

CONSTRUCTION - GENERAL

1991

JANUARY - AUG.

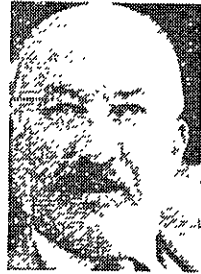
Construction industry is still in good shape

Star 2/1/91

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OUTLOOK '91

By Jurgen Schultz, group managing director of Concor and vice-president of the SA Federation of Civil Engineering Contractors.



The construction industry can look forward to a great future provided it is not too severely damaged by the present economic downturn and the resulting uncertainty within South Africa.

The industry has the capacity and experience to compete for almost any viable project.

Proof of this is the work recently done on projects such as the Mossgas project, the Sua Pan project in Botswana, the Hugenot Tunnel and the Lesotho Highlands Water Project, which is probably one of the largest construction projects being undertaken in the world at present.

If the South African contractors who tendered for the Lesotho Highlands Water Project in conjunction with overseas contractors, mainly because of foreign financing requirements, could have pooled their resources, they would have been able to do the work without much help from outside.

What is worrying Mr Schultz, however, is that government departments are being indecisive and have cut back spending on construction projects, and therefore delaying decisions which would be for the long term benefit of South Africa as a whole.

Downturn

There is also serious concern about the downturn in new tender invitations, aggravated by the treasury directive to reduce expenditure in 1991.

The decision of a number of regional services councils to divert funds earmarked for capital expenditure for use as bridging finance by local authorities to pay for various services is not helping.

The result of these directives to save at all costs is being taken literally by some officials and the present tendency is to appoint consultants and commissions to investigate how pennies can be saved and how all possible misjudgements can be avoided.

This obviously results in large sums of money being spent up front on fees without any benefit being obtained in terms of added value and budgets being reduced accordingly as well as unnecessary delays during this highly inflationary period.

"Stop procrastinating and spend funds wisely now, before the minimal available funds are exhausted on academic exercises which possibly only safeguard against later criticism of officials", says Mr Schultz.

Caution

This public sector attitude on top of the understandable caution exercised on capital projects by mining houses and other private investors could result in the construction industry being forced to, reduce its plant and human assets to a degree that South Africa will regret in years to come.

Mr Schultz says Concor has done well by working in Latin American countries, where no capable construction capacity existed any more, but where agents, lobbyists and foreigners could do well.

"Let us learn from this example, and also look at some of our neighbouring states like Zimbabwe where hardly any of the once-booming construction industry still exists, and where South African companies can soon do well for our country if we use a far-sighted approach," says Mr Schultz.

He predicts 1991 and somewhat beyond as being a tough period for the industry.

He is, however, optimistic that the good and responsible companies will continue to do well, and very well, beyond this period especially as more opportunities arise and the need for South African knowhow and capacity becomes more pronounced.

"We in South Africa will come out of this transition period less scratched than most of our neighbours, and with a reduced but better construction industry," he says.

Mortgage rate cut is about all the builders can hope for

By Frank Jeans *Star 3/1/91*

Builders will return from the Christmas and New Year break to continuing gloomy predictions about the industry in 1991.

However, if it is any consolation in face of a tough year, there should be a big improvement from 1992 onwards.

Looking at prospects for the industry and, in particular, the continuing burden of high interest rates, Professor W F Kilian and Mr G J J Snyman of Medium-Term Forecasting Associates in Stellenbosch say any decline in rates will be gradual from early this year.

"The prime overdraft rate will be kept about five to six percentage points above the inflation rate, as measured by the consumer price index.

"Fiscal policy is expected to emphasise the reallocation of public resources towards meet-

ing the social backlogs — housing, education and health care."

Commenting on the current situation, the economists see a relatively buoyant non-residential sector and a new homes business that is "still bumping along the bottom".

"High mortgage rates have had a detrimental effect on the home building industry and has led to a protracted recession in this sector.

"Given the impetus of the Independent Development Trust, the South African Housing Trust, the Development Bank and especially, lower mortgage rates, the home building sector should record modest growth this year."

In contrast, Professor Kilian and Mr Snyman foresee a sharp drop in investment in non-residential building projects in 1991, many of which are nearing completion.

New work, they believe, will be scarce.

On the plus side, they see improved productivity of on-site and managerial labour, lower increases in input costs and sharply lower rises in tender prices arising from fierce competition in tendering.

"By the latter half of this year building materials manufacturers should record improved production volumes as a result of stocking-up by builders' merchants who seek to benefit from the expected 1992-94 housing boom."

The expected drop in interest rates will give a much-needed boost to the industry generally and although non-residential building will continue to feel the pinch this year on the back of the scarcity of investment funds, conditions generally "should improve dramatically in the 1992-95 period".



HOUSING

Big push for new housing subsidy scheme

AKG 25
4/1/91
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From MICHAEL CHESTER JOHANNESBURG. — The government has come under pressure from the National Association of Home Builders to launch a radical new R153million-a-year home-buyer subsidy scheme in the 1991 Budget in urgent moves to crack the growing housing crisis.

Proposals envisage a massive boost in the provision of new houses to lower-income families reaching as high as 770 000 units over the next seven years.

The masterplan estimates that the exercise should also trigger the creation of more than 440 000 new jobs in a dramatic increase in the size of the labour force in the building industry to cope with the potential surge in demand.

Details have been submitted to Minister of Planning and Provincial Affairs Hernus Kriel, who in recent months has held extensive talks with the NAHB about a new formula to solve the chronic shortage of affordable housing for lower income families.

WHITE PAPER

A government response is expected in a special White Paper on Housing Strategies that is due to be published soon.

The urgency of an action programme has been underlined by the NAHB in estimates that projected annual demand for new houses from 1990 to 2000 looks set to stand at a phenomenal average of 367500 — compared with an actual 1989 supply of only 102500.

Its new proposals are intended to give added impetus to initiatives launched by the Urban Foundation with its special loan guarantee fund and by the R2-billion Independent Development Trust started last year to tackle black socio-economic advancement.

The masterplan pivots on proposals that the government ploughs an extra R152,84 million a year into subsidies offered first-time home-buyers, beginning in the 1991/92 Budget.

In the first year alone, because of

the multiplier effect on access to home-loan funds, the scheme should mobilise as much as R2 400 million in additional capital from the financial institutions — equal to 110 000 new houses.

Identical annual budgets over the next seven years should boost the number of new houses provided under the scheme to a stunning 770 000.

The NAHB argues that in view of the limitations of state financial resources the scheme looks far more realistic than alternative suggestions of once-off capital subsidies of around R6000 for each home-buyer, which would cost R660 million a year to provide the same number of houses, with costs peaking at an astronomical cumulative total of R4620 million in the 1997 budget year.

Moreover, NAHB studies show its scheme promises the chance of the government recouping all costs from the general sales taxes or value-added taxes it would reap from the building operations and the extra consumer spending from the thousands of new jobs likely to be generated.

The proposed subsidy scheme is aimed primarily at homeless low-income families. About 90 000 of the annual total of new home-buyers drawing benefit would be families with household incomes as low as R500 and no higher than R2000 a month, moving into houses priced from under R12 000 to R35 000.

INCOME BRACKETS

The annual balance of 20 000 new home-buyers would be households in income brackets between R2000 and R3500 a month.

Over the next seven years, according to NAHB calculations, the subsidies would benefit no fewer than 700 000 first-time black home-buyers.

Subsidies would also be offered to about 28 000 white families, 28 000 Coloured families and 14 000 Indian families seeking houses in price ranges from R35 000 to R65 000.

But heavy emphasis has been laid on proposals that all subsidies should be based on household incomes alone, with no trace of racial discrimination.

Building prospects remain poor

FEW building and construction shares have recorded gains over the year, and projections predict poor prospects for the industry well into 1991.

The exceptions to the downturn on the building and construction board — which started a heavy slide in August and has barely recovered to its level at the beginning of last year — are Anglo Alpha, Basil Read, Concor, Group Five, LTA and Pretoria Portland Cement (PPC), which have done well for their shareholders.

Other shares in the sector have slid, some well over 30%, and dealing remains extremely thin with no one willing to pick up counters trading at or near 1990's lows in hopes of recovery.

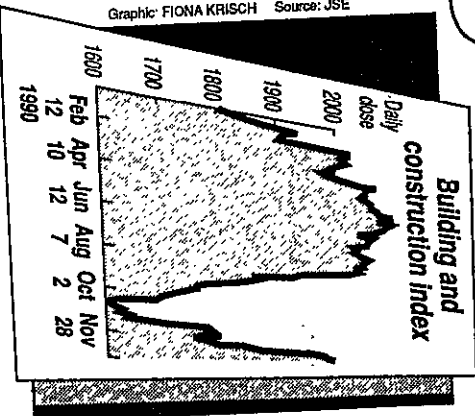
The average earnings yield in the sector is an attractive 18,7% and dividend yield is 5,3%. But the lack of interest is signalling a further decline in profitability and a long struggle to recover from the many setbacks of the past year. These setbacks have been spelt out by Darling & Hodgson chairman Hugh Brown in his annual review — the slide into recession, political uncertainty compounded by unrest and problematical labour relations. Unrest has seriously affected the ability of contractors to fulfil their contracts, leading authorities to postpone the placing of such contracts until it is safe to work in affected areas with a consequent reduction in order books for government work. Increased building costs plus high mortgage rates have resulted in a decline in residential building. It appears the swing from houses to the security of townhouses has come to an end. That leaves only the major construction projects — Mossgas, the Lesotho Highlands project, City Bank in Johannesburg and some shopping centres on order books.

The sector is therefore operating against a continued murky background which will extend well into this year. Figures released by the Central Statistical Service say the value of building plans passed in September last year fell by 3,7% in real terms while the value of buildings com-

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Graphic: FIONA KRISCH Source: JSE



pleted has fallen by 10,5%. Buildings Industries Federation of SA economist Charles Martin has reported that people in the industry are still busy but their order books are very thin for this

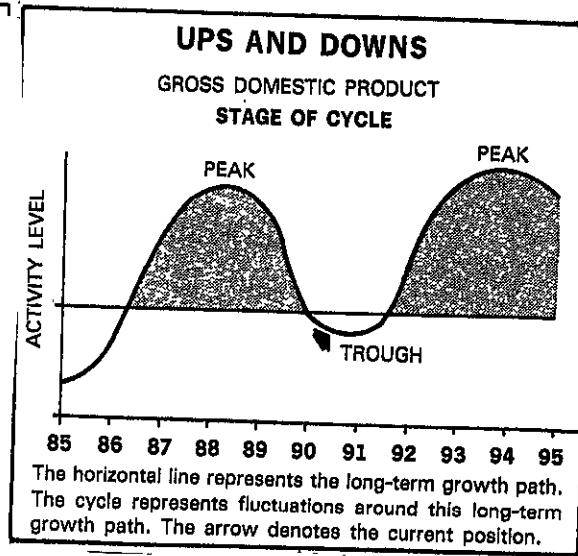
year. By June there will be quite a decline in their work volumes, said Martin. The only building and construction share showing volume in dealing currently is Concor, which at 120c is 50% up on the year, thanks to its Lesotho Highlands contract. The group is cash flush and has a strong order book.

Another winner in the Lesothó Highlands project is Group Five, whose shares at the current price of 600c shows a year's gain of 33,3%. Diversified Group Five, which achieved a 28% rise in earnings to 170,1c a share in the year to June against the economic downturn, will probably not maintain its growth in the current year, but its policy is to keep the group liquid.

Giant LTA, whose turnover climbed to over R1,8bn in the year to March and attributable profit rose by 90% — enabling the group to pay the first dividend in five years — has streamlined and concentrated its operations. It won a contract in the Highlands project. Basil Read emerges the winner with a gain of 53,8% to the current price of 300c.

Hope flickers despite gathering downturn

S/Times 6/1/91 (32)



THE overall economy and the building industry are still on the downward leg of the business cycle.

That is the opinion of Stellenbosch building economists Wilsey Kilian and Johan Snyman, members of Medium-Term Forecasting Associates.

They say interest rates have remained higher for longer than expected and have led to poor trading conditions.

Professor Kilian says: "The imminent decline in interest rates, expected early in 1991, should assist the housing industry from mid-1991 onwards."

"In contrast, non-residential investment is expected to drop sharply in 1991. Conditions should improve dramatically during the period 1992 to 1995."

Mr Snyman says economic developments in the international sphere have been overshadowed by events in the Persian Gulf.

Oil

"Higher oil prices have again raised the spectre of a worldwide acceleration in inflation."

"In these circumstances industrialised countries would normally follow more restrictive monetary policies."

However, Mr Snyman believes the economic growth rates are faltering in Western democracies, with the exception of Germany and Japan.

He says the monetary authorities are faced with a difficult choice — to keep interest rates high to prevent a resurgence of high inflation or to lower them to stave off recession.

Professor Kilian says: "On balance, we believe that interest rates will decline marginally."

Partners

"Furthermore, though economic growth will moderate during 1991, relative to 1990, no full-scale recession will develop in the economies of our industrial trading partners."

His forecast is based on the assumption that a solution will be found to the Persian Gulf crisis and that oil will trade between \$20 and \$25 a barrel.

The economists say the implications for SA's economy will include slower growth in exports.

Mr Snyman says: "But the

By CHARMAIN NAIDOO

relaxation of sanctions and an inflow of new investment capital, coupled with a milder foreign debt burden, could see a build-up of total reserves implying greater domestic liquidity and eventually lower interest rates.

"Now that foreign reserves are rising strongly, the growth in the money supply is under control and the inflation rate is moderating, the Governor of the Reserve Bank has said that interest rates will decrease early in 1991."

Professor Kilian says this decline will be gradual and it is expected that the prime overdraft rate will be kept about five to six percentage points above the inflation rate, as measured by the consumer-price index.

Fiscal policy is expected to stress the re-allocation of public resources to meeting the "social backlogs" — housing, education and health care.

They say that two trends are noticeable in building — a relatively buoyant non-residential sector and a residential one that is still bumping along the bottom.

Professor Kilian says: "High mortgage rates have had a detrimental effect on the home-building industry and have led to a protracted recession in this sector."

Gradual

"Given the impetus of the Independent Development Trust, the SA Housing Trust, the Development Bank and especially lower mortgage rates, the home-building industry should record modest growth in 1991."

Such growth will occur from the low base of 1990.

"In contrast, a sharp drop, from a high base, is foreseen in investment in non-residential building projects during 1991, many of which are nearing the completion stage."

Mr Snyman says new work will be scarce. Other characteristics of the building industry in 1991 are listed:

- Freely available labour and building materials;
- Lower increases in input costs;
- Sharply lower increases in tender prices arising from increased competition.

By the latter half of 1991, building materials manufacturers should record improved production volume as a result of stocking up by merchants who wish to benefit from the hoped-for 1992-1994 housing boom.

Blending the old and the new

The new South Africa implies both an "ancient and modern" challenge for the construction sector.

I believe current developments already highlight the need for a blend of ultra-modern, computer-reliant techniques backed — when occasion demands — by old-fashioned, labour-intensive methods.

This dual challenge will become more acute as the Ninties progress.

We operate in two different contexts. One calls for the latest technology in order to meet tight deadlines and meet a high level of specification — quality as high as anywhere in the Western world.

The second context could hardly offer a starker contrast. Here the need is primarily to provide jobs for unskilled, untrained and often illiterate workers.

It's a case of going back to old pick-and-shovel methods — but with a slight refinement.

On-the-job training and skills enhancement have to be part of this largely Third World package.

Essentially, the construction company has to recognise a responsibility to provide jobs and training, and to structure contracts with more than just the bottom line in mind.

In the new South Africa, it would be naive to imagine that single-minded pursuit of profit is the be-all and end-all. We have to show sensitivity to the nation's social agenda, too.

Developments within the Stocks group have demonstrated that this dual challenge is already being met.

High-profile, prestige projects such as Bloemfontein Civic Centre or the fast-track hotel-casino complexes for Sun International demand recourse to modern planning methodologies and computerised schedules.

Getting the right plant and materials on site at the right time in the right quantities when the appropriate personnel are available is becoming an art form with minimal margin

OUTLOOK '91

By Reg Edwards
Executive Chairman,
Stocks & Stocks

for error. The slightest slip could cost millions.

Fast-track building methods are becoming more sophisticated all the time to meet this particular challenge.

But planners and negotiating teams have to take a whole new set of factors into account when working on less complex projects or those where the timeframes are a little more generous.

In scenarios such as these, the need to create jobs for unskilled operatives and to provide training could shape the whole approach to a contract.

The construction firm then has to be sufficiently flexible and sensitive to meet those needs.

Several examples come to mind in recent Stocks group projects.

For instance, Stock Roads (Natal) has begun work on a unique project near the KwaZulu township of Osizweni (Newcastle).

The contract entails upgrading a major 27 km bus route. It is the first project of its kind awarded by the KwaZulu government.

However, all trench excavations are being completed by hand.

The project is being funded by the Land Bank and will be completed by November 1991.

Wolf Reusch, Stocks area manager in the Natal region, says: "The contract to upgrade this route is fairly straightforward, but it was conditional on our using local labourers instead of machinery to excavate the trenches.

"For this labour-intensive approach, we employed 130 labourers from Osizweni. We're progressing at only about two km a month, but it provides vital jobs for the community and ensures on-the-job training

for many less skilled labourers."

Stocks (Eastern Cape) had to respond to a similar challenge at Tsolo in Transkei.

This was a R5 million contract for construction of a residence block and houses at the College of Agriculture.

The site, about 50 km north of Umtata, was in an area where first world infrastructure is the exception rather than the rule. The only plentiful resource was labour.

The site was covered with large boulders, but little modern plant or machinery was available locally for their removal.

"We organised our labour into teams to crush the boulders to make aggregate — in one operation getting rid of the boulders, creating on-the-spot building material and creating jobs," says John Devine, managing director of Stocks (Eastern Cape).

"There was a real Third World look to that site — just men and wheelbarrows, with very little modern equipment.

"Obviously, the reversion to old methods cost us time, but it's perhaps a learning curve we'll all have to go up in some sectors of the construction industry.

Mr Edwards concludes: "The 1990s will continue to set new challenges for the construction sector.

"However, the dominant theme for the whole decade will probably be the requirement to balance national needs for upliftment and jobs with the need to make a profit while staying abreast of modern, high-tech developments.

"We will have to be versatile, adaptable and sensitive. Some cynics may suggest that construction men are not the most sensitive set of professionals around... but the work to date of our group suggests that we show a much greater degree of awareness and responsibility than we are given credit for.

"I'm confident that this dual challenge will be successfully met."

Modular houses for R10 000

CME-TCS
12/11/91
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A MODULAR building system — Symodule — could go a long way toward easing South Africa's housing backlog, said Professor Roy Marcus, Professor Extraordinaire at the University of Pretoria.

Professor Marcus is former Dean of Wits University's engineering faculty and MD of Abacus Technologies, the company that has refined and marketed the system.

Configurations

The system, which will be used to house construction workers at Sun City, consists of pre-fabricated interlocking steel-cladded panels, with gypsum interior panels, fitted to a framework which incorporates the roof trusses, and is built on a cast concrete slab or steel base frame.

Configurations can range from one room to a multi-roomed up-market single or double-storey office building.

"The only way to tackle the housing backlog in South Africa is with 'un-

conventional' building systems," Professor Marcus said. "Unlike conventional systems, these are subject to stringent specifications. All our components have a 25-year guarantee."

He said a basic 50 m² house could be built for R10 000 and erected in one day by four unskilled labourers.

Computer

Stanley Seeff, leader of the design team working on the system, and MD of Symo Corporation which has linked up with Abacus, is confident that he can handle mass production for local and international requirements.

Abacus has been awarded the contract for providing modules for construction workers at the new extension to Sun City — "The Lost City".

The whole R300 m project has to be completed by December 1992 and the company has to supply immediate accommodation for 1 200 workers.

Building industry activity 'to drop'

B/D Day
17/1/91

GERALD REILLY

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PRETORIA — Activity in the building industry is expected to decline by a further 3% this year, Building Industries Federation executive director Neil Fraser said yesterday.

Commenting on the latest statistics on the value of building plans passed in the first 10 months of last year, Fraser said this was on top of an estimated overall decline in the industry last year of 5,9%.

The value of building last year, he said, was at a lower level than in 1989; but this had presented no major problem to the industry.

In the second half of last year however, the decline gained momentum.

The work carry-over from last year would slow the declining trend in the first half of this year, but it could be expected to accelerate in the second half.

On employment, he said the expectation was that unemployment would have increased by 13% by the year end. In certain areas last year employment had shrunk by 13,5%.

And according to the latest Central Statistical Service figures, in the first 10 months of last year the value of building plans passed at current prices increased by 15,3% to R8,915bn compared with January to October last year. But at constant prices there was a decrease of 1,8% to R4,194bn.

The biggest decline at constant prices was for non-residential buildings. Plans for these buildings fell 9% to R1,182bn. Houses were down by 5,8% to R1,404bn. However, plans for flats and town houses increased by 7,1% to R314,2m.

Additions and alterations were also up at constant prices by 8,3% to R1,261bn.

Murray & Roberts 'not in the unbundling game'³²

THE unbundling debate sparked off by Gencor raises the question of whether other diversified corporations could benefit from a similar move — Murray and Roberts (M & R), for instance.

M & R, with a turnover of R4bn in the year to June 1990, has interests in industrial, construction, engineering, supplies and services and property companies.

... "We did look briefly at unbundling," M & R financial director Lionel Bird said. "But we believe that M & R is at a premium on the valuation we could get from unbundling whereas Gencor is trading at a discount."

... He added that M & R's wide portfolio of companies tended to make the group contra-cyclical to a certain extent.

... Asked if M & R would consider disposing of companies which were not performing well, Bird said the portfolio was reviewed from time to time but there were no immediate plans for disposals.

... "Unbundling refers to breaking a

CHARLOTTE MATHEWS

major company up into its constituent companies so as to realise the value of its assets more fully.

The corporate policy stated in M & R's 1990 annual report is to expand its existing businesses and to acquire businesses with related technology or markets.

The share is a favourite with analysts. The price is currently R24, representing an earnings multiple of 4,52.

This compares with p:e's of 8,18 for the industrial holding sector, 6,05 for the engineering sector and 5,35 for the building and construction sector.

There are 36-million ordinary shares in issue. The average monthly trade on the JSE in the past year was a tiny 117,372 shares or 0,3% of the issued capital and, perhaps as a result, the share price is fairly mobile.

The high in the last 12 months was R26,25 in March and the low was

R18,25 in June.

A large proportion of the shares is held by Sankorp, Murray & Roberts Investments and the Murray & Roberts Trust, and there are also several institutional holders.

Analysts said M & R would not benefit from unbundling.

"You would have to look at whether the parts would achieve a better rating than the whole," one analyst said. "Construction/engineering assets on their own would not do that. Those are on a p:e of two or three while M & R is on a p:e of five or six.

"The mix of the assets works. One of the reasons the group has diversified is to get away from being cyclically affected.

"M & R's share price has done better recently because management has emphasised the quality of the business and CE David Brink himself has made a huge difference."

A second analyst said the long-term nature of contracts in the construction industry meant operating companies needed the financial backing of a large group.

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Mobile

No easy solution seen to building industry's woes

By Frank Jeans

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Star 22/1/91

Conditions in the building industry have deteriorated further since its previous survey, the Bureau for Economic Research (BER) at Stellenbosch University says in its latest report.

As the builders start up again after the holiday break, the bureau has little joy for them and sees solutions to the present downturn even "more elusive".

The BER says political and economic conditions remain the keys to improved conditions in the industry.

"When these conditions improve or show signs of finding direction, conditions in the building industry, in general, will stabilise.

"Depending on the course which the political situation follows, there should be improvement.

"Expectations for the year, particularly the first quarter of 1991 are not at all optimistic."

Architects once again see the negative effects the political uncertainty as well as social unrest are having on the industry.

Indeed, some architectural practices believe the present sluggish conditions will remain for the next two years.

"Contractors also perceive a deteriorating labour position with unions demanding ever-increasing wages, while productivity is decreasing."

Respondents say unskilled workers are also expecting far more "than what they are worth or than what they are capable of producing".

The year-on-year increase in building costs averaged 14,6 percent for 1990, while the BER's forecast for the average increase in costs this year is 13,5 percent.

The damaging effect of high interest rates on the new homes business can be seen in the latest Central Statistical Services figures.

Hardest hit

In the January-September period of last year plans for new houses dropped 8,3 percent and markets of all population groups felt the crunch.

The Asian housing sector was the hardest hit, with a decline of more than 30 percent, while plans passed for coloured people's homes were down 12,3 percent.

The black sector took a four percent knock, while homes for whites dropped four percent.

The total value of building plans passed in the nine months rose by 16 percent to almost R8 billion compared with the figure for the same period in 1989.

In real terms, however, the value showed a decrease of 1,3 percent, mainly due to de-

creases in the value of houses (6,5 percent) and non-residential building (8,3 percent).

In terms of buildings completed, the real value for the nine-month period showed a significant decrease of 4,7 percent from the previous year's figure.

The drop was mainly due to a 16,8 percent slide in houses and a 7,6 percent drop in flats and townhouses.

Non-residential buildings completed showed a drop of 9,3 percent.

Areas in which the drop in house building was greatest were Durban, the Vaal Triangle and the Free State goldfields.

A further indication of the troubles facing the building sector is seen in the latest figures from the Planning Department of the Johannesburg City Council which show a 50 percent decline in work completed in December.

While last month was the traditional wind-down time for the industry, work valued at R14,7 million was finished compared with R28,4 million for the last month of 1989.

There was little encouragement, too, in estimates for new work in December.

The year-ago figure was a comparatively healthy R62,6 million compared with R48,6 million for the last month of 1990.

Change in law could help cut sectional title costs

10/23/91

LESLEY LAMBERT

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CAPE TOWN — The cost of building and buying sectional title units could be reduced as a result of a legal amendment tabled in Parliament this week.

If the Sectional Titles Amendment Bill is passed during the parliamentary session which opens next Friday, developers will be able to apply to local authorities for the registration of sectional title schemes before a development project has been completed.

At present they are able to submit an application only after the project has been completed.

Administrative delays in the application process result in an accumulation of holding costs which developers pass on to buyers.

Proposed

But, if a sectional title register is opened before completion, there will be no unnecessary holding costs and the benefit of this to the developer should be passed on to the buyer, says a spokesman for the Department of Public Works and Land Affairs.

The spokesman said the amendment was proposed by a Sectional Titles Regulation Board, which was established in terms of the Sectional Titles Act of 1986.

The board said the present situation led to unnecessary delays in the approval of sectional title schemes.

It proposed that local authorities should be able to "approve an application while the building is still in the process of being erected but is nevertheless sufficiently completed to make accurate measurement possible".

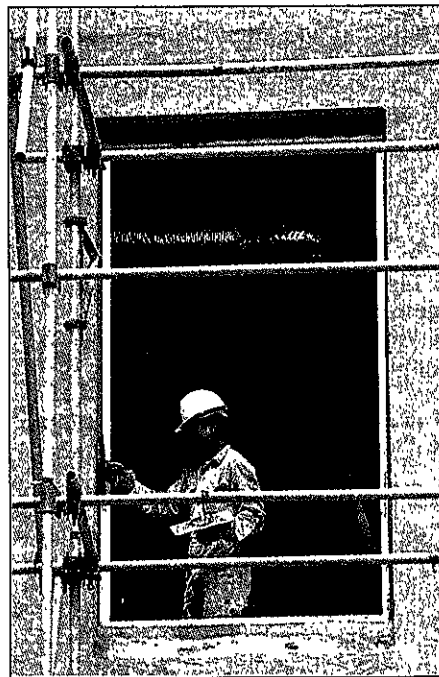
Other technical changes have been proposed to improve the administration of sectional title applications.

10/23/91

dicts. Its advice to builders: rationalise work forces and watch cash flows or you may not be around for the next construction boom, expected in 1993.

The federation believes conditions in the industry will remain stable for the first half of the year then decline steeply. There will be no vigorous revival, it says, until the second half of next year. However, it believes the approaching downturn will be less serious than that of 1987 when turnover dropped by nearly 8%, to R6,5bn at constant 1985 prices. The federation estimates that turnovers will drop to R6,96bn this year, 3% down on the previous year, which was 5,9% down on the R7,6bn turned over in 1989.

The federation says in its annual review that new orders in the private, non-residential sector have fallen and "we expect trading conditions in this sector to deteriorate sharply, with no meaningful reversal before



Construction ... bracing for hard times ahead

late in the second half of 1992."

It adds that demand from the public sector is likely to remain sluggish this year but it expects higher spending on schools, community projects and housing.

The money will initially be spent on infrastructure — sites, roads, sewerage and water reticulation. This is good news for the civil engineering industry but not quite as good for the formal building sector, which gets involved only when infrastructure has been installed.

The federation also expects private spending on housing to start showing an improvement this year if mortgage rates ease.

Overall, the federation expects that the number of workers in the industry will drop by 13,5% from 260 000. The loss of skilled employees will make it harder for builders to recover once the upturn arrives.

"The industry is already thin on labour

and management, and it gets thinner after every recession," says Lewis Neuburger, MD of Rapp & Maister Construction. "The amount of labour that doesn't come back is frightening. It's also likely that we won't replenish plant and, when a boom comes again, we won't have sufficient plant or labour."

He says the industry suffers from peaks and valleys because "there is not much we can do to create work; we are in the hands of other people and that makes it impossible to plan more than six months ahead."

Murray & Roberts, which relies less on government spending and more on the big institutions, is worried that institutions may cut back. "There is a limit to the number of shopping complexes and office blocks they can invest in," says executive director Roger Veysey. "There's already oversupply in Sandton and there will soon be in Durban. The only avenue that may remain open for institutions to spend their money is to rebuild and refurbish buildings."

Old Mutual has just put up two pricey new buildings in Johannesburg. But Roland Chute, the company's assistant GM, investments, believes new buildings may be less attractive investments than existing ones. "People gear themselves heavily to erect them and when they are forced to sell them, they invariably come on to the market as distress merchandise that the institutions can pick up at reasonable prices."

Sanlam Property MD Hendrik Bester is pessimistic about the building industry's short-term prospects but very positive long-term. He believes investment in SA property will be more attractive to foreign investors, once sanctions go, than investment abroad will be to SA institutions. "Overseas investors will want to come back. They will put a lot of money into housing, schools, hospitals and training centres."

Veysey also sees more money flowing into SA than out, once restrictions are lifted "and there's an acceptable level of political stability."

He foresees an upsurge in factory construction on the coast by overseas firms, particularly in Cape Town and Durban. But East London and Port Elizabeth may be passed over by foreign investors because of their recurring labour problems, he says. "SA will become a processing nation and foreign investors will want to build new factories near sources of skilled labour and ports. Existing ones will not suit their needs."

SA Federation of Civil Engineering Contractors executive director Kees Lagaay says his sector faces gloomy prospects because most of its work comes from the State.

"There was a gradual slowdown last year, when we lost 5 000 of our 95 000 workers, but the slowdown will accelerate in the first half of this year. The only bright spot I see is government's policy of speeding up urbanisation. Lots must be spent on roads, earthworks and water reticulation before houses can be built. But whether that will be enough to stop the slide is questionable." ■

F M 25/1191 (32)
BUILDING INDUSTRY
BELT-TIGHTENING TIME

The building industry, still riding the last wave of construction contracts, will hit the wall in the second half of the year, the Building Industries Federation of SA pre-

MARGINS BUCKLE

Handsome profit contributions from its general building, property development and house building divisions could not prevent a 13,6% earnings slide at construction group Stock & Stocks in the six months to end-October. FIM 1/2/91

Harsher trading conditions saw the group's operating margin slashed from 4,7% in the second half of last year to 2,9%.

Long-term contracts helped to maintain some buoyancy in the general building division, whose activities include construction of office blocks, hotels, shopping centres and industrial complexes.

Johan van Vuuren, executive director: finance, says Stocks Housing's order book improved substantially over the six months. Most of its work is in low-cost schemes.

The resorts and timeshare division improved its profit contribution, with the Kwa-Maritane project continuing to do well. The manufacturing division maintained its performance and, for the first time, offshore operations broke even.

The group performance was further dragged down by a R4,7m loss in the re-

FIM 1/2/91

(32)

sidential development division (Habitech), through the write-down of serviced and unserviced land. This followed the collapse of the lower- and mid-range home marketing business in the face of high interest rates, social unrest and the drying up of new bond facilities.

A positive aspect is that some of the strain has been taken off the balance sheet. Trading cash flow was used to reduce short-term debt of R55m at year-end to R38m. Van Vuuren says the group now has a net cash balance.

At last year-end the order book had grown by 16% to R1,08bn and has since increased to R1,2bn, which is being executed at a monthly turnover of roughly R110m.

Van Vuuren reckons the group's better performers could continue their upward trend.

However, construction activity will likely follow the economy further in the downturn. Van Vuuren is pinning his hopes on the thick order book but it remains to be seen whether that will be enough — and whether a further cut in margins can be avoided.

Investors are not enthusiastic: the share price has been in a downtrend since June, shedding 40c to 105c, and the 2,3 earnings multiple is only half the 5,3 average of the sector.

Gerhard Slabber

Cutting housing costs at expense of life span worries building chief

Star 5/24/91

32

An obsessive fixation on initial capital cost at the expense of maintenance and expected life expectancy of low-cost housing is "stupid, if not dangerously irresponsible".

This is the view of one of the country's building leaders, Neil Fraser, executive director of the Building Industries Federation (Bifsa).

He believes the drive to bring down costs means the life span of the finished product must suffer.

Opening the Cullinan group's R36 million hi-tech brick operation at Midrand, Mr Fraser said: "Housing standards are being driven down, correctly in my opinion, by dispensing with over-elaborate details and specifications.

"Affordability is forcing research and experimentation into many building techniques, systems and materials and this is also good.

Bond period

"However, there are some systems being used today in low-cost housing building where maintenance costs could well become equivalent to bond repayments, if not more, and where life expectancy is less than the bond repayment period."

Comparing the traditional brick house with some system-built units, he said the former should be recognised through longer bond repayments.

The latter often had a "suspect life expectancy" and the maintenance costs could probably not be afforded by the inhabitants.

This could probably "bring us right back to slum-like conditions," he said.

Mr Fraser emphasised that the quality of the finished product was not determined only by the standards and the quality of materials. It was also dependent on the skill of the labour force.

"Here, we suffer enormous lacks.

Untrained

"In the past six years, the number of apprentices entering the industry dropped from nearly 1 400 in 1984 to only 320 in 1990.

"Yet, the work is being done, which can only mean that untrained people are being used — this largely being as a result of the obsession to drive down costs and, again, the quality and life span of the finished product must suffer.

"It does not make economic sense for builders to use untrained people. They obviously pay less but generally the productivity and quality are just not acceptable."

To counter this "serious situation" the formal building industry had been developing a training model which would revolutionise the development of skilled people for the future.

Property & Construction

FRANK JEANS



Celebrating . . . Neil Cullinan, left, executive chairman of the Cullinan group, left, and Peter Sneddon, chief executive of Cullinan Brick, display the first clay face brick to be produced at the company's new tunnel kiln. The plant is said to be the most sophisticated brick-making operation in the world. Its capacity of 60 million bricks a year converts to about 20 000 an hour. The traditional clamp kiln operation takes about 90 days, whereas the Cullinan system cuts production time to four days.

Govt accused of tardiness in reducing staff levels

B/Pan 6/2/91

32

GOVERNMENT had been too slow in cutting down on the number of its employees and in privatising in difficult times, SA Federation of Civil Engineering Contractors (Safcec) president Ian MacGregor told a media conference yesterday.

He said the public sector had shown no visible signs of retrenchment and the impetus in privatisation appeared virtually to have stopped. This was at a time when government would be expected to show at least a 25% reduction in staff and more privatisation.

The civil engineering industry had to be flexible because it undertook the construction of the country's infrastructure.

"We are concerned because we do

CHARLOTTE MATHEWS

not see the same flexibility being shown by the public sector," he said.

Safcec vice-presidents Peter Clogg and Jurgen Schultz also criticised government for giving what scarce infrastructural work there was to government institutions.

"It has been proven over and over that it is totally untrue that government can do work for half the cost of the private sector," Clogg said.

MacGregor said the civil engineering sector was a vital part of the country's economy with a turnover in 1990 of about R5bn.

"The state provides the majority of work for the civil engineering industry and it seems ironical to me that, through cuts in capital spending, peo-

ple will lose their jobs and have to call upon state agencies for financial assistance."

MacGregor said great demands were placed upon the industry a few years ago to build railway lines and harbours. Then the demand shifted to roads and townships with their related water and sewerage schemes.

"Now with the downturn in the country's economy, capital works budgets have been slashed and we have had to scale down to fit this reduced demand."

If political stability was achieved, MacGregor said the industry could see opportunities in black township roads and infrastructure, schools, hospitals, work in adjoining countries, increased industrialisation and electricity for everyone.

CONSTRUCTION FMIS/2/91 **BUILDING A MERGER?**

It may take 10 years, or even 20, but there is already evidence to suggest that the Building Industries Federation of SA (Bifsa) and the SA Federation of Civil Engineering Contractors are well advanced towards forming an umbrella body to represent the entire construction industry. (32)

Kees Lagaay, executive director of the civil engineering contractors, says it appears as if the two groups will eventually amalgamate into one construction body, but warns that it would be rash to say when.

Neil Fraser, Bifsa's executive director, says the two bodies are co-operating increasingly. He says there has not been talk of them amalgamating, but adds: "Who knows what will happen in 10 or even 20 years? Right now we're working together and trying to rationalise some of our activities."

He mentions a loss control and safety programme developed by his organisation that has halved the number of injuries in the building industry.

"We'll service both industries, but whereas our members will pay for the service by way of a levy, members of the civil engineering contractors, who have been using outside experts, will pay in full. At a later stage, they may also pay by way of a levy.

"Training is an area that offers tremendous scope for co-operation. We are looking at the duplication of facilities and finding ways to rationalise them. There is, for example, no sense in both organisations having almost identical training facilities."

Speaking for the civil engineering contractors, Lagaay says one of his organisation's

strengths is skills training "and several of the skills we teach overlap with the skills needed in the building industry; we start by teaching the most basic skills and follow that up with courses for foremen and supervisors."

He adds: "We also teach junior and senior management some aspects of the industry they didn't learn at university. I am told that Bifsa is looking at creating a similar course. There is no need for that; it can co-operate with us and use our course."

He says the chairmen and executive directors of the two organisations already meet about once every four months to identify areas that overlap and, where practical, agree on co-operation.

"One fruit of those meetings is our use of the government training centre at Apex near Benoni," Lagaay says. "We're now looking at combining our activities with Bifsa's training centre in Springs." ■



PETER CLOGG: Workforce cut Picture: COBUS BODENSTEIN

Group 5 glad of R75m cash

GROUP FIVE raised earnings a share by 44% to 101c in the six months to December and the dividend by 17% to 27c. The improvement was achieved on only a 3% increase in turnover to R672-million.

sented by cash. This means the group's assets are valued at only 30c a share, or R5-million.

The group turned over R1.3-billion in the last financial year.

Chief executive Peter Clogg expects the next six months to be similar to the first half because of long-term projects on the books.

Thereafter, the group will be glad of its healthy cash resources — R75-million — because the outlook is poor. Almost every class of business in which Group Five operates is at best stable and at worst declining.

Lessons

Mr Clogg is confident that the industry has adopted a more mature attitude to pricing.

"The last three recessions have come in quick succession, and many of the current managements were around then. They have learned through experience that it is not a good idea to take on business at a loss."

Group Five has cut its workforce by 3 500 in the last six months to 15 000. It could easily fall to 11 000.

Mr Clogg is optimistic about construction once political differences have been settled. Prospects in Southern Africa should brighten and the group has already made its mark there.

The group envisages buying businesses that provide products and services in construction and public utilities.

The current share price is 480c, 450c of which is repre-



THE JSE
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Group 5 ³² fights back

By Ann Crotty

Helped by a sharp reduction in the tax bill, Group Five Holdings overcame sluggish trading conditions and lifted earnings 46 percent to 99c (68c) a share in the six months to December.

An interim dividend of 28c (22c) has been declared.

Turnover was up three percent to R672 million (R652 million), reflecting weakness in the building and construction industry.

Pre-tax profit was up 15.4 percent to R19.8 million (R17.2 million).

A sharp increase in finance income to R2.2 million (R512 000) more than countered the drop in share of associates' profit to R1.8 million (R2.2 million).

Pre-tax profit was lifted by a slight improvement in operating margins. *Share 181 2/4*

The review figures benefited from a sharp drop in the tax rate — down from 32 percent to 17.2 percent, which meant the tax bill was down to R3.4 million (R5.5 million).

Earnings (before extraordinary income of R743 000) was up 44 percent to R9 million (R6.3 million).

The directors say results for the second six months are expected to be similar to those of the first half because of the long-term nature of construction contracts.

"But the next financial year is expected to be very difficult and the group is likely to experience a decline in returns."

Group Five defies gloom in the building industry

CHARLOTTE MATHEWS

GROUP FIVE, whose interests are related to building and construction, has defied the gloom in the industry by achieving earnings for the six months to December that are 44% higher at 101c a share than the 70c reported in the previous interim period.

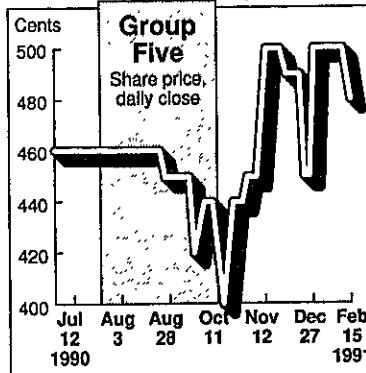
Chairman Peter Clogg said in an interview that results for the second half of the year were likely to be similar to the first half. But, he warned, the next financial year was likely to be difficult because of the long-term nature of construction contracts.

"Our forward order book is lower now than it has been for a long time and there is nothing on the horizon," he said.

Group Five's turnover rose only 3% to R672m (R652m) in this period but income before tax rose 15% to R19,9m from R17,2m, partly as a result of improved margins and partly because the group has a cash holding of R75,1m which is earning interest.

An interim dividend 17% higher at 26c a share against the previous 23c indicates an increased dividend cover. Clogg said the board considered it wise in view of the present outlook to declare a conservative dividend at this time.

The group's current work on hand includes the Katse Dam portion of



Graphic: FIONA KRISCH Source: JSE

the Lesotho Highlands Project which it won in consortium with overseas construction companies, the second phase of Majuba power station in consortium with Concor, some work in Botswana and office and retail building contracts in SA.

The greatest contributor to Group Five's turnover in the past financial year was road construction, but as a result of cutbacks in government spending this contribution will be far less in the current year.

"The only area in which there is some hope for the future is low cost housing on a large scale but I don't believe there will be any growth this year," Clogg said.

"We are probably building one-quarter of the houses we used to in SA, but work in Botswana has

increased."

In the previous financial year Group Five initiated an industrial division which included a granite quarry in Brits, a half-share in Amalgamated Reinforcing with Grinaker and a formwork and scaffolding company. Clogg said the strength of the industrial division was that it serviced the same customers as other group activities and was underpinned by existing expertise and the group's own needs.

"I think there is a hard time ahead of us, with infrastructural spending held lower," Clogg said. "The ANC conference in June will determine whether the ANC settles on negotiation or armed struggle. If negotiation is decided on, some money will come in from overseas and will be spent on infrastructure.

"As soon as that happens companies like ours will feel more comfortable. We will also feel the benefits in our ability to tender for work in the rest of southern Africa."

Group Five Holdings, whose income is derived entirely from its 53,8% holding in Group Five, has declared a dividend of 26c (22c) a share in the six month period on earnings of 99c (68c) a share.

S M Goldstein, whose income is derived only from its 45% interest in Group Five Holdings, showed earnings of 41c (29c) a share on which a dividend of 10c (9c) a share has been declared.

32

State urged to release funds

Get the State-allocated millions to home-building sites now.

That call comes from Ian Macgregor, president of the South African Federation of Civil Engineering Contractors, who also hits out at the continual problem of having to "cut through the bureaucratic red tape to get suitable land for development".

Speaking at a media lunch in Johannesburg, Mr Macgregor said: "There is R2 billion waiting to be used for housing but it's still there gathering interest at probably R1 million a

day.

"I urge the authorities to release these funds now."

Mr Macgregor criticised the inflexibility of the public sector and said that in these difficult times at least a 25 percent reduction in that sector's involvement in construction and a move to more privatisation could have been expected.

"The impetus in privatisation has virtually stopped," he said.

"Much civil engineering construction continues to be undertaken by so-called department

construction units with little or no progress towards contracting out this work to private contractors.

"With the downturn in the economy, capital works budgets have been slashed and we have had to scale down to fit this reduced demand.

"We have countered this in some way by finding work in adjacent countries."

It was ironical that, through cuts in capital spending, people lost their jobs and then had to call on State agencies for financial help.

QUANTUM Fm 22/2/91
BUCKLING UNDER (32)

Construction and property group Quantum is blaming recession, the slump in the black property market and a heavy debt burden for its decision to apply for provisional judicial management.

DCM-listed Quantum, with subsidiaries Quantum Construction and Quest Construction, was placed in provisional judicial management last week. Its shares remain listed and are trading at 1c. The JSE has issued a statement warning investors to exercise caution in their dealings in the share.

According to papers MD Chris Otto presented to the court, Quantum's assets exceed its liabilities by R4,9m, or 11c a share. However, cash flow constraints have meant that it has been unable to pay creditors.

Otto says that Quantum's biggest creditor, Senbank, which is owed close to R17m, has agreed to suspend interest payments until the group has been restructured. The group's overdraft has grown by nearly R6m in the past 11 months. By agreement with Senbank, most of the proceeds from a R4m rights issue in August were applied to reduce borrowings from the bank, since it had previously discounted these proceeds.

Total assets, mainly investments in subsidiaries, are valued at R23,2m now.

Otto claims recession and unrest in black townships cost Quantum R5,2m in lost business in the past 10 months. Quantum specialises in the construction and sale of properties in black townships. The group also lost R7,2m as a result of the liquidation last year of its Roadstorm Earthworks subsidiary.

Joint provisional judicial manager Mike de Villiers, of Deloitte Pim Goldby Trust, says it is too early to assess whether Quantum can be traded out of trouble. A clearer picture of Quantum's prospects should emerge after a meeting with creditors on March 8.

Simon Cashmore

NOW FOR BAD TIMES

Group 5's interim figures reflect a buoyancy attributable to an overhang of long-term contracts. The future is less sanguine. It now looks as if the construction group is set to experience a decline in the second half to end-June. Turnover could be down some 15% in financial 1991 and possibly 20% next year.

There are two reasons why construction groups have bucked the economy's downward trend so far, believes chairman Peter Clogg. One is the long-term nature of their contracts. But, perhaps equally important, is that managements have now lived through three slowdowns in a fairly short space of time. They have learnt to avoid cut-throat business practices, which harm everybody, and let their businesses shrink with the economy.

Even so, Group 5's improved 2.36% (2.22%) operating margin for the first half reflects keen competition in the industry. Clogg would like to see it above the 3% level, which is the generally accepted yardstick for the construction industry, but does not expect it to get there in the near-term.

Results in Group 5's seven divisions were mixed. The building and civils divisions were the main contributors to the improved results in the first half, but the roads division, which kept things buoyant for the group in financial 1990, turned down sharply.

Results on the engineering side were also down in the first six months, while homes and industrials fared reasonably well. The overall effect was a 9.5% rise in operating profit off a 3% turnover increase. After-tax profit climbed by 40% as a result of a more than fourfold increase in interest income, a 20% decline in associates' share of the profit and a reduction in the effective tax rate from 32% to 17%.

The group's cash holding at R75m is up by 12% from year-end and interest now constitutes some 11% of the group's pre-tax income. Clogg says his group is perfectly happy to sit on the cash. No acquisitions are in the pipeline and management would like to build the group's cash pile even higher. Clogg reckons this is necessary as Group 5, unlike all the other big construction groups,

INTEREST DRIVEN

Six months to	Dec 31 '89	Jan 30 '90	Dec 31 '90
Turnover (Rm)	789	790	790
Operating profit (Rm)	652	648	672
Attrib profit (Rm)	14.5	13.7	15.8
Earnings (c)	11.7	16.8	18.3
Dividend (c)	70	100	101
	23	32	27

has no parent which can inject cash when the need arises.

This conservative view of the near-term prospects is also reflected in the decision to raise the dividend cover from 3 to 3.7.

Clogg expects the second half to be much the same as the first, with matching profit, but there will definitely be a reduction in real turnover with roadbuilding most affected and building the least. The group's offshore operations, which contribute more than 20% to turnover, are also likely to suffer as activity in Mauritius has started to decline because of the negative impact of the Gulf War on tourism. The road building and housing activities in Botswana are also likely to suffer because of increased competition from European contractors.

The group's involvement in the Kaise Dam (Lesotho Highlands project) is likely to help carry things through in the next year or two.

The share stands on a p/c of 2.9, which is

in line with the market's rating of big construction groups such as LTA, Stocks and Concor. What is puzzling, however, is Group 5 Holdings' 2.6 earnings multiple, as each of this company's shares equates to some 97% of the value of a Group 5 share. Group 5 Holdings, therefore, seems underpriced for now.

Gerhard Steiber

Building crisis knocks down Everite earnings

18/0004 22/29/91 312

REDUCED activity in the building and construction market shattered the Everite Group's interim earnings, which fell 54% to R4,1m (R9,1m) or 4,7c (10,3c) for the six months to end-December.

The cement product manufacturer declared an interim dividend of 4c (7,5c).

Turnover showed a slender increase to R166,3m (R162,1m) as volume sales of group products fell by an average 10%.

Building materials sales dropped 7% in a homebuilding market which has shown volumes declining by 15%. Pipe sales were 21% down reflecting a dearth of major infrastructural work.

Associated companies DPI and Unipipe and investments contributed R2,8m to earnings.

Group directors issued a cautionary statement in November advising that sales and profits for the first five months had fallen sharply due to township unrest and the failure of funds earmarked for low cost housing to find its way into the market.

Everite's conservative accounting policy resulted in an additional R4,7m revaluation depreciation over and above the his-

MARC HASENFUSS

torical provision of R7,4m.

The taxation charge (R5m) remained high as a percentage of net profits as there was no tax break on revaluation depreciation, while the lower interest charge at R892 000 (R1,3m) stemmed largely from improved asset management.

MD George Thomas said management succeeded in containing fixed costs at well below inflation for the period under review and that further progress was expected. The company would continue to pay close attention to asset management.

Thomas was mildly optimistic about the future in view of the strong balance sheet, and said the group was well positioned to benefit from an economic upturn.

He saw no short-term recovery for the building and construction industries, although recent political developments and the prospect of interest rates softening were positive factors.

The share was untraded yesterday at 250c just above its 240c low in March last year. It peaked at 270c in August.

Builders are self-sufficient

32

THE building industry in the far northern Transvaal is almost totally self-sufficient in supplies and struggling to meet market demands.

Brickworks, sawmills and stoneworks are capable of meeting the region's requirements, although extraordinary supplies not manufactured in the area can be quickly transported there by road or rail from the PWV.

One company which has managed to grow with the times is concrete and cement manufacturer Petermix, which has served the region for 14 years.

It was the first to establish a cement blending and bagging facility outside of the PWV-based PPC cartel.

A second plant came on line last year, providing Petermix with additional bulk

facilities and railway sidings.

Improvements to the original site include the laying of 15 000m² of concrete paving, the erection of precast walling on site, the construction of a laboratory and a 300m² office block and the erection of a 400m² change house and ablution block for workers.

Streamline

A further 1 000 tons of bulk cementation storage capacity and the laying of a third railway siding formed the second phase of the new development and allowed the company to streamline its operations.

Petermix director Keith Baragwanath says the new development has resulted in a drop in shrinkage and has improved service con-

tinuity, with the storage and distribution operation now at a single site.

The additional railway sidings have given the company the capability of handling 46 rail-trucks with a total bulk storage capacity of about 3 000 tons.

Phase three of the company's expansion include the installation of a second cement packing machine with an 8 000 pocket a day capacity.

Baragwanath says the original production target was set to meet a predicted market demand of about 3 500 pockets a day, but after six months in operation demand has outstripped capacity.

In order to cut down waiting times, a second packaging plant, imported from Germany, was installed and market demand

satisfied.

All seven cements produced at the plant have received SABS approval and are distributed to both industry and retail outlets within a 300km radius of the Petermix plant.

Baragwanath says the company is gearing up to double output this year.

Increasing

"We are looking at increasing the production capacity of our general purpose SABS PC 30 approved cement, which is the most popular and accepted cement in the local industry," he says.

Pietersburg Crushers, also part of the Petermix group, is the major supplier of high quality SABS 1083 certified road stone to the local industry.

would either be sold or raised. Metro will assume control of the company's day-activities.

son said other rationalisation plans were that a single board with management might be concentrated in core business, and Metro reduce borrowings by the sale of assets — which would save on overheads and by at least R30m and reduce tangible assets by R100m.

He said the rationalisation would restore the group "to its former pre-eminence" and it would regain previous levels of ability in financial 1992.

Setback

The total taxed return of property trusts between 1989 and 1990 was 20,76% and for the JSE all was 20,78%.

"We advise people who want to diversify and diversification into property trusts rather than into either a direct investment in single property or participation in property syndications."

Yields on property trusts were lower now than yields on comparable physical property, and should offer a buying opportunity in the property trust sector, he said.

Big tax and interest bills hit Basil Read's earnings

BASIL Read Holdings — the building, housing, mining, property development and civil engineering group — recorded a 29% drop in earnings in the six months to end-December because of a large tax bill.

Although the group's turnover showed a strong advance and pre-tax figures were still positive, an escalation in interest charges and the tax liability, plus the board's own pessimism about prospects for its various divisions, do not bode well for year-end results.

Directors say in today's interim report that no upturn is foreseen in any of the divisions this financial year and it is unlikely that the company will achieve the growth that was expected.

This is the first setback for Basil Read since the management buy-out five years ago. The group had achieved an annual compound growth rate of nearly 30% until this setback. Chairman Leon Dison was still optimistic in the previous annual review as the group appeared to be weathering the downswing towards the end of 1990.

The group's net taxed income for the six months to December declined to just over R5m from the previous comparable half-year's R7m, equal to 35,1c a share (49,4c a share). However, the interim dividend has been maintained at 10c.

32
Buy 26/2/91

LIZ ROUSE

Turnover increased by 62% to R277,8m (R171,5m), but operating income rose by a much slower 33% to just under R12m (R9m), narrowing the profit margin to 4,3% from 5,2%.

Interest charges increased by 45% to R2,9m (just under R2m), leaving pre-tax income up 29% at R9,1m (R7m). The tax bill came to almost R4,1m (nil at the 1989 halfway stage and jumping to R6,9m in the year ended June 1990).

Directors report that the decline in the profit margin was largely attributable to the poor performance of the building division in the Cape, while the housing division continued to suffer from high interest rates, lack of bonds and political unrest.

Only the mining and property divisions performed well in the past half-year. The civil engineering division did not fully meet expectations.

Basil Read directors warn that the outlook for the second half of the year is not promising.

The award of a number of contracts has been unduly delayed, making it extremely difficult to plan for the future.

Basil Read shares came off 10c to 285c yesterday ahead of the release of results.

Fleishmans to shift into higher gear this year

FINDING "recession-proof markets" has allowed motor spares and accessories distributor Fleishmans to shift into a higher gear this year, says MD Stephen Szewach. Buy 26/2/91.

He says a hands-on approach and aggressive marketing have secured lucrative niche markets.

Fleishmans, with its 31 stores, is now fully controlled by Szewach. His holding company, Fleipro Holdings, bought out Broshore Investments' minority interests for about R2,5m.

MARC HASENFUSS

Accessories represent a large part of Fleishmans' business.

Szewach said in an interview at the weekend he regarded "car accessories" as far wider than the generally accepted definition.

Gimmicky add-on items were certainly "accessories", but so were car alarms, immobilisers, roof racks, lighting kits, switches and hooters.

The recession had not halted demand in this field, especially from

the black taxi sector and enthusiasts.

Fleishmans had expanded into areas such as Veereniging, Wynberg, Springs, Kempton Park and Roodepoort, all of which were well served by taxis.

Although Fleishmans was already a discount retailer, Szewach said, further deals were being made with taxi companies.

He estimated turnover would reach R40m for the year ended June 1991.

Involvement of the community is key to Third World needs

32

BID am 26/2/91

Reports by
SUSAN RAMWELL

SOUTH Africa, in common with other developing countries, has a high geographic concentration of industrial production and an ever increasing urban population largely unable to afford even the most basic of needs.

The challenge facing the new South Africa is to build affordable, cost-effective buildings with local materials and using methods that employ local labour, says Aiken & Peat's Social Investment Unit senior consultant Ron Rees.

The social investment unit was launched by Aiken & Peat Management Services in April 1990 "in recognition of the importance of social investment in southern Africa".

Its mission is to assist clients to economically, effectively and efficiently expend social investment funds for self-sustaining development.

Aiken & Peat is advising clients such as Eskom, Sasol, Anglo American and the Transkei Government in strategic planning and project management exercises relevant to Third World development.

"The most important pa-

rameters for development are acceptability, community involvement, affordability, cost-effectiveness and sustainability says Rees.

"In sub-economic development, alternative standards and designs should be explored. This implies the provision of basic levels of service combined with balanced attention to other factors which will increase living standards and create new opportunities.

Meyer, Pienaar, Smith, Moren architect Francois Pienaar says: "Architecturally, the challenge is to reflect the socio-economic and political values of a new society in both private and public facilities using the limited funds available to the building industry."

But what is appropriate to the new society with its mix of First and Third Worlds?

Rees and fellow consultant Geoff Egner say high-tech has different meanings.

In the First World, it usually means minimised labour, maximised efficiency. In the Third World, it is often taken, wrongly, to mean

a level of imported technology which gives a new/modern/luxurious impression.

For a building to be appropriate, Rees and Egner say there would have to be an acceptable balance of the following criteria. It should:

- Fulfil the needs of both owner and user;
- Be cost-effective in design and construction;
- Use local resources (labour, skills, materials, finances and components);
- Be affordable for the owners;
- Be suited to the end user operations;
- Be maintainable and operable by owners and users;
- Be environmentally compatible.

"There is a mistaken perception that appropriate buildings need less technological input. A high degree of technological innovation assists in achieving a building which has a good balance of these criteria.

"The term high-tech building should not be used, since there is such wide misunderstanding of the term."

Rees says the next building cycle will centre on the provision of housing and infrastructure for the labour

force. Housing could become the economic engine.

Pienaar says there is another area where perceptions of what is appropriate are critical.

He says the general public is aware of inappropriate spending on most public buildings erected during the '80s. From opera houses to airports, luxury finishes such as marble and deep pile carpets and works of art were lavished on them.

"It is these impressions that linger in the mind of the man in the street and, regrettably, the real value of these facilities may be overshadowed.

"For example, for the educational and spiritual upliftment of man, opera houses, concert halls, theatres and art galleries are absolutely essential.

"But for SA these buildings should reflect a new appropriateness. They should be functional and cost-effective without the traditional upper-crust status associated with them.

"Airports are not to be seen as elaborate palaces for flight, but as functional facilities providing the most effective means of getting passengers and baggage on and off aircraft."



Profits at Basil Read decline

Finance Staff 2/2/91

For the first time since the management buy-out five years ago construction group Basil Read reported a decline in earnings.

In the six months to end-December earnings fell by 28 percent to R5,02 million (R7,02 million), which translated to earnings per share of 35,1c (49,4c). The interim dividend was maintained at 10c a share.

Turnover was up by a strong 62 percent to R277,9 million (R171,5 million) and operating profit improved by 33 percent to R12 million (R9,1 million), but the directors say the poor performance of the Cape building division in particular hit the group's profit margins.

The housing division continued to suffer from political unrest and high interest rates, which partially contributed to the 45 percent rise in interest payments to R2,9 billion (R2 billion).

Looking ahead to the remainder of the year the directors say the industry was facing a great deal of uncertainty as the flow of tender work in all sectors had been reduced and intense competition was eroding margins.

"It is unlikely that Basil Read will achieve the expected growth rate in earnings this year," the directors say.

Grinaker's poor showing no surprise for market

32 B/day 27/2/91.

ZILLA EFRAT

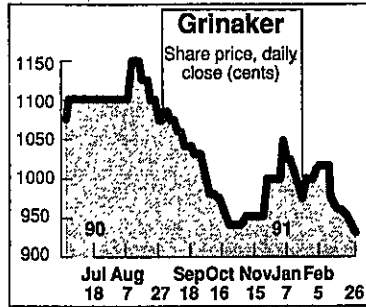
THE 29% fall in interim earnings of Grinaker Holdings, the construction and electronics group in the Anglovaal stable, was expected by the market.

Yesterday, Grinaker's share price eased back 10c to its yearly low of 940c a share on the JSE, well below its peak of 1 250c in March last year.

Following a 46% earnings improvement in the year to June, Grinaker's principal subsidiaries Grinaker Construction, Grinaker Electronics and Siltek experienced difficult trading and operating conditions in the six months to December.

It has posted attributable earnings of R14,5m (R20,3m) or 41,6c (58,2c) a share and declared a dividend of 10c (13c) a share, down 23% and covered 4,2 (4,5) times.

For the same period, electronics subsidiary Grintek, which holds Grinaker Electronics and Siltek, has an-



Graph by: LEE EMERTON Source: JSE

nounced a 35% fall in attributable earnings to R13,8m or 7,1c a share and has declared a dividend of 2,4c (3c) a share.

Listed Siltek's earnings were also down 9% for the interim period to December.

Order delays and cutbacks from by major clients resulted in a modest 5% growth in Grinaker's turnover to R989,3m. Operating margins fell to 4,8% (6,7%) resulting in a 26% fall in

operating profit to R47,3m.

While income from investments was 18% lower at R8,8m, effective asset management led to the interest bill nearly halving to R4,8m (R9m).

On a lower tax rate of 45,5% (46,3%), taxed profits fell 20% to R28m. The share of associated companies' earnings was 60% higher at R710 000 and the amount paid to outside shareholders of subsidiaries was 6% lower at R14,2m.

During the period under review, the group strengthened its effective holding in Siltek to 46,5% through Grinaker Electronics' purchase of a further 1,6-million Siltek shares.

Attributable goodwill of R12,6m has been set off against ordinary shareholders' interests.

Group MD Jack Saulez says because an upswing in business activity is not anticipated in the short term, Grinaker's profit for the full year is likely to be lower than that earned in the previous financial year, he says.

11/11/91 28/11/91

New tax will mean rise in building costs

32 LESLEY LAMBERT

CAPE TOWN — The construction industry has welcomed proposals for the subsidisation of low-cost homes to offset the inflationary effect of VAT on house prices.

Apart from this and the chance of suitable phasing-in for capital goods and services, the industry has received little comfort.

Under GST, the industry attracted tax on about 50% of the contract price of construction. But Vatcom has supported a recommendation in the draft Bill that the industry be taxed at a standard VAT rate, which will result in a 50% rise in the tax element of the cost of construction.

This increase should be offset by the proposed credit for tax paid on intermediate and capital goods which will reduce the cost of commercial construction services. The industry is concerned that the state's demand for civil construction will decline because government is exempted from VAT and thus does not benefit from the input credit.

The industry argues that government should be subject either to VAT or to self-supply rules.

The report said concern was expressed about the inflationary effect of VAT on the price of low-cost homes. Calculations showed that VAT would raise house prices by between 4% and 7%.

The subcommittee, with the assistance of the SA Housing Trust and the Urban Foundation, identified homes costing R35 000 and less as the area of greatest need.

It recommended that new housing in this price range be compensated for the increase in costs and that the subsidy be free of budgetary constraints.

Concor group experiences another 'leap' year

CONSTRUCTION and civil engineering group Concor enjoyed a further surge in profits in the six months to end-December, and has declared an interim dividend for the first time since 1984.

Earnings more than doubled to 26,7c (13,2c) a share. An interim dividend of 5c, covered 5,3 times by earnings, has been declared.

The results are in line with expectations, following the previous year's leap in earnings to 46,7c (24,2c) a share, out of which 10c was distributed.

A strong order book, improved quality and productivity, plus the group's healthy liquidity, ensured further progress.

LIZ ROUSE

Chairman Brian Murphy expects the results in the second half of the year to be as good as those in the first six months, which puts year-end earnings at 53,4c a share at least.

Concor's excellent results are in stark contrast to the squeeze being felt by other civil engineering and building groups which have reported results recently.

The group achieved a 175% rise in operating income to nearly R9m (R3,3m) on a 13% increase in turnover (no turnover figures are given).

Cash reserves at the end of

32

December were R32m, which yielded a net finance income of R2,5m (R573 000 in the six months to December 1989).

Although the tax rate increased sharply as a result of most assessed losses having been utilised, the tax bill of R5,4m (R916 000) has had no effect on cash flow.

Concor's policy has been to build up cash reserves while interest rates are at high levels. Murphy has said the cash will eventually be used to fund acquisitions.

Cash management has been the main shift in management since the restructuring three

years ago, says Concor financial director Graham Mullany.

The interim results reflect the finalisation of large contracts in the past six months. The civil engineering division has done particularly well, says Mullany.

Concor has been wise to cut exposure in the vulnerable housing sector, and has avoided being involved in speculative housing, he says. In line with other construction groups, Concor is having difficulties in finding work in the road sector.

However, the order book is healthy, ensuring a good cash flow for some time to come.

FNB, UBS request extra time

By Sven Lünsche

The Securities Regulations Panel (SRP) further delayed publicising its key ruling in the takeover battle for Allied between the UBS and First National Bank.

The panel said in a press release this morning that the two parties had requested until Monday morning to work out a deal with a view to resolving their differences.

Both UBS and the FNB had requested that details of the decision by the panel be kept confidential until the outcome of a meeting between the SRP and the parties to be held on Monday.

The panel has been meeting over the last four days to hear an appeal by FNB against an earlier finding which apparently favoured UBS.

Analysts say that the earlier ruling allowed the UBS in conjunction with a "concert" party to buy more than 30 percent of Allied shares without making a mandatory offer to minority shareholder.

In the meantime Allied employees have not yet been informed whether they can exercise their options over 13,3 million shares. A decision is expected today, it was reported.

Allied shares closed slightly lower yesterday, shedding 5c to 260c, as over 500 000 shares changed hands.

Healthy rise in earnings at M & R

By Ann Crotty *Star 28/2/91* (32)

Construction, engineering and industrial group Murray & Roberts has reported a six percent increase in earnings to 208c (197c) a share for the six months to December.

A dividend of 46c (40c) a share has been declared.

The interim performance was helped by a number of acquisitions effected in the review period.

In financial '90 the group spent R86 million on acquisitions. Despite the steady rate at which assets are being purchased, the end-December balance sheet shows gearing of only 22 percent.

The group has cash resources of R130 million.

Turnover rose 14 percent to R2,2 billion (R1,9 billion) and operating profit nine percent to R143,4 million (R131,4 million).

Interest payments were little changed at R10,9 million (R11,2 million).

The tax rate was marginally down at 40 percent (41,7 percent).

Attributable earnings were 10 percent ahead at R74,7 million (R67,6 million).

A divisional breakdown shows significant changes in the contribution to group operating profit.

Industrial interests still made the largest contribution.

In the review period they provided R39,2 million, or 26,5 percent (28 percent), of the R147,5 million group profit.

Construction was next largest, with R35,9 million, or 24,3 percent (25,3 percent).

Suppliers & Services which, at the last interim accounted for 25,6 percent of group operating profit, this time provided only 17,5 percent, or R25,9 million.

By contrast, engineering, which accounted for only 13,7 percent at the '90 interim, chipped in with 23,5 percent, or R34,7 million.

The directors say management responsibility and accounting for M&R Foundries was transferred from the industrial division to engineering with effect from October '90. But they say the comparative figures were restated to reflect this change.

Properties provided the remainder of operating profit.

The directors expect the deterioration in economic conditions to continue, which will make it difficult to achieve an increase in attributable earnings for the full year.

But because of the strength of the balance sheet, a real increase in dividends for the year will be paid, they say.

Mixed performances at AVI

By Ann Crotty *Star 28/2/91*

Mixed performances from Anglovaal Industries' various divisions combined to produce a 5 percent increase in earnings to 363c (346c) a share in the six months to end-December.

A strong performance from Consol (which had been held back by strike activity in the comparative interim period) accounted for much of the 19 percent increase in turnover to R3,655 billion (R3 billion). Operating profit was up 7 percent to R331 million R308 million so overall margins were squeezed from 10 percent to 9 percent.

This change may also reflect the change in relative contribu-

tion from the various divisions to group operating profit.

Again indicating the impact of the Consol developments, the packaging and rubber division accounted for a massive 40 percent of group pre-tax profit — up from 26 percent in the financial '90 interim.

Income from investments shot up 26 percent to R27,3 million (R21,7 million). Interest payments were down 10 percent to R43 million (R47,6 million).

After providing for tax and associates, profit was up 11 percent to R172,2 million (R154,7 million). There was a 22 percent increase in outside shareholders' interests to R69,1 million (R56,6 million) which left attributable earnings showing a 5 percent

advance to R103,1 million (R98 million).

Management notes that most of its served markets were subject to reduced margins and that group returns on both total assets and ordinary shareholders' funds were lower. Profit gains in Consol's rubber division and in National Brands were offset by substantially reduced contributions from Grinaker and the Avtex textile businesses. Irvin & Johnson performed soundly and maintained its contribution to group earnings.

Although the current recessionary trading conditions are expected to continue, the directors are expecting full year earnings to at least match those of financial '90.

Concor pays interim div ³²

Finance Staff *Star 28/2/91*

Construction group Concor has declared an interim dividend for the first time since 1984 after reporting sharply higher attributable income for the six months to December.

A dividend of 5c a share, covered 5,3 times by earnings, is being paid.

Attributable income increased by almost 100 percent to R6,1 million (R3,1 million) on a 13 percent rise in turnover.

The tax bill, at R5,4 million, increased substantially, as the group has utilised most of its taxed losses.

Earnings a share improved by just over 100 percent from 13,2c to 26,7c.

By showing strong growth in earnings Concor is defying an industry trend of lower turnover and substantially reduced profit margins.

Chairman Brian Murphy says the group had worked hard at improving its quality and productivity over the last few years.

The continuing healthy liquidity of the group is reflected in the net accrual of R2,5 million in interest income, while cash reserves at the end of the period stood at R32 million, he said.

Mr Murphy expects results in the second half to be as good as those in the first six months, despite difficult trading conditions.

Change of control at Unidev

By Ann Crotty *Star 28/2/91*

A change of management control at Unidev, a R15 million rights issue and the sale of non-core assets should see the beginnings of a significant re-rating of the Unidev share price.

The restructuring, which appears to come at the instigation of Senbank, is given considerable credibility by combining the recapitalisation of the heavily indebted Unidev with a change in management.

The share, which reached a high of 135c last year having reached an all time high of 220c in 1989, is trading around 25c.

The new management team will be headed by Jon Brett and Alan Chonowitz who for the past three years have been key members of FSI's executive team. The two will be resigning from FSI at the end of March.

Change of control at Unidev will be effected through the ac-

quisition of Top-Hi which holds 79 percent of Unicon. Unicon in turn holds 55 percent of Unidev.

A consortium consisting of Ronnie Stein, Geoff Grylls, Ian Hirschon, Steve Phelps, and Lionel Willmore previously controlled Top-Hi.

Now Top-Hi will be controlled through a partnership agreement between Senbank and Mr Chonowitz and Mr Brett who will have management control of Unidev. They will hold 60 percent of the equity of Top-Hi and Senbank the remaining 40 percent.

Senbank CE Hennie Van der Merwe, who describes the move as a commercial restructuring and not a rescue, says that in order to succeed as an investment banking operation, Unidev must have strong focused management in place and not depend on interest-bearing debt for funding.

The combination of the R15 million rights issue and the sale of non-core assets — which is expected to earn about another R15 million — will mean that the Unidev balance sheet will be virtually ungeared.

The new management team will proceed through two phases. The first will be the consolidation of the existing core businesses.

Mr Chonowitz points out that apart from Prestige which needs to be returned to profitability, each of the other core investments (Medicor 50 percent; Equikor 40 percent; Hyperette 33 percent, and Rusfurn, 23 percent) are under good management.

The second phase will see the acquisition of assets with funding help coming from Senbank. But he points out that any debt so raised will be taken up by the acquired assets.

Imphold improves all round

Finance Staff *Star 28/2/91*

An improved performance by all its divisions boosted earnings at Imperial Holdings by 20 percent to R9,85 million (R8,12 million) in the six months to end-December.

On a turnover increase of 12,6 percent to R315 million (R279,7 million), earnings per share rose to 17,55c (14,63c)

while the interim dividend was lifted by 21,7 percent to 7c (5,75c).

Commenting on the results Imphold chairman Bill Lynch said that higher market share by Imperial Car Rentals offset the volume decline in the car rental industry and allowed the group to achieve real turnover growth.

In the motor division new and

used car sales increased, while cost control had a positive impact on the performance of the truck systems division, Mr Lynch said.

Imperial Group, which has as its sole investment a 75 percent stake in Imphold, reported earnings per share of 52,2c (43,9c) and lifted the interim dividend from 17,25c to 20,6c a share.



Cash-flush M & R raises interim dividend payout

CHARLOTTE MATHEWS

CASH holdings of R130m and a strong balance sheet have prompted industrial holding company Murray & Roberts (M & R) to declare a 15% improved dividend in the six months to December on a 6% increase in earnings a share.

A dividend of 46c (40c) has been declared on earnings of 208c (197c) a share. Attributable earnings rose 10% to R74,7m from R67,6m.

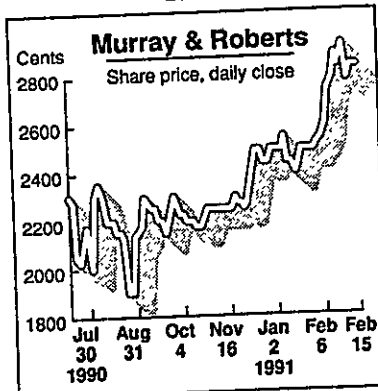
On turnover growth of 14% to R2,2bn (R1,9bn), operating profit rose 9% to R143,4m (R131,4m). This reflects operating margins of just under the target figure of 6,5%.

M & R CE Dave Brink said in an interview the decline in margins was due mainly to lower capacity utilisation on lower volumes.

The division which had performed most disappointingly in this period was suppliers and services. It contributed R26m (R34m) to operating profit.

"There is very low demand for quarry products, ready mixed concrete and bricks," Brink explained. "In the brick industry especially, prices are poor and demand is low, reflecting the slowdown in low-cost housing in SA."

Nevertheless M & R had bought three brick companies — Corocrete, Brakpan Bricks and the remaining



Graphic: FIONA KRISCH Source: JSE

50% of Tricrete — in the last six months, indicating its confidence in the future of this sector.

Brink believed the engineering division had the basis for sustainable growth in spite of the recession.

M & R spent R60m on acquisitions in the last six months — "and you can expect some more; maybe some major ones," Brink said.

He was not pessimistic about the next six months, but conceded it would be a difficult time. "We are getting closer to the time when we can say we made it through the recession," he said.

One of Brink's objectives is to see M & R shares recover blue chip status.

OTIS

GOING UP? FIM 113191 (32)

Poor conditions have persisted in both the property market and the construction industry, resulting in a weakened performance by Otis. Though turnover for the year "slightly exceeded that of the previous year," operating profit was slashed by 63%, implying the margin was more than halved from last year's 18,7% to about 7%.

The mix of business between new equipment and modernisation of buildings shifted in favour of the former, where most of the losses occurred. In the two preceding years, Otis had been active in the modernisation and refurbishment of lifts in older buildings. With a weaker economic climate, this business tends to fall away.

The group also suffered some serious cost overruns because of a combination of factors. Some problems were experienced with estimating, while cost control for both material and labour was inadequate. Delays occurred in a number of projects which, coinciding with each other, involved significant overtime pay.

Far stricter control measures have been instituted subsequently, with fortnightly rather than monthly checks, and project management is in place for the larger undertakings. Says MD Roy Markham: "We're a lot more confident of the controls now."

Also negatively affecting these results, but aimed at improving the future performance, were "restructuring expenses." Costs involved largely related to an early retirement programme, while the company has been reorganised on a sounder basis. Branches now have more autonomy for commercial purposes, while functions such as quality control remain centralised. The reduced overhead structure, with new product introductions, should enable the group to expand the business.

Certain capital investments have been made with the aim of establishing a sound base for future growth. The factory has been relayed and investments have been made in new machine tools in order to improve product flow, at a total cost of some R2m. A new mainframe computer has been acquired for a

similar outlay, which should help with planning and control.

A sharp rise in the tax rate did not help Otis's performance. Otis has longstanding commitments to certain corporate social responsibility projects, for which it received negligible tax relief due to the reduced profit level.

Looking to the current year, Markham feels the group could resume a growth trend. "Since the beginning of December, we have received some important orders. The bid rate is fairly active, but this depends on the developers going ahead with the buildings," he says.

"I expect that we will have a reasonably lean first half, improving in the second half and into 1992. Even so, with the improved controls and monitoring that we have instituted we should see a recovery in our profitability."

The share price has tumbled from the 12-month high of 390c to the present 230c. It looks worth holding ahead of a profit turnaround that may result from tighter controls.

Gillian Findlay

CHANGING DIRECTION

Year to Nov	1989	1990
Operating profit (Rm)	17,2	6,4
Income before tax (Rm) .	16,9	5,9
Taxation (Rm)	8,2	3,8
Attributable income (Rm) .	8,7	2,0
Earnings (c)	51,0	12,0
Dividends (c)	45,0	12,0

BASIL READ

32

TAX BLOW

F1m 113191

Changes in Basil Read's tax position have had a significant impact on the building and construction group's bottom line in the six months to end-December. Substantial assessed losses still available in the first half of financial 1990 ran out in the second half.

There was also a change in the group's accounting policy for deferred tax, from the partial to the comprehensive method. The result was a R4,1m tax bill for 1991 first-half compared with nil in the year-ago interim.

Operating income rose by 33%, off a 62% rise in turnover, with margins sliding because of a poor performance by the building

F1m 113191

32

division in the Cape and low activity in the housing division. Mining and property development divisions performed well, but the civil engineering division failed to meet expectations.

A 45% rise in the interest bill caused further deterioration at the bottom line. Gearing stood on 62% at December 31, up from the 14% at last year-end. Management says the year-end figure was abnormally low.

Construction of the waste recycling plant at Robinson Deep dump in Johannesburg will probably mean even higher gearing. No upturn is expected in any division this year, and growth will remain below expectations.

The share trades on a 3 p:e ratio, marginally higher than some bigger construction groups.

Gerhard Slabber

Mr R V CARLISLE: Mr Speaker, further arising from the hon the Minister's reply, am I to understand that he would be prepared to see these buildings wherever there was a need—turned into schools for whatever population group, regardless of the group area they are currently in. *Hansard 5/3/91*

The MINISTER: Mr Speaker, we have already applied our policy in that way and we shall continue to do so.

Volks Hospital: use of facilities

*6. Mr K M ANDREW asked the Minister of Health Services:

Whether all facilities at the Volks Hospital in the Gardens, Cape Town, are being used; if not, why not; if so, (a) what are these facilities, (b) which persons qualify to use them, (c) what is the percentage utilisation and (d) what was the total cost of running the hospital in the 1989-90 financial year?

Hansard 5/3/91 B370E

The MINISTER OF HEALTH SERVICES:

Yes:

- (a) General medical services, a high care unit and a rehabilitation unit;
- (b) All persons irrespective of race or sex;
- (c) 61% at present;
- (d) R3 488 000 for the 1989-90 financial year.

For written reply:

General Affairs:

Toll roads/gates: private contractors

25. Mr P H DE LA REY asked the Minister of Transport: *Hansard 5/3/91* (32)

(1) Whether any private contractors have been asked for tenders to operate toll roads and toll gates; if not, (a) why not and (b) (i) in what manner certain companies, the names of which have been furnished to the Minister's Department for the purpose of his reply, were designated to build toll roads and operate toll gates, (ii) why were these companies decided upon and (iii) what are the names of the two companies;

HOUSE OF ASSEMBLY

(2) whether tenders will be or have been invited for the construction of toll gates and other buildings on the freeway between Brits and Pretoria; if not, (a) by whom is the construction being done and (b) how is the cost determined?

Hansard 5/3/91 B70E

The MINISTER OF TRANSPORT: (32)

(1) Private contractors were asked to tender to operate the toll gates on the Tliskamma, the Mariannhill, the Kranskop, the South Coast and the Magalies Toll Roads as well as to operate the toll gate, the approach roads and the tunnel on the Hugenot Toll Tunnel project. Private contractors were not asked to tender for the operation of the sections of the toll roads on the N1, N3 and N17 which are currently being operated for the South African Roads Board by Messrs Toll Road Concessionaires (Pty) Ltd (Tolcon) and Toll Highway Development Company (Pty) Ltd (Tollway).

(a) Agreements were negotiated with Tolcon and Tollway for the operation of the toll roads and toll gates on the N1, N3 and N17.

(b) (i) The two companies were established when two consortia were formed from four of the seven road construction companies who responded to an invitation by the then Minister of Transport Affairs for interested parties to submit expressions of interest in the financing, construction, maintenance and operation of national roads. Negotiations then took place between the Department of Transport, the then National Transport Commission and the two companies in line with Government's policy of privatisation. These negotiations resulted in agreements being entered into with the two companies to finance, construct, maintain and operate the relevant toll roads on behalf of the State.

(ii) As mentioned in (i) above, these two companies were formed as

Hansard 5/3/91 (32)

two consortia from four of the seven construction companies who submitted expressions of interest after an invitation in this regard by the then Minister of Transport Affairs. Their submissions were evaluated by the Committee of Ministers on Privatisation and Deregulation, which issued certain guidelines by which agreements could be negotiated with the two companies.

(iii) Toll Road Concessionaires (Pty) Ltd (Tolcon) and Toll Highway Development Company (Pty) Ltd (Tollway).

(2) No.

(a) Labor Construction (Pty) Ltd as an extension to an existing contract, that particular company being on site for the construction of the roadworks between Ateridgeville and Valindaba.

(b) The costs were determined from measured quantities, approved contract rates and, where necessary, negotiated rates which were checked against current unit rates.

Aids: legislation

84. Mr M J ELLIS asked the Minister of National Health:

(1) Whether consideration is being given by her Department to introducing legislation making it compulsory for all patients undergoing surgery in State hospitals to be tested for Aids prior to surgery; if so, what are the relevant details;

(2) whether she will make a statement on the matter?

B195E

The MINISTER OF NATIONAL HEALTH:

(1) The Department is presently reviewing the compulsory HIV-testing.

Because of the so-called "window-effect" a negative HIV-test in an individual practising high-risk behaviour may not be an accurate reflection of his HIV-status. All patients should therefore be seen as potentially infected. The key to occupational safety of all health care workers is therefore based on the rigorous implementation of infection control measures and the Department promotes this. *Hansard 5/3/91*

The ethical rules of the South African Medical and Dental Council which at present determine among others that no medical practitioner may take a blood sample for HIV-testing from a patient without the patient's permission, must also be kept in mind;

(2) no.

Own Affairs:

Special education subsidies: cuts

19. Mr M J ELLIS asked the Minister of Education and Culture:

Whether any plans are being made to cut special education subsidies for children under the age of seven; if so, (a) why, (b) when and (c) to what extent? *Hansard 5/3/91* B306E

The MINISTER OF EDUCATION AND CULTURE:

It is accepted that special school education is referred to.

Yes, (a), (b) and (c) to the extent that has been necessitated by the decrease in my Department's allocation in real terms and spread over all sectors of the Department.

HOUSE OF ASSEMBLY

Process of deregulating building industry begins

8/10/91 8/31/91

(32)

CAPE TOWN — Major deregulation has started in the building industry which could eventually remove the need for local authority approval of building plans.

The first stage of the process is the introduction of a newly rationalised, less prescriptive set of national building regulations, published in today's Government Gazette.

The rationalisation streamlines the regulations substantially, reducing the space they occupy in the gazette from 700 pages to 38.

The amended regulations will standardise the fragmented system of separate municipal regulations and ease formerly prescriptive building requirements without compromising safety and health standards, Trade and Industry Minister Kent Durr said in a statement issued yesterday.

They are aimed at allowing developers and their designers more freedom to introduce innovative building methods and alternative materials in

LESLEY LAMBERT

order to contain costs.

Further down the line is the possible introduction of a system of self-certification of building plans by architects and engineers. Durr said the matter was under consideration.

The SA Bureau of Standards would conduct an opinion survey among local authorities, the Institute of Architects, the Institute of Civil Engineers and the Association of Consulting Engineers before any system of self-certification was adopted.

Durr said the amended building regulations were universally applicable. Further guidelines for users were provided by SABS codes of practice.

He said special rules could be developed by the SABS to accommodate different building materials.

Special provision was made in the amended regulations for disabled people, who made up more than 12% of the population.

Land reform paper is ready for tabling

8/10/91 8/31/91

Political Staff

CAPE TOWN — Government's White Paper on land reform is to be tabled in Parliament on Tuesday.

The paper will outline government's approach to land reform following the scrapping of the Land and Group Areas Acts.

Government is expected to provide protection for communally owned land in rural areas and to pave the way for peasant occupation of the 1,2-million hectares of land owned by the SA Development Trust.

This land, bought in terms of the 1936 Development Land and Trust Act, was originally intended for transfer into the homelands.

Government is expected to give a green light to plans drawn up for black farmers' development on this land by the Development Bank of Southern Africa.

Development Aid Minister Jacob de Villiers said arrangements for the disposal of this land would appear in the White Paper.

Settlement board 'a waste'

Political Staff

CAPE TOWN — The DP has criticised government for the "grotesque waste of money" resulting from the formation and operation of the two-year-old Free Settlement Board.

Planning and Provincial Affairs Minister Hernus Kriel has disclosed board chairman Hein Kruger was paid R243 671, while the cost of the board's formation, functioning and hearings was R739 541. More than R150 000 was paid to other members of the board.

Lester Fuchs (DP Hillbrow) said yesterday that, even after President F W de Klerk's speech on February 2 last year, government "continues merrily to spend taxpayers' money on a process which is clearly on the way out".

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STILL CLIMBING (32)

How long will it take construction group Murray & Roberts (M&R) fully to regain its blue chip status on the JSE? The share price has recovered steadily from the 1986 trough and interim figures for financial 1991 reflect the continuing recovery.

The market, however, still seems to have some doubts. M&R stands on a 6,8 p/e ratio, lagging Barlow's 8,3. It will be tough to improve on last year's earnings, but M&R last year produced earnings growth of 27% against Barlow's 15% decline.

CE Dave Brink agrees it will be difficult to increase attributable earnings for the year, but M&R's strong balance sheet and R130m cash pile will make it possible to increase dividends in real terms. Brink may be too cautious. Interest should be lower for part of the second half, borrowings are not likely to increase and Brink expects M&R's effective tax rate to settle at about the 40% level.

The group had a good first half, with a 6% EPS rise, despite a R71m capex programme and acquisitions of some R60m. This was mostly funded out of trading cash flow as cash holdings reduced by only R37m from year-end. However, group margins narrowed in the first half from 6,72% to 6,41% as one would expect in a downswing.

M&R does not disclose divisional margins at the interim stage. However, four of the five divisions showed improved contributions at operating level, with the suppliers and services division reporting a 24,5% decline. Brink says land, sea and air services held up quite well in this division. The depressed results came from construction materials, bitumen products and significantly lower activity in design and project management — especially with Mossgas nearing completion.

The industrial division remains the biggest earnings contributor, with 27% of group pre-interest profit, though its increase for the six months was a low 4,5%. Construction, the second largest division, lifted its operating

STAYING UP

Six months to	Dec 31 '89	Jun 30 '90	Dec 31 '90
Turnover (Rbn)	1,95	2,06	2,24
Operating prof (Rm)	131,4	169,5	143,4
Attrib profit (Rm) ..	67,6	86,1	74,7
Earnings (c)	197	247	208
Dividend (c)	40	92	46

F M 8/3/91

FOX

profit by nearly 6%, while the engineering division produced a hefty 89% increase, mainly owing to Genrec's excellent first half (Fox February 22). The property division's profit was up by 24%. (32)

Brink says the group will continue to spend capital and make acquisitions. In the past six months M&R acquired 100% of Falcon Engineering, Licence Mining, Megafilm, Corocrete, Brakpan Bricks; it also took out minorities in Tricrete and Abecol. Brink views the brick takeovers as strategic — the merged Corocrete/Tricrete activities, for example, are not making money at present. The group will continue to look for niche markets and explore export opportunities.

The share rose from R18 in June last year to R30. It does not yet look fully priced.

Gerhard Slabber

Value of civil engineering contracts 'low'

31 Day 12/3/91 (32)
MARC HASENFUSS

THE level of civil engineering construction remained sluggish during the last quarter of 1990 despite the year-end-rush to complete contracts, SA Federation of Civil Engineering Contractors (Safcec) said in a statement yesterday.

Tender activity and contract awards in the fourth quarter were low with a shortage of work in all ranges and areas, Safcec executive director Kees Lagaay said. The total amount of work declined further.

The value of new contracts awarded in the quarter under review totalled only R415m compared with the over R600m recorded in the corresponding period in the previous year.

The January 1991 awards at R465m were largely due to the R386m contract for the construction of a 22km delivery tunnel north of the Highlands Water Project. The work is being undertaken by an international consortium of which local group Concor Holdings is a member.

Lagaay said a fairly large number of new contracts had been noted during February, but were mostly small-to-medium (R5m-R10m), with only one large award of R57m going to Grinaker Construction for the construction of a 9km section of the N2 near Guederland.

Many companies were retrenching labour and some contractors had suspended operations until prices returned to acceptable levels, Lagaay said.

Lagaay said in spite of the slow-down in the industry, suppliers' prices continued to increase at a pace unrelated to demand.

Looking at prospects for 1991, Lagaay anticipated that only limited funds for infrastructural development would be made available in this year's Budget, and there would be a dearth of work from mining and manufacturing sectors this year.

The cessation of work on private toll roads was a further setback.

Safcec reports downturn

By Frank Jeans *Star* 12/3/91

Although there was a slight pick-up in work volumes for the civil engineering industry in recent months, contracting companies have little joy in the months ahead with order books continuing to shrink.

According to a report from the SA Federation of Civil Engineering Contractors (Safcec), the industry faces a year of stiff competition, keen tendering prices and a scarcity of new work.

"Contractors' assessment of conditions is one of deterioration and many companies are re-trenching labour and suspended operations until prices return to acceptable levels," Safcec executive director Keith Lagaay says.

"It is expected that only limited funds for infrastructural development will be made available in the forthcoming Budget and that there will also be a dearth of work from the mining and manufacturing sectors this year.

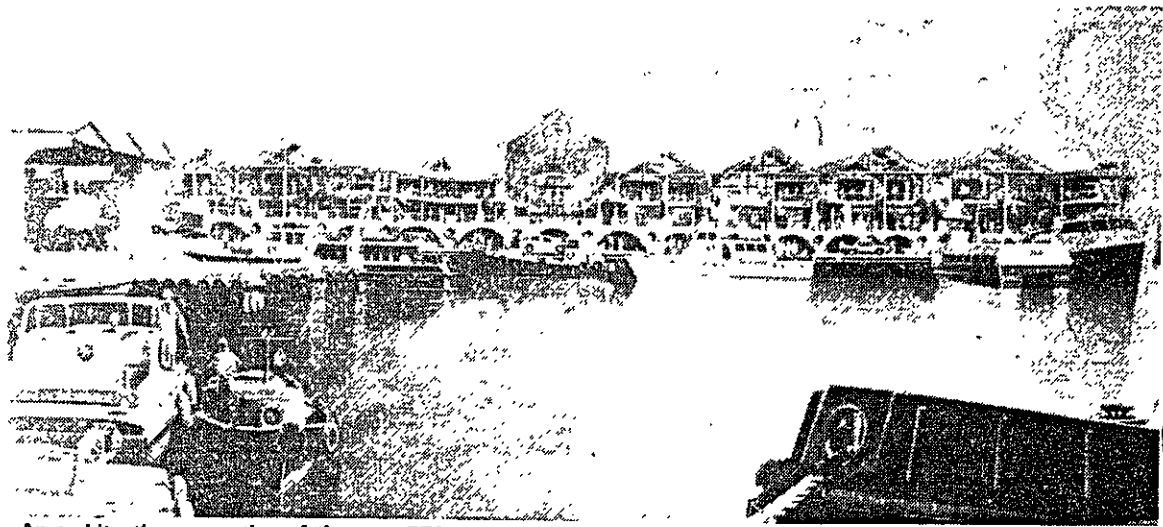
"A further setback has been the cessation of work on private toll roads."

In spite of the slowdown, however, suppliers' prices continue to increase at a pace which one contractor puts it "totally unrelated to demand".

"It is fortunate that several large schemes are now underway or due to begin in neighbouring countries, such as the Lesotho Highlands Water Project and the soda ash and urbanisation projects in Botswana," says Mr Lagaay.

