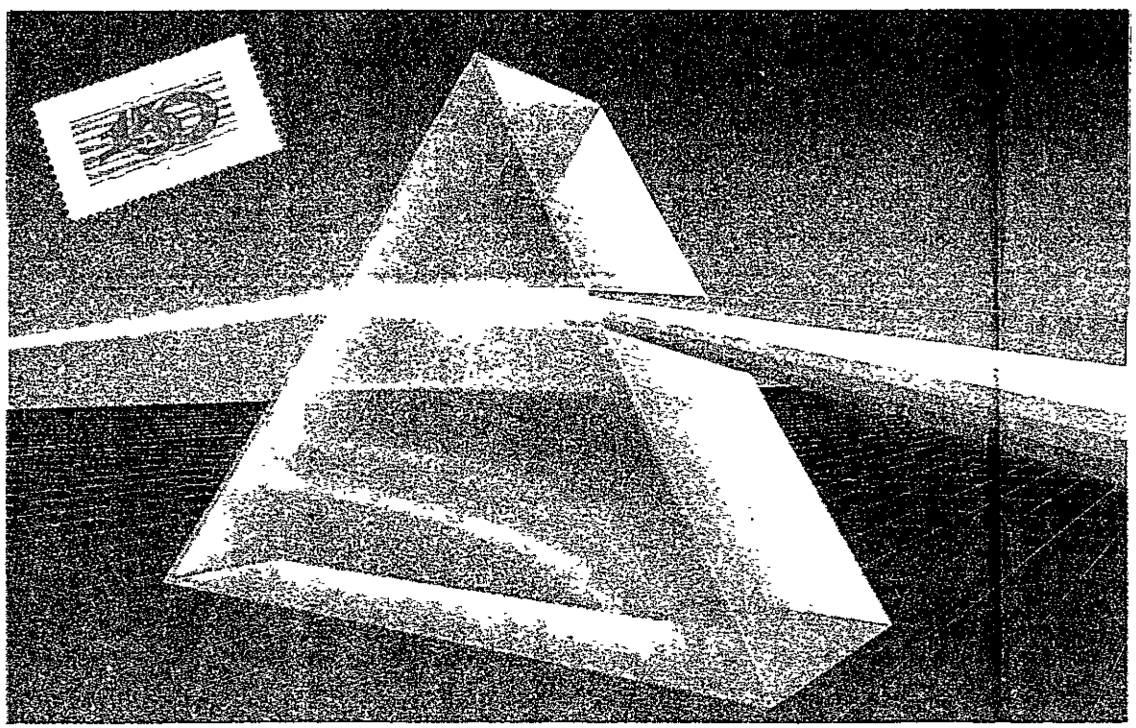
Rentals required to service new developments wold probably now be a minimum of R5/m².

He sees an early end to the oversupply as manufacturers gear themselves up for a fresh expansion phase

OMP has pockets of fallow land and is investigating potential developments for them

New on the market and already attracting keen interest is Mariann Industrial Estate, 6km from the centre of Pinetown

JANE STRACHN



Long-term advice

PROPERTY market operators should not be unduly alarmed by short-term indicators.

Property is essentially a long-term investment and long-term trends are the only significant factors to be taken into account, says Metboard GM (Property) Niki Vontas

☐ VONTAS

However, it is clear that a rising interest rate pattern is never a favourable sign for property related investments, he says

"The historical dividend yield of the listed property trusts now stands at 9,5%.

"This is not only because seven of the 14 recently became ex-dividend. The fact is that the upward trend of short-term interest rates is definitely perceived as negative"

Indeed, Vontas believes that with the financial and industrial sector yielding an average 4,6% and gold mining 6,5%, the property-related equities are relatively less attractive than they were two months ago. However, institutional investors should by now have become aware of the dangers of a "closed and open tap" or "all or nothing" policy with regard to property investments.

In spite of 'Black Monday' the property unit trust sector has performed satisfactorily

Total Returns on Property Unit Trusts (Capital and Income)

	Average Annual (Cap & Income)	Year on Year (Cap & Income)
Capital	18%	5%
CBD	34 2%	19 1%
Fedfund	35 3%	5 2%
Grove	29 9%	16.5%
Metprop	48 6%	66 2%
Pioneer	33 8%	17 4%
Stanprop	27.2%	19 7%
Sycom	33,6%	27.0%
Sanlam	33 3%	3 5%
Tamboti	47 4%	10 7%
Umdoni	23 8%	16.2%
Vetrust	8 7%	26 7%
Property Trust Sector	29.5%	14 1%
Inflation	16 1%	14 7%
Fin Industrial	23 8%	0 6%
All shares	14 6%	-7 0%

The figures reflect the relatively lesser overall impact of "Black Monday" on the property trust sector. Furthermore. Metboard regards the recent rise in short term interest rates, notwithstanding fundamentals of the property market, as not having changed. The increases in interest rates were expected and in fact were already discounted

In tandem with the relative recovery of the SA economy, Vontas says it is expected that the upturn in the property market will continue until the first quarter of 1989 at least

Office vacancies in the Johannesburg CBD are estimated at 4% with more than 200 000 m² coming on stream in 1988-1989 In the prime decentralised CBDs (Sandton, Parktown and Rosebank) current overall vacancies are estimated less than 4% of total supply of office space with new space signed at gross rentals ranging from R18 to R20/m².

"In our opinion property promoters will have to be more selective about the quality of property products offered to

Cenprop 35 3% 0 7% the market, says Volkas.

Developers await rise in demand

AFTER last year's stock exchange dip, which saw millions of rands wiped off the JSE, there was a good deal of speculation that it could see a swing back into real estate by the major financial institutions

Six months later, however, there appears to be little evidence of any major return to property Most developers, in fact, seem to believe there must first be a marked improvement in demand before they commit themselves to any major projects

To be sure, there is an increase in development — most particularly among the developer/builders who are creating stock for onselling

Those developments in general, however, are of small to medium size — with the notable exception of custom-built projects such as First National Bank's downtown banking city that is planned for the coming years

There are others, of course, and developer/brokers, such as Anglo American Property Services (Ampros), are indeed active in certain specific sectors where there is keen demand

But as Erwin Rode, research director of the economics firm which now published the Rode Report points out, there could still be some developers caught up in the euphoria who could well burn their fingers

Rode says that although the current state of the property market includes favourable trends which should hold good throughout 1988, these — in fact — have nothing to do with the JSE crash

Developers, he says, who involve themselves in new projects on the assumption that a swing to property must of necessity follow the stock exchange crash stand to lose out badly

The Cape Town based company — Real Estate Surveys — which conducted the research for the report finds that favourable trends in the property market had already started to develop well before the JSE crash.

But it added a warning it was important for investors and economists to realise that this positive period could be more than a business cycle hiccup in an otherwise long-term property-cycle downswing

Property developers were in a significant number of instances becoming optimistic to the point at which they were falling into the "Developers' Trap", says the report, commissioning new projects speculatively to catch the expected continuing boom. The truth, however, was that the risks to speculative property investment in 1988 would, in fact, be "enormous"

"The danger signals are already there," says Rode. "For instance, new office projects which will come on stream in downtown Johannesburg during 1988/9 already surpass the increase in demand for the past two years by a wide margin

"In the decentralised Johannesburg locations, new supply announced already equals the growth in demand of the past two years These developers are banking on an acceleration of demand which can only come about as a result of a general economic upswing to an extent which at the moment is open to serious question."

Investors, warns Rode, are strongly advised to ensure that new developments "are at least 60% pre-let before breaking ground"

(32)

INDUSTRIAL AND COMMERCIAL PROPERTY

'Scramble for key areas land'

RENEWED focus on property has led to a scramble for prime land in key areas, say contractors and developers Stocks & Stocks.

CE Reg Edwards believes last year's stock market crash has given industrial and commercial property developers a major boost, with institutional investors swinging their interest back to this area of investment.

"It would appear that investors are again taking property very seriously in terms of stability and growth," Edwards says.

The bulk of new office development is taking place on the Reef.

Stocks & Stocks is currently developing a R17m office development in West Street, Sandton, on land held by the company. More than half of the 7 000m² complex has been pre-let. This development adjoins the new SAB Beer Division HQ being built, on land acquired by Stocks Construction (Rand).

Another project just announced is the R14m office tower in Richmond on the corner of Barry Hertzog and Empire roads, for Auto & General Insurance Company.

In Bellville, near Cape Town, the company recently started a major project comprising a R30m office complex which has been pre-let to the House of Representatives.

In Pretoria's Hatfield office node a R7m office development by Stocks & Stocks is coming out of the ground. This has been sold to an insurance company.

Meanwhile, in Parktown Stocks & Stocks is developing its own project in the form of the R16m parkade and office development on the corner of St Andrews and St Davids roads. This development faces a new office building soon to be built by Stocks for Anglo American Property Services in which Mobil is the major tenant.

In fast-growing Rivonia, Stocks & Stocks has already completed four office buildings and a fifth is now taking shape. The R8m building has also been sold as a complete development package.

The group is considering further projects on land it holds in Johannesburg, Cape Town and Durban.

ALWAYS SOUND OPPORTUNITIES, SAYS SANLAM

SINCE the October stock market crash, theories have abounded on the state and future of the property market. Some see real estate as an alternative to a bearish stock market, while others believe that shares are relatively cheap and that it is now a good opportunity to invest.

A further group holds the opinion that the crash will curb the expansionary phase of the SA economy to the detriment of returns on property.

But as a long-term investor it has to take a different view, Sanlam Properties points out. Its philosophy, therefore, is that there will always be opportunities for sound property investments. The present growth phase could peak in two years at rental levels which will by then have doubled since 1986.

The recovery in the real estate market has been gathering momentum with an average increase in prime office space rentals of 30% during the past twelve months, according to Sanlam.

And the assurer also expects an increase of at least 20% during 1988.

Looking at the various markets, Sanlam notes that the existing oversupply of class A office buildings in Johannesburg CBD should be absorbed by the middle of 1989 even with a number of new developments coming onto the market.

PLAZA WEST

With no major commercial projects coming on stream in Cape Town or Durban in 1988, rentals are bound to rise sharply as the available space is absorbed.

The major new Pretoria CBD development coming onto the market this year is Sanlam's Plaza West which is substantially pre-let. However, with a curb on public sector expenditure, Sanlam does not foresee undue pressure on rentals since government accounts for some 65% of all available space in Pretoria CBD.

On the industrial side, Sanlam says that investors' confidence has not as yet recovered to the extent that it has led to a renewed growth in the demand for industrial space. With a strong growth in retail sales and historically low stock levels, manufacturers could be forced to expand their operations in 1988.

As a result, the assurer expects to see a renewed interest in this market with a reasonably strong demand

Money out of dumps

ONE development company which expects to do well out of the shortage of good industrial land close to the city is the Cavaleros group which is marketing the Jupiter Extension 3 development in Germiston.

Cavaleros came up with the idea of moving mine dumps to "create" new land close to the city. But it has taken time and a good deal of money in spite of the Ergo-style deal it did to sell the mine dust to a gold processing company.

But the delay will now benefit the company, believes Cavaleros GM Peter Palmos, as it is now coming on stream at a time when there is a decided improvement in the industrial market.

In the meantime Cavaleros has obtained the necessary township board approval and the whole township is expected to have been developed by year-end, he says.

Palmos expects to have already installed all the roads and services by June this year at a cost of R1,8m. In the meantime, Cavaleros Construction has sold off some 6ha to Unicorn Lines with a deal that will also allow Cavaleros to market the land for them as well.

All-in-all, Palmos expects to have 36 stands up for sale at prices ranging from R75/m² to R80/m², depending on position.

DURBAN MARKET REMAINS BUOYANT

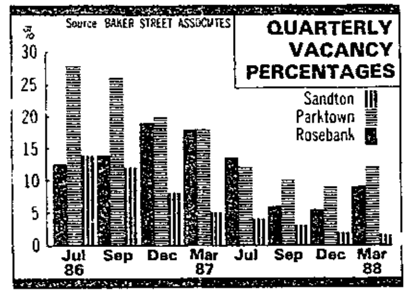
NARROWING vacancies and firming rentals have characterised the Durban office letting market since early last year.

Anglo American Property Services (Ampros) national leasing director Grahame Lindop notes that the market has remained buoyant for the last six months, with the choice of prime space being limited to three or four buildings.

Few large chunks of accommodation are available.

"Because little space is planned — and that which is on the cards is government or quasi-government — we see considerable pressure developing on rental levels," Lindop says.

RMS Syfrets' Kevin Dunkley agrees. "There's



THIS graph, prepared by Baker Street Associates (BSA), sets out the vacancy performance for the past two years of Parktown, Rosebank and Sandton. BSA's Rodney Timm says the northern office nodes demonstrate growing popularity. They are boosted by the relative economic optimism at present, the general desire to improve quality of life, the increased sophistication of electronic communication media and the perceived risks of personal safety and security in the CBD

Near saturation

VACANCY percentages in the major decentralised office nodes north of Johannesburg reflect the steady growth of demand in these areas, says Baker Street Associates' Rodney Timm.

And, says Timm, as a result of the well-established nodes approaching their saturation points or becoming overly congested, areas such as Hyde Park, Rivonia, Woodmead and Richmond are showing their mettle.

A Baker Street space survey shows the following:

□ Parktown ... has about 165 000m² of office accommodation at present. The vacancies which exist comprise primarily smaller pockets which are available for sub-leasing. In most cases this is situated in building constructed during 1981/83, with leases being pegged at historically high rentals. In most cases these leases are close to expiry.

Parktown's vacancy percentage has suddenly increased to 11,5% because of two large vacancies resulting from a major corporation moving out of the area.

There are at present nine development projects totalling about 22 500m² in various stages of completion. However, seven of these blocks are being built as specific corporate head offices. The city council's four tender sites along Victoria Avenue will provide an additional 27 500m² of space in the future but apart from these sites, there are expected to be few future expansion possibilities in Parktown.

□ Rosebank ... with its present stock of about 155 000m², is still considered by many to be the most convenient office location.

The March vacancy rate has increased to 9,3% from the December figure of 5,5% as a result of the completion of two large new developments in January. These schemes, the Sanlam Arena and the Murray & Roberts building, are leasing "fairly well", says Timm, mainly to companies in the service industry.

The next major project to be completed will be the Sasol head office later this year, which will create relatively large vacancies in two existing buildings and will also provide some rental space for outside companies.

Rosebank has few vacant sites available for development in the future.

It is, however, expected that in the next two to three years, major new office space will become available through the redevelopment, extension of existing buildings. This avenue has a potential for adding approximately 40 000m², including the Federated re-development of the Oxford Hotel-Baker Square site, Sage's re-development of President Place, the Tuscany/new Kleinfontein Thrupps development in Jan Smuts and the office component to be developed on the Mall shopping centre.

□ Sandton ... with its existing total stock of about 295 000m², has a vacancy in existing buildings of less than 2%.

Under construction at the moment are 11 developments with a total of about 90 000m² becoming available in the next 10 months. Of this, at least 33 500m² has been let, says Timm, or is being built for specific corporate offices.

Total office rights still awaiting development is about 100 000m², including the city council's rights which form part of the CBD revamp.

The low density new rights which are to become available in Weirda Valley and north of North Road will probably add a further 100 000m² in office potential. In these areas projects totalling 7 000m² are under construction.

□ Randburg ... with its present stock of about 175 000m² has also had a good run of success in the past year, reflecting a present vacancy rate of about 6,5%. New developments under construction will add another 40 000m², but at least half of this is pre-let or being built for specific occupation.

JANE STRACHAN

of the smaller units and rentals for space of up to 500m² near the city. On the periphery it sees rentals increasing by between 15% and 20% this year

As for future investment, Sanlam says that government's privatisation drive could create an opportunity for investment in toll roads, bridges, state forests.

been a dramatic improvement in Durban over the last 12 months, with A-grade CBD accommodation seeing a take-up of probably about 25% Our experience has shown that occupancy is not likely to get any higher than it is now"

Rentals have hardened considerably, he says, with prime space now in the R14/m² to R17/m² (gross) range

Paul Nicholson, regional property manager for Old Mutual Properties (OMP) in Durban, says a recent OMP survey of the entire A and B-grade market in the Durban CBD shows an average occupancy of 90%

OMP's R250m Natal portfolio includes three prime CBD blocks which are about 96% let

Suburban offices are also performing well, he adds.

☐ In the Cape Town CBD the total office take-up position has not changed dramatically in the past six months, but there is a significant difference in the availability of prime space

According to figures from Divaris Real Estate (Cape Town), in August 1987 available office space was at about 63 000m², which has now been reduced by some 8 000m² to 55 000m²

But A-grade accommodation in the rental range R12 to R18,50m² has dwindled from 15 000m² to approximately 8 000m² — a 2% vacancy factor In this category rentals have, on average, increased from R12,83/m² to R14,08m² In the really prime group the increase is more noticable — 13% in about six months.

Divaris believes rentals are poised to rise again.

There has been a growing interest in office ownership as opposed to leasing, especially in the 500 to 1 000m² range

JANE STRACHAN

DD 16/4/88

Builders regret pull-out by NBRI

(32)

EAST LONDON — The decision by the National Building Research Institute (NBRI) in the Western Cape to discontinue its services to the Eastern Cape has been met with disappointment by builders here.

In an NBRI newsletter the Western Cape regional officer, Mr F. J. Holmes, said it was arranged after the closure of the Port Elizabeth office in 1986 that regular visits would be paid to the Eastern Cape from Cape Town and that this service would be reviewed after a year.

Mr Holmes said he had visited Port Elizabeth ten times in the last year and East London six times. He said it was an expensive service and it had been decided to discontinue it.

The head of building inspectors here, Mr Jock Milne, said they did not have much to do with the NBRI as they dealt with Pretoria.

The acting chairman of the Building Industries Association (BIA), Mr Bill Heaton, said he thought the NBRI had pulled out because the communication channels between the institute and the builders had failed.

He said it was a "great shame" that they had pulled out, adding that he felt they should have tried to make more use of the building industry infrastructure in the form of the BIA offices for the distribution of information. — DDR

BUSINESS

DD 16/4/88

Starke: 'order books full

(32)

CAPE TOWN — The Basil Starke Group of engineering and construction companies has full order books and expects 1988 to be "a very good year," with further increases and profit and turnover, the executive chairman, Mr Basil Starke, said.

He was speaking at a media lunch to release the annual report and discuss the coming Basil Starke Investments (BSI) rights issue expected to raise R9 million.

The managing director of BSI, Mr Colin Glen, explained that the rights issue would be used to redeem preference shares issued before Basil Starke shareholders gained control of the Ovenstone companies.

Mr Glen said the existence of the preference shares meant that "our gearing ratios are not very good if you regard the preference shares as borrowings."

The rights issue would switch them into ordinary share capital.

Mr Starke said: "At the moment our group is in a good position with full order books and a good team of young, dynamic people. Unless anything unforeseen happens we are expecting a good year.

"We expect an increase in turnover and therefore an increase in total profit because margins are definitely improving."

Since the reverse takeover of the loss-making Ovenstone Group and Ovenstone Investments last year, with a complete change in the board, both companies have been restructured and turned around.

BSI ended the nine months to December with an attributable profit of R1,4m compared with a loss of R7,8m for the 12 months to March 1987, and BSG ended the nine months to December with an attributable profit of R2,2m compared with a loss of R8,7m in the 12 months to March 1987.

The group now also includes Basil Starke Developments (Pty) a property development company formed in the second half of the financial year.

The annual report shows that in the nine months to December construction interests made a profit of R3m on a turnover of R65,1m.

Engineering interests, which include Premier Wire, made a loss of R300 000 on a turnover of R12,1m.

But the loss made by Premier Wire fell to R0,4m in the nine months to December compared with R5m in the year to March 1987. — Sapa

Corbank's performance bodes well

HAROLD FRIDJHON

32 B/Day 25/4/88

THE excellent results of the Corporate Bank Group (Corbank) for the year ended March 1988 indicate that CE Laurie Korsten's long-term planning is taking shape.

Disclosed profit, after tax and transfers to inner reserves, rose to R3,5m from the previous R1,5m, with earnings of 25,4c (17c) a share on an issued share capital 56% higher than last year's.

The final dividend has been increased to 5,5c from 1,5c, making a total of 10c for the year.

Korsten said transfers to inner reserves were still substantial in terms of his policy to strengthen the group's resources.

He said the bank had benefited from the boom on the stock exchange, and last year about 37,5% of profits had been derived from servicing corporate clients involved on the JSE.

During the past three or four months, the group's loans and advances had grown strongly as packages were being structured to meet clients requirements. Total assets had grown to just under R500m from R299m last year. Margins in the corporate field were very thin as competition for business in this area was keen. The book is clean.

The bank had been restructured to create four "partnerships" among the executives in this and other areas. The "partners" shared in profits earned on the excess margins above what was better than average. Korsten said the restructuring of the group had nearly been completed and all problem areas had been eliminated as well as the previous Hill Samuel retail business.

Korsten is confident the group is now well positioned for future growth and the current year was budgeted to produce an increase in attributable profit.

Civils contracts down in March

Star 25/4/88

32

Civil engineering contracts awarded in March at R87 million were lower than for the previous months.

However, states the South African Federation of Civil Engineering Contractors, the figure for the March quarter compares well for the same period last year because of the high January and February figures, R145 million and R320 million repestively.

The Federation pointed out that most of the figures recorded for the first quarter reflected contracts that closed in 1987 and therefore did not reflect tender activity in 1988.

However, the numbers of tenders recorded is fairly high, says the Federation, although not for large amounts, the largest being a bridge over the Gamtoos river at R7,2 million.

There appears to be a reasonable work load at present which is coupled with " more realistic for work such as roadbuilding and township services".

However, this mood of cautious optimism is tempered with uncertainty on the medium term outlook for the economy and in particular the outlook for capital expenditure by the public and private sectors on civil engineering projects.—Sapa.

BUSINES

D/D 26/4/88

R552m work

32

JOHANNESBURG — Civil engineering contracts awarded for the first quarter of 1988 totalled R552 million — but March contracts came in at only R87 million — down sharply in contrast with the previous two months.

Safcec pointed out that most of the figures recorded for the first quarter reflected contracts that closed in 1987 and therefore did not reflect tender activity in 1988.

"The numbers of tenders recorded is fairly high, although not for large amounts, the largest being a bridge over the Gamtoos River at R7,2m.

ment of aluminium radiators by Ferodo Heat Exchangers at its new Pinetown factory.

"Aluminium's light weight and durability have been recognised in the motor industry since 1897, when the first aluminium crankcase appeared. Economic reasons and other economic factors."

"By reducing the overall weight of a car without cutting its strength, one can achieve huge fuel savings. This effect is compounded by aluminium's durability which gives car bodies extended life expectancy," he said.

Concern over soaring costs

26/4/88 (32) 13/20Ay

MICK COLLINS

PRICES of civil engineering materials continue to soar, with the SA Federation of Civil Engineering Contractors (Safcec) expressing concern that the escalation is well above that of the overall inflation rate.

Safcec says higher material prices are the prime cause in the rise in construction costs.

"As the funds which the state (the industry's main client) can provide for civil work are limited, any rise in construction costs will tend to depress the amount of work in real terms which can be undertaken with the available finance."

After an increase of 18,6% between February 1986 and February 1987, materials rose a further 18,1% in the year to February 1988.

The index increased by 3% in January — following a price rise in reinforcing steel of 10,8% and a slight rise in the price of bitumen — and jumped by a further 3,6% in February.

"This increase was caused by the large increase in the price of sand (8,2%) and stone (11,6%) and a 1% rise in the cement price. It has already been announced that cement prices will rise by a further 6% in May," Safcec says in its latest report.

Plant prices for the same period increased moderately over the past year, confirmed by figures from the Central Statistical Services: 5,3% between February 1987 and February 1988 and in the three months to February 1988 by just 1,4%.

Farmers owe a whopping R2,6bn

R/80Ay

GERALD REILLY

PRETORIA — Years of drought have sent farmers debts to the Land Bank soaring.

According to the bank's 1987 report far- costs and interest rates and other pressing

Star 32 28/4/88

Rabie to be Burad holding company?

Rabie Investments is to become the listed holding company of Burad Securities in terms of a proposal sent to Burad shareholders.

Directors of Burad, which has computed tax losses of R5,7 million, are advising acceptance of the proposal from Rabie, a property developer involved in projects to build and market 5 500 homes in the Transvaal, Natal and Western Cape. Many are joint ventures with Murray & Roberts.

Rabie's earnings for the year to June are forecast at R5,03 million, equivalent to 31,7c a share based on an issue of 15 891 993. No tax has been applied to the forecast because of Burad's computed tax losses.

With aggregate pretax profits of R5 million warranted for the year to June, Rabie is forecasting a dividend of not less than 12,7c a share. Rabie intends to cover dividends at least twice.

The Rabie proposal involves Burad shareholders receiving one new listed Rabie ordinary share in exchange for every 10 existing Burad ordinary shares. Sapa.

CM 7/1/8 28/4/88 (32)

Rabie to take over Burad Securities

RABIE INVESTMENT HOLDINGS will become the listed holding company of Burad Securities in terms of a proposal that has been sent to Burad shareholders.

Directors of Burad which has computed tax losses of R5,7m, are recommending shareholders accept the proposal from Rabie, a property developer currently involved in projects to build and market some 5 500 homes in the Transvaal, Natal and Western Cape.

Many of these are joint ventures with Murray & Roberts as civil and construction contractors.

Rabie's earnings for the year to June are forecast at R5,03m, equivalent to 31,7c a share based on an issue of 15 891 993.

No tax has been applied to the forecast because of Burad's computed tax losses.

With aggregate pre-tax profits of R5m warranted for the year to June, Rabie is forecasting a dividend of not less than 12,7c a share for the period. This will be payable in October.

Rabie intends to cover dividends at least twice by earnings.

The Rabie proposal entails Burad shareholders receiving one new listed Rabie ordinary share in exchange for every 10 existing Burad ordinary shares.

Burad shareholders have been told that, subject to approval of the necessary resolutions at a meeting in Cape Town on May 18, the JSE has agreed to cancel the listing of Burad shares in the "financial-property" sector at close of business on May 20, and to grant a listing of Rabie shares from start of business on May 23.

Rabie's chairman John Rabie believes the company, with its proven track record in developing housing for various market segments, is well positioned for further growth on a national basis and to play a leading role in reducing the housing backlog, which is estimated at 750 000 units.

He says the company has strengthened its project management and marketing resources to capitalize on growth opportunities, particularly in the greater PWV and Durban areas.

Private sector building on the rise

(32)

FINANCE STAFF

Star 30/4/88

National figures released by Central Statistical Service show the value of private sector building plans passed in January to be R473,6 million — an improvement of 44,4 percent on figures for January 1987.

The value of residential buildings soared by 56,3 percent to stand at R260,5 million, with non-residential buildings valued at R83 million — an improvement of 18,2 percent. The value of additions and alterations rose by 43 percent to R130,1 million.

With the exception of East London and Port Elizabeth, where decreases occurred in the total value of building plans passed, all other urban areas recorded increases.

Bloemfontein led the way with a rise of 202 percent.

At 90 percent, Durban trailed third-placed Pietermaritzburg by just two percent, while Kimberley took second place with a 136 percent increase.

Although the total value of buildings completed in January increased by only 0,9 percent, compared with January last year, there was a substantial increase in the number of houses (14 percent) and flats/townhouses (14 percent).

The number of houses completed for blacks increased by 170 percent, followed by coloured housing at 59 percent and white housing at 24 percent.

Asian housing showed a surprising drop of 50 percent.

Building costs go through the roof!

CAPE TIMES 30/4/88 32

THE building industry is booming after a long, lean period but, reports ROGER WILLIAMS, the upsurge is accompanied by a dramatic increase in costs — particularly for materials — which are rising in leaps and bounds. Many more increases are due by year end.

A FURTHER 8% rise in the cement price from Monday will add momentum to building costs that have risen by a dramatic 21% since January — with expectations of a further rise of at least 25% by the end of the year.

The 50 kg pocket of cement that today carries a price-tag of R5,92 will cost you R6,44 next week.

This is the third increase in six months in this basic construction commodity, now under severe pressure countrywide in a resurgence of building activity and with repair work starting on a massive scale in parts of the Republic recently ravaged by floods.

Richard Hoffman, construction manager of Anchor Construction at Steenberg, said yesterday that where the cost of building a house in a big scheme was being calculated at R330 a square metre this time last year, the figure was now R380.

Last year's R80 000 house would cost nearer R90 000 to build today, he added.

While the building industry is booming, with full employment and skilled labour at a premium, frequent price-increases for basic building materials are making costing and quoting increasingly difficult for contractors.

39% increase

Plans for buildings worth a total R908 million were approved in the Cape metropolitan area last year — an increase of 39% on 1986 — and work is now getting under way on many of these new projects, with a steadily mounting demand for materials.

Major low-cost housing schemes in the public sector are also devouring huge quantities of basic materials such as bricks, cement, timber, tiles, plumbing fittings, asbestos and paint.

Suppliers gave some examples yesterday of recent price-increases:

- Bricks, up by an average 7% from April 1.
- Timber, up by about 15% two months ago;
- Asbestos products, up by 12% in February with a further price-rise expected in June;
- Copper tube (for plumbing) up 12% last month.
- Sanitary-ware, up 4-to-5% with another increase expected later in the year.
- Brass fittings, up 12 ½% recently.

Fasie Malherbe, who heads the Pennypinchers chain of building-material stores in the Peninsula, told Top of the Times he could see a further across-the-board increase of at least 25% for materials by the end of the year.

"We can only hope this will not have the effect of dampening the current boom."

Dr Ockie Stuart, director of the Bureau for Economic Research (BER) at Stellenbosch University, said the bureau's preliminary figures showed that building costs generally had risen by 21% in the first quarter of 1988, compared with the corresponding period last year.

He said further increases could be expected during the year, "and my guess is that wages in the building industry will also be going up".

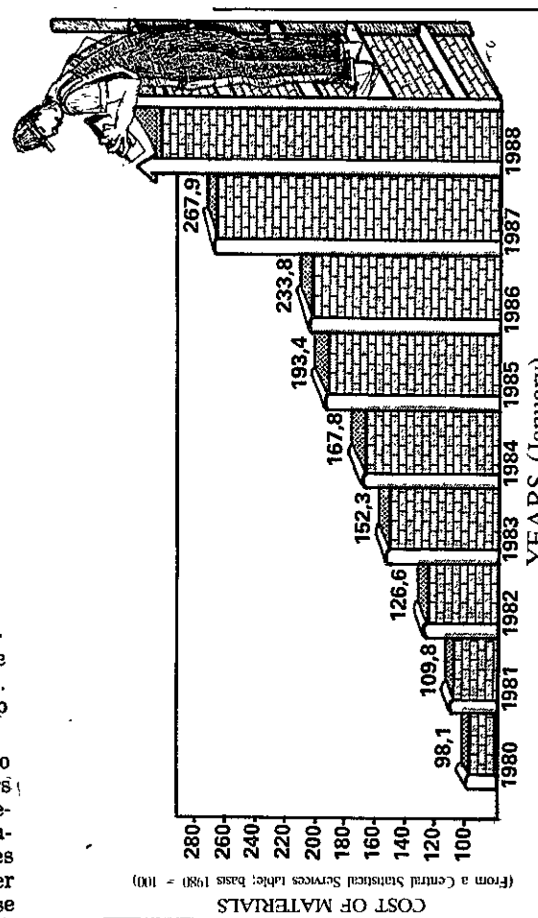
The Building Workers' Union has started negotiations with the employers for a general wage increase.

The union is asking for a 30-to-40% hike in the pay-packets of skilled artisans (now on R5,10 an hour) and a similar increase for unskilled workers, now earning R2,12 an hour.

Executives in the supply market said there were a number of reasons for the steep increases in building costs, which could be partly attributed to rising transport costs, the increased cost of raw materials and the fact that contractors were "opening up" profit margins severely squeezed during the building slump of the past few years.

Property broker Peter Unite described the cost increases — "some of them almost monthly" — as "staggering" and said that particularly the small contractor, working on a fixed-price basis, was finding it increasingly difficult to put a price on a job that would not end up with his coming short.

Builders, said Unite, were enjoying fuller order-books and in widening their profit-margins were trying to recoup sometimes-severe losses incurred in the "torrid times" they had recently been through.



UP AND UP! . . . An at-a-glance picture of the rate at which overall building costs have been rising since 1980. They shot up by a dramatic 21% in the first quarter of this year — with expectations of at least another 25% by December.

grounds to them, Mr V...

In reply, Mr Horn said the ground had not been allocated to the Border Soccer Association, adding that it was the only organisation that had applied.

phy for an improved rate of injury was awarded to the roads

... safety in the municipal service. — DDR

SP 2/5/88 DIP

Tenders invited for municipal projects

32

EAST LONDON — Tenders have been invited for several large municipal projects here including the upgrading and electrical installation of the city hall, construction of the Second Creek sewage pump station and provision of certain sewage pumping plant, pipework and electrical equipment.

Tenders close on May 27.

As far as the city hall is concerned, tenders have been called for a building contract for the upgrading of facilities as well as a separate contract for the electrical installation to the city hall complex.

Tenders for the construction of the Second Creek sewage pump station, rising main and ancilliary works have also been called as well as for the supply, delivery, installation, testing and maintenance of sewage pumping plant, ancilliary pipework, electric motors, controls and power supply equipment to the station on the north bank of the Buffalo River.— DDR

Construction failures are mostly due to 'people-faults'

(32)

Star 3/6/88

People-faults are probably the main cause of failure in construction, with faulty maintenance and inferior quality materials much less apparent as contributing factors.

Voicing the concern of the Portland Cement Institute about the "huge cost of defect", Mr Dean Norton, the executive director, told a meeting of the Construction Writers' Club recently:

"Taking the French construction scene as an example — and it could an indicator of the situation throughout the world — and statistics covering a 10-year period, some disturbing figures emerge.

"Forty three percent of defects were attributed to design and 43 percent to actual construction.

"These percentages compare with only 6 percent attributed to faulty materials and 8 percent to faulty maintenance."

To help cut back on the failure rate, PCI has established a Durability Bureau to promote durable and economical concrete components and structures in South Africa.

"The most common examples of concrete failure in South Africa are the corrosion of reinforcement in marine environments and the deterioration of concrete exposed to aggressive agents," says Mr Norton.

"Although the South African situation is more favourable than that of many other countries, work on durability is justified as this should reduce failures and save costs of remedial work or specification "overkill".

Professor Robert McCutcheon, newly appointed to the chair of Project and Construction Management in the Department of Civil Engineering at the University of the Witwatersrand told the meeting that there was an encouraging change in the number of graduates entering civil engineering.

"While the mega projects such as the Lesotho Highlands water scheme and the Mossel Bay offshore oil venture will attract the young engineer, a new growth area is emerging — the infrastructure for the underprivileged," he said.

"There is just as much intellectual excitement in sorting out problems in this sector and the work can be just as challenging."

 By FRANK JEANS

M&R and Rabie in joint venture at Alexandra

S-Tw 3/5/88

There is strong public response to the new R40 million housing development at East Bank, Alexandra, north of Johannesburg, where more than 500 homes are being built. BB 32

This is one of the joint ventures being undertaken by Murray & Roberts and Rabie Property Developers, part of the stock exchange-bound Rabie Investment Holdings.

Rabie will build and market more than 4 000 homes for black, coloured and Indian families within the next year in the Transvaal and Natal and all the projects will be handled along with M&R, which will be responsible for civil works and construction.

Rabie will also be involved in design and marketing.

"The brisk rate of sales at East Bank has been boosted by first-time buyers, subsidies and Government legislation granting blacks the opportunity to take transfer of freehold property," says Mr John Rabie, managing director of Rabie Property Developers.

Prices are from R40 000 to R80 000 which is a fair indication of the difference in plot and house sizes available."

East Bank has access to a sports centre with Olympic-size pool and tennis courts.

Survey of home building trends shows more activity in EL, King

Daily Dispatch Reporter

EAST LONDON — A survey of home building trends has shown that, while there has been a marked drop in building activity in the Port Elizabeth/Uitenhage region (PEU), the East London/King William's Town region (ELKWT), has shown an upward trend.

(32)

The study, carried out by the Institute for Planning and Research at the University of Port Elizabeth, showed that the ELKWT region had escaped the short-term effects of the accommodation depression.

D 1D 4 15788

The number of houses built annually in East London has increased steadily from 96 in 1982 to 234 in 1987.

A boom was experienced in 1984, when 245 new houses were built.

A table of homes constructed in the PEU and ELKWT regions for the 17 years between 1970 and 1987 showed a definite downward trend for the PEU region from 1 350 in 1985, to 700 in 1987.

The median value of additions and alterations is much higher in the ELKWT region than in the PEU region, with an average of R9 250 in East London, R12 000 in King William's Town, R14 925 in Gonubie and R11 287 in Beacon Bay.

The median for Port Elizabeth was only R4 000.

The median value of houses in East London was R45 000, (a decrease of R5 000) and for flats R43 067, (an increase of R5 400). The median value for houses in King William's Town was R52 000.

The number of houses constructed in the study area last year remained on a par with 1986, but considerably more flats were built in East London in 1987 (186 compared to 80 in 1986).

For the first time in five years, flats (38) were built in Gonubie.

Overall, the number of alterations to houses throughout the metropolitan regions remained the same as in 1986.

SMH earnings down on forecast

(32) By Finance Staff Star 2/5/88

Construction group Spicer-Mitchell Holdings improved its operating income by 58 percent to R947 000 for the year to end-February 1988 on a 33 percent rise in turnover to R8,14 million.

However, the taxation charge was higher than normal due to deferred taxation adjustments, which suppressed profits when compared with a pro-forma forecast at the time of the listing of the company last year.

Taxed income was down to R397 000 from a forecast R450 000, while earnings per share dropped from an anticipated 5,2c to 4,6c. A maiden dividend of 1c per share was paid against the predicted figure of 6c.

On prospects the directors say that long-term contracts ensured a growing market within which to operate and they were confident that the group would achieve an increase in operating income for the 1989 financial year.

Brick shortage rumours denied

Star 10/5/88 (32)

There is no shortage of bricks to meet rising demand from the building industry.

This assurance comes from Mr L van Rhyn, president of the Brick Development Association, commenting on recent media reports suggesting that brick supply is being affected.

"Despite the fact the production has been lost because of severe weather conditions which have led to flooded clay pits, there is no shortage of bricks in South Africa," says Mr Van Rhyn.

"Out-of-stock situtions might occur in certain product lines in some areas but the overall picture indicates that we have in excess of 1,5 months reserve of bricks among association members."

The brick industry, which along with many other building industry-related suppliers, took a knock in the recession, still has more than 25 percent manufacturing capacity, which can be put into operation when the need arises.

Mr van Rhyn emphasises that with proper planning by construction men, brick shortages should not occur.

"Unfortunately, plans are frequently not passed on to the brick manufacturing industry in time to avert sudden delays when demand increases," he says.

"We are able to increase production facilities significantly, provided we are informed in good time.

"For example, there is often the builder in remote areas who might find there are suddenly no bricks and immediately he cries out about shortages.

"In fact, all he might well need to do is to go down the road to the next town and find there are adequate supplies.

"All people need to do is to work closer with brickmakers to ensure that there are no problems and that none will arise," says Mr van Rhyn.

An indication of the uninterrupted throughput of bricks by the member companies of the Brick Development Association is seen by in the fact that in January this year, there were more than 232 million produced, while in March, the figure was 233 million.

Bifsa appeals for more emphasis on controlled spending

Star 10/5/88 (32)

Responding to the latest interest rate increases, the Building Industries Federation (Bifsa) has launched an appeal for greater contra-cyclical spending.

Bifsa executive director, Lou Davis, says contra-cyclical spending by major institutional investors and the public sector will allow the industry and its satellites to grow at a controlled rate, thus avoiding excessive fluctuations of work available.

"The building industry is volatile and minor increases in interest rates often have an immediate and detrimental impact on the industry as a whole," he says.

"Subcontractors are particularly exposed as they generally have large overdrafts to carry. As interest rates rise, their cash flow suffers and they may be forced into a precarious struggle for survival."

Mr Davis claims the cost of building has risen by between 21 and 25 percent, mainly as a result of material price increases resulting from the recession.

"In the past two years, wage increases have been below the inflation rate and the industry is facing pressure from employees to raise wages now that the demand for building has increased.

"Although the Government has appealed for wage restraints, it is certain that increases will have to be paid and this is bound to be a key negotiating issue at industrial council level."

He says statistics compiled by Bifsa suggest building costs will climb further this year as a result of higher interest payments, higher materials prices and pressure from employees for higher wages.

"Although we accept that the economy should not be allowed to overheat, it is vital that the building industry, which currently employs about 4 percent of the economically active population, has a stable and consistent flow of work.

"Otherwise it will be plunged back into a recession which in the long term, will be disastrous for the economy as a whole."

Mr Davis says employment in the industry dropped from 270 000 in 1984 to 190 000 in 1986 and is still well below 1984 levels.

Effective method

"The only effective method of stabilising the industry is for institutional investors and developers to keep investing in this sector.

Mr Davis has appealed to building-material suppliers to do everything possible to contain costs and limit price increases "as the current increases have already had a dramatic effect on the net cost of building".

He says Bifsa statistics show the cost of building an average home, without luxury fixtures or fittings, and excluding the price of the stand, was R566 a square metre last year.

"This has now risen to R685 and, when combined with the higher bond rates, means many families will not be able to afford to build a home and may even have to cancel existing contracts.

"As a labour-intensive industry, we are dependent on the skills of the workmen on site and it is unfortunate that with each slump in the industry we lose thousands of skilled workers who are reluctant to return later.

"In South Africa, with our shortage of skilled people, every lost employee further depletes our resources and makes it more difficult for the industry as a whole to cope with the demand for contracting services." — Sapa.

Bifsa appeals for stable flow of work

32

CAPE TIMES 10/5/88

JOHANNESBURG. — Responding to the latest interest rate increases, the Building Industries Federation of SA (Bifsa) has launched an urgent appeal for greater contra-cyclical spending.

Bifsa executive director Lou Davis says in a statement that contra-cyclical spending by major institutional investors and the public sector would allow the building industry and its satellites to grow at a controlled rate thus avoiding excessive fluctuations in the available amount of work.

"The building industry is volatile and minor increases in interest rates often have an immediate and detrimental impact on the industry as a whole," he says.

"Subcontractors are particularly exposed as they generally have large overdrafts to carry. As interest rates rise, their cash flow suffers and they may be forced into a precarious struggle for survival.

"Although we accept that the economy should not be allowed to overheat, it is vital that the building industry, which currently employs about 4% of the economically-active population, has a stable and consistent flow of work.

"Otherwise it will be plunged back into a recession which in the long-term will be disastrous for the economy as a whole.

"The only effective method of stabilizing the building industry is for institutional investors and developers to keep investing in this sector.

"Unfortunately, the SA pattern is for investment only when the economy is riding high, and switching off development capital as soon as the economy dips."

He says that statistics compiled by Bifsa in the past 12 months suggest building costs will climb further this year as a result of higher interest payments, higher materials prices and pressure from employees for higher wages.

Davis appeals in his statement for building material suppliers to do everything possible to contain costs and limit further price increases "as the current increases have already had a dramatic effect on the net cost of building".

He says Bifsa statistics show that the cost of building an everage home, without any luxurious fixtures or fittings and excluding the price of the stand, was R566/m² last year.

"This has now risen to R685 and, when combined with the higher bond rates, means that many families will not be able to afford to build a home and may even have to cancel existing contracts.

Davis points out that employment in the industry dropped from 270 000 in 1984 to 190 000 in 1986 and is still well below the 1984 levels.

"As a labour-intensive industry we are dependent on the skills of the workmen on site and it is unfortunate that with each slump in the industry we lose thousands of skilled workers who are reluctant to return later." — Sapa

St-V 11/5/88

(32)

Black housing boom under way

By Frank Jeans

The gathering momentum of the black housing market is seen from the results of a national survey which reveal that only 43 percent of homebuilding plans passed last year were for whites, compared with 67 percent in 1985 and 87 percent five years ago.

"These figures reflect the unleashing of demand which has been pent up for decades," says Mr Erwin Rode, research director of Real Estate Surveys which, along with the Bureau for Economic Research of the University of Stellenbosch, conducted the survey.

"Housing contractors are, on average, going downmarket and private sector housing for people of colour is booming to an unprecedented extent."

Providing the spark to the black homes boom has undoubtedly been the amendments to the Black Community Development Act which has opened the way for blacks to have freehold rights in white urban areas and given the private sector entrepreneurs the opportunity to buy land in the townships for development.

Asian housing

Coloured and Asian housing starts doubled between 1984 and last year, while plans passed for black accommodation during the same period increased by a factor of 32.

"Over the same period, white housing plans went down by 11 percent," says Mr Rode.

Also giving a spurt to the non-white market which is seen to be making a "major structural change" to the traditional business, is seen to be the increased willingness of banks and building societies to provide much needed finance.

Employers, too, are playing an increased role in making housing schemes possible for blacks. "The mining houses for example are only now about to begin a drive towards black employee housing," says Mr Rode.

Another interesting trend has emerged from the survey. In 1985, 33 percent of black households could afford a housing loan of more than R12 000 without a subsidy.

Overcrowding

"We believe, given the present overcrowding and assuming a continuation of the redistribution of wealth that is currently taking place in South Africa, the longer-term prospects for homebuilders in the black market is good," says Mr Rode.

"Overall, the good news for the building industry is that we expect a growth of 8 percent in real terms in the private sector's investment in residential building this year, with that of 1989 possibly averaging out at 4,5 percent," says Mr Rode.

While the home building boom is going on, shortages of artisans and building materials continue to be the industry's bugbear.

According to the bureau, more than 43 percent of building sub-contractors report a serious shortage of artisans as building companies "compete fiercely to meet housing demand".

On the bright side again, 70 percent of residential builders report a higher volume of work than a year ago, compared with 61 percent among non-residential men.

Black housing demand takes off

32 B/day 16/3/88

Home boom — builders caught short

MICK COLLINS

THE unleashing of black demand for housing has seen the building industry hit by soaring costs, compounded by severe shortages of labour and materials.

The driving force behind the boom has been the 1986 amendments to the Black Community Development Act, which allowed blacks freehold rights in white urban areas and allowed the private sector to buy land in townships for development.

A Bureau for Economic Research (BER) survey, conducted in conjuction with independent market research company Real Estate Surveys (RES), found 43% of building plans passed in 1987 were for whites, compared with 67% in 1985 and 87% in 1983.

One of the results of the BER study shows a net 70% of residential contractors reported a higher volume of work than a year ago.

RES director Erwin Rode says: "Coloured and Asian housing has doubled between 1984 and 1987, while plans passed for black housing during the same period increased by a factor of 32. Over the same period white housing plans decreased by 11%."

Central Statistical Services (CSS) figures released for February 1988 show the total value of building plans passed for houses increased by a huge 49,9% compared with February 1987.

The CSS also points out although the total value of buildings completed (factories, civic structures and homes) for the same month rose only 2,1%, the in-

To Page 2

32 B/day

Housing boom: builders caught short

From Page 1

crease in respect of residential buildings was 28,5% compared with February 1987.

Building Industries Federation of SA (Bifsa) statistics show the cost of building has risen 21% to 25% over the past year mainly as a result of material price increases.

But Bifsa executive director Lou Davis says building costs will climb further this year as a result of higher interest payments, higher materials prices and pressure from employees for higher wages.

The Bifsa statistics show the cost of building an average home, excluding the price of the stand, was R566/m² last year.

Davis says: "This has now risen to R685 and, when combined with higher bond rates, means many families will not be able to afford to build.

"As a labour-intensive industry we are dependent on the skills of the workmen on site and it is unfortunate that with each slump we lose thousands of skilled workers who are reluctant to return later."

He says in the past two years wage increases have been below the country's inflation rate.

"The industry is facing pressure from employees to raise wages. Although government has appealed for restraint, it is certain that increases will have to be paid."

The BER says more than 43% of building subcontractors have reported a serious shortage of artisans.

BER director Ockie Stuart says: "Contractors are experiencing difficulties with the availability of materials. Some 62% of residential contractors have reported an unsatisfactory supply of stock or common bricks, while a high 75% regard the supply situation of face bricks as unsatisfactory."

Bifsa's Davis points out employment in the industry dropped from 270 000 in 1984 to 190 000 in 1986 and is still well below the 1984 levels.

"The only effective method of stabilising the building industry is for institutional investors and developers to keep investing in this sector. Also building material suppliers must do everything possible to contain costs and limit further price increases."

DLD 16/7/88

Demand sets building costs soaring

32

JOHANNESBURG — The unleashing of black demand for housing has seen the building industry hit by soaring costs, compounded by severe shortages of labour and materials.

The driving force behind the boom has been the 1986 amendments to the Black Community Development Act, which allowed blacks freehold rights in white urban areas, and let the private sector buy land in townships for development.

A Bureau for Economic Research (BER) survey, conducted in conjuction with an independent market research company, Real Estate Surveys (RES), found that only 43 per cent of building plans passed in 1987 were for whites, compared with 67 per cent in 1985 and 87 per cent in 1983.

One of the results of the BER's study shows that a net 70 per cent of residential contractors reported a higher volume of work than a year ago.

An RES director, Mr Erwin Rode, said: "Coloured and Asian housing has doubled between 1984 and 1987, while plans passed for black housing during the same period increased by a factor of 32. Over the same period white housing plans decreased by 11 per cent".

According to statistics released by the Building Industries Federation of South Africa (Bifsa), the cost of building has risen by between 21 and 25 per cent over the past year, mainly as a result of material price increases.

But Bifsa's executive director, Mr Lou Davis, said that building costs will climb further this year as a result of higher interest payments, higher prices for materials and pressure from employees for higher wages.

Bifsa's statistics show that the cost of building an average home, excluding the price of the stand, was R566 per m^2 last year.

"This has now risen to R685 (per m^2) and this, combined with higher bond rates, means that many families will not be able to afford to build," Mr Davis said.

"The industry is facing pressure from employees to raise wages. Although the government has appealed for restraint, it is certain that increases will have to be paid.

"As a labour-intensive industry we are dependent on the skills of the workmen on site and it is unfortunate that with each slump we lose thousands of skilled workers who are reluctant to return later.

"The only effective method of stabilising the building industry is for institutional investors and developers to keep investing in this sector and for building material suppliers to contain costs," Mr Davis added. — DDC

New transport permit system

MICK COLLINS

PARTIAL privatisation of road testing facilities would come into force after promulgation of the Road Traffic Bill now before Parliament, a Transport Department official said at the weekend.

And drivers of vehicles used for hire or reward would have to apply for professional driving permits in terms of the Bill.

"Private heavy goods vehicles and all passenger vehicles containing 12 seats or more will have to obtain this annual roadworthy certificate," the official, Pen Mainwaring, said.

To spread the testing load — estimated to become five times the number of vehicles in the transport industry currently requiring certificates of fitness — privately owned testing stations would also be recognised and registered.

In addition, all private and public vehicle testing stations would be upgraded according to standards laid down by the SA Bureau of Standards.

"Registration and subsequent monitoring of testing stations will ensure that standard tests are carried out by adequately qualified personnel according to prescribed procedures," Mainwaring said.

He would be speaking on the new Bill at a July 4 to 8 transport convention at Pretoria University.

"Once the Bill is in in force, drivers requiring a professional driving permit (PrDP) will have to present an existing valid driver's licence and a medical fitness certificate on initial application and with subsequent compulsory biennial applications for renewal."

Mainwaring added PrDPs would be issued subject to consideration of a driver's licence, health, vision and traffic offences record.

He said the regulations would also call for transport vehicles to carry a plastic card identifying the operator of the vehicle.

B/Day 11/5/88

32

Dobsonville project takes shape

ST 17/5/89 (32)

The Family Housing Association (FHA) has taken delivery of four showhouses in Dobsonville Triangle to publicise its contractor-built homes for low-income families.

Dobsonville's biggest housing project will get under way this month with the release of the first batch of 248 serviced stands for the R60 million project. It entails the construction of 2 200 houses on land bought by the FHA from Durban Roodepoort Deep mining company.

Public response to the scheme has been excellent, says Mr Ban Longley, general manager, Dobsonville project.

The four showhouses will enable potential buyers to assess their options before placing an order for their homes.

"It is far better than having to take a decision by studying house plans," says Mr Longley. "At least you can see what you are getting for your money and no false expectations are raised in the customer's minds."

Aside from inquiries by those living in Dobsonville and Soweto, 200 workers of Durban Roodepoort Deep, who currently live in hostels, will have homes built for their families in the new development.

The land is being developed by a consortium of builders working closely with Dobsonville Council. It is the first time members of the black private sector will have participated in any significant way in the servicing of land for residential townships.

When completed the development, covering 120 ha, will increase the size of Dobsonville by 40 percent.

Sowetan 17/5/88

Housing boom

(32)

THE value of building plans approved by local authorities increased by 42 percent from January to the end of November last year combined with the same period in 1986, the Minister of Public Works, Mr Pietie du Plessis, said yesterday.

He also told a Press conference in Cape Town that the number of conventional deeds of transfer and bonds registered by deeds offices throughout the country in the twelve months to March this year was 492 193, as against 395 238 for the preceding year.

The processing of this increasing number of registrations, due largely to an upsurge in the black market, was a phenomenal achievement for the deeds offices.

Mr du Plessis said it was very difficult to give definite figures on the shortage of housing in the country.

His department had started building up a data bank with the co-operation of local authorities.

It would be in a position in a couple of months to say how many houses had been built and would also be in a better position to estimate the shortfall.

CONSTRUCTION By Stan Kennedy

Inferior housing built to alleviate shortage — Sabs

Star 17/5/00

Because of the rush to alleviate the housing shortage, a great number of houses do not comply with the National Building Regulations, says a statement from the SA Bureau of Standards (Sabs).

It says many are not weatherproof, while structural conditions of some are such that they are unsafe.

Some houses, in fact, pose a health hazard.

To provide a countrywide testing service following reports of poor housing quality, Sabs has established a mobile unit for the testing of buildings and, in particular, houses.

The unit will site-test houses and buildings to determine their weather resistance, structural strength and impact resistance.

The building materials will be tested in its laboratories.

"There is absolutely no justification for the construction of inferior houses or for allowing such state of affairs," says Mr Philip Hamm, head of Sabs's structural engineering division.

"Satisfactory low-cost housing complying with the regulations can be provided at a cost of as little as R150/sq m.

"The erection of non-complying cheap housing is shortsighted because the maintenance of such buildings would cost much more than if satisfactory housing had been provided in the first instance."

He says in some houses, the walls are not water-resistant, resulting in damage to carpets and furniture when it rained.

This could be avoided at a low cost by plastering and painting the walls.

In some cases, the structure was too weak to ensure the roof would be able to withstand a strong wind or heavy storm.

In others, it was found that one-brick walls of too great a length and height were being built without providing the necessary support.

Builders benefit from upswing in Border economy

Daily Dispatch Reporter

EAST LONDON — An upswing in the Border economy has provided more than enough work for the local building industry.

The divisional manager of a construction group active in the region, Mr Alan Bailey, said yesterday that there appeared to be few competitors in the battle for tender awards. His company has established an office in Bisho to take advantage of the situation.

"We intend to maintain our office in the Eastern Cape area because it is a growth point and the group has picked up several projects there lately," he said.

These included a housing project in Bisho for over R1,5 million; a township development project at Golden Highway; a Bisho City Corporation road contract and a township development project at Alice, worth R1 million each.

In addition, a R1,5-million contract to lay a pipeline to serve the new Fish River project is presently open for tender.

Mr Bailey said the improvement in the industry in the Border region formed part of a record first quarter for the group, with new contracts worth more than R32 million having been secured.

32

BLACK BUILDERS 32

Raising the standard

Black builders are looking to come in from the cold — although not necessarily into the fold of the heavily regulated white building industry.

The most significant move in this direction has been the formation this month of the Transvaal African Builders Association (Taba), which aims specifically to give black builders in the province a coherent voice in their dealings with government, financial institutions, suppliers — and white business.

Similar organisations have already been formed in Natal and the OFS, and efforts are being made in the Cape to unite various township builders' associations into a provincial body. Once this has been done, negotiations will begin to form a national black builders' organisation.

The fact that black builders are prepared for the expense and administrative difficulty involved in setting up their "own" national organisation indicates just how shut out of the system they feel — and how the Building Industries Federation (Bifsa) has failed to meet their needs and aspirations.

Indeed, says Taba president Joas Mogale, it has no intention of joining Bifsa even when it does have representative strength. At present, there are 1 000 members, way below Bifsa's Transvaal figure.

But, says Mogale: "We are concerned with building the image of black builders. We must address problems which relate specifically to the black builder and joining another organisation at this stage would diffuse that effort."

He says a major problem is one which applies generically to black businessmen: they do not see themselves as such but as people "stuggling to make a living." Before they can achieve parity with white businessmen, he says, they are going to have to realise their achievements and take a higher profile in the overall business community.

And, before this can take place, he says, black builders will have to raise standards, not only of workmanship but also business management. Mogale admits that assistance from the formal business sector, mostly in the form of training, is extensive. However, much of this effort is wasted and not aimed at really improving the black builders' position.

"White business feels threatened by the entrepreneurial spirit being shown by the black businessman. As a result white business is only prepared to help to an extent which does not tamper with the status quo."

However, despite its efforts to get organised, Mogale insists the black building movement does not intend to introduce further regulation for its members.

Indeed, he says, it is government's responsibility to deregulate the industry to the maximum, particularly for the black builder. The time has come, he contends, to give black businessmen the same opportunities which their white counterparts have enjoyed to allow them to achieve parity.

Another area which he is paying particular attention to is the mobilisation of black capital. He says blacks invest substantial amounts — even if only as a result of their sheer numbers — but that money invested by blacks, whether in banks or pension funds, tends to finance mainly white projects. He is determined to see more of this cash flow into promoting and financing the projects of black businessmen.

Ironically, a national black builders' organisation could eventually represent the bulk of the building industry — which would leave Bifsa out in the cold. The danger, though, is that government might continue to regard Bifsa as the representative voice of the industry — and in the process obtain a distorted view of its operations.

Bifsa executive director Lou Davis denies black builders would find their problems ignored by Bifsa if they joined the organisation. Neither has he given up hope of attracting them in bulk.

"There is a lot of suspicion from black builders and Bifsa has set itself the task of winning their trust. Bifsa has been offering assistance such as free training to black builders, without obligation."

He says Taba will be re-inventing the wheel if it tries to create the same infrastructure and services which Bifsa already has in place. And, he says, there is an honest desire on the part of the majority within Bifsa to get together.

"We have to share to survive, and Bifsa is structured to ensure that everyone gets a fair say in the running of the organisation."

Under this scenario, Davis admits Bifsa could become black dominated in time. He says it is not a question of race, but rather ensuring the future of the industry.

"However, Bifsa is determined not to drop its standards. Instead it will help other builders to reach the high standards of ethics and construction required to ensure a healthy industry." ■

Transport sector complains of rough ride

(32) B/day 23/5/88

Govt's about-face on road-funding slated

MICK COLLINS

GOVERNMENT'S major policy shift on road-fund fuel-levies, traditionally earmarked for road construction, has again drawn fire from organised transport and road construction bodies.

Spokesmen point to a R30bn backlog in spending on road building and improvement programmes. While traffic demands have grown steadily, expenditure has declined by about 30% in real terms over the past 10 years, they say.

SA Bitumen and Tar Association (Sabta) executive director Pieter Myburg says the policy change means road users have no way of knowing where their money goes. He warns the public, government appears unyielding to industry protests and it is now up to the road-user to apply pressure.

"Petrol and diesel levies have been consolidated into one contribution of 20,9c/litre to the fiscus, which not only pays the funds needed for road construction but also contributes to the Central Energy Fund. Last year R1,2bn from the CEF was used for general state expenditure."

Myburg says the change means the fuel levy is effectively a new source of tax with no guarantee the money will not be diverted.

Alarming

The Department of Transport, as keen as anyone to get rid of the backlog, has together with the SA Road Foundation and Sabta been trying to create a central fund fed by road-user charges and dedicated to financing construction and improvement schemes, he says.

"The exact opposite has happened and the reversal is alarming. It is going to be extremely difficult for government to assure people that the money will, in fact, go on roads.

"This will particularly affect heavy haulage operators who are paying large amounts of money into the fiscus. Their operating costs are strongly linked to road conditions."

Myburg adds toll roads will not alleviate the financial problem and deregulation would probably lead to a shift from rail to road usage which would exacerbate the situation.

Meanwhile, Transport Technical Industries CE and Public Carriers Association chairman Phil Erasmus has called for a calm appraisal by the transport industry of government's plan to toll the N3 between Alberton and Hilton.

They may now pay more than before, but at least they would be getting something for their money in terms of better roads, shorter travelling distance and less wear and tear on drivers and vehicles.

First-quarter contracts total R705m

(32) 8(day) 23/5/88

Outlook good for civil engineering

MICK COLLINS

CIVIL engineering contracts worth R705m were awarded in the first four months of 1988, compared with R695m in the last four months of 1987.

The SA Federation of Civil Engineering Contractors (Safcec) said 120 new contracts worth R150m were reported in April.

Safcec executive director Kees Lagaay said the latest figures were in line with the "dramatic" improvement in intake of new work that started in the second half of 1986.

"In real terms, order books are now better filled than two years ago. This has resulted in a moderate acceleration in the industry's tempo of construction and — at least for the time being — a more optimistic business outlook."

At the same time, however, he said: "A feature of the new contracts was the absence of major work. There was only one award of more than R10m, the R10,4m contract for the construction by Stocks Roads of a new provincial road north of Pretoria between Rosslyn and the Bophuthatswana border."

He said to gauge current conditions in the industry before statistics such as turnover and employment were published, Safcec had conducted a quarterly survey.

"Returns from this survey show the mild upturn is actually somewhat stronger than the graphs reveal because of the lower labour intensity of the road-building sector, which has been the main beneficiary of the improved conditions," Lagaay said.

Features of the quarterly graphs of the business climate showed:

- A gradual, slight improvement in the overall conditions between April and October last year, but business still remaining unsatisfactory;
- A marked upward shift between last October and last month, which produced an unusual twin-peak picture, with a marked fairly good peak reflecting mainly the views of contractors in road building, earthworks and township services; and
- A lower poor peak, largely representing heavy concrete contractors who had so far seen little or no upturn.

Major contract for LTA

St 25/5/88 (32) (...)

The first major contract in the multi-billion rand Highlands Water Project has been awarded to LTA Construction in Lesotho.

The Lesotho Highlands Development Authority (LHDA) has accepted LTA's R97 million tender to construct the first section of the access road which will lead to the Katse Dam.

LTA's tender was the lowest submitted and construction on the 56km stretch of road will start within a month, says the company's group technical director, Tony Hallier.

The LHDA has already awarded two other contracts to companies in the LTA group.

LTA Construction (Lesotho) is busy with a R2,3 million contract for the construction of a steel bridge near the dam site.

Also, Ground Engineering and Piling, a joint venture with Rodio, has been awarded a R7,7 million contract for the final geotechnical investigations at the Katse Dam site and along the transfer tunnel which will deliver water to Lesotho's planned hydropower plant at Muela. — Sapa.

bat it.

upper-income apartment market. The acquisition by Camdon's over," says Mr Lieser.

Ovcon holds out big hopes for current year

32

Star 25/5/88

The year 1988 is showing every sign of being the best for a long time for the Ovcon group, say executive directors Mr Jan Kaminski, Mr Derek Mace and Mr Jimmy Thomas.

"We were able to buck the trend and keep in the black throughout the recession," says Mr Kaminski in the May issue of the group's magazine.

"More than once in the last few years we publicised the fact that we were operating about 30 percent below capacity, but that we were using every manoeuvre to ensure continuing employment of our staff in order to be ready for the upswing. As we see it, that upswing has arrived."

Mr Thomas says Ovcon is budgeting for a 50 percent increase in turnover this year — a growth of about 30 percent in real terms. Last year, turnover was just under R100 million.

The group is now swinging to areas in which it is highly efficient, such as major fast-track buildings and concrete-intensive civil engineering works.

"Contrary to previous years, the Cape is in the forefront of the upswing in construction, with major building projects being undertaken by government departments, institutions, private developers and corporations."

He says Transvaal also looks promising, particularly in project management and new housing ventures. The company sees a swing to negotiated work next year.

Mr Kaminski says that in any upswing, but especially after a long recession, price escalation is likely to be heavy because contractors and sub-contractors had held prices at uneconomic levels for so long and a correction is long overdue.

"Our cannier clients are getting in quickly now and negotiating reasonable rates to get projects off the ground before prices rise."

In negotiation with an honest contractor, a client can achieve substantial savings by using the builder as part of the design team. This form of co-operation, he says, can promote the most economic use of expensive plant and human resources.

FABRICATORS & ERECTORS

Industrial news

BY STAN

Buildcor misses target

Star 27/5/88 (32)

By Ann Crotty

Buildcor, which got a listing in the building and construction sector last November, has fallen short of its prospectus forecast with a turnover for the year to end-February of R44,4 million compared with the forecast of R49,4 million.

Net income, before interest and tax, at R6,3 million, was also short of the R7,3 million forecast in the prospectus.

The group managed to pip its net income forecast by R40 000, reporting earnings of R6,1 million because it paid no tax while it had allowed for a tax payment of R999 000 in the prospectus.

On a per share basis earnings were equivalent to 6c compared with the forecast of 5,96c. A dividend of 1,35c a share has been declared which is in line with forecast.

The directors attribute the shortfall in turnover chiefly to a shortage in raw materials on the international level and problems encountered in changing the sourcing of plant spares from overseas to local suppliers.

Despite the weak performance in financial 1988, the directors are confident of "substantial growth in earnings in the coming year" providing the buoyant conditions currently existing in the building and construction industries continues.

FM 3/6/88

BUILDING MATERIALS

Keeping it down

Building contractors have revised their estimates of materials cost increases downwards.

They says rising interest rates are likely to cause a downturn in the industry with a consequent drop in demand for materials which will keep the lid on prices.

Bifsa says building material prices increased by 15,2% in 1983 and only 11,2% in 1984. But, as the industry began to pick up, prices rose more rapidly — 17,3% in 1985 and 20,1% in 1986.

However, these are cumulative increases and many suppliers claim to have kept price rises to well below the rate of inflation as measured by the CPI. For example, flat glass used in the building industry has increased by only 10,1% a year over the past five years.

Brian Young, Pilkington chairman, says any further increases are expected to remain below the CPI. He notes that the glass industry itself has come under increasing cost pressure, with the weaker rand resulting in higher prices paid for imported soda ash and equipment.

And, he says, unabated wage pressure from unions and the shortages of skilled workers have also increased costs.

Other industries have been affected by the exchange rate, yet they have kept prices down.

Ian Senior, Solid Doors CE, notes that all the timber used by the company is imported as SA only produces South African pine and saligna gum, which, he says, is unsuitable for joinery. Senior says price increases of the company's products have been limited to 12%.

"We have about 70% of the door market and have been using volume sales to make profits."

Cement, along with bricks and timber, is one of the major elements in construction costs. Again, price increases are expected to be below the rate of inflation.

Guy Luyt, Pretoria Portland Cement MD, says ex-factory cement prices were increased by 7% at the beginning of May and that no further increases are expected this year.

He says energy costs, which formed a major portion of production costs in the past, are being overtaken by labour costs.

Neil Carter, Everite financial director, says that over the past few years, increases in the prices of the company's products have, in general, been below the rate of inflation — averaging 12%-13%. Over the past year prices increased by about 15%-16% and should do the same next year.

He maintains increases have been slightly above the rate of inflation to restore margins lost through the recession. However, he expects a fall-off in demand — which will mean tougher competition and lower price rises.

One exception, though, will be the price of piping where he says sharper increases are expected. He claims there has been a price war in the industry for some time and that, in real terms, prices were negative until December. The result has been that the industry has been unprofitable for some time and there are now moves to return it to profitability. PVC (polyvinyl chloride) prices too have been increasing. He expects prices to rise 20%-30%, but he warns they could go higher.

A survey conducted by LHA Management Consultants indicates that the cost of bricks as a percentage of the total cost of a 120 m² facebrick house has declined from 13,5% to 11,8% and from 18,3% on an "economic" house (60 m²) to 16%.

Research consultant Bill Donald says brick price increases have been below those for many other building materials. He says facebrick prices increased 5,6% from December to March. This compares with sand, stone and roof timber increases of 18,5%. He says floor tiles went up 9,2% this year, ceiling materials 10,4%, paint 8,5% and electrical fittings 16%.

Mike Richards, South African Lumber Millers' Association's marketing manager, says timber prices were increased by 17% in January, adding that further increases are not expected this year. In the past three years, increases have been in the 10%-15% range.

Even with the rosier picture being painted by suppliers, some contractors continue to be sceptical.

Neil Fraser, Bifsa president and divisional director for Murray & Roberts Construction, says he expects increases in the 15%-20% range — which gives cause for concern.

The building industry is "coming off the bottom" and contractors are trying to price more realistically from a profit point of view. This, coupled with increasing labour and materials costs, could translate into a dramatic increase in the overall cost of construction.

(32) FM 3/6/88

BSI/BSG

Debt burden

22 FM 10/6/88

Basil Starke Investments.
Activities: *Construction group with general engineering interests.*
Control: *Basil Starke Family Holdings.*
Chairman: *B E Starke; managing director: C P Glen.*
Capital structure: *6,17m ords of n.p.v.; 205 000 8% red cum prefs of R1; 2,3m 8,5% red cum prefs of R1; 2m 10% cum prefs of R1; 4,4m 11% red cum prefs of R1. Market capitalisation: R5,5m.*
Share market: *Price: 90c. Yields: 5,5% on dividend; 35,6% on earnings; PE ratio, 2,8; cover, 4,8. 12-month high, 270c; low, 85c. Trading volume last quarter, 146 000 shares.*
Financial: *Year to December 31.*

	'87†
Debt:	
Short term (Rm)	8,32
Long term (Rm)	2,6
Debt: equity ratio	1,42
Shareholders' interest	0,21
Int & leasing cover	3,4

Performance:

	'87
Return on cap (%)	14,1*
Turnover (Rm)	77,3
Pre-Int profit (Rm)	3,72
Pre-Int Margin (%)	4,8
Taxed profit (Rm)	2,71
Earnings (c)	32,1*
Dividends (c)	5
Net worth	27,9

† Nine months
* Adjusted from 9 to 12 months.

The first annual report from the two companies listed through the reverse takeover of Ovenstone Investments and Ovenstone Group suggests that while much has been accomplished since last July's finalisation of the deals, there is still room for improvement.

Most strikingly, debt levels for both remain worryingly high, especially in an environment of rising interest rates.

A major step in this direction is to be taken through redemption of the preference issues in Basil Starke Investments (BSI) by means of a rights issue. These have a balance sheet total of R8,95m, although the report notes that 50% of the 8,5% redeemable cum prefs were redeemed on the balance sheet date, which would reduce the total outstanding prefs of R7,8m at par. This is still a high figure for a company with a market capitalisation of ordinaries of R5,53m. Although two of the issues are irredeemable, the plan is to alter their terms at a special company meeting.

While the rationale of debt reduction is easy enough to understand, the prefs, with interest rates between 8% and 11%, do not make the debt expensive. During the last financial year, for instance, the cost of servicing the prefs was R577 000, while interest paid on other borrowings totalled R848 000. However, the company view is that it will be preferable to avoid the rigidity of pref structures.

BSI itself, meanwhile, is to become more than merely a holding company for Basil Starke Group (BSG). Last year Basil Starke Development was added directly to BSI, and it appears that BSI may be used for further expansion into different construction-related fields as the opportunity is seen. Some fruit from development activities should be seen in the current year's income statement.

Basil Starke Group:
Capital structure: *8,79m ords of n.p.v.; 3,5m 10% red cum prefs of 1c; 2,5m variable rate red cum prefs of 1c. Market capitalisation: R9,2m.*
Share market: *Price: 105c. Yields: 9,5% on dividend; 31,9% on earnings; PE ratio, 3,1; cover, 4,2. 12-month high, 640c; low, 105c. Trading volume last quarter, 9 000 shares.*
Financial: *Year to December 31.*

	'87†
Debt:	
Short term (Rm)	4,53
Long term (Rm)	4,07
Debt: equity ratio	1,06
Shareholders' interest	0,18
Int & leasing cover	3,6
Debt cover	0,38

Performance:

	'87
Return on cap (%)	10,5*
Turnover (Rm)	77,15
Pre-Int profit (Rm)	3,44
Pre-Int Margin (%)	4,5
Taxed profit (Rm)	2,71
Earnings (c)	33,5*
Dividends (c)	8
Net worth	87,7

† Nine months
* Adjusted to 12 months.

BSG is the holding company for Basil Starke Holdings (formerly Premier Wire) and Basil Starke Operations which are engaged in civil engineering and plant hire.

A divisional breakdown of these activities shows that construction interests put in profit of R3m on turnover of R65m, while the engineering activities offered a loss of R300 000 on turnover of R12,2m. Premier Wire itself, the new part of the engineering interests, reflected a loss of R0,4m in the latest nine-month period, compared to a loss in the previous 12 months of R5m. A satisfactory continued trend towards profits is currently expected.

Within the companies, the level of accumulated loss is high at R12,5m for BSI and R33,6m for BSG. The impact of the MTC is unlikely to affect dividend payments on the ordinaries, which in the transmuted listing statement of last year were foreseen at 30%-35% of attributable profit.

Nonetheless, with what appears to be a considerable rights issue hanging over the share price, it is unlikely in present markets that BSI, which is where the majority of outside shareholders are, will attract many buyers for the moment. *David Rees*

W/C ARGUS 11/6/88 32

CIVIL ENGINEERS AT THE CROSSROADS

By MARTIN WELLS
Business Staff

CIVIL engineering in South Africa is at a crossroads: the "boom-bust" tendency of the SA economy has undermined it over the past decade, during which time the number of students studying the discipline has decreased by half.

The president of the South African Institution of Civil Engineers, Mr Cliff McMillan, this week commented on the prospects for the profession if growth targets were to be achieved.

"If we fail to attract enough bright students there will almost surely be a steady decline in standards and safety," he said. "Innovation and the search for solutions will suffer, then engineers will over-design to save time.

"We will have to inflate packages to attract expatriate engineers. Many foreign engineers who worked here have left and it will be difficult to attract others."

Mr McMillan, of Johannesburg, visited Cape Town to address the annual dinner of the institution's Western Cape branch this week.

He had no doubt in apportioning a large part of the blame for this state of affairs at the doors of the Government and big business.

"The Government has no hesistation to turn off the capital expenditure taps if a lull appears imminent. That's the easy way out.

"Political planners are looking just one year ahead. Current expenditure and capital investment are tied too closely," he said.

"The entire industry's future is jeopardized by short-sighted planning horizons.

"It's true that we can't wish away the business cycle, but the Government and the private sector should have a commitment to avoid the boom-bust. Otherwise we will always be limited by crises management and long-term commitments to investment, education and training will suffer," said Mr McMillan.

"If the Government could get its expenditure not to peak at the same time as the private sector's we could have a far more consistent cycle. After all, the Government gives an enormous amount of assistance to agriculture, why not to construction?"

A consistent cycle would make it possible for engineers to plan with far more confidence.

Engineering companies battled to survive during times of recession. Companies had no option but to make cuts where they could: the first to go were invariably bursaries to students.

But what was possibly even more damaging was the "disastrous remuneration packages" offered to university staff. Salaries for academics in South Africa compared poorly with those of other Western countries. Many had joined private sector companies as a result.

Deregulation pushing up road costs

Star 14/6/88.

The overall effect of government deregulation efforts in road transport will be to raise transport costs.

This is the opinion of Mr Ian Lockett, chief executive of Natro, a leading road transport broking company.

"Government moves to privatise the road transport industry are having the effect of deregulating the movement of goods, but increasing the regulation of the industry itself," he says.

"While private hauliers are already moving more goods around the country because of the easing of road transport permits, companies are having to contend with several new problems that, in the long term, will contribute to transport costs increaseing."

Mr Lockett believes the major contribution to increased operating costs comes from the marked rise, particularly at provincial level, of regulations governing vehicle movement between destinations.

"On a single run between Durban and Johannesburg, a driver can expect to be stopped at Newcastle, Ladysmith and Mooi River for routine inspections," he says.

"At each stop he may have to contend with a queue of vehicles.

"Then, with or without anything having being found faulty, the driver might have to go through the identical check another two or three times.

"Indeed, there is no limit to the number of times he can be stopped along the route."

Successful switch

STAR 14/6/89

(32)

Concor Construction's increasing involvement in housing has pushed the value of its current contracts to R45 million.

"Part of this is the result of our successful move into low-cost black housing in mining areas," says CC's Mr Nico Jackson.

One of the company's major contracts in this sector is at Meloding in Virginia in the Free State, where 346 low-cost homes for the Blomanda Housing Company arebeing built and will be ready by the end of this year.

Construction costs soar for City Lodge

Star 14/6/88

32

The rising construction cost spiral comes through clearly from the City Lodge hotel group.

When the first lodge was built three years ago in Randburg the cost per room was R29 000.

Now, the latest lodge being built by the Ovcon group in Cape Town near the Mowbray Golf Course, works out at R50 000 a room.

This figure, too, compares with R31 000 a room for the Jan Smuts lodge which opened only last year.

Three other CL hotels — in Durban, Cape Town and Port Elizabeth — will also be completed this year at a total cost of R30 million.

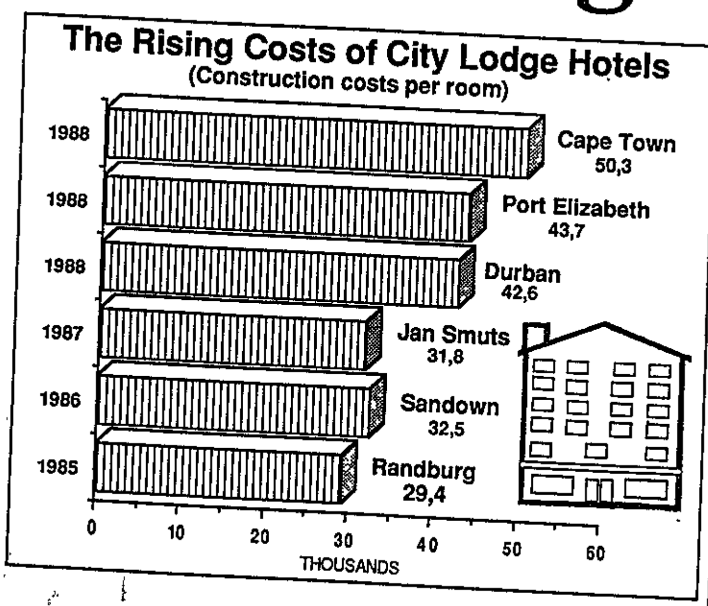
Mr Hans Enderle, managing director of City Lodge, who founded the chain in 1985, says: "I doubt whether we will ever again get hotels at such prices we are paying this year.

"On average, more than two thirds of the total development cost of one lodge go into construction, with the remainder spent on land, furniture, fittings etc."

He emphasises that the cost per room is important to his group because the feasibility of the no frills lodge concept depends largely on overall capital costs, the price of an overnight stay (average room rate), and the number of rooms sold nightly in relation to rooms available (average room occupancy).

Even the building spiral, however, does not seem to have affected future plans for still more lodges to come.

"With five-star hostelries today already talking of charging R200 a room a night by the end of this year, this can only enhance the attractiveness of City Lodge rates which are currently below R60 for an overnight stay," says Mr Enderle.



Leaner building industry unable to meet demand

St 14/6/88 (32)

The lean times the building industry felt in the mid-eighties has reduced the total capacity of the industry and it is no longer in a position to meet the construction demands flowing from the current economic upswing.

This is the view of Mr Peter Vos, managing director of Ribco, a Murray & Roberts company specialising in industrialised building.

"During the bleak years of 1984-87, a significant proportion of our skilled hands left the construction scene through redundancy," he says.

"Now when the construction field is on the move again, we simply have not the capacity. We are also running into big recruitment problems because the artisans who left us are locked into other industries and reluctant to return to building."

It's a case of once bitten, twice shy, it seems, and only remuneration well above the going rate will entice some of them back — a trend which could only aggravate cost levels.

In the circumstances, Mr Vos believes greater use of the industrialised building system is a way out of the dilemma — a route which "maximises the skills available and is very cost competitive".

"Architects and those clamouring for homes and other structures would benefit themselves and their clients by bringing themselves really up to date with the great leap forward in industrialised building techniques," he says.

"Today, this construction system will meet the customer's needs, whatever they are."

Construction round-up

R24 million contract for the construction of the 19 000 sq m Brooklyn Mall shopping centre in Pretoria has been won by Grinaker Building.

The R40 million complex — a joint venture by Tomkor and Coreprop — is due to open in September next year.

Anchor tenants will be Dion and Checkers and there will be specialist line shops, banking facilities and other financial institutions' outlets.

Grinaker Building's contracts director, Mr John McLaughlin, says: "A feature of the centre is that almost 20 000 sq m of land has been allocated for parking with 485 bays under cover and 470 open."

A section of Bronkhorst Street between the parking area and the shopping centre is to be closed and landscaped to provide a traffic-free passage for shoppers.

NEI agreement

In a move which will lead to considerable foreign exchange savings, Propower, the wholly-owned subsidiary of stock exchange-listed engineering group, NEI Africa, has signed automotive and industrial filter distribution agreement with Cape Town-based Donaldson Air Cleaners. NEI chief executive, Mr Blitz Bieber, says: "The agreement opens up reciprocal marketing and manufacturing between the two groups".

Mossgas order

A contract for a diesel generator set for the Mossel Bay off-shore platform has been awarded to Meissner Power Systems of Johannesburg.

MPS's sales manager, Mr Dave Warren, says a major feature of the unit is that it will be housed in a fireproof enclosure — said to be a relatively new technique for South Africa.

"The equipment has also been designed to tolerate da salty, corrosive atmosphere with special paint finishes, stainless steels and insulation materials," he says.

Plastics boost

As the plastics business booms, the industry's federation expects a record entry for its annual design awards competition.

Mr Bill Naude, director of the Plastics Federation, says: "The main objectives of the awards are to encourage the local industry to strive for excellence in design and to demonstrate that plastics design can be both practical and profitable."

SHOP

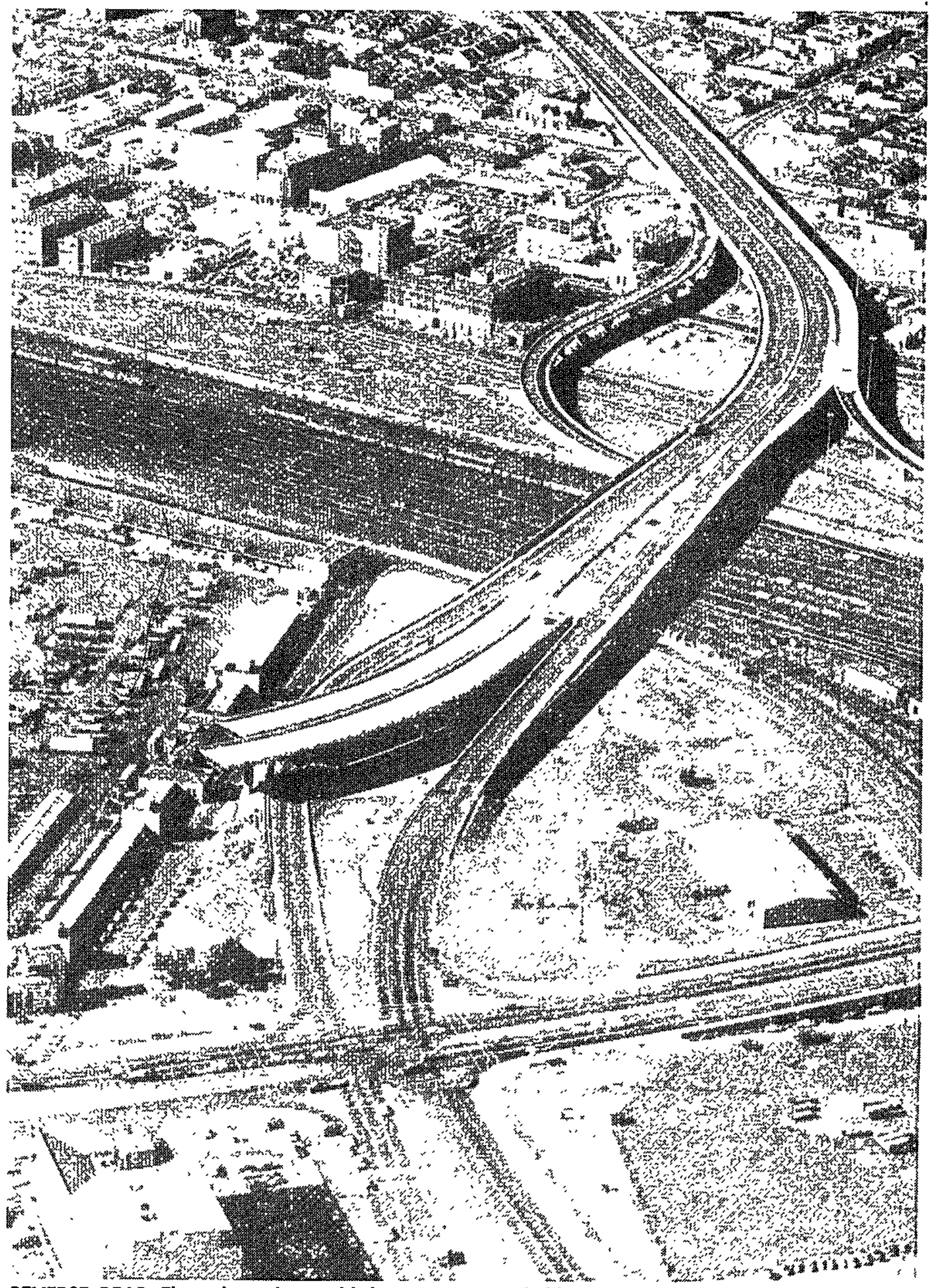
End of the road

Huge growth in urban traffic brings cities to the brink of cardiac arrest

Star 18/6/88

(32)

IT'S a never-ending nightmare for urban planners: as more cars beget more highways, so more highways beget more cars. The result? Escalating congestion, pollution and costs. If cities are to survive, urban transport needs to be culled and the car has been identified as the most dispensable of the species. JAMES CLARKE reports.



REVERSE GEAR: Throughout the world there are unmistakable signs that the role of the car, as city vehicle, is being re-assessed. They have become too expensive to cater for. The building of this motorway in Cape Town was abandoned the 1970s, but it is too expensive to demolish.

GROWING concern about the building of more highways through suburbia will be a prime municipal election issue on the Rand later this year.

The Government itself, now critically short of funds for infrastructure, this week asked two town councils to re-assess their existing highway plans and offered funds and experts to help.

The move came after unprecedented action by the State President, Mr P W Botha, who had been petitioned by 15 000 Sandton and Randburg residents. He ordered the Department of Transport Affairs to step in.

Some Sandton councillors still want to spend R40 million on a cross-town highway which they see as the solution to rush-hour hold-ups.

Criss-crossing highways

They say Johannesburg's sunburst pattern of highways radiating from the city centre is no longer appropriate. Commuters now want to criss-cross between Johannesburg's satellite towns, so Sandton and Randburg feel obliged to build new routes cutting across the grain.

But Sandton's ratepayers already owe R80 million on roads serving their biggest shop and office complex, Sandton City. The R80 million can never be recovered from Sandton City's rates.

Such problems are not unique to South Africa.

Throughout the world, the role of the car in cities is under scrutiny.

Britain recently announced that for the first time it has no plans for more highways.

After sacrificing thousands of square kilometres of once rate-paying land for non-ratepaying highways, it has ended up with one car for about every 20 m of road. Its highways begat cars. Its cars begat highways.

In Rome, cars are barred from some central areas.

In Athens — now the world's most air-polluted city, where car exhaust fumes are now threatening to dissolve the Parthenon itself — car commuting is being restricted.

In Singapore, motorists must queue for expensive permits to enter downtown at rush hour.

Privileges

Public transport users pointedly receive travelling privileges.

Noise, and particularly air pollution, are causing electorates — especially where there are younger voters — to fear more highways. Higher motoring costs are likely to strengthen these feelings.

In Johannesburg, the contribution of car exhaust to acid rain (in the form of dry deposition) is serious. Tin roofs and guttering corrode far more quickly than they did 20 years ago.

Wits University archaeologists report that 500 000-year-old Stone Age implements and centuries-old Iron Age tools lay exposed on the veld without any ill effects until quite recently.

In the last few years, they have begun to corrode rapidly. "The only explanation is the proximity of the motorway," I was told.

A just-released Worldwatch Institute report from Washington DC indicates South Africa is certainly not alone in the way massive reliance on the car has "begun to undermine the convenient transportation that it was meant to provide".

The international research organisation says rising oil prices, air pollution and inadequate highway maintenance have left a question mark over the car as a commuting vehicle.

Cars in American cities now move at the pace of bicycles in spite of huge highway expenditure. Some states have actually stopped maintaining highways and many towns have left motorways unfinished.

"It is time for a fundamental re-evaluation of the role that cars play in society," says the report's author, Mr Michael Renner.

He says political leaders in the US and other First World countries are now considering insisting on even better fuel economy, and on more research into alternative fuels, as well as extended mass transit systems and improved urban planning.

Viability

He says the global car fleet is 30 million — four times higher than in the 1950s — and increasing by 3 million a year.

"By creating pollution, congestion, and fuel shortages, the very success of the automobile has undermined its long-term viability.

"The problems with car-based transport systems are often not readily apparent, because most governments subsidise automobiles through road systems and other measures. And they fail to include environmental and health costs."

If motorists were made to cover the social costs of their commuting habits through a tax on fuel, the US fuel price would quadruple.

Mr Renner describes how massive resources are marshalled to build and maintain a transportation system that serves only a small section of society.

It is much the same in Johannesburg: half the city's workers use trains and a quarter use buses. But *all* ratepayers have to help pay off the tens of millions of rands spent on motorways.

Indeed, around Johannesburg, municipal buses are forbidden to use motorways and have to compete, at great cost in wear, tear and fuel, with motorists who clog suburban arterials.

Many cities outside South Africa set aside special lanes for buses, and London has a rule that motorists must treat buses as they treat ambulances — they must give way immediately a bus starts signalling.

Pressures

As South Africa's economy deteriorates, and as oil prices rise, so the costly privileges showered on motorists will become less tolerable to the 88 percent who do not own cars.

The acid rain problem in many areas is largely caused by car exhaust gases; the "greenhouse effect" which is altering world climates is largely blamed on carbon monoxide from car exhausts.

Municipalities will start penalising car owners by charging access fees for certain highways and downtown areas; by setting aside special lanes for high-occupancy vehicles only; and by increasing petrol taxes for cars.

Perhaps the State President's dramatic move poses the same question the Worldwatch Institute is asking: just how much more quality of life must be sacrificed to allow a small minority to commute daily by car?

And whatever happened to public transport?

The biggest lesson from the reports coming in from across the world is that highways are not a solution to the traffic problem.

There is a definite law of diminishing returns. Politicians are just beginning to realise it.

Mystery of unfinished highways explained

SATURDAY STAR CORRESPONDENT

CAPE TOWN — City Engineer, Mr Des Riley, has thrown some light on unfinished highways which stand like disparaging edifices on the Foreshore.

Unfinished highways were launching ramps for the next phase of the city's elevated Foreshore freeways, Mr Riley, said.

He explained traffic volume did not justify completion of these ramps at the time of construction.

Completion of the next phase had been postponed until justified by increased traffic volume and the ramps were obvious visual indicators of this incompletion.

The ramps had of necessity to be constructed to allow the later integration of the next phase with existing structures.

Proposed development of Cape Town's historic waterfront and adjacent city land would generate considerable additional traffic.

An investigation into the city's transport system has been commissioned.

The CSIR was also investigating an aspect of the public transport system from the Central Busines District to the waterfront and Greenpoint.

The transportation study was as yet incomplete.

If the study concluded that sufficient traffic volume would be generated by the waterfront and adjacent developments then consideration would be given to completing the Foreshore freeway ramps in the interest of maintaining an adequate road network and adequate access to new devlopments.

Friday means payday

Business Times Reporter

FRIDAY, May 27 was a good day for the Group Five roads division.

On that day group companies were awarded contracts worth R106-million and also submitted the lowest tender on a R51-million contract.

Savage & Lovemore (East Cape) was awarded a contract worth R20-million for the construction of the new Wriggleswade Dam near Stutterheim. This will be the first totally rolled compacted dam constructed in SA.

On the same day the same company was awarded a R45-million contract for a stretch of the road on the Villiers/Warden toll road on the N3.

The third contract, worth R41-million, went to Savage & Lovemore North for one of the two remaining sections of the N3, also between Villiers and Warden.

Then news came through that Savage & Lovemore (West Cape) submitted the lowest tender for work on the N1 near Worcester valued at R51-million.

19/6/88

32

S Times

New toll road delays 'will cost thousands'

(32) STV 20/6/96

By Dan Side

A 12-day delay in the opening of South Africa's first privatised toll road is expected to cost the operators, Tolcon, thousands of rands in lost income.

Today's scheduled midday opening of toll gates on the stretch of the N1 between Vanderbijlpark and Kroonstad has been postponed for contractual reasons.