The major awards in Lesotho were the contract for the Katse dam at R793 million and the combined contract for the two sections of the transfer tunnel and the delivery tunnel south, totalling R858 million.

Fourth quarter contracts last year totalled a very low R415 million, a figure which was outpaced by the R465 million worth of contracts awarded in January this year alone.



An architect's perspective of the new R70m retail complex at the V&A Waterfront development in Cape Town.

SA's building industry 'faces a formidable task'

32 (1991)
B/day 13/3/91

Reports by
PETER GALLI and CHARLOTTE MATHEWS

MEETING the housing and infrastructural construction needs of a modern society was a massive challenge for SA's building industry, Toncoro MD Errol Rutherford said at a media briefing in Durban.

Toncoro is the parent company of brick manufacturer Corobrik.

"Builders can look forward to unparalleled rates of affordable housing construction, but the timeframe for this is still unclear," he said.

Rutherford, who is president of the Natal Chamber of Industries, said government had for some time held back on infrastructure because, with major changes in the offing, future needs could not be based on existing demographics.

While the long-term outlook for the building industry should improve with the imminent repeal of the

Group Areas Act, prospects were presently overshadowed by other socio-economic factors.

The building industry was headed for a similar year to 1990, with no upturn in sight, Rutherford said.

"The repeal of the Group Areas Act represents such a radical normalisation of society that few people can yet see through all the implications it will bring."

Affordability still remained a key factor in the housing market, he added. Even with a long-term shift in wage patterns, there was still a need for low rental accommodation to meet the needs of the lower income group.

National marketing director Keith Nurcombe said SA needed one central housing strategy that would involve less talk and be

more focused.

"It looks as though a single ministry for housing is on the cards, with a strategy for national housing being developed," he added.

In an attempt to address this problem, Corobrik has developed a range of innovative walling systems for the low-income market.

Marketed under the umbrella name of Corowall, the systems are based on the concept of single-skin exterior walling.

"This new system means genuine clay brick walls

now became a viable option in the low-income field."

Nurcombe said Corobrik had found a way to slow the surging cost of low-income housing by offering facebrick as an alternative.

Using various options, Corobrik had developed four prototype homes to test the system. The homes cost an average of R32 000, including plumbing and electrical installations.

While the costs were marginally higher than concrete block, if maintenance costs were taken into account, clay brick became the most cost-effective solution, he said.

for 14/3/91

Supreme returns to profit at year-end

32

By Jabulani Sikhakhane

Supreme Manufacturing Holdings has turned an interim loss into a trading profit for the full year ended-December.

Earnings were up 10,5 percent to 2,1c from 1,9c in the comparable nine months, but no dividend has been declared.

Chairman Edward Ronbeck says trading results were affected by economic downturn, high interest rates, labour unrest and a lacklustre performance of the building and construction sector.

Despite this turnover still rose 65 percent to R63,828 million

(R38,529 million) and due to improved margins operating income was up 74,5 percent to R6,385 million from R3,659 million.

The group also managed to reduce long-term borrowings from R18,3 million to R10,5 million and gearing was lowered to 46 percent (63 percent).

Mr Ronbeck says administrative and financial control problems in subsidiaries, Victoria Lewis, Insulated Structures and Mewe Manufacturing have been identified and necessary corrective action has been taken.

High prices and few orders plague civils

STC News 17/3/91 (32)

ABOUT 80% of companies in the civil engineering industry expect poor business conditions this year.

Many are retrenching labour and some have suspended operations until contract prices return to more acceptable levels.

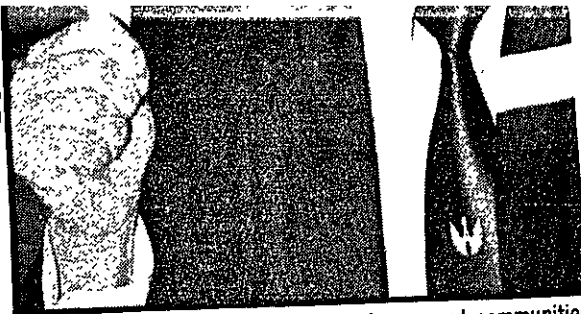
This follows an extremely tough fourth quarter last year, when the industry faced shrinking order books, a de-

Business Times Reporter

cline in new orders and highly competitive pricing policies.

The SA Federation of Civil Engineering Contractors says that, in spite of this slowdown, suppliers' prices continue to rise at a pace which seems to be unrelated to demand, and while the supply of labour, materials, plant and spares remain reasonable, good artisans are needed.

Contracts awarded in January amounted to R465-million, but this included a R386-million contract for a delivery tunnel for the Lesotho Highlands water project.



JAN STEYN: Fund is available to developers and communities

Optimism greets the IDT's R750m housing subsidy

THE construction industry has reacted optimistically to the Independent Development Trust's R750-million low-cost housing subsidy.

Group Five chief executive Peter Clogg says it's the most positive step so far.

"It is perfect for a start and a lot more practical than some of the other schemes put forward," says Mr Clogg.

He added that the R7 500 subsidy for each serviced site will do a lot to attract private developers. The IDT plans to provide 100 000 families with serviced sites.

To qualify for the full subsidy, developers must provide waterborne sewerage, metered water, tarred bus routes, graded minor roads and water drainage.

Mr Clogg estimates the cost of such work on each site to be around R9 500. "The subsidy would reduce this to R2 000. Add to this the cost of the land, the current cost to a family will be R5 000 instead of R13 000.

"Certainly we would be looking at accommodation one step above squatting, where earnings are below R1 000 a month."

Heads of families who earn less than R1 000 a month, who have dependants living with them and are over 21 will qualify for the subsidy of R7 500. They must, however, be first-time property owners.

Beacon

IDT chairman Jan Steyn says the subsidy scheme will be available to commercial developers, utility companies, community-based housing organisations and local and provincial authorities.

He says financial constraints and other demands on the trust have limited the money allocated to R750-million. No additional funds for new housing subsidy schemes for the lower income groups are expected from government in the 1991/1992 financial year.

The SA Housing Trust describes the subsidy scheme as a beacon of hope, but cautions that it will be some time before the administration and support procedures are operational.

By DIRK TIEMANN

Managing director Wallie Conradie says potential beneficiaries should not be disillusioned if the subsidies did not materialise as soon as expected.

"One has to be realistic when it comes to the practical issues surrounding implementation in an untested market," he says.

ST Times • 17/3/91

32

Factors that impact on investment patterns

By Peter 19/3/91

PROPERTY professionals are often too pessimistic or too optimistic, and this is caused by fear of the unknown.

Fortunately, says Board of Executors' Nikki Vontas, the property market is relatively predictable if one analyses the factors driving the industry.

"Examine these and it's possible to assess their likely impact and the effect they may have on investment patterns."

Factors influencing the property industry are interest rates and investment yield requirements, building costs and construction activity, supply and demand for space and the impact of this on rental levels.

The initial return required by investors affects

the value of property. While this is influenced by the interest rates, they have remained remarkably consistent within fairly narrow bands over the last seven or eight years.

"For example, returns for decentralised, multi-let offices have remained between 9.5% to 11.5%, with a few exceptions changing hands on returns as low as 8% and 8.5%."

Historical

"On the other hand, if we use the historical yield of property unit trusts against property investment yields during the past five years, there is a fluctuation from 7.1% in September 1987 to 12.6% in June 1988."

Vontas says the influence of interest rates is not so

much on the return that an institutional investor looks for, but more on the amount of money available to be invested.

"During times of high interest rates, many investment managers are content to keep their money in near liquid form but as interest rates fall, they look to the equity and property markets."

"Private investors, on the other hand, are more aware of the effects of gearing, and thus the bond rate has a greater impact on this market."

On building costs and construction activity, he says: "At the end of 1989, the value of plans passed for the development of commercial and industrial properties was in decline

compared to 1988.

"There is an indication of further erosion of contractors' profit margins, and in areas where new developments compete against existing vacant property, it's impossible to break even when comparing market value to the cost of the property."

Understood

Having analysed profit margins of major construction divisions, it is easily understood why most construction companies have become developers.

This way, they can command a premium for the effect of stagnating real net margins on earning through retention of the development profit.

When it comes to supply

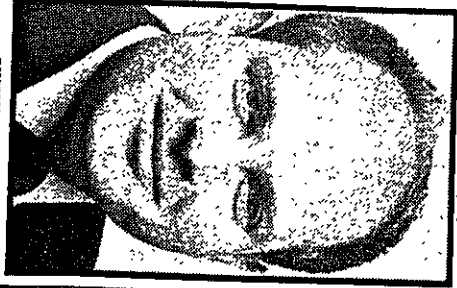
and demand for space — and rental levels — it's necessary to differentiate between retail property, offices and industrial space.

"Over the last few years, a number of retail shopping centres have given investors an excellent hedge against inflation because rentals are linked to retailers' turnovers."

"For this reason, as inflation increases, so will a shop's turnover, and rental rises even though there may be little real growth for the retailer."

However, there is concern that in most of the major cities while areas are close to capacity, other than for small convenience centres.

"Increasing costs, greater competition and the need



NIKKI VONTAS

to increase trading densities are concerning retailers."

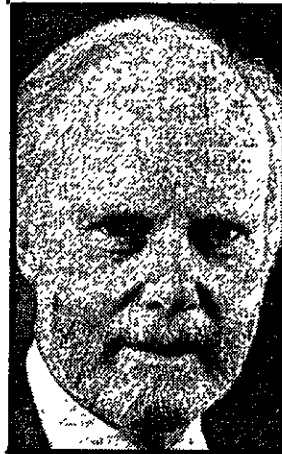
For this reason, Vontas says there is demand for owners to refurbish shopping centres developed during the last 10 years in order to increase their market share.

Neighbouring countries offer expansion areas

B/Day 19/3/91
SOUTHERN African is viewed by many local companies as the most obvious market for expansion — especially when times are tough at home.

The building industry is no exception, says Building Industries Federation of SA executive director Neil Fraser.

“Southern Africa is seen as a logical growth area for larger contractors — smaller operators have mobility problems at the best of times, so it is the larger operations which are looking further afield.



NEIL FRASER

Risks

“Also, working in foreign countries has some risks, so the right organisational and other structures need to be in place, and this is normally only possible for larger contractors.”

He says Bifsa is offering training to builders in various southern African countries.

“Discussions are underway with some government agencies and more are planned.

“We’d like to reach a point where more people realise that building labour is highly mobile and, with the necessary training, building standards can be maintained from one country to the next.

“With this in mind, there’s a necessity to expand our training and we’re offering our programmes to other countries.”

Discussions are being held with authorities in Botswana, Lesotho, Swazi-

land, Namibia, and in SA’s own independent states.

Later this year, plans are to investigate prospects Malawi, Zimbabwe and Mozambique.

Although such initiatives are to be welcomed, Fraser says they are also essential with SA’s wild swings in building activity.

“The building industry is at the end of the development chain. We’re unable to dictate the rate at which buildings come on stream, so must weather the troughs.

“Through greater contact and interaction with other countries, the cycles could be smoothed out to some extent,” he says.

Although there is more activity on the housing front, this does not assist the labour problem.

“The commercial and industrial property builders aren’t necessarily geared to handle demand for housing labour,” Fraser says.

Little growth in residential buildings (32)

THE general uptrend in buildings completed, which increased by 11% between January and November 1990 compared with the same period in 1989, was mainly due to the construction of non-residential buildings.

Boland Bank's March 1991 Focus on the Property Market says capital expenditure on residential buildings has been a relatively small component of total gross domestic fixed investment since 1984.

But, Boland Bank says, the decline of 3% to 4% in the real value of plans approved for both residential and non-residential construction in the first 11 months of 1990 over 1989 indicates a further slackening in building activity in 1991/92. 8/Jan 20/3/91

The average rise in the cost of housing measured by the CPI fell to single figures in 1990 as a result of the stability of financing costs and levelling off in building cost increases.

"The pressure on the financial position of the average South African is clearly reflected in the weak performance of the residential property market since the first half of the eighties," it comments.

"Inhibiting legislation and socio-economic instability in the black townships during this period further restricted activities.

"During the next year socio-economic risks will remain a decisive factor regarding the development of underdeveloped areas."

Boland Bank expects a revival in the property market by mid-1992 at the earliest.

Property market 'on the road to recovery'

bloay 20/3/91
 THERE are signs that the property market may recover from its decline much sooner than expected, says Camdon's Group MD Scott McRae.

This view is based on news that the trend in building plans passed for residential properties has moved from a 5% decline in 1989 to a 12% increase in the first nine months of 1990, he says.

"The figures released by Econometrix, the consulting economists, show there is now a strong case for an early relaxation of interest rates to provide the impetus for resurgence of the market," McRae says.

The increase in building plans is a positive sign and shows a recovery of the market is on the way, he adds.

"However, building plans passed are not necessarily buildings begun. A drop in interest rates and an improvement in business conditions would probably be needed before the full benefit of the intent represented in the figures is realised," McRae says.

The SA property market should see the start of a strong recovery by about mid-1991. This will be spurred by any further decline in bond rates, he says.

A 1% drop in the bond rate was announced by the major banking institutions after Reserve Bank Governor Chris Stals's 1% Bank rate cut on March 8.

In addition, expatriates who are living and working in SA could turn political and economic trends to a profit of as much as 30% in the short term by investing in SA property now, McRae says.

"Now is the time to invest before the conditions for such investment are no longer as favourable," he adds.

Of the more than 9 000 immigrants in the first nine months of 1990, about 40% applied for permanent residence. "There are three essential reasons for a potentially excellent return for such investors: the present artificially low price of SA properties in world terms; the similarly artificially low value of the SA rand and the natural escalation in values of properties in SA."

If one accepts that SA's new political dispensation will lead to an inflow of capital and an improvement in the economic climate, then property values must rise, he says.

If a 10% increase in the value of the rand is assumed and a 10% improvement in home values and a conservative increase due to inflation, an expatriate investor in early 1991 could see a 30% tax-free return on his money within a short period of time, he concludes.

Homebuilders warned to get in before VAT

Business Day Reporter

THE National Association of Home Builders (NAHB) yesterday encouraged people planning to build homes in the near future to "move fast" to beat the September 30 deadline for the introduction of VAT. ~~1993~~

"In light of the confirmation by Finance Minister Barend du Plessis that VAT will also apply to housing at the full rate of 12%, our message to the homebuilding public is to move fast," NAHB executive director Johan Grotsius said.

He said this would also

apply to those considering alterations or additions.

"At a VAT rate of 12%, home building costs will increase on average by between 6% and 8% after discounting the impact of GST," he said. ~~32~~

He said the additional expense on a dwelling costing R100 000 would be R6 000. The home owner would have to contend with increased deposit requirement and monthly bond repayments.

The NAHB was disappointed the Minister did not give some indication of future policy regarding housing subsidies.

Grotsius said the industry could not adapt overnight, thus advance information on home financing and policy changes was important.

On the positive side, he said the allocation of R90m to the Department of Planning, Provincial Affairs and National Housing and R100m to the Department of Development Aid (of which R70m was allocated for education), clearly signified the recognition by government of the importance of housing in the process of social upliftment and political reform.

"The 2% point reduction in company tax to 48% is widely acclaimed although it remains a disappointment that quicker progress could not be made in achieving the target future of 40%," Grotsius said.

Andrew hits out at govt over housing budget

ALD am 22/3/91

32

CAPE TOWN — Government passed up the opportunity of creating thousands of jobs and building stability by not placing greater emphasis on housing and allocating it more money, DP Finance spokesman Ken Andrew said.

He said yesterday the Budget fell far short of what was required to manage successfully the transition to an equitable and stable SA.

The amount provided for housing in the Budget dropped from the R1,208bn in the 1990/91 financial year to R1,087 in the coming year.

An Independent Development Trust housing spokesman was incredulous that the amount allocated for housing did not come up to expectations.

BILLY PADDOCK

He said it was cheating to conflate this year's Budget with unspent allocations from previous years.

Andrew said: "We needed a Budget for a new SA and for all 35-million people. This Budget just does not get there."

He said Du Plessis' analysis of the problem was correct but the allocations did not match it.

He said Du Plessis, through the housing issue, would have been in a good position to give teeth to President FW de Klerk's reform initiatives by creating thousands of jobs and thereby sustaining growth.

It would also have gone a long

way towards addressing poverty. He said the private sector would have been involved in construction and in financing.

He said the building industry was already operating under capacity and this would have injected growth in that sector as well.

"But instead the allocation by the state for housing is down on last year's Budget and it is more a holding operation than a plan to move forward," he said.

And yesterday the Labour Party decided it would be putting forward proposals during the committee stage of the Land Reform Bills that persons who had rented their houses for more than 15 years be given them and the transfer costs borne by the state.

FRIDAY, 22 MARCH 1991

SAP members: convictions

76. Mr A J LEON asked the Minister of Law and Order: *Hansford 22/3/91*

How many members of the South African Police were convicted of (a) murder, (b) culpable homicide, (c) assault with intent to do grievous bodily harm and (d) common assault in 1987, 1988, 1989 and 1990, respectively?

B2181E

The MINISTER OF LAW AND ORDER:

(a) Murder

1987 — 3
1988 — 22
1989 — 27
1990 — 11

(b) Culpable homicide

1987 — 30 members (of which 11 were involved in motor collisions)
1988 — 48 members (of which 20 were involved in motor collisions)
1989 — 45 members (of which 14 were involved in motor collisions)
1990 — 35 members (of which 11 were involved in motor collisions)

(c) Assault with intent to do grievous bodily harm

1987 — 86
1988 — 119
1989 — 136
1990 — 77

(d) Common assault

1987 — 345
1988 — 420
1989 — 338
1990 — 295

Note:

Although there has been a drastic decrease in 1990, in comparison with 1988 and 1989, in the appearance of convictions against members for offences of this nature, the situation is still not satisfactory, and to the Commissioner, the South African Police and myself it remains totally unacceptable.

Steps are being taken to make members aware of this unacceptable state of affairs, to warn them against such deeds and the committing of

HOUSE OF ASSEMBLY

FRIDAY, 22 MARCH 1991

such deeds, as well as to impress upon them the fact that it has a negative influence on the positive image the South African Police are striving at.

The conviction of these members, after the investigation was done by the South African Police is striking proof that such conduct will not be tolerated and that all investigations are done in a proper and impartial manner.

N3 toll road: cost/toll money

145. Mr W U NEL asked the Minister of Transport: *Hansford 22/3/91*

(1) In respect of the N3 toll road between Heidelberg (Transvaal) and Pietermaritzburg for the latest specified 12-month period for which information is available, (a) what was the total cost of (i) operating the toll plazas, (ii) maintaining the stretch of road in question and (iii) the further construction work on this section of road, (b) what total amount was collected in toll money and (c) what is the estimated monetary value of toll money forfeited through toll concessions to members of the public;

(2) whether, with reference to the above toll road and 12-month period, his Department paid over any money to a certain company, the name of which has been furnished to the Minister's Department for the purpose of his reply; if so, (a) what is the name of this company and (b) how much was paid over in respect of (i) operating the toll plazas, (ii) maintaining the stretch of road in question and (iii) further construction work on this section of road? *32*

B411E

The MINISTER OF TRANSPORT:

(1) (a) (i) The total cost of operating the three toll plazas situated on the N3 between Heidelberg (Transvaal) and Pietermaritzburg, ie Witje Toll Plaza, Tugela Toll Plaza and Mooi Toll Plaza amounted to R3 397 142,00 for the 12-month period ended 30 June 1990. This figure excludes the allocation of any Head Office overheads and

Route Office expenses not directly attributable to the toll plazas.

(ii) The cost of maintaining the stretch of road in question amounted to R2 709 026,00 for the 12-month period ended 30 June 1990.

(iii) Construction costs on this section of road amounted to R153 222 000,00 for the 12-month period ended 30 June 1990 and includes plaza construction costs.

(b) The total amount of toll money collected for the 12-month period ended 30 June 1990 amounted to R44 045 894,00 (after concessions and discounts).

(c) Toll money forfeited through toll concessions amounted to R1 270 060,00 for the 12-month period ended 30 June 1990.

(2) Yes, the Department of Transport did pay over money to the company mentioned in (2)(a).

(a) The name of the company which financed, constructed, operated and maintained certain sections of the N3 as a toll road as agents of the State, is Toll Road Concessionaires (Pty) Ltd (Tolcon).

(b) (i), (ii) In terms of the State's agreement with Tolcon an amount of R44 145 053,00 (equal to the toll income and sundry income collected on this section of road) was paid to Tolcon towards meeting their expenses incurred on the toll road for the financial year ended 30 June 1990.

The expenses incurred by Tolcon on this section of road are as follows:

— Plaza operating costs	R3 397 142
— Route overheads	R474 323
— Route maintenance	R2 709 026
— Route services	R629 024

— Share of corporate office costs
 R2 228 895 |

— Share of promotional costs
 R311 428 |

— Share of training costs
 R328 667 |

— Share of interest costs
 R34 860 747 |

R45 139 252

The shortfall of interest was capitalised by further borrowings.

(iii) No money had been paid over to Tolcon by the Department of Transport in respect of further construction costs on the N3 toll road between Heidelberg (Transvaal) and Pietermaritzburg as construction costs are financed from money market loans procured by Tolcon as an agent of the State.

Military hospitals: bed occupancy rate

157. Lt-Gen R H D ROGERS asked the Minister of Defence: *Hansford 22/3/91*

What was the average bed occupancy rate in military hospitals in 1990? *B401E*

The MINISTER OF DEFENCE:

54,4%

SA Co-ordinating Consumer Council

194. Mr L F STOFBERG asked the Minister of Trade and Industry and Tourism: *Hansford 22/3/91*

(1) What amounts have been (a) voted to the South African Co-ordinating Consumer Council and (b) generated by this council itself since 1985?

(2) whether he is the only member of the Cabinet who is authorised to concern himself with the implementation of policy by this council; if not, (a) why not and (b) what other members of the Cabinet are authorised to do so;

(3) what procedure is adopted in appointing a chairman for the said council? *B547E*

HOUSE OF ASSEMBLY



BRICK HOUSE: A three-bedroom showhouse built with single-skin walls in a township near Tongaat in Natal.

Single-skin walls get go-ahead for cheap housing

AKG 45
26/3/91
37

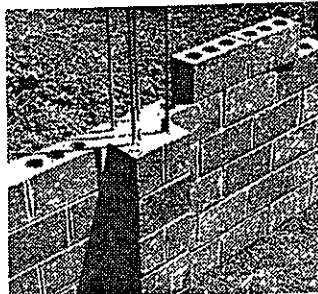
By **VIVIEN HORLER**, Staff Reporter

A NATIONAL brick company has unveiled a low-cost house-building option involving "single-skin" (single layer of bricks) exterior walls — until now not generally allowed.

Corobrik said its breakthrough had been in getting official acceptance from the South African Bureau of Standards and the Agrément Board for single-skin exterior walls as thin as 9cm.

This coincides with the announcement by Minister for Trade and Industry Mr Kent Durr of a huge reduction in red tape surrounding building regulations to allow developers and builders to be more innovative and to build more cheaply.

Mr Durr said the new regulations would be an



"effective tool to control standards aimed at ensuring the health and safety of occupants of buildings while allowing developers and their designers as much freedom as possible to introduce new building methods and alternative materials to control cost".

STRENGTH: Reinforced piers provide extra strength to single-skin brick walls where necessary.

About 154 000 houses across the

range need to be built every year for the next 10 years if all South Africa's people are to be decently housed, says Mr Keith Nurcombe, national marketing director of Corobrik.

"Yet in 1989 just 74 000 new houses were built. This just isn't enough. The housing problem in this country is a huge one. Urban drift has become urban gallop."

Unveiling the new single-skin building method to journalists, Mr Nurcombe said it was essential that the government adopted a national housing strategy.

"There are huge expectations out there and I believe that any government that doesn't deliver the goods will be in trouble. The lack of a housing strategy has caused more than one change of government in Britain.

Regular maintenance

"Any government that does not make affordable housing possible is going to be in trouble."

Cement blocks are associated with the building of low-cost urban housing, because claybricks are more expensive.

Yet, according to Mr Nurcombe, in the long-term claybrick may be more economical because brick houses do not need the same regular maintenance and painting. Claybrick tends to have better heat and noise insulation properties, and is seen as an upmarket building material.

Single-skin exterior walls further reduce the cost of claybrick housing because fewer bricks and less labour is needed. Only average building skills are necessary, says Mr Nurcombe.

The building system has won approval from the Agrément Board, a statutory body which judges the quality of low-cost schemes and sets minimum acceptable norms.

The walling system also meets National Building Regulations criteria as far as water-penetration properties are concerned.

Professionals take a new approach

8/10am 27/3/91
 THE TOUGH economic climate and increasing competition are forcing property professionals, such as architects and quantity surveyors, to re-examine their traditional roles.

Traditionally the professionals waited for clients to come to them — until recently they were not allowed to advertise their services at all — and performed the work they were commissioned to do.

Now many firms and individuals are actively seeking work. They find land, design a suitable development and sometimes even find the tenants. Then they go to the institutions with a feasible scheme. Some firms will even finance and complete the development and then sell it on to the institution.

"I think this is happening because there are relatively few big developers in a very large industry," architects Stucke Harrison director Dave Robertson says.

"Profit margins on property get smaller in an economic downturn, and only large institutions can afford to carry the lower initial yields. These institutions are inundated with applications from professional firms to do their developments for them.

"Between Party A, who only wants to do the project, and Party B, who has already secured the land and the tenants, Party B is more likely to get the commission."

Robertson emphasised that this trend was occurring in speculative commercial property developments. Corporate head offices, universities and similar schemes still needed professionals as before.

Stucke Harrison, among other practices, has a separate property company called Stucke Harrison Projects.

Quantity surveyors Norval Wentzel senior partner Louis Norval says he is leaving

the firm to head a property development company, Parkdev, because of the conflict he perceives between the traditional role of the professional and the entrepreneurial role.

"You have to be either a professional or a developer," he says. "You cannot be both. The professional has insider knowledge into the developer's way of operating. You get to the stage where you are in conflict with your clients."

One of the first professionals to start his own property development company is Office Accommodation Investments (OAI) chairman Konstant Bruinette, former head of consulting engineers Bruinette Kruger Stoffberg.

"Infrastructural development in SA is far advanced," he says. "There is not the same need for the old professionals in the new SA as in the past and this is why people are leaving the professions. You can see this in falling enrolments at universities."

On the developers' side, Retail International chairman Joe Bentel agreed that professionals would find a conflict between the old and new approaches.

"They may have to sacrifice the letting fees, the development fees and some of the other fees that go to the developers just to get the architectural project off the ground. I imagine they would find themselves in an invidious position."

Retail Property Projects MD Mike Crawford, however, sees no problems in the more "pro-active" approach of professional firms.

"It justifies our employing them," he says simply.

Reports by
 CHARLOTTE MATHEWS

Bad weather and unrest hold back Basil Starke

b/day 27/3/91.

32

MARC HASENFUSS

DIFFICULT conditions in the construction industry resulted in a sluggish performance by the Basil Starke Group (BSG) in its financial year to December 1990.

Earnings were up only 4% to R3m (R2,9m) or 33,9c (32,5c) a share on the back of a 15% increase in turnover to R171m (R148m).

However, the results indicate a stronger second-half performance, considering that the group's interim earnings for the six months to June slipped to R248 000 (R987 000) or 2,8c (11,2c) a share because of the adverse effects of bad weather and labour unrest.

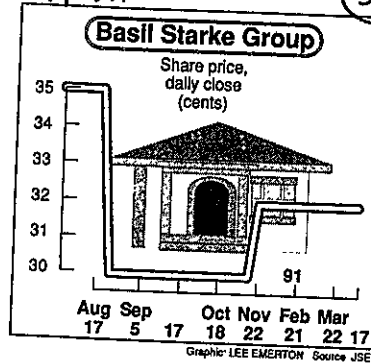
Interest bill

No dividend was declared for the period under review, apart from a preference dividend of R350 000 paid by BSG in respect of the 10% redeemable cumulative preference shares.

Operating profit rose 18% to R7,8m (R6,6m) on slightly improved margins.

No tax was paid in the financial period, compared with R573 000 paid in the previous year.

The interest bill increased 15% to



R4,4m (R3,8m).

MD Maurice Phillips said it was an extremely tough year for the industry as a whole, and he did not see dramatic improvements in the short term.

"However, our order books are well placed for the first half of the current financial year and we are going all out for new business."

He said new systems introduced two years ago had bedded down well.

"We have a strong, dedicated and experienced management team with a very clear direction," he said.

Cash management had been greatly improved, and this had helped reduce gearing.

Looking to the future, he said

overall efficiency had substantially improved, and the group was now ready for bigger contracts with better profit margins.

In July last year pipeline specialist Basil Starke Civils was awarded contracts worth R26m, including a R10m order to lay pipelines from a dam for the Worcester municipality, and the building of the Harlem dam, between Joubertina and Uniondale.

Investor confidence in the group's shares has remained low, however, and the price is currently languishing at 32c, slightly above the November 1990 low of 30c.

The share peaked at 52c almost a year ago.

Marginal

Holding company Basil Starke Investments (BSI), which has 87% of BSG, reported a marginal increase in earnings to 15,5c (14,4c) for the period under review. No interim dividend was declared.

BSI shares, untraded at 22c yesterday, are hovering above their October low of 20c.

The share hit a 32c high in November last year.

The net asset value a share for BSG and BSI was 148,4c (76c) and 83,7c (52,1c) respectively.

SOWETAN FORUM

Building the Nation

Black builders get chance to make it

Sowetan 28/3/91

32

By JOSHUA RABOROKO

BLACK builders in Pretoria, Witwatersrand and Vereeniging have the opportunity to develop into the top construction companies of the future through a unique scheme pioneered by the Urban Foundation (UF).

The Contractor Development Agency (CDA), initiated by the UF in 1989, is looking for top black contractors to join its programme which addresses the three greatest problems facing black builders - lack of business management skills, shortage of finance, and no continuity in work.

The manager of CDA, Mr Rob King, said: "If top black contractors can overcome these obstacles they can become the future giants of construction in South Africa."

"Black contractors rarely land major building contracts because they

lack management infrastructure, business skills and financial facilities."

CDA aims to transfer business and project management skills to black contractors while assisting them to obtain necessary credit and overhead facilities to operate profitably.

"We are looking for top black building contractors to join the CDA programme - contractors who have established a good track record and who wish to further develop their business," King said.

The CDA programme requirements are that a contractor must:

- * Be permanently active in the construction business;
- * Have completed between R250 000 to R300 000 worth of construction work in one 12-month period.

"On average, contractors should not need more than two years of CDA input. After this, they should well be placed to grow in leaps and bounds," King added.

Contractors who feel they qualify and are interested in joining should contact King at (011) 403-5500.



Black building contractors are being offered a unique training programme with the CDA which will help their business grow.

The document has been given to all interested parties. They are invited to respond before it is handed to President De Klerk in its final form. A major challenge to ANC think-

It notes a "disturbing lack of confidence" limiting economic growth potential and a reluctance by the private sector to invest. It attributes this to political factors, unrest and expenditure

● A reduction of gross domestic product and a requirement for more deregulation

● A reduction of gross domestic product and a requirement for more deregulation

Sunflower blooms in place of waiting

SITimes 31/3/91

THE SUNFLOWER Concept — brainchild of Murray & Roberts — is blooming.

Group chief executive David Brink described Sunflower to investment analysts and businessmen in Johannesburg.

It was launched in 1988 by the construction company which had been active in helping the homeless to help themselves for three years.

Unemployment had reached crisis proportions and at least 600 000 homes were needed immediately for 7-million shackland inhabitants.

In 1985 the Department of Manpower initiated sponsored training and work-creation projects. The jobless were trained free of charge in basic skills, or could earn a subsistence wage labouring on community-approved projects.

M&R training centres were established throughout SA. Since 1985, 30 000 jobless have been trained in everything needed to construct a house.

So successful were the M&R courses that demand to attend them exceeded the places available.

The group decided to combine the unemployment training project with that of work creation, giving rise to the Sunflower Concept.

The nine-point plan as presented to the Director General of Manpower in 1988 and to many others since has been anything but Utopian dreaming.

Phase one identifies those in need — such as dockland vagrants and inhabitants of barren settlements.

Mr Brink described only one of Sunflower's successes.

Thirty minutes from Durban was the 200 000-strong settlement of Lindelani — the place of waiting. Not a single service

DIAGONAL STREET

By JULIE WALKER



existed, few had jobs and hopeful work seekers went daily to Durban only to return disappointed.

Then came Sunflower — each stage of development represented by the ploughing, planting, watering, sprouting, budding, blooming and self-seeding of the plant for the future.

The critical factor in success was the commitment the community was prepared to give. The project depended entirely on direct involvement from design to completion.

To make known the objectives, a Lindelani management committee was set up comprising leaders and financiers. The types of buildings and facilities needed were decided on and handed to Sunflower Concepts.

Plans, with costs, were prepared for approval by the committee. Financiers were approached for final go-ahead and fund allocation.

Training was not undertaken in a formal establishment but taken right to the community.

M&R's strength lies in building and construction and this passing on of expertise makes the telling difference.

Instructors taught residents basic skills to build their own community centre, on which they practised during its construction.

Every one was invited to join free courses in block-making, bricklaying, plastering, painting and carpentry. There was real enthusiasm, theft or loss of tools was unheard of and the community's buildings remained unscathed in last year's violence.

Lindelani now has a training centre, schools, a clinic, cottage industries, sporting and social facilities.

Newly acquired building skills were applied to housing, where the finishes were painstakingly done.

Self-employment became evident in hairdressing, tailoring, furniture making, handicrafts, clothing and market gardening among others.

Pictures in M&R's Sunflower literature are delightfully captioned: material conveyor (lady with brick on head), water reticulation (ditto with bucket on head) and assistant security guard (small boy wearing large cap).

Sunflower is active in several sites in Natal and at Thembisa in the Transvaal.

M&R is in the vanguard in meeting Finance Minister Barend du Plessis' challenge to big business to help with social upliftment.

Incentive schemes make it a paying proposition — shareholders are not prejudiced by Sunflower. Even if they were, it would be worth it.

Building industry faces bleak quarter

Blom 10/4/91 32

PETER GALLI

GENERAL prospects for the building industry in the second quarter of 1991 remain poor, but will not be as bad as those experienced during the first quarter, Stellenbosch University's Bureau for Economic Research (BER) reports in its latest building survey, released yesterday.

The shortage of government work, high interest rates and the continued political uncertainty were the largest contributors to the further weakening of the industry, which was also hampered by labour problems, shortages of skilled labour and productivity decreases, says the report.

The four participating groups are expecting general conditions to deteriorate further, if they are compared with the first quarter of 1990. Architects, quantity surveyors and building contractors believed building conditions were likely to deteriorate more slowly during the second quarter, while sub-contractors felt there would be substantial deteriorations.

"Building costs continued to show an upward trend, with a year-on-year percentage increase of 13,3% in the fourth quarter of 1990 and 16,6% for the first quarter of 1991," the BER said.

"This increase is higher than anticipated

by us and reflects underlying inflationary trends. For building costs to rise this sharply during a period of keen tendering is unusual."

The increase in house prices was also gaining momentum, with the year-on-year increase for the second quarter of 1990 being 22,5% with that for the third quarter escalating to 26,5%.

"The introduction of VAT will undoubtedly cause building costs to escalate at a faster pace, and this may spill over into sharper increases in the prices of houses."

Polled architects were, however, expecting slight improvements in most aspects of their work, with quantity surveyors also indicating they expected a "bottoming out" in the decline. "However, their level of business confidence indicates they are not very optimistic about the next quarter," the report said.

Building contractors were slightly more optimistic than sub-contractors.

"This relative optimism is not an indication that an improvement is expected in business conditions in the building industry, but is indicative of a bottoming out in the downward phase of the business cycle," the report added.

Building ⁽³²⁾ industry prospects improving

Finance Staff

General prospects for the building industry in the second quarter remain poor, but conditions are not expected to be as bad as in the first quarter, says the latest building survey report by the Bureau for Economic Research at the University of Stellenbosch (BER).

Three of four groups — architects, quantity surveyors and building contractors — indicated that business conditions were likely to deteriorate more slowly in the second quarter, but sub-contractors said their expectations for the second quarter were for further substantial deterioration.

"The relative optimism is not an indication that an improvement is expected in business conditions in the building industry but is indicative of a bottoming out in the downward phase of the business cycle."

The shortage of government work, high interest rates and the continued political uncertainty were the most important factors making things difficult for the industry.

The tempo at which building costs were increasing was showing an upward tendency, with the year-on-year percentage increase for the first quarter of 1991 at 16,6 percent, against 13,3 percent for the fourth quarter of 1990.

The tempo at which house prices were increasing was also speeding up, with the year-on-year percentage increase for the third quarter of 1990 at 26,5 percent, against 22,5 percent for the second quarter.

The Bureau says the introduction of VAT will undoubtedly cause building costs to rise at a faster pace and could cause an increase of between four to seven percent.

This may spill over into sharper increases in house prices, the BER concludes.

NATURAL IS BEST

Little Switzerland might soon be a more appropriate name for certain parts of Natal. A company specialising in building log homes says it has found a ready market for its products in the province where environmental concerns are forcing developers to be more sensitive. ~~428~~ 32

In the past nine months about 30 log homes have been built in Natal, says Keith Parsons, MD of Durban-based Ravenswood Log Homes. He estimates that, countrywide, more than 400 have been built in the past 18 months. FM 12/4/91

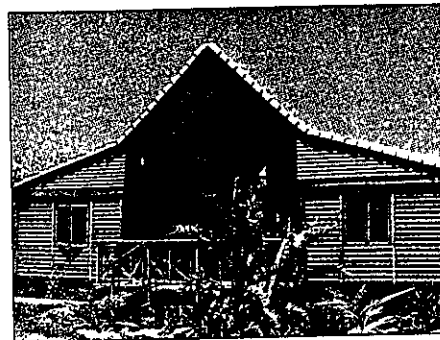
They include 12 log houses, valued at around R200 000 each, erected at the Ovlant timeshare resort at Sodwana Bay, and the first eight units of a 36-unit development at the Umkobi resort near Southbroom on the South Coast.

Parsons says additional log homes are under construction in the Underberg area and discussions are taking place to have them erected in other parts of the Drakensberg.

While log and timber homes have been reasonably popular in the southern and western Cape for some time, Natal, with its developing leisure market, seems to have become a natural area for expansion.

"Timber housing is less environmentally damaging than conventional housing in terms of site preparation," says Parsons. "Furthermore, the finished product blends with the natural surroundings more effectively."

Though overall construction costs are not much different, he says log homes have the advantage of needing less civil engineering preparatory work. "They can be erected very



Luxury ... in log
cabins

FINANCIAL MAIL • APRIL • 12 • 1991 • 57

continue →

PROPERTY FM 12/4/91

simply on sloping sites — which often occur in environmentally-sensitive areas — without expensive retaining walls, pilings, or soil stabilisation.

"All that is needed is to dig holes for a small concrete base. Treated timber columns support a platform on which the home is built. This provides a perfectly stable structure which meets stringent building regulations, as well as being aesthetically pleasing," Parsons says.

In all of Ravenswood's Natal developments, Parsons says there have been no problems in securing the necessary building approvals from the various local authorities. "They have the same SABS rating as conventional brick-and-tile homes, and building societies are happy to bond them," he notes.

In addition, with all logs having to be properly treated to meet national building regulations, the homes have the same fire rating as brick houses, thus insurance costs are about the same.

"I think there has been some misconception about timber homes in the past. They can last for 100 years or longer and maintenance is easy — all that's needed is for the logs to be repainted once a year," Parsons says.

He notes that log and timber homes are a popular building method in the US where up to 80% of the homes on the west coast are built of these materials.

Ravenswood was originally established at East London but Parsons says the east coast did not represent the ideal market. "We found the Natal environment to be more conducive to log homes, so we set up our operation in Durban." ■

Industrial waste can mean cheaper housing

BIDAY 17/1/92
A LEADING SA mining corporation has found a way to save money, provide cheaper housing and protect the environment by using its industrial waste to make building materials.

Details of the breakthrough were carried in a paper delivered on Tuesday at a Johannesburg environmental symposium focusing on recycling, at the SA Institute of Mineral and Technology.

Genmin Mining Corporation engineer B E Dowling said the process had begun with a Council for Scientific and Industrial Research (CSIR) report which concluded that chrome, copper and platinum slag (metal waste) was suitable for making concrete.

Genmin began making "cement bricks", experimenting with different proportions of platinum slag and cement mixed with water, and testing them. It was also found that chrome slag could be used instead of sand in mortar for bricklaying or for plastering.

Slag is being incorporated into Genmin's employee housing scheme at its Impala platinum plant, and two entrepreneurs are making bricks using platinum slag. A special mould has been invented to make brick units to replace steel window frames and door frames, further reducing costs.

Manufacturing from waste was no miracle cure for housing, since the most expensive ingredient was the cement, Dowling said.

"However, using the waste material will contribute to savings in brickmaking costs and simultaneously reduce pollution of the environment."

In another paper, SA companies were warned that they would be forced to keep pace with foreign achievements in recycling.

The paper, presented by consulting engineers Dr Robert Muller and Dave Hojem, said the most recent legal requirements in Europe demanded that recycling take place if it was technically and environmentally feasible. Waste which filled these criteria could not be dumped.

Although SA had the most advanced technology for processing and recycling plastics, it still lacked stringent legislation for waste treatment. — Sapa.

Pilot scheme designed for black builders

8 Day 15/4/91

THEO RAWANA

THE Urban Foundation has designed a pilot scheme to educate black builders in project management skills in a bid to address the housing backlog.

The Contractor Development Agency (CDA) is looking for top black contractors to join the scheme, which will address the lack of business management skills, shortage of finance and lack of continuity of work, says CDA manager Rob King.

"If top black contractors can overcome these obstacles, they can become the future giants of construction in SA.

"The fact is (black) contractors rarely land major building contracts because they lack the management infrastructure, business skills and the financial facilities required for large volume construction projects," he adds.

The CDA aims to transfer business and project management skills to

black contractors while helping them to obtain credit and overdraft facilities needed to operate profitably.

The scheme is currently restricted to the PWV.

The agency, whose technical/management is provided by consulting engineers Ove Arup Inc, had invited contractors who have established a good track record and now want to develop their businesses further.

To become part of the programme, the contractor must:

- Be permanently active in the construction business;
- Have completed between R250 000 and R300 000 worth of construction work in one 12-month period;
- Have R25 000 of his own collateral — shares, cash or the unbonded portion of bank-acceptable property to this value.

The first step the CDA will take is to inspect the contractor's work.

If this is satisfactory, the contractor will undergo on-the-job training in aspects of management before being given a substantial financial facility to enable him to tackle bigger projects, King says.

The CDA will help the contractor negotiate a loan or overdraft facilities and obtain supplier credit.

Contractors who are accepted for the CDA programme must pay a R5 000 entry fee and 3,5% of the value of work done while in the programme.

"On average, contractors should not need more than two years of CDA input. After this, they should be well placed to grow in leaps and bounds," says King.

Contractors who feel they qualify for the programme can contact King at (011) 403-5500.

M & R returns to favour

Investors appear to have forgiven Murray & Roberts for the R14,5 million attributable loss it showed in financial 1986 and have been rerating the shares in recent months.

The rerating is due to strong performances since 1987, with earnings rising from 166c to 542c in financial 1990. Dividends have risen from 42c to 132c.

The share price has nearly doubled from R18,25 in mid-June last year to R36,25.

At this level, the shares yield 3,8 percent (7,6 percent) and trade on a P/E ratio of 7,1 (3,6).

Chief executive Dave Brink describes the rating as fair. "I knew that it would take time before the market forgave us for 1986."

He describes the period from financial 1987 to financial 1990 as a recovery and consolidation period. The main focus was on improving the quality of earnings.

In real terms, growth in turnover has been minimal, but operating profit has grown at a compound rate of 49,5 percent since 1987.

This is reflected in the pre-interest margin more than doubling from 3,6 percent in 1987 to 7,5 percent. Mr Brink thinks that for a group such as M&R, a pre-interest margin of 10 percent would be more suitable.

The higher margin has also helped lift the value-added ratio from 28 percent in 1987 to 1990's 31 percent. Mr Brink reckons that this ratio is still too low.

Another plus has been that the recovery has been achieved without any strain on the balance sheet.

Gearing reduced from 51 per-

Diagonal Street
Jabulani Sikhakhane



cent in 1987 to 25 percent in 1990. For the year to June, Mr Brink says gearing should be only marginally higher, despite heavy capital expenditure (budgeted at R184 million for financial 1991) and acquisitions of R140 million.

Mr Brink says M&R is now ready for a major expansion phase.

The group will now be looking at sizeable acquisitions. Acquisitions made in the last four years have been small, except for Gillis-Mason.

Another sizeable deal was the acquisition of a 49 percent stake in United General Investment from UK group BET for R60,8 million early this month.

UGI holds 80 percent of listed transport group Unitrans.

M&R is paying R8,5 million to Sankorp for the rights to the BET shares.

M&R has an option to acquire a further two percent of Unitrans for R2,7 million by July.

Unitrans fits into the group's suppliers and services division. This division is involved in specialised transport of bitumen products, both locally and to Malawi, Zambia and Zaire.

Mr Brink reckons the group is well placed to take advantage of the transport requirements of Southern Africa.

M&R is spending R65 million for an aluminium foundry and

motor components manufacturing plant in the Port Elizabeth area. *skr 16/4/91*

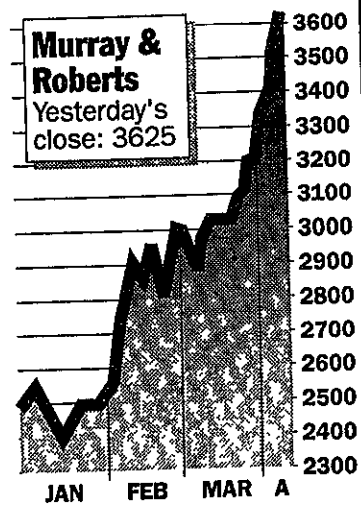
The R45 million motor components plant will supply aluminium cylinder heads for specialised and high-performance cars.

M&R has a German technical partner for the project. The plant will export mainly to Europe, although there are opportunities in the Far East.

Based on relatively cheap raw material, labour costs and the weaker rand against European currencies, Mr Brink believes the plant will be competitive.

Mr Brink says M&R is still too dependent on business linked to gross domestic fixed investment.

Expansion will be directed more towards consumables (industrial, mining and engineering), while there is scope to increase exports, which Mr Brink says are insignificant at the moment.



Black builders' group will hold its first AGM

By ALI MPHAKI

RARELY does an organisation operate for more than two years without calling an annual general meeting.

However the Transvaal African Builders Association has existed for four years without holding an AGM.

Finally, next weekend

the organisation will do so.

The AGM will be held at a Johannesburg hotel on April 27 and 28.

The AGM comes after a membership drive which has made Taba the largest affiliate of the national African Builders Association.

Essentially, Taba

played the midwife role in the formation of the ABA, which has affiliates from all four South African provinces.

The primary motivation for the ABA's launch was the need for a single national black builders' association - a move long overdue.

This need was due to the common problems encountered by black builders - from the Limpopo to the Cape - in their endeavour to make an honest living.

Taba's president, Mr Joas Mogale, is also president of ABA. This makes Taba, a principal collaborator of ABA.

Taba boasts 14 regional associations, with six others being formed.

BRENT VON MELVILLE

Govt is accused of neglecting rapidly deteriorating roads

IMPASSIONED pleas by the SA road industry for the allocation of an additional R1bn to R1,5bn a year to be spent on the country's rapidly deteriorating roads continue to be met with stoic indifference by government.

There is a strong feeling that government is not giving the deteriorating road network enough attention and road builders believe it is shirking a duty to provide access and transport to the public.

SA Bitumen and Tar Association (Sabta) executive director Piet Myburgh says Pretoria does not understand the extent of the problem. According to the association's reckoning, rural roads alone face a backlog of about R60bn.

Deprived

Myburgh says if there is to be any hope of catching up with this backlog, at the very least the road budget will have to be doubled. The crumbling state of roads in Natal highlights the problem.

"Roads in Natal have substantially deteriorated over the past several years to the point that more and more paved roads are being

reduced to a wholly unacceptable gravel base. In this case we feel the public is being deprived of a basic right - access."

SA Federation of Civil Engineering Contractors (Safcec) executive director Kees Lagaay feels the same way. Lagaay, while slightly less effusive in his demands for capital, believes an immediate injection of about R500m would make a "meaningful" contribution.

He warns, however, that this would not be simply a once-off expenditure but would have to continue almost indefinitely. The national road fund was this year allocated R558m, down from the depressed level of R627m last year.

Myburgh feels even this is not enough. He wants an additional R1bn a year over the next 10 years "at least" to accelerate road construction and maintenance.

But the Transport Department has its hands tied. Its deputy director-general Malcolm Mitchell says that

in the eyes of the Cabinet, roads are not nearly as important as social spending.

In contrast with most of the road builders' umbrella bodies, Mitchell feels money allocated to roads is adequate to maintain the existing network although he admits there cannot be much road improvement.

He says the department has completed a detailed report on the subject, which suggests that the holding level needed for road expenditure (in 1990 money) amounts to R2,5bn annually. The 1990 budget was R2,66bn, and this year's budget is about R2,1bn.

"The fact is that while Myburgh has a point, he is overstating his case," Mitchell says.

Myburgh does not think so: "I just can't overstate this enough. At a time when SA is opening its arms to the outside world for investment, it has effectively disinvested in its own infrastructure.

"And the financial sanity

is truly questionable. Obviously the more roads deteriorate, the more they cost to replace in the long run," he says. And the money is there. Lagaay says fuel levies alone netted government in the region of R4bn last year, a significant portion of which was spent in other areas.

And so the question of tolling existing roads to pay for maintenance and new roads has again reared its emotional head. The Transport Department was recently asked by Cabinet to review toll road policy.

Integral

That review is complete and the proposals are awaiting ministerial scrutiny. It is widely believed the department has suggested the tolling of existing roads should go ahead.

Says Mitchell: "If the country wants to have an adequate road network then the tolling of roads is bound to become an integral part of the road financing system into the future."

Obviously prime candidates for tolling are the busier roads, but the department hints that even relatively quiet roads will have to be tolled if government is to raise all the money it requires.

32

Byoay 22/4/91

Brokers tip investment in building

6:10 pm
25/4/91
LIZ ROUSE (32)

INVESTORS should start looking at sound lower-priced companies involved in sectors such as building and construction which are expected to turn up sharply in 1992/1993.

This investment tip comes from Davis Borkum Hare (DBH) analysts, who also recommend continued buying of blue-chip industrials, despite high prices.

Analyst Jacques Pickard says government is committed to boosting the cheap housing market. It appears that interest rates have peaked and are in a downward phase, which is very positive for the construction industry.

However, uncertainty about political stability remains a major factor for the construction industry.

Pickard tips Anglo Alpha, which has negligible gearing and will benefit from an upturn in construction activity.

Perception

The gold index, which reached early 1980 lows at a level of 972 on Thursday last week, is in a period of consolidation and base formation. DBH analysts believe a level of 960 is a probable low.

An improved international perception of SA, lower interest rates and liquid institutions have led to a re-rating of index stocks, despite poor earnings and dividend projections.

Analysts Carol Neff and Manny Pohl say the long awaited 1% cut in the bank rate is encouraging and should be a precursor to further interest rate cuts before the year-end.

The Budget is not likely to create an immediate increase in economic activity, but has made provision for an increase in social services, namely education, food aid, health services and housing.

While a 12% VAT will be introduced from September 30, on a more positive note the company tax rate will be reduced from 50% to 48%, the analysts say.

PROPERTY

Surge in building plans despite the slowdown

DESPITE stagnation in the SA economy and building industry, the number and value of non-residential building plans passed and the value of buildings completed continues to rise.

The total value of building plans passed in January 1991 amounted to R726,5m, a 9,8% increase over January 1990, according to figures released recently by the Central Statistical Service (CSS).

The figures show that the largest increase was recorded in non-residential buildings, which increased in value by 21,4% to R222,5m.

A 14% increase was reported for additions and alterations, which rose to R215,9m, and a rise of 2,9% to R46,1m in the number of flats and townhousing complexes built.

However, a decrease of 5,2% to R230,2m was recorded for building plans for residential houses, the CSS said.

A property economist says that while it is difficult to interpret only one month's data, the trend reflected by the figures is correct.

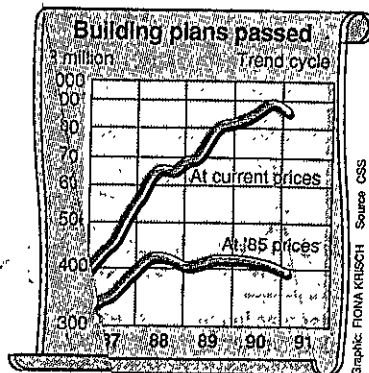
"While the non-residential building

Reports by
PETER GALLI

market is alive and well, the residential market is struggling," he says.

"The reason for this is that the custom-built housing market is suffering due to high interest rates, while the bottom has fallen out of the mass housing market mainly due to violence and political unrest."

The urban areas of Pretoria, Durban and Cape Town reflected large increases in the total value of building plans passed — 81,3%, 58,9%



and 36,1% respectively.

The total value of buildings completed during January 1991 was 24,7% higher at R473,9m in year-on-year terms.

The largest increase in the value of buildings completed, 41,3% to R125,6m, was in additions and alterations, followed by a 25,5% increase in non-residential buildings to R144,4m and a 15,9% increase in residential buildings to R203,3m.

The main contributor to the increase in value of additions and alterations was the urban area of the Witwatersrand, while the largest increases in the total value of non-residential buildings completed was in Pretoria and Bethlehem.

The CSS's survey, conducted on a monthly basis, represents about 90% of the building activities financed by the private sector and public corporations in SA.

It does not include building activities in the self-governing and trust areas since record keeping by local authorities in those areas has, as yet, not been firmly established.

Geotechnical function is vital

GEOTECHNICAL engineering is essential to virtually all civil engineering work, comprising the heart of projects such as tunnels, shafts, underground structures and excavations.

It plays a major role in the design of dams, embankments and foundations for bridges, buildings and many other structures.

The role of the geotechnical engineer is vital in locating, selecting and testing natural construction materials and optimising their use in civil engineering projects such as roads and embankments.

Ninham Shand employs geotechnical engineers and engineering geologists with experience in soil and rock mechanics, foundation de-

sign, aerial photography interpretation and geological mapping.

It is well equipped to undertake site investigations for residential and industrial townships, excavations and embankments, tunnels and special structures.

Designs 32

It also undertakes road pavement investigation, designs sub-surface drainage, foundations and underground lateral support systems.

Ninham Shand's structural engineers are concerned with the planning, design and construction of concrete and steel bridges, buildings and industrial structures.

Many of these involve

working in a team with architects and quantity surveyors, with Ninham Shand often leading the professional team.

Most of the group's projects include work with structural components and the staff has designed a wide variety of structures subject to unusual conditions of high seismic and vibration loadings, wind forces and cryogenic temperatures.

Structural engineering projects have included work on Cape Town's Groote Schuur Hospital, the Sand du Plessis Theatre in Bloemfontein and Volkswagen's paintshop in Uitenhage.

Ninham Shand began the VW paint shop project in June 1983 and a hectic three

months followed.

The result, however, was an impressive building clad in cream and blue, 260m long and 22m wide.

Reinforced

The ground to mezzanine level (4,5m high) is of reinforced concrete and is topped by a structural steel superstructure of several floors to a height of 32m (equivalent to a 10-storey building).

The pre-treatment line is 178m long and includes seven dipping processes in huge steel tanks filled with a treatment fluid to a level of up to 4m.

These, together with the conveying plant, the ovens and sanding booths produce loads of 20 and 25 tons a

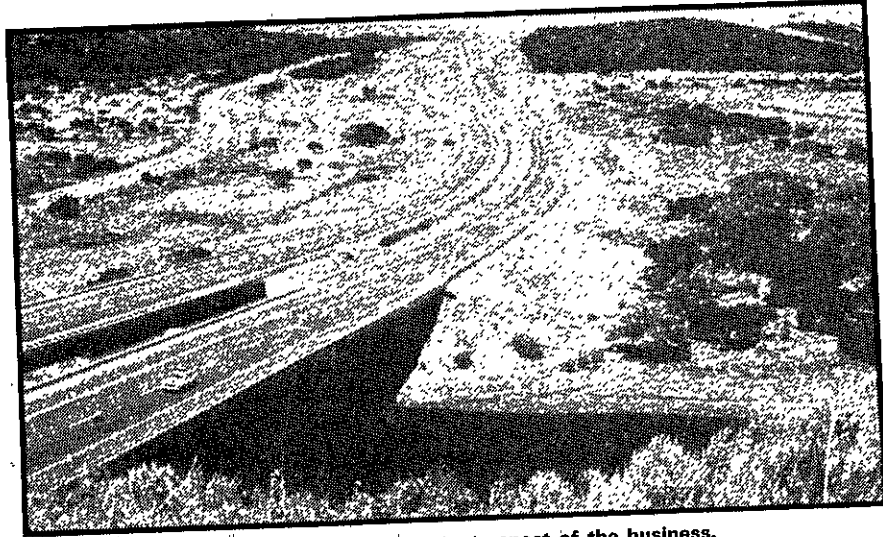
metre run of equipment.

The floor is reinforced to cope with loading requirements which far exceed those of any bridge built to meet today's freeway standards.

The mezzanine arrangement provides an area below the treatment level for accommodating the reinforced concrete "dump tanks" into which the fluid from the upper dip tanks is pumped when the dip tanks undergo cleaning.

Raising the working area proved to be a cheaper alternative to the large basement excavations.

The VW plant's superstructure is made up of some 1 500 tons of structural steel and about 15 000m² of roof and side cladding.



Road design is an important aspect of the business.

Budget cuts call for action on many fronts

B/day 26/4/91
32

GOVERNMENT has made it clear it will provide little finance for large-scale civil engineering infrastructure, says Ninham Shand MD Peter Thomson in his preview of the year ahead.

"This has a knock-on effect on the budgetary provisions of provincial and local authorities, with private sector developers also taking a cautious view on investment at this time."

Violence and political uncertainty combine to place the local economy in a squeeze, with large-scale unemployment looming, he says.

Given the strong base of the group's practices, it is not surprising that, together with other consulting engineering firms, a reduction in new commissions is being experienced.

"Indications are our income will hold steady rather than increase in 1991."

He says these conditions signal the need for action on a number of fronts.

A major step in streamlining the group's management was the appointment

of a larger executive committee which provided for wider office representation.

Thomson says this step has resulted in time saving in coming to conclusions and translating them into action.

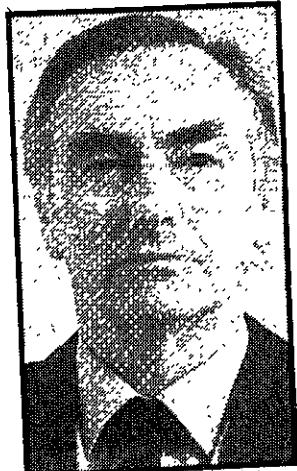
Ninham Shand is paying attention to gaining new commissions through a process of identification of clients' needs and budgetary provisions, he says.

Introducing

"We are also active in introducing new types of services to meet the changing needs of clients and are introducing existing clients to services they did not previously request of us."

Thomson says the group's most passive protection lay in containing and saving on costs.

"We will emerge from this testing time better able to serve our clients and the community through excellence in meeting their needs in appropriate and timely ways."



PETER THOMSON

Need to interact with environment

IN the new SA, the civil engineer will be called on to be more thoughtful about the objectives the projects he is associated with aim to achieve, says Ninham Shand MD Peter Thomson.

While the objective remains the same, to improve the quality of life, there is little doubt the society which will comprise the new SA will have different priorities from those of the past decade, he says.

The engineer's function is no longer simply to achieve, for example, the building of a road, but to establish why the road is needed and to examine whether it will serve that need economically.

"We are entering a time

of accelerating development, and civil engineers can play a decisive role in determining the direction of that development."

Thomson says it is self-evident that projects should be integrated into their surrounding environment..

(32)
Develop

An understanding of the relationship and interaction between engineering projects and the environment is needed to develop this interaction.

He says there is a need for the application of the concepts of sustainable development in the face of demand for services from SA's growing population

out of scarce and shrinking resources.

"We will be challenged to achieve a balance so that while meeting the primary requirements of the population for shelter, water, sanitation and communications we will retain an environment within which man can enjoy high quality life."

It is essential for engineers to understand the aspirations of specific population groups and to be able to communicate with the range of individuals who comprise that community.

Thomson says this requires the civil engineer to develop skills in the humanities beyond the average capability of practitioners in the industry today.

ther it is all worth it. The Basil Starke Group (BSG) annual report for the 1990 year should make shareholders ponder the same point.

The group's two basic activities are construction and manufacturing. Last year construction accounted for roughly 82% of group turnover but contributed only 55% of the profit. A comparison of results in this division over the past three years does not brighten the picture much.

The construction division lost R2,1m in 1988. In 1989 it made a profit of R1,8m, indicating a turnaround of R3,9m — a laudable recovery. However, in 1990 this impetus could not be maintained. Clearly, with such small margins, the construction industry is high-risk and currently offers little prospect of high reward. Over the past four years, the average margin was 1,4%.

The manufacturing division, after posting losses in 1987 and 1988, seems to have been turned around. Turnover rose in real terms over the past two-year period, thanks to the 26% rise in 1990. In this division the margin averaged about 5,5% over the two years, but averaged only 1,75% over the past four years. Even so, that manufacturing produced 45% of group profit from only 18% of turnover suggests that perhaps management should be concentrating resources in this area.

Operating income, at R7,8m, was up by 18% in 1990. Except for the high finance costs, which absorbed almost 60% of this, it might be called satisfactory. The problem is, if finance costs remain at these levels, there will be little left for shareholders when the group again has to pay tax — even though that won't happen for a long time owing to hefty tax losses.

Chairman Basil Starke is aware of the need to reduce gearing and there has been some progress with this. But it has been achieved more by retained earnings and by revaluation of assets than by reducing borrowings.

The annual report is painfully short of information about the group's activities and prospects. Starke, in his review, talks about 1991 "proving to be a difficult year," and with the economy showing few signs of recovery he is almost certain to be proved right. There is little prospect of a dividend in 1991.

For investors, the only interesting aspect of the group is that the share price is about one-fifth of net worth.

Gerald Hirshon

BASIL STARKE FM 26/4/91

SLIM MARGINS (32)

Activities: Construction, building, manufacturing and property development.

Control: Basil Starke Investments holds 87% of BSG which is controlled by Basil Starke Family Holdings (Pty).

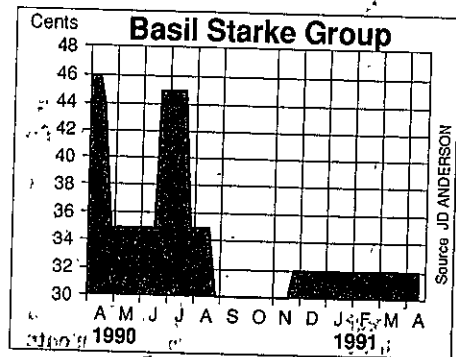
Chairman: B E Starke; MD: M Phillips.

Capital structure: 8,79m ord. Market capitalisation: R3,1m.

Share market: Price: 35c. Yields: 97% on earnings; p:e ratio, 1; cover, n/a. 12-month high, 45c; low, 30c. Trading volume last quarter, 3 000 shares.

Year to Dec	'87	'88	'89	'90
ST debt (Rm)	4,5	11,9	11,1	10,1
LT debt (Rm)	4,1	12,1	8,5	7,2
Debt:equity ratio	2,0	7,6	3,4	1,6
Shareholders' interest	0,22	0,09	0,14	0,23
Int & leasing cover ..	4,2	—	1,6	1,7
Return on cap (%) ..	11,0	nil	13,7	13,5
Turnover (Rm)	77	135	148	171
Pre-int profit (Rm) ...	3,4	(0,6)	6,6	7,8
Pre-int margin (%) ..	4,5	nil	4,4	4,5
Earnings (c)	25,1	(30,7)	32,5	33,9
Dividends (c)	5	4	—	—
Net worth (c)	81	44	76	149

In the competitive construction industry, where cut-throat margins are the norm, those involved must wonder sometimes whe-



Taking up challenge of maintaining the roads in Transkei

Blom 26/4/91.

NMB

32

10/91

GOVERNMENT'S intention to reduce funding for roads in SA challenges road authorities and their engineering consultants to obtain maximum benefit from the money available and maintain the road network.

Over 4 000km of provincial roads in the Cape is older than 25 years, and at the present rate of new construction it would take over 40 years to reconstruct these, not considering other roads which would have deteriorated in the interim.

In Transkei, Ninham Shand has become part of the challenge. The firm was appointed three years ago to assist the Department of Works and Energy in the management of maintenance work in eastern Transkei.

This management has involved a judicious mix of public and private sector resources.

Ninham Shand was instrumental in setting up the privatisation of maintenance work in certain areas of the Transkei using methods similar to those employed in Bophuthatswana and parts of Kwazulu.

The group envisages future maintenance work throughout southern Africa will be privatised and the work experience gained in Transkei will be invaluable.

Training

Ninham Shand personnel have acted as training officers for departmental operators, advisers on maintenance procedures, resident engineers for small maintenance contracts and trouble-shooters in times of emergency.

On the public sector side, the Ninham Shand maintenance managers have advised the departmental resources on maintenance procedures and set up pro-

grammes for the restoration of the gravel road network.

In 1989 alone, 398km of gravel roads were restored and regravelled, a marked improvement on previous years.

Several road maintenance teams have been tackling potholes and edge ravelling problems in the eastern area.

At times of emergency, Ninham Shand was called on to muster resources and advise the department on the repair of wash-aways, bridge replacements, rock-falls and the rapid deterioration of certain roads.

The most challenging tasks involved the privatisation of maintenance work, as Transkei recognised that departmental work was handicapped in certain areas.

The main handicaps included the lack of trained, experienced managers and foremen and the lack of incentives for the labour

force to be productive.

It was also realised the country lacked entrepreneurs in the road construction industry.

To overcome these, small maintenance contracts were organised throughout Transkei.

In Ninham Shand's areas, these contracts involved the regravelling of roads and fencing the N2.

Guided

Because of the inexperience of the local contractors, Ninham Shand's maintenance managers guided the contractors in their work and encouraged regular monitoring.

To assist the smooth transition of maintenance work from government departments to the private sector, Ninham Shand, together with the Development Bank of Southern Africa, has been involved in the training of 20 local contractors.

Building a future for all requires a wide range of skills

NINHAM Shand has been involved in the planning and development of infrastructure and basic shelter for low-income groups throughout southern Africa. *By way 26/4/91.*

Involvement has been at all levels, from project identification through to operation and maintenance, and has at times

drawn on skills outside the traditional boundaries of civil engineering.

The group's mission statement, known as "development management", is: "Believing in a positive future for all peoples in southern Africa, we aim to promote the socio-economic development of disadvantaged communities

through the provision of comprehensive professional services to ensure an integrated approach to development".

Ninham Shand is involved in community participation and the resolution of conflicting attitudes and interests.

The group consults with low-income urban commu-

nities on issues such as selection of infrastructure standards and upgrading of existing infrastructure.

Assistance is given in decision making on the prioritisation of projects and budgeting allocations, and in the establishment of and assistance to small building and services contractors.

Ninham Shand also aids

communities in the budgeting and managing of local engineering services and multidisciplinary design and construction projects.

This expertise is made available to a newly developing area or to an already developed area that lacks adequate capacity to carry out management, operational and maintenance responsibilities.

Urban expansion will call for extra effort

8/20/91 26/4/91
NINHAM SHAND MD Peter Thomson says civil engineering's greatest challenge is in and about SA's urban areas.

It is clear from the tendency in SA and the history of other developing countries that an increasing tempo of urbanisation is likely.

According to Urban Foundation figures, SA's population will increase to about 60 million by the year 2010.

It estimates that in 2010 the number of blacks living in urban areas will be about the same as SA's population in 1985 (33,3-million).

Thomson says the challenge of urbanisation goes beyond the supply of engineering services.

It includes the need to bring into balance affordability of engineering services (water, sewerage and roads) and the standards urban dwellers wish to receive.

"It needs to deal with policies on land ownership, land use and the governance of our urban areas."

He says some 57% of the black population under the

age of 14 is under-educated and faces the prospect of being unable to find employment in the formal sector.

"In civil engineering and almost as a by-product to the provision of those services which support the population, we create wealth and work opportunities."

32/23/91

Appropriate

He says civil engineering will be challenged to use design and construction methods and engineering standards appropriate to SA's economic, social and physical environment and to creating labour intensive construction.

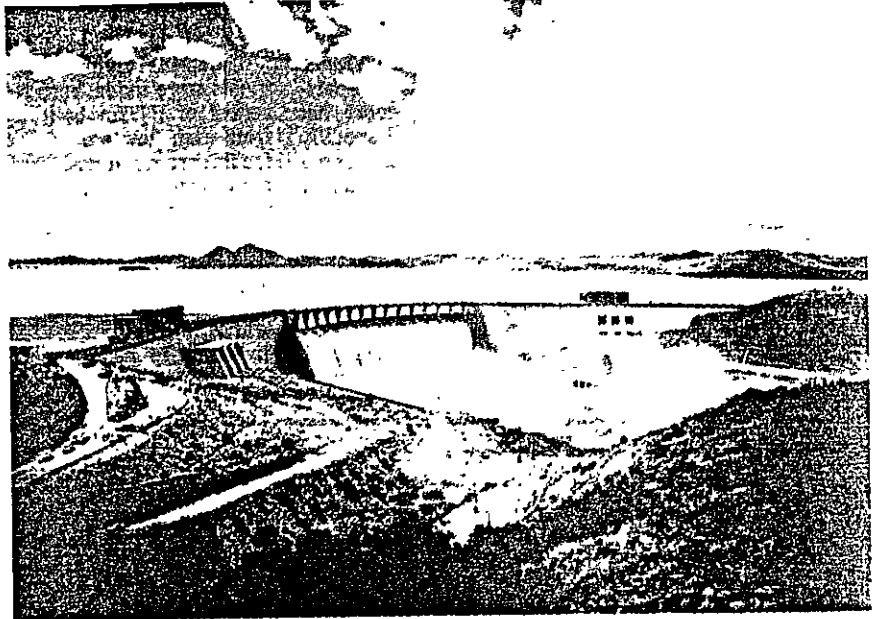
"It is only through the application of technology that we have any chance of making up for the under-supply of human skills."

While Third World requirements must be dealt with, Thomson says the engineering profession will have to use and understand the advanced techniques of First World countries and adapt these to specific needs.

Business Day SURVEY

Ninham Shand started his civil consulting engineering practice in 1932 when the ravages of the Depression were still being felt. His Oxbow Project proposals are part of engineering history and the basic concept is embodied in the Lesotho Highlands Water Project. MARC

HASSENFUSS reports.



HF Verwoerd Dam

Experience led to Lesotho scheme job

32
BIDAY 26/4/91

NINHAM Shand's involvement, spanning three decades, in water research in Lesotho made the group an obvious choice to undertake the feasibility study of the Lesotho Highlands Water Project (LHWP).

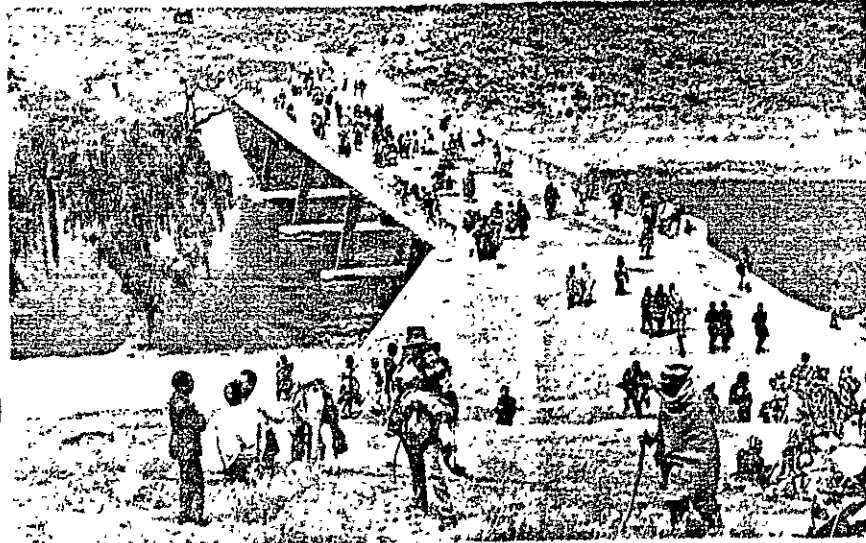
Early in 1983, Ninham Shand, in consortium with Henry Olivier Associates, was appointed by the SA Government to tackle the project with an overseas consortium appointed by the Lesotho Government.

Favourable

The study, completed in December 1983, aimed at identifying the most favourable scheme for moving water from Lesotho to the Vaal Basin and for generating electricity in Lesotho.

The study also provided for an estimate of funds needed to implement the scheme and a timetable for phased development to meet forecast growth in water demand.

When the treaty for the construction of the LHWP was signed between SA and Lesotho in October 1986, Ninham Shand was ap-



Katse bridge in Lesotho

pointed a leading member of the three consortia, where the SA Government provided part of the finance for the design.

Ninham Shand is involved in almost every facet of the project, including the "water transfer" package comprising the 180m high Katse Dam behind the Maluti mountain range and the 48km-long transfer tunnel under the mountains to the hydro electric station.

The design work and supervision of construction was entrusted to a consortium known as Lesotho Highlands Consultants, comprising an SA group (Ninham Shand, Keeve Steyn and Watermeyer Legge Piesold & Uhlman, supported by three other firms) and an overseas group (Sogreah, Coyne & Bellier and Sir Alexander Gibb & Partners).

The design of the 35km

delivery tunnel was carried out by Highlands Delivery Tunnel Consultants (HDTC), a consortium comprising Ninham Shand, Van Niekerk, Kleyn and Edwards, Steffen Robertson & Kirsten and Keeve Steyn. The tunnel is designed to take water from the outlet of the hydro electric station in Lesotho, across the Caledon River to the outfall on the Ash River near Clarence.

For supervision of the construction, the engineering work has been divided into two — delivery tunnel south, in Lesotho, and delivery tunnel north, in SA.

Responsibility for the first part rests with a two group consortium, Lesotho Highlands Tunnel Partnership, made up of HDTC and the Lahmeyer Mott MacDonald group from Europe while the section in SA is being supervised by HDTC.

Design

Highlands Infrastructure Consultants (HIC), comprising Ninham Shand, Van Wyk & Louw and Brunett Kruger & Stoffberg, sees the design of about 300km of access roads into the mountainous terrain and includes the initial parts of the contractors' camps.

Construction supervision is divided among several groups, with the final 45km of the northern access road being the responsibility of HIC.

Water from the LHWP scheduled to start flowing to the Vaal Dam in November 1996.

Need to invest in manufacturing industries in SA

CAA Trms 26/4/91
32

By AUDREY D'ANGELO
Business Editor

SA should invest in manufacturing industries rather than in office blocks and shopping malls, Christo Nel, an executive director of PG Bison, told the Insurance Institute of SA at its annual conference at the Cape Sun yesterday.

He told delegates it was "crazy" that SA should be de-industrialising at a time when jobs were urgently needed.

Goods like hotplates were manufactured in the Far East from SA steel, using SA coal, and then exported back to this country.

Instead of being used to build factories where raw materials could be benefited by the SA workforce, money was being invested in office blocks and shopping malls which did not create wealth "but just shuffle it around".

It was also "crazy" that, although SA had a 30% over-capacity to produce electricity, 70% of township dwellers were still without it. The money spent on Mossgas would have been sufficient to electrify all township houses, giving their occupants a "quantum leap forward" in quality of life.

Electricity was a cheaper fuel than coal or paraffin and refrigerators would enable black people to buy food more cheaply, in bulk, from supermarkets instead of expensively from their corner cafe.

Nel blamed the present violence on overcrowding in townships and the fact that black family life had been

broken down and the authority of the father figure undermined, either because he was absent for most of the time or because he had been seen by his children to be degraded.

Discussing the problem of over-population, he said the "best contraceptive is a rising general domestic expenditure (GDE)".

The average size of white families had declined dramatically over the past three generations as wealth increased and the standard of living improved. The same thing would happen to blacks.

But, stressing the need for both redistribution of wealth and economic growth, he said neither could succeed without the other.

The process of "trickling down" would not happen in SA because the poorest people could not escape from the poverty trap without help.

What was needed was "a virtuous self re-inforcing cycle" of interdependence.

Redistribution of wealth required growth, growth required investor confidence, investor confidence required stability, stability required perceived justice, perceived justice required social investment, "social investment requires redistribution of wealth and so on."

Nel said he had hope for the future of this country because it had been discovered that if whites and blacks, even of extreme views, talked to each other as people in the workplace and discovered they had similar problems and needs hostility disappeared.

M&R buys as Blue Circle quits SA

31 Day 13/2/92

32

JABULANI SIKHAKHANE

IN THE third disinvestment move in three months, UK group Blue Circle Industries plc is selling its 42.3% stake in local cement and building materials producer Blue Circle to Murray & Roberts (M & R) for more than R400m.

M & R, which has already spent more than R700m on acquisitions in less than six months, already owns 42.3% of Blue Circle through wholly owned subsidiary Darling & Hodgson. D & H has the first right of refusal on Blue Circle Industries plc's stake in the local company.

The deal leaves Anglo Alpha as the only cement producer still with an overseas principal. Swiss group Holderbank Financiere Glaris and its associates own 34.1% of Anglo Alpha. The other cement group, PPC, is controlled by Barlow Rand.

A Blue Circle Industries plc spokesman said an announcement would be made shortly.

In other recent disinvestments, UK-based Pilkington plc sold its 48.4% interest

in Glass SA to Plate Glass & Shatterprufe for R525m, and Swiss group Nueva Holdings sold holdings in Everite Holdings and its subsidiary, Everite Group, for R116m to Group Five and the French Bank of Southern Africa.

M & R and Blue Circle published a joint cautionary notice yesterday warning shareholders that negotiations in progress could affect share prices.

Market speculation is that M & R would buy out Blue Circle Industries plc, increasing M & R's stake to 84.6%. M & R would make an offer to minorities and then delist Blue Circle.

Frankel, Max Pollak, Vinderine analyst Mike Howarth said Blue Circle Industries plc had been rationalising operations and selling peripheral businesses in other countries. It was a "natural consequence" of the world recession.

□ To Page 2

Blue Circle

□ From Page 1

The Blue Circle share price is R34.50. Market sources said the UK company had always asked for a premium, which was the main obstacle to D & H or its former parent Malbak making a bid. At current market prices the 42.3% holding in the local company is worth more than R399m.

"The deal will be based on future earnings rather than the net asset value. And everybody knows that when the economy turns, those cement companies will start running," Howarth said.

He suggested M & R might use equity financing for the deal, issuing new shares to institutions. A rights issue was also a possibility as M & R's cash needs might be greater when the economy improved.

The acquisition of control of Blue Circle would make sense for M & R, analysts said.

Blue Circle accounts for a large chunk of D & H's business. In financial 1991 Blue Circle contributed 63.5% of D & H's turnover and 58.7% of operating income.

The biggest benefit, however, would be in the rationalisation of operations, analysts said. Blue Circle has an engineering

division which could easily be moved into Genrec or M & R's industrial division.

In the building materials division, M & R and Blue Circle already have a joint venture in Ready Mixed Materials, in which Blue Circle holds 60%.

In the past six months M & R bought the remaining shares in Unitrans's holding company, United General Investments, from its ultimate parent Sankorp for R131m, acquired control of D & H and 35% of Standard Engineering for about R399m.

M & R shares rose 100c to close at R58 yesterday.

JOHN CAVILL reports from London that Blue Circle Industries plc has been streamlining its operations and trying to reduce costs for the past 18 months. At the same time its net debt has risen sharply.

In 1990 (to December 31), sales dropped 5% to £1.2bn while pre-tax profits fell by 16% to £195m. In the first six months of 1991 turnover was down by 19% at £531m while earnings before tax slumped by 38% to £57.5m. Net borrowings climbed by nearly £54m to £316m.

Speed is key to housing backlog

SPEED is of the essence in meeting SA's housing backlog — and De Leuw Cather has played an active role in bringing a new informal housing scheme near Dobsonville on line in record time. (32)

Doornkop comprises 5 800 stands, each about 200m² in size, on 250ha of land.

Each stand has been supplied with a dry type aqua-privy and running water is available from one pipe for every 20 stands. 15/0am 30/4/91

DLC associate Dennis Behrmann says: "The Transvaal Provincial Administration produced

the town plan at the end of November and wanted to launch the scheme immediately, but no services were in place. (32)

"In December, we were called in as consultants for the provision of water and sewerage requirements and temporary roads. (32)

"By January 14 we were ready for the first people to move onto the stands — and since then properties have become available at a rate of 100 stands a day.

"All 5 800 stands are now complete, serviced by 39km of water mains and 43km of gravel roads.

"All the stands have been sold and the owners are erecting their dwellings at a rate of about 1 000 a month."

Although meeting the most basic requirements at this stage, Behrmann says the township has been designed with an eye to upgrading.

"Provision has been made for schools, creches, places of worship, retail and social facilities.

"Eventually, the services will be upgraded to provide individual water connections to each stand, and a water-borne sewerage scheme will replace the aqua-privies," he says.

The Entrepreneurial Development of Southern Africa, a subsidiary of Bifsa, has arranged commercial skills development training for small contractors in the building industry.

At the request of the Soweto City Council Engineer's Department, modified courses will be held for people who want to work in the civil engineering field and will dovetail with the department's contractor development programme.

The courses being offered by Edsa are aimed at helping people obtain commercial skills needed to run a small business effectively.

They will also learn how to tender for work and make a profit at the end of the job.

There is no charge as sponsors will pay all costs.

Gain skills to improve profit and ability

By JOSHUA RABOROKO

The deputy city engineer said the introductory course was recently successfully completed by 15 people.

The intermediate course will be offered soon if enough people are interested.

A public meeting will be held at the Water Branch offices in Klipspruit on May 7 at 4pm to explain the course and arrange for those interested to sign on.

If enough people are interested the introductory course will be run again.

Tests for the intermediate course can be taken by people who have not done the introductory course to see if they are eligible.

The department has helped in developing civil engineering contractors in Soweto for four years.

One of their projects was the installation of mains for the supply of water in the city.

This work was done by contractors who had tendered for the work which was advertised in the Press.

For more information telephone Mr Mkhize at (011) 838-1734.

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Life offices' plans to save hundreds of building jobs

W/PR/64 4/5/91

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By MAGGIE ROWLEY
Business Staff

HUNDREDS of jobs in the construction industry hard hit by the recession have been saved by two life offices' plans to build office towers in the Cape Town CBD.

Mr Rob Heller, managing director of Stocks & Stocks, main contractor for Metropolitan Life's 27 storey office block to be built on the corner of Coen Steytler Avenue, Long and Jetty streets, said the contract had saved the company from retrenching up to 100 people.

"It could not have come at a better time. We were getting to the point where we were about to retrench not only hourly paid workers, but some of our salaried staff."

More resilient

Mr Heller said the contract would secure a further 300 or so jobs in the industry for subcontractors.

"Although the property market in the Western Cape has proven to be more resilient than in other centres and there is still work around, the Western Cape is over-traded."

"Order books are very low and the tendering market is very keen," he said.

Mr Heller said Stock & Stocks had been lucky to secure the contract for the Beaches apartment building in Clifton and were presently negotiating another contract with the United Building Society Pension Fund.

Mr Hector Minott, managing

director of Murray & Roberts (Cape), said this week that "absolutely no growth" was expected in the building industry this year.

"In fact growth is slowing and any new contracts are to be welcomed."

Metropolitan Life was given the go-ahead for its R75 million flagship building, which at a height of 93m will exceed height restrictions by 34m, after months of negotiation with the City Council.

The building will provide 17 143 m² of office accommodation, including 2 767 m² of executive suites, 876 m² of retail space on the ground floor and under-cover parking for 210 cars.

Construction of the block, which has been designed by Douglas Roberts Peter Loebenberg Architects, is scheduled to start on Monday, and completed by April 1993.

Still vacant

Mr Johan van Rensburg, general manager of Metropolitan Life's property investment division, said that while there was not yet a tenant for the building and there was concern about the large amount of office space coming on stream in the near future, the property market in Cape Town had shown more resilience to adverse economic conditions than other major centres in South Africa.

"And this development is in keeping with projected demand for high quality office accommodation in the Cape Town CBD. We are confident that by the time construction is completed demand for space will have picked

up."

He said he had allowed for quite a high vacancy level initially and Metropolitan was still considering taking some of the space itself for non-administrative staff who would not be moving to the new Parc du Cap offices in Bellville.

"It will depend on plans to upgrade our Wale Street offices," he said.

Mr Van Rensburg said rentals would be in the region of R35 a square metre, giving them an advantage over similar buildings coming on stream in the next few years.

Housing Safren

Last month Old Mutual also disclosed it would build a R100 million office tower in the city centre to serve as the new headquarters of Safmarine.

A main contractor for the building still had to be appointed, but this contract was expected to secure hundreds more jobs in the industry.

Dr Philip Theron, the newly appointed project co-ordinator for the City Council who was instrumental in getting Metropolitan Life's plans passed, this week welcomed the developments.

"They have come at a stage where Cape Town needs to create work. Unemployment is a serious socio economic problem and the council views job creation of paramount importance."

He said the City Council was presently considering development proposals for the 5 ha power station site and any future development there would also help boost employment.

New building rules 'the same old story'

Blom 8/5/91

32

MAJOR deregulation measures giving freedom and opportunities to the SA building industry, announced recently by government, do not herald a revolution, says Development Bank senior technical specialist Don Macleod.

Most of the changes "were introduced in 1985 but went unnoticed".

He says the so-called newly rationalised, less prescriptive set of National Building Regulations gazetted on March 12 and reported in newspapers nationwide were "not much different" from the original

Reports by
PETER GALLI

national building regulations published in 1985 and did not revolutionise these regulations.

"The new regulations described in the Press are a reworded, corrected and updated version of those that came into force in 1985. There is virtually no difference between the intent of the 1985 version and that of the new version.

"The 1985 regulations were innovative as they became performance-based rather than prescriptive. They allowed the freedom

that was claimed as new last month, but this was never realised because of the method of administration of these regulations."

The object of the 1985 regulations was to allow developers and their designers more freedom to introduce innovative building methods and alternative materials in order to contain costs.

That was, in fact, mooted in 1985 and not in 1991 as claimed, he adds.

The regulations were regarded by the industry as extremely flexible. The problem was that officials, due to the nature of their experience and training, were inflexible.

Based on this experience, it was unlikely that the new set would have the desired liberating effect unless determined efforts were made by the building authorities to ensure that their officials understood, and took advantage of, the flexible standards and freedom of choice provided in the legislation.

The original regulations took up 700 pages in the Government Gazette. This was reduced to 40 in 1985.

"With this, the fragmented system of municipal regulations fell away in 1985 and not in 1991," says Macleod.

Construction industry 'in need of stimulation'

THE civil, building and engineering industries need active industrial growth and building development in the next six months to stimulate both the industry and economy, says management consultants Philip Loots & Associates MD Ian Massey.

"Someone needs to take the initiative. The present inertia is due to the poor level of business and the lack of economic and political certainty worldwide," he says.

However, a number of major civil, building and engineering contracts have been signed this year, prompting some optimism about building conditions in these industries for the coming year.

"One of the reasons for this is the number of new projects which are likely to be finalised over the next few months and in the first half of next year."

While many projects had not come on stream as early as expected and the introduction of VAT, which is ex-

B/Pay 16/10/91 (32)
Reports by
PETER GALLI

pected to push construction costs up by at least 5%, had resulted in a bleak forecast, a number of new contracts were signed this year.

However, the industry should not be complacent, he says. Contractors need to adopt different strategies for work acquisition, particularly in differing geographic areas.

"This will require greater care and controls in the execution of such projects, and in the management of the risks."

The larger companies could no longer rely on SA to provide the bulk of their work and it was essential that they looked farther afield, even worldwide.

While SA could operate from a low cost base, productivity was a problem when competing with international markets.

New projects in the pipeline include the R2,5bn Columbus stainless

steel project, the proposed Louis Luyt International brewery on the West Rand, the Alusaf Smelter project likely to be built at Richards Bay, and oil platforms off Durban.

"These last two projects, and developments in the petrochemical industry, reinforce the view that Durban and the Natal north coast are likely to provide opportunities for work in the future," Massey says.

In addition, the Lesotho Highlands Development Project, worth R6bn and providing work for local and off-shore contractors, went ahead this year.

He adds that while these industries will not be booming in the near future, the situation is not as bleak as many perceive it to be. Many of the bigger organisations are already looking across the border into southern Africa for work to fill order books.

"This could have a spin-off effect through which plant hire, suppliers and small contractors could also benefit," Massey says.

Huge trade prospects foreseen in Angola

By Dale Lautenbach
Star Africa Service

WINDHOEK — War-ravaged Angola presents immense opportunities for South African business interests, especially in the South African construction sector.

This is the opinion of Paul Runge, manager of the Africa Business Development Group of the SA Foreign Trade Organisation (Safto), who says Angola is too important for South African companies to ignore.

As a potential new market it outstrips even Kenya in the promise it holds.

Mr Runge returned recently from Luanda, where he led a delega-

tion of 10 South African company representatives.

He said most significant in the scope Angola offered South African business interests was in the field of construction.

"There are about 200 bridges countrywide to be repaired. Seventy per cent of the roads need rehabilitation. With our shortage of construction projects in South Africa, it's a dream."

It all hinges, of course, on peace in Angola. Mr Runge said, however, that his advice to companies was to position themselves inside Angola now.

He cautioned though, against the expectation that foreign exchange in

Angola was no problem because of the country's oil industry (total exports for the industry are estimated to be about R10,74-billion for 1990).

Angolan sources told Mr Runge it would take up to 18 months after peace was established to release the major part of Angola's earnings tied up in the war effort.

"And they have a heavy debt problem (around R18,1 billion), although there is some optimism about debt relief."

Another problem he identified was bureaucracy and the investment code, which, while liberal, was "still just a set of laws" with not enough incentives".

Star 131571

32

Council to speed up building plan approval

THE Town Planning Department of Johannesburg intends to speed up the approval of building plans, 75% of which are domestic applications for minor alterations, a study has shown.

Based on the newly completed study, it is envisaged that the processing of all plans will be reduced to 15 working days by July 31 1991 and reduced further to 10 working days by November 30 1991.

It says at least 80% of all building plans submitted for domestic houses

and alterations will be reduced to a 24-hour service by August 31 1991.

Provided that applications are correctly submitted, the approval of plans for the construction of residential houses, as well as alterations to houses, will be processed within 24 hours when the service is finally phased in.

New streamlining procedures will now be followed. The inspector will

visit the site after the application has been submitted and not necessarily before submission.

On processing plans, the examiner will effect technical amendments and alterations after which he will stamp and sign the approval.

This procedure will eliminate weeks, and sometimes months, of lengthy complex correspondence.

A new procedure will also obviate the double checking of drawings submitted by professional engineers.

By Day 16/5/91

LIZ ROUSE

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Violence helps drive builders from townships

6 May 1971
VIOLENCE, political uncertainty and high unemployment were driving building companies from strife-torn townships, Time Housing regional director Kobus le Roux said this week.

Le Roux said in a statement Klerksdorp and surrounding areas had been hit hard by riots, faction-fighting and consumer boycotts.

"Spiralling violence, political uncertainty and high unemployment have combined to force an exodus from the mining areas of the western Transvaal by companies which were building houses for black families.

"All the big contractors are gone, but we are going to stay and keep on selling houses."

He added that the continuing violence had also made some building societies reluctant to provide mortgage bonds on properties.

FHA Homes CE John Weaver said it was becoming increasingly difficult to find contractors who were prepared to build in the townships.

"When we launched our housing project in Dobsonville (Soweto), one major building company did not tender for it," he said.

The reluctance of financial insti-

tutions to provide mortgage bonds was not making things easier.

NBS assistant GM Trevor Olivier agreed that township violence had led to fewer houses being built.

"Two years ago thousands of houses were built, but that has been reduced to a trickle by the violence. Builders cannot build and building societies cannot lend money to people who want to build houses because of the violence.

Basil Reed Homes MD Pat Culligan said the reluctance of builders to build in the townships was due to the enormous losses they were incurring through vandalism and theft.

"Equipment and other materials associated with building a house are being stolen and that has made building in certain areas non-viable. There is also the responsibility to one's employees. It is morally wrong to send people to work in violence-ridden areas where their lives will be in danger," Culligan said.

Building Industries Federation of SA (Bifsa) executive director Neil Frazer said at least six contractors had pulled out of the townships because of the violence.

32
WILSON ZWANE

Hernus Kriel attacks price fixing

(32)

LESLEY LAMBERT

AN unprecedented attack at Cabinet level on price fixing in the building materials industry has been launched by Planning, Provincial Affairs and National Housing Minister Hernus Kriel.