According to Tolcon chief executive Mr Ron McLennan today, the company was advised by the Department of Transport that a specified elapsed period after the gazetting of the project expired only on July 2 and it was illegal for the road to be taken into use before that date.

Mr McLennan would not venture a guess at the amount of lost income but said it would be "a substantial amount of money".

The postponement, he said, arose over an understanding about whether Tolcon would be able to start operations earlier than the stipulated 60 days after the gazetting.

"We had to change all our advertising and publicity," he said.

The 124 km route, which bypasses Parys and Vredefort — designed to eliminate the potential dangers associated with heavy truck traffic on streets through towns — was said to cut about 30 minutes off the travel time between Johannesburg and Bloemfontein.

Revenue lost by the postponement will be heavy because the toll for two-axle light vehicles (including motor cycles) is R8, rising to R21 for heavy vehicles with seven and more axles.

Fedhasa boss seeks a 'reprieve'

R750m hotel plans dashed

BA (32) B/day 20/6/88

FEDHASA says R750m worth of hotel construction was in the pipeline when, on June 4, Finance Minister Barend du Plessis withdrew the investment and grading allowances for hotel buildings.

Besides the help to the construction and related supply and service industries that may be withdrawn, the long-term effect would be to disrupt investment decisions on the cards for tourism, Fedhasa says.

Fedhasa president Mike Kovensky has submitted the broad details "of pipeline projects" worth R750m to convince government to treat these projects under the grading system prevailing at June 3.

Economic Affairs and Technology Minister Danie Steyn made it clear last Tuesday to Fedhasa that government was not prepared to go back on implementation of the Margo proposals, which haveequalised annual allowances at 2% for industrial and hotel buildings. But he indicated he would consider rec-

HELOISE HENNING

ommending, on merit, pipe-line projects to the Finance Minister to avoid a development hiatus.

Kovensky said hotel industry plans submitted last week ranged from projects initiated in 1984 to April 1988.

Investment decisions in the hotel industry had a lead time of between four and 10 years, which if disrupted now, could affect tourism adversely, Kovensky said.

Funds set aside could arguably find better use in the short term, but in the long term these funds could have been better used to stimulate economic activity generated by tourism, which had a far wider and more volatile multiplier effect than industrial investment.

"Therefore tourism, which we consider the passport to peace, should be regarded as a strategic industry and be encouraged at the highest level," said Kovensky.

Call on govt for hotel allowances

Cape Times 20/6/88

From HELOISE HENNING

JOHANNESBURG. — Fedhasa says R750m worth of hotel construction was in the pipeline when Finance Minister Barend du Plessis withdrew with immediate effect on June 4 the investment and grading allowances applicable to hotel buildings.

Besides the shot in the arm to the construction and related supply and service industries that may be withdrawn, the long term effect would be to disrupt current investment decisions on the cards for tourism which is pipped for growth.

Fedhasa President Mike Kovensky has submitted to government the broad details "of pipeline projects" in an effort to convince government to treat these projects under the grading system prevailing as at June 3.

Minister of Economic Affairs and Technology Danie Steyn last Tuesday made it clear to Fedhasa the government was not prepared to renege on the implementation of the Margo proposals which has equalized annual allowances at 2% for industrial and hotel buildings.

However, he indicated that he would consider motivating on merit pipe-line projects to the finance minster to avoid a hiatus in the development of new hotel rooms.

Kovensky said the plans submitted by the hotel industry late last week ranged from projects that were initiated in 1984 to ones as recent as April 1988. One was to start construction on June 22, most would have been completed by the end of 1989, the balance 1990 and one large project by 1991.

"It goes without saying that for projects to have progressed to this stage vast amounts of money have been invested in planning, research, design and surveying. But the amount of R750m also indicates the high level of expectation in the future of tourism in SA.

"While this amount includes only construction costs, consider in the long term the multiplier effect that tourist rand-spend would have for the economy."

The plans show that investment decisions in the hotel industry have a lead time of between four and 10 years, which if disrupted now, could have a detrimental effect on tourism, Kovensky said.

Funds set aside could arguably find better use in the short term. At least one large offshore investor has indicated the withdrawal of his funds under the current uncertainty.

"But in the long term these funds could have been put to better use through stimulating economic activity generated by tourism which has a far wider and more volatile multiplier effect than industrial investment.

"Therefore tourism, which we consider the passport to peace, should be regarded as a strategic industry and be encouraged at the highest level."

Tourism, Kovensky said, grows with population growth and the developed nations propensity toward more leisure time. And the significant investment planned indicates the confidence in SA tourism industry in spite of a torrid history over the past five years.

On the old grading system the investment and grading allowance on average would have resulted in tax credit of R75m per annum for 10 years compared with the R15m per annum for 50 years arising out of the 2% annual allowance.

Record quarter for Stark

S Tel 21/6/84 32

Basil Stark Civils, which has expanded its activities in the Eastern Cape and is currently heavily involved in the Weltevreden Valley and Blue Down developments, has had a record first quarter.

New contracts are worth more than R32 million and according to divisional manager Mr Alan Bailey a further R32 million of additional business is expected in the next few weeks.

"As a group, we have kept a close watch on developments in the industry. We have identified certain directions and have geared ourselves for them." He says the company is optimistic about the future. There has been an upswing in the economy and there is more than enough work available. Margins have also improved.

"The care and concern we have always had for our employees and the fact that most of our people have a direct interest in the company's profits are paying dividends in a loyal and stable workforce."

One factor, however, is causing concern. It is that much of the work being awarded is relatively short-term and it is difficult to forecast further than a year ahead.

Developers facing critical shortage of land surveyors

Star 21/6/88

(32)

Black housing development and other urgent construction work could be badly affected if there is not an improvement in the number of entrants to the land surveying profession.

This is the view of Dr Michel Peyremorte, managing director of Wild & Leitz RSA of Johannesburg, the South African arm of the Swiss-West German multinational and a leader in the local surveying equipment market.

"Only about 25 land surveyors are graduating annually," he says, "and this is way below even present manpower requirements, much less future ones.

"No construction or civil engineering project can be started before surveying is complete.

"So, much more should be done to attract young people into surveying."

Dr Peyremorte makes the point that gone are the days when surveying was a repetitious, mechanical job.

Today's surveyor has the most advanced equipment which allows him to do in a day what would previously have taken several men much longer.

"While we must train more surveyors than we are doing at present, it should be remembered that the increased use of modern technology will make a highly significant contribution to avoiding surveying bottlenecks and consequent delay to vital projects," he says.

Wild & Leitz has boosted its presence in the international surveying equipment market through the acquisition of 67 percent interest in Swiss manufacturer of hi-tech products, Kern & Company.

Dr Peyremorte — "More can be done to attract people to the profession."

Business Report

Ovbel forecasts higher earnings

Cap Times 21/6/88

By LAWRENCE TOTHILL
Investment Editor

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OVBEL HOLDINGS forecasts ~~an~~ increase of about 25% in attributable earnings to around 15c a share in the year ahead.

The three major subsidiaries of this Cape Town-based property, home-building and construction group, are Ovland, Ovcon and Bellandia, and chairman Andrew Ovenstone, writing in the annual report released yesterday says that the group is looking forward to the current year with some enthusiasm.

In particular he says:

- Ovcon's order book is at an unprecedented level for this time of year;
- Bellandia's participation in the Blue Downs development and several smaller projects is promising;
- Ovland's participation in the Blue Route Mall development is exciting.

The group has provided a breakdown of profit sources and this shows that construction and building development contributed 40% of profit, although only 21% of capital was employed in these activities. The bulk of capital employed (79%) is in property and this division contributed 60% of profits.

Ovenstone says that "all divisions either achieved or exceeded their targets in an economic environment which improved in the year.

"Ovland, Sun Trail Resorts, Ovdeco Properties and Bellandia benefited from the major buoyant demand.

"However, the recovery in the construction and civil engineering industry occurred too late to have any material effect on Ovcon."

Looking ahead he says there is a fear that the marked upturn in economic activity may not be sustainable.

"Although the political situation appears calmer than in the past few years, this may be misleading. We believe that employment, education and housing for all population groups are vital elements in any peaceful solution to the problems of our country.

"It follows that a renewed recession induced by dramatically increased interest rates would be most unfortunate," says Ovenstone.

He warns that the industries in which the group operates are of a cyclical nature and that the group's results will inevitably follow these economic cycles.

Overall Obvel is committed to the release of funds through the disposal of its fixed property portfolio and during the year properties were sold for a net consideration of R10 913 000.

As a result, fixed propertires have fallen from R15 147 000 to R4 513 000 in the balance sheet and long-term loans are down to R9 185 000 from R22 431 000.

This is a healthier position from a gearing point of view, and since the year-end R1 500 000 worth of preference shares (held by Premier Group) have been redeemend leaving only R2 500 000 to be redeemeed in 1989 and 1990.

The improved gearing suggests that the dividend policy might be reasonably generous — or, at least, not restrictive.

With anticipated earnings of 15c for the coming year, a total distribution of 7c a share seems indicated. This would be in line with the declared policy that shareholders should receive steady growth in dividends. It would also allow for the distribution to be covered more than twice by earnings.

On a forward projection of 15c earnings and a 7c dividend, Ovbel, which trades at 70c would give an earnings' yield of 21,4% and a dividend yield of 10%, which is well above the average for the sector.

'800 houses have to be built per working day'

Star 22/6/88

(32)

Vereeniging Bureau

The Vaal Triangle was particularly fortunate in that all the land needed for housing development in the forseeable future had been designated by the Government for that purpose.

Private enterprise could therefore now go ahead safely to acquire the land and develop it, said Mr John Knoetze, deputy Director of Manpower Administration, addressing a symposium on "Job creation in the Vaal Triangle" in Vereeniging yesterday.

To accommodate an extra 7 million people in South Africa by the turn of the century, Mr Knoetze remarked: "We would need at least 1 million modest dwellings in addition to an estimated backlog of 900 000 houses for blacks."

He said as a result 800 houses had to be completed per working day for the rest of the century.

Discussing the housing challenge, Mr Knoetze said the disadvantages included a shortage of skilled manpower, particularly among blacks, and mainly in the artisan, technician and entrepreneurial fields.

"We have the land we need for housing and urbanisation. And provided we manage our economy judiciously, we could raise the finance needed to fund the manufacturing industries which are to provide and process the raw materials required in the construction programmes."

Silence over Bill 'alarming'

Star 23/10/86

(30)

By Zenaide Vendeiro, Education Reporter

The silence of business on the proposed amendments to the Labour Relations Act "speaks volumes", Professor Allen Zimbler, professor of business administration at Wits University, said yesterday during his inaugural lecture.

Professor Zimbler said this silence from business was alarming.

The Labour Relations Act of 1981, he said, had provided a new labour deal, resulting in a system which operated without racial basis.

Given the Government's apparent prior stance of non-interference, it had been something of a model system, and one that worked.

Although the number of strikes and work stoppages had risen dramatically — from 71 in 1972 to 795 in 1986 — this had been within the framework of a regulated industrial relations system.

This could be seen, for example, in the rise of Conciliation Board applications from 29 in 1979 to 2 062 in the first eight months of 1987.

"In the face of this then, the Government's attempted amendment, allegedly drafted after business had whispered in its ear, is regarded by trade union federation leaders and other voices of opposition as a devastating attack," he said.

Passing on lessons in street fighting

Star 23/6/88

32

By Conrad Berge of the Johannesburg Metropolitan Action Group

After nine years of campaigning against the PWV3 regional highway running east-west through Randburg and Sandton, Jomag has now received an undertaking from central Government that money will be voted to reassess the plan fully. It has also promised that proper public participation will be sought.

Credit must go to the State President and the Cabinet, who are showing increasing sympathy for the environmental concerns of urban residents.

Jomag can pass on its lessons now that it has helped win this first battle in the war to rescue what is left of the peace and tranquillity of greater Johannesburg's suburban areas.

● **Reject old planning.** The PWV3 route is part of a grand scheme of major roads in the PWV area which was planned in the booming '70s.

The plan's authors argued that it was necessary to speed up township development, co-ordinate the major road planning of various municipalities and so avoid one day having to force major roads through built-up areas.

Underlying this argument is a perception that roads are "essential services", like water and sewerage, whose purpose and value are obvious.

But now we are entering a different age. In the last decade urban residents have come to realise that roads are not at all like water and sewerage — they are major spaces.

If dedicated only to cars, roads tend to become fast and frenzied and thus destroy the very amenity they are meant to support — urban liveability.

The planned PWV3 is a good example. Far from protecting development, the proposed route cleaves several urban neighbourhoods, devastates a major park in each town and slices a big chunk off the campus of a major school.

Adding insult to injury, today's economic realities indicate that very little of the grand PWV highway grid will ever be built. Why then should today's urban generation be lumbered with its nasty fragments?

● **Demand a balanced approach.** Transport planning is dominated by one discipline — civil engineering.

The PWV3 was conceived by the PWV Consortium — a group of civil engineering consultants, assisted very thinly by town planners. Its urban sections are planned in terms of the Urban Transport Act which hooks-up civil engineers on all three tiers of Government and gives them great power.

The public's recent anxious questioning of the wisdom of Sandton and Randburg councils wanting to build a cross-suburban highway to carry traffic from the proposed PWV3 highway merely triggered more number-crunching reports by civil engineers, reaffirming the need for it.

Civil engineers appear elsewhere.

For example, Mr Olaus van Zyl, until very recently a member of Messrs Bruinette, Kruger and Stoffberg (BKS), who are in turn senior members of the PWV3 Consortium, was chairman of Randburg's management committee.

He was also that town's representative on the Metropolitan Transport Advisory Board which can recommend approval of a "transport plan" (such as a highway) in terms of the Urban Transport Act.

NOW INCORPORATED

Further, BKS was employed by Sandton to co-ordinate and plan much of its major roads network, including the PWV3. This network is now incorporated in the "transport plan".

In recent times Sandton called twice upon Dr Bingle Kruger of BKS to present the merits of the road to anxious residents. And this he did.

Finally, Mr Ricky Valente, chairman of Sandton's management committee, which can be considered as BKS's "client", is also a civil engineer and served with Mr Olaus van Zyl on the Metropolitan Transport Advisory Board.

It is all above board of course — but the situation cries out for more disciplines at the planning tables, for more points of view to be offered to the public. There may be professional people who consider public parks as important as roads.

The Government's undertaking to assess the environmental aspects of the road will, it seems, bring in new disciplines. But they should have been there from the start.

● **Dig out the facts.** As public pressure mounted, Jomag was forced to clarify for the public key information which had been provided by Randburg and Sandton.

For example, both towns insisted that their portions of the PWV3 route were merely "local roads" and totally independent of the grand PWV3 plan.

Sandton initially withheld an environmental impact study which spelt out the sad effects the road would have on the Field and Study Centre park — but it gave great exposure to engineers' reports favouring the road.

● **Put politicians at risk.** The public furore over PWV3 route, especially in Sandton, has contributed to a new civic awareness and this has given rise to a new civic alliance — "The Sandtonians" — who will contest the municipal elections in October.

They could be a winning team.

New company formed to assist black builders

Sowetan 28/7/88 32

ONE of the leading construction companies in South Africa, Time Housing, has teamed up with Hibom Township Developers — a group of black entrepreneurs — to form a new housing company to be called Tri-Time Housing (Pty) Ltd.

The new company, Tri-Time Housing, has already started work on its first development. It is busy building about 50 homes in Alexandra township, near Johannesburg.

Expand

The company plans to expand its activities to Soweto and other metropolitan areas in the Transvaal.

The company's directors are Mr Winston Mokoena, Mr Emmanuel Khumalo, Mr Alf Molathloe of Hibom Township Developers, Mr Mike Graham (managing director of Time Housing) and Mr Pat Collins (director of Time Housing, Transvaal).

Mr Graham said he believed that co-operative ventures of this nature were essential to effectively address the huge black housing backlog.

He said such an association would undoubtedly benefit the community at large and black building entrepreneurs in particular.

Black

"Not only will we have the opportunity of working with black builders and experience their problems at first hand, but we will also be laying the foundation for a mutually rewarding association for the future," Mr Graham said.

He said Time Housing would provide the administrative, financial and management expertise while Hibom would be responsible for sales and construction.

The new company, he said, was backed by Time Housing's draughting and conveying services, its financial muscle and credit facilities.

Assist

The formation of Tri-Time is the latest initiative by Time Housing to assist black builders and sub-contractors.

Last year, the company teamed up with Charles Builders, a Witbank firm of black entrepreneurs which had all the contracts and building skills but needed strong financial and administrative back-up.

The team was put to the test on a municipal contract for 89 homes. These were completed in only four months — two months ahead of schedule.

Mr Graham said his company firmly believed that the most effective ways of dealing with black housing was to train more black artisans and to assist black builders.

"To this end, we are constantly looking at teaming up with progressive black building companies. I believe that the route we have taken is a logical one for the industry. It will significantly contribute to the future prosperity of the country and all its people," Mr Graham said.

THE directors of Tri-Time Housing, a co-operative venture formed to tackle the immense black housing backlog. They are from left: Mr Alf Molathloe, Mr Pat Collins, Mr Winston Mokoena, Mr Emmanuel Khumalo and Mr Mike Graham.

Double blow for builders

32

Star 22/4/08

By Sven Forssman

Rising building costs and credit restraints have joined forces to deal a low blow to the homebuilding industry, Mr Willy Heroldt, technical general manager of Gough Cooper Homes, said yesterday. Sales of new houses had dropped by as much as 20 percent over the past couple of months.

"The cost of materials has increased by 30 percent over the past 12 months and we're expected them to go up another 15 percent before the end of the year. A slightly higher bond rate hasn't helped either.

"Building societies have also become more fussy about lending out their money. A year ago it was easy to get a bond, but the situation has changed," he said.

Mr Heroldt said the new ruling on government subsidies, effective from August 1, would also have a dampening effect on the market.

"By saying that the total package — the land and the house — can't exceed R65 000, the government has placed tremendous pressure on our industry. It's becoming virtually impossible to buy a piece of land and build for that price in many areas.

"All that remains for us is take the capital out of the land to help the people. We're a big company and can absorb the costs, but smaller companies will feel the pinch"

Mr Henry Staub, managing director of Schachat Cullum, added: Rising building costs are horrific. They have gone up about one and a half percent every month this year."

SHARE SPOT

(32) Star 25/6/88

Quantum has quality

LYNNE PEACH

The property and construction concern, Quantum, was very warmly welcomed to the Development Capital sector in June 1987. Issued at a price of 50c, it made its debut in the market at a whopping 120c, and continued to climb to a peak of 185c.

The market crash initiated a radical, but short-lived, collapsed to a rock-bottom 70c. Since then, the share has traded around 100c and is currently at 95c, yielding an historic price:earnings ratio (PE) of seven.

Most similar operations, and industrial shares in general, are trading at a PE of around nine.

Quantum hasfour major divisions. The first is housing, which tends to afford more steady growth than the other divisions, and is also the most important contributor to group profits. Here the focus is on selling home building packages to the black market, specifically middle to upper income groups.

Chairman Deon Meyer says that while close to 1 000 houses were built during the previous financial year, this year the target is 200 houses a month!

The other divisions include the establishment and selling of property for industrial and township development, the provision of financial packages and the development of these (including shopping centres), and the undertaking of civil engineering projects.

Mr Meyer believes that while the housing side should continue to grow strongly, the other divisions have the potential for more explosive-type growth.

The acquisition last year of Roadstorm, a civil engineering concern, is paying off, according to Mr Meyer. He says that its future growth pattern is expected to at least equal the high standard set by the group's other operations.

The purchase deal included a clause that if Roadstorm achieved a profit of at least R815 000 for its year to June 1988, Quantum would cough up an additional 150 000 shares. Mr Meyer says it looks like Roadstorm will manage to exceed this figure.

Management is currently working on getting this concern separately listed in the building and construction sector, probably some time later this year.

Quantum's latest financial statements were filled with good news. Earnings amounted to 13,4c for the year to March 1988, and the dividened was 5c. The balance sheet disclosed a net asset value of 35c, a current ratio of 1,7 and a debt-equity ratio of 84%. Mr Meyer says that while the latter may appear high it is actually quite good according to industry standards.

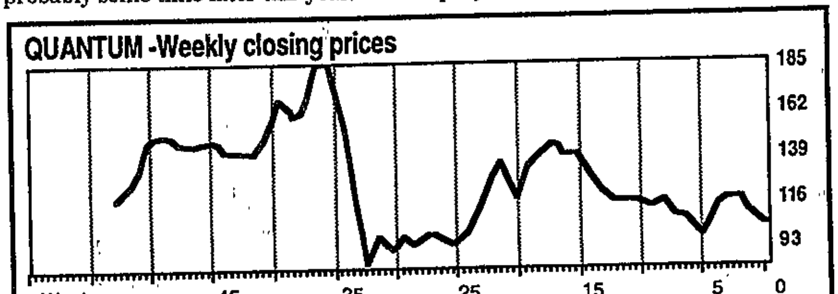
Mr Meyer believes that Quantum's growth prospects are good and that real bottom-line improvement will feature in the current financial year. This is expected to be attained in spite of earnings dilution caused by a greater number of shares in issue. Besides the Roadstorm acquisition, bonus shares will be issued (five for every 100 held) to those shareholders who chose this option rather than a cash dividend.

Quantum's progress is not expected to be hindered by a possible cool-off in the economy, nor by interest rates that look set to continue to creep up. Mr Meyer says this is so primarily because of the existence of very significant pent-up demand in the black housing market. He comments that the private sector is increasingly getting involved, and the group may consider entering the bottom-end of the housing market.

VAT decision

Possibly the greatest potential threat to the building industry, according to Mr Meyer, concerns the Government's decision on what the VAT rate will be. He explains that unless this is sufficiently below the current GST rate, soaring prices will stifle demand. This is because the tax will also be applied to the labour and profit component of costs which account for a meaningful proportion of the total (probably around 50%).

Roadstorm is expected to provide notably snergistic benefits to the group, for example its costly equipment can be used by the other divisions to, say, prepare their building sites. Overall, management tends to concentrate on organic growth rather than actively pursue acquisitional expansion. Mr Meyer says that existing operations have plenty of growth potential and that there are "fairly substantial projects in the pipeline."



While Quantum's share price has been showing weakness for most of this year, it has not broken its support level of around 90c. Once the share price climbs above its 110c resistance level it will probably appreciate to exceed 130c.

Liebesman gets (32) the mix just right

Magnus Heystek,
Finance Editor

Mr Jeff Liebesman, chief executive of the newly created FSI/Waicor conglomerate has achieved what he set out to do: reduce the debt in the holding companies and spread it among the operating companies and refocused the trading entities into four clearly defined areas.

Now its up to him and his chief executives, many of whom have their personal fortunes tied up in the various businesses, to make it work.

The new grouping puts FSI among the top 20 industrial companies in the country — quite a jump from being a small, privately-owned scaffolding firm barely eight years ago.

The reorganisation stems from the FSI acquisition of Waicor in September last year, barely weeks before the stock market crash. The statutory offer to Waicor-minorities (which were snapped-up after the crash) resulted in FSI having to pay about R227 million for Waicor. This increased FSI's gearing to unacceptably high levels and raised fears among analysts that FSI was experiencing a negative cash-flow.

At the weekend FSI put this fear to rest. All investment holding companies in the group are either cash neutral or have a cash surplus if the effects (and assumptions) of the reorganisation are taken into account, it said.

Initial comment from analysts was favourable, although one or two drawbacks were pointed out. The next few weeks will tell how the market, and particularly, the institutions will react.

The details of the restructuring are very much in line with that forecast in The Star on Friday.

- Hunts becomes the major industrial holding company for most of FSI's South African interests. (see chart)
- W&A becomes the immediate holding company of Hunts after the acquisition of an additional 50,01 percent from London-based subsidiary AAF at a price of £12 million.
- Released from its South African interests, AAF becomes W&A's international arm with approximately £24 million in cash at its disposal. This international link effectively makes W&A a currency hedged stock.
- Several rights-issues are planned that will entail an injection of R121 million from minority shareholders.

After nearly ten months of number crunching and deliberation FSI, in conjunction with two local and one overseas merchant bank and five stockbroking firms (one British), have concluded that were the reorganisation in place on January 1 1987 the earnings per share of the varous companies in the financial year to end-December 1987 would have shown substantial increases.

The net tangible asset value of the shares would also have undergone radical change: FS Group increasing by 47 percent to 127c, FSI by the same margin to 254c, Waicor by 5 percent to 1762, W & A by 6 percent to 4311c while Aurochs' remains constant at 545c a share. The nav of Hunts drops by 26 percent to 553c but the directors have asserted that with the inclusion of Hunts' goodwill (on which a value of at least R105 million was placed before the write-off) the net intrinsic value of Hunts is at least 809c a share at December 31 1987.

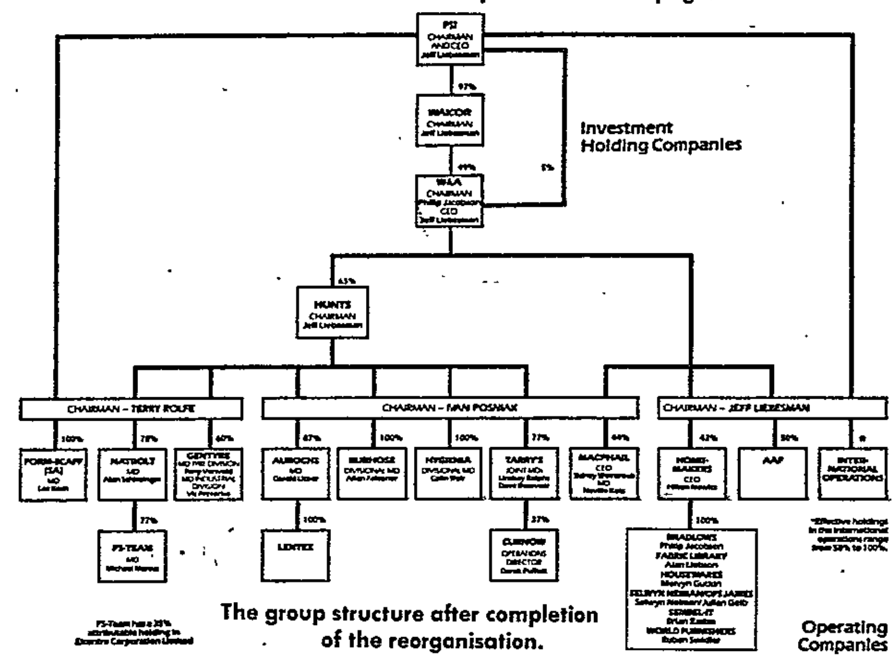
Crucial to FSI in particular is that gearing (consolidated interest-bearing debt as a ratio of shareholders' interest) drops from 61 percent to 42 percent while that of W&A rises from 14 to 24 percent, Hunts from 10 to 28 percent, both well within acceptable limits.

Hunts which, after the reorganisation, has ordinary shareholders' interest of R226 million (before R121 million) and assets of R624 million, has been singled out as the vehicle for take-overs among disinvesting foreigners.

Asset sale will reduce debt burden

FSI-Waicor finally get restructuring under way

FIRST WITH THE NEWS — Headlines from last Friday's Star Business page.



The group structure after completion of the reorganisation.

Star 20/6/88

LTA passes dividend

(32)

Despite modestly improved earnings a share, LTA is paying no dividend for the year to end-March. Turnover rose to R1,24 billion from R1,065 billion while the value of uncompleted work in hand was up to R929 million (R857 million).

EPS have edged up from 22 to 24 cents. But the directors note that because "considerable sums of money" remain tied up in provisions for claims, and the resolving of issues, relating to offshore and other discontinued operations, "we have decided not to pay an ordinary dividend for the year under review."

Attributable earnings after extraordinary items climbed sharply to R8,1 million (R4,4 million) with the help of R2,3 million in profit on the disposal of the group's interest in the Parktown property previously occupied by the head office.

Operating profit before interest was R10,3 million (R10,1 million) from which profit before tax of R9,3 million (R7,4 million) was derived. After tax profit totalled R6,1 million (R5,6 million) yielding distributable profit before extraordinary items of R5,8 million (R4,5 million). The balance sheet shows total assets up to R412,1 million from R355,3 million, giving a net asset value per share of 375 cents (319 cents).

LTA again not paying dividend

28/6/88 (32) B/day

KAY TURVEY

LTA, still suffering from depressed conditions in the construction industry, has reported a 9% rise in earnings a share to 24c (22c) for the year to March.

This is in line with analysts' modest expectations, but shareholders will be disappointed that there is no resumption in dividend payments.

The construction giant has passed dividends for the fourth successive year as about R31m remains tied up in claims relating to offshore and other discontinued operations.

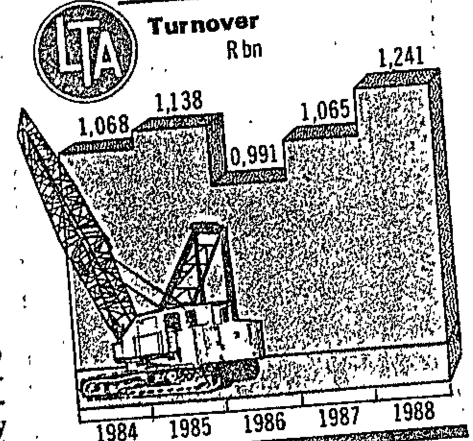
On a 16,5% growth in turnover to R1,24bn, operating profit climbed a desultory 2,6% to R10,3m as margins remain wafer thin. LTA tenders frequently aim merely to break even to keep plant active and the workforce in place.

A much lower interest bill, down from R2,6m to R1m, pushed pre-tax income up 25% to R9,3m. But higher tax charges at 34% (25%) depressed the after-tax increase to 11% at R6,1m.

Earnings attributable to shareholders rose 27% to R5,8m helped by the R382 000 contribution from associated companies that returned to profitability.

An extraordinary item of R2,3m relates to the profit on the disposal of the Parktown head office property.

Directors report prospects for the current year are more encouraging as



Source: JSE & LTA Graphic: JOHN McCANN

the group expects to take part significantly in most major projects.

LTA has already been awarded a R97m contract to build an access road to the Katse Dam by the Lesotho Highlands Development Authorities and a R40m earthmoving contract in Mossel Bay.

However, analysts do not envisage any encouraging widening of margins.

The balance sheet shows long-term debt up from R5,9m to R10,5m, but resolution of the offshore claims is expected to reduce borrowings

LTA still beleaguered: No div

Cape Times 28/6/88

32

Financial Editor

CONSTRUCTION giant LTA is still suffering from the effects of the downturn and expenses arising from discontinued operations. No dividend will be paid for the year to March — the fourth year in succession that it has been passed.

But results show a slight improvement on 1987. Attributable earnings are slightly higher at R5,7m (R4,5m) before an extraordinary item — R2,3m from the sale of the former head office in Parktown.

And the directors say that prospects for the current year are more encouraging.

Turnover rose to R1 2 billion (R1 billion) and operating profit before interest paid to R10,3m (R10m). The interest bill shrank to R1m (R2,6m). Operating profit after tax and interest was R6,1m (R5,5m). Earnings at share level were 24c (22c).

The value of uncompleted work in hand at the end of the financial year was R929m (R857m). Net asset value has risen to 375c (319c) a share.

The directors say:"It is gratifying to note that prospects are presently more encouraging and a further improvement can be expected in the year that lies ahead."

They say this is particularly so because "the group expects to participate significantly in most of the major projects currently being undertaken in SA.

"We continue to make progress in dealing with claims and resolving issues relating to offshore and other discontinued operations.

"Conservative provisions made in the past still appear to be adequate. Considerable sums of money remain tied up in this area.

"It is for this reason that we have decided not to pay an ordinary dividend for the year under review," they explain.

"Resolution of the issues is expected to reduce overall borrowings to more conservative levels over the next two years."

Star 28/6/88

Liebesman gets thumbs-up from top market analysts

By Magnus Heystek

Stock market analysts came away from a meeting with FSI-chief executive Jeff Liebesman yesterday generally positive about the prospects of the newly reorganised FSI/Waicor grouping.

The reaction of analysts and institutional investors are paramount to the success of the various rights issues in the pipeline. The meeting also cleared up certain misconceptions regarding the cash-flow of the various holding groups which were seen to be negative prior to the restructuring.

"Hunts is the immediate beneficiary in the whole restructuring and is grossly undervalued at present," one analyst said after the meeting. While Hunts would have earned 149c a share (up 21 percent from the actual 123c) had the reorganisation been in place since January 1 last year, this particular analyst is now predicting earnings a share of at least 250c for the current financial year, which ends on December 31 1988.

For a dividend he is forecasting at least 65c which at the current price of 800c makes the share very cheap.

The market seems to have made a similar conclusion with more than 17 000 shares in Hunts trading yesterday, in contrasts with a paltry 750 in W & A.

W & A will enhance its image by becoming more of a rand-hedged stock due to its 50 percent holding in London-listed AAF. Although only approximately 15 percent of its earnings will come from AAF, this will provide it with sufficient off-shore income to qualify as a rand-hedge. In a scenario of further rand-weakness this is bound to be eventually appreciated by investors.

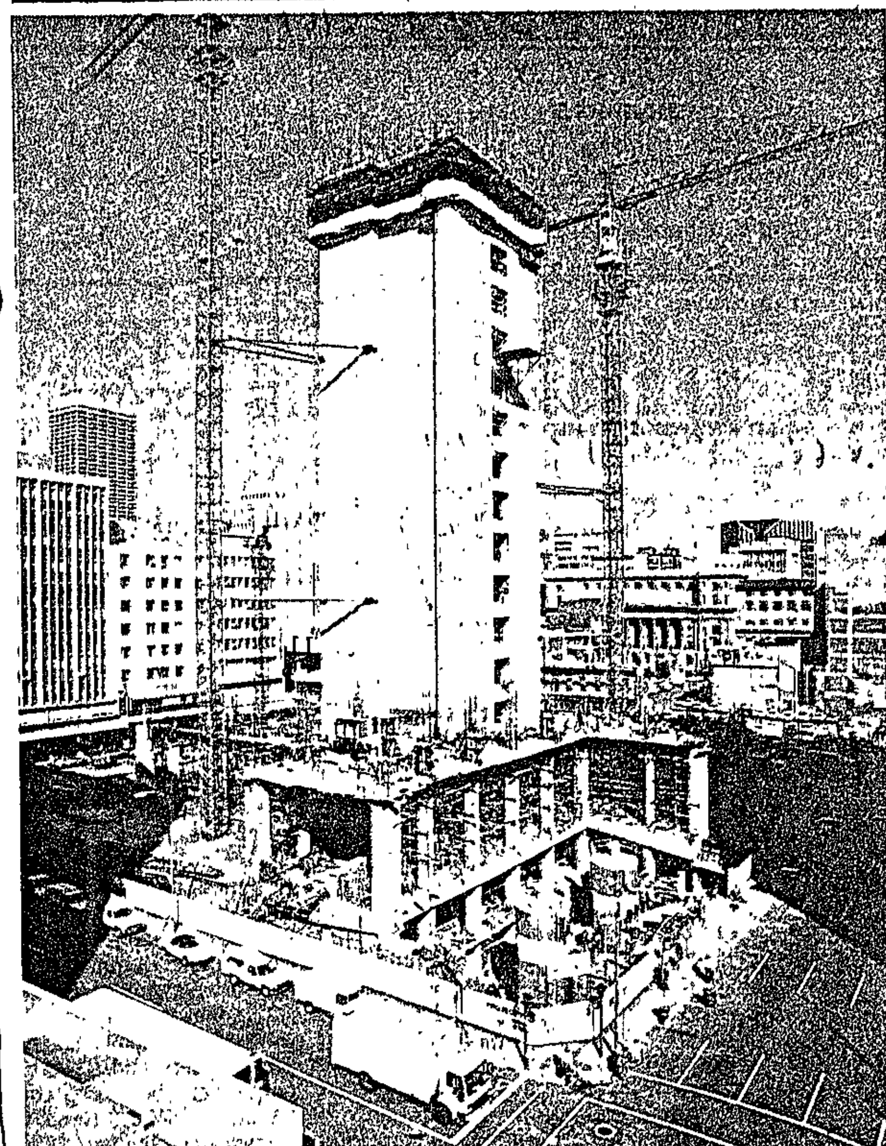
AAF, which now has more than £25 million in cash at its disposal, can be expected to be fairly vigourous on the international front. It is the stated desire of Mr Liebesman to develop AAF into a major off-shore operation.

But the main beneficiary in the long-run still seems to be FSI itself, what with a substantially lower gearing and more than sufficient cash-flow from its operating subsidiaries to trade away the remaining debt.

FSI earns more than 40 percent of its income abroad, and although not much is known about the quality of these assets, they will provide FSI with a handsome cushion in times of currency weakness.

FSI also attracted some interest with the price moving up 10c to 710c a share on fairly active volume. This was more in reaction to the absence of a rights issue by FSI than anything else, one analyst indicated.

A year from completion



Old Mutual's new block in central Johannesburg on the site of the old BP building. Structural work should be complete by next Februry and the handover date is scheduled a year from now. The structure carries an added bonus for motorists. There will be seven basement parking floors.

All in a day's work for Group Five

Star 28/6/88 32

It was a day to remember recently for Group Five Roads' companies, for in a space of 24 hours they picked up contracts totalling R106 million and to cap the performance, one of the companies, Savage & Lovemore tendered lowest on a road contract in the western Cape valued at R51 million.

"The most remarkable thing about all thisis that everything happened on one very exceptional day — Friday, May 27," says Group Five Roads managing director, Mr Roger Cuningham.

"What makes it even more satisfactory is that these successes are spread over several companies.

Group Five Building-Combrink is also going well with its R32 million contract for Old Mutual's 20-storey office block in central Johannesburg.

The building is to be cross-shaped, with four wings running from a central core housing the lifts, stairs and service ducts.

Motorway toll gates ready soon

By Helen Grange

Construction of the toll road on the new Hendrik Schoeman highway is on schedule, and work on the Witwatersrand's first toll gates will start next month, according to the developers Tollway.

The first toll gate will be erected on the eastern section of the highway between Krugersdorp and Springs, near the Rand Airport interchange.

As new sections are completed, a toll gate at the Dalpark interchange will be commissioned, as will another gate near Winchester Hills.

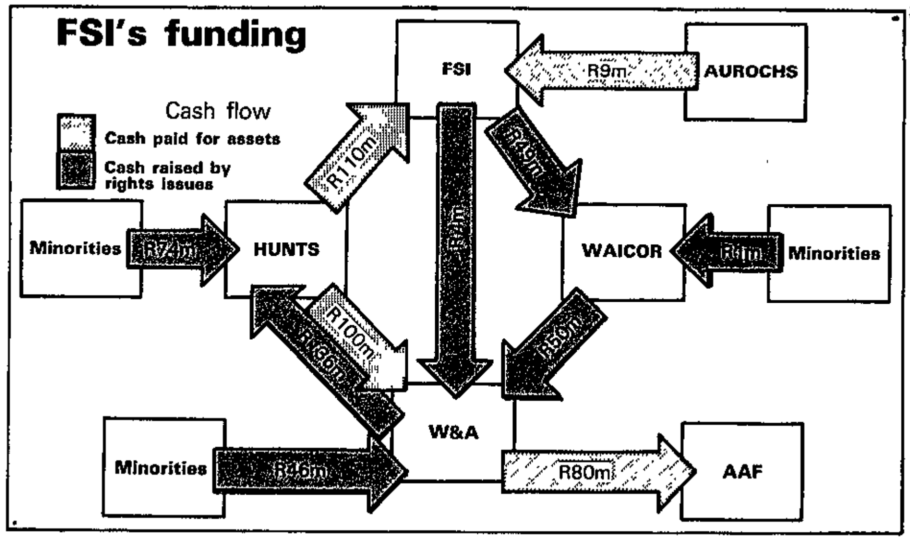
"We expect these initial toll plazas to cost in the region of R15 million, and Tollway's target dates for completion are the second quarter of 1989 for the plazas on the N13 and at Rand Airport, and the last quarter of 1989 for the other," said Mr Lou Gluckman, technical director of Tollway.

The plazas have been designed to ensure minimal delays to traffic. Various systems being used internationally, including credit cards and dedicated debit cards for regular road users, were being examined.

The R77 has been incorporated as part of the N17 — the Hendrik Schoeman Toll Highway — and now becomes part of the national system.

The N13 is to be part of the east-west highway linking all central business districts along the entire Witwatersrand only until the central section of the N17 immediately south of Johannesburg has been completed.

Mr Gluckman said Tollway was examining ways to ease the current peak period congestion at the Rand Airport interchange, as well as new and improved signs to guide motorists.



FSI's funding

Net effect

	Rm Net cash rec (paid)	Rm Net debt incr (dec)	% NAV incr (dec)
FSI	70	(103)	47
Hunts	—	85	(26)
W & A	(16)	92	6
Waicor	—	n/a	n/a
AAF	80	(80)	n/a
Aurochs	(9)	9	—

FSI (32) FM 1/7/8

Finding the funds

Though the daily press appears to believe there is consensus in the financial world that the reconstruction of FSI is excellent for all concerned, most institutional and brokers' analysts to whom we spoke are still assessing the impact. Immediate reactions suggest a wide range of figures and forecasts.

The deal is complicated and demands considerable number crunching — more than there has yet been time for. But the flow chart and table give some indication of what is happening. Essentially debt is being moved down from FSI to W&A and cash — to be contributed by W&A minorities — is being moved up.

There is consensus among analysts that FSI is the place to be. Its earnings are not being diluted and its debt is being reduced. In addition, there is an improvement in cash flow, as less will be used to service debt and the effective cost of W&A to the group is thus reduced. Shareholders also benefit from the important foreign operations, which contribute more than 40% of FSI's income.

It is about Hunts that there are most questions. The largest rights issues, raising R210m and amounting to 2,53 shares for one after conversion, are to be held in Hunts, with minorities expected to contribute R74m. The increase in Hunts' assets as a result of the reorganisation comes from the purchase of National Bolts from FSI and W&A's unlisted interests, Hygenia and Burhose. The announcement, though, shows a decline in Hunts' net worth after writing off goodwill; some analysts suggest Hunts is paying too much for the assets it is receiving.

Based on last year's earnings and R100m paid, the p:e is 7,2, well above the average for the clothing sector of 4,8, but below Burhose competitor Arwa's 11,2. National Bolts is being bought on a p:e of 8,4 compared with a p:e on the current price of 7,3.

Another point is that servicing the debentures and preference shares will cost around R21m. This compares with Hunts' historic attributable income of R20m. The acquisitions will, of course, considerably increase income. In their various latest reporting periods they earned a total of about R29m.

And what of the dilution? This was sidestepped in the announcement by saying that such a calculation would be misleading because of material distortions. The rights issues are for debentures and preference shares, to be converted one-for-one into ordinary shares when the dividend on the ords exceeds that on the prefs or the interest on the debentures or after four years.

Perhaps the simplest way of calculating the impact is that if earnings are unchanged, they would fall to 40% of their original figure. So new assets must bring in enough earnings at least to compensate for this.

Without the acquisitions, Hunts' earnings may not have been as strong in future years, as subsidiary E W Tarry will soon have to pay increased tax. But it is also true that Elcentre, from which a large part of National Bolts' earnings come, is expecting a fall in EPS which is also due to an increased tax rate. On balance, though, it seems a small increase in EPS can be expected as a result of the transactions.

There is also the benefit that, with Hunts no longer foreign-controlled, it can make acquisitions by the issue of paper; for W&A the additional £16m in AAF opens the door to overseas expansion.

But should Hunts shareholders take up the rights? A cynical, but correct view is that there will be no dilution for four years. So a shareholder who does not take up rights will enjoy increased earnings, but not have to put in additional cash. Of course, he will then have to sell before conversion and dilution take place. The issue is fully underwritten.

Like most analysts, we shall look at the deal in more detail in coming weeks.

Pat Kenney

Value of building plans double in year

(32) Star 11/7/88

Municipal Reporter

The value of building plans approved in Johannesburg in May was double that of May last year, reflecting a continued upturn in building activity, said a town planning committee report.

Comparable figures show that plans valued at R34,4 million were approved in May 1988 compared with R17,3 million in the same month last year but the actual number of plans approved was down from 465 last May to 427.

The number of building plans submitted to the council increased from 602 in May 1987 to 734 last month.

SHARESPOT

(32)

5/Ster 2/7/88

FSI offers value for money

LYNNE PEACH

Last September, FSI surprised all by announcing its acquisition of an effective 50% of W & A.

At the same time, Brian Joffe (former CE of W & A) said a major challenge would be to tighten up W & A which was "a little unfocused". It took only eight months for FSI to come up with a new master structure which, as expected, largely focused on shuffling interests under the W & A umbrella. The emergent, more sharply defined group, plans to change its name from FS Industries to FSI Corporation.

The market reacted positively because the share price rose to 725c. Two months ago the price started losing ground and fell from 740c to 675c. At current levels, the historic P/E ratiois 10. Although somewhat above the industrial average of less than 8, FSI appears deserving of a premium rating. A major reason is the rand hedge status it affords — about 40% of group attributable income comes from its international interests.

FS Industries and its pyramid FS Group stand at the head of a group of companies that are focused on basic industries worldwide. The primary concentration is on industrial organisations, consumer/retail businesses, international operations and the ownership of properties (the majority of which are occupied by group companies). It serves the full spectrum of the SA economy, from the mining industry to the family. More specifically, FSI has 97% of Waicor, 5% of W & A, 100% of Form-Scaff (SA) and an effective interest of 58% to 100% in international operations. A notable change is that the engineering concern, National Bolts, is no longer directly held by FSI (attributable holdings reduce from 78% to 27%).

The reorganisation of W & A included its acquisition of a 50% shareholding in Hunts which will become a major industrial holding company in the FSI group. It embraces JSE listed Natbolt, Gentyre, Aurochs and Tarrys (also listed in London), and unlisted Burhose and Hygenia. Besides Hunts, W & A also has a direct interest in MacPhail, Homemakers and AAF Investment Corporation (listed on the London Stock Exchange).

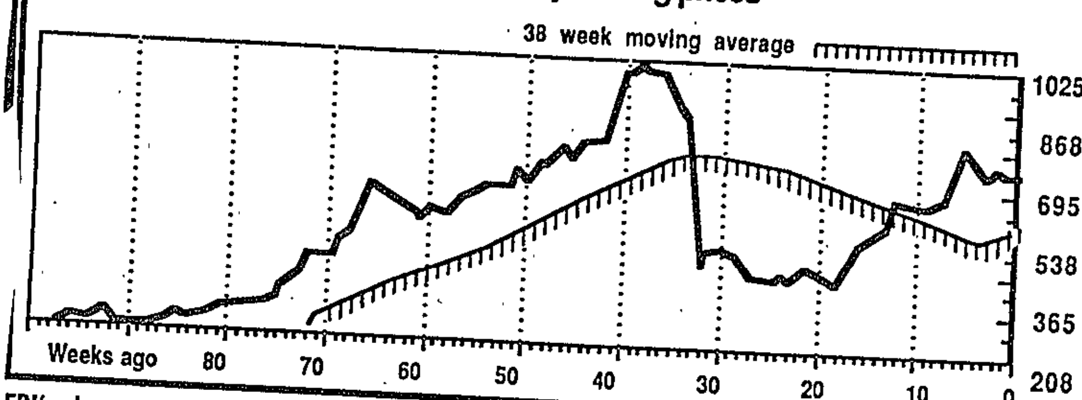
In the six months to June 1988 (before the reorganisation takes effect), it is expected that W & A, National Bolts, Form-Scaff and international operations will each contribute roughly a third to group earnings. Thereafter, W & A will probably account fora more substantial 50% of the total earnings of FSI.

At the end of 1987, FSI had a debt:equity ratio of 61%. After the reorganisation this reduces to 42% and, according to policy, will not rise above 60%.

FSI will be changing its financial year-end from June to December. Earnings for the 12 months to December 1987 amounted to 72c, a noteworthy rise on the previous year's 28c. Stockbrokers are expecting interim earnings (June 1988) to approach 50c and the dividend to close in on 15c. The total earned in the 1988 year is expected to be approximately 100c, with dividend cover of about 3 times.

At a price of 725c, the forward P/E ratio (June 1988) is estimated at 7,9, and on expected earnings for the full 1988 year is calculated at around 7. Especially in view of its rand hedge quality, the share appears to offer good value for money.

FS INDUSTRIES - Weekly closing prices



FBI's share price remains in an upward trend and should appreciate above 733c in the immediate future.

FACELIFT FOR ROADS

Sowetan 4/7/88 (32)

CONCRETE road-surfacing such as currently being provided on the Ben Schoeman Highway between Pretoria and Johannesburg, is expected to become increasingly attractive as an alternative to asphalt-paved roads, according to Mr Louis Marais, roads and paving consultant for the Portland Cement Institute.

He said in Pretoria at the weekend on the eve of the combined SA Institution of Civil Engineers and Transportation conventions that while the cost of concrete roads was not necessarily less than that of black-topped road the cost differential was sufficiently marginal for major road authorities to base their selection on other considerations, such as technical performance or natural resources.

Freedom

Other advantages offered were relative freedom from maintenance, a service life in excess of 25 years and increased road safety.

"Traffic volumes on main routes in this country are still increasing and axle loads have in some instances doubled. This is leading to more frequent and increasingly expensive maintenance of asphalt-paved surfaces, coupled with the resultant inconvenience of traffic delays and reduction in road safety," said Mr Marais.

During the session, which is to be held in Pretoria from today to July 8, debate on Mr Marais's paper will be focused on concrete pavement design and construction, and on areas where techniques and technology can be improved. — Sapa.

Concern over infrastructure

Star 5/7/88

The provision of infrastructure remained "a high priority" for the Government, but there were many parts of the country where road and electrical networks, water provision and other facilities still left much room for improvement, the Minister of Economic Affairs and Technology, Mr Danie Steyn, said yesterday.

"It is important that these deficiencies in the infrastructure be addressed," he said.

"But given the limited availability of funds, skilled manpower and other resources, it may not be possible in the short to medium term to upgrade the infrastructure in all regions," Mr Steyn said.

He was delivering the opening address at the Eighth Quinquennial Convention of the South African Institution of Civil Engineers (SAICE) in conjunction with the 1988 annual Transportation Convention at the University of Pretoria.

The convention is scheduled to last until Friday and will address a wide spectrum of the challenges facing the South African civil engineering and transport.

Mr Steyn said the introduction of realistic economic tariffs could make "a considerable contribution" towards more realistic demands for infrastructural facilities.

It was a matter of concern, he said, that the number of civil engineers in South Africa had decreased from 5 824 in 1981 to 4 950 in 1987.

Yugoslavs show of

Implosion gives way to building revamps

Star 5/7/86

(32)

The imploding of the grand old buildings must eventually come to an end as building-cost escalation makes revamping and refurbishment essential.

This is the view of Mark Osborne, MD of Johannesburg company, Dreamcoat, which is involved in the revitalisation business.

"There is more and more revamping going on," he says, "and there will be still more to come.

"Previously, we handled one or two refurbishment contracts at any one time but now, 25 percent of our work covers this sector."

Among recent contracts are the Venda Sun revamp and the Mont au Sources Hotel in the Drakensberg. The company is involved in giving a new look to the Sage-owned building in central Johannesburg — North State.

"There are two prime reasons why revamping is taking off — the trend of firming rentals and the fact that the price of paint and coatings is way above inflation because of imported raw materials," says Mr Osborne.

Now that Dreamcoat has come into the family of the listed Fred Whitehead (FW) group, Mr Osborne expects his company to double turnover this financial year.

FW took over Dreamcoat in a share-cash deal last year and now the latter has added the Transvaal coatings company, Marmoran Surfaces, which had held the franchise for Marmoran products in the Transvaal.

"Our intention is to expand the coatings side of the business by increasing market share significantly," says Mr Osborne.

"We have also got a stronger foothold in the Pretoria and Northern Transvaal markets through the takeover of certain large contracts."

Industrial market booming

Star 5/7/88

(32)

There has been a tremendous increase in activity in the industrial property market.

Mr Wilf Isaacs, chairman of Wilfred Issacs, says: "The past year has seen sustained activity in the industrial sector, especiallythe last quarter of 1987 and the first three months of this year.

"And even although the market has been a little quieter, this certainly does not indicate any loss of business confidence or suggestions of a downturn."

Mr Jannie van Gemert, executive in charge of WI's industrial division, endorses the view and says: "It appears the market is regaining perspective, instead of being caught up in a mini-boom syndrome.

"Rental levels have moved up in most areas as vacancy factors continue to drop, although most of the activity is still centred around the smaller user from 200 sq m to 1 000 sq m."

Mr Isaacs believes a lack of foresight of the part of larger investors has resulted in a shortage of good-quality industrial space. Secondary space and revamped secondary space is attracting higher rents.

Speculative developments are mostly geared towards the smaller user and because of the large increase in construction costs over the past nine months, rents for these projects are pitched at R7 a sq m to R9 a sq m.

It appears that the larger institutional investors have realised that when it comes to industrial property investment, "small" is beautiful and that the lessons of the early eighties have been learned.

"One looks forward to a more pragmatic approach in property investement from these big players," he says.

"Although there has been a general increase in activity and rents throughout the market, there is little doubt the periphery of Johannesburg and the northern industrial areas have once again proved themselves as prime regions where the percentage rentals increases have been highest and vacancy factors extrmemely low," says Mr Isaacs.

The West Rand — Stormill and Robertville have done very well but, again, primarily with smaller units. The north-eastern areas, of Wynberg, Isando, Spartan and Jet Park have also had a good run.

An indication of the growth of the industrial market is seen in the performance of Wilfred Isaacs.

In the past few months, the company has concluded deals worthR15 million, which compares with R18 million in the same period last year.

Property market buoyant — Buildcor chief

(32) Finance Staff

The property market is very buoyant, with no signs of a downturn, says Buildcor chairman Derick Brindle, in the group's annual review.

He says the existing major housing shortage, which current estimates put at 800 000 units, could be on the short side if the average number of people occupying a house is reduced in line with an improvement in living standards. SCU 7/7/88

On this basis, Mr Brindle believes that the real shortage is very much greater, primarily because people are forced to share existing houses at levels which rise to 18 for each unit.

With these points in mind, Mr Brindle says that there is no reason to revise the projected earnings growth given in the Buildcor prospectus of 40 percent per annum in the foreseeable future.

"This projection is based on organic growth," he says.

Star 7/7/88 (32)

Investors in troubled mood

The investing community is worried that the record growth recorded by listed companies in the 1987/1988 financial year is not going to continue in the current year.

The two main factors against a continuation of profit growth are an expected recession and the disinvestment campaign.

Brokers Frankel, Kruger, Vinderine said yesterday they expected recessionary conditions from the middle of 1988 through to mid-1990.

On the future performance of the industrial board, the brokers said: "The general effect of overseas disinvestment will be to pose new opportunities for cash-strong South African companies. Most of the listed companies in sectors where probable disinvestment has been identified have started planning for future takeovers."

It said sectors that would be adveresly affected by a declining rand were motors, pharmaceuticals, electronics and chemcicals.

Its predictions for the various sectors were that in building and construction, steel and engineering the outlook for growth was not good because of the lack of fixed investment and that Mosgas and the local construction industry would be the main sources of income.

Sectors that were almost recession-proof were pharmaceuticals and medical, food and transport.

Arthur Anderson's Sam Abrahams is worried about profits and the state of the market next year.

A large number of groups that floated before the October crash have signficantly exceeded their forecast earnings. In a large number of cases increased earning were owed to mid-period aquisitions rather than to the operations the groups had at the time of flotation.

Mr Abrahams says: "One cannot help but feel, however, that in the current environment, the pressures of the business community expecting improved results from groups have led to ma[illegible] aquisitions which, although contributing positvely to earnings in the short term, may cause severe "indigestion". — Sapa.

 (32)

South African Institute for Civil Engineers Convention

Conservation costs are causing conflict

Reports by Melanie Gosling

The costs of conservation were invariably higher than the cash returns, and this created a constant conflict between environmental protection and development, Dr Piet Claasen said yesterday.

Dr Claasen, of the town and regional planning department at the University of Stellenbosch, said one of the reasons why so much damage was still being done to the environment in spite of 20 years of environmental awareness, was the lack of control over Government projects.

Another was the lack of clear policy on who should bear the costs of environmental protection.

He said the problem was further aggravated by the existence of First and Third World people in South Africa. The majority of South Africans, who often lived near or below the breadline, had little time to worry about the remote aspects of environmental protection.

"There will always be clashes between development and conservation and it will never be easy to resolve the dichotomy," Dr Claasen said.

Environmental protection should therefore always strike a wise balance between development and protection and a fair division of costs.

"Education and propaganda are still the most important weapons to fight environmental degradation," he said.

Consequences of motorways

The construction of a motorway through an urban area has grave social consequences, including movement of people elsewhere, noise pollution and loss of income from investments along the route, Mr D J Hulley said yesterday.

Mr Hulley said development came with a cost in environmental problems which affected people physically and socially.

He outlined examples of the negative impacts which could occur if the Pretoria Freeway Plan 67 were implemented. These would include noise and air pollution, changes to community activities and changes to land use.

"These costs should be assessed at an early stage of planning and mitigating measures should become an integral part of the plan," Mr Hulley said.

'Degradation of the environment'

Civil engineers have sometimes been accused of being the main culprits of environmental degradation because of the "obvious evidence which surrounds us", Mr A A Friel, retired assistant chief civil engineer of SAR, said yesterday.

Mr Friel said controversial designs which had involved railway engineers included:

- Railway installations at the Swartkops River.
- A shunting line along East London's west bank.
- Some aspects of railways at Richards Bay.

Other architectural and engineering constructions which matched the railway controversies were:

- The Unisa buildings in the southern hills of Pretoria.
- The "pepper pots" at the foot of Table Mountain.
- A sewage disposal works which has cut off the supply of sand to Port Elizabeth's southern beaches.
- The Beacon Isle Hotel at Plettenberg Bay.

Letaba River is under pressure

By the year 2010 there will not be enough water for people living in the catchment area of the Letaba River if the present rate of development continues, experts predict.

Environmental scientist Miss Bryony Walmsley said today that research had shown the situation in the Letaba River in the north-eastern Transvaal to be more serious than originally thought.

She said as the population increased and technology developed, the demand for water increased. It was estimated that in parts of the Letaba River catchment, supplies would be insufficient to meet domestic needs, let alone those of agriculture and industry.

"One of the reasons for this critical point having been reached is that water has been regarded as a resource for human benefit only, with little regard for the ecological system it supports."

Until the 1960s the Letaba ran all year. Now it runs only in summer and even then its flow is lower than before.

WORKSHOPS

Two workshops were held to tackle the problem with specialists from a range of disciplines, she said.

"The major objective was the determination of the water needed for ecology so that rivers can continue to function as viable ecosystems," Miss Walmsley said.

Generally, there was a conflict between the water demands of development and those of ecology. To minimise this conflict, the Department of Water Affairs had adopted a holistic approach to planning.

"The aim of this approach is to manage water resources to yield the greatest benefit to all users, while maintaining the quality of life for future generations."

Miss Walmsley said the department's holistic approach was an "admirable example" of multi-disciplinary, integrated environmental management.

w/E ARGUS 9/7/88 32

BUSINESS

Bifsa chief slams inefficient builders

From CLAIRE GEBHARDT

JOHANNESBURG. — The formal building industry has developed into a fragmented, inefficient and expensive industry with the lowest productivity of any in the South African economy.

The president of the Building Industries Federation of South Africa, Mr Neil Fraser, in a hard-hitting address to the South African Institute of Building (SAIB), slated members for poor quality of work and poor service which compounded the costs of building and reduced the profits of all concerned.

The brain-drain, too, had left far too few experienced managers at all levels and had made heavy inroads among the ranks of professionals, he said.

"We have become an industry of rework and rectification."

Change of attitude

This was partly due to the industry's own mismanagement and partly due to the actions of others, said Mr Fraser.

Inefficiency and high costs were the result of changes to laid-down design, incorrectly constructed work, poor quality, late contracts, mediation, arbitration, litigation, polarisation and ultimately cost escalation.

He called for a change of attitude and an increased awareness of the building industry's requirements and duties.

In areas where the industry had control and influence, members should become agents for change from within rather than wait for change to be foisted upon them, said Mr Fraser.

He identified education as a prime agent of change because of its impact on efficiency and cost through management development.

The shortage crisis in skilled manpower and its equally critical bed-fellow, the surplus of semi-skilled and unskilled workers, were apparent in figures from the Institute for Futures Research, said Mr Fraser.

These put the estimated shortage of skilled white workers at 200 000 by the year 2000, while an increase in the labour pool would put the surplus of unemployed at 9 000 000.

He urged the institute to make a greater effort to attract blacks into the building industry.

"It is essential, too, that we overcome the current dichotomy of black resistance to management training as well as industry's resistance to black managers."

Increased demand

Turning to the increased demand for skilled manpower in the construction industry, forecast to rise by five percent every year, Mr Fraser said the present base from which this had to be met had a number of constraints.

Chief of these was that only 5,3percent of all graduates were in the fields of construction, engineering and engineering technology.

To this had to be added the lowest intake in decades of students in these disciplines, plus the fact that only 2,5percent of graduates over the past 20 years had been blacks.

Survey on indicators

Business Staff

THE lack of quick reaction indicators on the business climate is to be redressed by a national and regional survey organised by chambers of industry.

Regional chambers will conduct surveys with the Federated Chamber of Industries co-ordinating a national picture.

A spokesman for the Cape Chamber of Industries (CCI) said the survey would be conducted monthly with members being asked to respond by fax in the first week of each month to make sure the survey was completed as quickly as possible.

He said the project was planned to start next month and members would be kept informed though the CCI's Weekly Bulletin.

Company heads would be asked to give their perceptual reaction to three indicators — sales, production and stock — by indicating if they were up, down or the same.

The results would be available to members by fax and through the bulletin, he said.

COMPANY NEWS

Building costs set to rocket this year

Star 9/7/88

(32)

FRANK JEANS

THE contract price — excluding land — of the average three-bedroom home could soar from the present R60 000 level to about R75 000 this year.

This is the result of an expected 21- to 25-percent increase in building costs mainly because of dearer materials and the rising cost of labour.

The price of materials rose by no less than 17 percent in the first quarter of this year compared with the same time in 1987.

● Full story in Property Guide.

LTA low-cost housing move shakes builders

9/7/88

(32)

SVEN FORSSMAN PAT DEVEREAUX and ADELE BALETA

LTA's decision to abandon its operation in tendered mass low-cost housing because it was unprofitable has disappointed those involved in the building industry.

The decision was announced by LTA chairman and heir-apparent to the Progressive Federal Party leadership, Dr Zac de Beer, in the company's annual report yesterday.

"Instead," Dr de Beer says, "considerable resources are being devoted to housing development work, which we undertake in partnership with Comiat Limited.

"Our building division was the major disappointment of the year under review. While some companies performed well, others made large losses, caused partly by over-keen tendering and partly by unsatisfactory management."

Reacting to the LTA decision last night, people in the building industry expressed disappointment.

Executive director of the National Association of Homebuilders, Mr Johan Grotsius, said: "We are obviously disappointed at LTA's decision in the light of the backlog of housing needs for lower-income groups. But it reaffirms the risk factors are high for those involved in building and contracting in this sphere and the need for government assistance in cushioning the effects.

"Low-cost housing is expensive to provide and a huge vacuum in the housing industry was left after the shift from rented low-cost government housing to an emphasis on home ownership — there is now a tremendous housing backlog," he said.

Mr Frank Berkley, Managing Director of Gough Cooper Homes (Pty) Ltd, said he did not understand why low-cost housing had resulted in a loss for LTA.

He said Gough Cooper's Goldstein division which dealt with tenders

● TO PAGE 2

LTA decision disappoints

Star 9/7/88

● FROM PAGE 1

(32)

from government and municipalities had proved to be profitable and the company would continue doing business in low-cost housing.

He said he admired Dr de Beer's honesty in attributing losses in LTA's building division to over-keen tendering and unsatisfactory management.

"Naturally we're upset to hear LTA plans to abandon its mass low-cost housing operations," said South African Housing Trust managing director, Mr Joe Taylor. "We believe the private sector must be involved in low-cost housing. More government subsidies — and we have so much already — distorts the market. It is possible to study this market and be innovative in making it profitable," he said.

Mr Rob Crockett, the managing director of Sage Schachat, said: "It seems a sensible decision to me. We have always been involved in the development side of housing. In the area of black housing there is a limit to how low we can go in terms of the money-lending institutions. We haven't submitted tendering for mass low-cost housing. However this decision will not influence us as we will continue to tender for low-cost housing."

Star
11/7/88

Mayor to see minister on 'King's' role

SATURDAY STAR CORRESPONDENT

DURBAN — The mayor of Durban, Mr Henry Klotz, is to seek a personal meeting with Minister of Public Works Mr Pietie du Plessis as soon as possible to discuss the future of King's House, the disused Natal residence of the State President.

Mr Klotz confirmed this week that he backed the campaign launched by Councillor Mrs Ros Sarkin this week, calling on the State to hand back the property to the city.

He said: "We are not seeking confrontation with anyone, but I would personally like to meet the Minister, possibly during an inspection in loco of King's House.

"It has been lying idle for a long time and should be a place which all the people of the city can enjoy."

Excellent response

It could be used for a variety of purposes, including cultural activities, tea parties and other functions.

A departmental spokesman has said the Minister is planning to visit the 86-year-old King's House as soon as possible to carry out a personal inspection.

Mrs Sarkin said there had been an excellent response to her appeal to the public to sign a petition calling for the handing-back.

The property was originally donated by the then Durban Town Council at the turn of the century for use as a residence for the Governor of the colony of Natal and subsequently became the residence of the country's State Presidents.

Wanton thiev... all township ...

(32)

FRANK JEANS

THE building industry is wincing under a multimillion rand heartache — on-site theft and wanton damage at construction sites in the townships.

Although this habitual problem was said not to have been a significant factor in LTA's decision announced last week to pull out of the low-cost housing market, there is little doubt it has had its share of worries along with other building companies.

Theft is particularly prevalent in self-help schemes. But LTA has also experienced losses. In one township of 1 000 houses, for instance, there was a 20 percent "wastage" factor in geysers alone.

The group estimates, too, that brick losses were anywhere between 5 percent and 10 percent, obviously because of the greater difficulty in removing loads. Losses of window frames were between 15 and 20 percent.

A builder in the Vosloorus area says the situation is "getting desperate" and that his problem is a microcosm of a spread of site losses throughout the country and which is costing the industry "millions".

The main targets are geysers, light fittings, toilet sets and window and door frames. But one builder at present operating in Soweto reports that the morning after one black family's home had been completed and they drove up to collect the key of the door, they found there was no longer a roof on the house!

Armed robbery

"Our company expects to sell about 250 homes in Soweto alone this year and almost cannot meet the demand," says the builder.

"However, as fast as we are building houses in Moroka and Jabavu, they are being vandalised by people who seem to feel entitled to demolish other people's homes.

"We have experienced armed robbery, intimidation of our workers and, as a result, contractors are refusing to come to Moroka."

The builder's foreman says windows a... pulled out, carpets ripped up, lights pull... from ceilings and doors ripped off hinges.

"I wonder how long it will be until the... start stripping the paint off the walls," ... says.

Under these circumstances, it is the innc... cent, aspiring black homeowner who has to wait even longer for his house and, indeed pay more for it in the long run as develope... are forced to add the losses on the price of t... end product.

Fenced off areas

"Soon, we might only be able to devel... in fenced-off areas in black townships so as t... provide quality homes on budget and ... time," says another builder.

Mr Ernest Malakoane, a director of Ma... Afrika Construction, says the theft of build... ing materials and house fittings was a very serious problem for developers in Soweto.

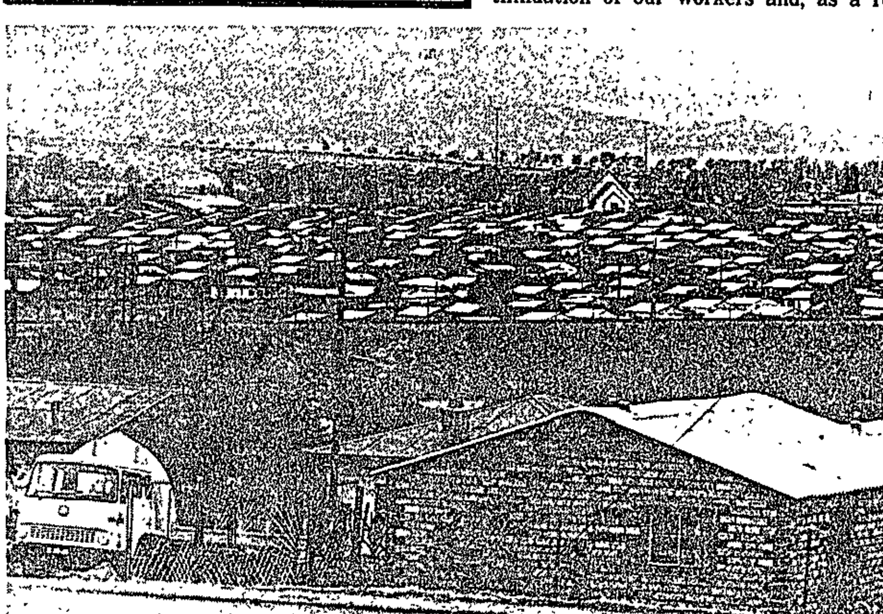
"We even have roofing material stolen a... the site or from newly-built houses. This giv... one the impression that they are experienc... people in this field because they act very swiftly.

"For instance recently in Protea North, I had R600 worth of lamp shades stolen from a newly completed house," says Mr Malakoane.

Most developers refrain from installing fit... tings until they know exactly when the owner of the house will be moving in.

Then as soon as the installations are com... pleted, a night watchman is posted to guard building materials.

Mr Malakoane's company is at present building 58 houses in Moletsane and several night watchmen have to be on site to make sure material is not removed during the night.



SOWETO: Where the housing needs are great — but so are the problems.

Slim margins defe... low-cost housing s...

Star 11/7/88

FRANK JEANS

PURE economics — that is what finally decided construction giant LTA to pull out of the low-cost housing market, as it announced in its annual report last week.

The group claims it has simply not made any significant profit out of low-cost housing.

Mr Colin Wood, managing director, says. "Our withdrawal has not been a sudden one. Actually, we decided to disband m... than a year ago and ha... now run out present con... tracts."

He emphasises this d... mean the group has l... its capacity to build low cost housing

"We have building com... panies in every ma... South African centre ... we could enter the mark... again if and when mar... gins improve.

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thieves hurt ship builders

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...alakoane's company is at present ... 58 houses in Moletsane and sever... ... watchmen have to be on site to ... material is not removed during ...

Mr Johan Grotsius, executive director o... the National Association of Home Builders referring to the theft problem which con... tinually "lurks in the dark" makes the poin... that building companies can absorb losses jus... so far, then the cost has to be passed on "leav... ing the honest man to pay".

On-site security is one answer and the Vos... loorus builder has built into his cost structur... — a 1,1 percent factor to cover site protectio... and which alone adds R400 to a R35 000 house.

Says Mr Grotsius: "If this equation is ap... plied to the total value of housing complet... ed in black areas in 1987, the value of whic... was R185 million, then the security aspect would amount to R2,1 million.

"Taking into consideration the other cost factors — theft, damage and delay — then that figure would probably rise to an esti... mated R5 million — equivalent to 150 homes."

GETTING A LEVEL: It's a relatively simple operation at the building stage, but it is often not possible to come out all square with township building projects as theft problems can push up the costs and cause delays. As usual, it is the prospective home-owner who suffers.

... margins defeated LTA in the ...cost housing sector — Wood

Star 1/7/88

(32)

... JEANS

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He emphasises this does mean the group has lost its capacity to build low-cost housing.

"We have building companies in every major South African centre and we could enter the market again if and when margins improve.

"It should be remembered, too, that we are continuing with development and building work in the upmarket sectors of black, Indian and coloured housing throughout the country."

Contract prices in the black housing sector are too low and competition too keen. So until tender mark-ups become more realistic, there will always be cost problems in this vital homes area.

Pointing out there has been a move away from the large-scale housing contracts for local authorities to more personal homebuilding activities on a plot-and-plan basis for private ownership, one expert in black housing says:

"Other large-scale home builders have managed to switch over from the one type of product to the other without having to take another look at the situation later, and eventually halting operations in that market."

GROUP MD: Colin Wood of LTA.

Slim margins defeated LTA in the low-cost housing sector — Wood

Star 1/7/88

32

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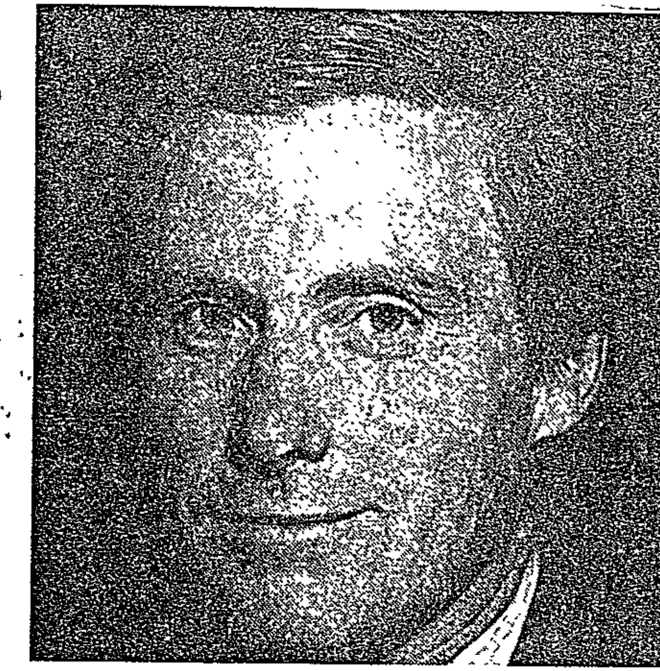


GROUP MD: Colin Wood of LTA.

Plans for extension of Soweto 'dangerous'

Star 11/7/88 (32)

Pretoria Correspondent

It would be "total folly and extremely dangerous" should the government go ahead with plans to extend Soweto to the west, an eminent consulting engineer and geologist, Professor A B A Brink, said on Friday.

"To erect high-density housing on dolomitic shales could lead to sinkhole development.

"I have calculated that a single sinkhole measuring 100 m in diameter could engulf 400 people and cause incalculable harm to roads, housing and other installations.

WARNINGS

"Whether our repeated warnings have been conveyed to the government, I do not know — but if they have, they have apparently been disregarded," Prof Brink said.

He was speaking on the final day of the Eighth Quinquennial Convention of the SA Institution of Civil Engineers (SAICE) and the 1988 Annual Transportation Convention (ATC) at the University of Pretoria.

No fewer than five firms of consultants had, Prof Brink disclosed, been appointed to pinpoint suitable areas for the extension of Soweto along the "Zuurbekom Ramp" in the direction of Westonaria.

These had all advised against the proposed development.

"The area in question is subject to gradual subsidence — and the erection of high-density housing would lead not only to the pollution of underground water supplies, but increase the risk of unpredictable ground movement," according to Prof Brink.

There were no geophysical techniques, delegates heard, available to delineate areas which were subject to gradual soil subsidence.

Nor could geologists pinpoint or predict possible sinkholes.

"Sinkholes invariably tend to develop in dolomitic terrain as a result of water leakage in areas where pipelines, sewers or stormwater drains are installed.

"It is therefore essential that pressure be brought to bear on the authorities to abandon plans for the development of Soweto to the west."

Plans for the proposed extensions were, Prof Brink said, "already in an advanced stage".

A listing of appropriate engineering geological parameters "in order of decreasing priority" was:

- Stability in relation to natural hazards "such as landslides and seismic activity".
- Topographic constraints (need for cut and fill).
- Stability in areas of soluble rock.
- Ease of excavation for services.
- Erodability of soil.
- Presence of "active soil".
- Seepage or shallow water table.
- A presence of soil with "collapsible fabric".

The area under consideration for the extension of Soweto did not, said Prof Brink, meet all these criteria.

Major surge in townhouse construction

STAR 12/7/88 (32) (113)

The increasing tempo of construction work throughout the country is reflected in the latest figures from the Central Statistical Service of Pretoria which show that the total value of work on hand in January this year rose by 30,7 percent over the same month last year — R2,6 billion to R3,5 billion.

There are clear indications, too, that the pace is not lessening, certainly so far as building is concerned. The combined value of building plans passed for May this year jumped by 57 percent over the fifth month of 1987 (R339 million from R192 million).

The big plus factor occurred in the flats and townhouses market which showed a massive 231 percent rise, with dwelling houses hoisting a 60 percent increase.

The additions and alterations market is also booming with a 35 percent increase.

Non-residential building activity recorded a 45 percent rise.

The contract price index of buildings rose by 4,1 percent in the first quarter of this year as against the same time in 1987, says the CSS.

Of the 11 regions, seven had annual rises of more than 14 percent, with the Johannesburg, Sandton and Randburg areas, top of the league at 25,5 percent.

The type of building which shows the largest quarterly increase is housing schemes, with a jump of 6,4 percent.

The Johannesburg building scene is also looking good, with the latest figures from the City Planning Department showing the value of work begun during June at R37,4 million compared with R21,3 million previously.

Ovcon meeting turnover target

(32) Star 12/7/88

Predictions early this year by the Ovcon group that it would push turnover up by at least 50 percent to about R160 million appear to be on the mark.

Mr Derek Mace and Mr Jimmy Thomas, joint managing directors, report that since the start of this year, Ovcon companies have secured about R70 million worth of new contracts in the Cape and a further R20 million in the Transvaal and Natal.

Looking ahead, Mr Mace is cautious about better times for the industry generally beyond the beginning of next year.

"At present, the group, on its own account and on behalf of clients, is looking at about 20 possible new projects," he said.

"However, if economic conditions grow tighter and building costs continue to escalate, it is possible that some of these developments might be shelved."

Says Mr Thomas: "Even in the past few months, we have seen some attractive schemes lose their appeal.

"This is generally because many developers are not sufficiently resourced to accept the risk of having to survive possible lean years after the completion of their projects.

"Buildings have to be fully let or sold on or before completion."

CONSTRUCTION (32) FM 15/7/88

Cycles under pressure

The formal building industry is in trouble, if one is to go by the events of the past week.

First came the decision by giant LTA to abandon its operation in the tendered mass housing market because it was proving unprofitable.

Second came the warning from Building Industries Federation (Bifsa) president Neil Fraser that the industry needed to clean up its act. He says it has become fragmented, inefficient and expensive. "We have become an industry of rework and rectification."

LTA's move may seem puzzling, given that mass housing has been seen by most builders as the only real growth sector in the residential market. But it could be that the company has seen the writing on the wall.

In January, the total value of work on hand for private construction firms and township developers was R3,5bn, 30,7% more than in January 1987. However, residential building was 9,5% down on a year before. The total value of work done in January increased 8,3% from January 1987 to R962m. But again, residential building was down 22,3%.

And, although the cumulative value of residential building plans passed in the first five months of the year was 58,8% up on the same period last year, the value of buildings completed increased by only 18,1%, indicating a lag in the desire or ability to put plans into action (**see table**).

LTA chairman Zac de Beer made mention of "overkeen tendering" and "unsatisfactory management" as reasons for the closure of the mass housing operation. But there are several other factors which are putting builders in this market under pressure.

In its first-quarter analysis of building and construction, the Bureau for Economic Research (BER) at Stellenbosch University noted that, although private house builders were experiencing an "unprecedented boom" in the number of housing units they were creating, especially for blacks, "we do not expect home builders' margins to widen. This has become a highly competitive mass market, with builders operating on wafer-thin margins."

Adding to their woes were a 17% rise in building materials costs and a rise in bond rates, while in the second quarter, loss of work time through public holidays and stayaways further eroded margins. Labour costs, which account for some 30% of the cost of a house, are also expected to rise at least in line with inflation.

To date, price rises have put the cost of homebuilding at around R685/m² compared with R566/m² a year ago. But, as National Association of Homebuilders executive director Johan Grotsius points out: "While economies of scale can help to reduce input costs, the proportionate cost of marketing smaller units is higher."

On the other hand, the granting of freehold rights and the extension of civil service and corporate subsidies to blacks is accelerating demand for individual housing, especially at the lower end of the scale, on which LTA is now to concentrate in conjunction with Comiat.

It makes sense. Says Time Housing MD Mike Graham: "The margins are definitely too thin in tendered housing for private developers. Besides, there is real demand now for low-cost individual houses and we are looking to go down the scale from the R40 000-R60 000 package, perhaps to the R20 000-R25 000 area in which the SA Housing Trust is operating."

This all ties in with indications from the BER's second-quarter survey which director Ockie Stuart says shows demand for residential building is slowing, especially in the middle to upper market sectors. Bifsa does not expect the growth rate in homebuilding to be more than 8% this year.

Which doesn't mean that the picture is any better for non-residential building. Taking the drop in architects' workloads as a leading indicator for the non-residential sector, Stuart reckons the overall building and construction industry is probably near its peak in this economic cycle.

One of the hardest-hit sectors of the non-residential market is civil engineering. Contracts awarded during the first quarter of the year totalled about R500m, but many of these resulted from tenders which closed in 1987 for short-term flood damage repairs.

In April, matters improved, with the value of contracts rising to R150m, but there were still few large contracts — in fact only one worth more than R10m.

SA Federation of Civil Engineering Contractors executive director Kees Lagaay says there is uncertainty about the medium-term outlook for the economy and concern about the rise in plant and materials prices. Cost increases, he says, mean that the budgets of government departments (the industry's main clients) stretch to fewer projects.

As a result many builders are now calling for both government and the major financial institutions to spend contra-cyclically (build in the bad times for the good times). This, of course, would help eliminate one of the biggest constraints on growth — lack of skills. Managers and professionals are traditionally lost to the industry in a slump and extremely hard to regain when the market suddenly picks up. Which may partly explain why, although the cumulative value of non-residential plans passed during the first five months of the year was 34,2% up on the same period last year, the value of buildings completed was 11,6 down (**see table**).

Fraser, quoting the Institute of Futures Research, puts the shortage of skilled workers at 200 000 by the year 2000. At the same time, the number of unemployed is likely to be around 9m — another consequence of cyclical spending. He says one of the most important tasks confronting the industry is to overcome the "dichotomy of black resistance to management training and industry resistance to black management." ■

NON-RESIDENTIAL BLD

Cumulative value in Rm

	Plans passed	Buildings completed
January	83,0 (18,2%)	49,5 (−36,1%)
February	175,3 (10,4%)	96,3 (−37,5%)
March	335,1 (40,1%)	125,0 (−31,8%)
April	468,7 (31,4%)	159,0 (−22,1%)
May	604,3 (34,2%)	212,8 (−11,6%)

RESIDENTIAL BUILDING

Cumulative value in Rm

	Plans passed	Buildings completed
January	260,5 (56,3%)	143,5 (30,7%)
February	574,5 (52,7%)	301,5 (22,3%)
March	940,0 (40,1%)	470,5 (18,7%)
April	1 246,8 (54,1%)	625,1 (14,8%)
May	1 590,7 (58,8%)	810,5 (18,1%)

ALL BUILDING

Cumulative values in Rm

	Plans passed	Buildings completed
January	473,6 (44,4%)	259,8 (0,9%)
February	1 027,1 (39,3%)	551,2 (1,6%)
March	1 716,9 (46,8%)	822,2 (3,9%)
April	2 331,0 (45,0%)	1 071,5 (5,3%)
May	2 970,0 (47,6%)	1 378,9 (8,2%)

Abundance of civil contracts awarded in June

Star 15/7/88

By Sven Lünsche (32)

Some 70 new civil engineering contracts, totalling a massive R370 million, were awarded to the industry in June, but the outlook for the remainder of the year and for 1989 is cautious.

In their monthly review, the South African Federation of Civil Engineering Contractors (Safcec) say contractors were mostly uncertain about the government's infrastructure plans for 1989.

Says Safcec executive director Kees Lagaay: "It is well known that this kind of capital expenditure is highly susceptible to cutbacks should economic conditions deteriorate.

"In addition, the position is also affected by the government's decision earlier this year that the income of the National Road Fund in future would depend on an annual allocation from the Treasury, and would no longer be an autonomous source of revenue from the fuel levy," Mr Lagaay says.

"Under these circumstances SAFCEC is of the view that contractors should regard the prospects for 1989 with caution, although in many cases, contractors already have a reasonable amount of work on their books for execution during 1988 and next year."

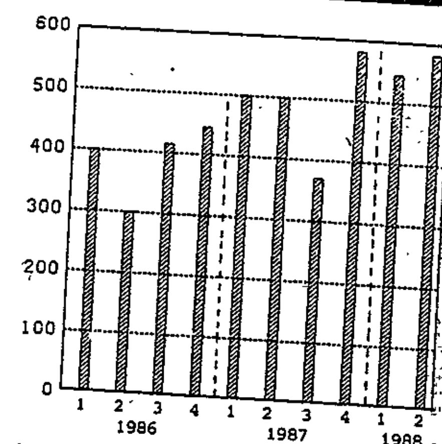
Toll road contracts

The record value of engineering contracts in June, which beat the previous R320 million set in February this year, was due in particular to the award by Tolcon, the private toll road comapny, of five major contracts with a combined value of R226 million.

Furthermore, June's total of R370 million, excludes R100 million for the two road and bridge contracts awarded a few months ago in Lesotho in connection with the Highlands Water Project.

Comments Mr Lagaay: "After some slowing down in new contract awards during April and May, the June total pushed the figure of new work recorded by Safcec in SA during the second quarter to R590 million, equalling the peak reached in the fourth quarter of 1987.

"A preliminary estimate of the total output of the industry during the first quarter of 1988 is R735 million and traditionally, second quarter output is some 10 to 15 percent higher, but a bunching of holidays and stayaways this year may have affected the production figures adversely," Mr Lagaay says.



Quarterly value of new civil engineering contracts in R/millions.

Co-operative venture

Star 19/7/88 (32)

Time Projects, part of the stock exchange listed Time Holdings group, has been appointed project manager and developer of the R10 million office block for Hollandia Reinsurance in Parktown, Johannesburg.

Hollandia acquired the 5 380 sq m site bounded by Hillside Road, Empire Road and Victoria Avenue, for R2,8 million last year. It is one of four adjacent stands auctioned by the Johannesburg City Council, which turned down Time Development's offer of R15,1 million for all four sites.

Work has begun on the structure which has been designed by architects, Margoles, Dukes and Smith and is due for completion next May.

All office floors will have several outdoor entertainment areas and terraces.

Another TH company, Time Housing, has teamed up with Hibom Township Developers — a group of black entrpreneurs, to form a new company, Tri-Time Housing.

Tri-Time has already started work on its first development — 50 homes at Alexandra, near Johannesburg.

The company plans to expand its activities to Soweto and other metropolitan areas later this year.

Mr Mike Graham, managing director of Time Housing and a director of the new company, says: "We believe that co-operative ventures of this nature are essential to effectively address the huge black housing backlog."

The directors of the new company, Tri-Time — from left, Mr Alf Molathloe, Mr Pat Collins, Mr Winston Mokoena, Mr Nel Khumalo and Mr Mike Graham.

Building outlook is much brighter but . . .

Star 19/7/88 (32)

While the building and construction markets are buoyant and outlook good for the next 18 months, what happens beyond then will depend greatly on political events.

This is the view of Mr Peter Clogg, chief executive of Group Five, who adds:"In a worst-case scenario, clients who might otherwise be forward looking, might take a different view and cut back on planned expenditure.

"On the other hand, if we can overcome some of our problems then a continuation of the present fairly positive trend is quite likely."

Referring to his own company's performance, Mr Clogg says that for the first time since 1980, turnover is outpacing inflation.

This, coupled with the more sensible margins being achieved, should mean a considerable improvement in earnings in real terms.

The Group Five executive sticks to his policy of not taking on more work than can be efficiently handled at any one time — despite the temptation to chase additiional work now that margins have improved.

The company is particularly active in the Witwatersrand building and property development scene and is well ahead with its R32 million contract for Project 1066 block for Old Mutual and which is being built by Group Five-Combrink Building.

Peter Clogg — Major property projects on the way.

Mr Clogg gives a hint of "a number of major property developments" on the way but details must await the outcome of negotiations.

Looking at housing, the Group Five executive, says: "Unless there is a determined effort by Government to cut through mounds of red tape which is stifling progress in this sector, I see little prospect of things moving at anything like the required rate.

"It is really a matter of will, because we certainly have the means available.

"We have simply got to accept that some action has to be taken, especially with regard to the availability of land," he says.

Council plan

THE Wesselton Town Council near Ermelo has established a township development company with blacks on the management and others as shareholders.

Wesselton town clerk, Mr D J Swart, who believes that the establishment of the company is a first among councils in the Transvaal, said the company would be launched at the Wesselton council offices on July 22.

The company is to start building low-cost houses for Wesselton residents, among whom 60-75 percent are blacks. The company will alleviate the need to contract the private sector for the building of the houses.

People employed by the company were trained by the council from last year, with the aim of reducing unemployment.

Building boom threatened

SATURDAY JULY 23 1988

C/C ARGUS 23/7/88 (32)

By TOM HOOD
Business Editor

THE building upturn could run out of steam by the year-end as a result of soaring costs.

This is the belief of quantity surveyors, the professionals who monitor prices.

Excessive price increases and profit-taking by suppliers of materials — well ahead of the country's inflation rate — are among the factors boosting building costs, says Mr Billy Steele, chairman of the Western Cape Chapter of the Association of South African Quantity Surveyors.

A major cement supplier, Blue Circle, for example yesterday reported an earnings rise of 45 percent after a jump in profit margins from 15,6 to 21 percent.

"We see a 24 percent increase in costs for 1988 in spite of the inflation rate dropping 6 percent from 19 to below 13 percent in the past 12 months and lower interest rates," he said.

"The real fear is of building suppliers and merchants getting too greedy which, in conjunction with wage increases, inflation and interest rates going up, will seriously affect tender prices.

"The only way is for everyone in the building industry to be realistic about profit margins.

People still remembered the depression and interest rates of 25 percent and the ordinary developer and house buyer were cautious about buying on credit.

"We can see householders and developers cancelling plans and waiting for prices to drop. The upturn will run out of steam completely by the last quarter of 1988, having lasted less than two years."

Mr Steele said profit margins of big builders were so thin that there was good value in the lower end of the housing market.

Much bigger increases in costs had been seen in the middle and upper income group markets.

A 200 m² up-market house should cost about R500/m² to build but prices of R750 and R800 were seen.

For R1 000/m², a home owner should expect marble floors, roof tiles, lots of bathrooms and high quality joinery.

"We must also expect that Government house building in the Cape will also decrease in the next two years.

Home builders now had so much work that few were prepared to tender for a house.

The Cape had seen a sustained house-building boom for more than two years but only since the first quarter of 1987 had the non-residential market experienced an upturn. Big developments such as Blue Downs had taken up most of the available labour and as a result there was a shortage of skilled workers.

In the depression of 1984 to 1986, the industry had been innovative and everyone — architects, developers and builders — had scaled down their ideas and started constructing economic buildings. Builders were prepared to accept lower profit margins.

When the upturn came customers were still getting good prices in 1987 because of keen tendering.

But in 1988 as builders' order books filled more and more, they were not as keen in their pricing, which was to be expected.

Cost rise threat to building upturn

Star 25/7/88

(32)

By Tom Hood

CAPE TOWN — The building upturn could run out of steam by year-end as a result of soaring costs.

This is the belief of quantity surveyors, the professionals who monitor prices.

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REAL FEAR

"We see a 24 percent increase in costs for 1988 in spite of the inflation rate dropping 6 percent from 19 to below 13 percent in the past 12 months and lower interest rates," he says.

"The real fear is of building suppliers and merchants getting too greedy, which, in conjunction with wage increases, inflation and interest rates going up, will seriously affect tender prices.

"The only way is for everyone in the building industry to be realistic about profit margins."

He says profit margins of big builders are so thin that there is good value in the lower end of the housing market.

Much bigger increases in costs have been been seen in the middle- and upper- income markets.

A 200/sqm up-market house should cost about R500/sqm to build, but prices of R750 and R800 have been seen.

A 70/sqm house with a lower level of finishes can be built for about R35 000 to R40 000 — R450 to R500/sqm.

LTA Comiat in upmarket homes

Star 28/7/88 (32)

By Frank Jeans

While the decision by the LTA group to withdraw from the tendered black housing market has rippled through the construction industry, it remains active in the upmarket sector of the non-white homes business.

Getting the message across even further is seen in the housing performance levels of LTA in its partnership with French company, Comiat, a joint venture which continues to have a massive commitment to all sectors of low-cost accommodation.

Indeed, LTA Comiat Homes is planning considerable expansion in this area over the next few years and has already secured the rights to develop more than 15 000 homes for blacks, Coloureds and Indians in South Africa and the independent states — a commitment that is touching R600 million in market value.

"Negotiations continue for further work in this area," says Tony Westbrook, deputy MD of LTA Comiat Homes.

LTA Comiat Homes was formed in 1983 after the Government's decision to limit the amount of mass housing put out for tender and to call on the private sector to become more involved in the provision of housing for people of all races.

This change in policy made the tendered market for housing highly competitive and LTA, together with Comiat, decided to concentrate efforts on the development market.

The joint venture's current housing workload exceeds that undertaken by LTA on tendered work in 1986 and 1987.