Speaking at the National Association of Home Builders' conference yesterday, Kriel said monopolistic conditions which had existed for a long time in the supply of certain building materials needed to be addressed as a matter of urgency.

He said it appeared monopolies in the local industry were basing their prices on the prices of imported goods and he urged builders to act against artificially inflated prices.

"Why are certain imported materials cheaper than the local products even after shipping and customs costs? But, when import permits are granted, the local material is suddenly 5% to 7% cheaper than

the imported product," Kriel said.

These price fixing tendencies made it difficult for builders to negotiate discounts, even on big orders.

He asked delegates if they were going to accept these conditions in their industry or do something about it.

Conference speakers and delegates emphasised the challenge facing the building industry over the housing shortage.

Wider home ownership and affordability, coupled with the creation of new jobs and the depoliticisation of housing, emerged as key issues in a dynamic housing process aimed at addressing the current backlog and giving as many people as possible a stake in the economy.

FW unveils plan to cut building costs

81 Day 171511

32

CAPE TOWN — New legislation to make it easier and cheaper for the building industry to produce new housing is in the pipeline, President F W de Klerk announced yesterday.

Government will begin preparing draft legislation in June to rid local authorities' town establishment regulations of time-consuming and costly bureaucratic requirements, De Klerk said in his opening address to the National Association of Home Builders' (NAHB) conference.

Urgent attention would also be given to minimum standard requirements which inflated the final cost of developed sites.

Cape Provincial Administration director Charl van Tonder has been transferred to the Department of Planning, Provincial Affairs and National Housing to prepare the new town establishment procedures. A draft Bill is expected to be released for comment early next year and introduced in Parliament later in the year, he said.

Various measures to address the private sector's cost burden and to enable private builders to compete with public sector builders, are under consideration.

These measures include the amendment of strict building standards, the introduction of a more acceptable and practical

LESLEY LAMBERT

national housing policy and the anticipated implementation of land reform legislation which will give all South Africans access to the housing market, De Klerk said.

Proposals for a new housing policy are expected to be released by the SA Housing Advisory Council, chaired by former Auditor-General Joop de Loo, in September.

The NAHB is expected to make a significant contribution to the council's work.

De Klerk urged the private sector to join forces with government in its efforts to address the country's critical housing shortage. Government would only be able to provide assistance to the very poor.

The private sector would have to adapt to the new SA's demands, with the emphasis on low-cost housing. "I would suggest that you do not neglect consulting the people who are most affected by the housing crisis. The communities concerned should be involved if we are to ensure that their needs are addressed effectively," he said.

De Klerk, Finance Minister Barend du Plessis and IDT chairman Jan Steyn all expressed concern at the way rent, service and bond boycotts, coupled with violence, continued to disrupt the housing process.

Kriel slams building 'price-fixing'

32 17/5/91
12/3 12/3

Political Staff

NATIONAL Housing Minister Mr Hernus Kriel has launched an unprecedented cabinet-level attack on price-fixing in the building materials industry.

Speaking at the National Association of Home Builders' conference in Cape Town yesterday, Mr Kriel said monopolistic conditions which had existed for a long time in the supply of certain building materials needed to be addressed as a matter of urgency.

He said it appeared that monopolies in the local industry were basing their prices on the prices of imported goods and he urged builders to act against artificially inflated prices.

"Why are certain imported materials cheaper than the local products even after shipping and customs costs, but, when import permits are granted, the local material is suddenly 5% to 7% cheaper than the imported product?" he asked.

These price-fixing tendencies made

it difficult for builders to negotiate discounts, even on big orders. "If the big builders are having problems keeping costs down, then we are making a joke of self-help building projects because the small builders' product is even more expensive," Mr Kriel said.

"As home-builders, you have a responsibility," he told delegates. "Are you going to accept these conditions in your industry or are you going to do something about it?"

Speakers and delegates emphasised the challenge which faces the building industry in its efforts to address SA's critical housing shortage.

Wider home ownership and affordability, coupled with the creation of new jobs, emerged as key issues in a process aimed at addressing the current backlog and giving as many people as possible a stake in the economy.

● Low-cost housing problem in SA 'can be solved' — Page 8

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SHOREDITS FM 17/5/91
GEARING TOO HIGH (32)

Activities: Diversified building and construction group.
Control: Directors 78%.
Chairman: A K R Shoredits; vice-chairman: P Tesar.

Capital structure: 10,8m ords. Market capitalisation: R13m.

Share market: Price: 125c. Yields: 6,4% on dividend; 17,6% on earnings; p:e ratio, 5,7; cover, 2,7. 12-month high, 150c; low, 90c. Trading volume last quarter, 39 000 shares.

Year to Dec	'87†	'88†	'89†	'90*
ST debt (Rm)	5,0	11,8	19,1	14,0
LT debt (Rm)	1,0	4,8	8,9	7,6
Debt:equity ratio	0,8	1,9	2,7	1,6
Shareholders' interest	0,2	0,2	0,12	0,15
Int & leasing cover ..	—	4,1	2,1	1,9
Return on cap (%) ..	10,1	10,2	9,9	9,6†
Turnover (Rm)	98	66	190	329
Pre-int profit (Rm) ...	3,5	5,2	8,8	9,7†
Pre-int margin (%) ..	7,2	7,6	4,6	3,8
Earnings (c)	21,3	24,3	30,4	21,8†
Dividends (c)	10,0	8,8	8,0	8,0†
Net worth (c)	77c	97c	110	122

* 18 month trading period. † Year to end-June.
 ‡ Annualised.

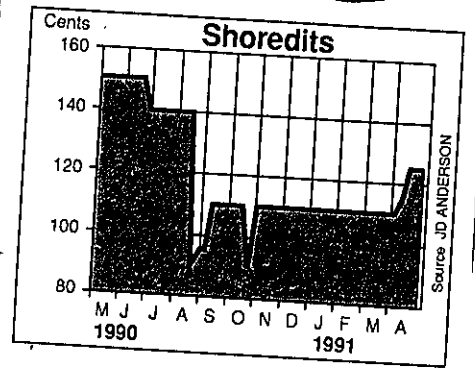
Raising R3,2m through a rights issue, and avoiding major acquisitions during the 1990 18-month trading period, Shoredits cut debt by more than a fifth. But gearing remains too high and profitability is declining.

Chairman Andy Shoredits says the construction industry, which had been surprisingly resilient, mainly thanks to large amounts of work in progress, started to feel the downturn over the past year. Order books have become more difficult to fill and margins have been under pressure.

Results were hit by the liquidation of the De Bruyn group, for which various Shoredits companies were doing work. In particular, a "substantial" provision was made against the Golden Walk shopping centre contract in Germiston. The group joined the principal bondholder in making an offer of compromise to other creditors and converted its claim into equity in the centre.

When attributable earnings are annualised, the resulting R1,77m is down 55% on 1989. Issued equity increased and annualised EPS of 17,3c (before extraordinary items) was 60% below 1989's 44c.

Interest-bearing debt fell by R6,4m; fixed assets rose by only R5m and only R820 000 was required to fund growth in working capital. However, the last figure was affected by a R5,8m drop in contracts in progress,



which fell to R19,4m. The debt:equity ratio was cut to 1,6, the lowest since 1988 but obviously still too high, as shown by the sliding interest cover.

Turnover was stagnant in real terms, despite two acquisitions. In July 1989 it bought 66% of Staefa Control Systems, which supplies and installs electronic control devices used in building services and systems, for a "nominal cost." In January 1990 it bought road paver Akasia Asphalt, which fits into the civils portfolio, for R4,6m.

Andy Shoredits expects turnover to drop or at best remain static this year. Significant acquisitions are not expected. He says VAT will increase the cost of building by 6% but believes this will be cushioned by more competitive conditions (which hardly sounds favourable as far as margins are concerned.)

The share trades on a p:e of 5,6, below the building and construction sector average of 6,9. Until the group reduces gearing significantly, and shows that profitability can hold up against deteriorating conditions in the industry, the share will not look attractive.

Stephen Cranston

Township violence hits work on houses

B/Dam 20/5/91

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LESLEY LAMBERT

CAPE TOWN — The provision of low-cost housing has been seriously curtailed by township violence and economic recession over the past 18 months and could come to a halt unless the issue of violence is resolved.

That is the warning that emerged from an influential housing conference organised by the National Association of Home Builders in Cape Town last week.

In an interview after the conference, SA Housing Advisory Council chairman Joop de Loor confirmed that township violence remained a major obstacle which was "practically bringing the entire housing process to a halt".

De Loor, who heads a team investigating a new national housing policy, said: "Everything is in place. The funds are available and can be diverted into housing. But, unfortunately, the lending institutions do not have the confidence to release the funds because of the threat of non-payment."

"As a result, the amount of money spent on housing has declined over the past 18 months and, with inflation, the number of units built has declined even further."

In cases where funding was available, conference delegates said other factors, such as sustained economic recession, high interest rates, competition from state-subsidised institutions and the threat of violence, were keeping private developers

away from the areas of greatest need.

Finance Minister Barend du Plessis and Independent Development Trust chairman Jan Steyn implored political leaders to discourage rent and bond boycotts and other expressions of political frustration which disrupted the housing process.

Authorities attending the conference said the need to depoliticise housing had become a top priority. National Housing Minister Hernus Kriel suggested that depoliticisation could be achieved by decentralising the housing functions to corporations represented by both the private and public sectors.

ANC speakers and coloured and Indian Ministers from the Houses of Representatives and Delegates supported the urgent need to renew the housing process, but warned government not to use the argument for depoliticisation to offload responsibilities on to the private sector.

De Loor said his organisation had received proposals for strategies to decentralise housing without relieving the state of its responsibilities.

The advisory council hoped to submit its findings to the Cabinet in September. Kriel would then organise a national convention — with the advisory council's report as a working paper, De Loor said.

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Jo'burg to pass plans in 24 hours

By Shirley Woodgate

Long delays in the approval of house plans by Johannesburg's town planning department will be streamlined to a record 24 hours by August 30 this year.

Planning chief Eddy Magid said with building costs increasing at an average 3 percent a month, the procedure which now takes several months has been overhauled, placing more responsibility on inspectors and engineers.

Future short cuts include: *Star 2115191*

- An inspector visiting the site after the application is submitted and not necessarily before submission.
- When the plan is submitted, the examiner effects necessary technical alterations.
- Double checks and lengthy holdups will be avoided by allowing a developer to proceed after an engineer has signed a form taking responsibility for a structure.
- Details of the structural plan will be checked on issue of an occupancy certificate.

Building plans worth R2,7bn

8 10 am

22/5/91

GERALD REILLY

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PRETORIA — The value of building plans passed at current prices in the first quarter this year increased by 17,6% to almost R2,7bn compared with January to March last year according to Central Statistical Service.

The biggest single increases were for flat and town-house development — up by 57,2% to R220,8m.

The value of housing plans increased by 2,5% to R795,9m and plans for non-residential buildings by 28,5% to R893,8m. Plans for additions and alterations were up by 15,6% to R750m.

And in another release yesterday CSS says retailers' trading revenue in motor vehicles and accessories for the three months to end April increased by 2,8% compared with the previous three months.



An architect's model of Firdale, Leisure Developments' new project of eight three-storey flats sited on Firdale Avenue off Kloof Nek Road, Cape Town. Units will cost from R365 000 for two bedrooms, and from R530 000 for three bedrooms. Construction of the first homes starts next month.

Building codes 'are not a constraint on housing'

By way 29/5/91

Reports by
PETER GALLI

WHILE the housing backlog in SA has been at a constant and unacceptably high level for many years, new incentives are being offered to address the problem and constraints on the supply of land and of finance are being removed, says Development Bank technical specialist Don Macleod.

"However, there is a widely held belief that the national building regulations represent a further constraint, and it is suggested in some quarters these should also be removed," he adds.

This belief is based on the perception that the standards demanded by the regulations are too high, that they hinder development and push up the cost of buildings, Macleod says.

"But if the nature of the regulations is understood and the regulations are applied correctly, they can assist in the creation of safe and healthy housing that is appropriate to

a community, no matter what its level of development," he says.

The national regulations deal only with health and safety, and demand a certain level of performance with regard to these two aspects, but are not prescriptive, he believes.

The regulations' requirements must be met to ensure the health and safety of the occupants of buildings. The standard of building is not kept artificially high by the existence of the regulations, he says.

"Indeed, if the freedom of choice inherent in the regulations is used, it is possible to comply with the regulations' requirements and have a dwelling with lower standards than funding agencies will accept and with considerably lower standards than many people aspire to."

The regulations are then compatible with affordable housing, Macleod

believes. However, the authority responsible for building approval must be willing to, and capable of, interpreting the regulations, which must not be confused with deemed-to-satisfy rules.

These rules are not mandatory and describe methods of construction that, if followed on, will result in durable buildings that satisfy the requirements.

Given the economic realities of southern Africa it is also necessary that the poor can provide themselves with basic shelter of any size and shape and with any material they can lay their hands on, and this building activity cannot easily be brought within the ambit of the regulations, Macleod points out.

Local authorities should be encouraged to ensure that their building control officers understand the choice inherent in the regulations Macleod says.

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DB
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PROPERTY

Big chance for builders

Sowetan 6/6/91 (32)

By JOSHUA RABOROKO

THE long-awaited opportunity for all South Africans, irrespective of colour or creed, who are in the building and construction industry, will be presented in a seminar on June 7.

The seminar will be held at the Sunnyside Park Hotel in Parktown, Johannesburg.

Mepco Housing and Developers, a member of the Master Builders Association, anticipates this as a step towards building a new mixed economy in a new era for blacks.

Director of Mepco Mr JC Mtshali said the unification and creation of a strong employer body for the building industry must be challenged by all blacks in construction, sub-contracting, merchandising, manufacturing and supplying.

The theme of the seminar is "A united, economically sound building association in the new South Africa" and as the theme implies, it was the objective to create an awareness among black entrepreneurs to work towards a stronger body.

Turnaround predicted ³² by Boumat

Business Day Reporter

BUILDING and construction group Boumat is looking forward to a turnaround in its fortunes after a poor year which saw operating income fall 46%.

In the annual report, chairman Irvine Brittan tells shareholders that for fiscal 1992, Boumat aims to improve profitability and reduce the level of assets used. *6/24/91 25/6/91*

Having taken some strong medicine, Boumat forecasts that in the year to March 31 1992, operating profit should rise 72% to R53.5m.

Brittan says, "We have shed more than R12m in operating costs by closing businesses that were unable to produce acceptable returns, and gross margins will benefit ..."

Equity accounted, the forecast is for 67c per share, up from the past year's 7c. Out of these earnings a cash dividend of 16c a share is expected to be paid.

Boumat announced last month it had amended its dividend policy and from fiscal 1992 will declare a cash dividend amounting to no more than 25% of equity earnings.

He blames the previous year's poor showing largely on violence and bond payment boycotts.

But Brittan notes the current availability of loans bodes well for the future, with more than R2bn already allocated for low income housing.

"There are also guarantees in position to ensure that lending to this market is almost risk-free for institutions, while mortgages remain freely available for the whole spectrum of middle and upper income housing," he says.

Building industry is in an unhealthy state, congress told

32
B/Pan 2/6/91
PETER GALLI

DURBAN — The building industry was in an unhealthy state because many home-builders had left the affordable housing market late in 1990, Business and Marketing Intelligence (BMI) MD Llewellyn Lewis said at the annual Sapoa convention yesterday.

Some of the factors contributing to this were the continuing unrest, the uncertainty related to the first time home-buyers' subsidies, the lack of a national housing strategy and the perceived high risk and low returns in the affordable housing market.

"Conditions should remain about the same or improve slightly this year.

"However, investment in housing should improve as government commits itself to increased investment in social upliftment programmes over the next five years.

"From 1995 onwards, a new government will place increased emphasis on socio-economic upliftment,

particularly related to housing," Lewis said.

Providing enough housing for disadvantaged communities was important as it encouraged stable family life and improved health standards. It also created an environment conducive to learning.

"In the on-going debate on redistribution of wealth or income, the best mechanism to do so is via subsidies designed to create affordability and home-ownership."

At the same time, a key strategic issue was addressed as the building industry created the most employment per unit in terms of capital investment, compared with other industries.

According to the World Bank, the strength of the housing and construction industry in most countries was the single most important indicator of overall economic strength, Lewis said.

LTA places itself well to seize opportunities

SOLID performances from all LTA's divisions and a dramatic reduction in interest paid enabled the Anglo-owned construction group to double attributable earnings for the year to end-March 1991.

A slender 2% increase in turnover to R1,87bn (R1,83bn) translated into a 10% rise in operating profit to R40m (R36m). Bottom-line profits soared 106% to R23m (R11,4m).

An increased number of shares in issue saw earnings a share lift 66% to 88c (53c).

Interest

Shareholders received a 25c (20c) payout, covered 3,5 times.

LTA is no longer in a borrowed position and earned R1,5m in interest after paying out R12m the previous financial year.

Chairman Hilton Davies said that during the period under review the group was further re-organised. Certain operations were rationalised and others regrouped to maximise flexibility and minimise costs.

"Our objective is to ensure that we can move rapidly to take profitable

MARC HASENFUSS

advantage of whatever opportunities are open to us."

He added that LTA's ungeared position would stand the group in good stead in the current economic cycle.

In his divisional review, Davies said profits of the earthworks division exceeded expectations. Future

engineering opportunities at present, Davies said.

"We see some difficulty in filling the order books for the year to come, and it is unlikely these companies will reach the record profit levels in the past year."

LTA's building companies performed satisfactorily. However, there were losses in low-cost housing development.

Davies said the process engineering division had a good year through participation in the Mossel Bay, Sua Pan and Richards Bay projects.

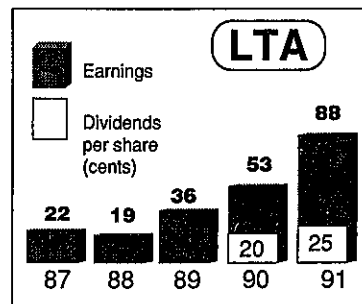
Successfully

Another good year was expected, with the division looking to expand in its metallurgical and chemical engineering areas.

LTA acquired Lennings Rail Service (LRS) for cash during the year. LRS operated successfully in its field and would be of increasing significance in the years ahead, Davies said.

LTA, untraded on the JSE yesterday at 335c, has come off a recent high of 350c.

The share still offers a fair discount to the group's net asset value which has come down to 412c (485c).



Graphic LEE EMERTON Source: LTA

growth in earthworks depended on the group's marketing success beyond SA's borders in light of reduced government spending on the country's road network.

The civil engineering section improved on its budget but needed additional work due to low levels in civil

Temporary home schemes launched by M&R subsidiary

MURRAY & Roberts' (M & R) housing arm Condev Homes has launched two new systems to provide an affordable, weather-proof, temporary home to alleviate the shortage of housing in townships and improve conditions in squatter camps.

"The homes are priced from R5 000, but must not be viewed as permanent homes," says Condev Natal GM Mike Cotterell. "However, when they are compared with the existing makeshift shelters of many

people, they offer an acceptable, secure structure for the short to medium term until better housing can be afforded."

The Walberg and Maxi-Home systems are used, and the house is assembled from vacuum-laminated sand which components, or a pre-painted steel exterior skin, a polystyrene core and a hardboard interior skin.

"Both houses are extremely durable, are portable and can be moved in a way that

allows all components to be recovered and reused," Cotterell says.

He adds that the house can be bought for cash or through a micro loan plan devised by The Perrin, which is suitable for corporate employees where pensions can be used to underpin the loans.

The Walberg home has a floor area of 20m² with options such as partitions, floor covering, burglar guards and additional add-on modules.

Because of its steel construction, the Walberg home will initially be aimed at the PWV area, while the corrosion-resistant Maxi-home will be distributed in greater Durban," Cotterell says.

He says the methods of construction lend themselves to volume production, with a potential for more than 4 000 units a year.

Distribution points will first be established near Durban and Johannesburg, with the ultimate aim being a nationwide distribution network.

New chamber to be launched

(32)

BY JOSHUA RABOROKO

A NEW chamber to cater for the interests of small builders, contractors and allied traders is to be launched under the umbrella of the National African Federated Chambers of Commerce at Nasrec on Saturday.

The National African Federation for the Building Industries has set itself two objectives to ensure fair participation for small builders in the

economic mainstream. They will challenge the existing white monopoly of this industry and develop an active and relevant education and training programme.

President of Nafcoc Mr Sam Motsuenyane said the formation of the new body would be a major breakthrough for small builders and contractors.

The general manager of the Nafcoc Housing Committee, Mr Solly Moutlana, said over the years the South African building industry had been in control of several monopolies and that this needed to be corrected.

The approach adopted by these giants in assisting small builders to develop had been characterised by marketing-oriented practices and complete disregard for social responsibility. He said: "Fortunately

we now have more determined small builders and a massive campaign would be set up by Nafbi to ensure fairness and equity."

As to the fulfilment of the second objective, Nafbi aims to encourage entrepreneurship, distribute information on all aspects of the industry, especially with regard to legislation, financial and economic matters, labour regulations and technology as well as to assist members with advice, determine conditions of employment for the industry and to encourage education at all levels.

"Our aim is to develop an education programme that best fulfils the needs of our members and industry," he said.

"The competency-based modular training system prescribed by the Manpower Training Act No 39 of 1990 is a step in the right direction. "We are in favour of a dual system of education which integrates voca-

tional training and modular system to ensure effective transfer of skills," he said.

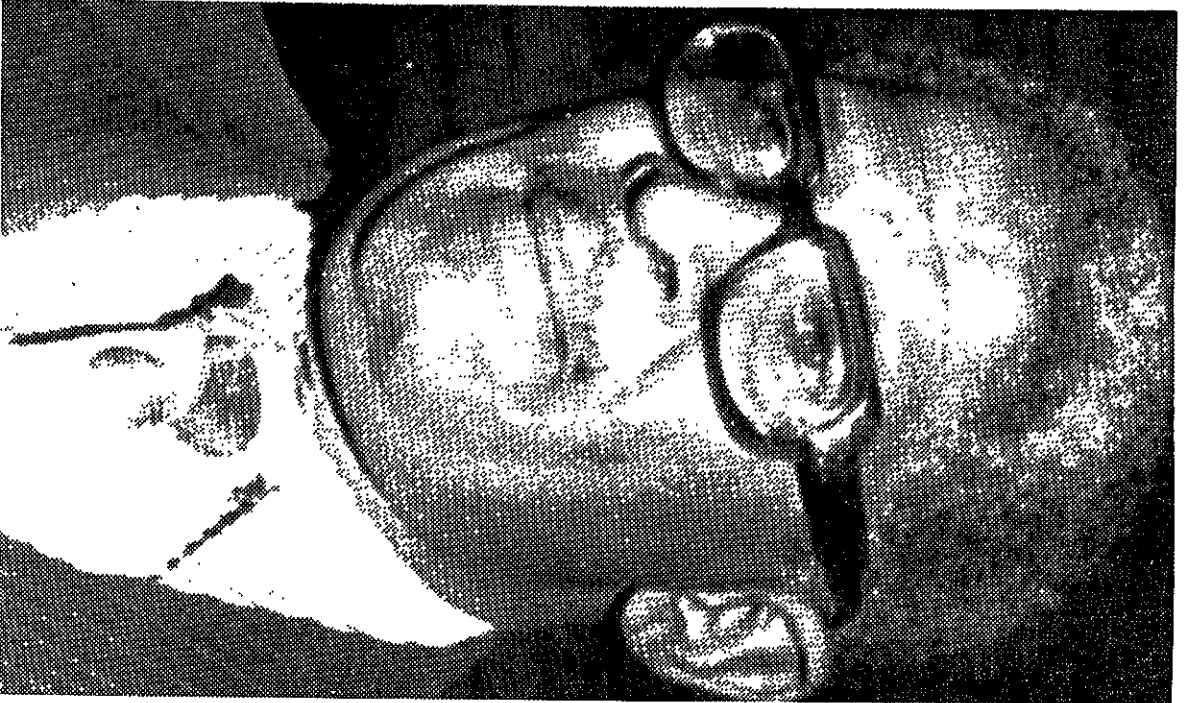
The membership of Nafbi is drawn from small builders, builders associations, corporate members and associate members.

Nafbi results from the new sector affiliation strategy recently adopted by Nafcoc and is the improved version of the housing committee first established by Nafcoc in 1989.

Other sector affiliation formed by Nafcoc include the National African Federated Transport Organisation and the National Industrial Chamber.

Other affiliations are expected to be established later this year.

Speakers at the launch will include Mr Bob Tucker, now of the Independent Development Trust, and Professor Louis Tager of the University of the Witwatersrand's law faculty.



President of Nafcoc Mr Sam Motsuenyane.

Take care out there

BUYING or building a house is a costly and complicated matter.

It is probably the biggest money matter you will ever be involved with in your life.

It is necessary to take great care.

Lawyers warn that people wanting to buy or build should not allow themselves to be rushed into signing an agreement.

Save yourself trouble later by taking the contract you are expected to sign to your employer or to a lawyer first.

A little good advice in the beginning can save you a lot of trouble later.

Boumat takes star 4/16/91 heavy knocks

By Ann Crotty

Building supplies group, Boumat took some heavy knocks in financial '91.

A severe recession in the building industry and the cost of closing several unprofitable businesses resulted in earnings plummeting to 7c (82c) a share in the 12 months to end-March.

Because of the group's dividend policy management is committed to paying out a dividend of 48c a share for the year under review. This includes a final dividend of 24c a share.

The group's policy is to pay dividends at a fixed rate equal to 10 percent of shareholders' funds at the beginning of the relevant financial year — irrespective of the level of earnings. Shareholders have the option of taking up bonus shares.

Dividend payments for financial '91 are expected to total about R5,8 million which is nearly three times its earnings of R1,8 million. As the board points out: "This seems imprudent, but we feel strongly that when we have given undertakings to shareholders we will do everything possible to honour them."

As the directors note, this distribution policy is no longer viable. From financial '92 Boumat will revert to paying cash dividends only. These dividends will not exceed 25 percent of equity earnings.

On the operating side, group turnover was up 9 percent but operating profit was down 46 percent to R31 million (R57,8 million). Margins were cut from 5,8 percent to 2,8 percent as a result of "fierce competition". In addition the group had to take a R9,3 million loss with the closure of several of its unprofitable businesses.

Interest payments of R25 million (R19 million) and tax of R3,5 million (R19,3 million) left taxed profit of only R2,2 million (R19 million).

LTA earnings soar by 66%

OT 25/6/91

32

JOHANNESBURG. — LTA, which is no longer in a borrowed position and is for the first time in many years earning interest, reported a 66% rise in earnings for the year ended March.

Financial results released yesterday, show operating profit before taxation up sharply at R41,6m, compared with the previous year's R24,4m, on a little-changed turnover of R1870m.

Earnings of ordinary shareholders were accordingly higher at R23,2m against the R11,4m in the 1990 financial year. This translates into earnings a share of 88c compared with the previous figure of 53c.

A dividend of 25c (20c) a share, on a greatly increased number of ordinary shares, was declared, an increase of 25%. The increased dividend is covered 3,5 times

Chairman H K Davies, in his state-

ment, said the company is no longer in a borrowed position and has cash in the bank.

Interest charges have consequently been reduced to a negligible sum, and the group is earning interest for the first time in many years.

"This ungeared position will stand us in good stead in the current economic cycle."

He adds that during the year, the group has been re-organised in a number of areas with certain operations being rationalised and others re-grouped in order to maximise flexibility and minimise overhead costs.

Davies said: "In the current economic downswing, the construction industry is reacting in its customary manner, by that I mean that work is being taken at minimal margins and sometimes below cost, merely to maintain turnover." — Sapa

City office landlords risk flooding market

AR 15/6/91

(32)

MAGGIE ROWLEY

Business Staff

CAPE Town could by June 1994 face an oversupply of 60 600 square metres of office space — representing a vacancy factor of 7.6 percent, compared with 6.9 percent now, says Mr Paul Devereuz, senior commercial leasing broker for DCF Properties.

Mr Devereuz is one of four Cape Town members constituting the panel of estate agents involved in researching information for the South African Property Owners' Association's Office Vacancy Survey.

He said that in the 12 months to May 1991 the total uptake of A and B grade office accommodation in Cape Town was 25 600 square metres, in Bellville 25 400 square metres and Claremont 11 800 square metres.

The total amount of A and B grade office space at present available for leasing in the three areas was about

208 100 square metres, taking into account actual vacancies, vacant space still under lease as well as offices under construction that will be ready for occupation within the next three years.

Of this space 137 400 square metres is in Cape Town, of which 667 500 square metres is now occupied; 52 200 square metres, of which 189 900 square metres is now occupied, is in Bellville; and, 18 500 square metres, of which 59 800 square metres is now occupied, is in Claremont.

Mr Devereuz said these figures did not take into account developments still to be announced that would be completed within the next 36 months, nor did it include proposed office developments in the Victoria and Alfred Waterfront project in Cape Town.

"Assuming no significant changes in the yearly demand for A and B grade office accommodation in these three centres, and no further devel-

opment for the next three years, calculations indicate that Cape Town's supply will take more than five years and four months to exhaust, Bellville's just over two years and Claremont one year and seven months.

"These periods, when translated into square metres, suggest that at the end of June 1994, Cape Town will be facing an oversupply of 60 000 square metres, Bellville an oversupply of 24 000 square metres and Claremont an undersupply of 16 900 square metres," he said.

Mr Devereuz said that with time working against developers wishing to capitalise on the probable medium-term undersupply of accommodation in Claremont and Bellville, other locations that had office vacancies could only benefit.

"Of note though is the lack of substantial new development in Bellville, which has displayed exceptionally strong growth over the past few years relative to the proliferation of new developments in Cape Town,

where growth has been slowed owing to the loss of tenants to the suburbs.

"Furthermore with the advent of considerable commercial development in the Waterfront, office tenants will now have an additional address to choose from when deciding their location. This will undoubtedly further affect the relative absorption of space in the other centres."

He said based on these figures and assumptions, it appeared that the outlook for landlords and developers of A and B grade buildings in Cape Town was bleak, while prospects in Bellville and Claremont remained "comforting".

"In all probability this will be the case. However, unaccounted variables as well as the changing fortunes associated with our dynamic political-economic environment could well affect these forecasts in an immeasurable yet substantial way," he said.

LTA Fm 28/6/91

CASH SURGE (32)

A favourable swing in cash generation enabled LTA to eliminate the previous year's hefty interest bill and lift its earnings by two-thirds in its year to March. But trading conditions are worsening, so any further improvement this year will be at a slower pace.

A stronger cash flow was evident at the end of the 1990 year, when there was a net cash balance (including funds on deposit) of R29,3m compared with net borrowings of R48,2m at the 1989 year-end. This time, the net cash and funds on deposit had increased to R92,4m, and for the first time in many years interest income (R1,5m) was being received.

MD Colin Wood says several factors were responsible, including the completion of some successful contracts, tighter asset management and the resolution of certain legal claims. Expenditure on new plant was also cut back, partly because the group is in-

volved in a smaller number of large contracts.

Thanks to a modest widening of margins, pre-interest profit climbed by a tenth. Management is optimistic that liquidity will continue to improve over the next 12 months, as there is sufficient work available at present at reasonable margins. But there is more concern about the next financial year.

Chairman Hylton Davies notes that the construction industry is reacting to the downturn in its traditional manner; work is being taken at minimal margins and sometimes below cost, merely to maintain turnover.

Wood says LTA is not taking much additional work at present, but may need to do so as the year progresses. He believes the construction industry, which usually lags the rest of the economy, is only now entering recession. It is hoped that a large contract that LTA has in the Lesotho Highlands project will help in the downturn.

However, at this stage the group's strongest point may be its ungeared balance sheet, with the prospect of receiving higher interest income. That could allow some scope for a further dividend improvement after last year's 25% advance, though another increase in the cover must be a possibility. At 335c, on a 3,5 earnings multiple, the share does not look expensive.

Andrew McNulty

Value of building plans passed continues to rise

WHILE opinion varies on whether there will be a "beat VAT" rush into commercial and industrial property, the value of building plans passed continues to rise.

Figures released by the Central Statistical Service (CSS) show the value of plans passed at current prices in 1990 rose 16,2% to R10,64bn from R9,15bn in 1989.

The value of buildings actually completed in 1990 at current prices rose 12% to R5,86bn from R5,24bn in 1989.

Increase

In addition, the value of plans passed and buildings completed so far in 1991 at current prices has shown an increase over the corresponding period in 1990.

In January, R726m worth of building plans were passed, 10% up on the R662m in January 1990.

The value of non-residential building plans passed rose 21,4% to R222,5m.

The February figure for building plans passed at current prices shows a 44%

610am 18/6/91
increase over the January figure, at R1,044bn, and a 25% improvement on the corresponding period in 1990 (R834m).

The provisional figure for March of R923,2m showed a 15% improvement on the March 1990 figure of R801m, but was 12% down on the February 1991 figure.

The total value of building plans passed in the first quarter of 1991 rose by 17,6% to R2,7bn.

The value of buildings completed in January 1991 reflected a 24% rise to R472m from 1990's R380m, with non-residential buildings soaring 25,5% to R144,9m.

The February figure was 11% higher on the month at R526m and 7% up on the corresponding period in 1990, the CSS report says.

The preliminary figure for March 1991 is 8% up on the year at R493m, but 6% down on February's figure, with the value at current prices for the first quarter being 12% higher at R1,5bn from 1990's R1,33bn.

As these figures are at current prices, inflation

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must be taken into account.

Once this is done, the value of non-residential buildings completed continues to show real growth.

Property economists Neville Berkowitz says the figures do not denote a "beat VAT" rush as the "gestation period" for commercial and industrial development is between two and three years.

Stockpile

"The only way the developer could avoid paying VAT on materials would be to stockpile these, but he would then have to bear the costs of holding them, so it is a no-win situation," Berkowitz says.

The fact that more non-residential buildings are coming on-stream is worrying, as this market is oversupplied.

"What we need are more tenants and not more space, but it must be remembered the developments being completed were begun two to three years ago, when the market was more buoyant," Berkowitz says.

Boumat takes star 4/16/91 heavy knocks

By Ann Crotty

32

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Soweto building contractors

hit by robberies, hijackings

By Thabo Leshilo

Star 3/6/91

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worth R24 000 taken by robbers in Zola.

The alarming high rate of crime and violence in Soweto was an anathema to the township's thriving building industry, contractors said last week.

"They took the car and ordered me to run for dear life," Mr Jiyana said, adding that he still has not managed to replace the vehicle.

The co-ordinator of the Transvaal African Builders Association, William Jiyana, said many builders in the township had suffered losses after their vehicles and stock had been taken at gunpoint by robbers.

"A builder depends a lot on his own transport to deliver material on time. Once your mobility is taken away you have to depend on the supplier to deliver your goods, which sometimes take weeks with disastrous effects on profit."

In the most recent incident, Johannes Faber of Boksburg was shot and robbed of his van at a building site in Central Western Jabavu by youths last Tuesday.

The victims, Mr Jiyana added, ended up doubling their debts by borrowing money to buy new vehicles to keep their businesses going — while still paying instalments on the stolen vehicles.

The stolen vehicles and goods are later sold cheaply in the sprawling township's huge market for stolen goods.

"The thieves claim that they are 'repossessing' what white people stole from their forefathers, which is not true."

Mr Jiyana, who also belongs to the Itsoseng Builders' Association in Soweto, recently had his delivery van and stock

"In fact, it is your own black brother who impoverishes you by taking your property."

National Sorghum Breweries Limited
12 116 12 689 11 094
NATIONAL SORGHUM BREWERIES
PER SHARE

Ovbel Holdings ³² writes off R2,7-m

By Tom Hood Star 11/1/91

CAPE TOWN — More than R2,7 million was written off by Ovbel Holdings as the cost of closing down the building division of Bellandia, one of the Cape's oldest and well-established home builders.

This is disclosed in Ovbel's annual report for the year to March 31.

Chairman Andrew Ovenstone said the write-off was one of the main reasons for the 27 percent drop in group earnings to R4,5 million.

The housing industry experienced its most difficult year since Bellandia was founded more than 25 years ago.

Persistently high interest rates and the general economic downturn and loss of employment resulted not only in a decline in demand for new houses, but resulted in repossession by financial institutions in the less expensive areas.

This was followed by the liquidation of repossessed stock at discounted prices and financial institutions reducing their lending.

"Bellandia's business in these areas slowed to

a trickle, which impacted negatively on results," said Mr Ovenstone.

"We regretably had to restructure for the future. This meant considerable retrenchment and the elimination of our own building operations.

"In future, Bellandia will concentrate on residential township and housing development and will sub-contract the construction aspects of its developments."

Ovcon, the building and civil engineering arm of Ovbel, had secured a satisfactory order book with projects like the Victoria Wharf (R60 million), Mill Park (R24 million) and Protea Assurance House (R20 million), but it still had spare capacity and the ability to build large and fast-track structures.

Profits exceeded forecasts by 20 percent in the second half. Ovcon had cash holdings of nearly R17 million at the year-end and was well placed to perform satisfactorily in the current year, said Mr Ovenstone.

Ovbel's property interests were unlikely to deliver a smooth flow of earnings.

Analysis of assets,

however, revealed underlying strength and substantial profits to be earned in the future.

Ovbel was able to slash borrowings from R23,5 million to R15,5 million by March 31. The percentage of borrowings to shareholders funds was down to 34 from 44 percent a year ago and was well within the group's self-imposed limits of between 50 and 60 percent of total shareholders funds, said Mr Ovenstone.

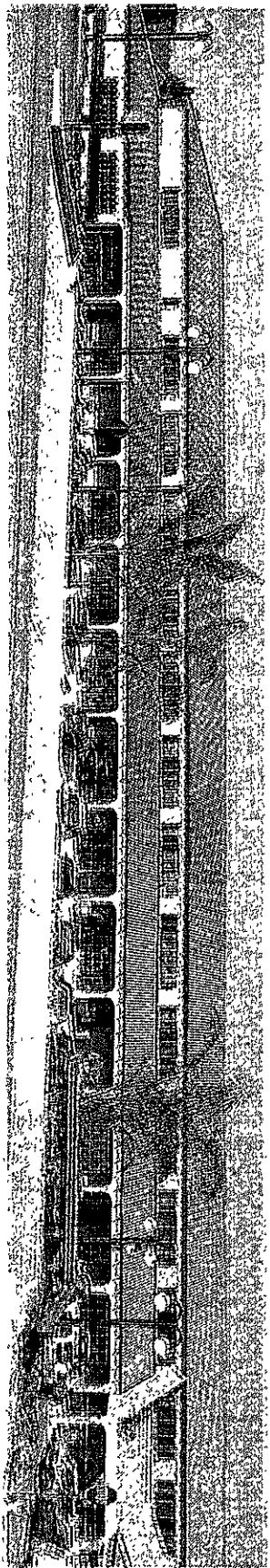
This placed the group in a strong position to take advantage of opportunities in the future.

Ovland, the property arm, had increased profits substantially in spite of lower demand for offices and shops.

Timeshare had a difficult year. Durban and South Coast timeshare projects had not met expectations because of an oversupply of timeshare stock.

Emphasis in the future, however, was likely to be on industrial developments.

Ovdeco, which develops and markets coastal resorts, had performed well and profits should be generated by new projects in the pipeline.



Boost for the retail sector . . . Palm Court centre at Weltevreden Park, designed by architects Basil Powell Partnership.

Group Five bucks tough trend with ^{See 2/7/91} contracts worth R400 m ⁽³²⁾



Ed Wilson, managing director, Group Five Building . . . still work available.

Conditions continue to be tough in the building industry but at least one leading company and its associates are bucking the trend with capital-intensive contracts totalling about R400 million throughout the country.

The big ones in the Group Five Building book are a R60 million hi-tech industrial park and a R108 million shopping complex at Midrand being built by GFB's Goldstein Building Transvaal for the Shelton Two group.

Among other major contracts in the PWV area are the R13 million

Rivonia Boulevard for Old Mutual and the R38 million office project in Rosebank for property company JH Isaacs.

Ed Wilson, managing director of Group Five Building, says: "Apart from our commitment to the PWV building scene, Natal-based Group Five Building-Stevenson, which as just completed the Reserve Bank complex in Durban, is now hard at work on a R71 million contract for a new Natal Building Society headquarters opposite Kingsmead cricket ground."

The group is also active in coastal development and a prestige contract is for a 300-bedroom residential block near the Victoria and Alfred Waterfront development for the UCT's Graduate School of Business. This R30 million job is being handled by Group Five Building-RH Morris.

"While not in the least minimising the effect of the current downturn in the industry which, in my view, has not yet bottomed out, our workload shows there is still work available," says Mr Wilson.

No upturn expected, says Bifsa

(32) Bifsa 2/7/91
 GERALD REILLY

PRETORIA — No significant upturn in the building industry can be expected until well into the second half of next year, the Building Industries' Federation of SA (Bifsa) says.

Bifsa economist Charles Martin was commenting on the latest Central Statistical Service figures which show that in the first four months of the year the value of building plans passed increased by 32,2% to R3,821bn, compared with the same four months last year.

However, Martin predicted a high percentage of the projects would be cancelled because of the recession and the continued increase in the cost of building.

The CSS figures show that the value of housing

plans passed between January and April increased by just 6% over the previous quarter to R1,101bn.

In the non-residential sector some work was in progress, most of it contracts being completed. CSS figures show that plans passed in this sector increased by 44,9% to R1,292bn.

However, Martin said new work was negligible.

Although the economy was expected to start pulling out of recession in the first quarter of next year, "there is little likelihood of an upturn in the building industry until well into the second half of 1992," he said.

Martin said unemployment in the industry was still rising, particularly among unskilled workers.

He estimated that employment had declined from a peak of 265 000 to about 245 000.

COMPANIES

LTA 'geared for long-term prosperity'

ALTHOUGH LTA's short-term performance was difficult to predict, chairman Hilton Davies was confident that the construction group's long-term strategy was sound.

In LTA's annual review, Davies said if the various external factors affecting the construction industry allowed LTA to grow, the group would at least grow commensurately.

In the current economic downturn, the construction industry was reacting in its traditional manner with work being taken at minimal margins and sometimes below cost merely to maintain turnover.

Davies expected LTA's building companies, earthmoving and roadmaking, electrical contracting, and property development to increase profits in the current year.

The group's building division had sufficient prospects in the coming months to

MARC HASENFUSS

ensure that required work levels would be secured. Bidday 217191 (32)

However, said Davies, the property division will dispose of its maligned operations in the retirement accommodation and black housing markets in the current financial year.

The civil engineering division would struggle as a result of work shortages and tightening margins, and profits are expected to slow in the year ahead, he said.

LTA's share reacted to the strong year-end results and moved to a new high of 375c last week. In the year to March 1991 LTA stunned most market observers by reporting a 66% increase in earnings a share to 88c (53c) and reducing borrowings to the extent that the group now stands in an ungeared position.

EVENTFUL YEAR

32

Activities: Property development and trading.
Control: Ovenstone family, directorate and management control 33%.
Executive chairman: A D P Ovenstone.
Capital structure: 29,4m ords. Market capitalisation: R18,5m.

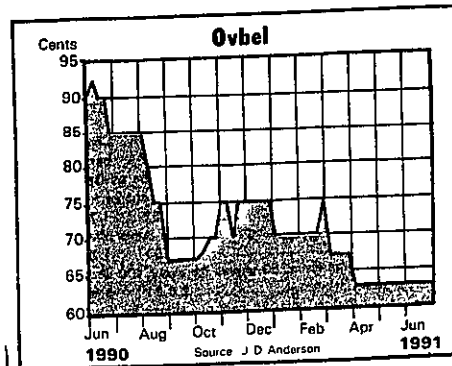
Share market: Price: 63c. Yields: 13,5% on dividend; 24% on earnings; p:e ratio, 4,1; cover, 1,8. 12-month high, 85c; low, 63c.

Trading volume last quarter, 138 400 shares.

Year to March	'88	'89	'90	'91
ST debt (Rm)	5,3	3,7	10,2	4,7
LT debt (Rm)	9,2	8,9	13,4	10,8
Debt:equity ratio	0,53	0,36	0,61	0,42
Shareholders' interest ..	0,37	0,33	0,33	0,5
Int & leasing cover ..	3,47	3,98	n/a	n/a
Return on cap (%) ..	5,8	7,0	6,2	7,9
Turnover (Rm)	167	269	322	234
Pre-int profit (Rm) ...	5,1	7,6	7,6	5,5
Pre-int margin (%) ..	2,9	2,8	2,3	2,3
Earnings (c)	12,3	17,4	21,3	15,3
Dividends (c)	6,0	7,0	8,5	8,5*
Net worth (c)	102	112	125	113

* Excludes special "in specie" dividend of 12c.

It is always difficult to know just when to cut one's losses. Had Bellandia terminated its building activities a year before it did, the loss ascribed to it and the resultant decline in Ovbel's earnings could have been lessened.



FINANCIAL MAIL • JULY • 5 • 1991 • 89

dated from Ovbel and listed separately in the Building and Construction sector. To achieve a respectable spread of shareholders, while at the same time securing the interests of Ovbel's shareholders, part of Ovbel's interest in Ovcon was distributed to its own shareholders. This was achieved, for no cash consideration, by way of an *in specie* dividend equivalent to 12c per share, which carried allotment rights to shares in Ovcon. Shareholders then had the option to retain their share entitlement to Ovcon, or to accept an offer from Ovcon's management and staff to buy the major part of Ovcon shares distributed. Ovcon management and staff now control Ovcon.

Ovbel has become a property development and trading group, its listing was transferred to the JSE's property sector. Owing to this restructuring and the closure of the Bellandia construction division, an extraordinary loss of R1,8m was incurred.

Turnover fell because of the reconstruction and the Bellandia closure. The directors ascribe the 27% decline in EPS mainly to higher interest payments and a higher tax charge.

Because of the reconstruction, comparison of the 1991 figures with those of the previous

year is not valid. Ovbel emerges with considerably less debt, lower gearing, a better current ratio (3:1) and a stronger balance sheet. Since the immediate outlook for property development is not good, Ovbel's growth this year is likely to be unexciting. To make matters more arduous, tax shelters previously available have been eliminated and the effective tax rate will be close to 50%.

It is difficult to see how the share could merit a better rating than the market is according to it at present, even though it stands at a substantial discount to the 113c net worth.

Gerald Hirshon

In a year marked by a number of important events for Ovbel, the building division of Bellandia, with inevitable retrenchments, was eventually closed. Bellandia has merged with Ovland, but each will continue to trade under its original name.

More significantly, Ovcon was deconsolidated

Rethink urged on housing strategy

THE World Bank has urged government and the private sector to conduct a major rethink of housing strategies.

Housing sources said the bank had provided them with detailed suggestions in a critical report circulated after the bank's recent visit to SA. Government sources emphasised, however, that the confidential report had "no official status and merely reflects the bank's first impressions".

The bank strongly urged the Independent Development Trust (IDT) to reconsider its proposed capital subsidy plan, saying not enough people would benefit from current proposals. The size of the subsidies and the standards were apparently too high. The bank called for "broader rather than deeper" subsidy schemes aimed at reaching as many people as possible.

It also told SA banks and building societies they were using the political climate as a "convenient excuse" for not taking part in the top end of the black housing market, let alone in the bottom section.

GRETA STEYN

The report called on banks and societies to meet civic organisations and other non-parliamentary groups to hammer out ways in which the institutions could become more involved in mass housing.

The bank wanted financial institutions — rather than government — to be the primary providers of housing finance. Leaving it to the public sector carried the threat of pushing the fiscal deficit to dangerously high levels. Mechanisms had to be found to encourage private financial institutions to move "downmarket".

The bank also urged financial institutions to develop more flexible mortgage lending products, suggesting that mortgage payments be linked to a wage index.

It criticised the lack of competition in the building industry. The market structure of the construction industry, including manufacture of building materials, needed

□ To Page 2

Housing

an overhaul. Lack of competition saw prices rather than output increase when demand rose, the bank said.

Of major importance in a housing strategy was the racial and spatial integration of cities — a change that would benefit the economy by improving efficiency.

The World Bank likened SA's housing policy under apartheid to those of the command economies of Eastern Europe. As a result of these policies, the housing sector underperformed. The economy as a whole was affected. Spending on housing in SA was well below that of other comparable countries when expressed as a percentage of GNP.

Although residential building had a major effect on the economy, directly and indirectly, the bank cautioned against ex-

pecting too much of housing as a "kick-start" to the economy — the approach propagated by the Old Mutual/Nedcor scenario at present.

The bank suggested that the macro-economic implications of alternative home building programmes be explored in detail, so that the economic risks could be pinned down. These risks included the effects on inflation, the balance of payments and the fiscal deficit.

The bank felt SA could benefit from studying the Chilean experience of housing as fiscal stimulus to the economy. The country introduced large-scale capital subsidies that went directly to the beneficiaries and competitive tendering for low-cost housing.

From Page 1

VAT set to push up building costs by 5%

CT 9/17/91

Business Editor

VALUE ADDED TAX (VAT) will push up the cost of new homes by at least 5%, say Stellenbosch building economists W F Kilian and G J J Snyman. In a report issued by Medium-term Forecasting Associates (Coc), they say that although tender rates are likely to be lower after September 30 the addition of VAT will raise the price paid by the customer above present levels.

Warning that "the introduction of VAT will have far-reaching effects on the building industry," they say they have quantified its effect on the Haylett Formula — the provision for builders to adjust contract prices — and tender prices. "It is known that because of certain VAT tax credits granted to contractors and the

elimination of general sales tax (GST) on building materials and plant and equipment items, tendered rates can be adjusted downwards after September 30, 1991.

"It is also known that the degree of competition in tendering is assuming cut-throat proportions and that the non-residential building market is still firmly in the contractionary phase of the building cycle.

"By the time that VAT is introduced competition in tendering will be even more stringent than at present — this will ensure that savings on input costs will be reflected in relatively lower tender prices."

But, they warn, "VAT will then be added on to contract prices as a separately identifiable sum. "Therefore, notwithstanding the fact

that contractors' input costs will decrease at the point that VAT is introduced, building costs to the employer/ client/homeowner will rise by a minimum of 5%.

"If professional fees are taken into account the rise will be roughly 6%." This, they explain, is because "VAT is payable on all materials, plant, labour, overheads, contractors' profits and even on consultants' fees."

Applying these percentages to homebuilding, they say, "one can calculate that the cost of a new R100 000 house will rise to about R105 000 after VAT is introduced. "The cost of a R150 000 house will rise to at least R157 000."

In view of this, they advise, "build now while labour and materials are in abundant supply and before the additional VAT increases become effective."

Concor projects worth R36,5m

CONCOR Building has been awarded contracts to the value of R36,5m for a supermarket, two office blocks and major extensions to two existing complexes, despite a general slowdown in the construction industry.

The largest of the contracts is a multimillion-rand deal to build new headquarters for industrial company Steinmuller in Sandton.

Work has begun on a three-storey complex fronting Autumn Street, just off Rivonia Road, set in 3,5ha of parkland.

The contract is with Fersoe Property Development, developers of the Steinmuller project.

It will provide 11 000m² of office space surrounding two atriums.

"The entire staff of Steinmuller will be accommodated in the building, as well as a number of operating subsidiaries currently housed in offices in Sandton, Randburg and Wynberg," said Concor Building director Derick van Eeden.

The job began in April and is scheduled for completion by June next year.

^{510 ayy} VAT likely
to add 6% to
building costs
^{10/7/91}

²² THE introduction of VAT on September 30 will have far-reaching effects for the building industry, say Stellenbosch building economists Medium-Term Forecasting Associates (MFA).

"Because certain tax credits are granted to contractors and GST will be eliminated on building materials and plant and equipment items, tendered rates can be adjusted downwards after September 30.

"The degree of competition in tendering is assuming cut-throat proportions, with the non-residential building market still firmly in the contractionary phase of the building cycle."

By the time VAT is introduced, tendering competition will be even more stringent, which will ensure that input cost savings will be reflected in relatively lower tender prices, it says.

VAT will then be added to contract prices.

Despite the fact that contractors' input costs will drop when VAT is introduced, building costs to the employer, client and homeowner will rise at least 5%, MFA predicts.

Once professional fees are taken into account, the increase will be about 6%.

MFA specialises in forecasting indices of the builders' contract price adjustment provisions (the Haylett Formula) and tender prices. ^{10/7/91}

MFA quantified the effects of VAT on the Haylett Formula and tender prices after a series of VAT seminars arranged by Bifsa and other professional bodies.

Upgrading of roads in Tvl to cost R3-bn

Pretoria Bureau

32

An upgrading of roads in the PWV area will cost R3,1 billion before the year 2000, the Transvaal Provincial Administration said yesterday.

Peter Wilken, director of liaison services at the TPA, said overloading of heavy vehicles was of major concern because it was responsible for more than half the damage to roads.

One overloaded vehicle was comparable to 16 vehicles using the maxi-

Stew 11/7/91
mum load allowed and a heavy vehicle loaded at double its legal limit caused the same damage as 75 000 passenger vehicles.

Of the total number of vehicles using South Africa's roads daily, 56,7 percent were using the 48 500 km of road in the Transvaal. This made the province's roads the most vulnerable to damage.

The replacement value of the Transvaal roads network was R21,2 billion.

Star 11/7/91 (32)

Less gloom in building industry

Deteriorating business conditions in the building industry are bottoming out, the Bureau for Economic Research (BER) at Stellenbosch University says in its latest survey.

Conditions are not improving, but the tempo of deterioration is slowing, with prospects of improvement towards the end of the year or early next year.

"Although commentary given by members of the architectural profession is still gloomy, there is a slight improvement in their level of confidence, which indicates they feel conditions are showing potential improvement," the bureau says.

"Quantity surveyors are also less pessimistic, with only a small decrease in their level of confidence, supporting the expectation of improvements in conditions in the building industry towards next year."

The bureau says building costs are rising at a much slower tempo than in 1990 and indications are that, excluding the effect of VAT, the average year-on-year percentage increase could be below the 12 percent mark.

However, all four groups of participants — architects, quantity surveyors, building contractors and sub-contractors — are concerned about the state of the

industry and say if things do not improve soon, the industry could be severely damaged.

It would not be able to recover, should conditions suddenly improve, they say.

The lack of government work, high interest rates and unrealistic union demands are again mentioned as factors contributing to the poor state of the industry.

"Hopefully, the forecasts made by the participants in the survey will come to fruition and conditions in the industry will show signs of improvement towards the end of 1991 or the beginning of 1992," says the BER. — Sapa.

Building industry is still in the ⁽³²⁾ doldrums

15 Day 12/11/91

LINDA ENSOR

CAPE TOWN — Conditions in the building industry remain, as bad as ever, but the Bureau for Economic Research (BER) believes it has passed the low point of the current downswing.

The BER's survey of conditions in the industry in the second quarter suggested that signs of improvement could become apparent by the end of the year or the beginning of 1992.

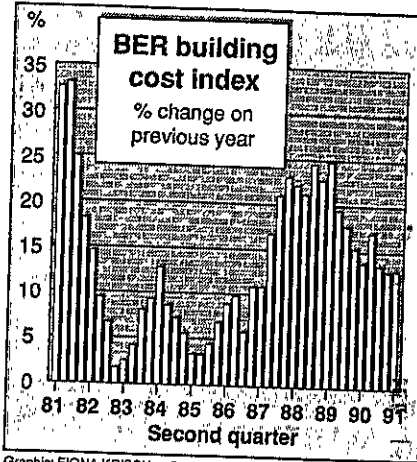
It said the survey results indicated that deteriorating business conditions were bottoming out. Conditions were still not improving but the "tempo of deterioration is slowing down".

Architects were slightly more confident — their confidence level rose 3% — and they expected an improvement in the third quarter. However, quantity surveyors were less confident and the feelings of building contractors remained unchanged.

"Subcontractors on the other hand experienced a drastic decrease in their level of business confidence since the previous survey," the report said. Their level of confidence dropped by 11%.

The survey found that tendering competition among residential building subcontractors had increased by 16%, indicating a sharp decrease in the amount of available work.

Building costs are increasing at a slower rate than during 1990. The year-on-year change dropped to 12,9% in the second quarter compared with 16,6% for the first



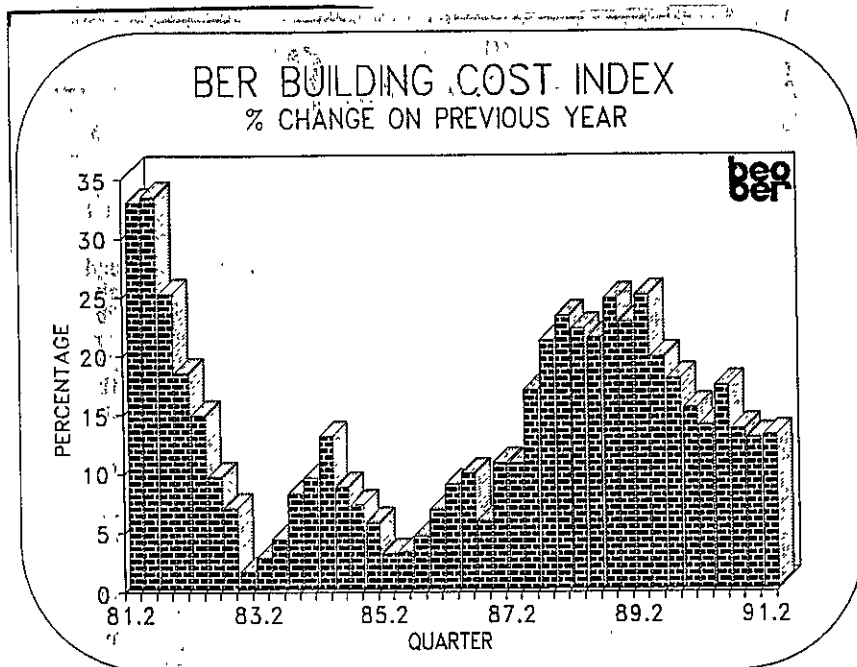
Graphic: FIONA KRISCH Source: BER

quarter and 14,9% for 1991.

The bureau has forecast an average year-on-year increase in building costs below 12%, excluding the impact of VAT.

"It is expected, however, that VAT will increase building costs by between 4% and 6% over and above normal increases."

All four groups polled — architects, quantity surveyors, building contractors and subcontractors — felt that if conditions did not improve the industry would be severely damaged and it would not be able to recover should conditions suddenly improve. The lack of government work, high interest rates and unrealistic union demands were mentioned as contributing factors to the poor state of the industry.



Building costs spiral shows sign of easing

BLAISE HOPKINSON,
Business Staff

THE spiral in building costs is slowing down and forecasts by Stellenbosch University's Bureau for Economic Research put this year's increase at 12 percent, compare with last year's 14,9 percent.

The 12 percent doesn't take VAT into account, but the bureau has anticipated this will become apparent only in the first quarter next year.

Mrs Ursula Segalla, author of the BER's second quarter report on the industry, said architects and quantity surveyors expected conditions to improve in the first quarter.

She added these results were an indication the downward phase in the building industry was levelling off.

"A further indication of this is the fact that the level of business confidence among polled architects has shown a slight improvement. If one looks at their level of business confidence over the past four quarters, there has been virtually no change, which confirms this fact," Mrs Segalla said.

But she added that building contractors weren't any more optimistic, but that there was about a quarter's lag between these two groups.

"Sub-contractors on the other hand experienced a drastic decrease in their level of business confidence since the previous survey.

"This group is always the last to be affected by changes in conditions in the industry and it appears as if they are only now feeling the severity of the downswing phase as it has been experienced by the other three groups," she said.

An interesting point was that competition in tendering had eased in the non-residential sector in spite of there being little change in conditions since the previous quarter.

Tendering among contractors in the residential sector remained high.

VAT, said Mrs Segalla, was likely to add between 4 and 6 percent to building costs.

"Those active in the industry are dubious VAT will put more strain on an already troubled industry," she said.

High interest rates, the lack of government work and unrealistic union demands were mentioned as factors still contributing to the poor state of the industry.

RSC pays R400 000 to 'intimidated' road constructors

Blomay 17/7/91

THEO RAWANA

THE East Rand Regional Services Council said yesterday it had paid out nearly R400 000 in compensation to a construction company working on road projects in Vosloorus and Katlehong after intimidation and assaults.

Vandals had damaged vehicles and equipment, terrorised workers and were threatening road upgrading projects worth R9,5m in the East Rand townships, the RSC said.

The RSC had already paid construction company Focon Civil nearly R400 000 in claims for "standing time" because teams, intimidated and assaulted by local youths, could not work, RSC CEO Gerrie Swart said.

Youths were burning trucks and equipment and it was difficult to complete the R5,5m road upgrading project in Katlehong, said Focon Civil's Johan Fourie.

"They do not realise that we are only trying to improve their lives, to provide services.

"What they are doing is costing the client more money — while they are getting only about 60% of the services we could give them," he added.

The contractor managed to finish the R4m project in Vosloorus this week and the R5,5m contract in Katlehong would "hopefully, under the circumstances" be completed by the end of the month, Fourie said.

The RSC had had to pay the contractor R107 590 for "standing time" in Katlehong and R217 840 for the Vosloorus contract, Swart said.

There was another claim for R70 000 that was being discussed, he added.

Members back union in unfair dismissals claim

SHARON SOROUR
Labour Reporter

MEMBERS of the Construction and Allied Workers' Union have protested against claims that the union unfairly dismissed three people who applied for jobs as organisers.

About 30 workers gathered outside the Department of Manpower offices to support the union yesterday.

The protest coincided with a conciliation board hearing on an application by three workers who were dismissed by the union after a three-month probation period, said union spokesman Mr Leonard Ramatlakene.

He said the applicants had cited the union, a Cosatu affiliate, for dismissing them unfairly.

In a statement, the union accused the three applicants of undermining union structures by going to the conciliation board and a "racist court".

The placard-bearing supporters accused the applicants of taking the

union to a "racist court" which could not "solve their problems".

A placard read: "We do not expect progressive people to take other progressive organs to courts of the regime" and "Racist courts cannot solve your problems — go to democratic formations".

The job applications of the three workers, two from Cape Town and one from George, were turned down in January. They then declared a dispute with the union and appealed for reinstatement on the grounds of alleged unfair labour practices.

Mr Ramatlakene said they were not hired because they were not suitable for the organiser positions.

Union shop steward Mr Fred Gona, who attended the conciliation board, said the applicants had reserved their right to approach the Industrial Court for relief.

● The outcome of the conciliation board is not yet known.

BOUMAT FM 19/7/91
GENEROUS POLICY (32)

Activities: Manufactures and supplies building materials.

Control: Directors 46%, Saficon 36%.

Chairman: I D Brittan; MD: D J Gevissers.

Capital structure: 25m ords. Market capitalisation: R91m.

Share market: Price: 360c. Yields: 13,3% on dividend; 2,0% on earnings; p:e ratio, 48,6; cover, n/a. 12-month high, 525c; low, 300c.

Trading volume last quarter, 568 500 shares.

Year to March	'88	'89	'90	'91
ST debt (Rm)	15,1	26,0	14,0	27,8
LT debt (Rm)	13,2	13,2	31,9	31,8
Debt:equity ratio	0,24	0,28	0,30	0,41
Shareholders' interest	0,38	0,36	0,34	0,30
Int & leasing cover ..	3,6	4,3	3,0	1,2
Return on cap (%) ..	13,6	16,1	14,2	7,2
Turnover (Rm)	618	843	1 002	1 091
Pre-int profit (Rm) ...	36,9	55,0	57,9	31,1
Pre-int margin (%) ..	6,0	6,5	5,8	2,8
Earnings (c)	75,2	110	82	7,4
Dividends (c)	29	38	45	48
Net worth (c)	380	454	480	417

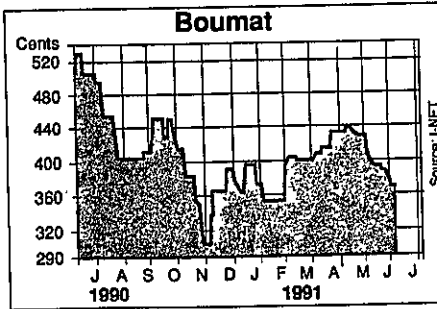
Difficult trading conditions in the building industry led to a 46% drop in Boumat's operating profit, and attributable earnings were about one-tenth of those in 1990. Effects were compounded by the dividend policy. It has been the policy to pay dividends at a fixed rate equal to 10% of equity funds. Shareholders have the option of taking up bonus shares as an alternative to dividends.

In financial 1991, dividends of R5,8m were paid out, even though attributable earnings were only R1,8m. Extraordinary items of R5m were written off for goodwill on acquisitions and losses on disposals. Retained earnings were thus diminished by almost R9m. Chairman Irvine Brittan says the dividend policy will be discontinued and in future dividends will not exceed a quarter of attributable earnings.

Brittan says a number of one-off factors contributed to the earnings decline. Operating losses from discontinued operations were nearly R9,3m, and there was a heavy bill for staff retrenchments. Like Tongaat-Hulett (FM July 12) Boumat expresses disappointment that building programmes for low-cost housing have not yet led to much new building.

Brittan says just 15 000 units have been built so far for the SA Housing Trust and Urban Foundation programmes. In real terms, he says, new residential construction fell by 14%. Boumat is also a major supplier to the civil engineering industry of water reticulation products, such as steel tube and fittings, which have been hit by the lack of new township developments.

There are some welcome signs of tighter asset management. Stocks and debtors increased by 4% against a 9% rise in sales. Short-term debt doubled, principally be-



cause about R26m was spent on acquisitions. Most important of these were two plumbing distributors, Union Trading and Merchant Exchange.

Boumat has made a detailed forecast for 1992, which rather ambitiously expects debt to fall by two-thirds, and operating profit to increase by 72%. EPS is forecast to 67c. At 360c, the historical p:e is about 50, but the market rating is based more on the forward p:e, which on the EPS forecast gives a multiple of 5,4. Boumat is disposing of underperformers, which will shed R12m in operating costs. The share has maintained its value surprisingly well in view of the earnings collapse. But evidence of profit recovery is needed before share purchases should be considered.

Stephen Cranston

Building industry battling for survival in Free State goldfields

Star 23/7/91

The building industry in the Free State gold fields is now in a crisis situation — the worst since the opening of the area in the Forties.

The recession, added to the low gold price, has brought the industry and its supply companies to their knees, says Dave Collie, managing director of Welkom building materials company R Macdonald.

Property & Construction
FRANK JEANS



Speaking of the builders' battle for survival, Mr Collie, a member of the Building Industries Association, says: "The slump has taken its toll in construction and there have been many casualties.

"Major companies have pulled out and several smaller concerns have closed down.

"It is impossible to plan for the future as we do not know what will happen in the short, medium or long term."

If there were other industries apart from gold mining to provide employment and generate income the situation would not be so bad.

"The fact that there is no other industry can be

put down to poor planning and lack of foresight on the part of local and regional authorities," he says.

The Welkom City Council's Industrial Development Committee is said to be working on a strategy to attract industry to the gold fields but Mr Collie sees this is a long-term remedy which will bear fruit only in 10 to 15 years.

"Meanwhile, it is a case of simply trying to pull through," he says.

SAIB sets out to market itself

(32) Bldg 24/7/91
THE SA Institute of Building (SAIB) is actively involved in trying to make itself more professional and to market itself and its services to members, the industry and students on a far larger scale.

"While the aim of the institute is to keep members aware of local technology, continuing education and act as a controlling body for the public, we also need to be seen as a force to be reckoned with," says vice-president Mark Massyn.

Reports by PETER GALLI

He adds that the SAIB is looking at ways of becoming more powerful and effective in dealing with problems and disputes.

In addition, the institute, which has 1 700 members, wants to improve benefits to members, which will increase its marketability.

"We are striving to give graduates more clout within the professional industry and we are looking at ways in which the educational system can be improved and what its specific needs are," says Massyn.

The institute recommends changes in courses so that graduates are trained to meet industry's needs. "As we have a number of academics as members, we work closely with them and with government," he adds.

There is a shortage of construction managers, and the cyclical nature of the business makes it necessary not only to keep management staff in a downturn but to expand their training.

This applied particularly to middle management. There was a need for a change in emphasis and more forward planning, providing promotion opportunities for top artisans, and for more black managers as the number of black graduates increased.

"We believe the campaign will be successful. The individual branches will be responsible for going to the schools and making people more aware of us. We will also be involved in fund-raising which, together with membership subscriptions, will be used to finance the campaign," Massyn says.

Ovcon listing to consolidate group

B/D Day 24/7/91 (32)

THE rationale behind construction group Ovcon's recent listing on the JSE was to consolidate the group and allow employees to become shareholders in the company.

In an interview in Cape Town, senior executive directors Jan Kaminski and Derek Mace said the construction industry was in a difficult period and political developments were causing a number of highly skilled young people to leave SA.

"Should these people hold shares in the company, they will be less likely to consider moving that easily," Kaminski said.

The group had also consolidated its management so that there were definite career paths open for younger staff.

Ovbel, formerly the holding company and now having only a 20% stake in the company, did not want to be locked into construction and the building sector.

"We feel that to get over the next few years it would be better for us to concentrate on areas where we have been a major force, and to consolidate. We will then decide where to go from there," Kaminski said.

The company had pulled out of the Reef as it was concerned with the lack of quality in construction that was "creeping into the Transvaal very quickly".

In addition, there was a higher turnover of staff on the Reef with the concentration of responsibility in the hands of fewer peo-

Reports by
PETER GALLI

ple, Kaminsky said.

"We will not move back in the short-term as we want to see what role politics plays. However, we will be prepared to use our specialist abilities in particular situations and we will participate in joint ventures with other companies."

The directors feel they need to concentrate on their areas of expertise.

While the company has a good order book, it does need more work. "We have done work in Namibia and Botswana. We hope to expand our role in Namibia as one can make good profits there.

"Botswana is not a good area for construction at present as there is huge competition and not that good a skills base," Kaminski said.

While conditions in the industry were expected to remain difficult during the current financial year, Ovcon should be in a position to pay a higher dividend than the 5c a share forecast at the time of listing, Mace said.

"The tender market and price levels are usually the first sign that the industry is coming out of recession. Tenders have been made at extremely low prices, but the market can no longer take this punishment. There are signs of more acceptable prices emerging," he added.

remaining cash flush and had about 100m shares.

Philips to sell computer interests to US firm

8112471191 ROBERT LAING

DUTCH electronics giant Philips agreed to sell most of its worldwide computer interests to America's second largest computer company Digital Equipment Corporation (DEC) yesterday. The sale includes SA Philips's computer division, which is 75% held by Philips (Holland). SA Philips Telecommunication and Data MD Frank Townen said yesterday he viewed his department's sale to DEC with optimism.

DEC has no official representative in SA, but several local companies are "grey market" DEC vendors.

Olivetti Systems is estimated to sell most DEC computers in SA, followed by Cortech.

"Since DEC is not represented directly in SA, the announcement could be an opportunity for SA Philips," Townen said.

SA Philips sells automatic tellers supplied by US company Dibold as well as Philips products.

It is the local market leader in images and document management systems — one of the product lines which Philips has sold to DEC.

Philips president Jan Timmer said in a statement: "This move must be seen in the context of the ongoing rationalisation of the information systems industry. It will allow us to focus our efforts on the PC sector on the market."

According to American market research firm Dataquest, Philips held less than 1% of the European computer market last year.

This was even less than its rivals Siemens and Olivetti.

It said the company also placed a great deal of effort into attempting to marry computers with videos via compact discs — technology which it now is selling to DEC.

Gommagomma grows into second place

WILLIAM GILLILLAN

GOMMAGOMMA Holdings has become SA's second largest furniture manufacturer following its acquisition of Bakker & Steyger, maker of wooden furniture.

The R4m purchase will be settled through the issue of one million ordinary shares in listed Decovo Investments, the holding company of Gommagomma, at 400c a share.

This is at a 43% premium over Decovo's closing price yesterday of 280c a share.

One analyst said the deal made sense to both the parties concerned because of synergy benefits in distribution and warehousing, as Bakker &

Steyger was based in Cape Town and Gommagomma in Garankuwa.

Decovo's interest in Gommagomma will increase from 51% to 56.8% following the acquisition of Bakker & Steyger as Gommagomma is to issue new shares to Decovo.

Dilute

This will be in settlement of the resultant loan account created following the acquisition as Decovo paid for Gommagomma's acquisition.

This in turn will dilute Wesco In-

vestment's holding in Gommagomma to 43.2% from 49%.

Had the transaction been effective for the full year ended 31 December 1990 Decovo's loss a share would have reduced to 24c a share from 36c a share.

Decovo's net asset value would have increased to 287.3c a share from 207.6c a share.

But taking into account the Wesco joint venture, the R11.6m rights offer and the acquisition of a 27% interest in the Cement Industries group, all of which were finalised this year, Decovo's net asset value at 31 December 1990 would have been down to 214c a share from 287.3c a share.

Ovcon hopes for R40m in contracts

LINDA ENSOR

CAPE TOWN — Ovcon, the building and civil engineering group listed on the JSE in March, was negotiating or tendering for contracts worth about R40m, chairman Andrew Owenstone said at its AGM this week.

He was confident the work would come through soon.

Ovcon, in which Ovbel Holdings has a 20% stake, is owned by management and staff. In the six months to end-March 1991, the group earned R1,32m or 14.7c a share on a turnover of R72.7m, outstripping its forecast by 20%.

Owenstone said conditions in the industry remained very competitive and the tender market was extremely tight. He stressed the importance of not getting locked into long-term contracts at the low

margins prevailing in the industry.

"We want to ensure that we have the capacity to take advantage of an upturn and be able to take up work at higher margins," he told shareholders.

In the first few months of the current financial year, Ovcon achieved 80% of its budgeted overhead recovery.

The annualised profit for the first few months indicated that the overall profit for the year would at least be equal to last year's profit. Owenstone was confident the group would be in a position to pass a dividend in excess of the 5c a share forecast at the time of listing.

A dividend cover of four times would be applied to ensure Ovcon built up reserves.

SOWETAN BUSINESS

Mary carves niche in a man's world

32
Sowetan 25/7/91

FORMER nursing sister at Baragwanath Hospital Mrs Mary-Goretti Dzwimbo (42) does not fear any competition after she carved herself a niche in the male-dominated building industry.

By **JOSHUA RABOROKO**

Dzwimbo started the MG Dzwimbo and Daughters Building and Construction Company, which is probably the only company that carries a "Ms and Daughters" tag, thus breaking away from the "Mr and Sons" tradition.

Indeed, she realised that black women suffered from sexual discrimination and suffered under apartheid in South Africa and wanted to set herself to get out of it.

"Surely an enlightened society has no need to indulge in professional or employment gender discrimination," she says with a wry smile.

The success behind her achievements is clearly indicated by the number of homes she has built on the Witwatersrand and in Palm Springs - a new black elite suburb near Evaton in the Vaal Triangle.

Lesotho-born Mary is

doing a tough job, which is also rough and dirty. You need to see her on duty as she digs furrows, lays foundations, puts one brick on top of the other, climbs on the roof and plasters the building - all a marvel to watch.

After obtain her Junior Certificate she followed the nursing profession at Baragwanath, where she worked for almost 15 years.

Lessons

During her spare time she attended lessons in Krugersdorp where she learnt bricklaying, plastering, roofing and all the tasks involved in the building trade.

She soon left the nursing profession because she was bored with the job.

"I wanted to venture into business and be my own boss," she says.

The turning point in her life came when she was apprenticed to a black building contractor who, she says, was often rude to her.

"I mean, this guy used to order me to climb the rafters of big houses to lay tiles and do renova-

tions. When I became reluctant, sometimes he would tell me: 'You had better do the job - or else ...'"

However, she says: "I was never frustrated because I had a dream that one day I will own my business."

Daughter

There was light at the end of the tunnel when she started her business in 1989 after she was subcontracted to the South African Housing Trust.

Her business is growing rapidly and today she employs more than 30 people - the majority of them men - whom she also teaches the job.

Others are on a subcontract basis - one of them is her daughter, Monica, who is also a bricklayer.

She competes with several big companies in the industry in Palm Springs, but she does not fear anybody, she says. Her husband Desmond is a taxi driver and usually motivates her when the chips are down.

She has three other children and her future plans are to provide equal opportunities programmes which will increase the number of women in the



MARY-GORETTI DZWIMBO ... building a dream
building industry. (This article will qualify Mary for the *Sowetan*/Sanlam Entrepreneurs of the Year competition).

Bifsa looks to its new structure for greater results

32

C1 30/7/91

THE Building Industries Federation of South Africa is, says its executive director Neil Fraser, at the end of a two-year period during which it embarked on a variety of initiatives. Two of these were of particular importance.

First, it has examined the entire education and training structure of the building industry in detail — and recommended a new system which is being put into operation.

Second, it has restructured its own organisation internally and externally to be more efficient and capable of working more effectively with those outside Bifsa. Both re-organisations are past discussion and research. They will be implemented this year with benefits for all concerned.

Senior men

The internal re-organisation has resulted in the national executive being reduced by about half from about 100. The role of the executive has also been defined.

At the same time the presidential board has been increased and its responsibilities also defined. Three members, two elected by the national executive, have been added: the immediate past president (to ensure continuity) and two non-executive members. They join a president, two vice-presidents and the executive director.

Fraser explained that the changes to the board had been designed to give the federation continuity and for the input and expertise of senior men in the building industry who possibly were unable or did not wish to be involved in the full presidency.

The federation has strengthened its standing committee and

sub-committees to make them more efficient and has developed a mission statement to provide a focus for the future.

The federation's external re-organisation has resulted in three new categories of membership: allied, associated and affiliated. These will enable organisations which wish to be more closely associated with the federation to do so without losing their independence or identity.

In addition, the federation intends to help with the formation of a body outside of itself in which all the players in the greater construction industry, rather than merely within the building industry, can meet and join forces on issues of common interest. Recently the federation has helped construction working committees with particular problems, with great success.

Highest level

Three such joint working committees are the construction industry VAT committee, which made strong representations to Vatcom; the tax on WIP committee, which made representations to the government regarding the new provisions for tax on work in progress; and a committee responsible for price monitoring in the construction industry.

There is already a Bifsa/Safcec committee which operates at the highest level and the federation will be looking to organisations such as the National Association of Home Builders, building organisations within Nafcoc and Fabcos and other representative bodies to form a confederation.

'Paralysis by analysis' in housing construction

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Too many people are committed to analysing South Africa's chronic problems rather than solving them, says Jurgen Schultz, managing director of Concor.

Describing the construction industry as deeply concerned about the erosion of the little

available money for vital projects in housing, health and education, he refers to "paralysis by analysis."

He says: "Instead of making decisions and getting on with the job, authorities and Government agencies tend to approach problems by

appointing commissions and consultants.

"These groups produce costly reports and pass recommendations from one to another while time is lost and costs escalate."

Noting the good intentions of certain bodies to make sure that only the

very poor will benefit from government housing subsidies, Mr Schultz says: "By the time they have resolved all the issues there will be a greatly increased number of very poor and needy — but of course, it is unlikely that the analysts and philosophers

will ever fit into this category.

"If the industry has to perform in tomorrow's strong economy and in the growing southern Africa region, then we need to retain our industries' technology, trained people and construction plant assets," he says.

Thlabane to get private clinic

BOPHUTHATSWANA's new R22m, 120-bed private hospital in Thlabane is under construction and is expected to be completed by the end of February 1992.

About 48 doctors and specialists have a shareholding in the project. This confidence is primarily due to the large increase in the number of people moving on to medical aid schemes.

"Bopmed has reported a 300% increase in medical aid membership over the past six months. Accordingly, the medical aid members needed a private hospital to cater for them," said Clinrun MD Jack Shevel.

Clinrun is an operating company of Stocks, and a management agreement has been signed with them for the running of the hospital.

An unusual feature of the hospital is that it was designed "from the inside out", with all the doctors' input, needs and suggestions taken into account.

"The form of the hospital followed its required function, with all of the doctors and senior staff, including the matron,

playing a major role from the start," said architect Peter Hesselberg.

"The hospital is a custom-designed facility for the people who work in it."

The hospital will have four theatres, 15 consulting rooms, a pharmacy, radiology department and a creche.

Facilities

A concrete slab has been cast over the second floor to facilitate future expansion with the minimum of disruption to the working of the hospital.

The development contract of R22m is being handled by Stocks Construction, with additional facilities and equipment pushing the figure to R27m.

The Stocks group is also working on the Palace Hotel in the Lost City development at Sun City.

By the end of the project, 27 000m³ of concrete will have been poured, 12-million bricks laid, 300 000m³ of plastering applied, 3 000 tons of reinforcement used and 170 000m³ of formwork put in place.

31/7/91

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R5m housing loss keeps Stocks from real growth

Blouay 31/7/91

32

PETER GALLI

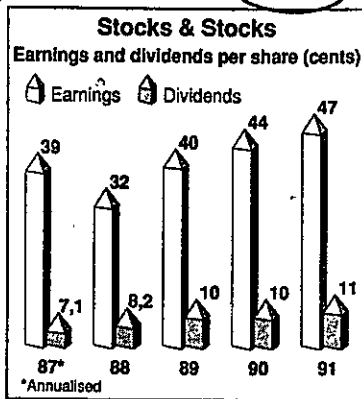
CONSTRUCTION group Stocks & Stocks fell just short of real earnings growth in the financial year to end-April, with attributable income after extraordinary items increasing 13% to R23,17m.

The performance, despite tough market conditions, was due to a decent order book — up 17% at R1,2bn for the year — a good amount of Sun International work and healthy results from its property side.

But a loss of about R5m on township development and house sales, once again stifled bottom line growth and the rise in earnings (on increased shares in issue) was limited to 3c a share, giving a total of 47c a share for the year from which a 10% higher total dividend of 11c a share was declared.

"The township side is still a drain due to almost no business volumes because of unrest, boycotts and lack of bond finance. While we have a holding cost there, we have still maintained a small team," group chairman Reg Edwards said in an interview.

Edwards said the results for the next six months should be around the



same levels, with the group having a year's future turnover secured by its order book.

The group was following its policy of reducing dependence on building construction, which was still its primary activity. "We are continually looking at new possibilities in the leisure arena," Edwards said.

The low-cost housing construction side, Stocks Housing, had performed "better than ever", increasing its contribution to the bottom line. The group had been involved in several

projects in Botswana and hoped to continue this, Edwards said.

The roads construction division had a better year than in 1990 and reflected a good order book. "We have recently been awarded a job in Natal rehabilitating the main motorway and a contract for a portion of the Trans-Kalahari in Caprivi, amounting to about R100m together.

"This is in addition to our other road work. However, the Information Technology Group reported a net loss for the year. The group had been knocked by current economic activity levels," Edwards said.

Nevertheless, Stock's operations generated strong positive cash flow, converting the outflow of R35,5m in 1990 to an inflow of R38,2m in 1991. This resulted in a net cash bank balance of R17m.

"We intend to remain cash flush for the moment and are adopting a conservative cash approach," Edwards said.

Edwards said analysts' view that the share price of 120c was undervalued, was because they were so tightly held.

The Stocks share was untraded yesterday, with a buyer at 110c and a seller at 115c.

Call for action on streets of shops

LINDA ENSOR

CAPE TOWN — The advent of large shopping centres has threatened the survival of strips of shops lining main thoroughfares in Cape Town and its suburbs, says Seeff Commercial Properties MD Theodore Yach.

Research has shown that the move to shopping centres by retailers and shoppers has led to "gross neglect" of some of the original strip shopping buildings which are also suffering from a lack of parking facilities.

Yach said a three-pronged strategy by retailers, owners of buildings and the local council was needed.

Retailers must develop their marketing skills to attract customers; owners must embark on maintenance and renovation programmes; and local councils should provide parking facilities and ensure shopping strips are kept clean.

EXECUTIVE SUITE

Sale of Barplats is confirmed

MATTHEW CURTIN

A Genmin spokesman offered no comment yesterday on latest developments.

It is understood that talks with government over tax arrangements to facilitate the takeover are holding up the deal.

Genmin chairman Brian Gilbertson said last week that "finalising the deal does not depend on the decision we are awaiting from a regulatory authority... it will go ahead regardless, with Implats taking an equity controlling stake in the group, taking over management (which Implat has already done) of the Crocodile River mine, and consolidating the mineral rights, including Kennedy's Vale".

Talks regarding the sale of Vansa's assets to a consortium which includes directors of independent ferrochrome producer Chromecorp Technology are still under way.

RAND MINES has confirmed that the sale of its platinum operation, Barplats, to Impala Platinum is going ahead, although no details have been given as to what shape the deal will take, or why negotiations have been so protracted.

A Rand Mines spokesman said yesterday that "talks are proceeding and are on course".

He said there was no indication of when the final announcement of the sale of Barplats would be made.

Barlow Rand and Rand Mines advised shareholders on March 6 that they expected successful negotiations concerning Barplats and Vansa Vanadium would lead to a re-organisation of their mining interests.

Talks with JCI's Rustenburg Platinum fell through at the end of March, and Rand Mines and Genmin, owner of Implat, have been bargaining since the beginning of April.

By William Wall...

Stocks makes strong recovery

By Svén Lünsche (32)

Building group Stocks & Stocks has reported a strong recovery in the year to April, despite difficult trading conditions in the construction industry.

The group's attributable earnings improved by 16 percent from R20,4 million to R23,2 million on a 23 percent increase in turnover from R1,1 billion to R1,36 billion.

Earnings per share showed a lower increase of 3c to 47c (44c) as the

Star 31/7/91
issued share capital was raised by seven percent during the financial year. The group has raised its total dividend by 10 percent to 11c (10c).

The recovery was largely staged in the second half of the financial year.

Attributable income was up by 35 percent in the second six months on the same period in the previous year after dropping by 17 percent in the first half.

Investment analyst Robin Pegler says this

boosted cash flow for the financial year to R38,2 million after an outflow of R35,5 million in financial 1990.

Most of the divisions were in line with the overall improvement, with both building divisions — roads and housing — showing satisfactory growth.

However, the information technology division recorded a loss.

The township development business continued to prove problematic, but the group says it will maintain a presence in

the market in the belief it will perform well in the longer term.

Mr Pegler says the group should show good growth in the current financial year as its order book at the end of April stood at R1,2 billion, compared with R1 billion a year ago.

Furthermore, the improved cash flow, which already helped lower the finance charges in the past financial year, should lead to a further marked decline in finance costs in the current year.

STOCKS & STOCKS

Holding up

Fm 2/8/91
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Construction group Stocks & Stocks appears to be riding out the recession relatively well. In the year to April 1991, it lifted EPS by 13% after the previous year's 10% rise. It has an order book of R1,2bn, equivalent to a year's turnover, which, one hopes, means that no sharp downturn is in prospect. Dividend cover meanwhile remains high at 4.2.

One of the group's strengths is its diversity. It is still predominantly a builder of commercial buildings and roads, but it has diversified into other activities such as property development, and hotels and leisure. It also manufactures steel meshes and owns steel outlets. The only diversification that

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has not worked so far has been the move into information technology; this division recorded a loss. Chairman Reg Edwards says a number of serious orders evaporated for Signon and Central Processing Systems.

Edwards says the volume of work has not disappeared but there is a continual squeeze on margins. Last year the operating margin fell from 3.9% to 3.3%. This trend could obviously foreshadow greater pressures as conditions are likely to worsen in the construction industry.

There was, however, a strong positive cash flow during the period. An outflow of R35,5m in 1990 was converted into an inflow of R38,2m for 1991. There was a net cash bank balance of R17m at year-end. Finance charges, which had increased 67% in the first half, increased just 2% in the full year.

This year, work for Sun International, particularly extensions to Sun City, will continue to be a major contributor.

At 120c, the share price stands at about 40% of NAV and is on an earnings multiple of 2.7 and a dividend yield of 8.3%. The price has been fairly stable over the past 12 months, trading between 100c and 135c. It may have some potential for recovery.

Stephen Cranston



Builder of the Year George Sekunyane (left), with Jonathan Malindi, Aaron Laatha, Kevin Duncan and Isaac Vorster.

He's got a way with bricks and mortar

32

By DERRICK LUTHAYI

SEBOKENG builder George Sekunyane this week walked off with first prize in the South African Housing Trust-sponsored Builder of the Year competition.

Runners up were former school teacher Jonathan Masindi, and Aaron Laatha.

Small builder's manager Kevin Duncan said during the presentation at Gold Reef City that the small builder's role would become more important and that unless he gained a fair return on his capital invested and his effort, the concept would be doomed.

The current upliftment

programme - for all its good intentions - fell far short of achieving these objectives, he said.

Provision of housing and the rate of delivery of houses was acceptable, but the upliftment of the builder had been overlooked and needed to be redressed.

"Much time and ener-

gy has been spent on structuring a more meaningful development programme.

"We anticipate the programme will cover business concepts, building calculations, estimating, pricing, reading drawings, bookkeeping and accounting, financial management, tendering pro-

cedures, basic quantity surveying, planning, contract law and marketing.

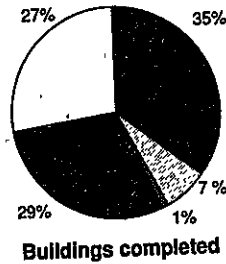
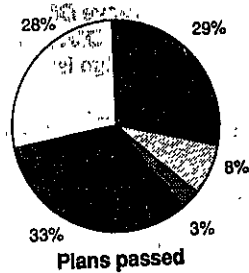
"It is our intention to have the builder move through the entire programme within two years, then he should be adequately equipped to become a successful, self-reliant building contractor," Duncan said.

epren 4/8/91.



Jan-May 1991

- Additions & alterations
- Non-residential
- ▨ Other residential
- ▤ Flats & townhousing
- Dwelling houses



Graphic: LEE EMERTON Source: CSS

SA building industry is feeling the pinch

8/10 am 7/18/91 (32)

THE total value of building plans passed in the first five months of 1991 rose by 21,2% to R4,88bn over the same period in 1990, figures released by Central Statistical Service (CSS) show.

However, with inflation taken into account the increase was 6,1%, mainly due to rises of 16,4% and 6,7% for non-residential buildings and additions and

alterations respectively.

Industry sources said there was a glut of office accommodation, and demand was reduced.

The industry was nevertheless bullish about the future.

Many of the buildings coming on line at present were started two to three years ago, when the market was better.

The expectation of renewed foreign interest in the SA market was expected to take up a good deal of space, but this depended on improved political and economic stability.

Plans passed for residential buildings dropped 1%. "The total value of building plans completed during the same period rose by 16,9% to R2,58bn, representing a 0,3% decrease in real terms," the CSS said.

This was mainly due to a 5,7% fall in residential buildings. The number of houses completed over the five months fell by 2 878 or 19,7%.

Decreases were recorded for all race groups except whites, where an increase of 8,6% in the number of residential houses built was shown.

Continued unrest, political instability and the lack of bond finance continued to deter low-cost home building. This in turn aggravated the serious backlog in the provision of low-cost homes.

High mortgage rates are blamed for downtrend

Stewart 8/8/91

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THE residential construction market is in dire straits in spite of booming prices of existing houses in white suburbia, says Erwin Rode, editor of the Rode report on the SA Property Market, in his latest report.

"This is because of the high mortgage rates in the case of custom-built market, and the collapse of the social fabric in the black townships.

"The only sub-sector which is still doing well is townhouse construction. But this is because of a secular trend towards this type of accommodation, which partially insures these builders against the downswing of the business cycle.

"It is a sobering thought that, at the end of last year, only 2 000 homes were started every month. Considering the

backlogs and ever-growing need, this is just not good enough," Rode adds.

The non-residential construction industry is still relatively healthy.

According to the report, contract prices of non-residential construction, as measured by the BER Building Cost Index, surprised everybody in the first quarter of 1991 by again accelerating to above 15 percent.

"It is too early to say that this one quarter's results herald a turnaround in the growth trend. But it nevertheless

does illustrate that the growth in contract prices is not declining precipitously," he said.

In contrast to non-residential building costs, home building costs were still decelerating at the end of 1990. This applied to both custom-built homes and mass housing schemes.

In December 1990, custom-built home building costs were about 13 percent higher compared with a year earlier, whereas scheme building costs were running at only 10 percent compared with a year earlier.

'Environment comes first'

LINDA ENSOR

CAPE TOWN — It was time that SA realised that economic development and the environment were inextricably linked, Medical Research Council's Dr Yasmin von Schirnding said yesterday.

Von Schirnding, who has just returned from an international environmental conference in Sweden, said while SA was gaining acceptance internationally there was a danger that the country could soon face environmental sanctions. (32) 8/8/91

She said one of the main conclusions of the conference was the necessity to strive for sustainable development rather than short-term economic goals.

"The environment needs to be planned for to ensure that development does not take place at the expense of the ability of future generations to enjoy the benefits of the quality of life we are presently enjoying."

Von Schirnding is planning to discuss the findings of the conference, organised by the World Health Organisation (WHO) and the United Nations Environment Program, with Health Minister Rina Venter and organisations such as the ANC and the PAC.

Steel stocks up despite exports and SA demand

Brent von Melville

STEEL stocks are still increasing despite inroads into export markets by SA steel producers and reports by Iscor that domestic demand had been holding up better than expected over the past several months.

Latest Central Statistical Service (CSS) figures indicate that stocks of primary steel products for May this year showed a 12% increase from the comparable period last year.