LTA Comiat Homes is involved in developments at Ennerdale, Atteridgeville in the Transval, Thabong, Meloding and Manguang in the Free State, Blue Downs and Roodepan in the Cape, and Lamontville in Natal.

There are also on-going projects in Venda, QwaQwa and Bophuthatswana.

Prices of LTA Comiat's houses, including serviced land, are now generally in the R45 000 to R60 000 range, but the partnership is looking at a package, including land, to sell for less than R20 000.

Two pilot projects at this price are now set to take off in Khayelitsha in the Cape and Odendaalsrus in the Free State. In these ventures, LTA Comiat Homes is linking up with SA Housing Trust.

Don Carruthers, chairman of LTA Comiat Homes and MD of the LTA Mac group of companies, which is active in building work for the mining industry, says a large percentage of the latter's workload is in low-cost housing.

Written by SARAH PAYNE

Civil engineers enjoy record June

AFTER some slowing down in new civil engineering contract awards during April and May this year, a record June total pushed the figure recorded by the South African Federation of Civil Engineering Contractors (Safcec) during the second quarter to R590m — plus R100m in the Highlands water project contracts in Lesotho.

Kees Lagaay, Safcec's executive director, says a preliminary estimate of the total output of the industry during the first quarter of 1988 (production during January still being affected by the end of the holiday period) is R735m.

Traditionally second-quarter output is some 10%-15% higher, but a bunching of holidays and stayaways this year may have adversely affected product figures.

At about the mid-year point, says Lagaay, contractors are increasingly looking at the prospects for further work in 1989, although in many cases they already have a reasonable amount of work on their books.

"In this regard there is uncertainty at present about the country's overall economic outlook. This is partly due to international economic and other pressures — but in particular to the State's infrastructure expenditure plans for next year.

"It is well known that this form of capital expenditure is highly susceptible to cutbacks should economic conditions deteriorate," he says.

To Safcec's dismay, the position is also affected by the Government's decision earlier this year that the income of the National Road Fund will depend in future on an annual allocation from the Treasury, determined on the basis of overall priorities, and will no longer be an autonomous source of revenue from the fuel levy.

Under these circumstances Safcec says contractors should regard the prospects for next year with caution.

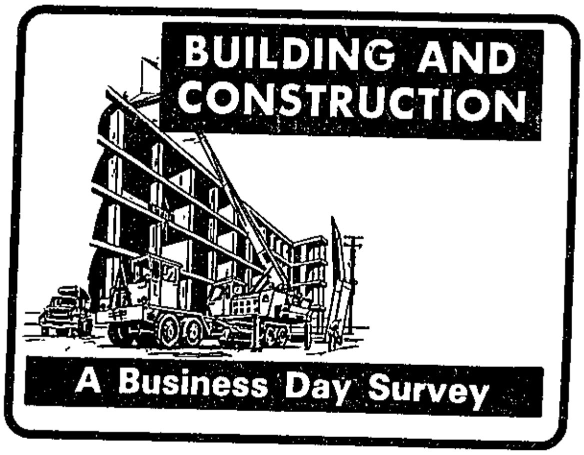
Among recently awarded contracts which have helped boost the civil engineering industry's turnover figures, are activities in the road-building sector, township infrastructural development and water-works.

Private toll road company Tolcon has awarded five major contracts with a combined value of R226m for the reconstruction of some 100km of the N1 national road in the Orange Free State from the Vaal River, near Villiers, to Warden.

Two contracts will be undertaken by Murray & Roberts Civils at R56,9m and R24,1m, two by the Group Five company Savage and Lovemore North (R47,8m and R43,9m) and the fifth, at R53,1m by Grinaker Construction Transvaal.

The construction period for each of these contracts is 22 months. They illustrate the success of the innovative methods of procuring construction work which have been developed over recent years by contractors in conjunction with financial institutions, consulting engineers and the co-operation of relevant public authorities.

In just over a year Tolcon has awarded contracts with a total value of about R400m, and Tolway has started work on the Benoni-Brakpan section of the future East Rand-West Rand toll road.



The Cape Provincial Administration has awarded the construction of the Burgersdorp to Aliwal North trunk road — a distance of 54km — to LTA Construction at R21,2m for completion in 30 months.

In Cape Town a section of Klipfontein Road will be constructed by Savage and Lovemore (Cape) for R4,7m.

In the Transvaal, LET Construction has been awarded the R16,9m contract for 9km of the highway between Evander and Kinross, to be completed in 18 months.

The largest township contracts recorded during June were:

R7,8m for earthworks and services for Phase 2 of the Crossroads development in Cape Town to a consortium of Clifford Harris and Earthmovers United; R5,6m for services in Vosloorus Extension 14 awarded to Cerimele Construction; and Grinaker Construction Natal's contract of R3,2m for civil work in the Hillgrove township in Durban.

S M Goldstein & Co has been awarded a R21,7m 18 month contract by the Pretoria City Council for civil engineering construction at the Zeekoegat water care works.

In Potchefstroom Norse Construction will indertake the extension to the existing wastewater treatment works for R1,6m.

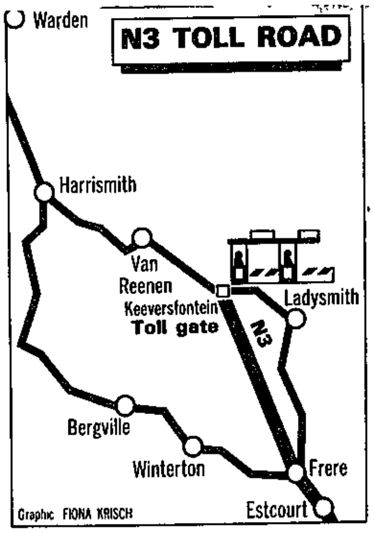
New contracts in the mining and commercial sectors include civil work for a gold plant in Germiston awarded to LTA Civil Engineering for R2,1m, and bulk earthworks and appurtenant works for extensions to the Pretoria fresh produce market to be undertaken by Bou Raath Civil Contractors at R4,2m.

Existing roads must not have tolls

AA changes its mind on pay-road plan

32

8 day
28/7/88



CHRISTOPHER TUCHER

THE Automobile Association (AA) has done an about-face on toll roads, adding its voice to those opposing the Transport Department's plans for tolling existing roads in the southern suburbs of Johannesburg, the N1 and the N13.

AA spokesman Iona Reed said the N1 toll plaza near Ennerdale affected commuters who, because of the Group Areas Act, were forced to use the N1 into Johannesburg.

Tolls should not be introduced until improvements to the Golden Highway — a non-toll alternative route — were completed, Reed wrote in a letter to Transport Minister Eli Louw.

Reed opposed plans for the existing N13 because Tollway, a private consortium, would be entitled to levy a "temporary" toll until it had completed construction of the new M4 southern bypass from Krugerdorp to Springs in eight years.

Tollway would make no improvements to the N13, nor to the alternative route, Rifle Range Road, which already suffered from over-congestion, Reed said.

The AA originally supported toll roads, citing growing shortages in road funding.

In future, only new road construction, upgrades of existing roads, and short sections of existing roads that serve as links between new roads would get the endorsement of the AA.

Meanwhile, the new N3 toll road between the foot of Van Reenen's pass and Frere in Natal, which will be officially opened to traffic on Monday, will save motorists half-an-hour's driving.

The toll plaza on the new 55km concrete road has been built at Keeversfontein, at the foot of Van Reenen's pass. The Frere/Winterton-/Bergville route to the northern Berg areas now becomes the alternative toll-free route.

The new road is 16km shorter than the existing route, and cuts out 70km, including the Colenso Heights.

Tolcon CE Ron McLennan said toll tariffs would be R6,50 for light vehicles with two axles and R12-R20 for heavy vehicles with two axles.

New company formed to assist black builders

Sowetan 28/7/88 32

ONE of the leading construction companies in South Africa, Time Housing, has teamed up with Hibom Township Developers — a group of black entrepreneurs — to form a new housing company to be called Tri-Time Housing (Pty) Ltd.

The new company, Tri-Time Housing, has already started work on its first development. It is busy building about 50 homes in Alexandra township, near Johannesburg.

Expand

The company plans to expand its activities to Soweto and other metropolitan areas in the Transvaal.

The company's directors are Mr Winston Mokoena, Mr Emmanuel Khumalo, Mr Alf Molathloe of Hibom Township Developers, Mr Mike Graham (managing director of Time Housing) and Mr Pat Collins (director of Time Housing, Transvaal).

Mr Graham said he believed that co-operative ventures of this nature were essential to effectively address the huge black housing backlog.

He said such an association would undoubtedly benefit the community at large and black building entrepreneurs in particular.

Black

"Not only will we have the opportunity of working with black builders and experience their problems at first hand, but we will also be laying the foundation for a mutually rewarding association for the future," Mr Graham said.

He said Time Housing would provide the administrative, financial and management expertise while Hibom would be responsible for sales and construction.

The new company, he said, was backed by Time Housing's draughting and conveying services, its financial muscle and credit facilities.

Assist

The formation of Tri-Time is the latest initiative by Time Housing to assist black builders and sub-contractors.

Last year, the company teamed up with Charles Builders, a Witbank firm of black entrepreneurs which had all the contracts and building skills but needed strong financial and administrative back-up.

The team was put to the test on a municipal contract for 89 homes. These were completed in only four months — two months ahead of schedule.

Mr Graham said his company firmly believed that the most effective ways of dealing with black housing was to train more black artisans and to assist black builders.

"To this end, we are constantly looking at teaming up with progressive black building companies. I believe that the route we have taken is a logical one for the industry. It will significantly contribute to the future prosperity of the country and all its people," Mr Graham said.

THE directors of Tri-Time Housing, a co-operative venture formed to tackle the immense black housing backlog. They are from left: Mr Alf Molathloe, Mr Pat Collins, Mr Winston Mokoena, Mr Emmanuel Khumalo and Mr Mike Graham.

Company into mass housing

Sowetan 28/7/88

(32)

AS house prices continue to hit the roof, an East Rand construction company believes it may soon be able to build houses, aimed at the lower income group, at half the prices of conventional homes of the same size.

Lifetime Homes, which was formed last year with the specific intention of entering the mass-housing field to provide quality homes at affordable prices, is presently evaluating a "revolutionary housing system" which, if successful, will make it possible to build a 65 square metre home at less than R18 000.

According to Mr Dick Weimer, Lifetime Homes' sales manager, a conventional home of the same size could cost a buyer in the region of R30 000.

He said the system,

Continued on page 43

Mass housing

(32)

Sowetan 28/7/88

Continued from page 42

which he did not want to elaborate on at this stage, was presently undergoing tests. He said the houses would be complete with tiled roofs and other up-market finishes.

Mr Weimer said companies which claimed to be providing low-cost housing were not really addressing the problem as the houses they built did not look different from "Government houses".

Lifetime Homes, together with Wietpro Behuising, are about to commence with the sale and construction of 350 homes in Tembisa, and the development of 2 000 stands in Dobsonville. About 600 of these stands will be designed for low-cost housing.

The company is presently involved in the development of four townships on the East Rand. Its managing director, Mr Peter van Zyl, has been involved in the mass housing field for the past five years.

This is one of the up-market houses built by Minrav International.

Sowetan 25/7/88

Pilot project

32

MINRAV International, a construction company which is well-known for its attractive and durable upmarket housing, recently took a giant leap when it decided to also cater for the low-income group.

As a pilot project, the company recently undertook to build 30 economic houses in Botshabelo, in the Orange Free State. The prices, which include the cost of the land, range from 8 000 to R10 000.

A spokesman for the company said in an interview this week that the pilot project had proved to be a major success. She said it was clear that there was a great need for economic housing in South Africa.

As a result of this success, plans were afoot to provide more affordable housing in most of the black townships across the country.

Mr Aric Burstein, general manager of Minrav International, said it was his opinion that future demands tended towards low-cost housing. He said developers would have to adjust themselves accordingly.

"At present a demand for affordable housing prevails and it will take quite some time for these demands to be met," Mr Burstein said.

Wendy Ackerman hands over key

MRS Wendy Ackerman (left), Pick 'n Pay's director of community development projects, hands a dummy key to Ms Pumela Antonio, a Pick 'n Pay employee, during the official opening of the first phase of the Pimville project. With them are Mr John Duncan (second from left), of Gough Cooper Homes, and Mr Chris Labuschagne, also of Gough Cooper.

Retail chain embarks on R2 million Soweto project

Sowetan 28/7/88

32

PICK 'n Pay, one of the leading South African retail chains, recently embarked on a R2 million housing project in Pimville, Soweto, as part of its commitment of accommodating its employees.

The company recently bought a piece of land from Gough Cooper Homes in zones 4 and 5, Pimville, where a total of 317 stands are being developed. The first phase of the project, which consists of a block of 53 simplexes, has already been completed.

Simplexes

All the simplexes comprise three bedrooms, a lounge-cum-dining room, a kitchen, bathroom and a toilet. Features include tiled roofs and fitted carpets.

This is the fourth housing development project the retail chain has embarked upon throughout the country in recent months. Other schemes have been developed in Soweto, Natal and the Cape.

Gough Cooper Homes are presently investigating the possibility of developing a similar scheme in Naledi, Soweto.

Service

Pick 'n Pay employees are required to have at least three years unbroken service with the company and be able to raise a 10 percent deposit to qualify for a subsidy.

Mr John Duncan, manager of special projects for Gough Cooper Homes, said at the official opening of the Pimville project recently that the priority was to provide housing to as many people as possible, while placing each individual unit on its own piece of land in an attractive way.

He said the project proved to be a sell-out.

32

28/7/88

Bifsa

Continued from page 44

Sowetan 28/7/88

He said it was hoped that more than 2 300 people would have been trained at Bifsa's college by the end of February next year.

Mr Naude said the federation also provided free transport for its students.

Here are the departure points of the buses:

Alexandra — Pan American Centre; Katlehong — administration offices; Vosloorus — town council offices; Daveyton — Lionel Kent Centre; Soweto — Klipspruit, near Nancefield, Funda Centre and Baragwanath Hospital. Buses leave at 7am every weekday.

Anyone interested in the courses can contact Mr Naude at (011) 813-2160.

Gypsum industry being probed

S1 Kor. 29/7/88

By Des Parker

DURBAN — The Competition Board is to put another major sector of the building materials industry under the microscope when it launches an investigation into the gypsum industry.

With the cement industry sweating under the threat that its pricing and distribution cartel could be abolished in September, the Government has ordered an inquiry in terms of the Maintenance and Promotion of Competition Act into Gypsum Industries, which mines gypsum to make moulded products and board.

A notice in the Government Gazette this month invited written representations with reference to any restrictive practices and monopolies in the gypsum industry to be sent to the Competition Board by August 7.

Pierre Brooks, chairman of the board, says the investigation differs from the cement study in that it is being conducted in terms of the Act, while the cement inquiry was instituted after the crackdown on collusion and price-fixing ordered by the Government a few years ago.

The cement cartel warned at the weekend that scrapping its inter-company arrangements would result in higher prices.

JSE-listed Gypsum Industries is the only manufacturer in the country of products made from gypsum. It holds an estimated 80 percent of the market for ceiling and plaster boards, out-selling its competitors manufacturing with wood, plastic and asbestos-cement.

Dr Brooks says: "We would be more concerned with any finding that there is an abuse-of-a-monopoly situation, rather than that there might be a monopoly, per se."

The Act allows for the board to recommend to the Minister of Trade and Industry that an industry be demonopolised.

...sts income

...ed a satisfactory growth in the ...nded June 30 and the directors ..., profits and dividends further ...an Pietman Hugo, said in Paarl

...e past financial year there now ... and he expected this trend to

ПАR 29/7/88

...lerate improvement in econom...ich ended on March 31.

...oup increased it's income, after ...reserves, by 40 percent from

...ased from 40c to 42c. — Sapa.

N3 Toll Road will save you

Sowetan 29/11/68

THE new N3 toll road between the foot of Van Reenen's Pass and Frere, which will be officially opened to traffic at 2pm on Monday, will save motorists half-an-hour driving.

The toll plaza on the new 55 km concrete road has been built at Keeversfontein, at the foot of Van Reenen's Pass. The Frere/Winterton/Bergville route to the northern Berg areas now becomes the alternative toll-free route.

The new road is 16 km shorter than the existing route, and cuts out 70 km, including the Colenso Heights. A feature of the new road will be emergency radio telephones located at four km intervals. Petrol, restaurant and toilet facilities will soon be constructed.

Tolcon chief executive Ron McLennan said toll tariffs would be:

- Light vehicles with two axles R6,50;
- Light vehicles with more than two acles R8;
- Heavy vehicles with two axles R12;
- Heavy vehicles with three or four axles R15;
- Heavy vehicles with five or six axles R18;
- Heavy vehicles with seven or more axles R2

The levies are a tax deduction for commercial road users, Mr McLennan said. — Sapa

B/day 29/7/88 (32)

Everite's net income up 80% in its annual results

ADAM PAYNE

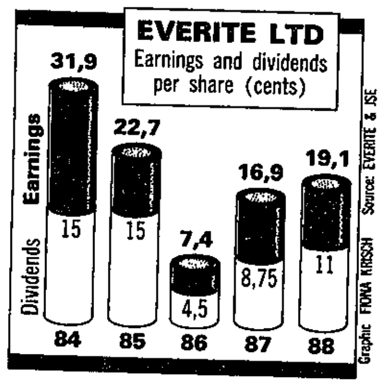
EVERITE, manufacturers of fibre-reinforced cement products, have turned in excellent results for the year to June with net income up 80% at R19,5m (R10,8m) reflecting the upturn in infrastructure development and the building industry.

This 80% rise was achieved on an 11% increase in turnover of R324m (R292m) showing a healthy profit-to-turnover ratio.

Everite experienced a particularly strong second half with net income before extraordinary items at nearly R10,7m compared to R6,2m for the first half.

The directors attribute this to an improvement in market conditions combined with a cost reduction programme in the previous 12 months.

Everite has declared a final dividend of 6,5c (4,5c) to total 11c, placing the share on a yield of 4,9%.



Earnings a share improved 13% to 19,1c (16,9c) on a PE of 12 with shares in issue increasing by 14%. Net asset value of the shares is 308c compared with the JSE market price of 225c.

The directors caution that direct comparisons on turnover could be misleading because of the net effect of the acquisition of the building products division of Turner & Newall during the previous year, and the sale of the group's concrete division to Fraser Alexander at the start of 1988.

In addition, the group's PVC pipe business was deconsolidated after its merger with AECI's Duropenta to form DPI Plastics in January.

While Everite had to contribute R700 000 to the after-tax loss of associate company DPI, it appears the merged operation is expected to contribute significantly to future profits. DPI is already back in profit.

An extraordinary contribution of R2,6m (-R2,3m) was principally because of the sale of the concrete division.

The interest burden was reduced by almost R1m to R1,5m.

The results of Everite Holdings, which has a 56,2% investment in Everite Limited, reflect a *pro rata* share of the earnings of Everite.

The net asset value of Everite Holdings shares is 1 097c compared with the market price of 625c.

5/8/88 (32)

LTA

Dividend likely

LTA's long, hard road to recovery continues, but the group finally seems to be reaching the point of a substantial rise in profits and the possibility of a dividend payment.

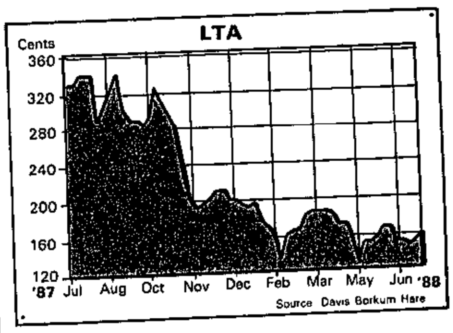
Continued recovery in the year to end-March was evinced by a moderate rise in taxed profits, but pre-interest profits were only marginally higher. Debt was up, though interest was lower on the main account which does not include higher interest charges for discontinued operations.

While EPS only edged upwards, net worth per share was significantly higher. The latter figure crashed in 1986 because of write-offs associated with ill-fated overseas operations. Net recoverable assets from discontinued operations of R30,9m — again unconsolidated — include claims for off-shore contracts and Soweto on which summons for R82m was issued. The R30,9m is conservative and LTA hopes for more. These recoveries are LTA's main hope for reducing gearing, which increased to 0,82 (0,60).

Recessionary conditions in the industry continued through most of last year, but margins increased sharply in the last quarter and are now substantially higher, according to MD Colin Wood. Some companies made losses last year, but all four divisions were profitable. Wood expects improved contributions from all sectors.

Return on capital has declined every year for the past four years. Wood explains that at the start of a recessionary period there is an overhang of high margin contracts from the preceding boom, but margins reduce until, at the end of the recession, there is an overhang of lower margins.

Rationalisation continues, if at a mercifully slower pace. Mass low-cost housing operations were closed owing to disappointing performance. Emphasis has shifted to more individualised houses and the number of units per contract has declined, allowing smaller contractors to tender and cutting margins. LTA is concentrating on a joint venture housing company, which develops townships for lower income groups. Wood says losses from the closure were all borne in the past year.



Roads and earthworks have been a beacon of profitability for LTA in its long winter. LTA has 40% in a joint venture which recently signed a R125m contract with Tollway for construction of the first phase of Springs/Krugersdorp toll road system; a R97m contract for construction of an access road to the Lesotho Highlands project; and a R40m Mossgas contract. LTA also has a 36% shareholding in Tollway, which owns a concession for construction and operation of a metropolitan freeway, costing an estimated R750m. Further profitable Lesotho Highlands projects and Mossgas contracts are likely.

LTA has paid no dividend for four years, but Wood believes the recovery this year will be strong enough for a payment.

In view of the long history of disappointments and the high level of gearing at year-end, investors will be wary of returning to LTA. Given the likelihood of large claim recoveries and profits on big contracts, the share — currently close to its 12-month low — may move somewhat higher, but a solid rerating is probably not yet in prospect.

Teigue Payne

Activities: *Diversified building and engineering group.*
Control: *Anglo American Corp has control.*
Chairman: *Z J de Beer; managing director: C J M Wood.*
Capital structure: *13,2m ords of R1; 13,2m automatically cov cum prefs of R1. Market capitalisation: R21,5m (ords) R26,3m (prefs).*
Share market: *Price: 163c (ords); 200c (prefs); 14,5% on earnings; PE ratio, 6,9. 14-month high, 340c; low, 130c. Trading volume last quarter, 84 000 shares.*
Financial: *Year to March 31.*

	'85	'86	'87	'88
Debt:				
Short-term (Rm) ..	41,3	33,9	24,6	32,2
Long-term (Rm) ...	19,4	9,9	5,9	10,5
Debt:equity ratio	0,69	1,09	0,62	0,80
Shareholders' interest	0,20	0,13	0,15	0,15
Int & leasing cover .	1,93	1,25	3,5	3,6
Debt cover	0,46	0,52	0,82	0,60

Performance:

	'85	'86	'87	'88
Return on cap (%) ..	4,3	3,6	3,3	2,9
Turnover (Rm)	1 138	991	1 065	1 241
Pre-int profit (Rm) ...	16,8	11,6	10,0	10,3
Pre-int margin (%) ..	1,5	1,2	0,94	0,83
Taxed profit (Rm)	1,1	0,96	5,5	6,1
Earnings (c)	50	2	22,1	23,7
Net worth (c)	631	290	319	374,8

The Star Finance

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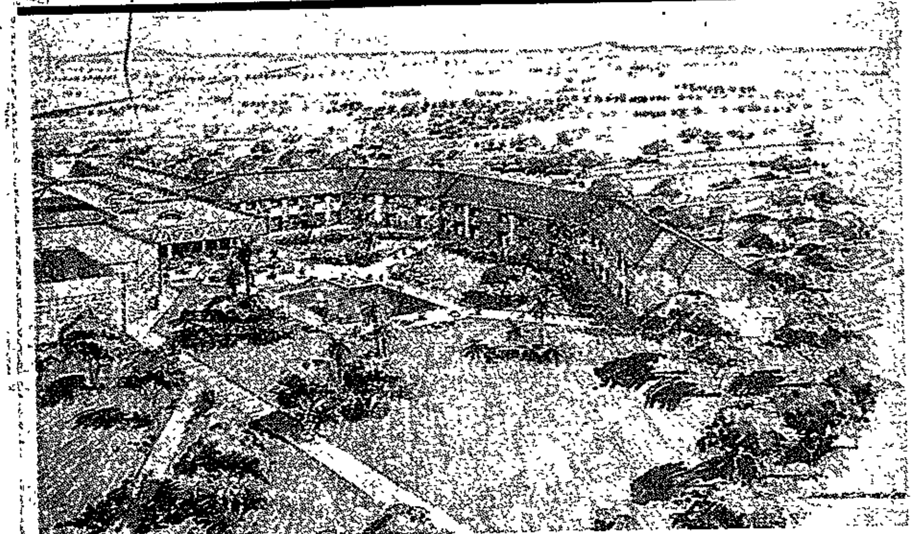

The Bophuthatswana area of Taung will get an economic boost this year with the building of Sun International's new hotel operation (above).

Construction activity hots up, say scaffolders

A good indicator of a more prosperous construction industry is seen in the latest assessment of work volumes by scaffolders.

One of the leading groups in the field Form-Scaff, which monitors construction activity so as to budget and make forward plans on stock requirements, sees a 100 percent leap in its indicator in only one year.

"This rise is in real terms," says managing director, Mr Lee Koch. "The previous forecast showed a 50 percent rise for the year."

The main reasons for the big jump are given as growing demand in the office supply market, toll road construction and projects which were "on the shelf" now coming back on stream.

Form-Scaff sees the next four months as showing continued strong activity in construction and building and then a slight downturn by the end of the year.

"The index we use for our forecast is a composite of leading indicators, including building plans passed," says Mr Koch.

"The indicator gives Form-Scaff the ability to judge equipment stocking levels."

MANPOWER MIRROR by ROBYN CHALMERS

Construction hit by skills shortage

14/8/88 STimes (32)

THE construction industry is facing a shortage of more than 40% of skilled workers because of an upturn in activity.

The problem stems from the industry's cyclical nature. The often-used phrase "feast or famine" is appropriate.

Building Industries Federation (Bifsa) executive director Lou Davis says that between 40% and 45% of skilled workers left the industry in the recession and few returned.

FRAGMENTED

Mr Davis says: "This means that the slightest upturn in the market leaves us with a severe shortage of experienced, highly trained workers.

"Two or three years ago the industry sustained a work force of 240 000. Now we have about 180 000."

Bifsa president Neil Fraser says the industry is characterised by "re-work and rectification and has become fragmented, inefficient and expensive".

"Given that our base for middle- and high-level manpower is the white population group, the Institute of Futures Research estimates that by the year 2000 SA will face a shortage of 200 000 skilled white workers."

Neil Fraser . . . black managers must be accepted

These figures are not encouraging, especially when one considers the huge decrease in engineering graduates.

From a peak enrolment of 700 in 1972, the number of civil engineering students has dropped to under 300.

SA Federation of Civil Engineering Contractors (Safcec) figures show the number of civil engineers plunged from 125 000 in 1982 to 82 000 last year.

The brain drain does not help matters either.

Mr Fraser believes that it is essential to overcome the "current dichotomy of both black resistance to management training and the industry's resistance to black managers".

The increase in demand for skilled manpower in the industry is forecast at 5% a year. Mr Fraser says the base from which it must be met has these constraints:

- Only 5,3% of all graduates are in construction.
- Within the construction-related disciplines only 2,49% of the total graduates over the past 20 years have been black, and universities are experiencing their lowest intake of engineers for decades.
- Offset against the shortage of skilled manpower is the surplus of semi- and unskilled workers.

Mr Fraser says that by 2000 there will be about 9-million unemployed in SA. The labour pool is likely to increase to 17,9-million, the economy being able to absorb 8-million.

The picture is gloomy, but Mr Davis does not believe that it has to remain so.

"The answer is to stabilise the industry, and this is up to the Government. It is vital that we have some form of contra-cyclical funding from the State.

"As soon as the bad times come, the Government closes up shop as far as construction is concerned," he says.

A stabilisation fund similar to that in Israel is one way to go. The Government could build it up in the good times and feed off it in bad spells.

Intensified training is possibly the most important step. Bifsa is pumping R17-million into education and has built four training colleges at a cost of R35-million.

STATE AID

Remuneration is also a big point. A young, newly qualified engineer in the private sector can expect a salary of about R2 300. The public service, however, offers benefits which far exceed this.

An engineer pays about R20 000 for university education. This is written off in the public service after he has worked for about six years and completed his national service.

He receives a R400 monthly housing subsidy and an excellent pension and medical aid scheme.

Changes in Government strategy, intensified training and a swing in the attitudes of black and white could remedy the problem.

The public has to suffer for the time being. As Mr Davis says: "The public has to accept that standards will not be as good, quality will go down and because the production per capita is lower, costs will rise".

rt

Wider margins boost Penpin earnings 71%

Cape Times 17/8/88 32

Financial Editor

WIDENING profit margins helped Cape Town-based building materials chain Pennypinchers Holdings (Penpin) to achieve a 71% rise in earnings in the six months to June to 7,13c (4,18c) a share.

Turnover rose by 79% to R47m. Financial director Percy Bishop said this was in line with the forecast R110m for the year as a whole.

"Historically, Penpin's turnover and earnings for the first six months have contributed about 40% of the group's annual total.

"So with the traditionally better results in the second half of the year the company should have no difficulty in meeting forecasts."

The group's net operating income rose by 98% to R2,23m compared with last year's R1,15m, "which indicates that we have improved our margins substantially," Bishop said.

The interim dividend is 3c a share. The directors say they expect to declare a dividend of 6c for the whole year, raising the cover to 2,7 times compared with 2,4 times last year.

They expect Penpin's earnings per share to rise to 16c (9,62c) for the year.

Net current assets rose to R3,8m (R538 000). The current ratio is 1,2:1.

Bishop said expansion into the Transvaal was going well, with Penpin opening two branches in Pretoria and subsidiary Pennypinchers Boards (Penboard), which specializes in basic lines of timber, boards, and associated cabinet hardware, opening Pennypinchers Laminates (Tvl) in Jeppestown with two additional stores in the pipeline, a boards branch in Pretoria and a boards and building materials branch in Johannesburg.

He said further expansion plans included opening a bulk boards store in Parow and a truss manufacturing division in Port Elizabeth.

Bishop said the opening of a branch in Crossroads was "a major milestone," since the black informal sector was "without doubt the target market for the future."

● Penboard lifted earnings for the six months by an impressive 165% to 4,33c (1,63c) a share.

Its turnover rose by 78% to R11,7m (R6,5m). Net operating income rose by 129% to R823 000 (R359 000).

The maiden interim dividend is 2c a share and the directors expect to declare a total dividend of 4c for the year, giving a cover of 2,4.

They forecast that Penboard's earnings for the year will be 9,4c (6,08c).

BUSINESS

CONSTRUCTION

ARGUS 19/8/88 (32)

R30-m Disa venture

Business Editor

LESS than a year after expanding into the Eastern Cape, Bellville-based Disa Homes is involved in housing projects there worth R30-million, with more in the pipeline.

The company is building for first-time home owners in Swartkops Valley (Port Elizabeth), Gompo Town (East London) and King William's Town.

Since starting in the Western Cape in 1981, Disa has aimed at high-quality, low-cost housing for people in the middle-income group and offered a 100 percent financial package to help families who would never otherwise have been able to buy a home.

The Eastern Cape houses cost on average R50 000, including plot, shrubs, trees, roll-on grass and carpeting.

"There is a lively interest in the housing projects at Port Elizabeth and King William's Town and we expect the same at Gompo Town," says marketing director Danie Buys.

Of the 352 plots available at Swartkops Valley, 100 have already been sold and 40 houses are being built.

Practically all 65 plots in the King William's Town scheme have been sold.

Total value of the King William's Town project is R3,5-million, that of Swartkops Valley is R17-million, and that of Gompo Town is R6-million.

Homes for the affluent in Gompo Town, which will form an elite suburb with attractive street scenes, will consist of houses with two to four bedrooms, one or two bathrooms, single or double garages and separate or combined lounge-/dining rooms.

Marketing of the 100 plots has started and these houses will belong to first-time home-owners, or they may be acquired through company or state-sponsored subsidies. The financial package will include 100 percent bonds.

Disa plans on expanding activities in the Eastern cape.

Besides housing, the company is working on two multi-million-rand shopping complexes in Bellville and Mitchell's Plain.

The company was listed on the JSE last year and more than doubled its turnover and tripled its profits in the first six months of the current financial year.

After-tax profits jumped from R412 000 in 1987 to R1,2-million in 1988.

Minister snubs council

Jo'burg set for toll road showdown

S 19/8/88. SMM

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By Shirley Woodgate,
Municipal Reporter

The Johannesburg City Council and the Minister of Transport, Mr Eli Louw, are on a collision course over a toll road in the southern suburbs of the city.

Talks between Mr Louw and council transport chairman Mr Danie van Zyl over the Winchester Hills toll plaza — which has raised considerable heat among local residents — failed to take place yesterday as planned and there is now a hostile stand-off.

Mr Louw snubbed Mr van Zyl, refusing to see him, because the council had sought a legal opinion on possibly halting the toll plaza's construction.

It was still not clear today whether the council would take legal action.

Residents' hopes of getting exemption from the toll — about R1 a journey — also rest on talks Mr Louw had yesterday with four Nationalist MPs.

A joint statement afterwards said technical aspects would be investigated before further comment was made. The financial implications for local residents of the proposed toll road would be investigated.

The MPs were Mr Andre Fourie (Turffontein), Mrs Sheila Camerer (Rosettenville), Mr Hennie Bekker (Jeppe) and the MP for Langlaagte, Dr Johan Vilonel.

'Regrettable'

Mr Fourie said: "We put suggestions to Mr Louw, to alleviate the burden of local residents, which he wanted to discuss with his department and the Tolway consortium."

Mr Fourie expected results of the meeting would be revealed soon.

The toll on the N13, affecting Ennerdale commuters to Johannesburg, seems set to go ahead despite protests. It will add hundreds of rands to transport costs of thousands of residents commuting to work in Johannesburg.

Mr van Zyl said the Minister's action was regrettable and indicated he was not prepared to back down on the issue which affected 400 000 people.

● Experts estimate that if the recently announced 13c increase in the price of petrol was used for the construction of the R300 million M4 link it could be paid for in less than a year, cancelling the need for the N13 toll.

QUANTUM

Housing drive

Activities: *Development of industrial and commercial land primarily in black areas, civil engineering and project management.*
Control: *Directors hold about 54%.*
Chairman: *D Meyer; managing director: S A Gordon.*
Capital structure: *43,3m ords of 1c each. Market capitalisation: R34,6m.*
Share market: *Price: 80c. Yields: 6,3% on dividend; 16,8% on earnings; PE ratio, 6; cover, 2,7. 12-month high, 200c; low, 70c. Trading volume last quarter, 1,9m shares.*
Financial: *Year to March 31.*

	'88
Debt:	
Short-term (Rm)	7,3
Long-term (Rm)	5,9
Debt:equity ratio	1,06
Shareholders' interest	0,27
Int & leasing cover	5,78
Debt cover	0,57

Performance:

	'88
Return on cap (%)	16
Turnover (Index 1987 = 100)	292
Pre-int profit (Rm)	8
Taxed profit (Rm)	4,4
Earnings (c)	13,4
Dividends (c)	5
Net worth (c)	36,2

A movement from the DCM to the JSE main board is on the cards for Quantum, which is now one of the larger members of the nursery, following vigorous growth in the first year since its listing in June 1978. MD Stuart Gordon confirms that the company is moving towards a transfer, although an application has not yet been made.

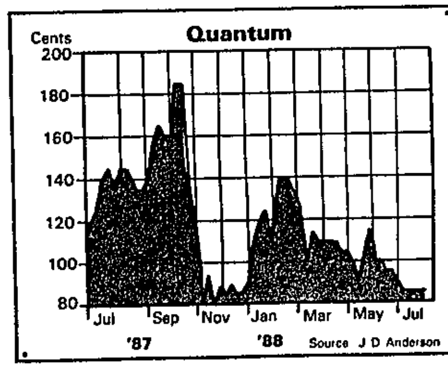
Although the performance has been good, its track record is short. Operating profit in the year to end-March was 183% above the pro forma figure for the previous 15-month period and 66% above forecast; attributable income was 245% and 70% higher and EPS 173% and 65% higher. Turnover, shown as an index, was 192% higher.

The debt:equity ratio was a source of concern at 1,06, high even for this kind of company.

Quantum is active in the black housing market, from which it drew more than half its income last year. Its other divisions — property development, project management and civil engineering — are also primarily in black developing areas and integrate well operationally. This may seem like staking all on one market, but a slowdown in black housing at least seems unlikely. An estimated 2m houses must be built in this market in the next two decades. Gordon says the market is competitive but is also big enough for everyone and hence margins should be maintained.

Until now, Quantum has specialised in higher-margin, upper-income black housing — largely individual units subsidised by employers. Gordon says further growth lies in the middle-income group, so Quantum is shifting. Again, this market must be employer-subsidised. Gordon says subsidised housing is in its infancy, but political and union pressure are prompting rapid expansion.

This year, Quantum expects to double the number of houses (900) it built last year; other divisions are also growing strongly. Roadstorm, which specialises in installing infrastructure for black residential stands, was acquired in February and extends Quantum's services in black areas. Roadstorm's results were consolidated as of July 1987. In the nine-month period, it earned R430 000 on a turnover of R15,3m, which emphasises the low margins in civil engineering. Quantum intends eventually to list Roadstorm.



After rapidly reaching a relatively high base, Quantum is likely to grow at a slower rate this year. Issued shares have been increased 12% since the listing, making EPS growth more difficult. A share bonus scheme offered in place of the maiden dividend, to conserve working capital and ameliorate minimum tax on companies, was accepted by holders of two-thirds of the issued shares (the directors, who hold about 54%, all opted for shares).

The group appears to have bright prospects and the only apparent reason for the share trading close to its 12-month low is its high gearing. Although the p:e of six times is not far below the construction sector's 7,8 average, the counter could be rerated when it moves out of the nursery. *Teigue Payne*

Being civil to SA

Sir Bill Francis, president of the British Institution of Civil Engineers (BICE) and one-time CE of Tarmac SA, is visiting SA.

12/8/88 Vry (32)

***FM*: Why have you come to SA?**

Francis: My main task is to strengthen the links between civil engineers in Great Britain and professional civil engineers in SA.

You have 7 200 civil engineers in SA and 1 300 of them are members of our institution. We'll have lots of discussions on this trip. There are many areas of common interest. We will, for example, discuss how to promote trade.

Isn't this unusual, considering many British institutions are doing their best to sever links with their SA counterparts?

We're anxious to promote the interests of civil engineers internationally. The BICE was formed in 1818 and is the oldest institution of its type in the world. It is regarded as *the* international base and people regard BICE membership as an international passport entitling them to work anywhere in the world. We have 72 000 members, 20 000 of whom are overseas members. They work in 156 countries.

The BICE likes to form close links with institutions elsewhere, because we believe in a transfer of knowledge, and an exchange of views on education, training and standards.

How do you rate our civil engineers and our construction industry?

Excellent. Our people at home accept academic qualifications from only certain universities in the world. We send people out to visit universities and accredit their courses. We accept the degrees of the universities of the Witwatersrand, Cape Town and Natal as academic qualifications. We have a high regard for their standard of training and can see a time coming when there will be an exchange of membership between the SA and the British institutions.

Why is there no exchange of membership yet?

We demand a standard of education and training which is more demanding than that demanded by local institutions.

Having said that, about 30 South Africans become members of our institution every year. To become a corporate member and chartered engineer, after they have completed their four-year course here they have to go through another four years of structured training, wherever they are.

National institutions do not have the same standards as the BICE, but your institutions' standards are improving and moving very close to ours and the standard of your professional men is high.

How do you rate standards in other African countries?

I am working with Arab contractors and engineers in Cairo. We're putting major drainage and sewage tunnels under the city. Their engineers are excellent, but they haven't had any big challenges so they have to call in international help.

Countries like Zimbabwe and Zambia still require international contractors for major work but, in time, they will develop their own industries.

Have you have been involved in the "chunnel," the tunnel under the English Channel between France and England?

There have been efforts to get a tunnel under the Channel almost every other decade. One was actually started in 1880 but was stopped by the government for safety reasons after it had progressed 1 800 m.

In 1983, British Rail and the French Railways proposed a single tunnel to allow trains through. The concept grew and eight consortiums were formed to bid for the contract. I was involved with one of the unsuccessful ones.

They are excavating the service tunnel from both ends and probing ground conditions on either side. When it is 5 km out, they will start building the rail tunnels. The service tunnels should join up in 1990.

What will the practical advantages be?

Tremendous. It is believed that in 1993, 67m people will cross the Channel, and 30m of them will use the tunnel. The big benefit is that it will enlarge the market in Britain from its present 55m people by a substantial percentage of the 325m people in the European community. That will start in 1993. It will take 35 minutes to cross the Channel by tunnel.

D/F News 20/8/88

Builders' 'free-

32

STANDARDS DROP AS MANY COWBOY BUILDERS MOVE IN

by ROBERT HOUWING, Weekend Argus Reporter

THE building industry in Cape Town has become a disastrous "free for all" and standards have plummeted, says a young city architect.

Mr Ivan Sasman, who has his own practice in Wynberg, says deregulation and vigorous application of the free market system has opened the building industry to "all and sundry" with harmful consequences.

He claims people like plan examiners, building inspectors, traffic policemen and teachers are "making merry" in their spare time to submit building plans which are often incomplete or riddled with errors.

Many of these, he alleges, are passed by authorities without proper regard for standards.

Mr Sasman, who helped launch the Southern Suburbs Association of Architects, representing about 15 fellow-professionals with similar concerns, says the dual victims of this trend are the man in the street and properly-trained architects or draughtsmen.

ETHICS

"As qualified people, we are bound by certain ethics. While our hands are tied behind our backs, however, unqualified people have a field day under the deregulation banner.

"We do not oppose the basic notion of deregulation, but we believe that appropriate standards of control should be maintained. This does not seem to be happening at present.

"The free market system is all very well in allowing consumers choice of commodity; they can choose between ripe and rotten fruit, but are less qualified to differentiate between good and bad in the building profession."

Particularly gullible, Mr Sasman says, are people in less privileged communities who need to be protected "through having essential standards set make viewing a game on the main field as uncomfortable for spectators as possible.

"The tubular bar on the perimeter fence defies any line of vision and the invasion of dressing rooms is now eating away at a spectator ramp.

"And, if you sit in the back row of the largest covered stand, you can see little more than half of the field."

Mr Sasman says leaders in his profession, who are mostly keen supporters of deregulation, appear to have little concern for the situation in underprivileged areas.

"They are not living through the consequences of their policies, which certainly sound noble enough at face value.

"My philosophy is that quality of environment equals quality of planning; the two are synonymous. And the environment is suffering.

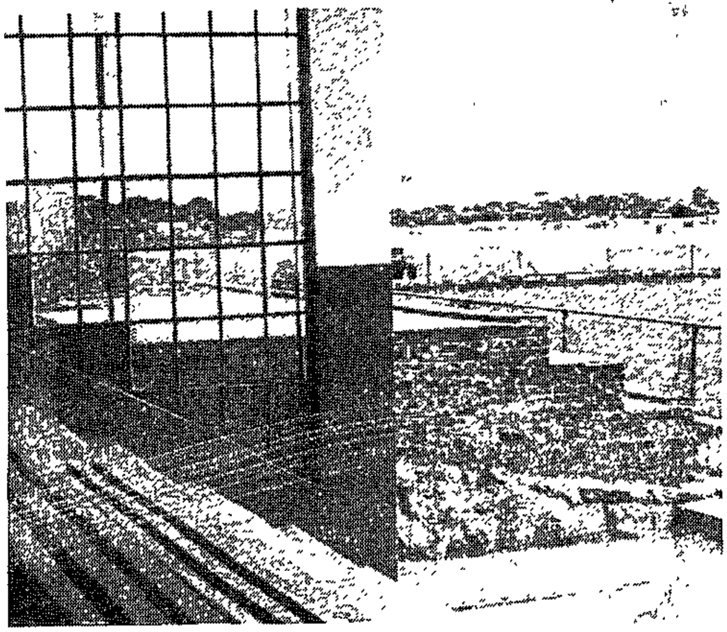
"I completed a six-year degree at the University of Cape Town, yet individuals with a few months' experience are walking around convincing potential customers that they are architects and therefore able to do a decent job.

"People are leaving their biggest lifetime investments, their homes, in the hands of part-timers looking for a quick buck."

CITY COUNCIL

Responding to some of Mr Sasman's allegations, the chairman of the City Council's Town Planning Committee, Mr Clive Keegan, said it was a condition of service that no official of either the City Planner's or City Engineer's Department could be involved "in any way" in drawing plans on behalf of private people.

This condition was strictly



THE main stand at William Herbert sportsground, parts of which offer a badly obscured view of the field.

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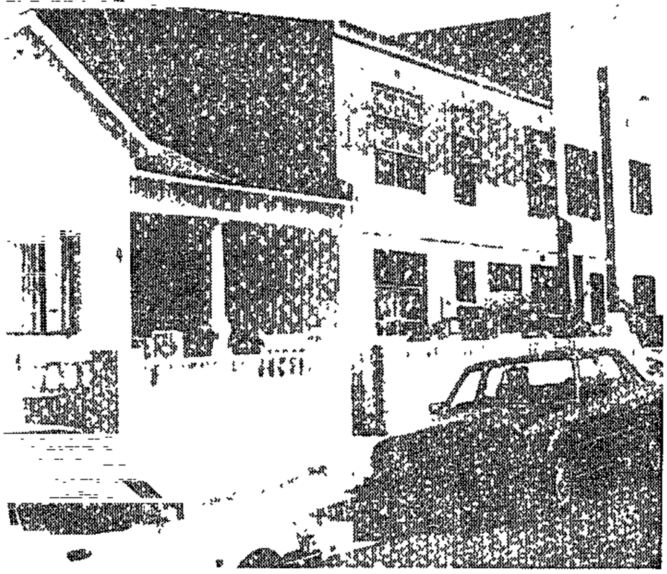


DUCT of poor planning? An extension to use in Wynberg, somewhat at odds with architectural style of surrounding houses.

and maintained.

"There are scores of building disasters littered throughout the Cape Flats — this applies not only to houses, but to community facilities as well.

"Take the William Herbert sportsground in Wynberg where, as a sportsman, I have had links for many years.

MAJOR VENUE

"It serves as a major venue but has become a nightmare from an architectural point of view.

"A crazy assortment of structures has been allowed to take root all over the place.

"The lack of uniformity, variety of materials, types of windows and doors and colour schemes depicts a kind of free-for-all with such fierce rivalry that it makes any game being played on the adjacent field seem quite dull.

"It may seem ridiculous to suggest, but it appears that every effort has been made to enforced.

"However, it is true that some former officials are involved in submitting plans.

"Mr Sasman appears to be pressing for professional architects alone to be permitted to submit plans.

"But it should be noted that both the Architects Act and the National Building Regulations only require that the preparation of plans for buildings over 500sq m be reserved for registered architects.

"Most new houses and alterations to houses fall within this limit."

■ THE West Cape Master Builders' Association said earlier this year it was receiving a marked increase in complaints from home owners about "cowboy builders."

In a report in Weekend Argus, the association said faulty roofing, tiling, plumbing and painting as well as basic building faults were being reported more and more.

Property sales hit R1-bn high

W/E Argus 20/8/88 (32)

By TOM HOOD
Business Editor

PROPERTY worth almost R1-billion was sold in Cape Town in the 12 months ending June 30.

The total of R996,4-million is 77 percent more than sales of R546-million in the previous 12 months and reflects the housing boom and mushrooming sales in Mitchell's Plain and other coloured residential areas.

The latest City Council figures also disclose that the value has risen ten-fold from the R92-million recorded for 1978.

Transactions averaged R83-million a month — the record was R136-million in May — and people in the property industry, with record earnings from fees and commissions, were clearly laughing all the way to the bank.

Sales in the previous 12 months averaged R47-million a month while 12 years ago the monthly average was just R7,8-million.

Higher property prices are also confirmed by the statistics, with sales running 212 percent ahead of municipal valuation, up from 167 percent in the previous 12 months.

Some suburbs show higher prices than others, however. Leading the upsurge was Ward 4 (Gardens), with prices 325 percent above valuation. This was followed by Ward 1 (Camps Bay, Bantry Bay, Clifton), showing a 306-percent appreciation and Ward 11 (Newlands and Rondebosch) with prices 302-percent above valuation.

Lowest increases were in Ward 6 (central Cape Town) at 87 percent above valuation, Ward 9 (Brooklyn, Rugby, Tygerhof), up 110 percent and (Woodstock, Salt River area), up 112 percent, and Ward 7 (Thornton, Maitland, Kensington), up 120 percent.

The record number of transaction, 15 518, was 43 percent higher than the 10 814 for the previous 12 months and compares with 5 466 for the 1986 year.

Most sales — 5 718 — were recorded for Mitchell's Plain, which shows a 42-percent increase on the 4 028 houses sold in the previous 12 months.

Next busiest area was Ward 13 (Athlone, Bridgetown, Lansdowne, Hanover Park, Rondebosch East, Kenwyn, Crawford and part of Claremont), where 2 414 properties worth R105-million changed hands (1987: 1 706 worth R665-million).

Third came Ward 1 with 422 properties worth R70-million (1987: 276 worth R42-million).

Latest monthly sales, for June, amounted to R90-million, a jump of 51-percent on the R59,5-million for June 1987. This was below May's R136-million — a figure artificially inflated by a backlog of sales.

The figures indicate an average price 268 percent above valuation, compared with 199 percent in June last year.

The 1 337 deals is well above the 1 095 recorded for June last year and above the average for the first half of 1988.

Mitchell's Plain again leads the field with 489 deals worth R16,7-million for June.

● Easier sales in the boom meant that fewer property owners turned to auctions. Only 149 properties (plots and buildings) were auctioned, fetching R8-million, in the year to June 30, while in the depressed times of 1984 some 290 properties were auctioned for R12-million.

Cape Times Property Commercial·Industrial

Cape Times 20/8/88

32

Entrepreneurial courses for black builders

BLACK builders are being offered entrepreneurial training by the Building Industries Federation of South Africa (BIFSA). This follows the successful formation of the first Entrepreneurial Skills Training Course for the building industry in this country.

According to John Addis, national manpower development manager at BIFSA, the training course arose as a result of requests from the Vosloorus Builders' Association for assistance in developing their individual skills as entrepreneurs.

Aspects that needed immediate attention included basic management skills; interpretation of drawings; financial planning and control; and calculating quantities of materials.

The courses were conducted at BIFSA's Springs Training College by course leader Paddy Chase, working in close conjunction with Mr Addis.

The first module of the course covers Western business culture, as one of the objectives is to explode the myth that black businessmen operate outside this culture. The system is explained by using a game in which the students apply the basic rules used in everyday business.

Outlining the remaining modules in the course, Mr Addis said they were all fully competency-based. "Each student has to achieve 100% competency before being allowed to proceed to the next module. This means that the students have to work extremely hard but that high standards are maintained."

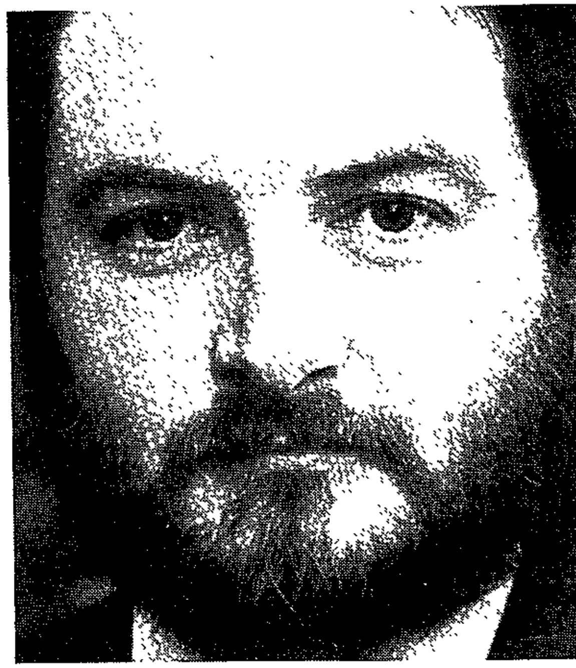
On a practical level, the course provides skills for supervision of labour without expecting the students to be able to perform the task themselves.

The practical training covers setting out; foundations and concrete work; brickwork and mortar; plastering and screeds; plumbing and drainage; roof structures and coverings; ceilings; and finishes.

In terms of business management the course covers planning, budgeting and estimating, costs controls and cash management. Another aspect of the course covers industrial relations.

Mr Addis says builders who have completed the course are now able accurately to assist construction costs on a project and can realistically cut costs to give them a competitive edge over other builders in the community without jeopardizing their own businesses. An integral part of the programme is to provide follow-up for those who have completed the course.

"As a result of the pilot project we have introduced this course at a number of other centres."



Mr John Addis, national manpower development manager at BIFSA.

30-hectare site on the market

ONE of the last remaining large tracts of industrial land in the greater Cape Town area is being marketed by Christie's Property Brokers.

The land is a 30-hectare site located between the airport approach road and the N2 to Somerset West. It is a high profile location for any companies wishing to be in the public eye and is particularly suitable for those businesses which require a substantially large piece of land.

It has become almost impossible to find a site of two hectares or more without going as far out as Brackenfell or Blackheath and a proposed new access from the airport approach road will mean that businesses who occupy developments on this land will not have to go through the industrial area situated to the south.

The location is particularly suitable for organizations looking for superior office accommodation coupled with a hi-tech or clean operating factory or warehouse. It may be possible to develop the site as a landscaped industrial park along the lines of those found in Europe and the US.

David Christie of Christie's comments that there has been a significant upturn of interest in industrial land over the last 12 months and there is a school of thought which believes that land prices are going to increase significantly in the next two years.

The price for the 30 hectares is R3,5 m. The entire area is presently under negotiation but 10 of the 30 hectares will probably be subdivided into reasonably small plots of around 2 000m² each. The price of plots in the area ranges from R35/m² to R40/m² depending on size, so a raw land price of around R12/m² provides significant room for growth.

SAIB on bursaries

THE Western Cape branch of the South African Institute of Building will be releasing between R1 000 and R6 000 for bursaries. One or two awards will be made.

The awards will be for post-graduate or post-diploma research in fields relating to the building industry, according to Mr Terence Byers, Chairman of the SAIB (West Cape)'s bursary committee.

Although Building Management graduates or diplomates and members of the SA Institute of Building would be preferred, the committee was prepared to consider applications from any other building-related discipline: eg architecture, civil engineering, quantity surveying, town planning, land surveying.

Mr Byers said the bursaries were generally awarded for a year, but could run for longer if more time was needed for research.

23/8/88 (32) Star

The Star Finance

Bifsa upset by perpetuation of cement cartel

The building industry has reacted with disappointment to the apparent sanctioning of the cement cartel by the Competitions Board.

In a statement released by the Building Industries Federation (Bifsa), the president, Neil Fraser, said: "Although the South African building industry is relatively small and the capital required to create a cement factory enormous, we do believe that there should be competition among the cement suppliers and that they should not be in a position to dictate prices and terms to all contractors, sub-contractors, hardware merchants or the man-in-the-street."

Mr Fraser said that while the building industry had emerged from its worst recession in living memory, the cement producers — during the same period — were still able to return substantial profits to their shareholders.

"Although some factories may have been moth-balled during the period, the cement industry as a whole was still in a satisfactory position. However the contracting industry was facing a record number of bankruptcies and liquidations as contractors and sub contractors struggled to find available work," Mr Fraser said.

He said the building industry was trapped between property developers who were demanding greater efficiency and cheaper construction prices, and the material suppliers and manufacturers who were increasing the costs of raw materials every year.

"We can only appeal to the cement suppliers and manufacturers not to impose dramatic price rises on the construction industry. However, with the sanctioning of the cartel, we are relatively toothless — and it is now certain that the price of cement will rise. Our only question now is by how much."

According to statistics compiled by Bifsa, the price of cement rose from R1,53 per 50kg pocket in 1977 to R5,51 a pocket in 1987. — Sapa.

M & R bounces back on profits

CM Times 26/8/88 (132)

Financial Editor

THE good times are definitely back for shareholders in Murray & Roberts. The huge diversified group, which recovered last year after apparently facing disaster in the worst of the recession, reports attributable profits of R82m (R44m) and earnings of 303c (166c) a share.

The final dividend is 55c (35c) a share making a total of 80c (42c) for the year.

Turnover is R3 039m (R2 447m) and operating profit after interest and tax R94 802m (R45 401m).

The largest contribution to group earnings came from the industrial division, with R71,2m R41,8m). M & R Construction and Engineering came second with R40,3m (R29,7m), M & R Suppliers and Services second with R33,9m (R14,1m) and M & R Properties fourth with R4,1m (R4,9m).

The directors say they are "pleased to report that the group has achieved its objective of significantly increasing operating profits with continued growth in total earnings and dividends".

But they add that although the return of 16% on assets shows an improvement on last year "it still does not meet the group's objectives."

Murray & Roberts' net earnings recovered to 166c a share last year after plunging to 55c in 1986 from 165c in 1985 and 243c in 1984.

M & R builds on comeback

26/8/88 B/Day (32)

KAY TURVEY

MURRAY & Roberts consolidated its strong comeback made at the halfway stage by reporting outstanding results for the year to end June.

Earnings a share, up 83% to 303c from 166c, have surprised most analysts and are well ahead of market expectations.

A final dividend of 55c has been declared, making a total distribution of 80c, 90% up on the 42c of the previous year.

Turnover rose 24%, reaching R3bn as operating profit accelerated strongly, climbing 59% to R140,5m.

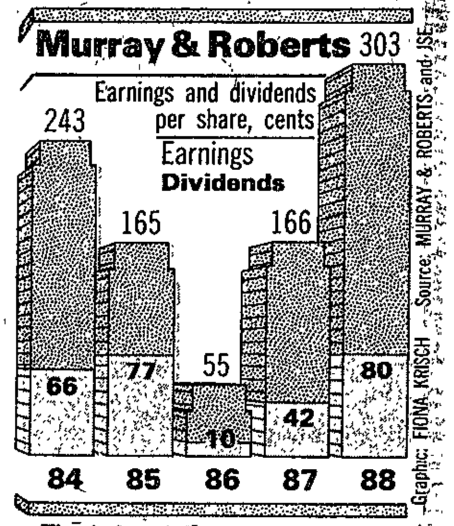
Reflecting management's disciplined approach to tendering in the construction and engineering sector, the return on sales widened from 3,6% to 4,6%.

Reduced borrowings contained interest charges at R15,9m (R15,2m) and pre-tax profit soared 70% to R124,6m. The group's debt-to-equity is a healthy 18% against 34% for the previous year and well below management's ideal 50%.

Total liablities-to-equity is down to 126% from 146%.

A lower tax rate at 24% against 38% for the comparative period boosted after-tax profit 108% to R94,8m and attributable earnings increased 86% to R82m.

CE David Brink says the structures were in place for a recovery in a low economy, but results benefited from a stronger-than-expected economy.



The industrial and supplies and services divisions were the main contributors to the sterling performance. The industrial division recorded a 70% rise, contributing R71,2m to operating profit, and supplies and services leapt 140% to contribute R33,9m to operating profit.

Anchusa Holdings, which has a 44,4% stake in M&R, reported an 81% increase in earnings a share before extraordinary items to 263c from 145c, out of which a final dividend of 44c is to be paid, making a total distribution of 63c (33c)

The extraordinary item relates to the sale of the company's investment in Fund Property Holdings.

Shareholders are handsomely rewarded by M&R

Star (32) 26/8/88

By Magnus Heystek

Construction giant Murray and Roberts has posted impressive results for the financial year to end-June with a near-doubling of attributable profits from R44,1 million to R82,1 million.

Earnings per share have soared from 166c to 303c while shareholders have been rewarded with a final dividend jumping from 35c to 55c to bring the total pay-out to 80c a share (1987:42c).

Expressing pleasure at the "satisfactory" level of return on assets at 16,4 percent, chief executive Mr David Brink, however, indicated a further improvement on this score in the current financial year.

Turnover of the Sanlam-controlled construction group increased from R2,477 billion to R3,039 billion while improved margins boosted operating profits even further, from R88,3 million to R140,5 million.

With the interest bill remaining virtually unchanged at R15,9 million (1987: R15,2 million) and taxation amounting to R94,8 million (R45,4 million) earnings at the attributable level rocketed to R82,1 million.

The contributions to group earnings before interest and tax from the four operating groups were:

M and R Industrial R71,2 million (1987: R41,8 million);

M and R Construction and Engineering R40,3 million (R29,7 million);

M and R Suppliers and Services R33,9 million (14,1 million);

M and R Properties R4,1 million (R4,9 million).

Improved margins boost Grinaker

Finance Staff

Grinaker Holdings, part of the Anglovaal construction and electronics group, has exceeded expectations with the announcement of an 83 percent increase in earnings to R23,0 million.

This is equivalent to 71,4c a share and the dividend has been increased by 8c to 22c for the year ended June 30.

The Group states work on hand is it at a higher level than

Building industry needs confederation, says Bifsa chief

The building industry — "unhealthily fragmented, highly inefficient and unduly expensive" — came in for some strong criticism from its leader, Neil Fraser, at an Interbou 88 seminar in Johannesurg last Friday.


Mr Neil Fraser

Calling for a confederation, one single, powerful, lobbying voice, so that the present fragmentation set-up within building can be "made to work for us", Mr Fraser hit out at his own body, the Building Industries Federation, and said:

"Bifsa, as it is constituted at present, is not structured to meet the future needs of its people, nor the future needs of the industry it serves.

"This has contributed to the strong lobbying by sub-contractor elements from within and outside the federation to form independent bodies."

He told told delegates at the Institute of Building seminar that previously he was concerned over the increasing polarisation in an industry which already had Bifsa, the National Association of Home Builders, the Federation of Civil Engineering Contractors and others such as the ECA, Sabisa, Leasa, Saracca and Sarcea.

"Now, however, I believe there is a need to fragment the industry even further, not on a unplanned and emotional basis, but on a logical one which can be achieved by proper co-ordination by placing all participants under an all- encompassing body," he said.

Mr Fraser felt the industry had become one of rework and rectification, which was partly due to its own mismanagement and partly due to the action of others, thereby contributing to the rising cost of building and to reducing profits of all concerned.

Poor quality of input from some of the ancillary professions and changes in design and detail, created "a total turmoil in the building process", and this resulted in a situation where everyone recorded everything so as to protect themselves from criticism or from negligence suits or more often than not from financial loss.

Taking a swipe at the new breed in the industry, the project manager, he said: "Many of them believe themselves to be better builders than the builders themselves, while never having played an active part in the contracting sphere of the industry.

"Instead of being a positive force in the industry, as is the case in many other parts of the world, some of our project managers merely add to the confusion by usurping the authority of the traditional parties to the process, while taking little or no responsibility themselves."

Mr Fraser referred to some alarming facts about training and said that within the four construction-related disciplines of architecture, building management, civil engineering and quantity surveying, only 2,49 percent of the graduates over the past 20 years had been non-white.

"Any resolution to the problem of more than 9 million unemployed by the turn of the century is hamstrung by two factors:

- Forty five percent of the potential workforce was still functi[illegible]ally illiterate, inhibiting [illegible] traditional literacy-based training.
- Escalating labour unrest and union-inspired difficulties made [illegible]e mechanisation route increasingly attractive which, in turn, compounded the jobless problem.

32

CIVIL ENGINEERING CONTRACTS UP 40%

HELOISE HENNING

THE value of civil engineering contracts for the first seven months of this year is up by 40% to R1,6bn compared with the same period last year, the SA Federation of Civil Engineering Contractors (Safcec) says in its monthly review.

The amount excludes R1bn of contracts for the Lesotho Highlands Water Project.

July was a bumper month for the engineers who recorded 120 contracts valued at R440m. Half of these, 65 projects, were for roads and township services. New contracts entered into with the National Transport Commission added up to R135m.

Executive Director Kees Lagaay said particularly encouraging was the realistic pricing structure compared with the cut-throat competition of a year ago.

The most important project was the reconstruction of the N1 between Worcester and Florence, which went to Group Five's Savage and Lovemore at R51,4m.

A 12km stretch of the N2 at Tsitsikama is to be constructed for R29,5m by Basil Starke Civils.

Other civil contracts were closed for the R28m North Coast road and the R9,1m Grasmere toll plaza.

Meanwhile, phase one of the new football stadium near Nasrec has been awarded to Grinaker at R32m.

32

CAPE TIMES 3/9/88

R540 m SA pool industry is back in the swim

THE pool industry, which took a dip in 1986/87, is back in the swim with R540 m expected to be spent on private and public pools in the 1988/89 season. ROGER WILLIAMS reports that the Western Cape is well up in the national pool stakes, with a turnover double what it was 3½ years ago.

A PROJECTED R540 m, about 20% up on last year and much of it from the Western Cape, will be spent overall on swimming pools and pool equipment in the 1988/89 season in South Africa, which already has one of the highest pool concentrations in the world.

Turnover in the pool industry in the Western Cape, in which there are now more than 70 specialist firms, has doubled in 3½ years and a regional executive of a pool-cleaning company, Kevin Gardner, said this week there had been "a vast increase" in this sector of the industry in the past two years.

His own company alone had increased its turnover on pool cleaners from a growth factor of 20% in 1986 to 100% in 1987 and now to 350% in the first eight months of 1988. An estimated 80% of the pool-cleaning equipment supplied was for new pools.

In spite of a weakened rand, nearly 20 000 new private and public pools are expected to be built in SA this season, taking the number throughout the country close to 380 000.

The national total has been boosted by the building of 84 000 pools in the past five years alone, at an average annual growth-rate of 5,6%. Current figures and forecasts reflect a pronounced recovery from a dip in the pool-market graph in the 1986/87 season.

Research done by one of the top companies in the pool industry shows that the Western Cape has a total of 43 100 pools — 12% of the national total — and the Cape Province now has the second highest number of pool-cleaner owners, next to the Transvaal.

Overcrowded beaches and facilities at public swimming pools are seen as a major factor in the rush by private home-owners to acquire their own pools.

And Louis Mynhardt, national marketing manager of a leading manufacturer of automatic swimming-pool cleaners, said the pool industry was also benefiting from the present tendency for families to stay at home rather than take costly holidays either locally or abroad.

"The domestic outdoor living environment offers such an inexpensive alternative," he added.

Mynhardt said the projected R540 m in retail value to be spent in the swimming-pool market in the coming season included new pools, pool motors and pumps, replacement equipment, chemicals and pool cleaning equipment, and it took into account escalating costs of building materials and of labour.

"This figure is based on a rather conservative estimate of 16 000 new automatic swimming pool cleaners sold to owners of new pools, as well as the replacement of a minimum of 50 000 pool cleaners.

"Our projections for the coming season are based on the current economic climate and the fact that in the past year about 16 000 new swimming pools were built in SA, bringing the total number of pools built in this country to almost 360 000."

Chemicals account for the highest proportion of expenditure on swimming pool maintenance, costing pool owners about R120 a month, and with prices of chemicals rising steadily, pool-servicing firms report a big switch to automatic chlorinators, which cost about R600 to instal but which cut maintenance costs by converting normal pool acids or salt into chlorine gas and feeding this back into the pool.

In the field of pool-heating equipment there has been a switch — not as marked in the Western

To Page 14

IN THE SWIM... This latest type of automatic pool cleaner, developed and produced in South Africa, is not only being exported to many parts of the world — it also has beauty on its side!

SA world leader in pool cleaners

ALL design and development of automatic swimming-pool cleaning equipment in the world has originated in South Africa.

In 1971 this country was able to claim a world first with the invention here by John Raubenheimer of the "Pool Bug".

This country remains front-runner in the world in pool cleaning equipment and this has given SA a vast export, as well as internal market. SA-produced equipment is now being exported to most parts of the world.

A number of personal fortunes have been made by South Africans from the development and production of pool-cleaning equipment.

One automatic pool cleaner alone, the Baracuda, which received the 1987 "Innovator of the Year" award from the giant American chemical and plastics company, Monsanto, is patented and sold in 30 countries. This type of fully-automatic pool cleaner was invented by Helmut Hofman and first patented in SA in 1976.

A national marketing research survey shows that the three major pool-cleaner companies have the following shares in the overall market for 1987/8 (1986/7 percentages in brackets):

Baracuda 48% (37%), Aquanaut 27,9% (22,5%) and Kreepy Krauly 23% (40%).

Most pools in the Transvaal

THE biggest concentration of swimming pools in South Africa is in the Transvaal with about 241 000 (67% of total), followed by Natal, 45 900 (13%), the Western Cape, 43 100 pools (12%) and the Eastern Cape and Free State which together have 28 800 pools (8%).

The Transvaal has 67% of the pool-cleaner owners, the Cape 16%, Natal 13% and the Free State 4%.

It has been estimated in the pool-cleaning industry that there are still nearly 30 000 pool owners who are cleaning their pools manually — about 20 000 in the Transvaal, 3 900 in Natal, 3 600 in the Western Cape and 2 500 in the Eastern Cape and Free State together.

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Urgent need for low-cost houses

THE SA Housing Trust has approved loan facilities amounting to R642m for the completion of 28 000 serviced sites and 32 000 low-cost houses over the next three years, reports MD Joe Taylor.

"It's a start — but it's a drop in the ocean," he says. "This country needs something like 210 000 low-cost housing units annually up to the year 2000."

The Housing Trust is a public company that went into business in January 1987. Its brief is twofold: to work towards elimination of the low-cost housing shortage and, in so doing, to give the economy a lift by establishing as many job opportunities as possible.

The Trust's strategic plan is to provide 30% of the 2,5m houses that it sees as being required over the next 12 years. As many as 60% of the needed houses fall into the R12 000 to R25 000 price range, Taylor estimates.

Only 20% of demand is for houses in higher price brackets. "The 20% at the lower end of the market will be very difficult to provide. The aim is to make available a site with rudimentary services at a cost of about R1 500, and to clear the way for erection of a basic habitation costing R3 000 to R3 500.

"It's a new ball game. Margins will be very low, so volumes will have to be considerable," he says. "I am confident we will see substantial rationalisation in the construction industry."

Clearly, he says, ways will have to be found to streamline the entire low-cost housing function. At the outset, the Trust looked at two ways of coming to grips with the problems: the big construction company route and the small builder route.

The easiest line seemed to be to ask big groups to provide houses in areas where they or the Trust could get access to services sites. "We found that most of the serviced sites were already under option to various other construction entities. Demand for these sites was so tremendous that prices escalated out of range of the low-cost market."

Working through small builders has presented its own set of problems. "For a start, they didn't have the capital needed to buy serviced sites in competition with the bigger companies. We have had to go into schemes where we could buy sites or get them developed.

"Then we've had to finance these largely unsophisticated builders and give them the support — for the first time — of architects and quantity surveyors.

"They are learning about bills of quantities, and the part labour plays in costs," says Taylor. "We have had to design building programmes that show how far they have to progress in a given time, and that taking too long to finish the job eats deep into their profits."

Concentrating on local builders has helped fulfil one of the Trust's primary objectives: to generate jobs. The jobs created and the skills ac[illegible]ed are likely to have a lasting benefit to the areas concerned.

What's more, notes Taylor, the money the builders make will in all probability be ploughed into other community projects.

The support structures are still being refined. "In Kayelitsha we have put in Construction Management Agents (CMAs) who are franchised to the Housing Trust. We've got people supervising those CMAs to ensure they give the small builders all the marketing, administrative, logistical, systems, technical and security support they need."

The Trust will negotiate the best building material prices with major merchants around the country. "The CMAs will place orders and find the most cost-effective way of getting materials to the builders."

Of the R642m in approved loan facilities, only R105m has thus far been advanced. As a newcomer exploring new concepts and new disciplines, the Trust took some time to get going.

"But", says Taylor, "we're picking up steam now." He laments the holdups inherent in "cumbersome" conveyancing and other administrative procedures.

Finalising a contract can take six months — and a year can drag by before a serviced stand is ready.

Taylor notes "tremendous" resistance among Blacks — as is the case among Whites — to many new building methods and to superstructures that do not feature bricks, concrete and steel. "There is also almost total resistance among Blacks to semi-detached and high-rise developments."

But he believes that in the end, with some 35% of the housing falling in the self-help category, the country will need alternative technology to help overcome the problem.

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[illegible]ITY HOUSING

frames, and a choice of roofing materials, depending on finances.

Lowest price, excluding land, is R5 700 for a one-bedroom, one-living-area, 30,5m² house with corrugated iron roof. With ceilings, wall linings and tiled bathroom, the price is R7 000.

A complete three-bedroom, 61,5m² house costs R15 500. It has extra open-plan space for lounge/dining room and a bigger kitchen.

□ Timber product suppliers Taylor and Mitchell offer the Zenzele (do-it-yourself) system allowing a house to be built for as little as R8 000 using skilled labour — less if workers are unskilled.

The system has a MANTAG (minimum acceptable norm and technology advisory guide) certificate from the Agrement Board. And, says the company, it is already widely in use in the Free State and Eastern Cape.

Construction is simple:

□ Treated poles (supplied by T and M) are planted in the ground (a concrete foundation is not necessary);

□ A concrete floor is laid;

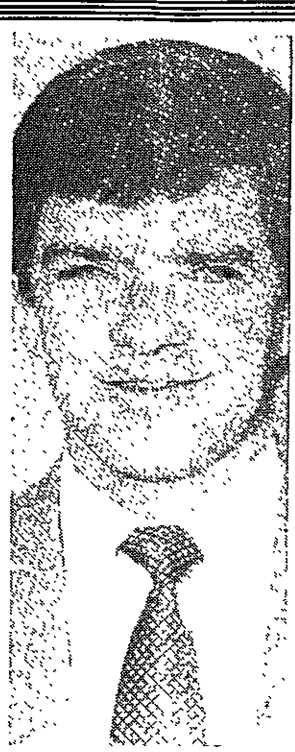
□ Double galvanised welded wire is fixed to both sides of the poles.

□ Door and window frames are fitted between poles;

□ The space between the mesh is filled with any available walling material, preferably cement-stabilised clay;

□ Roofing is attached in the usual way;

□ Walls are plastered and painted.



Gary Bell . . . benefiting from sanctions

Big boost for local industry

"WHEN you are buying a R300 000-plus machine which you expect to run for five to 10 years, you want to be confident that the supplier will be around when you need that essential spare part," says Gary Bell, MD of Bell Equipment Company.

With 80% local content in most of its machines and almost 100% parts availability, the Richards Bay company stands to benefit from sanctions and import curbs.

Bell expanded 12 years ago from sugar and timber handling machines into heavy machines for the construction and mining industries, and has achieved spectacular success. Today it dominates the local market in articulated dump trucks (ADTs), in which it expects a 70% share this year, and four-wheel-drive tractors.

Turnover increased from R300 000 in 1976 to R100m last year. It's expected to reach R140m in the current financial year. Employees have increased from eight 12 years ago to almost 1 000 worldwide. Exports constitute 20% of business.

At its Richards Bay factory, now undergoing a R20m expansion which will double its capacity, Bell manufactures its own chassis, bins, cabs, axles, differential final drives, sideshafts, brakes, cylinders, propshafts, rear axle walking beams, front suspensions, wheel rims, stub axles and many other parts.

The machines are powered by Deutz engines manufactured in Pietermaritzburg. The only major items imported are pumps and valves for the hydraulic system and the German-made ZF transmissions.

Bell parts cost half to a third that of most imported counterparts, the company says.

Its machines, rugged and easy to operate, are being used increasingly on major construction projects. Bell's Mountain Truck, a six-wheel-drive unit specially designed for work on the Lesotho Highlands water project, has hauled loads of more than 20t to heights exceeding 3 000m.

Conventional four-wheel-drive trucks, the company says, are not able to carry more than 10t up the steep and slippery slopes.

LEASURE TIME EXHIBIT

THE emphasis at Leisure Time, a forthcoming exhibition in the Cape featuring recreation activities, is expected to fall heavily on do-it-yourself (DIY) projects and equipment.

The show, to be held at the Good Hope Centre from October 26 to 30, is expected to attract about 200 exhibitors and 30 000 to 40 000 visitors. It is being presented by the Cape Town Chamber of Commerce.

Though Leisure Time will feature everything from pottery to martial arts, organisers say about half the stands will reflect widespread public interest in home improvements — and notably in DIY.

"There will be on-going demonstrations all day, every day," says a spokeswoman for the Chamber. "We are encouraging exhibitors to get visitors involved, to make this a hands-on exhibition."

Boom in plans

WHEREAS buildings completed in the first half of 1988 increased only 14% in value to R1,82m over the last six months of last year, building plans passed jumped 48,3% to almost R3,72m.

Data from the Central Statistical Service (CSS) indicates that the most marked formal sector improvement was in flats and townhouses — down 16,9% to R130m in buildings completed, but up nearly 105% to R342m in plans passed.

The value of residential dwelling plans passed was up almost 65% at R1,59bn — compared with R854m in buildings completed (up 25,7%).

The figures for additions and alterations are: Completions up 7,6% to R466m; and plans passed up 33,4% to R944m.

Non-residential completions amounted to R347m (up 12,9%) and plans passed totalled R763m (up 36,6%).

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Warning on imported machinery

SHARPLY escalating prices and lengthy delays in delivery of construction machinery from overseas suppliers have prompted calls for Government to give greater impetus to local equipment manufacture.

Construction companies have been told they will in some cases have to wait six to eight months for supply of essential machines. The result, say industry spokesmen, is that there will be hold-ups and inevitable cost escalations in virtually all major construction projects.

The falling rand, rising interest rates and the recently stepped-up import surcharge have added to the problems of buyers already beleaguered by sanctions, and an upswing in construction business in many supplier countries.

One contractor was told he'd have to wait until February for concrete dumpers because axles were unobtainable.

"With the increase in construction activity abroad, it seems the whole world wants concrete dumpers," he says. "But, at the same time, the manufacturers are not increasing their capacity because of fears of another recession."

A potential buyer of a well-known make of wheel-loader was told he'd have to wait until April for delivery. And a particular type of crane was simply not available.

In some cases, prices have zoomed in a matter of months — and the trend has little or nothing to do with production cost. In five months the price of one American machine to a local contractor soared from R63.0000 to R910 000.

Furthermore, some importers are said to be holding back on orders while money is so expensive.

There is also uncertainty about the import surcharge. Previously it was 10%, with exemptions available depending on the level of local manufacture, says Arthur Lightfoot, joint MD of Liebherr-Africa. "Now it is 20% and we're still trying to find out how the exemptions will apply — if they still apply.

"We need to know because we want to go into substantially increased local production. That will mean we will be able to supply more, at a better price — and provide a lot more jobs at our 20 000m² plant in Springs. At the moment we only run at 40% to 45% capacity."

More should be done at official level to help local construction equipment manufacturers, says Lightfoot. Apart from application of an additional "protection factor" where two or more local producers need protection, there is no substantial assistance to the industry.

The Government should give urgent attention to ways of developing local manufacture, says Tony Mann, Plant and Services Director of Murray & Roberts Civils. "The greatest need is in small and medium-sized earthmoving machinery of all types.

"Private enterprise must do the driving, with Government providing the incentives — whether capital injections or tax concessions, or both.

"More must be done locally for SA to survive."

'TAYLORED' KITCHENS

THEY call Poggenpohl "the ultimate kitchen." Each one is made to order in a single factory in West Germany. And, depending on size, the price with matching appliances installed can be anything from R35 000 to R120 000.

A kitchen on view at Interbou '88 had a black polyester lacquer finish, black appliances, surfaces of Italian granite — and a price tag of almost R90 000.

"We tend to deal in kitchen concepts involving space, lights, flooring, tiles and so on; we do not merely put units against the wall," says Paul Bowers, sales manager of Rewonex, sole South African agents of exclusive Poggenpohl kitchens and Interlubke and Cor furniture.

The Poggenpohl range is so wide it offers 140 front finishes alone — in wood, veneers or formica. An almost infinite variety of configurations, styles, materials, colours, trims, handles and accessories allows each purchaser to become a kitchen designer, says Bowers.

Architects entrusted with re-designing kitchens are finding, he adds, that though Poggenpohl is expensive, it is so well designed that substantial savings can be made in structural changes.

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Industry is set for even tougher era

THE SA building industry, which has shown no real, sustained growth for seven years, is entering an even tougher and more competitive era destined to be dominated by the low-cost housing challenge.

The message is clear, say industry spokesmen: Contestants who fail to strengthen their financial foundations will be at a disadvantage. And those who do not perform efficiently are likely to go to the wall.

Current investment in buildings is put at R14bn by the Sandton-based research organisation, Business and Marketing Intelligence (BMI). Of this, some R7bn is in building materials.

The residential sector already accounts for between 50% and 60% of the building market — but it's share is likely to grow as the nation throws its weight behind housing for the homeless.

"It's a new ball game," says Joe Taylor, MD of the South African Housing Trust. "Margins will be very low, so volumes will have to be considerable. I am confident we will see substantial rationalisation in the construction industry."

Apart from the cut-throat environment, industry leaders perceive three major problems:

- ☐ The shortage of suitable land and serviced sites;
- ☐ The need for some R75bn between now and the year 2000 to finance new homes, particularly at the lower end of the low-cost housing market;
- ☐ The necessity for further streamlining of bureaucratic procedures.

Building Industries Federation of SA (Bifsa) economist Charles Martin and Adriaan Mocke of the Bureau for Economic Research at the University of Stellenbosch, agree that residential building has peaked and appears to be on a decline.

Mocke notes that there is usually a lag of three to six months before the commercial/industrial sector feels the impact.

Bifsa executive director Lou Davis sees the shortage of skilled manpower as the industry's most pressing problem. "Whenever you get a business trough, people we have trained find a stable job elsewhere and never come back. And the lead time in training a skilled artisan is three to four years.

"The capital investment in the four major training colleges directed at building skills of all sorts, is R35m. We ourselves are spending R18m a year on training — and have invested heavily on training right through the recession years."

Davis pleads for more assistance to the small black builders who must play such an important role in development of the "informal" sector. Such help is needed in both training and financing. In this regard he is joined by Dick Pratt, MD of Federated-Blaikie, the country's biggest building merchant group.

Finding ways of making uncreditworthy small builders creditworthy is, in Pratt's view, the most immediate challenge. "We can't expect all those hundreds of thousands of homes for blacks to be built by the major contractors. "It wouldn't be in the interests of the country or the black builders."

He predicts that many different financing schemes will be needed to get hundreds of black builders started. "There's going to have to be a lot more negotiation and liaison between the builder, the supplier and the ultimate financier of the property development."

THE 'MAGIC' 13

A TEAM of 13 men can put up the brick superstructure for a 100m² house in 2,5 days, using a method developed by the National Productivity Institute.

The NPI's Construction Unit concluded that four elements were needed to achieve such a high degree of efficiency:

- ☐ Bricklayers have to have the hand skills to be able to lay up to 530 bricks an hour, allowing for windows, corners and having to move to a higher course of brickwork;
- ☐ The mortar must be plastic enough to squeeze bricks into place without using the trowel as a hammer;
- ☐ The bricklayer, who earns two to three times as much as a labourer, must do only the skilled work (each bricklayer should be served by one labourer putting down mortar in front of the bricklaying point, and another putting down bricks on the wall);
- ☐ A Balanced Team Structure is needed, with everybody working at a constant rate throughout the day to achieve optimum output.

"We find that if you have a labourer each to put down the mortar and provide the bricks, the bricklayer's output goes up by a factor of 2,1 or 2,2," says Jerry Eccles, manager of the Construction Unit.

"Managements' role is crucial," says Eccles. "With sponsorship from Toncoro we have produced a video, and this is a big help in getting people who have become comfortable doing a job one way, to change to a better way."

Written by MIKE HOLMES

A SPARKLING NEW SINK IDEA

INTERBOU '88 had just about everything — including the kitchen sink.

The six-day show attracted 27 696 visitors, compared with 18 600 for the previous show in 1986. Exhibitors increased from 186 two years ago to 270 this year.

Among exhibits that drew a lot of interest was a new type of sink produced in Spartan, using British ICI technology. The low-pressure injection-moulded Asterite sinks from Innovative Technologies are made from a mixture of powdered crystal quartz and a binding resin.

Available in single colours and bi-tones, they fit sleekly into modern kitchen designs and are expected to eat into the markets of stainless steel and other types of sink.

The new sinks, says company spokesman Bill Jones, are heat, stain and scratch-resistant. They cannot rust or fade. "In Britain, Asterite sinks have already taken 29% of the new product market".

☐ The increase in penetration of plastics into building was underlined by exhibits of plastic windows by two companies — AECI subsidiary Penthouse Plastic Systems and Designer Windows and Doors of King William's Town.

The windows are made of uPVC, a material that has captured a sizeable share of the European replacement market. It is maintenance-free, resistant to corrosion and can withstand extremes of heat and cold.

☐ An easy-to-install, do-it-yourself lighting system called Telelite is powered entirely by the sun's energy. Shown by BP Solar Energy, it is aimed at providing safe, clean lighting to replace paraffin and candles.

It can also power a black and white TV or hi-fi set.

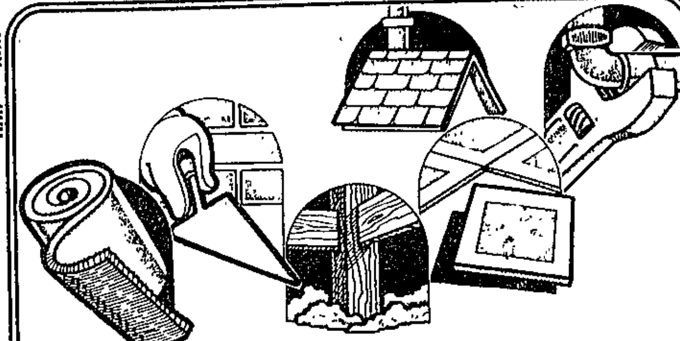
☐ A low-cost sanitary disposal system for mass housing from Calcamite is self-contained but can readily be upgraded to waterborne sewerage or small-bore sewer systems. It needs no water connection, requires no special skills to install and is maintenance-free, say the manufacturers.

NEW RANGES

MR CUPBOARD has launched two new kitchen ranges taking note of the need for durability as well as space and aesthetic appeal.

The company, recently awarded an SABS mark of quality, has developed a kitchen in an oak-look melamine finish, says MD Les Fuller.

A second new kitchen range has what he says is a first from a local manufacturer — tough nylon "bumper" edging. Cupboards are 600mm deep, so that appliances do not protrude.



Building materials and equipment

A Business Day Survey

Bricks can still hold their own . . .

BRICKS have stoutly resisted the challenge of alternative methods and materials for wall-building and paving, reports Business and Marketing Intelligence.

The market for all types of bricks and blocks three years ago was around R530m (or 3,85bn Imperial brick equivalents). Now it's estimated to be in the region of R800m and more than 4bn Imperial brick equivalents.

Between 60% and 70% are used in residential applications.

Strongest trend in recent years, says BMI director Johan Strauss, has been towards concrete brick and block products. In 1977 concrete masonry products had only 22% of the market; now their share is in the vicinity of 35% — representing perhaps 500 000t of cement.

Cement stock or plaster bricks, notes Strauss, were hardly used 10 years ago. Now they've taken about 15% of the market. The main reason, he says, is their 20% price advantage over clay bricks. This has prompted architects and builders to select them for everything, despite more demanding construction requirements.

Timber frame housing hasn't caught on. When it was launched its proponents claimed it would allow big savings. It hasn't worked out that way, he says.

A 20% saving on the superstructure represents a saving of only 3% or 4% on the total cost of the house, including land, labour and services. And that doesn't offset the view in the market that the product is not as strong or durable — and is therefore inferior.

"In many ways the performance of a timber frame house is better than a brick house, but people buy not on facts but on their perceptions."

On the coast a lot of timber houses are still being built — but mainly as holiday cottages.

Timber in buildings is 'essentially in roof trusses, but also in frames and doors. Almost 90% of wooden trusses are used in residential applications. (In non-residential buildings 56% of trusses are steel.)

Cost is often the decisive factor. An acrylic bath, for instance, is usually cheaper than an enamel pressed-steel bath. A hollow-core hardboard door costs a lot less than a solid natural wood door, and a painted surface is cheaper than a veneered one

BMI, currently working on a major new building industry survey, notes that changes are also taking place in the type of materials used around the house. This is happening particularly in the kitchen and bathroom.

Synthetics are chipping away at the still major market share of traditional materials. Plastics are increasingly being used in plumbing. Big sums are being spent on promoting a variety of plastic baths, basins and sinks — and now also plastic window frames.

Cost is often the decisive factor. An acrylic bath, for instance, is usually cheaper than an enamel pressed-steel bath. A hollow-core hardboard door costs a lot less than a solid natural wood door, and a painted surface is cheaper than a veneered one.

Practicalities and aesthetics play an important role in the kitchen. Veneered wood is taking a back seat to tough, heat-resistant yet stylish melamine for cupboards, shelves and working surfaces.

In roofing for low-cost housing there's been a swing to concrete tiles, mainly at the expense of asbestos or fibre cement (at the coast) and corrugated iron and steel sheeting (inland).

Three years ago steel products provided about 50% and concrete tiles in 40% of residential roofing. A lesser share was taken by fibre cement, aluminium and other products.

"Now the position has been reversed, with concrete tiles up to around 50% and steel probably 45%," he says. "But within five years there will be a swing back to steel and fibre sheeting products, because of the need for more and still cheaper houses for Blacks. The greatest demand is in the R15 000 range.

"To eliminate the backlog of 500 000 houses for Blacks, you have to build 200 000 a year for 20 years. Last year we built 70 000 in total — 35 000 for Blacks.

"At this level of building for Blacks the backlog is getting worse."

Shin, and Pepkor chairman Christo Wiese. The winner will be announced at a banquet on October 3.

inflation-rate movements.

5/9/88. 32 B/day

Zimbabwe's builders 'lack materials'

HARARE — An acute shortage of materials, machinery and skills threaten a nascent building boom in Zimbabwe after years of lacklustre growth, experts say.

Brick and cement makers — their obsolete plant creaking under pressure to meet demand — have stopped taking new orders while they clear a huge backlog.

The industry has also been hit by a foreign exchange squeeze which has cut the money available to import machinery and an exodus of skilled white workers when Zimbabwe became independent in 1980.

About Z$30m a year is being spent to buy spares to fit in old machinery. An extra Z$5m is needed.

Economists say the building boom has been fuelled by soaring investment in property by financial institutions, a rural-urban population drift and a shortage of office space in Harare.

"Pension funds and insurance firms get a large regular inflow of money and they have a lot of funds left after investing 60% of their assets as required in government stocks," said John Robertson, chief economist at RAL Merchant Bank.

Meanwhile, government is spending hundreds of millons of dollars building schools, hospitals, houses and roads.

Building societies say demand for loans is almost unlimited.

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Trust pumps R13-m into Sebokeng homes plan

Scheme a big boost for buffer-strip

THE South African Housing Trust has made R13-million available to the Lekoa Town Council for the development of a massive housing scheme at the Sebokeng buffer-strip early in the new year.

Speaking at a ceremony to mark the signing of an agreement between the Trust and the council, Mr Esau Mahlatsi, the incumbent mayor of Lekoa, said the money would be spent on the provision of infrastructure such as electricity, stormwater drainage, water supply and sewerage.

He said the council planned to develop more than 2 400 residential stands, 65 percent of which would be allocated for low-cost housing.

Mr Mahlatsi said the Trust would make a further R30-million available for the construction of the houses.

Mr Mahlatsi said his council allocated 65 percent of the stands to low-cost housing as there was a great need for accommodation in the lower income group.

He said the cost of the low-cost housing would not exceed R20 000.

He said the project would be developed in three phases. The development of the first phase, which will consist of 600 stands, would be commented with early in January next year, Mr Mahlatsi said.

Mr ESAU Mahlatsi (right) signs an agreement with Mr Joe Taylor, managing director of the South African Housing Trust. Assisting them is Mr Aloysius Shongwe, director of the Lekoa Town Council's Housing and Community Development.

(32)

From two into one top quality building

THE RECONSTRUCTION of 32 Diagonal Street has seen the conversion of two run-down and old buildings into one quality block of modern space.

But the conversion has not been without pain, says Trescon's Jimmy Lobban. Trescon came in as developer for the project, put together the deal and, after acceptance by Southern Life, moved on site in about November 1986.

The job has been a complex one, Lobban admits — more complex and difficult than at first imagined. "We certainly came up against a considerable number of design problems we had not anticipated," he says.

The two structures, erected in the late Forties, were virtually gutted and the old liftshaft of the western building removed. A central core was created and an entirely new lift shaft built to join the two buildings.

The two-level parking basement under Diagonal Street was a particularly difficult part of the project from start to finish.

After complex negotiations, Southern Life leased the area under the street from the Johannesburg city council.

The municipality has many services running down Diagonal Street and initial stringent requirements meant delays in the construction of the basement. Existing foundations hampered plans to use the same lift for the parking and offices, so a shuttle was eventually installed providing access for parkers to the office foyer, with four Melcorp lifts serving the office floors.

PROBLEMS

"The structure of the two old buildings was not at all well known when we started, so problems only became apparent after we began," Lobban says. "This meant we had to change the structure as we went along. The finished block is nothing like what it was before."

So why, then, did Trescon go for a reconstruction and not implode and start again?