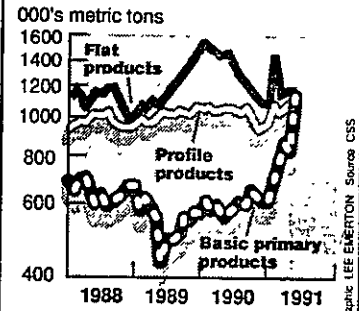
The largest increase in stocks was recorded for basic primary products, which jumped 105% to 1,2-million tons (May 1990: 573 670 tons) while profile products increased 5,2% mainly due to an increase of 26% in stocks of wire rod and wire.

The only decrease was in stocks of flat products, which showed an 18,7% decline. However, the decline came off a high stock level recorded last May of 1,8-million tons.

Flat products are produced by Iscor and Highveld Steel & Vanadium (Hiveid), and are used mainly in the motor industry and durable consumer "white" goods (such as large household appliances).

One steel analyst suggested little could be read into the decline in stocks of flat products — which are

Steel products on hand



differentiated into slabs (stocks of which dropped 18%), plates (down 16,5%), sheets (down 19%) and tin plate (down 23%). It was likely stocks would again show increases for June and July "particularly in view of the problems with the motor industry".

"Generally the domestic steel market is still in the doldrums and producers are struggling with excess stocks of steel. The durable goods market is depressed and steel merchants are curtailing orders."

There had also been some overbuying ahead of this year's second hike in the basic steel price, following January's 16,5% rise.

Slowing economy hits civil engineering

Gerald Reilly

PRETORIA — SA's economy has slowed down so much that the civil engineering industry finds itself in a parlous situation with many companies facing bankruptcy, says CD Roux of Con Roux Construction.

Roux told the 11th Annual Transport Convention at the CSIR in Pretoria on Tuesday that the industry's current crisis stemmed from a number of factors.

These included completion of the current toll road building programme and the general reduction in road expenditure, as well as a reduction in construction by Eskom.

Also, regional services councils had switched from providing new services to subsidising existing ones.

The gravity of the situation was illustrated by labour figures. In 1970 employment was 73 000. By 1975 it had increased to 130 000; and by 1986 had declined to 85 000.

"Apart from normal staff turnover, a staggering 164 000 workers have come and gone because of the ravages of gross domestic fixed investment in construction fluctuating between 3,8% and 8,9% of GDP."

Roux said as SA's acceptance by

the rest of Africa increased, there would be a growing market for civil engineering in sub-Saharan Africa.

Roux said infrastructural development had to at least keep pace with population growth.

However, this was not happening in SA, particularly in the field of road construction and maintenance.

"And the chickens will come home to roost within five years if warnings are ignored."

"Neglect of an asset of about R53bn would have serious repercussions, which would affect socio-economic development and stability," he said.

COMPANIES

Boumat sees benefits of rationalisation

CONSTRUCTION group Boumat was starting to see the benefits of eliminating non-performing businesses, chairman Irvine Brittan said at the group's AGM yesterday. 6 (day) 11/8/91 (32)

"We took some radical steps and closed businesses that were unable to produce acceptable returns and gross margins."

With trading conditions remaining extremely difficult, the group would concentrate on improving profitability and reducing the level of assets used, he said.

In the year to March 1991, Boumat's earnings crumbled to R1,8m from R18,5m after being hit by a hefty interest bill and

MARC HASENFUSS

severely eroded margins.

"We are about 10% behind forecast operating profit for the four months to July and interest paid is higher than forecast."

The interest bill should reduce in the months ahead as retained earnings increased, he said. Sales and profits were well ahead of last year.

Boumat had yet to see any of the R2bn/R3bn dedicated to low cost housing flow into the system, he said. But he was confident it would soon as allocated funds were down.

W/mailed 9/8 - 15/8/91

Closer ties in construction sector likely ³²

Weekly Mail Reporter ~~XXXXXXXXXX~~

CO-OPERATION between the Congress of South African Trade Unions and the National Council of Trade Unions' construction affiliates in clinching their industry's first national retirement benefits agreement could facilitate unity between the unions.

So says Desmond Mahasha of Cosatu's Construction and Allied Workers' Union (Cawu).

Grinaker Construction, LTA and Murray and Roberts — the big three in the construction industry — this week signed the agreement with both Cawu and the Nactu's Building, Construction and Allied Workers' Union.

The fund will provide retirement, withdrawal, retrenchment, burials, death in service and total disability benefits. It is the first industry-wide benefits agreement signed in the construction sector.

The unions intend campaigning for smaller companies to join the fund.

Before this agreement, the only two funds operating in the sector were run by M&R.

Having campaigned together for the fund since September last year, Cawu and BCAWU will jointly run it.

"It is a signal to the federations that they should co-operate more closely," Mogane said.

Hang in there, SA builders urged

32
ARC 10/8/91

BIFSA's in-house economist, Dr Charles Martin, says that although the current recession in the construction industry is dire, it is less severe than that which South Africa endured in 1984/85.

What is more, he says, although the short-term outlook is still discouraging, South Africa can expect a marked upturn in the second half of 1992 and much improved business conditions in 1993.

A BIFSA analysis of Real Growth Rate investment in buildings reveals that in the non-residential sector private and public real growth rates of 12,7 percent and 12,5 percent were achieved in 1990. These, says Dr Martin, will drop to 3,1 percent and 2,1 percent for this year.

In residential development 1990 saw a drastic real fall of 7,3 percent in public spending, but a real growth of 8,8 percent in the private sector. The figures for 1991 show neither growth nor decline in public sector spending (i.e. it remains at a very low level) and drop to a 3 percent real growth in private sector residential work.

"The figures for the industry as a whole," says Dr Martin, "show 2,6 percent real growth in 1990 and 0,5 percent real growth this year."

He predicts that an upswing in the second half of 1992 will raise

Business Editor

the Real Growth Rate figure in building investment for that year to 2,1 percent followed by a staggering 8,8 percent real growth in 1993 and an even higher 10,7 percent in 1994.

The scenario which he has sketched assumes that

- There will be a world economic slowdown until the first half of 1992;

- The oil price will remain weak but will rise from 1993 onwards;

- Gold and commodity prices will remain depressed until early 1993;

- South Africa's balance of payments and foreign reserves constraints will continue in the short term; and

- Interest rates will remain high in real terms, but nevertheless far more stable from now on.

For the residential sector therefore, Dr Martin predicts continued high (but stable) mortgage rates, increasing townhouse construction (for economic and security reasons), a further decline for at least one year in investment by the State, a swing to capital subsidies of the IDT type for really low-cost housing and shelter, a proliferation in informal housing and an increase in semi-private, rather than State, projects in this field.

He does not yet foresee any

overall improvement in middle-income housing and flat building, because this field remains affected by high interest rates and will feel the impact of VAT. This, he says, will put the cost of houses up by 6 to 8 percent.

In the non-residential building sector, says Dr Martin, South Africa can expect increased expenditure by the State on schools, clinics and other socially desirable buildings.

Private investment in this field will this year remain low because the office market is currently over-supplied, the commercial market is still consolidating and the industrial market will remain weak until early 1993.

Prospects for refurbishment work look attractive, says Dr Martin, because there is a growing awareness of the value of conserving interesting old buildings, and because refurbishment provides the necessary space at a lower cost.

"The message to BIFSA members," said Dr Martin, "is: Hang in there if you possibly can because improved business conditions will once again prevail in about one year's time. If you are in housing or flats, try for the short term to find a supplementary field of activity and look to townhouses.

"If you are in non-residential work, try to cultivate the refurbishment market."

Transition rules for construction

S Times (Business Times)

32

11/8/91

VAT DAY is only weeks away and the construction industry will have to handle several transitional rules.

GST paid on construction materials used only after September 30 can be claimed as an input credit, providing proper stock lists are taken and records kept for five years.

However, a developer who is registered with completed but unsold property on hand on Vat day will not be able to reclaim the GST paid in construction. This means his

goods will be penalised because Vat will have to be levied on top of this.

Where a building is under construction any progress payments received for services provided before Vat day, which were not subject to GST, will be ignored for Vat.

Progress payments due or received after Vat day, relating to services begun before and completed after, will have to be apportioned in the two accounting periods.

Only post-Vat services will be taxed.

Where such a building contract is signed before Vat day, Vat liability depends on the timing of the contract. Building work is progressive and payments are due periodically or in instalments.

Invoice

The supply is deemed to take place at the earlier of payment falling due, being received, or an invoice relating to that payment being issued.

Retention payments due after Vat day relating to work completed before will be exempt from Vat. After Vat day, the liability depends on the contract's wording.

It is possible to delay Vat liability on retention money if the contract clearly states the retention is an instalment due 12 months after the contract is completed — Vat will only fall due then.

Otherwise Vat will be liable on completion when the total payment falls due, and 10% thereof is lodged as security for fulfillment of obligations.

Where commercial rent payable on fixed property is due other than at the month-end, Vat must be levied only on the portion relating to the post-Vat period.

Delay

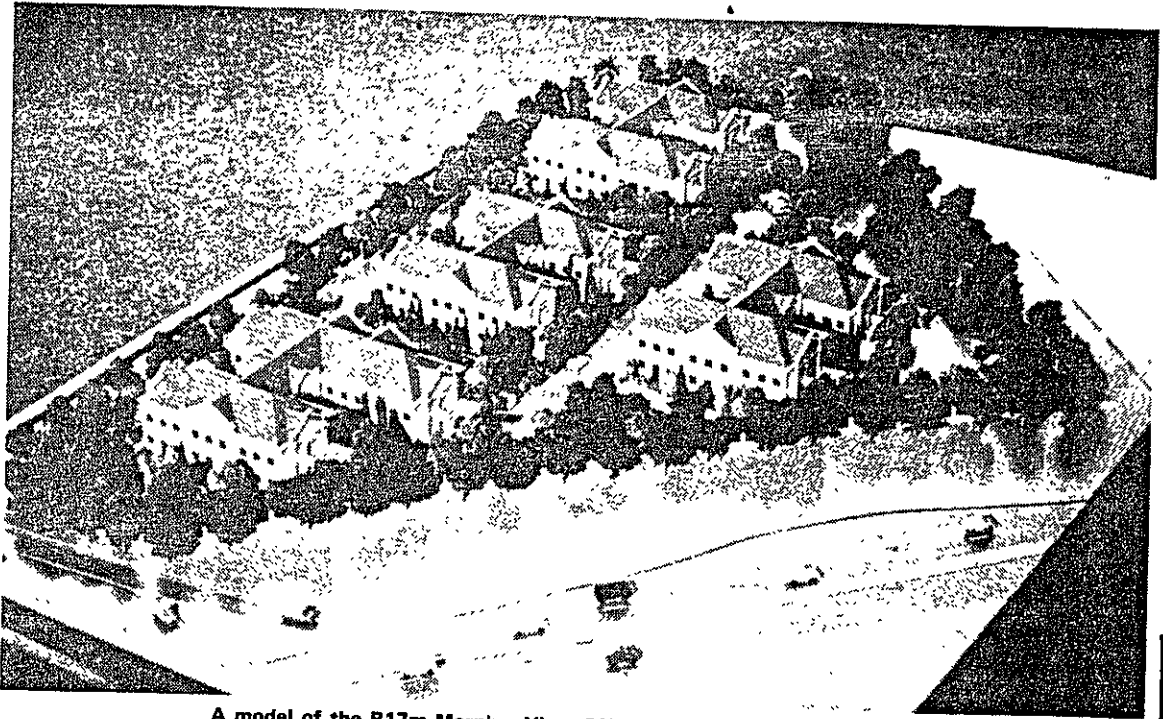
The Vat component must be included in the rental, even if payment is made before Vat day.

Fixed property sold before September 30, but subject to suspensive conditions which can be fulfilled only after that date, such as raising a bond, will be exempt from Vat.

However, this property will carry a transfer duty of 5% if it is commercial and 3% if it is residential.

No transfer duties are payable on property when Vat is charged. This benefits registered vendors buying a property for business use because Vat is refundable whereas transfer duties are not.

To delay the purchase of a property until after Vat, an option can be acquired. The contract is deemed to be concluded only when an option is exercised. But the cost of the option will have to be weighed up against the transfer duty savings.



A model of the R17m Morning View Office Park development in Sandton.

Time Housing works on two homes projects

5/04/1991
 TIME Housing is involved in two new housing developments — one in Richards Bay for Transnet and the other in the Cape Flats.

Time Housing recently completed an agreement with Transnet to develop a personalised suburb for people employed by the transport organisation in Richards Bay.

The suburb, which will consist of 80 houses, will be known as Jabulani Park and will be in Esikhawini. Time Housing regional director Tim Mitchell said the Transnet employees would be offered 15 home designs from which to choose.

"We have undertaken to provide a children's playground on a centrally situated park site in the suburb.

In addition, Time will ensure that there is no stereotyping in roof lines, house designs and colours," he added.

About 400 people will be housed in the 80 homes, which will be bought with assistance from Transnet. The homes will sell at between R60 000 and R70 000.

Construction on the houses is scheduled to begin in August, with all 80 units ready for occupation in December. As Transnet owned a lot of land in the area, there would be further development.

Time is also developing two townships in the Cape Flats — Westgate and Hyde Park — adjacent to the R74m Westgate Mall shopping centre, which is scheduled to open in October.

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 "We hope this will be among the first new areas in SA to attract residents of all races. Houses are being built to individual requirements and will cost about R60 000," Time regional director Mike Hilton said.

The average site in Hyde Park is 280m², while the Westgate township average is 320m².

Westgate and Hyde Park

are situated on the main road between Milnerton and Strandfontein and are about 10 minutes drive from Wynberg and 20 minutes from Cape Town.

Westgate Mall, covering 30 000m², is 70% let and has parking for more than 1 600 cars. In addition to major national chains and small shops, there will be four cinemas.

Hang in there, builders urged

Finance Staff Staff 14/8/91

BIFSA's in-house economist, Dr Charles Martin, says that although the current recession in the construction industry is dire, it is less severe than that which South Africa endured in 1984/85.

What is more, he says, although the short-term outlook is still discouraging, South Africa can expect a marked upturn in the second half of 1992 and launch improved business conditions in 1993.

A BIFSA analysis of Real Growth Rate Investment in buildings reveals that in the non-residential sector private and public real growth rates of 12,7 percent and 12,5 percent were achieved in 1990. These, says Dr Martin, will drop to 8,1 percent and 2,1 percent for this year.

In residential development 1990 saw a drastic real fall of 7,3 percent in public spending, but a real growth of 8,8 percent in the private sector. The figures for 1991 show neither growth nor decline in public sector spending (ie it remains at a very low

level) and drop to a 3 percent real growth in private sector residential work.

"The figures for the industry as a whole," says Dr Martin, "show 2,6 percent real growth in 1990 and 0,5 percent real growth this year."

Upswing

He predicts that an upswing in the second half of 1992 will raise Real Growth Rate figure in building investment for that year to 2,1 percent followed by a staggering 8,8 percent real growth in 1993 and an even higher 10,7 percent in 1994.

The scenario which he has sketched assumes that:

- There will be a world economic slowdown until the first half of 1992;
- The oil price will remain weak but will rise from 1993 onwards;
- Gold and commodity prices will remain depressed until early 1993;
- South Africa's balance of payments and foreign reserves constraints will continue in the short term and; ● Interest rates will

remain high in real terms, but nevertheless far more stable from now on.

For the residential sector therefore, Dr Martin predicts continued high (but stable) mortgage rates, increasing town-house construction (for economic and security reasons).

He also saw a further decline for at least one year in investment by the State, a swing to capital subsidies of the IDT type for really low-cost housing and shelter, a proliferation in informal housing and an increase in semi-private, rather than State, projects in this field.

He does not yet foresee any overall improvement in middle-income housing and flat building, because this field remains affected by high interest rates and will feel the impact of VAT. This, he says, will put the cost of houses up by 6 to 8 percent.

In the non-residential building sector, says Dr Martin, South Africa can expect increased expenditure by the State on schools, clinics and other socially desirable build-

ings.

Private investment in this field will this year remain low because the office market is currently over-supplied, the commercial market is still consolidating and the industrial market will remain weak until early 1993.

Refurbishment

Prospects for refurbishment work look attractive, says Dr Martin, because there is a growing awareness of the value of conserving interesting old buildings, and because refurbishment provides the necessary space at a lower cost.

"The message to BIFSA members," said Dr Martin, "is: Hang in there if you possibly can because improved business conditions will once again prevail in about one year's time. If you are in housing or flats, try for the short term to find a supplementary field of activity and look to townhouses.

"If you are in non-residential work, try to cultivate the refurbishment market."

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LTA

Margins tightening

FM 16/8/91

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Activities: Engineering, construction, project management and development projects in all disciplines throughout southern Africa.

Control: Anglo 50%, Amic 22,6%.

Chairman: H K Davies; MD: C J M Wood.

Capital structure: 26,3m ords. Market capitalisation: R100m.

Share market: Price: 380c. Yields: 6,6% on dividend; 23,2% on earnings; p:e ratio, 4,3; cover, 3,5. 12-month high, 380c; low, 215c.

Trading volume last quarter, 688 000 shares.

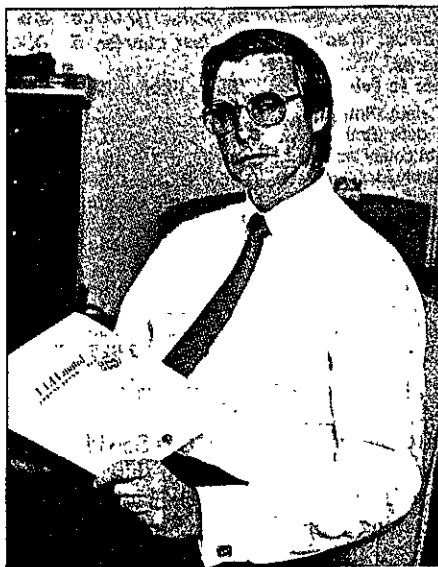
Year to Mar	'88	'89	'90	'91
ST debt (Rm)	23,7	4,29	28,2	10,5
LT debt (Rm)	10,5	18,5	13,2	4,4
Debt:equity ratio	0,26	0,55	n/a	n/a
Shareholders' interest	0,19	0,16	0,19	0,20
Int & leasing cover ..	3,6	3,1	2,5	7,7
Return on cap (%) ..	2,5	3,7	6,4	7,0
Turnover (Rbn)	1,24	1,66	1,83	1,87
Pre-int profit (Rm) ...	10,3	20,0	36,3	40,1
Pre-int margin (%) ..	0,8	1,0	1,9	2,1
Earnings (c)	24	48	53	88
Dividends (c)	nil	nil	20	25
Net worth (c)	370	422	485	412

For the third successive year, LTA has posted EPS growth more than 50% above the previous year, defying the sharply deteriorating trend that most industrial companies are experiencing.

While operating profit in financial 1991 was only 10% higher than that of the previous year, the major factor contributing to the two-thirds advance in earnings was a massive swing in the interest bill, from the previous year's outflow of R11,9m to an inflow of R1,5m.

This is the first time in a number of years that the group has been so ungeared. In addition, a reduction in preference dividend payments, resulting from the conversion of 13m preference shares to ordinary shares in August last year, boosted EPS to 88c from the previous year's 53c. The dividend, covered a healthy 3,5 times, was increased by a quarter. But the dilution resulted in a sharp decline in NAV per share.

Most divisions showed healthy results, thanks to the long-term and ongoing nature of many of LTA's current contracts and the existence of a number of large one-off projects in southern Africa. MD Colin Wood says the earthworks division's work on the Lesotho Highlands Project and in Botswana



LTA's Wood ... long-term contracts helping

was sufficient to offset the lack of domestic infrastructural spending on roads. Activity in the building division was competitive, with narrowing margins and problems in the low-cost housing market reducing the contribution to profits.

The Steeldale, process engineering and autotec divisions also fared reasonably, thanks to their involvement with such projects as Mossel Bay, Sua Pan in Botswana and Richards Bay. Even in the property development division, there was enough activity in the office and industrial property sectors to maintain a high level of operations.

The immediate outlook is less rosy. Chairman Hilton Davies notes that the construction industry is reacting to the downturn in its traditional manner. "Work is being taken at minimal margins and sometimes below cost merely to maintain turnover," he says. "If the industry wishes to emerge from this recession with the strength and vigour that will be so much needed, it must be careful not to allow itself to be seriously weakened in the interim by unbusinesslike actions."

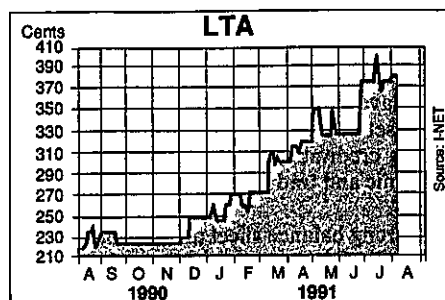
While a substantial amount of outstanding work remains in the building, civil engineering and earthworks divisions (R1,2bn as compared with R1bn last year), which should meet the group's needs for the 1991/1992 year, the reinforcing and engineering divisions could face declining order books for the 1992/1993 year unless the economy recovers. If margins remain as tight as they have been recently, which is likely, then LTA's growth in earnings will again have to come from interest on cash.

Unfortunately, the downward trend in interest rates, however slight at present, will

make it increasingly difficult to improve on last year's performance. Hence the share's low market rating on an earnings multiple of 4,3, considerably below the industrial average of 12.

The share's discount to NAV, at a mere 7%, is smaller than at any time during the past five years. Given the weak business outlook, it is unlikely that the price will rise much further on fundamentals for the moment.

Peter van Ryneveld

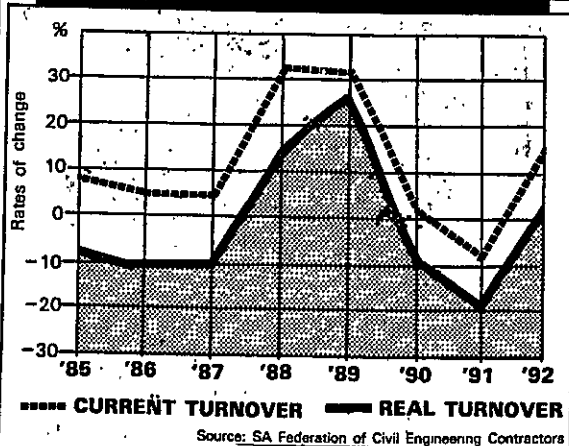


Vat booster hopes out of the window

S/Times (Bus/T) 18/8/91

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CIVIL ENGINEERING TURNOVER



Source: SA Federation of Civil Engineering Contractors

By DIRK TIEMANN

THIN order books for capital goods suggest that the expected take-off after the introduction of Vat will not happen this year.

Steel and Engineering Industries Federation of SA (Seifsa) economist Michael McDonald says his sector expects better business conditions only in the second quarter of next year.

But even then, the turnaround will be slow, says Mr McDonald.

The projections of businesses involved in capital projects contradict economists who expect an upturn in the economy before the end of the year.

Lead

Mr McDonald says: "The order books were starting to improve, but there was a big drop in July. We did a survey of orders and 70% of respondents said business would be worse than last year."

Seifsa represents the motor industry, shipbuilding and all engineering except civils.

Mr McDonald says capacity use is less than 50%. There is a lead time of between six and 12 months before orders are executed.

Layoffs in steel and engineering have been running at about 2 500 a month for the past year, and 6 916 were discharged in July.

Mr McDonald says it will take a long time for the industry to recover because of the decline in government capital expenditure.

Motor manufacturers do not expect an increase in truck sales after the introduction of Vat.

Chemicals, which provides many industrial materials, is also gloomy about the rest of the year.

South African Federation of Civil Engineering Contractors (SAFCEC) expects a 20% drop in real turnover this year. In the last recession the worst year-on-year decline was a little over 10%.

SAFCEC economist Hank Langenhoven says order books look poor and the third quarter will be worse than the second. Tender activity is still declining, seasonally adjusted.

Mr Langenhoven says: "Turnover and employment in the industry hit an all-time low in 1987 and 1991 will be similar. Employment in the industry for the first half of 1991 dropped 20% to 79 000 — the lowest ever — and 1992 will not be much better."

"March and June are traditionally the busiest months because of government and local authority yearends, but nothing has happened."

"Civil engineering activity usually lags behind the economy by a year. Economists seem to think this lag has been reduced because of the government social spending, but this is not happening. Contracts for township development are not increasing."

Breweries

Private construction spending is holding steady at about R1,5-billion. This includes breweries and head offices.

Mr Langenhoven says the industry hopes for real growth of between 3,5% and 4,5% in 1992. But the economy must pick up between the fourth quarter of this year and the second quarter 1992 for it to happen.

Capacity use in the industry is about 60% and will not reach levels of the early 1980s, he says.

Govt expected to unveil plan for roads

GOVERNMENT was expected to unveil a comprehensive plan for the future of SA's road system by the end of the month, sources close to the transport industry disclosed at the weekend.

Industry sources said that Tolcon and Expressway, SA's two private sector toll road operators, and civil engineering companies had been waiting for the publication of a government plan since June, and they were "very hopeful" the plan would be revealed within the next two weeks.

The Transport Department declined to comment.

Expressway chairman Horst Kohlberg said at the weekend that the toll road

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DARIUS SANAI

operator could not reveal any of its plans until government announced a decision, but he was hopeful the government plan would allow for expansion of the toll road system.

He said Expressway had until a few years ago expected government to go ahead with a comprehensive plan for a toll road system but that recent changes meant that a "compromise" system, incorporating a limited extension of the toll road system, was the most likely outcome.

A spokesman for Tolcon, which operates stretches of toll road across the country,

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said the company could not comment until government made its plans public.

Government has recently come under increasing pressure to fund repairs to SA's ageing road system.

Department of Transport deputy director Malcolm Mitchell told the annual transport convention at the CSIR earlier this month that government resources would have to be deployed more effectively to ensure the upkeep of SA's transport system.

Government funding for road construction and maintenance has decreased from R3,7bn in 1988/89 to R2,4bn in the current financial year.

Cashbuild beats building slump

Business Staff

② MKG 22/8/9

BUILDING supplies group Cashbuild maintained its recent strong earnings growth in the year to June, in spite of the slump in the construction industry.

Cashbuild says attributable earnings for the year rose by 20,6 percent to R7,9 million, which translates into earnings a share of 36,8c (30,5c).

A final dividend of 10c (9c) a share has been declared, bringing the total for the year to a 2,5 times-covered 15c.

Turnover was up by 20,5 percent at R387 million, but the profit margin declined slightly in a very difficult market, says chief executive Gerald Haumant.

Over the year the group invested R7,9 million in the establishment of eight new stores — seven new Cashbuild stores and one U-Build store — and cash resources were subsequently reduced to R10,7 million.

■ **KERSAF** did well in the year to June, with earnings growth of 18 percent to 220c (187c) and dividends up 16 percent to 135c.

Group turnover rose 15 percent from to R1,79 billion. The operating margin was maintained at 28 percent, boosting operating income 16 percent to R506,9 million.

In spite of heavy capital expenditure in group operations and a R430,7 million increase in operating assets, Kersaf reduced gearing from 17 percent to 12 percent.

Although long-term borrowings rose R13 million, this was offset by a R41,2 million reduction in short-term borrowings to R33,2 million. Interest payments fell R7 million.

Although net cash was marginally down because of expansion in Bophuthatswana, interest received rose to R50,8 million (R48,1 million), which helped lift pre-tax profit 17 percent to R538 million.

Kersaf also benefitted from a lower effective tax rate. Taxed profits were up 20 percent to R395 million, offset somewhat by an increase in earnings attributable to outside shareholders.

Offshore operations (in Europe and Mauritius) held through Royale Resorts were affected by the Gulf war and the temporary closure of Saint Geran Sun in Mauritius for refurbishment.

■ **DELTA Electrical** achieved earnings growth of 17 percent in the first half of this year, in spite what it termed "weaker economic condition".

Delta's interim results show earnings a share rose from 22,3c last year to 26c. The interim dividend has been lifted from 8c to 9,5c.

Operating income was up by 9 percent to R21,7 million.

The directors say Delta maintained its operating efficiency in the uncertain economic environment, with the result that most of its operating companies managed to turn in acceptable performances.

Home industry gets limited relief

PETER GALLI

BUILDING industry sources have welcomed Finance Minister Barend du Plessis's VAT concessions for the construction and sale of homes but say they offer limited relief.

The moves allowed the consumer some "breathing space", but were limited in effect to March 1992, they said yesterday.

And while prospective home-buyers would be granted an extra six months in which to buy their properties, the effects of the full rate would be felt after that.

Certain contractors had entered into fixed price contracts for the construction of homes before the introduction of the VAT Bill, with completion after September 30.

Du Plessis said on Wednesday that the additional cost of VAT due to subcontracting work would then have had to be borne by the contractors, with severely detrimental effects in many cases.

The supply of construction services for new

buildings would be taxed at a rate of 6% because of the importance of providing housing and assisting contractors and homeowners, he said — provided the contract was concluded and construction completed before March 31, 1992.

Inland Revenue VAT director Norman Patterson said yesterday the concessions were aimed at helping to reduce the double taxation situation many speculative builders would have found themselves in on September 30.

"These builders would have had stock on hand that they were unable to sell. They would then have had to charge VAT on all stock on hand, including the component on which GST had already been paid and which they could not claw back," Patterson said.

Du Plessis also said the sale of new homes completed within a year before the implement-

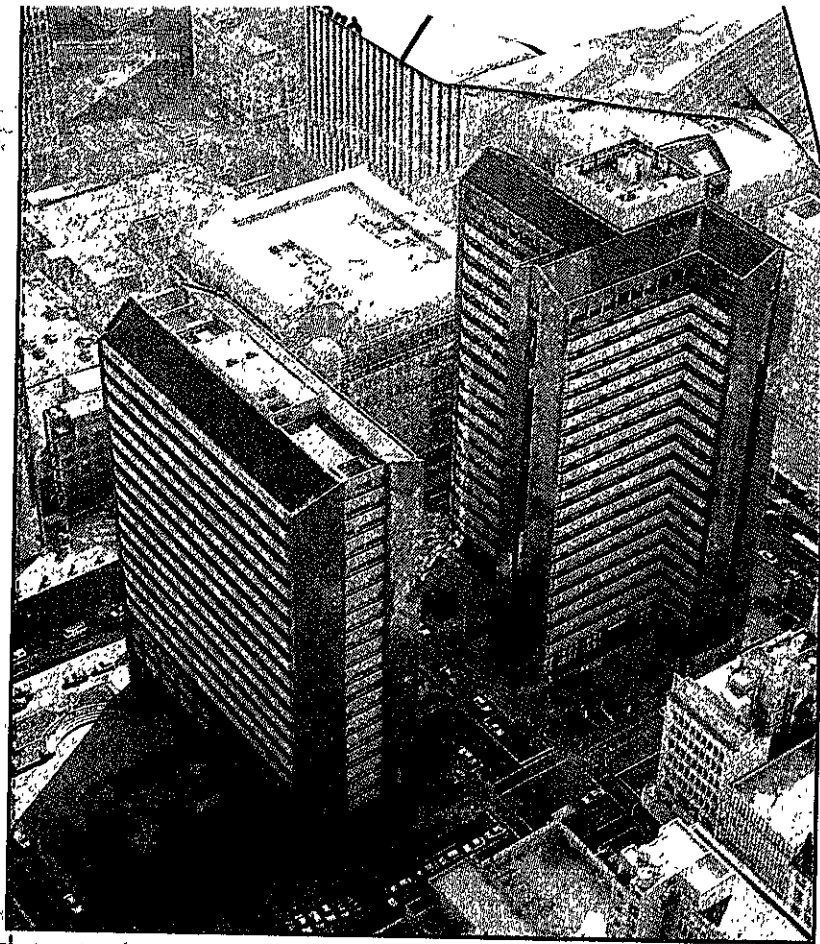
ation of VAT, and trading stock in the hands of the vendor, would become VAT exempt if a sale agreement was concluded before March 31, 1992.

The sale of land for home building purposes would also be taxed at 6% if an agreement for such a sale was concluded before March 1992. After that, sales would be subject to the standard VAT rate.

Houses in the process of being built on September 30 would be subject to a 3% tax if a sale agreement was concluded before December 31, 1991, he said. But if the home was completed between January 1 1992 and March 31 1992 and the sale was concluded on or before March 31, it would be taxed at 6%.

However, transfer duty would still be payable on those transactions, the Minister said.

"Contractors have, in anticipation of VAT, increased contract prices. In view of the concessions announced, it is incumbent that they pass on the benefits to their clients."



Twin showpieces . . . Old Mutual's two Johannesburg office blocks, Old Mutual Centre and Ten Sixty Six, were opened recently by Finance Minister Barend du Plessis.

Hopes rise for building recovery

The building industry is given some hope of recovery in the latest Rode Report from the Cape-based property analyst Real Estate Surveys.

The report suggests the current recession is not too deep for building and its ancillary industries and "it looks like an upturn is imminent".

Erwin Rode, research director, says all building cost indicators in March this year were running at a rate of 12 to 13 percent higher than a year ago — slightly below the consumer price index.

Lean times

"This is an indication that the building industry is going through lean, but not catastrophic times."

Non-residential starts dipped in the middle of last year but have since recovered to levels achieved in 1989.

The latest Stellenbosch Bureau for Economic Research report also shows that tendering

Property & Construction
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FRANK JEANS



competition among contractors might have peaked.

"Home building activity also looks as though it might have bottomed, although it is too early to come to a firm conclusion," says Mr Rode.

"Townhouse starts have made a sharp recovery since their nadir last September and are now at their highest level since the end of 1988."

Looking at costs, the survey says that while the rate of increase appears to be in a trough, there could be an acceleration upwards again.

Builders themselves appear to be equally hopeful.

The annual review of the Building Industries Federation says a deterioration of conditions to the extent of the 1985-86

slump is not expected.

An encouraging trend is the ease-up in the price of building materials, although Bifsa nevertheless remains concerned about building material suppliers who are raising prices at an unacceptable rate.

"Although the industry continues to experience recessionary conditions activity levels will probably show a sideways, rather than a further downward, trend in the months ahead," says the review.

High rates

"No real and significant improvement in the building environment is, however, expected before the second half of next year."

In the home building sector builders report conditions as "very difficult".

There is consensus that the negative impact of high mortgage rates and building materials price inflation are having a severe effect on the affordability of housing and on building demand.

Builders mixed on VAT

WHILE some builders and estate agents have praised the VAT concessions for the industry announced last week, others feel the lead-in time is not long enough for any real benefit to be felt.

The paperwork alone could take more than six months, with building usually beginning after that, said Gough Cooper Homes chairman Trevor Jackson.

He added that in the present economic climate, and with bonds becoming more difficult to obtain, building began only when a bond had been granted.

Inland Revenue said recently the concessions were aimed at helping to reduce the double taxation situation in which many builders would have found themselves on September 30.

Jackson said: "We do not expect to derive any benefit under the December deadline and very little from the March one."

Construction group Concor chairman Brian Murphy said the concessions would have little effect on the construction industry.

JSE sectors 'offer good deals'

THE investing public appeared to be unaware that the JSE's property loan stock and unit trust sectors generally offered a good alternative to syndication investments, said Hyprop MD Peter Behrman.

"Property loan stock and unit trusts are held largely by institutions, with Hyprop having a very small proportion of individual investors.

"This is a peculiar situation as those sectors offer investors an open market in which to trade, the security of heavy institutional support and lower buying and selling costs. In addition, the JSE looks after the investor as far as possible," he said.

These companies also generally offered a lower risk and it was far easier to trade or change one's investment than in a syndication. The investor considering companies on the

property loan stock sector needed to look at the quality of the properties held and the spread of the portfolio, Behrman said.

Prospective investors should also consider where growth for these companies came from. "Hyprop has shown more than a 20% growth in rental income, but year on year growth of dividends for the current year is affected by reduction of earnings of interest income, where cash resources are being invested into property developments."

Investors should look primarily at the underlying trend of the company's rental growth as well as the capital growth which is reflected in the price of the shares in the market, he said.

Reports by
PETER GALLI

Frankel Max Pollak Vinderine property analyst John Rayner agreed the sectors offered a better alternative for the investor than a syndication because of their marketability.

In addition, there had been a re-rating of both those sectors since November 1990. "Historical yields touched 12.2% and, since then, the property trust sector has appreciated by about 20% with the historical yield falling to 10.2%.

"The loan stock sector has gained about 16% with the historical yield dropping to 10.7%," Rayner said. The market was in a period of consolidation with the trend over the next 18 months likely to see yields falling further, which implied capital growth.

JHI director Steve Kesler said the spread of risk and tradeability of shares in these sectors made them a good alternative to syndication.

INVESTMENT

Govt in drive to expand toll road network

DARIUS SANAI (32)

THE toll road network will be dramatically expanded in terms of a new roads policy being formulated by government.

Government believed private toll roads were the only way to meet the need for new roads and would not build any roads in the foreseeable future, senior government sources said this week.

One said a team of lawyers was examining ways to expand toll road construction without introducing new legislation.

Plans for new toll roads were frozen in June last year when the House of Representatives and the House of Delegates blocked passage of the National Road Amendment Bill which aimed to formalise the establishment of a private toll road network. *BLOOM 28/8/11*

The lawyers are looking at ways of circumventing parliamentary objections to government's appointment of private toll road operators on an agency basis.

The R2,7bn allocated by government this year for roads in SA, the TBVC states and self-governing territories was enough only to maintain the current system.

It was likely to decrease in real terms, making an alternative plan for new roads a matter of necessity, the source said.

Toll road operators Tolcon and Tollway have put plans for constructing roads on hold since last year, but a Tollway spokesman said last week he was hopeful government would announce a new plan soon.

Toll roads that would be built once plans got the go-ahead included the Tollway-operated N17 Springs-Krugerdsorp link which was open already between Springs and Gosforth Park in Germiston.

Other projects that could be undertaken were the much-needed Harrismith bypass on the N3 and a widening of the N3 between Heidelberg and Villiers.

The N1 Johannesburg-Pietersburg link would probably become a toll road along its entire length, although it had not yet been decided whether to toll the Pretoria-Johannesburg section.

The sources said toll roads would be built only where they were economically viable.

The French model of a system of

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Toll road

BLOOM 28/8/11

national highways operated exclusively as toll roads by private companies was favoured by government.

However, France had much higher traffic densities and tolling SA's whole road system would not be profitable.

The sources said government wanted to be careful not to appear to be encouraging too much spending on roads while other services were in need of funds.

Although government would not fund new roads, it did not mean toll roads would spring up everywhere, a source said.

There were several ways for toll roads to be built. The totally privatised option — allowing the private sector to plan, build

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From Page 1

and operate roads — was not feasible under current legislation.

But private companies would be able to take part in road schemes under a so-called incentive scheme, controlled by government.

The Transport Department would supply initial finance for the proposed roads while private companies built and operated them under government tender. Private firms would be under pressure to increase profits through greater efficiency.

Details of the plan were likely to be formalised and announced within the next few weeks, the sources said.

Architect firm establishes trouble-shooting division

OSMOND Lange Architects has formed a building diagnostics division because it believes many architects, planners and companies rarely examine the environment and the quality of life they have created.

Division head Johan Grobler says: "The division incorporates post-occupancy evaluation and pre-design research, and offers many services.

"For example, an organisation may own a number of buildings scattered throughout an area, but have very little idea about the state of the facilities.

"It may not know whether they are used to their full potential, what the expansion possibilities are, and whether they are at all functional."

These facilities can then be evaluated to help the client formulate an overall plan to make strategic decisions.

The recommendations will also help the client decide on building programmes, the better use of existing facilities or other changes.

"Other benefits include the addressing of potential shortcomings in buildings before they become serious problems, testing the application of new ideas and evaluating the quality of the building design," Grobler says.

The division has two other in-house specialists on work study and facilities management, with Grobler specialising in building evaluation.

Other specialists are available, depending on the circumstances.

The division has played a role in developing a new design for the second phase residences at the University of Fort Hare and ensuring "user satisfaction" at the Ciskei Technikon.

M&R beats own forecast on payout

By Jabulani Sikhakhane

Murray & Roberts (M&R) has beaten its budget forecast and market expectations with dividend growth of 18 percent to 156c (132c) a share for the year to June.

Group chief executive Dave Brink said at a presentation last night mechanical and electrical engineering, property development, international activities and exports, building companies and land, sea and air services put up excellent performances.

The rest of the group's operations had shown resilience in depressed markets, he said.

On a diluted basis, earnings a share rose 13 percent to 500c from a restated figure of 444c.

Last year's earnings of 542c have been restated to recognise the conversion of 7,4 million convertible debentures.

Mr Brink, however, cautioned that with little sign of an upturn, group earnings in financial 1992 could be down 10 percent.

But as the group expects to maintain its strong balance sheet position (gearing was 26 percent), the dividend payout should be increased.

Star performer

The engineering division, of which Genrec is a major part, was a star performer, lifting its contribution to group earnings before interest and tax from R45,7 million to R74 million.

Property development lifted its contribution, but Mr Brink said its actual performance was understated because some of its project developments were reflected in the results of the building/construction companies.

Group turnover rose 15 percent to R4,6 billion, but pre-interest profit was up only seven percent to R323 million. Margins fell from 7,5 to 7 percent.

Despite this slight setback, Mr Brink said there was potential to lift margins to 10 percent.

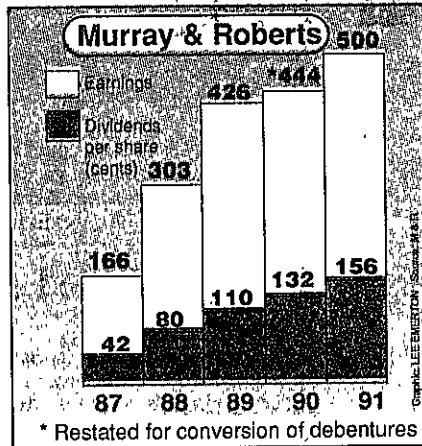
Interest payments were lower and the reduced tax rate helped boost tax profit by 16 percent to R182 million.

Expenditure on capex and acquisitions totalled R276 million. A major part of this was funded from cash flow. Consolidated capex for 1992 is budgeted at R211 million.

The group should be able to fund this easily. At year-end, cash balances were R157 million, with spare funding capacity of R248 million.

M&R to thrust into Africa

B/D by 29/8/91 (32)
BRENT VON MELVILLE



SANKORP-controlled industrial group Murray & Roberts (M & R) was poised for extensive capital expansion and a thrust into Africa, group CE David Brink said yesterday.

Brink said the group had its eye on some major acquisitions in the near future, the funding of which could necessitate going to the market, or the issue of further shares.

Speaking at a news conference in Johannesburg to release M & R's final results for the year to end-June, Brink said the group was well geared for such a move and had cash and borrowing resources of more than R400m. The group's gearing ceiling was about 60%, but gearing now was only

□ To Page 2

M&R B/D by 29/8/91

about 26%.

He would not be drawn on specifics but said any acquisition "would most certainly not be in the civil engineering or construction divisions".

During the year under review the construction division's contribution to operating profit dropped from 33% (R102,6m) to 27% (R88,6m).

But overall results for the group were slightly ahead of market expectations. Operating profits were up 7% to R322,9m (R300,9m) off a 15% rise in turnover to R4,6bn (R4bn). After a slight reduction in interest charges — at R23,6m from R27m — and slightly lower tax rate, bottom-line profits were up 17% to R180m (R153,7m), translating into earnings of 500c (444c) a share. The dividend allocation improved 18% to 156c (132c).

Brink said the group was planning a major thrust into the rest of Africa. It already had activities in Kenya, Zimbabwe, Malawi and Zaire.

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□ From Page 1

He said in terms of performance, the engineering arm under Genrec had turned out to be the star of the stable. The division capitalised on its Mossgas work to move its contribution to operating profit from 15% (R45,7m) last year to 23% (R74m).

The civil engineering division dropped from the biggest contributor to operating profit last year at 11,4% to 5,7%. Brink said this was largely a result of a poor performance from road works.

Conversely Land, Sea & Air — Pentow Marine, Land & Marine and Court Helicopters — moved up from 10th place last year at 5,3% of operating profit, to first place at 9,7%. Brink attributed the rise to a major operation to rescue a crippled tanker off the eastern Cape coast and some fairly major contracts around Hong Kong.

As for prospects, Brink said he was expecting a decline in attributable earnings of 10% for the current year. The group was still waiting for the promised upswing and saw 1992 as a "testing time".

VALUE ADDED TAX Chasing tails

FM 30/8/91 (32)

Finance Minister Barend du Plessis' tinkering with the VAT rate were obviously intended to disarm his critics in the run-up to implementation. He may have taken the political pot off the boil — but last week's revisions have created new complications for property transactions.

For the residential property and construction industry, the Minister has introduced a

where such concessions are made on the payment of VAT the buyer will instead have to pay transfer duty.

On the basis of this, MacKenzie believes the only sellers who will lose out will be those who cannot dispose of stock in time, like developers who have over-stocked. He adds that buying land on which to build a house will now attract VAT at 6% if bought before March 31 1992. Here again, sale of the land will attract full transfer duty.

However, he feels the relief is generally most welcome — particularly as buyers of sub-R30 000 sites will pay only 7% (6% VAT and 1% transfer duty). When the land is bought from a private person, full transfer duty of 1% is payable on a R30 000 purchase but no VAT is applicable. "For more expensive land the concession is not significant, as the cost is 9% (6% VAT and 3% transfer duty on the amount of the purchase consideration that exceeds R30 000)."

MacKenzie retorts: "Where companies buy the land the transfer duty is 5% and this, with 6% VAT, pushes the cost to 11% — hardly a concession." He adds that the sale of a house in the course of erection — which is completed and sold before December 31 1991 in terms of an agreement concluded after August 21 1991 — will attract VAT at 3%. No doubt this will result in many existing contracts being cancelled. However, there is a chance that Section 73 of the VAT Act could revoke such

cancelations and order payment at the full VAT rate. MacKenzie says that if a house is completed after January next year, but completed and sold before March, VAT will be payable at 6%. Sales on or after March 31 will be subject to full VAT at 10%. "All housing contracts attract VAT at 6% provided the dwellings are completed before March 31 1992. The Minister did not announce any concessions for the construction of buildings other than dwellings. This is unfortunate, as fixed price contracts concluded before the end of September will attract VAT on the price specified. However, the contractor isn't obliged to pass the benefit of the input credit on to the client. "While Du Plessis didn't address the question of input tax credits for these sellers it appears that, as the transactions are subject to VAT, a full input tax credit should be allowed." Bifsa's Martin believes the concessions will provide a cushion during the transition to VAT — and, thereafter, the rate will

revert back to 10%. "The result is that VAT will still push up the cost of houses. Worst hit will be the low-cost housing market which can ill-afford any increases. Relief measures in this area are, therefore, a matter of urgency," he argues.

The house that VAT built
The way they rate

	Completion date	Agreement concluded	Rate
Houses	Between Sept 30, 1990 and Sept 29, 1991	Before Mar 31, 1992	Exempt
	On or before Dec 31, 1991	After Aug 22, 1991 but on or before Dec	3%
	During period Jan 1, 1992 to Mar 31, 1992	After Aug 22, 1991 but on or before Mar 31, 1992	6%
	After Mar 31, 1992	Before Mar 31, 1992 After Mar 31, 1992	10% 10%
House building contracts	Before Mar 31, 1992	Before Mar 31, 1992	6%
Land for houses	-	Before Mar 31, 1992	6%

Source: ERNST & YOUNG

six-month concessionary period which will effectively cushion the initial impact of the tax. Ernst & Young's Charles MacKenzie believes this should address many of the inequities initially contained in the VAT Act. Even so, Building Industries Federation (Bifsa) economist Charles Martin believes that based on the revised VAT rate of 10%, house prices will be pushed up by 2% to 3%.

MacKenzie explains that one of the biggest problems for home builders, prior to last week's announcement, was that there would be no relief on GST paid on materials used before the introduction of VAT — even though VAT at 10% would have been payable on the property sale. "This was particularly unfair because sellers of other commodities are entitled to recover GST paid on trading stock held on September 30," he notes.

As a result of the revision, a house completed on or after September 30 1990 can now be sold VAT-free until the end of March next year. However, Mackenzie stresses that

M&R building for the future 32

By Jabulani Sikhakhane

It takes a lot of confidence in the future for a company to increase expenditure on training and people development, especially in recessionary conditions.

But industrial group Murray & Roberts (M&R) did just that, raising people training and development expenditure 40 percent to R13,6 million in the year to June.

Group commercial director Jeremy Ratcliffe says M&R is a people-oriented group.

One of its philosophies is to provide opportunities for all employees to develop their capabilities through education and training.

M&R sees people training and development as very important,

particularly as part of the effort to position itself for the unfolding new South African environment.

Outlining the investment direction of the group, chief executive Dave Brink says M&R will direct new investment more towards export-oriented businesses, including the rest of Africa.

To this end the group will ensure that there is sufficient available intellectual capacity to enable it to take advantage of unfolding opportunities.

M&R will also ensure that agency and technology agreements do not limit M&R's activities to SA.

It wants to become a world-class competitor in niche volume markets.

Mr Ratcliffe says that

although M&R people have visited Kenya (which has a free-trade zone in Mombassa), nothing concrete is in the bag yet.

In Zaire, discussions are under way for M&R to refurbish a mine.

The group is already involved in Zimbabwe, Malawi, Botswana and Namibia.

In financial 1991, the group was involved in laying undersea pipelines in South East Asia.

Mr Brink says that in addition to land, sea and air services division, an operation identified as having potential for international trading is Cape-based Consani, a manufacturer of container tanks and pressure vessels.

About 60 percent of Consani's turnover is in container tanks.

Consani, a winner of the State President's export award in 1990, is already a major world player and is one of the world's three biggest suppliers of container tanks.

To bolster Consani, Falcon Engineering was acquired in financial 1991, thereby giving Consani a presence in the Transvaal.

Customers

Falcon supplies stainless steel tanks for which SA Breweries and the dairies are the major customers.

Another company with potential for international trading is Cosworth, a manufacturer of aluminium cylinder heads for high-performance European cars. It has a German technical partner for the project.

Mr Ratcliffe expects Cosworth, which started production about three months ago, to contribute to group profits in the current year.

M&R's high-precision automotive business, Gemtec, begins production in October/November this year.

Over the past year, M&R has invested in brick-making companies. Money was lost in these operations, but Mr Brink sees brick-making companies as one of the beneficiaries of the unfolding SA.

Interestingly, M&R was one of the few companies to make money in housing development. It contributed 2,6 percent to group earnings before

interest and tax.

Other highlights for the year were the R425 million growth in total assets, largely due to capital expenditure, acquisitions and the grossing up of contracts in progress in terms of the new tax treatment for work-in-progress by construction companies.

In the last five years, shareholders have also benefited, realising compound dividend and share-price growth of about 45 percent.

Mixed fortunes for construction, building firms⁽³²⁾

Business Staff

Aug 30/8/91

MIXED fortunes are evident as a number of building and construction companies report their results for the year to June.

Group Five posted a 22 percent increase in before-tax profits which pushed up earnings a share by 14 percent and total dividend by 72.9 percent.

Before tax profits rose to R44.3 million (R36.8 million) on a turnover that fell by 10 percent to R1.2 billion (R1.3 billion).

Earnings a share increased to 194c from 170c.

An unchanged final dividend of 37c was declared, making a total of 64c (37c) for the year.

The group continues to be cash positive with R83.8 million on hand at June 20, but executive chairman Peter Clogg warns that difficult times lie ahead.

"If the present downward trend continues, it will not be possible to hold profits at their present level."

■ CONCOR posted a 20.8 percent increase in attributable profits and raised total dividend by 50 percent in spite a marginal improvement in turnover.

Attributable profits increased to R12.8 million (R10.6 million). This was achieved on a 2 percent increase in turnover which reflects the general depressed state of the construction industry.

Earnings a share showed a corresponding increase to 56.1c (46.4c).

An unchanged final dividend of 10c a share was declared, making a total payout of 15c (10c) for the year.

Chairman Brian Murphy says Concor's performance was a result of tight controls and sound cash management.

He adds, however, that in the coming year the group will be subject to a substantial increase in its effective tax charge as the group's major assessed losses have been used.

Despite this and the expected continuance of the difficult trading conditions, Mr Murphy believes that the company's order book should ensure that the company maintains earnings at the current level for the coming year.

■ BAD times for Basil Read Group have led to the company passing its final dividend. Turnover was 22.9 percent up at R508.4 million but after tax profits slid 56 percent to R6 million.

The directors have stated results for the current year should improve due to a restructuring of the building division and the limiting of capital expenditure in the housing and property divisions.

Group borrowings increased significantly with the debt/equity percentage rising to 100 percent.

The increased borrowings resulted in a 19 percent rise in the interest bill to R7 million. The directors say this could be offset by the investment in preference shares which would achieve an effective debt/equity rate of 40 percent.

Cash-rich Group Five powers on

The building and construction company, Group Five posted a 22 percent increase in before-tax profits which pushed up earnings a share by 14 percent and total dividend

by 72,9 percent for the year ended June.

Financial results released yesterday show that before tax profits rose to R44,3 million (R36,84 million) on a turn-

over that fell by 10 percent to R1,2 billion (R1,3 billion).

Earnings a share increased to 194c from 170c.

An unchanged final dividend of 37c was declared, making a total of 64c (37c) for the year.

The group continues to be cash positive with R83,83 million on hand at June 20, but executive chairman Peter Clogg warns that difficult times lie ahead.

"If the present downward trend continues, it will not be possible to hold profits at their present level." — Sapa.

Group Five warns of hard times ahead ⁽³²⁾

JOHANNESBURG. — Group Five, the third largest group in the construction sector, turned in a solid performance for the year to June, but followed the latest spate of construction companies' warnings of probable earnings declines over the coming year.

Despite cutting its work force by 25,5%, the group bolstered pre-tax profit by 22% to R44,3m (R36,4m), largely on the strength of improved operating efficiencies, although turnover fell 10% to R1,2bn (R1,3bn).

Bottom line profits went to R34,5m (R28,5m), translating to earnings of 193,6c (170,1c) a share. The total dividend was 64c (55c).

In an interview yesterday executive chairman Peter Clogg said the performance of the building and civils divisions had been particularly gratifying, but warned that tougher times lay ahead, and the group was not likely to maintain profits at their present levels.

CT 30/8/91

Concor intends to maintain position despite setbacks ³²

Monday 30/8/91
CONCOR's results for the year to June 30 indicate that the construction group is succumbing to the depressed state of the construction industry, after two years of strong growth.

Undisclosed turnover grew by only 2%, compared with the previous year's inflation-beating 18% growth. Chairman Brian Murphy attributed this to the decline in business from the public sector and mining industry.

However, Murphy said the group had moved aggressively into other sectors to make up for the decline of business in the public sector and mining industry.

"Consequently, we are doing a lot more work for private companies, and we also have projects in Mozambique, Swaziland, Lesotho and Botswana."

He said order books were healthy enough to ensure that earnings were maintained at the current level this year.

After an impressive first half, profit margins were slashed during the last six months of the year, with the result that operating income declined from R14,3m to R11,6m.

But sound cash management saved the day, as a significant increase in net inter-

LESLEY LAMBERT

est income from R1,1m to R7,1m boosted untaxed income which grew by 21,3% to R18,9m.

A higher tax bill of over R6m and an increase in the outside shareholder's payout pushed attributable earnings down to R12,8m. This translated into EPS of 58,1c a share — in line with the chairman's forecast and a further indicator of the slowdown in the second half of the year.

Murphy warned that the effective tax bill would increase substantially in the current financial year because the tax benefits of previous assessed losses had been used up.

The final dividend was maintained at 10c a share but the payment of an interim dividend of 5c, for the first time this year, pushed the final dividend up 50% to 15c a share. Dividend cover declined further to 3,7 times.

The balance sheet looked healthy at the year end. A further improvement in liquidity was reflected in current assets of R154m. While non-interest bearing debt grew from R108,4m to R125,3m, interest bearing debt declined from R9,1m to R5,5m.

COMPANIES

No dividend as Basil Read plummets

B Day 30/6/91
BASIL Read's earnings tumbled 56,3% to 42c (96,1c) a share and the construction group passed its dividend for the year to end-June.

Directors said only the mining division met its budgeted target and the building division recorded a loss. Basil Read has housing, mining, property development, building and civil engineering divisions.

Operating income, which fell 45% to R14m (R26m) on

32
ROBERT LAING

the back of a 23% rise in turnover to R508m (R414m), was arrived at after deducting R4,62m for bad debt and write-offs incurred by the housing division's development of land.

The increase in borrowings, which resulted in the interest bill rising 19% to R7m (R6m), should be offset by an investment in preference shares, directors said.

Taxation was at only 21,5% because of profits earned in neighbouring states, reduction in the provision for deferred tax and receipt of exempt income.

Directors said this year's results would improve. "The building division has been restructured and has an adequate workload and should soon return to profitability. The housing and property divisions are limiting their capital expenditure."

Lean Group Five turns in a solid performance

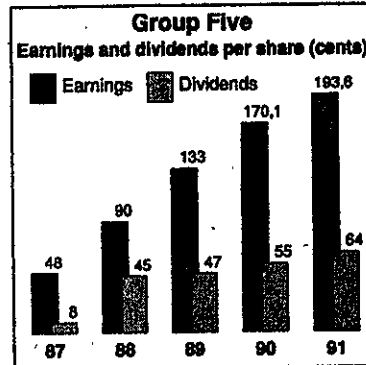
Brent von Melville

GROUP Five, the third largest group in the construction sector, turned in a solid performance for the year to June, but followed the latest spate of construction companies' warnings of probable earnings declines over the coming year.

Despite cutting its work force by 25,5%, the group bolstered pre-tax profit by 22% to R44,3m (R36,4m), largely on the strength of improved operating efficiencies, although turnover fell 10% to R1,2bn (R1,3bn).

Bottom line profits went to R34,5m (R28,5m), translating to earnings of 193,6c (170,1c) a share. The total dividend was 64c (55c).

In an interview yesterday executive chairman Peter Clogg said the performance of the building and civils divisions had been particularly gratifying, while the roads, engineer-



ing and homes divisions had suffered from a lack of work.

Clogg was also optimistic about the newly formed industrial division which, he said, was poised for growth through both acquisition and organic growth.

He warned, however, that tougher times lay ahead, and the group was

not likely to maintain profits at their present levels. "But our profit centres are very determined, and assuming the anticipated upturn materialises next year, it could ease our situation considerably."

Clogg said while there was a need for low-cost housing, government agencies were dragging their heels on the issue.

"These agencies have apparently spent their time attempting to acquire knowledge that has been available in this industry for decades."

He said SA could ill afford the time required for these agencies to convert this knowledge into an efficient construction service.

Clogg said there was scope for housing in countries such as Botswana and Mauritius. Group Five was building more houses in both Botswana and Mauritius than in SA.

The group's share price yesterday fell back 20c to 880c after reaching a high earlier this week of 700c.

CONSTRUCTION - GENERAL

1991 - SEPT. - DEC.

Three factors that restrict house builders

11/9/91
St Times (33017) 11/9/91
32

GROUP FIVE chief executive Peter Clogg says South Africa's house-building industry will be able to contribute to easing the shortage of shelter only when three things take place:

- Removal of regulations that cause undue delays and increase costs;
- Finance becomes available;
- Communities accept local authorities as being legitimate or that alternative structures acceptable to them are put in place.

Mr Clogg says that regretably, government agencies have spent ages trying to acquire knowledge that has been available in the industry. Should these government agency resources be used to eliminate restricting factors and to harness funds, the house-building industry could rally much sooner.

Civils

Mr Clogg expresses disappointment that about 90% of the R750-million allocated for site-and-service work through the Urban Foundation was directed to municipalities and regional services councils. He believes the money could have been more efficiently applied through the private sector.

Group Five lifted earnings a share by 14% to 193,6c on an 11% decline in turnover to R1,16-billion in the year to June 1991. The dividend was raised to 64c.

Civils and building produced excellent results. Building has a reasonable order book.

But Mr Clogg refers to a shortage of work in the engineering, homes and roads divisions. Group Five has a 40% stake in Tolcon, whose

By JULIE WALKER

future is under scrutiny.

He hopes that once some work becomes available and competitors tender realistically, matters will improve.

The industry will soon be unable to cope with a sudden increase in work because most contractors have reduced their capacity in the past four years as a result of a shortage of work. Group Five's labour complement has dropped by a quarter to 11 557 since June 1990.

Mild

Group Five will find the going tough in the short term, and Mr Clogg predicts a decline in earnings in the current year.

The share price shed 20c to 680c after a significant rating in the past 12 months.

But with no further deterioration and a mild improvement in fixed investment in both SA and its neighbouring countries, Group Five would be well placed to resume growth.

Its cash pile of R84-million will help it to weather the recession.

10% Vat lessens blow for housing

SI Times (Sun) 1/9/91

By TERRY BETTY

THE reduction in Vat to 10% will help the building industry because it will raise costs by between 2% and 4% instead of the initially expected 6% to 8%.

Builders say their industry is particularly sensitive to Vat-related cost increases because it does not charge GST.

Builders welcome the additional concession on residential construction that allows for a phasing in of Vat over several months.

Inland Revenue chief director, tax policy development, Trevor van Heerden says the main concern was the detrimental effect in the transitional period on low-cost housing.

But the benefit, the value of which is put at R50-million, will be felt across the board, not only in the low-cost sector.

The problem is that unlike most other industries, construction firms will not be able to claim input credits on GST paid on materials used in construction by September 30.

This means that houses built but not sold by that date

will be double taxed because the sale price will include GST paid on materials as well as Vat on the final price.

The amendments say that houses completed before September 30 and sold before March 30 will be exempt. Dwellings completed and sold before December 31 will be taxed at 3%. Those completed and sold before March 31 will be taxed at 6%.

Duties

In all these cases transfer duties will be levied and input credits can be claimed for expenses incurred after September 30.

Building Industries Federation of South Africa (BIFSA) economist Charles Martin says: "These concessions protect ordinary people against disproportionate price increases by putting them in about the same position they would have been under GST."

Also protected are people with fixed-price contracts. They were granted a bond based on the initial quote.

They would have had to find other means of financing the extra cost.

National Association of Home Builders (NAHB) executive director Johan Grotsius says the low-cost housing sector will be hardest hit by Vat.

Administrative costs are proportionately higher in low-cost housing. A larger component of costs previously exempt will now carry Vat.

"But this should be softened by increased government assistance," says Mr Grotsius.

VIEW ON TOP
S/Times (BWS) (32)
of hard times

MURRAY & ROBERTS, the industrial and construction conglomerate, dumbfounded analysts with a 13% climb in earnings a share to 500c for the year to June 1991.

The boffins' forecasts ranged from 425c to 480c.

Chief executive David Brink and his team earned a round of applause from the audience to which the year's figures were presented. The 156c dividend also topped expectations.

Construction chipped in R89-million, or 27% of earnings before interest and tax, engineering 23%, supplies and services 22%, industrial 21% and properties 7%.

Mr Brink expects a tough year in which earnings might drop by a tenth because of a lull in new construction contracts and few signs of economic recovery.

Road building had a bad year, but depending on a Government decision on toll roads, Tolcon, in which M&R has an interest, could be building the Heidelberg-Villiers link and the Harrismith by-pass before the end of the year.

Africa holds potential, and the lifting of sanctions should improve the export of M&R's expertise.

SA projects such as Columbus, Alusaf and five petrochemical expansions on the drawing boards will yield opportunities a year down the line.

Mr Brink says there is still plenty of scope for M&R to improve its productivity. More than R13-million was spent on staff training and development.

Acquisitions worth R126-million were made in the year. The three brick companies acquired all incurred losses — as expected — but should do better as the economy picks up.

Although shareholders rank only third on the M&R list of stakeholders, behind customers and people, they can hardly complain. At June 30, 1986, the share price stood at 715c. This week it was R43, and the dividends have gone from 10c to 156c at June 1991.

● Mr Brink related the group's rescue of the oil tanker *Mimosa*, which was holed about the same time as the *Oceanus* sank. Pentow's salvage tug responded from Cape Town within 35 minutes of receiving a distress call.

It arrived in 28 hours and having secured an empty tanker undertook the largest transfer of oil ever carried out at sea. The oil was pumped from the *Mimosa* which is being towed to Dubai.

The action averted an ecological disaster that could have been worse than that of the *Exxon Valdez*. The value of the ship plus cargo was R250-million.



ARP

saw-milling industry.
Saasveld bursaries
fees and textbooks.
the Dean of Stellen-
estry, Stellenbosch



Developer calls for action on housing

E TOWNSHIP

Star 4/9/91

A call for immediate action on a housing policy and day-to-day strategy which will not be shackled by red tape and bureaucratic bog-down is made by Gavin Hardy, executive director of the housing division of construction giant, Murray & Roberts.

The group is a leader in housing development.

Welcoming the repeal of legislation governing land use, Mr Hardy ap-

peals to the authorities to put a housing policy "on the table so that the major players in the housing field can plan ahead".

He urges a situation whereby, on a daily basis, developers are able to answer these questions:

● How many houses were delivered yesterday?

● How many are planned for today?

● And how many for tomorrow?

"The thrust of government thinking is away from separate development and own affairs towards a negotiated system of joint local government based on private ownership," he says.

"Its aim is to rationalise the present system of racially-based land tenure rights and land registration and to upgrade leasehold rights to full ownership."

Mr Hardy calls on all parties involved to devise, in consultation with private enterprise, a comprehensive national housing strategy to enable the building industry to meet the needs of all.

"Specific attention



Gavin Hardy

must be given to eliminating red tape to facilitate the provision of land and the development of housing," he says.

"We believe this can be achieved only by merging the 13 housing authorities into a single representative authority," he says.

VAT will hit housing hopes of the needy

Star 5/9/91

Finance Staff
Murray and Roberts Construction's Housing Division says VAT could rob vast numbers of urban poor of the chance to own their own home.

Noel Ayers, M & R housing division's financial director, says his company stands at the threshold of a breakthrough in the provision of housing for disadvantaged communities, more than 60 percent of whom have an affordability ceiling of less than R12 500 on a home.

"For example, M & R subsidiary Ribco, has devised the Waltberg House. Specifically developed to offer a real and practical solution to housing needs to this sector of society, it can provide up to 20 sq metres of well constructed, durable and aesthetically acceptable shelter for just R5 300 (excluding GST/VAT).

Affordable

"This sturdy steel house is affordable and can meet short-term needs, and can also be incrementally upgraded and easily expanded with full re-use of components.

"In areas where semi-permanent or permanent land tenure is provided for unconventional housing, these houses, together with upgraded roads, water and electricity supplies can significantly improve the standard of informal housing. They can pro-

vide dignity and hope where today there is none.

At M & R's urging, several major financial institutions are looking into the feasibility of providing HP-type financing schemes for the Waltberg house and other affordable homes.

Hire purchase

"The banks and building societies could offer hire purchase terms over, say, four years, which means that the home owner would pay about R175 a month (assuming a 15% deposit) and at the end of the term own the home outright.

"The individual/family then has an asset that can be sold or let or used as security to finance a permanent home.

"The HP concept is readily understood by the intended customers, and there is no reason why they should not make use of such a service.

"However, VAT levied at the announced rate

could add as much as R636 to the basic cost of the home and R23 to the monthly repayment on terms. When you consider that the typical individual/family who would consider a Waltberg home earns R800 a month or less, it's clear that VAT will lower the affordability ceiling very significantly.

"VAT can spell the difference between a stable and secure future, not only for the people concerned but also for the country as a whole.

"Government must therefore consider zero rating VAT on informal housing to ensure its continued affordability. Half measures such as exempting this type of housing from VAT or providing a safety net for the poor just won't do."

Zero rating informal housing is also a cost effective and simple way to implement a subsidy for housing of the poor. No complex departments need to be set up to apply it.

P.O. BOX 4005
KWANOBUHLE TOWNSHIP
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UITENHAGE

MURRAY & ROBERTS
 Fm 6/9/91
Beating the cycles (32)

Even the most optimistic analyst's prediction was confounded by the latest Murray & Roberts results. The group bounced back from a pedestrian first half to post a 14% increase in EPS to 500c. Fortunately, M & R is far more than a construction and building company; the result was achieved in spite of a poor year for road building and a decline in engineering as a whole.

The Receiver also helped — the tax rate fell from 40,2% to 36,5%, helped by an increase in international activities and exports.

The star performer was the land, sea and air services cluster, which contributed almost a tenth of operating income. Suppliers and services, which had declined by a quarter in the first half, increased earnings by 7% for the full year.

Certainly, the contribution from Genrec (Fox August 23) underpinned the results — the engineering division increased its contribution by 62% — but there were good performances all round. Construction was mov-

GETTING STRONGER

Year to June 30	1990	1991
Turnover (Rbn)	4,01	4,60
Operating profit (Rm)	301	323
Attributable (Rm)	154	180
Earnings (c)	444	500
Dividends (c)	132	156

ing off a very high base but was still the largest contributor, while properties had a fine year with a 42% increase in operating profit. Under CE Dave Brink, the group has not been content to sit back and resign itself to lower profit and blaming the economy.

Moreover, short-term profit has not been



Murray & Roberts' Brink ... not content to sit back

FOX Fm 6/9/91 (32)

pursued as an end in itself. It has kept up the low-cost housing division despite low returns and has developed simple, 20 m² and 15 m² houses which are already being occupied in the townships and cost about R5 000 to erect.

M & R acquired brick interests such as Corocrete and Brakpan Bricks, which are not yet contributing, and it has invested in the difficult automotive parts area through parts factory Gemtec and foundry Cosmar. It resolutely refuses to chase turnover and argues that it prefers to charge a realistic margin for the work it does. Nevertheless, the operating margin fell by half a percentage point to 7% and return on assets was slightly below target at 19%.

The balance sheet remains well within targets. Gearing, at 0,26, is well below the self-imposed limit of 0,60. At year-end there was R157m in cash and a further R248m in available borrowings.

Brink expects the contributions of certain key sectors to fall next year. Mining and mining contracting, the second largest contributor last year and third-placed property development, will both fall. Heavy engineering, bitumen products and design and project management are also expected to have a tougher year.

Yet this should be offset by an even better year for land, sea and air services, civil engineering and a range of services where M & R is not yet fully represented. These include plastics, catering equipment and hi-tech engineering.

M & R used to have a relatively low share price and until recently some investors continued to cling to memories of the group's 1986 attributable loss. Notably, the share price has increased by about three-quarters this year. M & R operates in cyclical industries but to a large extent it has proved that it can beat the cycles and maintain a consistent performance. The share now trades on a historical dividend yield of 3,6% and an earnings yield of 11,5%. That does not look an unduly demanding rating.

Stephen Cranston

By TERRY BETTY

THE construction industry has asked the Government to delay the implementation of Vat in the TBVC states for six months. (32)

With only three weeks to go to Vat-day, Transkei, Bophuthatswana, Venda and Ciskei have yet to pass the required legislation. But they have started to send out Vat registration forms.

A Transkei Inland Revenue spokesman says the Vat Bill must still be "channelled through the corridors of the military council". *S/Times*

A Bophuthatswana official says its Bill has not had its third reading. (13/11)

Colin Mester, chairman of Concom, says many sub-contractors and suppliers in these states have not registered. This will make them uncompetitive because they will have to pay Vat on their inputs without being able to claim input credits. (22)

British

They will also be unable to issue Vat invoices which enable customers to claim input rebates.

Mr Mester says that because South Africa had a six-month lead after promulgation of the Vat Act, it is unfair to expect vendors in the TBVC states to get their act together in a few weeks.

Inland Revenue chief director, tax policy development, Trevor van Heerden, says if TBVC Vat systems are

Vat delay for TBVC states sought

not up and running in time, it is possible to backdate legislation to September 30. But this means vendors will have to charge as if they were including Vat in their prices.

But confusion will reign if the TBVC states do not change their tax laws by September 30 because the GST system will remain in place.

If this happens vendors will pay Vat on goods bought in SA and have to levy GST on top of this without qualifying for rebates.

Building Industries Federation of South Africa (Bifsa) economist Charles Martin, says such doubts have caused confusion for those involved in major projects in the TBVC states.

Dr Martin says: "It is difficult to tender for new contracts when there is uncertainty about tax."

The first TBVC registration forms were sent out last week. Bophuthatswana employed British experts to help implement its system and mailed forms before SA did.

COMPANIES

Call for construction incentives

MARC HASENFUSS

THE construction industry's expansion into markets north of SA is hampered by lack of government incentive, says Frankl, pile MD John Gill. *B/DW 9/9/71*

Although local engineers were being encouraged to generate millions of rands in export earnings for SA, the authorities were not assisting the construction industry, he said. The industry received no major incentives for working outside SA.

"It seems the authorities do not recognise construction work in foreign countries as a bona fide export activity." Despite the advantages of a weak rand, contractors remained disadvantaged when tendering against foreign contractors who received incentives from their governments.

Gill urged government to recognise construction work as legitimate export activ-

ity. He said manufacturing companies received an 18,5% cash incentive on the value of total export turnover under the General Export Incentive Scheme (GEIS).

A Department of Trade and Industry (DTI) spokesman said further changes to GEIS were not envisaged.

The DTI was investigating export incentives for service industries, but these would not fall under GEIS. *(32)*

Gill said small incentives for purchase of local materials for export were usually offset by the heavy transport costs.

Local contractors had many advantages over their European counterparts when working in Africa, as they understood African conditions and labour practices, he added.

Basil Read pins hopes on corrective measures

MARC HASENFUSS

DIVERSIFIED construction group Basil Read is looking to improved profitability in the year ahead after corrective measures were taken in the wake of last year's dismal performance.

The group had to swallow a bitter pill in reporting a break in its growth record in the year to June 1991, chairman Leon Dison said in his annual review.

After consistent growth since listing in 1987, Basil Read's earnings were more than halved to 42c (96,1c) a share.

Lower profits from most divisions were compounded by abnormal losses in the civil engineering and housing divisions.

Because of the losses and the need to conserve cash resources, a final dividend has not been recommended by the board (last year 20c a share).

Dison said that to build up an adequate workload, the mining and civil engineering divisions were looking at a variety of projects inside and outside SA's borders.

The building division, which operated at a loss last year, had been restructured and now had an adequate workload.

Dison expected the division to return to profitability in the year to June 1992.

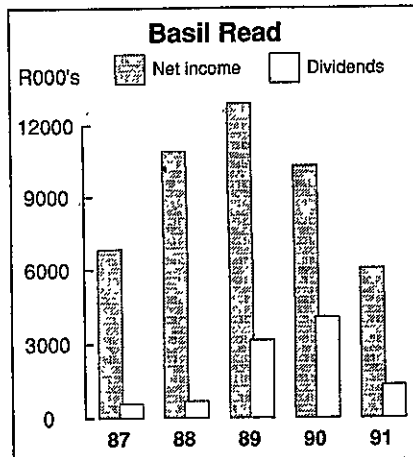
The group's civil engineering division had an unsatisfactory workload, but this could be alleviated by the authorities releasing funds for the development of urban infrastructure and bulk services, Dison said.

The division could also be helped by the anticipated change in government policy on funding for road rehabilitation and construction, and by tackling major infrastructure and other projects in other African countries.

Basil Read recently opened a civil engineering office in Botswana.

It has already been awarded contracts in that country, as well as in Lesotho and Namibia.

The mining division was operating at



Graphic: FIONA KRISCH Source: BASIL READ

less than full capacity.

Dison said it was difficult to negotiate long-term contracts and the group was forced continually to seek replacement contracts in tunnelling and in underground and open-cast mining.

He said the housing and property divisions were budgeting for continued profitability, while at the same time limiting their capital exposure.

Dison said the waste recycling plant at Robinson Deep, which began operations recently, should produce a steady addition to group profits.

Basil Read's borrowings soared and pushed gearing up to 100% (14,6%), but directors said the increase in gearing was due mainly to a "technicality".

If the investment in preference shares was set off against total borrowings, the effective gearing would be 40%, the directors said.

The share plummeted from 250c to its current low of 200c in relatively heavy trade after the weaker results had been reported last month. The share peaked at 320c in November last year.

Star 11/9/91.
VAT will not
increase clay
brick prices

Finance Staff ~~(S)~~

The introduction of VAT will not increase clay brick prices and in turn will not influence prices of building and construction work, according to the executive director of the Clay Brick Association, Leon De Bruin, ~~(S)~~

He was responding to recent claims made by the National Association of Home Builders that the cost of a new home could increase by between 5 and 8 percent as a result of VAT. ~~(S)~~ (32)

"Preliminary calculations on hand indicate that in most cases VAT will not affect the price of clay bricks.

"In fact one of the Association's members claims a small decrease in their brick prices upon the introduction of VAT.

"Calculations indicate that savings do occur because most brick makers mine their own clay".

Substitute brick products such as cement brick and blocks could increase as a result of VAT said Mr De Bruin.

Light at end of tunnel for building industry

Sowetan 12/9/91

32

THE deteriorating business conditions in the building industry are bottoming out, according to a survey of the Bureau for Economic Research at the

University of Stellenbosch.

The survey says conditions being experienced at present are still not improving, but the tempo of deterioration is slowing down,

with prospects of improvement towards the end of this year or the beginning of 1992.

It says although commentary given by members of the architectural

profession is still gloomy, there is a slight improvement in their level of business confidence which indicates that they feel the conditions are showing potential improvement.

Quantity surveyors are also less pessimistic with only a small decrease in their level of business confidence, supporting the expectation of improvements in business conditions in the building industry towards next year.

According to the survey, building costs are also increasing at a much slower tempo than during 1990 and indications are that, excluding the effect of VAT, the average year-on-year percentage increase could be below the 12 per cent mark.

As everyone is by now aware, it is expected that VAT could increase building costs by between four to

six per cent.

Participants in the industry are dubious that VAT will put more strain on an already troubled industry.

All four groups of participants in the industry show concern for the state of the industry, saying that if things do not improve soon the industry will be severely damaged, and it will not be able to recover should conditions suddenly improve.

The lack of Government work, high interest rates and unrealistic union demands are again mentioned as factors which contribute to the poor state of the industry.

Hopefully the forecasts made by the participants in the survey will come to fruition and conditions in the industry will show signs of improvement towards the end of 1991 or the beginning of 1992.

World Bank slams housing policy

Sowetan 12/9/91

By JOSHUA RABOROKO

THE World Bank has attacked the South African housing policy as hopelessly inadequate and full of inconsistencies and counterfeits.

According to the bank, planners have been urged to undertake a radical re-think about multimillion-rand proposals on how to tackle the massive black housing shortage.

Present schemes may be on the wrong track, says a confidential report compiled by a team of experts sent on the first of a series of "reconnaissance missions" from the bank to study urban development in a post-apartheid South Africa.

The bank says concrete proposals for reform should be made as early as possible because the

present housing sector is highly distorted.

The vital feature of this distortion is the spatial segregation of different racial groups within the cities.

The benefits of correcting this problem have implications that far transcend the housing sector.

It contends that the priority should be land use and close integration of whites and blacks and vast improvements in the planning of new residential zones interwoven with shopping centres and business operations.

The main objective should be to cut down the high transport costs - as

well as the countless hours taken in travel time - that burdens black commuters who are forced to live far from their jobs by defunct apartheid laws.

However, the Independent Development Trust has confirmed that is going ahead with its R750-million subsidy scheme to tackle the acute shortage of black housing, despite the bank's proposals.

It said that the first allocation from the subsidy package was expected to be approved within the next few days to start the flow of funds to new housing development in the country.

It said that the plan was going ahead regardless of advice from the bank that it should be redesigned.

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Fraser Alexander survives cutbacks

Blouay 12/9/91. (32) (120)

MATTHEW CURTIN

CUTBACKS by SA's mining companies in the face of low commodity prices and rising costs took their toll in financial 1991 on Fraser Alexander, the mining services, waste treatment and construction group.

However, chairman Peter Flack said he was confident the group's diversification and expansion programmes would provide a sound base for improved earnings in 1992.

Earnings a share dropped from R165,5c to R124,9c and the year-end dividend was cut by 15% from 46c to 39c. Earnings at holding company Fralex fell from 91,8c to 67,1c a share, while its dividend for the year was slashed by 29% from 26c to 18,5c.

At a presentation yesterday of Fraser's results, Flack said that after a disastrous first quarter in which Fraser struggled to break even, the group doubled interim earnings, down 27% at R5,5m from 1990, in the second half of the year.

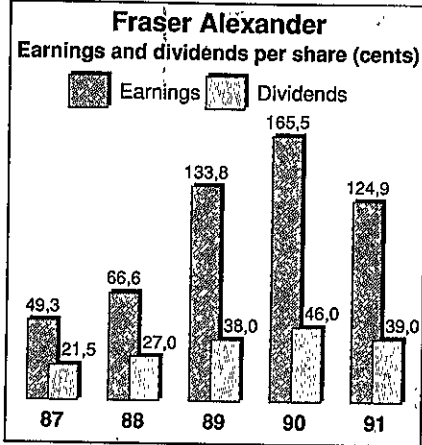
Takeover

He said the group would announce details of a major acquisition next week, while two others "related to the core businesses of the group" were in the pipeline.

A source close to Waste-Tech, a subsidiary of the Transport Technical Services Industries Group and SA's largest private waste management company, said yesterday the company was considering a takeover offer from Fraser.

Flack said his group's improved performance in the second half of the year reflected a change of attitude in the mining industry, which first panicked as the recession set in, then adopted strategies after it realised the importance of maintaining mining infrastructure and services.

The group had also won a five-year con-



Graphic: FIONA KRISCH Source: FRASER ALEXANDER

tract to treat coal discards from JCI's collieries and its coal beneficiation plant in Swansea, Wales, started in October.

These developments, revenue from coal-mining operations and R8m Mega-Waste sanitary landfill site serving the East Rand RSC, will boost earnings in 1992. The new investments pushed long-term borrowings up from R7,6m to R24m, and gearing up from 35% to 71% in 1991.

Flack said the rand's depreciation against the dollar in 1991 raised the contribution of overseas interests to earnings, with a major contribution coming from its Australian mineral services operation.

The recession and unrest in the townships meant Fraser's concrete division was the only operation not to turn in better results in the second half of the year.

Turnover rose 9% year on year from R215m to R233m, but pre-tax profits crumbled by 27%, with attributable earnings down by 24% from R20m to R16m.

Fralex, 39% held by the Rembrandt Group, owns 74% of Fraser Alexander.



BOB ALDWORTH: White areas also suffer in the economic crunch

Violence deters housing lenders

(32)

~~32~~

SITimes (Sun)

By IAN SMITH 15/9/91.

THE private sector has the resources to finance a building drive which would make huge inroads in the low-cost housing backlog.

But building will continue at a rate well below the natural increase in demand until financial institutions have the confidence to invest in black housing.

It is a huge potential market which remains a minefield for the unwary.

Housing Advisory Council chairman Joop de Loor says: "The problem cannot be solved by throwing money at it. It must be attacked head-on. A solution will need the co-operation of every role player."

Dr De Loor, former Finance Director-General and Auditor-General, heads a team investigating a new housing policy. The first draft of its report will be ready for Planning, Provincial Affairs and Housing Minister Leon Wessels in two months.

Boycotts

Contractors and housing developers accuse banks and building societies of cutting off finance for black housing because of the risk of rent and bond boycotts.

Institutions say they are still lending, but many have been forced to take a more cautious line.

Company-backed mortgage schemes, which promised to speed up black housing, are being increasingly threatened by heavy retrenchments and company closures.

Among the problems they face are:

- Political violence in residential areas.
- Bond boycotts for political aims.
- Payment stoppages because of faulty construction.
- Rapidly increasing non-

payment because of retrenchment.

- Non-payment in protest against high interest rates.

When borrowers are evicted for non-payment, the house is sometimes destroyed. More often, it cannot be resold because the new owner fears violence.

White

Allied group managing director Bob Aldworth says: "The situation is extremely difficult. Not only black areas are affected.

"We are doing a reassessment of the market, but bond applications that stand up to the normal commercial tests are granted. Until the problems are resolved we are forced to follow a more cautious policy."

Mr Aldworth says Allied, which has an exposure to the black market of more than R1-billion, advanced R16-million to the sector last month.

He says the white housing market has been hit in areas like Welkom, affected by mine closures.

"When a house is repossessed we have to employ a security guard to ensure it is not vandalised. I am asked why we don't allow the family to remain without bond repayments. But that encourages neighbours not to pay."

Some companies which have retrenched staff have written off the 20% of the mortgages they put up.

"But this does not help the house buyer if he cannot find another job."

Mr Aldworth says low-cost housing still provides good business in some regions.

"We have no trouble, for instance, in the Eastern Cape and our experience in Natal is good.

"But the market on the East Rand and West Rand has been badly hit.

"In every area we have to weigh up the risks carefully. We cannot put the company in jeopardy whatever the demand."

Standard Bank, with an exposure of about R500-million to the black market, is preparing to increase its educational role among first-time buyers.

Senior general manager Dennis Matfield says this could help to avoid some problems.

"Buyers need to know that bad workmanship is not the lender's fault. They should understand why interest has to be paid, and that banks are not responsible for high interest rates."

Affairs

Dr De Loor says financial institutions will be able to play their full role when they have the normal protection of the law.

"There must be co-operation from everyone — first and second tier government, own affairs departments, local authorities, extra-parliamentary groups, financial institutions, developers and buyers.

"Once the position is normal, there is no question that there will be sufficient funds."

Engineering chief in SA

Finance Staff

32
1/19/41

One of the world's leading engineers, Roger Dobson, director general of the internationally known Institution of Civil Engineers, is visiting South Africa.

His visit coincides with the opening up of another door for SA interests in Africa.

Before coming to South Africa, Mr Dobson attended a meeting in Kenya of the institution's African representatives, at which this country was again represented.

The Institution of Civil Engineers has a world-wide membership of 75,000 and Mr Dobson aims to strengthen ties with SA engineers.

587

Homebuilder B.10 ay cuts prices ahead of VAT

18/9/91
GOUGH Cooper has cut house prices ahead of the 8% rise in the cost of a new house when VAT is introduced, the company said in a statement.

Homes on the Bloubostrand development near Fourways are now being offered at a discount of between R8 000 and R10 000. (32) (12)

"Buyers have shown good interest and are taking advantage of this opportunity," says marketing director Russell Glyn-Cuthbert.

At Randpark Ridge, discounts of up to R11 000 have been offered.

Packages are being tailored to meet buyers' needs, with the discount being used either to subsidise the deposit or ease repayments.

Under the present system, there is a duty of between 1% and 3% on the purchase of land. This will fall away from September 30. However, in place of the duty there will be a 10% VAT charge.

He said VAT would be charged on labour and on materials. Only the materials attract GST.

Building plans increase

THE value of building plans passed in the first seven months of the year have increased 18,6% to R7,010bn, Central Statistical Service figures show. (32)

Plans for houses increased 11,1% to R2,153bn and for flats and town houses 29,3% to R556,2m. Non-residential building plans were valued at R2,175bn — up 23,1% compared with January-July 1990.

16/07/91
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Building industry's prospects bleak

80weten 19/9/91

32

By JOSHUA RABOROKO

AN analysis of various building activity indicators clearly indicates that the building industry is still in a recession.

This is according to the latest review in the Building Industries Federation of South Africa's report on business conditions in South Africa.

The report says a further two observations can be made:

- The rate of slowdown in activity levels in the building industry is petering out.

The federation says it expects a sideways, rather than a further downward, trend for the year to come; and

- Although business conditions are rather unfavourable, the present recession in the building industry in general is markedly less severe than the previous one of 1985/86.

Difficult

Bifsa members operating in the residential sector continue to report that business conditions are very difficult.

Particular reference is made to the impact which the high mortgage rates and building materials price inflation are having on the affordability of housing and thus building demand.

The unstable social and political conditions in the low-income housing market have brought about a significant slowdown of building activity in this sector of the market.

The report says, when viewed in conjunction with the perceived decline in the real value of non-residential building completed, it is evident that building activity levels in this sector of the market will deteriorate further in the short term.

"We anticipate therefore that tendering competition will remain keen, which will undoubtedly have a negative impact on the profit margins of contractors and sub-contractors operating in this segment of the market.

Assessing the prospects ahead for the overall building industry, the reports adds: "We are still of the opinion that business conditions will remain unfavourable until the first half of 1992.

"Any real significant improvement in business conditions can only be expected in the latter half of next year.

"We still anticipate

that building costs will increase by 10-12 per cent in 1991, although the introduction of VAT could result in a slightly higher increase.

"Price of building materials have receded somewhat, but we nevertheless remain concerned about the conduct of certain building suppliers who are increasing their prices at an unacceptable rate.

"In instances where those price rises were accompanied by alleged price collusion, the matter was referred to the Competition Board and, hopefully, quick, decisive action will now be taken," the report concludes.

Employees guarantee 20% of the loan. So far 34% of 2 000 applicants have received this guarantee.

The banks provide the cash only after the house is built and the buyer takes transfer, but the builder needs money up front. Mr Slabbert has

Civils ⁽³²⁾ Struggles ^(Sun)

THE Government's restrictive monetary policy to reduce inflation has left the civil engineering industry in trouble.

The SA Federation of Civil Engineering Contractors says the tempo of construction has declined markedly and little new work is on offer. 22/9/91

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Homebuilders urge further concessions

Property Editor

THE National Association of Homebuilders is making urgent representations to the government to have further VAT concessions granted to the industry.

Johan Grotius, executive director of the NAHB, said he would be meeting Dr Theo Alant, deputy minister of Finance and National Intelligence Service today, to push for an extension of the six month phasing in period awarded to the industry recently.

He said the NAHB would also be seeking a rationalisation of the phasing in formula to make it more practical.

"The present situation allows for dozens of permutations and is causing a major headache, particularly for sales staff."

Concessions announced by Minister of Finance Barend du Plessis in August include:

- Builders and homebuyers being given a choice of whether or not to pay VAT on homes still under construction but due for completion by the end of the year. However, if they opt not to charge VAT, then builders cannot claim input tax on work done after October 31.

If they go the VAT route, the tax will be levied at a rate of 3% on condition the work is completed by December 31 this year and sold by that date with builders being able to claim an input credit at the full 10% rate for work done in the last months of the year.

- If the dwelling is completed between January 1 and March 31 next year and is sold by March 31 it will be taxed at 6%.

Grotius said as transfer duties still applied on all transactions at concessionary rates "this does not amount to much."

"In addition, the fragmentation of the implementation of VAT into three month periods makes it extremely difficult to administer."

"The NAHB is advising members to send their final claims out before the end of December even if finishing work still had to be completed," he said.

Grotius said they would also be seeking urgent clarification of the housing subsidy situation.

"We were promised that when VAT was in place the housing subsidy scheme would be addressed."

"It is imperative that the first time homebuyer's subsidy, which has a present cut-off point of R65,000 for both plot and dwelling, is adjusted upwards."

"We are making representations now to ensure that provision is made for this in the 1992/93 Budget," he said.

Tight margins hit Basil Starke

27/9/91

MARC HASENFUSS

32

CAPE-based construction group Basil Starke Investments (BSI) yesterday reported static interim earnings as adverse economic conditions continued to affect operating margins.

MD Maurice Phillips said: "Current economic conditions in the construction industry are such that whatever work is available is being tendered for at ridiculously low margins."

Earnings were maintained at R448 000 (R447 000) or 2,6c a share on the back of a small increase in turnover to R79m

(R75m) for the six months to June 1991. No interim dividend was declared.

Phillips said the group was realigning itself to place less emphasis on the construction industry and increase its involvement in manufacturing.

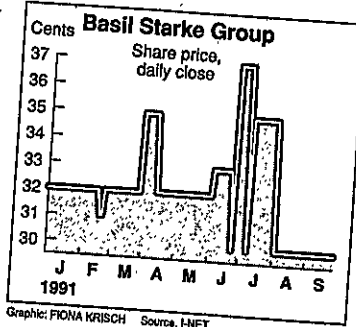
BSI's 87% held operating arm Basil Starke Group (BSG) posted a 65% increase in earnings to R410 000 (R248 000) or 4,7c (2,8c) a share for the period under review.

Turnover lifted to R79m (R75m) but squeezed margins kept operating profits at last year's R2,7m level.

A R225 000 reduction in the interest bill helped boost bottom line earnings.

BSI shares were untraded at 15c yesterday, just above its recent 13c low. BSG was untraded at a low of 30c.

Both shares are well below their respective net asset values of 86c and 153c a share.



Graphic: FIONA KRISCH Source: I-NET

Civil engineers gear up for better things

SOUTH Africa's civil engineering industry, hammered by public sector cutbacks, is gearing up for better things to come.

The industry says if Minister of Transport Piet Welgemoed stands firm on his recent commitment to spend R1bn next year on socio-economic projects it should provide a mini-boom in the industry.

Of that R1bn, R200m is earmarked for secondary

roads and R400m for the creation of serviced sites for housing.

Welgemoed also announced that R564m was to be allocated to the maintenance of provincial roads.

According to the SA Federation of Civil Engineering Contractors (Safcec), this is only half of what is necessary to maintain the road system, but the allocation is welcome.

Safcec says it has long been cautioning govern-

ment that the preservation of state assets is a necessity and delayed maintenance of the road network, for example, would create a progressively heavier burden on the taxpayer.

Last year, the value of new contracts awarded in SA amounted to about R3,5bn, which is about the same as the 1989/90 year.

Safcec executive director Kees Lagaay, however, says after adjusting for the

rise in the cost of construction, the fall in the volume of new work is considerable.

Lagaay says he expects the industry's downturn to come to an end by not later than the first half of next year, "although the acceleration of the urbanisation process and the R600m rural roads and site services scheme just announced may result in the decline ending sooner rather than later".

BIDau 27/9/91 (32)

By AUDREY D'ANGELO
Business Editor

THE recession — and stiff competition for available work in the construction industry — hit the Basil Starke group in the six months to June 30.

Turnover rose to R78,7m (R75,2m) but operating income was almost unchanged at R2,6m.

A lower interest bill of R2m (R2,2m), and preference dividends of R180 000 left attributable earnings of R410 000 (R248 000). This translates to earnings of 4,7c (2,8c) a share.

Basil Starke Investments reports attributable income of R448 000 (R447 000) which translates to earnings unchanged at 2,6c a share.

Operating income was R2,7m (R2,8m). The interest bill was R2,2m (R2,3m).

MD Maurice Phillips said yesterday that conditions in the construction industry were so tough that "whatever work is

Basil Starke group weathers the storm

CT 27/9/91
available is being tendered for at ridiculously low margins."

In these circumstances, the group was concentrating more on its manufacturing businesses. These are principally Premier Wire, Autotube and shopfitters Homburg Interiors.

Phillips said Premier Wire, which at one time was in difficulties, was now "making an important contribution to the profitability of the group."

Discussing the outlook for the construction industry in general, he said: "I don't see it picking up for a long time."

Violence — which frightened away foreign investors and was

helping to delay major house-building programmes — was one of the reasons for this.

"The civil engineering industry is suffering as a result of the shortage of money, high interest rates and a failure to embark on a mass housing programme.

"The housing programme is being delayed because people do not pay, and because of violence.

"Political instability is frightening away foreign investors. It is sad because the potential for growth and prosperity is here.

"It is a sad situation and a lot of innocent people are being permanently damaged."

Shoredit lifts earnings in teeth of recession

Finance Staff (32)

Building and construction group Shoredit boosted earnings 28 percent in the six months to June, despite depressed conditions.

Earnings per share rose from 10,1c to 12,9c, from which an un-

changed interim dividend of 4c has been declared. 8/27/91

Turnover rose almost R16 million to R119 million and operating income from R3,8 million to R5,4 million.

Attributable earnings rose to R1,4 million (R943 000) and re-

tained earnings from R6,5 million to R6,7 million.

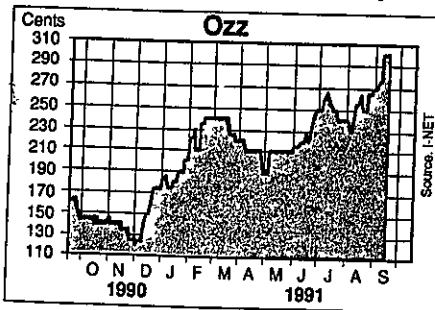
Directors say the rise in profits was satisfactory and are forecasting a rise in turnover for the full year in excess of the previous financial year.

The say the order books remained full at the interim stage.

OZZ FM 24/9/91 (32)

Reducing debt

Little more than a year after acquiring Lucem Industrial Corp, in a deal that left Ozz carrying a large debt burden, both profita-



FINANCIAL MAIL • SEPTEMBER • 27 • 1991 • 111

COMPANIES

(32)

FM 24/9/91

bility and cash flow have improved rapidly and a hefty portion of the debt has been repaid.

With the acquisition, Ozz increased the proportion of high-margin operations contributing to trading profit. Last year's 32,6% advance in turnover saw operating income up by 70,4%, which left pre-tax income 42% higher after the interest bill almost quadrupled to R4,8m.

The effective tax rate was 46,8%, but most of the R6,2m charge was for deferred tax. In total, cash available from operating activities, after interest and tax, increased by R5,3m, nearly 50% up on the 1990 year's figure. Interest-bearing debt was reduced by R14m and, assuming that borrowings will not expand again during the current year, there is scope for a marked drop in the interest bill by the 1992 year-end.

No detailed breakdown of the profit contributions from the various activities is given. However, the core operations — engineering and fixed property interests — provided R17m ((R7,9m) of operating income and R92,7m (R72m) of turnover, while the non-core operations — bricks and other activities — provided R1,3m (R2,8m) of operating income and R21,3m (R14,0m) of turnover. Chairman Gary Zulberg comments that engineering operations produced an outstanding performance in absolute terms and also in improved market share, while the



Ozz's Zulberg ... improving the margins

construction and property investment activities achieved their anticipated levels of profitability.

Among the non-core activities, Capegas, the gas production and supply division, returned increased profits that exceeded budget. Ozz's remaining operational brickyard at Nigel has been restructured with additional personnel and has redefined objectives.

Activities: Investment holding company with core activities in foundries and specialised engineering works, and in construction, development and investment in fixed property. Non-core operations comprise manufacture of bricks, and production and supply of gas.

Control: Directors 42,2%.

Chairman: G Zulberg.

Capital structure: 13,3m ords. Market capitalisation: R39,9m.

Share market: Price: 300c. Yields: 5,7% on dividend; 15,4% on earnings; p:e ratio, 6,5; cover, 2,7. 12-month high, 300c; low, 122c.

Trading volume last quarter, 672 000 shares.

Year to March 31	'88	'89	'90*	'91
ST debt (Rm)	0,7	3,5	3,8	0,39
LT debt (Rm)	0,06	25,3	25,3	16,9
Debt:equity ratio	0,41	0,69	0,71	0,39
Shareholders' interest	0,87	0,60	0,40	0,49
Int & leasing cover ..	9,2	1,9	29,5	4,0
Return on cap (%) ..	3,4	3,7	10,3	19,8
Turnover (Rm)	9	9	86	114
Pre-int profit (Rm) ...	0,7	0,5	9,8	18,0
Pre-int margin (%) ..	0,8	6,1	11,4	15,8
Earnings (c)	9,4	8,2	38,1	46,1
Dividends (c)	2,0	2,5	3,4	17,0
Net worth (c)	51,6	23,3	281	310

* Shares consolidated 4-for-1.

These changes, according to Zulberg, should result in a general improvement this year. Brickveld Brickworks division was sold for R1,8m, yielding an extraordinary profit of R646 000.

Zulberg adds that all the group's busi-

nesses are operating profitably. It is intended further to improve operational efficiencies and to develop new products in the ambit of existing expertise, for local and export markets. Acquisitions may also be pursued. Growth in earnings and dividends is forecast, though there is no indication of the pace that might be expected. (32)

At R3, the price has climbed by about 70% from its 12-month low of 122c, but remains at a discount to tangible NAV. Investments include a 50% stake in Bruma Lake Development Trust, still being carried in the balance sheet at R6,4m, which is almost certainly well below the realisable value. While the share no longer looks cheap, the yields are not unduly demanding. It should still prove a worthwhile hold.

Andrew McNulty

Scheme to insure building of homes

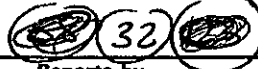
B/Daw 2/10/91
 THE SA home owners' warranty scheme, an indemnity scheme warranty which insures against building loss or damage to structural defects, inherent defects due to poor workmanship, defective material, unstable soil conditions and design defects, was launched last night.

For a 1.5% premium on the construction contract fee, subject to a minimum premium of R1 500, the warranty and insurance backup will apply for five years from the completion of construction, SA Home Owners Warranty Scheme director Basie Pretorius said.

"The warranty is backed by an independent insurance company and may be bought by the owner of the property, that is the developer, or the bond holder, that is the financial institution providing the finance, or by the builder if he is a member of the various Master Builders Associations (MBA) and Building Industry Associations (BIA)," Pretorius said.

If the property is protected under the warranty scheme, insurers will make good any loss in accordance with the rules of the scheme. An annual escalation of 15% in the sum insured, compounded over the five years, is built into the premium.

"We believe that with the establishment of the scheme, all fears will be something of the past and more people will have their homes built and will not wait for somebody else to build a house and check it for



Reports by
 PETER GALLI

structural defects before they buy," Pretorius said.

The warranty scheme is the result of studies of overseas schemes and is designed to protect the home owner, property developer or financial institution. In addition, the scheme will improve building standards in SA and will create faith and confidence in the industry.

The warranty scheme would also see the market value of a property built under this scheme rise by about 6%.

Eligibility for the scheme has been restricted to members of the various MBAs and BIAs to keep costs down.

The cover was restricted to contractors who were members of these bodies to eliminate the need for an expensive and complex system of monitoring workmanship and standards.

MBA and BIA membership was granted only to contractors who complied with strict criteria and who had been screened before admission, which reduced the need for introducing a strict monitoring system and inspection service, Pretorius said.

So as to give the scheme credibility and independence, the building industry registered a Section 21 company — a company that is not for gain. This would then oversee the scheme's function in accordance with the law, he said.

Builders should hang on for the upswing

8 Day 3/10/91
BUILDERS must attempt to hold out for another year as improved business conditions will then prevail, says SA Building Industries Federation (Bifsa) chief economist Charles Martin.

"While the recession in the construction industry is dire, it is less severe than that of 1984/85.

"While the short-term outlook is discouraging, South Africa can expect an upturn in the second half of 1992 and improved business conditions in 1993," he says.

A recent Bifsa analysis of real growth rate investment in buildings has shown that in the non-residential sector, private and public real growth rates of 12,7% and 12,5% were achieved in 1990.

Martin says these will drop to 3,1% and 2,1% for this year.

"Residential development in 1990 saw a real fall of 7,3% in public spending, but a real growth of 8,8% in the private sector.

(32)
"The 1991 figures show neither growth nor decline in public sector spending and a drop to a 3% real growth in private sector residential work," he says.

The figures for the industry as a whole show a real growth of 2,6% in 1990 and 0,5% in 1991.

Raise

However, an upswing in the second half of 1992 will raise the real growth rate figure in building investment to 2,1% for that year, followed by 8,8% real growth in 1993, rising to 10,7% in 1994.

In addition, SA's balance of payments and foreign reserves constraints will continue in the short term and interest rates will remain high in real terms but more stable, Martin says.

"In the non-residential building sector, SA can expect increased expenditure by the state on schools, clinics and other socially desirable buildings."

Concor head slams govt

B/D ay 3/10/91

MARC HASENFUSS

32

CONCOR chairman Brian Murphy has criticised government departments and parastatal authorities for undertaking construction projects which, he says, should have been done by the private sector.

In his annual review, Murphy said that with the new concept of commercialisation, these bodies were even competing in the private sector.

He called on government to decide urgently whether the construction industry should be allowed to lose trained human resources and shrink to a level from which it might not easily recover.

Concor continued its consistent growth pattern in the year to June 1991, posting a 21% increase in earnings to R12,8m (R10,6m) on the back of a small rise in turnover.

It eased 5c from its 220c high on the JSE yesterday. The share bottomed at 85c almost a year ago.

The group's net asset value currently stands at 195c.

(bb) indien die eiendom voor die kennisgewingsdatum deur u as eienaar verkoop is, die naam (name) en adres(se) van die koper(s) vergesel van die koopkontrak of 'n gewaarmerkte afskrif daarvan;

(cc) indien 'n gebou op die eiendom opgerig is en die gebou onderworpe is aan 'n retensiereg ten gunste van 'n bouer uit hoofde van 'n skriftelike boukontrak, die naam en adres van die bouaannemer, vergesel van die boukontrak of 'n gewaarmerkte afskrif daarvan;

(dd) indien die eiendom op die kennisgewingsdatum deur 'n deelsaaier bewerk word, die naam en adres van die deelsaaier, vergesel van die deelsaaierskontrak of 'n gewaarmerkte afskrif daarvan indien dit op skrif is, of volledige besonderhede van sodanige kontrak indien dit nie op skrif is nie;

(iv) u die adres verstrek waarheen verdere stukke in verband met die onteiening aan u gepos moet word.

5. Verder word u hierby versoek om binne sestig (60) dae vanaf gemelde datum van publikasie die titelbewys van die betrokke onteiene eiendom of, indien dit nie in u besit of onder u beheer is nie, die naam (name) en adres(se) van die persoon (persone) in wie se besit of onder wie se beheer dit is, skriftelik aan my te lewer of te laat lewer.

6. Die eiendom wat hierby onteien word, word deur die Suid-Afrikaanse Ontwikkelingstrust in besit geneem op die datum waarop die onteiening van krag word of op sodanige later datum as waarvoor ooreengekom word.

J. C. ESTERHUIZEN,

p.p. Minister van Openbare Werke en Grondsake (Kragtens Spesiale Algemene Volmag PA55/1989 gedateer 10 Februarie 1989).

Adres: Die Direkteur-generaal van Openbare Werke en Grondsake
Privaat Sak X65
Pretoria
0001.

Plek: Pretoria.

Datum van ondertekening: 23 September 1991.

As getuies:

1. J. C. E. Bure.
2. L. E. Velthuysen.

(4 Oktober 1991)

KENNISGEWING 916 VAN 1991

DEPARTEMENT VAN OPENBARE WERKE EN GRONDSAKE

KENNISGEWING VAN ONTEIENING KRAGTENS ARTIKEL 13 (1) VAN DIE ONTWIKKELINGSTRUST EN GROND WET, 1936 (WET 18 VAN 1936), GELEES MET ARTIKEL 12 (1) VAN DIE WET OP DIE AFSKAFFING VAN RASGEBASEERDE GRONDREËLINGS, 1991 (WET 108 VAN 1991) (MET AANBOD)

Aan:

Die eksekuteur in die boedel van wyle Allison Nkabini (gebore 2 Julie 1935)

of sy erfgename of enige opvolgers in reg en titel of enigeen wat 'n belang, soos bedoel in artikel 7 (4) van die Onteieningswet, 1975 (Wet 63 van 1975), in ondervermelde eiendom het.

(bb) if, prior to the date of notice, the property was sold by you as the owner, the name(s) and address(es) of the buyer(s), accompanied by the contract of purchase and sale or a certified copy thereof; ~~32~~

(cc) if a building has been erected on the property and such building is subject to a builder's lien by virtue of a written building contract, the name and address of the building contractor, accompanied by the building contract or a certified copy thereof;

(dd) if, on the date of notice, the property was being farmed by a sharecropper, the name and address of such sharecropper, accompanied by the sharecropper contract or a certified copy thereof, if it is in writing, or full particulars of such contract if it is not in writing;

(iv) you furnish the address to which further documents in connection with the expropriation are to be posted to you.

5. You are hereby further requested to deliver or cause to be delivered to me, within sixty (60) days from the said date of publication, the title deed of the expropriated property in question or, if it is not in your possession or under your control, the name(s) and address(es) in writing of the person(s) in whose possession or under whose control it is.

6. The property hereby expropriated shall be taken into possession by the South African Development Trust on the date on which the expropriation becomes effective or on such later date as may be agreed upon.

J. C. ESTERHUIZEN,

p.p. Minister of Public Works and Land Affairs (By virtue of Special General Power of Attorney PA 55/1989, dated 10 February 1989)

Address: The Director-General of Public Works and Land Affairs
Private Bag X65
Pretoria
0001.

Place: Pretoria.

Date of signature: 23 September 1991.

As witnesses:

1. J. C. E. Bure.
2. L. E. Velthuysen.

(4 October 1991)

NOTICE 916 OF 1991

DEPARTMENT OF PUBLIC WORKS AND LAND AFFAIRS

NOTICE OF EXPROPRIATION IN TERMS OF SECTION 13 (1) OF THE DEVELOPMENT TRUST AND LAND ACT, 1936 (ACT 18 OF 1936), READ WITH SECTION 12 (1) OF THE ABOLITION OF RACIALLY BASED LAND MATTERS ACT, 1991 (ACT 108 OF 1991) (WITH OFFER) ~~32~~

To:

The executor in the estate of the late Allison Nkabini (born 2 July 1935)

or his heirs or any successors in right and title or any person who has an interest, as contemplated in section 7 (4) of the Expropriation Act, 1975 (Act 63 of 1975), in the undermentioned property.

1. Geliewe kennis te neem dat 'n padserwituut, groot ongeveer agthonderd-en-nege (809) vierkante meter, soos aangedui deur figuur ABCDE op die sketsplan hieronder, oor die volgende onroerende eiendom waarvan u die geregistreerde eienaar is, hierby kragtens artikel 13 (1) van die Ontwikkelingstrust en Grond Wet, 1936 (Wet 63 van 1936), gelees met artikel 12 (1) van die Wet op die Afskaffing van Rasgebaseerde Grondreëlings, 1991 (Wet 108 van 1991), asook met die Onteieningswet, 1975 (Wet 63 van 1975), ten gunste van die breë publiek onteien word namens die Suid-Afrikaanse Ontwikkelingstrust, welke eiendom geleë is binne 'n gebied bedoel in artikel 10 (2) (b) van genoemde Ontwikkelingstrust en Grond Wet, 1936:

Onderverdeling 67 van Lot 796, Edendale 775, geleë in die administratiewe distrik Natal, groot vyf twee twee vier (5 224) vierkante meter, gehou kragtens Transportakte T2342/1960 gedateer 23 Maart 1960.

2. Die onteiening van die serwituut is onderworpe aan die volgende voorwaardes:

(i) Die serwituutgebied sal vir padverbetering gebruik word.

(ii) Die Departement/Suid-Afrikaanse Ontwikkelingstrust moet alle heinings wat deur die padserwituut geraak word, verskuif of herstel.

(iii) Die Departement/Suid-Afrikaanse Ontwikkelingstrust is daarop geregtig om enige ander diens, soos pyleidings of kables, binne die serwituutgebied te lê, met toegangs- en deurgangsreg te alle tye vir die doeleindes van inspeksie, onderhoud, herstel, uitbreiding of rekonstruksie vir die Departement/Suid-Afrikaanse Ontwikkelingstrust, sy amptenare, werknemers, kontrakteurs in sy diens of andere wat hy behoorlik daartoe gemagtig het.

(iv) Die Departement/Suid-Afrikaanse Ontwikkelingstrust is daarop geregtig om enige materiaal wat hy tydens die konstruksie, aanlê, instandhouding of verwydering van dienste uitgrawe, tydelik op die grond te plaas wat aan die serwituutgebied grens, en die Departement/Suid-Afrikaanse Ontwikkelingstrust is voorts geregtig op redelike toegang tot die betrokke eiendom vir voornoemde doeleindes.

(v) Na voltooiing van die werk moet die Departement/Suid-Afrikaanse Ontwikkelingstrust op eie koste die materiaal verwyder en die terrein in paragraaf 2 (iv) hierbo genoem in die oorspronklike toestand herstel en alle heinings, struik en plante wat beskadig is, herstel of vervang.

(vi) Die Departement/Suid-Afrikaanse Ontwikkelingstrust is nie aanspreeklik nie vir enige liggaamlike besering, lewensverlies of verlies van of skade aan enigiets binne die serwituutgebied wat veroorsaak word deur of ontstaan uit of verband hou met enigiets wat *bona fide* gedoen of verrig word in die uitoefening of verrigting van 'n bevoegdheid, werksaamheid of plig ingevolge die regte wat kragtens die serwituutakte en/of enige wetgewing aan die Departement/Suid-Afrikaanse Ontwikkelingstrust verleen is.

(vii) Die eienaar mag geen permanente bouwerk of struktuur of plaveisel in die serwituutgebied oprig of lê nie.

(viii) Die eienaar mag geen bome of struik plant of rotstuine of grondhope aanbring in die serwituutgebied nie.

1. Kindly take notice that a road servitude, measuring approximately eight hundred and nine (809) square metres, as depicted by figure ABCDE on the sketch plan below, over the following immovable property in respect of which you are the registered owner, is hereby expropriated in terms of section 13 (1) of the Development Trust and Land Act, 1936 (Act 18 of 1936), read with section 12 (1) of the Abolition of Racially Based Land Matters Act, 1991 (Act 108 of 1991), as well as with the Expropriation Act, 1975 (Act 63 of 1975), in favour of the general public, on behalf of the South African Development Trust, which property is situate within an area referred to in section 10 (2) (b) of the said Development Trust and Land Act, 1936:

Subdivision 67 of Lot 796, Edendale 775, situate in the Administrative District of Natal, measuring five two two four (5 224) square metres, held by virtue of Deed of Transfer T2342/1960 dated 23 March 1960.

2. The expropriation of the servitude is subject to the following conditions:

(i) The servitude area shall be used for road improvement. 32 ~~32~~

(ii) The Department/South African Development Trust shall move or repair any fences that are affected by the road servitude.

(iii) The Department/South African Development Trust shall be entitled to do any other construction work where necessary, such as the laying of pipes and cables, inside the servitude area and to have access to and through the area for purposes of inspection, maintenance, repair, extension or reconstruction for the Department/South African Development Trust, its officers, its employees, contractors in its services or others whom it duly authorises thereto.

(iv) The Department/South African Development Trust shall be entitled to place any material excavated during the construction, laying, maintenance or removal of services temporarily on the land adjacent to the servitude area, and the Department/South African Development Trust shall furthermore have reasonable access to the property in question for the above-mentioned purposes.

(v) After completion of any work the Department/South African Development Trust shall bear the costs of removing material and shall restore the site mentioned in paragraph 2 (iv) above to its original state and shall repair or replace any fences, shrubs or plants that have been damaged.

(vi) The Department/South African Development Trust shall not be responsible for any physical injury, loss of life or loss of or damage to anything inside the servitude area that is caused by or arises from or is connected with anything that is done *bona fide* in the execution or performance of a qualified activity or duty in terms of the rights granted to the Department/South African Development Trust by virtue of the servitude deeds and/or any legislation.

(vii) The owner may not erect any permanent building or structure or lay any paving in the servitude area.

(viii) The owner may not plant any shrubs or trees or create rockeries or mounds of soil in the servitude area.

(ix) Die eiendomsreg op pypleidings binne die serwitutgebied berus by die Departement/Suid-Afrikaanse Ontwikkelingstrust.

(x) Die serwitutgebied moet deur middel van bakens aangedui word, en sodanige bakens mag nie versteur word nie.

(xi) Die Departement/Suid-Afrikaanse Ontwikkelingstrust is nie aanspreeklik vir enige skade aan dienste nie, tensy sodanige skade deur amptenare in sy diens in die uitvoering van hulle amptelike pligte veroorsaak is.

(xii) Die Departement/Suid-Afrikaanse Ontwikkelingstrust of koötrakteurs in sy diens moet uitgrawings behoorlik opvul om insinking of erosie te voorkom.

3. Gemeinde onteiening word van krag dertig (30) dae na die datum van publikasie van hierdie kennisgewing in die *Staatskoerant*, op welke datum die eiendomsreg op genoemde serwitutgebied op die Suid-Afrikaanse Ontwikkelingstrust oorgaan en die serwitutgebied in besit geneem word.

4. Inevolge artikel 12 (1) (b) van genoemde Onteieningswet word die totale bedrag van R4 646 (vierduisend seshonderd ses-en-veertig rand) hierby aan u as vergoeding aangebied.

5. Ingevolge genoemde Onteieningswet word u aandag hierby daarop gevestig dat die vergoedingsaanbod kragtens die bepalings van artikel 10 (5) van genoemde Wet as deur u aanvaar beskou sal word indien u nie binne agt (8) maande (of sodanige langer tydperk as wat die Minister bepaal) vanaf die datum van die vergoedingsaanbod 'n aansoek om die vasstelling van die vergoedingsbedrag by 'n vergoedingshof of 'n afdeling van die Hooggeregshof wat jurisdiksie het, indien nie, tensy daar voor die verstryking van bedoelde tydperk ooreengekom is om die geskil aangaande die vergoedingsbedrag aan arbitrasie te onderwerp of om sodanige bedrag deur 'n vergoedingshof te laat vastel.

6. U word hierby versoek om binne sestig (60) dae vanaf die datum van publikasie van hierdie kennisgewing in die *Staatskoerant* aan my by die adres onderaan hierdie kennisgewing gemeld, 'n skriftelike verklaring te lewer of te laat lewer waarin—

(i) u aandui of u die tersaaklike vergoedingsbedrag hierin gemeld, aanneem en, indien u die bedrag nie aanneem nie, wat die totale bedrag is wat u as vergoeding eis vir die serwitut wat hierby onteien word;

(ii) u die adres verstrek waarheen verdere stukke in verband met die onteiening aan u gepos moet word.

7. Verder word u hierby versoek om binne sestig (60) dae vanaf gemelde datum van publikasie die titelbewys van die betrokke eiendom of, indien dit nie in u besit of onder u beheer is nie, die naam en adres van die persoon in wie se besit of onder wie se beheer dit is, skriftelik aan my te lewer of te laat lewer.

J. C. ESTERHUIZEN,

p.p. Minister van Openbare Werke en Grondsake (Kragtens Spesiale Algemene Volmag PA 55/1989 gedateer 10 Februarie 1989).

Adres: Die Direkteur-generaal van Openbare Werke en Grondsake
Privaat Sak X65
PRETORIA
0001.

Plek: Pretoria.

Datum van ondertekening: 23 September 1991.

As getuies:

1. J. C. E. Bure.
2. L. E. Velthuysen.

(4 Oktober 1991)

(ix) The property rights to pipelines within the servitude area shall vest in the Department/South African Development Trust.

(x) The servitude area must be marked by beacons and such beacons may not be disturbed in any way.

(xi) The Department/South African Development Trust shall not be responsible for any damage to services except when such damage is caused by officers in its service in the execution of their official duties.

(xii) The Department/South African Development Trust or contractors in its service shall fill up excavations properly to prevent subsidence or erosion.

3. The said expropriation shall become effective and the servitude area shall be taken into possession thirty (30) days after the date of publication of this notice in the *Gazette*, on which date the ownership of the said servitude area shall vest in the South African Development Trust.

4. In terms of section 12 (1) (b) of the said Expropriation Act the total amount of R4 646 (four thousand six hundred and forty-six rand) is hereby offered to you as compensation.

5. In terms of the said Expropriation Act your attention is hereby invited to the fact that the offer of compensation shall, in terms of section 10 (5) of the said Act, be deemed to have been accepted by you if you do not, within eight (8) months (or such longer period as the Minister may allow) from the date of the offer of compensation, apply to a compensation court or a division of the Supreme Court having jurisdiction for the determination of the amount of compensation, unless, prior to the expiry of the said period, it has been agreed to submit to arbitration the dispute regarding the amount of compensation or to have such amount determined by a compensation court.

6. You are hereby requested to deliver or cause to be delivered to me at the address stated at the end of this notice, within sixty (60) days from the date of publication of this notice in the *Gazette*, a written statement in which—

(i) you indicate whether you accept the amount of compensation in question stated herein and, should you not accept it, what total amount you claim as compensation for the servitude hereby expropriated;

(ii) you furnish the address to which further documents in connection with the expropriation are to be posted to you.

7. You are further requested to deliver or cause to be delivered to me, within sixty (60) days from the said date of publication, the title deed of the property concerned or, if this is not in possession or under your control, written particulars of the name and address of the person in whose possession or under whose control it is.

J. C. ESTERHUIZEN,

p.p. Minister of Public Works and Land Affairs (By virtue of Special General Power of Attorney PA 55/1989 dated 10 February 1989).

Address: The Director-General of Public Works and Land Affairs
Private Bag X65
PRETORIA
0001.

Place: Pretoria.

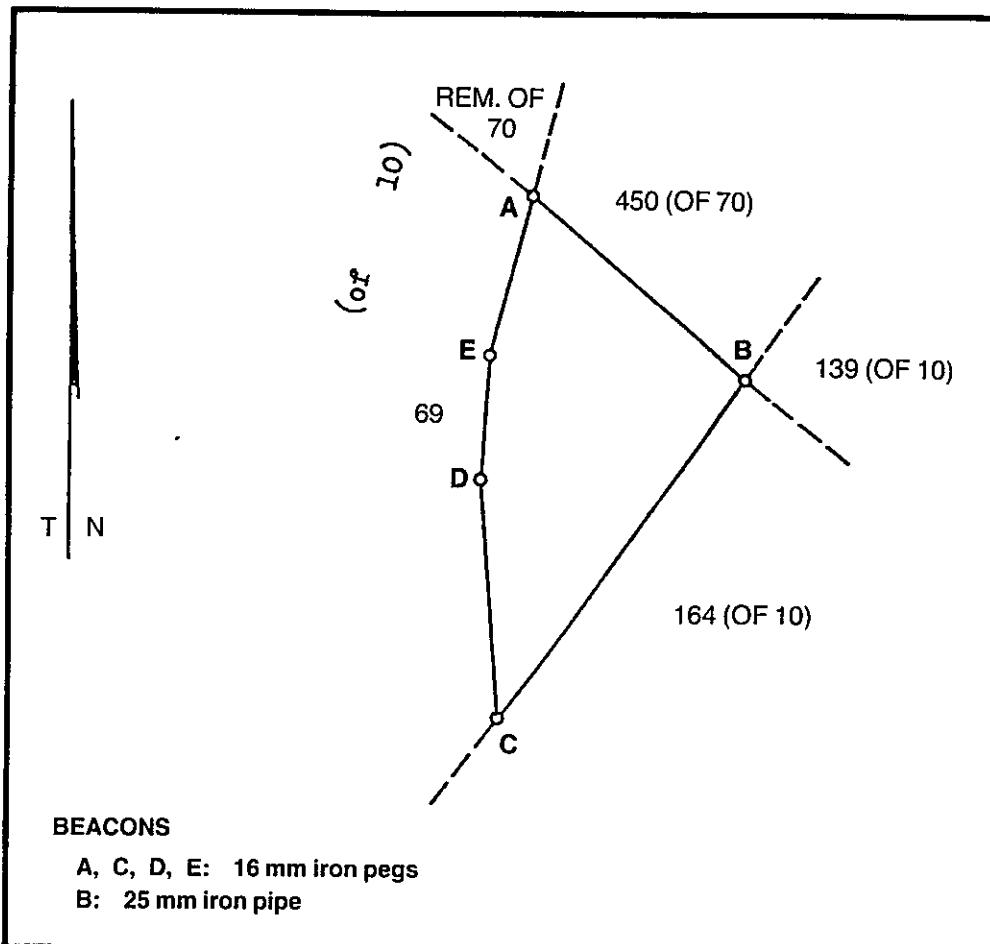
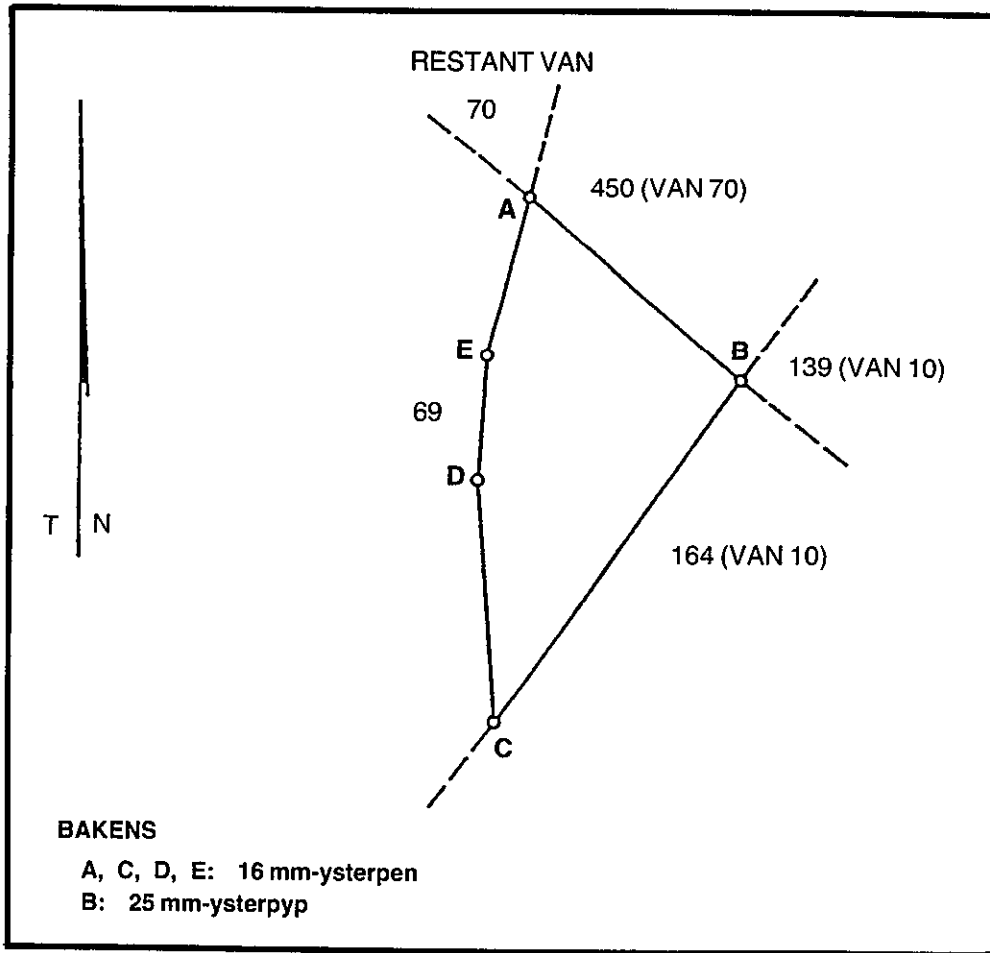
Date of signature: 23 September 1991.

As witnesses:

1. J. C. E. Bure.
2. L. E. Velthuysen.

(4 October 1991)

32



KENNISGEWING 917 VAN 1991

DEPARTEMENT VAN OPENBARE WERKE EN
GRONDSAKE

KENNISGEWING VAN ONTEIENING KRAGTENS ARTIKEL 13 (1) VAN DIE ONTWIKKELINGSTRUST EN GROND WET, 1936 (WET 18 VAN 1936), GELEES MET ARTIKEL 12 (1) VAN DIE WET OP DIE AFSKAFFING VAN RASGEBASEERDE GRONDREËLINGS 1991, (WET 108 VAN 1991) (MET AANBOD)

Aan:

Simunge Mbambo ka Mtshopo of Chief Mandhlakayise ook bekend as Simunge Mbambo (geboortedatum onbekend)

of sy eksekuteur of enige opvolgers in reg en titel of enigeen wat 'n belang, soos bedoel in artikel 7 (4) van die Onteieningswet, 1975 (Wet 63 van 1975), in ondervermelde eiendom het.

1. Geliewe kennis te neem dat 'n padserwituut, groot ongeveer driehonderd-en-agt (308) vierkante meter, soos aangedui deur figuur ABCDE op die sketsplan hieronder, oor die volgende onroerende eiendom waarvan u die geregistreerde eienaar is, hierby kragtens artikel 13 (1) van die Ontwikkelingstrust en Grond Wet, 1936 (Wet 18 van 1936), gelees met artikel 12 (1) van die Wet op die Afskaffing van Rasgebaseerde Grondreëlings, 1991 (Wet 108 van 1991), asook met die Onteieningswet, 1975 (Wet 63 van 1975), ten gunste van die breë publiek onteien word namens die Suid-Afrikaanse Ontwikkelingstrust, welke eiendom geleë is binne 'n gebied bedoel in artikel 10 (2) (b) van genoemde Ontwikkelingstrust en Grond Wet, 1936:

Onderverdeling 69 ('n onderverdeling van 10) van die plaas Groeneberg 844 geleë in die administratiewe distrik Natal, groot twee komma sewe vyf een vier (2,7514) hektaar, deur u gehou kragtens Transportakte T3027/1920 gedateer 28 Junie 1920.

2. Die onteiening van die serwituut is onderworpe aan die volgende voorwaardes:

(i) Die serwituutgebied sal vir padverbetering gebruik word.

(ii) Die Departement/Suid-Afrikaanse Ontwikkelingstrust moet alle heinings wat deur die padserwituut geraak word, verskuif of herstel.

(iii) Die Departement/Suid-Afrikaanse Ontwikkelingstrust is daarop geregtig om enige materiaal wat hy tydens die konstruksie, aanlê, instandhouding of verwydering van dienste uitgrawe, tydelik op die grond te plaas wat aan die serwituutgebied grens, en die Departement/Suid-Afrikaanse Ontwikkelingstrust is voorts geregtig op redelike toegang tot die betrokke eiendom vir voornoemde doeleindes.

(iv) Die Departement/Suid-Afrikaanse Ontwikkelingstrust is daarop geregtig om enige materiaal wat hy tydens die konstruksie, aanlê, instandhouding of verwydering van dienste uitgrawe, tydelik op die grond te plaas wat aan die serwituutgebied grens, en die Departement/Suid-Afrikaanse Ontwikkelingstrust is voorts geregtig op redelike toegang tot die betrokke eiendom vir voornoemde doeleindes.

NOTICE 917 OF 1991

DEPARTMENT OF PUBLIC WORKS AND
LAND AFFAIRS

32

NOTICE OF EXPROPRIATION IN TERMS OF SECTION 13 (1) OF THE DEVELOPMENT TRUST AND LAND ACT, 1936 (ACT 18 OF 1936), READ WITH SECTION 12 (1) OF THE ABOLITION OF RACIALLY BASED LAND MATTERS ACT, 1991 (ACT 108 OF 1991) (WITH OFFER)

To:

Simunge Mbambo ka Mtshopo or Chief Mandhlakayise also known as Simunge Mbambo (date of birth unknown)

or his executor or any successors in right and title or any person who has an interest, as contemplated in section 7 (4) of the Expropriation Act, 1975 (Act 63 of 1975), in the undermentioned property.

1. Kindly take notice that a road servitude, measuring approximately three hundred and eight (308) square metres, as depicted by figure ABCDE on the sketch plan below, over the following immovable property in respect of which you are the registered owner, is hereby expropriated in terms of section 13 (1) of the Development Trust and Land Act, 1936 (Act 18 of 1936), read with section 12 (1) of the Abolition of Racially Based Land Matters Act, 1991 (Act 108 of 1991), as well as with the Expropriation Act, 1975 (Act 63 of 1975), in favour of the general public, on behalf of the South African Development Trust, which property is situated within an area referred to in section 10 (2) (b) of the said Development Trust and Land Act, 1936:

Subdivision 69 (a subdivision of 10) of the farm Groeneberg 844, situate in the Administrative District of Natal, in extent two comma seven five one four (2,7514) hectares, held by virtue of Deed of Transfer T3027/1920 dated 28 June 1920.

2. The expropriation of the servitude is subject to the following conditions:

(i) The servitude area shall be used for road improvement.

(ii) The Department/South African Development Trust shall move or repair any fences that are affected by the road servitude.

(iii) The Department/South African Development Trust shall be entitled to do any other construction work where necessary, such as the laying of pipes and cables, inside the servitude area and to have access to and through the area for purposes of inspection, maintenance, repair, extension or reconstruction for the Department/South African Development Trust, its officers, employees, contractors in its service or others whom it duly authorises thereto.

(iv) The Department/South African Development Trust shall be entitled to place any material excavated during the construction, laying, maintenance or removal of services temporarily on the land adjacent to the servitude area, and the Department/South African Development Trust shall furthermore have reasonable access to the property in question for the above-mentioned purposes.

(v) Na voltooiing van die werk moet die Departement/Suid-Afrikaanse Ontwikkelingstrust op eie koste die materiaal verwyder en die terrein in paragraaf 2 (iv) hierbo genoem in die oorspronklike toestand herstel en alle heinings, struik en plante wat beskadig is, herstel of vervang.

(vi) Die Departement/Suid-Afrikaanse Ontwikkelingstrust is nie aanspreeklik nie vir enige liggaamlike besering, lewensverlies of verlies van of skade van enigiets binne die serwitutgebied wat veroorsaak word deur of ontstaan uit of verband hou met enigiets wat bona fide gedoen of verrig word in die uitoefening of verrigting van 'n bevoegdheid, werksaamheid of plig ingevolge die regte wat kragtens die serwitutakte en/of enige wetgewing aan die Departement/Suid-Afrikaanse Ontwikkelingstrust verleen is.

(vii) Die eienaar mag geen permanente bouwerk of struktuur of plaveisel in die serwitutgebied oprig of lê nie.

(viii) Die eienaar, mag geen bome of struke plant of rotstuite of grondhope aanbring in die serwitutgebied nie.

(ix) Die eiendomsreg op pypleidings binne die serwitutgebied berus by die Departement/Suid-Afrikaanse Ontwikkelingstrust.

(x) Die serwitutgebied moet deur middel van bakens aangedui word, en sodanige bakens mag nie versteur word nie.

(xi) Die Departement/Suid-Afrikaanse Ontwikkelingstrust is nie aanspreeklik vir enige skade aan dienste nie, tensy sodanige skade deur amptenare in sy diens in die uitvoering van hulle amptelike pligte veroorsaak is.

(xii) Die Departement/Suid-Afrikaanse Ontwikkelingstrust of kontrakteurs in sy diens moet uitgrawings behoorlik opvul om insinking of erosie te voorkom.

3. Gemeelde onteiening word van krag dertig (30) dae na die datum van publikasie van hierdie kennisgewing in die *Staatskoerant*, op welke datum die eiendomsreg op genoemde serwitutgebied op die Suid-Afrikaanse Ontwikkelingstrust oorgaan en die serwitutgebied in besit geneem word.

4. Ingevolge artikel 12 (1) (b) van genoemde Onteieningswet word die totale bedrag van R280 (tweehonderd-en-tagtig rand) hierby aan u as vergoeding aangebied.

5. Ingevolge genoemde Onteieningswet word u aandag hierby daarop gevestig dat die vergoedingsaanbod kragtens die bepaling van artikel 10 (5) van genoemde Wet as deur u aanvaar beskou sal word indien u nie binne agt (8) maande (of sodanige langer tydperk as wat die Minister bepaal) vanaf die datum van die vergoedingsaanbod 'n aansoek om die vaststelling van die vergoedingsbedrag by 'n vergoedingshof of 'n afdeling van die Hooggeregshof wat jurisdiksie het, indien nie, tensy daar voor die verstryking van bedoelde tydperk ooreengekom is om die geskil aangaande die vergoedingsbedrag aan arbitrasie te onderwerp of om sodanige bedrag deur 'n vergoedingshof te laat vasstel.

(v) After completion of any work the Department/South African Development Trust shall bear the costs of removing material and shall restore the site mentioned in paragraph 2 (iv) above to its original state and shall repair or replace any fences, shrubs or plants that have been damaged. (22) ~~22~~

(vi) The Department/South African Development Trust shall not be responsible for any physical injury, loss of life or loss of or damage to anything inside the servitude area that is caused by or arises from or is connected with anything that is done bona fide in the execution or performance of a qualified activity or duty in terms of the rights granted to the Department/South African Development Trust by virtue of the servitude deeds and/or any legislation.

(vii) The owner may not erect any permanent building or structure or lay any paving in the servitude area.

(viii) The owner may not plant any shrubs or trees or create rockeries or mounds of soil in the servitude area.

(ix) The property rights to pipelines within the servitude area shall vest in the Department/South African Development Trust.

(x) The servitude area must be marked by beacons and such beacons may not be disturbed in any way.

(xi) The Department/South African Development Trust shall not be responsible for any damage to services except when such damage is caused by officers in its service in the execution of their official duties.

(xii) The Department/South African Development Trust or contractors in its service shall fill up excavations properly to prevent subsidence or erosion.

3. The said expropriation shall become effective and the servitude area shall be taken into possession thirty (30) days after the date of publication of this notice in the *Gazette*, on which date the ownership of the said servitude area shall vest in the South African Development Trust.

4. In terms of section 12 (1) (b) of the said Expropriation Act the total amount of R280 (two hundred and eighty rand) is hereby offered to you as compensation.

5. In terms of the said Expropriation Act your attention is hereby invited to the fact that the offer of compensation shall, in terms of section 10 (5) of the said Act, be deemed to have been accepted by you if you do not, within eight (8) months (or such longer period as the Minister may allow) from the date of the offer of compensation, apply to a compensation court or a division of the Supreme Court having jurisdiction for the determination of the amount of compensation, unless, prior to the expiry of the said period, it has been agreed to submit to arbitration the dispute regarding the amount of compensation or to have such amount determined by a compensation court.

6. U word hierby versoek om binne sestig (60) dae vanaf die datum van publikasie van hierdie kennisgewing in die *Staatskoerant* aan my by die adres onderaan hierdie kennisgewing gemeld, 'n skriftelike verklaring te lewer of te laat lewer waarin—

(i) u aandui of u die tersaaklike vergoedingsbedrag hierin gemeld, aanneem en, indien u die bedrag nie aanneem nie, wat die totale bedrag is wat u as vergoeding eis vir die serwituut wat hierby onteien word;

(ii) u die adres verstrek waarheen verdere stukke in verband met die onteiening aan u gepos moet word.

7. Verder word u hierby versoek om binne sestig (60) dae vanaf gemelde datum van publikasie die titelbewys van die betrokke eiendom of, indien dit nie in u besit of onder u beheer is nie, die naam en adres van die persoon in wie se besit of onder wie se beheer dit is, skriftelik aan my te lewer of te laat lewer.

J. C. ESTERHUIZEN,

p.p. Minister van Openbare Werke en Grondsake (Kragtens Spesiale Algemene Volmag PA55/1989 gedateer 10 Februarie 1989).

Adres: Die Direkteur-generaal van Openbare Werke en Grondsake
Privaat Sak X65
PRETORIA
0001.

Plek: Pretoria.

Datum van ondertekening: 23 September 1991.

As getuies:

1. J. C. E. Bure.
2. L. E. Velthuysen.

6. You are hereby requested to deliver or cause to be delivered to me at the address stated at the end of this notice, within sixty (60) days from the date of publication of this notice in the *Gazette*, a written statement in which—

(i) you indicate whether you accept the amount of compensation in question stated herein and, should you not accept it, what total amount you claim as compensation for the servitude hereby expropriated;

(ii) you furnish the address to which further documents in connection with the expropriation are to be posted to you.

7. You are further requested to deliver or cause to be delivered to me, within sixty (60) days from the said date of publication, the title deed of the property concerned or, if this is not in your possession or under your control, written particulars of the name and address of the person in whose possession or under whose control it is.

J. C. ESTERHUIZEN,

p.p. Minister of Public Works and Land Affairs (By virtue of Special General Power of Attorney PA55/1989 dated 10 February 1989).

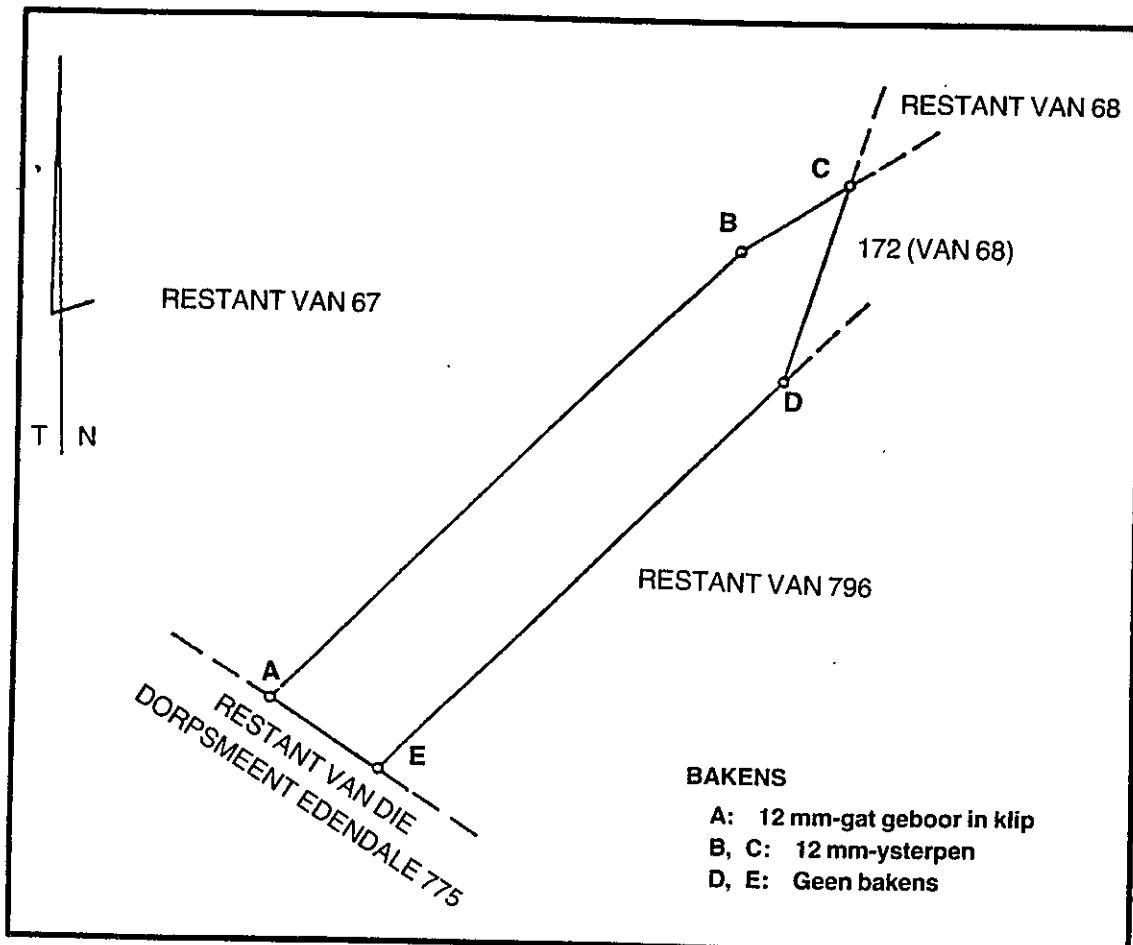
Address: The Director-General of Public Works and Land Affairs
Private Bag X65
PRETORIA
0001.

Place: Pretoria.

Date of signature: 23 September 1991.

As witnesses:

1. J. C. E. Bure.
2. L. E. Velthuysen.



COMMODITIES

Pros and cons of cement cartel

IF THE ancient Egyptians had it, their pyramids would have been bigger; if the Chinese had it their Great Wall would have been even more visible from space; and if the Greeks had it the Venus de Milo would probably still have arms.

The product is cement and, in our modern, urban-based society, it is the product that binds our "concrete jungles" together. It is as essential to concrete, the prime building component in most of our buildings, as flour is to bread.

Cement is a relatively low-value, high-volume product, its price radically affected by transport costs. And because its main ingredient is limestone producers have to be where the limestone deposits are. In SA the big limestone deposits are in the Western Transvaal — generally a fair distance from the main markets.

Because of that and the high capital outlay associated with cement plant construction, SA's three producers, Pretoria Portland Cement (PPC), Anglo-Alpha, and Blue Circle, have been granted leave to operate in a collusive environment.

Cartel

This arrangement, sanctioned by the Competition Board in August 1988 (but currently under review), has largely allowed these companies to offset the effects of weak demand in the markets they serve.

Cartel members, of course, are not totally shielded, and uniformly complain of reduced sales. They are currently operating at about 60% of total yearly capacity of about 12,3-million tons. Sales have not been near 80% of capacity since about 1982, when cement demand jumped 40% in two years on buoyant capital spending.

But sales have slumped since, and members say there are no plans to increase production facilities at least until the beginning of next century. PPC, which commissioned the R250m Dwaalboom cement plant in 1986, has since mothballed it.

The Dwaalboom plant is capable of producing 650 000 tons of cement a year, about 13% of

PPC's 5,2-million-ton total capacity. PPC represents about 45% of SA's market, followed by Anglo-Alpha with 35%, and Blue Circle with 20%. Market share is maintained at those levels by agreement.

The current year does not look rosy, as the civil engineering and construction industries continue to slump. Latest figures from the SA Cement Producer's Association (Sacpa) indicate cement sales at 4,9-million tons to August, compared to 5,2-million tons during the first eight months of last year. On a moving annual total this indicates that sales will be about 4% down from last year's 7,8-million tons.

However, a market analyst says the three producers have averaged about 10% compound earnings growth during the past decade, and investors are taking the longer-term view that demand for black housing and informal sector building is bound to pick up.

The three producers show an average historical price to earnings ratio of almost 12 times. This compares with ratings of construction companies such as Concor (3,9 times), Group 5 (3,4 times), and LTA (4,5 times).

The cartel situation has enabled the three groups to maximise supply efficiencies and to keep pricing at a level which compares well with prices abroad, although the latter point is argued by critics.

Critics also say the industry enjoys special legislation, and point to a recent case where the cartel managed to squash attempts by a Spanish company to import cement through Natal several years ago.

Sacpa says the local industry wants protection against cement being "dumped" in SA at prices below those ruling in the countries of origin, and that it has no objection to fair competition from foreign producers.

In relation to international prices, SA is still one of the lowest-cost producers. Swiss-based Holderbank figures show that at the end of 1990 bulk prices of SA cement were at \$48,17 a ton, compared with \$113,86 in New Zealand, \$72,62 in Canada, and \$36,65 in Lebanon.

As opposition to the cartel grew more pitched recently the Competition Board has reopened its investigations.

Arguments justifying the exemption include the fact that there are essentially no barriers to entry into the market, substitute building products provide competition, and the local market is open to competition from international producers.

Sacpa says the best way of minimising the inflationary effects of transport on the cost of cement is through the cartel. Deliveries are optimised through a computerised transportation model, avoiding expensive cross haulage.

The main argument is the capital intensive nature of the business. Anglo-Alpha MD Johan Pretorius points out that a new economically sized kiln will now cost at least R500m.

Critics such as Concor Technicrete's MD Peter Michau say that any business involves risk, and if one is not prepared to take that risk one should not enter the market.

Alternative

As for substitute building products, the most commonly used in SA is steel, mostly in so-called "fast track" construction of warehouses, bridges and some commercial buildings. Glass cladding, brick and mortar housing and timber-frame housing are other examples.

More specific to roads and piping, alternative building materials include blacktop bitumen, PVC and bitumen pitch pipes.

SA Federation of Civil Engineering Contractors (Safcec) CE Kees Lagaay says asphalt highways cost less to build than concrete ones, but their lifespans are shorter.

Portland Cement Institute executive director Graham Grieve says cement represents between 7% and 10% of total costs of engineered structures such as bridges, roads, and cooling towers. Those costs are reduced in the case of typical multistory commercial buildings to about 2%, and, according to Building Industry Federation of SA figures, amount to about 6% to 8% of the total materials cost of residential buildings.

B/Daw 4/10/91

BRENT VON MELVILLE

32

32

COMPANIES

Murray & Roberts to focus on exports

WITH SA companies finding more favour worldwide, diversified industrial group Murray & Roberts (M & R) has taken a major strategic decision to focus its businesses on exports, with particular emphasis on southern Africa.

M & R CE Dave Brink said the improved political climate and elimination of sanctions augured well for the group's activities in SA. He says additional opportunities would be provided by the increasing access to African and First World economies.

In his annual review, Brink says the Sankorp-controlled group will be concentrating specifically on developing its businesses in sub-Saharan Africa. Future growth will be organic, from grass roots projects and from further acquisitions.

With that in mind, the group has budgeted for a relatively high capex level of R200m for the current financial year, compared with R150m expended during the

BRENT VON MELVILLE

1991 financial year. (32)

Brink warns, however, that 1992 will likely be disappointing, although real growth in turnover and profits should be achieved again in the 1993 and 1994 financial years. B/day 4/10/91

He forecasts a decline in attributable earnings of about 10% for the coming year.

Brink says the Construction, Engineering and Properties operating groups are in the downward phase of their business cycle with gross domestic fixed investment growth remaining negative and few major new projects in prospect for the 1992 financial year.

"There is little sign of the long-awaited economic upswing, the early stages of which would help our Industrial and Suppliers & Services operating groups."

PRIVATE-SECTOR SUBSIDIES MOAN

S Times (Bus) 6/10/91 32
PRIVATE-sector construction companies are accusing the Independent Development Trust of bias toward the public sector for the R750-million capital subsidy scheme to develop 100 000 housing sites.

Group 5 chairman Peter Clogg says private-sector applications were more than R750-million in value, most of which were turned down.

Mr Clogg says the regional services councils and the provincial administrations were given preference, though they would probably have to tender to private companies anyway to do the job.

Costs

He says channelling work through such state bodies can incur unnecessary extra costs.

Mr Clogg says the IDT could have saved a lot of time by building on sites that the private sector has already developed, but were not able to sell. Instead it is going to the trouble of developing new sites.

Stocks and Stocks chairman Reg Edwards says the

By DIRK TIEMANN

private sector has so far not been given any business by the IDT.

But IDT executive director Michael Ridley says private companies have no reason to complain because they stand to get R300-million of civil work out of the R750-million site-development scheme.

He says the private sector has not shown much interest in tendering for the scheme because profitability is limited in relation to the risks involved.

Mr Ridley says 404 applications were received for the R750-million, but only 11% was from the private sector, and 9% of this amount was approved.

Public authorities will handle 37% of the total business, community trusts 34% and utility companies 20%.

Mr Ridley says: "We will neither favour nor disfavour public companies in any way. Certain limited urgent contractual appointments were made by bodies funded by the IDT in the past, but these were confined to emergencies only."

GRINAKEER HOLDINGS

Fm 11/10/91

32

Relying more on electronics

GRINAKEER

Activities: Operates in construction, electronics and computers.

Control: Anglovaal Industries 51%.

Chairman: J C Robbertze; MD: A N Saulez.

Capital structure: 35m ords. Market capitalisation: R306m.

Share market: Price: 875c. Yields: 3,9% on dividend; 12,4% on earnings; p:e ratio, 8,0; cover, 3,2. 12-month high, 1 050c; low, 850c.

Trading volume last quarter, 97 000 shares.

Year to June	'88	'89	'90	'91
ST debt (Rm)	20,7	30,9	23,3	43,5
LT debt (Rm)	2,8	9,7	20,8	15,2
Debt:equity ratio	—	0,03	—	—
Shareholders' interest	0,43	0,38	0,38	0,35
Int & leasing cover ..	14,7	9,0	7,5	12,1
Return on cap (%) ..	15,8	15,4	18,4	15,2
Turnover (Rbn)	0,39	1,22	1,94	2,05
Pre-int profit (Rm) ...	72	91	153	125
Pre-int margin (%) ..	8,1	7,5	7,9	6,1
Earnings (c)	71,4	106,8	143,9	108,7
Dividends (c)	22	30	38	34
Net worth (c)	423	479	545	475

GRINTEK

Activities: Manufactures and distributes radio communications, specialist electronic products and computer products.

Control: Grinaker Holdings 67,6%; Anglovaal has ultimate control.

Chairman: A N Saulez.

Capital structure: 193m ords. Market capitalisation: R291m.

Share market: Price: 125c. Yields: 4,3% on dividend; 11,9% on earnings; p:e ratio, 8,4; cover, 2,8. 12-month high, 250c; low, 110c.

Trading volume last quarter, 915 000 shares.

Year to June	'90†	'91
ST debt (Rm)	4,4	13,7
LT debt (Rm)	1,8	1,4
Debt:equity ratio	—	—
Shareholders' interest	0,40	0,41
Int & leasing cover	10,7	18,1
Return on capital (%)	15,5*	17,5
Turnover (Rm)	1 031	1 076
Pre-int profit (Rm)	120,1	84,9
Pre-int margin (%)	9,8	6,5
Earnings (c)	23,9*	14,9
Dividends (c)	4,7*	5,4
Net worth (c)	72,0	69,9

† Eighteen months to June 1990.

* Annualised.

Electronics and construction may make strange bedfellows but in the 1991 financial year — and so far during the current year — their performances have been counterbalancing each other.

It was the turn of electronics to suffer last year, partly because of major cutbacks in defence contracts. This year the cutbacks in road building are only just affecting Grinaker Construction while electronics looks set to recover.

Construction had a strong year, with attributable earnings up by a quarter. The reinforcing, piling and quarry divisions all



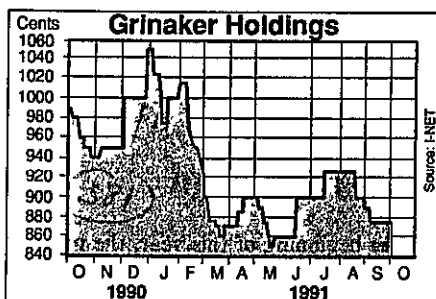
Grinaker's Saulez ... roads will have to be built

performed ahead of budget and the building, civils and engineering projects were on budget. Concrete and property performed below expectations. Among the highlights of the year was the building of Shell Ultra City between Johannesburg and Pretoria in a record four months. Grinaker was awarded five infrastructure contracts for Sasol's Syferfontein colliery, worth more than R50m, and an R82m contract at Sun City's Lost City project.

There was considerable activity in neighbouring territories where lower tax rates apply; Grinaker Construction's effective tax rate fell from 47,3% to 40,9%.

Group MD Jack Saulez says government contracts for new roads and railways have almost disappeared. He adds it's the first time that the cutback has been this drastic and there is a view that the road system is adequate, and there are other priorities, but it will not take long before roads will have to be renewed.

Grinaker has severely curtailed its low-cost housing activities and there was an R8m extraordinary loss on discontinued operations. It will keep a foothold in this market,

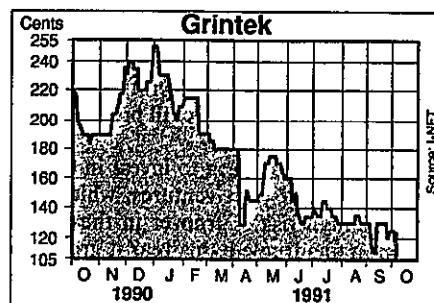


which could be expanded when prospects improve, but Saulez says that any upturn in contracts now will not have a material effect on the 1992 financial year.

Grinaker Electronics suffered from unforeseen cutbacks by major clients in defence. This work offered better margins than the civilian work, so earnings fell by 47% to R12m. Prospects for the year are better, thanks to orders from Transtel for radio trunking systems, and from the SABC for FM radio antennae. Export opportunities are improving. The group has entered the commercial security market through the Naylor-Call range of products to be launched before the end of calendar 1991.

Siltek (see separate report) went through a major rationalisation programme, which brought about an extraordinary loss of R24m. Attributable earnings fell by 31% to R28m. But its earnings have less effect on Grinaker Holdings than the construction interests. Less than 47% of earnings are attributable to the top Grinaker company.

The electronics interests are in two-thirds held Grintek, which in turn holds 63% of listed Siltek and 94% of unlisted Grinaker Electronics. Grintek was created in Novem-



ber 1989 from the Mooi River Textiles cash shell, after Anglovaal Industries delisted the textile company.

All the companies are ungeared. The Grinaker Holdings cash balance increased from R55m to R67m. Grintek's cash resources fell by R20m to R38m, but they still comfortably exceed borrowings. Saulez, however, says there will be no change to dividend policy, which is designed to smooth out fluctuations, provided cash resources are adequate. Despite a 24% reduction in Grinaker Holdings' EPS, dividends fell by 11%.

Grintek's earnings were almost static on an annualised basis and by the same measure the dividend grew. Grintek has better immediate prospects than the group as a whole, and the gap is widening between Grintek and Grinaker. The Grinaker share has slipped to a p:e of 7,8, while Grintek now stands on 8,4. As Grinaker's dividend cover is higher it has a more demanding dividend yield of 4%,

compared with 4,3% for Grintek. The shares are unlikely to make spectacular gains in the short term but the disciplines and financial strengths are strong. Grinaker and Grintek offer good long-term prospects. *Stephen Cranston*

Building costs may rise by 16%

B/pay 14/10/91.
SHARON WOOD

VAT would add about 4% to building costs and would result in a 16% hike in building costs for the year, the Bureau for Economic Research (BER) said on Friday in its latest survey on the building industry.

This was well above preliminary estimates of below 12% increases for the year, and followed "surprising" increases in the Building Cost Index in the first half of the year.

The index soared by 14% quarter-on-quarter in the first quarter and 14.8% in the second. Costs were expected to rise by about 12.5% in the third quarter, the survey said.

VAT would also push up prices in previously GST-exempt building industry

services, specifically architecture and quantity surveying, it said.

Building contractors and sub-contractors were also concerned because they would now have to charge VAT on the labour component of their service.

While the building industry was still experiencing difficult conditions, the survey results indicated slight improvements during the third quarter.

In addition, expectations in the industry were that conditions would get slightly better during the fourth quarter of the year and early next year.

Residential sector building contractors and sub-

contractors fared better than the other groups during the third quarter.

This could have been a result of homeowners improving existing homes rather than building new ones, it said.

Architects expected business conditions to remain more or less the same in the last quarter of the year as those experienced in the third quarter.

The BER reported architects were too optimistic about conditions in the third quarter and generally

conditions were poorer than anticipated.

Business conditions during the third quarter were better than expected for quantity surveyors.

Expectations were that conditions for quantity surveyors would improve in the fourth quarter.

Political factors, labour unrest and high interest rates were causing some concern.

The industry also expressed concern about the loss of skilled artisans and trained workers.

By MAGGIE ROWLEY
Deputy Business Editor

VAT SHOULD reduce non-residential building costs by between 5% and 6%, says Erwin Rode, editor of The Rode Report.

In the GST era, says Rode, building materials and plant and equipment, which constituted on average 50% of building costs, were subject to 13% GST.

"Under the VAT system, the 13% is stripped away, effectively reducing building costs by about 5% to 6%.

"While labour now becomes subject to VAT, at 10% as long as the seller or buyer is a vendor, which is usually the case in non-residential buildings, then they can claim input credits for any VAT payable.

"Hence VAT does not add to the cost of erecting a non-residential property and in fact the cost of doing so declines," he said.

With regard to re-

Building costs ⁽³²⁾ to drop by 6%?

sidential properties, Rode says the impact of VAT should be no more than 4%.

"And if residential properties are subject to VAT, then they are not subject to transfer costs which are normally in the region of 3%. Therefore the maximum increase in the cost of new houses as a result of VAT should be 1%."

Dr Okkie Stuart, director of the Bureau of Economic Research (BER) at the University of Stellenbosch said that while in theory this should be the impact of VAT on building costs, he believed it would be higher.

"It is unlikely that developers, whose margins have been under immense pressure in the downturn, will pass on this full saving in either the residential or non-residential sectors of the market."

In its latest survey on the building industry issued, BER forecasts that VAT will increase building costs generally by about 4% bringing the total increase this year to about 16%.

BER initially anticipated the average annual increase would be below the 12% mark, not taking the effect of VAT into account.

However, this had had to be amended follow-

ing "a surprising jump" in the preliminary quarterly percentage increases.

The year-on-year percentage change for the first and second quarters of this year increased from 12,7% to 12,9% to 14% and 14,8% respectively while the preliminary figure for the third quarter was 12,5%, giving an average increase so far this year of 13,8%.

In an interview, Stuart forecast that the annual increase in building costs, without the impact of VAT, should be in the region of about 13%.

"The Producer Price Index is coming down

fairly rapidly and there is a strong correlation between the PPI and the Building Cost Index and as such building cost increases in the fourth quarter should taper off.

"However the overall increase taking VAT into account will depend on whether or not developers pass on VAT savings. If they do, the increase may be less than 16%."

According to the BER report, the building industry is still experiencing difficult business conditions but slight improvements were experienced during the third quarter of this year and this trend was expected to continue.

The residential building contractors and subcontractors appear to have experienced better conditions during the third quarter than other groups surveyed possibly due to home owners having opted for improving existing houses rather than building new homes.

The refurbishment of existing buildings as opposed to building new ones was also becoming an option in the non-residential sector.

Architects expected business conditions to remain more or less the same in the last quarter of the year as those experienced in the third quarter.

Business conditions during the third quarter were better than expected for quantity surveyors.

Overall expectations were that conditions for quantity surveyors would improve in the fourth quarter.

Neither Stuart nor Rode expected any real growth in the building industry before the latter part of 1992.

Construction industry 'in need of stimulation'

THE civil, building and engineering industries need active industrial growth and building development in the next six months to stimulate both the industry and economy, says management consultants Philip Loots & Associates MD Ian Massey.

"Someone needs to take the initiative. The present inertia is due to the poor level of business and the lack of economic and political certainty worldwide," he says.

However, a number of major civil, building and engineering contracts have been signed this year, prompting some optimism about building conditions in these industries for the coming year.

"One of the reasons for this is the number of new projects which are likely to be finalised over the next few months and in the first half of next year."

While many projects had not come on stream as early as expected and the introduction of VAT, which is ex-

B/Pay 16/10/91 (32)
Reports by
PETER GALLI

pected to push construction costs up by at least 5%, had resulted in a bleak forecast, a number of new contracts were signed this year.

However, the industry should not be complacent, he says. Contractors need to adopt different strategies for work acquisition, particularly in differing geographic areas.

"This will require greater care and controls in the execution of such projects, and in the management of the risks."

The larger companies could no longer rely on SA to provide the bulk of their work and it was essential that they looked farther afield, even worldwide.

While SA could operate from a low cost base, productivity was a problem when competing with international markets.

New projects in the pipeline include the R2,5bn Columbus stainless

steel project, the proposed Louis Luyt International brewery on the West Rand, the Alusaf Smelter project likely to be built at Richards Bay, and oil platforms off Durban.

"These last two projects, and developments in the petrochemical industry, reinforce the view that Durban and the Natal north coast are likely to provide opportunities for work in the future," Massey says.

In addition, the Lesotho Highlands Development Project, worth R6bn and providing work for local and off-shore contractors, went ahead this year.

He adds that while these industries will not be booming in the near future, the situation is not as bleak as many perceive it to be. Many of the bigger organisations are already looking across the border into southern Africa for work to fill order books.

"This could have a spin-off effect through which plant hire, suppliers and small contractors could also benefit," Massey says.

Sowetan Business

Walters' firm has

gone plumbing crazy

By JOSHUA RABOROKO

THE squalid conditions of squatters led Mr Walter Linda Masilo to open a sanitary engineering business.

Masilo Plumbers and Sanitary Engineers repairs blocked drains, burst pipes, drain laying, gutters, stormwater drains, water-proofing and home alterations.

The lack of these facilities came to his notice when local authorities failed to render services, especially during boycott of tariffs in the townships.

The conditions under which black families lived

in squatter camps such as Klipdown, Chicken Farm, Mshenguville and elsewhere in the country were painful to him.

"The streets and yards laden with overflowing effluent from blocked drains and toilets disgusted me. It is a terrible sight to see these things happen in your own backyard," he said.

Masilo was born in Soweto and matriculated at Sekano-Nloana High School in 1980. He contin-

Sawefu 17/10/91

ued his studies at the George Tabor Vocational School in Soweto, where he obtained a diploma in plumbing in 1983.

His ambition was to become a school teacher, but was forced to look for work because his parents did not have sufficient funds to pay for his education.

Meagre

He worked for a company in Johannesburg. During his leisure hours he repaired blocked drains and pipes - most of the work was done from his parents' backyard to augment his

meagre salary.

"I soon became tired of working for whites. I decided to quit the job."

He used his own money to buy equipment and he operated fulltime from his home. But, as he says, the premises became too small when the business started to grow.

He soon found a trading site at the Ipelegeng Community Centre in Soweto where he operated a 24-hour service in the townships and later to most of Johannesburg's suburbs. "There is a great potential for business, because

32

there are not so many blacks who are qualified in the job," he said, adding, "seemingly because plumbing is not a clean job".

As Masilo's business grew from strength to strength he decided to employ four other people whom he trained.

"Today they are skilled in their own right," he said.

Today Masilo's business is based in the Conservative Party-controlled town of Boksburg, where he is not afraid to repair the homes of the most radical whites. "They do not give prob-

lems when their toilets and drains are blocked. I actually enjoy working for them. I still service my old clients in the PWV, although my headache is getting payment from some of them," he said.

He intends to sign contracts with local authorities - a step he thinks will eventually lead him to boomtime.

Masilo wants to train more blacks as apprentices in order to become fully-fledged plumbers in the future. He can be contacted at telephone number (011) 862-1634.

Economic building systems devised

32

1980

Roofing

17/10/91

THE provision of affordable housing in South Africa has led to the development of economical building systems.

In turn it has become necessary to identify finishes which will complement these structures without substantially increasing costs.

Harvey Roofing Products' sales executive Mr Patrick Mkolesa says roofing in particular requires careful consideration.

The weight of the roofing material, ease of transportation and installation, durability and aesthetics are all factors which influence specification.

A cost-effective product which is meeting requirements is Tuffspan "S" rib profiled roof sheeting. Manufactured by the company, Tuffspan is factory-coated in a range of colours developed to enhance individual units or lend character to mass housing schemes.

The attractive, maintenance-free finish is achieved with an acrylic formulation which can withstand high ultra-violet levels and adverse climatic conditions.

Stokvels and trusts joining forces for black builders

Star 20/10/91
SIGNIFICANT inroads could be made into SA's dire housing shortage through a locally developed mechanism to empower black builders.

Devised by Johannesburg-based Promatra Training Services, the mechanism involves the combination of third world "stokvels" and first world trusts to financially enable thousands of black builders to learn the finer points of the building trade.

According to Tjaart van Staden, Promatra's managing director, the stokvel and trust

concepts will be merged to form a "trustvel" to provide finance for entrepreneurial black builders.

"Many black builders have poor credibility and are denied access to funds because their management expertise does not match their building prowess. We have developed a totally practical training course that enables black builders to earn a diploma after they have come to grips with the administrative side of contracting."

Course contents include

tendering and estimating, planning and executing contracts; and the management of marketing, finance, general administration, and manpower. Mr van Staden envisages initial funding for the scheme coming from sponsor bodies including the Government, quasi-government entities, the private sector, and foreign sources wanting to assist in upgrading the country's housing situation.

"Sponsor bodies will pay for the builder's training, the builder will pay back the

(32)
sponsor, who will in turn pay into the trustvel, which will also receive some bridging capital. Access to funds in the stokvel for building purposes will be strictly controlled, as it is in the traditional stokvel system.

"We have already had many enquiries from black builders wanting to take our training course but we feel that the sponsored trustvel route will enable many more individuals to benefit and become more effective builders."

'Industry could handle huge housing plan'

PETER GALLI

THE Old Mutual/Nedcor housing scenario to kick-start the economy could see in additional 100 000 people employed if it were implemented, SA Building Industries (Bifsa) executive director Neil Fraser told delegates at its annual conference at the Wild Coast Sun yesterday.

One of the proposals in the Nedcor/Old Mutual economic plan was that 200 000 low-cost homes be built a year for three years; that 400 000 plots be serviced and a million houses be provided with electricity annually over the same period.

Fraser said the industry could handle the task.

A Bifsa analysis showed that about 55 000 people would be employed as supervisors, skilled operators, semi-skilled and unskilled workers to provide services and civil engineering facilities.

In addition, about 90 000 people, including 4 000 supervisors, would be employed on building work.

At least 800 small companies could be established as a result of the programme, he said.

Fraser then detailed what would be involved in such an initiative. Bifsa based its analysis on a house of 4225m² with two bedrooms, a living room/kitchen and bathroom.

"While such a house is too sophisticated for very low income earners, it is within the affordable levels of many others and thus represents an average demand."

The analysis included a complete programme for the operation, based on the completion of 80 houses countrywide each working hour, Fraser said.

Bifsa has programmed the building of single houses at 18 days a house, not including site clearing and electrical reticulation.

"The manufacture of the materials required would provide thousands more jobs and promote small business."

The 286-million concrete blocks required could be almost entirely produced by labour-intensive small entrepreneurs," Fraser said.

Rand more resilient against 'new' basket

SIMON WILLSON

THE rand is noticeably more resilient on average against a basket of trading partners' currencies since the Reserve Bank's changes to the trade-weighted rand's currency basket.

The trade-weighted, or effective, rand shows the rand's value against a cross-section of currencies weighted by trade flows rather than as a bilateral rate against one or other of the major currencies.

The rand's trade-weighted value is expressed as an index, where January 1979 equals 100.

The basket of currencies against which the effective rand is measured contains the currencies of SA's six biggest trading partners. The top four currencies in the basket have changed little over the years: US dollar, British pound, Deutschmark and Japanese yen.

The bottom of the currency basket ranking is more volatile.

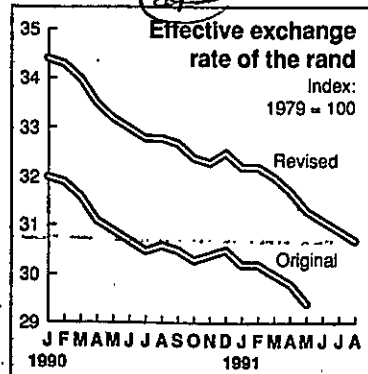
Static

The change enacted by the Reserve Bank during the third quarter was to toss the Swiss and French francs out of the basket and replace them with the Italian lira and the Dutch guilder.

The switch implies a shift in trading patterns over the 12 months since the Reserve Bank last examined the composition of the currency basket. Trade relationships with Italy and the Netherlands would seem to have burgeoned, while those with Switzerland and France have remained static or fallen off.

Official figures detailing SA's trade with individual foreign countries have been classified since the mid-1980s to avoid sanctions pressure. SA Foreign Trade Organisation (Safto) economist Bruce Donald said commercial relations with Italy and the Netherlands had indeed expanded recently.

"Italy stands out as a major growth point for SA exports, and the Italian market has moved up considerably recently among SA's other export



Graphic: FIONA KRISCH Source: SA RESERVE BANK

markets," Donald said. Precious metals constituted the main SA export to Italy, followed by coal, base metals, metallic and non-metallic ores and hides and skins — highlighting Italy's buoyant jewellery and leather consumer goods industries.

Donald added that the importance of the Netherlands was centred on its role as a gateway to Europe through the giant entrepôt of Rotterdam.

"SA exports to Rotterdam cover a wide spectrum and include huge amounts of bulk minerals and containerised cargo. This traffic can be expected to increase substantially in the years ahead in view of the removal of political trade barriers within the EC."

The growth of SA freight traffic through Rotterdam may also have been helped by the more compliant attitude of the Dutch dockworkers. Trade union sensitivity over handling products of SA origin had been overcome earlier in Rotterdam than at some other European ports.

Donald said the importance of France as a supplier had declined since 1988, while there had been a parallel decline in the significance of Switzerland as a market over broadly the same period.

The dramatic improvement in SA's commercial relationship with Italy seems to have been visible during last week's visit to Italy by Trade and Industry Minister Org Marais.

Public service jobs... three years... other... who... danger... in... a... an... extend... of... old... many... there... which... a... cor... 2337



Architects denied room for creativity

By Day 23/10/91. (32)

ARCHITECTS are complaining that their creative opportunities are dwindling as clients become more design and cost-conscious.

As institutions or developers of commercial and industrial property become more aware of all aspects of their projects they develop an awareness of what they want, how they want it done and the most cost-effective way of achieving these objectives, says Meyer Pienaar Smith partner Tony Olley.

"The developer often has to initiate his own project, which he then markets to an institution or financier. We are given specific instructions and an explicit brief.

"Creative opportunities seldom arise for the architect in this market," he says.

His company has shifted its focus over the years from educational and civic buildings to retail, commercial and industrial ones. The company was also involved in the Bank City head office for First National Bank.

"We were looking to design other corporate head offices, with many companies expressing interest in projects similar to Bank City. However, over the past few years these intentions have dwindled, with many of the companies moving to suburban locations on cheaper ground and with a smaller development," he says.

Few developments are taking into consideration the larger community picture — when a building is erected, profitability is a key issue for all players.

Reports by
PETER GALLI

The tight economy affects every aspect of the project and few developers are prepared to create more facilities than are cost-effective and essential, Olley says.

BSADH architects and urban planners partner Bannie Britz says it is essential for developers to talk to the end users, otherwise they could burn their fingers.

"Many developers forget the end user or believe they know what he wants. This is nonsense. It is essential they consult the end users and examine issues such as the life of the building."

Buildings should be designed for more than just a "quick buck", and around the needs of the user and the climate. It must have low maintenance and low energy use and be adaptable, Britz says.

In the past, the bottom line was all that was taken into consideration. The building was imposed on its surroundings and was not always environment-friendly.

Other factors are now being taken into account — not just the structure, but also the urban design concept, which combines the architectural and town planning aspects, and the people and environmental point of view.

Alternative means of financing are also being considered, Britz says.

Olley says the past 10 years have seen developers and entrepreneurs put more effort and money into landscaping, as a development without it will not be as profitable.

Providing a home for every urban worker

Soweto 24/10/91 32

By JOSHUA RABOROKO

THE black-owned Mepco building and construction company started, solely with the low income group in mind, tries to make every employed urban dweller a homeowner.

Managing director Mr Mtshali says his company places special emphasis on providing affordable, secured and high quality homes.

It is concerned with the 86 percent of the black population that is looking for affordable homes while financial institutions regard them as an "economic risk."

Mtshali has appealed to State President F.W. de Klerk and the African National Congress and people with research knowledge to plan a new strategy to overcome the housing shortage.

A great deal of money lies fallow in provident funds. It could be used to help people acquire a home.

Mtshali wants that small builders should be given a chance to prove themselves. Black and white builders should unite, he says, adding, white builders have the capital and the expertise while blacks have the labour.

He stresses that training and education is vital. Institutions should concentrate on courses for builders, which look at the practical side of running the industry.

He wants more land to be made available to black developers.

"This could ensure

more houses for less money in the low income group."

Violence and uprisings in black areas has greatly affected the building industry, he said.

A builder from Sebokeng is not allowed to build in Soweto, for example, he said, and that restricts them in their work.

For more information on Mepco contact 333-3232 or 333-3234.

PROPERTY

Roofs come out on top to provide affordable homes

By JOSHUA RABOROKO

THE provision of affordable housing in South Africa has led to the development of different economical building systems.

It has also become necessary to identify finishes to complement these structures without increasing costs too much.

Harvey Roofing Products' sales executive, Mr Patrick Mkolesa, said roofing in particular required careful consideration.

The weight of the roofing material, ease of transportation and installation, durability and aesthetics were all factors which influenced specification.

A cost-effective product which meets requirements is Tuffspan "S" rib profiled roof sheeting.

Tuffspan is factory-coated in a range of colours developed to enhance individual units or lend character to mass housing schemes.

The attractive, maintenance-free finish

Sowetan
is achieved with an acrylic formulation which can withstand high ultra-violet levels and adverse climatic conditions.

Natural stone granules on the weather-side add visual appeal. Coating on the underside provides a good-looking surface in areas where ceilings are not an immediate necessity. 24/10/91

The company recently demonstrated the benefits of aesthetically pleasing roofing when it was used on a Brickmart unit built by Let Property Development for the Star Affordable Show in Vosloorus. 32 43

Green coloured roof sheets enhanced the single skin clay brick home which emerged a winner in the Show's Best Home category.

'Stokvel' plan to boost builders

Sowetan

24/10/91

32

SIGNIFICANT progress could be made in alleviating South Africa's dire housing shortage if a plan to empower black builders comes to fruition.

Devised by Johannes-

By **JOSHUA RABOROKO**

burg-based Promatra training Services, the plan involves a combination of Third World "stokvels" and First World trusts to financially enable thousands of black builders to

learn the finer points of the building trade.

According to Mr Tjaart van Staden, Promatra's managing director, the stokvel and trust concept will be merged to form a "trustvel" which will finance black builders.

"Many black builders have poor credibility and are denied access to funds because their management expertise does not match their building prowess," he said.

"We have developed a totally practical training course that enables black builders to earn a diploma after they have come to grips with the administrative side of contracting."

The course includes tendering, estimating, planning and executing contracts, marketing, finance, general administration, and manpower.

Van Staden envisaged that initial funding for the scheme would come from sponsors, including quasi-Government entities, members of the private sector and foreign sources wanting to assist in upgrading the country's housing situation.

"Sponsor bodies will

pay for the builder's training. The builder will pay back the sponsor, who will in turn pay into the trustvel, which will also receive some bridging capital," he said.

"Access to funds in the stokvel for building purposes will be strictly controlled as it is in the traditional stokvel system."

Promatra's training courses hinge on the competency-based modular methods which ensure that students only graduate once their practical understanding has been thoroughly evaluated.

Apart from enabling black builders to gain easier access to capital, the course is also designed to equip them with business discipline and controls.

"Our aim is to develop specific competencies and at the same time provide valuable collateral security," Van Staden said.

"We have already had many inquiries from black builders wanting to undergo our training courses," he added.

Controlled growth will see move into the major league

B1 Day 24/10/91 (32)

CONSTRUCTION company R McCarthy has set its sights on becoming a major player in the local construction scene within five years.

The company was acquired by the listed Time Holdings group in April 1989 and achieved a turnover of R34m in the nine months to December that year.

Since then it has refocused and consolidated its operations, to see turnover increase to R64m in 1990 and a projected R90m this year.

MD Alastair Williams says McCarthy's goal for the next five years is a steady 25% growth in turnover annually, to bring it into the R250m a year league.

On the one hand, around



ALASTAIR WILLIAMS

50% of its turnover will continue to be generated from within the Time group, but to ensure it stays competitive the company has embarked on an aggressive programme to capture outside tenders.

He says growth will be

controlled to ensure McCarthy does not outstrip its resources.

"We will increase our labour, supervision and plant resources only as required.

"Our first objective, for instance, will be to optimise the use of our existing plant.

"Where we experience a temporary shortfall we will hire rather than buy until increased ownership makes good business sense," he says.

Deputy MD Graham Crosson says the growth of any construction company is limited by its financial facilities.

"The ideal is to be self-funding, and in pursuit of this McCarthy has no overdraft at present and is, in fact, a cash generator for the group.

"We're planning to keep it that way. Profits create cash in the long term, while turnover creates opportunities for cash management.

"These have to be balanced and managed.

"There is no point in killing yourself for high turnover with low profits."

Cash management, among other things, involves centralised buying.

Bulk

"Instead of each project ordering independently as materials are required, the usual practise in the industry, we place bulk orders as a company for goods delivered as we need them.

"This often fixes our materials costs in advance.

"Our objectives and strategy in achieving our planned growth are focused on quality, service and profitability," Williams says.

Computerisation is another method of improving financial management.

"In these days of fast track construction there is a greater need for computer control of costs, productivity and the planning and updating of critical data.

"On our larger projects, this work is monitored using on-site personal computers," he says.

Blouay 24/10/91

Links with Time Holdings prove highly profitable 32

WHEN a highly individual old-school business with a hands-on management style links arms with a diversified public company with entrepreneurial flair and a record of rapid growth, the result must be interesting.

Three years down the line, the combination of R McCarthy and Time Holdings has proved a profit-generating dynamo largely because from the outset the needs of both parties were recognised.

Time executive chairman Colin Hibbert says: "We needed an established, medium-sized contracting company with growth potential to complete the circle of our property-related businesses."

McCarthy director Mike McCarthy, son of the founder of the company — says: "We needed a rich daddy to help us grow."

The McCarthy family originally sold control of its company to IGI, a member of the Hoskens group, around six years ago.

"We wanted to join forces with a company big enough to send work our way.

"Three years later Hoskens decided to rationalise and focus on its financial operations and sold its share in McCarthy to Time."

Strong

The benefit of being owned by Time, McCarthy soon found, had to do with dealing with a parent company with a strong property-orientated background.

At the same time, the group's ownership of Time Life Insurance and Time Life Property Investments gives McCarthy access to a larger pool of business than



COLIN HIBBERT

a property developer alone could offer.

The end result appears to be a happy family.

"McCarthy has more than met the profit warranties which formed part of the deal," says Hibbert.

"We have developed a synergistic relationship which will enable all the companies in the group to stimulate growth in each other."

VAT will put more pressure on contractors

B/day 24/10/91 (32)

THE building contracting industry is in the worst recession in 20 years and R McCarthy deputy MD Graham Crosson says the introduction of VAT will put additional pressure on contractors.

"VAT will benefit contractors buying capital goods, but we will lose out on our mark-ups on current projects.

"In the past, the mark-up included GST, but now it will be limited to the capital sum.

"As a result, the cost to

the contractor will be unchanged, but the end price will be around 3% lower.

"This is a short-term problem — new contracts will be designed to bring profit margins back into line with the contractor's needs, and in the long term VAT will have little real effect on the industry," he says.

Gloomy

Overall, however, the outlook for the industry remains gloomy.

Property development

costs are high and the rate of inflation in the industry continues at around 19%.

With the prices of many materials controlled by near-monopolies and informal cartels, they react sluggishly to the downward pressure of reduced demand.

At the same time, money is expensive, while potential developers are holding back in the face of political and economic uncertainty.

"There is a huge pool of contractors competing for a limited number of jobs."

MD Alastair Williams says in a tight market many contractors tend to take on tender work at zero profit margins in an effort to keep staff and plant busy.

"In many cases, they rely for profits on the fact that clients change their minds.

"Customers who don't want to burn their fingers must look beyond the price tag and analyse the resources and reputation of the contractor," he says.



GRAHAM CROSSON

Despite the tight market, Crosson is not despondent.

"The pressure of demand for property in all sectors continues to build up slowly.

"Our order book is full until around June, and by then we expect to see an improvement in the mood of the industry," he says.

Nibbling

"Overseas buyers are also still nibbling.

"We have recently had two strong inquiries about work, one from an organisation in London making inquiries on behalf of potential investors throughout the EC, and one from an Italian developer interested in putting together a R200m project."

Williams says the recession is close to bottoming out and the company will maintain a holding pattern until it starts to lift.

"The contracting industry must be led by investors and developers.

"A small drop in interest rates has been predicted for the end of this year or early in 1992, and this could help improve investor confidence," he says.

Unless this lighter mood has a prompt effect, however, Williams says conditions in some sectors of the industry could worsen over the short term.

Grinaker Construction wins, but electronics arm falters

HIGHER revenues from Grinaker's construction arm were outweighed by lower profits from its electronics subsidiaries last year.

Chairman Jan Robbertze said in his annual review: "Group operating companies experienced a year of mixed performances."

Grinaker Construction Limited's (GLC) attributable earnings increased 26% to R36m (R29m) on the back of a 5% higher turnover of R969m (R926m).

Electronics subsidiary Grintek's attributable earnings fell 40% to R29m (R48m) on the back of a 6% higher turnover of R1,1bn.

GLC discontinued certain operations in the low cost housing market, which had been affected by unrest in development areas and high interest

rates.

Closures and retrenchment costs, coupled with declines in the value of land had resulted in an extraordinary charge of R8m.

He said the group would maintain a presence in the low-cost housing market, concentrating on work for corporate and public sector clients.

GLC was active in neighbouring territories in which significantly lower tax rates applied.

Grinaker's earnings were 108,7c (143,9c) a share and its dividends 34c (38c) a share.

The rationalisation of Grintek's subsidiary Siltek resulted in Grinaker's net asset value falling 4% to 497c (520,4c) a share.

ROBERT LAING

32
B/Docu 25/10/91

Activities: Building, engineering, construction and related activities, property development, project management and operation of water and sewage systems.

Control: Group 5 Holdings (53,8%), which in turn is controlled by S M Goldstein (45%).

Chairman: P K Clogg.

Capital structure: 16,7m ords. Market capitalisation: R100m.

Share market: Price: 600c. Yields: 10,7% on dividend; 32,3% on earnings; p:e ratio, 3,1; cover, 3,2. 12-month high, 700c; low, 400c. Trading volume last quarter, 77 000 shares.

Year to June 30	'88	'89	'90	'91
ST debt (Rm)	2,5	7,0	3,0	nil
LT debt (Rm)	9,0	3,0	nil	nil
Shareholders' interest	0,20	0,14	0,15	0,20
Return on cap (%) ..	8,6	6,1	7,6	8,1
Turnover (Rbn)	0,77	1,07	1,30	1,16
Pre-int profit (Rm) ...	16,8	24	35,2	37,9
Pre-int margin (%) ..	2,2	2,3	2,7	3,3
Earnings (c)	122	131,2	170,1	206,4
Dividends (c)	45	47	55	64
Net worth (c)	238	324	413	544

† 18 months.

loss of R19m on a stay cable bridge venture, partly attributable to the late delivery of certain designs by the principal. Much of this loss should be recoverable.

The extent to which Group Five has curbed operations is evident from the shrinkage of the payroll. Total employees were cut by a quarter to 11 557; the peak was 16 468 at end-June 1989. Reductions occurred mainly in the civils (34,5%), roads (33,1%) and building (20,3%) divisions. Clogg tells the *FM* that there could be a further cut of 25% this year, bringing the total down to about 8 000, "unless government starts investing again in infrastructure."

To some extent, exposure to competition was eased by entering into joint ventures, which provided much of last year's growth. While operating profit fell from R22,4m to R14m, the share of joint ventures' profit more than tripled, from R8,2m to R25,9m.

Main contributors to growth were the building and civils divisions, whose pre-tax profit rose R12,5m and R21,6m respectively. Engineering was down R3,6m, homes up R342 000, properties lost R5,9m, roads was down R9,1m and industrial down R1,3m.

However, the group has invested a lot of effort in the industrial division and sees this as a major source of diversification and growth. Three main areas have been identified: environmental community services, steel products and rock products (quarrying, wall and floor cladding, and so on).

The overall trading margin has steadily



Group Five's Clogg ... fixed investment needs to improve

widened over the past four years. The year-end cash balance of R83,8m puts the group in a strong position to handle more competitive conditions this year. Finance income provided 14,5% of pre-tax profit, compared with 6,6% the previous year.

Clogg says the building and engineering divisions are holding their own, while the division worst hit is roads. Civils is also severely hampered by shortage of work. Work done outside SA has been "encouraging." But he says that fixed investment patterns in SA and surrounding countries need to improve if the group is to maintain the growth of the past five years.