"At the time we first looked at the project there was no major cost advantage in keeping the existing buildings. However, there was a time advantage which, supposedly, would ultimately mean money."

Lobban concedes that with all the delays this timing element may have become marginal.

The problems experienced highlight one of the drawbacks of many refurbishments — that where a building is old, records have often been misplaced and the original engineering details are not available.

This unknown aspect means refurbishers are often replanning and redesigning from day-to-day, adapting to new constraints.

One of the positives of 32 Diagonal Street is the storage space in the existing building, which would have been extremely expensive to construct from new.

Trescon is also handling the refurbishment of the triangular building next door to the main block. A fast-food outlet will be on the ground floor, with access out to the pedestrian mall in Diagonal Street. There is to be a coffee bar upstairs.

Design on tap

TENANTS in 32 Diagonal Street have an interior design team available to them for assistance in laying out their new offices.

Alexandra Whittle, Anglo American Property Services (Ampros) interior designer, says a tenant or a serious would-be tenant will receive a visit from a member of her team.

A brief will be taken, the client's requirements assessed and a layout done.

FREE SERVICE

Whittle says it has happened that, on seeing the layout, clients have spotted weak areas in their existing structures and reorganised their entire operations.

The free service includes colour schemes of wallpaper, carpets and the driwall partitioning.

The team will handle the final interior design with selection of furniture, but at an additional cost.

330c ● To Page 2

Fuel levy licensing system may be used

BLOEMFONTEIN — The Department of Transport and provincial authorities were investigating the possible replacement of the present vehicle licensing system with one based on a fuel levy, Transport Affairs deputy minister Myburgh Streicher said yesterday.

Responding to resolutions put at the OFS National Party congress calling for such a fuel-based licensing system, he said the feasibility of such a system was currently under investigation and a task

B/day

● To Page 2

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New traffic legislation for road system

force of interested parties would soon be established to continue investigations.

32

● From Page 1

B/day 7/9/88

There was no simple solution to the problem as the mass of vehicles also played a major part in wear and tear of the road system. It was generally argued it would be fair that those who "use and abuse" should pay while those who "save and refrain" should be spared.

"It is generally accepted that as the road vehicle's mass increases, so does its fuel consumption. The experts however claim that this does not occur in total proportion and that other factors play a role.

"That is why a license system based on vehicle mass is necessary to realise a fair contribution regarding capacity provision and damage caused to the road surface."

Streicher said the new traffic legislation would bring stricter control over roadworthiness of vehicles into operation.

One flaw in the licensing system was that it deprived the authorities of an opportunity to assess vehicle safety at regular intervals. — Sapa.

(32) B/day 7/9/88.

Written by JANE STRACHAN

Move back predicted to Jo'burg CBD

IT IS said that, in property, the three most important factors are location, location and location.

Obviously there are other elements involved in the success or failure of a building, but the adage illustrates the significance of position in real estate development.

Location was one of the points involved in the decision to go ahead with the reconstruction of 32 Diagonal Street, says Anglo American Property Services (Ampros) national leasing director Grahame(correct) Lindop.

When the scheme was first mooted, he says, the Johannesburg Stock Exchange (JSE) was "a frenzy of activity". There was tremendous growth in the stockbroking and other financial services markets and the scramble was on for space.

Notwithstanding the market crash of last October, Lindop believes that the building is still well-positioned.

"There is not much other space available in the immediate area," he says. "Of course, it would have been a lot better if the crash hadn't happened. But nevertheless there is still growth taking place in this segment of the market."

Ampros divides what is widely referred to as the financial district of the CBD into a more specific financial district — accommodating the banks, life companies and mining houses — and stock exchange district, with the two being viewed as quite different.

"They are polarised by the fact that they serve different market needs, although they undoubtedly are connected."

Lindop views the exchange district as a definite growth area of the future. Parktown and Rosebank are virtually full in terms of sites for development, he says, and Sandton is struggling to maintain an adequate infrastructure.

"Given this position, we sense a turnaround from the move away from the CBD."

What might ultimately happen is that the exchange district could be filled with people who would strictly fit into the financial area. Evidence of this comes in the form of First National's plans for a mammoth BankCity development which will bring almost 6 000 office workers into the area.

☐ LINDOP . . . "sense a turnaround"

A NEW LIFE

INVOLVEMENT in the 32 Diagonal Street project and adjoining restaurant revitalisation represents a commitment of R15,5m by Southern Life. The institution bought the land and old improvements for R3m two years ago. It has since injected a further R12,5m into the refurbishment of the buildings and development of the parking garage and pedestrian mall.

Anglo American Properties (Amaprop) has taken a 20-year head lease over the scheme from the completion date, guaranteeing Southern a minimum return and escalations. The reason for this, explains Amaprop financial director Lee Whitfield, is that Southern was not prepared to go into the project on risk.

"Different portfolios have different criteria," Whitfield explains, "and it suited Amaprop to become involved in this way. We felt really strongly that the area could sustain a new office building."

Latest in standards

THE OPENING of 32 Diagonal Street today brings 6 300m² of prime new office space on to the market.

The seven floors of 900m² each, which can be configured to tenants' requirements, are expected to appeal to those companies which require a presence in the financial/stock exchange district of the Johannesburg CBD.

So far about 400m² over three suites has been let, says Anglo American Property Services (Ampros) Johannesburg office leasing manager John Maynard, with a further two floors under negotiation. The three tenants are stockbroking firms Royden Roche and Turner & Paterson and Rand Merchant Bank.

Any one company taking more than half of the space will be entitled to naming rights, Maynard adds. Ideally he would like to see at least a tenant a floor, down to not less than 150m².

Asking rentals are in Ampros' prime bracket: R17/m² net, with add-ons of R4,50/m² for operating costs and 38c/m² for rates, bringing the figure up to a gross amount of almost R22/m².

"Historically, new buildings tend to let only once finished," Maynard says, confident that from now the space will be taken up at a steady pace.

"Although the project is a refurbishment, it has been reconstructed to the latest in technical office standards, in terms of items such as lifts, air-conditioning and other such services. And it's not a big building, so staff movement will be quick."

Other factors expected to stimulate demand include:

☐ The high parking ratio of 1:60/m² in the two basement parking levels under Diagonal Street;

☐ Proximity to the JSE and access to the stock exchange's local area (token ring) network, providing access to its computers to buildings in the vicinity;

☐ Location in the financial district, with proximity to the mining houses and financial institutions;

☐ 24-hour security; and

☐ Proximity to the major bus routes and the Johannesburg station.

Finishes will be to quality specifications. A range of three carpet colours in a high-quality weave is available, while the core, perimeter and internal driwall partitions will be covered with standard vinyl wallpaper. Doors will be full height and the ceilings will comprise suspended mineral fissured tiles with flush-mounted light fittings.

A specialist planning and design service is available free of charge to tenants.

A NEW LIGHT

AS ENERGY costs continue to rise, increasing attention is being given by property developers and builders to energy cost-cutting. One area where savings can be achieved is in the light fittings, and Lascon Lighting technical director Biem Bakker says there is a definite trend towards the use of 18W tubing instead of the old standard 20W.

Lascon was responsible for lighting in the new 32 Diagonal Street, where units of three fluorescent tubes of 18W each were installed.

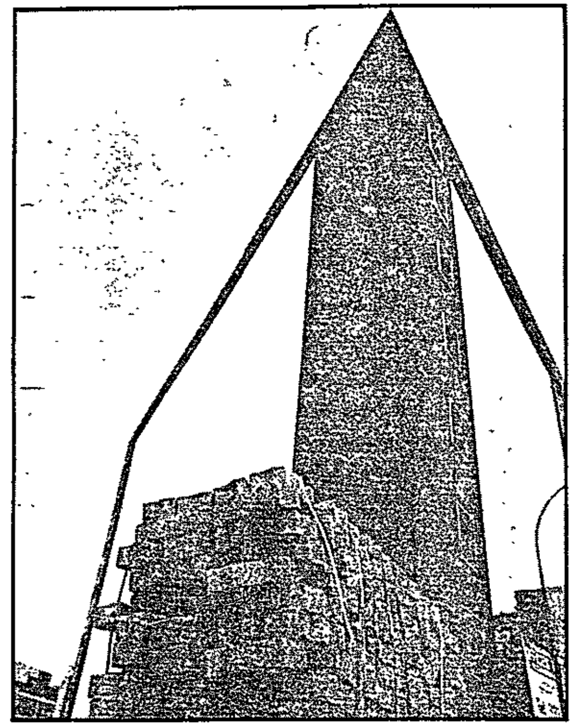
High-efficiency aluminium recessed frame modules, with double parabolic louvres, were also used — the most efficient and sophisticated units available, according to Bakker.

He adds that building developers are also becoming more aware of the need for proper lighting for VDU users. "Attention must be given to the right angle of fittings in order to prevent as much reflection as possible."

New development

32 Diagonal St

A Business Day Survey



☐ 32 DIAGONAL STREET . . . its revitalisation represents a commitment of R15,5m by Southern Life, which bought the land and old improvements for R3m two years ago and has since injected R12,5m into its refurbishment

Computer link-up with JSE

LINK-UP to the Johannesburg Stock Exchange (JSE) computer system through access to a local area network (LAN) is one of the features of 32 Diagonal Street. Situated in the JSE district, the building is an obvious choice for those involved with the exchange: already two stockbrokers have signed for space there.

Four of the other major buildings in the area — the JSE, its new annexe, First National House and the AA Life block — are connected to the JSE in an IBM token-ring network.

Although 32 Diagonal Street is not part of the backbone network, it is hooked in with a co-axial cable from AA Life, which effectively makes it part of the system.

Bruce Templeton, JSE senior manager of business services, says the token-ring network differs from the smaller LANs in that it could be linked to thousands of terminals if necessary. "Also important," he says, "is the high speed at which it operates — just under 4 Mb/second."

DIRECT ACCESS

This efficiency remains constant, even when the size of the network grows and its workload of applications is increased. The link-up enables users to access the JSE's computer services.

In general, the IBM token-ring network can be part of a strategic solution to LAN needs, giving end-user applications direct access to distributed and centralised database resources, while allowing communications between large or intermediate systems and personal computers.

Token-ring architecture is a network access protocol that regulates the flow of information between workstations by monitoring them all and granting permission — a free token — to the station that is ready to transmit. The message is then appended to the token and delivered.

Since the IBM token-ring network's technical specifications match international standards, other manufacturers' equipment can be attached to it by using compatible chip-sets obtainable on the market.

Seeking ways to cut building costs

Faircape Homes earnings soar

CAPE TIMES 9/9/88 32

By AUDREY D'ANGELO
Financial Editor

FAIRCAPE HOMES — which has lifted net income for the six months to June by 149% to R901 000 — is looking for ways to cut soaring building costs and keep house prices down.

Joint MD Mike Vietri said yesterday that it was developing a new method of building, using conventional materials, which would drastically reduce the time needed to erect a house suitable for the middle-income group.

"The signs are that we shall be able to put up a brick-built house in 11 days and reduce the cost of a R45 000 structure to R35 000."

Faircape has also secured the franchise for a low-cost system-built house using polystyrene panels which will come on the market early next year. This is aimed at the lower-income group, who will pay between R10 000 and R12 000.

The company, which is developing commercial sites as well as continuing to be active in the housing market, lifted turnover by 95% in the first half of its financial year to R12,5m.

Earnings were 81% higher at 10,3c (5,7c) a share and net income before interest and tax 151% higher at R2,2m (R877 000).

But the interest bill rose to R663 000 (R155 000) and the tax bill to R645 000 (R361 000).

Mike Vietri

Hans Moser

Vietri and joint MD Hans Moser forecast a dividend of more than 10c a share in March next year, in line with the company's policy of three-times dividend cover.

Describing the interim results as "highly satisfactory" they say that the first six months is historically the slower half of the year.

"Pre-sold projects are in the early stages of construction and the profits from these should enable us to generate earnings in excess of 30c a share for the year."

Rising building costs and a change in legislation have priced some developers out of the first-time home buyers' market in the Western Cape and, with rising interest rates, are threatening the buoyancy of the housing market.

Since August 1, the total housing package including legal fees must not exceed R65 000 to qualify for the first-time home buyers' subsidy.

Faircape is the second major local developer to announce that it is looking for ways to cut building costs — a move which will force competitors to follow suit, and put a brake on rising prices.

Disa Homes announced yesterday that it had acquired the Western Cape franchise for Iscor's Balaton method of steel-framed house construction, which also cuts building time.

Vietri said yesterday that he believed many people were "desperate for homes" but could not afford higher prices, particularly with an upward trend in interest rates.

However, most middle-income buyers wanted conventional brick built houses.

W/E ARGUS 10/9/88

Ovcon aims for R160-m

By TOM HOOD
Business Editor

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THE five construction companies in the Constantia-based Ovcon group expect to notch up R160-million turnover this year, representing a 60 percent increase in volume.

They also have an order book of about R90-million stretching into next year.

Ovcon is the country's only major contractor with a small head office in Cape Town and operating right across the country and into Namibia, Botswana and Lesotho.

In gaining a foothold in the Eastern Transvaal at Nelspruit this year, Ovcon found it had bought a company which also owned a local soccer team — the Dangerous Darkies, which played the famous Kaiser Chiefs recently.

"Suicidal" contracts

Three professionals started Ovcon from grassroots in the middle of a recession, with only "suicidal" contracts available.

The three are joint managing directors: Jan Kamenski, civil engineer; Derek Mace quantity surveyor; and Jimmy Thomas, accountant.

Later the men found they could do better in the outlying districts of the Cape, where margins were higher, moving into Upington and Kimberley in the early 1970s.

One of their first jobs came from a successful R7,45-million tender for the new Kimberley Hospital. They had no plant, staff or foreman but they possessed the organising ability and the hospital was built properly and in time. It required courage by the authorities to award that contract, the directors now concede.

"We have picked up more work because we have the ability to work away from home," they say.

After that they set up separate companies in the Transvaal in 1980, in Natal in 1983 and the Boland and Eastern Transvaal.

About 20 percent of new work comes from negotiated contracts, including repeat business.

Negotiated business is sometimes thought of as a rip-off but Ovcon's directors argue that the client gets the job he wants and at reduced overall cost.

Against this a contractor often put in the lowest tender at suicidal prices because he had no other work and lands in trouble.

"The hardest battle was to get accepted and do big jobs but people are coming to us now," they say.

Work ranges from hotels, Mossgas, educational buildings, offices and factories and the Lebowan water project.

And from being purely Cape builders 13 years ago, they now successfully operate countrywide, largely because the local companies operate independely under their own managing director with full delegated authority.

"However, we are available in a fire-fighting capacity," say the three MDs.

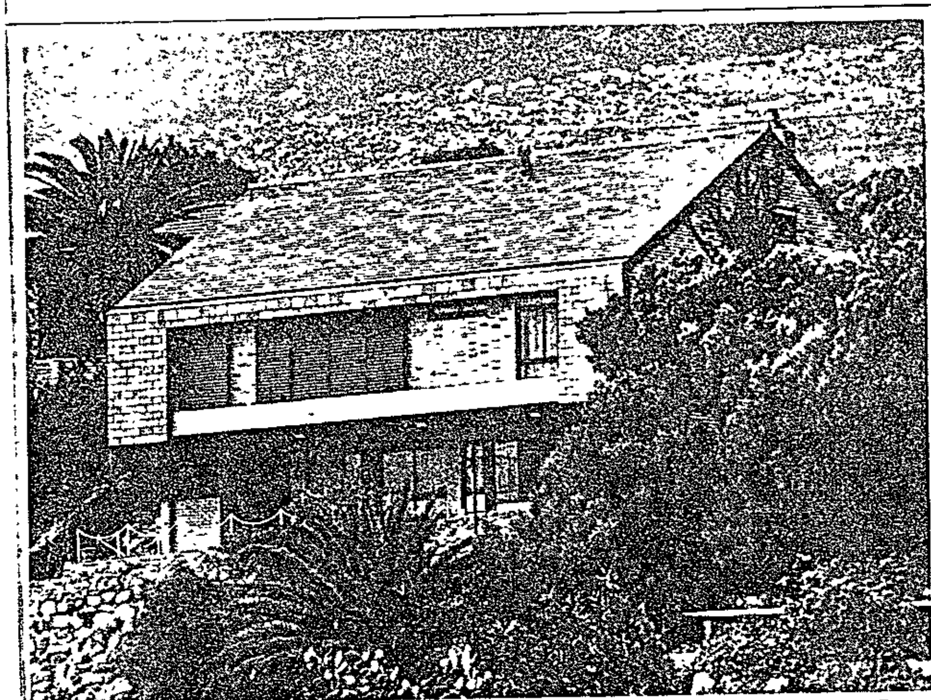
The bulk of the work is still in the Cape, where there are fewer contractors than in the Transvaal with the technical capability to tackle projects costing between R25-million and R30-million.

Could be dangerous

But the company believes it could be dangerous to get any bigger in the Cape and it should go for more geographical spread.

"In the last 10 years we have moved from being builders and road makers to professionals with qualifications that match consultants and architects or are higher.

Contracts are becoming tighter and tighter as rising interest rates make money more expensive.



SALE SUCCESS: This house on an average-sized 735 m² plot in Camps Bay Drive was recently sold for R500 000, one of the highest prices paid in Camps Bay. The price was more than eight times the municipal valuation of R59 870. This suburb's average is about five-times valuation.

New My Home series for TV

Business Staff

HUGE demand for knowledge in the urban black housing market has prompted Corobrik to sponsor a second *My Home* educational series on TV 2 and TV 3.

The highly successful first series last year introduced thousands of black viewers to the concepts

"Previous surveys indicated a strong preference for clay face bricks and the main reasons for building or improving a home were upgrading living standards and security, extra space, capital investment and meeting specific needs of individual members of the family.

"However, black homebuilders and home improvers have to cope with a variety of frustrating problems including construction details, limited avail-

BESTER HOMES 32

High gearing

Activities: *Building contractor, property and township development and investment.*
Control: *The Bester family holds about 70%.*
Executive chairman: *T Bester.*
Capital structure: *12m ords of 50c each. Market capitalisation: R27,6m.*
Share market: *Price: 230c. Yields: 7% on dividend; 29,1% on earnings; PE ratio, 3,4; cover, 4,2. 12-month high, 325c; low, 200c. Trading volume last quarter, 100 350 shares.*
Financial: *Year to February 29.*

	'85	'86	'87	'88
Debt:				
Short-term (Rm) ..	84,4	117,5	118,2	137,6
Long-term (Rm) ...	27,9	18,9	46,5	47,3
Debt:equity ratio	2,6	3,0	3,7	3,4
Shareholders' interest	0,2	0,2	0,17	0,18
Int & leasing cover .	2,45	1,4	0,99	1,3
Debt cover	0,17	0,06	0,01	0,05

Performance:	'85	'86	'87	'88
Return on cap (%) ..	13	11,8	7,3	8,2
Pre-int profit (Rm) ...	27,3	27,8	18,7	24,9
Taxed profit (Rm)	9,1	5,2	(172)	7,9
Earnings (c)	74,6	41,6	(3,7)	67
Dividends (c)	36	20	—	16
Net worth (c)	353	376	369,7	444,9

Reduction of interest-bearing debt is given highest priority in the annual statement of chairman Theunis Bester — this is not surprising, since at year-end borrowings had climbed to R184,7m (R164,7m). Debt: equity was hardly lower at 3,44 (3,7), and debt cover was a thin 0,05 (0,01).

Bester points out, however, that properties

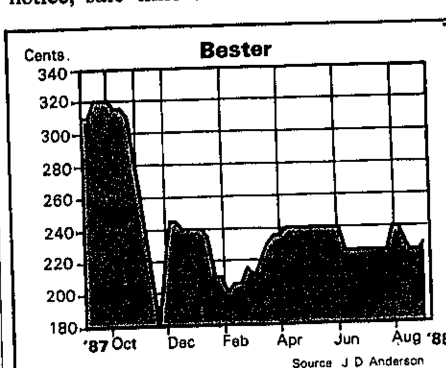
Bester's Bester ... hidden value in properties

are listed at cost and have not been revalued since acquisition, and he began operating in 1959. So, where the accounts show properties at a net value of R80,9m, he estimates a realistic net value of about R500m, inclusive of those from the Tucker group acquisition. If he is correct, that would multiply net worth from 444,9c at year-end, which is already at a substantial premium to the share price of 230c.

On this basis, Bester asserts, gearing is not alarmingly high, and he says the financial institutions providing the credit are happy with their security. Their happiness is not surprising: the hidden value of the properties does not remedy the problem (for shareholders) that most of the group's income is going to the group's creditors in interest payments.

Last year, profit before interest and tax was a healthy R24,9m, but net interest soaked up 78% of this, leaving R5,8m pre-tax. A once-off R4,1m reversal of a provision for deferred tax resulted in a taxed profit of R7,9m, compared with a R0,2m loss the previous year, when interest was 101% of pre-interest profit.

To address the debt problem, Bester decided last year to sell off flats in Pretoria which will yield a net R12m after bond repayments, and some vacant land. The sell-off began in September, but Bester emphasises that there is no panic. With tenants' notice, sale time and transfer deals, there



Building industry faces slump in '89

The building industry will reach a turning point during this year and next year and is expected to be in a period of decline in 1989, predicts a consultant for the Building Industries' Advisory Council (BIAC).

The council, which recently held its general meeting in Pretoria, expects that the average wage increase in the building industry will be about 12 percent, that employment will decrease and that price increases in 1989 will be lower than in 1988.

The projections were made by the BIAC's permanent consultant, Professor Jan van Heerden of the Potchefstroom University for Christian Higher Education.

The BIAC was founded to advise the Minister of Public Works and Land Affairs. It advises the Minister on guidelines which should be followed to ensure a healthy and viable building industry for South Africa.

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Star 20/9/88

Building costs go through roof

ARGUS 21/9/88 32

By BRONWYN DAVIDS, Staff Reporter

INCREASES of about 25 percent in the price of building materials in the past nine months could send the price of the average house soaring between 16 and 28 percent — well in excess of the inflation rate, according to Cape builders.

Acting Cape Town City Planner Mr Neville Riley believes it will be "well nigh impossible" in 1989 to provide acceptable and affordable housing for people who qualify in terms of the housing code.

Mr Paul de Wet, chairman of the Master Builders and Allied Trades Association (Worcester branch), said prices of building materials had risen about 25 percent in the past year.

"We are told this was essential because prices were held down so long during the recession. But, in fact, regular price increases have been a feature of our industry."

"Not controlled"

Products which had gone up include cement, sand, stone, timber, bricks, steel, tiles, copper, joinery materials and sanitary ware.

"One gets the impression that suppliers' production costs are not properly controlled, and that there is in some areas a monopolistic situation."

He said that with the upswing, there were material shortages and alleged that suppliers took advantage of these to raise prices, without reference to the long-term interests of contractors.

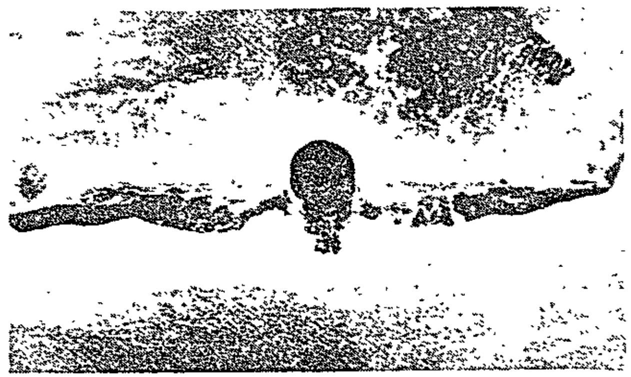
A spokesman for Garden Cities Development Corporation said they had stockpiled materials thus "smoothing out the increases".

During the past year the average price increases were: concrete blocks 20 percent, paint 15 percent, sand 36 percent, plumbing 30 percent, PVC products 30 percent, basins 30 percent, roof tiles 12 percent, timber 17 percent and glazing products 10 percent, he said.

He expected building costs to rise about 16 percent this year, exclusive of the price of the land. This would push up prices of Garden Cities core houses and one, two and three-bedroomed houses, in the R30 000 to R60 000 range "well in excess of the inflation rate".

Mr E E Potgieter, projects manager for Bester Homes (Pty) Ltd said the company was affected every month by the increase in materials but it tried to absorb costs over a three-month period.

World records tumble, Biondi again in shock defeat



NOT GOOD ENOUGH: Matt Biondi of the United States leading in the 100 m butterfly. He was ahead throughout the race but was surprisingly beaten by 100th of a second.

From GARY LEMKE, The Argus Foreign Service

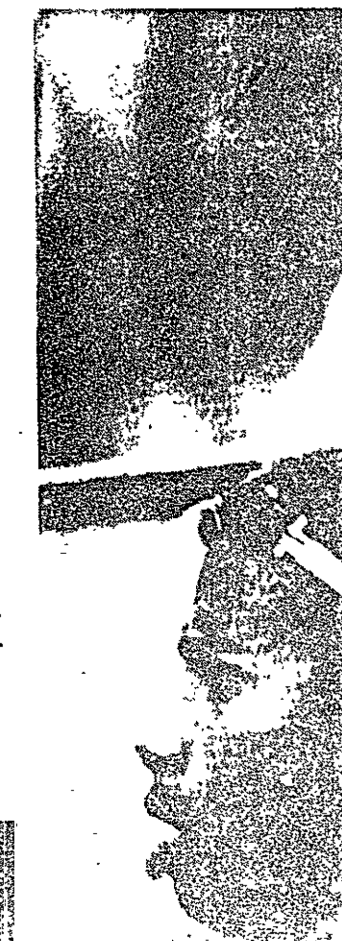
THREE world records and two Games records were shattered as the Seoul Olympics came to life today.

And while American swimming sensation Matt Biondi earned his first gold medal and gained one of the world records, it came in the 4x200 metres freestyle relay and not in the 100m butterfly final, the 22-year-old giant making a tragic error in judgment a metre from home when in the lead.

The East German women swimmers took their gold medal tally in the pool to three as world champions Silke Hoerner (200m breaststroke) and Heike Friedrich (200m freestyle) dominated their events.

Hoerner's 2min 26,71sec constituted a world record — Friedrich lowered the [illegible] mark to 1:58 65 — and

All the results, pages 20 and 21.



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Mr E E Potgieter, projects manager for Bester Homes (Pty) Ltd said the company was affected every month by the increase in materials but it tried to absorb costs over a three-month period.

He said increases in labour costs would have a "tremendous impact" on building costs. Proposed wage increases in the [illegible] area, which incorporated the Blue Downs housing project, were: labourer/general worker — from R1,86 to R2,50 an hour and artisan from R4,82 to R5,40.

Mr Potgieter said the average three-bedroomed house cost between R50 000 and R65 000 including land and services. This was up 15 percent from last year's price and increases of around 10 percent were expected before February.

Affected

As a result of building material price increases the average rise in the cost of a housing unit was 28 percent, the City Council disclosed in a property survey report this year.

This was in spite of a "huge increase" in sales which should have had the effect of pushing down prices.

Yesterday, Mr Riley said: "With material and labour increases, the construction of housing is adversely affected with respect to price.

"We have just awarded a contract for 660 dwelling units and the combined price for land, services and housing is being contained below the R30 000 limit only by stripping out such elements as external plastering and floor covering and minimising site works.

"When one looks at the prospects for 1989, it is going to be well nigh impossible to provide acceptable and affordable housing."

Win a trip for two to Loftus

WIN a trip to the Currie Cup final between Western Province and Northern Transvaal at Loftus Versfeld in Pretoria on October 1. The prize includes two air tickets, luxury hotel accommodation, two tickets to the final and transport to and from Loftus. See page 2 for the first of three easy questions and don't miss The Argus tomorrow and Friday for the next two questions and the entry form.

Gold slides ever-closer to $400

By TOM HOOD
Business Editor

GOLD continued its grim slide towards $400 an ounce when the price dipped to $401 today in Zurich.

From $410 in London yesterday the price dropped to an 18-month low of $404,50 in New York last night.

[illegible]

25/9/88 (32) STimes

Group Five wins R42m contracts

By Udo Rypstra

GROUP Five, which came out of red a few months ago, has a stronger order book after winning four contracts worth R42-million.

They are in addition to several projects it is working on in the Transvaal, Natal and the Cape. Its biggest project is Port Elizabeth's R35,8-million regional post office headquartersa.

Its share of the boom in the building and construction industry includes a R10-million a crushing, screening and flotation plant for Western Platinum Mines; a R10-million flotation plant for Foskor; a R12-million Eskom contract for air ducting at Majuba power station; and a gold plant at Anglo American's Navachap mine near Karibib, Namibia.

Prospects for the group, which turned net losses of R11,4-million into a net profit of R11-million in the year to December 1987, look promising.

This and two other contracts gives it R24-million worth of work.

In additiuon, it is building two sets

Newcastle-based Group Five Building (Natal Districts) has started work on a R14,5-million prison at Kandaspunt, near Vrygheid, for the KwaZulu Government.

of three factories at Madadeni for the Kwazulu Development Corporation at a cost of about R3,2-million. Work on a R3,5-million school at Newcastle for the Natal Provincial Administartion is nearing completion.

In the Cape, subsidiary Savage & Lovemore is getting to grips with the R2,5-million rehabilitation of a section of failed slope above Victoria Drive, near Camps Bay, after heavy rains this year. The completion date is February next year.

Group Five Building SA has moved in for the main Port Elizabeth post office contract to construct a building the size of a city block. It will be 13 storeys high. About 47 subcontractors are involved.

Completion date is July 1990.

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Minrav designs on show

MINRAV International, an Israeli-based company which will be showing off some of its designs at the Great Soweto Show to be held at the National Exhibition Centre later next month, has received a "heartening" response following its decision to donate some of its profits to the Orlando Children's Home.

Mrs Tammy Taranto, Minrav's Relations Officer, said this week that the phone had not stopped ringing since the company made an announcement that it would donate R200 to the home for every house that will be successfully sold at the show.

The show, which is expected to be the most exciting and lucrative marketing showcase yet seen in South Africa, will be held between October 28 and November 6.

Mrs Taranto said her company pledged to support the home as it was committed to the upliftment of the community it served.

"Enquiries about our offer to the Orlando Children's Home has been very heartening and we expect an overwhelming response from the community at the show. We'll be having a stand where we'll gladly provide whatever information is needed," she said.

Attractive

She said Minrav, well-known for its durable and attractive quality houses, was presently involved in the development of about 140 stands at the Orange Free State township of Thabong.

"Even though the provision of services is only expected to commence in a month's time, 90 percent of these stands have already been allocated to the clients," Mrs Taranto said.

She said another housing project which the company would soon embark on was in Emdeni Extension in Soweto. She said she had received an enormous response from potential buyers who wished to live in that area.

Homeowners prefer clay

BRITI clay products are among the South African homeowner's preferred building materials, says Clive Gargan, operations manager of Brick 'n Tile, the nation's largest retailer of bricks, pavers and associated building materials.

The Briti range of clay products is manufactured at Corobrick's Briti factory at Alrode and stocked by 11 Brick 'n Tile centres throughout the Transvaal, the Free State and Natal.

"Corobrick's on-going development of the potential of clay has, we believe, not only done full justice to the beauty of the raw material but established the company

"From hollow blocks for use in combination with concrete to decorative grille blocks and tiles designed for almost any type of roof, Briti products offer a natural, earthy look."

Roof

The range comprises:

- Nordic, Spanish, Arabia, Sienna and Brownbuilt — aesthetically-profiled cover tiles which can be laid over corrugated roofs.
- The Julietta, Venezia and Cordova tiles designed for new roof structures.
- Palazzo, Tivoli and Murano-Decorwall grille blocks which add attractive shapes to patios and garden walls.
- Hollow floor blocks in 10 sizes for use as filler blocks in reinforced concrete flooring.
- Clay spacers ideal for lining concrete columns and beams.
- Clay Briti pipes and racks for attractive storage of wine bottles.

The Briti range is made from exceptionally fine clay chosen for its consistency, strength, workability and bonding properties.

The transformation of the raw clay into the finished product is an art in itself. The entire production process is personally supervised and the sizing of the dry materials controlled and checked by experts every step of the way.

During the crushing and powdering process, the clay is checked for even spread and fineness. Water is added and the consistency of the clay is continually monitored before the product is shaped to requirements.

Under controlled conditions in the drying chambers, the clay undergoes an even drying process designed to strengthen the product and to prevent cracking.

The clay is then fired in kilns which use a consistently high grade of fine coal for even burning and even temperatures.

Says Mr Gargan: "Take Briti clay roof tiles, for instance. Aesthetically - profiled and lightweight cover tiles laid over asbestos or steel roofs look exceptionally good and can completely alter the character of the entire structure.

door temperatures — both in winter and in summer.

"Unique Briti roof tiles provide either a Mediterranean, English cottage or dramatically modern look.

"Unlike artificially-coloured concrete tiles, clay tiles never fade and are therefore completely maintenance-free.

"Briti Decorwall grille blocks add a new dimension to any garden wall or patio.

"Used mainly for decorative screen walls, they provide an attractive terracotta finish which can be left either in its natural shade, painted over or used as a trellis for a creeper.

"The creative person will find a multitude of applications for these versatile products," says Mr Gargan.

BUILDING UP

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. . . from a very humble foundation!

NINE years ago Mr Elijah Mlaba was a humble truck driver who depended entirely on his meagre weekly wages for his livelihood. Today, the tall and friendly East Rand man is a businessman who is gradually carving himself a niche in the highly competitive building industry.

With all odds stacked heavily against him, Mr Mlaba managed, in a very short space of time, to rise from one of the lowest positions on the South African economic ladder to become proud owner of Fast Homes Builders — a construction company which is fast gaining in popularity on the East Rand township of Vosloorus.

When the company was formed in 1986, it was anything but fast. It only managed to build four houses in the first 18 months of its existence. But today Fast Homes Builders is growing in leaps and bounds.

"Finance was extremely limited and I had to depend on the Small Business Development Corporation for assistance. This was limited to R60 000 at a time," Mr Mlaba said.

Talking about his rise to success, Mr Mlaba said he was forced at an early age to look for a job after his father died. With his future education smashed, he started working as a labourer for a factory on the East Rand, taking home meagre wages to buy food and sometimes clothing for his family.

He said in 1979 he put himself through a three-month Bifsa building course in Katlehong which he attended over weekends. After completing the course, Mr Mlaba worked on weekends as a bricklayer or plasterer for anyone who needed minor alterations or additions done to their existing homes.

Realising his own potential, Mr Mlaba decided to take the bull by its horns and started his own company. From a humble beginning, Mr Mlaba is no longer just building a few houses in Vosloorus. He runs a business which, in time, will leave behind a legacy of changes within the small community of this township.

"I'm now trying to build up enough capital to allow my company to finance the construction of a house itself. Through the funding of the SBDC I'm only able to build one house at a time and I've to pay finance charges they impose. But if I can use my own money, I'll eventually be able to build a house purely on speculative basis and I will not be locked into the charges I'm currently paying on the money I've borrowed," Mr Mlaba said.

He is planning to build at least 10 houses a year. He says if he can be able to finance his own developments, the number of completed homes may increase.

"Perhaps the most important thing that I've learned in the past few months is that there is a right way of doing things. There is also a wrong way. I don't want to cheat clients and also don't want them to cheat me. Now I can be sure that I'm giving them a fair deal

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HOME IMPROVEMENT

Bright idea can save you bills


Mr EZRA Shidlovsky, managing director of Time Housing's Western Transvaal Division.

MORE and more companies are devising ways and means of providing quality housing to the low income group at the most affordable and lowest possible prices.

Time Housing, one of the leading companies in the building industry in this country, is to embark on a scheme which, if successful, will help ease the housing crisis among the poor communities in the Western Transvaal townships around Klerksdorp.

The company's Western Transvaal division is soon to introduce a solar power housing system which will save home-owners a considerable amount of money on electricity

This system accommodates six light points, a 200 litre capacity geyser and one television point

Mr Ezra Shidlovsky, managing director of Time's Western Transvaal Division, said recently that the system operated on a battery which was changed once every six years

"It's a one-off installation and is maintenance-free You don't have to pay electricity bills at the end of the month This system has all the advantages that you can think of," Mr Shidlovsky said

The company recently bought Spaceframe, a company which manufactures low-cost wall panel systems This system has also been designed for low-cost housing

According to the company, the system could substantially reduce foundation costs for homes built on poor soils such as heaving clay Its cost saving, the company said, could be as high as R5 000

The company, which is building several hundreds of houses in the Khuma, Kanana, Jouberton and Alabama townships, has donated an R80 000 centre for the disabled and a creche in two of the townships as part of its social responsibility programme

Mr Tusker Makings, general manager of Time's Western Transvaal division, said one of the company's major projects would be the development of more than 7 000 residential stands in Khuma Location over the next five or six years.

He said more than 70 percent of the stands would be allocated for the development of low-cost housing as there was a great need for housing in the lower income group

Mr Makings described the housing shortage in the western Transvaal's black townships as critical. He said Time Housing was doing all it could to alleviate the crisis

A dream comes true for patient mother of 2

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A HOMELESS domestic worker who was widowed 15 years ago and who saved for many years to raise sufficient capital as a down payment on a home saw her dreams come true when she moved into a new house in Thokoza Extension Two earlier this month.

Mrs Mabel Fani, a 46-year-old mother of two, was over the moon when Mr Brian Longley, newly-appointed Chief Executive Officer for FHA Homes — a housing utility company of the Urban Foundation — handed her the keys to her dream home.

"I can't believe my 11-year wait for a house of my own is over I have been shunted around for over 11 years, not having a 'real' home Now I can say that I belong," an overwhelmed Mrs Fani said

Mrs Fani, whose husband died about 15 years ago, saved for over seven years for a down payment of R500.

Mrs Fani's house is the first of 833 homes which are being built under FHA Homes' owner-builder scheme in Thokoza Extension Two.

There are about 1 770 stands in the scheme, ranging in sizes from 180 metres to 325 square metres. Of these, 450 will be utilised for contractor built housing, 80 for sale to individuals while 409 have already been sold to developers and employers.

The entire area has waterborne sewerage, graded streets and high mast lighting. Half of the area has been provided with domestic electricity.

The development is adjacent to the existing residential areas of Thokoza and is close to the community facilities existing in these areas.

Shops, churches, schools and sport facilities are all within walking distance In addition, sites have been set aside throughout the scheme for similar community facilities.

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HOME IMPROVEMENT

'Match-box' explosion

State house sales up at steady rate

THE sale of State-owned "match-box" houses in the urban areas of the Transvaal is increasing at a steady rate, according to Mr Alex Weiss, a spokesman for the Transvaal Provincial Administration.

Mr Weiss said in a Press statement recently that nearly 27 percent of available State-owned houses in the province had now been sold. He said he expected the figure to increase considerably over the next few months.

He said by the end of September last year, more than 47800 registered tenants in the Transvaal had purchased their houses. Since then nearly 2000 houses were sold to tenants a month, Mr Weiss said.

100 percent sold

"The sales drive has been particularly successful in the northern Transvaal where 100 percent of the available housing stock was sold to registered tenants. Equally pleasing are figures from the central Transvaal (47.21 percent), Eastern Transvaal (42.07 percent) and Western Transvaal (41.43 percent). Even the lowest sale of 91 houses in July this year in the Western Transvaal is almost 20 units higher than the lowest figure for September last year," he said.

Mr John Mavuso, member of the executive committee of the TPA, said he was convinced that the quality of life in areas where registered tenants had bought their own houses would improve.

He said people were eager to take advantage of today's low prices as they realised that the value of their houses would increase over the coming years.

Transport hike kept back

COROBRIK Transvaal has decided to hold down its transport rates for the next four months despite the recent 15 percent increase in the price of fuel.

Mr Chris Dickinson, marketing manager of Corobrik Transvaal, said his company's decision to temporarily absorb the fuel hike was aimed at containing building costs, particularly for the first-time home-buyers.

He said many of the company's customers had already been hard hit by the increase.

He said only recently, the company had upgraded its transport fleet for even faster and more efficient service to all direct-delivery customers.

"Altogether 56 trucks in the fleet of 62 prime movers and 63 trailers are now equipped with cranes — 44 of them with trailer-mounted AVH cranes — making the fleet by far the largest and most flexible of its kind in the country," Mr Dickinson said.

The AVH self-propelled mobile cranes move along the entire length of trailers, swiftly and safely loading bricks in packs of 400. Centre-mounted cranes are fixed and reach out to lift brick packs on to the trailers, further reducing the risk of damage.

Said Mr Dickinson, "We are committed to customer service excellence. Timeous, cost-effective and speedy delivery is an important component of this commitment."

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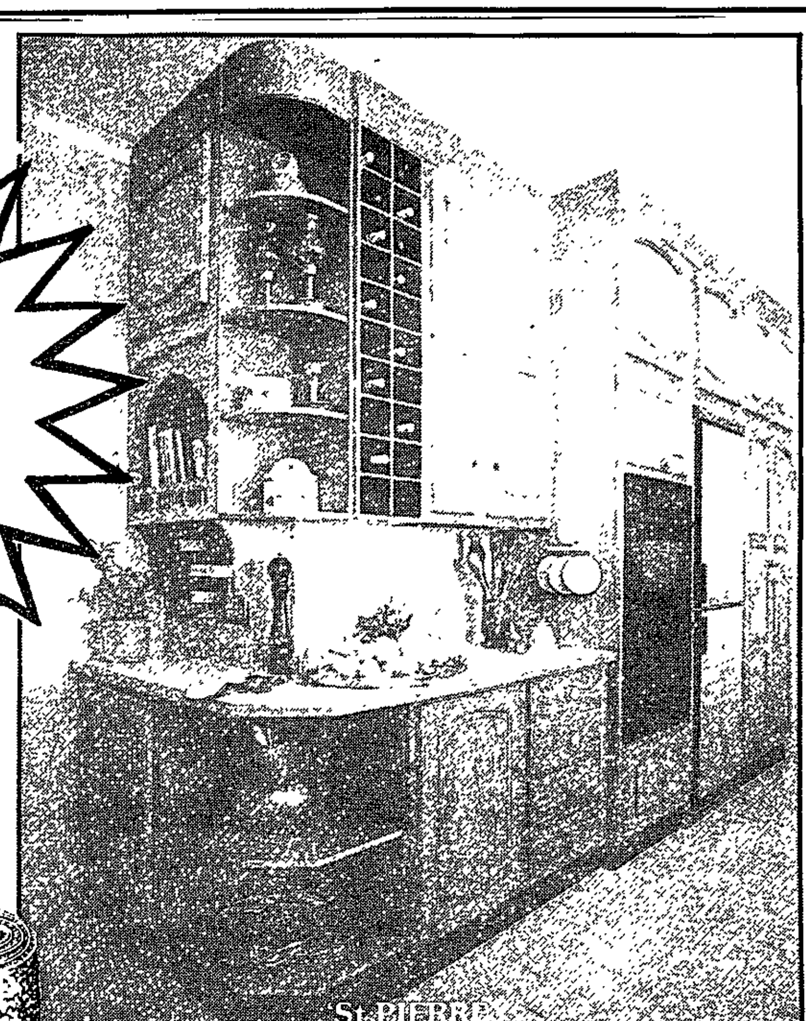
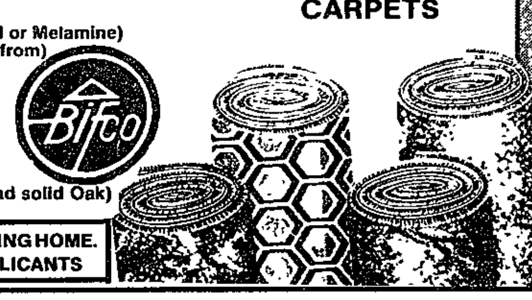
He said only recently, the company had upgraded its transport fleet for even faster and more efficient service to all direct-delivery customers.

"Altogether 56 trucks in the fleet of 62 prime movers and 63 trailers are now equipped with cranes — 44 of them with trailer-mounted AVH cranes — making the fleet by far the largest and most flexible of its kind in the country," Mr Dickinson said.

The AVH self-propelled mobile cranes move along the entire length of trailers, swiftly and safely loading bricks in packs of 400. Centre-mounted cranes are fixed and reach out to lift brick packs on to the trailers, further reducing the risk of damage.

Said Mr Dickinson: "We are committed to customer service excellence. Timeous, cost-effective and speedy delivery is an important component of this commitment."





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HOME IMPROVEMENT

LET'S FACE IT!

Clay bricks build hope for housing

ACCELERATED urban drift and a massive drive to encourage home ownership has secured a vital place for clay brick in the affordable housing market.

Not only do the aesthetic appeal and perceived quality present a strong case for the choice of clay brick as the number one building material — simple economics lend massive weight to the argument.

But with the overwhelming numbers involved in the mass housing business, brick alone cannot offer a total solution. And, in some caes, the sheer need for shelter is so pressing that even the brickmakers agree use of any alternative material is better than leaving people in need of homes.

Place

Mr Keith Nurcombe, national marketing manager for Toncoro holding company of Corobrik, says there is a place in the market for all types of building materials.

"Just as there is no 'quick fix' solution to the husing shortage, brick cannot be all things to all men," says Mr Nurcombe.

"But recent market research has confirmed that affordable sector's preference for clay face brick construction and experience shows that the initial cost advantage of certain other building materials is outweighed by longer-term maintenance costs.

Costing

"For example, it is generally reckoned that it is 10 to 20 percent more expensive to build walls in clay brick than in concrete. Life cycle costing, which puts maintenance and first costs into the equation, shows that after 10 years clay brick walls offer significantly improved cost benefits over all the other decorative types of walling.

This is particularly important for urban families who are experiencing home ownership for the first time and who are struggling to pay for their new homes in the face of ever-rising living costs.

Influx

"Appearance and long-term cost considerations are probably the two main reasons why clay bricks are enjoying such popularity among new homeowners," he says.

There are two major applications for clay bricks in the affordable housing sector. New homes — especially at the upper end of the market, and additions and alterations to the typical township "box" houses sold under the Government's great housing sale.

Two Government actions have brought fundamental change to the housing scenario. These are the scrapping of influx control which has accelerated urban drift and the acceptance of the home ownership concept. And, says Mr Nurcombe, they have already started to have a profound effect on many preconceived ideas of the planners and providers of affordable housing.

"Expansion of home ownership has encouraged people to take more pride in their property and to look for new ways of expressing the individuality of their homes.

"After many years of living in lookalike houses people are anxious to add extra accommodation to meet their needs — and to make their houses stand out from their neighbours.

"This burgeoning market has brought hundreds of new small-time building contractors into the field, to the extent that this 'small transactions' sector is becoming an increasingly significant business segment.

"Experience has shown that this sector requires vastly different marketing service from that given to establish contractors in the big league formal sector.

Level

"For this reason Corobrik is setting up an extensive network of stockists who will be able to provide the necessary service levels for the small transactions sector at a local level.

"We have also found that would-be home-owners are desperately hungry for knowledge about all aspects of home ownership and home improvement. They want to know how to go about buying, raising finance, planning alterations, choosing materials and so on.

"We feel it is our duty to offer builders and home owners as much help as we can.

"As an immediate step in this direction Corobrik is sponsoring a new 26-part educational series which starts on TV2/3 on October 8.

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The series proved extremely popular, attracting many mor[e] viewers than most othe[r] educational program[mes].

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Mr Nurcombe say[s]: "We are committed t[o] helping build a bette[r] South Africa for all an[d] we believe our role is t[o] give as much help a[s] possible to builders an[d] would-be home-own[ers]."

GOOD NEWS FOR TEMBISA

Thrashing out industry issue[s]

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ANNOUNCEMENT

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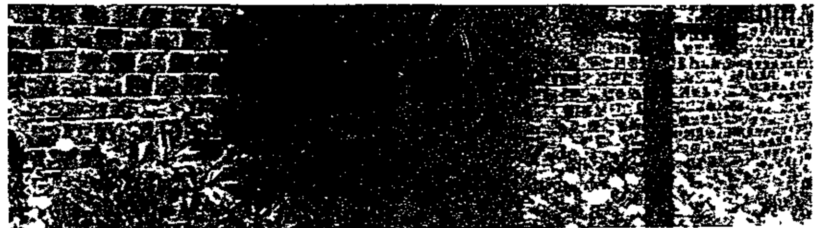

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Mr Lou Davis, executive director of the federati said the congress — which will be held at the Cape S between October 23 and October 27 — would addr several issues which faced the industry

Mr Davis said one of the key issues the congre would focus on was the demand for housing in tl black market He said demand for housing in th black community was extensive and yet the remained a perennial shortage of capital f investment in this sector

He said other issues which would be discuss included

- Relationships between main contractors and su contractors and the threat of further fragmentation the organised building industry;
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Trust pumps R13-m into Sebokeng homes plan

Scheme a big boost for buffer-strip

THE South African Housing Trust has made R13-million available to the Lekoa Town Council for the development of a massive housing scheme at the Sebokeng buffer-strip early in the new year.

Speaking at a ceremony to mark the signing of an agreement between the Trust and the council, Mr Esau Mahlatsi, the incumbent mayor of Lekoa, said the money would be spent on the provision of infrastructure such as electricity, stormwater drainage, water supply and sewerage.

He said the council planned to develop more than 2400 residential stands, 65 percent of which would be allocated for low-cost housing.

Mr Mahlatsi said the Trust would make a further R30-million available for the construction of the houses.

Mr Mahlatsi said his council allocated 65 percent of the stands to low-cost housing as there was a great need for accommodation in the lower income group.

He said the cost of the low-cost housing would not exceed R20000.

He said the project would be developed in three phases. The development of the first phase, which will consist of 600 stands, would be commented with early in January next year, Mr Mahlatsi said.

Mr ESAU Mahlatsi (right) signs an agreement with Mr Joe Taylor, managing director of the South African Housing Trust. Assisting them is Mr Aloysius Shongwe, director of the Lekoa Town Council's Housing and Community Development.

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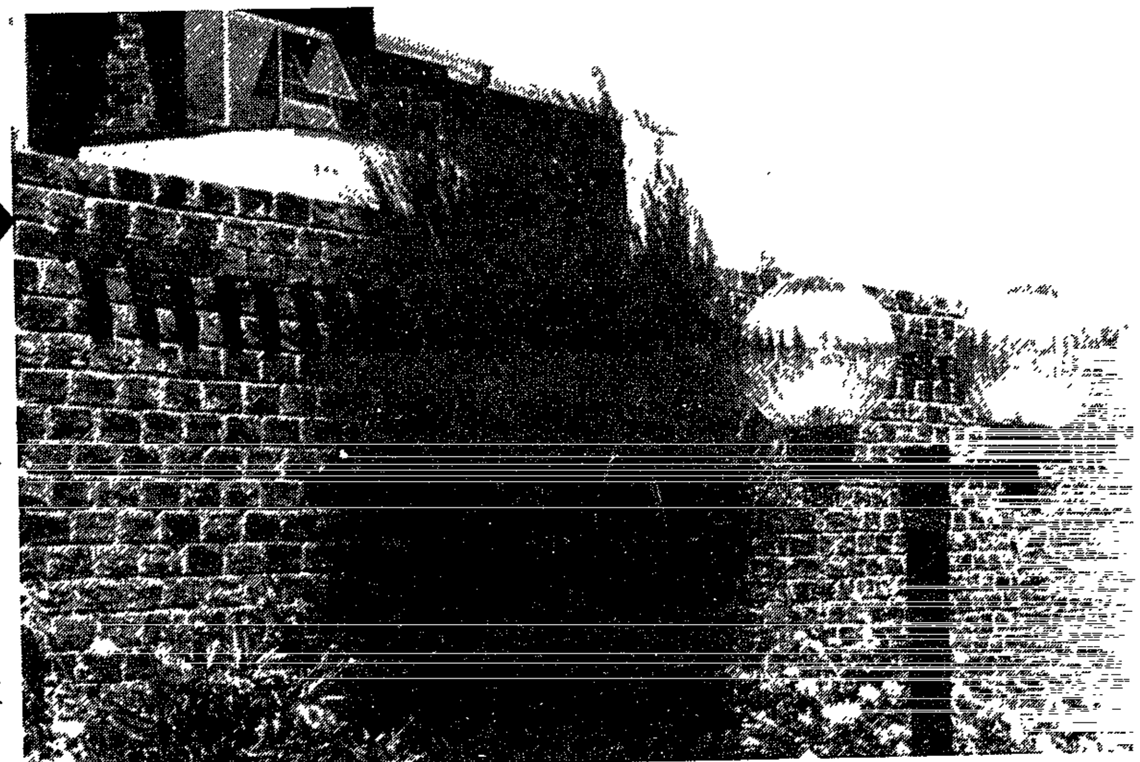
Clay bricks build hope for housing



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HOME IMPROVEMENT

TIME SCOOPS VISTA

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TIME Holdings, a JSE-listed management and financial services group, has acquired the entire shareholding of Vista Homes for R11-million, it was announced in Johannesburg recently.

After the acquisition Mr Colin Hibbert, executive chairman of Time Holdings, said the company was aiming at maintaining Vista's leading position in the white housing market but also intended to expand it significantly into the larger black and coloured markets.

He said he expected half of Vista's earnings to come from these markets in two years' time. Mr Hibbert said Vista, which had a broad client base, had a popular range of designs and well-developed housing skills.

This is Time's major acquisition in recent months. Earlier this year the company, formed only five years ago, acquired Spaceframe, a manufacturer of low-cost wall panel systems which enabled it to penetrate the lower end of the market.

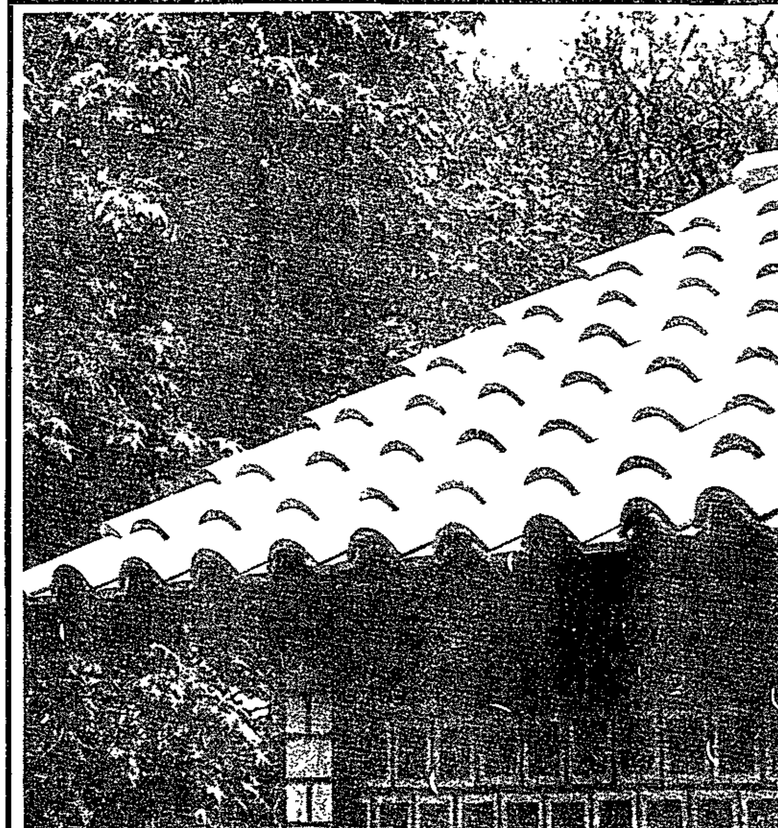
Since its formation, Time Housing has expanded rapidly and become a major home-building force nation-wide and in the neighbouring states.

Branch offices were recently opened in Pietersburg, Klerksdorp, Witbank, Cape Town and Durban.

Vista Homes was acquired from Mr John Bezuidenhout, who was a major shareholder. Mr Bezuidenhout will remain Chief Executive Officer of the company.

"While Time as a whole will considerably increase its share of the housing market, Vista will greatly benefit from the group's strong administrative and financial systems and disciplines," Mr Hibbert said.

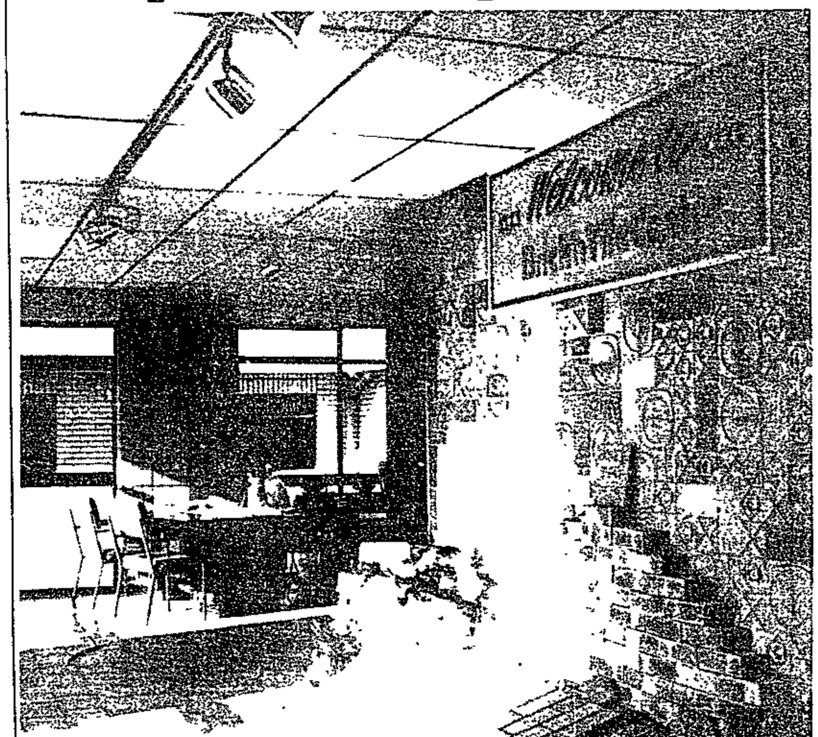
Night (or day) on the tiles



CLAY Briti roof tiles are among the products Brick 'n Tile have to offer.

HOME IMPROVEMENT

Problems? - here's the place to go!



WHETHER you are tackling a project on your own or with the help of a builder, mistakes are costly, and the best way to overcome this unpleasant experience, is to come to Brick 'n Tile and to bring your builder along.

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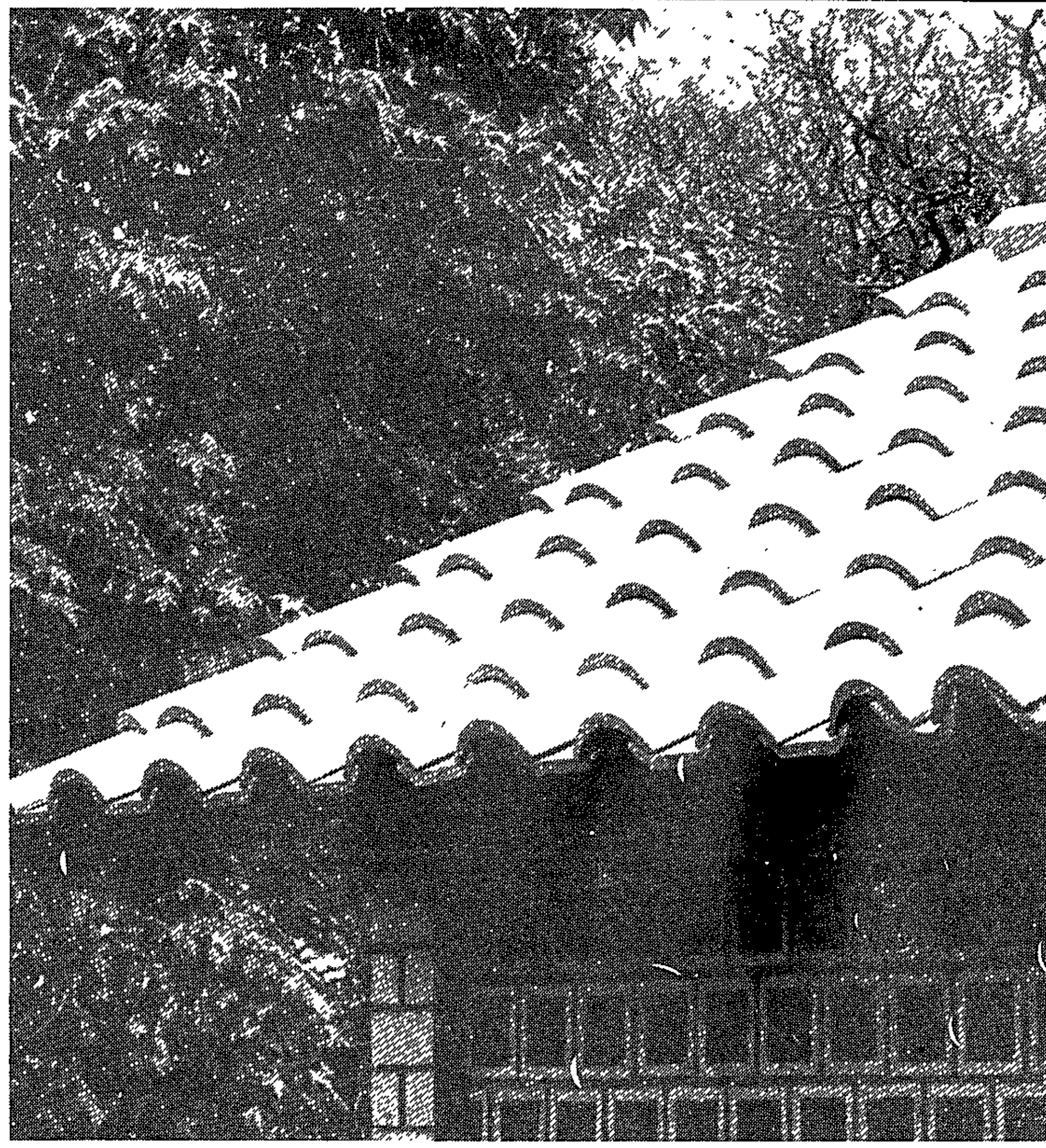

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BUSINESSMAN OF THE WEEK

Building success from a firm base

W/C ARGUS 1/10/88

32

By DICK USHER
Business Staff

RENE van Hal's interest in construction was whetted early when he came to South Africa "for an adventure and to see this part of the world" after he left school.

Dutch-born Mr van Hal arrived here in 1962 after he matriculated and worked for a year with an uncle in the construction business.

He returned to Holland where, after two years' military service, he attended the University of Delft and graduated with a Masters degree in civil engineering in 1970.

Manager

After that it was back to South Africa and, following jobs with a firm of consulting engineers and a civil engineering contractor, he joined LTA in 1974 and has been with the company ever since, being appointed general manager of LTA Building, Cape, in October 1987.

The company celebrates its 50th year in the construction industry this year and, coincidentally, one of the original company's first contracts was for Stuttafords, a building which LTA is now busy refurbishing as one of the centre-pieces of the St George's Street pedestrian mall.

LTA Building, while not the biggest contractor in the Cape, employs about 600 people and has been involved in some impressive projects, both independently and in partnership.

These include the Soekor head office at Parow, the Claremont and Noordhoek Pick 'n Pay, the CPA head office, and extensions to the South African National History Museum and planetarium complex.

Current projects include the R40-million new headquarters for Southern Life, residences for the University of Western Cape, the Helderberg retirement village and developments at the giant Blue Downs housing project.

Intent

LTA Building have also been given a letter of intent for the Bay Hotel at Camps Bay.

For Mr van Hal, the fascination of the construction industry lies in the excitement of starting with a concept and an empty piece of land, and bringing the concept to fruition in concrete and brick, glass and steel.

To achieve this takes not only skill, expertise and experience in construction, but also the ability to draw together the differing interests of people involved in a project, their varied conceptions of what they want and how to achieve it so that "eventually we find each other at a point acceptable to all".

Maximum

"It is a growing process in which the team works together to refine the concept to its maximum potential within the limits of what is possible with the given resources," he said.

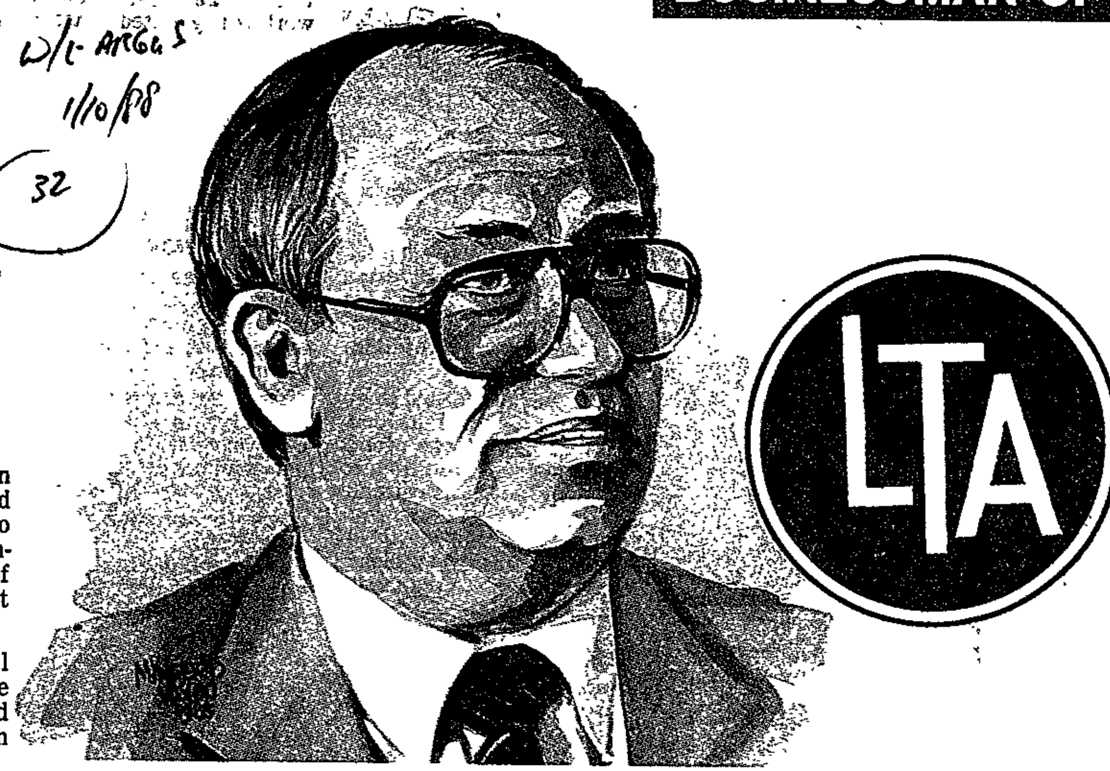
With this approach, it's not surprising that Mr van Hal is a keen bridge and chess player. Elements of what he achieves are manifest in both pasttimes.

"With bridge you have to listen to what people are saying so that you can make reasoned assessments of what they are up to, and in chess you analyse their strategy to understand attack and defence.

"And as the play progresses, just as in building, you need the flexibility to adapt your own plans and strategy to what happens at each stage.

"Perhaps the biggest problem is people's eagerness to

(See Page 3)



RENE van Hal . . . a holistic approach

P.T.O

Building success on firm foundations

w/(Argus 1/10/88

(From Page 1)

(32)

bring their dreams to completion — they often don't understand that it takes time, that there is no magic wand to wave."

As a manager he finds one reason for the company's success in its size.

"We are not too big and so I can be a hands-on manager.

"But it also means that people can identify with the company and be part of something which is real to them, not just a huge, impersonal conglomerate.

"It's a very good company to work for and most of the people who start here stay with us.

"As a result, many staff know me from the time I was a contracts manager and then the recession forced us to become very close to survive, producing an effective and efficient team.

"It also means that staff know they are not alone with a problem, either in the working environment or their outside life," he said.

It's a holistic approach that extends to a social view of the industry.

"Overseas there is more mechanisation than in South Africa, but we have a social responsibility here to help people find a place in the sun and earn a decent living.

"Building operations are very labour intensive which I see as the right way to do it. People need the jobs," said Mr van Hal.

PROPERTY

Full order books will help M & R weather downturn

32

W/L Argus 7/10/88

By TOM HOOD
Business Editor

FULL order books in its construction and engineering companies should help the Murray and Roberts group to weather the expected economic downturn for at least 12 months.

Chief executive David Brink is confident of achieving record earnings and dividends in the current year, though the pace may slacken from the 83 percent hike in earnings for the year to June and the 91 percent boost to dividend payouts.

This is because profits from a number of contracts will only be counted when the contracts are completed later in the current year.

With 1986 now a bad memory — profits plunged and dividends were slashed from 77c to 10c — earnings and dividends are now running at record levels.

But a pointer to the future is the CE's pronouncement that he is not yet satisifed with progress despite last year's expansion and a strengthening of the balance sheet to countert any rise in interest rates.

The key to the improvement and future growth is that M & R is focussing on a limited range of industries in which it already operates successfully, enjoys a competitive advantage or sees market opportunities.

Acquisitions are being confined to businesses which have related technology or related markets, says Mr Brink.

David Brink

Last year it invested R46-million in various businesses and sold others for a total of R16-million.

Construction and engineering boosted its contribution to group profits by almost R10-million to R40-million. Though only contributing 27 percent of total profits of R140-million, this group clearly has scope to realise its full potential.

"The 16 percent return on average assets, an improvement on 1987, still does not meet the group's objectives," says Mr Brink.

M & R has as much construction work as it can handle in the Cape. But the industry is extremely tight and competitive, he said in an interview.

"Competition has squeezed the guts out of construction, margins are so thin that it is almost a non-profit business."

Murray & Roberts is involved in major housing projects — at Woodbridge Island and Blue Downs. It is also working on several major commercial developments — offices for Sanlam at Claremont, extensions to Sanlam's headquarters at Bellville, work at Thibault Square and the Southern Life building in central Cape Town.

"We are as full as we want to be Most of our work is negotiated — we are not having to slug it out in the tender market"

Of Cape subsidiaries, Consani is doing very well, says Mr Brink A major order is tanks for Newlands brewery.

Busy

Both Gearings and Cape Foundary are busy with forgings, chiefly components for the motor industry.

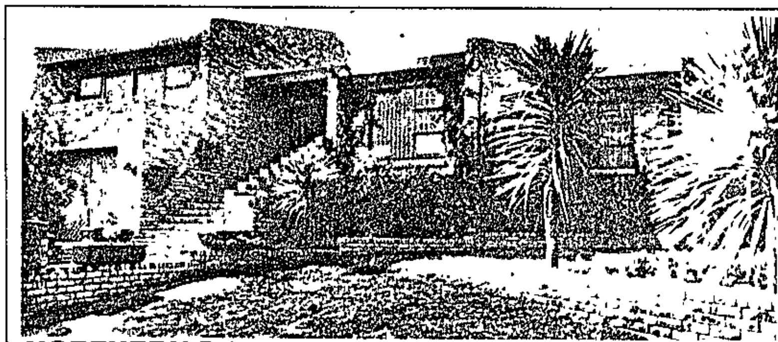
Quarries are extremely busy, as are brick companies, with Calsica going full ahead.

Mossgas is providing work for subsidiaries, with EMSO, the design engineering company handling project management for off-shore sections at Mossel Bay

Generec won a R70-million tender for the "jacket" which will be assembled at Saldanha. Generec is the biggest erection company in the country

People often forget that construction lags the rest of the economy by about 18 months. When boom times come, the industry is usually still in the doldrums.

Official curbs to "cool the economy" could lead to a downturn. But even — as Mr Brink puts it — "the lights go after Christmas" M & R expects to continue for about 18 months before being hit



NORTHERN SUBURBS: A house in Parow's exclusive Welgelegen suburb, nestling the slopes of Tygerberg, was sold for R297 000 this month. The 506 square metre face-brick house is in General Jaap van Deventer Road on a 1 215 square metre plot.

Agents can earn R50 000 commission on R1m sale

Business Editor

AGENTS who deal in commercial property can expect to earn commission of around R50 000 on the sale of a building for R1-million.

Earnings would rise to R100 000 for the sale of a R6-million building such as offices, factory, block of flats

This is the result of an agreement between the South African Property Owners' Association and the Institute of Estate Agents.

However, Sapoa reminds its members that no mandatory tariffs exist — the Competition Board put an end to fixed tariffs for estate agents

"All members are urged in their own interests to agree in advance the basis of commission payable and on the services to be rendered by an estate agent," says Sapoa in new guidelines for the negotiation of commission.

The guidelines assume "a complete negotiation" by the agent Where a lesser service is provided or sought reduced fees would be appropriate.

Commission only becomes payable on registration of the transfer of the property, says Sapoa.

Suggested fees are 5 percent on the first R1-million of the purchase price; 3,5 percent on the next R1-million, 2,5 percent on the next R4-million; and 1 percent on the balance of the purchase price.

Agreement has also been reached on commissions payable on the negotiation of leases on all commercial or industrial properties.

Suggested commission is 10 percent on a monthly lease for the duration of the tenancy

For longer periods, the rate is 5 percent on the first year's rental, 2,5 percent on the next three years' rental, 1,5 percent for years five to seven, 1 percent on years eight to 10, and 0,5 percent on the rental for the balance of the period

Rentals of parking bays are not to be included in calculating the commission, says Sapoa.

PROPERTY SALES

LATEST property sales (municipal valuation in ... R135 000 (R34 030) 1 Pembroke St 214 m² ... GARDENS ... LANSDOWNE

FS Industries' companies seek R294,4 million

(32)

Star 3/10/88

By Derek Tommey

The five companies in the FS Industries group — FSG, FSI, Waicor, W & A and Hunts — have embarked on a major capital raising operation. Between them they are seeking R294,4 million from shareholders by way of rights issues.

However, as some of the companies hold shares in the others, the total amount to be raised in "new" money from the public will not be as large.

The additional capital is to be raised through issues of preferred ordinary shares. Holders of these shares will receive fixed annual dividends amounting to 12 percent of the issue price.

The preferred shares will be converted into ordinary shares when the ordinary dividend equals the preferred dividend.

The number of preferred shares to be issued by each company and the price at which they are being offered is:

FSG — 16 shares for every 100 ordinary held at 300c a share.

FSI — 16 shares for every 100 at 600c.

Waicor — 40 shares for every 100 at R14.

W & A — 40 shares for every 100 at R35.

Hunts — 100 shares for every 100 at 700c.

The offer of a 12 percent return will be most attractive to holders of FSG and FSI shares who are getting a 3,3 percent return on their ordinary shares. It is also highly favourable to Waicor shareholders who are getting a return of 4,1 percent.

It is not so favourable for Hunt shareholders who are getting 6,9 percent on their ordinary shares or for W & A share holders who are getting 8,6 percent. Nonetheless, there is a big enough gap between the yield offered on the preferred shares and the yield shareholders of all the five companies are receiving on their ordinary shares to make it an attractive offer.

R4-bn headache for construction men

Star 4/10/88

(32)

Construction men are worried that in order to raise the R4 billion needed to fund the recent pay rise for the public Service, the Government may cut back on projects essential to the industry's long-term future.

Peter Bayly

One who is convinced that not only will this massive outlay lead to higher taxes but could result in siphoning of money intended for the industry, is Mr Peter Bayly, managing director of Midrand civil engineering company, CA Brand.

"Increases for teachers are long overdue," he says, "but the money has got to come from somewhere and I fear that other than printing new money, the possibility exists that, for instance, the fuel fund could be tapped, thus diverting money which could otherwise have gone to road building.

"Already, we know of one R20 million road contract which had been put to tendered being cancelled for lack of funds."

Among other setbacks which appear to have pricked the bubble of confidence and could impact on the industry are rocketing prices of plant due to the the weak rand.

"Prices have jumped overnight," says Mr Bayly, "and this, in turn, could put pressure on availability of funds."

There are rumours, too, of higher prices for steel and the industry is braching itself for a big rise in the cost of cement early next year.

"We could, under present circumstances, move into extremely tight trading conditions," says Mr Bayly.

"We have weathered storms before, however and I have no doubt we can do so again but there is no doubt in my mind that the Government must make some contingency plans now to carry the construction industry over, particularly in view of its vital commitment to housing and related infrastructures."

Take-over

● Peter Bayly, formerly managing director of Basil Read and founder of Peter Bayly Construction, which was to merge with Wynberg group, Wilson Holmes to form Wilson Bayly Holmes, took over CA Brand about a year ago when it had a turnover of R9 million.

Today, CAB is looking at a order book value of R58 million.

Mr Bayly is also making a big challenge in the R275 million a year asphalt market with the formation of Surfacing Bophuthatswana under the CAB banner.

"At the moment, one company controls 80 percent of the market and this cannot be seen as being healthy for the industry generally," he says.

Consortium wins R64-m road contract

The National Transport Commission has awarded its biggest-ever road contract for 9,5 km of dual carriageway costing R64 million.

The job goes to a consortium of Murray & Roberts Civils and Basil Read and covers the stretch between the Umdloti River and Tongaat on the N2, north of Durban.

The contract time is 30 months and will include a six-span bridge over the Umdloti.

This project, along with another road-building contract, contributed R86 million to the total value of R215 million of the 115 contracts recorded by the South African Federation of Civil Engineering Contractors (Safcec) in August.

"While this total was not quite as impressive as the figures for several recent months, it is still very substantial and the total for the first eight months of this year at R1,7 billion is 40 percent higher — before adjusting for an annual inflation rate of about 15 percent — than the value of new awards in the corresponding period of 1987," says Safec.

"Indeed, a similar comparison with 1986, shows an increase of 90 percent."

Key speakers for Bifsa

The threat of further fragmentation within the building industry and the continuing clash between the main contractors and sub-contractors, will be one of the main talking points at the Building Industries Federation Congress in Cape Town from October 23 to 27.

Mr Lou Davis, executive director of Bifsa, says: "The importance of contractual relationships between contractor and sub-contractor forms an important part of the congress proceedings.

Among the key speakers are: Professor Attie de Vries (Structural changes in the economy); Professor Brian Kantor (Deregulation of economic activity); and Mr Reuel Khoza (Organised building role in the development of black management potential).

Cost-effective maintenance becoming a critical issue

Star 4/10/88

32

The need for engineers to focus attention on the impact of maintenance costs on the profitability of South African industry has become a critical factor in view of spiralling costs and high inflation.

This is the view of Mr Luke Nickola, a divisional manager of management consultancy group, P-E Corporate Services.

"Cost-effective maintenance is now a critical issue," he says.

"The rate at which capital-intensive industry has grown along with computer technolgy and the ever-increasing scarcity of skills, are among the problems confronting engineers in their quest to contain maintenance costs."

The weakness of the rand against the currences of the country's major trading partners along with the increasing difficulty of being able to source capital equipment and technology and the shortage of technical skills, also combine to make maintenance management a vital factor.

● The sixth annual convention on maintenance management which is presented by the South African Institution of Mechanical Engineers in association with P-E Corporate Services will be held at the Johannesburg Sun and Towers from October 20-21.

The Star Finance

Derreg's loss raises fears for stability of building industry

Star 5/10/88

(32)

Finance Staff

DURBAN — The shock losses suffered by Natal's largest homebuilding company, Derreg Construction, has left a worrying question mark over the stability of an industry struggling to survive on paper-thin profits.

Racked by rising bond interest rates, soaring building material costs and a collapse in the economic viability of the State's first-time homebuyers subsidy the homebuilding sector is back in the desperate economic dip of 1986 when many contractors were forced to close down, says a leading figure in the industry.

In a surprise announcement it was disclosed that several leading executives of Derreg Construction had resigned in the wake of a major management restructuring instigated by the parent company Grinaker Construction.

The exact extent of the losses were not revealed but are thought to be severe.

Fears raised by the losses suffered by one of the provinces most respected and reliable companies brings back memories of the Chaka Homes collapse in which scores of people lost their homes.

Johan Grotsius of the National Association of Homebuilders said the homebuilding industry has never fully recovered from its plunge when the bottom was knocked out of the market by soaring bond interest rates two years ago.

He believes the Government must carry some of the blame for current plight because it is not providing enough financial backing for housing.

"There is a strong feeling within the industry that there should be greater Government participation in the provision of housing.

"The industry has not really come out of the bad dip of 1986. There is a high degree of uncertainty and nervousness which is not good for the industry or the country given that the building industry is a labour intensive industry." said Mr Grotsius.

He said the association's member companies had reported a drop off in orders. Rising bond interest rates, severe competition within the industry, rising building material costs and the collapse of the first-time homebuyers market were the prime destablising factors, said Mr Grotsius.

Homebuilders were struck a crippling body blow when the Government failed to meet the industry's expectations on the State's first-time homebuyers subsidy.

Contractors had pleaded with the Government to increase the subsidy's unrealistically low ceiling on building cost to enable them to increase profit levels — many claimed they were making no return at all.

The increase that was made earlier this year — the first since the subsidy was introduced in 1983 — was branded insufficient and many contractors were forced to pull out of a high-demand market they had become heavily dependant on.

Building material costs have soared by about 25 percent in the past nine months forming a pincer with higher interest rates, which have lowered demand, that has already squeezed the life out of some smaller contracters.

Another giant involved in the construction industry, Murray and Roberts, says in its just-released annual report that the building sector is operating at margins well below economic levels.

This was cause for concern and should be addressed by the building industry as a whole. It said results for some of the group's building companies were disappointing even though some had performed well.

"The construction industry remains generally depressed with any improvement being on a regional basis and of a sporadic nature.

In the housing area, major contraints were the excessive red tape associated with ground acquisition and the granting of loans to home-buyers.

, October 6 1988

'Commuter cards' for November 1 opening

32

B/day 6/10/88

N1 toll road users to get temporary relief

PETER DELMAR

THE Tolcon toll-road consortium has pre-empted a threat by Johannesburg residents to take court action over a planned tollgate on the N1 highway south of the city by announcing affected commuters would be granted temporary exemption.

Tolcon CE Ron McLennan said commuters in Ennerdale, Lenasia South and surrounding areas could obtain a "commuter card" which would give them free entry through the Grasmere toll plaza, to be opened on November 1.

The exemption would be valid until the adjoining Golden Highway was widened and repaired, providing a viable alternative route.

Once the alternative route was available, "substantial rebates" would be granted to commuters from the affected areas and people travelling daily between Johannesburg and the Vaal Triangle, McLennan said.

He said the legal situation in respect of the N1 was "completely different" to the N13 in Johannesburg — this tollgate, being built by the consortium, was declared illegal last week following a court application brought by the city council.

Yesterday council management committee deputy chairman Danie van Zyl predicted that the National Transport Commission (NTC) and consortium member Tollway were unlikely to appeal against the Supreme Court decision.

Van Zyl said his belief was based on a letter from Tollway in which it undertook to start demolishing the toll gate buildings on Monday.

Van Zyl said the NP's political opponents, especially the CP and some independents, owed the NP an apology for accusing his party and the management committee of using the court application as an election stunt.

He acknowledged that the PFP had not publicly criticised the council's court action and that it had supported the decision to seek an interdict.

Tollway CE Hors Kohlberg said the company was still studying the implications of the court ruling. He could not say what the financial and legal implications were, as these would have to be addressed in discussions with the NTC.

'Build Aid' plans to assist builders

Star 10/10/88

32

By Norman Chandler

Innovative approaches designed to make it simpler for property development companies and builders generally to handle the expected avalanche of work as a result of the emphasis placed on mass housing have been developed by Johannesburg companies.

Computerised operations enable developers to decentralise operations as well as provide accurate and efficient information on housing developments.

Mr Neil Otten and Ms Cathy Perkins, of the Johannesburg company, Succinct Sales and Systems, say their company has already assisted property developers and the computer software is being installed at a number of organisations working in the mass housing field.

"Recent debate concerning low-cost housing has focused on whether or not the private sector can justify getting involved in these projects," they said.

"Arguments against involvement have hinged primarily around profitability, and as profitability is a low margin area, developers need to achieve a high volume of sales.

"This, in turn, requires a high level of efficiency in the administration of these sales."

Mr Otten told The Star that monitoring starts from the time of a sale through to the handover of a house.

The system is designed to provide accurate and relevant information through reports which have been designed to meet management requirements.

Banks and building societies have expressed interest in a computer bureau service — called Build Aid — designed to accurately estimate the cost of building a house. The service is a subsidiary of construction company Brett Schachat Associates.

The new service was presented to black builders and representatives of financial institutions at a function in Johannesburg this week.

Mr Neville Davies, branch manager of IBM Projects Fund — which provides bridging finance for black builders — says that the service would eliminate many problems experienced with small building companies.

Mr Mark Devenney, marketing director of Brett Schachat, said Build Aid enabled a builder to submit plans to the bureau, which would in turn produce a bill of quantities for the planned structure. The bill would be sufficiently detailed to act as a specification list.

The African Bank's administrator for bridging finance, Mr Sydney Mnguni, says that Build Aid had already helped a number of the bank's clients.

"We are confident that a sevice such as this will do well. We have lost money in the past because of the inexperience of black builders, many of them formerly white collar workers who were attracted to building because of the supposed lure of easy and quick money," Mr Mnguni said.

Computer couple . . . Mr Neil Otten and Ms Cathy Perkins have assisted property developers.

Dividend cut at Shoredits

382

By Ann Crotty Star 11/1/88

It seems that Pretoria-based construction group, Shoredits, had a tougher than expected second-half, which resulted in earnings for the full year of 24,3c a share falling just short of management's 25c forecast.

In the 1987 annual report chairman Andy Shoredits forecast earnings for financial 1988 of 25c but at the half-way stage, with earnings of 13,6c in the bag, he stated that he was confident that the 25c forecast would be exceeded because second-half performance is usually stronger.

Shareholders may also be disappointed by the sharp increase in cover from 2,1 times to 4 times with the result that a dividend of only 8c a share has been declared, compared with the June 1987 dividend of 10c.

The group reported a 38 percent increase in turnover to R66,1 million from the R47,8 million reported for the 16 months to June 1987. Operating profit was up only 8 percent to R4,1 million from the 16 month figure of R3,8 million.

Despite a drop in the tax rate from 37 percent to 24,7 percent Shoredits recorded a 5,7 percent drop in earnings to R3 million from the 16 month figure of R3,2 million.

Homes supply on increase, but . . .

32 Star 11/10/88

While much is said about the chronic housing backlog, there has been a considerable increase in the supply of homes in recent years.

According to figures covering the private sector only, from the Toncoro group, holding company of Corobrik, there has been a steady increase in the supply of homes in recent years.

In 1986, a total of 4 248 houses were built for blacks, while an increase of 3 082 (72,5 percent) to 7 330 took place in 1987.

In the six months to June this year, a total of 4 604 homes were built, compared with 2 969 over the same period in 1987.

While this is an encouraging trend, one home-building source believes the rate of supply is hopelessly too low to cater for the vast backlog and future requirements.

"More than 2,6 million homes will be needed for the black population up to the turn of the century," he says.

"And if only 8 000 are being built on average annually, it is obvious that many people can expect to continue to live as squatters or in overcrowded conditions."

The rising cost factor is also seen in the Toncoro figures and suggests that the home-building industry is striving to keep the price of the end product within the means of blacks.

In 1986, the average size of a house built for blacks was 84,4 sq m and cost an average of R28 912.

The following year, the size was 74,2 sq m and cost R25 232.

The average size of houses built for blacks in the January-June period this year rose slightly to 77,4 sq m, with the cost at R29 420.

POPULATION GROUP	HOUSING STOCK 1980	SUPPLY (I.E. BUILT) 1980 TO DEC. 1985	1986(X)	1987(X)	1988(X) (TO JUNE)	TOTALS (JUNE 1988)
Whites	1 127 000	209 000	16 649	17 443	9 160	1 379 252
Coloureds	332 000	78 000	4 127	5 493	3 458	423 078
Asians	104 000	43 000	2 586	2 795	1 279	153 660
Blacks	425 000	61 000	4 248	7 330	4 604	502 182
	1 988 000	391 000	27 610	33 061	18 501	2 458 172

X- Private Sector only C.S.S. Statistical News Release

Crisis in 'civils'

Star 11/10/88 32

Property & Construction

FRANK JEANS

Tertiary education in civil engineering is heading for a crisis.

Fewer students are entering the profession and universities and technikons are said to be losing staff, resulting in a shortage of skilled professionals.

The big problem has prompted the South African Institution of Civil Engineers to hold a workshop on tertiary education in civil engineering on October 27.

Professor A Kemp, professor of the civil engineering faculty at the University of the Witwatersrand and chairman of the institution's education committee, says: "The purpose of the workshop is to identify priority issues in tertiary education and to reach consensus on action to be taken.

"Discussions will centre around several important issues. For instance, a staff crisis is imminent at universities and technikons as subsidies are cut and employment conditions deteriorate."

Professor Kemp also voices concern at the fall-off in civil engineering enrolment at universities, which has dropped by 60 percent in the past 15 years.

"Today, fewer than 200 final-year students are registered in civil engineering at seven South African university departments offering degrees. This is well below the country's needs," he says.

"And we must avoid lowering entry standards to attract students."

He believes, too, that the difficulties experienced by students from disadvantaged educational and social backgrounds need urgent consideration.

First biennial merit award presented

The first biennial merit award of the Institute of Town and Regional Planners has been presented to Rohrs Nichol de Swardt and Dyus for their role in initiating and planning the Sanlameer development, the holiday resort on the Natal South coast and put together by insurance group, Sanlam.

Sanlameer was established in 1977 after four years of intensive research.

There are now about 330 units in a sub-tropical setting, a 40-room hotel, two restaurants and conference facilities. About 80 ha of parkland have been preserved.

Restructuring boosts D&H

Star 13/10/88

32

By Ann Crotty

Malbak subsidiary Darling & Hodgson is reaping the benefit of the restructuring of the past few years.

For the 12 months to August, it has reported earnings of 60,7c a share, which is at the top end of most analysts' expectations.

It is paying a dividend of 18c.

Comparison with the previous period is only useful in so far as it reveals the extent of the changes that have been effected.

Earnings of R39,4 million are up 243 percent, compared with the annualised R11,5 million of the previous eight-month period.

The dividend payment is 260 percent up on the previous 5c.

A key indicator of the enhanced prospects for D&H is the improvement in operating margins from 7,3 percent in the eight months to August 1987 to around 19 percent in the review period.

This suggests the cleaning-up operations have left D&H with tighter run and more profitable interests.

As MD Richard Bruyns says, the group is now based primarily in manufacturing, rather than in the low-margin, high-risk contracting activities that previously dominated its portfolio.

The results for the eight months to August 1987 include those of Group Five for the six months to June when D&H sold its 76 percent stake.

It appears that all divisions contributed to the improved performance.

The latest figures include the results of Rocla and Solid Manufacturing, acquired with effect from September 1987.

The directors say the strong performance from these acquisitions justified the restructuring.

D&H's 42,2 percent stake in Blue Circle made a substantial contribution to group earnings.

The improvement in earnings per share is all the more impressive considering the doubling in the weighted average of shares in issue.

A major benefit of the massive increase in shares in financial 1987 has been a strong turnaround in the gearing situation.

In financial 1986, the group was carrying borrowings of R67,6 million. At end-financial 1988 it was sitting with R1,2 million cash which, as Mr Bruyns says, puts D&H in a strong position for acquisitions and organic growth.

32

MURRAY & ROBERTS

Constructing an improvement

Activities: *Industrial holding company whose subsidiaries and associates operate in the construction, engineering, manufacturing, supplies, services, project management and property sectors.*
Control: *Anchusa has 44,4% of the equity.*
Chairman: *W F de la H Beck; chief executive: D C Brink.*
Capital structure: *27,5m ords of 50c. Market capitalisation: R385m.*
Share market: *Price: 1 400c. Yields: 5,7% on dividend; 21,6% on earnings; PE ratio, 4,6; cover, 3,8. 12-month high, 1 925c; low, 1 100c. Trading volume last quarter, 332 000 shares.*
Financial: *Year to June 30.*

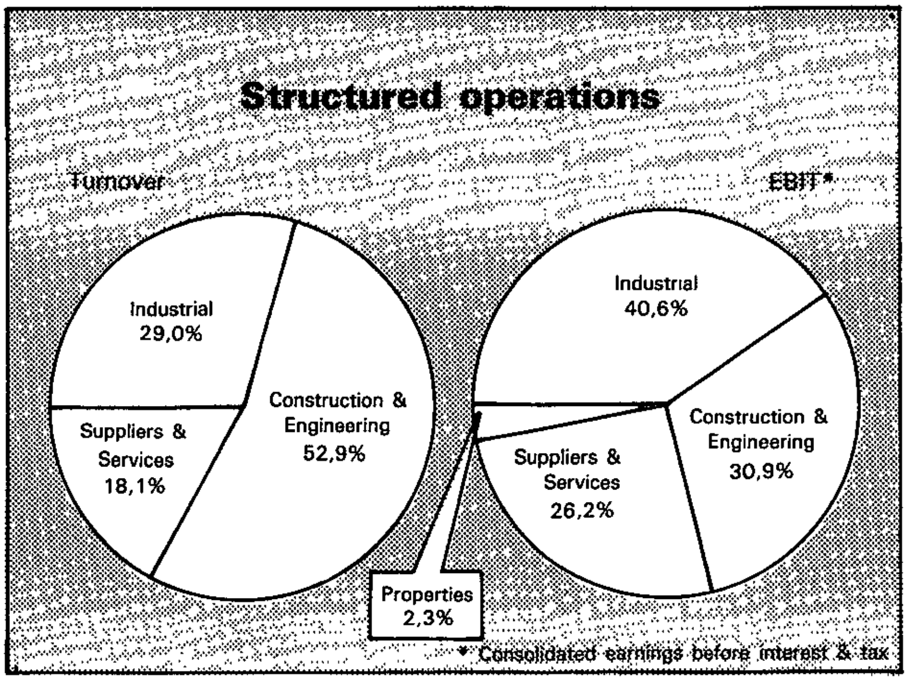
	'85	'86	'87	'88
Debt:				
Short-term (Rm) ..	58,4	25,5	60,0	4,6
Long-term (Rm) ...	65,0	48,4	48,7	76,4
Debt:equity ratio	0,54	0,29	0,49	0,31
Shareholders' interest	0,32	0,42	0,36	0,38
Int & leasing cover .	2,2	1,7	5,4	6,7
Debt cover	0,7	0,6	0,7	1,7
Performance:				
	'85	**'86**	**'87**	**'88**
Return on cap (%) ..	13,2	7,9	11,1	14,2
Turnover (Rm)	2,35	2,65	2,45	3,04
Pre-int profit (Rm) ...	114,1	60,6	88,3	140,5
Pre-int margin (%) ..	4,4	2,3	3,6	4,6
Taxed profit (Rm)	50,3	2,6	45,4	94,8
Earnings (c)	165	(55)	166	303
Dividends (c)	60	10	42	80
Net worth (c)	933	807	785	1 106

Further restructuring and a significantly improved trading environment have combined to consolidate M&R's recovery from the losses of 1986. And further advances are forecast for the current financial year by chairman William Beck. He believes the improvement will be achieved despite the prospect of slower real economic growth.

That's a brave forecast at this stage of the economic cycle, but the group's financial and operating restructuring should reduce earnings' volatile response to the effects of general economic trends. One underpin will be provided by the re-shaped balance sheet. Short-term debt has been virtually eliminated and replaced with longer-term finance repayable in various stages between 1989 and 1993 and bearing interest at rates of between 11,2% and 15,5%.

As for trading conditions, some persistent problem areas are unlikely to improve in the immediate future. The construction and engineering division, which provided more than half of last year's group turnover, is planning for a real decline in turnover this year. The newly-separated housing and building division remains troubled with Geoff Knudsen, the division's executive director, blaming officialdom for delays in releasing land for development and calling for industry-wide action to increase margins of building operations. Building remains plagued by stiff competition, particularly in SA's industrial heartland.

On the other hand, the division has a



virtually captive market in 36%-owned Tolcon, which will finance new toll road construction by levying tolls on recently privatised roads already built with taxpayers' money. Growing exploration and capital spending by the mining industry would appear to ensure that the order book of 50%-owned RUC Mining remains full.

The merger of the group's engineering interests with those of Genrec gave M&R more than 60% of Genrec and will be reinforced with some rationalisation. The immediate outlook for the industrial division is less clear, though executive director Richard du Plessis forecasts a modest profit improvement this year. Crown Foods (*Companies* September 30) is caught in the pincers of rising import prices and increasing competition; wholly owned CI Caravans could be hurt by credit curbs; costs of some of the division's technically-sophisticated products risk being affected by the rising rand cost of imported components; and sales of equipment and consumables to industrial users could well slow as industry reacts to slowing consumer spending.

This could well over-state the division's difficulties and profits are likely to be helped by the termination of a loss-making contract to supply rail brakes. Further down the track, sales of railway signalling equipment are expected to improve twelve months from now.

Basically, the industrial division is operating off a high trading and profit base and will not repeat last year's percentage growth performance. The same applies to the suppliers and services division. It expects at best a marginal improvement in earnings.

Last year's profit performance has helped lift the share price well off its twelve-month low, but the share's rating reflects the uncertainty over immediate prospects and the market's memory of previous roller coaster profits. Recovery potential appears limited for the time being, though the share has its attractions for investors prepared to look beyond the economy's present difficulties.

Jim Jones

GRINAKER

32

Better margins

Grinaker is the only one of the established listed construction companies which did not record a loss in the past four years, although it did have an erratic profit history. In the year to June 30, it produced record EPS of 71,4c and expects further improvement in the current period.

There have been some problems, though. Derreg Construction, the Natal arm of Grinaker Housing, experienced management problems and has been substantially recon-

FM 14/10/88

14/10/88

BUILDING

32

Backs to the wall

Building contractors are having a tough time — and it's going to get tougher.

The residential sector, which has been the mainstay of the industry for some time, is now coming under particularly heavy pressure: from rising bond rates which dampen demand for new units and increases in building costs which narrow margins (*Property* August 26), as well as the limitation of government's first-time buyers' subsidy.

Consumer demand is likely to drop further as household budgets are stretched to meet new fuel levies and a possible increase in GST to fund the R4bn public service pay hike.

Building costs, now R690/m² for a house, are increasing by 2% a month and are expected to reach a year-on-year increase of 22% by the end of 1988. This may drop to 17% during 1989 but, because of import surcharges, suppliers of primary building materials and plant will have no competition from overseas sources and could seek to bolster margins with higher increases.

Central Statistical Services (CSS) recorded a rise of 12,9% in primary materials until August this year, and forecasts a rise of 19,7% for the full year.

Meanwhile, because of a generally slower economy, private-sector investment in housing (**see graph**) is expected show real growth of only 4% next year, compared with an expected 8% this year.

The private residential market only recovered from a two-year slump in the second half of 1987, when a real growth rate of 2,5% was recorded. Building Industries Federation (Bifsa) economist Charles Martin says this was mainly the result of an upward adjustment in salaries and wages in the private sector, relatively low mortgage rates and free availability of housing finance.

In the first quarter of this year, the bond war helped improve business conditions, as banks increased mortgage advances by 11,3% on the corresponding period in 1987. Building societies increased theirs some 2,6%.

On the other hand, public-sector investment in the residential market has shown a consistent decline for some years. It fell by 4,8% in 1987. Martin expects a further drop of 2% by end-1988 and a static situation in 1989. This reflects government's current housing policy, which emphasises the provision of serviced sites rather than dwellings, which are assumed to be the responsibility of individual home-owners and the private sector (*Property* July 15).

Investment by public corporations is showing an even more drastic decline — 20,6% in 1987 and forecast further drops of 10,7% and 5% in 1988 and 1989 respectively.

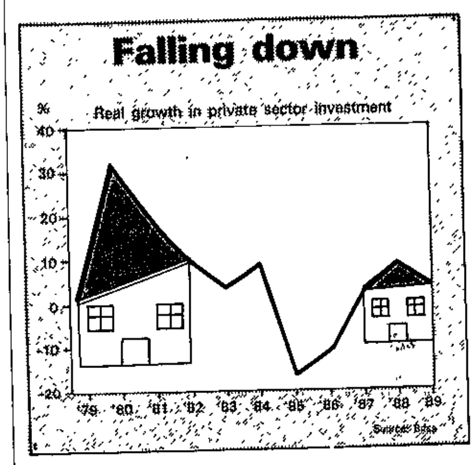
Probably the worst consequence of another slump in the industry is that it will heighten an already critical skills shortage.

Bifsa president Neil Fraser says: "There are not enough people in the industry now to meet the future demand of an economic upturn."

Registrar of the SA Institute of Building Lynne Fletcher says there is already a considerable reduction in the number of students enrolling for university building courses. In 1987, Wits was down 50% on its 1986 student intake in these fields.

Fraser says figures for building skills training schemes have been decreasing. In the 1985-1986 year 3 767 people were trained, but numbers dropped to 2 593 in 1986-1987 and 1 264 in 1987-1988. ■

FM



BUSINESSMAN OF THE WEEK

Growth seen for W Cape building industry

ARGUS 15/10/88

32

Harry Voorma . . . affordable housing.

By MAGGIE ROWLEY
Business Staff

WHILE building activity is levelling off in the rest of the country the Western Cape will enjoy a four percent increase until at least April next year, newly appointed managing director of Corobrik in the Western Cape, Mr Harry Voorma, forecast this week.

Mr Voorma said most of the activity in the foreseeable future would be in the affordable housing market, in particular Khayelitsha, Blue Downs, Maccassar and Eerste River.

"The Western Cape has great pent-up demand for affordable housing. And, unlike many other metropolitan areas, it does suffer from a lack of available land for development," he said.

For these reasons, Dutch-born Mr Voorma, 42, who was appointed to W Cape MD of Corobrik from August 1 this year, is confident that an economic downturn will not impact too negatively on building activity in spite of rising interest rates.

"In the short-term I think building, in particular the residential market, will continue to increase, although at a slower rate than has been seen in the first six months of this year."

He said that he would not be surprised if home loan rates rose to between 16 and 17 percent by the year end.

"Higher interest rates will no doubt impact on new housing, but we are just going to have to search for more cost effective methods of construction," he said.

Mr Voorma, who qualified as a marine engineer in Holland, came to South Africa in 1968 where he worked for a Dutch company for six years as a marine superintendent. He obtained his South African ticket of competency in 1976.

His carreer with Corobrik started in 1974 when he joined the Natal branch as an engineering superintendent.

While he had always enjoyed engineering, he also had an interest in management and expressed this to his employers.

In 1980 he was appointed Maritzburg branch manager and from there there was no looking back. Eighteen months later he was appointed area operation manager in Durban in charge of seven factories and the motor transport division before being appointed manager of Natal branches — Glencoe, Empangeni and Maritzburg and part of the top management team of Corobrik in Natal.

This was followed by his appointment in 1986 as general manager of Corbrik in Durban and the Eastern Cape.

In line with cost-effective construction techniques, Corobrik has devised a number of new products in recent years including the maxi-brick and more recently the Summergold face brick which is being manufactured at the Paarl factory which was reopened this year.

The use of maxi-brick — "the clay answer to concrete blocks" — resulted in a construction saving of between 15 and 20 percent as it reduced the amount of mortar and other materials required for construction.

He said the Paarl factory was working to full capacity producing 95 000 bricks a day with an annual output of 24-million.

Prior to the reopening of this plant the Western Cape had faced a serious shortage of facebricks and there had been a 20-week delay on large orders, he said.

The affordable housing market, namely Blue Downs, Khayelitsha, Macassar and Eerste River, was absorbing between 10 and 15 percent of the total ouput of Corobrik's Western Cape operations, he said.

Even if there was a fall-off in building activity, the future of the Western Cape factories was secure. "We would use the opportunity to build up our stocks which have rapidly been depleted during the short upswing," he said.

He said there was still a shortage of paving bricks and as a consequence contractors could expect delays.

As Western Cape MD, Mr Voorma does not plan drastic changes to company.

"I have always felt strongly about building a team and as a team we will concentrate more on improving customer service, to large as well as individual customers.

Mr Voorma is married to British-born Eileen whom he met in South Africa in 1963 on his first visit to the country. They have two sons, Patrick 18 and Stephen, 15.

Building recovery continues

32

ST 18/10/88

The steady recovery of the building industry is seen in the latest figures from the Central Statistical Service which show that the total value of building plans passed for August this year rose by 55,6 percent over the same month in 1987.

There were substantial increases in dwelling houses (52,5 percent), non-residential buildings (88,6 percent) and additions and alterations (56,8 percent).

The main contributors to these increases were the urban areas of the Witwatersrand, Cape Town and Pretoria in respect of dwelling houses and Witwatersrand in non-residential buildings.

GBS/M&R

Control quandary

Murray & Roberts (M&R), rumoured to be seeking control of GBS (*FM* October 14), won't say what stake it ultimately wants.

But informed sources confirm that M&R wants to increase its holding in GBS and has an option on another 10%, which would lift its stake from 25% to 35% and make it the largest shareholder. M&R's dilemma is whether this would constitute control in terms of JSE rules, which are imprecise. If it should be regarded as control, M&R would have to make an offer to minorities.

It is understood that M&R Industrial chairman Richard du Plessis is awaiting advice from the JSE. It seems unlikely that an offer to minorities is in the offing, which speculators might see as a bearish signal.

However, it is bullish that M&R wants to lift its stake. The motive apparently has to do with M&R's negotiations with Taiwanese computer giant, Mitac, about local "manufacture" of its PCs. M&R Technologies, part of M&R Industrial, already assembles Mitac computers and GBS distributes them.

M&R Electronics CE Max Bayerl says because most components used in PCs are not made in SA, they can never be wholly made here. But some local computer manufacturers add more value than others.

Though M&R is at a relatively low level of local manufacture, it will be at the highest level possible within a year if the Mitac deal goes ahead. Because M & R has been in electronics for about 20 years, the capital investment will be relatively small.

Bayerl says M&R Industrial wants a larger slice of the action in GBS, which will be distributing a product as locally sourced and as protected from a declining rand as is possible, with its principal in a "safe" country. He says this will put GBS in a strongly competitive, though not unique position.

GBS shares almost doubled on speculation of an offer to minorities, but have shed about a third of the gain. *Teigue Payne*

32

21/10/88 My

Bond rates could rise to 19 percent

Star 24/10/88

32

By Frank Jeans

CAPE TOWN — The building industry, in line with other economic sectors and under pressure from higher interest rates and inflation, could be moving into another bout of the bad times.

On the eve of the annual congress of the Building Industries Federation (Bifsa) here, outgoing Bifsa president Neil Fraser said in an interview: "There is certainly a general feeling that growth is levelling off and that a decline is on the way.

"The present situation is very worrying."

His remarks echoed speculation in the *Bifsa Bulletin*, that bond rates could rise by more than three percentage points by the end of the year, from their current levels of 16 percent.

Assuming the prediction was true, the bulletin says homeowners could face huge increases in their monthly repayment bills.

The Reef area, which is the forerunner of trends within the industry is already feeling the pinch of higher rates and inflation and while the other provinces have been fairly stable, there is little doubt that the downturn must filter through nationally.

"Rates, inflation and the inevitable rise in building materials prices do not mitigate well for the future," Mr Fraser said.

He emphasised that the industry had reached a critical stage and that the root causes of the problems were political.

"There is no doubt that confidence has declined. I would, however, say this to the industry: If we are moving into a slackening off period, we sould use the opportunity to put our own house in order."

M&R increases stake in GBS

Star. 24/10/88 (32)

By Ann Crotty

Construction group Murray & Roberts has increased its stake in electronics group GBS from 25 percent to 36,56 percent by acquiring 1,7 million shares at 85c a share.

The deal sees M&R as the largest single shareholder in GBS and an offer will be made to the remaining GBS shareholders to acquire all or part of their shares at 85c a share.

The 85c offer is in line with Friday's closing price which included some strengthening on the back of persistent speculation that GBS was involved in takeover discussions. For some weeks there has been talk in the market that M&R was aiming to increase its stake in GBS.

Recent reports about M&R's discussions with Taiwanese computer giant, Mitac, about the possible local manufacture of Mitac PCs fuelled this speculation. Presumably if GBS is to enjoy benefits of the M&R/Mitac deal, then M&R would want a larger stake in GBS.

Cost of new plant causing concern among suppliers

(32) Star 25/10/84

A bugbear in the construction industry is the runaway cost of plant, with the result that further price increases are certain.

Mr Bob Fraser, sales director of Isando equipment group, Blackwood Hodge, says: "Plant suppliers, beset with rising costs, the rising cost of imports because of the falling rand, surcharges, taxes and mounting labour costs, are unable to hold down the cost of equipment.

"While we do our best to curtail increases, we find that they are inevitable."

Mr Fraser sees companies looking more and more at mechanisation on site. In the homelands and other areas, labour-intensive operations will continue.

"Essentially, it boils down to using plant and equipment that is more versatile," he says.

"Such machines can cut down on the need for different pieces of equipment on site and save on labour.

"Many suppliers will be looking at similar ideas."

Despite the cost push, plant sales continue to boom and many suppliers are said to be short of stock.

Blackwood Hodge has turned in the best-ever sales figures in its 40-year history.

Mr Fraser believes there are two main reasons for the plant boom — a major drive to replace equipment disposed of during the prolonged slump in building and construction and normal plant turnover replacement.

"I believe, however, that plant sales could turn the other way and the problem could worsen because of nervousness in the hire industry about buying new plant," he says.

"The hire men are concerned about rates. A company with a 1970 machine, for instance, can charge it out at R20 an hour and still cover costs, but a new machine would need to bring in R50 an hour to cover expenses."

BUILDING INDUSTRY

Argus 27/10/88 (32)

'Builders' profits cut to a ridiculous level'

Business Staff

BUILDERS had put survival before profits and had been "conned into doing work for ridiculous margins", outgoing BIFSA president Neil Fraser told its congress in Cape Town today.

Ensuring that the industry was adequately rewarded for its skills, which could be accomplished only if it took a responsible attitude to pricing, was perhaps the greatest of seven major challenges facing the building industry.

The others were:

● **Partnership with black businesses and the informal sector.**

Mr Fraser announced that BIFSA was to be a founder member and trustee of a new Foundation for Entrepreneurial Skills Training (FEST) which would "identify, select and financially assist in the education and training of persons, without discrimination, to provide them with the basic essentials to operate businesses within the construction and allied industries."

The challenge of the informal sector was daunting because growth had been stunted by unique demographics and an ideology which had destroyed entrepreneurial flair in the major population group.

● **Housing.** The challenge was to act as a catalyst and focal point between all the players, to cut out the duplication of effort, the duplication of departments, the petty jealousies, the red tape, the bribery and corruption, and to develop a unified approach as a national priority.

● **Productivity.** Mr Fraser said estimates were that productivity in the building industry was about 30 percent on a scale where 75 percent was classed as normal.

Management had to bear a large degree of responsibility, but it was becoming increasingly difficult to plan and control building operations because of late or inadequate design information and constant changes to work already built, Mr Fraser said.

The brain drain had left far too many inexperienced managers at all levels of the industry and had decimated the numbers of professionals. The result was poor quality and poor service and millions of manhours lost annually.

● **Unionism.** Employers would have to learn to deal with unionised labour which had the potential to make a dramatic impact on construction," Mr Fraser said.

"Our next challenge is to learn to manage our industry in a working environment where unionism and particularly black unionism will grow stronger, more militant and more effective," he said.

● **Training.** Mr Fraser said the industry had to "increase the tempo and quantity of training at every level".

"In a country crying out for educators and education facilities we either lack people wanting to be trained, which I have difficulty in believing, or we lack employers with sufficient foresight to ensure that their staff receive adequate training," he said. The industry also had to address shortages at lower, middle and senior management levels.

● **The structure of the industry.** Mr Fraser said he did not believe that BIFSA was effective "as currently structured" and must again become the focal point of addressing national challenges that faced the industry.

Bifsa aiming to open doors to all

By Frank Jeans

CAPE TOWN — Of all the good intentions to emerge from the annual congress of the country's builders here, the determination of the establishment to strive for a total industry without race barriers was decidedly clear.

And what was of even greater importance was the signal from the informal sector and the "small man" that they were ready and willing to join the club without divisions provided the old traditions are swept away and the black man is brought into the decision-making process and management participation.

Certainly, the industry has been left in no doubt that the time for talking is over and that concerted action is long overdue.

Enthusiastic about the challenges ahead was the outgoing president of the Building Industries Federation, Mr Neil Fraser, who, in his valedictory address told delegates: "The informal sector represents a virtually untapped, potentially limitless growth area in the economy. It's recognition, accommodation and assistance through planned and controlled deregulation is a priority."

And, undoubtedly, taking up where he has left off will be the builders' new top man, Mr Basil Thompson, who made the point that as a labour-intensive industry, the building sector's goal should be the upliftment, both economically and socially, of its workforce.

"We have been concentrating on industrial relations and loss control and safety and rightly so but I am also committed to getting Bifsa involved with the people factor in a wider sense," said Mr Thompson in an interview. This has to be done at grass roots level and in areas of education of population control and improvement in the quality of life."

He made the point too, that the rank and file builders are Bifsa's people and that the federation would have to show a lot more credibility in its dealings with them.

"If you leave it to the bureaucrats to do that job, they are immediately suspect," said Mr Thompson.

The new president has the true grit to match his task of addressing the industry's concern in the areas of small business and deregulation and pledges his federation "to give it a full go".

Thrusting home the point was Mr Reuel Khoza, chief executive of Co-ordinated Marketing and Management when he told delegatges: "Your industry is hampered in hearing black aspirations because its management structures are almost totally white."

Delegates were left in no doubt that deregulation must go hand in hand with informal sector advancement while, at the same time, the sense of co-operation and understanding which now prevails was underlined by Mr Solomon Rammala, Town Clerk of Atteridgeville when he said: "The informal sector should thrive even more in the friendlier atmosphere being created."

He also pointed out, however, that while legislation is Government business only, private enterprise can do much indirectly. "So long as white business shelters behind and invokes laws which discriminate against black business, there is little incentive for the authorities to change them."

Finding the home with a winning look . . .

TIME is running out for homeowners and builders to enter the 1988 Corobrik Transvaal Affordable Housing Competition.

The competition, launched last year, carries prizes totalling R5 500 and closes on Sunday, October 30.

According to the organisers, it is open to all Transvaal contractors who, between October 1 last year and October 30 this year, have — or will have — completed new homes using Corobrik clay face bricks.

The value of the homes entered, excluding the cost of the land, must not exceed R50 000.

The winner will receive R3 000 cash and the runner-up R1 500. In addition, the owner of the winning house will get a cash bonus of R1 000 from Corobrik.

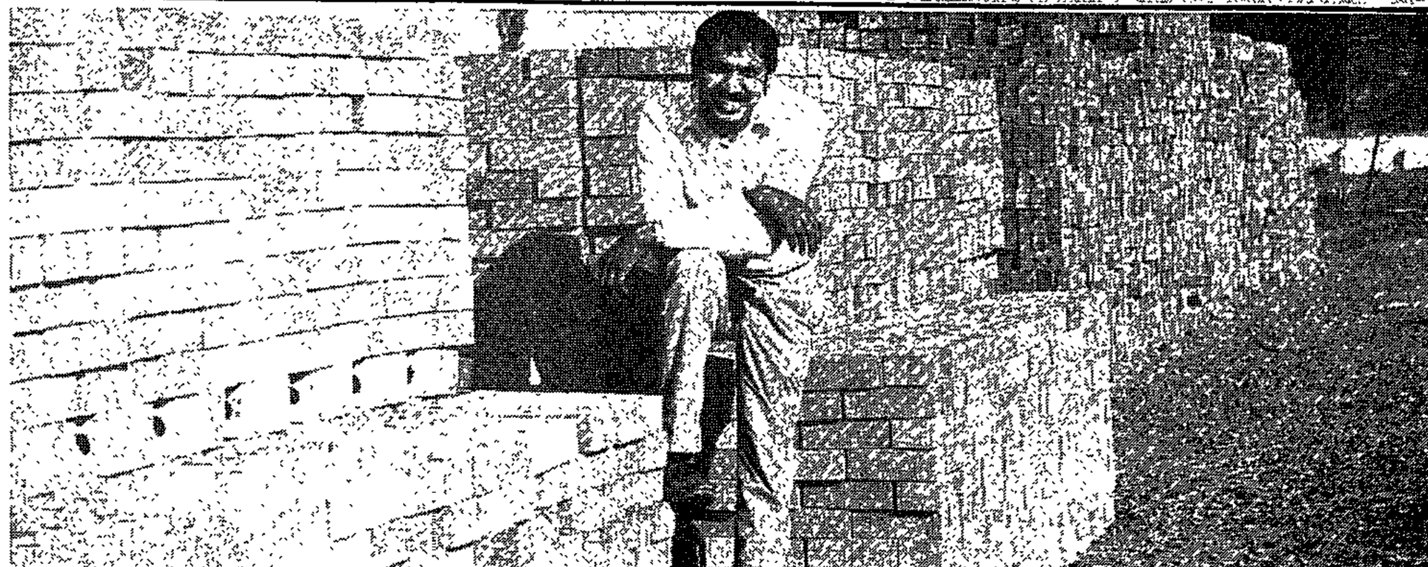
Mr Chris Dickinson, marketing manager of Corobrik Transvaal, said the company had already received a large number of exciting, innovative and attractive entries from contractors throughout the province.

"We hope to receive more entries before the closing date. Contractors and owners may enter as many projects as they wish provided each entry is accompanied by a good quality photograph.

"The panel of judges will, as last year, be made up of leading representatives of the building industry, consumer organisations and the trade press," Mr Dickinson said.

He said judging criteria included value for money, the ratio of size and cost, aesthetic appeal, quality of workmanship, special brickwork features and quality of design and detailing.

For further information please contact Mr Dickinson at (011) 53-8962.



BRIAN Mohamed, manager of Brick 'n Tile centre at Crown Mines. The centre recently underwent a major facelift to provide even better customer service and a wider selection of clay brick products.

ANOTHER BRICK IN THE WALL

THE Brick 'n Tile centre at Crown Mines near Nasrec, south of Johannesburg, has undergone a major facelift to provide even better customer service and a wider selection of clay brick products.

Brick 'n Tile's extensive range of clay products includes face bricks, matching special-shape bricks for individual design requirements, clay paver and roof tiles and quarry tiles.

This range is complemented by a comprehensive variety of building products such as window sills, air vents, grille blocks, sand, stone and cement — in short, everything needed to tackle virtually any building job in and around the home.

Brick centre for Lenasia

BRICK 'N TILE, South Africa's largest brick merchant, is to open a new centre at Lenasia, south of Johannesburg, next month.

Conveniently situated on the main road between Lenasia and Ennerdale, the centre will be easily accessible to all surrounding areas. It will incorporate a brickyard covering more than 6 500 square metres.

The new centre will stock a large range of clay products including clay face bricks, matching special-shape bricks, clay pavers and roof tiles and quarry tiles.

The extensive range will be complemented by a wide variety of building products such as window sills, air vents, grille blocks, sand, stone and cement — in short, everything needed to tackle virtually any building job in and around the home.

Says Peter Henning, manager of the centre: "Demand for the comprehensive range of products and services offered by Brick 'n Tile's other centres on the Reef has grown to such an extent that the company decided to extend its activities to Lenasia and surrounding areas including Ennerdale and Vereeniging.

"The Lenasia Brick 'n Tile centre will be a builder's paradise and is designed to cater for the needs of homeowners, home improvers and building contractors alike.

"To mark the opening of the centre, we shall be offering discounts on several top-quality clay face bricks while stocks last."

The size and layout of the yard will display the enormous range of clay products to the best effect. An estimated five million bricks will be in stock at all times.

A team of experienced sales staff will be on hand to help customers choose the right products and quantities for virtually any job.

"We will stock and recommend tried-and-tested quality Corobrik products and our centre is designed for customer convenience and fast and easy selection," says Mr Henning.

"Although Brick 'n Tile centres offer top-quality building products at competitive prices to home improvers and professional builders, no quantity will be too large or too small for us to handle.

"We will do our level best to meet all needs. And because we stock such an extensive range, people will almost certainly be able to find products to match existing brickwork in the home."

Home sweet home

SYLVIA Mabunda being congratulated by her mother, Georgina, after winning a house worth R50 000 recently.

●See page 24

Bifsa chief unveils formula for building industry reforms

Star 28/10/88

CAPE TOWN — Builders had put survival before profit and had been "conned into doing work for ridiculous margins", outgoing Building Industries Federation (Bifsa) president, Mr Neil Fraser, told its congress yesterday.

Ensuring that the industry was adequately rewarded for its skills, which could be accomplished only if it took a responsible attitude to pricing, was perhaps the greatest of seven major challenges facing the industry.

The others were:

- Partnership with black businesses and the informal sector.

Mr Fraser said Bifsa was to be a founder member and trustee of theFoundation for Entrepreneurial Skills Training (Fest), which would identify, select and financially assist in the education and training of persons, without discrimination, to provide them with the basic essentials to operate businesses within the construction and allied industries.

The challenge of the informal sector was daunting because growth had been stunted by unique demographics and an ideology that had destroyed entrepreneurial flair in the major population group.

- Housing. The challenge was to act as a catalyst and focal point for all players, to cut out duplication of effort, duplication of departments, petty jealousies, red tape, bribery and corruption, and to develop a unified approach as a national priority.
- Productivity. Mr Fraser said estimates were that productivity in the building industry was about 30 percent on a scale where 75 percent was classed as normal.

Management had to bear a large degree of responsibility, but it was becoming increasingly difficult to plan and control building operations because of late or inadequate design information and constant changes to work already built.

The brain drain had left far too many inexperienced managers and had decimated the numbers of professionals. The result was poor quality and poor service and millions of manhours lost.

- Unionism. Employers would have to learn to deal with unionised labour, which had the potential to make a dramatic impact on construction.

"Our next challenge is to learn to manage our industry in a working environment where unionism, and particularly black unionism, will grow stronger, more militant and more effective."

- Training. He said the industry had to increase the tempo and quantity of training at every level.
- The structure of the industry. Mr Fraser did not believe Bifsa was effective as currently structured and must again become the focal point of addressing national challenges — Sapa.

GROUP FIVE 32

Better Focus

After two bad years, when losses of 42c and 49c were recorded, mainly as a result of industrial diversification but also because some property development schemes went sour, Group Five has surpassed its previous record EPS of 79c, attained in 1984.

This is a phenomenon well-known with management buyouts, as took place in Group Five last year with a pool agreement with S M Goldstein and results were helped by a better focus after sale of all the group's industrial interests. Construction always was the business management understood best, CE Peter Clogg says.

Clogg says that increased profitability through better margins, which were recorded in all three main divisions (building, roads and civils) was the most important factor.

The best performance was that of the Roads division, which doubled profits from R4m to R8m. Building contributed R2,2m after a loss of R591 000 the previous year, and civils turned in R5m (R4,7m).

Tolcon, the toll road venture in which the group has an interest, has significant profit potential. A concession agreement between Tolcon and the National Transport Commission has now been signed.

Expansion potential also lies outside the country. Selective tendering in neighbouring states has resulted in a number of contracts, which contributed between half and a third of the civils division profits. Other contracts are in the pipeline.

The increased activity and profitability of the past twelve months is expected to continue this year, as order books are at a much more satisfactory level than last year. Another advantage is the cash holding of R30m. The group intends remaining liquid in spite of capital expenditure in the roads and homes divisions.

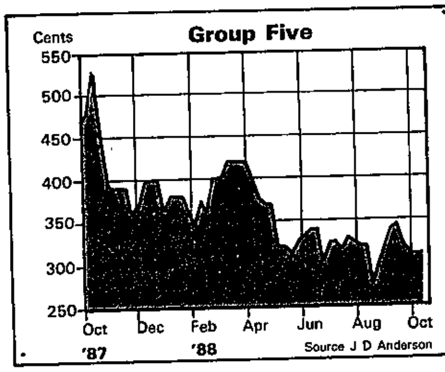
The tax rate was only 3% last year. Though accumulated tax losses will probably be fully utilised in the next twelve months, CE Peter Clogg expects taxed profits this year to be better than the comparable period in the past year. Ultimately a tax rate of 10%-20% should apply.

With the rating already at a poor p:e of 3,2 and dividend yield of 10,3%, there would seem little downside potential. *Louis Venter*

32

Activities: *Subsidiaries in construction industry.*
Control: *Pool agreement between management and S M Goldstein.*
Chairman: *S M Goldstein; chief executive: P K Clogg.*
Capital structure: *16,7m ords. Market capitalisation: R48m.*
Share market: *Price: 290c. Yields: 10,3% on dividend; 31% on earnings; PE ratio, 3,2; cover, 2,7. 12-month high, 530c; low, 275c. Trading volume last quarter, 133 000 shares.*
Financial: *Year to June 30.*

	'84	'85	'86	'88
Debt:				
Short-term (Rm) ..	4,8	6,2	5,1	2,5
Long-term (Rm) ...	13,9	1,5	0,5	9
Shareholders' interest	0,32	0,29	0,21	0,21
Debt cover	1,1	0,89	0,82	2,94



Group Five's Clogg ... expecting better profits

Performance:

	'84	'85	'86	'88
Return on cap (%) ..	—	—	—	8,5
Turnover (Rm)	518	498	457	765
Pre-int profit (Rm) ...	13,8	(8,7)	(10,7)	16,8
Pre-int margin (%) ..	2,7	n/a	n/a	2,2
Taxed profit (Rm)	13,0	(9,1)	(7,4)	20
Earnings (c)	79	(62)	(52)	90†
Dividends (c)	32	—	—	30†
Net worth (c)	398	304	207	242

•Eighteen months
†Annualised

FINANCIAL MAIL OCTOBER 28 1988

Boumat on target to meet forecast

(32) 5K/ 1/11/88

By Ann Crotty

Boumat's results for the 6 months to end-September see it well on the way to meeting management's full year earnings forecast of 95c a share. At the interim, earnings were up 43 percent at 50c from which a dividend of 19c has been declared.

Group sales are up 32 percent at R418 million (R316 million). An improvement in margins, from 5,6 percent to 6 percent, helped to lift operating profit 41 percent to R24,9 million (R17,6 million).

There was a 4 percent reduction in interest payments and the tax rate was unchanged at 50 percent, leaving attributable earnings up 56 percent at R10,2 million (R6,5 million).

Shareholders are again offered bonus shares and can elect to receive one for every 20 held in lieu of the dividend.

The overall interim performance puts the group comfortably in place to achieve chairman Irvine Brittan's forecast for the full year —23 percent increase in sales; a 34 percent improvement in operating profit and a 39 percent surge in attributable profit.

The balance sheet at end-September reflects tight management with capital employed up a mere 2,8 percent to R124 million (R120,5 million).

The interim debt situation was sharply changed, reflecting the cash receipts from last year's sale of two operations. Total debt was down from R26,5 million to R11,9 million.

The short-term position reversed from a debt of R11,2 million to a cash balance of just over R1 million. Which was why, despite the 26 percent increase in financial lease charges and higher interest rates, the group enjoyed a reduction in its interest bill.

Although he sees a weaker economy ahead, Mr Brittan believes: "The considerable momentum of building work already in progress together with contracts due to start should provide a steady demand for our products in the coming months."

Bifsa patches up relations with sub-contractors

(32)

Star 1/11/88

Facing pressure from sub-contractors for a breakaway from the Building Industries Federation (Bifsa) because of "arm's-length relationships", the federation is to be streamlined.

New president, Mr Basil Thompson, told the closing session of the annual congress in Cape Town last week: "Threats of further fragmentation would be terribly counter-productive.

"It would weaken the solid base of the industry and the power bases of the sub-contracting fraternities and Bifsa would be eroded."

Mr Thompson had no doubt that division would have a bad effect on dealings with unions, on negotiations with the Government and on involvement with the informal sector.

"The arm's-length relationship that has developed among various sectors of the industry has to be rectified," he said.

One businessman who comes out in defence of the sub-contractor is Mr Jack Frost, MD of the Cape ceiling and partitioning company of that name.

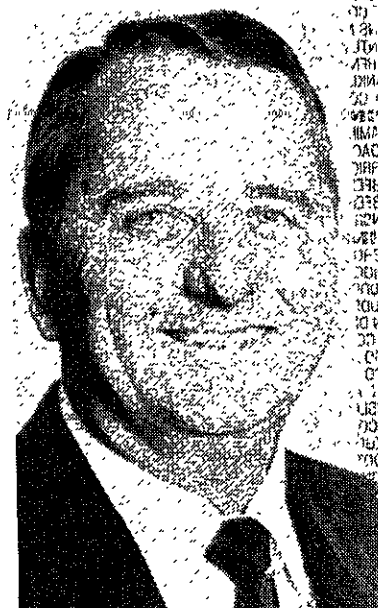
"The cost of building and refurbishment work throughout SA is being pushed markedly because main contractors, clients and their professionals are delaying payments to sub-contractors," he says.

"When, for whatever reason, payments for sub-contractors are delayed, the result is always the same. They have to increase their overdrafts.

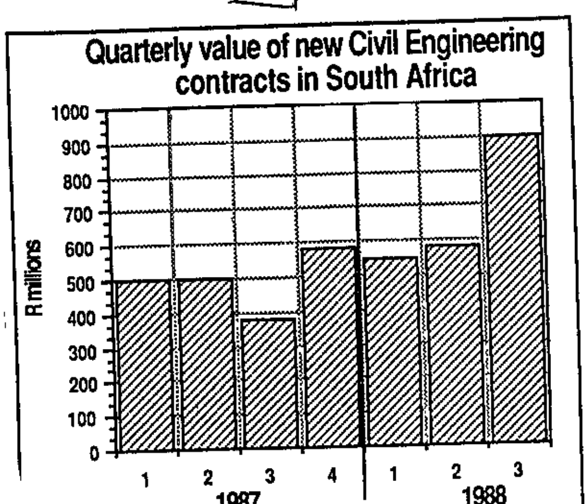
"This is expensive and, in the end, the cost has to be covered in their future pricing. This is exactly what is happening today."

Mr Frost says his company has R4 million outstanding and that he knows of other sub-contractors with far larger sums outstanding.

"This comes about simply because they are not paid when the money is due," he says.



Mr Jack Frost . . . outstanding debt only pushes up costs.



Total value of work for the third quarter of this year at R905 million is extremely high "far exceeding any previous quarter", says Safcec.

Private toll roads boost civil engineering volumes

(32)

Star 1/11/88

Civil engineering volumes have hit record levels, according to the latest figures from the South African Federation of Civil Engineering Contractors (Safcec).

Awards for new contracts in September has pushed the total for this year so far to R2 030 million — a 50 percent rise over the previous nine-month figure of R1 370 million.

"A particular contribution to the improvement in the work situation is being made by the advent of the private toll roads," says Mr Kees Lagaay, executive director of Safcec.

"For the first nine months of 1987, private toll road contracts accounted for R100 million, while so far this year, these awards already total R410 million."

NEW WORK

The total value of work for the third quarter of this year at R905 million is extremely high "far exceeding any previous quarter".

Mr Lagaay also says that the continuing strong inflow of new work is significantly strengthening contractors order books not just for work to be carried out for the rest of the year but also their workload for 1989 and even beyond.

One massive contract, said to be the largest road contract ever awarded in South Africa, contributed R102 million to the R268 million total of the 90 new contracts notified during September.

This big job is for the Brakpan to Springs private toll road — the easternmost section of the 80 km Hendrik Schoeman freeway between Springs and Krugersdorp.

The Star Finance

Ninham Shand plans to expand CADD facility

(32) Star 3/11/88

Ninham Shand, one of South Africa's largest groups of consulting engineers, is to replace its Prime 750 with a Prime 4050 to increase its capacity for computer-aided design and drafting (CADD) and to provide a more comprehensive service to clients.

Supplied by Central Data Systems (CDS), the contract is worth almost R500 000.

Ninham Shand, which has 560 employees at 24 offices, is prominent in areas of water applications such as dams, power and storage. It is also involved in the planning of rural and national roads, townships, building, civil structures and bridges.

Dr Des Tuff, a director of Ninham Shand, says the group needed to go up in capacity to support the increased use of CADD.

"The design aspect of CADD is providing a major benefit. The sanctions threat was also a strong consideration in our planning.

"The 4050 can be expanded by another 45 percent to a 4150 and will involve only a simple central processing unit swop-out."

With the surplus capacity available, the group will be further able to expand on its CADD activities, he says.

Mr James Forsyth of CDS says: "The 4050 will be the workhorse for heavy integrated database applications. In fact, it is going to become a collector of information that is vital to the industry. It will enable effective integration of data for the mixed disciplines in the engineering industry."

He says a problem in the engineering industry is that successful implementation and ongoing management of a project, such as the development of large townships, involves a number of professionals and professional bodies.

"Each profession tends to use its own system, some computerised and some manual. As a result, a lot of basic information is replicated at tremendous cost to the project and profession.

"Municipal and state planners and the leaders in the engineering industry are now starting to appreciate the implications and benefits of integrating various information systems.

"Computers should be involved at an early stage in the planning and modelling of major projects. They can increase the efficiency and productivity of construction or engineering and management dramatically."

At Ninham Shand, the management information system's accounting side of computing is gradually building up information on all clients and projects which will provide an invaluable database of historical project information, says Dr Tuff.

The Star
Finance

Property & Construction

FRANK JEANS

(32)

Everyone in a hurry to build

Star 8/11/88

While prospects for the construction industry continue to be bullish, there is little doubt that the black cloud on the horizon is the spiral in development costs.

Mr Andrew Grant, development manager of property development group, Oakwood, estimates that costs have risen at about 2 percent a month since last November and he foresees an increase of up to 20 percent for the year.

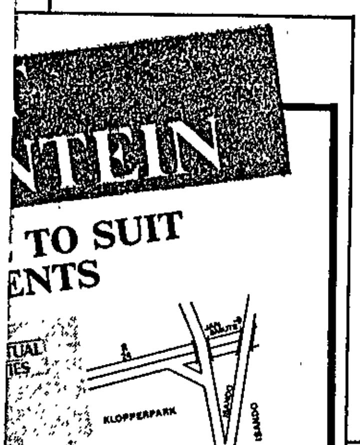
In a review of the market by Oakwood, which put together one of Johannesburg's latest developments, 60 Main Street for the Mines Pension Funds, Mr Mike Kirchmann, of contractors, Kirchmann-Hurry is quoted as saying: "This is the quickest upturn in the property market I have ever experienced.

"Everybody wants to build and build fast because they are worrying about escalations."

Trescon's Mr Ian Bolton endorses this view and predicts that development costs could rise by between 15 and 20 percent over the next year because of increases in material and labour costs.

This situation must inevitably impact on margins again.

Recently, builders have started increasing margins in line with the increase in work to make up for the lean years during the slump.



Major advantages in revolutionary building method

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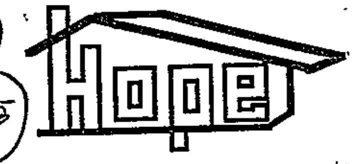


Plastic houses for SA

By Norman Chandler

Tomorrow's house is here today. It's the age of the plastic house and it has come to South Africa.

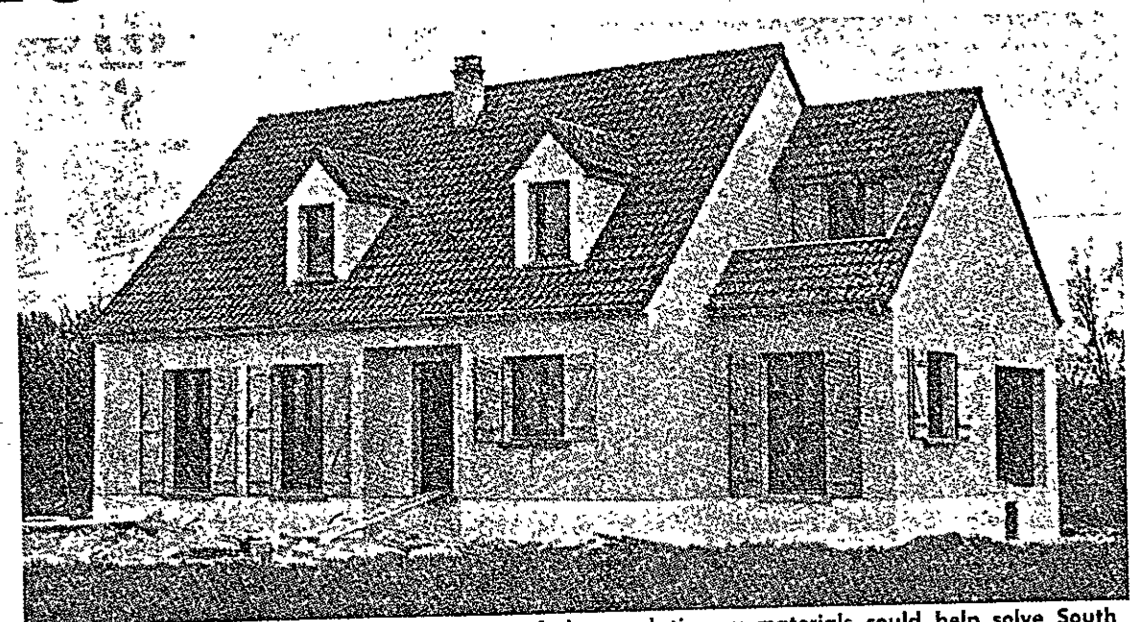
A Swiss-designed building method, using extrusion of polystyrene and which could revolutionise the country's home-building industry, is being introduced here as another way to overcome the huge housing backlog.

MORTGAGES

It is claimed that construction of a 48 sq m house using prefabricated "expanded polystyrene" walls, ceilings and roofs would cost about R8 000 (without land costs), and that building societies had already accepted the method as acceptable for mortgage loans.

Known as the "plastbau" system, it has been given the green light by a leading mining and financial house for housing at Thabong near Welkom.

Architects from Anglo American Corporation studied the system at a French factory before describing it as "well thought out (and) of an acceptable standard".



The house that polystyrene built ... use of the revolutionary materials could help solve South Africa's housing problem.

The system is in wide use in Europe, particularly in France, West Germany, Spain, Switzerland, Italy and Yugoslavia, and in the Far East and Australia for houses and for buildings up to five storeys high.

Similar systems are under investigation in the United States, where major corporations are constructing demonstration houses to test the market. In Japan, various rooms, particularly bathrooms, are being moulded out of plastic for quick installation.

A spokesman for Plastbau Building Systems SA, Mr Michael Childs, said that feasibility studies had been done in this country and that plans were being made to set up a factory to manufacture the components.

Mr Childs said that one of the major advantages was the saving on construction time.

"We estimate that it is possible to construct 20 to 30 houses a day."

He said that other advantages were better insulation, it did not crack, better acoustics, and the foundations and walls are put in place in one operation.

"The system is so simple: The foundation slab, the walls and the roof are prefabricated away from the site and can be carried by two people and lifted into place without the need of a heavy duty crane," said Mr Childs.

PLUMBING

"No maintenance is required, and walls are pigmented during the extrusion process with whatever colour scheme is required.

In addition, all plumbing and electrical fittings come as part and parcel of the wall so there is no extra expense involved in having these put in place after construction.

"We also maintain that our finishes are better than the conventional brick or block house, and, above all, every wall is as straight as a die."

FSI group rights offers succeed (32)

Star 14/11/88

By Ann Crotty

Response to the rights offers by five groups in the FSI stable (to receive R114 million of new capital) reflects good market support.

The response from those entitled (investors holding nil-paid letters) to apply for the offer of preferred ords varied from 99,2 percent for FS Group to 88,4 percent for Hunts.

As well as the 99,2 percent entitlement response to FSG, there was an additional 2,2 percent application, taking the total to 101,4 percent.

For FSI, the entitlement response was 99 percent, with an additional 2,4 percent making 101,4 percent. Waicor entitlement response was 98,2 percent, with an additional 0,3 percent for a total 98,5 percent. W&A received a 97 percent entitlement response and an additional 4,2 percent for 101,2 percent.

Hunts' entitlement response was 88,4 percent, but additional applications for 9,3 percent lifted this to 97,7 percent.

The overall response was at the top end of expectations and should help consolidate the group's standing among investors.

Hunts was expected to show the weakest results. Some 76 percent of Hunts is held by controlling shareholders (including a large pension fund investor), which suggests that only 50 percent of the remaining shareholders applied for their entitlements. This is reasonable in view of the current ordinary share price of 600c (700c for the preferred ords) and probably reflects the reaction of smaller shareholders.

Significantly, the overall Hunts' response was boosted 9,3 percent, presumably by large institutional buyers, who may have felt they could not pick up enough stock at 600c.

SCHACHAT DENIAL

SCHACHAT Homebuilders has strongly refuted claims of discrimination on the basis of race in its marketing of homes.

An article in the *Sowetan* on Tuesday, November 8 under the heading "Unfair!" alleged that Schachat Homebuilders was excluding black clients from a special company subsidy scheme.

Mr Rob Crocket, managing director of Schachat Homebuilders, one of the country's largest builders of individual homes, explained that this special subsidy offer applied only to housing developments on company owned land in certain areas where the land had been held for many years.

"Because this land was acquired many years ago, at prices substantially below current market levels, we are able to ease the burden on homebuyers by cushioning repayments for a limited period."

"Development in black townships is on land purchased and developed in the recent past," said Mr Crockett.

"As a matter of policy, and in order to relieve the burden on black homebuyers, we sell land virtually at cost and rely on very low profits from high volume building contracts."

Mr Crockett stressed that Schachat Homebuilder's special subsidy offer was unconnected to the Government first time homeowner's subsidy scheme.

Sowetan 17/11/88

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Brick bottleneck eliminated

Star 15/11/88

With the build-up of the informal building sector gathering tempo, the country's biggest brick producer, Corobrik has launched a new distribution strategy which will make supply easier.

A change in the pricing structure, too — there will be no impact on the cost of bricks — will also be a boon in stocking back-up service.

Under the new set-up the black builder will get bricks where he needs them and when he wants them.

Corobrik is breaking away from two price lists — one for the trade and one for retail — and combining both under one price which will carry volume and trade discounts.

"Our aim is to encourage distribution and stocking of bricks by distributors and merchants who are best placed to service the informal sector and small buyer of bricks," says Mr Brian Waberski, managing director of Corobrik's Transvaal operation.

There will now be a time-and-cost saving for the small builder who will no longer need to go to the factory but will deal directly with a distributor, who in turn, will benefit through discounts.

"The increase in home ownership in the black market has brought major changes to the building industry," says Mr Waberski.

"Large numbers of new contractors have entered the market, leading to a dramatic upsurge in the volume of small transaction brick purchases."

32

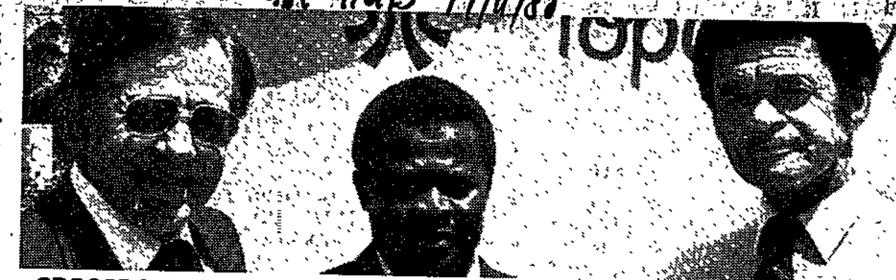
Corobrik has established a network of appointed stockists who will be encouraged to offer a wide range of its products and to ensure that the small builder gets top service.

"We have also decided to base all future prices on the retail price schedules which have been in existence for a year," says Mr Waberski.

"Off this price list all customers will be granted discounts based on the volume of their orders. The recommended retail price list will come into effect on December 5.

"The new pricing structure will not affect the price to our existing trade customers and consequently, there will be no impact on the cost of building."

SA builders for Mozambican scheme?



CROSSROADS VISIT .. At the squatter camp yesterday were (from left) Mr Pietie du Plessis, Mozambican Minister of Labour Mr Aguian Mazula and Mr Johnson Ngxobongwana.

SOUTH AFRICAN building contractors stand to make millions of rands providing low-cost self-help schemes in Mozambique in terms of arrangements being made between the two countries at top government level.

This emerged from an interview with Mr Pietie du Plessis, Minister of Manpower, after he had shown his visiting Mozambican counterpart, Mr Aguian Mazula, and three cabinet ministers around Old Crossroads yesterday.

Mr Du Plessis said his department had spoken to "several" contractors, including the Old Crossroads upgrading company, Topcor, about the scheme. No contracts had been awarded but the scheme could begin before the year's end.

Asked to quantify government spending on the project, he said it depended on local infrastructure and materials available in Mozambique.

"It depends. It might run into a couple of million," he said.

While no specific amount was budgeted he had "other sources available".

Mr Mazula said complementary arrangements for Mozambicans to resume work in South Africa after the SA government "closed the door to the mines in 1985" would boost his country's economy.

"We've been supplying manpower to South Africa since the last century and we must see our relationship as a way to maintain economic interdependence."

Before Mozambican independence, 110 000 of his countrymen had worked in SA mines.

Mr Mazula, who expressed admiration at the Old Crossroads project, said it was "not possible for us (Mozambique) to survive if SA closes the border".

Others in the Mozambican delegation are Dr A Justino, Director for Labour Research, Mr P Coutu, the director of Labour Information, Mr A Manhiça, Head of the Department of Migrant Labour, and Mr M Sitoes, the Johannesburg representative.

Gloomy building picture

ARI JACOBSON

THE Bureau of Economic Research's (BER) latest building and construction quarterly paints a gloomy picture for the industry.

The BER's research based on a survey among architects, contractors and sub-contractors confirms that the downswing in the building cycle is gathering momentum.

The review points out that while the upper-end of the housing market has "collapsed" since June, mass housing has great potential and "is a relatively untapped segment of construction".

Going down market would not be acceptable to upmarket patrons but at the lower end, "a modest house of one's own is still infinitely more acceptable than staying in an overcrowded shanty".

The review says catering for the bottom end will allow the construction industry "to weather the recession in good shape".

To illustrate the importance of honing in on affordable housing schemes, it says black housing could represent up to 70% of total housing activity at present.

On housing prices, the review says while non-white housing prices are "in equilibrium", white housing prices which have ballooned in nominal terms since '86, have decreased in real terms.

"The bad news is that we have not seen the bottom of the present real-price cycle."

Forecasts show that growth in nominal housing prices will be close to zero by the end of 1988 "causing the current discount on existing-house prices to become even greater than replacement costs".

B/Day 18/11/88 32

Buildcor stacks profits 34,5% higher

Cape Times 8/4/88

JOHANNESBURG. — Building Material Manufacturers (Buildcor), increased turnover in the first six months of its fiancial year-end August 31, by 30,8% and operating profit by 34,5%.

Turnover rose from R21,924m in August 1987 to R28,682m and operating profit was up from R3,495m to R4,701m.

Buildcor's total profit for the year ended February 1988, was R6,348m.

The dividend increased from 1,5c to 1,6c — shares on issue increased in the period from 101 515 to 122 673.

Earnings per share after extraordinary items, rose to 3,61c compared with 3,5c a year ago, while the total for the year-end February 1988, was 6,25c.

Income attributable to ordinary shareholders rose by 24,5% to R4,423m (R3,554m). — Sapa

Buildcor improves

Star 18/11/87

(32)

Finance Staff

Building Material Manufacturers (Buildcor) benefited from the boom in the building industry and boosted operating profits in the six months to end-August by 34,5 percent on a 30,8 percent rise in turnover to R28,68 million.

However, attributable income rose by only 24,5 percent to R4,42 million, which translates to 3,61c on the per share level. The dividend was increased from 1,5c to 1,6c.

Commenting on the results the directors say that the mainstream business of the group, being the manufacture and supply of doors, had progressed well. "Doorcor had a 28 percent increase in turnover, and a 41 percent rise in operating profit, compared with the same period last year."

The Robecor division, which was established in June this year, had already gained a meaningful share of its market and was now contributing to groups profits.

BUILDING INDUSTRIES FEDERATION

Holding a thin line

(32)

■ The risky future of building has led to a strategic rethink by Bifsa

The Building Industries Federation (Bifsa) is balanced on a knife edge. In fact, its predicament might well serve as a case study for organisations with a highly developed First World management structure trying to operate in Third World surroundings.

If it leans too far towards its established, sophisticated members, it will probably never again have the opportunity to gain membership, and revenue, from small operators in the burgeoning informal sector.

And if it puts too much effort, time and money into supporting and recruiting small builders, there will no doubt be a conservative backlash from those who already feel threatened by a downturn in the building cycle.

Nevertheless, the federation is to embark on a brave programme of restructuring, concentrating on forging partnerships between large companies and emerging black businesses.

Outgoing Bifsa president Neil Fraser, who takes over as executive director of the organisation in January, says the informal sector represents "a virtually untapped, potentially limitless growth area in the economy which must be recognised, accommodated and assisted through planned, controlled deregulation."

New president Basil Thompson intends to address the task of small business development and deregulation, hoping that Bifsa will "show a lot more credibility in its dealing with builders now in the informal sector."

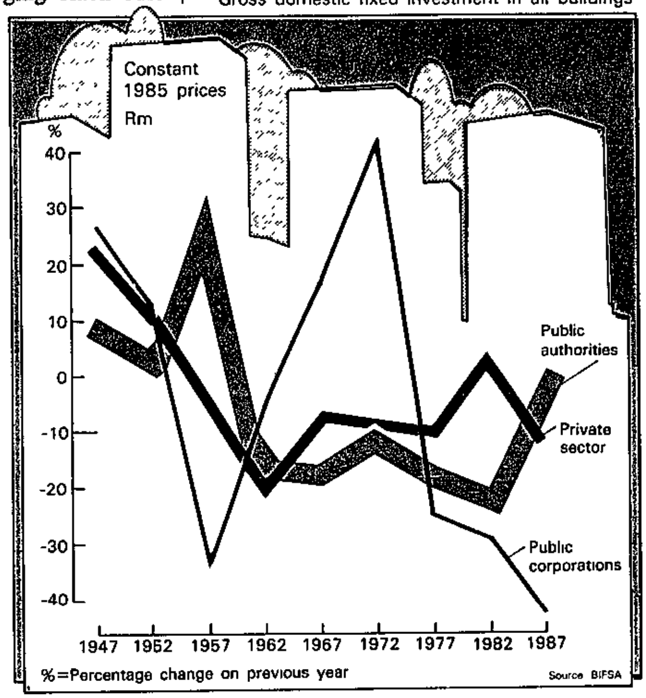
It seems he has taken to heart a warning from black builders that white business was felt to be sheltering behind and invoking laws which discriminate against black business, creating little incentive for the authorities to change them.

Fraser expects some opposition from those who feel that the black sector poses a threat to the formal one — mainly in labour-related matters and because it does not abide by industrial council agreements and is not subject to the same constraints as organised industry.

Nevertheless, he believes a structure must be evolved which will allow transfer of management skills while black sub-contractors and contractors are employed in formal business. The upshot would be that the potential benefits inherent in the informal sector would be released to the market in general.

Going in cycles

Gross domestic fixed investment in all buildings



To this end Bifsa is to be a founder member and trustee of Fest, the Foundation for Entrepreneurial Skills Training, "which will identify, select and financially assist in the education and training of persons without discrimination, to provide them with the basic essentials to operate businesses in the construction and related industries." Fest will draw much of its support from the private sector.

For Bifsa, there is undoubtedly a strong element of self-interest in Fest's establishment. Outgoing executive director Lou Davis points out that although the level of activity in the industry increased in the past year, the levy income of the National Development Fund and the Building Industries Training Scheme did not increase because the number of people registered as employees in the formal sector didn't increase.

It was only the renewal of training contracts with the Department of Manpower which enabled Bifsa to continue full operations at its training colleges.

The organisation has also had to counteract a threatened breakaway of its sub-contracting members. They, however, are still angry that, as the industry comes under pressure, main contractors, clients and professionals are delaying payments to sub-contractors.

This, they say, means that they have to increase overdrafts and interest commitments which have to be covered in future pricing and add to building cost increases.

Thompson will make it one of his main functions to keep sub-contractors in the federation. He says fragmentation will weaken the base of the industry, particularly in dealings with the unions, negotiations with government and municipal authorities, and in involvement with the informal sector.

Another major project which the federation intends to tackle is the housing backlog. The most recent figures collated by the Urban Foundation show a nationwide back-

32

log of 1,8m units and that, taking population growth into account, some 400 000 units a year will have to be built by the end of the century.

In contrast to this need, the private sector will this year supply 35 000 units and the public sector 9 000.

There have been many appeals for a national co-ordinating body for housing to be established, and Bifsa now apparently sees itself in this role. Fraser says it aims to act as a catalyst and focal point for all players and to cut out duplications of effort and government departments, petty jealousies in the industry, red tape, bribery and corruption. In short, to develop a unified approach as a national priority.

Bifsa's third major challenge will be to overcome the effects of the severe downturn in building activity expected next year. Davis says that although the industry expanded in 1987-1988, this was from an extremely low base. What's more, although real output in building is estimated to have grown 3,7% this year, it is anticipated this will halve to 1,9% in 1989 as the industry enters a downward phase in the cycle.

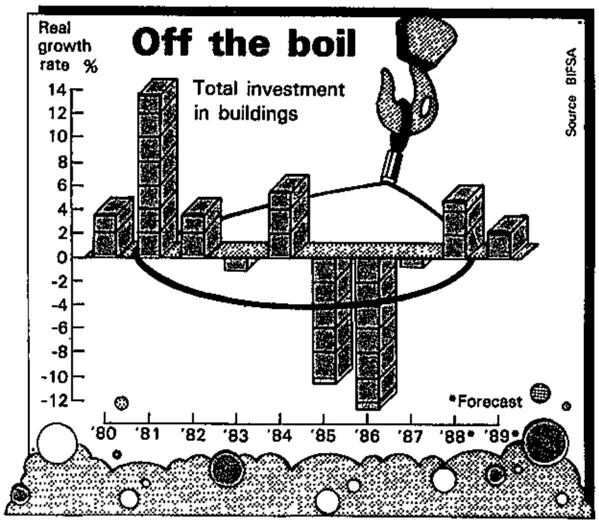
Meanwhile, building costs are expected to rise 22% by the end of the year, largely because of increased input costs of labour and materials.

Lack of demand will probably force this down to 17% next year though, Davis says, there is unlikely to be any let-up in the escalation of building materials costs.

He says manufacturers of materials increase prices with vigour every time there is a moderate increase in economic activity and that appeals are being made to Bifsa and the authorities to "crusade against cartels, price fixing and all the ills which should have been eradicated by the Competition Board."

Any attempts to counteract the exclusivity of major suppliers of primary building materials, he reckons, is precluded by sanctions as the industries are capital-intensive. "There is a dearth of capital available for development in SA and the local financial institutions appear to be suffering from a lack of confidence in fixed investment."

Pay demands in the 1987-1988 year were fairly moderate, the average wage having increased by 8%. However, this is expected to increase 14% by the end of 1988 and 13% in 1989.



Davis says the industry cannot absorb any more cost rises to act as a buffer for the public.

However, Fraser says it shouldn't have to. He reckons builders have been "conned into working for ridiculously low margins," which in turn have produced returns totally unacceptable to shareholders. This threatens the survival of even large companies in the industry and will probably lead to further rationalisation.

It may well be the more efficient contractors and employees who then leave the industry, further reducing productivity.

Productivity, Fraser says, is already too low, running at 30% in an industry where 75% is regarded as normal. Management must shoulder some blame, but the real problem lies in the reduction of the number and quality of professionals in the industry, resulting in late or inadequate design specifications and constant changes to work already built.

Two other major challenges face the industry: the provision of education and the ability to deal with an increasingly unionised work force.

Fraser points out that Bifsa has four training colleges — yet "paradoxically in a country crying out for educators and education facilities, we either lack people wanting to be trained, which I find difficult to believe, or we lack employers with sufficient foresight to ensure that their staff receive adequate training."

There was a 51,6% drop in the number of apprentices between 1986 and 1988; and yet even at the relatively low levels of building activity which have been experienced in recent years, critical staff shortages have manifested themselves at all levels of the industry.

The number of people employed by the industry as a percentage of the total number employed outside the agricultural sector has dropped steadily in the past five years, despite rising unemployment countrywide.

Says Fraser: "The number of people one can actually refer to as skilled or craftsmen, let alone master craftsmen, is critically low and is exacerbating problems of low productivity and bad workmanship."

Bifsa aims to increase the tempo and quantity of training at every level in the industry, including management, and to facilitate the education process to attract and retain labour and professional staff.

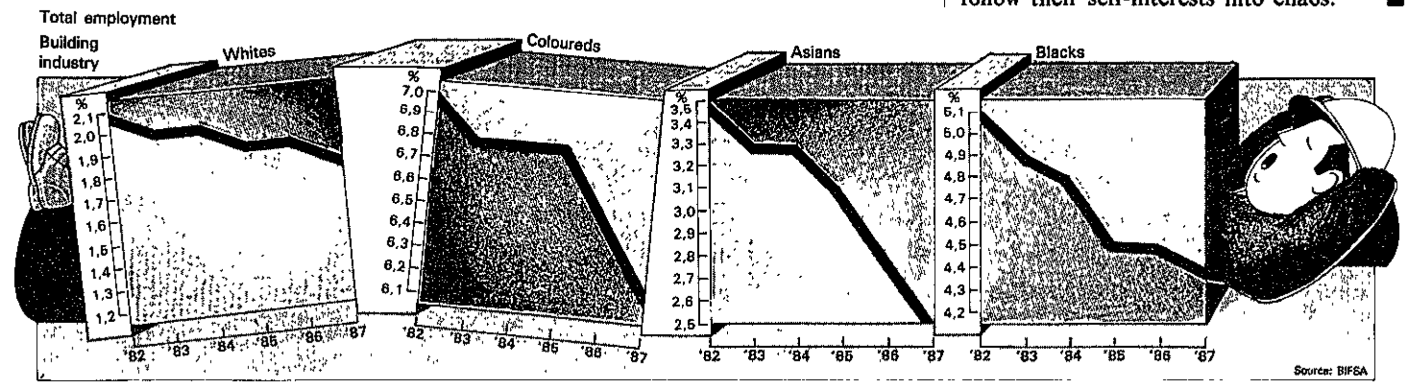
The problem with employers failing to ensure that their staff are adequately trained may well lie in old fears surrounding unionism. Some 65% of construction workers are black, and black unions can thus have a major impact on the industry. This fact will be increasingly important.

Unions have until now shunned the industrial council system, preferring shopfloor negotiations. However, one black union has now joined the Transvaal Industrial Council for the Building Industry and others seem set to follow.

Fraser sees the role of Bifsa again as a central one: helping unions into formal negotiating structures and, on the other hand, teaching managements to understand that increasingly effective unionism is the expression of aspirations outside the industry within the community itself.

As the construction industry as a whole, and the building sector in particular, goes into a decline, it isn't going to be easy for Bifsa to reconcile the demands of a diverging membership.

It must, however, seek to hold its position as the body recognised both by government and the private sector as industry spokesman and co-ordinator. Unless it does, the building industry is likely to see emerging power blocs follow their self-interests into chaos. ■



Home builders facing lean times

32

Star 22/4/88

By Magnus Heystek

Price trends and rising interest rates are about to "pull the rug out" from beneath the feet of home builders in South Africa's luxury white market, according to the latest survey of building industry trends carried out by the Bureau for Economic Research.

The survey adds that the SA building and construction industry is once again, after barely two years of relative prosperity, enterering a "storm phase" and is advising builders and business people in those fields to start "battening down the hatches" in anticipation of harder times.

The latest issue of the authoritative report, Building and Construction, reveals that business confidence of architects and quantity surveyors — the professions generally regarded as being in the front line of new work — has turned down after peaking during the first half of this year.

"The cycle has turned for these professions and they can expect a lighter work load soon," the report forecasts.

Reviewing the results of the study BER director Dr Ockie Stuart said the results and forecasts were very disappointing, specifically for South Africa's non-residential building industry, which has just emerged from one of its worst recessions.

As far as upper-end house builders were concerned, they faced "lean times", Dr Stuart warned. Their market would contract dramatically under the onslaught of ever-increasing interest rates, stagnant existing house prices and escalating input costs.

"Lower-end house builders can save themselves by going to the bottom-end of the lower market, but margins will be under constant pressure, continuing the trend of the past few years," Dr Stuart said.

Sowetan (22)

R50 000 HOUSE BLUES

By MZIKAYISE EDOM

A SOWETO woman who paid a construction company a deposit of R9 333 to build her a three-bedroomed house last year, is bitter with the company for delaying in erecting the house.

Mrs Connie Direko bought the house from American Eagle Housing Construction Company based in Bree Street, Johannesburg in May last. She paid an initial deposit of R6 000.

She paid a further R3 333 between May and December last year but the house was not erected. Mrs Direko said the house she had bought was worth about R50 000.

Promised

The house is to be built in Diepkloof Extension, Zone 5, Soweto.

A spokesman for the company, Mr D P L Geldenhuis, said it was true Mrs Direko had bought a house from them. He said the company would start with the building of the house this week.

Mr Geldenhuis promised to complete the house within seven days. Usually it takes a construction company between two and three months to build a three-bedroomed house.

Mr Geldenhuis said when Mrs Direko bought the house last year, the company was owned by other people. He said the company had been experiencing financial problems since last year until he took over a few months ago.

"When I took over the company, there was a backlog in the building of houses but my company hopes to overcome this before the end of the year," said Mr Geldenhuis.

Meagre profits in construction

Property & Construction

FRANK JEANS

Contrary to belief, there are no large profits to be achieved in the construction industry.

"Indeed," says Mr Jan Kaminski, an executive director of the Ovccon group, the Ovbel building and civil engineering subsidiary, "the opposite is true.

"If a contractor these days can show a 2 percent overall profit after deducting for his overheads, he is doing well.

"There is no harder way to make a living and absolutely no room for mistakes."

Mr Kaminski sees some truth in the opinion of some contractors that profits today are not commensurate with the risks taken.

Mr Derek Mace, another Ovcon director says the difficulties faced by contractors these days are greatly aggravated by the "virtual impossibility" of planning more than six months ahead.

"In the good old days, one could rely on having two or three base-load contracts to see you through the next four or five years."

"Nowadays, such contracts are few and far between. Almost all the work we get is on exceptionally fast-track programmes because clients, understandably, are wary of planning too far ahead and are terrified of cost escalations over te contract period."

The two directors say that their group will, in the current year, turn in a record performance, with an expected 60 percent rise in turnover.

HELP FOR BUILDERS

32

Sowetan 23/11/88

By JOSHUA RABOROKO

THE newly-formed Professional Builders Federation aimed at easing the housing shortage in South Africa is to be inaugurated at a meeting at Crown Mines on Saturday.

The federation has been formed to provide black builders and merchants with skills and training according to the federation's public relations officer, Mr Keith Laskey.

He said the federation would also provide operators with the advantages and support usually only available to larger companies and organisations.

"The theme of the meeting on Saturday will be the role of the emerging professional small builder in the SA housing crisis," Mr Laskey said.

Delegates from all over the country are expected to attend the inaugural meeting which will be addressed by representatives from the Urban Foundation, the National African Federation of Chambers of Commerce, the South African Housing Trust and other organisations.

HOME IMPROVEMENTS

Dealing with roofless life

Sowetan 24/11/08

32

A MAN's basic necessities in life are food and shelter, but with prices going through the roof, many people — especially those in the lower rungs of the economic ladder — are finding it difficult to have a roof over their heads.

Many construction companies and developers are continuing to devise ways and means of overcoming the problem.

One of them is Hipcrack Property Developers, a black-owned and Witbank-based company which has recently adopted and developed an American building concept in order to provide quality homes for the local market at the lowest possible prices.

Quality

The company says it can make good quality bricks by mixing dry soil with five percent cement in a special brick-making machine. As the price of cement is one of the factors that push the cost of housing to unaffordable levels, the company says its concept will reduce the cost of houses considerably.

Mr Shadrack Mahlangu, managing director of Hiprack, also said mortar was not needed when laying the bricks. He said it took only 12 days to build a four-roomed house using this concept. He said this drastically reduced labour costs. Conventional homes take up to three months to be completed and needed skilled labour.

Mr Mahlangu said a house that would normally cost R18 500 could be built using the Uniform Systems concept at only R12 500.

"This is one of the most cost-effective systems that can alleviate the housing crisis in this country. The quality of the houses is superb and compares favourable with that of homes built of brick and mortar," said Mr Jochem Kofahl, general manager of Uniform Systems Marketing, distributors of Master Foam machines.

Mr Kofahl said although Hiprack had been frustrated from implementing the scheme in a wide-scale because of red tape, the concept had met the requirements of the Building Act and had been received with enthusiasm by the South African Housing Trust, the Small Business Development Corporation and at least one local authority.

ONE of the cost-effective homes being built by Hiprack Property Developers.

Concept

The company recently built a five-roomed show house in Witbank after the Witbank municipality was satisfied that the concept was cost-effective and met all building regulations.

The company is soon to negotiate with other local authorities in the Transvaal as it believes it has a role to play in the solving of the acute housing backlog.

HOME IMPROVEMENTS

Time marches on with a big project

32

Sowetan 24/11/88

TIME Housing, one of the country's fastest-growing housing companies, is to be involved in the development of more than 28 000 homes at KwaGuqa, near Witbank, over the next 30 years in one of the most ambitious housing projects ever undertaken in this country.

The multi-million rand project, which will also involve nine other contractors, is expected to eventually house more than 100 000 people.

The project was planned by the KwaGuqa Town Council and necessitated by attractive job opportunities offered by major concerns, including Eskom, the South African Transport Services and Highveld Steel.

There is an influx of between six and eight families to the township every single day.

The new development is adjacent to the existing township which is inhabitated by about 80 000 people.

Mr Colin Hibbert, executive chairman of Time Holdings, of which Time Housing is a subsidiary, said recently that it was a privilege for his company to be associated with the project.

Decent

Opening two Time Housing showhouses, Mr Hibbert said everyone was entitled to aspire to a decent roof over his head. He said in this country, people must strive to meet these aspirations with all the power at their command.

"We are convinced that this project will significently contribute to the future prosperity of the people of KwaGuqa and alleviate in no small measure the massive housing shortage in one of the fastest-expanding communities in the country," he said.

The first phase of the development consists of 12 000 homes to be built in eight sub-phases over the next five to six years.

Time has already sold more than 200 homes and expects to have 60 houses ready for occupation by Christmas.

Wide

All houses have been designed to meet the needs of a wide range of income groups, with prices ranging from R25 000 to R60 000. Homeowners have more than 100 designs to choose from, along with numerous finishes and features.

While small service businesses, shops and cafes will be established soon, larger buildings such as shopping complexes and filling stations are expected to be built towards the end of next year.

Fox Lake celebrates

FOX Lake Investments will have a celebratory party to mark the completion of the first 236 houses in Dlamini Extension, Soweto, on Monday.

The project is part of a R30-million development the company is involved in in Soweto.

The function starts at 1pm.

HOME IMPROVEMENTS

New toilet has problems

32

FLUSHED!

Sowetan 24/11/88

AS THE unavailability of sewerage and running water continues to be the biggest scourge in many undeveloped residential areas in the country, a Pinetown-based company has come up with a unique solution to cut down on the outbreak of contagious diseases.

The company, H S Organisation, has designed a new toilet system, the first of its kind in South Africa, in an effort to improve the quality of life in rural areas, squatter camps and certain black urban areas where the bucket system is still in use.

Tested

The new system has already been tested successfully in black areas around Durban and has been given a stamp of approval by the South African Bureau of Standards.

Mr Jelle Dijkstra, Transvaal representative of H S Organisation, said the system had also been approved by the Department of Health, the South African Housing Trust and the Department of Community Development.

Hygienic

Mr Dijkstra, who described the system as very hygienic, said the toilet, manufactured from permanent maintenance-free glass fibre, was easy to instal.

He said one simply needed t dig a hole and place the digester tank in it. The tank is then connected to a soakaway pit or a second tank with a plastic pipe.

Visible

He said the only visible part looked like any ordinary toilet and had a 12-litre water tank around it. This is fitted on top of the digester tank.

He said it had a pull rod which was used to flush the water and the excreta down the digester tank to either a second tank or a soak away pit.

Seal

He said one need not use chemicals as the toilet had a water seal which prevented smell from coming out of the tank.

Described as an affordable alternative to waterborne sewerage, the toilets are priced at R340 (for those with one tank) and R575 (for those with two tanks).

People interested in this system can either write to Mr Dijkstra at PO Box 821977, Southdale, 2135 or phone him at (011) 476-3165.

SABS seal

Company signs Venda contract for 400 sites

Sowetan 24/11/88

(32)

IN an unprecedented move, LTA Comiat Homes, one of the country's leading developers, has signed a multi-million contract with the Venda Government for the development of more than 400 residential sites in the homeland.

This is the first time that a private housing developer was given rights to develop housing schemes in the homeland. The agreement was signed after almost a year of negotiations between LTA Comiat Homes and the Venda Government.

Phase

A spokesman for the company said 436 houses would be developed in Thohoyandou, the homeland's capital. The houses, which are priced

Bold move to mean millions

at between R25 000 and R70 000, comprise the first phase of an extended housing project that has been planned for the area.

He said the signing of the agreement heralded the beginning of a new approach to housing, which could have a major impact on the future development of Venda.

"Construction of three showhouses has already been completed and LTA Comiat Homes has opened a sales office on site. Our Transvaal regional manager, Mr Chris Labuschagne, says off-plan sales to date have been very encouraging.

Service

"We offer a one-stop service for buyers, including taking care of bond applications, legal documentation and connection of services," the spokesman said.

He said the site was in the vicinity of the town's central business district, industrial areas, schools, a hospital and a nurses' home.

Designs

He said the company also offered several different house designs and exterior and interior finishes.

Government employees were eligible for hundred percent bonds, while other purchasers required 10 percent deposits.

It's what you'd call a constructive idea

Sowetan 24/11/88 (32)

THE Construction Club, formed two months ago, has launched an "improvaplan" to upgrade homes and build new ones.

The club intends to build quality homes at greatly reduced prices that families can afford.

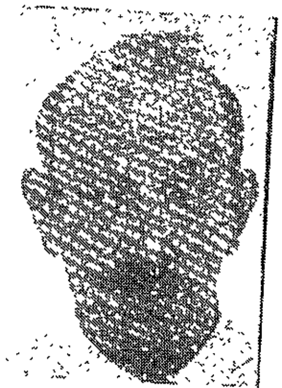
The club intends to build quality homes at greatly reduced prices that families can afford.

Mr Mike Richards, the club director, said many people were paying very high prices on property which was out of their price range.

"Housing is not the cheapest commodity around," Mr Richards said.

"We did research into current and future housing needs. We found that there was a need for upgrading and better esthetics, that families are expanding and that there were new housing requirements.

"The club will buy components at substantial discounts which will be passed on to the members of a saving. This is possible if a number of people pool their resources and buy at the same time.



MR Mike Richards, director of the Construction Club.

MR Simon Montsisi, manager of the Construction Club.

The club intends hiring sub-contractors within the community to do work on an outgoing basis. The main thrust of the club is to provide quality housing for low income groups who want a home, want to add additional living space or to improve their homes.

The manager of the club, Mr Simon Montsisi, said the club was open to people in the higher income brackets.

"We have 200 members and people are coming in daily to register," he said.

"We are thinking of opening branches throughout the country. We have had approaches from people on the East Rand, Vaal and on the West Rand."

Business Report

CAPE TIMES 25/11/88

Ovbel lifts profits by 47%

Financial Editor

OVBEL HOLDINGS lifted pre-tax profit for the six months to September by an impressive 47% to R3,3m (R2,2m). This was achieved on a 31% rise in turnover, to R111,4m (R85,1m).

A higher tax bill and minority shareholders' interest reduced attributable profits to R2,4m (R1,9m). But this was 27% more than in the first half of the last financial year.

Earnings at share level rose to 8,5c (6,7c) and the interim dividend is 20% higher at 3c (2,5c).

The net asset value has risen to 108,6c (102,2c) a share.

Total borrowings are R19,6m compared with R17,4m at the same time last year but total assets have increased to R107,5m (R85,6m) a share.

Ovbel, whose operating companies are residential property developer Bellandia, building and civil engineering contractor Ovcon and property developer Ovland, seems vulnerable to any downturn in the property market.

But financial director Justin Millar said yesterday that "prospects for the remainder of the year are encouraging".

Chairman Andrew Ovenstone confirmed that Bellandia and Ovcon had full order books and said profits still to come for work done in the first half had not been taken into account.

"We do not count money still owing to us as profits."

He expected the second half of the year to be "at least as good as the first.

"We have a fair forward selling book for Bellandia and a fair slug of work for next year on the construction side."

Although economic conditions were unlikely to be as good next year, "I don't see our property investments being adversely affected at this stage".

Ovenstone said the group was "concentrating very hard on reducing our borrowings. Our debt is within our target range but I would like to see it even lower."

However, he said, Ovbel also benefited from high interest received.

"In view of that our net interest bill is very small."

Docks scheme 'will revitalise city'

Staff Reporter · Argus 25/1/89

CAPE Town's future as a tourist destination depends on the waterfront development, says the man who heads Victoria and Alfred Waterfront (Pty) Ltd, the company formed to develop 82ha surrounding the docklands.

Professor Kantor

Speaking at the launch of the company last night, the chairman, economics professor Brian Kantor, said: "We have been given a unique development opportunity that will revitalise the heart of Cape Town.

"It is our aim to return the waterfront to the people of Cape Town and its visitors for their pleasure and economic benefit."

The formation of the company follows the tabling of the Burggraaf report on South Africa's harbours.

SA Harbours established the company, which has been given all the powers, responsibilities and opportunities available to private companies. And the founders also provided the company with its primary asset — a 75-year lease over the land and buildings in the waterfront area.

At present SA Harbours hold all the shares but intends going public when the company starts operating profitably.

Professor Kantor's fellow-directors are port director Mr Rudie Basson, city councillor Mr Sol Kreiner, Sats business development deputy-director Mr Fuzz Loubser and SA Harbours director Mr Arie Burggraaf.

Restaurant, museum

A "lean" but effective team was the object, Professor Kantor said. A vital part of this team, the managing director, would be appointed later.

Development will take place in a series of projects identified by the company or proposed by developers.

Businesses and facilities envisaged include restaurants, bars and cafés, parking areas, shops, markets, offices, exhibition space, hotels, recreational craft facilities, a maritime museum and a residential area.

Links between the area and the city are regarded as essential. To improve these links the customs fence will be moved to make way for the development and the incorporation of the Victoria and Alfred basins with the city.

The area to be developed has been divided into seven sections, with Pier Head being the initial focus of attention.

The other areas are Granger Bay, the Portswood Road area, the tank farms, land between the tank farms and Ebenezer Road, the Amsterdam cartage depot and the Victoria and Alfred basins.

The tank-farm area could be regarded as the key that would "unlock the riches of the area as a whole".

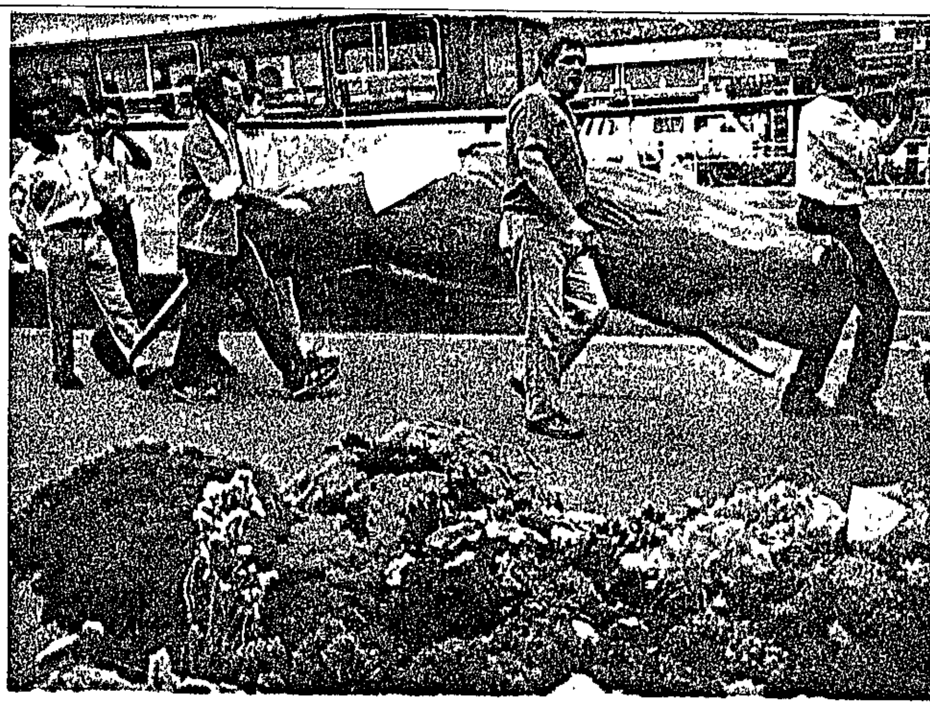
The company was negotiating with the oil companies about transferring their bunkering services from the lower tank farm, he said.

Among other developments, the harbour administration would soon be vacating the workshops alongside the Robinson dry dock and in the so-called Back Beach area. These workshops could be made available on a short-term basis of up to three years or longer, depending on progress with the Granger Bay phase.

The value of sites in and near the development would be "dramatically affected", he added. One such site was the Elbow area, which was "magnificently located" on the water and offered tremendous possibilities to developers.

The Merchant Navy training facility at Granger Bay was outside the company's control but it formed a crucial part of the overall plan, he said.

Deputy-city planner Mr Peter de Tolly said every effort would be made to ensure that the development was in keeping with the city's broad concept of planning.



Picture: HANNES THIART, The Argus.

WHALE SPOTTING: Blasé whale spotters were stopped in their tracks yesterday when they saw one in the centre of Cape Town. But it was only a model of a baby sperm whale being carried to the Golden Acre for a two-week National Marine Day exhibition starting on Monday.

TIME FOR ROSEBANK OXFORD DEVELOPMENT

(32)

Time Developments, which recently completed the Sanlam Arena complex in Rosebank, is to develop a similar R42m complex on another site in the area, acquired from Federated Life Insurance.

The 0,67 ha site is that formerly occupied by the Oxford Hotel, the Baker Street shopping mall, the Protea cinema and an electricity substation, between Oxford Road and Cradock Avenue along Baker Street.

Time Developments MD Colin Taylor is reluctant to disclose the land price, but says Federated "took the opportunity to sell the site at a good price for the area." Land costs in Rosebank are around R600/m².

Federated planned to develop an 11 600 m², seven-storey office block and a 2 300 m² shopping mall on the site, but shelved its plans earlier this year (*Property* March 11) because of lack of demand for office space in the area. Letting the retail space at that time was apparently not a problem.

Time's plans for the site include a 3 400 m² motor complex, a 4 500 m² four-storey office block and a 5 350 m² two-storey shopping mall to be built within the existing concrete structure of the Baker Street Mall.

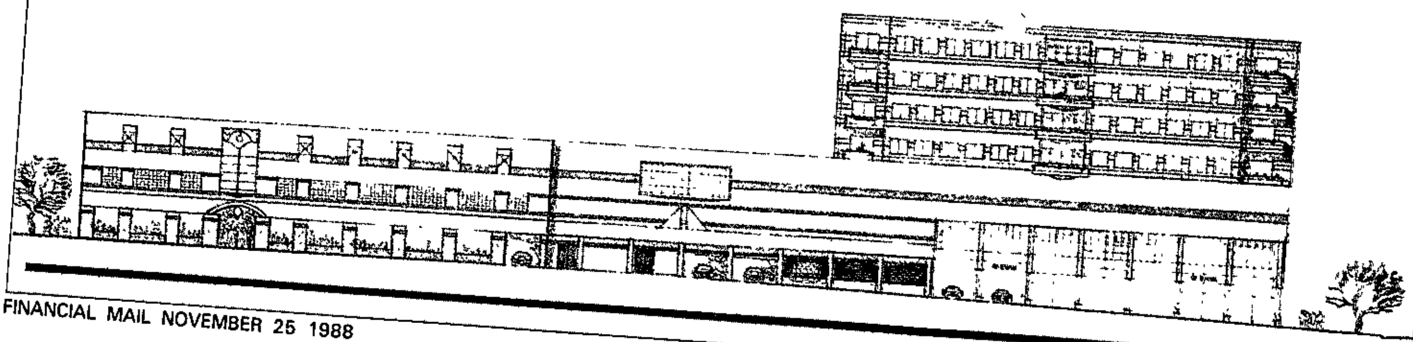
Construction of the motor complex and office block will start in February, and the mall in May. Completion is due in August 1990.

Taylor says negotiations with several large tenants for the office space — going at around R19/m² — are well advanced, but no retail space has been let.

However, the mall has been designed with the swing to speciality shopping in mind. Specialised retail space, such as that in the Trocadero development in London and Power Court in Dublin on which the new mall will be based, produce higher sales per square metre, a faster rate of sales, higher operating profit margins and greater returns on investment.

To this end, although Time is negotiating with a major food chain for a space in the new Rosebank centre, the store is likely to be of the Pick 'n Pay Pantry type rather than a supermarket. Taylor hastens to say that the potential tenant, however, is not Pick 'n Pay.

In keeping with its practice, Time does not intend to hold the property.



BUILDING INDICATORS (32)

25/11/88 FMAIL

Tough measures

The building industry is being squeezed between the declining amount of work available and the declining number of trained people able to complete productively what is available (*Leaders* November 18).

The Bureau for Economic Research's (BER) third-quarter report on building and construction clearly outlines the two major problems facing the industry.

BER director Ockie Stuart says: "New non-residential projects are already declining. The short respite in the form of widening profit margins will soon end as contract price increases drop to below increases in building costs."

According to the BER's Building Cost Index, which measures tender prices, costs in the third quarter increased 19,4% compared with the corresponding quarter of 1987. However, the second-quarter year-on-year increase was 21,7% and the downward movement on a quarterly basis reveals that a drop in building tempo is pushing prices down.

In the residential field, Stuart says upper-end homebuilders face a rapid contraction of their market, due to rising interest rates, stagnant house prices and escalating input costs.

"The bad news is that we have not yet seen the bottom of the present real-price cycle. A forecast shows that the underlying growth rate of undeflated house prices will be close to zero by the end of the year and that prices will, in the middle of 1989, probably be no higher than in the middle of 1988."

The current discount of existing house prices compared with replacement or new housing costs is likely to become even greater, depressing development in this sector.

In addition, 81% of contractors have reported difficulties arising from the rising cost of financing projects.

However, the report says, the housing sector still stands a chance. In July, house plans passed for blacks constituted 40% of the total, but latest estimates now put this at 70%.

"As long as this 70%, as well as housing construction for coloureds and Asians could keep on growing, though at a lower rate than in the past few years, the house construction

(32) FMAIL 25/11/88

industry might weather the recession in good shape."

Meanwhile, traditional bottlenecks affecting the whole industry appear to be getting worse. The report shows that 78% of non-residential contractors are experiencing a shortage of artisans, with 70% of them reporting a particularly serious shortage of foremen.

Some 85% of residential contractors are experiencing artisan shortages and 82% reporting difficulty in hiring foremen. ■

Exposed: Docks' beauty to emerge from grime

c/e ARGUS 25/11/88

32

by MARK STANSFIELD
Weekend Argus Reporter

FOR decades their beautiful faces have been hidden by a covering of commercial mascara, the dirt and grime of business, and much of the ground around them made inaccessable to the public — by official decree.

Now — praise be to the enlightened men of the SA Transport Services, the City Council and many other interested parties — the beautiful Victorian buildings and a large part of Table Bay harbour is to be revamped, in parts rebuilt, and returned to the public.

Hopefully, the romantic era of the pier to stroll upon, shops to buy goodies in and restaurants to tempt the palate, will once again appear.

There could soon even be an elite residential area — with private moorings where the garden laps the waterfront and a shorefront hotel!

A private company, Victoria and Alfred Waterfront (Pty) Ltd, was launched this week to tackle the exciting job of bringing life back to an area many older residents of Cape Town will remember as a vibrant, fun-filled place — until a group of short-sighted, bulldozer-equipped men began filling-in, knocking down and severing the main arteries which connected the harbour area with the rest of the Mother City.

With extensive surgery those arteries are to be re-connected.

The chairman of Victoria and Alfred Waterfront — soon to start tackling the mammoth task — "abhors waste," and much of our harbour area has been wasted.

He is Professor Brian Kantor, director of the School of Economics at UCT.

Although a detailed picture of the envisaged changes cannot be given yet, all those who now have a commercial interest in the harbour are willingly co-operating in the project by tossing ideas around.

Professor Kantor said the company had been given a unique development opportunity that would revitalise the heart of Cape Town.

"The city's future as a tourist destination will depend critically on this development," he said at the launch on Thursday.

"If we get it right we will be able to attract more business and tourists to Cape Town and make it an even more attractive location."

Victoria and Alfred Waterfront (Pty) Ltd is a private company established by SA Harbours. It will have all the powers, responsibilities and opportunities available to private companies.

Its primary asset is a 75-year lease over the land and buildings in the waterfront area, provided by SA Harbours.

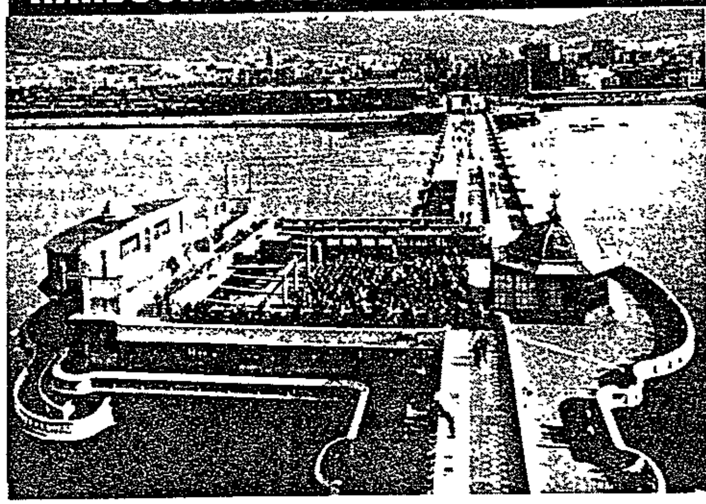
At present SA Harbours hold 100 percent of the shares but it is the intention to sell shares to the public when the company starts operating profitably, Professor Kantor said.

The establishment of the company is a sequel to the tabling of the Burggraaf report which found a path of reconciliation between the requirments of the harbour administration, the fishing industry and redevelpment.

"The intention is to place the emphasis on diversity and the involvment of as many interested parties as possible. There will be a mix of activities within the context of a living, working harbour environment," he said.