This year, a drop in earnings is possible. But he adds that the construction operations are in a consolidation phase and should do well in an upturn.

With the building and construction sector only recently having entered a downturn, it may be a while before solid growth resumes. Even so, yields indicate the share is cheap at 600c. It should be well worth holding. Pyramid S M Goldstein is worth 40% of a Group Five share, but its current 220c is only 36,7% of Group Five's price.

Andrew McNulty

GROUP FIVE

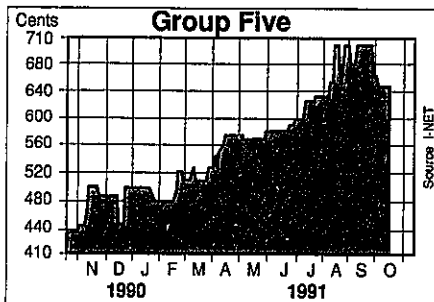
FM 25/10/91

Shedding workers

32

Stringent cost cutting helped Group Five to increase profit and lift the dividend in line with inflation. Even though turnover fell by 11%, sharply higher operating margins and interest receipts contributed to a 22% advance in pre-tax profit.

Chairman Peter Clogg considers this particularly satisfying in view of the 15% reduction in value of work done and an abnormal



Proposals for building of new houses are spelt out

32 ~~APP~~
Sowetan 28/10/91 ~~28/10/91~~

THE executive director of the Building Industries Federation of South Africa, Mr Neil Fraser, has spelt out clearly what a national housing programme will mean to the construction industry in South Africa - and this is likely to provoke serious discussion in Government and building circles.

He said this when he presented a detailed "reply" to the Nedcor/Old Mutual proposal for a housing-oriented kick-start to the economy at the recent BIFSA congress.

One of the solutions proposed for the current recession by Nedcor/Old Mutual is that 200 000 low-cost house a year be built for three years - and that 400 000 plots be serviced and a million houses electrified annually for the same period.

Fraser based his analysis on a typical house of 42,25sq metres. This

By JOSHUA RABOROKO

would have two bedrooms, a living room/kitchen and a bathroom. The roof would be pitched and could be covered with a variety of roof finishings, dependent on the ultimate cost level being targeted.

He said that, while such a house was too sophisticated for all income earners, it was within the affordable levels of many and represented an average demand.

Operator

The analysis included a complete programme for the operation, based on completing 80 houses country-wide each working hour.

Bifsa has programmed the building of a single house at 18 days, exclusive of site clearing and electrical reticulation.

One of the most impressive aspects of the programme is the large number of people to

whom it will give employment.

The BIFSA analysis shows that some 55 000 people would be employed as supervisors, skilled operators, semi-skilled and unskilled workers to provide the services and civil engineering facilities.

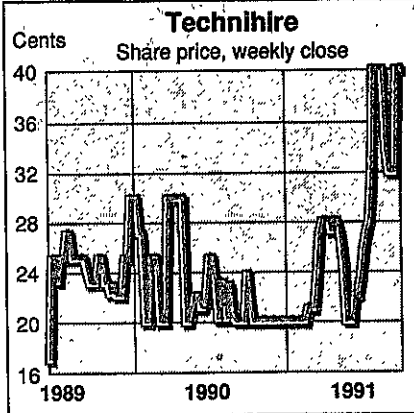
In addition, a total force of more than 90 000 people, including 4 000 supervisors, would be employed on the building work.

The majority of the workforce would be semi-skilled.

At least 800 small companies could be established as a result of the programme.

He pointed out that the manufacturer of the materials required would provide many thousands of more jobs and promote small businesses.

For example, Fraser said 286 million concrete blocks required could be almost entirely produced by "dozens" of labour-intensive small entrepreneurs.



Graphic: FIONA KRISCH Source: I-NET

BID only 30/9/91
French firm set to acquire Technihire

32 **MARC HASENFUSS**

FRANCE's human resources group Ecco is set to acquire the JSE-listed Technihire Group for R4m as part of a strategy to expand into Africa.

Ecco was ready to expand and diversify Technihire and use the group as a springboard into Africa for French interests, a joint statement at the weekend said.

The deal, believed to be the first post-sanctions acquisition by French interests, involves R4m cash for 60% of Technihire's share capital at 45c a share. A similar offer will be made to minorities.

Technihire peaked at 40c on the JSE last week, recovering strongly after languish-

□ To Page 2

Technihire

ing at a 20c low in May. The share has seen unusually heavy trading volumes since late July. *BID only 30/9/91*

Technihire CE Jack Eliasov will retain his post under a management agreement and three Ecco executives will be appointed to a reconstituted Technihire board.

The core business of the group will remain the same: hiring skilled and semi-skilled personnel through Draffhire, Draftcraft, Drafrite and Tradehire.

Eliasov said: "The Ecco Group is virtually a mirror image of Technihire and we see strong synergies between the two."

He said Ecco was in a strong position to pursue expansion in SA. The group is the

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 third-largest human resources group internationally, with a turnover of more than R6bn and 600 branches worldwide.

Eliasov expected major benefits from the deal in terms of international know-how, business opportunities and financial resources.

The group was well geared. Ecco's initial cash injection would be "only the first step" to later investments as opportunities were identified and explored.

Ecco CE Philippe Poriel Destezet saw great potential for human resources services as the region recovered from political and economic problems.

Success lies with labour force, conference told

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B/Dan 30/10/91
Reports by
PETER GALLI

THE role and future of the building and related industries in the '90s was the focus of a recent SA Building Industries Federation congress at the Wild Coast Sun.

A number of scenarios for the industry were outlined, and delegates examined and commented on these at a workshop at the end of the congress.

In his keynote address, Group Five executive chairman Peter Clogg said the SA construction industry could face a 25% drop in turnover in the foreseeable future, but considerable improvements in the output of the industry's labour force were possible.

"While other industries can computerise and mechanise, contracting is likely to remain a labour-intensive business in which traditional methods, and the traditional reliance on labour, remain," he said.

While trade union activity was often blamed for low outputs, the root of the problem lay in a lack of management involvement with labour.

He also outlined some of the qualities that would characterise the construction manager capable of surviving the '90s, a period that was likely to be extremely tough for the building industry.

"Although technical skill is important, it is not as high on the list as

motivation and a zest for the job. Good managers learn to work with the strengths of their men and are not frustrated by their weaknesses," Clogg said.

Although construction MDs needed to be involved in all tendering, they had to learn when to step back and leave the final tender decisions to those they had chosen as managers.

He stressed the importance of ensuring that the client's payments were guaranteed and the money was collected in good time. Contractors also had to ensure that contracts were not tampered with by clients, and they had to keep the plant efficient.

"A further danger will be the type of trading operation that plays off the lower bidders on a contract against one another to get still better prices.

"Some of us have become quite good at this type of bargaining out of necessity, but in the end it is bad for the industry because it leads to unrealistic prices," Clogg said.

Fedsure group CE Arnold Bassera-bie followed the same line in his address, saying one of three strategies should be applied by builders, subcon-

tractors and suppliers to create a defensible position for themselves in the '90s.

The first was cost leadership — achieving costs lower than those of the opposition.

The second was differentiation, or the creation of products or services that offered something better or different. This would allow prices to be above the average.

The third option was focus strategy, where a particular market was targeted. "One of these strategies has to be selected. If companies try to play in two or more fields, their profits are likely to be adversely affected," Bassera-bie said.

Itisa MD Johann Nel said black advancement had become essential in South African business. "Unless blacks move into management, SA will run out of managers."

The ratio of managers to workers was already 1:60, compared with 1:10 in Japan, and would rise to 1:110 by the year 2000.

If management showed an unequivocal, unambiguous commitment to change and reform, their employees would come to share their vision, he said.

Own house for R10 000

Sowetan 3/10/91

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Property Reporter

ABOUT 84 houses of all shapes, sizes and designs have sprung up alongside the Golden Highway on what was previously the farm Drieziek, near Evaton within three weeks.

The houses were specially built for the Golden Highway Housing Expo by 43 private companies who built the houses to show potential home owners what is available for an outlay of R10 000 or less.

The deputy director of the Department of Plan-

ning, Provincial Affairs and National Housing, Mr Alex Weiss, said approximately 25 000 people visited the Expo organised by his department.

The developers would be paid the costs of erecting the homes, which would then be handed over to the TPA to market. The houses

would form the nucleus of a new township at Drieziek.

The homes for the Expo are designed for people earning less than R1 000 a month. The services which have been supplied are a tap for every 10 houses and an "aqua privy" for each house.

The African Builders Association, which is affiliated to Foundation of African Business and Con-

sumer Services, was one of the main exhibitors at the Expo with 14 houses on show.

"We would like to see the private sector become involved in low cost housing as a financier. If each employer could finance a home for his employees with a satisfactory work record, it could go a long way to reducing the housing backlog," Weiss said.

THE executive director of the Building Industries Federation of South Africa, Mr Neil Fraser, has spelt out clearly what the housing programme would mean to the construction industry in South Africa.

This is likely to provoke serious discussion in Government and building circles.

He said this when he presented a detailed "reply" to the Nedcor/Old Mutual proposal for a housing orientated kick-start to the economy at the Bifsa's congress this week.

Solutions

One of the solutions proposed for the current recession by Nedcor/Old Mutual is that 200 000 low cost houses be built a year for three years - and that 400 000 plots be serviced and one million houses electrified annually for the same period.

Fraser based his analysis on a typical house of 42,25sq m. This would have two bedrooms, a living room/kitchen and a bathroom. The roof would be pitched and could be covered with a variety of

House plan would boost jobs

Sowetan 31/10/91

By JOSHUA RABOROKO

roof finishings, dependent on the ultimate cost level being targeted.

He said that while such a house was too sophisticated for the very income earners, it was within the affordable levels of many others and represented an average demand.

The analysis included a complete programme for the operation, based on

completing 80 houses country-wide each working hour. Bifsa have programmed the building of single houses at 18 days a house, exclusive of site clearing and electrical reticulation.

One of the most impressive aspects of the envisaged programme is the large number of people to whom it would give employment. The Bifsa analysis shows that some 55 000 people would be employed as supervisor, skilled operators, semi-skilled and unskilled workers to provide the services and civil engineering facilities.

Force

In addition, a total labour force of over 90 000 people, including 4 000 supervisors, would be employed on the building work. The majority of the workforce would be semi-skilled. At least 800 small companies could be established as a result of the programme.

He pointed out that the manufacturer of the materials required would provide many thousands of more jobs and promote small businesses.

R36bn chance for SA firms

SOUTH African companies will be able to tender for a big slice of contracts worth R36-billion in black Africa in the next five years.

This emerges from a report, entitled Civil Engineering and Construction — Part 2, issued by Safto.

The contracts will be funded by the 12 members of the European Community and will go to African signatories of the Lome Convention through the European Development Fund (EDF).

The report says the Lome Convention provides for a total of 120-billion European currency units (about R40-billion) to certain Caribbean, Pacific and African countries. African countries will receive about 90% of the money.

SA companies have missed out on similar projects because of this country's economic isolation and a tendency for EC donors to favour suppliers in their own countries.

Business Times Reporter

desire to improve cost effectiveness.

The aid, usually in financial grants, goes to roads, hospitals, schools, water and electricity supply and agriculture.

Safto executive Paresh Pandya says the projects will be of interest to companies involved in civil engineering and construction, project management and turnkey contracts, architecture, quantity surveying, electrical and mechanical engineering and contracting, aerial photography, telecommunications, construction equipment and machinery and building materials.

After the World Bank, the EDF is the second-largest donor to Africa.

SA companies have begun picking up business in projects receiving World Bank aid, the first being the Lesotho Highlands water scheme.

Lesotho

But opposition to SA is waning and the Lome agreement allows contracts to be awarded to companies in non-member countries that provide better, cheaper service because of their location and expertise.

Another factor favouring SA is that European firms may be losing interest in EDF projects because they will in future tend to be smaller than in the past — in keeping with the EDF's

3/11/91
Business Times

Towards building a new SA

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A top South African engineer rethinks the answer to the question "What is progress?" — and comes to a challenging conclusion, because, he says, "the footprints left by the planning professions are uniquely large and long-term".

HOW should we be measuring South Africa's progress? By comparing yesterday's humble rural hut with today's towering Carlton Centre? Quite the opposite. From now on progress will entail moving away from developing grandiose centres to building low cost shelter and other appropriate facilities.

This is the view of one of South Africa's best known civil engineers, Cliff McMillan, who, in a frank and sometimes hard-hitting presentation to his fellow professionals, suggests that the planning professions often implement the wrong projects.

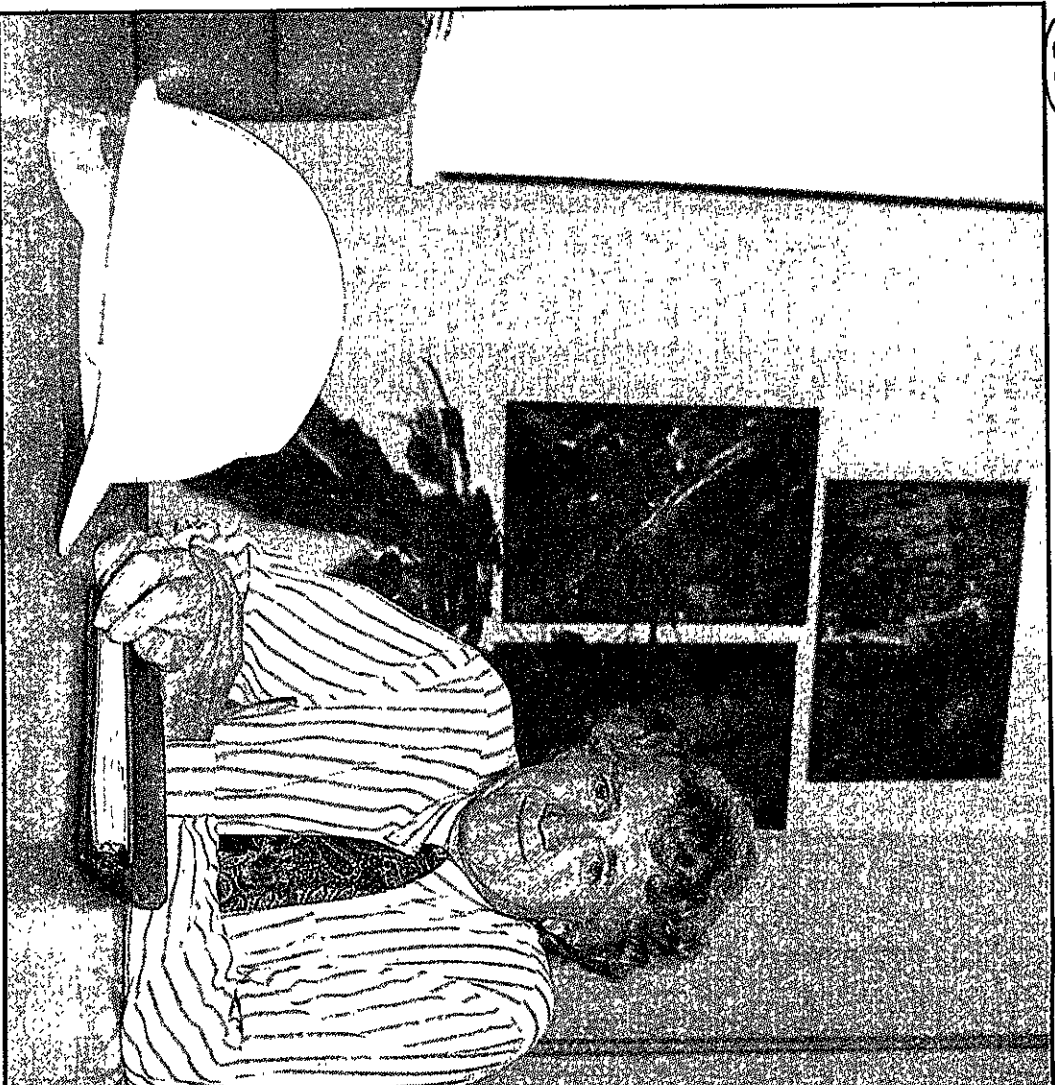
Mr McMillan is a director of one of South Africa's best known civil engineering consultants — Ove Arup — and a past president of the SA Institution of Civil Engineers.

He lists some of the landmark projects which have given South African engineers in particular and the planning professions in general, an impressive international reputation: the country's new generation modern buildings; the Lesotho highlands scheme; the pioneering technology for deep mine ventilation and cooling; the giant dry-cooled power stations of the highveld and the soda ash project in Botswana.

But he pulls no punches in reviewing the "misguided and sometimes extravagant applications of technology and planning: unnecessary airports; government palaces where the sole industry is bureaucracy; hospitals wrongly sited, without staff or equipment; aggressive elevated motorways; above all, apartheid urban planning.

"To the detached observer the inescapable conclusion must be that one common vision guided the planning professions over the last 40 years — the creation of apartheid cities."

A courageous effort is needed in the construction of a new



On the go . . . Johannesburg civil engineer Cliff McMillan laments on the failure to identify fundamental needs before implementing projects. Picture: Sean Woods

Addressing an APES forum — APES being an acronym for architects, planners, engineers and surveyors — in Cape Town, he said the problem was that "the footprints left by the planning professions are uniquely large and long-term.

"There is disconcerting evidence of our failure to define fundamental needs before pro-

"We are very good at implementing projects to specified needs, but poor at identifying real needs and communicating with those served or affected.

"We have shown lack of environmental concern."

He says the 20 000 strong planning professions has so far failed to "assemble a constructive corporate voice for the

This is asking a lot of the planning professions compared with others who can "exploit their talents to the hilt without feeling a special debt to society".

He recognises limits to which professional people can go in challenging the policies of clients. The client normally calls the tune,

6/11/91
**Staff homes
are going up**

PICK 'n Pay is building 50 homes for its staff housing scheme at Siluma View on the East Rand at a contract cost of R2,2m. (2) 32

The houses — 34m² in size on average — will be priced at R29 000. The project is scheduled for completion next April. The development is to be carried out by Let Property Developers.

It will use the Corowall system, based on the single-skin exterior walling concept. Firm orders have been received for developments in the Transvaal, Free State and QwaQwa.

Let Property Developers MD Jeff Letape says: "Affordability and quality were the two key criteria required by Pick 'n Pay when they asked us to submit recommendations for staff housing." (2) 32

The Corowall system makes clay face-brick walls a viable option in the low-income housing field. The houses will be constructed on a fully serviced site with high-mast street lighting, roads, electricity, water and sewerage.

Each house will have two bedrooms, a kitchen, bathroom and living area. Pick 'n Pay will advance R5 000 to employees who qualify for the scheme, and provide mortgage collateral.

"The keen support shown so far underscores the massive demand for cost-effective quality housing. Indications are that the systems will also find acceptance among developers, local authorities, finance houses and contractors," Letape says. dt

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Building industry may face 25pc drop

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Sowetan 7/11/91

THE construction industry in South Africa could well face a 25 percent drop in turnover in the foreseeable future - but considerable improvements in the output of the industry's labour force are still definitely possible, writes **Joshua Raboroko**.

This was said in the keynote address at this year's BISFA conference held at the Wild Coast Sun, by Mr Peter Clog, executive chairman of Group Five and president of the South African Federation of Civil Engineering Contractors.

In a talk entitled "How to design your company for the Nineties", he stressed that while other industries could mechanise and computerise, contracting was likely to remain a labour-intensive business in which traditional methods and the traditional reliance on labour remain.

"The organisation of labour is and will continue to be the area in which one company can be better than its competitors," he said.

Low outputs are often blamed on trade-union interference, he said. However, this was usually a red herring. The root of the problem is more often a lack of management involvement with labour.

James Clarke was at the launch of a thought-provoking book on conservation

What future is there for the past?

WILL the new South Africa destroy the cultural heritage of the old?

The question was raised at a function in Johannesburg last night when Reg Furbur of the PG Foundation launched "The Urban Conservation Symposium", a 140-page book based on a number of sometimes provocative papers delivered by South Africa's leading architects, planners and urban activists.

The short answer was "No" — but more of that later.

The book results from a 1990 symposium held in the Parktown Randlord mansion of Northwards and sponsored by PG, and it gives the opinions of those who are combating the hardening of South Africa's cityscapes.

The PG Foundation has dedicated its efforts to improving the built environment in South Africa and, says Mr Furbur, there is now a need to project "heritage" for what it is — not a symbol of domination of one group over another but a common heritage that underlines and supports a com-

mon nationality.

South Africa's urban heritage must reflect a wider range of cultural values and this will need a far more participatory approach.

One of the authors says South Africa has never had a national lobby concerned with cultural heritage and this has led to even the centuries-old cities of the Cape being mutilated by decades of insensitive development.

It was the voice of one small woman — Fjo Bird — that initially aroused Johannesburgers to a point where they successfully hit back at a city council hell bent on destroying the colonial architecture of Johannesburg in the '60s.

And now? Times have hardly changed, say the authors. In fact, Fjo Bird's Parktown Association and the Parktown and Westcliff Heritage Trust, which sprang from it, are among only half a dozen snapping at the ankles of those in charge of the future of cities.

The trust, funded by its own members, asked the city council for a grant-in-aid. It received

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R500 — in contrast to the R25 000 the council gave, that same day, to the FAK for bookmarkers.

The National Monuments Council is there to fund the preservation of national monuments, but the Government is annually giving it less. Fjo Bird says that from a mere R900 000 in 1987 (and nothing at all in 1989) the NMC annual grant has dropped to R795 000. From this it has to maintain and repair its own properties and help with the maintenance of others across the country.

South Africans who donate towards the preservation of heritage buildings receive no tax relief — but a firm that sponsors a sports event gets a 98 percent rebate (from the taxpayer).

Will things be different under a shared government? Herbert Prins (senior lecturer in architecture at Wits) has been widely quoted for his optimistic paper that appears in this book. He argues that nowhere in Africa have black governments torn down colonial architecture. They have relocated statues and

changed names but have preserved heritage architecture.

Fjo Bird believes that a more socialist form of government is likely to have a more sensitive approach to urban conservation.

"To socialists the land, the heritage belong to all the people. Including future generations. The concept of ownership is replaced by the concept of stewardship."

Many will argue with this. There are many more arguable points, but the general feeling from this publication is that cities need to provide more soul food and that an old landmark structure, especially when it has a cultural association, is a comfort and reference point for people living in rapidly changing cities.

None of the authors disagrees with the notion that urban conservation is essential in urban planning — yet nowhere in Johannesburg's Town Planning Scheme is the word "conservation" mentioned. And the city has no provisions at all for the protection of anything. □

Stew 8/11/91

Fancourt project back on course

MARCIA KLEIN

(32)

GROUP Five Construction and British company Orient Express Hotels have announced a salvage operation for Fancourt Resort, a Masterbond-financed prestige hotel and golf development near George.

Agreement has been reached for Fancourt to continue to be managed and developed by Orient Express.

In terms of an agreement announced today, Group Five will continue to develop the freehold properties adjoining the resort. The golf course, clubhouse, golf academy and other amenities will be completed by the end of this month.

The Sunshine Circuit Fancourt Hall of Fame golf tournament will continue as planned. *B/Osw 11/11/91*

In September Masterbond sold its 25% stake in Fancourt to Golf Estates, a company owned by the André Pieterse family, a British consortium and Orient Express.

Today's financing deal follows an agreement between Fancourt Holdings, Fancourt Properties, Group Five and the curators acting as trustees for Masterbond.

Masterbond's financial predicament meant that Fancourt Holdings had to arrange an alternative source of funding to replace R5m due by Masterbond, and caused a temporary delay in obtaining about R10m from the proceeds of freehold title properties sold.

Building

costs 'set to double'

By MAGGIE ROWLEY
Property Editor

BUILDING costs are set to more than double within the next five years, forecasts the Bureau for Economic Research at the University of Stellenbosch.

In his latest review, BER director Ockie Stuart said building costs were expected to rise at a more accelerated pace over the next five years than had been seen since 1987.

The average annual increase until 1995 is estimated to be 17% against an average of about 16% for the past five years, he said.

Present building costs for a prestigious office block are R2 000/m². An average annual increase of 17% would result in building costs of R4 384/m² in 1995.

BER bases its building costs on tender prices.

"As such many analysts argue that the building cost index is applicable to the non-residential building sector only.

"While this argument is relevant, it is only partly so as the residential and non-residential sectors compete for the services rendered by building contractors, subcontractors, artisans and labourers.

"It follows logically that should the tempo of activity in one sector accelerate then the demand for labour will become keener.

"And if the building industry as such is working at full capacity as far as labour resources are concerned then obviously the price of labour will increase.

"Thus there is a high correlation between increases in building costs as measured by the BER and increases in building costs in the residential sector," argues Stuart.

BER also forecasts that the level of fixed investment in buildings of all types could be 4,5% lower in real terms this year than during 1990.

However, investment in residential



Ockie Stuart

buildings is projected to show a relatively high growth rate in 1992.

While the demand for new non-residential buildings is likely to be fairly sluggish during 1992 the demand for all buildings is anticipated to be only slightly down on this year. Fixed investment in both residential and non-residential buildings is expected to increase rapidly from 1993, said Stuart.

Official figures suggest fixed investment in building decreased in real terms by 1,2% a year between 1986 and 1990.

But according to BER the next five years could see a positive growth rate of about 2,5% in real terms which in itself suggests building costs are likely to increase more rapidly during this time.

Stuart said that apart from market forces, the socio-political environment could be expected to exert upward pressure on wages and salaries.

In addition, he said, monetary policy will be more strict with interest rates remaining high, the demand for low cost housing will become keener, the cost of materials will continue increasing rapidly and building contractors will attempt to increase their profits to compensate for the lean period they have just gone through.

"As a result tendering will be less keen and this translates into higher building costs."

Stuart forecasts that increased building activity will only begin to taper off during 1995.

He stressed that value added tax should dampen the tempo of increase in the cost of non-residential building.

"At the same time however, it will increase the cost of residential buildings.

"The ratio of non-residential fixed investment to residential fixed investment until 1995 is estimated at 130:100 which implies that VAT's net effect on building costs should be downward."

JSE actuaries bond yields

Low-cost housing: the real challenge

Star 13/11/91
As every schoolboy ought to know, low-cost housing is an urgent South African priority.

And that is almost to understate the case.

The huge housing problem, however, is being tackled by the public and private sectors, the latter taking an active part in the design, development and construction of low-cost housing aimed at the urban areas and, to a lesser extent, the rural market.

The challenge lies not only in the building of economical housing, but also in the provision of affordable electrification, lighting fixtures and plumbing for low cost housing.

Commitment

East London-based light fitting manufacturer, Datco, as part of their continuing commitment to the orderly development of a new South Africa, has developed a range of low-priced vandal-resistant bulkhead fittings, decorative bulkheads and floodlights.

To meet the need for easy-to-maintain, functional products, these are weatherproof and can be used indoors or outside, giving useful interior illumination and exterior safety and security.

All Datco products are engineered to accommodate low wattage fluorescent tubes and, in the case of floodlights, energy-saving mercury vapour and high pressure sodium lamps, as well as proven tungsten halogen tubes.

Absolute

Cyril Berman, Datco marketing manager, says: "Our commitment to the future of South Africa is absolute and next year we'll be introducing yet more products to assist the less privileged to realise some of their aspirations, in keeping with government policy to provide affordable electricity for everyone."

PROPERTY

New look needed at capital subsidy scheme

THE proposed capital subsidy scheme in SA should be re-evaluated in the light of international experience as subsidy design is crucial to achieving national housing goals, Murray & Roberts Construction executive director of housing Gavin Hardy says.

The principle of capital subsidies is unacceptable as scarce state resources cannot be maximally geared in this way. Unless accompanied by equity from the participant, capital subsidies are inherently socialistic, unsustainable and therefore discriminatory, he says.

"The De Loor inquiry into housing will most likely recommend a capital subsidy unless alternatives present themselves," Hardy says.

Endorsing some of the key findings on housing subsidies of the May 1991 World Bank Reconnaissance Mission, Hardy says the repeal of legislation and regulation and the freeing up of land and financial markets are not enough to undo the distortion of apartheid.

It would require what was referred to by the World Bank as "aggressive strategies to achieve satisfaction levels of integration".

"In this regard, Murray & Roberts' views converge with the World Bank's reservations about current proposals to kick-start the economy through massive

subsidisation of the housing industry," Hardy says.

A workable alternative is to encourage private sector financial institutions to provide mortgage financing to well-located housing for the upper end of the black market and to foster broad participation in collateralised funds for lending to the mass market; he adds.

"M & R urges that the proposed capital subsidy scheme be re-evaluated and that state assistance for the severely disadvantaged be explored as well as the provision of an interest subsidy on a total mortgage package up to R75 000."

Ampros's Finance House Building 60% let

ANGLO American Property Services (Ampros) Finance House Building in the Bruma Lake Office Park — officially opened last week — is about 60% let and designed for tenants providing financial and related services, Ampros Bruma leasing executive Stan Davies says.

The office block accommodates tenants such as First National Bank, Standard Bank, Nedbank and the Perm, as well as

travel agencies and airlines.

"They are serving the surrounding office buildings and shoppers and tenants from Fisherman's Village across the lake," he adds.

Due to an editing error, Business Day reported last week that the Bruma Lake Office Park was being developed by Old Mutual Properties. The building is being developed exclusively by Ampros.

For all your Industrial and Commercial Properties

Plea for blacks to be given a chance to build for own people

Sowetan 14/11/91

32

ONE of the few black entrepreneurs to make it in South Africa's fiercely competitive building industry, Mr JC Mtshali, believes that the huge funds made available for affordable homes should be channelled to black builders.

Mtshali, a former school teacher who had taken a diploma at the Madadeni Training College, told *Sowetan Property* that his beliefs were based on the fact that blacks knew best what sort of houses their people wanted.

His enthusiasm in the

building industry was revamped after researching the shortage of township homes.

He estimated that around 1,9 million homes were needed in the PWV area.

With partner Mr IT Ndzipho, Mtshali founded the successful Metropolitan People's Consultancy, aimed at marketing low-cost housing of good quality with affordable extensions and outbuildings.

In the past five years the company has made tremendous strides in

By JOSHUA RABOROKO

helping to curb the critical housing shortage under the name of Mepeco Housing and Developers.

Seated in his plush office in the centre of Johannesburg, Mtshali said the company had built more than 2 000 houses priced under R15 000 in Soweto, Orange Farm, Evaton, Sebokeng, Daveyton, Vosloorus, Kagiso, Mohlakeng and other areas.

He is proud to say that

the company has also built up-market homes in exclusively black "snob hills" and double-story taverns with accommodation for their owners.

Mtshali said while the company had a track record of building many homes, his single headache was capital - a problem he believes could be solved if blacks were given a break in the construction industry.

He added that much more jobs could be offered if black building

contractors were allowed to grow by giving them the funds that both the public and private sectors were now pouring into low-cost housing organisations.

There has been a lot of red tape surrounding the release of money to black builders, seemingly because they were not trusted to use the funds productively, Mtshali said.

"This is all a fuss. Blacks have to be given a share in the building of homes for their own people."

SOWETAN
Building the Nation

DURBAN

Cheap bricks for low-cost housing

Sowetan 14/11/91
SEEMINGLY South Africa has seven million insufficiently housed black people with four million squatters on the Witwatersrand and in the vicinity of Durban alone.

For these people to be properly housed, the country will need to build 1,9 millions homes - right now and not later.

But the main actors in the building scenario - the Urban Foundation, the South African Housing Trust and the Independent Development Trust - have only touched the tip of the iceberg by building slightly more than 13 000 homes.

Judging at that rate it will take 138 years to clear the critical housing shortage that has caused disease and violence in the so-called changing South Africa.

As aptly put by one observer: "South Africa is tackling the legal institutions, financial and land ownership issues - all prerequisites in meeting affordable homes."

The situation is becoming catastrophic. However, a former financier and now a low cost-housing entrepreneur, Mr. David Herbststein, says the situation is not disastrous - it is challenging.

He believes the country can do it - given the will. It certainly has the technology. But he does acknowledge that the picture is bleak.

"While I appreciate that building homes will gain momentum only when land is available, we could be moving much faster with the actual building of homes," he said.

Tens of thousands of people already have land but they cannot afford to build because prices have gone

through the roof. Finding ways to make cheap, but durable, bricks is therefore absolutely essential.

The tragedy is that they are available but people do not know it.

Herbststein is determined to provide a solution to the housing shortage. He has developed a new brick machine - a boon for squatters. He put all his capital into developing a machine that makes high-quality bricks.

The cost of the bricks needed for one house is around R450, he explains, saying that is five times cheaper than normal. With unskilled workers, it is possible to turn out enough for two houses a day.

What is good about the machine is the fact that it can be towed - and it makes bricks on the spot by using sub-soil dug from the house's own foundation.

The bricks are six times bigger than the conventional housebrick; it takes 700 to build a 34sq m house.

He believes that the squatter community could be helped to buy these machines and also create employment for many. He has suggested this notion to many companies and a few have responded.

He was unable to hide his irritation when talking of the disparity between what squatters are expected to pay for bricks and what they "really need to pay".

A tiny four-roomed core house - one that can easily be added to - would cost only R2 500, he adds.

He was perturbed about the national debate aimed at developing strategies for dealing with the housing problem.

"A more positive and vigorous approach has to be taken soon, otherwise the next century would see us still faced with a huge problem," he said.

Property market set for recovery



Sowetan 14/11/91

By JOSHUA RABOROKO

THE property market is poised for an economic boom which can mean or even precede that of the overall economic recovery, according to experts in the market.

They say adverse political and economic factors are still bringing strong influence to bear on buyer confidence.

Camdon's group MD Mr Scott MacRae says: "Nonetheless the fundamentals for an upturn are in place.

"The economy has bottomed out, there is pent-up demand for all types of housing, inflation continues to bring "buy now" pressure to bear and the governor of the Reserve bank, Dr Chris Stals, has indicated the need to kick-start the economy.

Upheaval

"Negative influences are the continued high bond rates, the erosion of buying power because of inflation and political upheaval," MacRae says.

He adds: "Without doubt the biggest disincentive for property investment right now is the high bond rates. We have seen worse. In 1985/86, they were touching 23 percent."

If the situation is interpreted in terms of recent Government statements however, there is a possibility that rates will be lowered next year.

He says: "There is even some indication that the battle against inflation is beginning to bear fruit, although the moot question

is whether this has not been at the expense of severe damage to the economy."

The average homeowner is already severely pressed merely to keep up with his existing bond repayments and any relaxation of interest rates would go a long way towards improving his lot - and provide a psychological boost at the same time.

Those who were encouraged to take on bonds at 13 percent have seen their bond repayments vir-

tually double, placing an enormous strain on household budgets.

The results are a creeping incidence of repossession - figures indicate this is still not a major factor but the institutions should be aware that they cannot indefinitely increase rates and expect the market to simply absorb them.

On balance however, barring major political or economic catastrophe, industrialists would expect the positive influences winning through in 1992. The stage is therefore set for a recovery of the market.

New call to builders to be realistic



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By JOSHUA RABOROKO

A NUMBER of developers have "responded positively" to a call for more realistically priced property projects.

The response is timely in that the cluster homes, and sectional title market has become more discerning and overpriced developments are not selling.

Overpriced

Developers are faced with overpriced land for such projects and sellers of land must now also be more realistic.

A projects manager for a leading firm of developers, Mr Jonathan Watchman, says two of

the main elements of a cluster project - the developer's profit and building costs - leave very little room for manoeuvre.

If, in addition, land costs are at a premium, the overall project becomes simply overpriced in terms of current market acceptability.

"There is still tremendous demand for cluster homes for reasons of their security, aesthetics and financial practicalities of owning the land on a freehold basis," he says.

Sowetan 14/11/91

Ovcon survives tough competition

CAPE TOWN — Building and civil engineering group Ovcon raised its interim earnings by 40% in the six months to end-September compared with the six months to end-March, benefiting from higher margins and its accumulated tax losses.

Earnings a share of 20,6c were recorded compared with the previous figure of 14,7c. A dividend of 4c was declared.

No 1990 interim figures were provided in the profit announcement as Ovcon was only constituted as a holding company in October 1990. Ovcon, which operates in the Cape, Natal and Namibia, was listed on the JSE in March this year.

Executive director Jan Kaminski said the group had recently been performing well despite "exceptionally competitive contracting conditions".

Margins improved to 3,1% from the 2,4% in the previous period, benefiting from tight-cost control and the high use of the group's own plant.

B1 Day 15/11/91 (32)
LINDA ENSOR
Interest earned on R16,7m cash assets — included in operating income — also contributed to the performance.

Turnover of R73,7m generated an operating income of R2,3m compared with the previous turnover of R72,7m and operating income of R1,7m.

No tax was paid due to accumulated losses suffered by its Transvaal operations, which have since been disposed of. Net asset value improved over the six months to 105c from the 88c at end-March.

Ovcon, normally involved in the construction of high-tech, fast-track concrete structures, adapted to the economic climate by taking on more short-term renovation and extension contracts, and has bought plant to enable it to perform marine work.

Major Cape contracts the group is involved in include the R70m retail complex at the Victoria & Alfred Waterfront, a R9m reservoir in Paarl,

the first phase of the Strand-Gordons Bay marina, various government projects and Equikor's Belmont office park.

In the Boland Ovcon is the main contractor in the restoration of the Grande Roche Hotel and the Madeba winery near Robertson while in Natal the group recently completed the conversion of Mercury House, Bakers' head office and the Maydon Wharf sugar store.

Current work in Natal includes the construction of a clinic and school near Ladysmith.

Kaminski said the high dividend cover of 5,2 times enabled Ovcon to build up its reserves. He said profits for the second half of the year should be similar to those of the first half despite the difficult conditions in the building and civil engineering industries.

But he warned that Cape and Natal contractors would experience their most difficult year next year.

Everite looking up

18/11/91

star

While hard-hit construction group Everite may not bounce back to its former glory, a meaningful improvement in earnings is envisaged for the current year.

In the annual report, MD GM Thomas believes the internal measures taken to improve business focus and reduce the level of fixed operating costs will have a positive effect on profits, even if the economic upturn is delayed.

The group specialises in the provision of fibre-reinforced cement, ceramic, pitch fibre and glass fibre reinforced plastic products.

In the year to June, group turnover fell five percent from R351,9 million to R334,2 million and operating profit dropped 65 percent from R32,7 million to R11,4 million.

Mr Thomas says that sales volumes decreased 18 percent and that, in view of the capital-intensive nature of Everite, these lower volumes impacted sharply on profit margins.

After investment income shrank 23 percent from R8,3 million to R6,4 million and finance costs increased four percent from R4,1 million to R4,3 million, pre-tax profit amounted to R13,5 million, 63 percent lower than the previous year's R36,8 million.

An increase in the effective tax rate from 47,9 to 54,7 percent resulted in attributable profit declining 68 percent from R19,2 million to R6,1 million.

Mr Thomas attributes the disproportionately high rate of tax to the group's conservative accounting policy of charging depreciation on the current value

of fixed assets.

No tax relief on the additional depreciation charge is available.

Earnings per share fell from 21,6c a share to 6,9c, while the dividend for the year amounted to 6,5c a share, half the previous year's payout of 13c.

If the effect of the additional depreciation referred to above is eliminated, earnings would have decreased 29 percent from 30,4c a share to 21,5c.

The balance sheet remains strong, with net borrowings of R17,2 million being more than offset by the value of endowment policies of R35,8 million.

Net asset value appreciated 18 percent over the year from 356c a share to 419c.

Everite, priced at 250c, is trading on a P/E ratio of 36,2 and provides a dividend yield of 2,6 percent.

The high rating of the share reflects satisfactory prospects, with cost savings expected to enhance profits until economic revival takes the group to new heights.

COMMENT: Everite's share price collapsed in 1989 and has since undulated sideways.

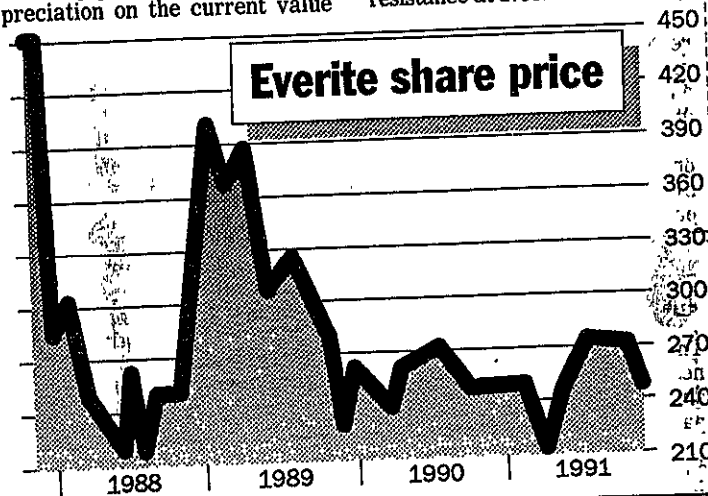
The show of strength in mid-1991 proved to be short-lived and the share is currently in a downward trend. A reversal will be indicated if the price rises above resistance at 275c.

Diagonal Street

32

LYNNE PEACH

Everite share price



Firm's court plea is dismissed

32
Sowden
18/11/91

AN appeal by LTA Construction Ltd in a dispute on a contract for the construction of a reservoir at Dobsonville, was dismissed, with costs, by the Appeal Court in Bloemfontein.

In the Witwatersrand Local Supreme Court on October 4 1989 Mr Justice S W McCreath granted an application by the Administrator of the Transvaal.

This was for an order that the dispute be referred to the Supreme Court for an opinion that there was no restriction on the engineer to impose fines for work already completed, but while portion of the contract price was still due to LTA.

Mr Justice McCreath dismissed a counter-application by LTA

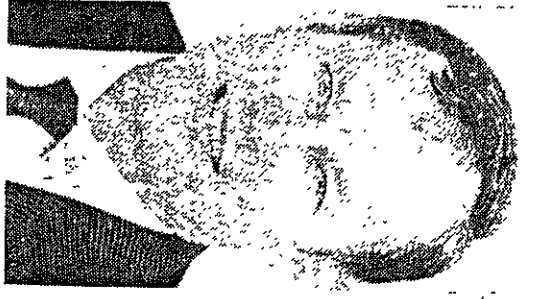
wherein it claimed interest in excess of that which it had been paid in terms of an arbitration award.
Sapa

PROPERTY

Call for social upliftment forum

81 Day 20/11/91

32



TEN KROODEN

THE time is right for a forum on social upliftment, in which communities could meet professional needs and how they could help one another, says André ten Krooden, a partner at consulting quantity surveyors Walker Mare.

"There should be a forum where communities can make their needs known. Then professional bodies can assist them in formulating these requirements,

Reports by PETER GALLI

and take the suggestions further," says Ten Krooden, a member of the SA Quantity Surveyors' public relations committee.

In this way community needs could be translated into appropriate development projects.

Consultants with specialised skills in the construction industry could assist in such an upliftment programme, which would offer business opportunities in many fields.

Quantity surveyors could assume the role of project

managers, to mobilise the unemployed in contracts within their own communities. Some form of training could be given at the same time, thereby contributing to general upliftment.

However, this road tends to be more expensive and very time-consuming for consultants, and the projects could take longer to complete. In this regard, government could offer a tax incentive of some sort,

to encourage developers and institutions to undertake labour-intensive projects, encouraging local communities to undertake the work afforded them in their own areas."

Roads and bulk services could be handled on a labour-only sub-contract basis, using labour instead of machinery.

The Development Bank of SA is investigating how such projects could be implemented, he says. In addition, more innovative systems involving low-

cost housing were needed. These should not be systems that employed less people, but rather systems which made maximum use of unskilled labour.

Professionals needed to look beyond the profit motive and combine their skills with projects to provide employment and the upliftment of the poor.

Concerned professionals also needed an avenue through which they could inform communities about assistance they could provide. Communities could look also at the possibility of drafting a register of their people's skills.

Ten Krooden believes the future does not lie in sophisticated industry systems using large machinery, but in the use of hand labour, which will have the spin-off of creating pride and responsibility in the community concerned.

"Quantity surveyors can play a role in keeping checks on money to be spent. Consultants can be responsible for this, and sub-contract to workers from the community where the particular development is situated.

"While this is more expensive when it comes to professional fees, it is essential for the growth in

housing development and employment."

The "process of awareness" could be started at university or technician level. Students in quantity surveying, architecture and engineering could be recruited, as part of their courses, to spend six months in the field helping communities with housing and related projects.

To supervise the process, a resources centre could be established at the university, under the supervision of a body of professionals who would take turns in managing it.

Quantity surveyors and other professionals would, to some extent, need to "unlearn" what they knew, and become more development-minded and not just commercially oriented for such a scheme to succeed.

The establishment of a forum and the employment of local people in projects initiated for their benefit would also need the support of trade unions and community leaders, he says.

The building business is fraught with problems, but taking the labour intensive route could be effective.

"Perhaps this is the price SA should pay to address the unemployment problem," says Ten Krooden.

UNITED SOCIAL SCIENCES STUDENTS' COUNCIL

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People's needs

610 am 20/11/71

DEVELOPERS have the responsibility of anticipating people's housing needs, says Dallway Properties director Ian Gibbs.

"As most home-buyers have to push themselves to their financial limits to buy a property, it is their right to expect a well-built home that is properly finished by the time they take possession," says Gibbs.

Dallway Properties has used this philosophy as the basis for all its developments. These include the R6m Maletsastsi town-house development in Rivonia and The Grove in Sandown.

All-round expertise on offer

Steve Zeff 32
The concept of a one-stop-shop for professional building, construction and civil engineering services led to WLP's decision to incorporate an architecture practice into its operations.

"The advantage of the Watermeyer Legge corporate structure is that while each division is autonomous, every division has access to the full range of expertise offered by the firm.

"In effect, one has a full set of different practices under one roof. This total package concept, while not new in South Africa, is a common phenomenon overseas," says Mike Wolters, partner in Watermeyer Legge Architects (WLA).

When Wolters joined the firm in 1987, the South African economy was showing signs of a change typical in more developed nations.

"In a Third World, developing nation, most of the emphasis is on major infrastructure and construction geared towards establishing its industry," he explains.

"In SA, the bulk of the major infrastructure is in place, and we are seeing a shift in emphasis towards architecturally sensitive work."

Management specialists

Steve Zeff 32
Project and quality management are the twin supports of modern engineering — and WLP's subsidiary Technical & Management Services (TAMS) is involved in both of them.

The firm was established in 1973 to carry out project management work for a United States mining corporation.

With the advent of Koeberg nuclear power station, strict quality assurance struck the keynote — and TAMS was seconded by Eskom to oversee standards.

Growing out of that project the firm moved increasingly into quality assurance and control, and from around 1977 to the late '80s, this formed the bulk of its business.

More recently, however, says TAMS associate Brian Muckleston, the emphasis has tended more towards project management. About 50 percent of the company's work is derived from WLP activities.

Its latest project was for Krupp SA and involved the planning for an overland conveyor, newly completed at Safferton Colliery in the Secunda area.

"This conveyor is 21 km long, making it the biggest in South Africa. The total project was worth about R80 million," he says.

"Our involvement was

at two levels: the total planning for the production and manufacturing requirements of the project, together with delivery to site; and quality control and inspection of all major components."

Steve Zeff 32
The company is also very involved in the project management of the proposed Johannesburg Trade, Tourism and Convention Centre, working in consortium with Farrow Laine & Partners.

Looking to the future, Mr Muckleston says he plans to develop the company's project management strengths.

"The project management profession has been growing steadily, but there is still a gap in the market for professionals with strong back-up. Most established project managers operate from within development companies, which introduce them to most of their work.

"We, on the other hand, have links more on the civil engineering side, so that is where we find most of our opportunities," he says.

By contrast, the potential for developing its quality management operation is currently fairly slim. "Quality assurance is a relatively new field but it is gaining ground, and is attracting large numbers of inde-

pendent professionals."

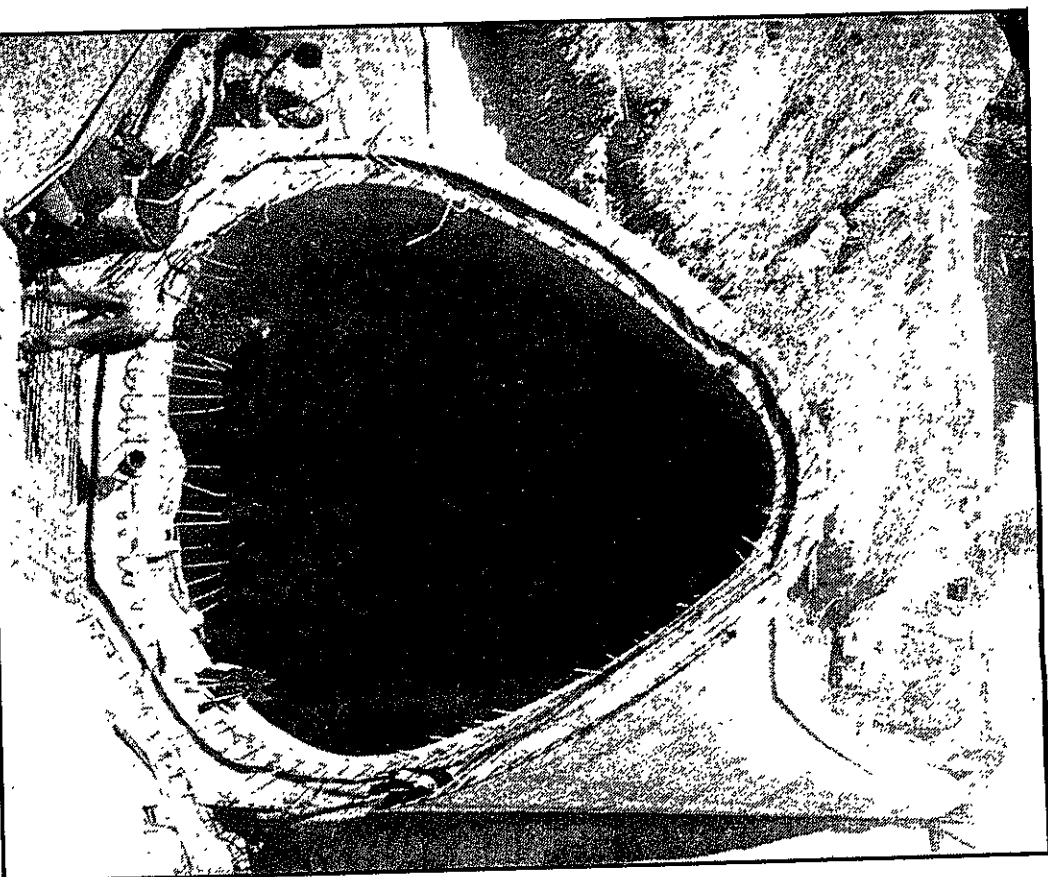
"Many of these are highly competent people — qualified and experienced technicians and engineers who have decided to go into business on their own — and because their overheads are at a minimum, we can't compete against their cost structures."

Mr Muckleston acknowledges that this trend could put clients at risk, since at present there are no degree courses to standardise skills' levels.

But, he says, some seven years ago TAMS pioneered the setting up of a professional body — the Quality Management Consultancy Association of SA — which is opening its doors to members of the profession who run consultancies.

"The association has been fairly successful in establishing professional standards, but its impact has been hampered by the fact that entry requirements were fairly high, and eliminated many of the smaller operators in the field.

"Without sacrificing our standards, however, we have been able to amend the constitution to bring in consultancies run by professionally registered technicians, and we expect this move to give us greater clout within the profession," he adds.



This inverted concrete siphon under construction on the Vaal Dam Zulkerbosch canal route is an integral part of the Rand Water Boars project which included a 10 km pipeline and 20 km canal built to convey water to the water treatment works and pumpstation at Zulkerbosch. The canal route traverses areas of heaving clays, collapsing sands and high water tables, particular attention was given to the problems of uplift and damage to the concrete lining. Stormwater is carried over the canal in 45 overpasses with capacities of up to 160 cumecs.

Getting slice of petrochemical action

The local petrochemical industry shows promise of booming, and the multinational firms are undertaking extensive and ongoing projects to expand and upgrade their South African facilities.

Watermeyer Legge Piésold & Uhlmann (WLPJ) has recognised the potential of this highly specialised field and has formed a consortium with four other leading consulting engineering firms, specialising in this field.

"The industry is starting to offer a lot of opportunities and we wanted to assure ourselves of a share of the action."

Forming Emercon has given the medium-sized firms involved enough muscle, and a broad enough spread of experience and expertise, to take on even major projects. And it is a less disruptive way of doing business than hiring people just for the duration of a contract,"

will have the capacity to take on larger projects than they could normally handle alone.

WLPJ cut its teeth in the industry on the Mossagas Project, when in consortium with BKS and Keeve Steyn it took on the civil and structural design of some of the on-shore liquid effluent treatment system.

The on-shore utility complex included what is believed to be the largest single contract awarded in the southern hemisphere of mechanical draught cooling towers.

The consortium completed the working engineering specifications and adjudicated the engineering sections of the design-and-construct tender. Harmon-Sobelco, which supplied and constructed the towers, completed the project within the specified time.

This partnership will be dissolved with the completion of the work at Mossagas, but with Emercon WLPJ is looking to the future.

"The petrochemical industries are taking a positive view of the future, and planning accordingly; there is potential for an offshore gas project in Namibia; and both Namibia and Mozambique are carrying out inland exploration," says Mr Clarkson.

"South Africa has become far more acceptable to its neighbours than it was previously, and it would make sense for them to use a local firm which will charge them in rands and which knows local conditions."

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Between them, Emercon's partners have also gained experience at Sasol 1, 2 and 3; on all the major overland fuel pipelines in South Africa, including pumping stations and tank farms; and in infrastructure and service work as well as coastal engineering and oceanographic work around the southern African coastline.

It has access to a total of 1 250 engineering and technical staff, who will be seconded to work on Emercon projects as required.

Diversity WLP.U's key to success

Star 20/11/91

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The success of Watermeyer Legge Piesold & Uhlmann (WLP.U) leading local consulting engineering firm, rests in the wide diversity of its operations.

"In the 70 years since it was established to design thermal power stations for Eskom, Watermeyer Legge has developed strengths in fields as varied as military engineering, finite element analysis, project management, quality control and waste

management.

"Since the early years, when the firm was established by Francis Kanhack, its philosophy has been specialisation through diversification," says senior partner Ken André.

This is the characteristic that has given WLP.U the ability to roll with the punches. Formerly heavily committed to military engineering, for example, the firm has had to overcome cut-backs in military

spending and recent changes in operating philosophy within Arnscoor.

Similarly, as Eskom's demand for new power stations levels off, WLP.U is readily able to shift its centre of gravity to its other expanding operations.

And although the economic downturn has forced a tightening of belts throughout the firm, the spread of its operations has kept it stable. "Our philosophy of diversifi-

cation has influenced the geographic distribution of the firm's activities as well as the spread of technical disciplines it offers," says Mr André.

"We made a modest start in the international market in 1961, when we dispatched a small expeditionary force to London.

"Since then, the offshore-affiliated practices of WLP.U have grown collectively larger than its domestic operations."

This, he adds, gives the firm a special advantage.

"We are not the largest local consulting engineering firm, although we do rank in the top five, but our widespread international operation is unique," he says.

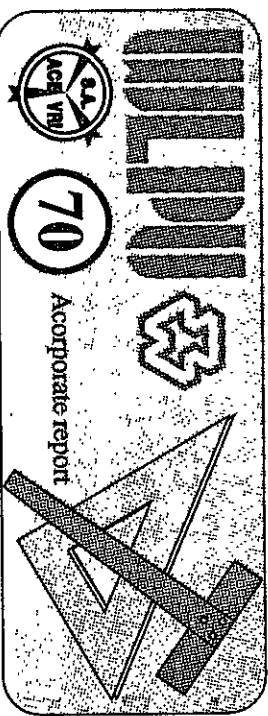
Today, WLP.U operates in 10 major centres, and it has forged international links through its affiliates in Australia, Canada, southern and cen-

tral Africa, Britain and the United States.

"Each of our operations, both locally and overseas, benefits from constant cross-pollination of technology," he says.

"Over the years, this process has reinforced our commitment to excellence. In every area of expertise in which we operate, Watermeyer Legge ranks alongside the best in the world," Mr André says.

The Star/Wednesday, November 20 1991



Corporate report

Watermeyer Legge Piesold & Uhlmann, celebrating its 70th anniversary this year, is the leading firm of consulting engineers behind one of the most exciting projects in the country: the proposed development of the R600 million Trade, Tourist & Convention Centre over the railway adjacent to Johannesburg Station. This survey, edited and compiled by Val Pienaar, examines some other exciting projects in which the firm has been involved.

Engineering sector under siege

32
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Worldwide, economic recession has the engineering industry under siege and the professionals serving this sector are under pressure.

Watermeyer Legge has the strength to withstand the downturn because the diversity of its operations enables it to take full advantage of every opportunity that arises.

But, says senior partner Ken André, a priority in the current climate is to keep the business ticking over and hold on to its technical and engineering staff.

"Over the years we have built up a strong, loyal team with a range and quality of expertise that few firms could match. Financial pressure is forcing many firms to retrench quality employees — but we see that as false economy. It's ironic that in a country as short of skills as South Africa, there should be so many unemployed engineers and other professionals on the market...

"We have recognised



Ken André.

that if we allow ourselves to lose anyone, we will probably lose them for good — they could be lost to the industry and even the country."

Instead, the firm's aim is to hold on to its own, adapting to meet the needs of a changing South Africa.

"We will restructure our activities as the need arises. For example, we originally had a strong focus on military engineering, now that Armscor is cutting back its operations this is no longer needed. Because we are involved in a wide range of industries, however, we are reorienting our military

specialists into other fields."

The WLPU partners, who head up the various departments have differing perceptions of when market conditions are likely to improve. According to Mr André, however, the local economy is unlikely to bottom out before late next year.

"There is too little capital flowing into the country," he comments. "South African businessmen don't have a great enough understanding of or commitment to export."

"Until we have a healthy flow of capital into South Africa the economy will not be able to generate the growth power needed for recovery."

Mr André maintains that funds for meaningful capital development must be looked for from external sources — and, he says, in the existing socio-political environment overseas, businessmen are still hesitant about investing in this country.

In the meantime, he aims to take advantages offered by development in other African countries.

"Zimbabwe and Zaire both have huge potential for hydroelectric power schemes — and they have abundant resources of raw materials such as chrome and copper, which can serve as a foundation to economic growth. On the minus side, the politics of many of our neighbours is their downfall.

"World Bank, the EEC and the Africa Development Bank have poured money into these countries and are becoming disillusioned by their failure to repay.

"Africa must compete for funds against both Eastern Europe and South America, and if it doesn't learn to honour its debts it will lose out. And while South Africa is undeniably the hub of economic and industrial development south of the Sahara, we cannot carry an impoverished sub-continent single-handed," Mr André says.

Lethabo project a first in reinforced concrete

One of the highlights of WLP's activities in structural engineering is the construction of Lethabo Power Station, which is currently under way.

Together with contractor Gillis-Mason Construction, the firm has pioneered the use of reinforced concrete in the boiler-house structure.

This replaces the more conventional fabricated steel.

Partner Dave Kirkwood says: "This is the first time in the world that reinforced concrete has been used in a boiler-house project of this magnitude."

"It has dramatically cut the cost of construction."

"Traditionally structural steel was thought to be cheaper and faster — but on this project we have been both faster and cheaper than would have been possible using steel.

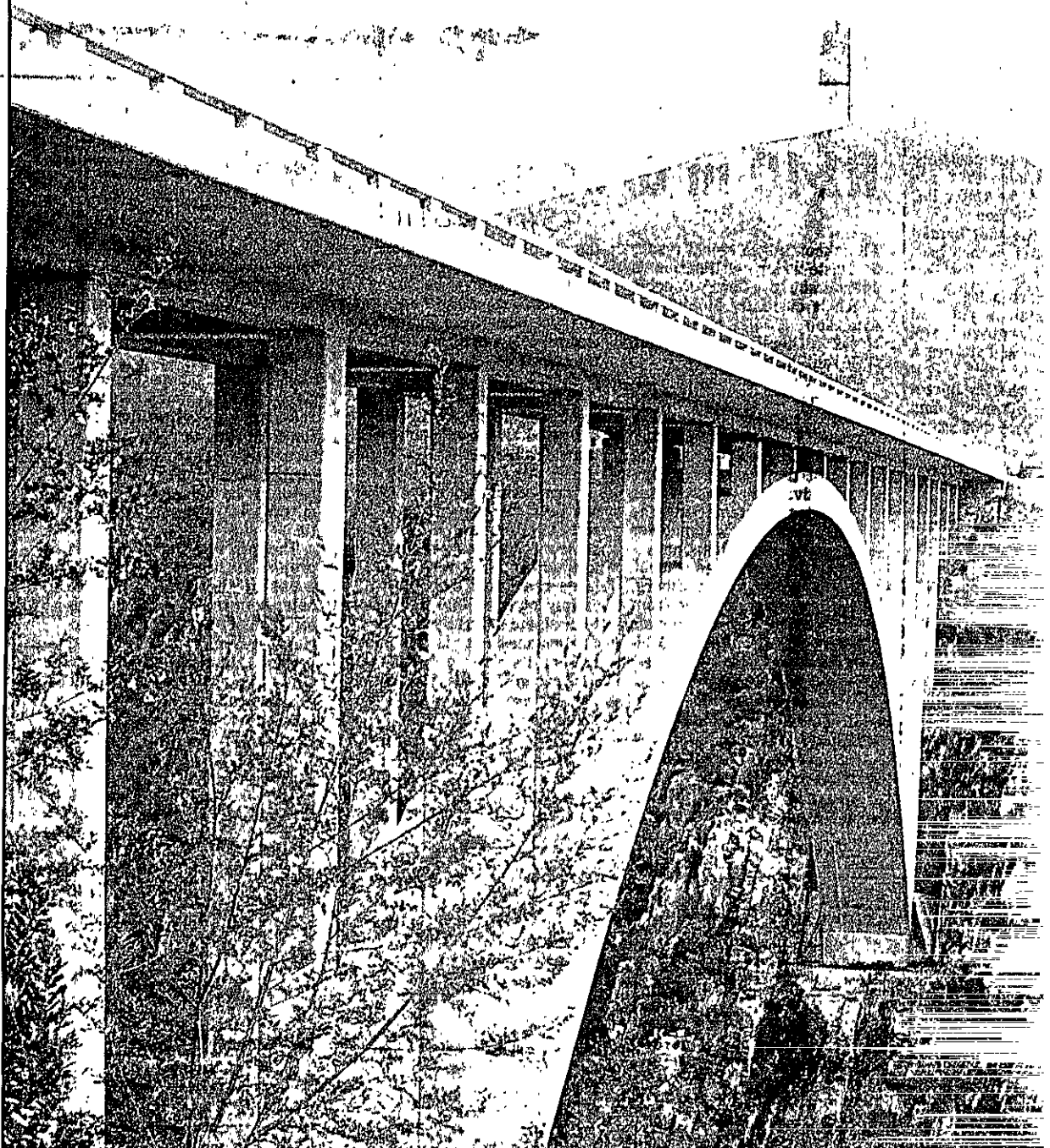
"Sceptics said we would experience difficulties with temperature movements and the lack of flexibility of concrete, but we have overcome all these problems very successfully," Mr Kirkwood said.

Work on the R100 million project started in 1983 and completion is scheduled for next year.

Projects such as this one are evidence, Mr Kirkwood says, that members of the South African structural engineering profession can hold their heads high anywhere in the world.

"Some of our arched bridges, such as the Bobbejaans River Bridge, are considered among the best anywhere."

"We also lead the world in specialised work for the mining industry, and the universities of the Witwatersrand and Cape Town are recognised as leading engineering universities — especially in the field of civil engineering," he says.



The Bobbejaans River Bridge . . . Some of South Africa's arched bridges are considered among the best anywhere.

Despite this level of expertise — which is often of export quality — Mr Kirkwood says the local construction market has been exceptionally depressed for two to three years, but adds that it is showing signs of bottoming out.

"Some people say the current downturn is not as bad as that of 1986, but we have felt it more."

"Business is starting to pick up, however, and we expect the local situation to improve considerably next year," he says.

Watermeyer's R250-m challenge

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The R250 million construction of Middleburg Steel & Alloys' new ferrochrome plant was the most challenging project undertaken by Watermeyer Legge's civil engineering division in some time, says partner Tom Morgan.

The plant, commissioned towards the middle of last year, has a production capacity of 120 000 tons a year of ferrochrome.

"There was more to the project than its size. A special challenge was presented by the new technology used in the production of ferrochrome by direct reduction.

"This system is more economical than the conventional method, and makes use of coal firing. There is similar technology in Iscor's steel production plants but this was the first operation of its kind in the world."

Mr Morgan says.

Another exciting project was the construction of the 21 km overland conveyor at Syferfontein Colliery. This conveyor — the longest in South Africa — was designed by Krupp SA to carry 2 000 tons of coal an hour from the mine to Sasol 2 and 3.

The division has also been involved in the construction of a new cement factory for Pretoria Portland Cement at Dwaalboom, in the north-western Transvaal.

"This is the first greenfields cement factory to have been developed in many years, apart from one at Oribi Gorge, which we were not involved in.

"Commissioned in 1986, the project was valued at more than R200 million ... " he says.

At present the WLP

structural engineering division, while not sitting idle, has time on its hands.

"The state of the South African construction and civil engineering industry has always been cyclical — but the present downturn is the deepest and longest-lasting we have experienced since World War Two," says Mr Morgan.

"Now, in the context of the new South Africa, no one can forecast when the upturn will come. Usually a downturn can be expected to last 12 to 18 months, but we have been in a recession for 30 months now and there is still no clear light at the end of the tunnel.

"Overseas investment will make all the difference — but investors look for stability and until we achieve that we won't see economic change," he said.

The key is to work

with environment

Star 20/11/91

The core issue in integrated environmental management is working with the environment instead of against it, says Dr Bob Laburn, a consultant to Watermeyer Legge Plesold & Uhlmann.

"For years, members of the Greens movement have been accusing engineers of wrecking the environment. They object whenever we build a dam because they say it upsets the ecological balance — but they don't tell us how else to store their water!" he says.

"There is a sad core of truth in their claims. Even today, when planning something like a dam, engineers often pay too little attention to how it will interact with the existing environment."

The result is often problematic. The dams on the Orange River trap the silt that would otherwise be carried further to feed arable land downstream.

Dr Laburn's campaign to persuade engineers to take the existing environment into account when designing dams has been carried out on an international front, through the International Water Supply Association.

Dr Laburn says integrated environmental management is as much a matter of simple efficiency as conservation.

"Dam design must take into account such issues as the effect of changing water flows downstream on arable land, the threat to rare flora and fauna when inundating land and the possible influence it will have on land use above and below the dam.

"In addition, the designers must not forget the potential threat to man's health presented by such diseases as malaria and bilharzia, which occur in surface waters."

Dr Laburn says it is possible to locate and design a dam to in such a way that it actually enhances the environment and serves additional purposes beyond water storage.

"At the same time, the engineer must take into account what effect the environment will have on the dam," he adds.

"For instance, in the eastern Transvaal the acid rain pollution from the

power stations is pushing up the sulphate content of water in the streams — and surface pollution presents an even more serious threat to water quality."

The need for pollution control is not limited to the industrial sector, however. In Botsvana, Dr Laburn has been active in helping control the pollution of ground water in areas where sewage from overloaded, poorly designed pit latrines is a problem.

"In many cases a person will start to dig a hole for a pit latrine and strike water. Inevitably, he will be delighted with his water supply — and will relocate his latrine to a few metres away," he comments.

"Where the water table is low the soil can filter out or absorb most of the polluting substances."

"But most informal settlements are located in valleys, where they are less visible, and where the water lies a short way below the surface.

Dr Laburn points out that human waste is often a greater hazard than industrial.

"Plant life can absorb a lot of the chemicals and nitrates in polluted water, and if it is removed and ploughed back into the soil it does a lot of good.

"But human waste carries bacteria, such as typhoid, dysentery and cholera, and these are very difficult to destroy or remove.

"An estimated 50 percent of patients in Third World hospitals have been put there by a water-borne disease. Clearly, the challenge in Africa is not to build more hospitals but to purify the water," he says.

Laburn's involvement in water engineering dates back to his days as chief engineer of the Rand Water Board over 15 years ago.

"I launched the campaign to improve the quality of water in streams arising in the Witwatersrand and flowing into the barrage," he says.

Subsequently, on joining WILPU, he was responsible for designing the pollution control systems on three Eskom power stations in the eastern Transvaal and Orange Free State.



The extension to the water-purification works in Diepsloot, which is to cost R140 million.

R140-m to be spent on water-purifying plant

Star 20/11/91

An acknowledged world leader in waste-water purification is Johannesburg City Council, which is currently building an extension to its purification works in Diepsloot at a cost of R140 million.

"The extension under construction is the largest works to be built to date in southern Africa. Its control system will be fully computerised, making it one of the most technologically advanced waste-water purification systems in the world," says Watermeyer

Legge partner Ian Rose-Jones. The plant, located about 20 km north of Johannesburg, will process waste water from as far afield as Germiston, Edenvale, Kempton Park, Midrand, Bedfordview, Johannesburg, Sandton, Randburg, Roodeport and Alexandra.

It will be phased into operation from November next year, to replace the old plant which has become overloaded. Designed and built in 1960, with a capacity of 100 Ml a day,

the old plant is not designed to cope with the higher water quality required in the 90s.

It was extended in the late '70s, but changes in technology and rapid population growth in the region have caused it to become outdated.

"The new plant uses the latest biological nutrient removal activated sludge technology, in which South Africa leads the world," Mr Rose-Jones says.

"This technological expertise has been force grown as a result of pressure of circumstances. Most major cities are located on the coast or on a large river, and their waste is simply pumped into the water to dissipate naturally.

"Johannesburg is the only city of its size in the world, apart from Mexico City, which has to use scarce water resources for waste management."

After treatment, the sludge will be processed into compost — another operation in which Johannesburg is a world leader.

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"The main disadvantage to human waste as a compost material is the presence of the ascaris intestinal parasite, which is very prevalent in South Africa."

At Diepsloot, however, the sludge will be composted to the point where no viable ascaris remains, when it will be sold for controlled use and used internally to improve the pasture on the neighbouring Diepsloot nature reserve, where the council runs 4 000 head of beef cattle.

The process design for the project has been undertaken in-house by the council, but the balance of the civil and electrical engineering design was carried out jointly by WILPU and Watson Edwards Van der Spuy.

Gillis Mason is responsible for the construction. A feature of the new plant is the safeguards against spillage which have been built into the design.

Any excess flow — caused, for instance, by a storm — will be discharged into holding dams to be pumped back for treatment before it leaves the site.

By that stage, says Mr Rose-Jones, the water is so clean it is claimed to improve the quality of the water in the Jukskei River.

"A waste water purification works is a concentrated source of potential pollution — and if the 350 Ml a day to be discharged by the plant were polluted, it would be a major source of trouble.

"With modern water-purification technology, however, the greater challenge is controlling pollution caused by old, blocked and overloaded sewerage systems, industrial dumping and the build-up of waste at squatter camps.

"Engineers need to bring their skills to bear in providing waste-water disposal, potable water supplies and sewage removal services in its informal settlements at a price the nation can afford," he says.

BRENT VON MELVILLE

AFTER heading up building and construction group Darling & Hodgson (D & H) for five years, chairman Hugh Brown has relinquished the post to Andre van de Colff of Murray and Roberts (M & R).

His resignation follows the sale of Malbak's 61% stake in D & H to M & R for just under R300m. The deal gave M & R an important stake in cement and building materials company Blue Circle.

Writing in the D & H annual review prior to the deal, Brown said there was a strong need and demand for major infrastructural development and upliftment programmes for lower income groups.

Darling and Hodgson chief steps down after five years

Brown criticised government for dragging its heels on social and infrastructural spending. "There appears to be an inability on the part of the authorities and society to achieve consensus for expediting these works and providing secure working conditions for contractors and equipment."

He said the continuing fall in gross domestic fixed investment, estimated to be minus 3% this year, had had a dramatic effect in market sectors served by the company. As a result D & H had had to counter

falls of 5% in demand for cement, 15% in building materials, 19% in concrete products and 40% in fibre cement pipes.

"In some instances, the volumes we have supplied this year are lower than they were in 1988," he said, pointing out the group was still on a strong financial footing, even after paying the R25,9m special dividend during the year.

At year-end shareholders funds were at R314,7m and cash resources at R49,5m.

Acting D & H MD Richard Bruyns said the group

was still in a position to make a cash acquisition of up to R100m without straining the capital structure.

During the course of the year 42,3%-held Blue Circle maintained earnings despite declining volumes in the building material division. Efforts have now been focused on reducing costs and tailoring business to lower levels of activity.

The company contributed almost 59% of group earnings during the year, up from 55% in 1990. Bruyns said the group was considering proportionate-

ly consolidating Blue Circle's assets and liabilities.

Rocla, SA's leading manufacturer of concrete pipes for stormwater and sewerage, saw its contribution to operating income drop 33,5% to R27,3m (R41,1m), or 25,7% (36,1%) of D & H profits. Bruyns said the division had suffered significant volume declines in traditional businesses.

The D & H lock division lifted its contribution to R53,4m (R43,6m) or 8,8% of group operating profits, largely through exports rising by 60% last year.

The property division, which has as its major investment the 70% interest in the joint "Midrand Industrial Park" venture, showed no income for the year under review.

Building industry bottoms out of recession

(32)
S[Times] [CM] 24/11/91
THERE is further evidence that the building industry may have bottomed out of the current recession, says Mr Erwin Rode, research director of Real Estate Surveys, in his latest report on the property market.

He says his previous comment that the market is marking time as the trough of the recession is approached, still holds true.

Building activity is, currently running just above normal, and building costs (contract prices) have started to accelerate again while input cost increases are slightly down, resulting in better margins for the building industry.

Mr Rode says industrial rentals are showing little movement at present, but on the other hand industrial vacancy levels are not climbing significantly.

This implies that the industrial sector of the property market is in a "holding mode", pending the looked-for improvement in the economy.

Office take-up figures tend to be positive for decentralised nodes and negative in the case of the Cape Town, Johannesburg and Pretoria central business districts.

Shop rentals are showing only small fluctuations within a narrow band; no clear upward or downward trend is apparent. As long as trading densities are declining, rentals will stagnate, says Mr Rode.

"The most striking feature of the domestic house market is the relative strength of the lower and middle-price suburbs, in contrast to the previous strong showing of the upper-price class.

"Demand for rented accommodation remains high," says Mr Rode.

■ ■ ■ ■ ■
TANGIBLE firming of the residential property market in the middle price range is "bringing prices achieved by sellers into line with realistic market prices for the first time in six years", says Mr Bob Boris, regional manager (Cape) of MLS (Multiple Listing Services).

"Realised property prices are still increasing marginally, but are doing so now in terms of market realities, not the inflated hopes of property owners," he said.

"Because the 'market distance' between sellers and buyers is now closer to real life, MLS achieved a record 197 sales in October."

Construction backing

SI Times (BUSS) 24/11/91

INTERNATIONAL: funding organisations are preparing to support South Africa's re-entry to the construction market.

32 Business Times Reporter

SA construction leaders who met representatives of the funding organisations in Africa, Europe and the US say there was recognition of this country's management expertise and its ability to transfer technology and training skills to benefit Southern Africa.

Philip Loots & Associates consultant Geoff Price, a member of the SA delegation, says: "There is concern that SA must achieve internal consensus on political negotiations before large funding will be considered."

The delegation met officials of the African

Development Bank, UN funding bodies, the World Bank, International Finance Corporation and the Caisse Centrale, France's largest bilateral funding agency for Africa.

"The main aim was to learn how the organisations work and the extent of financing which southern African countries could expect," says Mr Price.

Angola has big potential in the long term for construction and other countries in line for bilateral finance include Kenya, Namibia, Zimbabwe, Mozambique and Zambia.

year.

John Russell, who will remain as Pro-

are offices in Durban, Cape Town and Johannesburg.

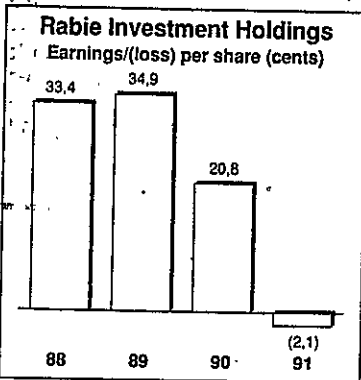
Rabie abandons black housing to go upmarket

RABIE Holdings had cut back the number of houses it built in the black market to 30 a month from its peak of about 300 a month a few years ago, finance director Ken Maggs said yesterday.

The group, which was previously one of the largest black housing developers, was now heavily involved in the upmarket residential market in Cape Town, he added.

Following this direction change, the group had enjoyed "phenomenal success" with its R100m Dolphin Beach development and R21m Sea Glade development.

Eighty percent of the 150 units at Dolphin Beach — on the shores of



Graphic: FIONA KRISCH Source: RABIE INVESTMENT HOLDINGS

WILLIAM GILFILLAN

Table Bay — had been sold before construction started.

Three-quarters of the 71-unit Sea Glade development, at Hout Bay, had been sold before building began.

Rabie had drastically reduced its exposure in the black housing market after a R708 000 operating loss for the year to June. (Last year a R5,7m operating profit was earned.)

Although the group remained exposed to this market in the Transvaal, it had withdrawn from it in Natal and the Cape. The group was continuing in the Transvaal because it still had some land holdings to develop there, Maggs said.

An industry source said he believed the black housing market to be dead. "Financial institutions have curtailed their lending and reassessed the risk in this market. Also, with high unemployment and high interest rates, only a few people are in this market."

But Rabie remained exposed to the low-income housing market through its 40% holding in Kwikspace, which included the Zozo, Portacamp and CI Park Homes businesses.

In the 1991 annual report, chairman John Rabie said the real need in the low-income housing market was "in the area of shelter and below a cost of R10 000".

Beare shows sales growth

MARICA KLEIN

PREFCOR's furniture subsidiary Beare Group seems to be defying poor trading conditions in the furniture industry, says Beare Group chairman Hymie Sibul.

Recently released figures show that sales in the furniture and appliances sector grew by 3% in October over the same month last year, but Beare has shown a 27% growth, he says.

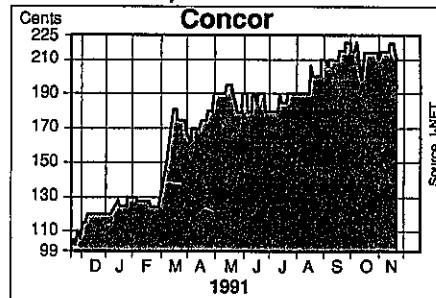
Not only has the 200-store chain kept its sales up during the recession, but Sibul claims it is also one of SA's most active furniture and appliance retailers.

Beare has embarked on a major expansion programme. Growing markets have been identified in neighbouring countries.

Sibul says although trading conditions are certainly tough, "we are doing things a little different", and Beare's aggressive consumer-oriented marketing programmes have seen it gain market share.

He attributes this to Beare's intimate knowledge of the market, looking after its staff, careful credit control and selective organic growth.

There has been some increase in sales over the past week to 10 days, "which is pleasing in the current climate", he says.



CONCOR FM 29/11/91
Conditions deteriorating

Activities: Include civil engineering, building, roads, engineering, supplies and toll management.

Control: A G Hochtief 34,8% (32)

Chairman: B W Murphy; MD: J J C Schultz.

Capital structure: 22,8m ords. Market capitalisation: R50m.

Share market: Price: 220c. Yields: 6,8% on dividend; 25,5% on earnings; p:e ratio, 3,9; cover, 3,7. 12-month high, 220c; low, 100c.

Trading volume last quarter, 164 000 shares.

Year to June 30 .	'88	'89	'90	'91
ST debt (Rm)	6,2	4,9	4,4	2,6
LT debt (Rm)	2,6	4,5	4,6	2,9
Shareholders' int	0,20	0,18	0,23	0,24
Int & leasing cover	—	17	n/a	n/a
Return on cap (%) .	2,6	4,3	9,0	6,3
Turnover (% change)	18	29	18	2
Pre-int profit (Rm) ..	3,3	6,3	14,3	11,6
Earnings (c)	14,1	23,7	46,4	56,1
Dividends (c)	2	4	10	15
Net worth (c)	98	117	157	195

Concor maintained steady profit growth in the 1991 year and the share price has firmed accordingly, rising in line with the Building & Construction index.

Though trading income fell last year, the group has benefited from rising cash generation. This was achieved partly by management of working capital. In particular, debt collection was emphasised. At year-end, the cash balance stood at R48,4m (1990: R24,1m) and interest income for the year climbed by R6,3m to R8,7m.

Chairman Brian Murphy says the plan is to deploy cash resources in diversifying, though nothing materialised over the past year. However, the opportunity was taken to reduce borrowings. The effective tax rate remained unchanged at 32,4% but Murphy warns there will be a "substantial" increase this year.

Neither turnover value nor divisional profit contributions are disclosed. The accounts simply note that all divisions, except engineering, achieved their profit targets.

With trading conditions becoming tougher, turnover grew last year by only 2%, after a fairly rapid expansion over the previous few years. Murphy says work in the construction industry "continues to deteriorate"

but there is no intention to seek uneconomical contracts to boost turnover. Even if some unattractive contracts are accepted, they would not be below cost.

Murphy blames government departments and utilities for continuing to "execute projects which should be done by the private sector."

It is becoming increasingly difficult to replace existing contracts. For this reason, Concor has ventured outside SA with three new contracts in Gaborone and Maputo, together worth about R57m.

EPS rose 20% last year and the dividend by a half. Management hopes to at least maintain earnings and the payout at these levels. At 220c, the share is on an historical and prospective yield of 6,8% — a rating which reflects investor perceptions that companies in this sector will not see much growth for the next year or two.

Kate Rushton

Ovbel upholds earnings in depressed industry

LINDA ENSOR

CAPE TOWN — Investment holding company Ovbel Holdings suffered from the depressed conditions prevailing in the property and construction industry in the six months to end-September but managed to maintain its earnings a share.

The group made big strides in improving profitability through shifting its focus from construction to the higher margin property development business which now makes up the bulk of its activities.

Earnings marked time at 6,3c (6,4c) a share if adjustments are made for the reduction of Ovbel's stake in Ovcon from 70% to 20%. The group has declared a dividend of 3c.

"There has been a noticeable decrease in demand for commercial accommodation while the residential market continues to suffer from the high interest rate affordability syndrome," chairman Andrew Ovenstone said.

He said to have maintained earnings in the current environment was all that could be expected.

Excluding Ovcon from the figures, Ovbel's margins improved dramatically to 14,7% (8,1%) converting the 38% decline in turnover into a 12% increase in pre-tax income of R3,9m (R3,4m). This is not an operating margin as pre-tax income includes in-

terest income which differed from last year.

Reduced overhead costs following restructuring of the Bellandia division and a number of targeted residential developments contributed to the

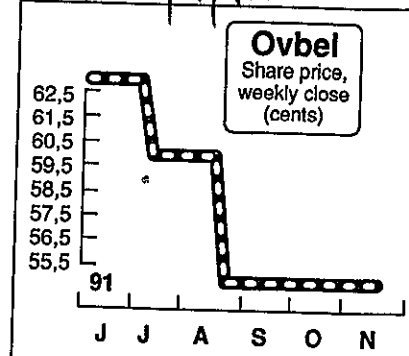
achievement. Ovland and Ovdeco performed satisfactorily while Ovcon has already reported significantly better results.

Total borrowings to total shareholders funds stood at 52% at end-September. Ovenstone said this was a comfortable figure given Ovbel's capital expenditure. He said gearing would improve in the next six months and the current ratio was also very strong.

Ovenstone expected to achieve similar earnings in the second half and did not believe the final dividend would be lower than 3c.

Both the Ovland and Bellandia divisions have embarked on a number of developments in the current financial year which should generate profits in 1992.

Ovenstone said the group had substantial deferred profits — profits were only accounted when the cash flowed in.



Graphic: LEE EMERTON Source: I-NET

The profit announcement said shareholders who retained the Ovcon shares distributed to them by Ovbel in lieu of a dividend would receive a combined dividend equal to 3,8c per Ovbel share, compared with the 3,6c interim dividend paid last year. On this basis interim earnings would have been 10,4c, a 12% increase over the previous interim figure.

EXECUTIVE SUIT



Turnaround in interest helps LTA

By Sven Lünsche

32

Although Anglo American construction group LTA reported a strong 38 percent earnings growth, chairman Hilton Davies, says margins at all its divisions are under pressure.

Turnover fell by R10 million to R998 million in the interim period to end-September but operating profits were up by 13,4 percent to R24,13 million (R21,3 million).

Earnings per share were boosted by 38 percent to 53c (39c) after LTA reversed last year's interest payments of R719 000 to interest received of R2,53 million.

The group pays only one dividend a year on its ordinary shares but has declared a 10c interim dividend on its preference shares.

Commenting on the performance Mr Davies says trading conditions in the industry were extremely competitive, but adds that the group had benefited from rationalisation measures.

"In our major trading divisions — building, civils and earthworks — the number of contracts are dwindling and are fought for at very low prices," he says, adding the margins were at their minimum.

Housing costs

Black township housing programmes in particular have been hard hit by high interest rates, which has put houses out of the reach of the average township citizen, he said.

"Unless interest rates fall significantly we do not foresee a pick-up in that area."

Mr Davies adds that the slump in the local economy had forced LTA to look at cross-border work in neighbouring countries, "which accounts for a small but growing portion of group turnover".

He does not expect a major improvement in trading conditions as the value of uncompleted work on the group's books fell from R1,51 billion at the end of March to R1,24 billion in September.

He says the group was well positioned to benefit from an upturn in the market, "which unfortunately is not yet in sight".

Cash deposits add to LTA's earnings

BIDAY 3/12/91

32

WILLIAM GILFILLAN

MORE efficient contracting and healthy cash deposits saw earnings at LTA surge 38% to R14m from R10m on the back of a 1% drop in turnover to R998m (1990: R1bn) for the six months to September.

But chairman Hilton Davies warned the outlook for 1992 was "very cloudy" as there was less work coming to the market.

Finance director Jimmy Oosthuizen said yesterday he believed the construction industry to be in its worst state in more than 10 years.

Although all LTA divisions were under pressure, he said the building division was worst hit.

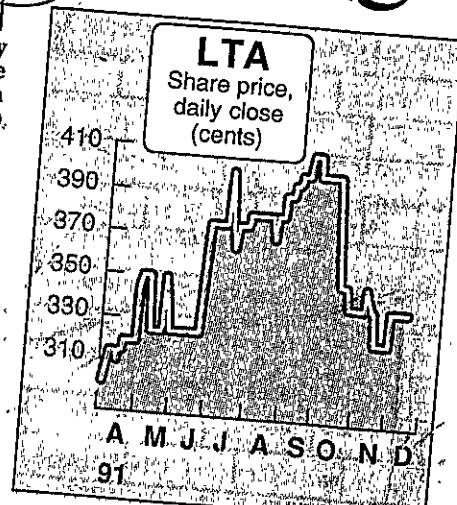
Earnings a share were up to 53c from 39c. The group does not pay an interim dividend.

Oosthuizen said the 1% decline in turnover was a sign of the times.

Despite the turnover drop, operating profit rose 13% to R24m (R21m), due to "more efficient contracting". Operating margins rose to 2,4% from 2,1%.

The group's cash-flush position turned last year's interest charge of R719 000 into interest received of R2,5m.

Oosthuizen attributed the group's healthy cash position — deposits and cash more than doubled to R114m (R50m) — to



Graphic: LEE EMERTON; Source: I-NET

growth in profits and strong emphasis on cash management.

The R23m acquisition of Lennings Rail Services, effective from April 1, saw fixed assets rise to R125m. The division — which maintains railway lines — was living up to expectations, Oosthuizen said.

Investments jumped to R60m (R30m) as the group brought a joint finance company

To Page 2

LTA BIDAY 3/12/91

32

From Page 1

onto the balance sheet.

Oosthuizen said although the group was relatively happy with its order book, there was a shortage of replacement work at healthy margins. The value of uncompleted work on hand — down to R1,2bn from R1,5bn in March — reflected management's decision not to chase turnover at reduced margins.

Oosthuizen said the group was working

to secure contracts on a number of large projects. The tunnels on the Lesotho Highlands Water scheme project and an airport developer in Botswana were two of the bigger projects the group was working on. The FN Bank City development was expected to be concluded only in 1993.

Earnings a share of about 106c for the year to March were predicted.

France funds R1bn Botswana project

LTA 'lands huge deal' to build air base

32
B/day 4/12/91

LOCAL construction company LTA had landed a major part of a top secret contract for the construction of a R1bn military air base in Botswana, sources said yesterday.

A tender of about R660m (500-million pula) was awarded to French company Spie Batignolles, with LTA as its main subcontractor.

The scheme — known as Project Eagle — will see a huge military air base built 130km northwest of Gaborone at Molopolole. The R1bn cost of the project works out at almost a fifth of Botswana's annual gross domestic product. The French government has provided a major portion of the financing in the form of a loan.

The cost of the air base, said to be similar to the high-tech setup at Hoedspruit in SA, could still exceed R1bn, sources said.

The contracts were awarded about a year ago and work on the project — due for completion in about two years — was still in the preliminary stages.

Companies tendering for the project had to sign a confidentiality clause with the Botswana government. Sources said the project was highly sensitive from the Botswana side, especially with an SA company and workers involved.

Construction industry sources said LTA, operating in Botswana under the name of Ridgeway, picked up the contract in competition with other SA companies.

While many SA companies were operating in Botswana, the military nature of the

ANDREW GILL

project was the reason for the degree of secrecy. Spie Batignolles was there, however, as a contractor in its own right and was not a front for LTA.

The Botswana authorities "suggested" that SA-based companies should not tender in their own right but could do so through a foreign partner. Local contractor Murray & Roberts (M & R) is said to have put in a tender at about 640-million pula through a foreign subsidiary. It is believed Group Five also tendered at 600-million pula in partnership with an overseas consortium.

Financing from the French government is believed to have clinched the deal for Spie Batignolles. French military companies are also expected to sell military aircraft and equipment to the Botswana defence force as a result of the deal.

The reason for building the air base is not known, but speculation includes the fear of encroachment from "poor" neighbours, and that Botswana might be vulnerable to an air strike.

LTA chairman Hilton Davies refused to comment last night.

LTA yesterday reported in its interim results a 38% increase in earnings to R14m. Davies warned the outlook for 1992 was "very cloudy" as less work was coming to the market.

Botswana defence force chief Lt-Gen Ian Khama was unavailable for comment yesterday.

PROPERTY

'Drop brick prices and stimulate the economy'

THE building industry is asking why, when there is a massive brick stockpile in SA, there has been no significant fall in brick prices.

Realty 1 - Basil Elk director Dave Miller says colleagues in the housing industry believe that only with a cartel or monopoly situation could there be a glut of bricks and no drop in prices.

SA's brick stockpile was estimated at about 439-million bricks at the end of September.

"The building industry is in the doldrums, yet the price of bricks has not dropped. This reminds one of the Dairy Board debacle when SA had a glut of butter and the prices went up."

However, Clay Brick Association executive director Leon de Bruin says the national stockpile figure represents only about 60 days of supply at current levels of demand.

Reports by
PETER GALLI

"It is quite natural for brick supply levels to have risen, which obviously reflects the slowdown in the building industry. Further, it would be irresponsible of the brick industry not to stockpile in view of the present housing shortage."

Miller contends that with so many people homeless, this would be an ideal time to cut brick prices and encourage building.

"I am not advocating that government need get directly involved, but it should at least set a framework for development, which could include subsidies and incentives to create an active building climate."

De Bruin says government's role has become that of facilitator, with the private sector playing a greater role in provision of housing. "Responsible action is being taken by numer-

ous players in the building industry."

Miller feels an active building environment could stimulate the economy as a whole. A recent survey in the US showed there was an enormous multiplier effect within the economy through building. "The survey showed that for every \$1bn spent on new home construction, an additional \$7bn was generated in the economy."

De Bruin says there is a framework for a healthier building industry which in turn will stimulate the economy.

"For example, the Old Mutual/Nedcor scenario proposes the provision of 200 000 houses, 400 000 serviced sites and the electrification of 1-million new homes by 1994.

"The National Association of Home Builders' objective is to provide 1-million affordable homes and two-million sites by 2000. In addition, the IDT has allocated a R750m capital subsidy for 108 projects," he says.

B1 Day 4/12/91

32

Ozz posts sound results

PETER GALLI

(32)

PROPERTY and construction group Ozz posted a sound performance for the six months to end-September, with taxed income 33% up at R3,717m (R2,790m previously).

The results were achieved on the back of tight asset management and cost control, chairman Gary Zulberg said at the weekend.

Earnings rose 36% to 24,2c a share, but no dividend was declared as Ozz pays a single annual dividend.

This was 17c a share in 1991 and should be better in 1992 provided forecasts were achieved, he said.

Gearing was slashed from 140% two years ago to 19,4%, Zulberg said.

The group expected further earnings growth, although at a more modest rate.