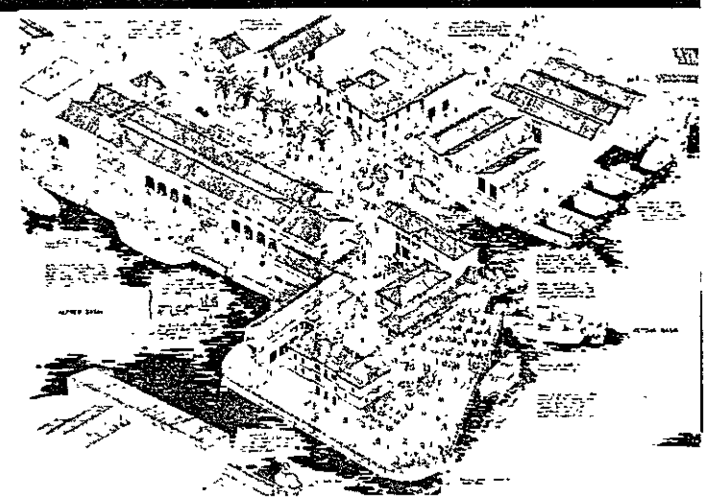
The area to be developed comprises 82ha of harbour land and it is envisaged that development will comprise a series of projects identified by the company or proposed and tendered for by developers and other outside bodies.

HARBOUR AS IT WAS IN 1936 . . .



THE PAST: Cape Town's harbour area was once a beautiful area completely accessable to the public — until the connecting arteries were severed by some short-sighted developers.

. . . AND THE NEW PROPOSALS



THE FUTURE: An artist's impression of a part of the harbour after development. Ideas for revamping the area are welcome and even a shorefront hotel has been proposed.

Bear outlook on housing

24/11/88 Star

But it's not all bad, says report

32

HOUSE prices are due for a downturn — at least in real terms.

So says the latest building and construction analysis of the Bureau for Economic Research (BER) at the University of Stellenbosch.

A survey shows that by the middle of 1989 house prices will be no higher than they were six months ago — and the bad news is that the bottom of the present cycle has not been reached.

However, this finding can be viewed from another side.

Many successful property speculators consider a slump in the property market as the best possible time to make long-term investments.

Gone is the pressure of sharply rising prices, with many sellers carried away by the euphoria of seemingly ever-rising prices.

In a downturn, sellers are much more realistic and the patient bidder has ample time to conclude a successful investment deal.

Real house prices are already at low levels — as measured by the Rode House Price Index and deflated by the consumer index — despite the spurt in values since the middle of 1986.

The increase in house prices has come to nought and the current discount of existing house prices compared to replacement costs will become even greater.

The report concludes that the building industry and related professions are entering a difficult period and should prepare for it.

The survey says: "Non-residential projects are already declining and this is reflected in the tendering competition, which is on the increase, and the BER Building Cost Index, which is decelerating.

"This is now affecting the professions allied to the building industry, contractors and sub-contractors.

"The short respite in the form of widening profit margins will soon be something of the past as contract price increases drop to below increases in input costs."

The relatively good news is that a survey of building costs shows expectations of an average increase in in building costs during 1988 to be 18,5 percent dropping to 14,5 percent in 1989.

The bureau says non-residential contractors' order books have in all probability already stopped growing and it forecasts a contraction as soon as current projects are completed.

Non-residential sub-contractors are still very busy.

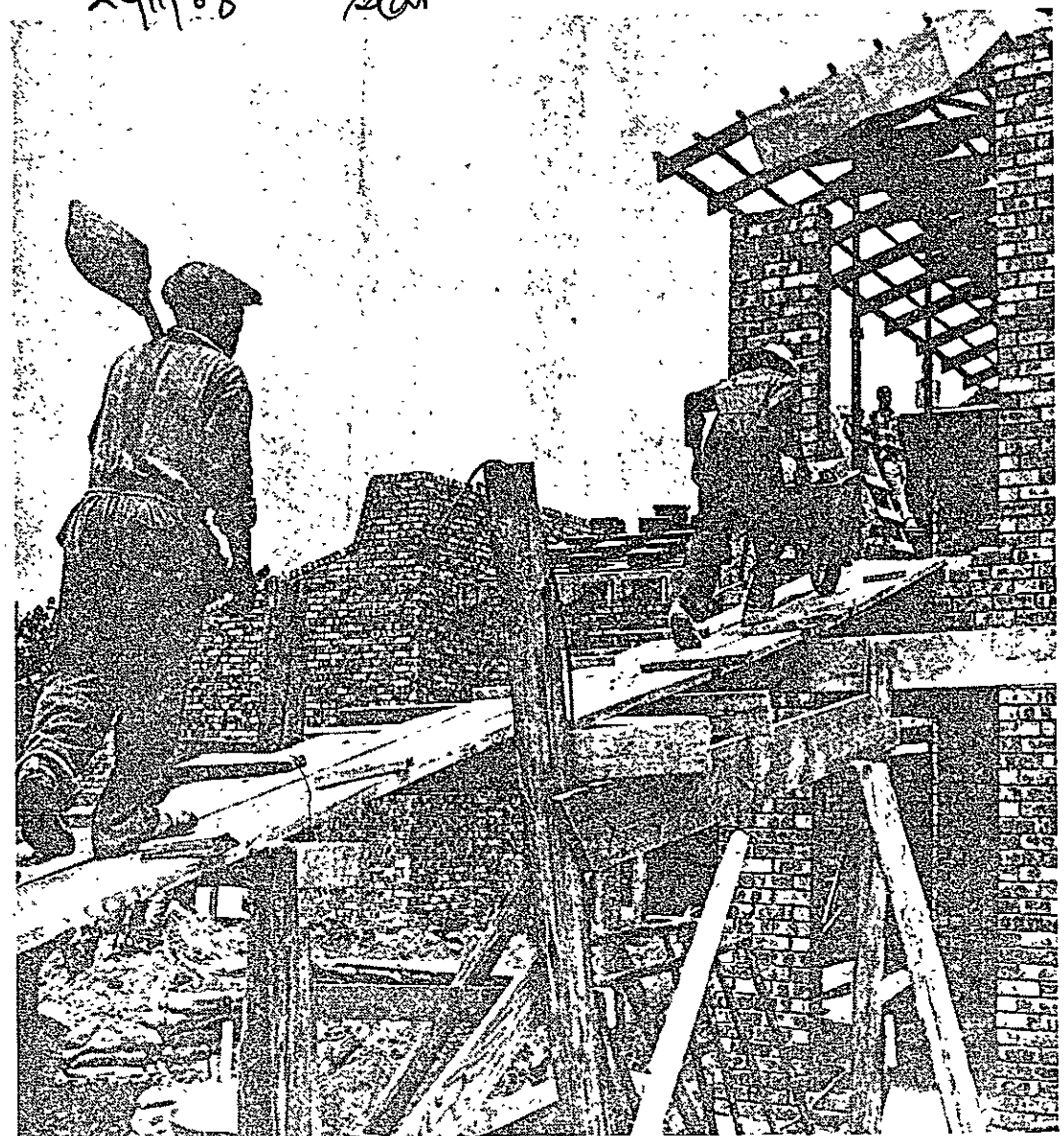
House builders in the upper end of the market face lean times, their business will lessen dramatically, and margins will be squeezed under the onslaught of ever rising interest rates, stagnant existing house prices, and escalating input costs.

The insignificance of the top end of the white housing market is reflected in the official statistic that house plans passed for blacks constitute 40 percent of the total. However, these official figures are estimated to underrate the true black housing position, which in the BER view could represent up to 70 percent of all housing activity at the moment.

"As long as this 70 percent, plus half of the housing construction for coloureds and Indians, can keep on growing, albeit at a lower rate than during the past few years, then the house construction industry might weather the recession in good shape."

Builders at the lower end of the housing market might salvage themselves by moving down to the bottom end of the scale — although margins will be under constant pressure as they have been for the past few years.

All this must be disappointing, says BER, especially to the non-residential building industry which has just survived one of its worst recessions.



GOING UP: But the building sector and home prices are heading in the opposite direction.

BUSINESSMAN OF THE WEEK

Demand for DIY sparks R15-m growth plan

26/11/85

32

By DICK USHER
Business Staff

PG WOOD has a R15-million expansion programme planned for next year to keep pace with growing demand in the wood and do-it-yourself market.

This growth has given the company a 35 percent compound growth over the past five years while turnover has reached more than R1-million a day.

Leading the process, which has seen the company turned from an "all-time low" to a major contributor to group earnings, is managing director Durham "Butch" Watson Smith.

He joined the company in 1963 as a buying clerk and by 1976 was Cape MD.

In 1977 when he was asked to become national MD the group's wood division — apart from the Western Cape — was in dire straits, mainly from lack of clear direction.

Employs

It now now employs about 1 500 people nationally, has 22 P G Wood outlets, 40 Timber City stores, has backward integration of laminates and chipboard through P G Bison and is about to build a new R2,5-million warehouse in Kuil's River and one in Springfield, Durban for about R4,5-million.

Further growth is planned with a R750 000 operation for Oudtshoorn and a R500 000 expansion of the express warehouse in Germiston plus company owned Timber Cities in Blackheath and Nelspruit.

Allied to these is a R4-million upgrading of the company's computer network.

The expansion is aimed at creating new facilities to supplement others which have reached their limits and to bring the company more firmly into growth areas previously serviced from existing outlets.

All the new facilities will be custom-built for maximum productivity, a major consideration in holding down costs at a time when profit levels in the industry are under pressure.

"We have to be super-efficient in this market because of the competition," said Mr Watson Smith.

"There's easy entry to the market with lots of product discounting. At the same time the customers want to buy better resist having to pay for service.

"Despite this pressure on margins our profit growth over the past five years has surpassed sales and we've picked up a couple of points of market share each year."

Success has been built on specialisation of product range, rationalisation of outlets and name, and capitalising on the growing do-it-yourself market.

About 75 percent of P G Wood's sales now come from six main products, with a wide range of choices within each.

This specialisation was a process Mr Watson Smith started when he was MD in the Cape, and helped the Cape division stay profitable when others were floundering, but is also a continuation of company policy which started about 15 years ago with the creation of wood, glass and other specialist divisions.

Along with the specialisation went rationalisation of name and image.

Advertising

"Before 1983 we had a whole mix of names, but by rationalising under one name we could get maximum benefit from advertising campaigns and services," he said.

Moving into the do-it-yourself market through franchising Timber City outlets was another successful move that was a Watson Smith brainchild.

Of the 40 outlets nationwide, 12 are owned by P G Wood and 28 are franchised, and the demand for franchises is so strong that the company has to limit those it grants.

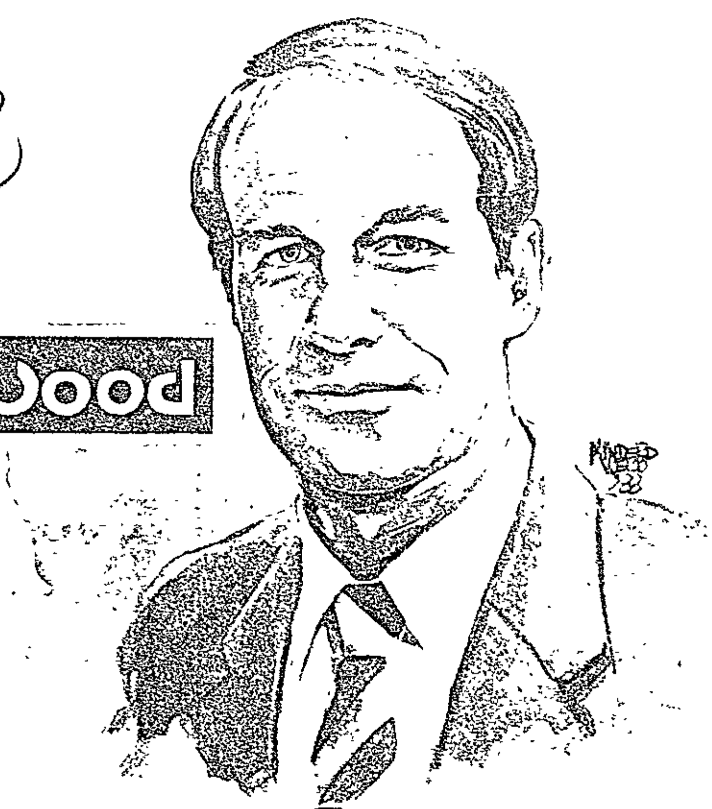
"We have to keep the number of new franchises to about 10 a year to safeguard service," said Mr Watson Smith.

"They now contribute about R2-million annually and are popular because they give a small operator access to the biggest range of products on a 24-hour basis at market-related prices.

"Plus they have the advantage of our advertising campaigns and advice from our experts.

"For this franchisees pay a signing-on fee, a 2,5 percent loyalty fee and 2,5 percent for advertising. We supply them with all their merchandise and are on hand with advice and new products."

(See Page 5)



Durham "Butch" Watson Smith . . . going for growth.

Interboard lifts attributable profit by 27,5%

By Ann Crotty (32)

Interboard has announced a 30 percent increase in turnover and a 27,5 percent rise in attributable profit for the six months to August. Str 30/11/88

The results, released almost three months after the end of the interim period, show turnover up to R61 million (R47 million) and operating profit 43 percent ahead at R11,5 million (R8 million).

There was a 43 percent surge at the taxed profit level, taking it to R10,8 million (R7,5 million).

Following the listing of the building materials manufacturing division, outside shareholders took up R951 000 of profits, leaving attributable profits of R9,8 million, which were 30 percent ahead of the previous year's R7,7 million.

The group only shows the earnings per share figure inclusive of the recent acquisition of Tempest. This shows earnings up 56,7 percent from 5,46c to 8,56c. A dividend of 4c (3c) a share has been declared.

The directors say the flatboard division recorded an increase of 82 percent in turnover. "This was achieved through the combined effects of the increase in capacity of the Wadeville plant and the fuller contribution from the Swaziland plant."

Referring to the division's R99 million three-year expansion programme, the directors say: "Local demand for the division's products, both board and fibre, continues to outstrip its supply and as a result the development of export markets has been hampered."

Turnover at the building materials manufacturing division was up 31 percent and operating profit up 35 percent. But as a result of the listing of the division, attributable income was only up 7 percent.

The group provides a set of interim figures that include the Tempest acquisition. These show turnover for the six months of R94,4 million, operating profit of R17,7 million, taxed income of R14,7 million and attributable income of R13,8 million.

Interboard now derives income from the building sector (34 percent), electronics (27 percent), furniture (25 percent), retail and trading (8 percent) and other (6 percent).

Sowetan 30/11/86

Two laws hamper builders

32

MAJOR problems faced by black builders in their attempts to help reduce the acute shortage of homes in South Africa were the Land Act and the Group Areas Act, delegates at a conference were told this week.

The vice-president of the national African Federated Chamber of Commerce, Mr Joe Hlongwane, said in the Pretoria-Witwatersrand-Vaal area less than 15 percent of the land had been set aside for black, coloured and Indian occupation.

Backlog

And yet, he said, "we make up at least three quarters of the population of this region. These laws must be scrapped if blacks are to help reduce housing backlog."

He was speaking at the inauguration of the Professional Builders Federation at Crown Mines, Johannesburg.

The federation, was formed to promote the interest of small black builders and merchants.

Offshore interests hold down profits at Plate Glass

Star 1/12/88 (32)

By Ann Crotty

Plate Glass increased turnover by 32 percent and operating profit by 27 percent for the six months to end-September.

An increase in the tax rate held back the improvement at the earnings level to 16 percent. A dividend of 65c (55c) a share has been declared.

Some investors who were attracted to Plate Glass because of its rand hedge qualities may be a little disappointed that the benefits of the group's wide geographical spread are likely to be realised in the longer rather than shorter-term.

The interim figures show that, far from lifting performance, the overseas interests have held it back.

As the directors note the cost of new offshore developments was significant and slowed the overall profit increase in the review period. "This thrust will continue to retard the group's rate of earnings growth in the short to medium-term."

Start-up costs relating to international expansion are expected to absorb about 40c a share from the group's full year's earnings. Analysts estimate that some 30c of this has probably been knocked off the interim earnings figure.

Another overseas-related factor impacting the earnings figure is the affect of the depreciation of the rand. According to management this added some 8c to the six months figure. In financial 1988 the weaker rand helped to lift income from overseas operations by 28,5c a share.

The group has reported turnover up to R1,4 billion (R1 billion) and operating profit up to R112,4 million (R88,5 million). The tax rate was up from 44,5 percent to 51 percent. The group does have some tax losses but these cannot be offset against profitable operations across borders.

Attributable income was up 16 percent to R34,6 million (R29,7 million).

The group's local operations made a strong contribution to the interim performance. Exports also performed well although "some markets became more difficult because of international sensitivities."

The directors noted that offshore companies increasingly had to fund expansion with a disproportionately high level of debt and that this situation was exacerbated by the goodwill write-offs which constituted the major portion of the R52 million non-trading items on the interim income statement.

The combination of the strong domestic performance and the diluted international contribution meant that the profit mix swung from 50:50 at year-end to 60:40 in favour of the local operations.

Building boom boosts cement

Cap Times 1/12/88

Financial Staff

PRETORIA Portland Cement, SA's largest cement and lime producer forecasts higher profits helped by an active building and construction industry.

PPC will show further earnings growth in 1989 but the projected growth will not match the 49% increase in earnings in 1988, which came from a low base in the previous year, according to PPC chairman John Hall.

"On balance, we believe 1989 will show a satisfactory improvement," he tells shareholders in his first statement as chairman.

"Assisted by continuing demand in the low cost housing and informal sectors of the market, we expect the building and construction industry again to be very active next year".

This is confirmed by large construction firms servicing several civil engineering projects, who report a high level of activity which will maintain growth in cement offtake, Hall notes.

The lime division is also expected to show growth, and associate companies' forecasts look promising.

Reviewing a year in which PPC increased its after-tax profits from R52,8m to R78,7m — and paid a best-ever total dividend of 100c, Hall says increased cement volumes, higher investment income and a reduced interest burden were the major contributors to the company's performance.

Cement demand in South Africa in 1988 was 12% up on the previous year. A further improvement of some 7% is seen for 1989.

He says PPC's strong cash flow will permit the internal financing of capex of R72m in 1989.

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BUSINESS

Home today, gone tomorrow

The boom in black housing has brought with it droves of building 'consultants' who demand deposits, then disappear, reports KIM CLOETE

COUPLED with the boom in urban black housing have come droves of fly-by-night operators who exploit home buyers.

Johannesburg's Legal Resources Centre has received many reports of unscrupulous "consultants" who promise to build houses, demand deposits but never arrive to do the job.

"The complicated freehold system poses problems for inexperienced people," says a representative for the LRC, adding that dishonest consultants tend to zoom in on first-time home buyers, who are unaware of the formalities and legalities of a building contract.

Often loathe to enter into formal contracts because of the taxes and costs involved, people risk falling into the trap laid by contractors out "to make a fast buck".

One of these dealers is Robert Mnkwanazi, of Johannesburg-based Proper Homes. Mnkwanazi is thought to have skipped the country and is allegedly in Malawi.

Cases against Mnkwanazi have been won in the small claims court. However, returned deposits from him have not been forthcoming.

"Consultants" like Mnkwanazi promise to obtain residential sites for people in the PWV once deposits of up to R1 000 and more are laid down. On investigation, Mnkwanazi's clients found the sites were either occupied by other companies or were non-existent.

When confronted, Mnkwanazi was allegedly evasive. After numerous queries about when building was due to start, his clients were asked by Mnkwanazi's employees to write a letter, outlining their grievances. But their letters remained unanswered and their phone calls unreturned.

Pensioner Louis Hlatshwayo, of Jabulani, is one of many waiting for his returned deposit. He entered into an agreement with Proper Homes during August 1987 in which they undertook to build a garage and two rooms for R17 000. Although he was not required to pay a deposit, Hlatshwayo agreed that payment would be made in monthly installments of R150.

During the subsequent months, he paid amounts totalling R1 350 — and was repeatedly told builders would arrive. He then received a curt message from Proper Homes saying that they did not build homes for pensioners.

Proper Homes also claims, as in the case of Kenneth Magubane, that in order for a client to have a site registered in his name, he has to pay a deposit of R1 000. Magubane paid the money while Proper Homes undertook to obtain and register the site. However, three months later — in May this year — Magubane was informed the sites near Lesedi Clinic in Soweto were no longer available.

When Magubane went to the area he noticed another company had started building there.

An LRC representative advised prospective home buyers to seek help from the centre. He also cautioned against entering into verbal agreements, without knowing the implications of a contract.

And he warned buyers against "one-man, one-business" operations consisting of a builder operating with a few workers. Although some may be responsible contractors, many are loathe to enter into formal agreements with clients.

A representative for the Building Industries Federation of South Africa (Bifsa) has urged home buyers to be cautious of registered businesses which attach themselves to "gullible and misinformed" people and take advantage of them.

Bogus suppliers of building plans have also cropped up in the industry.

In 1983 United Financial Trust consultant, E Kyriazis, allegedly charged people several hundred rands for building plans and promised to allocate stands in Soweto. The plans were never delivered and sites were never found. However, Kyriazis was traced by the LRC and charges were laid against him. Complaints against other companies have been recently lodged in this regard.

Tied in with related building scams are a number of unfinished houses in the townships. It is alleged contractors are brought in, demand huge fees and then leave houses without completing building operations.

Often the construction is a rush job — finer details are forgotten and electrical installation and plumbing is not professionally done.

In an effort to avoid this, a Bifsa representative has urged buyers to negotiate a settlement with a registered company which has been carefully scrutinised by an umbrella body in the building industry.

Penpin builds up Transvaal stake

By Ian Smith

RIDING high on its successful rights issue, Cape-based building materials chain Pennypinchers is consolidating its foothold in the Transvaal.

The acquisition of the Craig Hardware Stores chain increases the number of Transvaal outlets to seven and it puts the enlarged group on target for turnover of more than R200-million in the year to December 1989. Turnover in 1987 was R64,3-million and this year it is expected to be R115-million after better-than-expected performances from existing stores.

The group's expansion in a sector with high promise has not gone unnoticed by the market. Penpin's 59,1% increase in the share value to 180c this year makes it the best performer in the JSE retail and wholesale sector.

Liabilities

The 37,5% increase of 80%-held subsidiary Penboard since January to 105c makes it one of the top three performers in the Development Capital Market.

Last week's simultaneous rights offers by Penpin and Penbord to raise R6-million were more than 90% subscribed, putting the group in a strong ungeared position to fund growth. The rights offer also gave established PG Bison a 25,1% stake in Penpin.

The Craig Hardware acquisition will give Penpin three outlets and responsibility for Craig's liabilities, says Penpin financial director Percy Bishop.

Stores in Craighall Park and Ferndale are expected to be major cash outlets and the third, near Lanseria Airport, will serve Johannesburg and Pretoria and will become the group's main bulk boards and building materials distribution centre in the Transvaal.

"It is ideally situated to serve our existing branches in the Transvaal," says chairman Fasie Malherbe.

The new trading operations have a turnover of R35-million a year and three valuable properties, including 150 acres at Lanseria, are included in the deal.

Projected turnover for the Transvaal alone next year is at least R48-million, says Mr Malherbe.

"By the end of this year Penpin shareholders' interests will be over R14-million. Net asset value will have risen from 51c a share at the end of last year to more than 80c," he says.

BUY NOW, PAY LATER

Soaring building costs could justify entering the housing market now

MANY prospective homeowners have been deterred from buying by recent interest rate rises, but soaring building costs could justify present purchases, writes *UDO RYPSTRA*.

In January 1981, the building cost index of the Bureau for Economic Research of the University of Stellenbosch, based at 100 in 1975, stood at 205.

Now it stands at around 430, meaning that in the past eight years the cost of building a home has more than doubled.

According to the United Building Society, existing homes were about 22% cheaper than new homes during the first quarter, and increasing in value by an average of 13% a year.

The gap between new and existing housing costs was narrowing until the shock interest rate increases.

Most homeowners have seen their interest rates jump from 12,5% earlier this year to 18%.

On the average bond of R50 000, instalments increased from R563 to R772. That is R209 a month extra — a severe dent in any middle class family budget.

B/Times

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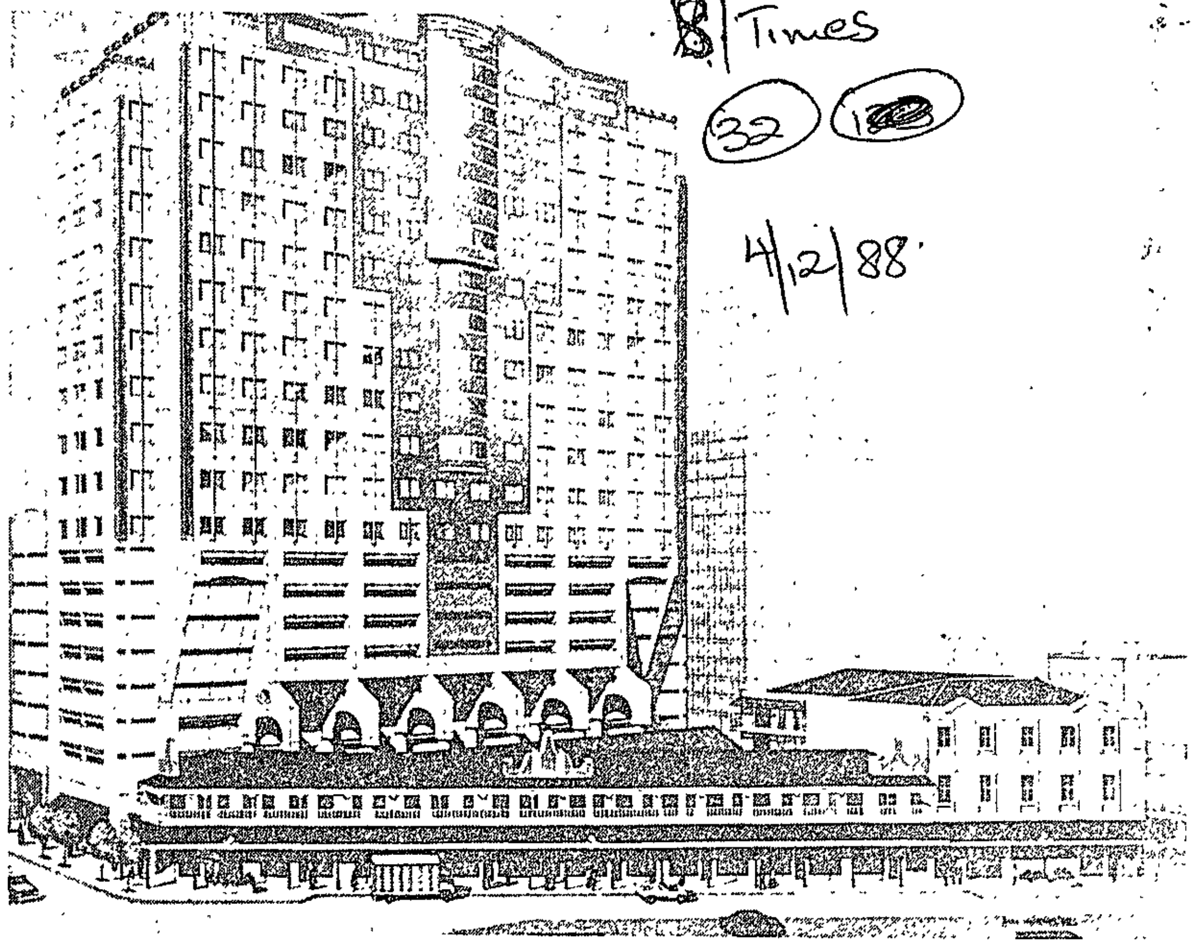

CITY DEVELOPMENTS CONTINUE: This artist's impression shows Diagonal Street, Johannesburg.

Seduced

Many buyers were seduced by banks into spending more than they could afford on housing. Some took 100% bonds and now face a severe cash squeeze.

Bifsa forecasts building costs will rise by more than 20% this year, lending credence to the claim by estate agents that purchasing a home is a hedge against inflation.

There's no doubt, however, that real mortgage interest rates around 5% make home ownership that much less attractive.

No relief is in sight, as inflation and interest rates are expected to make bigger inroads. According to the BER's latest report (November), the inflation rate has been on a downward trend since the beginning of 1986, when it peaked at 20,7%.

But now the rate is expected to bottom out at 12,4%. The BER expects the inflation rate to average at 13,5% for 1988 and 15,8% for next year.

The BER also expects a further 1,5% increase in the prime overdraft rate towards the end of the year.

Forecast

The BER's current outlook for private residential investment is less optimistic than its previous forecast and it now anticipates a growth of 5,1% in real terms for 1988 and zero growth for 1989.

Nevertheless, the private residential market experienced a marked economic recovery since mid-1987, mainly as a result of increased salaries and wages in the private sector, relatively low interest rates and the free availability of housing finance.

Bifsa expects the growth rate in residential investment to be about 8% for this year, but is more pessimistic than the BER for next year, when it expects a growth rate of only 4%.

On the non-residential side, building cranes have been towering over South Africa's major cities again this year, but are likely to disappear slowly as work in hand is completed.

Construction activity was sluggish during 1987, when a negative growth rate of 4,3% was recorded.

Business picked up during late 1987 and this year with new investment in non-residential buildings manifesting itself largely in the form of additions, alterations and refurbishment of existing buildings, such as is happening in Johannesburg's financial district.

In addition, the trend towards decentralisation continued, especially in greater Johannesburg, where the exodus to the northern suburbs is continuing, and in the Cape Peninsula, where businesses are moving to both the southern and northern suburbs.

Drop

Real domestic fixed investment in buildings declined marginally in 1987 after a sharp cumulative drop of 23% during the previous two years.

But as Bifsa reported earlier this year, investment in buildings as a ratio of total gross domestic fixed investment has increased, currently hovering between R7 500-million and R8 000-million.

Bifsa believes the spending has reached a turning point and will decline gradually until it reaches a nadir in the second half of 1990.

But the downswing is expected not to be as severe as the one in 1984/1985.

The first signs of the downturn are already visible. The business confidence of architects and quantity surveyors is normally a first indicator of what lies ahead.

The latest survey by the BER reports an anticipated downturn in its previous survey has started and there are a lot less projects at sketch stage than a year ago.

Projects at bills of quantities stage are also reported to be much fewer than the third quarter of 1987, when they were at their best.

Satisfied

The number of contracts awarded has also been following a downtrend since the first quarter of this year, when they were at their highest.

Contractors are still reporting that they are satisfied with business, but the BER warns that the underlying growth rate seems to have deteriorated and prospects look bleak.

Making life easier for builders

W/t Argus 10/12/88

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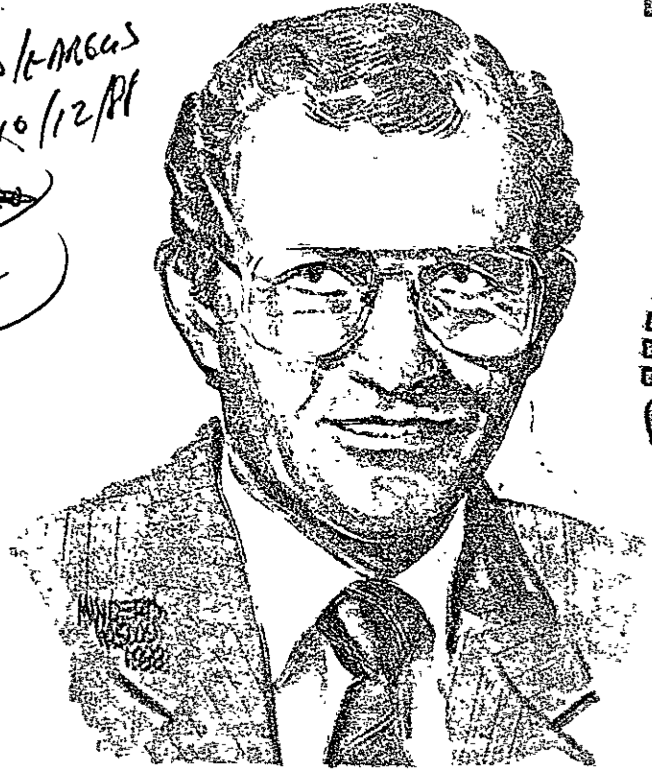
By DICK USHER
Business Staff



Peter Hughes . . . service the name of the game.

SERVICE is the name of the game in the building supplies business.

Which is why, in an industry in which the informal and smaller builders are assuming greater importance, Peter Hughes, the executive director at F T Building Supplies for the Western and Eastern Cape, says that the merchant must constantly analyse his role in the marketplace to make sure that the service being offered is the service required by the customer.

"The main part of our business is being the middleman between the manufacturers and end-users, whether the customer is a giant contractor or one man building a garage.

Efficient

"There is, after all, little difference between the products sold by one merchant and another.

"So it is the quality of customer service that makes the difference," he said.

For F T that service means proving to major contractors that the company can make life easier and more efficient for them, showing that they can give competitive prices and deliver the right product at the right time.

"The big contractors used to buy direct from the manufacturer and we have to prove to them that we can give a service they cannot get from the factories, most of which are on the Reef.

"For the smaller operator we have to provide exactly the same efficiency, but also help them with advice and expertise from competent staff with technical skills and enthusiasm, and provide credit facilities to help them through the contract," said Mr Hughes.

"To achieve this we do the bulk buying and stock the complete range of materials that go into building a house, which saves them from having to deal with 20 or 30 different one-off traders."

This perception of the merchant's position in the industry has grown through about 13 years in the timber and building supplies industry.

Mr Hughes first worked in the motor industry, during which time he took a CIS part-time, and later joined a furniture company in Cape Town to get practical accounting experience.

In 1975 he moved into the timber and building materials industry and was on the board of the D & A Timbers group before joining Federated Timbers in 1980, first as assistant manager of the Cape Town branch and later as manager.

In 1984 he was appointed regional manager of the Western Cape and a director of Federated Timbers and in 1988 was appointed executive director of Federated-Blaikie, responsible for the Western and Eastern Cape.

The company is currently moving from being known as Federated Timbers to F T Building Supplies, reshaping its image to emphasise that it supplies all building materials, not just timber.

"It has been a real problem being heavily associated with timber," said Mr Hughes.

The Western Cape is one of the regions where an "area concept" has been implemented, with several compatible branches working together to service a specific area.

The main warehouse at Epping acts as the "mother" branch for 21 F T operations in the area.

Stocking 43 000 product lines, the warehouse either acts as a distributor for branches or supplies direct to sites for contractors.

"The system has advantages that work for all parties," said Mr Hughes.

Resources

"The branches have common pricing structures, services and share resources which means that the customers know exactly where they stand with any F T Building Supplies branch.

"For manufacturers the bulk buying system means that they can plan production and delivery more efficiently, creating economies of scale for them which can be passed on through us to the customer.

"It becomes a partnership which we promote as part of the service we offer as the middleman in the industry."

Higher interest bill for OZZ

(32) Star 12/12/88

By Ann Crotty

Building and engineering group, OZZ, has reported a 21 percent increase in turnover and a 37 percent improvement in operating income for the six months to end-September.

But due to a heavy increase in the interest bill and a sharp drop in income from associates, earnings per share (before extrordinary items) were down to 3c from 4,3c.

On a turnover of R3,8 million (R3,1 million), Ozz turned in an operating income of R509 000 (R370 000), reflecting an increase in operating margins from 11,9 percent to 13,5 percent.

Interest payments soared from R10 000 to R77 000. Pre-tax income was up 20 percent and a reduction in the tax rate lifted this to a 47 percent after-tax improvement.

Chiefly as a result of the resumption of tax at Lucem, income from associates was down 42 percent to R792 000 from R1,3 million which meant that earnings were down 29 percent at R1,1 million (R1,6 million).

At the extraordinary level, Bruma Lake chipped in with a strong contribution of R1,3 million (R622 000).

DIVIDEND

This increased earnings per share to 6,7c (6c). A dividend of 1c (0,5c) a share was declared.

The directors note that it is extremely difficult to forecast accurately in the current climate but state that they expect that both income, after extraordinary items, and dividends will show an improvement on financial 1988.

The Star Finance

(32) Star 19/12/88

Major contracts awarded for Mossgas project

Industrial Beat

STAN KENNEDY

Babcock Africa has been awarded contracts worth almost R100 million for the fabrication of four offshore modules for the Mossgas project.

The four modules — process, well-head, power generation and utilities — will be fabricated from 2 500 tons of special 50E grade Iscor steel and 8 km of stainless steel and carbon steel piping

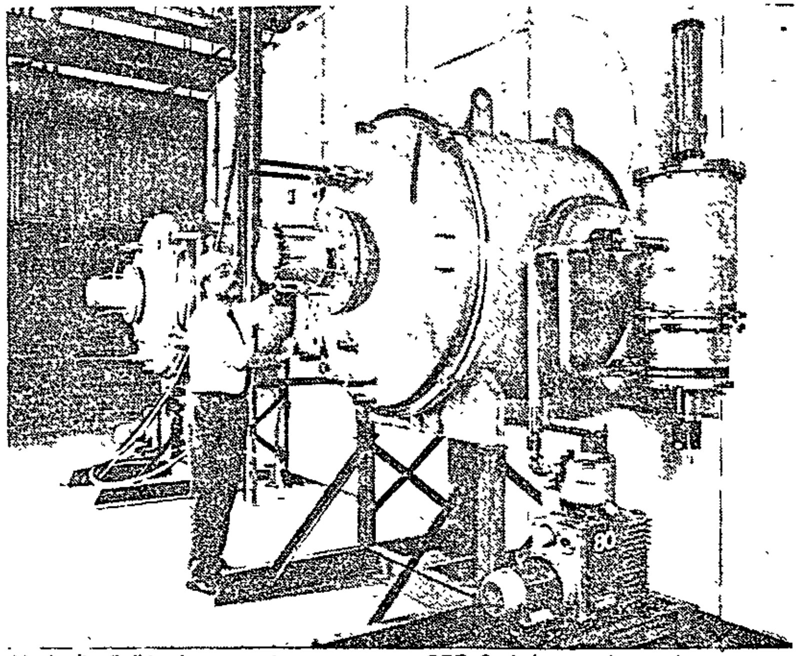
A new company, Babcock Mossel Bay Contractors, has been formed jointly with an overseas company, one of the world's foremost module contractors, to undertake the work.

A 6 000 sq m covered fabrication plant on the Charl Malan Quay in Port Elizabeth is currently being erected. Almost all the equipment to be used is part of Babcock's established resources.

Engineers and managers have already moved to Port Elizabeth, where they have set up office and home for the two-year stay. A temporary office block will be built on site to accommodate Babcock, Mossgas and Emso personnel.

The company will employ local skilled and unskilled labour and will make use of the Eastern Cape training school and the services of engineering companies in the area. At its peak of operations, there will be 900 workers.

Babcock's work includes the installation of 1 200 tons of mechanical equipment, such as turbine generator sets, electrics and instrumentation, corrosion protection, thermal insulation, ventilation, air conditioning and fire prevention equipment.



Mr Leslie Falkingham, project manager, GEC Switchgear, inspecting a vacuum furnace which forms part of the equipment being installed at the company's new vacuum interrupter plant. When completed in February it will be the only one of its kind in the Southern hemisphere. A vacuum interrupter provides a switching mechanism for high voltage circuit breakers used in the mining industry and industrial plants and at Eskom.

Protective paints

About 65 percent of the protective coatings for the Mossgas FA production platform will be supplied by AECI Paints.

The project, worth more than R1 million, requires highly sophisticated coating materials for application to the support frame module, the accommodation module, the helideck and the jacket.

The coatings will all be locally produced under licence to Ameron Protective Coatings of Holland. The coatings will combine to form systems which will control corrosion and offer tough resistance to abrasion.

Mr Philip Greeff, marketing manager, heavy duty coatings division, says his company's recommendations to Mossgas are based on extensive studies and case histories of similar platforms in the North Sea and other other parts of the world.

Reformer tubes

Metallurgical Processes (MP), a subsidiary of Impala Platinum Holdings, will supply high-temperature heat-resistant reformer tube assemblies for the synthetic fuel refinery at Mossel Bay.

The company, the sole manufacturer of reformer tube assemblies in the country, won the R7 million order against international competition. It was awarded by Lurgi SA.

The tubes will be cast from a chrome, nickel and niobium alloy and will be made almost totally from local materials. The castings will be pull-bored to ensure the best possible tolerances and finishes inside before being welded into sections of 13,5 m.

MP is one of the world's leading producers of nickel-magnesium alloys used in the foundry industry.

Co-operative venture

The Council for Scientific and Industrial Research (CSIR), New Company Investments (NCI) group and Novacom Technics are co-operating in a joint venture to develop and manufacture locally two new products for the mining, quarry, paper and pulp and tobacco industries and for airports and harbours.

NCI, which is administering the project and is involved in its major policy direction, has a 50 percent shareholding.

The two products are a conveyor belt and rubber repair compound and a crusher and mill liner-backing compound.

Despite the fact that the products will only be available early in 1989, Novacom has had export inquiries from Australia and the US.

Watchdog over building methods has vital role

Star 19/12/88

In a year in which the focus has been on housing our people, many building methods have been put forward as a way to overcome the great housing shortage. Innovative building methods are the responsibility of the little-known Agrément Board of SA, and in this report NORMAN CHANDLER explains the workings of this important body.

The Agrément Board's building innovation certificates could transform the lives of people living in these sorts of dwellings.

Thousands of builders are taking a well-earned rest after a hectic year constructing houses and office blocks, but that doesn't mean many thousands of other people have put on hold their complaints about shoddy building methods.

Some construction companies have this year come in for criticism about building methods they have used, while others are accused of using inferior materials which, say house-owners, result in repairs having to be done — usually at the owner's cost.

Owners, and probably many of the people for whom homes are being built, will continue to gripe about shoddy building methods — toilets that don't flush, wall cracks, window frames and doors that sit askew, and poor finishing.

But they can take heart. There is an organisation in Pretoria which is the watchdog for methods and materials — the little known, at least to the general public, Agrément Board of SA.

The board's role is to evaluate innovations in the building field. It includes building systems — such as timber-frame housing or precast concrete systems now being used in the mass-housing field — and building materials such as paint, waterproofing, piping, fittings and building blocks.

If the innovation is suitable for local conditions, it is granted an agrément certificate, which also outlines the levels of performance that can be expected and which aspects of the national building regulations are satisfied by the innovation.

There are two series of certficates — the agrément certificate, which comes in three parts covering evaluation and confirmation of particular building methods; and the Mantag (an acronym for Minimum Agrément Norms and Technical Advisory Guide)

Some of the country's top building companies hold the 47 agrément certificates that have been issued to date. The certificates cover a wide selection of products used in the construction industry.

A Mantag is intended to provide guidance for everyone regarding the provision, regulation and use of types of houses and structures — and has been found to be ideal for the rapid housing construction scheme being undertaken in SA.

To obtain a Mantag certificate entails plenty of hard work on the part of would-be building innovators — and even then, a local authority could refuse authorisation for a house to be built using the innovation for which the certificate had been obtained.

Innovators seeking a Mantag have to provide full specifications of materials, manufacture, erection procedures, drawings and, if possible, layouts of dwellings.

The Agrément Board says that houses built in accordance with a Mantag will be fit for habitation (including safety and health regulations).

"It must be noted that, in general, the criteria are intended to permit a lesser level of performance than would be expected from buildings erected in terms of the national building regulations," the board says.

The board has provided The Star with specifications for three typical Mantag certifications aimed specifically at the low-cost market.

One of the best-known is the Zenzele building system, for which a certificate is held by the Cape Provincial Council for the construction of what it terms "single-storey simple houses."

This system calls for earth floors, treated timber poles, roof sheeting, a foundation of hollow concrete blocks or cement and soil blocks, and walls of steel mesh filled by a soil/clay mixture, and plastering of walls.

A Mantag has been issued for the Pretoria-developed Steyn building system, which is of walls constructed of corrugated cardboard to which wire mesh is fixed. Both sides are plastered, and the rest of the house is of conventional materials

Panel Proud Homes, of Cape Town, holds a Mantag for a house in which the walls are of polystyrene placed between steel sheeting, suitable for detached single-storey houses. These houses may not be suitable for the coastal and temperate interior areas.

The Star
Finance

(32) Star 19/12/88

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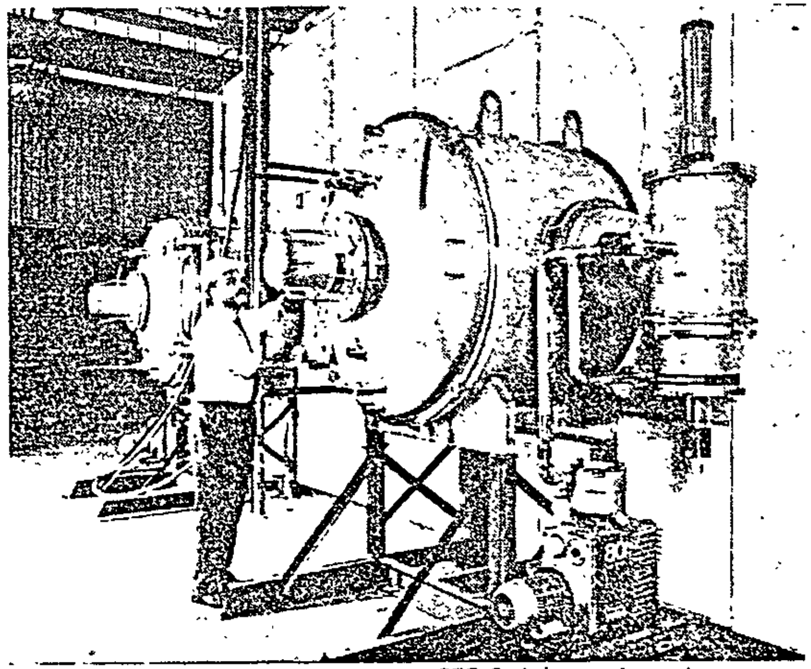

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Protea Assurance refurbishing

Ovcon awarded R13m contract

Cape Times 20/12/88

By AUDREY D'ANGELO
Financial Editor

OVCON (Cape) Building has been awarded the R13m contract to refurbish and extend the Protea Assurance headquarters fronting on to Greenmarket Square, Longmarket Street and St George's Mall.

Work on building the extension on the site of the newly demolished Lincoln House and former Natal Building Society (NBS) headquarters, will start early next month and should be completed in 15,5 months.

The second phase, which will be given a contract time of 8,5 months, will be the refurbishment of the interior of the new, enlarged Protea House.

This will include the building of a central atrium over six storeys in place of the present lifts and services core.

The entire new complex will be "A" grade office accommodation — now in short supply in the central business district (CBD).

Services will be provided through access flooring with word processiong facilities and air conditioning reticulated to each floor.

Ovcon (Cape) Building MD Roy Peckett said that contract times were tight but "that is true of from 70% to 80% of the contracts Ovcon handles these days."

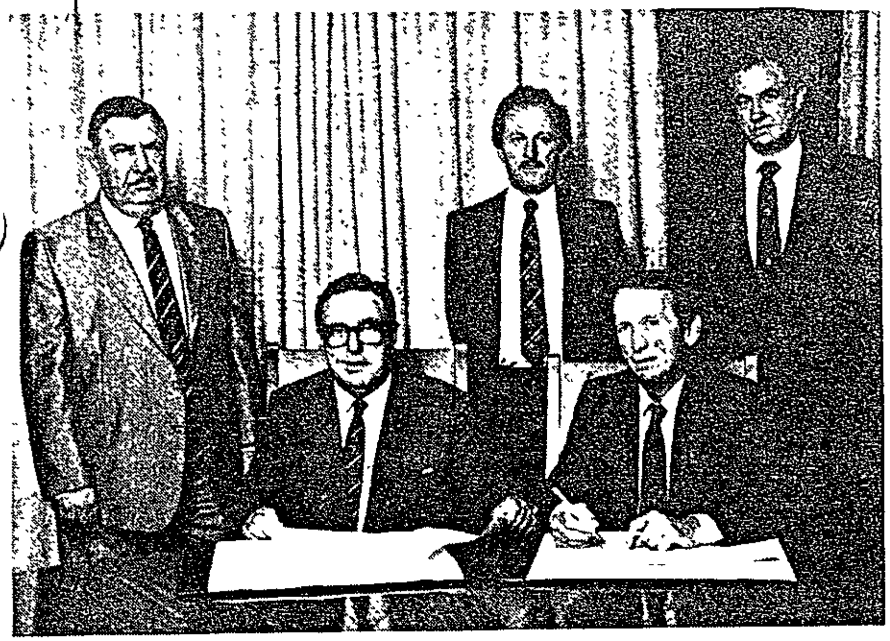
Fast-track work did not present problems provided the professional team knew exactly what they wanted and the flow of information kept ahead of work schedule.

At this stage he saw no undue difficulties in keeping to the challenging programme.

As already announced, the entrance to the new complex will be on Greenmarket Square.

The new facades, on both St George's Mall and Greenmarket Square, have been designed by project architects Louis Karol to complement those of the existing Protea building.

The enlarged complex will provide more than 7 000 square metres of office space and about 700 square metres of ground floor shopping area. There will be staff parking in the basement.



Protea Assurance MD Tony Crank (seated, left) and Ovcon Holdings joint MD Jimmy Thomas sign the R13m contract. Standing, from left, are quantity surveyor Frank Caietta, Johnny Schwartz of Louis Karol architects and Protea financial executive Peter Michley.

Star 20/12/88

Owen Wiggins profit up

By Tom Hood (32)

Record turnover of R13,7 million has been reported for 1988 by West Coast developers Owen Wiggins Trust — up from R10,6 million last year.

Taxed profit rose to R1,5 million from R1,1 million — equal to 29,4c a share.

Chairman Mr Owen Wiggins says that after paying R500 000 in dividends (10c a share), the company transferred R1 million to bring its undistributed profits to R4,9 million.

Group assets and funds amount to R81 million, including participation mortgage bond funds of R27 million.

The two resort developments, Port Owen Marina and Langebaan Country Club, are showing satisfactory income and cash flow, he says.

The basic engineering infrastructure at Port Owen is virtually complete and the full 3,2km of waterways should be open shortly.

The first 17 timeshare cabanas are 93 percent sold and tenders are being called for another 20 units.

Projections show Port Owen should have a permanent population of 1 000vacationing year-round at the resort within four years, says Mr Wiggins.

Another 36 yacht berths have been built, bringing the number to 114.

Many home sites have been sold at Langebaan, while the golf course is being built to championship standards and should be playable by the end of next year, when the first block of timeshare units fronting the course should also be completed.

These developments are being done without borrowed funds.

The company owns all the development land, says Mr Wiggins.

Star 21/12/88

Outlook for 1989

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CONSTRUCTION

The popular Diagonal Street column is being replaced over the next few weeks by a series of articles dealing with the economic outlook for 1989. Contributors are all specialists in their fields. PETER CLOGG, chief executive of Group Five, takes a look at the construction industry.

While the outlook for the construction industry in 1989 is generally favourable, I emphasise again that political events continue to cast a shadow over the future.

Conditions in the building and construction industries are, for the most part, fairly buoyant. Some areas are looking extremely good, while others are lagging below the general level of activity.

Nevertheless, taken nationwide, there is a good deal of work on hand at present, with the prospects of a good carryover into the new year.

It has been particularly encouraging to see the considerable boost that has taken place in road-building and I have no doubt that the construction of toll roads under distinctly fast-track conditions will continue well into the new year.

Most companies have a good deal of work on their books in the field of housing and development and there are strong indications of valuable spin-off contracts from the Mossgas project.

The peformance of my own company might well be a pointer to what can be achieved in construction generally.

We have dramatically improved profitability this year and I expect this substantial upward trend will continue throughout 1989.

What has been even more pleasing so far as Group Five is concerned is the fact that, for the first time since 1980, turnover is outpacing inflation.

This, coupled with healthy order books in most sectors and a return to more sensible trading margins, accounts for our good results in 1988.

While I am sure of continuing better times for the construction industry in the coming year, I hesitate to predict conditions in the longer term.

There is little doubt much will depend on the course of political events.

Indeed, South Africa is at a watershed in its history, with the potential for peace and prosperity if we will only grasp the nettle.

I am certain that an improvement in political sentiment, based on real progress towards a more equitable society, could quickly rebuild confidence in the economy and this, in turn, should provide additional opportunities for the construction and building industries.

Regardless of which way the market goes, I believe the hard work and dedication of construction people at all levels will stand us in good stead in meeting the challenges of the future and turn them into opportunities.

That is the spirit which has built up South Africa's economy to its present strength and, despite our national setbacks, that spirit, I am sure, remains undiminished.

Toll roads: are they highway robbery?

Star 28/12/88

(32)

Special Correspondent **GRAHAM LINSCOTT** takes a look at the background to the construction of a tollgate on the N3 between Johannesburg and Durban.

The high cost of freeways

The money rolls in at a rate of R12 000 an hour at peak holiday periods. These are nice takings. The privately owned toll plaza at Mooi River is on a stretch of road which was once open and public, and was built with public money.

It looks like a licence to print money. Or highway robbery. People are outraged. They refuse to pay and a Transvaal advocate reportedly seeks prosecution so that he can challenge the toll in court.

In fact it is a most complex question and people are entitled to feel aggrieved, though whether their anger is always directed at the right quarters is another matter.

They are paying income tax, as ever. They are paying a sharply increased fuel levy which used to pay for national roads but is now channelled into the general tax pool. And they are paying tolls so that national roads can be built and maintained.

The Government has failed to take the public into its confidence. Road tolls have been introduced almost by stealth and confusion abounds.

The fact is that South Africa has a dilemma. Its industrialised First World component requires roads of a standard which the country as a whole never could afford. An institutionalised lemming rush at holiday seasons introduces unusual safety considerations.

During the era of Dr Nico Diederichs and the gold boom in the early 1970s, national roads were caught up in a frenzy of government spending, and were greatly expanded. When the boom receded, the Government was unable to maintain them properly.

The N3 between Durban and Johannesburg — the country's main economic artery and the main holiday route — deteriorated badly, especially in the Free State

Meanwhile, the economy worsened and it became clear that the roads would worsen with it and upgrading of the N3 would be put off, possibly for decades.

About five years ago a financial institution, three large construction companies (the people who are contracted to actually build roads) and a firm of consulting engineers put together a consortium to discuss with the Government the possibility of rebuilding the N3 on a private-toll basis.

The Government was receptive to the idea, but research overseas indicated that a road financed purely from tolls would break even only with an average traffic density of 10 000 vehicles a day. The average on the N3 is 7 000.

The consortium — Toll Road Concessionaires (Pty) Ltd (Tolcon) — was unable to go ahead unless something was done to reduce the initial outlay and make the project profitable. This meant either a cash grant from the Government (which means the taxpayer) or that a portion of the existing road should be handed to Tolcon.

Tolcon maintains that the second course has several advantages:

- The taxpayer is not required to put up the money.
- The taxpayer/motorist no longer has to pay (via the fuel levy) for the maintenance of the stretch of road in question.
- The road earns revenue which can be used for maintenance.

The agreement eventually reached is for Tolcon to operate the N3 as a toll route from Hilton, just outside Maritzburg, to Alberton.

It involves 94 km of the existing N3 between Hilton and Frere (which includes the controversial Mooi River plaza) being handed to Tolcon; also 39 km between Heidelberg and Alberton. A new highway has been built from Frere to Keeversfontein and a four-lane (eventually eight-lane) highway is to be built right across the Free State.

Tolcon holds the N3 concession for 25 years and will have the option of renewing it on expiry. To do so it will have to pay a sum to be determined according to the road's level of profitability at the end of the period.

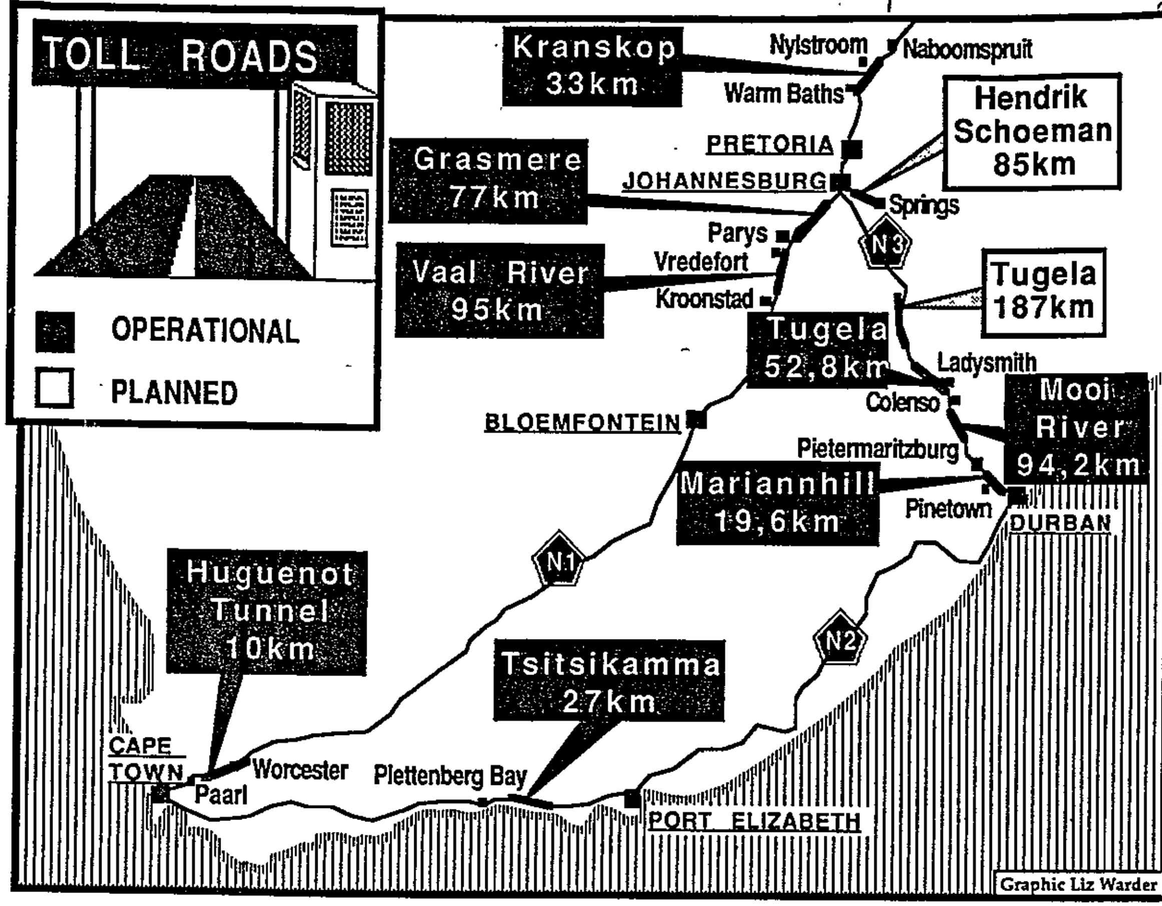
In terms of the concession, Tolcon has to virtually renew every section of the road every eight years. It says it has already spent R63 million upgrading the Hilton-Frere stretch, which had fallen into bad disrepair.

This is about twice what the road originally cost.

The consortium projects that it will spend R800 million (in today's prices) on road building over the next 25 years, and R400 million on maintenance. Interest charges on loan capital will come to R800 million.

The targeted average return on outlay over 25 years is 8 percent, though the projected return so far is only a little more than 7 percent. Tolcon expects to begin declaring modest dividends in about three years, at which stage it will go public and apply for a listing on the Johannesburg Stock Exchange.

It is not expected to be free of debt for another 10 or 12 years



Graphic Liz Warder

Trip could cost extra R30

BY GRAHAM LINSCOTT

Motorists have to pay a toll of R8 to pass through the Mooi River plaza and R6,50 further on at Keeversfontein. There will be more to come as the new road is completed, and a trip from Durban to Johannesburg could eventually mean tolls of something like R30.

These are large sums of money, which add enormously to the cost of travel and are obviously inflationary. Furious motorists compare them with the 50c toll at Mariannhill, just outside Durban, and lower tolls in the US and elsewhere.

SUBSIDISED BY FUEL LEVY

There is no getting away from the fact that these tolls hurt, but again there has been an extraordinary lapse in communication.

Few motorists are aware that the Mariannhill toll road is subsidised by the fuel levy. Tolcon calculates that if it were financed purely from tolls, on the same basis as the N3, the fee for the 16 km of road would have to be R2,75 just to cover interest repayments.

American toll fees cannot be compared because the roads are state-owned and state-subsidised, as at Mariannhill.

Tolcon maintains that its fees work out at 9,86c per kilometre, compared with 15c in Italy, France and Spain, where toll roads are financed on the same basis.

Company at the centre of the storm

By Graham Linscott

Tolcon (Toll Road Concessionaires) is a consortium, the shares being held by Sanlam, Murray & Roberts, Group Five, Grinaker Construction and Keevey Steyn Inc.

The Government is entitled to 25 percent of the shareholding, which it has not taken up.

The company aims to go public within three years.

Tolcon's chairman and chief executive Mr Ron McLennan is a former president of the South African Federation of Civil Engineering Contractors and sits on the Civil Engineering Advisory Board, representing the professional sector of the construction industry Tolcon also has three senior civil servants on its board.

Executive directors are Mr R J M McLennan (chairman and chief executive), Mr N R Douglas (financial director) and Mr O G Duffy (technical director).

Non-executive directors are: Dr R W Burton (secretary to the treasury), Mr P K Clogg, Mr R W W Cunningham, Mr J M Fitzsimons, Mr G R Knudsen, Mr T J Kotzee, Mr P J Lait, Mr E J le Roux, Mr M W McCulloch, Mr R G Meyer (Director-General of Transport), Mr M F Mitchell (Chief Director of National Roads), Mr A N Saulez and Mr C P J van der Merwe.

Schachat warns of buffeting in store for homebuilding industry

Star 16 27/12/88 (32)

The homebuilding industry, after a comparatively good year, could be heading for another buffeting on the back of rising bond rates and declining sales.

Certainly, the setback, which began to settle in during the final quarter of this year, could be aggravated by a further rise in rates. Some sources believe they could hit the 20 percent level.

This bearish view of prospects for homebuilding comes from the scion of the industry, Mr Riley Schachat, in his year-end message as chairman of the National Association of Home Builders (NAHB).

While he is heartened by the 45 percent surge in the value of building plans passed at the end of the third quarter of this year over the same time in 1987, Mr Schachat makes the point that the recovery was from a very low base in mid-1986.

"During the final quarter of 1988 conditions have changed rapidly," he says.

"Orders and sales have declined significantly since amended rules for the first-time home buyer subsidy scheme were introduced.

"In addition, the substantial rise in interest rates, signs of escalating inflation and indications of building cost rises approaching 20 percent a year, have had a steadily eroding effect on the market."

Another adverse effect is the cost of services for township development — a trend which must have a marked impact on future land prices.

Mr Schachat has no doubt that all these factors, along with many other pressures on family incomes, have had material impact on home ownership.

Indeed, information from members of the association's executive committee indicate that the decline in demand stretches across the total spectrum of the market, with particularly severe consequences for the middle-to-lower income groups.

"Because of the low margins on which the industry operates in these sectors, high turnovers are needed to ensure viability and many builders in this market segment are consequently under constant pressure," says Mr Schachat.

Mr Riley Schachat

Referring to talks the industry has had with Ministers Amie Venter and David Curry, the NAHB hopes to see the removal of general perceptions that the industry is over-committed, that profits are high, that stand prices and costs of services can be slashed overnight and that the industry and homeowners can easily adapt to rapidly increasing interest rates.

"Fortunately, the Government, itself a major borrower, appears to be equally concerned about high interest rates," says the chairman.

"However, in many quarters i is still forecast that rates migh go as high as 20 percent."

On the plus side, Mr Schach sees improvement in the longe term as a result of the follow ing:

- A significant body of opini that the economy will move fairly rapidly through the curr adjustment phase and that will show greater relativ strength than is generally accepted in the months ahead.
- Prospects of peace in th south-western region of Africa.
- Gold shows promise of form ing a base around current level.
- Exploitation of natural re sources will play an increasingly important and positive role i the economy.
- There are welcome signs of in creased fixed investment i productive capacity.
- Demand pressures in the hou ing field will escalate because o natural population growth, ur banisation and improved immi gration figures.
- Increased exports and accelerated import replacement.

Home

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Link-up for housing

By Norman Chandler

A large building company has linked up with black builders to construct houses.

Time Housing, a member of listed management and financial services group Time Holdings, and black entrepreneurs have established Tri-Time Housing.

The new company is working on its first development — 50 homes at Eastbank, Alexandra — and plans to extend its operations.

Mr Mike Graham, managing director of Time Housing, said that "the route we have taken is a logical one for the building industry. It will significantly contribute to the future prosperity of the country and all its people".

"The provision of housing is a prerequisite for stability."

Mr Graham says co-operative ventures are essential to effectively address the huge housing backlog.

"Not only will we have the opportunity of working with black builders and experience their problems at first hand but we shall also be laying the foundation for a mutually rewarding association in the future," he said.

The Time group will provide administrative, financial and management expertise. Tri-Time will be responsible for sales and construction.

Bridge-builders urged to revise 'inadequate' construction methods

Star. 29/12/88

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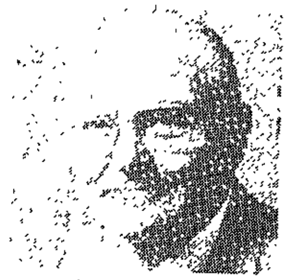
By Frank Jeans

Bridge-builders need to look afresh at construction procedures because methods used in safety evaluations for the lifetime of a bridge — usually assumed to be 100 years — have been patently inadequate.

This summing-up of bridge-building technology comes in the wake of Christmas flood damage and loss of life in a bridge collapse in Natal and still vivid memories of the disastrous deluge in the province last year.

Writing in the latest issue of the *The Civil Engineer*, voice of the South African Institution of Civil Engineers (SAICE), one of the country's leading civils men and a member of the Scientific Advisory Council, Dr Charles Liebenberg, says: "The damaging effects of recent floods on South African bridges has indicated a need for the reassessment of design and construction procedures.

"The process of understanding some very important principles of engineering has been slow in developing.



Dr Liebenberg

"In spite of the accomplishment of major structural engineering feats in the past, the concepts of safety and risk have not, until recently, been very well understood."

Dr Liebenberg emphasises that what South Africa is experiencing is not unique and that it is typical of developments elsewhere.

"The development of technology has often been spurred on by catastrophic events," he says.

In the same issue, Dr Danie Wium, a Massachusetts Institute of Technology researcher, who is currently working on risk engineering with a Johannesburg-based firm of consultants, says: "No engineering project can be designed to accommodate every possible (however unlikely) condition that can be imposed on it."

And in a foreword, Mr Cliff McMillan, president of the SAICE, defends the profession against "suggestions that our technology is not up to standard or that we are prone to under-estimating risks".

"Our engineers," he says, "are educated and qualified along with the best in the world to handle the challenges such as risk evaluation and to exercise the necessary judgments, but it is important to review and update our methodologies and attitudes."

He makes the point, too, that it costs more to reduce risk by designing for a more extreme event.

Acknowledging the fact that the "public does not tolerate failure in our work", Mr McMillan believes it is totally unrealistic not to expect some failure during extreme natural events.

"We should be concerned not only about whether a structure has a certain probability of surviving for 100 years, but also about how severe the consequences of failure would be."

Sowetan 30/12/88

TEACHER RIP-OFF CLAIM

'Builders not doing their job'

(32)

By PHANGISILE MTSHALI

TEACHERS have become a target for "money mongering and incompetent builders" because of their easy-to-get housing loans, said the chairman of the Transvaal United African Teachers Association (Soweto branch) Mrs Emily Ngwenya.

She was speaking on behalf of 20 teachers, all of them single women who had submitted their written complaints of different incompetent workmanship on their newly built or extended houses.

"The teachers have become a gold pot for builders who do not build thorough houses," said Mrs Ngwenya.

Single

"It is also significant that most of the ripped-off teachers are single women. The builders and the building societies are benefiting from our ignorance about proper procedures when buying a home."

The complaints handed to the Tuata Soweto branch committee ranged from cracking walls, leaking roofs, loose windows, unpainted walls, unlevel floors to falling ceilings.

"Some of them wait for nearly two years after the plans and everything have been passed and then they are told by builders that there is a ready-made house waiting for them in areas they have never heard of," said Mrs Ngwenya.

Among the complainants was Mrs Thandiwe Motaung of Mofolo North, who has been living in a 95 percent complete house for a year.

Mr Motaung has taken her case to the South Africa Permanent Building Society, her bond loaner and to the lawyers against a Soweto builder who "did sloppy workmanship with mostly used material".

A spokesman for the building society, Mr Henry Ferreira, said they were aware of incomplete houses for their clients. He said the dispute usually arose between a builder and a client when extra fittings and alterations not covered by the loan amount were made.

"Our responsibility is to advance cash to the builder and we can settle disputes to a limited extent," he said.

"We can only pay the full amount if the house has been evaluated 100 percent complete. In Mrs Motaung's case we did not pay the full amount to the builder as the house is 95 percent complete.

"Our clients must understand they are responsible for any extra fittings they demand from builders and they have to pay for them out of their pockets directly to the builder."

3 released

Sowetan 30/12/88

LAGOS — Nigeria's military government yesterday ordered the immediate release of three leading trade unionists who have been detained without charge since July, state radio said.

MR Peter Tjakala, a Sebokeng Hospital telephonist who has been disabled since the age of 10, has become the recipient of a R5 500 motorised wheelchair from a top Vaal corporation, Emsa. The presentation by the company's Mr Owen Damoyi (left), was done at a glittering ceremony at the hospital this week. In the picture (from left) are Mr Damoyi, Mr Tom Gwebu, senior personnel officer at Emsa; Mr Mordecal Kocha, Emsa; Mr Nicholas Melato, chairman of the staff club at Sebokeng Hospital; and Mr Ike Bikitsha the organiser of the dinner. Mr Tjakala is on the wheelchair.

Keeping an eye on the Hillbrow party

NEW YEAR'S revellers in Hillbrow, Johannesburg, will be joined by security personnel who will keep the peace during the celebrations.

Johannesburg's traffic and security department will close streets surrounding the Highpoint block from 4pm on Saturday and motorists are asked to move their cars from the area from that time.

The senior deputy Director of Traffic in Johannesburg, Mr Theo Olivier, says that motorists should remove their vehicles from the area to ensure they will be safe. — Sapa.

Bush slams 'cowards'

BEEVILLE, Texas — President-elect Bush vowed yesterday to firmly punish those responsible for the "cowardly" bombing of a Pan American airliner over Scotland.

When asked his response to the conclusion that a bomb caused the December 21 crash, Bush pledged to "seek hard and punish firmly, decisively, those who did this if you can ever find them." — Sapa-Reuter.

Appeal set for jailed ANC spies

SC Sowetan 30/12/88

By MONK NKOMO

THE Appeal by two former security policemen who were last year jailed for spying for the banned African National Congress, will be heard in the Pretoria Supreme Court on March 17 next year, their lawyer said yesterday.

Matshwenyego Daniel Mokgabudi (31) of Atteridgeville and Tshifango Shadrack Rabuli (35) of Soshanguve, were each sentenced to 36 years and 34 years imprisonment respectively in the Pretoria Regional Court on December 3 last year.

Their attorney, Mr Sakkie Maboa, yesterday said they had appealed against both convictions and sentences imposed on their clients, who were represented by Advocate Dikgang Moseneke during the trial.

The magistrate, Mr A I Snyman, ruled that the sentences of both men should run concurrently and that they each serve an effective 14 years.

Mokgabudi and Rabuli were attached to the security branch in Pretoria at the time of their arrest early in 1986. They were convicted for spying for the ANC between 1980 and July 12, 1986.

Both, in their official duties for the South African Police, had access to the information concerning actions of the ANC in South Africa and of how to combat these actions.

CONSTRUCTION – GENERAL

1989

Jan. – MAY.

(32)

Encouraging outlook for building industry

The building industry enters the year with considerable confidence despite predictions of still tighter economic conditions to come.

While inflation must, to some extent, account for increasing values of building plans passed, the latest figures from the Central Statistical Service certainly indicate an encouraging trend for the industry.

For the 10 months to October last year, the value of "go-aheads" rose by more than 39 percent over the same period in 1987.

Flats and townhouse building jumped by 62,2 percent, dwelling houses increased by ny 43,8 percent.

Non residential work went up by nearly 50 percent, while the additions and alterations market remains healthy at a plus 23,8 percent.

The Cape Town area headed the league with a total gain of 48 percent, followed by the Witwatersrand (45,8 percent), Durban (34,4 percent) and Pretoria (29,2 percent).

Builders in the Johannesburg area, too, have returned from the holiday break to a comparatively healthy order book.

According to the Planning Department of the City Council, the value of work begun last November — December is rated as the holiday month — was nearly R62 million compared with R24,4 million for the same time in 1987.

Housing starts too, in the Johannesburg area also rose.

(32) FMML 20/1/89

NEIL FRASER

Rising to the occasion

There are two faces to Neil Fraser, the man who succeeds Lou Davis as head of the Building Industries Federation of SA.

One image is of a talented businessman who, by his early forties, had risen to become a divisional director of Murray & Roberts (M&R) construction and chairman of companies. The other is of a man who loves to listen to classical music and cook at weekends for relaxation.

He will need a combination of these; the ability to be hard-nosed and the sensitivity to walk on eggshells if he is to find the right recipe for his two-year tenure as executive director of Bifsa.

Fraser, on a 24-month secondment to Bifsa from M&R, has the daunting task of remodelling a deeply divided organisation into an outwardly unified body whose components retain high levels of autonomy.

Mild-mannered, affable and confident, Fraser, who turns 50 this year, contrasts starkly with his sometimes abrasive and wilful predecessor Lou Davis.

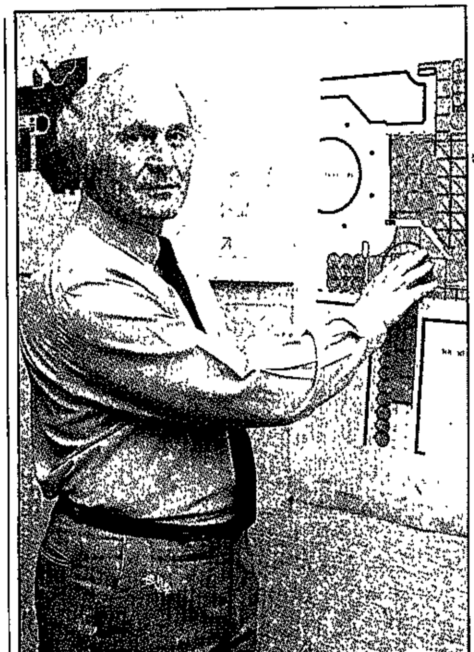
Ironically, the challenge facing Fraser is at least partly of his own making. It was the Bifsa presidential board, during his presidency in 1987-1988, which decided the federation was in urgent need of a revamp.

Fraser sees his main challenges as reappraising the building industry in order to obtain guidelines for a restructuring; maintaining and perhaps improving the working relationship between Bifsa members and industry colleagues such as architects, quantity surveyors, engineers, the SA Housing Trust and property owners; and reversing the dramatic fall in productivity and quality levels. However, his most daunting task is possibly to reach an accommodation with black builders.

Of his ability to achieve these goals M&R colleague Geoff Knudsen has no doubt. "Fraser packs all the right attributes for the job. M&R agreed to his release in the interests of the industry."

Fraser matriculated from Sacs in 1956 and gained a University of Cape Town diploma with a distinction in quantity surveying in 1962. After a year in the profession, he spent two years with Murray & Stewart (M&S) before joining the Geneva Construction group in 1964 and becoming MD in 1969.

In 1973 Geneva was taken over by M&S and Fraser rejoined his old firm, initially as marketing manager. He earned a board seat a year later, becoming MD and finally chairman in the early Eighties. With the rationalisation of M&S and Roberts Construction he became a divisional director of the M&R group, and, in 1984, moved to Johannesburg to assume responsibility for M&R's Transvaal, Natal and Swaziland building activities.



Neil Fraser ... striving for unity

Fraser says of the task in front of him: "Coming in as a new boy, good marketing will be essential because marketing Bifsa and its tremendous skills has for many reasons been underplayed in the past."

Bifsa, he believes, must gain acceptance for the new forms of training which will supplement old apprenticeships — it is a modern system which deals with today's problems.

However, he sees the issue of reconciling Bifsa and the massive informal sector (black builders) as one of his most exciting challenges.

Of Bifsa's nearly 5 000 members, few are black builders. The Soweto Black Builders' Association has a large membership though Bifsa represents many more builders in numerical terms.

"Everyone in SA must realise that there is a strongly emerging informal sector, demonstrated by the amazing developments in black housing. Bifsa must take a responsible attitude in using its skills to help develop the potential of this sector. If we market ourselves properly, when the black builders formalise they will come back into Bifsa."

Fraser is probably the first to recognise that the suspicion is not confined to blacks wary of being exploited by the "white fat-cat builders." Many of Bifsa's own rank and file feel equally threatened by the prospect of being overrun by black firms.

It's an issue which will call on every ounce of Fraser's business, diplomatic and even political savvy. ■

BUSINESSMAN OF THE WEEK

New man heads building giant

W/t Argus 21/1/89

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By FRANK JEANS
Business Staff

THE MAN who can keep his head at the negotiating table while others around him are losing theirs listening to some Irish blarney, can only be good for a business.

For all the boardroom strategies in which he has been involved as an Anglo man, Hilton Davies will tell you that one of his most enriching people experience was at Shannon on the Emerald Isle in the early Sixties where he set up shop for the mining giant under the banner of Shannon Diamond and Carbide.

Certainly, there has been plenty to draw upon from the Shannon shenanigans as Mr Davies, chairman of Boart International in the Anglo American Industrial Corportation fold, dons his other hat as head of construction group LTA in succession to Dr Zach de Beer, now leader of the Progressive Federal Party.

Hilton Davies . . . Irish blarney.

"They were rewarding years in Ireland," says Mr Davies. "One learns to have a greater feeling for people.

"When you are confronted by militant trade unionism you find you have to make friends with the local general secretary of the Transport and General Workers Union."

The important fact to emerge from the learning curve in such situations is that while skirmishes on the work floor are often unavoidable, open warfare is certain if there is standoffishness at management level.

Hilton Davies sees this as a vital lesson for the South African labour scene of today and believes major undertakings accept the norm that it is in their interests to work with trade unions, rather than against them.

On the other hand, his Irish period told him that there is often confusion about ownership and management and that unionists must realise that management — "they're on the payroll, too" — must manage.

Hilton Davies is an Anglo "old boy", having joined De Beers on a B Comm scholarship back in 1952 and rising to become chairman of Boart, the group's drilling operation, 14 years later.

He goes into the new year undaunted about the formidable task of directing the fortunes of two major groups. While he has been on the LTA board for some years, he readily admits that as a drilling man, he now needs to learn more about the "nitty gritty of construction".

Conflict of interest is remoate under HD's control, although LTA associate GEL Mining might well be the centre of some rationalisation, as he belives underground work should be left to the Boart men.

Generally, both groups are looking ahead with confidence.

Boart International has been enjoying the good years from gold exploration activity. With an ease-off in that area unlikely, the company's prospectrs remain bright.

LTA's future is not quite as rosy, but with some "calamitous events" such as the Soweto electrification heartbreak well behind it, the construction giant is eagerly on the trail of the multi-million contracts now on the way from toll roads to synfuels and Mossref to Mossgas.

The building division, too, is out of the worst times and into the better times and has a strong order book to see it well into this year and next, so that all in all, there are great expectations of a reasonably comfortable year for the group.

"The business outlook is a lot more vibrant than people think and I have little doubt that government measures have nipped the overheated situation in the bud," he says.

Rationalisation provides big boost for Everite

Star 27/1/89

(32)

By Ann Crotty

A reasonably strong increase in volume combined with the benefits of the previous year's rationalisation programme enabled Everite to lift net income before extraordinary items by 111 percent to R13,1 million (R6,2 million) in the six months to end-December.

Group turnover was up 11,3 percent to R180,8 million (R162,5 million) but if the impact of last year's deconsolidation of the PVC pipe business is accounted for, then the comparable increase is 26,5 percent.

Last year Everite hived off its PVC pipe business to merge it with the same business in AECI. A new jointly held company, DPI, was formed and this has helped to more than double the group's income from associates from R1 million to R2,1 million.

Everite's operating income, before interest and depreciation, rose 40 percent to R36,1 million (R25,9 million). At this level, margins show an excellent improvement from 15,9 percent to 20 percent.

After allowing for depreciation and interest, operating profit was R23,9 million (R14,6 million) which reflects an even stronger 64 percent improvement.

Earnings per share were up 80 percent to 19,5c (10,8c) on the basis of historical cost depreciation. After allowing for replacement cost depreciation earnings per share are 14,8c (7c).

The interim dividend was increased 67 percent to 7,5c (4,5c) this is in line with the group's long-term average cover of two times.

Despite the improvement in performance, the directors note that the annualised return on investment for the period based on replacement cost depreciation charges rose from 11,7 percent to 18,8 percent "but is still short of the return which is regarded as necessary to maintain fully the capital of the business and to provide sufficient surplus funds for expansion."

Looking to the second half, the directors believe that conditions will remain favourable and full year results are expected to be "encouragingly higher than those for the previous year."

At Everite Holdings, which has 56 percent of Everite, earnings after replacement cost depreciation were up 109 percent to 43,4c (20,8c) a share. The dividend was increased 63 percent to 22c (13,5c) a share.

Everite interim income in huge 111% increase

BDay 27/1/89

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EVERITE, which operates primarily in the building industry, has turned in a spectacular performance for the six months to December with net income before extraordinary items jumping 111% to R13,1m (R6,2m).

The group's results were boosted by a buoyant building market as well as the impact of the rationalisation and restructuring programme which was undertaken during the past 18 months.

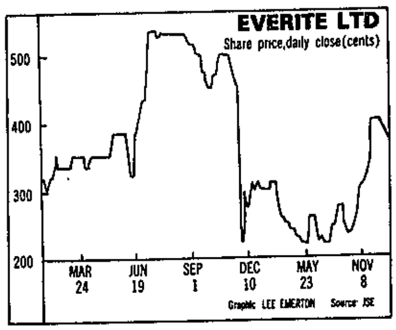
Dividends

The rise in net income matches the rise in Everite's earnings a share after deducting replacement cost depreciation, which rose to 14,8c (7,0c). The group also expresses earnings a share after deducting historical cost depreciation and this increased by 80,6% to 19,5c (10,8c).

The interim dividend was raised by 67% to 7,5c (4,5c). While this may be disappointing considering the stronger bottom-line performance, cover has been restored to the group's long-term average of two times earnings. This seems to suggest that the final dividend payout increase will be more in line with the rise in second-half profits.

STEPHEN RICHTER

Group turnover increased by 11,3% in nominal terms and by 26,5% in real terms if the impact of the PVC pipe business deconsolidation is eliminated. On January 1, 1988, the net assets and business of the PVC convertor portion



of Everite's Paxit Pepekor operation were merged with AECI's Durapenta to form DPI Plastics. Since Paxit Pipekor is now beneficial owner of half of DPI Plastics' share capital, this investment is now accounted for as an associated company.

Therefore, the turnover from this operation is included in group results for the six months ended December 1987, but not in the latest interim results. This explains why a comparison of these two turnover figures is not really a true reflection of Everite's fortunes and the bottom line gives a truer reflection of the company's performance.

Operating income rose by 64% to R24,0 (R14,6m), while pre-tax income was 62% higher at R24,6m (R15,2m). But Everite's tax rate declined to 55,6% from 65,9%, which explains why taxed income advanced by 111% to R10,9m (R5,2m).

Favourable

The balance sheet also is a picture of health as Everite's cash and deposits have swelled to R8,1m (R740 000) at the interim stage.

Long-term liabilities have dropped to R7,5m (R12,9m), while short-term interest-bearing debt has also declined to R4,3m (R4,7m).

The directors say business conditions remain favourable and results for the year to June 1989 are expected to be encouragingly higher than those for the previous year.

DIAGONAL STREET ...

Zulberg wizardry in Ozz build-up

S/Times 29/1/89 (32)

THE market capitalisation of Ozz at the current 50c a share is R18-million, but the value of its properties alone is approaching that figure.

Chairman Garry Zulberg says the golden rule in property is not to overgear. "Anything higher than 50% is asking for trouble," he says. Needless to add, Ozz has trifling gearing.

Coming from a property-dealing background — he and his father own Zulberg's estate agency in Johannesburg — he buys and sells stands, houses and factories with perfect timing.

REVERSED

Not that Ozz is solely a property company. It more or less started as one when it was reversed into the Hugh Parker listing four years ago. The net asset value then was about R2,4-million.

"We were small, but qualified for the main board," says Mr Zulberg.

Shortly afterwards, Ozz and the Krok brothers took control of Lucem, which "was in a bit of trouble". The troublesome operations were sold, overheads were trimmed and Lucem is now a profitable company. Ozz holds about 20%.

Lucem is still a mixture of businesses, but Mr Zulberg says there is no point in selling a profitable business merely for the sake of it, or because it does not "fit in".

YIELD

About R20-million has been invested in Lucem's operating companies, among them the Eclipse foundries and West Rand Engineering. Lucem also runs the Transvaal's second-largest brickmaker, which helps Ozz Construction when bricks are in short supply.

"One reporter accused us of dabbling in bricks," he says, "but we produce more than 10-million of them a month."

Lucem also owns the Cape Gas Works, which contributes more to the bottom line when petroleum prices rise. Lucem paid 4c in dividends last year, giving an historic yield of 9% at the current 45c a share.

The price-earnings ratio is less than four, and Mr Zulberg says earnings could be dampened this year by a higher tax rate. Assessed losses have been fully used, but this year's dividend will not be lower than last year's.

PUMP

Ozz's other listed investment is 25% of bedroom-suite manufacturer Victoria Lewis. Viclewis was floated on the JSE in 1987. It has moved to its own 15 000 square-metre factory in Nancefield, Soweto. The plant is fully automated and has improved productivity.

Mr Zulberg says Viclewis will probably make a rights offer to refinance the company because borrowings have risen with expansion. Ozz will follow its rights, as will major shareholders. Viclewis has rallied by 5c to 25c since December.

Ozz wholly owns a pump manufacturer and foundry, and various property investments as well as Ozz Construction.

This company is not primarily involved in tendering for contracts which boost turnover but hardly make a profit. It negotiates deals, and puts up small factories, houses and flats.

Some of the units are presold, others are carried by Ozz until there is a marketing opportunity. There is no shortage of investors, says Mr Zulberg.

OFFICES

Ozz is best known for the Bruma Lake development in Johannesburg's eastern suburbs. The area's potential was seen when Ozz Construction was building townhouses in Bruma. The area lent itself to the development of a lake, shops and offices, but two stumbling blocks were a bank of townhouses and the Game store which are in the lake's area.

Mr Zulberg bought the townhouses only to knock them down, and the lake's shores were modified to reprieve Game.

Ozz bought the site, and sold some of it to Anglo American Properties, which proposed to build offices on condition that Ozz went ahead with the lake. Both conditions have been met, and Amaprop's offices have been fully let.

Ozz is building Fisherman's Village, which will comprise shops, restaurants and cafes with a continental theme. Mr Zulberg says he has five prospective tenants for every shop. The rental income could reach R2,5-million a year.

He estimates the scheme's value at R30-million when it is completed by November this year. Ozz's stake is 40%. The initial investment is in the Ozz books at R1,3-million.

Of the 36,8-million Ozz shares in issue, directors, associates and "friendly institutions" own perhaps 30-million, leaving 15% or so for trade in the hands of individuals. Mr Zulberg does not believe in supporting the share price, maintaining that it will find its own level.

The emphasis is on building up the asset base. He wonders how companies can pay half their profits to the tax man, another quarter to shareholders and still build up reserves.

So the dividend is covered three times, and the current yield is 5,2%. I believe Ozz shares have more upside potential than down because of the benefits which will accrue from today's investments.

R51-m contract for LTA Natal

The Natal division of construction giant, LTA, has signed a R51 million contract with the Transkei Governemnt for the construction of a 22-storey development for Government offices in Umtata.

Work on the project will begin soon and is due to be completed in May 1991. Star 3/1/89

Stauch Vorster and Partners are architects for the project and LSC Brunette and Partners, the consulting structural engineers. (32)

The 70 m tall building — a reinforced concrete framed structure — will have a dramatic visual impact on the landscape of Umtata.

Features will be a heliport at roof level and a with a central core of seven lifts.

Cost of new construction 'must be cut'

B/Day 31/1/89

(32)

GERALD REILLY

PRETORIA — The government sector would have to cut its building costs markedly, president of the council of governors of the Development Bank of southern Africa Owen Horwood said here yesterday.

Opening the Pretoria University department of architecture's academic year, he said orders from this sector would have to be more modest than those of recent decades.

Innovative

In the private sector, too, the building pattern would have to be less ambitious and to a greater extent more cost conscious. The emphasis would fall more on the lower-income sector.

The cost-conscious approach would also be apparent in the higher-income segment. The impact was already noticeable with innovative new approaches to housing as well as other types of buildings.

Horwood stressed the importance of using local resources, materials and skilled and unskilled workers in the provision of low-cost housing for lower-income groups.

Builders to meet

32

By NKOPANE MAKOBANE

THE involvement or non-involvement of the Alexandra building contractors in the development of the township is to come under focus at an annual general meeting on Saturday.

The Alexandra Building Contractors and Allied Trades Association has appealed to all their affiliates to attend the meeting to be held at No 163, 9th Avenue at 2pm. Sowetan 1/2/89

Left out

Mr Buhle Xaba, the association's secretary, said the meeting was important in that many builders felt they were being left out in the development and not getting a fair deal.

"We shall also be discussing the acquisition of sites in the far East Bank for our members. The election of the new executive office bearers will also be held," he said.

Building plans at R7,15bn

B/Day 6/2/89 GERALD REILLY (32)

PRETORIA — The value of building plans passed in the January/November period last year increased by 38,1% to a record R7,15bn, Central Statistical Service (CSS) figures showed.

However, Bifsa said there was nervousness in the industry about work volumes later this year.

CSS said the value of plans for houses in the 11 months increased by 40,3% to R3,06bn, flats and town houses by 60,4% to R587,1m. Non-residential building plans increased by 48,8% to a total of R1,49bn. Additions and alterations increased by 23,6% to R1,88bn.

During the 11 months, the value of buildings completed amounted to R3,78bn — a 19,3% increase.

Acquisitions lift Goldstein's debt

32

Star 6/2/89

Bottom Line

MICHAEL MENOF

Changes in SM Goldstein's structure should bring benefits, says chairman Mr Goldstein in the annual report.

These include acquiring quoted K&L Timbers, listing Gough Cooper's home-building operations and a joint controlling stake in Group Five and its controlling pyramid.

But what are the benefits if all Group Five has done is to push up debt to R40,5 million (1987: R14,4 million)? Its borrowings are now 135,4 percent (1987: 51,2 percent) of shareholders' funds.

The income statement is struggling to meet interest expense, but Mr Goldstein feels that dividends receivable from the investment compensate.

If Group Five ever made losses, these would cause a problem. Furthermore, the market value of the Group Five investment was R3,9 million below cost at end-June 1988 and R3,7 million below at present, with no write-down provided.

With turnover up 51 percent, com pared with 1987, but profit down 36 percent, something is clearly wrong at SM Goldstein.

The construction operation is the culprit, making losses. But recovery is under way and the contract reporting system is being revised "to reduce the risk of being faced in the future with such unpleasant surprises", says Mr Goldstein.

Mr Goldstein acknowledges the group's financial structure needs to be placed on a sounder footing.

Careful asset management to unlock cash is his plan to reduce gearing to a still high 1.10 at end-June 1989.

Turnover of R457,2 million (1987: R301,7 million) produced an operating profit of a mere R1,35 million (1987: R6,74 million). With interest doubling to R4,4 million (1987: R2,28 million), the pre-tax loss was R2,9 million (1987: profit R4,45 million).

Helped by a deferred tax credit book entry of R2,15 million (1987: charge of R1,11 million), profit share from associated company (Group Five?) of R3,6 million (1987: loss R633 000), less minority shareholders' profit in subsidiary of R769 000 and extraordinary write-offs (mainly goodwill), the bottom line was R1,72 million (1987: R2,7 million).

Earnings were 20,5c (1987: 27c) and the dividend passed (1987: 10c).

The income statement and notes raise two questions: where did the computed tax losses of R33,3 million (1987: R16,84 million) originate? which directors received the R360 000 restraint of trade payments?

Since construction equipment is revalued annually at 50 percent of estimated replacement cost and was R13,66 million (1987: R10,62 million) at end-June 1988, representing almost half the total fixed assets, it is difficult to determine how much was written off and what the original cost was.

The civil engineering and building losses of R2,29 million (1987: profit R2,55 million) hurt the numbers. Losses on several contracts, disruptive industrial action, work in Natal and OFS upset by floods and some major works cancelled at the last minute are the reasons given.

The Coldcast Construction System has secured 90 percent of its turnover for 1989 with two major contracts. Goldstein Housing had a hectic first half-year with three major contracts peaking together.

Already, half its sales for 1989 have been secured. Goldstein Cooper Holdings increased turnover to R88 million, with profit exceeding budget. Aqua Gold Division now manages the operation and maintenance of 20 privatised water and sewerage treatment plants.

While good reasons are furnished for the poor trading results, the balance sheet reflects declining liquidity.

Shareholders' funds hardly moved at R29,88 million (1987: R28,15 million) at end-June 1988. Debt has increased almost 200 percent, with R41,5 million book value of assets given as security to the lenders.