New products were being introduced and production facilities extended to accommodate increased demand, Zulberg said. *5/Day 9/12/91*

However, turnover rose only 2% to R61,457m with operating income gaining 5% to R8,57m and the operating margin improving to 13,9% despite generally lower gross margins and escalating costs.

"Interest paid fell 44% to R1,421m (R2,555m) on the back of the continued strength of the cash flow, largely from our core operations. While we continue to consider acquisitions, they must meet our investment criteria," Zulberg said.

TOM HOOD
Business Editor

HOUSES could be sold for as much as 20 percent less if red tape and all other delays were cut out, says Mr Johan Viljoen, president of the Institute of Building.

Some of the processes which add high interest rates to the basic costs of building, he said, were:

- The obtaining of local and other authorities' approval for rezoning, proposed developments and designs.
- Delays by the deeds offices.
- Delays caused by the legal profession.
- The obtaining of employers' guarantees on loans.
- The time taken by buildings societies and other financial institutions to process finances.

"The tragedy of the situation is that increased interest rates resulting from these delays hit even the developer who has done his marketing thoroughly and is able to move his buyer into the premises the day he completes them," said Mr Viljoen.

The institute was also concerned about the high price of the interim interest that has to be capitalised in development projects.

There was a strong feeling in the institute that any person responsible for holding up the processing of documentation for building work should be made responsible for the capital interest costs for the delays he causes.

Mr Viljoen said the protection of the consumer and building public could become a reality when a Code for the Building Industry was drafted by the Business Practices Com-

mittee under the guidance of Professor Louise Tager.

The minister, said Mr, Viljoen, fully supported this proposal and saw it as vital for the protection of the consumer.

A factor on which the new code was likely to insist was that all building services must have a back-up remedial and maintenance service.

It was also likely that protective import duties and cartel and monopolistic situations would be "removed".

Suppliers to the building trade were likely to find that they were among the sectors most closely monitored.

Mr Viljoen was speaking after a meeting between the institute and Dr Org Marais, Minister of Trade, Industry and Tourism and senior members of the Building Industries Federation of South Africa (Bifsa).

He said a major source of concern to those at the meeting was that the building industry still has a poor public image.


The institute and Bifsa believed that this was primarily due to the informal sector, which often operated irresponsibly.

Any individual could enter the informal industry, set himself up as an "expert" and quote a low price which the client could not resist, even though it might be impossible to carry out the work for that price.

"This type of builder tends to disappear halfway through the project with a substantial sum of the client's money and many unpaid sub-contractors.

Red tape pushing market up by 20 percent, says institute

HOUSE PRICE SHOCK



32

BUSINESS

Recession shocks building industry

ROY COKAYNE

PRETORIA. — The economic recession hit the building industry hard this year with unemployment benefits and fringe benefits paid out by the Industrial Council of the building industry in the Transvaal rocketing by more than 1 000 percent.

The Industrial Council general secretary for the building industry in the Transvaal, Mr Wynand Stapelberg, said unemployment and fringe benefits paid out soared from R56 800 in the first nine months of last year to R675 641 in the same period this year.

Building industry workers in the Transvaal went on their annual month's holiday on Friday and 250 were registered by the Council as being unemployed, compared with only 93 last year, an increase of 174 percent.

This was in spite of optimism at the beginning of the year about a revival in the building industry this year.

Mr Stapelberg said of the workers registered as being unemployed, 86 were designated workers (those who had completed a proper artisan test), 103 non-designated workers and 61 workers with a specified skill (a semi-skilled worker who had completed a part of a trade).

He said a total of 49 556 workers were paid R30,98 million in holiday pay and bonuses this year, compared with the R29,6 million paid to 59 259 building industry workers in the province last year.

Of the total, 7 877 skilled workers received R13 million, 8 625 semi-skilled workers R4,98 million and 33 054 general workers R12,94 million.

Mr Stapelberg attributed the drop in the number of workers receiving holiday pay and bonuses to the fact that since September last year the Council did not have any union agreement covering employment conditions for general workers.

However history was made in the building industry in the Transvaal earlier this month when agreement was reached for the first time between the Master Builders' Association (Transvaal South), the Building Industries' Association (Transvaal Norther), the Master Masons' and Quarry Owners' Association and the major building industry trade unions in the Transvaal — the Amalgamated Union of Building Trade Workers of South Africa, the Building Industries' Workers Union and the Construction and Allied Workers' Union — on wages and other working conditions for general workers.

"This brought to an end a period of about 18 months during which the bulk of the industry's employees were not covered by an agreement. Once again employees will enjoy fringe benefits such as pension and sick pay negotiated by the unions and employer parties," Mr Stapelberg said.

Medical aid claims, which had increased in the past few years, continued this trend.

Mr Stapelberg said R12,14 million was paid out during the first nine months of the year. Claims in the same period last year totalled R13,5 million and in 1989 they amounted to R10,5 million.

A further R1,02 million was paid out in terms of the Council's benefit fund, which was for such things as sick pay and work being disrupted by inclement weather.

Rabie directors take 24 percent cut in fees

STAR 11/12/91

By Tom Hood

32

Shareholders of home-builders Rabie Investment Holdings voted for a 24 per cent cut in their directors' remuneration at the annual meeting in Cape Town yesterday.

The company, which plunged R7,4 million into the red in the year to June, will pay the directors R389 600 instead of the R512 500 paid last year.

The cut was recommended by the directors themselves and

the chairman, Mr John Rabie, said: "We decided we should take less this year in view of the state of the economy. However, we expect the company to resume making profits and we may come back for an increase next year".

Much of the loss was caused by a R7 million write-off as a result of unrest in Natal, where the seizure of company-owned land by squatters prevented the building of houses.

Mr Rabie reported the company had traded successfully since the year-end and was making profits.

Every single house on company-owned land would be sold by the end of the month.

"We have turned the company round very quickly and we are in a situation where we can expect to increase exports (of low-cost shelter houses) to other African countries. There is no doubt that doors are opening in Kenya and Malawi for our shelter and other houses."

He expected a huge injection of funds into the black housing market next year.

"We are now spending more time in the Western Cape, where we started 14 years ago,

and are looking at shopping centres and commercial developments. We are certainly staying in the black housing market but we will go ahead wherever we see an opportunity.

Mr Issy Goldberg, chairman of the Shareholders Association, pointed out that the R7 million write-off could be treated as a taxed loss and the company would benefit when it resumed making profits.

He also urged the company to seek compensation for the loss of the building land in Natal.

Pessimism over civil engineering

CAPE TOWN - Civil engineering industry turnover this year is expected to be worse in real terms than in 1989, and hopes of a cyclical upturn postponed to 1993.

This pessimistic conclusion was reached by Stellenbosch University's Bureau for Economic Research (BER) in its latest survey of the building industry. A further shrinkage in the civil engineering industry of about 25% is expected until 1993.

The bureau said the problems of the industry, in the throes of a long-term downward phase which had lasted for more than 10 years, had been compounded by the cyclical downswing. Employment had dropped to under 70 000 from 95 000 in 1989, and poor order books had weakened further since mid-year.

The survey also said not much life was expected for the building sector before mid-1992, with most activity restricted to the residential sector.

However, the downswing in the residential building industry was bottoming out. With a decline in interest rates expected by the second quarter of 1992, and a slowdown in building cost increases, the near-term outlook was not too bleak.

The bureau forecast a 3,7% increase in fixed investment in residential buildings as 1992 progressed, based on the anticipated 1,8% rise in disposable incomes over the year.

It predicted that in the longer term the real growth market would be in houses for the low-income group. Assuming political stability, BER forecast an average annual growth of 5,1% per annum in real terms in the 1992-1996 period, as against minus 2,4% in the 1987-1991 period.

Much doom and gloom was found in the non-residential sector, where buildings were not fully utilised and no growth was expected before well into 1993. Factories were not running at full capacity, and many offices and shops were vacant.

The bureau forecast a further 3,8% real decline in spending in

this sector in 1992, while 1993 would see growth at more than 5%. The period 1992-1996 should see growth in fixed investment maintained at 2,9% a year.

"The slow recovery forecast for the general economy suggests that the demand for new offices will remain sluggish for quite a while," the BER says. "The same applies to the many shops which are vacant."

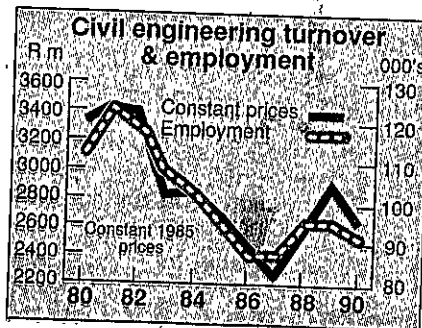
The prevailing political and economic uncertainty also led the bureau to conclude that the private sector would be reluctant to invest in non-residential buildings during 1992, and possibly even well into 1993. However, government investment in educational and medical facilities should increase.

Building costs would increase by an annual 17% during the 1991-95 period, BER said, compared with the average of about 16% a year during the previous five years.

Architects and quantity surveyors experienced a deterioration in business conditions in the fourth quarter, but at a slower pace, and expected this trend to continue for the first quarter of 1992.

The bureau found that the downswing in the property market was deepening, with vacancies and falling rentals apparent in the office sector while shop rentals appeared fairly stable and the residential market remained relatively healthy.

LINDA ENSOR



Graphic: LEE EMERTON SOURCE: BER



Mr Jeff Letlape, managing director of Let Property Developers, and Mr Zuzi Buthelezi, market development officer of Corobrick, stand in front of Pick 'n Pay staff houses which are being built on a fully serviced site at Siluma View Extension 1.

New device for E Rand project

Southern 12/12/91.

(32)

[Handwritten scribbles]

COROBICK's new corowall system will be used for a R2,2 million homes contract for the Pick 'n Pay staff housing scheme at Siluma View on the East Rand.

The development, by Let Property Developers of Johannesburg, will be the first major project in the Transvaal to use the recently launched corowall system. The 50 houses, with an average 34sqm, will be priced at R29 000. The project is due for completion next April.

The managing director of Let Property Developers, Mr Jeff Letlape, said: "Pick 'n Pay approached us and asked us to submit recommendations for staff housing.

"Affordability and quality were the two key criteria. After considering a number of options we decided that Corobrick's new corowall system would be the ideal solution for this project."

Under the umbrella name corowall, the company has assembled an extensive range of products and systems which make traditional burnt-clay masonry and a viable option for low-cost housing.

The systems are based on the concept of single-skin exterior walling and have aroused keen interest among prospective homeowners, financial institutions and development groups.

At its official launch in the Transvaal at the recent The Star Affordable Homes Show, the corowall system met with enthusiastic response and a number of firm orders were received for developments in the Transvaal, the Free

By JOSHUA RABOROKO

State and QwaQwa.

The chain store's houses will be constructed on a fully serviced site with high-mast street lighting, roads, electricity, water and sewerage at Siluma View Extension One, opposite Palm Ridge, and a 15-minute drive from Johannesburg's southern suburbs.

The houses will be built in a variety of elevation, in panhandle configuration rather than in the more conventional back-to-back layout. They will have two bedrooms, a kitchen, a bathroom and a living area.

The company will advance a R5 000 deposit to staffers who qualify for the housing scheme and provide collateral for mortgages. The show houses were approved by Wendy Ackerman, wife of Raymond Ackerman, chairman of the chainstore.

Letlape said: "We are tremendously excited at the potential of the corowall system. It effectively means that genuine clay face brick walls become a viable option in the low-income housing field.

The marketing support manager of Corobrick Transvaal, Mr Crispin Smith, said: "Corowall offers a range of workable solutions to housing problems with systems that are appropriate in rural and urban environments".

BER sees recovery next year

CAPE TOWN — The downturn in the business cycle has bottomed out and a recovery in the general economy could be seen next year, the Bureau for Economic Research (BER) at Stellenbosch University says in its building industry survey.

It says the recovery will be export-based and, because the economies of South Africa's trading partners are showing slow growth, hesitant.

High interest rates will prevent the economy from expanding rapidly — especially in

the first half of the year.

However, the building sector is not expected to show much life before mid-1992 and most of the activity will be restricted to the residential sector.

“(32) Building in this sector is forecast to undergo structural change. The demand for smaller houses — and town houses — is likely to become keener while that for big houses is forecast to dwindle.”

In contrast, non-residential buildings are not fully used, factories are running well below full

capacity, and there are many vacant offices.

Shops are also unoccupied and in view of this no growth in building activity is foreseen before well into 1993.

The construction industry is in a long-term downward phase, which began about 10 years ago. The problems appear to be structural rather than cyclical, but the present situation is aggravated by cyclical factors.

“It does appear, however, that the downturn is bottoming out and that

the industry should enter a cyclical upturn in 1993.

“The building sector is still firmly entrenched in a recession, but there are signs of a bottoming out in the cyclical downswing.”

While many respondents reported business conditions worse than a year ago, fewer of them have done so in every successive survey.

“It appears, though, that those who are operative in the residential sector are pulling out of the recession, but much doom and gloom still prevails.” — Sapa.

Directors of homes company cut pay

SHAREHOLDERS of homebuilders Rabie Investment Holdings voted for a 24 percent cut in their directors' remuneration at the annual meeting in Cape Town yesterday.

The company, which plunged R7,4 million into the red in the year to June, will pay the directors R389 600 instead of the R512 500 paid last year.

Cut

The cut was recommended by the directors themselves and the chairman, Mr John Rabie, said: "We decided we should take less this year in view of the state of the economy. However, we expect the company to resume making profits and we may come back for an increase next year."

Much of the loss was caused by a R7 million write-off as a result of un-

S. S. Rabie 12/12/91
Housing firm

is R7,4-m

in the red

rest in Natal, where the seizure of company-owned land by squatters prevented the building of houses.

Rabie reported the company had traded successfully since the year-end and was making profits.

Every single house on company-owned land would be sold by the end of

the month.

"We have turned the company about very quickly and we are in a situation where we can expect to increase exports (of low-cost shelter houses) to other African countries. There is no doubt that doors are opening in Kenya and Malawi for our shelter and other houses."

He expected a huge injection of funds into the black housing market next year.

Profits

"We are now spending more time in the Western Cape, where we started 14 years ago, and are looking at shopping centres and commercial developments. We are certainly staying in the black housing market but we will go ahead wherever we see an opportunity."

Mr Issy Goldberg, chairman of the Shareholders Association, pointed out that the R7 million write-off could be treated as a taxed loss and the company would benefit when it resumed making profits.

He also urged the company to seek compensation for the loss of the building land in Natal.

R5,5bn needed to put road system into shape ⁽³²⁾ Sabita

31 May 20/12/91
PAUL ASH

SA's road system, regarded as the backbone of the economy, would need about R5,5bn just to get the network into an acceptable condition.

This was said yesterday by Southern African Bitumen and Tar Association (Sabita) executive director Piet Myburgh.

Government's "disinvestment" in the maintenance of SA's roads was nothing less than asset-stripping, he said.

"Government is preoccupied with social spending and still does not realise that a well-maintained road system is vital to solving these social problems," Myburgh said.

The road maintenance funding backlog was much greater than the R15bn estimated by government.

"The degree of deterioration is more severe every year and with inflation behind it, the backlog just keeps growing," he said.

Myburgh estimated that it would cost more than double the R2bn allocated to the four provincial road departments this year to get SA's roads up to scratch.

About R2bn would have to be spent on the rural road system while upgrading of urban roads would cost R500m.

Myburgh stressed that this was a conser-

vative estimate since the real cost of refurbishing rural roads alone was probably nearer to R60bn.

Meanwhile, the road user was subsidising government as funds generated from road users through direct road user charges such as fuel levies and VAT on capital purchases exceeded R5,5bn.

Myburgh believed the solution lay in a "shift in the frame of mind" from a future government.

He said that at a recent Sabita conference, delegates agreed economic growth would depend on the country's road system being able to cope with the demands of a developing society.

The link between economic growth, employment, consumer prices and housing and an adequate road system was vital.

In a recent edition of Asphalt News, Sabita chairman Wally Babb said the economic affordability of transport infrastructure, education and primary health care also depended on well maintained roads.

Inadequate funding had had a negative impact on the road network with road authorities receiving just over half the budgetary allocation needed.

BUILDING FORECASTS

FM 20/12/91 (32)

Lower end on the up

Residential builders and investors could find marginal cause for comfort in the results of the latest building and construction survey by the Bureau for Economic Research of the University of Stellenbosch. Against an overall background of an economy bottoming out — and a lagging property market whose downswing is deepening — real growth will be in houses for the low-income group.

Not that the issue is clear cut. The report says: "Not only are the numbers growing more rapidly in this group, relative to the high-income group, but the growth in income is also outpacing that of the middle- and upper-income groups. The longer-term growth prospects for fixed investment in residential buildings over the 1992-1996 period are fairly good. We forecast an average annual growth rate of 5,1% in real terms, as against minus 2,4% per annum during the preceding five years.

"The proviso is that there should be relative peace and calm in the country, and that the political impasse should be resolved with-

in a year or two."

The other bright spot is a relatively healthy residential market with a demand for rented accommodation and strong house price growth in the lower price classes, that is below R150 000 on average.

In contrast, demand for industrial and commercial space will continue to be sluggish for quite a while — and the bureau forecasts that spending on non-residential building will continue to slide. Negative growth rates posted in the second quarter of 1991 for fixed investment are expected to continue; and a further decline of 3,8% (in real terms) in spending on these buildings will occur during 1992.

"This will, however, be followed by a growth rate in excess of 5% in the year thereafter. During the period 1987-1991 fixed investment in non-residential buildings increased at a rate of 2,9% per annum in real terms. According to our projections a similar growth rate will be registered during the 1992-1996 period."

HOUSE PRICE GROWTH BY CITY & CLASS (%)

Year ended second quarter 1991*

City	Total	Upper†	Middle††	Lower§
National	14,3	11,0	12,1	21,7
Johannesburg	11,7	7,8	16,1	16,6
Pretoria	2,5	-7,3	0,6	17,5
Durban	25,6	23,0	18,3	37,7
Cape Town	12,8	4,0	15,6	24,5
Port Elizabeth	25,8	41,4	12,7	23,0

* These figures are preliminary and subject to change. House price ranges on a national basis: † >R200 000. †† R100 000-R300 000. § R50 000-R150 000.

Overall, the bureau expects that the building sector will not show much life before mid-1992. Most of the activity will be restricted to the residential sector, where building is forecast to undergo certain structural changes. The demand for smaller houses — and town houses — is likely to become keener while that for big houses will most likely dwindle.

On the non-residential side, buildings are not fully utilised; factories are running well below capacity; there are many vacant offices; and shops are also standing empty. So no growth is foreseen before well into 1993.

Interest rates are forecast to remain at a relatively high level during 1992. The bureau predicts the prime overdraft rate will drop from 1991's average of 20,27% to 18,99% in 1992.

Construction is in a long-term downward trend which began 10 years ago: "The problems of this industry are structural rather than cyclical, but the current situation is nevertheless aggravated by cyclical factors. It does appear, however, as if the downturn is bottoming out and that the industry would enter a cyclical upturn in 1993. The building sector is still firmly entrenched in a recession, but there are signs of a bottoming out in the cyclical downswing. Though many of our respondents kept on reporting business conditions which are worse than those a year ago, fewer of them do so in every successive survey.

"It appears . . . that those who are operative in the residential sector are pulling out of the recession — but much doom and gloom still prevail in the non-residential sector."

The bureau forecasts that on average, the annual increase in building costs will be 17% during 1991-1995, against about 16% over the previous five years. VAT is included in the cost estimates and forecasts; and while the tax should dampen the tempo of increase in the cost of most non-residential buildings, it will simultaneously increase the cost of residential building. ■

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R200bn road bill fear

GOVERNMENT funds for the maintenance of roads are minimal and if this state of affairs continues, it will require R200-billion over 10 years to restore the system. (32)

Piet Myburgh, executive director of the SA Bitumen and Tar Association (Sabita), says the replacement cost of roads is about R1-billion. Too little attention has been paid to roads in townships. S. Times (BUSS) 29/12/91

"The bitumen industry as it is now would be unable to cope with this demand, let alone build roads in townships where they are most desperately needed," says Mr Myburgh.

TECHNOLOGICAL policy in SA can succeed only if it is managed properly and it is essential that a minister and a department be appointed to handle it.

S/Time (BESS) 29/12/91
32
Mossgas lesson

This is the opinion of Ferdie Geyer, a committee member of the SA Association of Engineers and chairman of engineering consultancy GH Marais & Associates.

Mr Geyer says: "If there had been a full-fledged minister of technology many years ago, the wrong management decisions made with regard to the Mossgas project would perhaps have been prevented."

Such a department would probably have ensured that sufficient independent consulting engineers were appointed to exercise proper control — as was the case with Sasol 2 and Sasol 3.

Business Times Reporter

Engineers have asked for many years for the appointment of such a minister, although it is in no way calling for Government interference.

Red tape adds to house costs

S/Times (Buss) 29/12/91 32

THE cost of houses could be reduced by as much as 20% if the red tape required for plans to be passed and loans to be granted was abolished or reduced to a minimum, according to the SA Institute of Building (SAIB).

A meeting between Trade, Industry and Tourism Minister Org Marais and members of the Building Industries Federation of SA (Bifsa) and SAIB was told that the cost of housing could be far lower if delays were reduced.

Delays increase the cost of building by adding high interest rates to the project.

SAIB president Johan Viljoen says the need to obtain a local authority's approval for rezoning, proposed developments or designs as well delays in deed offices add to the cost of homes.

Other factors include delays caused by the legal profession, obtaining employers' guarantees for loans and the time taken by financial institutions to process advances.

Mr Viljoen says: "The tragedy of the situation is that the increased interest rates resulting from these delays hit even the developer who has done his marketing thoroughly and is able to move his buyer into the premises the day he completes them."

Also on the agenda was the protection of the buyer and the builder. This could become a reality when the code for the building industry is drafted by the Business Practices Committee.

Dr Marais supports this proposal, according to Mr Viljoen.

CONSTRUCTION - GENERAL

1992

JAN. — AUG.

Stocks ⁽³²⁾ does deal

By JULIE WALKER

CONSTRUCTION group Stocks & Stocks hit a 12-month high of 205c on the JSE ahead of a deal with York Timbers.

Yorkcor has unconditionally bought Cape door manufacturer and exporter Phoenix from Stocks for R1,8-million. It will become part of Yorkcor's timber beneficiation and exporting division which is headed by group managing director Ivor Tucker. S171000 (12/15/55)

Mr Tucker says Phoenix chief executive Hugh Paine will stay on. Mr Paine is an expert finisher of timber furniture and has built a good reputation. S111912

The association between Yorkcor and Stocks goes back years. Stocks chief Dick Glanvill's father established Pretoria Amalgamated Quarries as part of Katzenellenbogen, now Yorkcor.

By TERRY BETTY

VAT has cut the cost of non-residential building by about 6%.

Real Estate Surveys property economist Erwin Rode says another 5% can be deducted from the cost of a building because the buyer does not have to pay transfer duty.

VAT will result in only a 1% increase in the cost of new houses. The full effects of this will be felt once VAT on housing is phased in in March.

Assuming labour and materials each constituted 40% of a contract under GST, plant and equipment would be 10%. Overheads and profit

Building cost

SI Times (B.I.S.S.)

5/11/92

cut by VAT

HRP

32

would comprise 10% of the total.

GST was paid on materials, plant and equipment. Stripping out GST results in a saving of 5,75%, reducing the cost of a R100 000 building to R94 250.

The 10% VAT payable on the reduced figure is irrelevant because it is fully recoverable by the developer or buyer. So is VAT paid on pro-

fessional fees, says Mr Rode.

The position is different for residential properties where the ordinary person will not be able to recoup VAT unless he is a seller. The cost of a house will increase by an average 4%. However, paying VAT absolves the buyer from 3% transfer duty.

The result is only a 1% increase in the cost of houses bought from a developer.

Homes market revival in '92, says economist

THE residential property market is expected to revive strongly this year and next, says building economist Medium-Term Forecasting Associates (MFA).

MFA offers two reasons for its forecast upturn. The first is an expected drop in the prime interest rate by as much as 2% this year.

The second is a carry-over of a few billion rand earmarked for low-income housing by the Independent Development Trust and foreign and local institutions.

MFA points out that residential and non-residential building activities have diverged in recent years.

It says the nonresidential property market has experienced strong growth in the past three years, while the housing sector has experienced a downturn.

High mortgage rates raised the cost of housing. The only growth sector in an otherwise bleak private housing picture was townhousing.

In contrast to forecast growth in the housing market in 1992/1993, the Stellenbosch-based MFA sees a sharp reduction in the growth of the nonresidential property

sector in the 1991/1992 period.

The envisaged fall-off stems from rising vacancy levels in the commercial sector, while the scarcity of new work is reflected in growing competition for tenders.

As a result, tender values have risen more slowly.

Other indicators of the fall-off in non-residential building activity include more freely available skilled labour and a smaller shortage of building materials.

MFA's viewpoint of the domestic economy is positive.

It suggests the upswing started in the fourth quarter of 1991 and lists the following factors as reasons for its conclusions: a continued rise in gross gold and foreign reserves and improved business confidence.

More speculatively, it forecasts a decrease of about 2% in prime interest rates and a fall in inflation to 12% by the end of the year. It also foresees controlled growth of money supply and an expansionary March Budget.

32) (32)
B. Day 7/11/92
ANDREW KRUMM

Battered builders hoping for upturn

STAR 8/1/92

By Ed Wilson
managing director
Group Five Building

(32)

Although things have been quite tough this year, with contracts decidedly scarcer, and margins severely cut, I believe there is some light at the end of the tunnel.

Confidence is picking up, and there are good grounds for the belief that the economy will improve in the latter part of the year. For example, the drive to increase exports should encourage companies to develop in the industrial field — and there are other areas that also show promise.

Unfortunately, the building industry has already suffered the loss of many skilled people who left during the recession, and are unlikely to return in any great numbers.

This means we must place considerable emphasis on training



Ed Wilson

new talent to the utmost of their capabilities if we are to be ready when there is an increase of work.

There is a clear case here for the unions and contractors to cooperate for their mutual benefit.

OUTLOOK '92

The unions need work for their members — and we need workers with a work ethic, who can rise to the challenge of greater opportunities.

It is not enough for anyone at any level to accept a job and just go through the motions of doing it. Our productivity and our standards of performance must improve if we are to match world trends, and the increased expectations of our clients.

In the years ahead, there will be considerable opportunities in this country, but if we do not grasp them when they come, others will not fail to do so.

We need to get our act together in good time, and prove to overseas investors that we can

do the job to the standards they require.

Potential investors are not encouraged by reports of violence and civil unrest which are seemingly endless. What they look for, and must find if they are to invest here, is a stable political and economic climate.

Tourism, too, should not be forgotten, as this is often the first experience a potential investor has of a country — apart from it being a huge source of revenue to the economy.

I believe there is great potential for the construction industry in South Africa in the years to come — but business is bound to be different and probably more challenging.

(32)

worried. He draws comfort from the property portfolio, which, he says, has never been revalued and probably has a market value R150m to R200m more than the book value.

But the state of the property market is not encouraging. Bester says sales of existing properties are being realised but with due circumspection.

"We'll reduce borrowings and our interest burden by selling properties, but that is difficult in the present market," he says. "We have to wait for the right time, when the economy starts to pick up."

That's fine, but to a certain extent events have overtaken the traditional nature of the group's business. It did well in the early Eighties on township development and mass housing. Large-scale township development could be a thing of the past and if the group

BESTER Fm 10/1/92

Deep in the red (32)

Activities: Property and township development, building contracting and investment.

Control: Grand Kor (50%).

Chairman: Theunis Bester.

Capital structure: 12m ords. Market capitalisation: R6m.

Share market: Price: 50c. 12-month high, 85c; low, 50c. Trading volume last quarter, 15 300 shares.

Year to Feb 28	'88	'89	'90	'91
ST debt (Rm)	137,5	132,6	139,9	141,2
LT debt (Rm)	43,2	39,5	27,3	5,2
Debt:equity ratio	3,24	3,09	3,04	3,27
Shareholders' interest	0,18	0,20	0,19	0,18
Int & leasing cover	1,3	0,83	0,68	0,44
Return on cap (%)	8,3	7,2	6,2	0,05
Turnover (Rm)	n/d	n/d	261	250
Pre-int profit (Rm)	24,9	20,1	17,7	12,3
Pre-int margin (%)	n/a	n/a	7,4	4,8
Earnings (c)	67,0	(10,4)	(10,9)	(89,4)
Dividends (c)	16	—	—	—
Net worth (c)	461	459,9	454,2	363,9

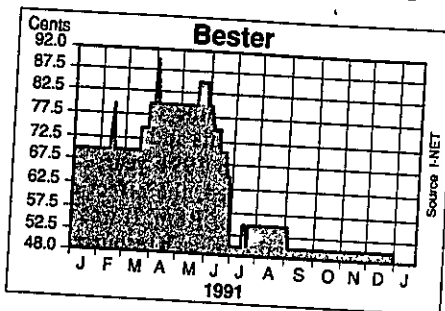
For the past three years, Pretoria-based property and construction group Bester has been sinking steadily into the red, posting growing losses and eroding shareholders' funds.

The problem remains heavy debt and interest charges, though a strategy begun two years ago to ease pressure on cash flow as well as calling for help from management consultants is having some, if limited, success. In the year to end-February, the R28,2m interest bill was kept close to the previous year's level and borrowings were brought down about R22m, to R143m.

But earnings plunged 716% further into deficit. The August interim results showed a further R2m decline, giving a R12,8m loss. Naturally, EPS have been further debilitated, dropping to a negative 89,4c at year-end, followed by a negative 107c at the interim. EPS were last positive in 1988, when the figure was 461c. The dividend was passed for the third consecutive year.

Chairman Theunis Bester calls the loss disproportionate, saying it was caused by R4,8m being written back on deferred tax in the current year, against R6,9m the previous year. Nonetheless, shareholders' funds have dropped from R55,2m in 1989, when the slump started, to the unaudited figure of R31,3m.

More than recovery, which Bester does not foresee until next year at least, the main objective for a company such as this with total borrowings of more than three times shareholders' funds, might well be survival. Bester, however, does not seem particularly



continues to post such poor results, Bester may be forced to take whatever it can for its property.

Prospects for the share are hardly favourable. The 50c price compares with the 400c high set in 1986 and the NAV of 261c. Only 15 300 shares traded in October and November and none last month.

Shaun Harris

proceed. This would be subject to the approval of major shareholder Rembrandt, which may not be overenthusiastic. Everite's performance in recent years has been noticeably weaker than that of Fraser Alexander. The cyclical building industry seems an awkward fit with Rembrandt's other investments.

For D&H, funding will be easier as it will soon be wholly owned by Murray & Roberts (M&R). When it acquired a controlling stake in D&H from Malbak in October, M&R announced its intention to delist the company. The response from minorities must have surprised even them.

M&R bought 98,6% of the share capital. It paid out just R350 000 cash. For the rest, shareholders were paid R182m. in M&R ordinary shares. It is using section 440 of the Companies Act to acquire the rest of the shares.

Andre van der Colff, chairman of M&R Suppliers & Services, says Everite would slot logically into D&H, though any bid might be made by M&R itself rather than through D&H.

But, he says, before there is a bid, two main obstacles have to be considered. One is that Nueva is offering shares in the pyramid Everite Holdings, which will give M&R a relatively small stake in the underlying company. M&R would be unable to rationalise, say, Everite Pipes and Rocla, until it owned a far larger stake.

M&R does not like operating through pyramids. This may pose fewer problems for Fraser Alexander — which is itself controlled through pyramid Fralex — though it, too, would presumably be seeking synergies.

More importantly, Everite's performance has been poor. Nobody in building supplies has done well in the past couple of years, but Everite has performed even worse than most. Still, it would not be the first time that M&R, nor for that matter the team which Rembrandt installed at Fraser Alexander, have tried to turn around an underperformer.

Stephen Cranston

D&H/EVERITE

In the bidding

Though the building supplies group Darling & Hodgson (D&H) will be delisted from the industrial holding sector in mid-February, it is not the last we have heard of it. D&H — now a Murray & Roberts subsidiary — will operate autonomously and keep its own head office. Moreover, it is the favourite to take control of Everite from Swiss parent Nueva Holdings.

Nueva has called for offers and will give prospective buyers the chance to carry out feasibility studies. It will choose a buyer at the end of February. So far, Fraser Alexander and D&H have confirmed their interest. Grinaker, which has a concrete products division, is also a possible bidder.

Dorbyl says it will not be bidding. MD Dawid Mostert says Dorbyl looked at Everite when Nueva previously tried to sell but decided not to make an offer. He says the pipe market is overtraded.

These are being seen as the more obvious contenders, though there could be other candidates, such as Blue Circle or Group Five.

Fraser Alexander is already highly geared and would probably need a rights offer to

Housings dream shattered

STAR 13/11/92

THE TITLE alone gave a magical ring to the recent Golden Highway Housing Expo that transformed a stretch of raw veld 30 km south of the overcrowded sprawl of Johannesburg and Soweto into a model village of low-cost homes.

Its launch stirred optimism among thousands of homeless black families that South Africa was on the brink of bold new solutions to a housing shortage now grown to crisis levels.

The wave of optimism was encouraged by the confident note struck by Cabinet Minister Leon Wessels when he addressed the crowds at the opening ceremony.

Here, midway on the Golden Highway that links Johannesburg to the Vaal Triangle, the Transvaal Provincial Administration had set aside a chunk of land where eager building contractors had the chance to erect the best bargains they had to offer within the budgets of low-income families.

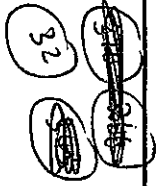
All angles seemed to have been covered by Government sponsors under the formidable banner and wide brief of the Department of Planning, Provincial Affairs and National Housing.

It seemed that the sponsors were striking at the core of the housing problem when they stipulated that each of the 41 contractors invited to share 105 stands had to keep total costs inside a modest R10 000 — or as low as R5 000, if possible.

Affordability was the keynote. And practicality was underlined when builders had to beat a four-week deadline to complete each house from foundation to rooftop.

Contractors of all shapes and sizes responded with enthusiasm to the challenge. So did potential house-buyers when they were invited to tour the expo and select their dream home while it ran from September 25 to October 9. They arrived in droves.

The recent Golden Highway Housing Expo raised the hopes of thousands of homeless black families. But now the expo site is a ghost-town. Experts believe it symbolises a lack of co-ordination in the entire housing programme, reports MICHAEL CHESTER.



Empty shells . . . Nema Tshabalala of the African Builders Association and home-hunter Nonica Ndlovu puzzle over why sponsors have left a ghost-town behind them. Across the highway is the start of a sprawl of squatter huts that have sprung up while business at the expo site stands still.

Picture: Jacob Rylkiff

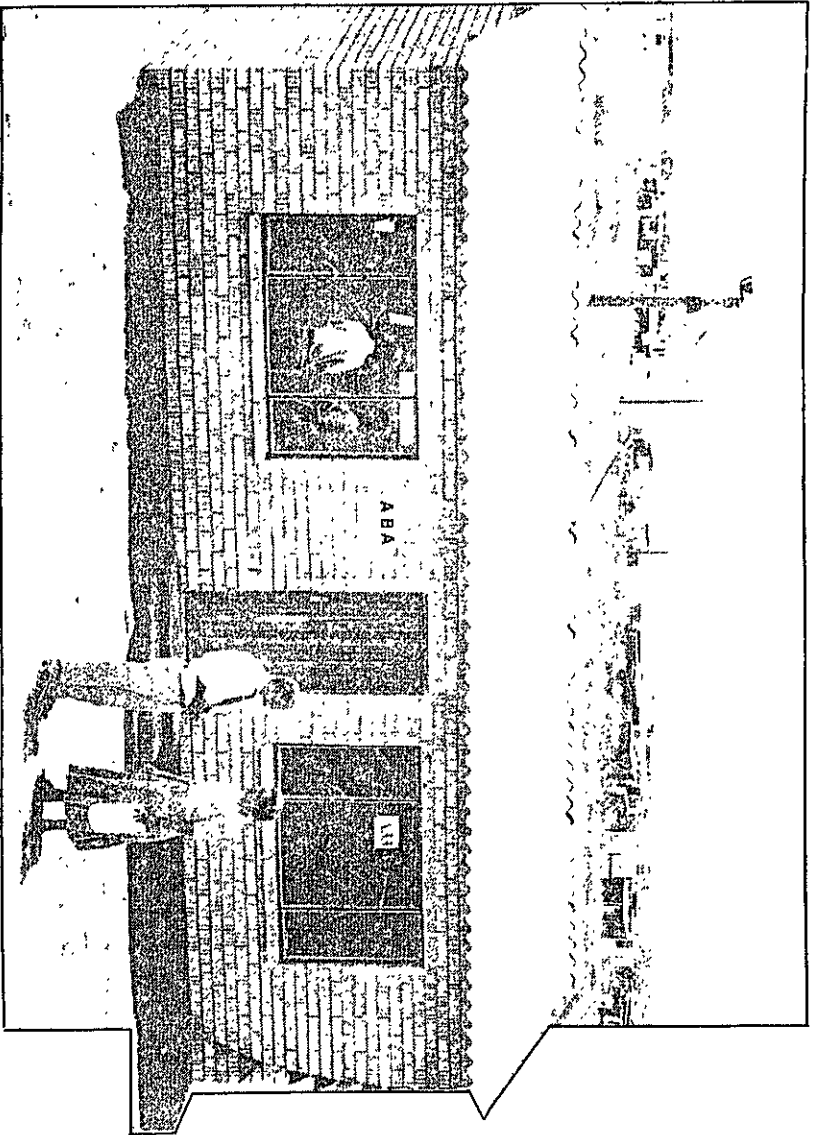
In the R5 000-R10 000 bracket — drew the vote of no fewer than 14 000 home-hunters.

The station has been short-lived.

ABA executive Nema Tshabalala revisited the expo site a few days ago in dismay. "The dream has been shattered," he sighed. "There was one angle that was overlooked — home-buyer access to bond finance, the key to the whole problem. Next, there was no planning to ensure the initiative maintained an ongoing momentum.

"It's all turned into bitter disappointment — a classic example of the tragic lack of a really co-ordinated housing policy that can come to grips with the crisis of the homeless.

"The hopes of thousands of potential buyers were raised and then dashed when they dis-



covered the harsh realities of the difficulties of persuading banks and building societies to provide mortgage finance for low-cost black housing.

"Most of the financial institutions have been scared off by talk of bond payment boycotts, spasms of violence and unrest, hit jobs and family budgets, the headaches of repossessions if there are defaults on accounts. "And the problems are compounded by the total absence of any co-ordination in all the efforts to solve the crisis. There are grand announcements about new initiatives from time to time. Then silence."

To turn home the argument, Mr Tshabalala spread his arms, turned in a circle and gestured around the almost deserted expo site. All the demonstration

houses were still standing — but are locked and barred. The only trace of the bustle of three months ago was a handful of TPA security guards.

"We had all the fanfare — but there's no sign of any follow-through to keep the momentum going. There are still late visitors who missed the show but arrive to make their choice of the house they want to order. But, as you see, the sponsors have not even left behind a noticeboard to tell them where to find more information.

"The expo raised all kinds of high expectations that finally someone was serious about solving the housing shortage. All that's left is a ghost-town. Mr Tshabalala turned and pointed across the Golden Highway Sprawled across the veld was a vast jumble of squatter

huts packed into 16 000 sites provided by a controlled settlement scheme, named Orange Farm, launched by the TPA.

The close juxtaposition of the two housing initiatives, and the stunning contrasts, seemed ironical. "Is that going to be the alternative while the house-building programmes grind almost to a halt?" he asked.

"It becomes more and more obvious that there are crucial missing links in the chain of housing initiatives. Here we have classic proof that what has become vital is a radical rethink of the whole issue."

Equally bitter is a technical expert who acts as a special adviser to the South African Housing Trust and who was astonished by the high quality of many of the homes unveiled at the expo.

"The very successful Golden Highway Housing Expo," he has written in a post-mortem memo that has been handed to the Government, "is rapidly becoming a very explicit illustration of the alarming inadequacies of the housing process for low-cost housing."

"On the western side of the highway is the housing expo. It is a cluster of splendid little houses which is a brilliant example of how things should be done.

"On the eastern side is a vast expanse of squatter huts which mushroomed overnight. This awesome sight is a clear signal of how things should not be done. There may be very good reasons for this unfortunate event. But what makes it so im-

portant is the speed at which it took place and the size of the development.

"What we see on the ground are thousands of families trying to house themselves. Stripped of human dignity and encouragement, they battle for survival in what they consider to be a very unequal dispensation.

"If abandoned to rely only on their own resources they will undoubtedly lose the battle, and the area will deteriorate into a massive slum of human distress, crime and violence. This may easily happen within the short time-span of three years. The costs will then be astronomical to rectify matters.

"The problem is immense, but the housing expo shows us viable solutions.

"If they not be possible to provide each family with a properly built house right now, but a start must be made to demonstrate concern and a willingness to assist. We must give guidance and muster some sort of financial assistance to families who can afford it.

"We must be in direct contact with conditions on the ground and synchronise actions where required. This is a better option than to be complacent and wait for a new South Africa to take on the problem."

● A spokesman at the Department of Planning, Provincial Affairs and National Housing says the expo was organised at the request of builders who were eager to display what homes could be provided in a range affordable to low-income families.

"It was highly successful and a full report with all technical details about the show houses has been sent to the TPA and interested parties in the private sector," he added. "The matter is now in the hands of the TPA."

● At the TPA, an official said, "We laid on a promotion at the Golden Highway expo for builders to erect their houses and bring them into contact with potential customers, as they had requested. We are involved in the supply of stands and basic services for housing but we cannot arrange finance for house construction.

"It's now up to the builders and home-buyers to arrange details about actual purchases." □

M&R could get slice of Fedvolks

8/10 day 15/11/92
SEAN VAN ZYL

THE finishing touch to Sankorp's restructuring of its industrial investment arm, Federale Volksbeleggings (Fedvolks), would see the group's interests in the motor component industry sold to the Murray & Roberts (M & R) group, a source close to the company said yesterday.

Sankorp CE Marinus Daling confirmed that the industrial holding group's investments were being reviewed as part of a major restructuring of the Sankorp stable.

However, Sankorp had no intention of selling off its manufacturing interests in Fedvolks, which was being turned into the "service division" of the group, he said.

Means of tidying up the group's holdings were being examined.

"There is no question that the re-

structuring presently under way should be seen as disinvestment by Sankorp."

Daling could not say whether the Fedvolks motor component companies would be hived off into M & R.

The group's scrutiny of motor component interests was a continuing process, he said.

Sankorp, Sanlam's investment holding company, holds a majority stake in M & R, Malbak and Fedvolks.

All three have undergone rationalisation recently, with various of Sankorp's "loose" interests hived off into the companies.

Fedvolks' interests in the motor component industry include shock absorber manufacturer Gabriel SA,

First National Batteries, Firestone tyre manufacturers, Trichamp Components, distributors of Champion spark plugs and Trico windscreen wipers.

Industry sources peg the value of the motor component interests at between R250m and R300m. (32)

M & R CE Dave Brink said although his group had taken a close look at Fedvolks' motor component interests late last year, the decision to acquire the companies had been turned down.

As a result, M & R was not presently involved in negotiations with Fedvolks.

However, he said: "I can't say our decision not to acquire Fedvolks motor interests won't be revised at a later stage."

Building industry shares lure buyers

31/Jan 14/1/92

32

JABULANI SIKHAKHANE

BUILDING and construction shares have been attracting interest on the market despite the poor outlook for the industry over the next 12 to 18 months.

Although share prices had not gone up substantially, investors were taking up any available shares, dealers said.

However, interest in the sector has seen a few counters making modest gains since the beginning of November. Over the period Stocks rose 28% to 205c, Boumat 23% to 450c and LTA 10% to 375c.

Of the three groups forming the cement cartel, only Blue Circle showed gains over the period. Blue Circle shares went up 133% to R32 over 12 months.

Analysts said the buying was in anticipation of an improvement in building and construction activity towards the end of 1992 or early 1993. The improvement would result from the provision of affordable housing, analysts said.

Group Five executive chairman Peter Clogg was hoping for an upturn in the housing industry before the end of the year.

"We should be spending between R5bn and R6bn on housing in this country, yet we are spending only a few hundred millions."

Clogg said the rest of the sector was not expected to pick up before late 1993 or early 1994, unless government started investing in new capital projects.

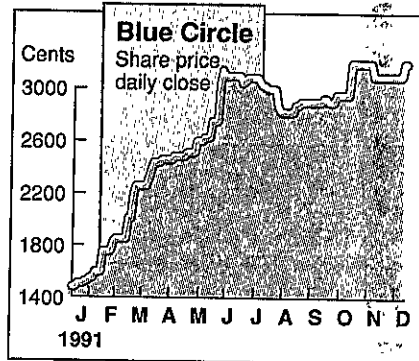
On the medium to long term, Clogg said building and construction companies were offering a good buying opportunity at current prices.

"Perhaps the market was expecting us to do worse, but we have done well under tough conditions," he said.

Clogg said in the previous recession, building and construction companies suffered badly because they tendered below cost to chase business.

"At Group Five I have laid down the rule that there will be no tendering below cost for any contracts."

Clogg said construction companies were hoping to get more work in southern



Graphic: FIONA KRISCH Source: I-NET

Africa and the Indian Ocean islands. Group Five was already involved in projects in Zimbabwe, Malawi, Swaziland, Lesotho and Mauritius.

However, he said the EEC and the African Development Bank were still opposed to involvement of SA companies in their projects.

The World Bank was not opposed to SA companies tendering for its projects in Africa, but problems were still being experienced, he said.

Spending on infrastructural projects had been tapering off over the past two years and was not likely to pick up in the short term.

Frankel Max Pollak Vinderine's Mike Howarth said investors were buying the shares on a five to seven year view.

"When the gross domestic fixed investment (GDFI) starts moving, getting building and construction shares would be very difficult. Tradeability of shares in the sector is very minimal," Howarth said.

He said building and construction companies were not expected to show good results this year. Although building material suppliers offered better prospects, their earnings were also expected to decline by about 5% on average.

Another analyst said construction companies had a great future, especially when spending on socio-economic projects started picking up. They had also entered the recession with strong balance sheets, he said.

SOWETAN
Building the Nation

PROPERTY

Upturn is expected in black housing market

"THE demise of apartheid is a positive factor for property, but interest rates remain high and consequently market growth weak."

By **JOSHUA RABOROKO**

THE building sector is not expected to show much activity before the middle of this year, according to experts in the proper-

ty market.

However, the Independent Development Trust and the Urban Foundation predict a demand-driven marginal improvement in black housing.

The Bureau of Economic Research at Stellenbosch University says the industry is expected to undergo structural changes. Most of the activity, the bureau says in its report, will be restricted to the residential sector.

It says the demand for smaller houses is likely to improve while that for big houses will dwindle.

It says: "Non-residential buildings are not fully utilised, factories are running well below full capacity utilisation, there are many vacant offices and shops are also standing empty."

The Building Economist Medium Term Forecasting Association says residential and non-residential building activities have diverged in recent years.

The chairman of the South African Property Owners Association, Mr Nick Harris, predicted that financial institutions would continue to put pressure on borrowers if boycotts, unrest and violence were not stopped.

There would be a greater demand for middle

and low income housing despite the fact that the economy might not improve immediately.

Pam Golding Properties' director Mr Ronald Ennik said about the price in the middle and lower end of the market: "We feel that these have stabilised and do not anticipate any sharp increase in the coming six to 12 months."

"The demise of apartheid is a positive factor for property, but interest rates remain high and consequently market growth weak. Speculators whose short-term activities have an upward pressure on prices are likely to remain out of sight.

"Our impression on the market at present indicate that a very healthy upturn in prices can be expected in 1993 and 1994," he said.

Independent Development Trust director of communications, Mr Jolyon Nuttal, said the trust had 100 000 sites to be given to individuals to erect dwellings.

Judging from that, it was clear that there would be a large number of blacks who will build houses during the year. There was also the chronic shortage of homes, especially in the black community.

Sowetan 16/1/92

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Builders call for housing strategy

Bl Day 17/11/92

32

PETER GALLI

IT IS imperative that a workable national housing strategy and policy, and an effective system of local government to administer service and housing-related issues, be implemented, the SA Building Industries Federation (Bifsa) says.

In its latest building review released yesterday, Bifsa says a lack of bond finance and continuing violence and crime have led to the almost total withdrawal of private developers from the lower income housing market, with house-building activity remaining in the doldrums.

But while conditions in the industry remain sluggish, a significant short-term deterioration is unlikely, it says.

"The low income housing sector is the most seriously affected, mainly as a result of the lack of available bond finance after financial institutions re-evaluated the relevant risk factors applicable to this market sector," it adds.

Building activity levels, dominated by a fierce tendering environment, are expected to move sideways over the next six months to a year.

Bifsa forecasts that the building cycle will reach its nadir during the second half of 1992, with a more sustainable demand for building in 1993 and 1994, fading out again in 1995.

However, government expenditure on schools, community centres and clinics should show sustainable growth over the next five years due to current backlogs.

Other government non-residential investment will probably remain un-

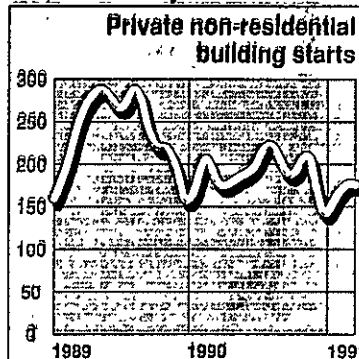
der pressure as government tries to control expenditure, Bifsa says.

"However, non-residential building activity has held up well during the current downturn, which we believe to be due to continued property development investment by life offices and pension funds in a competitive building environment," Bifsa chief economist Charles Martin says.

Government investment in educational facilities also supported the market, but to a lesser degree.

The industrial market is likely to remain weak until the economy has turned around. The office market is presently overbuilt and improved occupancies will only stimulate investment towards 1994.

"While the commercial market is in for a consolidation phase, selected investment in black areas by institutional investors remains a real possibility if the cycle of violence can be broken," Martin says.



Graphic: FIONA KRISCH Source: BIFSA

Trio to look at before the good times return

IN making an investment decision, one should avoid companies which have a mountain of debt because they are too risky. Their interest charges can be crippling and in some cases not be covered by profits.

The result in some cases may be:

- They will be slow to recover from the recession even though interest rates will be lower (but still above the inflation rate).
- They may have to make large rights issues at low share prices.
- They may have to sell valuable assets at depressed prices.

● They may not even survive.

The list of companies quoted on the JSE is a long one and one does not always have time to do one's homework. Sometimes one thinks about avoiding investing in heavily indebted companies without bothering to investigate them properly.

But some of them through skilled management and good cash flow quietly repay their debts in a grandmother's-footsteps manner to the point where they become good investments at bargain prices.

One point to bear in mind is that the market in such shares is limited. It may take sometime to complete a buying order. Similarly, it may entail a wait before selling one's shares.

If anything should happen to go wrong with the company, a shareholder may have difficulty in getting out quickly.

This is a general rule that should never be forgotten.

I have selected three companies — LTA, Datakor and Ozz — which I think you should consider.

LTA runs a tight ship

UNTIL recently, investors regarded the construction industry with well-founded suspicion. By its nature it is highly cyclical.

If a company pays off workers in bad times, it will have to hire untrained labour when the good days return. This means that it will be less efficient.

If it retains labour, its costs will be uncompetitive. Idle plant is another major factor which adds to costs. In fact, some contractors sell off plant in recession and buy afresh in a recovery.

LTA is a good example. For the six months to September 1991, compared with the same time in 1990, turnover was 1% down and operating profit before interest up 13%.

LTA received interest instead of paying it out. As a result profit before tax was 30% up and after tax 37% up. The profit margin on turnover was only 2.4%.

In March 1989, the debt:equity ratio was 70% and interest cover 3.4 times. This does not sound too serious, but thin margins and the low return on capital at that

time made it much more so. Now LTA has a healthy cash surplus.

LTA financial director JD Oosthuizen says the financial improvement is largely due to good management. LTA had also resolved contractual issues which had been outstanding for some time.

This meant that money could be released. In some cases, the customer did not have the cash to pay. This has also been resolved.

Mr Oosthuizen expects LTA to jog along at the current levels of business, although profit margins are a worry.

LTA is looking at work in Africa, but funding is a problem.



NIC FRANCOIS, Datakor boss ride the computer storms in fine style

Datakor in the clover

DATAKOR has not only survived appalling conditions in the computer business where there have been many casualties, but has fully digested the takeover of Unisys.

When Datakor acquired it, many analysts thought it had bitten off too much. In March 1989, shortly after taking over Unisys, the debt:equity ratio was more than 100%. Its cash now easily exceeds outstanding debt. This is a fine achievement over 2½ years.

The group covers a wide spectrum of computer operations. Unisys has been merged with Datakor's operations to form Unidata, which is by far the greatest contributor to the group as a whole. The fact that there are 29 separate business units gives flexibility. If one unit is having a poor year, resources can be diverted to another which is doing well.

The Joffe division, which trades in the PC market, continues to encounter tough trading conditions. However, careful asset management has reduced losses and it is now cash positive.

In September 1991, Datakor had R50-million cash and R24.5-million interest-bearing debt. Datakor's cash increased after the sale of its investment in TR Services for R11.2-million.

The R50-million cash had been earmarked to buy a large holding in US computer company Thetplex, but the deal fell through. Datakor is probably looking for another opportunity and will now have more cash available.

Datakor could earn 22c per share and pay 10c for the year to March 1992. On the current price of 140c, this would yield 7.1% and give a PE of 6.4. This looks cheap.

Bifsa pleads for housing strategy

A national housing strategy must be implemented now, says the Building Industries Federation (Bifsa).

In its Building Review, compiled by economist Charles Martin, Bifsa says: "House building remains in the doldrums with the lower income market the most seriously affected.

Imperative

"Now, more than ever before, it has become critically imperative that an equitable and workable housing policy and strategy be urgently implemented.

"Allied to this, is the introduction of an effective system of local government to administer service and housing related matters."

The federation expects improvement in the middle to upper income housing market only towards the latter half of this year.

Property & Construction

FRANK JEANS



Commenting on the "fierce tendering environment" within the industry at present, it says a further significant deterioration in business conditions generally is not expected in the short term.

"Activity levels will rather exhibit a general sideways movement over the next six to 12 months."

Looking further ahead, Bifsa sees the building cycle reaching its lower turning point during the second half of this year. A more sustainable demand for work is expected in 1993 and 1994.

Rise in building costs, which have shown a sideways movement during the year, are expected to decelerate marginally this year.

32 18 100

STAR 2/11/92

Homeless in need of urgent assistance

By Michael Chester

The Government has been urged by the National Association of Home Builders (NAHB) to allocate a massive R1 650 million chunk of the 1992 Budget to special subsidies for homeless low-income black families.

Minister of Housing Leon Wessels has been told that bold intervention has become vital to reverse a disastrous slowdown in the flow of affordable new homes.

The NAHB has suggested the expenditure programme should be launched this year.

The subsidies should take two forms:

- R1 500 million a year in capital subsidies to accelerate the provision of serviced sites to no fewer than 200 000 stands every 12 months.

Momentum

A portion of the total should be channelled into the Independent Development Trust (IDT) to maintain the momentum of the R750 million scheme it has launched to provide 100 000 serviced sites for homeless families with incomes below R1 000 a month.

The remainder should be handled by the Development Bank and earmarked for homeless families whose joint incomes peaked above R1 000 a month.

These subsidies should be in a combination of schemes to finance the delivery of serviced sites or else in direct cash subsidies tied to spending on whatever sort of shelter was chosen by the beneficiaries themselves.

- R150 million a year should be ploughed into first-time home-buyer subsidies aimed at families in slightly higher income brackets — covering one-third of the interest paid on home bonds for seven years.

The NAHB estimates that this second programme would facilitate the building of at least 110 000 houses a year in the price range between R12 500 and R65 000.

ID: Boksburg
da, Northmead
da, Glenvista
and Westgate
Downs, Hyde
RAL EAST, St.
St. Lamblon.

MAN

Garvie appointed deputy chairman at Stauch Vorster ³²

DERRIK Garvie has been appointed to the new post of deputy chairman at Stauch Vorster.

Garvie has worked for the firm of architects for 27 years and recently moved to Johannesburg from the Durban office.

"My main focus is to improve our team architecture approach," he said.

"This means involving the client in brainstorming sessions where he is involved and identifies with the process, and the solution." *Blom 22/1/92*

Management would also be more involved in the projects — from the conceptual to the final stage.

Projects where this approach had worked were the Development Bank building in Midrand, the Rand Water Board building, Norwhich Life in Cape Town and the the President Hotel in Sea Point, he said.

Garvie has been involved in the design of a number of buildings that have helped develop Stauch Vorster's reputation.

"The Johannesburg office has grown steadily

since it was established in 1960 and the need for additional leadership skills was identified," said chairman Robin Vorster.

"Garvie's particular design skills, diverse experience and clear understanding of the needs of property investors and institutions will be used to the full in the Johannesburg business environment, and will complement those of the existing team."

Garvie said Johannesburg was vibrant and exciting from an architectural point of view, and offered opportunities not available in Durban.

of is d- p n o S

'Expose suppliers to more competition'

Reports by PETER GALLI

THE building supply market should be subject to greater competition, and the entire policy of tariff protection on general imports and building materials should be urgently reviewed, says SA Building Industries Federation (Bifsa) economist Charles Martin.

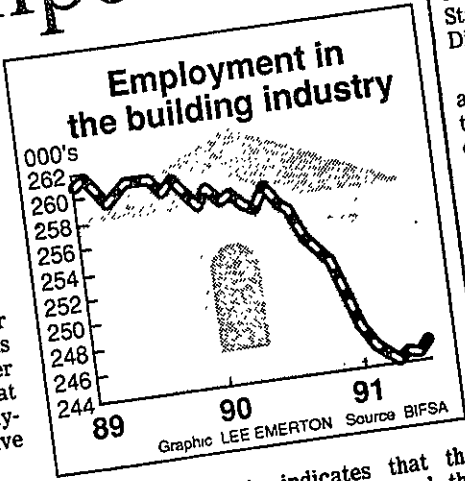
"The raison d'être for introducing or increasing tariff protection when sanctions were the order of the day is no longer appropriate or valid, especially now that the improvement on the balance of payments allows more scope for selective imports.

"However, any reduction in tariffs should occur on a gradual basis to prevent major disruptions in that market," Martin says in Bifsa's latest building review.

While prices of building material have been reported mostly lower in recent months, this is largely a statistical phenomenon with sharp increases in certain materials still being reported by contractors and sub-contractors, he adds.

Building materials should remain freely available during 1992 and Bifsa expects prices to rise by 15,5% this year.

On the labour front, further major reductions in the industry's labour force are unlikely, although isolated retrenchments are still possible in the short term.



A Bifsa analysis indicates that the labour force has stabilised around the 244 000 level in recent months.

The rise in the cost of labour is also expected to slow down marginally in the short term, and should increase by 13,5% in 1992, as total labour costs continue to increase in line with inflation.

"The anticipated upturn in the building cycle during the second half of 1992 should see a noticeable increase in job opportunities in the industry from 1993," he says.

The drop in building activity during 1991 had ended shortages of materials.

"All materials are currently freely available, but we expect this situation to reverse during 1993," Martin says.

PROPERTY

'Save energy in buildings'

TRUE energy efficiency in SA building construction will come only when it is a consideration from the initial design stages and not an afterthought, says Stauch Vorster architect Dierk Volavsek.

"There is a growing awareness of the opportunities for greater energy efficiency in office buildings.

"Although electricity is cheaper locally than abroad, building owners are still starting to look more closely at heating and cooling as a component of running costs."

While speculative developers were less concerned about this as they simply passed costs on to the tenant, owner-occupiers were starting to address the issue, he said.

Where a building was without air-conditioning, and other devices were used for heating and cooling, it was often difficult to achieve the same comfort level.

"Alternative temperature devices include reducing the openings in the exterior walls to a minimum, and considering external shading methods like cantilevered slabs and the use of double glazing," he said.

S e

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Biday 22/1/92



Building body calls for homes strategy

Sowetan 23/1/92

THE Building Industries Federation of South Africa has called for a national housing strategy and policy to be urgently implemented.

In its latest report it says the building of houses, especially lower income ones, is still in the doldrums.

This is caused by a lack of resources.

Last year, the organisation says, "overall business conditions in the building industry remained rather sluggish and most contractors and sub-contractors complained of a fierce tendering environment".

Competition

It does not expect a further deterioration in business conditions in the short term. According to the organisation, it expects building costs to increase by 13 percent this year.

However, it says, these costs could have been higher but are kept at this level because of keen competition between tenderers.

According to the organisation, last year's shortage of building materials had now been overcome, but this trend could be reversed next year when the economy will presumably be in an upswing.

DESPERATE: The building of houses for lower-income people is still in the doldrums.



PROPERTY

UK construction firm to invest in SA

CAPE TOWN — Multinational Amec plc, the largest construction company in the UK, has decided to invest in SA, having identified the country as one of its primary areas of international expansion.

It plans to use SA as a permanent base to spearhead exports of offshore and onshore petrochemical and oil-from-gas constructions into Africa and elsewhere.

Amec has an annual turnover of about R11bn and took the largest share of the construction and design of the North Sea offshore platform.

Amec director and group chairman of the corporation's process and energy sector Dennis Clark said Amec also wanted to take advantage of the anticipated growth in construction work when foreign investment flowed into SA in future.

Clark and his team held meetings with government officials and leaders of the engineering, petrochemical and construction industries last week with a view to finding partners for joint ventures.

Amec used mainly joint ventures on a 50:50 basis in its international investments, Clark said, with the local partner providing construction facilities and Amec introducing new technology.

Clark said in an interview the response to Amec's involvement in SA

32 88
LINDA ENSOR

had been enthusiastic.

He would like to see the corporation established in SA by mid-year and to have a local operation up and running in 12 to 18 months. He hoped within a few years to have a business generating a turnover of about R250m annually.

Clark saw SA as a base for fabricating and exporting offshore platforms to Nigeria, Angola and the west coast and possibly to Indonesia in the Far East. *B/Docu*

Success *27/1/92*

The international demand for offshore platforms was satisfactory, Clark said, with total world investment in offshore development forecast to reach \$60bn between 1993 and 1995. Growth points identified by Amec were Southeast Asia, Malaysia and Indonesia.

Amec was involved in two ventures with Dorbyl Engineering and Babcock Engineering to construct and fabricate 80% of the topside of the Moss gas offshore platform. Its share of the project was worth about R300m and its success prompted an investigation into further involvement in SA.

Discussions have been held with

Dorbyl and Babcock about extending the relationship into further offshore projects.

Clark said Amec's investment in SA was possible only because of the expertise developed locally during the Moss gas project.

"We have no desire to use large numbers of UK people as SA has competitive labour costs. The cost of a design engineer, for example, is less than half that of his counterpart in the UK," Clark said, adding that equipment procurement also had competitive advantages provided inflation was kept in check.

Amec was also keen to get involved in onshore work such as the design, construction, maintenance and refurbishment of petrochemical plants and refineries in SA. While Amec had missed the recent wave of refinery expansion, further expansions were in the pipeline, Clarke said.

As world leaders in environmental pollution control, Amec believed there were opportunities in this area in SA and had also identified phase-one engineering as a growth area.

Amec's initial capital investment would not be high but later it would be necessary to enhance the fabrication and construction facilities of its local partner and to invest in sophisticated computer design equipment.

Builders' body under threat

B10am 29/1/92
 THE lack of an agreement for unskilled workers continues to have an adverse effect on the Industrial Council's finances and on the SA Master Builders' Association's financial position, the association says in its latest annual report.

"Should more employers decide not to voluntarily pay contributions and levies, this situation could soon become terminal," says director Basie Pretorius.

In addition, the perception of the council, its staff and operations as a "policing of the industry" continues to bedevil attempts to change its image. "The council is actually an agent acting on behalf of the best interests of the employee and the employer. Little credit is ever given for the work done in the administration of employee benefits and training and development with the building industry training schemes."

Non-enforcement of agreements in black urban areas continue to cause concern, with unfair competition within and outside those areas harming the industry.

Employees are also being exploited by being paid low wages and having no benefits provided. Employment over the past 18 months

(32)
 has dropped about 20% because of the recession.

"The consequences of increasing the countrywide unemployment are frightening as there is a growing number of jobseekers who are unlikely to obtain employment for months or even years," Pretorius says.

While good quality skilled employees are generally in demand, productivity is still a major employer concern. This is worsened by outside influences like trade union activities, negative political activities and the economy.

Total employment in the Transvaal has fallen 15% to 35 256 in 1991 from 41 371 in 1988, and 17,5% year on year. However, while the number of semi-skilled employees dropped 12,5% to 6 393, the number of unskilled labourers plunged 25,4% to 23 034 over the year.

In 1988 there were 21 strikes in the construction industry. In 1989 there were 60 and in 1990 there were only three.

Pretorius says that while the building industry is still experiencing recessionary conditions, it appears the "deterioration rate" has slowed down, indicating that a turning point may have been reached.

Associates' losses hit Stocks & Stocks

PETER GALLI

CONSTRUCTION and building group Stocks & Stocks upped taxed profits 16% to R10,698m in the six months to end-October, but a loss from associated companies saw attributable profit rise by only 12% to R10,116m.

These results were achieved despite the continuing recession and socio-economic turmoil in the country, and were "very good considering the very trying circumstances", said chairman Reg Edwards.

"However, the results take into account the cost of rationalisation of certain of our competitive sub-contracting operations so they can focus on providing high service levels to in-house and key clients only."

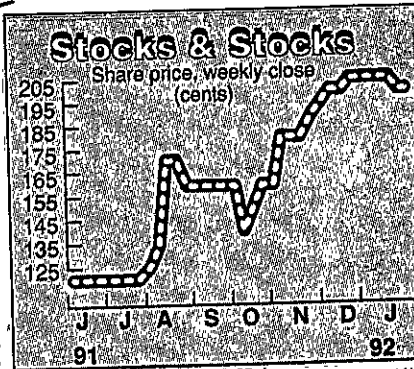
The group's Cape joinery business, Phoenix Doors, was sold recently to Yorkcor.

A dividend 22% higher at 5c a share was declared on the back of static earnings of 19c a share, while turnover rose 22% to R839,632m from R669,073m.

Improved turnover compensated in part for a tightening of margins which, with strong working capital management, further strengthened the balance sheet.

Interest on borrowings was reversed from an outflow of R5,3m to an inflow of R1,5m and cash balances on hand amounted to R61m on October 31.

Expansion into other southern African countries, including the Indian Ocean islands, combined with innovative job crea-



Graphic: LEE EMERTON Source: I-NET

tion and prudent property development and expansion, saw the group in "an acceptable work-on-hand position".

Stocks Systems Technology was now among the 10 largest local providers of local information technology.

Stocks Housing, the group's core business of general building, property development and house building performed well while the leisure division continued to be an increasing contributor to profits.

The share closed at 200c yesterday, after being bid down at 190c and on offer at 205c. At the closing price, the share has an earnings yield of 23,5% and a dividend yield of 5,5% compared with a sector average of 11,9% and 4,9% respectively.

B/day 29/1/92

32

House³² sales hit by SA's building slump

S (Time) (EM)
SLUGGISH conditions in the building industry are filtering through to the residential property market, with house repossessions increasing and signs of a drop in the number of estate agents. 212192

The Building Industries Federation of South Africa (Bifsa) says house building activity is slow, while the managing director of Seeff Residential Property in Cape Town, Samuel Seeff, warns of a shake-up among estate agents this year, with some already cutting commissions.

He says the first to go will be inexperienced and poorly-trained estate agents with limited capital who entered the market when conditions were good.

He sees the readjustment of the housing market continuing throughout the year.

Potential buyers should make 1992 the year to purchase their property, says Mr Seeff, as prices will start to rise after the period of adjustment.

Bifsa says a lack of bond finance and continuing violence and crime have led to the almost total withdrawal of private development from the lower income housing market.

In its latest building review, Bifsa says "the low income housing sector is the most seriously affected, mainly as a result of the lack of available bond finance". Building activity levels are dominated by a fiercely competitive environment and should reach their lowest point during the second half of this year, followed by a more sustainable demand in 1993 and 1994 and a fading out in 1995.

Bifsa adds that government expenditure on schools, community centres and clinics should show sustainable growth over the next five years due to current backlogs.

"Non-residential building activity has held up well during the current downturn, which we believe to be due to continued property development investment by life offices and pension funds in a competitive building environment," says Bifsa chief economist Charles Martin.

He said the industrial market was likely to remain weak until the economy turned around, while improved occupancies will only stimulate the overbuilt office market towards 1994.

"While the commercial market is in for a consolidation phase, selected investment in black areas by institutional investors remains a real possibility if the cycle of violence can be broken."

Everite's restructure pays off

By Sven Lünsche

STAR 3/2/92
After an extensive rationalisation exercise, which included the retrenchment of 20 percent of the workforce, building supplies group Everite has bounced back with a 90 percent surge in interim earnings.

Managing director George Thomas expects the group to continue its earnings growth for the full financial year even if, as expected, there is no pick-up in the economy.

Mr Thomas does not disclose details of negotiations involving the sale of the controlling stake in Everite by Swiss-based Nueva Holdings, which was announced last November.

The group's turnover was up by 10 percent to R183,3 million (R166,3 million).

Operating income increased by 33 percent to R26 million (R19,5 million).

Everite's conservative replacement-cost depreciation policy knocked R13,8 million (R12,2 million) off operating income, but higher investment income lifted net income by 91 percent to R7,9 million (R4,1 million).

After additional costs of R1 million relating to the restructuring, attributable earnings rose from R4,1 million to R6,9 million.

Earnings per share were up from 4,7c to 8,9c.

Mr Thomas says that historical cost depreciation would have pushed earnings to 16,2c (10c).

The interim dividend has been raised by 25 percent from

4c to 5c.

32
The restructuring has also seen a substantial improvement in the balance sheet.

Mr Thomas says Everite will enter the upswing with no debt on its book and gearing of less than 10 percent.

Furthermore, the group can easily boost output as capacity utilisation at its factories is running at only 50 percent.

"On balance, it is unlikely that long-awaited spending on affordable housing and infrastructural development will materialise in the current financial year," he says.

Nevertheless, he expects a repeat of first-half results for the full year, adding that a pick-up in the economy would result in a further meaningful improvement in earnings.

Low-cost housing industry grinding to a halt - experts

32
Sowetan 6/2/92

SOUTH Africa's home building industry for the "affordable" income group is grinding to a halt due to a number of problems facing the industry.

According to experts in the industry, there is an entangled housing policy, waiting for the De Loor Commission report to give it direction.

Then, the state of the economy and the high interest rate on mortgage bonds have made "affordable" homes "unaffordable," they maintain.

Thirdly, and most significantly, the disrupted socio-political environment in the black residential areas where these homes are provided has scared off the institutions which normally advance mortgage bond finance.

Time Housing financial director Mr Norman Jeffrey says that, despite a number of announcements of billions of rand being injected into socio-upliftment programmes, the pace of house building is slumping alarmingly.

Major players in this programmes include the Independent Development Trust, the Urban Foundation, the private sector and the Government.

Jeffrey said: "There are about 18 000 houses built in this so-called affordable market in 1989," he said, adding, "This dropped to 15 000 in 1990 and fell to some 10 000 units this year.

"This is at a time when millions are homeless."

He painted a stark picture for the future for those wishing to buy homes in the R40 000 to R70 000 price range unless there were some major structural changes.

He held out some hope in the De Loor Commission's report on housing which is expected now to be released this month.

It was originally scheduled to be released last year.

Jeffrey criticised the decision by the IDT to give low-cost housing capital hand-outs (R7 500 a unit) as it impossible to satisfy the enormous demand and was creating further expectations that could not be met.

"In addition to creating expectations for those who also qualify for the capital subsidy and cannot get one, those who have purchased their properties previously without the subsidy are now bitter," he said.

Since it opened its doors the IDT has received and marshalled its funds, established its philosophical and operation principles and allocated more than R1,4 billion to about 150 major housing, educational and health-related projects, according to chairman Mr Jan Steyn.

He said: "This took place against a backdrop of momentous political upheaval, and of socio-economic conditions and trends which variously gave cause for great hope and despair.

"These factors brought intense urgency and pressure to bear on the trust's operations," he added.

Jeffrey said: "These enormous sums of money should be used as a catalyst to stimulate investment in housing. Instead of granting lump-sum payment up front, it would be much better to subsidise first-time home buyers' interest costs over an extended period.

"This would create a much needed multiplier effect in gearing finance.

"Political unrest, violence and non-payment of bond instalments appear to be retreating and this improved climate should reintroduce to the industry the sorely needed loan finance from the financial institutions."

Client guarantee fund to protect new pool owners

STAR 7/2/92

By John Miller
Star Line

32
The South African Fibreglass Pool Builders Association (SAFPBA) has introduced a client guarantee fund which will protect new pool owners against those members who have been suspended, expelled or declared insolvent.

Newly appointed SAFPBA chairman Hugh Ternlett said the association's guarantee fund would cost pool buyers R125, and unlike that of the National Spa and

Pool Institute would be payable by the client and not the builder.

"The once-off payment which must be made before building starts will cover the client for the period of guarantee. The fibreglass lining and any water leakage is guaranteed by all our members for five years and paving, pump, motor, filtration and any other building work is covered for six months."

To make sure that its members adhere to various specifications, the association has also ap-

pointed an inspector who will visit sites on a random basis.

Similar inspections will also be carried out by the fibreglass manufacturers who also intend future blacklisting of unscrupulous companies.

At its meeting last week, the association also agreed to a disciplinary code.

"If a complaint is not attended to, the association will send a written warning giving the member seven days to respond and repair any problems."

Building cash

Property developer Stocks & Stocks appears to be focusing on CBD construction, which is playing a growing role as a provider of work to group construction companies.

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Contracts include a R250m joint project with Grinaker opposite Sandton City, while the Portwood Ridge office-retail-hotel development at the Victoria & Alfred Waterfront in Cape Town is for R100m.

Development areas will include budget CBD hotels in the main centres. Estimated rates for such three-star hotel rooms are around R145 a night.

In the half-year to October, turnover advanced by 25% — partly boosted by completion of the R130m Carousel project — but margins were squeezed and EPS rose by only 12%. Sound working capital management pushed up cash holdings to R61m and strengthened the balance sheet. Dividend policy will remain conservative; cover is expected to rise to four.

The group's strength lies in its diversity. Construction remained the main activity, generating half of the revenue; other activities include information technology, hotels and leisure. Chairman Reg Edwards says

HIGHER STILL

Six months to	Oct 31 '90	Apr 30 '91	Oct 31 '91
Turnover (Rm)	669	687	840
Pre-tax profit (Rm)	11,3	16,2	13,4
Attributable (Rm) ..	9,0	14,1	10,1
Earnings (c)	19	28	19
Dividends (c)	4	6	5

some competitive sub-contracting operations will change focus and provide in-house service to key clients only.

House construction (Stocks Housing) expanded into Botswana and Mauritius. Estimated output is 7 000 units a year.

Hotel and leisure operations are an increasing contributor to profits. Backbones of this side are Kwa Maritane and Verwoerd-burg Hotel. According to ex-Southern Sun MD Bruno Corte, who now heads Stocks Leisure, the existing pattern of demand — 80% domestic, 20% foreign — could swing in the next few years to a 60%-40% split on a large foreign tourism inflow.

At a 12-month high of 205c, the share price is up by 71% since last January, trading on a discount of over 30% to NAV, with an earnings multiple of 4,4 and dividend yield of 5,4%. The share is tightly held — about 80% by employees and directors.

Basil Barber

APE I meicor acquisition still to
PRINC make an impact, the share
has all the potential of being

my first choice for solidity
and growth remains the 1991
list.

R60m for clean-up

WORK is progressing at one of
the world's largest waste-water
purification works north of
Sandton. 9/2/92

The R60-million contract
has been won by Gillis-Mason
Construction and the project
at the northern wastewater
purification works is expected
to be completed by April next
year. There will, however, be a
phased hand-over of some sections
before then.

The contract includes 26 circular
concrete tanks 25m to
35m in diameter and 5m to 6m
deep, four rectangular biological
reactors, a 40 000m³ balancing
tank and a chlorine maze and
aeration one.

All about Africa

CSIR Information Services
has launched the Africa Information
Unit to capitalise on opportunities
in Africa.

The unit will provide South
Africans with information about
Africa from databanks, journals,
newspapers and specialist reports.
9/2/92

It is also in contact with
national and international institutions
and research organisations involved
in Africa.

The unit's range of specialised
services include a business network
database which provides business
and government contacts in specific
countries.

WEEK IN BRIEF

A SUMMARY of the week's corporate announcements.

MONDAY: Dorbyl warns. Penpin delists. Mediclinic warns. Unicon. Unidev warn. M-Net's rights offer 106% subscribed.

TUESDAY: Venter Leisure and Commercial Trailers (Ventel) to list. It will raise R25-million through a private placing of 13-million and a public offer of 4-million shares at 150c. Offer opens 6/2, closes 26/2.

Voortrekker Pers to raise R6,3-million through the issue of 78 shares for 100 held at R15, last day to register 7/2. Absa retains Central as registrars.

WEDNESDAY: Sasol to issue 10 8,5% convertible debentures for every 100 ordinaries held at R18,50, last day to register 14/2. CG Smith Sugar prospectus issued. Quagga warns of a possible change of control. PGSI to buy Pilkington's 48,4% of Glass SA for R525-million with effect from 31/3.

THURSDAY: Fedsure members may exchange 100 Fedsure for 40,3 Investec Bank shares. Offer opens 10/2, closes 28/2. Ventel prospectus appears.

FSG, FSI, Waicor, W&A warn of negotiations. Otis to raise R7-million, issuing 20 shares for 100 at 220c.

FRIDAY: Eureka buys Computermatic subsidiaries for R5,1-million, sells controlling stake in C-Matic. Dates of offer to Dukel minority to be revised. Masterbore chairman gives his version of the company's liquidation.

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R86m Evhold for Group 5

[Times Buss] 9/2/92 (32)

By JULIE WALKER

GROUP Five's R86.7-million tender — supported by Fedlife — for control of Everite Holdings has been accepted by disinvesting Swiss group Nueva.

Group Five executive chairman Peter Clogg makes light of the price of R9.85 a share — a 41% premium over the last trade of R7 — for 8.8-million shares in Evhold. This will give Group Five 51%.

"If the company is a good one, you can't really pay too much. But if it is a bad one, you can't pay too little," says Mr Clogg.

Evhold has 56% of Everite, whose operating income was 33% higher in the six months to December after rationalisation under the management of George Thomas.

Nueva said in December it wanted to sell Evhold. In 1987 it reduced its percentage holding while retaining control of the operations through the formation of pyramid Evhold.

Evhold shares should technically trade at three times the price of Everite, but have always traded at a discount. The last trades were respectively at 700c and 300c. If Evhold traded at its theoretical value of R9, the premium offered by Group Five is much lower.

The deal is conditional on an offer to the minority of Evhold, but the JSE has ruled it is not necessary to buy out

Everite members because the pyramid was formed before the rules were changed.

There was no possibility of a share deal because the Swiss group wanted cash. The cost for 51% will virtually wipe out Group Five's handsome cash pile, but arrangements have been made to secure further lines of working capital through French Bank. French Bank has also bought a block of Everite shares.

Group Five has been building an industrial arm in the construction-related business for three years. It is established in formwork, scaffolding and reinforcing as well as water and sewage plant operation and maintenance.

Everite's strengths lie in fibre-reinforced cement sheeting, pipes and plant containers, sanitaryware, pitch-fibre and glass-fibre reinforced plastics for construction and agriculture.

"The two make an excellent fit," says Mr Clogg. "There is virtually no overlap of product range."

Group Five buys control of Eyhold for R87-m

By Sven Lumsche (32)

Construction company Group Five has acquired a controlling stake in Eyerte Holdings from its divesting Swiss parent Nueva Holding for R87 million.

The acquisition, which was announced over the weekend, will probably result in Eyhold taking over Group Five's industrial interests, creating a company with annual turnover in the region of R450 million.

According to the announcement, Group Five will pay 985c a share for 8,8 million shares in Eyhold, conditional on the offer being extended to Eyhold mi-

nority shareholders.

Eyhold is the controlling company of Everite, which manufactures a wide range of goods for the construction industry.

The offer price is well above the ruling Eyhold share price of 700c, but analysts believe that the recent turnaround in Everite's financial performance justifies the price tag.

They add that two of three of Group Five's competitors were also interested in acquiring the group, which had pushed up the asking price.

Over the past year Everite has undergone extensive ratio-

nalisation, which saw the retrenchment of about 20 percent of the workforce, as well as a strengthened balance sheet.

As a result, operating earnings in the six months to end-December bounced back by 33 percent to R26 million on a 10 percent rise in turnover to R183,3 million.

The group is running at 50 percent capacity utilisation, and is well-placed to take advantage of an upturn.

Analysts say that Everite's business will complement the building supplies arm of Group Five, which focuses on formwork, scaffolding and mainte-

nance.

It is also reported that French Bank of SA, merchant bankers to the issue, has taken a stake in Everite and will provide Group Five with additional working capital after the takeover.

Nueva announced its decision to sell its interest in Eyhold in a cautionary note to shareholders in December last year because of a strategic refocusing of its worldwide businesses.

In 1987 it had already reduced its direct stake in Everite through the formation of the Pyramid company, Everite Holding.

Group Five pays R86m for Evhold

GROUP Five's successful offer of R86,7m for a 51,6% stake in Everite Holdings (Evhold) was R25m higher than the two closest bids, market sources said yesterday. Evhold owns 56% of building materials group Everite.

The acquisition would reverse Group Five's cash positive situation into gearing of up to 30%, chairman Peter Clogg said.

However, he said that by the end of the financial year to June, Group Five could have returned to a cash-positive position.

It was announced at the weekend that subject to a due diligence exercise to be completed on Wednesday, Group Five would acquire 8,8-million shares in Evhold from Swiss group Nueva Holdings for 985c a share.

Group Five will extend a similar offer, underwritten by Fedlife Assurance, to Evhold minorities.

In the second leg of the deal, Nueva has sold its 9,9% direct stake in the Everite

JABULANI SIKHAKHANE

Group to the French Bank of Southern Africa (FBSA) for an estimated R29m or 328c a share. Clogg said that the FBSA deal was conditional on Group Five acquiring the 51,6% stake in Evhold.

According to sources, Group Five's tender was 40% higher than the two closest bids of 700c a share by bulk materials handling group Fraser Alexander (Alexander) and Belgian group Eternit. The two groups' evaluation of Evhold was similar.

Murray & Roberts, which had been widely tipped to take over Evhold, did not bid. M & R CE Dave Brink told Business Day last week that M & R was only interested in certain parts of Everite's business.

Group Five's offer is also 46% higher than the ruling market price of 575c a share.

However, the offer represents a discount

□ To Page 2

Group Five

of 22% on the stated net asset value of R12,72 as at December 31.

Clogg said Group Five had to pay more than others because being an independent group could have prejudiced its chances.

Evhold will ultimately house Group Five's industrial operations, creating an industrial group with turnover of about R400m, Clogg said.

"Group Five's initial investment was in strategic businesses in the construction services area, such as formwork and scaffolding and reinforcing steel," he said.

"This was expanded into the operation and maintenance of water and sewage treatment plants and floor and wall cladding and more recently into ready-mix concrete."

Group Five's ultimate intention is to increase its holding in Evhold. One possibility would be for Group Five to do a deal with Old Mutual, which with 19% is the second largest shareholder in Group Five. Old Mutual also owns 16% of Evhold and a direct 25,5% stake in the Everite Group.

□ From Page 1

GH Marais awarded Bulawayo contract

Business Day Reporter

ENGINEERING firm G H Marais had been awarded a Z\$30m contract as consulting, electrical, electronic and mechanical engineer for a shopping centre to be built in Bulawayo, the firm said yesterday.

The centre will be the largest in Zimbabwe.

The firm, which was involved in the construction of similar shopping centres such as Sandton City in Johannesburg, will handle the design of electrical and mechanical services for the centre, including lighting, fire-fighting and security.

Construction is to be financed by the Mining Industry Pension Fund (MIPF) whose CE, Sam Nkomo, is the brother of Zimbabwean vice-president Joshua Nkomo.

The contract represented a major breakthrough to carry out similar projects in the future, G H Marais chairman Ferdie Geyer said in a statement.

"While the business sector of Zimbabwe has at its disposal a fairly strong infrastructure, there is still considerable scope for expansion and the need for large shopping centres is increasing," he said.

Geyer said the firm would use its offices in Zimbabwe to establish new links with other countries in Africa.

He said the company was looking at undertaking projects in Kenya and Angola.

The contract was awarded to G H Marais as they had already established a company in the country, Nkomo said.

The MIPF manages assets of over Z\$500m and its property portfolio is worth about Z\$100m, Nkomo said.

The fund planned to invest in similar projects throughout the country.

A few hours of life

The shortest-lived insects are mayflies, *Ephemeroptera*, which often live for only four to five hours — or, at most, a few days. The insect with the longest life is the queen termite, which usually lives for 15 to 20 years. Most insects have an active adult life of a few weeks.
Reader's Digest Book of Facts

The Star

EDUCATION

For better living

Wednesday February 12 1992

Balls of fire reported

"Fireballs" may or may not exist. There have been many reports of pear-shaped balls of fire floating into houses and then exploding. In 1980 a motorist in Britain saw a flashing ball of fire pass his car. It then exploded quite harmlessly.
The Usborne Book of Facts and Lists contact Struik publishers.



Hooraay . . . school may be over, but this can mean the start of more serious studies.

Getting, understanding matric results

Matric exam results are out, and there are often many questions about where to get them, and what they mean. **Learn & Teach** magazine tries to answer some of these questions . . .

How do I get my results?
Your exam results are released as a Statement of Results. They are sent to students' exam centres, where they can be collected. These are provisional results.

What if I don't get my results and other students at the same exam centre do?
First make inquiries at your exam centre. If they can't help, contact the Department of Education and Training. What is Full Matriculation Exemption ("M")?
This shows that a student has the necessary requirements

to be considered for admission to university and some college and technician courses.

What is a School Leaving Certificate ("S")?

This shows that a student has passed Std 10 and has completed secondary schooling. What do the symbols on the Statement of Results mean?

Regular symbols

- A = 80% - 100%
- B = 70% - 79%
- C = 60% - 69%
- D = 50% - 59%
- E = 40% - 49%
- F = 33.3% - 39%
- FF = 30% - 33%
- G = 20% - 29%
- H = 0% - 19%

For aggregates (they might not appear on certificates)

- Aggregates needed to get a Matric Exemption Certificate**
- A = 1 680 - 2 100 marks
- B = 1 470 - 1 679 marks
- C = 1 260 - 1 469 marks
- D = 1 050 - 1 259 marks
- E1 = 850 - 1 049 marks
- Aggregates needed to get a School Leaving Certificate**
- E2 = 840 - 949 marks
- F1 = 720 - 839 marks
- Failure

or an F, and for a second language on the Higher Grade, you need 33.3 percent or an F.

Additional symbols

These appear after regular symbols:
- means the result has been changed from HG to SG so that the student can pass (PEND) means the result may change or it is not yet ready

Who can write supplementary examinations?
All students who fail exams can rewrite them. Students who get at least 25 percent in a subject they wrote in November can rewrite that subject in March at a cost of R9 a subject. Students who receive 0-25 percent can rewrite that subject in May or June at a cost of R10.

Your Statement of Results will say what subjects you can rewrite, when and where.

Take the form on your statement to your exam centre. Can scripts be remarked?
If students think that their results are incorrect, they can have their scripts remarked by a moderator. Students must apply for this by the end of January.

Useful Numbers
DET Head Office
Private Bag X212
Pretoria 0001
Tel: (012) 312-6911 or 312-6622
If you write, send a copy of your results and a copy of your ID.
Education Information Centre, Johannesburg - (011) 834-7861
Career Information Centre, Durban - (031) 301-2897 & Career Research and Information Centre, Cape Town - (021) 637-8040.
Learn & Teach magazine is available from book stores and street corners at R1,95

REVISE



SA estate agents to join world body

8/Day 12/2/92

Business Day Reporter

ESTATE agents in SA have been invited to join an international federation representing their profession.

The International Real Estate Federation (FIABCI) decided at a recent meeting of its board in Sao Paulo, Brazil, to invite an application by the Institute of Estate Agents of SA (IEASA) for "principal membership" of the international body.

FIABCI deputy world president-elect David Blumberg said approval of the application by a board meeting during the federation's world congress in Montreux, Switzerland, in May would be a formality.

Blumberg is a former South African living in Israel and has worked for many years to get SA's membership accepted.

"This is a tremendous opportunity for South Africans who are now, after years of sanctions, coming back into the international community," he says.

"There is a great deal of business to be done out there, and FIABCI provides access to it through its sub-committees, conventions and membership list."

Trevor Downing, president of the IEASA, says FIABCI is a federation of professional real estate associations, represented in 48 countries. In addition to access to international business, the feder-

ation provides real estate agents with an effective means of communication to enable them to share their knowledge and experience.

Downing says the IEASA will now be responsible for the formation of an SA chapter of FIABCI and its administration.

Other associations in the building industry or individuals wishing to join the organisation would, in the case of estate agents, have to be members of the IEASA, or, in the case of other professions, members of their professional association.

"We are proud to be associated with an organisation which has as its members many of the foremost property and related companies in the world, representing the widest range of disciplines - from construction, engineering and development companies to architects, valuers, town planners, lawyers and brokers."

FIABCI world president Alan Hood of Britain and Blumberg will attend the IEASA annual convention at Sun City in August.

Hood has also expressed interest in meeting cabinet ministers and others involved in the housing industry.



Rush job . . . bricklayers Rufus Malaje and his teammates rush to complete the building of a house at a site in Lenasia so that they can collect their meagre wages. . .
Picture: Ken Oosterbroek

Low-paid workers sacrifice quality for speed

By Bronwyn Wilkinson and Zingisa Mkhuma

Building workers on a low-cost housing development in Lenasia, south of Johannesburg, claim they earn as little as R7,50 to R45 for a completed house — and they admit they compromise quality for speed in the rush to collect their meagre wage.

Each house takes about two days to complete, they say.

Sophie Jantjies, who cleaned plaster and swept up after the bricklayers, said she earned R7,50 a completed house.

STAR 13/2/92
Christinah Moshoeshoe from Pietersburg, said she shovelled cement and sand from six houses for nine hours a day for only R10.

Three labourers said they were paid R10 a day whether a house was completed or not. Other labourers who mixed and shovelled cement said they earned R25 a house.

Bricklayers each earned R45 a completed house.

"We rush to finish six houses a fortnight," said bricklayer Rufus Malaje from KwaNdebele.

The builders agreed that speed was more im-

portant to them than quality.

Bricklayer Harry Fontein said: "It takes us about four days to complete the walls of a house, and we get R40 at the end. But even if it takes seven days to complete we would still get the same amount."

A sub-contractor on the site showed The Star a contract for brickwork on four houses. He was paid an average of R600 a house.

The sub-contractor (who cannot be named because he is still contracted to the main developers) said he divided

the money among six bricklayers and seven labourers. The bricklayers were paid R45 each and labourers R25.

Spokesman for the developers Stocks and Stocks housing division, Mike Fullard, said his company managed some of the sub-contractors and recommended wages. He said that labourers were paid an incentive above the average salary.

Commenting on the claim that quality was being compromised for speed, Mr Fullard said the quality of the houses was "good", adding that

Stocks and Stocks were contracted to the Government for the development and that the houses were needed urgently.

The houses were produced at R18 000 each.

He said he believed the brick work (about 5 000 bricks a house) could be done in a day.

"Then the bricklayer's wage breaks down to about R5,30 an hour, which is fair," he said.

Africa Builders Association marketing director Morgan Leshabane said the builders were being paid the standard amount for erecting walls.

Ramashao is builder with the golden touch.

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Soweto
13/2/92

LIKEABLE Mr Robert Ramashao has only been two years in the tough business world, but already he has shown that he possesses that golden touch.

Director of the Golden Touch Construction Company, he is confident that the next few years will see his company showing great growth.

Ramashao, who started the business with his own savings because he could not get financial assistance from banking institutions, said his company was breaking new ground in the competitive construction business.

"My company has more than its fair share of the market. Granted, the going is tough, but we have to be competitive if we wish to grow," Ramashao said.

He said they already had a sizeable clientele in the white suburbs.

The company's motto, he said, was not to sacrifice quality for anything.

"Quality is the cornerstone of success.

"Without it you can rest assured that you will not make it in business. Your clients will go where they will get quality service.

"We are proud of the trend. It is an indication that consumers have confidence in us," he said.

Ramashao, who was born in Orlando East, Soweto, 42 years ago, became interested in property development when he was employed as a sales consultant for building companies Minrav and MegaStone.

"After working for them for three

By JOE MDHLELA

years, I realised that I had the potential to be my own boss.

"In the beginning finance to get started proved a problem, but I scraped through, using mainly my savings to get off the ground."

He now has four partners in the business which builds, designs, does alterations and additions.

His company has built homes ranging from R55 000 to R200 000 and more.

He said now that his business was flourishing, cash flow was no longer a problem.