Working capital has declined to R12,1 million (1987: R14,7 million) where land and completed houses held for resale have risen to R26,9 million (1987: R19,8 million).

The outlook for 1989 features improved margins on construction operations, but rising interest rates that will dampen homebuilding operations, says Mr Goldstein, who predicts better results.

With SM Goldstein Investments (Pty) owning 54 percent of the shares, I ask: is the group is being run as a public company or a private one?

The acquisition of Group Five was over-ambitious and has caused astronimical debt. Unless it makes substantial profits and its market price increases, it will be a drain on the group.

K&L Timbers could turn out the saviour, but why does Mr Goldstein need three listed companies when a single one with well-defined divisions could have saved him considerable time and headaches. Perhaps he needs the easy marketability of his shares and public funds as additional capital.

A year ago I predicted a rosy future. Regretfully, the annual report has failed to deliver. When management expresses an unpleasant surprise at certain results, I wonder how smart it is.

Civemech buys Murcoms in M&R restructuring

B/Day 7/2/84.

BRENT MELVILLE

CIVEMECH Design and Engineering has recently acquired the Murray and Roberts-owned construction management firm Murcoms, it announced yesterday.

The acquisition by Civemech, itself majority owned by M & R Engineering, reflects the intention of the M & R group to restructure, eliminating inconsistencies within the group.

"It is a group redefining manoeuvre intended to reduce internal competition," said Civemech MD Mike Cullen.

The acquisition of Murcoms, to be renamed Civemech Project Management Services (CPMS), should double Civemech's R100m annual design activity.

It will also facilitate the establishment of a professional project management service. "While enabling Civemech to act as a two-pronged force, CPMS will act as an autonomous sister company responsible for its own management," said Cullen.

Industry leader slams price hikes

32

'Profiteering is threatening building trade'

BDay 9/2/89

TANIA LEVY

MANUFACTURERS who had introduced unnecessary and exorbitant price increases had endangered the future growth of the building industry, Masterbuilders Association (MBA) outgoing president Robert Giuricich said at the association's annual meeting in Johannesburg yesterday.

Recent petrol price increases would add fuel to the fire, but hopefully cost increases for 1989 should not exceed 16% for the year, he said.

● GIURICICH

Stabilising economic and political factors in recent weeks had signalled, at worst, a levelling off period for the industry and a modest upturn towards the middle of 1989.

However, Giuricich warned that the industry would be unable to survive any form of recession. It had been unable substantially to increase its meagre profits, build up reserves or replace plant and vehicles during the mini-boom last year.

Over the past year workloads had improved, in spite of hurdles like rising interest rates, a potential chronic shortage of artisans and inflated building material price increases.

Giuricich said that manufacturers in the protected and quasi-monopolistic fields were guilty of taking advantage of the improvement in the building industry to push up prices.

"We don't deny manufacturers a decent profit but their exorbitant price increases are inevitably blamed on the builder or sub-contractor, but why must we contend with increases in basic commodities such as clay bricks, whose price has escalated between 40% and 60% in the past 18 months?" he asked.

Certain plumbing products had escalated by between 50% and 100%.

Rather than putting the cost of their products onto the shoulders of the building industry, the cement industry cartel should take advantage of the devalued rand to export, in order to maintain their plants and justify investments, said Giuricich.

Trading in the cement industry had recently been sanctioned by the Competition Board but it seemed unable to use its muscle to disband monopolies or cartels, he added.

Protected industries and quasi-monopolistic sectors had grown by leaps and bounds due solely to a lack of competition, while the rest of the building industry ambled along at nil or low profits.

The Competition Board should counter this by creating more competition among local manufacturers though lower import duties on products subject to monopolistic conditions, Giuricich said.

Civil engineering buoyant

By Frank Jeans

Civil engineering has started the year on a sound footing and in the knowledge that its workload tally for last year, totalling R3,6 billion, represented a 25 percent rise on the 1987 figure.

Allowing for inflation in construction costs of 15 percent, the actual rise in values last year, compared with 1987, was 10 percent — a satisfactory turnaround after five years of decline.

Mr Kees Lagaay, executive director of the South African Federation of Civil Engineering Contractors (Safcec), says: "Other encouraging figures relate to labour.

"While average employment last year was five percent higher than in 1987, the total labour force at the end of last year at 95 000 was 12 percent up on employment 12 months earlier."

Many contracts have a construction period of one or two years and much of the work arising from last year's orders will be carried out this year.

Contractors' books at present are reasonably well filled and looking much better than at any time in the past few years.

"The industry expects to be operating at a satisfactory level for most of this year," says Mr Lagaay.

"In addition, much of this new work has been secured at better prices then in the fierce competition of previous years."

There is some concern, however, over funds for public works to be made available in Finance Minister Barend Du Plessis's forthcoming Budget.

Highrise profits for Group Five

B/Day 17/2/89 (32)

BRUCE ANDERSON

A SUBSTANTIAL improvement in the construction market pushed up Group Five's pre-tax profit by a staggering 222% for the six months to the end of December.

The civil engineering and construction group's pre-tax growth on the six months to June was 31%.

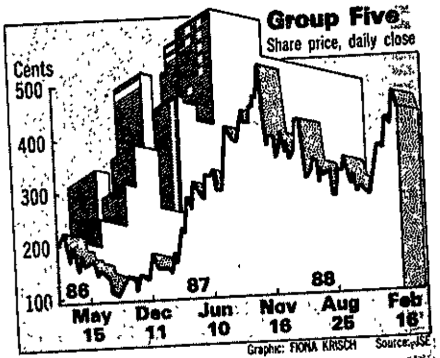
Taxed profit increased from R5,5m to R9,2m and earnings climbed by 67% to 55c a share (33c).

An interim dividend of 22c (up 10% from 20c) has been declared.

CE Peter Clogg attributed the large rise in profits to a substantial improvement in the construction, and especially the civil engineering, market.

"There was just a lot more work around," said Clogg.

However, Clogg did point out that a factor in the high percentage profit growth was that Group Five had still been recovering from a slump during the comparable six-month period in 1987.



Clogg said that on top of a buoyant building market, the road construction market had received a boost of about 40% as a result of tollroad contracts.

● To Page 2

Highrise pre-tax profit for Group Five

(32)

● From Page 1

He added he was pleased with the results, which had been in line with what the group was expecting. All of Group Five's divisions forecast improvements on their budgets for the financial year.

"We think that the results in the second half will be similar," he said.

"If you take the construction sector then we must rate as one of the highest, if not the highest, performers at the moment," Clogg added.

Group Five is a construction and civil engineering company with six divisions: building, developments, projects, roads and earthworks, civil engineering and homes. The group was the subject of a management buyout in August 1987.

In the period under review, turnover increased from R251m to R361m.

Group Five's share price has risen steadily from 375c to 470c over the past three weeks. Yesterday the share came off its peak of 470c and shed 30c to 440c ahead of results.

Clogg said dividend cover for Group Five Limited was about 2,5 but it might go to 3 when the group started paying more tax. B/Day 17/2/89

Directors say that the tax rate should remain at approximately 25% for the second half of the financial year.

Group Five Holdings achieved earnings of 54c a share, from which an interim dividend of 21c will be paid.

Group Five profits soar

Star 17/2/89

By Sven Lünsche

32

Underlining the excellent trading conditions in the civil engineering and construction industry, Group Five today reported a substantial 67 percent improvement in earnings per share to 55c (33c) for the six months to the end of 1988.

On the pre-tax level the increase was even more staggering. Pre-tax profits rose by 222 percent to R12,3 million on the same period in 1987, but were only 31 percent up on the first six months of the financial year.

A reversal in the tax charge to R3,05 million also reduced the yearly rise on the taxed level, where profits rose from R5,5 million to R9,2 million. The interim dividend was raised by 10 percent to 22c (20c).

Admittedly the group achieved these good results from a low base, but trading conditions improved substantially during 1988, with the industry value of new civil engineering contracts soaring by 45 percent on the 1987 figure.

And according to the industry federation the outlook for 1989 is good, with contractors' order books reasonably well filled. Group Five CE Peter Clogg confirms this in his second half outlook: "All divisions forecast improvements on their budgets for 1989."

Group Five earnings climb 67%

Cape Times 17/2/89 (32) 1989

Own Correspondent

JOHANNESBURG.— A substantial improvement in the construction market pushed up Group Five's pre-tax profit by a staggering 222% for the six months to the end of December.

The civil engineering and construction group's pre-tax growth on the six months to June was 31%.

Taxed profit increased from R5,5m to R9,2m and earnings climbed by 67% to 55c a share (33c).

An interim dividend of 22c (up 10% from 20c) has been declared.

CE Peter Clogg attributed the large rise in profits to a substantial improvement in the construction, and especially the civil engineering, market.

"There was just a lot more work around," said Clogg.

However, Clogg did point out that a factor in the high percentage profit growth was that Group Five had still been recovering from a slump during the comparable six month period in 1987.

Clogg said that on top of a bouyant building market the road construction market had received a boost of about 40% as a result of toll-road contracts.

He added he was pleased with the results, which had been in line with what the group was expecting. All of Group Five's divisions forecast improvements on their budgets for the financial year.

"We think that the results in the second half will be similar," he said.

"If you take the construction sector then we must rate as one of the highest, if not the highest, performers at the moment," Clogg added.

Anglo-Alpha forecasts growth of 15%

(32) B/Day 21/2/89

ZILLA EFRAT

THE recent introduction of tighter fiscal measures is not expected to affect Anglo-Alpha during 1989 as the building and construction industry traditionally lags the rest of the economy by some six to 12 months, chairman Peter Byland says in his annual review.

Based on assumptions made from present economic conditions and the fact that the rate of growth achieved in 1988 is not expected to be maintained this year, the group is conservatively forecasting an increase in earnings of 15% this year.

Byland says forecasts of the group's performance in 1989 are difficult because of the uncertainty of political and economic policy.

The group's forecasts assume that gross domestic fixed investment will increase in real terms by 6% in 1989, the inflation rate will be between 15% and 16% and the prime overdraft rate will be 17,5% on average.

As current conditions should continue to at least mid-1989, directors forecast a modest growth in sales volumes for the cement division and an overall improvement for the stone division.

Cartels

Demand for industrial products is expected to increase marginally and the development of export markets will continue.

Byland says the decision of the Competition Board to allow the cement industry to retain its cartel arrangements will give the industry the stability it needs to replace old inefficient plant and new capacity required to meet the demands of the economy.

The group achieved record results for the year to December with earnings on a historical cost basis up 39% to 257c (185,5c) a share and the dividend payment 36% higher at 95c (70c) a share.

Byland says the improvement is due to the buoyancy of the economy in 1988 off a low base in previous years.

The decrease in the group's borrowing resulted in an improved debt:equity ratio of 38% from 72% in 1987.

Byland says that in spite of the estimated R360m capex programme over the next five years, the group's debt should continue to reduce because of the substantial cash flows expected.

And, in view of its strong financial position, the group will seeking new investment opportunities.

Higher tax rates whittle Masonite's profit growth

8/10A1 21/2/89 (32)

MASONITE'S profit growth at the pre-tax level was an impressive 61% but a higher tax rate whittled taxed earnings down to 33%.

However, the forestry, board and mineral fibre group's December year-end results show a sustained growth throughout the past year. Earnings were up 33% to a record 134c a share from 101c a share in 1987.

A final dividend of 39c has been declared, which makes a total payout of 67c. The previous year's distribution was 72c including a 26c dividend from six months profits from Hardboard Servicing (Masonite sold its interest in this UK subsidiary).

The 1988 distribution should therefore be compared with 1986's dividend total of 40c.

LIZ ROUSE

Masonite's pre-tax profit of R16,1m showed an improvement in operating margins to 17,8% on sales of R90,4m, compared with 1987's pre-tax profit of nearly R10m on sales of R74,3m, a margin of 13,4%.

An extraordinary item of R680 000 was the profit on the sale of 45% of Hardboard Servicing to the holding company in Chigaco. The sales of 55% of Leeds-based Hardboard brought in a profit of R857 000 in 1987. This was all part of US Masonite Corporation's decision to disinvest in SA and direct its products to EC markets.

Masonite directors say in the preliminary report that the improvement in sales volumes continued in the second half of the year and margins were firm. All production units performed exceptionally well with further improvements in quality.

While still a relatively small contributor to earnings, Ezebilt Products, after a slow start to the year, finished on a high note with turnover increasing significantly over the latter part of the year.

In fact Masonite did better than reflected in its 33% earnings increase as 1987 profits included six months earnings from Hardboard.

Orders

A jump in the tax rate was attributable to the absence of foreign-sourced income and a forced cutback in exports as local demand took up most of the group's output.

Although the economy is expected to slow this year, Masonite's high level of orders on hand should enable the company to maintain good results say directors.

Masonite shares, at R14,75, are trading on a historic PE of 11 and historic dividend yield is 4,5%.

ON THE MOVE

Barend tries to get his banking Acts together

B|Day|31|2|87

32

CAPE TOWN — After last year's major revisions to banking and building society legislation only minor revisions are envisaged this year.

CHRIS CAIRNCROSS

This assurance was given in Parliament yesterday by Finance Minister Barend du Plessis during the second reading of the Banking Institutions, Societies and Building Societies Amendment Bill.

Likely changes will deal with practical problems that have occurred to ensure business is not unnecessarily constrained.

The omnibus Bill is aimed at cleaning up many of the laws passed last year.

Du Plessis said it was not considered appropriate at this stage to introduce any comprehensive amendments to bank and building society laws because a complete revision of the Banks Act was under way.

He said it was preferable to do only a single revision to bring it into line with important changes in recent years in financial markets, banking practices and banking supervisory procedures.

Any changes for this year will be limited mostly to clarifying the intention of certain provisions; increasing penalties for offences under the Banks Act; and eliminating practical problems in banking and building society business.

In the wake of the Eurobank affair, the Amendment Bill states more explicitly the conduct of a banking business is reserved for institutions registered under Section 4 of the Banks Act.

Unregistered institutions, and those registered only in other countries, may not conduct banking in SA.

Du Plessis said it was also necessary to confirm that, if a minister of finance had approved — before implementation of the compendium SA Reserve Bank, Banking Institutions, Mutual Building Societies and Building Societies Amendment Act of 1986 — a shareholding in a bank or controlling bank in excess of the maximum specified, the full voting right of that shareholding may be exercised.

Auction

Banks Act laws prohibiting a clearing bank from doing business through a person not a full-time employee could constitute a serious impediment to amalgamations of banks and building societies.

Du Plessis said this legislation was amended to empower the Registrar of Banks to approve that business may be conducted through agents.

Under present law, it is an offence for an officer or employee of a building society to buy property owned by or mortgaged to the society unless it is acquired at an advertised auction.

Du Plessis said this requirement seemed unduly restrictive.

It was proposed this curb should apply only to properties attached by a building society and sold by or at the instance of the same society.

80% rise in earnings for Cashbuild

B Day 21/2/89

32

CHARLOTTE MATHEWS

CASHBUILD'S attributable earnings rose 80% to R2,2m (R1,2m) for the half-year to December and a dividend of 3c a share has been declared.

Cashbuild, which includes the recently purchased Buy 'n Build outlets, is a wholesale and retail building materials distributor known for its participative management style.

MD Gerald Haumant said yesterday the company's strong performance was expected to continue in the remainder of the financial year. Four new stores were opened in the last six months and three more were planned to open before June.

Turnover grew from R97,4m to R121m. Last year's turnover figure included some credit sales from the Buy 'n Build operation but these have been cut and the latest turnover figure shows a growth of 35% in cash-and-carry sales.

Gearing is excellent at 7,5% (8,3%) and margins have improved from 3,3% to 4,2%.

Compiled on a Punch Line Panda PC

Genrec passes payout despite profit rise

Star 22/2/89

30

By Derek Tommey

Engineering and contruction company Genrec has reported a sharp jump in profits for the six months to December and expects to do as well in the second half.

But in order to save cash it is not paying a dividend.

The chairman, Mr GR Knudsen, also sees substantial opportunities for improving Genrec's activities.

But he says this will need a substantial rights issue at the proper time to increase the level of shareholders' funds.

Genrec had a group operating profit of R2,9 million in the six months under review.

This compares with R273 000 for the 10 months to December, 1987 and with R3,3 million for the 16 months to June last year.

No tax was payable. Earning were equal 28c a share against (after including outside interests) 18c in the 10 months to December 1987 and 49c in the 16 months to June last year.

Mr Knudsen says that the results should be maintained and earnings should be considerablly higher than in the 16 months to last June.

The company has secured a contract, worth R200 million, for the fabrication and assembly of the FA Jacket for the Mossgas project.

It is also well-positioned to consider acquisitions, a number of which are under consideration and expects to benefit from the fixed investment programmes being planned, particularly in the synfuels, mining and paper industries.

But these expansion strategies and the ability to undertake major projects means that it will be necessary consider a substantial rights issue, says Mr Knudsen.

PROPERTY

CIT TIMES 22/2/89 (32)

Flats, townhouses spark 50 pc construction surge

Business Staff

BUILDING plans for flats and townhouses were the mainstay behind impressive 50 percent jump in the year-on-year value of plans passed in December 1988.

Figures just released by the Central Statistical Service show that over the whole year the value of plans passed in 1988 totalled R7 731-million against R5 564-million for the previous year — a 39 percent increase in value.

While the value of plans for flats and townhouses passed in December 1988 showed the greatest year-on-year gain at 121 percent, the value of plans for non-residential building and additions and alterations were also well up with increases of 74 percent and 77 percent respectively.

The urban area of Sandton was the main contributor to the increase in respect of flats and townhousing, while the main contributors in non-residential buildings were the urban areas of Cape Town and the Witwatersrand.

Over the whole of 1988 the total value of plans passed for flats and townhouses was at R633-million compared with houses at R3 224-million and additions and alterations at R2 103-million.

At R4 126-million the total value of buildings completed for December 1988 increased by 20 percent compared with December 1987 (R3 456-million).

Increases occured in respect of houses (18,2 percent), flats and townhouses (55 percent),and additions and alterations (43 percent) while a decrease of 7,5 percent was recorded in non-residential buildings.

Even allowing for sharply higher building costs, the latest figures confirm that 1988 was a year of booming house building.

Costs show no sign of slackening and United, the country's largest building society, estimates house-building costs are increasing at about 10 percent a year.

Against this, the average purchase price of an older medium-sized house has been on the decline since 1984 after adjustment for inflation.

As a result, the price differential between a new house and an older house has widened to about 33 percent.

A new medium-size home currently sells at about R112 000 in the Western Cape while older houses of the same size (150 to 220 m² building area) cost R100 000 on average, according to a United survey.

Townhouses led '88 building boom

32

B/Day 22/2/89

EDWARD WEST

THE total value of building plans passed in 1988 increased by 38,9% over 1987, Central Statistical Service (CSS) reported yesterday.

The value of buildings completed in 1988 rose by 19,3% over the previous year.

The sector showing the largest growth during the year was townhouse and flat development where the total vaulue of building plans passed rose 122%, while buildings completed rose 55%.

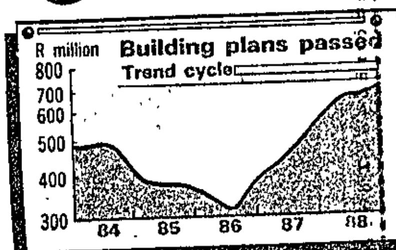
The total value of building plans passed for 1988 was R7,7bn, compared to R5,6bn in 1987.

The value of buildings completed in 1988 totalled R4,1bn (1987: R3,5bn).

A CSS statement says the biggest increase in the value of plans passed and buildings completed was for townhouse and flat development.

The urban area of Sandton was the main contributor to the increase in flats and townhouses development.

The main contributors to non-residential building occurred in the Witwatersrand and Cape Town.



Graphic FIONA KRISCH Source CSS

Director of Concor Construction Willie Mowlan said there were indications that the growth experienced in the building industry last year would slow down in 1989.

He said the building industry was experiencing the normal early-year rush, but this was expected to cool down later in the year. There was a definite trend in the past year in the building of medium- to low-cost housing.

Chairman of Boumat construction, Mirvine Britain said he expected the demand for housing to continue unabated in 1989 even though disposable incomes would decline.

Blue Circle shows record profit rise for second year

BDay 23/2/89 (32)

LESLEY LAMBERT

BUOYANT conditions in the building and construction industry have helped Blue Circle outperform expectations and achieve record earnings for the second consecutive year with a 50% increase in earnings a share to 227,4c (151,2c).

An extraordinary item of R11,3m related to the sale of 75% of Ash Resources, and the disposal of other assets and minor investments, boosted earnings a share further to 268,4c (152,9c).

A final dividend of 70c includes a special dividend of 25c, commemorating the group's 75th anniversary. The total distribution of 100c for the year to December is covered 2,3 times.

The share price, which was trading at about R15,50 last week, soared to a new high of R16,50 apparently in anticipation of strong results. Yesterday's closing price of R16,25, puts it on a P:E of 7,1 times, yielding 6,2% on dividend.

Turnover grew by 39,4% to R527m, reflecting buoyant conditions and the effects of the acquisitions of Tarmac (SA) and Yukon Coil Company.

Higher volumes resulted in better utilisation of production capacity, while continued cost and operating efficiencies boosted profit before interest and tax by 51,8% to R110m.

Borrowings

Financial director Angus Morrison said yesterday the cement division continued to make the major contribution to profits with profit margins in line with those achieved last year.

Both the engineering division and the materials division, which had made an increasingly large contribution to total profits during the past two years, showed an improvement in margins.

Borrowings for working capital and acquisitions were reduced during the second half from R123m to R46,7m (R100m). Although the interest bill of R17,4m was smaller than last year's R18,5m, analysts had expected a greater reduction, in spite of an increase in interest rates. Morrison said the reduction in borrowings came too late to have a significant impact on interest charges during the period under review.

The tax rate rose from 35% to 42% as tax losses were largely exhausted. Nevertheless, the increase in deferred tax from R37,4m to R58m shows actual tax payments are still relatively low.

The contribtion from associated companies improved by 47,3% to R11,3m.

Blue Circle celebrates in style

Star 23/2/89

(32)

By Ann Crotty

The excellent operating performance reported for financial 1988 should certainly help Blue Circle to celebrate the group's 75th anniversary.

Shareholders will benefit from both the strong performance and the anniversary as the directors have announced that the final dividend of 70c a share incorporates a special dividend of 25c to commemorate the anniversary. This brings the total dividend for the year to 100c (50c) covered 2,3 times by earnings of 227,4c (151,2c) a share.

The strong market conditionshave enabled Blue Circle to steam past its own earnings forecast of 200c a share and turn in a sterling 227,4c. This 50 percent increase tops most analysts' expectations and will give considerable support to the recent strong upward trend in the share price — a trend that has been influenced by rumours (emphatically denied by local management) of a disinvestment by the group's UK parent.

Reflecting the strong conditions in the building and construction industry turnover surged 39,4 percent to R527 million (R378 million). The higher volumes lifted the group's capacity utilisation which contributed to the increase in margins from 19,2 percent to 20,9 percent.

The latest figures put the share on a price/earnings rating of 7,1 times and a dividend yield of 6,2 percent compared with the sector averages of 7,3 times and 5,6 percent respectively.

Gloomy times for builders

CAPE TOWN — Building contractors and subcontractors remain pessimistic about the next quarter's business conditions, the Stellenbosch University's Bureau for Economic Research (BER) says in its latest quarterly analysis of building and construction activity.

BER says the world economy is expected to lose some steam during 1989 and lower growth will put a damper on the gold price. The rand is expected to devalue and this should impact favourably on SA's exports.

The survey says growth in the SA economy will be low in 1989 with the demand components — consumer spending and fixed investment — showing little vigour. This will impact negatively on the building sector — the residential sector in particular.

The survey results suggest the numbers of contracts awarded to architects and quantity surveyers are declining and causing concern in these two professions in respect of their short-term future. As a result, their confidence is waning. — Sapa.

2/6/4/24/4 Sc 7.

(32)

More work, but building industry still depressed

CM 7/anf 24/2/89

By BRUCE WILLAN

THERE was an increase of 13% in the value of work carried out by building contractors during the fourth quarter of last year in the residential market.

However, in the latest Bureau for Economic Research (BER) survey on the building and construction industry it was found that business confidence within the industry remained at the same unsatisfactory level as the previous quarter.

Although building contractors in the residential market forecast that the first quarter of 1989 will be worse with conditions deteriorating, they are not yet experiencing the same severe downturn as architects and quantity surveyors.

According to the survey, business conditions are expected to decline even further with fewer contracts being awarded as was the case during the fourth quarter.

In the fourth quarter a net 13% of architects experienced a decline in the number of contracts awarded.

These conditions will after some time filter through to the building contractors and quantity surveyors.

The conditions for the quantity surveying industry closely reflect that of the architects with the slowdown in the number of contracts awarded not as servere as for architects.

It is evident from the report that there has been an upward trend in building activity since the beginning of 1987.

However, towards the end of 1988 this activity had started levelling off.

Bus Times 2/2/89

Concor up 85%

32

Financial Staff

CONSTRUCTION company Concor lifted earnings per share by 85% to 9,8c (5,3c) for the six months to December.

The interim dividend has been passed but the directors say they expect to pay a final dividend at the end of the year to June 30. Last year there was no interim but a final dividend of 2c a share.

Attributable income was R2m (R1m). Turnover was 18% higher — the figure was not disclosed.

Chairman Brian Murphy says that although there is "abundant work available in some construction categories, margins are tight in the civil engineering sector.

"The rising interest rates will also have a severe impact on the new housing market. This could, however, be offset to some extent if the government raised incentives for the first-time home owner."

London stocks afterhour: Blyvoors 328, Bracken 68, Driefontein $9\frac{3}{4}$, E Rand Pro $4\frac{9}{16}$, Freegold $7\frac{15}{16}$, Grootvlei $1\frac{1}{16}$, Harmony $5\frac{7}{8}$, Leslie GD 75, Randfontein $57\frac{1}{2}$, SouthVaal $31\frac{1}{4}$, Stilfontein $3\frac{1}{4}$, Venters 1.

Dip predicted in house prices during year

Star 25/2/89

32

FINANCE STAFF

HOUSE prices can be expected to dip by an average 5 percent this year, forecasts Stellenbosch Bureau for Economic Research (BER).

BER's latest building and construction survey disputes as "highly unlikely" forecasts by some analysts of a 13 to 15 percent rise in home prices during 1989.

However, a decline of 5 percent "is probably overly pessimistic", the BER adds.

"If house prices could only notch up a 12 percent increase in 1988, which was the peak of the business cycle, it is hard to see how house prices could improve on this performance during 1989 - a year when the economy is set to decelerate.

"The prognosis has a severe implication for builders of middle-class homes: not only has the effective demand for new housing dried up substantially — the effect of rising mortgage rates — but profit margins will also be caught in a pincer movement of stagnant or declining retail prices on the one hand and sharply rising input costs on the other."

According to BER's building cost index, costs increased by 24 percent in the fourth quarter of 1988 compared to the corresponding period of the previous year.

The third quarter of 1988 showed an increase of 21,7 percent and this "unexpected upward movement may be ascribed to an increase in profit margins, especially if the downward trends in the increases of materials and labour costs are taken into consideration."

The year-on-year increase in building costs may be ascribed to the year's buoyant business conditions, claimed BER.

"The relationship between competition for tenders and price movements in building costs is indirect. During lively business conditions profit margins in tender prices increase and this puts upward pressure on building costs."

According to the Central Statistical Services, says BER, materials prices rose by 16,4 percent and labour costs by 14,1 percent in the first three quarters of 1988.

In the corresponding period of 1987 the average increase was 12,1 percent.

However, main reason for the substantial increase in building costs "was an increase in profit margins".

BER added: "Materials cost as measured by the Haylett Index actually increased at a slower rate in the last quarter of 1988 while the Building Cost Index increased at a faster pace, which indicated that larger profit margins might have been built into tender prices.

"This increase in profit margins showed that competition for tenders slackened in the fourth quarter, which implied an increase in profit margins.

"Lively business conditions in the building industry will lead to an increase in the demand for building materials and shortages will develop.

The increased demand coupled with the shortage in building materials will result in higher materials prices and this will be shown as an upward movement in the Haylett Index."

Upward movement in the Building Cost Index implied more upward pressure on materials prices.

"This means profit margins would once again be squeezed next year..."

Architects, surveyors feel pinch

S1Times 26/2/89

By Udo Rypstra

ARCHITECTS and quantity surveyors, usually the first to detect changes in building activity, are losing confidence.

Architects report that the number of projects at sketch-plan stage has decreased considerably compared with a year ago.

Quantity surveyors say they are unhappy about work opportunities, but report that the number of projects at bills of quantities stage has not fallen dramatically.

Survey

The Bureau for Economic Research (BER) of the University of Stellenbosch reported this week that building contractors surveyed in the last quarter of 1988 expected a decrease in building activity and were dissatisfied.

"They are, however, not experiencing the same severe downturn that the architects and quantity surveyors are reporting."

The BER has also warned builders of middle-class houses that the effective demand for new housing has dried up as a result of increased mortgage rates.

It says: "Profit margins will also be caught in a pincer movement of stagnant or declining retail prices on the one hand and sharply rising input costs on the other".

The BER differs from an opinion published in the United Quarterly Housing Review last week that prices of existing houses will increase by about 13% this year. It accepts the verdict of the Rode's Report that house prices will not show any significant increase this year.

"A 13% to 15% growth in house prices during 1989, as is predicted by some analysts, is highly unlikely. If house prices could only notch up a 12% increase in 1988, which was the peak of the business cycle, it is hard to see how house prices could improve on this performance during 1989 — a year when the economy is set to decelerate."

High

In the residential sector, the value and volume of work compared with ago has fallen markedly, says the BER.

It says interest rates are expected to remain high, or even to rise, with a resultant decrease in demand for money.

"In total, it can be said that indicators show that building activity in the non-residential sector has already started to move sideways and that the higher profit margins built into tender prices will again be squeezed during the coming months."

Goldstein subsidiaries bought

(32)

Group Five strikes a R17m deal

B/Day 27/2/89

EDWARD WEST

GROUP Five has bought most of the subsidiaries of the cash-strapped construction group S M Goldstein for R17m.

S M Goldstein retains its controlling interest in its contruction division Gough Cooper, and its privatised water sewage treatment operation Aqua-Gold.

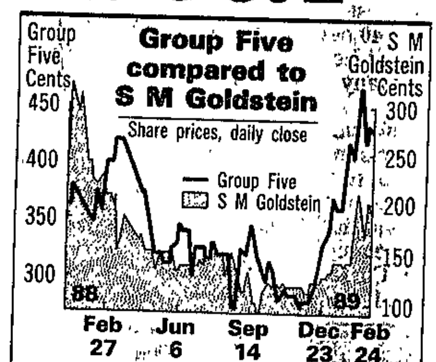
By expanding Group Five's construction interests and hastening its entry into the housing market, the transaction is expected to double the enlarged group's turnover to about R1,3bn in 1989, according to CE Peter Clogg.

In terms of a joint agreement at the weekend, Group Five Management Consortium will aquire from S M Goldstein Investments — the controlling shareholder of SMG — 2 270 777 ordinary shares (23% of SMG), at a price of 210c a share, to be paid in cash (R4,768m).

This represents approximately 42% of the total 5 391 832 shares owned by SMGI, and it increases Group Five's stake from 9%, acquired over the past six months, to approximately 28%.

Group Five has agreed to underwrite the offer to be made to the minorities of SMG by Corbank with the aim of increasing its holding to about 40%.

SMG has sold part of its investment in Group Five Holdings to SMG management and SMGI, reducing its stake from 48% to 38%.



Graphic: FIONA KRISCH Source: JSE

As a result, SMG management and SMGI have become members of the Group Five Management Consortium which, with SMG, controls Group Five Holdings and, with Group Five, controls SMG.

A purchase consideration of R17m cash is to be paid on March 17 and, in addition, SMG chairman Stan Goldstein will receive a restraint of trade payment of R1,5m.

The effective date of the transaction is January 1, 1989.

Group Five will acquire the issued share capital of all companies and subsidiaries of SMG except Gough Cooper Limited and its subsidiaries, Aqua Gold Services Limited and SMG's interest in Group Five Holdings.

SMG suffered a taxed loss of R154 000

● To Page 2

Group Five in R17m Goldstein deal

B/Day 27/2/89

● From Page 32

for the six months to December.

Group Five achieved taxed profits of R9,246m during the same period.

The proposed transaction will reduce SMG's substantial borrowings by about R28m, reducing its gearing, which currently stands at 152%, to 61%.

While it had the effect of reducing SMG's net asset value by 13% to 259c a share at December, according to the announcement, Clogg said SMG shareholders would participate in the growth which the disposal of the construction activities would generate within Group Five.

Group Five's earnings are expected to increase by 9c a share at the year end, as a result of the transaction.

By acquiring a controlling interest in SMG and becoming the single largest shareholder in the company, Group Five is able to acquire the direct construction activities of SMG as well as an indirect interest in Gough Cooper.

This will speed up Group Five's entrance into the housing market.

CAPE TIMES 27/2/89

Group Five in R17m buyout

32

Own Correspondent

JOHANNESBURG. — GROUP FIVE has bought most of the subsidiaries of cash-strapped construction group S M Goldstein (SMG) for R17m.

In terms of an agreement, announced jointly at the weekend, the Group Five Management Consortium and Group Five will acquire 2 270 777 ordinary shares from SMG's controlling shareholder, SMG Investments, at a price of 210c a share, or R4,76m cash.

This represents about 42% of the total 5 391 832 shares owned by SMGI and it increases Group Five's stake from 9% acquired during the last six months to about 28%.

Group Five has agreed to underwrite the offer to be made to the minorities of SMG by Corbank with the aim of increasing its holding to about 40%.

SMG retains its controlling interest in its contruction division, Gough Cooper, and its privatised water sewage-treatment operation, Aqua-Gold.

As part of the deal, SMG has reduced to 38% the 48% stake it acquired in Group Five Holdings in 1987 when it helped Group Five management buy a 76% stake in Darling and Hodgeson, thwarting Murray and Roberts in the process.

The full purchase consideration of R17m cash is to be paid on March 17 and, in addition, SMG chairman Stan Goldstein will receive a restraint of trade of R1,5m. The effective date of the transaction is January 1 1989.

By expanding its construction interests and hastening its entry into the housing market, the transaction is expected to double the enlarged Group Five's turnover to about R1,3bn in 1989, says Group Five CE Peter Clogg.

Mosgas contract

Financial Staff

GOLDSTEIN Housing and Steinmuller have both been awarded contracts for the Mosgas oil from gas refinery at Mossel Bay.

A R5,5m contract for the construction of precast units for buildings at the refinery has been awarded to Goldstein.

Steinmuller has been awarded a contract to prefabricate, errect and commission Mossref's air separation plant, a steam reformer and other components for the refinery such as pressure vessels, reactors and columns.

The plant will supply 2 080 tons of oxygen per day for the reforming process.

Goldstein's contract entails the manufacture, transport and erection of precast panels, columns and ground beams for a wide range of industrial and semi-industrial buildings.

The 60 separate buildings range in size from an administration building of 5000 m^2 to operator shelters of 50 m^2.

Dr J Craig (left) has been appointed Business Analyst of Everite Limited. Dr S A S Akers (centre) has been appointed Manager, Research and Development, and Mr R B Patmore has been appointed Manager, Subsidiaries, of Everite's Fibre-Cement Division.

Group Five buys SM Goldstein subsidiaries

Star 27/1/87

.32

Finance Staff

Continuing its expansion drive construction company Group Five has bought control of the subsidiaries of fellow construction group SM Goldstein for R17 million.

Group Five and its Management Consortium will buy 2,271 million shares at 210c a share from Goldstein's controlling shareholders SM Goldstein's Investments.

The deal has come into effect on January 1 this year and Group Five now controls 28 percent of SM Goldstein. Group Five management has indicated that it aims at improving the holding to 40 percent in the near future, by underwriting the offer.

In terms of the agreement announced jointly over the weekend, SM Goldstein will also reduce its holding in Group Five to 38 percent. It held 48 percent since 1987 when it helped Group Five management to buy control from Darling and Hodgson, despite attemptsby Murray and Roberts to acquire the group.

Despite a restraint of trade agreement, valued at R1,5 million, against SM Goldstein Stan Goldstein, the deal is a continuation of the close working arrangement between the two groups.

SM Goldstein and SM Goldstein Investments strengthen their cross-holding as they become members of Group Five Management Consortium.

Commenting on the transaction, the directors say that Group Five earnings should rise by 9c for the year to end-June, while SM Goldstein is expected to lower its gearing from 107 to ten percent and distribute the future dividend payments from its remaining investments.

Goldstein's remaining investments are its water-sewage treatment operation, Aqua Gold, and construction division Gough Cooper, which, however, reported dissapointing results.

Gough Cooper's turnover was slightly down to R37 million (1987: R38,5 million) but attributable earnings showed a loss of R1,55 million, compared to a profit of R1,39 million previously.

Commenting directors said that margins were curbed by rising interest rates and profits reducing by having to cut back on house construction between September and November.

Costing concrete against steel

BDay 1/3/89 (32)

VAL PIENAAR

OLD MUTUAL Properties may shortly be in a strong position to end the long controversy over which form of construction — of concrete or steel frame — is financially the best option for developers in the current economic climate.

Shortly before 1066 Kerk Street comes on stream, the company will be starting work on another, similar, full block development across the road to house its local branch operation.

But while 1066 has been constructed over a period of 24-months using a conventional concrete frame, the very similar Old Mutual Building will be built on fast track using a steel frame and is scheduled for completion only 15-months after construction started.

The two projects are very similar in size. Old Mutual Building comprises 19-storeys, with a lettable floor area of 24 695m², while 1066 is 20-storeys with a lettable office area of 24 875m², plus 850m² retail space at ground level.

Parking is provided at 1066 for 330 vehicles, and at Old Mutual Building for 292 vehicles, at a ratio of slightly over one bay per 100m².

"A major disadvantage to concrete-based construction in the CBD, where buildings tend to be high-rise, is the slowness of construction. The market can turn right around in the time that elapses between deciding to build and starting a letting programme.

"This problem doesn't arise to the same extent in the suburbs, where buildings are usually smaller and take less time to complete," comments regional property manager (Witwatersrand) Ian Watt.

On the other hand, Watt points out, the far greater cost of steel construction introduces an element or risk that cannot be justified unless a building is fully let well ahead of completion.

This was one of the factors that made the construction of the Old Mutual Building in steel feasible, since it is to be fully taken up by Old Mutual.

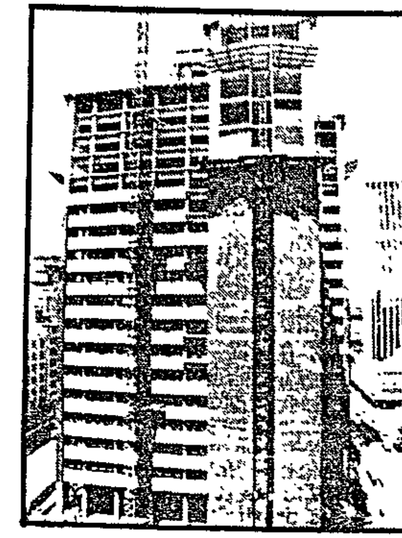
A striking characteristic of both projects is their low-tech design, chosen because the developers believe it to be more "user friendly" than the hi-tech common to most major modern developments. Minimal deep space ensures that most people in the building have ready access to windows, which are of clear glass and, in many cases, can be opened.

"When we made the commitment to develop in the CBD, we attempted to analyse what it is that attracts people to work in the suburbs," adds Watt.

"We found that a desire to escape what is perceived as a sterile, isolated working environment was a major factor. People don't like to be cut off from the outside world, dependent on artificial lighting and unaware even of what the weather is like."

In addition, there is no central air-conditioning system, and tenants will specify where they want modular air-conditioning units installed. This will both enable individuals to set the air temperature in their offices to suit their personal comfort levels and also dramatically reduce running costs.

Watt tends to discount the importance of a high parking to floor area ratio in attracting people to the suburbs. "Bus transport into the CBD is far better than it is for the suburbs, where relatively low echelon workers have a need for cars."



☐ GOING UP ... 1066 and all that

M&R builds up a solid interim

BIDay 1/3/89 (32)

LESLEY LAMBERT

TOP construction group Murray & Roberts has achieved impressive interim growth in all four operating divisions after last year's strong comeback, with attributable earnings of R50m up 64% on the previous six-month period.

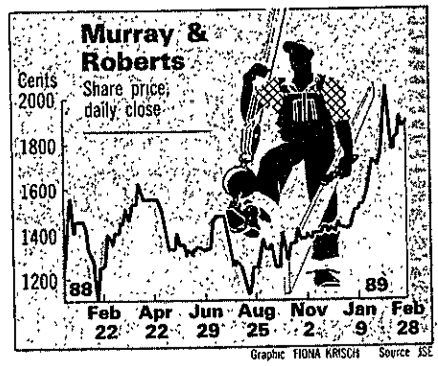
An interim dividend of 33c (25c) has been declared for the six months to December.

Substantial growth in operating earnings, from 109c to 184c a share, provided further proof that the group's restructuring and revitalisation programme has achieved its objectives.

Group turnover grew 17% to R1,6bn. Margins were up from 4,7% to 6%, reflecting better levels of efficiency in all four divisions. The industrial and supplies and services divisions, which were crucial to last year's recovery, did not disappoint.

While the industrial division continued to contribute the lion's share to untaxed earnings with income of R44m (R29,4m), its contribution fell from 47% to 42%. Supplies and services' input grew to R25,8m (R16,7m).

But, according to expectations, it was the construction and engineering division which showed most growth, contributing R29,9m, or 29%, compared to R12,1m the previous interim period. Future growth is expected to come from black housing and toll roads.



Graphic FIONA KRISCH Source JSE

M&R has continued to strengthen its balance sheet. Borrowings, which were cut from 60% of equity capital in 1987 to 32% by the end of the last financial year, have been further reduced to 23%, while total liabilities are at 117%.

Significant investment changes were made as the group began to expand after its recovery phase. The biggest development was the merger of its quarrying and ready-mixed concrete interests with Blue Circle Materials to form Ready Mix Materials.

Testing Tradegro

Star 1/3/89

Diagonal Street

30

ANN CROTTY

With the exception of Jazz, the results released by the listed subsidiaries in the Tradegro stable, justify the improved market rating that the share has been enjoying in recent months.

Tradegro is due to release its figures, for the six months to end-December, at the end of this week and at this stage, with something in the region of 13,5c a share already in the bag from its listed subsidiaries, the market's expectation of interim earnings of at least 18c (1988 interim 14,5c) a share looks attainable.

The group's listed subsidiaries are Rusfurn, Jazz, Cashbuild, Metro, and Frasers (which houses Smart Centre).

Apart from Jazz, the results were well received by investors. The interim figures suggest that the years of reorganisation are indeed beginning to pay dividends.

The sharp increase in Jazz' asset base is believed to have put management resources under considerable pressure and it must now be the case that Jazz is causing as much concern to the Tradegro head office as is Checkers.

But otherwise Tradegro's listed subsidiaries have turned in sparkling performances in the face of tighter trading conditions.

Rusfurn, Cashbuild and, Metro were the star performers reporting signficant increases in earnings. But far more important is that fact that each of them is looking very well placed to handle the expected impact of a downturn in consumer spending. Frasers' performance was somewhat more pedestrian.

The figures to be released at the end of the week will reveal the state of play at Checkers and Coreprop.

At the end of financial 1988 then CE, Mervyn King, indicated that Coreprop could turn in a pre-tax profit of R4 million. Assuming no seasonality, this suggests a half-year figure of R2 million.

Checkers, the group's albatross, is expected to report pre-tax profits of at least R20 million for the full year (compared with R14 million in 1988). Seasonal factors skew this income in favour of the second half. For the first half, pre-tax income of R6 million would reflect a doubling on the 1988 interim figure of R3 million.

If an improvement of this order is not seen in Checkers, then the market may again become weary of Tradegro.

Analysts have long wondered why an investor should buy Tradegro, which is dragged down by Checkers and Coreprop, when they could buy the group's more attractive listed subsidiaries.

If Checkers can be seen to be making a credible move forward and the problems at Jazz are brought under control then an investment in Tradegro would make sense as it provides a wider spread of risk.

Construction gives M&R shot in arm

star 1/3/89

By Ann Crotty 32

Helped by an exceptionally strong performance from its construction and engineering division, Murray & Roberts has achieved a 60 percent increase in earnings to 181c (113c) a share for the six months to December.

Turnover was up 17 percent to R1,6 billion (R1,4 billion), but a sharp increase in margins from 4 percent to 6 percent translated this into a 68 percent surge in operating profit to R99,2 million (R59,1 million).

The tax rate was up from 26,5 percent to 33 percent, leaving the improvement at the attributable-earnings level at 62 percent and taking it to R55,3 million (R34,1 million).

The earnings figure of 181c includes a 3c allowance for non-operating losses.

The dividend has been increased by 32 percent to 33c (25c).

A divisional break-down at the operating level shows that the construction and engineering division lifted its contribution 147 percent to R29,9 million (R12,1 million). The suppliers and services division increased contribution by 54,5 percent to R25,8 million (R16,7 million).

The industrial division remained the dominant contributor, chipping in R44 million, which is 50 percent ahead of the previous interim's R29,4 million.

Management expects taxed profits in the second half to be about the same as those in the first half.

Strong comeback maintained

M & R ups earnings by 64%

CAPE TIMES 1/3/89 22

By LESLIE LAMBERT

JOHANNESBURG. — Top construction group Murray & Roberts has achieved impressive interim growth in all four operating divisions after last year's strong comeback, with attributable earnings of R50m up 64% on the previous six-month period.

An interim dividend of 33c (25c) has been declared for the six months to December.

Substantial growth in operating earnings, from 109c to 184c a share, provided further proof that the group's restructuring and revitalisation programme has achieved its objectives.

Group turnover grew 17% to R1,6bn. Margins were up from 4,7% to 6%, reflecting better levels of efficiency in all four divisions. The industrial and supplies and services divisions, which were crucial to last year's recovery, did not disappoint.

While the industrial division continued to contribute the lion's share to untaxed earnings with income of R44m (R29,4m), its contribution fell from 47% to 42%. Supplies and services' input grew to R25,8m (R16,7m).

But, according to expectations, it was the construction and engineering division which showed most growth, contributing R29,9m, or 29%, compared to R12,1m the previous interim period. Future growth is expected to come from black housing and toll roads.

M&R has continued to strengthen its balance sheet. Borrowings, which were cut from 60% of equity capital in 1987 to 32% by the end of the last financial year, have been further reduced to 23%, while total liabilities are at 117%.

Significant investment changes were made as the group began to expand after its recovery phase. The biggest development was the merger of its quarrying and ready-mixed concrete interests with Blue Circle Materials to form Ready Mix Materials.

In addition to this it made various smaller acquisitions, increasing its stake in electronics group GBS Holdings to 52,4%, taking full control of Vikon Skylite and acquiring 80% of Liquihold, a company which manufactures plastic packaging.

Directors expect second half operating taxed earnings to equal those achieved in the first half.

he said the man would ask mem- edly defaulted on repayments and ... of company funds and contraventions of HP agreements.

Vista Homes cannot pay money it owes

8 | Day 2/3/81

SUSAN RUSSELL

VISTA Homes has been placed under provisional liquidation in the Rand Supreme Court with an amount of about R3,5m owed to trade creditors.

Mr Justice G Leveson granted an order on Tuesday provisionally winding up Vista Homes, after an urgent application by the company itself.

Vista Homes director Christian John Bezuidenhout said in an an affidavit that although the company's assets exceeded liabilities by R1,4m, it was commercially insolvent.

Bezuidenhout said Vista Homes could not pay its debts when they fell due.

About R3,5m was owed to trade creditors. Of this R1m fell due on January 31 this year and Vista Homes was unable to pay it.

Bezuidenhout said the company's principle source of income was amounts owed by purchasers of homes constructed by them.

"However, about 90% of transfers being effected at present are in respect of properties on which there are mortage bonds registered in favour of companies or institutions which have lent money to Vista Homes," he said.

Bezuidenhout said the company's liquidity problem meant Vista Homes was unable to pay any of its suppliers during January this year and was still unable to do so.

"There is no reasonable prospect of the company being able to discharge any of its other liabities in the forseeable future," he said.

The return date for the application is April 11.

PRETORIA —

2 Cape Times, Thursday, March 2, 1989 32

Director: Vista owes R3,5m

Own Correspondent

JOHANNESBURG. — Vista Homes has been placed under provisional liquidation in the Rand Supreme Court with about R3,5 million owed to trade creditors.

Mr Justice G Leveson granted an order provisionally winding up Vista Homes on Tuesday after an urgent application by the company itself.

A director of Vista Homes, Mr Christian John Bezuidenhout said in an affidavit that although the company's assets exceeded its liabilities by R1,4m, it was commercially insolvent.

Mr Bezuidenhout said Vista Homes could not pay its debts as and when they fell due.

About R3,5m was owed to trade creditors. Of this R1m fell had fallen on January 31 this year and Vista Homes was unable to pay it.

Mr Bezuidenhout said the company's principle source of income comprised amounts owed to it by buyers of homes constructed by the company.

"However, about 90% of transfers presently being effected are in respect of properties over which there are mortage bonds registered in favour of companies or institutions which have lent monies to Vista Homes," he said.

"The funds generated from these transfers are being used to discharge these bonds.

"As a result a very small portion of the proceeds of transfer are being received by the company."

Mr Bezuidenhout said the company's liquidity problem meant that Vista Homes was unable to pay any of its suppliers during January this year and was still unable to do so.

"There is no reasonable prospect of the company being able to discharge any of its other liabities in the forseeable future."

Mr Bezuidenhout said the company was also incurring further liabilities on a daily basis in respect of sub-contractors who were performing on-site services.

Vista Homes had also been unable to borrow further funds, and had used its overdraft facility to the full.

Mr Bezuidenhout said that without an immediate injection of funds, Vista Homes could not continue operating.

The return date for the application is April 11.

M & R on acquisitions trail

CNL 7/11/45 2/3/89

32

By AUDREY D'ANGELO
Financial Editor

MURRAY & Roberts, which lifted earnings for the six months to December by 64%, has more acquisitions in mind, CE David Brink said yesterday.

He pointed out that the group's firm balance sheet and low gearing provided a firm base for this.

"We want to continue with our thrust into the industrial consumables area", he explained on a visit to Cape Town. "We are looking at specific companies in that sector."

But he is not hoping to profit from further disinvestment by overseas parent companies, or to take over firms in difficulties as a result of higher interest rates and the cooling of the economy.

"Disinvestment has probably run its course and there are too many people chasing the few opportunities that are left. And we are looking for good and well-run companies which we can help to grow — not those in trouble."

Brink and the group's commercial director, Jeremy Ractliffe, said that Murray & Roberts had ended its recovery phase. "Our strategies in future will be less defensive and more aggressive than in the last two years," said Brink.

Ractliffe said the group was now ready to prosper in an economy "that does not necessarily grow at the rate we have been used to."

It was planning for alternative scenarios three years ahead and, because of its decentralization policy, was flexible enough to adapt to changing situations.

Brink said it was hard to look ahead in such a rapidly changing environment. He expected a great deal to happen in the next three years.

And in the short term, with SA's growth limited by the need to maintain balance of payments surpluses, managements were working to a new set of rules.

It was an unnatural situation in which normal market forces did not shape the economy. But rapid change brought opportunities for firms able to adapt to it.

Looking further ahead, Brink said that although black people would advance he believed top companies would still be run by whites because there was not yet enough black managerial talent to fill senior posts. "It is difficult to find enough junior black management."

Ractliffe said Murray & Roberts had training schemes and was "colourblind, promoting people on merit after making sure that opportunities were available for everyone".

He thought the use of more subcontractors in specialized areas would offer "a great opportunity for black people to advance".

'89 building costs should hold at 17%

BDay 3/3/89 (32)

EDWARD WEST

RISING building costs are expected to be contained at 17% this year with basic materials rising in line with inflation, compared to last year's 20% increase in building cost.

That was the view of Building Industries Federation (Bifsa) executive director Neil Fraser.

He expected the high level of activity achieved in the building industry last year to continue until mid-1989, after which construction activity was likely to slow down.

Inflation

The drop in activity in the industry was likely to be accelerated by high interest and bond rates in 1989, he said.

According to Corobrick Transvaal marketing manager Chris Dickenson, the cost of clay bricks was likely to increase in line with the expected inflation rate of 15% to 16% this year, owing to increased labour, fuel, and capital expenditure for imported spares.

Anglo Alpha deputy MD Ron Searle said he expected building material prices to rise in 1989, although he could only predict cement trends.

He said increases in coal, power and railage costs would increase the price of cement. However, the cement industry operated as a cartel, tending to keep prices to "below, or at worst, in line with, the inflation rate".

Marketing director for Haggie Rand, which supplies a number of steel products for the contracting industry, William Clarkson, said he anticipated price increases for their products.

Price increases were usually calculated on increased costs for the previous year. Iscor, Haggie Rand's raw materials supplier, announced price increases twice a year.

Fraser said that in 1986 and 1987, building material factories like brick factories closed many plants because of a slump in the building industry. When building demand increased in 1987, the cost of restarting production in the industry resulted in price increases. Bricks went up 28% in 1988.

Estcourt residents refuse to pay toll

City Press 5/3/89.

CP Correspondent

MORE than 400 angry Estcourt residents decided at a meeting this week to use the Mooi River toll road without paying.

At the meeting attended by people of all races, convened by former MP Graeme McIntosh at the Estcourt Town Hall, former mayor George Croff was elected to lead a nine-member committee to meet Transport Minister Eli Louw.

The meeting decided that drivers would continue using the N3 toll road – but would refuse to pay the fee.

A local bus company, Emangweni Bus Service, has indicated it will also refuse to pay.

Residents are forced to use the toll road to get to Maritzburg – where most facilities, including hospitals, schools and a market are situated.

The only alternative is the notorious Griffins Hill route, known to residents as "Death Hill" because of the numerous deaths that occur there at weekends.

Examples were given of people who needed specialist medication from Grey's Hospital – including a man who has to pay daily visits to his wife, who is dying of cancer.

McIntosh said people were "fed up".

Cape Times 7/3/89

32

Home-buyers: Outlook bleak

By MEG BRITS
A Cape Times investigation

HOUSING contractors have never had it so tough — but then neither have potential home-owners.

Effectively, though, contractors are being asked to deal with the housing "Catch 22": It is practically impossible to deliver the type of house required by the bond-granting financial institutions for the price which potential buyers can afford — or are prepared to pay.

The government has defined affordability in terms of its first-time buyer's bond subsidy package — R65 000 for land, all fees and the house.

However, as contractors are finding, affordability is actually an individual measure of how much of a family's monthly budget is available for bond repayments.

Rising inflation

Bond rates rose this week to 19%. This is the eighth rise since November 1987, when the bond rate was 13%. The monthly payment on a R50 000 25-year bond has risen from R564 to R799 — or by 42% in a year.

And, particularly among South Africans faced with rising inflation and sudden price increases on basics such as food and transport, family budgets just don't stretch that much.

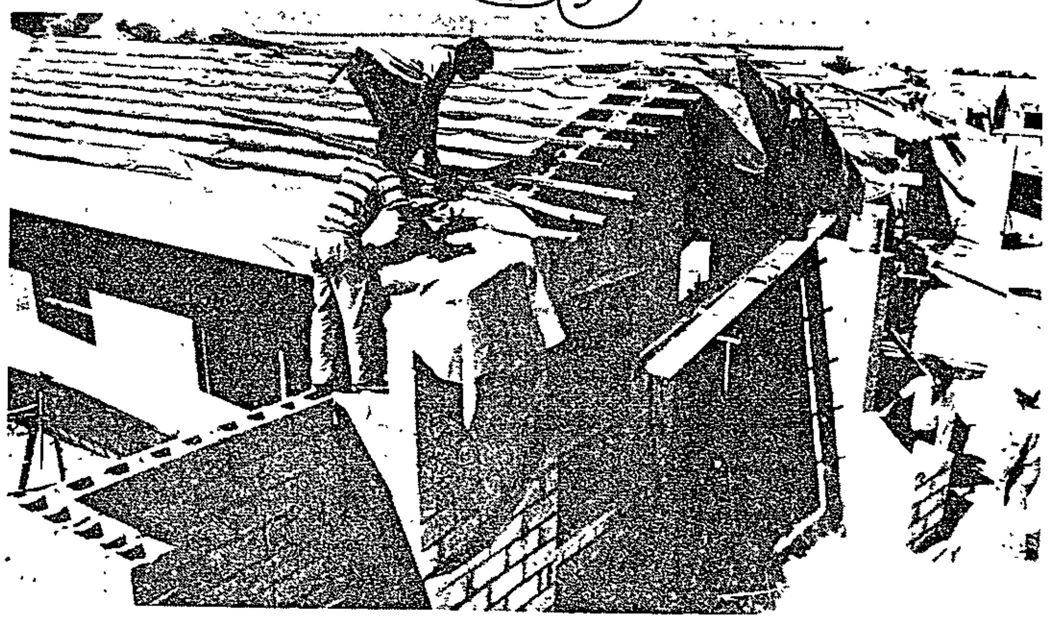
Potential buyers observing rising bond rates decide against committing themselves and the market goes flat. This leaves contractors with another problem — completed, unsold houses and undeveloped land, on which they also have to pay interest, termed holding costs. In the nature of the industry, this is passed on to the next set of home-buyers — and inflation gets another push.

The government interest rate subsidy is available to buyers who spend no more than R65 000 on a stand, house and all fees. A maximum of R25 000 is to be spent on the land, with a further R10 000 available at the relevant housing minister's discretion for buyers in areas where stands are not available at less than R20 000.

The National Association of Homebuilders (NAHB) calculates that, after fees and land costs, just under R40 000 is left for bricks and mortar.

In 1987, it was possible to build a 100m² house, of materials and interior standards acceptable to the financial institutions, for R40 000. By the end of this year, the same house will cost R68 100 to build.

The table shows why, identifying how the costs of various housing components are rising by compounding the Bifsa (Building Industries Federation



GETTING ALL THE PIECES IN PLACE . . . Both housing contractors and potential buyers have to face an increasing list of obstacles in the way of achieving the South African dream.

sheets and unrealistic gross earnings."

Bifsa also said that the building industry was no longer able to absorb any proportion whatsoever of rising costs to provide a buffer for the general public. In fact, margins had been so eroded by the earlier recession that the industry was intensely sensitive to any cost push factors, be they plant, material or labour.

In 1987, bricks represented around 11% of the cost of a 100m² house, using 27 000 to 30 000 stock bricks. Brickwork (including labour) with stock bricks accounted for 17,5% of the cost.

Bills of quantity for January show that these figures have increased to 11,82% and 18,5% respectively. Associated materials and labour, such as the installation of door and window frames, bring the total to 22%, as shown in the table.

Dense cocktail

Mr Keith Nurcombe, national marketing manager for brick giant Toncoro, said that in 1987 the price in the Western Cape for plaster bricks was R129 1 000. In January the price was 31% higher, or R169 1 000, compared with R160 in the OFS, R170 in the Transvaal and R172 in Natal.

WHERE THE MONEY GOES

Stage	% of cost	1987	1988	Projected 1989
Excav and found	5	2 000	2 640	3 405
Slab	7	2 800	3 696	4 767
Brickwork with windows	10	4 000	5 280	6 810
Brickwork complete	12	4 800	6 336	8 172
Roof trusses fitted	8	3 200	4 224	5 448
Roof complete (tiles)	6	2 400	3 168	4 086
Electrical, pipes, geyser	3	1 200	1 584	2 043
Plastering	9	3 600	4 752	6 129
Ceilings	4	1 600	2 112	2 724
Glazing	2	800	1 056	1 362
Carpentry with BIC's	7	2 800	3 696	4 767
Sanitaryware, drainage, plumbing	11	4 400	5 808	7 491
Wall tiles	2	800	1 056	1 362
Electrical work complete	2	800	1 056	1 362
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Guttering	1	400	528	681
Floor covering	5	2 000	2 640	3 405
Hand over (incl cleaning)	1	400	528	681
TOTAL	100%	40 000	52 800	68 100

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average building cost for contractors is R250/m². All are built of concrete building blocks and the simplest has one utility room with kitchen facilities and a toilet. The "top-end" house has a separate bedroom and a basic bathroom.

'Shacks and shanties'

Mr Joe Taylor, managing director of the trust, says the demand bulge in the market is for houses which cost R13 000 to R18 000 — "and the real challenge is for housing contractors to offer products in this range".

Many already understand that, in this sector, they are not dealing with a middle-market strapped for disposable income, but with potential buyers who have difficulty maintaining any income. Many do not.

Mr Taylor said: "I think contractors still tend to look at the housing market the wrong way round. There is much talk about downgrading expectations and lessening of building standards, but when you are offering houses in this market, as we are, it is a matter of upgrading from shacks and shanties."

It is likely that, as the middle-market contracts even further, middle-market developers who are moving down market and those offering products in the low-cost sector will become one and the same. It is also likely that, at that stage, financial institutions will have to change their thinking on "alternative" housing delivery methods such as self-help schemes.

Meanwhile, Mr Taylor said, the trust had no choice but to form its own financing company, because large financiers had been unprepared to grant bonds, for example, on serviced stands which can be developed as the financial position of the owner improves.

"This is why we have suggested that a first-time buyers' subsidy should be on land purchase and not on bricks and mortar. That way it would be much easier for people to acquire a real stake in the property market — and upgrade as and when they can afford it."

Gap in the market

At this point, developers — and would-be buyers — have perhaps the most difficult hurdle to overcome: The availability of land rather than its cost.

Mr Brian Longley, head of the Urban Foundation's housing utility company FHA Homes, says the company can and is providing housing packages for between R26 000 and R28 000 in the Transvaal, filling in a gap in the market. Buyers of its 44m² houses have access to building society finance and the first

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The table shows why, identifying how the costs of various housing components are rising by compounding the Bifsa (Building Industries Federation of SA) figures for labour (14%) and materials (18%), cost increases in 1988 and estimates for 1989 are 13% and 16% respectively.

Looked at another way, a family wishing to keep building costs under R40 000 today would only get 59m² of this conventional type of house.

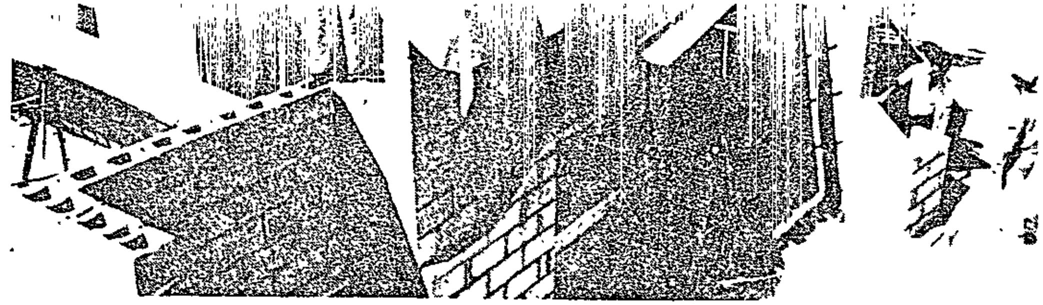
'Crusade'

In its 1988 annual report, Bifsa was particularly critical of materials cost increases. It said: "The continuing spectre of rising building costs seems to persist. With every moderate upturn in activity, manufacturers of material seem to increase prices with vigour.

"Widespread appeals are being made to Bifsa and in turn to the appropriate authorities to strongly crusade aganist cartels, price fixing and all the ills which should have been eradicated by the Competition Board.

"The stranglehold placed on any capital-intensive competitive industry by international sanctions inhibits any attempt to counteract the exclusivity of suppliers of primary building materials and as a result places those manufacturers in unhealthy power frames.

"It would seem that the only avenue left to moderate the rapidly increasing costs of building is to earnestly appeal to the better nature of the manufacturing industry to place the demands of national patriotism before the excesses of record balance sheets and unrealistic gross earnings."



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It is clear that the cost of materials is only one factor in a dense cocktail which is becoming increasingly hard for both contractors and buyers to swallow.

The availability of finance rather than its cost is another.

The government has for years made it clear that it regards housing as a private sector function. Residential investment by public authorities has recorded a negative growth rate for nine years and is not expected to rise this year. Public corporations have also cut back on residential spending in this period and real investment is expected to decline another 5% this year.

And, while the banks and building societies have substantially increased their lending books since the previous bond rate peak in 1984, they remain conservative spenders on behalf of their investing clients and shareholders. This year, private sector growth in housing investment is expected to decline 50%.

Mr Johan Grotsius, executive director of the NAHB, says financial institutions are also increasingly demanding that developers find their own sources of finance, for example to subsidise buyers in deposit-free package-deal purchases.

There are only two courses open to developing and contracting companies — to move into the luxury market, where building costs are as high as R760m² but the rand returns are bigger per unit, or to risk the high-volume, low unit cost black market.

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They have yet to stomach some hard lessons, if the experiences of the South African Housing Trust (SAHT) in the lowest end of the market are anything to go by. The trust was started in January 1987 with a R400 million state loan. It has had to raise further funds in the capital market and the total value of the projects approved by the SAHT from January 1987 to January this year is R900m. These are expected to generate 49 000 houses and 33 000 serviced stands over the next three years. To date, the trust has provided 6 200 houses and 14 000 serviced stands.

In August last year it made its first Cape grant of funds to a major housing developer. The grant, of R11m, was to enable Habitech to sell houses for between R8 000 and R20 000 in Crossroads and Khayelitsha.

SAHT contractors must offer housing packages for under R20 000, including fees and insurance. Buyers can borrow from the trust's own finance company at 11% interest.

The actual cost depends on land costs in the area and the type of package in demand in the specific community, be it semi-serviced stands or the trust's "top-end" house, costing around R18 000.

Obviously, land cost is a crucial factor. In some areas, the trust has acquired stands for R250 each and serviced them, and in others, serviced stands have cost up to R7 500.

The average size of an SAHT house is 40m² and the disposable income, but with potential buyers who have difficulty maintaining any income. Many do not.

Mr Taylor said: "I think contractors still tend to look at the housing market the wrong way round. There is much talk about downgrading expectations and lessening of building standards, but when you are offering houses in this market, as we are, it is a matter of upgrading from shacks and shanties."

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In the Cape, said Mr Justin White, head of the foundation's Cape Utility Homes, the state, province and local authorities, traditionally suppliers of cheap land, now made minuscule amounts available for housing. This forced the company into competition with other tenderers for private land which, depending on location, could cost as much as R100 000 a hectare. Depending on proximity to existing services, this could cost anything between R4 000 and R16 000 to service.

Vicious circle

In all areas, the demand the foundation really wishes to address is for site-and-service schemes on upgradable stands. But, Mr Longley said, there was enormous resistance on the part of local authorities to allowing progressive installation of secondary services such as electricity as affordability levels rise.

And there lies the final segment of the vicious circle which has caused the country's critical housing shortage. Forced by economic deprivation to urbanise, previously rural people are stripped of natural housing resources, denied access to cheap land or cheaper delivery methods and then denied the finance to conform to rigid local authority demands.

CONCRETE MASONRY COMPETITION

32

CONCRETE masonry and paving are being used in increasingly sophisticated forms and the Concrete Masonry Association (CMA) expects a high standard of entries for its 1989 awards.

Announcing the launch of the biennial competition, CMA president Dave Vincent said: "In the past, there was a tendency to use concrete masonry purely for weather protection, while paving tended to be functional and repetitive. Now concrete masonry has emerged as a structural product in its own right."

This year the competition has been extended to run on both a regional and national basis. The masonry and paving categories have been divided into residential, commercial and industrial sections.

Entries close on June 30 and any projects featuring CMA members' products or those bearing the SABS mark may be submitted — except projects awarded prizes in previous CMA competitions.

8/6/89 8/3/89

B/Day 8/3/89 (32)

Steinmuller takes 51% in Mannesmann

BRENT MELVILLE

STEINMULLER (Africa) Group has boosted its stake in Mannesmann Anlagenbau (ANLGB) to 51% to consolidate West German interests in SA.

Steinmuller, a subsidiary of German-based construction company Philippe Holfman, which owned 24,9% of ANLGB, bought the additional 26% from ANLGB's German holding company, Mannesmann.

Steinmuller MD Colin Ferreira said the move was in line with both company's production aims.

ANLGB, with an annual turnover of over R300m, is one of five companies owned solely by German holding company Mannesmann.

ANLGB financial manager Ingo Kloepfer said the latest share deal would not affect company policy and ANLGB would continue to operate autonomously.

A Mannesmann spokesman said this was true for the short-term but the long-term situation could necessitate a name-change.

"The main idea was to integrate the two companies' activities, particularly in the construction of power stations, where Steinmuller traditionally supplied the boilers and ANLGB the piping," he added.

Asphalt in limelight

(32)

B/Times 12/3/89

Business Times Reporter

DELEGATES from many parts of the world will attend a four-day conference in Swaziland on asphalt paving.

A keynote address will be given by Isaac Sam of the World Bank.

The conference on asphalt pavement for Southern Africa (CAPSA) will be held at the Royal Swazi Sun, Manzini. It will be the fifth in a series of internationally recognised exchanges of technology by the industry.

Cape Town-based Piet Myburgh, chief executive of CAPSA, says more than 70 papers will be delivered by foreign aand SA experts on developing and preserving roads.

Mr Myburgh says it is more important than ever before for industry leaders to confer on asphalt technology and implement research findings.

"We are operating against a backdrop of highly competitive claims on public funds and diminishing natural resources."

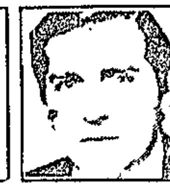
Emphasis will be placed on the development needs of the Southern African region.

Enhanced profits after Grinaker reconstruction

(32)

Star 13/3/89

Bottom Line



MICHAEL MENOF

To most, Grinaker is just another construction group. However, closer examination of the profit contribution shows construction only 23 percent, Claude Neon Signs only 7 percent, with 70 percent in electronics and data communications.

Record sales and earnings were achieved in 1988 and the new year has started with work in hand and margins higher than at any time during the past four years, says chairman Mr J C Robbertze.

During the past year Siltek, previously an associated company, became a subsidiary and was then listed on the JSE. Major structural changes occurred and company names were changed to correctly reflect the various business activities.

Working capital has increased and includes cash resources of almost R50 million. All four divisions reported improved profits with a 60 percent aggregate improvement between years. This trend appears set to continue as each of the four major investment sectors plan to increase their earnings in 1989.

Turnover increased spectacularly to R886,32 million compared with 1987's record R523,13 million. Operating profits were sharply higher at R66,84 million (1987: R20,17 million). Net interest expense was a negligible R121 00 (1987: R2,66 million).

Despite the effective tax rate rising to 47 percent (1987: 39,6 percent), tax of R31,91 million (1987: R6,99 million) had little effect on a vastly improved bottom line of R35,98 million (1987: R10,67 million).

After the share of associated companies' income and deducting the minorities share of profit in subsidiaries, the bottom line virtually doubled to R23,05 million (1987: R12,62 million) giving earnings per share of 71,3 cents (1987: 39,2 cents).

The annual dividend was increased to only 22 cents (1987: 14 cents) giving a 3,24 times cover (1987: 2,8 times) rather a miserly way of treating shareholders with so much cash around.

Restructuring in four well-defined investment sectors has given each a single-minded business focus.

In Grinaker Construction turnover increased by 46 percent with earnings R6,1 million — a vast improvement on 1987's R890 000. This is an encouraging turnaround after four years of falling volumes and margins in the construction industry.

However, property development experienced problems with holding costs continuing in excess of revenues earned, says Mr Robbertze. This division plans to expand the housing market.

Grinaker Electronics, held 72,6 percent by the group, improved its earnings to R9,5 million (1987: R7,3 million). Due to its hi-tech products substantial amounts were spent on research and development. In the US generous allowances are given to companies to encourage research — perhaps Finance Minister Barend Du Plessis needs to consider this aspect.

Subsequent to year-end, Software Management Systems Edms Bpk was acquired for R2 million. Listed Siltek which designs, manufactures and distributes sophisticated computer hard and software products in the field of communication technology made an impressive JSE debut.

Siltek increased sales by 63 percent and produced earnings of R14,89 million (1987: R10,2 million).

Despite margins being under pressure, listed Claude Neon Lights increased sales by 26 percent with earnings of R2,92 million (1987: R2,4 million).

The group was unable to escape the usual wage strikes which industry has grown accustomed to. Strikes were of short duration and stoppages were rapidly resolved. The group did its fair share of increasing employees to 12 768 at end June 1988 compared with 9 662 a year earlier.

Total tax losses increased to R16,3 million (1987: R5,17 million) without disclosing which companies were responsible.

The effects of the restructuring were reflected in the balance sheet where total shareholders' interest has increased to R188,46 million (1987: R119,91 million). Total debt is R23,57 million (1987: R8,61 million).

Working capital has increased to R120,03 million (1987: R51,18 million) and includes substantially stock and contracts in progress R189,44 million (1987: R93,8 million) and cash resources of R48,46 million (1987: R7,36 million).

Net asset value has improved to R3,95 per share (1987: R3,40) with the JSE price just over R8,00.

Anglo-Vaal is Grinaker's ultimate holding company and provides a useful base for expansion purposes.

The restructuring has given the group new direction through diversification and with the profit trend set to continue shareholdes have every chance of capital appreciation even if dividend yield is disappointing.

PROPERTY

Black homes ahead — but costs behind

32 B/Day 15/3/89

TERRY MEYER

MORE houses were built for blacks than whites last year, although in money terms white housing is still ahead, according to Riley Schachat, chairman of the National Association of Home Builders (NAHB).

Speaking at the annual general meeting of the NAHB yesterday, Schachat pointed out that black housing only accounted for some 24% of money spent on housing, while 55,4% of homes built were for blacks.

However, high volumes were necessary to make the black sector viable, bearing in mind the low margins and high risk factor.

"But with innovative design, construction and financing packages this market could be considerably increased," said Schachat.

Another interesting development within the industry last year was the increased usage of the informal sector for construction activities. A development, he points out, which has contributed materially to curtailing cost increases.

A trend for the future, Schachat told the AGM, was the setting up of joint ventures between black entrepreneurs and white building companies. "This is an essential ingredient in order to spread involvement within a private enterprise economy," he said.

Schachat, however, believes that arresting the declining trend in the value of building plans passed is a top priority. "By June 1988 the figure showed a 50% improvement against the comparable period in 1987. But in December 1988 this improvement had decreased to 30% against 1987.

"Housing needs demand that this tempo of improvement should at least be maintained, if not bettered," he said.

Rise in GST will increase cost of buildings

By Frank Jeans

The one percent rise in GST is likely to increase the cost of buildings by about 0,5 percent, said Mr Neil Fraser, executive director of the Building Industries Federation (Bifsa).

However, for contractors and sub-contractors, this increase would be covered by the existing price adjustment formula.

"We welcome the fact that the Government has allocated additional cash to the SA Housing Trust," said Mr Fraser. "The additional sums for the Trust must have a positive effect on the building industry as a whole."

"The allocation of R11,8 billion to education is also a welcome announcement," said the Bifsa director, "and hopefully, will provide additional building requirements."

The lifting of the prescribed investments for long-term insurance companies might have a positive effect for the building industry as it could encourage long-term institutional investors to plough some of their funds into the housing and building markets.

"I believe this has been a relatively lenient Budget and one which will have a positive effect on cooling down the economy and curbing the excessive expenditure."

Blacks given the job

ABOUT 300 sites have been allocated to black builders to build homes in Jouberton near Klerksdorp. 32

The secretary of the United Black Builders Association, Mr Abram Nkomo, yesterday said the sites were allocated to them by the South African Housing Trust. Sowetan 20/3/87.

He said this was a breakthrough for the association which intended to build low cost houses for many people living under "horrifying conditions" in the township.

CONSTRUCTION

Building costs up, but bricks' share down

ARCW 21/3/89

(32)

Business Staff

CLAY brick prices, as a proportion of steadily rising total building costs, dropped in real terms by 2 per cent from 1983 to 1988, says Errol Rutherford, president of the Brick Development Association of South Africa.

"The clay brick industry has over the years become smarter in manufactruring and distribution techniques and in turn the cost benefit has been passed on to the end user.

"Brick is one of the heavier components used in building and although transportation and erratic fuel costs do present problems, the industry has managed to keep brick prices steady."

CONSUMER CONFIDENCE

Mr Rutherford says the consumer is becoming more selective and aware of various building materials and their performance characteristics.

"As a result, the demand for facing bricks over the last two years has increased and research findings indicate that consumer preference for the product is gaining in both the upmarket and affordable housing sectors.

"This is not surprising as maintenance costs over the life span of a facing brick structure are nil even though the initial cost may be slightly, if at all, higher than a conventional plastered and painted home.

"When one considers that the price of paint has risen by about 17 percent in the past year, and that a home needs to be painted every five years on average, the attendant material and labour cost savings with the use of facing bricks becomes even more obvious in the medium to long term."

Ilco fails to make the most of its potential

Star 22/3/89

32

Ilco achieved a 13,7 percent increase in bottom line profits with net income after tax at R4,72 million against R4,15 million in the half year to December.

However, operating income was 22 percent down at R3,13 million (R4,01 million) because Ilco was unable to utilise fully its capital resources in developments as planned.

A consequence was a sharp increase in net interest earnings — boosted further by the uptrend in investment rates — to R1,6 million (R141 000).

With the average number of issued shares up from 24,19 million to 30,75 million, Ilco's latest results translate to earnings per share of 15,4c (17,2c).

Ilco, which was listed in the building and construction sector of the JSE in 1987, is primarily involved with low-income mass housing in the Western Cape. It has also purchased, or acquired options on land for additional projects in Natal and the Transvaal.

Chief executive Jos Demmers remains optimistic about long-term prospects for Ilco, because he says the housing shortage is becoming more critical daily.— Sapa.

Big campaign to make roads safe

(32) Sowetan 26/3/89

By HAPPY ZONDI and SAMKELO KUMALO

IN A combined effort to lower the alarming number of road accidents during the Easter holidays, the SA Black Taxi Association, the Transvaal Provincial Administration and the National Road Safety Council have come together to make the roads safer.

This year, the Easter accident rate is expected to be affected by the fact that schoolchildren went on holiday earlier than usual and that law enforcement personnel will be out in force.

TPA executive committee member in charge of road traffic, AE Arbee, said a meeting was held on Tuesday with Sabta to promote road safety and co-ordinate efforts aimed at reducing road fatalities – a campaign that would continue even after Easter.

The TPA's safety measure would be the use of a fixed-wing aeroplane to patrol the busiest and most dangerous sections of the highways.

The notorious N1, which is extensively used by members of the Zionist Christian Church on their annual Easter pilgrimage to Moria, near Pietersburg, would be accorded first priority, said Arbee.

He said an emergency vehicle would be stationed at the Pienaarsriever off-ramp and in the towns of Naboomspruit and Potgietersrus the road would be altered

The increase in the number of vehicles on the roads during the Easter weekend, with the resultant increase in road safety risks, leads to an increase in the amount of collisions, deaths and injuries.

On certain routes such as the N3 between Johannesburg and Durban, record traffic volumes were measured during the Easter weekend last year – at certain points the increase was as much as 124 percent compared to the same period in 1987.

All provincial traffic departments have also indicated that they will be out in force on all major roads.

The traffic departments hope that the accident rate will be lower than in the previous two years.

At special points on main routes traffic volume, following distances and vehicle speed will be strictly monitored.

NRSC officials say high speed, injudicious overtaking, insufficient following distances and fatigue are the main causes of the high number of collisions.

The N1 North is expected to be as busy when millions of ZCC members take their annual trip to Moria. Putco said the church has hired 530 buses for Moria.

Ovcon awarded R1,7m contract

32

Cape Times 28/3/89

Financial Staff

OVCON (CAPE) has been awarded a R1,7m contract by the Cape Town City Council to replace 300m of pipe on the Voëlvlei pipeline.

However, the contract may appear to be a simple one of upgrading but the section of the pipeline to be replaced is under the Berg River, halfway between Wellington and Hermon.

With the rainy season almost here the contractors will have to work very fast so as to complete the project before the Berg River fills up.

To facilitate easy working conditions, part of the river has been diverted and a coffer dam will be built in the deeper part of the river.

The new pipe will be of steel with a concrete lining. It will be heavily encased in concrete to secure it to the riverbed.

FHA challenge on low-cost homes

EDWARD WEST

IN A new bid to encourage low-cost housing, FHA Housing has challenged inventors and the construction industry to come forward with home building plans affordable to dwellers earning R500 a month. B/Day 28/3/89

FHA was originally established by the Urban Foundation.

Turnover grew from R2m in 1984/85 to a projected R103m in 1988/89 and the company is currently involved in the development of 29 000 homes.

FHA said in a statement released yesterday that it would allow respon- (32) dents to display their skills and wares in show houses and might also offer them franchise agreements.

The construction industry, hampered by unrealistic specifications to conform to lending institutions' and local authorities' norms, had not fulfilled the need for low-cost housing, FHA said.

More than 50% of the black population could not afford houses costing more than R16 000.

Rabie aims at R68-m turnover

32

Star 29/3/89

Rabie Property Developers, part of Rabie Investment Holdings and one of the largest property developers in the country, is forecasting sales of 1 300 homes in the Transvaal this year and 5 000 houses nationally.

"We are looking to achieving a turnover in the Transvaal of about R68 million this year. One of our successes has been that we have been able to secure prime land in the right areas," says group sales director, Dave Harris.

Mr Harris says the group's newest development will be at Spruitview on the East Rand where, in a joint venture with Murray and Roberts, where 300 homes of between 50 and 100 sqm upwards, with a starting price of R51 000, will be developed.

Riding high on ailing economy

Penpin posts 89% profits increase

Cape Times 30/3/89

Financial Editor

CAPE-based Pennypinchers Holdings (Penpin) has lifted after-tax profits by an impressive 89% in the year to December.

And — in spite of signs that the economy is headed for a downturn — group chairman Fasie Malherbe forecasts a spectacular rise in turnover in the year ahead.

The group is continuing with expansion plans and John Collier, MD of its buildings division, Penbuild, said yesterday: "We have not been affected badly in previous downturns because we are in the Do-it-Yourself (DIY) market.

"When the economy is doing badly and the property market is affected people turn to DIY."

Penpin lifted turnover by 71% to R110m (R64m), breaking the R100m barrier for the first time.

After-tax profits rose to R2,6m from R1,4m the previous year and earnings were 48% higher at 16,2c (10,9c). The final dividend is 4c making a total of 7c (4c) for the year.

Malherbe says that although the group's budgeted turnover for the current year is R185m it is "aiming to break the R200m mark."

Listed subsidiary Pennypinchers Boards (Penboard) of which Penpin holds 83%, lifted turnover by 76% to R30,9m (R17,5m).

After-tax profit rose by 66% to R1m (R0,6m). Earnings at share level were 59% higher at 9,67c (6,08c).

Penboard MD Garnett Carr said the 11 new outlets opened in the past year were already contributing to profits. More new outlets were planned for the present year and he expected turnover to rise to R45m.

Malherbe said that splitting the group into three specialized divisions — Penbuild, Penboard and Penprop, which held the properties from which outlets traded — had contributed towards its increased success.

In the past year Penbuild had opened outlets at Woodstock and in the Eastern Cape at Jeffreys Bay.

The group had acquired the Craig Hardware Group in the Transvaal with effect from November 1 resulting in further outlets in Randberg, Lanseria and Ferndale.

Penpin financial director Percy Bishop said the property division had expanded substantially in the past year.

"The properties owned by the group have a book value of R5m but carry a market value of R16m which is not reflected in the shareholders' interest of R14,5m in the balance sheet."

Fasie Malherbe

Garnett Carr

Earnings up 48% at Pennypinchers

By Ann Crotty

Pennypinchers Holdings, the Cape-based group that retails building materials, has reported a 48 percent increase in earnings to 16,2c (10,9c) a share, for the 12 months to end-December. This is slightly ahead of management's forecast at the interim of 16,0c.

A final dividend of 4c a share was declared, making the total dividend for the year 7c (4c) a share.

Turnover rose 71 percent to R110 million (R64 million) and taxed profits were up 89 percent to R2,6 million (R1,4 million).

According to chairman Fasie Malherbe, although the group is budgeting for turnover in 1989 of R185 million it was "aiming to break the R200 million mark".

He claimed that the seperation of the group into three specialised division contributed partly to the good results.

Penboard, which is 83 percent held by Pennypinchers, reported a 76 percent increase in turnover to R30,9 million (R17,5 million) and a 66 percent lift in taxed profit to R1 million (R600 000).

Earnings per share were up 59 percent to 9,67c (6,08c). Management is budgeting for turnover of R45 million in 1989.

Towards the end of financial 1988, Pennypinchers and Penboard had rights issues to raise funds to help finance the group's expansion.

Sowetan 30/3/89

Technology challenged

FHA Homes, a utility company of the Urban Foundation, has challenged South African technology to provide a building system to make it possible for families earning R500 a month to own basic, but durable, homes.

The challenge was made by Mr Alan Kitchin, research and development manager of the company, who said his copmpany's mission was to take housing down-market.

"In fact, the challenge is to see how far we can reach. Our aim for 1989 must be to make housing available to families earning as little as R500 a month," Mr Kitchin said.

He said houses costing in the region of R16 000 were affordable to less than 50 percent of the black population, while the top end of the market — houses for R40 000 and more — was becoming saturated.

Low-cost housing

The construction industry, he said, was unable to fulfil the need for low-cost housing because of "unrealistic specifications" laid down by financial institutions.

Mr kitchin said his company was now taking the initiative to induce inventors to come forward with new building systems and materials.

"Systems most likely to succeed are those that allow the owners themselves to extend their houses as and when they have funds at their disposal," he said.

To encourage entrepreneurs to develop and market viable low-cost building systems, the company has set aside a number of stands in a newly established township for the erection of showhouses.

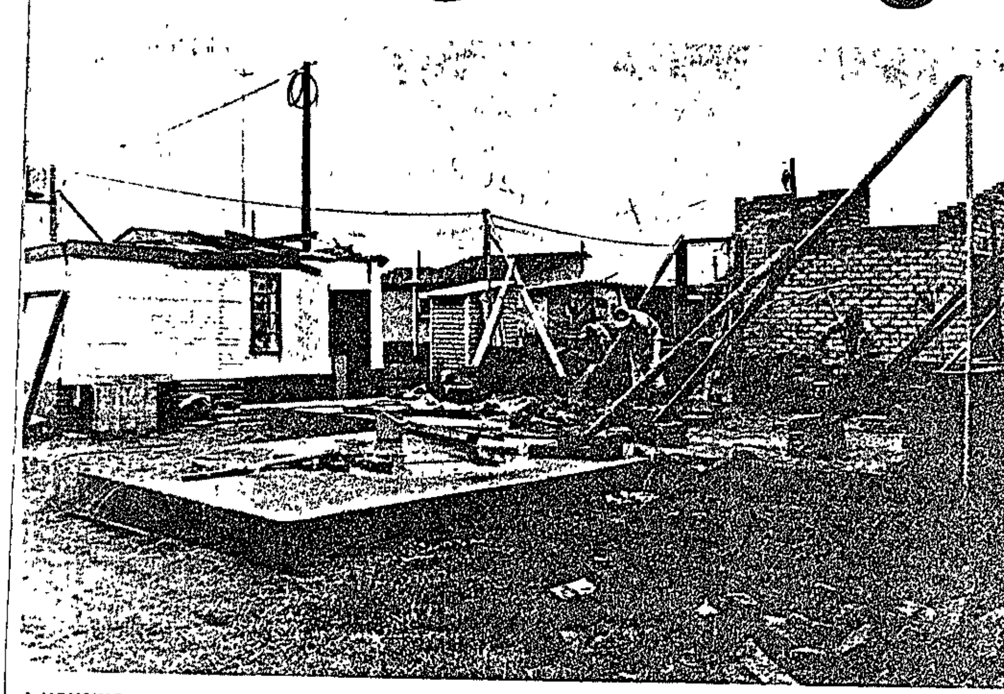
Urban Foundation

"Systems that merit consideration, but do not progress beyond drawing boards of their inventors or are unable to gain initial acceptance can now be tested in the market sector for which they are intended," Mr Kitchin said.

The company originally established by the Urban Foundation under the name Family Housing Association. For the past five years, the company has been supplying serviced stands and a variety of housing options in the PWV area.

It is currently involved in the development of more than 29 000 stands. Turnover has increased from a modest R2 million in 1984/85 to a projected R103 million in 1988/89.

Solving critical housing shortage



A HOUSING utility company has challenged South African technology to come forward with ideas which will contribute towards making housing affordable to families earning as little as R500 per month. Systems most likely to succeed are those that allow the owners themselves to extend their houses as and when they have funds at their disposal.

Sowetan 29/3/89

32

Cost effective construction

A SOUTH African company has developed a unique and cost-effective construction system in an effort to solve the critical shortage of housing in the country.

Mr T D Berbeyer, marketing manager of Ultraplan Systems Limited, said the newly invented system was based on a dry stacking interlocking system with numerous features, making it the most economical system available to date.

He said the system was designed in such a way that no cement was required for adhesion, thereby eliminating the need for a team of labourers to mix and supply dagha to the bricklayer.

Dagha mix

The Ultraplan blocks are delivered on site as a package and put together as a kit. By eliminating cement and the dagha mixing team, costs of materials and labour are considerably reduced.

"The blocks are designed in such a way that they fit into one another. This feature eliminates the need for skilled labour. Once the initial layer of blocks has been lain, the rest are stacked easily and quickly.

Conventional

"Since the size of the Ultrablock is the equivalent of about eight conventional bricks and is much lighter, the construction of a house requires much less time than a conventional brick house," Mr Berbeyer said.

He said the design of the blocks was of such a nature that no skilled labour was required. He said the blocks could actually be assembled by the owner himself.

Big increase in civils contracts

Star 1/4/89

NEW CIVIL engineering contracts totalling R458 million were awarded during February, says the South African Federation of Civil Engineering Contractors (SAFCEC).

This compares with last year's high of R395 million notched up in July.

Four large road contracts worth a combined R199 million were responsible for just under half this figure. (32)

A R54,5 million contract for the southern part of the northern access road to the Highlands Water Project in Lesotho was awarded to Dumex International.

Contracts worth R148 million were awarded for township works. — Sapa.

32

R2,3bn to go on roads

GERALD REILLY

PRETORIA — Spending on road building and maintenance this financial year by government, private sector and the provinces will exceed R2,3bn and, according to National Roads Director Malcolm Mitchell, the National Transport Commission has estimated total expenditure from the National Road Fund at R844m.

This amount, which still has to be approved by Transport Minister Eli Louw, is R80m more than last year's total. Most of government funds will go on rehabilitation and maintenance of roads. The private sector will spend between R400m and R500m and the provinces in excess of R1bn.

Mitchell said, although the amount spent by government on roads increases every year, no more will be spent in real terms than in 1973.

Of the transport departments' R844m, only R236m will be spent on new works; R100m will go to the Urban Transport Fund for road and related development, and R320m on rehabilitation and maintenance.

Mitchell said, because of the greater use of national roads by heavy transport, increasing amounts had to be spent on maintenance.

SA has to save more for growth

BDay KAY TURVEY 4/4/89

IT has become imperative that South Africans save more to generate capital for economic growth, Santam GM investments Roy Justus says in the company's latest quarterly economic review.

Savings plunged to a record low last year at 1,7% of disposable income, the latest Reserve Bank bulletin shows. SA needs a savings ratio of at least 6% to 7% to ensure a measure of growth, Justus argues.

"Even the 4,5% or 5% savings ratio which was achieved in the first half of the '80s would be more acceptable than the present situation," he says.

Savings in the emergent nations of the Far East are four to five times higher.

Justus says incentives to encourage savings should be introduced. These should be superior to the old post office and building society tax-free incentives.

A way would also have to be found to offer investors a real rate of return. Given the current rate of inflation of 15% or higher and tax at a marginal rate of 45%, it is difficult to achieve an after-tax real rate of return from savings, Justus says.

There had been a move towards the freeing of the capital market with the Budget announcement that prescribed assets were to be abolished.

However, there was still considerable confusion surrounding this as it was subsequently announced that there would still be some form of control over the investment of funds.

These controls were yet to be negotiated and were creating uncertainty.

Falling import trend

BDay 4/4/89

KAY TURVEY

IMPORTS appear to have reached a high and will maintain a falling trend in the current year, says Sanlam's latest economic survey.

The expected sluggish economic growth rate will result in a notably slower increase in imports this year compared with the exceptionally high rate of about 40% in 1988.

This, combined with sustained growth in the economies of the major industrial countries and renewed local efforts to promote exports, should have a favourable effect on the current account of the BoP.

In spite of a poor start to the year when exports fell as a result in the slump of gold and base metals, Sanlam is optimistic over exports.

However, the performance of the gold price will be the most crucial factor for the BoP this year. Should the shaky trend continue, it will harm net trade.

Yet a lasting deterioration in the gold price will also lead to a depreciation of the rand, discouraging imports and encouraging exports, mitigating the effect of a slide in the gold price on the trade account.

Sanlam forecasts a current account surplus on the BoP of about R4,5bn in 1989 as opposed to R2,9bn for 1988, assuming an average gold price of about $400 and an average exchange rate of R2,55 to the dollar.

On the capital account Sanlam envisages a net outflow of between R3bn and R4bn, indicating the BoP will remain a fundamental constraint in view of the large capital payments to be made in 1990 and 1991.

HAWKER GROUP TO LAUNCH AN INFORMATION CAMPAIGN

SYLVIA DU PLESSIS

RETAILERS lost an "insignificant" amount of money to SA's 900 000 hawkers and spaza shop owners, said African Council of Hawkers and Informal Businesses (Achib) president Lawrence Mavundla.

However, the battle between the two camps persisted, and the only way to solve the problem was through an education campaign to show retailers hawkers did not threaten their business, he said.

Achib, representing 14 400 informal traders, would focus this year on encouraging retailers to work with hawkers, he said.

The organisation was launching a media campaign to dispel the myths surrounding the burgeoning informal sector, and would also be arranging discussions with trading associations later this year.

Mavundla said these moves were a response to retailers' allegations that hawkers provided unfair competition and did not pay rates or sales tax.

Achib is also negotiating with the Johannesburg City Council on the possibility of launching a "Keep Clean" campaign among hawkers.

Retailers needed to understand South Africans were not living in an equal society and many hawkers were unable to find alternative employment in the formal sector, Mavundla added.

Star Line

SALLY SEALEY

Swimming Pool Institute replies to criticism

32

The National Swimming Pool Institute (NSPI) has come under fire from consumers who believe that the organisation is ineffective because it is made up of a cartel of swimming pool companies and their suppliers.

Consumers have told Star Line that the NSPI had in many cases failed to respond to allegations made against its members and in cases where it had responded clients had been dissatisfied with the results.

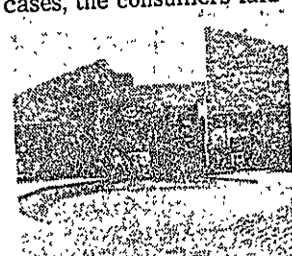
Mr Brian Ginsberg, who sits on the NSPI board, said the board consisted of six members — three swimming pool builders and three material suppliers.

He stressed that the NSPI was a consumer-oriented body.

It was not only the NSPI's duty to protect the consumer but to protect member-companies also.

"Our main function is to act as mediators between the consumer and the pool company."

Mr Ginsberg said that even though the NSPI was made up of swimming pool companies against which, in some cases, the consumers laid complaints, "there is no conflict of interest".



Private pool . . . stains irk owners.

Star Line has received several letters from poolowners who have complained about alleged shoddy workmanship of some of the NSPI's member-companies.

A common complaint from consumers relates to stains which often appear on the white cement covering of a pool.

Mr Ginsberg said: "Most pool builders stipulate in their contracts that pool plaster is not under guarantee.

"The product can stain. This can be due to the type of cement used. There can be a certain amount of 'bleeding' through the white product.

"This has no effect on the functioning of the pool, it just doesn't look very nice."

Mr Ginsberg said the NSPI did not have the authority to push its members into repairing or completing pools.

"We are really troubleshooters. We can only advise a builder or a supplier on what action to take."

First building contract at Mossel Bay

STAR 4/4/89

(32)

The first contract for permanent buildings at the new Mossel Bay refinery (Mossref) has gone to contractors Stocks and Stocks.

The company has just 16 weeks to complete the R11,2 million project which involves the construction of a fire station, security complex, warehouse, workshop and chemical storage facility at the site near Mossel Bay.— Sapa.

SANDTON (32) FMAIL

Shuffle and cut

Some say it's 10 years too late, others say Sandton has missed the planning boat completely and that residents will simply have to

FINANCIAL MAIL APRIL 7 1989

(32)

live with the office sprawl that in less than a decade has engulfed the town.

Optimists within Sandton's planning department obviously believe it's never too late. They are in the final throes of formulating a 30-year strategic structure plan for Sandton — and their proposals will be submitted to the town council at the end of the month.

A draft strategic plan, which has been circulating among interested parties since the beginning of the year, was drawn up by town and regional planning specialists Van der Schyff, Baylis, Gericke & Druce. It contains several alternatives on which ratepayers have been asked to comment.

Those comments are now being collated and will be used to formulate the final recommendations which the council will examine at the month's end. The Van der Schyff plan goes to the nut of the problem by concentrating on "th question of uncontrolled office growth with all its negative impacts."

It then goes on to set out the various broad strategic planning alternatives open to Sandton including the options of allowing urban sprawl to take place or zero growth at the other end. Between these are nodal, linear, sectoral and corridor development.

It points out that the town has generally allowed the development of offices where there has been pressure for this use as indicated by applications for rezoning.

While this has resulted in phenomenal growth around the town centre, it has been accompanied by equally extreme problems, particularly traffic congestion.

The planners stress it is impractical to assume that further office development can be prevented. "At the same time we aren't saying that Sandton must simply accept pressures for office growth. The approach is rather to direct expected growth to appropriate locations."

These include:

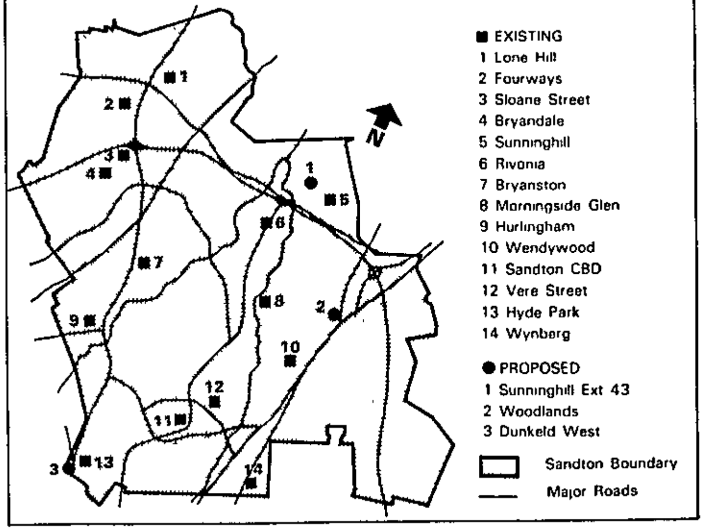
☐ Directing additional office development to the Sunninghill node where office applications have already been approved. The area has good regional accessibility, a supportive road network and offices would have minimal environmental impact;

☐ Channelling future office development towards the Bothasfontein Interchange near the Woodlands office park site and to the Eskom headquarters in Kelvin. The stimulus for this is the presence of Woodlands, a number of other office applications in the area as well as the recently announced intention of Eskom to develop the rest of its site for the open market;

(32) FMAIL 7/4/89.

Opening up options

Existing and proposed major business centres



☐ Encouraging additional office development in Rivonia because there is already a strong office presence in the area combined with good regional accessibility; and

☐ To allow for the establishment of an office node around the Fourways intersection. The motivation for this is that the area is within the growth sector and enjoys a reasonable degree of accessibility.

The report goes on to urge that in evolving an urban structure the council should adopt a strategy of balanced growth directed at locations where the negative impact is kept at a minimum. ■

(32) FM ML 7/4/89.

ROAD BUILDING (32)

Cinderella treatment

Since 1975 the Department of Finance (DoF) has been steadily reducing the funds allocated for road construction and maintenance. Based on current trends, the question may well be asked: how long will it be before SA's road network falls into disrepair through neglect?

This year's allocation of R2,2bn, for the building and maintenance of rural roads, is down 18% in real terms on last year, and 3% down in nominal terms. It will be split between the provinces and the SA Road Board (SARB) and will finance some 400 projects countrywide.

The SARB, which will come into being on April 3, will be chaired by Department of Transport DG Ron Meyer. This follows recommendations in the White Paper on Transport Policy that the SARB takes over the functions of the National Transport Commission in the Urban Transport Act and the National Roads Act.

However, in the end government's Priorities Committee, not the SARB, will have the final say over how money is used. This less than perfect system has resulted in:

☐ More funds usually being allocated to the Cape than to the Transvaal;

☐ The provinces frequently not allocating the funds they receive correctly; and

☐ Political factors, rather than technical needs, determining how funds are spent. For example, in some cases no funds are allocated to gravel roads used by 2 000 vehicles/day, while roads used by only 200 vehicles/day are tarred.

Piet Myburgh, executive director of the Southern African Bitumen and Tar Association points out that "State expenditure on roads has decreased by an average 3%/year in real terms since 1975. In contrast, use of the roads, in terms of standard heavy axles, increased threefold in the period 1978-1984 — and much more since then."

He estimates SA's rural road network is worth R27bn. But "the backlog" in infrastructure caused by delaying essential building, maintenance and improvement programmes has increased to R30bn.

This year's allocation of R2,2bn covers only 7,3% of the backlog. The DoF was certainly in a position to have been more generous — even though the dedicated road fund, financed by an 8c/*l* levy on fuel, was done away with last year in favour of levies being channelled into a central kitty.

Since then more taxes have been imposed on fuel, including the latest tax hike on January 16. In addition, funds are flowing in from licence fees, including heavy-vehicle licence fees which were increased by up to 150% in September 1988.

While the allocation for road-building decreases, the cost of building and maintaining roads increases. The upshot is less roads are being built and less maintenance is done every year.

This is worrying for civil engineers who rely on road-building for more than 40% of their income, says Kees Lagaay, executive director of the SA Federation of Civil Engineering Contractors. Corrected to 1988 values (see **table**) the value of road-building contracts annually awarded to the industry, including the building of urban roads, range between R1,85bn in 1976 and R1,05bn in 1984.

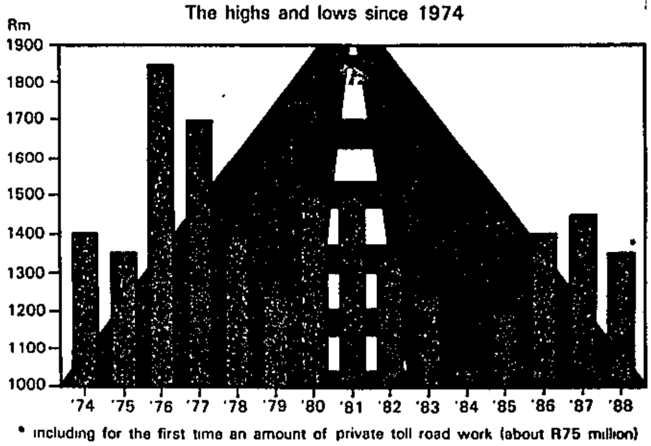
Private toll companies' contracts were a shot in the arm for the industry, says Lagaay.

Ian Madden, director and GM of Toll Highway Development Company, says by the end of the first quarter of 1989 it would have spent R150m of the R1bn planned expenditure on the Hendrik Schoeman tolled highway between Springs and Krugersdorp.

Financial director of Toll Road Concessionaires Neil Douglas says no new contracts were awarded this year, but adds: "We'll spend R170m this year on the five contracts on the go between Warden and Villiers on the N3." ■

Contractors' share

The highs and lows since 1974



* including for the first time an amount of private toll road work (about R75 million)

Source SA Federation of Civil Engineering Contractors

Crushed stone prices up 30%

BIDay 10/4/89

(32)

EDWARD WEST

RETAILERS of crushed stone in the PWV construction industry have reported a 30% increase in the price of stone in the past four months.

Graphs of seven pricing indices for selected building materials such as cement and bricks show the price of stone rising far above that of other materials since 1980, CSS statistics show.

Crushed stone is currently selling at around R50/m³, though regionally this price is subject to change. It is used in concrete and in a variety of other applications in the industry, including road-building.

Two of SA's leading producers of stone are Hippo Quarries and Ready Mix Materials.

Ready Mix Material MD Graham Hardy says the CSS indices are not indicative of the achieved price for stone, which is usually below the average 17,5% increase recommended by the Stone Association.

He says the reported 30% increase in the actual ex-quarry price of stone is also incorrect.

However, the added cost of transport, often not undertaken by the stone producer, could have increased the cost of stone by more than the association had recommended.

The Star Finance

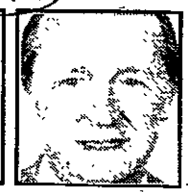
Low productivity a major challenge

Star 1/4/89

32

Property & Construction

FRANK JEANS



The construction and building industries are being continually hampered by low productivity caused by three main factors — lack of management skills, severe fluctuations in the business cycle and inadequate training at "grass roots" level.

This is the conclusion of the National Productivity Institute which, at the same time, believes management has awakened to the fact that they are facing big challenges in the area of output.

Jerry Eccles

Mr Jerry Eccles, construction unit manager of the NPI, says: "It is imperative that management gets together with the federations and associations of the industry and accept responsibility for meeting the challenge of improving productivity.

"It is only through their initiative and dedication that improvement can be achieved."

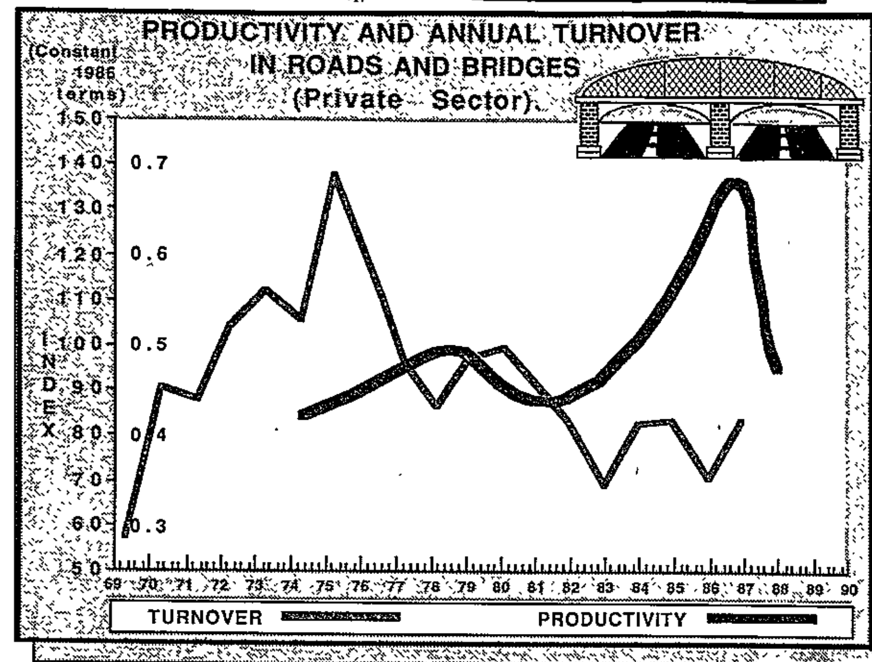
Mr Eccles makes the point that in civil engineering and building, contract prices and to a lesser degree, their productivity, are directly related.

This is particularly apparent when one looks at trends in road construction.

In times of steady economic growth, tender prices and productivity improve accordingly.

However, the boom and bust conditions over the past 10 years have generated wide fluctuations in productivity and prices and the effect of these cyclical swings is seen in the accompanying graph.

After the booms years of the Seventies, the industry slid into recession until well into the Eighties and as the slump deepened, productivity rose dramatically, material price increases were absorbed by contractor and supplier alike and profits plunged.



"By 1986, prices were more than 25 percent lower than individual companies and the industry could withstand for long-term survival," says Mr Eccles.

"By this stage, plant was being depreciated over longer periods and no provision was made for replacement.

"As conditions improved, prices rebounded sharply as the industry battled to replace scarce resources and had to pay inflated prices to secure by then, obsolete plant.

"In the roads section a massive overcorrection is now taking place as the reduced numbers of contractors who survived the cut-throat rates of two years ago now enjoy a relative abundance of work."

Think tanks and workshops have identified other main problems surrounding the low productivity factor — poor planning and programming and poor design; inadequate communication between negotiating parties and lack of commitment to improve within the industries.

Govt's handling of road funds under fire

MARC HASENFUSS

32

THE SA Bitumen and Tar Association (BTA) has come out strongly against the government's decision to increase heavy vehicle levies without earmarking these funds for road building and maintenance.

Finance Minister Barend du Plessis announced in his Budget speech last month that an increased levy would be imposed on heavy vehicle licences and on diesel fuel, a move that would garner an additional R200m for the exchequer.

BTA executive director Piet Myburgh said although government believed road damage caused by heavy vehicles was the primary reason for increased levies, there was no guarantee the funds would be spent on improving roads.

Myburgh said there had been a steady decline of 30%, in real terms, in expenditure on road programmes in the past 10 years, with petrol and diesel fuel levies steadily increasing during the same period.

He said the money motorists paid towards road construction and maintenance, an average of R120 a year, was spent elsewhere.

Myburgh said that, by allowing roads to deteriorate by cutting road expenditure, the cost of repairs was being increased five-fold.

Research showed that travel on poor and unsurfaced roads increased vehicle operating costs by almost 45%. "In the case of truck transport, these costs are added to the cost of the goods carried and the end-user eventually foots the bill," he said.

BDay 4/4/89

Privatisation spells R8m saving on sewerage plant

B/Day 13/4/89

32

HELOISE HENNING

PRIVATISATION has brought about a capital saving of R8,5m on the construction of the new Zandvliet sewerage plant in the Cape Peninsula.

Initially the House of Representatives local government department budgeted the cost of the plant at R22m. It was designed to service 250 000 people in Khayelitsha and Blue Downs.

After the decision to have the plant constructed on a turnkey basis instead of the local authority taking control of construction and operation, the final cost was R13,5m, said Blue Downs project engineer Charl Krige.

The contractor will operate and maintain the plant at a quoted fee for five years, giving the local authority control over the plant's running costs.

Krige said the switch to a turnkey operation, cutting out the consultant, created competition among companies offering innovative design, construction and management of the plant.

The initial approach included tenders for private financing, but it was found that the interest rate on government funds could not be beaten by the private sector.

'Shoddy' work in Blue Downs

HOUSES in the Conifers, the LTA Comiat development in the massive Blue Downs housing project, are subsiding and are in danger of collapsing, according to a report prepared by an independent architect.

Meanwhile, the Conifers Ratepayers' Association has denied a statement made to the Cape Times by the Minister of Local Government, Housing and Agriculture in the House of Representatives, Mr David Curry, on Monday after he met ratepayers and representatives of LTA Comiat.

Arbitrator

Mr Curry said officials of his department would investigate on behalf of residents who complained of shoddy workmanship and that their houses were unsafe.

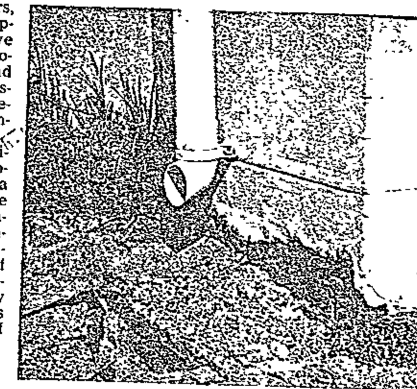
However, Mr Ernest Abrahams, chairman of the association, said yesterday that Mr Curry had agreed at the meeting to appoint an independent arbitrator in seven days and that the terms of reference would be acceptable to all parties.

The architect's report, drawn up after an inspection requested by Conifers ratepayers, has found that the foundation slabs of the houses were laid on sand which appears not to have been stabilised and is undercompacted and are consequently subsiding.

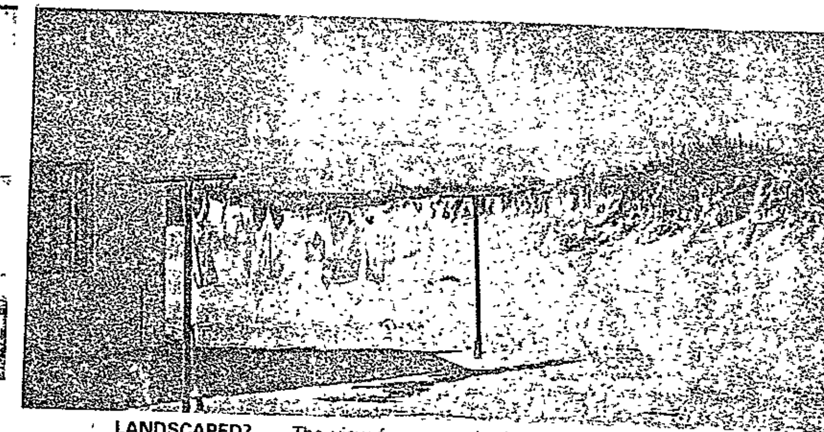
Approved

The report says downward deflection on the slabs is causing the outer walls of the houses to draw inwards, resulting in structural damage which would make the houses substandard. Heavy rains which washed away sand from the footings of the houses and let water under the slabs would mean a real danger of the walls collapsing.

Mr Alain Gouvernel, managing director of LTA Comiat, said yesterday that plans for the houses had been approved by the relevant local authority, that foundations had been designed by professional engineers familiar with local soil conditions and that inspectors from bond-granting building societies had inspected the work at all critical stages of construction.



WASHAWAY ... Rains caused the soil to wash away under the footing.



LANDSCAPED? ... The view from most back doors is a vast sandpit.

Report claims that homes in danger 'of collapsing'

Report by MEG BRITS

He said "We have built 164 houses in the first phase of our Blue Downs project and are committed to build a total of 1 500. We are also, as a reputable developer, committed to quality. We are not there to make quick money and get out.

"The subcontracting builder, LTA Building, is also a major reputable firm and I believe it unlikely that there would be structural problems of any magnitude. We also have our own contracts manager on site at all times to ensure good quality.

"I'm not saying all the houses are perfect. There are always minor defects in a new housing development, which of course we will make good."

However, Mr Gouvernel said: "We are human and if there has been any real mistake which causes major damage, we will rectify it.

"Housing is a small part of our business and we would not jeopardise the future of two major companies for problems in this development."

Meanwhile, many ratepayers are considering stopping bond payments until their houses are fixed to their satisfaction — or to that of an independent arbitrator paid for by Mr Curry's department.

Mr Abrahams last week sent Mr Curry a lawyer's letter demanding that the issue, which has been at stake for weeks, be resolved.

Last month Mr Curry expelled the press from one meeting with the Blue Downs Ad Hoc Committee — representatives of ratepayers in all areas. He also walked out of another meeting with the committee because the press was present.

He has also said in Parliament that ratepayers should go ahead and sort out housing problems themselves.

Complaints have ranged from shoddy and even dangerous workmanship through lack of facilities and amenities promised to homebuyers in Blue Downs to questioning the role of inspectors responsible for passing the buildings.

The architect's report on houses in the area said even a preliminary inspection showed the land on which the houses are built had not been stabilised. It is usual to do so, with straw, when building on sand.

Recent rains had washed raw sand away, the report says, and exposed the footings of several houses.

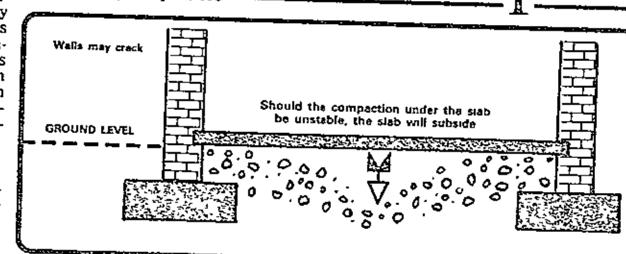
The floors in several houses were "wavy", indicating that the ground under the foundations had not been compacted or was undercompacted. An outward indication of this was that fitted carpets were being split by the stress.

An indication that the walls were being drawn inwards was that window and door frames continually worked loose or split away from the walls.

In addition, lack of land fill and levelling meant that, in the rainy season, water could find its way under some foundations of the slabs, causing a very real danger of collapse.

The report also made mention of several problems with the finish on houses, and of the fact that in several cases, elements which had been included on the plan approved by buyers was missing.

In some cases, the house even looked different from the sketches shown to buyers and signed by them.



PROBLEM ... What will happen if the underlying ground is under-compacted.

ROAD CONSTRUCTION & TOLLROADS

B/Day 13/4/89

Work is welcome

(32)

THE current activity in road building should last to about the middle of 1990 and then taper off slightly, but not dramatically, says Roger Cuningham, MD of Group Five Roads.

He says the work for roadbuilders is a most welcome change from the dearth of work that characterised the recesion. "We only recently emerged from a period of drastic underspending on roads."

Group Five's road building companies — trading under the Savage and Lovemore banner throughout the country — have benefited. All are heavily committed and will be working flat out on their existing contracts until the middle of 1990.

Cuningham says: "The toll road programme was introduced as the only affordable way of overcoming the serious backlog that had built up." And when the surge in road construction comes to an end the SA Road Board will identify other major roads for upgrading. "There are quite a few of those that were overlooked when the current programme was decided on."

The board came into being on April 3 when it took over the National Transport Commission's functions in the Urban Transport Act and the National Roads Act.

Cuningham reels off an impressive roster of work in progress — and is happy for the time being.

Savage and Lovemore (West Cape) is still in the early stages of a R54,4m contract to construct a 21km stretch of the N1 between Florence and Worcester.

The contract, which includes building 13 bridges, begins some distance north of the Huguenot Tunnel, where the existing road across the Breede River Valley to Worcester is not wide enough to cope with the volume and type of traffic that uses it.

For much of the year, the Breede River is dry and rocky but, during the rainy season, in the Cape winter, it and a number of smaller rivers in the contract area are transformed into deep, fast-flowing torrents.

Getting the 13 bridges sufficiently advanced to withstand those conditions has obviously become a major preoccupation, but Cuningham is sure, "we're winning".

Savage and Lovemore (Natal) was also awarded a major contract worth R54,5m for 9,2km of freeway between Tongaat and Ballito on the north coast. This contract includes the construction of a continuous pre-stressed box-girder bridge over the Tongaat River and the remodelling of the Ballito interchange.

Savage and Lovemore (Natal) was involved in what Cuningham regarded as "the most difficult of recent road contracts", the upgrading of the Mooi River section of the N3 to toll road standards. Special equipment had to be imported — equipment to recondition existing pavement materials for re-use and for the jacking up of existing bridges to restore traffic head room clearance.

Two other Group Five companies are involved in the construction of the new Villiers-Warden freeway on the western end of the N3 toll route.

Savage and Lovemore North is building the 20km of new road immediately east of Villiers and Savage and Lovemore (East Cape) is tackling the adjacent 20km strip.

The two contracts are worth about R90m.

THE state may be spending more on roads this year than last but nowhere near enough, says Piet Myburgh, executive director of the Southern African Bitumen and Tar Association (Sabita).

He warns SA can expect roads to deteriorate steadily and ultimately the collapse of the network if government continues with its attitude to road financing.

The consequences will be higher road transport costs "and a state of affairs that cannot be put right with our industrial resources".

Myburgh says state expenditure on roads has declined by an average of 3% a year since 1975. In contrast, measured in terms of the increase of standard heavy axles, demand on roads increased threefold between 1978 and 1984.

Most experts value the road network at about R27bn and rate it as reasonably adequate, says Myburgh.

☐ PIET MYBURG, Sabita executive chairman

B/Day 13/4/89 (32)

Roadmarking earns R20m annually

IN rugby parlance, the roadmarking industry took the gap while no one was really watching, and has developed into a R20m/year industry with its own representative body, The SA Roadmarkers' Association (Sara).

The association was formed on September 1 1988. Membership is restricted to companies "who make it their business to to supply and apply roadmarkings".

They must possess at least two roadmarking machines with a capacity of at least 400*l* of paint each, "the necessary support equipment, trained personnel to operate it, and infrastructure to manage a successful roadmarking operation."

Members must also have the necessary technical and financial resources to carry out major works competently and "at least five years' experience in actual supply and application of roadmarking, with a satisfactory track record during this period".

Sara's members employ more than 500 people. Their combined annual turnover is more than R20m and, with roadmarking machines at their disposal, they could paint a row of dots between Johannesburg and Cape Town every day.

The modern machines used to mark roads are not an uncommon sight anymore, but not many are aware that there has been a swing away from the relatively simple materials roadmarkers used a few years ago.

Roadpaint has been improved significantly, and roadmarkers even use various forms of plastic, some sprayed on in molten form. All their materials are impregnated with tiny glass balls to reflect light at night and reduce skidding in wet weather.

Written by DAVID PINCUS

WBH WINS CONTRACTS

R Day 13/4/89

JOHN WILSON, chairman of Wilson Bayly Holmes (WBH) believes the outloook for roadbuilders is fairly bullish if government continues with its programme of privatising roads.

His company has won a number of interesting contracts including one known as the De Downs contract worth R10m, to construct a 12km nature reserve access road in the Lebowa Trust area, some 60km south-west of Tzaneen.

The road will traverse mountainous countryside and extensive use will be made of Gabion wall protection.

The Gazankulu Development Trust has awarded WBH a R7m contract to build the second stage of an access road between Dwalsloop and Thulumahashe.

It was also recently awarded the so-called Potchefstroom Road Phase II contract, worth R12m, which calls for converting 2km of road between the Klipspruit Valley and the Morocco Police Station into a dual carriageway.

32

Towards the end of last year WHB handed over the R8m Krugersdorp Bypass and the Old Potchefstroom Road Phase 1 contract, worth R5,1m, to the Transvaal Provincial Administration.

BDay 13/4/87 (32)

Experts pave way to better roads

Road construction & tollroads

A Business Day Survey

THE Conference on Asphalt Pavements for Southern Africa (Capsa), to be held in Swaziland on June 6-9, is probably one of the most important events of its kind in sub-Saharan Africa

These international conferences on road building are held every five years

This one will bring together and present delegates from eight countries with the opportunity of hearing some of the world's top road builders, researchers, engineers and academics prepared to share their knowledge and experience and discuss trends and problems in the industry

The countries represented will include the US, UK, New Zealand, Taiwan, SA and other African countries

Isaac Sam of the southern African division of the World Bank will be the keynote speaker on the importance of preserving surfaced road networks in sub-Saharan Africa.

Charles Freeme, divisional director of roads and transport technology of the CSIR, will be another of the well-known speakers.

Among others are Steve Brown, professor of civil engineering and head of the pavement research group at the University of Nottingham; Tom Kennedy, of the University of Texas at Austin; Byron Ruth, University of Florida; and Jorge Tosticarelli, University of Rosario, Argentina.

More than 70 papers from leading overseas and local experts, all of whom are involved in developing and preserving roads, will be presented.

Delegates should be able to learn a lot even from papers that won't deal with local or regional problems, such as one that will deal with road structure design in the US.

One paper will deal with the cost-effectiveness of asphalt surfaces in developing countries.

Another of particular interest is based on experiments by CSIR road experts G Schermers and Hennie du Plessis which showed that "at constant speeds on level roads, road surfaces alone can affect the fuel consumption of trucks and buses by up to 20%".

Phil Erasmus, chairman of the Public Carriers' Association (PCA), estimates the price tag of the succession of government-driven cost-increases the industry has had to cope with in the year to the end of January increased is R2bn.

Fuel alone accounts for more than 30% of operators' costs.

In the light of cost rises "it is now more important than ever for the industry's leaders to put their heads together to develop road technology as one that also reduces transport costs," says Capsa CE Piet Myburgh.

"The road industry is operating against a backdrop of highly competitive claims on public funds and our natural resources used for road building, such as stone, sand and gravel, are diminishing.

"As the aim of Capsa is to provide a forum where the road industry's members can discuss the latest research and new developments in road building, we hope they will also come up with some cost-effective solutions to problems.

"If they do, we can take their solutions to the appropriate organisations and we can make worthwhile changes to our technology."

The conference will be divided into nine technical sessions on the management and design of pavement structures and the materials used. There will also be session on the composition and characteristics of modified binders.

Capsa will end with a summary session by Fred Hugo, University of Stellenbosch, who will present the state of the art in the industry and identify needs.

Registration and details can be obtained from, The Capsa Chief Executive, PO Box 6946, Roggebaai, 8012.

Govt may take back toll roads

IF THOSE persons who oppose the granting of existing roads to private companies win, government may well have to take the roads back — and pay substantial compensation to the toll companies which now operate them, says Deputy D-G of the Department of Transport (DoT) Louis Kluever.

"We will have to meet our obligations to Toll Road Concessionaires (Tolcon) and the Toll Highway Development Company (THDC), formerly Tollway, and settle with them to operate their roads as state tollroads"

The DoT has been criticised over the privatisation of existing roads. It has been stymied in Parliament, lost a costly court battle against the Johannesburg council and has been ordered to demolish a nearly completed toll plaza south of the city.

It is now embroiled in a court case over the Mool River plaza with the Public Carriers' Association (PCA) and others.

Kluever explains why the DoT may have to throw in the towel as far as the tolling of portions of the N3 and N1 by Tolcon, and the Springs-Krugersdorp highway, the Hendrik Schoeman Highway (which is still being built), by THDC

It is a condition of contract with the two companies that "enabling legislation" be passed before they have the right to toll the roads for their own account for 25 years

That legislation, the National Road Amendment Bill, was presented to Parliament last year and, although passed by the House of Assembly, was thrown out by the House of Delegates and the House of Representatives.

It has since been reworked and made more "user-friendly" and will be submitted to the three Houses again this year. It now attempts to satisfy many of the objections raised about privatised tollroads.

For example, it obliges government to "hear the other side" and contains a rather complicated formula to determine who and what the "other side" is And it specifies the level of adequacy that must be achieved for alternative roads

Kluever says, if the Bill is thrown out again, the DoT will not carry on resubmitting it

"We may well adopt the attitude that we tried and lost, cut our losses and settle with the companies, and operate them as state tollroads.

"But that is obviously a decision that will have to be taken by the Minister of Transport Affairs Eli Louw.

"I doubt whether this is the type of legislation the State President would like to submit to the State President's Council."

He has strong feelings about what he regards as the 'negative' role the media has played in his department's efforts to privatise roads

"For years the media has criticised government for being too deeply involved in the economy, but when we try to reduce the public sector's role in the economy by privatising roads we come in for severe criticism from the media."

Tolcon's financial director Niel Douglas says, in the case of his company, "the state will have to take over immediate obligations and commitments of some R600m, in addition to the ongoing maintenance and rehabilitation obligations of the roads".

"There is also the question of future new road construction."

He estimates the effect of this on the taxpayer, who will obviously have to foot the bill, will be 6% more for fuel and another half percent on GST.

His figure of R600m may be questioned. In terms of the National Roads Act, the DoT may appoint private companies to act as its agents. This arrangement may continue until the money collected equals the total spent on improving the road.

Tolcon will act as the DoT's agent until the enabling legislation is passed, so the state's indebtedness to it may be decreasing steadily.

BUSINESS

B|Day 14|4|89. (32)

First phase of SA's largest soccer stadium expected to cost R32,5m

EDWARD WEST

CONSTRUCTION on the first phase of the estimated R75m Soccer City is expected to cost R32,5m, compared with an original budget of R30m.

Deemed to be the largest stadium in SA, Soccer City's first phase will be completed in August when the first soccer match is expected to be played, according to Peter Lait, MD of Grinaker Construction, whose company is building Soccer City.

The contractor's need to find a home stadium for its sponsored team, Grinaker Rangers, and the National Soccer League's need for a more accessible and spacious stadium for predominately black spectators, originally led to the construction of the stadium, he said.

Soccer City is being constructed with financial aid from main sponsors First National; Grinaker, which provided substantial bridging finance; and the National Soccer League.

The first phase will seat 75 000 spectators and when the second phase is completed 125 000 spectators will be accomodated.

Several suites in the stadium have been completed and are presently being marketed. The stadium will eventually offer 350 suites, to be constructed according to demand, says Grinaker Holdings CE Jack Saulez.

Additional space, equivalent to that set aside for the suites, has been earmarked for the development of small businesses and showrooms. A hotel and an office block is also on the cards for phase two, says Lait.

Consultant claims big cut in costs

Bi/Day 17/10/89

EDWARD WEST 32

DURBAN-based consulting engineer Shepherd & Shepherd Inc claims to have designed the cheapest factory buildings in SA.

MD David Shepherd says it has worked on six factories for KwaZulu Finance Cororation costing "as little as R331 000".

Economy in building is constantly being sought but, because most building projects are one-off exercises, the opportunity to test a particular solution against options does not often arise, he adds.

Facilities

Building costs varied with sites and requirements but the factories at Isithebe are estimated to have resulted in a saving of between R100 000 and R138 000 a unit.

The factories, with the same basic requirements but different designs, include offices, welfare facilities and site works covering 1 000m².

Steelwork, reinforced concrete and brickwork were used.

Top M & R executive sits out suspension

3/Bey 17/4/89 KAY TURVEY 32

EXECUTIVE chairman of Murray & Roberts Construction, Geoff Knudsen, whose divisional activities are the subject of an internal inquiry, is sitting out his suspension in Cape Town.

Knudsen, 55, who was sidelined from head office in March on full earnings, is expected back in Johannesburg today.

M & R CE Dave Brink said yesterday the inquiry was an internal matter that did not involve the police and would not have any impact on the group's performance. The investigation would take as long as was needed.

Building industry still strong

BDay 18/4/89

32 EDWARD WEST

THE value of commercial and industrial building plans passed in February increased by 130% over the comparable period last year, following equally strong growth of 133% in January.

This is in spite of expectations of a gradual decline this year.

However, both the Building Industries Federation of SA and the National Association of Homebuilders (NAH) agreed the newly released CSS statistics did not neccesarily indicate a growth trend. Large single projects could distort the statistics, they said.

Mindful of this, NAH executive chairman Johan Grotsius said non-residential buildings could still be riding on the back of demand carried over from slack periods in 1986.

Major increases in non-residential building plans passed were seen in the urban areas of Durban, Germiston and Johannesburg, the CSS report showed.

Developments in the residential building sector did not fare as well. In line with recent trends, the value of building plans passed for houses in February decreased by 2,9%.

In spite of the backlog of over 200 000 housing units a year and a 50% increase in 1988, the sector had still not reached 1983 levels, Grotsius said.

'Cartels to blame for rising costs'

BDay 17/4/89

CARTEL conditions in the supply of major materials in the construction industry were continually pushing prices up while the weak rand had resulted in marked increases in prices of imported plant and spares, the SA Federation of Civil Engineering Contractors said yesterday.

It said the rise in contract awards during the past 18 months had resulted in some easing of competition and improvement in margins, but prices in the construction industry remained competitive. 32

Larger

While conditions were generally satisfactory and order books were reasonably filled, the outlook for the next 12 months was uncertain, as there was concern about availability of new work later this year and the possibility of a downturn in 1990.

Commenting on the upswing in roadworks and township infrastructure, the federation said although there had been a fair spread between larger and smaller contracts, not all industry sectors had benefited from the upturn.

Concrete work and mining work on the other hand had lagged behind, tunnelling was quiet and a shortage of railway siding work continued to be experienced. — Sapa.

Firms 'divided' (32)

CONTRACTORS are divided on whether to continue accepting jobs in Soweto following the fatal shooting last week of a white employee of a Pretoria-based electrical contracting company operating in the township.

Approached for comment, many companies were surprised by the event, saying they had never experienced hostility from residents while working in the townships.

Victim of the shooting, contractor Mr Henk Prinsloo (36) of Silverton, Pretoria, was shot in the back after four youths pounced on him, taking his gun and wallet.

A Wynberg company spokesperson justified the decision of his firm to refuse township contracts as being "quite common. Most companies are pulling out, except for the very big concerns doing reticulation, who can provide proper security for their men.

"The small people can't afford to take the chance anymore. Bricks are thrown at us and there is a lot of thieving.

"It isn't worth the

• To Page 2

Firms are divided (32)

• From page 1

aggravation. It's just too complicated to do it anymore."

A different opinion was expressed by the spokesperson for a prominent Lyndhurst electrical contracting firm, which has decided to continue its service in the black townships: "That man was asking for trouble, walking around with a gun flashing on his hip."

The spokesperson said that his company had "never, in three years, had a problem with going into the townships.

Sowetan 19/4/89

Soweto contracts: opinions differ over dangers

Star 19/4/89

By Janet Smith (32)

Contractors are divided on whether to continue working in Soweto after the fatal shooting last week of a white employee of an electrical company.

While some felt it was too dangerous to work in black areas, the majority said they were surprised by the event.

Contractor Mr Henk Prinsloo (36) of Silverton, Pretoria, who was working with his gun in full view of passers-by, was shot in the back by four youths who took his gun and his wallet.

A spokesman for a Wynberg company said his firm's decision to turn down township contracts was common.

"Most companies are pulling out, except for the very big concerns doing reticulation, who can provide proper security for their men. The smaller people just can't afford to take the chance any more.

"Bricks are thrown at us and there is a lot of thieving. It isn't worth the aggravation."

But a Lyndhurst electrical contracting firm will continue its service to the townships.

A spokesman said it was "asking for trouble to walk with an exposed gun". His company had never, in three years, had a problem with going into the townships.

"Our employees are careful. They keep their eyes open, but they don't go in armed."

Competition Board urged to probe rise in building costs

Star 24/4/89

32

By Tom Hood

CAPE TOWN — Housebuilders want the Competition Board to act against suppliers of building materials whose regular price hikes are blamed for a 60 percent jump in house prices in the last three years.

"An additional 200 000 houses could have been built in the last decade if suppliers' price increases had been in line with those of other industries such as mining, which have been forced by difficult conditions to be more efficient year by year," the president of the South African Institute of Building, Mr Jannie Breed, said at the weekend.

He said he was "dead against" price controls but he believed the Competition Board should exert pressure on certain suppliers.

He quoted an 89 percent price hike for stock bricks in two years to R190 a thousand, while other bricks rose by from 50 to 60 percent.

Cement increased 49 percent in two years to R8,85 a pocket, while ready-mixed cement in the Cape Town area rose 72 percent to R139,95 a cubic metre.

Sanitary fittings for one bathroom soared by 83 percent in less than three years from R602 to R1 104.

Wage increases had been "moderate and were hard earned and well deserved," with rates for bricklayers on housing work, for example, rising only 17 percent.

"But there is absolutely no question any longer in the minds of most people in the construction industry that certain suppliers enjoy near monopolistic, cartel-type conditions and that they have been able to incrase prices year by year at inflationary rates."

Suppliers should consider that they are damaging the building industry, particularly the home-building industry.

The figures suggested that manufacturers of building products were either "taking us all for a ride or operating extremely inefficiently", added Mr Breedt.

"The dissatisfaction of the industry has been aggravated by price rises of goods continuing even in times when, to remain competitive, home builders and general contractors had to operate at very low mark-ups and do all they could to hold prices down, often absorbing losses on many aspects of the work," he said.

Call to relax housing standards

Star 28/4/89

32

The time has come for local authorities to accept far more rudimentary forms of housing in selected urban areas, says Mr Jannie Breed, president, SA Institute of Building.

"We are continually being asked by the authorities to try to produce first-world type houses for long-term financing at R15 000 to R20 000 or even less. With building costs rising 1,25 percent a month, it is difficult to do this.

"Many of the institute's senior members feel that the solution is to allow third-world type deregulated houses which do not have to comply with the usual local authority regulations."

He says that in the greater Pretoria area, a 45 sq m, four-bedroomed house could be built with concrete blocks and a tiled roof for R12 000, provided some of the more stringent regulations were not enforced.

It is time that the sophisticated services to such houses, often costing R7 000 to R9 000 a plot, were scrapped.

"We are facing a population explosion. In the circumstances, I believe that if potable water is laid on, electricity, water-borne sewage systems and stormwater drains are not essential.

"Sewage can be efficiently handled by daily removal of buckets or by chemically treating pit latrines regularly.

"What is the point of insisting on the maintenance of standards when such standards merely result in more and more people having no home at all?", he asks.

Material costs cause concern

PRESSURE is mounting for the Competition Board to re-examine the regular price hikes of certain suppliers to the construction industry.

According to Jannie Breed, president of the SA Institute of Building, certain suppliers enjoy near monopolistic conditions which enable them to allegedly increase prices year-by-year at inflationary rates.

"Price rises have continued even when, to remain competitive, some of the major receivers of the goods — such as home builders and general contractors — have had to operate at very low mark-ups, often absorbing losses," he adds.

A 60% rise

Breed says figures released by the Haylett formula team, the National Association of House Builders, the Stellenbosch Bureau of Economic Affairs and a Pretoria-based house builder indicated that, on a typical Pretoria house, the total production cost had risen by more than 60% in less than four years.

"This means there was a monthly escalation of 1,25%," he explains, adding that this was caused mainly by material price increases.

In roughly the same period under review, says Breed, sub-contractor bricklayers on housing work in the Pretoria area had had only a R4/m² increase, from R24/m² to R28/m²; plasterers' wages had risen by only 35c/m², from R1,85/m² to R2,20/m²; and tiling sub-contractors by only R2/m², from R12/m² to R14/m².

"On the other hand, the price of a certain widely used brick went up between 1987 and 1989 from R245 to R367/thousand, while certain stock bricks rose from R100 to R190/thousand. Certain calcium silicate bricks increased from R82,30/thousand in 1986 to R131,10/thousand in 1989.

"Cement, often said to be one of the better controlled building products, has increased in price between 1987 and 1989 from R6,22 to R8,85/pocket, while ready-mixed concrete (quoting figures from the Cape Town area) increased from R81,50/m³ in 1986 to R139,95/m³ at present."

The price of sanitary ware fittings for one bathroom have also increased from R602 to R1 104 in less than three years.

"The manufacturers of these and other building products should reveal why they have had to increase their prices so regularly," says Breed.

"The question is: are their profits too large or have they failed to improve productivity in five years? The present figures suggest that they are either taking us all for a ride or operating extremely inefficiently."

Against controls

Breed stresses that he is "dead against" any further price controls, but believes the Competition Board could be exerting pressure to relieve the situation.

"It has been estimated that an extra 200 000 houses could have been erected during the past decade if suppliers' price increases had been in line with those of other more efficient industries, such as mining," he adds.

(32)

BD 26/12/89

Plans to develop

Sowetan 27/4/84

(32)

RABIE Property Developers is to develop more than 1 300 homes in the Pretoria-Witwatersrand-Vaal Triangle area this year, according to sales director, Mr Dave Harris.

Mr Harris said the company experienced rapid expansion of its operations since it moved into the Transvaal a few months ago. He said, however, the unavailability of land was a major obstacle.

Despite all this, the company is offering new homes in a number of townships in the PWV area, including Alexandra, Daveyton, Duduza and Spruitview.

He said the company would soon build a show village and an information centre in Spruitview.

"The centre will be manned by five of our professional sales staff seven days a week. It will have models of typical Rabie homes and examples of finishes which prospective buyers can choose from.

"From there, our sales staff will take the buyer to the show village. Each of the four homes in the village are fully furnished and landscaped with lawns, plants and shrubbs," Mr Harris said.

HOME IMPROVEMENTS

SA people have been extending themselves

32

Sowetan 27/4/89.

SOUTH Africans spend more on extensions to their homes than on new houses, according to a study conducted last year by the Business and Marketing Intelligence.

According to a report released recently, more than R4-billion was invested in home additions and improvements during 1988. The figure represents 50 percent of the total amount invested during that year.

It also exceeds the amount of money spent on providing low-cost housing, according to the report entitled: "The Prospects for Building Materials and Fittings in South Africa between 1988 and 1993."

The study was conducted among a comprehensive sample of 2 000 manufacturers, builders' merchants, specifiers, contractors and local authorities and covered more than 150 building products.

The report reflects both short- and long-term prospects of the building industry.

Mr Jan Strauss, BMI's director of building studies, said the potential of the home improvements market by building materials suppliers had been under-estimated due to a severe under-reading of the market by the Central Statistics Services (CSS).

"Expenditure on alterations and extensions to residential buildings definitely exceeds expenditure on non-residential property," Mr Strauss said.

He said almost half of the home improvements expenditure was spent on economic housing. More than one quarter was spent on luxury houses while the balance was used to improve low-cost houses.

Low-cost homes

THE South African Housing Trust has, in conjunction with the Professional Builders Federation, embarked on a multi-million rand housing development in Vosloorus to cater solely for the lower income group.

The project, to comprise more than 500 low-cost housing, was started last month and is expected to be completed by February next year.

The stands were allocated to PBF, a recently formed organisation of small black building contractors and merchants, sometime last year. (32)

The SAHT is assisting with certain aspects of the development while Time Projects, member of Time Holdings, was awarded a contract to manage the project. Sowetan 27/4/89

Mr Ron Henderson, managing director of Time Projects, said the company had developed comprehensive computerised systems to cater specifically for the needs of the low-cost industry.

He said the company would also conduct comprehensive workshops and seminars.

BUILDING & HOME Improvement

Homes, sweet homes!

32

Sowetan 27/4/89.

BUILDING high-quality, yet affordable, brick homes has helped a firm of black building entrepreneurs. DTZ Building Construction of Johannesburg, carve out a niche in the highly-competitive black housing market.

The company is currently building 60 homes at Dobsonville and 50 homes at Mohlakeng, near Randfontein. For both projects, DTZ is using affordable-quality bricks from Corobrik Transvaal's Gold Reef range.

The Dobsonville development — 2 193 homes in all — is a first for the SA home building industry in that it is the first time black contractors are servicing land.

Main

In 1987, one of the three main developers of the project, the Family Housing Association (FHA), set up a consortium, Mafube — made up of DTZ and two other black contractors, Pamodzi and Vukoma — to service 300 of the stands. The Soweto Builders Association also participated in the project.

Most of DTZ's homes in the development have already been sold. The firm has thus far completed 36 of them. The remainder are expected to be completed by December.

The 100 metre square three-bedroom homes sell for R50 000, including land. Most of these homes are built according to home-buyers' individual plans. Standard luxury features include exotic floor and wall tiles in kitchens and bathrooms, roomy built-in cupboards, clay roof tiles and Meranti ceilings in lounges and dining rooms.

Front elevations and side walls are in Corobrik Transvaal's affordable clay face brick. DTZ offers its prospective homeowners five attractive colours and textures from which to choose.

Says Thabo Mokoena, managing director of DTZ: "The Dobsonville project has been our most exciting and successful to date.

Sales

"Not only were we given the opportunity to acquire valuable first-hand experience in the cost-effective servicing of land but sales have exceeded all expectations.

"We would like to believe that we provide an affordable but attractive and individualistic end-product. Face brick is certainly one of the key ingredients of the package we offer clients.

"Although we shall continue to co-operate as an independent entity geared to the needs of individual clients, we believe that the formation of the Mafube consortium was an important step which gives us an edge in this highly competitive market.

"Pooling resources and invaluable expertise in large-scale projects, thus being in the position to offer clients good value for money and excellent service, is particularly important to particularly important for black entrepreneurs.

"And the growing importance of the black entrepreneur should not be under-estimated."

The Mafube consortium runs a successful paint and building materials supply store in Soweto and expects to become involved in a major project in the Johannesburg area.

Formerly Thabo's Construction, DTZ Building Construction was formed by Mr Mokoena and his brother Aubrey in 1982. The company started off modestly with small projects but rapidly became a fully-fledged building enterprise and today provides employment opportunities for more than 100 professionals.

Since 1982 the company has built more than 400 outbuilding structures and 320 conventional homes throughout the PWV. About half of these homes are in clay face brick.

Serve

The Mohlakeng development could eventually number more than 5 000 homes, meant primarily for mineworkers in the area. About 300 homes are currently being built — 50 of them by DTZ.

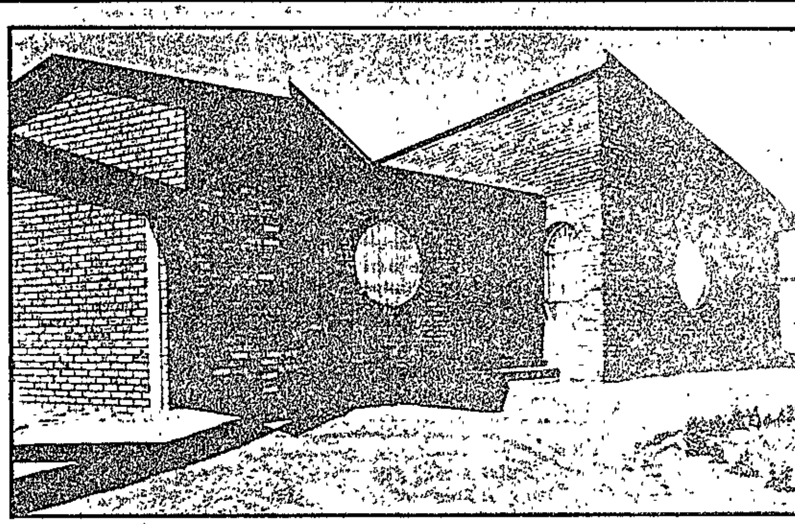
Says Mr Mokoena: "The project is piloted by JCI who gave us the opportunity to serve our people."

The first phase of the project is scheduled for completion by February next year. DTZ's homes average 60 square metres and have two bedrooms each. They sell for R32 000, excluding land. About 25 of them have been sold and 20 completed to date.

Says Chris Dickinson, marketing manager of Corobrik Transvaal: "We are excited at the potential of black entrepreneurs such as DTZ Building Construction.

"We believe that through developing and supplying a range of cost-effective products and systems such as our economic Gold Reef range of 32 face bricks, Jem bricks and training in the Fast Track system of building that we can make a meaningful contribution towards the alleviation of the enormous black housing backlog in this country."

Compiled by SY MAKARINGE



BUILDING individualistic, high quality, yet affordable brick homes has helped DTZ Building Construction carve out a niche in the highly competitive black housing market.

Dream coming true

WHEN Lifetime Homes was formed in 1987, the managing director, Mr Peter van Zyl, predicted that within three years the company would be a force to be reckoned with in the mass housing field.

32

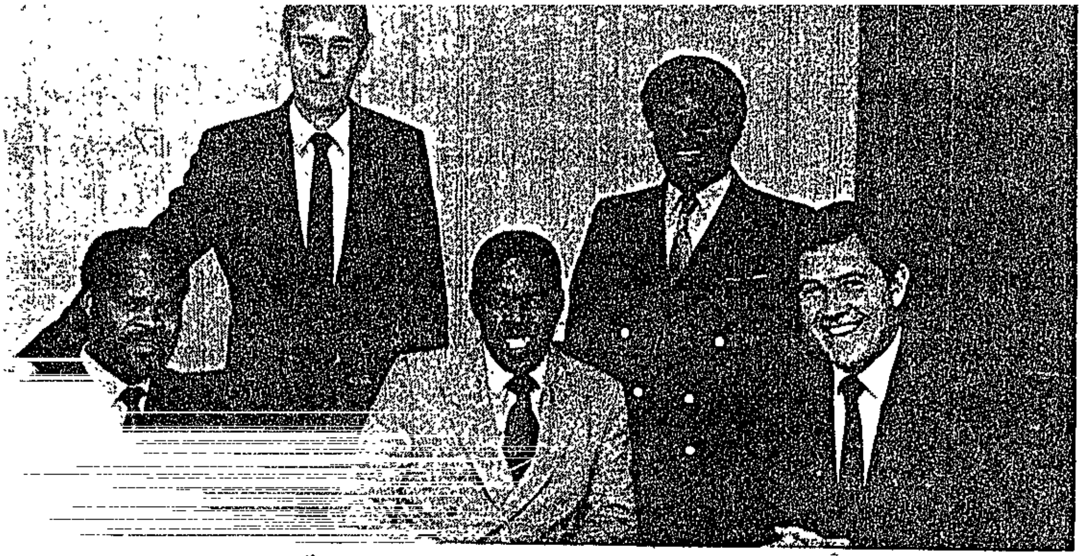
A scant 20 months later, the company is poised for an explosive growth, especially in the most sought-after townships in the Pretoria-Witwatersrand-Vaal Triangle area where it has acquired more than 5 000 stands.

Currently Lifetime Homes is involved in a housing development comprising 356 stands in Tembisa.

About 210 of these stands have been sold and construction of houses is already underway.

The development, at Elindinga Section, is fully serviced with low-level street lighting, tarred roads and landscaped gardens.

Sowetan 27/4/89



Directors of Tri-Time, a co-operative venture to tackle the immense black-housing backlog. They are (from left) Mr Alf Molathloe, Mr Pat Collins, Mr Winston Mokoena, Mr Nel Khumalo and Mr Mike Graham.

Answer to the housing problem lies in:

Black and white

Sowetan 27/4/89

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CO-OPERATIVE ventures between white and black builders are one of the most effective ways of tackling the country's grim black housing backlog, according to Mr Mike Graham, managing director of Time Housing.

Mr Graham said in an interview that Time Housing had long realised that white and black partnership in the building industry was the only logical and realistic way to solve the chronic housing shortage.

He said partnership between Time and black builders in Witbank resulted in the completion of 96 homes in KwaGuqa in less than four months.

"About seven months ago we teamed up with a group of black building entrepreneurs to form Tri-Time (Pty) Ltd and this partnership is already yielding fruit," Mr Graham said.

The new company has just recently completed three houses in a 50-home project to upgrade two blocks in Alexandra township.

Delight

Mr Nel Khumalo, director of Tri-Time, said clients were delighted at the results.

Nearly half the homes are being built on vacant sites and all of them were snapped up in four weeks.

The company's homes are designed for the middle and the upper income groups and sell between R39 000 and R64 000, including the cost of the land. Homeowners have more than 100 designs and finishes to choose from.

Tri-Time has also drawn up a time-table which will see it expand its activities to Soweto and other metropolitan areas in the Transvaal this year.

"My partner Alf Molathloe and I have many years of experience in the industry. However, a small building company needs a strong partner to really make an impact. Time Housing's input, its administrative, financial and management expertise are invaluable to us," Mr Khumalo said.

(32) FMAIL 28/4/89

capital costs. They would be correspondingly more acceptable to motorists — though by the same token less rewarding to government.

The three State-run tolls — at Mariannhill, Tsitsikama, and Kranskop, Warmbaths — are much cheaper than their private-sector counterparts. Not because they are more efficient, but because they are not designed to cover development costs. They do little more than service minor borrowing, and pay day-to-day operating costs.

It's hardly surprising that, during planning stages of the toll programme, some members of the consortiums (invited to submit proposals on the implementation of private toll roads) urged government to participate in the projects by providing some or all of the capital for developing the toll roads.

DOT declined to put any capital in, but insisted on 25% of the equity in each of the two consortiums which won concessions.

It has been argued that nowhere in the world has privatisation of road systems (47 countries operate tolls) been possible without some form of State participation. In SA that participation doesn't exist other than through the equity stake — hardly what is meant by participation.

What *has* happened to fees and levies collected from motorists? The State — on the slender excuse of scrapping all specialist funds — has thrown the national road fund into the central Treasury. From there the money has been spent on more pressing priorities such as pouring cash into the homelands and increasing civil servants' salaries. In short, towards paying for apartheid and its attendant bureaucracy.

What chance has the revised National Roads Amendment Bill of a safe passage through parliament? It would probably receive approval at any time other than in the run-up to a general election. Because of this it is believed that, though comments and recommendations were solicited from interested parties in early March and the revised Bill has now been drawn up, its promulgation — along with other contentious legislation — will be delayed until after the election.

Meanwhile it seems that toll companies will have to muddle along, carrying a lot of the blame for goverment mismanagement.

The toll concession companies argue that their harshest critics and customers really don't understand the situation. They say unassailable rational economic and technical commercial logic justifies the tolls — if only it could be followed by the man in the street.

The argument runs that the first rendition of a road has been paid for, but that it will cost probably two to three times that price again in constant rands to operate and maintain. It has to be resurfaced, continually re-marked, and probably at some stage widened to the maximum permissible width, of three to four lanes each way.

In short, the cost of a road can be compared to that of a car. The purchase price is only the start and will be exceeded several times over by fuel and maintenance costs.

But the fact is that motorists *have* paid for roads to be built and are unwilling to pay again. Until government realises this, its toll road policy will head for a cul-de-sac. It is a policy seemingly founded and maintained on bad faith, and Mooi River drivers who crash the barriers enjoy strong public support. The only thing now is to go back to basics — and learn from the experience of the tolls which have been successful and accepted.

How this is to be enacted legislatively is a conundrum — but one devised by government in the first place. ■

TOLL ROADS

Pay and pay again

■ Public reaction is compelling a rethink on the "privatisation" of roads

Highway robbery — that's what some think of road travel these days. We've already paid through the nose in fuel levies, taxes and vehicle licences for the right to travel on any public road. Now we're expected to shell out all over again.

Who's to blame? Private-sector toll companies — or government? One thing is certain: the issue of toll roads has whipped up normally placid (to the point of being apathetic), law-abiding people into a frenzy. They are ready, at the drop of a hat, to break the law to vent mounting frustration. Many have already done so.

So strong has been the backlash against toll roads that a government noted for willingness to ride roughshod over opposition has been forced to brake sharply — and, indeed, slam its toll programme into reverse.

Instead of the brilliant, foolproof scheme to extend and upgrade the national highway system without spending a cent of public money — as envisaged by former Transport Minister Hendrik Schoeman — current Minister Eli Louw presides over a policy on the verge of stalling permanently.

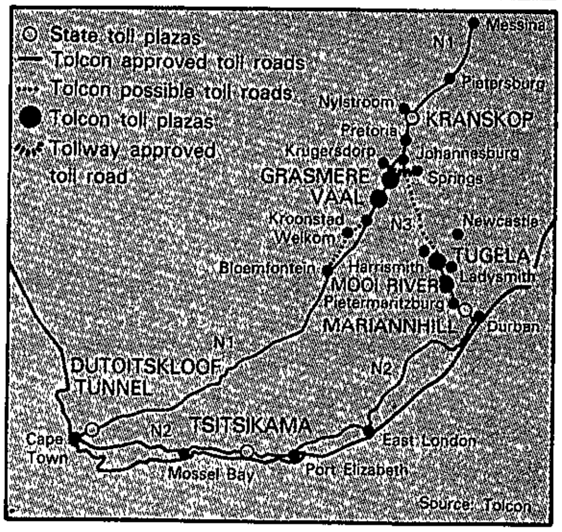
It is even probable that government will delay pushing a revised National Roads Amendment Bill through the three Houses of parliament until after the coming general election. The Bill is aimed at amending the National Roads Act to allow the National Transport Commission (NTC) to grant private companies rights to toll sections of national roads. The delay would be a strategic move — for government could otherwise face a revolt from its own ranks. MPs are anxious, at this stage, not to alienate their constituents. And toll roads are very much a grassroots political issue.

The problems have arisen because of greed — primarily on the part of our tax-guzzling government. That greed has united people as diverse as Sandton housewives, Soweto taxi drivers and Nationalist farmers from the Natal midlands.

The objectors have hit hard and often at anything that represents the system: government as perpetrators of the policy, or its "henchmen," the toll concession companies. The process has been seen not as privatisation, but a rip-off.

Toll fever

State and privatised toll roads



Source: Tolcon

These actions have included toll-busting drivers crashing through barriers on the Tolcon-operated Mooi River toll plaza in Natal, and so facing arrest; the presentation of a 3 000-plus signature petition by the Mooi River Action Committee to the Minister of Transport over the same toll plaza; separate Supreme Court actions by, among others, the Public Carriers Association (PCA) and the Civic Association of Lenasia South (Cals) against government, the NTC, and operators Tolcon, on the legality of certain tolls and/or stretches of toll roads.

Most controversial roads are the 97,8 km section of the N3 between Cedara and Frere, Natal, for the PCA; and the Grasmere toll on the N1 south of Johannesburg for Cals. And there have been concerted protests from the Anti-Toll Action Group (Atac) representing Ennerdale — also protesting against Grasmere; the Johannesburg City Council's successful Supreme Court action to prevent Toll Highway Development Co and NTC erecting a tollgate on the N13; and, perhaps most telling, the rejection by the Houses of Representatives and Delegates of the National Roads Amendment Bill when it was initially pushed through. It was passed by the House of Assembly, but could have a far rougher passage if submitted now.

The severity of the backlash has obviously stunned both government and the toll concession companies. They have scrambled desperately to restore calm and regain the initiative in the battle for acceptance.

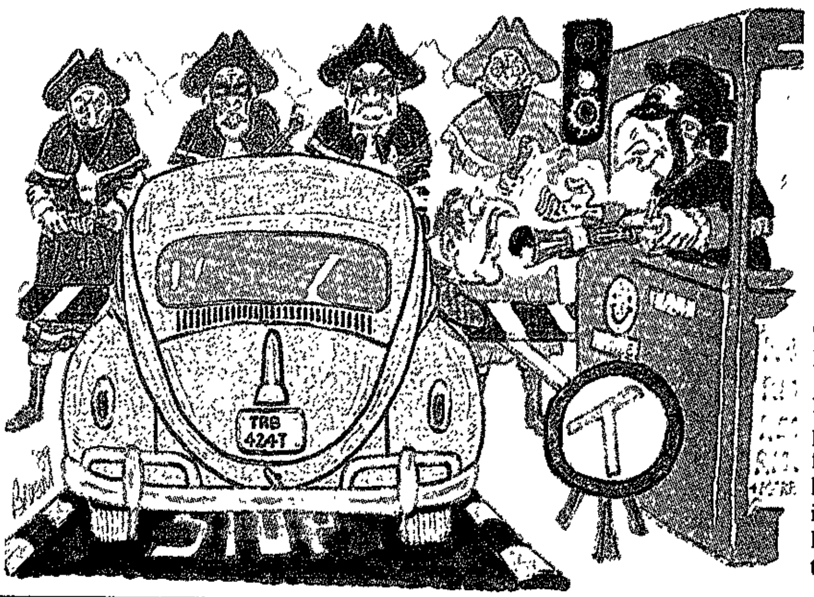
Apart from regular "advocacy advertising" in the newspapers aimed at presenting the toll companies' point of view, concessions such as reduced fees for special cases have been offered — an action which has at least partly backfired because anti-toll activists believe this merely proves that the tariffs were originally set at too high a level.

At the same time, government has begun waving a big stick. It warns that if the amended legislation is not passed by all three Houses it may abandon attempts to legalise toll road privatisation.

If this happens the State will have salt rubbed into its wounds by the enormous amount it will have to pay out in compensation to toll companies for expenditure that has been incurred so far.

The civil engineering industry alone estimates that it has earned more than R500m through toll road building contracts. This is where the heart of the dispute lies. Government would be on much firmer ground if it had paid for roads to be built — and then sold or leased maintenance and operating franchises for a set period.

Certainly it couldn't then be accused of making people pay twice for the same roads, first through government levies and then toll fees. Tariffs could also be much lower, as they would exclude the element for financing the



The Star Finance

Star 2/5/89

32

Builders facing two quiet years

Property & Construction

STAN KENNEDY

The building industry faces negative real growth over the next two years after more than five percent real growth in 1988, says a new study into prospects for the industry.

A recovery is only likely in 1991/92 when the economy picks up again, says a report, "Prospects for Building Materials and Fittings 1988-1993" by Business & Marketing Intelligence (BMI).

The survey covers the historical trends in the market, activity between 1985 to 1987 and future prospects for the industry. More than 2 000 manufacturers, builders merchants, architects, property developers, contractors and local authorities were interviewed.

The private sector's contribution to building activity between 1985 and 1987 grew by 37 percent and was 72 percent of all building. Public sector spending rose 15 percent over the same period but its share of the market fell from 32 to 28 percent.

Equal amounts were spent by both the public and private sectors in non-residential buildings, such as office blocks and factories. The private sector's biggest increase was in residential buildings. Investment in houses grew 49 percent, while there was also heavy investmant in community-based building projects and hotels.

Investment by the public sector in non-residential buildings grew by 37 percent over the same period. The state also spent money on schools, state buildings, hospitals and tertiary educational institutions.

More than 60 percent of the R3,8 billion spent on residential buildings went on housing for whites and 23 percent for blacks.

East-west need grew over 30 years

32

The choice is yours, argues IAN MADDEN, general manager of the Toll Highway Development Company, showing the advantages of the N17 expressway over congested routes.

The N17 Expressway from Springs to Krugersdorp meets the need for a rapid, continuous, convenient and safe transport link across the Witwatersrand.

East-west traffic presently uses a number of discontinuous and largely unsatisfactory roads which include the R22, the M2, Ontdekkers Road, Maraisburg Road and the Main Reef Road. Congestion on all is increasing with population and vehicles.

Traffic levels on some routes exceed those for which the roads were designed. The M2 is already carrying 30 percent more than its intended capacity. Stop-start motoring is commonplace, and accidents cause traffic build-ups and long delays.

Vehicle ownership in the PWV will nearly double by the end of the century, from 1,7 million to 3,1 million. Existing roads will become clogged, disrupting businessand stunting development.

The need for a continuous east-west highway was first identified 30 years ago, with the urgent necessity confirmed by a major feasibility study 10 years ago.

State funds for road building were reduced and the construction of the expressway this century seemed unlikely without burdening the taxpayer.

Thus, after negotiations with the Department of Transport last year, Toll Highway Development Company (THDC) was granted a concession to utilise private sector venture capital to construct, operate, maintain and rehabilitate the Hendrik Schoeman Expressway for 25 years — at no cost to the taxpayer. THDC may renew the concession at a market-related price at the end of this period, after which ownership reverts finally to the State.

Construction phase

The first R150 million construction phase involves building 18 km of expressway to extend the existing R77 eastwards from Brakpan to Springs.

Lack of funds prevented the extension of the R77 eastwards towards Springs or westwards to Johannesburg. THDC is now responsible for maintenance and upgrading, which will cost more than R100 million.

While the former R77 is now part of the total N17 toll road, THDC will allow motorists free use of 95 percent of this existing road. THDC will also improve safety on the R77, build a new interchange at the western to improve access to Heidelberg road, and eliminate bottlenecks, particularly at the Rand Airport Interchange with the N3, where there are already serious peak hour delays.

Work will soon start on the eastern section of the R600 million section through Johannesburg. Known as the M4, this will be the most important part of the project, since most users will begin or end their iqurneys in Johannesburg. It will be the most difficult to construct, crossing as it does derelict mining land and a number of major roads, and involving the relocation of numerous services.

Motorists will not be forced to use the expressway. Existing routes will remain, and it will be the user's own choice whether or not to pay for the convenience, comfort and safety of using the express way.

One of the major benefits is the time saved. The expressway will cut the two-hour off-peak Springs-to-Krugersdorp journey by almost 50 percent over the 85 km route.

There will be savings in fuel, maintenance bills and tyres, as the expressway will shorten journeys, offer flatter gradients and a better riding surface.

The expressway is being constructed to the highest safety standards amd will be manned by the company's own patrols, in addition to normal traffic patrols. There will be SOS phones every 2 km for 24 hours daily

The open tolling will enable motorists to make short trips between plazas without payment. There will be only four mainline toll plazas, none on the M4 section through Johannesburg.

Fees will be fixed at a maximum of 75 percent of the savings in fuel, maintenance, tyres and time, and the entire 85km journey will cost motorists roughly 9 cents a kilomtre in 1988 rand terms.

Tax-deductible

Fees paid by commercial users will be tax-deductible.

To minimise delays THDC is investigating various methods of payments, including credit cards and other automatic systems. Total delays at plazas will not exceed about 30 seconds.

Toll tariffs must be set at rates attractive to users, as THDC is like any other business which has a product to sell — the customer must perceive real value for money.

The principle of toll roads has been accepted by the SA Black taxi Association (SABTA).

B/Day 1/5/89 (32)

Negative time ahead

TWO QUIET years in the building industry may be expected to follow last year's 5%-plus real growth rate, according to a recent Business & Marketing Intelligence (BMI) report.

SA spent a total of R12,5bn on all types of building activity during 1987, the report says — a 30% increase compared with 1985, or 5% in real terms, allowing for cost escalations.

However, BMI predicts that the building industry will face negative real growth in the next two years, with a recovery likely only in 1991/2, when the economy should pick up again.

The survey found that the contribution of the private sector to building activity had grown by 37% between 1985 and 1987, accounting for 72% of all building activity. Public sector spending rose 15% over the same period, but its market sharefell from 32% to 28%.

The public and private sectors invest equal amounts in non-residential buildings, and building activity by the private sector showed most growth in the residential sector, as investment in houses grew 49% between 1985 and 1987.

The public sector's largest involvement was in non-residential buildings. Its investment grew 37% between 1985 and 1987.

The residential share of the building industry accounted for 58% in 1987 and has grown faster than the non-residential sector. More than 60% of the R3,8bn spent on residential buildings was on housing for whites and 23% for blacks.

Plus signs for building industry

The building industry started the year well with big plus signs in the non-residential sector, while tight economic conditions appear to have filtered through to the home-building sector.

According to figures from the Central Statistical Service, the total value of plans passed for the first two months of this year increased by 21,7 percent over the same period in 1988.

Non-residential saw plans soar by 129 percent and the additions and alterations market hoisted a gain of nearly 18 percent.

The homes business, however, took a knock and it remains to be seen how the latest austerity measures will affect this building sector.

New home building fell by 3,5 percent, while flats and townhouses dropped by more than 11 percent.

Cape water scheme

GFC Mining, a division of Cementation (Africa Contracts), has completed a R13 million project to build the first phase of the R100 million Amatole regional water supply scheme.

Located near Stutterheim in the Border area of the eastern Cape, the scheme is over three phases and will be a boost for the water supply of the East London and King William's Town areas.

Stage one involves the building of the 4 800 m Wriggleswade Tunnel, while two later phases will see the construction of a storage dam on the Kubusi River and a canal system and siphons to divert water from the Wriggleswade dam to the Yellowwoods River.

Big orders at Ovcon

Ovcon Transvaal Building is among the big orders these days and in recent months secured work with a total value of R48 million.

Mr Alan Harman, who took over as managing director of the company last August, expects this figure to rise by at least a further 25 percent before the company's next year-end in March.

Star 9/3/89

32

LTA awarded R130m FNB Bankcity project

BDay 10/5/89 (32)

EDWARD WEST

LTA Construction has won the contract worth up to R130m for the first phase of First National's (FNB) Bankcity project in the Johannesburg CBD.

The group will be responsible for the construction of two eight-storey buildings covering two city blocks with a three-level parking basement.

As part of the first phase of development, Kerk Street, between Harrison and Simmonds streets in the Johannesburg CBD, will be closed and made into a pedestrian area with wide pavements and fountains.

Building contractors Murray and Roberts, SM Goldstein, Group Five, Tiber Bronvec and Grinaker all vied for the lucrative contract to develop the first phase of Bank City, LTA's joint construction MD Ian Robertson said.

FNB GM John Collett said no decisions had yet been made regarding phases two and three of the Bankcity project.

These phases would occupy another two blocks in the Johannesburg CBD, he said. Initially 2 400 FNB employees would be relocated to Bankcity when it was completed.

Though the finer details of the contract are still being negotiated with FNB, LTA's Roberston said construction was expected to begin on May 15. Construction should finish before the end of 1991, he said.

The Bankcity contract would be the largest contract LTA had been awarded this year. Robertson said he was optimistic for LTA's future this year, despite some LTA divisions having to look for work.

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B/Day 10/5/89 (32)

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Star 16/5/89

Slowdown in civils' contracts

32

The civil engineering industry has taken a knock in the value of new work.

According to the South African Federation of Civil Engineering Contractors, following a drop in new awards from a record R450 million in February to R200 million during March, contracts awarded in April showed a further marked decline.

There were only 45 contracts totalling R115 million reported to Safcec last month.

"On the strength of the strong showing in February, the total for the first four months of 1989 at R869 million nevertheless compares well with the R700 million during January to April last year," says Safcec executive director, Mr Kees Lagaay.

"Newly awarded contracts are now running below the high levels set during the remainder of 1988."

The slow down is partly seasonal, pending the approval of clients' 1989 budgets before tenders for new contracts can be invited and Safcec "trusts that work on offer will pick up in the months to come".

● A contract for general civil work to the synthol plant area at Mossel bay has been awarded by Mossref to a joint venture of Murray & Roberts Construction (M&RC) and LTA Construction (LTAC).

The R32,7 million contract will be completed in two years.

New challenge to statistics

S/Times 14/5/89

By Udo Rypstra

ANOTHER private sector report has contradicted figures from Central Statistical Service (CSS), which has come under attack for allegedly reflecting an inaccurate inflation rate.

This time the subject is building activity in SA, with particular reference to home improvements.

The first challenge to CSS came from Karl Posel, former professor of applied mathematics. He claims that SA's inflation rate is more than 30% a year instead of the 13,8% calculated by CSS.

The report on building activity by Business & Marketing Intelligence (BMI) says CSS reflects only home improvements for which municipal approval has been requested. It ignores the "tremendous" increase in home improvements for which no plans have been passed.

Potential

Jan Strauss, director of building studies at BMI says: "The potential of the home improvement market for building materials suppliers has been underestimated due to a severe underreading of the market by CSS."

BMI is a leader in business and industrial research. It is a member of the Information Transfer Group, SA's largest multi-disciplinary marketing research group.

Mr Strauss says that instead of conducting research on a "horizontal level" — for instance, on consumer response only — BMI carried out a "vertical" study of the home improvement market. It is based on a "comprehensive sample of 2 000 manufacturers, builders, merchants, contractors, specifiers and local authorities". It also covered 150 building products.

Misleading

His study, entitled Prospects for building materials and fittings in SA — 1988-1993, found that the home improvement market is worth about R3,5-billion a year.

It also found that South Africans spent more on extensions to their homes than on new houses in 1988. This, says the report, contradicts official figures, which are misleading.

"Official statistics show that non-residential building activity has a much higher proportion of additions than residential activity. This is not true in the real situation because non-residential alterations are usually executed with approved plans and are therefore more likely to be reflected in the official statistics.

"Expenditure on alterations and extensions to residential buildings definitely exceeds expenditure on non-residential property."

Economic

Mr Strauss says that almost half of improvement expenditure is on economic housing and more than a quarter on luxury houses. The balance is spent on improving low-cost houses.

Official figures show that the building industry has suffered real negative growth in the past three years. The BMI, however, reports that in 1988 there was positive growth, although it was small.

It says SA spent R12,5-billion on all types of building in 1987. This represents a 30% increase compared with 1985, or 5% in real terms, allowing for cost increases.

Negative

It warns, however, that the industry faces real negative growth for the next two years and that recovery is likely only in 1991-1992.

The survey also found that the private sector's contribution to building activity grew by 37% between 1985 and 1987. This is 72% of all building activity. Public spending rose by 15% in the same time, but its share of the market fell from 32% to 28%.

B/Day 16/5/89.

April civils show decline to R115m

(32)

BRENT MELVILLE

NEW civil engineering contracts for April have shown a marked decline of 43% to R115m from March's total of R200m, SA Federation of Civil Engineering Contractors (Safcec) figures show.

Despite the depressed figure, a record R450m showing in February caused the total for the first four months of 1989 to exceed the figure for the comparable period last year by a healthy 23% at R860m (R700m).

However, Safcec executive director Kees Lagaay notes that newly awarded contracts are running well below the high levels set during the latter periods of last year.

The May/August period last year showed a contract total of R1,1bn, with Sept/Dec at R1,05bn. Lagaay attributes the slowdown to a reduction in tender activity "which is seasonal pending the approval of clients' 1989 budgets — after which Safcec expects work to pick up."

Contract

Roads and township work for April included 28 contracts worth R68m — the largest of which was a R28m three-year contract awarded to WJM Construction Zululand for the reconstruction of 43km of gravel road between Lusikisiki and Flagstaff in Transkei.

Smaller roadwork jobs included the construction of retaining walls to retain slip failures on the Plettenberg Heights, awarded to LTA Earthworks to the value of R4m.

Water supply and sewerage contracts totalled R11m, of which W Welke was awarded the major R3,1m contract for the extension of the Ermelo sewage treatment works.

In addition there were eight miscellaneous contracts awarded last month worth R38m. These included the award to Project Development of the civil works for the Bethelsdorp Technical College in the Eastern Cape; and underground piping mains at Mossref and civil works for the extension of the PPC cement works at Riebeek West, both awarded to Basil Starke Civils.

Reduced disposable income is a contributory factor

Bond rates cut housing demand

EDWARD WEST

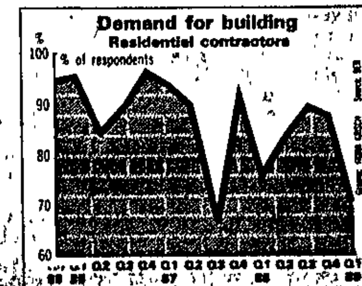
INCREASED bond rates have taken their toll on the housing market, cutting demand drastically between the last quarter of 1988 and the first quarter of 1989.

Separate reports released yesterday by the Bureau for Economic Research (BER) and the Building Industries Federation of SA (Bifsa) said sustained increases in mortgage rates and a deterioration in the level of disposable income had cut the demand for housing.

The declining trend was expected to continue during the rest of the year.

In contrast, activity in the non-residential sector had remained lively in a buoyant corporate environment.

However, the BER report said prospects were not as good for the next quarter.



Bifsa's building review said consumer confidence in investment in residential building had declined since the beginning of 1989.

While housing finance for the rest of 1989 was expected to be freely available, it would remain expensive, the report said.

Bond rates had increased from a level of 12,5% in February 1988 to 18,75% in March.

With interest rates unlikely to change direction before early in the fourth quarter after which they were expected to decline gradually, home financing would remain expensive.

High interest rates had had the effect of subjecting the cash flow of existing home owners to greater pressure while forcing prospective homeowners out of the residential market, Bifsa said.

Business confidence in the non-residential building market was expected to weaken in 1989 with investment in office buildings expected to decrease by 1%.

Investment in commercial buildings was expected to decrease by 10% in 1989.

The industrial building sector, in spite of anticipated deterioration of building conditions and a curtailment of production levels, was expecting a growth rate of 6% this year, the report said.

Non-competitive

Building material price increases had outstripped the consumer price index by nearly six percentage points in 1988.

Average prices for stock and face bricks had been excessive due to the general non-competitive nature of the building materials market says the Bifsa report.

Building material costs were expected to increase 18% on average this year.

Downturn in home building

(32) Star 17.5.89

By Frank Jeans

A disturbing trend is emerging in the building industry which could be aggravated even further as a result of the Government's latest economic "freeze".

According to the latest figures from the Central Statistical Service, the total value of building plans passed for March this year fell by 3,4 percent on the value for the corresponding period of 1988.

Taking a particular knock has been the homebuilding sector, with flats and townhouse development a real trouble spot, as the value of plans passed plunge by nearly 51 percent.

The building of houses has also experienced a considerable drop of more than 14 percent.

Indications are that homeowners are giving greater attention to the upgrading of their properties, for the statistics show that the additions and alterations market has had a sharp upturn with values up more than 50 percent.

There was little joy, too in the non-residential sector of the industry, which recorded a 10,6 percent decline in plans passed.

One bright spot is that the value of buildings completed in March jumped by more than 52 percent over the year-ago figure.

New houses on the market rose by nearly 18 percent, while flats and townhouses registered a hearty 99,3 percent improvement and non-residential buildings more than 150 percent.

B/Day 19/5/87

Take a look at the alternatives

32

TAX consultants are advising firms that provide their staff with company cars to take a good look at alternative schemes, in the light of a new and more punitive tax table which comes into effect on June 1.

In the case of a R20 000 car, the new table increases the "deemed taxable benefit" by 15%; for an R80 000 car the increase is 25% (see comparison of old and new tables).

In the past, it was widely accepted that the company car resulted in lower tax liability than a car allowance, because fringe-benefit tax was relatively low. The motor industry had managed to persuade the tax man to keep the taxable value of vehicles to a minimum. But then came the Margo Commission, which recommended that the Receiver should adjust values annually in line with realistic costs.

The company-car tax table is based on 10 000km "deemed" private mileage a year. Despite increases in this table last year and this year, Arthur Andersen tax consultant Darryl Sahli believes the company car still has validity where employees travel low total kilometres every year. The reason is that in the alternative benefit — a travel allowance — the lower the total kilometres the greater the potential tax liability.

The company-car taxable benefit is fixed according to the table which has no relationship with an employee's total travel. The table deems a certain taxable benefit tied to the value of the vehicle.

In the case of executives driving high resale-value cars, conversion to a travel allowance could be advantageous, he says. But where employees, such as sales representatives, need their vehicles a great deal for business, switching to a travel allowance may be counter-productive. That is because the intensive business use prejudices the car's resale value.

He gives pros and cons of both types of scheme.

Company car advantages are:

- ☐ The employee has a fully maintained vehicle without the problems associated with ownership;
- ☐ His only cash outflow is tax payable on a monthly basis on the value of the fringe benefit; and
- ☐ He can get a bigger car by contributing to the purchase — by sacrificing his bonus or salary increments.

Disadvantages:

- ☐ The employer, as owner, is burdened with administration and upkeep — petrol, servicing and maintenance;
- ☐ Replacement of vehicles is increasingly costly;
- ☐ Accurate budgeting is difficult; and
- ☐ Employees tend not to look after vehicles as well as they might.

Not all employees may benefit from a travel allowance. An employee travelling less than 25 000km in total every year will have a higher tax liability than someone travelling more than that, as the private travel of 10 000km is not "diluted" to the same extent.

Travel allowances are basically divided into fixed costs (including monthly finance repayments, insurance and licensing) and variable costs, such as fuel and maintenance. The higher the total kilometers travelled, the less the tax payable on the allowance.

If the actual costs exceed the allowance, the employee can sacrifice bonus to make up the difference. But if the "increase" is seen as disguised salary, says Sahli, the Receiver will tax the excess portion of the allowance as if it were salary.

He says: "It is therefore of the utmost importance that the allowance be calculated according to actual costs involved in business travelling."

Car allowance advantages (employee):

- ☐ He may choose the vehicle he wants and can afford;
- ☐ He acquires ownership and has the benefit of resale value;
- ☐ The allowance is not subject to PAYE deductions and cashflow improves. (It is up to the employee to make the deductions in his income-tax return); and
- ☐ Only the unexpended part of the allowance is taxed.

Advantages (employer):

- ☐ The company need not make a capital outlay for vehicle purchase;
- ☐ The vehicle can be financed off balance sheet;
- ☐ The allowance is fixed at the beginning of each year, permitting more accurate budgeting; and
- ☐ The administrative burden is reduced and the burden of maintenance is removed.

Disadvantages:

- ☐ Allowances should not apply ~~to people~~ who ~~are~~ desk-bound — as a guideline the employee should travel at least 25 000km; and
- ☐ If no logbooks are kept, the employee will not be able to prove that he travelled less than 10 000km privately and may incur a higher tax liability.

Other important considerations are that the method of finance is critical to tax and cash flow; a deal with a lower interest rate should be struck with one financial institution for all employees and the allowance should cover all an employee's expenses on a particular car.

Sahli says: "The final and most important aspect is that the employee benefits from the resale value. Arrangements must be structured in such a way that the employee receives the maximum benefit. This can be achieved at no extra cost to the company."

COMPANY CAR TAX — OLD AND THE NEW

Vehicle Value	OLD TABLE	NEW TABLE
R 20 000 (1600 cc engine)	R150	R173
R 55 000 (3000 cc engine)	R414	R503
R 80 000 (2300 cc engine)	R495	R622
R100 000 (3000 cc engine)	R621	R714
R155 000 (3500 cc engine)	R897	R979

A new company-car tax table in which substantial increases in deemed taxable benefits are evident will go into effect on June 1. Previously a vehicle valued at R20 000, with an engine capacity of 1600cc, was taxed at R150 a month. In the new table the amount is R173, an increase of 15%.

In the case of a 2300cc car valued at R80 000, the amount goes up from R495 to R622, or 25%.

BDay 26/5/89

32

Zozo turnover up but earnings a share decline

EDWARD WEST

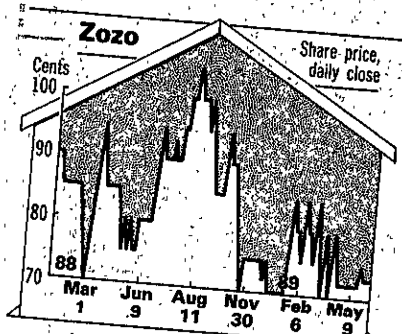
IN SPITE of a 48,6% increase in turnover, Zozo Holdings's earnings a share dropped from 17,6c to 17,1c.

Results for the year to February show retained income for the year dropped from R2,4m in 1988 to R2,36m. Earnings before interest and tax increased 21,5% from R3,2m to R3,9m.

Tax was reduced to R801 000 by utilisation of assessed losses brought forward and the impact of tax allowances.

This pushed taxed earnings down to R3,1m. Zozo did not pay tax in the previous year.

The manufacturers and distributors of portable accommodation and playground equipment sustained a R200 000 loss on a loan to The Zozo Holdings Share Incentive Trust, further eroding earnings to R2,9m.



Graphic: FIONA KRISCH Source: JSE

The loss is written off as an extraordinary item.

An interim dividend of 3c was paid. Directors decided not to declare a final dividend after the disposal of Zozo assets to Rabie Investment Holdings for R14,2m.

Rabie acquired 82% of Zozo's issued share capital for 78,3c a share. The sale of Zozo's assets signalled a new thrust into low-cost housing by Rabie.

Zozo shares traded at 73c yesterday, after a high of 105c in August and a low of 70c in March after the sale of assets.

Zozo is expected to become a cash shell comprising cash assets of R14,26m. At a 16,5% average annual interest rate, annualised taxed earnings are expected to be R1,18m — equivalent to 6,5c a share.

M & R says it talked up earnings to spur staff

B Day 29/5/89

32

EDWARD WEST

MURRAY & Roberts aimed to increase earnings by 34% to R110m for 1989 — after the board forecast earnings of approximately R100m — financial director Lionel Bird said in an in-house magazine.

M & R CE David Brink said on Friday, however, the bigger forecast was aimed at motivating staff. He declined to give another forecast.

Brink said he was happy with M & R's progress this year, though some divisions were starting to sense business was slowing.

Order books for all divisions were full, however, because the construction industry tended to lag 12-18 months behind the general business cycle.

Achieve

The construction group is likely to feel the effects of tighter economic policy in 12 months if the economy does not pick up. There were some indications that an upturn could happen, Brink said.

M & R hoped to achieve earnings of R60m for the second half of its financial year to June, after R50m for the first half of 1989.

The board, however, has forecast earnings at approximately the same as the first half at R50m.

An analyst said M & R's prospects looked good though tighter goverment fiscal policy could have a detrimental effect on the group in the long term. Group profits were increasing well with much growth seen in the construction division.

M & R's long-term prospects would benefit from contracts on the Lesotho Highlands water and Mossgas projects where M & R was busy with infrastructural development, the analyst said.

Capex

Though the rate of increase in earnings would be slower than in 1988, he expected this year's earnings to increase. Capital expenditure was likely to decrease from now on because of the ~~recent~~ goverment announcement concerning import surcharges on capital equipment.

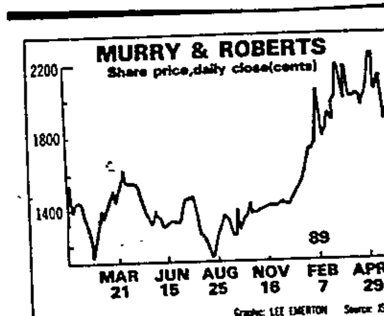
M & R's shares gained 50c on Friday in eight deals after closing at 1 950c on Thursday.

Before the recovery M & R's shares dropped from a high of 2 250c a share early in March to 1 950c.

One analyst said the recent firing of M & R executive director of construction Geoff Knudsen dented the share price slightly due to lack of confidence in management structure.

Another said the dismissal had little effect on the share price.

M & R shares were not traded often so, when they were, the share price tended to fluctuate violently, they said, but the shares were good value and should be held rather than sold.



GOVERNMENT GAZETTE

OF THE REPUBLIC OF SOUTH AFRICA

REPUBLIEK VAN SUID-AFRIKA

32

STAATSKOERANT

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KAAPSTAD, 30 MEI 1989 No. 11901

STATE PRESIDENT'S OFFICE

No. 1053. 30 May 1989

It is hereby notified that the State President has assented to the following Act which is hereby published for general information:—

No. 62 of 1989: National Building Regulations and Building Standards Amendment Act, 1989.

KANTOOR VAN DIE STAATSPRESIDENT

No. 1053. 30 Mei 1989

Hierby word bekend gemaak dat die Staatspresident sy goedkeuring geheg het aan die onderstaande Wet wat hierby ter algemene inligting gepubliseer word:—

No. 62 van 1989: Wysigingswet op Nasionale Bouregulasies en Boustandaarde, 1989.

Starke 'back in profit'

32

FM 30/5/89

By Tom Hood

CAPE TOWN — Construction group Basil Starke, which reported a net loss of R4,3 million for 1988, is back making profits again, says the chairman, Mr Basil Starke.

He told shareholders at the annual meeting in Cape Town that management of the company was now "very much a hands-on operation" and that drastic action had been taken to halt losses.

After a profit of 24c a share in 1987, the group had a loss of 36c — a negative turnaround of 60c and "a debacle," claimed Mr Issy Goldberg, chairman of the SA Shareholders Association.

"It took only one and a half years of listing to turn a once-profitable company into one poised on the edge of a precipice."

He criticised the directors for being too greedy for work on hand and tendering for work that went sour.

Mr Starke replied: "We tendered for contracts but lost key staff. We had too much work on hand for the amount of management we had at the time.

"Our policy is we would rather lose a job than take on a marginal contract at risk."

MOSSEL BAY

Questioned about a R38 million contract at Mossel Bay, he said the company had a weekly costing system and indications of the contract showing a profit was positive.

Assessed losses totalled R17 million at the year-end, largely due to losses by Premier Wire, which was acquired from the Ovenstone group.

However, the loss-making wood furniture business of Premier had been sold and plans for a retirement village had been scrapped.

Property being sold at Bellville would reduce borrowings by R2 million.

The company's assets included plant and equipment with a book value of R18 million. But the market value was considerably more, added Mr Starke.