"There is a change of heart from the financial institutions.

"I am now getting financial assistance with few problems," he said.



ROBERT RAMASHAO

Housing prospects still gloomy

BLACK builders are pessimistic that the reduction of bond rates will help alleviate the housing crisis.

BY JOSHUA FABOROKO

Builders Association say the building sector is not expected to show much life before mid-1992. They predict that black contractors would continue to experience an

economic downturn resulting in loss of jobs for many employees. Nafbi's general manager, Mr Solly Moutloana, said financial institutions were still reluctant to give loans to first-time home buyers, despite the reduction by one percent on

32
bond rates. He said that the lowering of interest rates had had very little effect on the building industry as a whole. Black builders were also experiencing difficulties in obtaining loans to build homes as a result

of bureaucracy at these institutions. Aha's president, Mr. Mogaie, said yesterday the reduction of mortgage bonds rates would not have a serious impact on blacks - the majority of whom were still unemployed.

13/2/92
Banks and building societies have repossessed many black homes in the wake of the growing recession, boycott of bond repayments, unrest and violence.

Black builders had also suffered because of lack of finance and it seemed that this trend would continue unless "something was done urgently". Both organisations said they would embark on a campaign to educate and train their members so that they would be able to create jobs and wealth.

M&R buys as Blue Circle quits SA

IN THE third disinvestment move in three months, UK group Blue Circle Industries plc is selling its 42.3% stake in local cement and building materials producer Blue Circle to Murray & Roberts (M & R) for more than R400m.

M & R, which has already spent more than R700m on acquisitions in less than six months, already owns 42.3% of Blue Circle through wholly owned subsidiary Darling & Hodgson. D & H has the first right of refusal on Blue Circle Industries plc's stake in the local company.

The deal leaves Anglo Alpha as the only cement producer still with an overseas principal. Swiss group Holderbank Financiere Glaris and its associates own 34.1% of Anglo Alpha. The other cement group, PPC, is controlled by Barlow Rand.

A Blue Circle Industries plc spokesman said an announcement would be made shortly.

In other recent disinvestments, UK-based Pilkington plc sold its 48.4% interest

JABULANI SIKHAKHANE

in Glass SA to Plate Glass & Shatterprufe for R525m, and Swiss group Nueva Holdings sold holdings in Everite Holdings and its subsidiary, Everite Group, for R116m to Group Five and the French Bank of Southern Africa.

M & R and Blue Circle published a joint cautionary notice yesterday warning shareholders that negotiations in progress could affect share prices.

Market speculation is that M & R would buy out Blue Circle Industries plc, increasing M & R's stake to 84.6%. M & R would make an offer to minorities and then delist Blue Circle.

Frankel, Max Pollak, Vinderine analyst Mike Howarth said Blue Circle Industries plc had been rationalising operations and selling peripheral businesses in other countries. It was a "natural consequence" of the world recession.

□ To Page 2

Blue Circle

The Blue Circle share price is R34.50. Market sources said the UK company had always asked for a premium, which was the main obstacle to D & H or its former parent Malbak making a bid. At current market prices the 42.3% holding in the local company is worth more than R399m.

"The deal will be based on future earnings rather than the net asset value. And everybody knows that when the economy turns, those cement companies will start running," Howarth said.

He suggested M & R might use equity financing for the deal, issuing new shares to institutions. A rights issue was also a possibility as M & R's cash needs might be greater when the economy improved.

The acquisition of control of Blue Circle would make sense for M & R, analysts said.

Blue Circle accounts for a large chunk of D & H's business. In financial 1991 Blue Circle contributed 63.5% of D & H's turnover and 58.7% of operating income.

The biggest benefit, however, would be in the rationalisation of operations, analysts said. Blue Circle has an engineering

division which could easily be moved into Genrec or M & R's industrial division.

In the building materials division, M & R and Blue Circle already have a joint venture in Ready Mixed Materials, in which Blue Circle holds 60%.

In the past six months M & R bought the remaining shares in Unitrans's holding company, United General Investments, from its ultimate parent Sankorp for R131m, acquired control of D & H and 35% of Standard Engineering for about R399m.

M & R shares rose 100c to close at R58 yesterday.

JOHN CAVILL reports from London that Blue Circle Industries plc has been streamlining its operations and trying to reduce costs for the past 18 months. At the same time its net debt has risen sharply.

In 1990 (to December 31), sales dropped 5% to £1.2bn while pre-tax profits fell by 16% to £195m. In the first six months of 1991 turnover was down by 19% at £531m while earnings before tax slumped by 38% to £57.5m. Net borrowings climbed by nearly £54m to £316m.

□ From Page 1

Crisis over houses alleged in platteland

Bl Day 13/2/92

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EDWARD WEST

HOME building practically came to a halt in the platteland over the past year and a number of contractors were forced to close their doors, said outgoing Master Builders' Association Witwatersrand and South Transvaal president Adrian van den Berg at its general meeting yesterday.

The main reason for this decline in building activity was high interest rates which in turn led to high building costs, he said.

Equivalent housing, priced at between R150 000 and R250 000 in the PWV area, was being sold for between R80 000 and R100 000 in platteland areas like the Free State, eastern Cape and eastern and western Transvaal. New homes of comparable size could simply not be built at these low prices, he said.

"The ever increasing tax structure, high inflation and interest rates have caused people to become poorer. The reduction in bond rates of between 0,5% and 0,75% announced on 30 January 1992 is a drop in the ocean. The time is ripe for a further reduction in bond rates," he said.

Van den Berg said government should reduce interest rates and promote home ownership by way of tax concessions on the interest portion of bonds made to homeowners. "If these tax concessions are im-

plemented, home ownership and savings will be promoted," he said.

He said a large number of homes were repossessed by financial institutions last year. These were being sold far below market value, at prices that covered the outstanding bond. He said new home owners should buy such houses rather than have new homes built.

Political uncertainty, poor productivity and the continuing increase in the cost of building materials also contributed to poor levels of business activity in the building industry, he said.

Van den Berg also referred to an apparent dispute between his association and the Master Builders' Association of Natal.

He said relations with the Natal body had been sour for the past few years and ended when his association requested an inquiry to determine whether Natal's conduct was in the interest of the Building Industry Federation of SA.

He said that if it was found the Natal association had not acted in the interests of the federation, its membership would be terminated. Spokesmen for the Natal association yesterday said they had no knowledge of what Van den Berg was referring to.

Train safety plan

...

Sudden death plunge

FM 14/2/92

32

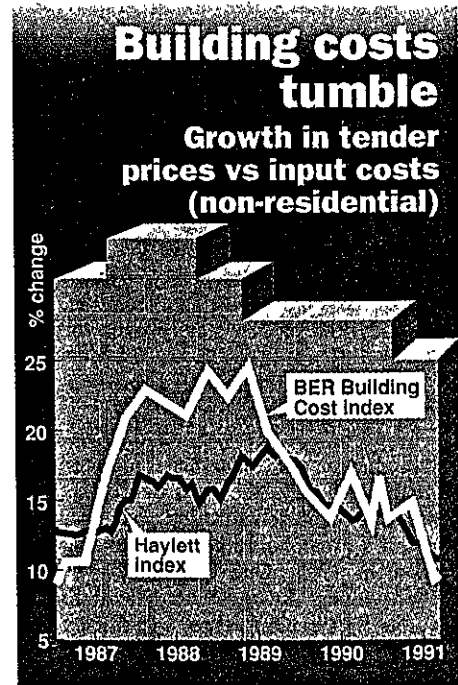
The removal of 13% GST on building materials in the fourth quarter of 1991 and a dearth of new work have caused a sharp, once-off fall in non-residential building costs.

A relative but precipitous fall was recorded in building starts in this sector of the market in September last year. Erwin Rode, research director of Real Estate Surveys, says: "Whereas one month's data cannot be regarded as a trend, it might just herald the

Introducing VAT on total contract costs has had a neutral effect on building costs because VAT is recoverable by a vendor.

Rode estimates non-residential building costs grew 7% between the fourth quarters of 1990 and 1991. If VAT had not replaced GST, the growth would have been about 13%. Growth in 1992 is forecast at between 9% and 13%.

In contrast, home building costs are expected to rise by 16% this year, after an estimated 11% increase in 1991. The reason is primarily the anticipated 2% drop in mortgage bond rates, which will enable contractors to expand margins as more people can afford to build homes.



beginning of a lower road for the non-residential building industry. Considering the overbuilt state of the property market, that is long overdue."

Rode admits that, at this stage, his anticipation of a reduction in work available is based on anecdotal testimony. Firmer evidence exists to support a fall in costs. A strong downward trend in the rate of growth in building costs has been recorded by both the BER Building Cost Index (non-residential tender prices) and the Haylett Index (input costs).

Says Rode: "The decline in input costs, by which I mean materials and labour and, to a lesser extent, plant and machinery, is good news, considering the oligopolies and monopolies in the building materials industry."

The sharp fall in costs began with the removal of the 13% GST on building materials which typically make up 40% of the cost of a building contract. Removing the 13% cut total cost by 5%-6%, to the benefit of the developer.

CAPE TOWN FM 14/2/92

Search for a haven

The perception of Cape Town as a haven, in an increasingly crime-ridden and politically unstable SA, is sustaining investment in commercial and residential property in the city despite the recession.

So says city council development co-ordinator Philip Theron. He adds: "Major developments worth R704m were under construction at the end of last year compared to R591m for the corresponding period in 1990. Buildings valued at R440m were completed during 1991."

He says the medium-term outlook is also good: "Some very big developments are being discussed by council and it's encouraging that a number of them are in the CBD, which has lagged in new development." Details of the developments are still confidential.

Theron attributes the interest in commercial property investment to a reassessment of Cape Town's potential to accommodate corporate headquarters. The high quality of life and relative security compared to some other metropolitan areas is attracting not only an increasing number of businesses, but individuals as well — as reflected in the stability of the medium- and upper-priced residential markets.

Theron says since March 1986, 191 major commercial, industrial and residential projects valued at just over R2bn have been completed in Cape Town. Major developments under construction include:

- The UCT business school complex at the V&A waterfront (R40m);
- Murray & Roberts' Pier Place office development on the foreshore (R35m);
- Equikor's Belmont office village in Rondebosch (R52m);
- The V&A company's Victoria Wharf

DSTS

th plunge

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CAPE TOWN ^{FM 14/2/92} Search for a haven ³²

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^{FM 14/2/92} ³²
speciality marketplace at the waterfront (R105m);

- Metropolitan Life's new head office on the foreshore (R75m); and
- Old Mutual's Sea Street office development in the city (R100m).

What Theron does not say is that the oversupply of office space in Cape Town CBD is increasing, particularly in A- and B-grade accommodation.

According to the *New Office Developments* report (of Real Estate Surveys) released last week, the Cape Peninsula had 21 new office projects under way by the fourth quarter of 1991, totalling 77 729 m² of rentable space due to be completed by the end of 1992. Of this, no fewer than 33 169 m² were unlet in December 1991. For 1993, a total of 63 500 m² of new accommodation is planned to be completed.

Compared to Durban CBD, and Rosebank in Johannesburg and Sandton, Real Estate Surveys research director Erwin Rode says Cape Town CBD's take-up performance during 1991, though improving, has been poor.

On the industrial side, where prime rentals are showing a slight downward tendency nationally, the Peninsula has bucked the trend. Rentals for unit sizes of 1 000 m² and more have shown an increase in 1991, with vacancy levels also marginally lower. However, rentals for 500 m² units in this area did follow the national trend and were somewhat down from last quarter's levels.

Rode concludes that the western Cape economy now has to deliver the goods — and this is not expected to happen overnight. ■

OLD DURBAN STATION

Green light

Work has started on transforming one of Durban CBD's eyesores — the old Durban Station — into a R24m luxury office block.

The Victorian building at the junction of Pine Street and Soldiers Way has stood derelict since the new station was built near Greyville. Various plans for renovation, incorporating an office and shopping complex, have been mooted but come to naught.

Peggy Daley, regional manager for developer Ampros, says erection of the hoardings has begun so that the facade can be secured during demolition of much of the interior. Some of the period woodwork, particularly an old staircase, is being restored.

Daley adds: "The plan now is for about 5 000 m² of offices in a stand-alone structure. We believe the building, in a prime location, will be ideal for a corporate head-

COMPANIES

Saficon to increase stake in Boumat

MOTOR retail group Saficon Investments plans to increase its stake in building material supplier and manufacturer Boumat to 51% from its existing holding of 32%, chairman Sidney Borsook said last night.

In an announcement to shareholders, Saficon said it had acquired 1,3-million Boumat shares from Sanlam in exchange for 12 new ordinary Saficon shares and 6 new Saker's Finance and Investment Corporation (Saker's) shares for every 27 Boumat shares. Saker's forms the investment holding company for the Saficon group.

The 5% stake in Boumat acquired from Sanlam is equivalent to 27% of the assurer's total holding in the building supplier. As a result, Borsook said a similar offer would be extended to Boumat's minority shareholders for 27% of their holdings.

Although Saficon has extended its offer, on a tender basis, to minorities for holdings above the 27% level, Borsook noted the group would not be obliged to accept shares above the agreed terms. The proposed deal has been approved by the JSE

BIDAY 14/2/92
SEAN VAN ZYL

and the Security Regulations Panel.

The proposed offer requires that Saficon increases its stake by no more than 51% or a minimum of 47%.

Borsook said Saficon planned to adopt a more active role in the day-to-day management of Boumat, "which holds a lot of potential". Borsook replaces Irvine Brittan, who has indicated his intention to retire, as Boumat chairman at end-March.

Saficon also has reached agreement with Sanlam to purchase its remaining holding of 3,4-million shares in Boumat, based on the same purchase terms. Sanlam holds a 15% stake in Boumat.

The deal would require the issuing of 4,7-million new Saficon shares, boosting the company's share base by 16% to 34-million shares in issue. The dilution would not materially affect Saficon's control structure. Saker's would issue about 1,3-million new ordinary shares, Borsook said.

Building business will decline ⁽³²⁾ Group Five

THE low level of business activity in the building and construction sector was getting worse and was expected to remain so for at least another 18 months, said Group Five MD Peter Clogg, commenting on the release of the company's results for the six months to December 1991.

A 21% drop in turnover to R533m and increased tax bill saw the group declare an 11% drop in earnings to 90c a share compared to the corresponding period last year.

Clogg expects results for the remainder of the year to be similar to the first six months due to the long-term nature of construction contracts.

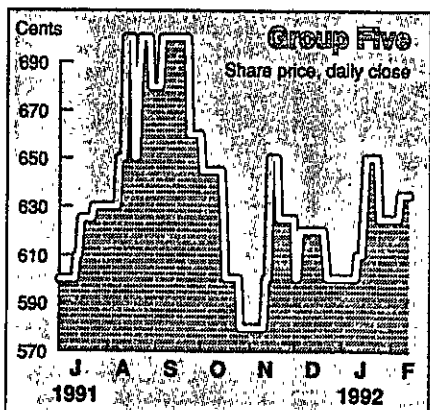
Gross profit margins increased from 2,96% to 3,6% in spite of the drop in turnover. As a result, pre-tax profits were only 2,9% down at R19,3m. However, a 28% increase in tax to R4,4m further reduced the company's earnings. Taxed profits fell 9,3% to R14,9m while dividends remained unchanged at 27c a share. Cash on hand amounted to R47,9m.

Clogg said about 20% of turnover was derived from cross-border operations in southern Africa. These operations include housing, civil engineering and road building contracts in Botswana, Namibia, Malawi, Lesotho and Zimbabwe. The company is also investigating opportunities in eastern Europe and what was the former Soviet Union.

He said construction and civil engineering activity in SA was quiet and there was less and less activity in the low-cost housing sector. Group Five would benefit particularly from new initiatives in the low-cost housing sector following its acquisition of Everite for R86,7m.

Group Five Holdings, which derives all its income from a 53,8% stake in Group Five Limited, declared unchanged dividends of 26c a share. Earnings a share fell 11% to 88c.

SM Goldstein declared unchanged dividends of 10c a share. SM Goldstein derives its income from a 45% interest in Group Five Holdings.



Graphic: FIONA KRISCH Source: I-NET

GROUP FIVE FM 14/2/92 (1992)

Eating up Everite (32)

Group Five's diversification into industry started modestly. In the year to June industry represented barely 1% of pre-tax profit but these interests have been given a major boost by the acquisition of control of Everite.

Group Five was the highest bidder but an outsider compared with the more favoured Murray & Roberts and Fraser Alexander. Financial director Theunis Kotzee says Group Five intends to keep Everite's listing. All industrial interests will be sold to Everite, which may well change its name.

Everite's disinvesting Swiss parent Nueva Holdings got a good price for its 51,6% controlling interest in Everite's pyramid Evhold: 985c a share, a hefty 46% premium on a pre-deal quote of 675c. Yet Evhold trades on a discount to the R9 underlying value of its investment in Everite.

Kotzee says the difference of 85c is a fair premium for control. Maybe, but a premium of 46% is likely to prove irresistible to Evhold minorities, who will be made a similar offer.

The price looks more realistic after last week's Everite results. EPS increased by 62% and Everite reversed its declining market share, lifting sales volumes by 2% in a declining market.

Group Five is not concerned that Everite's core product, asbestos, is not growing because of perceived environmental hazards. Chairman Peter Clogg is satisfied that Everite's occupational health and safety practices meet world standards.

Everite is ungeared, with net cash of about

Continue →

FOX FM 14/2/92 (1992) 32

R7m. It has been through a rationalisation in which staff numbers were cut by a fifth.

Kotzee believes Everite's financial ratios are next to be rationalised. He argues that Group Five is more hard-nosed about returns and will drop Everite's policy of providing additional depreciation on the revaluation of assets for "something comprehensible."

There are no major plans to change Everite's structure, but Kotzee does want to rationalise its property portfolio, which has a book value of about R125m. Group Five will keep the fibre-cement and Vaal Potteries businesses, but reassess the more peripheral Santar, which makes pitch-fibre pipes, and Paxit (glass reinforced sheeting).

In June, Group Five had no borrowings and R84m in the bank. Kotzee expects both companies to be in cash again by year-end. He says the purchase, a straight cash buy involving R87m before the offer to minorities, will boost Group Five's NAV and EPS.

Group Five's EPS have grown consistently over five years, yet it has a modest rating. At 635c it sits on a p/e of 3,3 and dividend yield of 10,1%. In contrast Everite has a p/e of 9,6 and 3% dividend yield. The deal is a significant step in Group Five's diversification.

Stephen Cranston

Scam sites won't be grabbed

THE Transvaal Provincial Administration will not confiscate any of the unoccupied sites at its Doornkop site-and-service scheme which belong to victims of the Laduma Construction scam.

City Press reported last month that Laduma Construction has gone bankrupt, leaving dozens of

people at Doornkop and other housing schemes without the homes they had paid for.

Since then, several readers have complained they are receiving letters from the TPA's Doornkop administration demanding that they occupy the sites, they have been allocated. CP on 16/2/92

City Press contacted the TPA, which agreed not to take any action against people who could not occupy sites because they had been defrauded by contractors.

"How can we occupy our sites when we have no

Readers' Hotline



READERS' HOTLINE

Helping you with your problems

PO Box 548
Kengray 2100

more money to build?" asked Idah Mbatha, who paid a R1 300 deposit to Laduma manager Gerrie van der Merwe.

Mbatha said she and several friends had believed Laduma was a reputable contractor because

it was allowed by the TPA to market homes from TPA sites.

"How can the TPA give us land, then allow criminals to steal the money we struggled to save for our houses?" she asked.

Several months ago, when Laduma and other contractors with similar schemes were still operating from Doornkop, City Press put the same question to the TPA, pointing out that the schemes Laduma and other contractors were marketing were unworkable. NO

A TPA spokesman said at the time that the free market system must be allowed to operate and that the TPA was not vetting the contractors who were given show sites to build on.

The TPA said it was up to individuals to decide whether to do business with any particular contractor.

Maria Mofokeng put down R1 000 in the hope of providing a decent home for her severely disabled and retarded daughter.

"I hoped that having a new house would be the start of a better life for us," Maria told City Press.

"Now Van Der Merwe has stolen the R1 000 - I worked so hard to save for a house. I don't know how I will be able to save that money again," she said.

Grandmother Ruth Melato put down R2 400 and now has no home and has lost her money.

■ If you have paid money to Laduma or any other contractor and have not got a house, come to City Press Hotline on Mondays or Tuesdays on telephone (011) 402-1632 and we will try to help you.

Construction industry suffers

Drop in SA output hits six-year low

32
BIP 17/2/92

NATIONAL output fell by the biggest margin in six years last year as SA's longest post-war recession depressed economic activity.

Figures released by the Central Statistical Service at the weekend show that national output, as measured by the inflation-adjusted change in gross domestic product (GDP), fell by 0,6% in 1991. This is the biggest fall in GDP since the -1,2% recorded in 1985.

The figures are preliminary, which means they are subject to revision later, but they broadly confirm analysts' expectations that last year's economic growth performance would not differ greatly from that posted in 1990, when GDP fell by 0,5%.

It is no coincidence that the two calendar years of economic contraction — 1990 and 1991 — are those in which interest rates peaked out in the current business cycle. Prime overdraft rates plateaued at a five-year high of 21% for the duration of 1990 and were only one percentage point lower for most of 1991.

Most authoritative forecasts project an economic recovery this year, expecting GDP growth for 1992 to be about 2%. Such an outturn would deliver the highest rate of economic growth since the 2,3% recorded in 1989.

The sectoral breakdown of the data shows the sharpest decline was in the construction industry where output dropped 4,5% last year after dipping by only 0,2% in 1990 following a 7,9% rise in 1989.

The fall in the sector reflects the in-

SIMON WILLSON

creasing dismay that has been signalled by non-residential building contractors over recent months. New contracts have been increasingly scarce, and overbuilding has been reported in some areas.

The fall in manufacturing output steepened to -2,4% last year from -1,3% in 1990 as high interest rates, destocking and falling business confidence dampened industrial activity. The manufacturing decline would have been much more marked had exports not chalked up a 9% increase in nominal rand terms last year.

Production in the mining sector continued its steady slide, falling by 1,5% last year after a 1,2% fall in 1990 and a 1% dip in 1989. The largely static gold price, combined with rising labour costs and deteriorating ore grades, has left the non-coal mining sector in a poor state, with a negative contribution to GDP in all but two of the last seven years.

Agricultural production rallied last year to fall by only 1,3% after a tumble of 7,4% in 1990. The late rise in the maize harvest, a solid contribution from deciduous fruit and a good wheat crop provided the foundation for the rebound, although the current drought threatens to abort the recovery in agricultural output this year.

Elsewhere among the GDP sectors, positive contributions were recorded by the electricity and water utilities, financial services, community services and general government. Transport contracted for the first time in five years.

SA builders' institute seeks chartered status

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B/day 11/2/92
Business Day Reporter

PROFESSIONAL builders in Australia enjoy a higher status than those in SA, says SA Institute of Building (SAIB) vice-president Mark Massyn.

He says this became apparent during the recent visit to Cape Town of a former president of the Australian Institute of Building, Alec Rigby.

The Australian institute, established about 40 years ago, has "chartered status".

"This means the builder is recognised as a fully fledged professional on a similar footing to an engineer, an architect or a quantity surveyor," says Massyn.

He had found his discussions with Rigby enlightening because the Australian institute had achieved for its members the status that the SAIB had been campaigning for for several years.

"As most of the building industry knows, the SAIB is still trying to get some form of professional recognition for those with training and experience, so that they can call themselves professional or qualified builders."

Australian institute members not only qualified automatically for certain government positions but had a fee scale accepted throughout government circles. This acceptance influenced the private sector view of professional builders throughout the country.

Selected members of the Australian institute also qualified for professional indemnity insurance.

"They can, once accepted as professionals, indemnify completed projects for insurance purposes, provided they have inspected the projects regularly throughout the construction period. Here, again, the SAIB is working to bring about a similar situation," says Massyn.

"If and when it is fully achieved, the buyer of a professionally checked and indemnified building will have complete peace of mind as he will be automatically insured against defects due to negligence or in materials which might crop up within the first five years of the building being completed."

Massyn said the insurance system had apparently worked so well in Australia that it should now be accepted in SA.

"The employer or the buyer would, under the system we have proposed, use the SAIB member to help him achieve the indemnity required," said Massyn.

PROPERTY

Building data show trend towards smaller houses

Business Day Reporter

THE average size of new houses for whites has been dropping since a peak in 1990, and the average new house size for blacks has been decreasing steadily over the past six years.

Johan Snyman, director of Medium-Term Forecasting Associates (MFA), the Stellenbosch building economists, says there are several reasons for this.

"Average house size has fallen because the recession has been accompanied by high mortgage rates and high building costs.

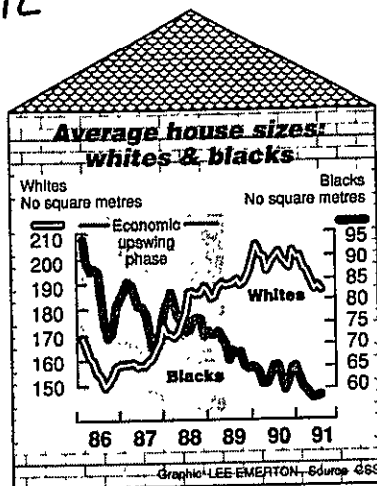
"We can expect the trend towards smaller house sizes for whites to continue in the coming years, but the average house size for blacks has probably stabilised."

MFA reached these conclusions by analysing basic data on house plans passed and houses completed according to population group, published by the Central Statistical Service since 1986.

The graph depicts these averages for new houses for the white and black population grew between 1986 to 1991.

MFA has found a number of interesting features in this comparison.

The average size of new houses for whites rose from roughly 160m² in 1986 to more than 200m² in 1990. However, since early 1991 there has been a marked drop in the average size of new dwellings built for whites.



The latest data reflect a figure of roughly 135m². This is still higher than the 160m² recorded in 1986. Yet this recent reduction is a clear indication that the recession has forced whites to scale down living space.

Average size of new dwellings for blacks has dropped sharply from roughly 90m² in 1986 to about 60m² to 65m² in 1991. This has occurred in a fiercely competitive building environment in which contractors have struggled to stay within the affordability limits of various housing subsidy schemes.

The main thrust of housing developers has been to try to supply affordable houses to the masses.

Snyman says these attempts have

frequently been thwarted by local governments' insistence on unrealistically high standards of services, as well as what both developers and buyers see as unrealistically high interest rates.

Analysis shows the average new houses dwelling of whites is still three times as large as the average new home of blacks, reflecting income disparities.

Will the trend to smaller homes continue?

In the case of whites this seems inevitable, given high mortgage rates, high tax rates and fully taxable housing fringe benefits, which all exert a depressing effect on housing affordability, says Snyman.

"In the case of blacks it appears that the average size of dwelling has stabilised at about 60m² to 65m²," says Snyman.

"Housing authorities, private developers and home builders certainly realise that little can be gained by reducing average housing size any further from current levels. This is because the cost of building does not decrease in proportion to a decrease in house size."

"For instance, the height of the walls, the number and price of doors, windows, kitchen and bathroom fittings remain more or less constant when the floor area of a house is reduced.

"Furthermore, any further reduction in the average house size of blacks would not be acceptable."

Trust contributes towards job creation

Spwelan 20/2/92 (32)

By JOSHUA RABOROKO

The South African Housing Trust is again contributing towards community participation and job creation, according to a spokesman in Johannesburg this week.

The SAHT's annual Design Competition and its Builder of the Year Competition are furthering its efforts to serve lower income communities.

This year the Design Competition and the Builder of the Year Competition will both be hosted for the fourth time.

SAHT promotes and facilitates the provision and funding of low-cost housing and security of tenure for low income communities of South Africa.

Community acceptance and participation are foremost in the minds of the SAHT management for this year's design competition for a multi-purpose centre for entrepreneurs.

The Corporate Communication Division's Mr Hennie Crowther said: "The aim of the competition is to produce a design for a multi-purpose centre for entrepreneurs in a newly created or already existing informal residential neighbourhood."

He said that was in line with the Trust's approach to address the broader living environment on its projects, and not only the direct housing needs.

Entry submissions for the competition are required to research the general needs for which such a centre for entrepreneurs should cater. In addition, provision must be made for design flexibility allowing for a high degree of community participation in the decision-making process leading up to the centres implementation.

This R350 000 multi-purpose commu-

nity business facility is earmarked for a newly established or developing neighbourhood in a rapidly expanding urban centre.

He said: Planning of the building was done in such a way that it can be adapted to the community's changing needs.

The national winner receives an award of R10 000 and the runner-up get R2 500. The prize winners will be announced during November 1992.

Referring to the Builder of the Year competition, he said it was the only annual showcase for local builders who specialise in affordable housing for low income communities.

He said: "The housing trust is in the unique position of providing employment opportunities in the areas most in need of both homes and jobs in the low income communities.

By January 1991 about 1848 labourers, 485 artisans, 115 contractors and 10 mini developers were involved in the trust's local builder development programme.

This resulted in the construction of 3087 houses on 17 projects, totalling approximately R570 million. The adjudication of the regional finals will be held in July, 1992.

A completed house and one under construction will be inspected in order to determine the quality of the finished product and the actual construction work. General house-keeping and the organisation and control of the different trades will be taken into consideration.

"Through this competition the trust recognises the work, skill and expertise of local builders," Crowther said.

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Building industry still in doldrums

32

Sowetan
20/2/92

POLITICAL uncertainty, poor productivity and the continuing increase in the cost of building materials continue to contribute to poor activity in the building industry, a leading businessman has said.

The outgoing president of the Master Builders' Association (MBA), Mr Adrian van den Berg, said the other factor which contributed to the crisis was negative and destructive pronouncements by the ANC, such as their belief in nationalisation.

He said this in Johannesburg at the annual meeting of the MBA earlier this week.

Van den Berg, who is also president of the association's Witwatersrand and Southern Transvaal regions, said nationalisation was unfair as it would deprive people of assets they had worked for.

Contractors

The main reason for this decline was the high interest rates which in turn led to high building costs.

For example, he said, equivalent housing, priced at between R150 000 and R250 000 in the Pretoria, Witwatersrand,

By JOSHUA RABOROKO

Vaal Triangle area, was being sold for between R80 000 and R100 000 in platteland areas like the Orange Free State, Eastern Cape and Western Transvaal.

New homes of comparable size could simply not be built at these low prices, he said, because the ever increasing tax structure, high inflation and interest rates have caused people to become poorer.

The reduction in bond rates of between 0,5 percent and 0,75 percent announced in January 1992 was a drop in the bucket. The time was ripe for a further reduction in bond rates.

He said that the Government should lower interest rates and promote homeownership through tax concessions.

Large numbers of homes were repossessed by financial institutions. These homes were being sold at far below the market value at prices that covered the outstanding bond.

He advised new homeowners to buy such houses rather than have a new home built.

M&R agrees to help in rebuilding Zambia

By Derek Tomney

STAR 21/2/92

Construction company Murray & Roberts has agreed to a request by Zambia's Minister of Local Government and Housing, Michael Sata, "to come home" and help rebuild the neglected infrastructure.

David Brink, chief executive of M&R, says the group will start operations in Zambia shortly, providing permission can be obtained from the SA Reserve Bank.

The decision came after a meeting between Mr Brink and Mr Sata in Johannesburg this week when it was announced that Zambia would be opening a trade mission in SA.

Mr Sata has long links with the group. He worked for Roberts Construction before independence.

Both men signed a memorandum of understanding in terms of which Murray & Roberts will establish a company in Zambia.

Mr Sata said the value of infrastructural work that needed to be done was probably equal to Zambia's foreign debt of \$7.5 billion (about R21 billion). Needs so far identified include:

- Construction of roads and bridges.
 - Provision of housing and related services.
 - Provision of agricultural works.
 - Restoration of mining projects.
 - Production of cement, concrete blocks and bricks.
 - Erection of a factory for the prefabrication of grain storage facilities, schools, clinics, housing and office units.
 - Provision of reinforcing steel and culverts.
- Murray & Roberts will help procure suitable financing. In exchange, the company will receive a five-year tax holiday, and thereafter taxes will be levied on a sliding scale. Mr Sata said Zambia in any event intended reducing com-

pany tax. It also intended abolishing exchange controls as soon as possible.

Companies now earning foreign exchange need not repatriate it to Zambia.

No import duties would be levied on government-related imports necessary for Murray & Roberts to fulfil its obligations.

Murray & Roberts (Zambia) would be able to remit to South Africa all profits made in Zambia in US dollars and all foreign exchange earnings made outside Zambia.

Mr Brink said the potential in Zambia was phenomenal. M&R has tremendous resources it could bring to bear in Southern Africa.

Roberts was very active in Zambia in the old days and played a big role in building up the economy.

"We are looking forward to the opportunity of again participating in the development of the country," he said. Mr Sata said that Zambia had

a major reconstruction problem. The previous government had controlled 87 percent of the economy.

When the new government came to power last November, inflation was running at 118 percent, and the foreign debt was equal to \$US1 140 per head of population.

The new government felt its function was to govern and to leave the running of business to businessmen.

Zambia had therefore decided to denationalise almost all businesses nationalised by the government of former President Kenneth Kaunda.

By September the inflation rate should be sharply reduced and by next year Zambia expected to balance its budget and end exchange controls completely.

Mr Sata said Zambia was one of the most fortunate states in Southern Africa.

"Our debts are not just being rescheduled, but are being cancelled."

M&R set to open a subsidiary in Zambia

JABULANI SIKHAKHANE

INDUSTRIAL holdings group Murray & Roberts (M & R) is to incorporate a subsidiary in Zambia, paving the way for the company to tap into the rebuilding of Zambia's infrastructure.

Incorporation of the Zambian subsidiary will also enable M & R to tender for projects in other Southern African Development Co-ordinating Conference (SADCC) member states.

A memorandum of understanding, signed by Zambia's local government and housing minister Michael Sata and M & R, CE Dave Brink in Johannesburg yesterday, provided for M & R to be a preferred contractor in

Zambia.

The memorandum said resources would be set aside to investigate opportunities to help Zambia rebuild its infrastructure, which had degenerated during the past 30 years. The cost of rebuilding the infrastructure would be more than the country's current foreign debt of \$6,5bn.

Zambia's identified needs were: road construction; housing; agriculture; mining; cement, concrete block and brick production; a factory for prefabrication of grain storage facilities; schools; clinics; and offices.

The memorandum said the M & R subsidiary would enjoy a tax-free period of five years. After that it would be subject to tax on a sliding scale, building up to the full corporate tax rate.

No import duties would be levied on government-related imports necessary for the company to fulfil its obligations.

All profits earned in Zambia would be fully remittable and profits earned

on exports from Zambia would qualify for retention wherever M & R wished.

Sata said profits earned by the M & R subsidiary on projects in other SADCC countries would qualify for export earnings status.

M & R's capital and assets in Zambia would be designated in US dollars and could be repaid freely in the same currency.

Zambia's new government had committed itself to privatise 80% of the country's economy, Sata said. He said government had also received support from the international community, including the writing off of some debts and interest.

Government hoped to balance its budget next year, remove foreign exchange controls, legalise merchant banking and liberalise the economy.

Roberts Construction, which merged with Murray & Stewart to form M & R in 1967, was one of the biggest contractors in Zambia before and just after that country's independence.

BLUE CIRCLE FM 21/2/92
(32)
A logical target for M&R

As the *FM* went to press, there was still no announcement about negotiations between Blue Circle and Murray & Roberts (M&R). But neither has gone out of its way to quell speculation that Blue Circle Plc is selling its 42% holding in its SA namesake and offshoot. On Tuesday, the M&R executive directors were unavailable as they were stuck in an executive committee meeting.

Blue Circle is a logical target for M&R's investment strategy as the groups have related technology and markets. They already jointly own Ready Mix Materials. The engineering interests will fit well into M&R's existing operations. Both groups make mining equipment, plastic products, ventilation equipment and motor parts.

M&R, which acquired 42% of Blue Circle SA with Darling & Hodgson (D&H), has a healthy balance sheet. In June it had R157m cash, which was virtually unaffected by the D&H purchase as all but a handful of minorities took M&R paper. A further R20m will be received from the sale of Crown Foods.

The estimated price of the Blue Circle deal is R400m, which M&R will be able to pay without coming to market for a rights issue. Just as it delisted D&H, M&R will

welcome the opportunity to delist Blue Circle SA. It will already own 85% of the group even before the mandatory bid to minorities.

The purchase would increase gearing to at most 60%. M&R is thought to be reluctant to run down cash as there are other possible acquisitions on the horizon. Market speculation persists that it will buy Firestone from Federale Volksbeleggings.

M&R and Blue Circle both sit on piles of about 12, so there would be little dilution if M&R buys the stake for shares. It would have no difficulty placing shares with institutions for Blue Circle Plc, which would presumably want to receive cash.

The UK company is selling off peripheral interests around the world to focus on core European markets. Its SA arm has been a solid performer in recent years, though not in the same class as M&R. *Stephen Cranston*

Second half of year 'better' for builders

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SITimed (CM) 23/2/92

THE Cape building industry will see increased turnover from the middle of the year, says Mike Loy, director of the Master Builders Association, Cape Peninsula.

But he warns that the industry can expect ongoing belt-tightening for most of the first half of the year.

"My prediction, based on the interest now shown in Cape projects and property and the likely drop in interest rates, is that building turnover will start rising from mid-1992.

"There are clear indications that the major corporations see Cape land as a fast-appreciating asset and that the tourist potential of the area will be exploited more efficiently in the next four years."

Figures kept by the Peninsula MBA, which has 385 members employing about 17 000, indicate that the number of tendered building contracts in its area increased by some 20% in 1991, although the total value in rands remained constant at around R337-million.

"The most encouraging factor is undoubtedly the high level of optimism at the Cape," said Mr Loy.

"This is reflected in the building figures which on a per capita basis are still higher than those of any other part of South Africa.

"The fact that the city conceived and launched the Victoria & Alfred Waterfront development at this very difficult time says a great deal about the general attitude here."

More than 96 percent of the tendered work in 1991 had a value of less than R10-million, while only five were valued at more than R10-million and only one project was priced higher than R15-million.

This and the high number of renovation, alternation and extension projects, said Mr Loy, indicated that most developers and property owners had consolidated rather than expanded in 1991. By comparison, in 1990 there were several projects with values of R20-million to R60-million.

The MBA figures also showed that at no period in the last decade had tendering been more competitive than it was last year.

"The tight market has been reflected in the pricing, which was often remarkably close."

Construction slump brings forced sales

S/ Times (BUSS) 23/2/92

By DON ROBERTSON

CONSTRUCTION companies have a large surplus of earthmoving equipment and many small firms are being forced to sell excess machinery.

Cash-rich groups in the industry with a more optimistic view are picking up bargains.

Kees Lagaay, executive director of the SA Federation of Civil Engineering Contractors, says many companies have been forced to sell surplus equipment or mothball it because of a lack of work.

Employment in construction has fallen from about 100 000 in late 1989 to about 60 000. Prospects for the current year are dismal.

Tony Mann, director of resources and services at Murray & Roberts Civils, says there is a surplus of equipment in the construction industry, but it is difficult to sell because there is no market.

Murray & Roberts has several long-term contracts, but if poor conditions in the industry continue for another six months, it will be necessary to mothball some equipment.

One company which has been affected by the downturn is Dig Group, which plans to reduce its stock of equipment. It recently advertised for sale a long list of

trucks and other equipment.

Chairman Denys Kirkland says the equipment will be sold by subsidiaries of the company, including Nickies Excavators and Nickies Plant Hire as well as demolition expert Wreckers.

The equipment, mainly Caterpillar products, is about three years old. Prices range from R190 000 to R660 000. Several trucks will be sold.

The industry found itself in a similar sad state four years ago. Many companies took advantage of conditions to sell equipment abroad and take advantage of the fallen rand.

The authorities, realising that a shortage of equipment could result, introduced legislation to prevent exports. The upturn in construction did cause this feared shortage.

Equipment suppliers made the purchase of equipment more attractive and a surplus has again occurred.

Sad

Jock Rainey, managing director of Babcock Triplejay, says the industry looks sick and there is unlikely to be any improvement until the end of the year. A proviso is that the economy recovers and political stability is restored.

Babcock has surplus machinery and recently offered many trucks for sale.

Mr Rainey says: "These are generally being sold to cash-rich companies who foresee a need for them and can take advantage of low prices."

Mr Kirkland is confident that Wreckers, perhaps the world leader in demolition through implosion, will soon win several contracts abroad.

"Sanctions prevented us from taking on overseas projects. But it now seems fashionable to talk to SA and we hope to become a major player in demolition work this year."

Rough patch for smaller builders

8/10am 2/2/92 (32)

PETER GALLI

THE NEXT six months would be make or break for the smaller building and construction groups as high interest rates continued to see a decline in activity, SA Building Industries Federation (Bifsa) chief economist Charles Martin said at the weekend.

"The industry is, in general, battling, with the smaller groups experiencing serious cash flow problems as a result of heavily geared, strapped assets," he said.

Market conditions were expected to improve towards the end of the second half of this year, with renewed building activity becoming visible. Those companies that could hold out until then should be past the worst.

"However, I think there will be quite a few smaller companies that will go under in the next few months. This situation will not be as serious as in the 1984/85 recession where even some of the larger groups went under," Martin said.

The residential building market had been under pressure with little activity for some time, with the commercial market also beginning to reflect this trend, he said.

Non-listed building group Langley Fox MD Nick Langley agreed with this, saying his company had expected an improvement in the residential market as early as the beginning of this year, but this had not materialised.

Market speculation has recently centred on the financial soundness and future of Langley Fox.

However, Langley has denied that there are serious problems despite the dismissal of two directors, the resignation of another two and the failed payment of certain sub-contractors.

Poor activity levels in the market are further evidenced by the projected brick stockpile for January 1992 of 442-million, up from 439-million at the end of September.

"A large number of brickmakers cut production in December due to the oversupplied situation.

"However, if activity levels remain static, supply will continue to outstrip demand and the stockpile will grow," SA Claybrick Association executive director Leon de Bruyn said.

Langley Fox still coping, says MD

PETER GALLI

32

NON-LISTED building group Langley Fox MD Nick Langley has moved to quash rumours that his group has financial difficulties. *BIDAY 24/2/92*
He said that despite hitches in payment to certain sub-contractors, the firing of two directors and resignation of two others, the problems were short term. The group's assets far outweighed its debts and funding from current contracts could carry it over this period, Langley said in an interview. He said it had expected the residential market to improve and had been forced to reduce staff when this did not materialise.

The dismissal of Langley Fox Developments director Jonathan Williams was an amicable one. The group was trying to find alternative employment for Langley Fox Building Partnership director Derek Lockwood, who was dismissed as a trimming measure. The resignation of director Alan Slater was mostly "in protest" against Lockwood's dismissal, Langley said.

Questioned about allegations that contractors had walked off site after not being paid, he said this was due to a misunderstanding with the bank and had been rectified. The teams were back on site.

The group's Langley Dicks Home Builders would be dissolved as soon as its contractual obligations were completed. Joint director Geoff Dicks would do contract work for Langley Fox.

This was because the company was finding it difficult to identify land in Sandton for affordable housing.

Development of the proposed R9m Hathaway residential project in Paulshof would hopefully be started in the next two weeks, despite guarantees not yet being furnished.

Langley said turnover for the group amounted to about R20m in the 1990/1991 year and all directors had been paid their profit share for that period. It was unlikely the group would report a profit for the present financial year, he said.

"Our assets by far outweigh our debts and while I am trying to sell off some land to alleviate the cash-flow situation, present projects are generating sufficient cash-flow to carry the group through," Langley said. The directors concerned were not available for comment.

said.
There were four basic determinants of any SA govern-

ing and education, he said.
"We are starting to get some good quantitative advice from a

said, "the rand will appreciate and reduce inflation by a point or two," he forecast.

Defence cutbacks hit Grinaker

By Derek Tommey

STAR
25/2/92

Tough conditions in the construction industry and a cutback of defence orders for electronic equipment hit Grinaker Holdings in the six months to December.

Attributable profit dropped by 57 percent from R14,5 million to R6,2 million and earnings dropped from 41,5c to 17,8c a share. The interim dividend has been halved from 10c to 5c a share.

Grinaker's electronic subsidi-

ary, Grintek, fared rather better. A reduction in defence contracts affected Grinaker Electronics, one of its two operating companies. But its second operating company, Siltek, managed a 15 percent rise in earnings.

This helped limit the drop in Grintek's earnings in the six months to 11 percent from R13,8 million to R12,3 million, and the decline in earnings a share to 10 percent from 7,1c to 6,4c.

Nonetheless, the interim divi-

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dend has been cut by 29 percent from 2,4c to 1,7c a share.

Grinaker chairman Jan Robertze said yesterday the construction company's earnings were 62 percent lower and similar results were expected for the second half.

He said the construction group had suffered from decreasing margins, particularly in civil engineering and related activities. Order intakes declined in real terms.

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Defence cutbacks affect Grinaker interim profit

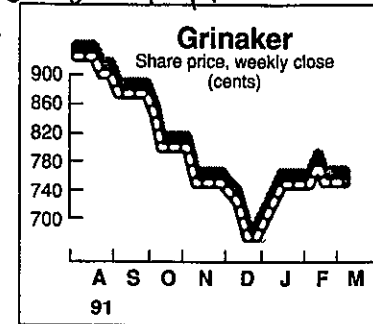
EDWARD WEST

ANGLOVAAL construction and electronics group Grinaker Holdings has more than halved interim profits because of defence industry cutbacks and low levels of business activity in the building and construction sector.

In spite of turnover increasing marginally to R1,02bn from R989,3m in the six months to December 1991, earnings fell 57% to R6,2m from R14,5m when compared with the same period last year.

Operating profit fell 48% to R24,7m (R47,3m). Gross profit margins fell to 2,4% from 4,8%. Pre-tax profit fell 45% to R28,4m (R51,4m). A tax rate reduced to 40,1% from 45,5% cut taxed earnings 39% to R17m (R28m). Earnings a share fell 57% to 17,8c (41,6c) a share. The interim dividend was halved to 5c a share.

Grinaker's electronic interests are grouped under listed company Grintek, which saw earnings fall 11% to R12,3m (R13,8m) in the period under review. An interim dividend of 1,7c (2,4c) a share was declared. Grintek's major subsidiaries are Siltek and unlisted Grinaker Electronics.



Grintek chairman Jack Saulez said in a statement that although the results mirrored difficult trading conditions in the electronics industry all was not gloomy.

Grintek's biggest subsidiary Siltek increased earnings 15% to R17,7m (R15,3m) in the period. Though the planned expansion of offshore operations might not affect profits in 1992, networking product exports would be increased and would contribute to future earnings growth.

Siltek strengthened its networking technology interests by merging subsidiary Grinaker Data Systems with Architectural Network Systems from January 1 1992, resulting in a 60%

investment in a new company, said Saulez.

Grintek's other major subsidiary, Grinaker Electronics, continued to experience the effects of defence spending cuts. Earnings were 47% lower than the corresponding period last year, said Saulez.

He said project management and design divisions performed well, but manufacturing divisions traded unprofitably. "Progress has been made in reducing the company's reliance on defence contracts," he said.

The company also developed new products. These include a recently launched security product called Neighbour Call and other applications of locally developed underground laser technology.

Saulez expected Grintek's profitability to improve for the remainder of the year and he expected annual earnings to exceed those of the previous year by a small margin.

Profit margins for Grinaker Construction decreased further than expected and order intakes declined in real terms. Grinaker Construction's earnings were 62% lower the same period last year and similar results were expected for the remainder of the year.

Engineers look north for slice of the action

32

By Meg Wilson *STAR* 26/2/92

Property and construction

South African consulting engineers are delighted at news that the World Bank is to finance \$43 million worth of surveys and feasibility studies on Angola's infrastructure.

Hennie Lemmer, executive director of their professional association (SAACE) says member firms have already met with Angolan business leaders to discuss the projects and are bound to get a slice of the action.

Members of the association have been pursuing new markets for their skills since it became clear that State spending in South Africa would increasingly be diverted to social services — fields in which the role of consulting engineers is relatively minor.

Already this year, says Mr Lemmer, one member firm has landed a major contract in Namibia and another is considering opening an office in Mozambique on the strength of work available.

However, foreign funding is the key to all the SAACE's current efforts, and it is aware that many international investors

are now wary of many parts of Africa.

Its president, John Morgan, says that because sub-Saharan Africa — "our natural market" — has been marginalised and even ignored by the international community, it is too impoverished to pay for the expertise which SAACE members can offer.

"It appears that the rehabilitation of Africa, if it is to happen at all, will be brought about

by the international community accepting South Africa as an honest broker."

The advantage for South Africa, he believes, would be a growth in "invisible exports": the specification of local materials and products which would, in fact, channel a significant portion of international investment directly to South African suppliers and contractors.

The advantage to other countries, apart from the capital projects themselves, would be the transfer of technology appropriate to African conditions, especially if the member firms of the SAACE formed consortia with their consulting engineers and undertook the projects as joint ventures.

Building figures show speculators are wary

BUILDING plans worth R11,806bn were passed during 1991 — a rise of 10,7% over the R10,664bn for 1990, figures released recently by the Central Statistical Service (CSS) show.

However, in real terms the value of the plans passed dropped by 0,8%. A 6% decrease in real terms was reported for non-residential buildings — to R1,353bn from R1,440bn in 1990.

Property economist Neville Berkowitz said this indicated the trend towards tenant driven developments rather than speculative development.

"No astute investor will start a new, unlet development in the present climate.

Opportunities

"The fall-off in plans passed shows the investor trend to be wary about developing until demand in the market resurfaces," said Berkowitz.

Most developers were looking at their existing investments and trying to identify new opportunities. These tended to be long-term developments, where land was bought and plans begun for the first phase.

This phase would then come on stream about the time the market was ripe and investors would be well positioned to take advantage of the improved climate and opportunities, he said.

A 3,1% drop in real terms to R1,496bn was reported for additions and alterations.

Despite these decreases, the real value of residential building plans passed rose by 4,4% to R2,157bn from R2,065bn in 1990. This was mainly due to a 15,6% increase for flats and townhousing.

"This reinforces the trend among homebuyers to purchase in complexes that offer security and are situated in safer areas."

There has been a marked move away from freestanding homes to townhouse and cluster developments. This trend was expected to continue while violence and political uncertainty prevailed, he said.

The total value of buildings completed in 1991 rose by 13,6% to R6,747bn compared with R5,937bn in 1990. However, in real terms this represented a decrease of 1,6%.

A 6,5% real decrease was reported for non-residential buildings completed to R929,8m from R994,1m in 1990. Residential buildings completed also dropped by 2,4% to R1,385bn from R1,419bn, the CSS said.

"This still reflects the buildings that were begun when the market was in a boom and developments were undertaken on a speculative basis," Berkowitz said.

The number of dwelling houses completed in 1991 dropped by 16% over 1990 to 30 339, mainly due to a 5 176 unit drop in homes for blacks and a 1 193 decline for coloureds.

The continued theft of materials in the townships, combined with rent boycotts and lack of bond finance, were contributing to the continuing fall in this market.

Ilco registers

huge growth

By Dan Connolly

MASS housing and construction group Ilco Homes' six-month interim results to end December showed after-tax income up 220% to R3,2m (R1,0m) on the back of increased sales on all developments.

Turnover increased to R5,9m (R2,7m) with attributable earnings up to R3,1m (R1,0m). Earnings a share were 10,5c (3,3c).

Ilco said increased growth could be possible should there be further reductions in bond rates.

M & R on expansion trail

By Sven Lünsche

STAR 27/2/92
32

Murray & Roberts (M & R) is continuing its rapid expansion drive and looks set to almost double total assets to R3,5 billion by the end of the current financial year in June.

In conjunction with its interim results to December, the group yesterday issued two cautionary statements stemming from its participation in Sanlam's asset reshuffle.

Murray & Roberts announced negotiations to acquire Federale Volksbellegings' motor component division, which is dominated by tyre manufacturer Firestone, and the de-listing of its engineering group Genrec after an offer to minorities.

The group, through wholly owned Darling & Hodgson (D & H), is also currently involved in negotiations to acquire Blue Circle Plc's 42,3 percent stake in its local subsidiary, which would double its interest in the cement group.

The announcements came after an interim period, which saw the group acquire 100 percent of D & H, double its effective shareholding in Unitrans to 80 percent and buy control of 38 percent in Standard Engineering.

Murray & Roberts chairman David Brink said yesterday that the acquisitions had contributed significantly to the strong interim results without leaving the group over-borrowed.

Over the six months turnover rose by 19 percent to

R2,65 billion (R2,24 billion), while operating profits increased by 33 percent to R191 million (R143 million) and attributable income by 29 percent to R96 million (R75 million).

Most of the acquisitions were financed through the issue of new shares, which left earnings per share two percent lower at 204c (208c).

The interim dividend was raised by 15 percent to 53c (46c).

Mr Brink could not disclose details of the negotiations currently taking place, but he estimated that total assets would be lifted from R1,9 billion at the end of June last year to R3,5 billion by the end of the current financial year.

Share issues

While the Genrec and Fedvolks deals were expected to be funded by further share issues, Mr Brink said financing details of the Blue Circle deal still had to be finalised.

Fedvolks' motor components division which, apart from Firestone, includes 94 percent of Trichamp Components and 35 percent of Gabriel, would be incorporated in Murray & Roberts engineering division, Mr Brink said.

The Genrec deal would have a limited impact on borrowings as the group already owned 83 percent of the engineering group.

Mr Brink said that despite the spate of acquisitions, the

group's balance sheet remained healthy, with a debt-to-equity ratio of only 11 percent at the end of December.

"While we will spend the next few months consolidating the recent acquisitions, we have sufficient funds in reserve if good buying opportunities arise," he added.

At the end of December the group had available funding capacity of R662 million, consisting of R102 million in cash and R560 million in loan facilities.

Turning to the results, Mr Brink said most of the group's divisions had lifted their contributions to earnings, despite difficult trading conditions.

The construction division lifted its contribution from R36 million to R42 million and, with an order book in excess of R1 billion, looked set for further strong growth.

The exception to the trend was the industrial division, whose contribution dropped from R39 million to R25 million, as orders from the mining industry had fallen drastically, Mr Brink said.

Exports continued to play an important part and now accounted for about 10 percent of earnings, he said, adding that the group was focusing its export drive on Southern Africa.

Looking ahead, Mr Brink said that while economic conditions were not expected to improve, attributable earnings should continue to maintain their interim growth rate of 30 percent for the full financial year.

No relief until mid-1993

Grim outlook for building sector growth

Blooms 8/4/92

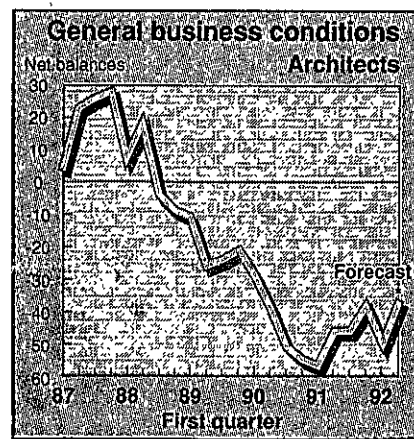
(32)

CAPE TOWN — Poor conditions in the building industry, which has shed more than 17 000 jobs since 1989, will deteriorate further in the second quarter of this year, Stellenbosch University's Bureau for Economic Research (BER) says in its latest survey of the building industry.

But there will be a slowdown in the rate of deterioration.

The report said business conditions in the residential sector would be made difficult by the pressures on disposable income and the problems being experienced in the low income housing market, although the BER expected an easing of these problems towards the end of the year.

Financial institutions should find ways to grant high risk loans for low income housing during the year, the report said,



Graphic: FIONA KRISCH Source: BER

LINDA ENSOR

and financial support from government could also be expected.

"Given the lag that exists between economic activity and investment in the residential sector, a considerable upsurge in activity is only expected to occur towards the second quarter of 1993."

Increased activity in the non-residential building sector was expected to be delayed until the second half of 1993 as a result of the current low levels of capacity utilisation. Most investment would come from government institutions while heightened political certainty would eventually stimulate private sector investment.

"The prospects for this sector remain weak over the short term and a further decrease in real terms is expected. Increased investment in black communities will, however, neutralise the expected decrease in investment spending on non-residential buildings by the private sector to some extent. Over the medium and longer term prospects are fairly good.

"The outlook for the construction industry remains rather bleak over the short term. Some revival in the activity of this sector is, however, expected towards the end of 1992 when construction work will commence on several projects. A more favourable political climate, an improved economic situation and increased government spending on infrastructure-related issues are expected to give activity in this sector a considerable boost during 1993."

Prospects for the property market in 1992 remained depressed, with some revival expected during 1993.

□ To Page 2

Building sector

Blooms 8/4/92

(32)

□ From Page 1

The BER survey of the views of architects, quantity surveyors, building contractors and building subcontractors in the first quarter found that the relative optimism prevailing in these sectors towards the end of 1991 had faded rapidly. The disappointing performance was attributed to the lack of demand for building and to a lesser extent the cost of capital.

Keen tendering competition hit subcontractors badly.

"The general outlook for the second quarter is also rather pessimistic as a further deterioration in business conditions, although at a slower rate, is expected."

The BER estimated building costs to have risen by an unchanged 12% last year, which was higher than anticipated because of an unexpected increase in the fourth quarter figure to 11,2% from 10,2%. A 10% rise has been forecast for 1992, with costs rising 7,6% during the first quarter.

Building industry still in recession

STARK (32) 7/4/92

CAPE TOWN — Conditions in the building industry appear gloomy judging by the latest survey compiled by the Bureau for Economic Research at Stellenbosch University.

The unfavourable economic conditions that have prevailed for the past three years and the high levels of uncertainty experienced during this time have impacted severely on the building industry, clearly illustrated by the fact that more than 17 000 jobs have been shed in this sector since 1989.

Adverse international and local developments, the widespread drought, the slow recovery of the international economy and the country's high inflation rate had a negative impact on the short term growth prospects of the SA economy.

"These unfavourable economic conditions are expected to put further downward pressure on the still struggling building industry," the Bureau said in the report released today.

Business conditions in the building industry deteriorated further during the first quarter and will continue through the second quarter, although at a slower rate.

The Bureau said the downward pressure on personal disposable income together with

problems experienced in the low-cost housing market will be the "prime causes of continued slack business conditions in the residential sector.

"These problems, are however, expected to become less evident towards the end of the year when some revival of activities can be expected in this sector, but a sustained recovery will only be experienced from the second quarter of 1993."

Low level capacity utilisation in the non-residential sector will prevent an upturn in building activities in this sector and a recovery is expected only in the latter part of next year.

While building costs as measured by the Bureau only increased by 12 percent during 1991 — due to unsatisfactory business conditions and keen tendering — an increase of less than 10 percent in building costs is expected for the remainder of this year.

The outlook for the construction industry remains rather "bleak" over the short term but a more favourable political climate and an improved economic situation along with increased government spending on infrastructure-related issues are expected to give activity in this sector a considerable boost next year. — Sapa.

Outlook gloomy for building industry ⁽³²⁾

ARC 7/4/92

Business Staff

CONDITIONS in the building industry appear gloomy judging by the latest survey compiled by the Bureau for Economic Research at Stellenbosch University.

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The outlook for the property market also remains "depressed" for the remainder of the year but some revival can be expected in 1993.

Builders urge massive homes help

THE National Home Association of Builders has requested the Government allocate about R1 500 million of the 1992 budget on special subsidies for homeless black families.

The Minister of Housing, Mr Leon Wessels, has been told that there was an urgent need to avert a disaster that might arise as a result of the black housing crisis.

However, the Minister has not as yet responded to the

● To facing page

Plea for homes aid

Sowetan 27/2/92
● From previous page

request, according to the executive director of NAHB, M Daan Roelvert yesterday.

He was "sincerely hoping" the Government would look into the matter when tabling its Budget in Parliament on March 18.

Roelvert said that it was hoped the project - to take place as soon as funds are available - would create jobs for the unemployed.

The association had suggested an expenditure programme that would be repeated every year until the problem had been solved.

The subsidies should take the following forms;

R1 500 million a year in initial subsidies to accelerate the provision of serviced sites for no fewer than 200 000 bonds every 12 months.

Joint incomes

A portion of the total be channelled into the Independent Development Trust to maintain the momentum of the R750 million scheme it has launched to provide 100 000 serviced sites for homeless families with incomes below R1 000 a month; and

The remainder should be handled by the Development Bank of Southern Africa or a similar agency and earmarked for homeless families whose joint incomes peaked above R1 000 a month but were still struggling.

These subsidies should be a combination of schemes to finance the delivery of serviced sites, similar to IDT approach, or else in direct cash subsidies in the form of coupons tied to spending on whatever sort of shelter was chosen by the beneficiaries themselves.

R150 million a year should be ploughed into first-time home-buyer subsidies aimed at families in slightly higher income brackets - covering one-third of the interest paid on home bonds for seven years.

The board estimates that this second programme would facilitate the building of at least 110 000 houses a year in the price range between R12 500 and R65 000.

It has also urged the Government to make public commitments to policies pledged to assign priority to spending on housing subsidies.

All stories by

JOSHUA RABOROKO

Firm to run courses for small builders

THE new Marketing Builders Services Ltd is to embark on training courses for small black builders, especially young matriculants, to economically empower them and create jobs.

The courses, to start in Isando on March 1, will also create services for small builders and related contractors, manufacturers, suppliers, builders and organisations in the property market.

Geared

The company's managing director, Mr Ken Dlamini, said yesterday they were geared to creating jobs for small builders, including the unemployed. He invited most students who have failed or obtained a school leaving certificate in matric, to be trained as builders so that they could get jobs as the country's unemployment rate continues to soar at an alarming proportion.

Poor

Unofficial sources put the unemployment figure at more than 6 million while official data estimated it at just over one million. The call for young drop-

out students to become builders comes in the wake of the poor black matric results announced by the Department of Education and Training in January.

An estimated 293 000 pupils wrote matric last year and 39,4 percent of them passed either by obtaining exemption or a school leaving certificate.

After the results were announced, economists and businessmen forecast a bleak future for job opportunities, especially in the wake of the downturn in the economy and lack of foreign investment as a result of violence and sanctions.

Dlamini said the pupils applying for the courses should have studied and passed mathematics at school. Applicants can telephone him at (011) 315 1873/4 or 315 1894 or write to MBS PO Box 1781, Midrand, 1685.

He said they were concerned about the plight of black builders who often did not get work opportunities at a time when there was a crucial need for homes in South Africa.

"We want to create stable communities in South Africa through the provision of employment and homes in a manner that will enhance the dignity of the

courses for small builders

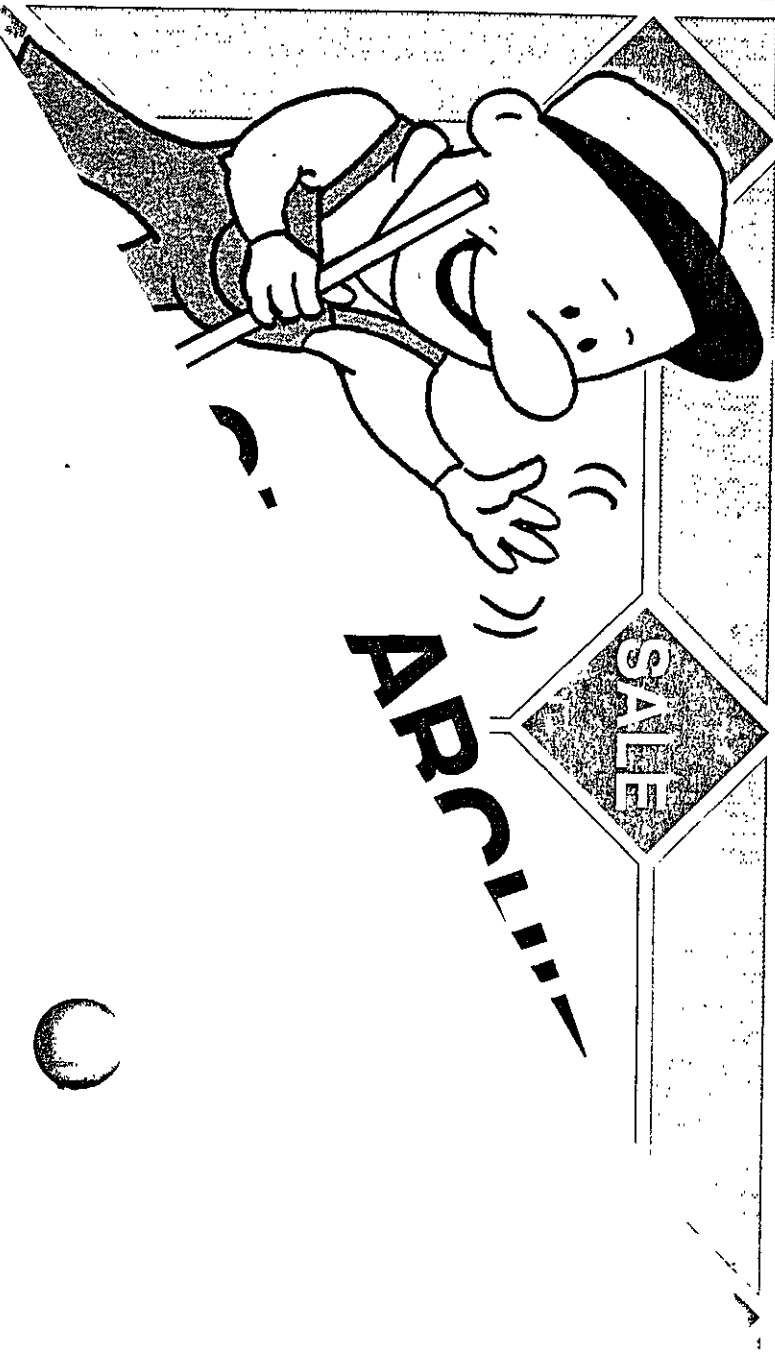
individual and meet the aspirations of the community as a whole," he said. The trainees would take courses in home improvement, including using ma-

terials like timber to build double-storey homes which would create more space by letting out extra rooms on top. They would also be ex-

pected to upgrade house in terms of painting, re-roofing over the existing rooms and painting in most metropolitan areas.

"We want to collectively join a pool of skills and resources that will be available to the members and others outside the group who may need such skills and resources.

"We also want to obtain building contracts for members and individuals and allocate them on a fair and reasonable basis considering skills," he said.



COMPANIES

Gypsum hit by closure of mine

GYPSUM Industries increased sales in the six months to December 1991 but was affected by the start-up costs of a factory in Brakpan, interest charges and the closure of its Kimberley mine. (12/13) 32

As a result, the first half's earnings before extraordinary items slipped to R6,9m from R7,7m in the same period in 1990.

Turnover increased from R89m to R100,7m while operating income climbed from R15,4m to R16,6m. (20/1) 20/1

Interest paid shot up from R410 000 to R3,3m because of capital invested in the Brakpan factory. In the same period last year an extraordinary item of R1m was written off. B/Dan 27/2/92

The directors reported yesterday that

EDWARD WEST

sales increased even though the company's principal market — the house building sector — remained in a mild decline. Operations had also been affected by the declining quality of raw materials from the Kimberley mine which was later closed.

The company's financial year end is to change to March 31 this year and, in the final three months of the present financial period, the board expects earnings to fall.

The directors could not be contacted for further comment yesterday.

The first half's earnings dropped to 83c a share from 94c and the interim dividend has been maintained unchanged at 20c.

Acquisitions help M&R increase earnings 29%

JABULANI SIKHAKHANE

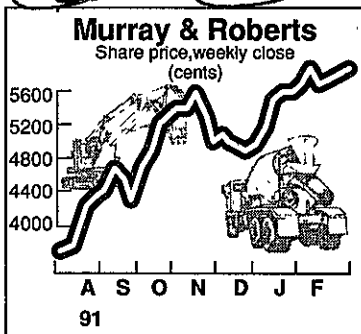
ACQUISITIONS totalling R717m helped industrial holdings group Murray & Roberts increase attributable earnings 29% to R96,2m for the six months to December.

But due to a 31% increase in the average share base (a weighted average of 11,14m shares were issued to fund acquisitions) this growth was diluted to a 2% drop at the earnings level to 204c (208c).

A strong balance sheet and improved cashflows increased dividend payout 15% to 52c (46c) a share. M & R said it was negotiating with Federale Volksbeleggings for the 100% acquisition of Firestone tyre maker Fedstone, 94% of automotive components manufacturer Trichamp Components and 35% of shock absorber manufacturer Gabriel.

The group plans to take out minorities in engineering subsidiary Genrec which will be delisted. It is understood Genrec minorities will be offered one M & R share for every four Genrec shares.

Negotiations are still in progress for the purchase of 42,33% stake in Blue Circle from the UK parent for more than R400m. Market sources said M & R could use a combination of cash and new shares to fund the acquisitions. At end-December



Graphic LEE EMERTON Source I-NET

M & R had cash and borrowing facilities totalling R662m.

Commercial director Jeremy Ractliffe said the rationale for taking out Genrec minorities was that the shares were tightly held. M & R and Genrec management jointly hold 93% of equity, leaving 7% for outside shareholders.

Turnover rose 19% during the review period from R2,24bn to R2,65bn. Operating profit before interest jumped 33% to R190,5m, with the pre-interest margins improving from 6,4% to 7,2%. The star performer here was the suppliers and services division which increased its contribution to group pre-interest operating profit by more than 200% to R78,2m, or 41% of the total. A large chunk of this came from new acquisitions Darling & Hodgson and transport group

Unitrans.

The engineering division, boosted by completion of three draglines before December, increased its contribution 22% to R42,8m. Construction was up 15% to R41,3m, while the industrial division's contribution fell from R39,2m to R24,7m.

Although contribution from properties dropped to R10,4m (R11,8m), Ractliffe said the division had developments valued at R1bn in progress. It had also concluded a new contract with Eskom for the development of the Westille Pavillion in Durban. Ractliffe said existing developments would start contributing to group profits only from financial 1993.

The group's effective tax rate was static at 40% with the tax charge increased R19m to R71,5m. Outside shareholder's interest jumped to R10,9m, shaving growth at the attributable earnings level to 29%.

Ractliffe said M & R was well placed to benefit from any upturn in the economy. He said its business portfolio was now well balanced, with an exposure to gross domestic fixed investment (GDFI) and industrial consumables. Despite the exposure to GDFI, M & R had shown growth when fixed investment was declining. After increasing 2,8% in 1990, GDFI dropped 5,1% in 1991 and is forecast to fall further by a real 5,5% this year.

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FC 2

Concor's earnings unchanged ⁽³²⁾

By Sven Lünsche

STAR 28/2/92

In line with the depressed state of the construction industry Concor yesterday reported virtually unchanged earnings in the six months to December.

On a six percent fall in turnover, operating income declined from R8,98 million in the comparative period in 1990 to R8,25 million.

Interest and investment in-

come increased from R2,57 million to R3,25 million, leaving attributable income virtually unchanged at R6,1 million (R6,08 million).

Earnings rose from 26,7c to 26,8c a share, on which an unchanged interim dividend of 5c has been declared.

The company is still in a healthy position, with R49 million in cash reserves, says chairman Brian Murphy.

Turnover down but Concor's earnings rise

ALTHOUGH undisclosed turnover fell 6%, construction group Concor increased attributable earnings marginally from R6,08m to R6,1m in the six months to December 1991, compared with last year.

Liquidity still appeared healthy with interest-based income of R3,13m contributing to the results. At year end Concor had cash reserves of R49m.

Chairman Brian Murphy said the ability to replace work at reasonable margins was

Ripley 28/2/92
EDWARD WEST

becoming increasingly difficult. He did not foresee the situation improving in the medium term and said management was rationalising at all levels. (32)

Interim earnings were virtually unchanged at R26,8c (26,7c) a share while a dividend of 5c a share was maintained for the period.

On the Brink of better.

S/ Times (Buss) 11/3/92
32

SOUTH Africa's shortage of schools could be a thing of the past.

Murray & Roberts can build a school with 25 classrooms and six laboratories or workrooms, big enough for up to 1000 pupils, in 4½ months at a cost of only R3,5-million.

Every set of M&R results is presented to a packed house

of stakeholders — customers, owners, bankers et al.

Chief executive David Brink gave examples of the school when he spoke to the stakeholders in Johannesburg this week about M&R's results for the six months to December.

He also referred to a clutch of other projects the 90-year-old industrial group has been involved in in the past six months.

M&R has undergone a transformation since Mr Brink came to the helm. The compound annual rate of return since 1986 averages 45%.

Six months ago, Mr Brink did not expect an upswing in the economy and he was not proved wrong. He said earnings for the year could be down by 10%.

Sasol

SS
ume increase of 3%. A weaker export offset the effect of lower dollar petroleum products.

icals division had a tough time drop of depressed prices.

s and polymers improved and manufacture was rationalised with the he Sasolburg plant. Chemical export about 7% of total turnover.

r is concerned about SA's petrol pump. He believes it should be adlect short-term movements in in-ices and exchange rates.

akdown of operating profit, 40% synfuels, compared with half last e oil price was higher. The oil, gas, s marketing divisions jointly made mining 12%.

in is running well and Mr Kruger ential for exporting coal is being night involve a second coal termi-ids Bay, or the use of slack at the ties.

prospects are linked to the eco-Exchange rate and prices. In the Sasol's wide-ranging expansions ood returns. Sasol expects a mod-ent on the whole year.

are R19 and several stockbrokers tem.

At the interim, only dilution through the issue of shares for acquisitions and the different tax provisions therein pushed earnings 2% lower at the bottom line. If the less conservative partial method of providing for deferred tax is adopted, M&R's earnings are up 3%.

The healthy balance sheet allowed it to raise the dividend 15% to 53c out of 204c earned. Turnover grew by 19% to R2,65-billion and attributable profit was up by almost a third to R96,2-million. Gearing fell to a trifling 11%.

Operating margins crossed the 7% target and Mr Brink hopes they can be improved.

DIAGONAL STREET by Julie Walker



DAVID BRINK: Transformer

Return on assets fell from above the 20% target to about 16% because of the effect on the balance sheet of goodwill paid on acquisitions.

M&R bought out the other shareholders of Darling & Hodgson, another 38% of Standard Engineering, the balance of VSA and came to hold an effective 80% of the ordinary share capital of Unitrans plus a large slice of the debentures.

It might buy all Blue Circle, is negotiating for Fedstone with Sanlam, and intends to take out the Genrec minority.

Mr Brink anticipated any question about the disposal of Crown Foods by saying he could not say more than had been published. The non-core business was not trans-

ferred to Malbak — the consumer arm of the Sanlam stable — but will be sold to Brian Joffe's Bidvest.

Mysteriously, trade in Crown has been suspended on the JSE while the company undergoes investigation.

M&R sold part of Crown in a 1987 flotation. Its promoters stressed what a high-quality company it was amid a lot of flotsam being listed at the time, but Crown has yet to be a jewel — its earnings continue to fall.

Mr Brink says the group used its own paper effectively — market capitalisation has risen sixfold since mid-1989 and by 150% since mid-1991 to above R3-billion.

The group's prospects remain linked to the economic cycle. But from next year, Mr Brink sees growth prospects in a myriad areas.

M&R is investing heavily in staff, new projects and export prospects. The time to invest is now, says Mr Brink. He expects to harvest the rewards in a year or two.

Shareholders should root for him still to be there — there might be other bits in Sanlam in need of repair. He must have been a contender for Gencor after Derek Keys' departure.

M&R's shares were bid at a high of R58 after the results, underlining confidence in the group.

M & R signs major construction deal with Cabinda

By Sven Lünsche

32

Murray & Roberts is continuing its rapid expansion into Southern Africa.

Hard on the heels of its agreement with Zambia, the group said yesterday it would assist Angola's oil-rich Cabinda province in a number of infrastructural projects.

A protocol to this effect was signed over the weekend in Johannesburg by the governor of the province, Dr Augusto Tomas, and Murray & Roberts chief executive Dave Brink.

Dr Tomas said Cabinda had vast potential for development and that Murray & Roberts would be able to assist in this regard.

In terms of the protocol the company will supply prefabricated houses, schools and hotels as a priority. First deliveries will be made within three months.

Murray & Roberts will also be involved in the training of engineering and construction personnel, the production of concrete bricks and blocks and

construction material, harbour works, the construction of roads and mining exploration activities.

Its involvement has been facilitated through an Angolan company, R & S International.

The projects coincide with the start of substantial foreign interest in Cabinda's rich oil fields.

Earlier this week Angolan Petroleum Minister Joao Lourenco Landoite revealed major exploration ventures in the oil fields.

Contracts had been signed with the US oil company Occidental for the northern onshore area in the Cabinda enclave and with British Petroleum for the central Cabinda area, Mr Landoite said.

Building industry 'must develop new standards'

THE building industry will have to develop totally different standards in the future to those currently applicable as tremendous challenges will be faced in the next few years, says SA Association of Quantity Surveyors president Ronald Schoombie. (32)

The quantity surveying profession is anxious to help raise the standard of management and administration of the less sophisticated entrepreneur, and to help the social upliftment of the less fortunate, he adds.

The shortage of work in the building industry is hitting all areas of that industry. Sidan 413192

A recent Bureau for Economic Research (BER) survey showed that only 20% of respondent quantity surveyors were satisfied with business conditions in the construction industry.

Schoombie says the state of the industry should start improving towards the second half of the year.

"The recent lowering of interest rates on building loans, possible future World Bank investments in SA, manufacturing interest and increased tourism are all factors that can have a positive effect," he says.

Building contractors' resources had also been placed under pressure as tight market conditions forced them to cut prices.

However, when more work becomes available, there will be upward pressure on building costs, with contractors increasing prices to compensate for losses suffered during the downswing, Schoombie says.

The BER has forecast that the average annual rise in building costs over the next five years will be 17%, compared with 16% over the past five years.

The quantity surveyors association has set up a committee to promote, support and co-ordinate the training of less sophisticated entrepreneurs.

M&R takes in Angola on path through Africa

32 JABULANI SIKHAKHANE 2/1/92

INDUSTRIAL holdings group Murray & Roberts (M & R) is positioning itself to play a major role in the rebuilding of the economies of southern African countries.

M & R said yesterday it had signed a protocol with the oil-rich province of Cabinda in Angola providing for M & R to assist with infrastructural projects.

The deal was signed in Johannesburg at the weekend by Cabinda governor Augusto Thomas and M & R CE Dave Brink.

Last month M & R signed a memorandum of understanding with Zambian local government and housing minister Michael Sata.

Sata signed a similar deal with financial services group Investec, which will act as an adviser on the restructuring and unbundling of Zambian government assets.

In Zambia M & R will incorporate a subsidiary to help with the reconstruction of Zambia's infrastructure, expected, according to Sata, to cost more than \$6.5bn.

M & R is also investigating business possibilities in Kenya, which has a free trade zone in Mombasa, and is already involved in Zimbabwe, Malawi, Botswana and Namibia.

In Cabinda M & R will assist with training in aspects of construction and engineering, supply of prefabricated houses, schools and hotels, and production of concrete bricks and blocks. It will also assist with harbour works and road construction, construction materials, agriculture and mining exploration.

The first prefabricated schools, hospitals and houses will be delivered in the next three months. B Day 4/3/92

In a statement Thomas said Cabinda was the richest province in Angola with vast potential for development. "I believe M & R will be able to assist Cabinda in this regard and am looking forward to a close relationship with the group."

Brink said while the recent agreements represented an important initiative they were not expected to have a substantial

□ To Page 2

Angola B Day 4/3/92

32

□ From Page 1

effect on M & R's bottom line, at least until the projects got off the ground.

spent \$9bn a year financing projects on the subcontinent.

He added that the World Bank and the International Finance Corporation spent billions of rands on project finance in southern Africa and they needed delivery mechanisms. The World Bank alone is estimated to

"We see ourselves as efficiently providing those delivery mechanisms. Cabinda and Zambia are obvious targets. Both have the fundamental ability to pay. Cabinda has oil and Zambia has copper and cobalt," Brink said.

M&R takes in Angola on path through Africa

32

JABULANI SIKHAKHANE

24/11

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In Zambia M & R will incorporate a subsidiary to help with the reconstruction of Zambia's infrastructure, expected, according to Sata, to cost more than \$6.5bn.

M & R is also investigating business possibilities in Kenya, which has a free trade zone in Mombasa, and is already involved in Zimbabwe, Malawi, Botswana and Namibia.

In Cabinda M & R will assist with training in aspects of construction and engineering, supply of prefabricated houses, schools and hotels, and production of concrete bricks and blocks. It will also assist with harbour works and road construction, construction materials, agriculture and mining exploration.

The first prefabricated schools, hospitals and houses will be delivered in the next three months. B Day 4/13/92

In a statement Thomas said Cabinda was the richest province in Angola with vast potential for development. "I believe M & R will be able to assist Cabinda in this regard and am looking forward to a close relationship with the group."

Brink said while the recent agreements represented an important initiative, they were not expected to have a substantial

□ To Page 2

Angola

B Day 4/13/92

220 32 24/11

□ From Page 1

effect on M & R's bottom line, at least until the projects got off the ground.

He added that the World Bank and the International Finance Corporation spent billions of rands on project finance in southern Africa and they needed delivery mechanisms. The World Bank alone is estimated to

spent \$9bn a year financing projects on the subcontinent.

"We see ourselves as efficiently providing those delivery mechanisms. Cabinda and Zambia are obvious targets. Both have the fundamental ability to pay. Cabinda has oil and Zambia has copper and cobalt," Brink said.

Big probe into homes rip-off

Sowetan
5/3/92

~~32~~ 32 ~~32~~

By JOSHUA RABOROKO

A MASSIVE investigation is to be launched by lawyers representing potential black home owners who have been allegedly ripped-off of hundreds of thousands of rands by "fly-by-night" property developers and contractors in Soweto.

This was confirmed to *Sowetan* Property by a spokesman who said that most of the would-be developers collected money from poor black families seeking low cost housing.

These people, the spokesman said, promised clients that they would build them homes after paying deposits ranging between R2 000 to R6 500.

They also promised possible home buyers that land was available in the sprawling township where new homes would be built at low prices.

Most of these alleged property developers and contractors attracted their victims by placing advertisements in newspapers serving the black community.

Predicament

They were apparently taking advantage of the acute shortage of homes in the country and exploiting that predicament in order to enrich themselves.

The spokesman said 12 of the clients have paid a total of R39 000 to a white property developer who has since disappeared.

Three other developers have allegedly collected more than R200 000; R60 000 and R20 000. The matter has been reported to the Estate Agents Board.

The spokesman said that the number of incidents involving the racket was increasing at an alarming proportion. "We are attending to almost 10 to 20 people a day," he said.

The investigations would include checking with the registrar of companies about the whereabouts of the culprits, and "if found out that the enterprise is illegal, appropriate action will be taken against them".

He declined to give further details because "we suspect they might run away and, some cases are *sub judice*," he added.

PROPERTY

Small builders get hand up

Sowetan 5/3/92

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By JOSHUA RABOROKO

THE plight of small black builders in the townships will soon become an old relic of the past.

Various organisations, including the South African Housing Trust (SAHT) and the Marketing Builders Services have announced massive schemes to address their problems.

SAHT's corporate communications manager Mr Hennie Crowther said that the company had revisited and consulted with black builder commercial groupings.

Flowing from these discussions it became very apparent that a formally structured, curriculum-based programme in conjunction with practical home-building was called for.

He said that an integrated approach had been adopted with tutoring through competency training methods in addition to on-site supervision and guidance.

Furthermore the SAHT would assist with working capital and/or bridging finance for the builder as well as access to serviced stands.

Before the course builders will be evaluated in depth by the tutor and their respective competencies.

"The country is littered with the unemployed casualties of various training courses that focus only on the training aspect and after a few weeks of lectures expect the builder to have become self-reliant and independent," he said.

"To this end the SAHT has designed and implemented a continuous upliftment programme which affords the successful builder an opportunity of progressing from the

initial "small builder" stage through to a "mini-developer" and ultimately achieve full "developing agent" status.

In order to give formal recognition of achievement to the more successful builders, the national Builder of the Year Competition was held every year.

Since inception the trust has achieved;

Ten mini-developers, 112 small builders, 458 artisans and approximately 2000 labourers have benefited from the programme.

3508 houses have been constructed with a total contract value of approximately R70 million, affording shelter to nearly 17 000 people.

Marketing Builders Services managing director Mr Ken Dlamini said that his company was running courses on a weekly basis for the small builder.

It was essential to engage in these courses because of the need to acquire skills in the building industry, especially because "the country has an acute shortage of homes".

He said the company had introduced a "group funeral/burial scheme" for the small underprivileged builders in the townships. The cost of the scheme is R6,75 a month per household.

"This is the most affordable scheme on the market and the payout range from R250 to R5 000.

Upgrade will open jobs

Soweto 5/3/92

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SEVERAL black small builders will be able to create jobs for the many unemployed when they take sub-contracts in the R11-million projects aimed at upgrading Soweto railway stations.

Corporate Coordinating Manager of the South African Rail Commuter Corporation (SARCC), Mrs Connie Nkosi, yesterday said that the money came from the private sector.

The projects include cleaning, paving, installing stalls

for hawkers and building more toilets and more strict security measures at stations.

Her company had consulted with civic associations and residents with the aim to involve them in improving standards of the township railway stations.

"We felt it was necessary to involve black builders in order for them to create jobs, especially at this time when there is rampant unemployment in the country.

"The country is littered with the unemployment of various people - the majority of them blacks - and by granting the small builder this opportunity 'we will be economically empowering them'."

Greatest barriers

Currently the greatest barriers facing the small builder today is:

- Limited access to finance - both working capital and bridging finance;
- Lack of business skills - building/technical skills are adequate, but knowledge in areas such as financial management, contract administration, marketing and even material procurement are insufficient;
- Limited access to serviced land - financial guarantees are normally required to secure stands.

Counter-productive

- No assurance of continuity of work - difficult to secure large allocations of stands, therefore operations become stop-start and counter-productive.
 - And unsuccessful tendering with very little knowledge of estimating and pricing.
- It was therefore expected, she added, that they be brought to light so that they could get experience.

M&R's 22,5% was almost identical to Standard Engineering's 22,6% but ahead of Blue Circle's 19%.

The Blue Circle deal has reduced M&R's risk profile. The cement producer is almost ungeared and generates strong cash flows. The cement industry provides somewhat predictable returns. The three local producers operate a cartel which controls market share. Turnover has been falling in the recession — volumes are down a fifth since 1989 — but each producer has suffered a comparable decline.

One advantage of the cartel — to shareholders, not customers — is that there is no price war. So cement has not suffered from the wild swings in profitability which bedevil other industries linked to the fixed investment cycle.

Blue Circle's core cement business was undoubtedly the first prize in the deal. The various engineering interests of D&H and Blue Circle will increase M&R market share of automotive components, mining equipment and building supplies, though some rationalisation looks inevitable.

Ultimately, Standard Engineering should form part of the division. It includes one of the most significant truck component companies in the country, Astas, and it is a major exporter of rolling stock (Union Carriage) and pipes. But 38% was all that was on offer and, unusually, M&R is prepared to live with joint control with Malbak.

M&R accepts that some of its businesses offer little synergy with its main operations. To address this, it has disbanded its industrial group, which acted as the miscellaneous businesses group for operations which did not fit into construction, engineering, suppliers and services or property.

Most of the industrial group businesses will be transferred to engineering, which is in danger of looking broad and unfocused. Businesses which have an uncertain future in the group will come under direct control of corporate head office.

M&R Plastics, for example, though profitable, has invested outside M&R's expertise into packaging products. These would fit better into a specialised packaging operation, such as Malbak subsidiary Holdains. M&R has already held preliminary discussions with Holdains CE Ian Willis.

Armco, which makes waste disposal units, might fall under engineering, or suppliers and services or be sold.

The deal which M&R recently signed with the Zambian government adds some interesting opportunities but another kind of risk. M&R will offer a wide range of contractual services such as building roads and schools and recommissioning the country's only cement plant.

Brink says a satisfactory financial structure has been put in place and M&R, as a contractor, will not accumulate large amounts of fixed assets. Yet to some extent,

it is hostage to the whims of the Zambian government. The present Zambian administration might be more pragmatic and sympathetic to SA than Kenneth Kaunda's, but that work could dry up if the political situation deteriorates in either country.

But the successful, growing businesses are likely to outweigh the laggards in future. M&R used to derive the lion's share of its income from flagship capital projects and infrastructural spending such as new roads. It is well-placed to benefit from a revival of fixed investment, but has widened its portfolio into more steady income generators such as shopping centre development, tank containers, ship repair services and, most recently, cement. Exports have become a cornerstone of the business, notably in tanks, motor components and valves.

The new M&R looks a riskier investment than the group which existed a year ago. But it would have been impossible to maintain growth by improving asset management and expanding existing operations. M&R has, until now, managed to avoid an earnings collapse in bad times and it is likely that its markets are close to the bottom. But the risk of a fall is largely discounted in the price.

M&R could have achieved a lot better than a p/e of 12 but that remains well below the average multiple of 17 for the industrial holding sector. Provided an investor is aware of the potential risk, the share still offers value.

Stephen Cranston

votes cast, which was the proportion achieved in 1983 by P W Botha. On the face of it, it is reasonable to think that De Klerk can do as well as Botha. This time, the liberal opposition, in the shape of the Democratic Party, is wholeheartedly behind a "yes" result. Even white communists are swallowing their historical hatred of the Nats and are prepared to support De Klerk on this issue.

In 1983, both the Conservative Party and the Progressive Federal Party called for a "no" vote — for very different reasons. In the event, it was estimated that only about 10% of PFP supporters heeded their leader's call to vote "no." The rest, along with many English-language newspapers, felt compelled to support Botha on the grounds that his proposed new constitution was "a step in the right direction" — even though it was flawed by taking no account of the black majority.

This time there is no such confusion or need for qualification. The DP and the NP are sharing platforms in a way that uncannily recalls the formation of the United Party before World War 2. That solidarity is encouraging. But there is no cause for complacency.

Until 1948 it was unthinkable that the great party founded by Smuts and Hertzog could ever be toppled by a splinter group of Afrikaner extremists. Yet that is precisely what happened. The outcome has been progressive economic despoliation and rising violence, both civil and military; and with that, the disastrous tactics of siege and boycott.

The history of Afrikaner nationalism is largely one of uncompromising groups which broke away in order to renew a conservative defence against perceived threats from imperialists, liberals, capitalists, communists and blacks. In the case of Hertzog and Malan, the dissidents eventually came to power. The fear of history repeating itself was one reason for the paralysis of the Vorster and Botha years.

constitution. It is possible to say "no" to this question without supporting CP policy — and all too attractive to say "no" when faced with the proposition that De Klerk's reforms will eventually result in a government shared or dominated by the ANC and the communists.

That De Klerk's is the only way out does not necessarily make it appealing — especially when emotions run high. The recent death of a white teacher after being doused with petrol by radical black thugs can swing thousands of votes away from De Klerk, even though the ANC condemned the incident. And remember that Hendrik Verwoerd won his 1961 poll only by about 60 000 votes.

The political sophistication of the white electorate must not be overestimated. A victory for De Klerk cannot be taken for granted; it will have to be achieved both by the weight of argument and the need to overcome complacency.

The businessman who opts out of making a public choice, who misses a chance to impress upon his white employees what is at stake, who pretends that he can keep politics out of business — such a businessman does not deserve to be in business and, if the worst should happen, certainly won't be.

The public service with its large numbers of teachers and academics whose careers depend on bureaucratic preferment will take some convincing. They, like the police, are at the cutting edge of reform. The depoliticisation of the police and defence establishments will also be put to a critical test.

The fact is, however, that reform here has reduced violence and obviated the revolutions which have occurred in other socialist hegemonies. That is the message that has to be communicated as effectively as possible.

De Klerk's task over the next few weeks is formidable. If he wins, the benefits will be incalculable. If he loses, the outcome will be terrible. ■

Building clients prepare for growth

PROJECT management company Clearspan says clients are preparing for an upswing in the economy by building premises that allow for expansion.

"We find that a lot of buildings are being developed for expansion once the economic climate is right," says MD Ernie Heatlie.

While Clearspan operated on the lines of a listed company, it did not intend listing as yet. Turnover for the six months to end

December rose 33% to R17,6m, and since then it has received orders worth about R15m.

"We have a good relationship with many of the institutions, something that has developed over the past 20 years. We expect to see our turnover rise by a real 50% over the next five years," Heatlie says.

Clients include Anglovaal, Commercial Union, Amprop, Old Mutual Pension Fund and SA Breweries.

Most of the group's work is warehousing, with a noticeable trend towards this sector developing among institutions.

The market is tight and competition fierce, and this demands a proactive approach by businesses, Heatlie says.

Clearspan has had improved institutional demand for industrial space over the past six months — as much as four to five times that budgeted for a year ago.

11/13/92

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SOWETAN
Building the Nation

DISCOVERY

Big boost for black builders

Sowetan 12/3/92

THE Perm has formed a development company, Home Development Company Pty Ltd (Hodeco), to assist black builders establish themselves.

According to the institution, black builders were not getting a fair share of business in the industry.

This was caused by:

- Difficulties faced by black builders in getting serviced sites;
- Difficulties they had in concluding a viable building contract with prospective customers; and
- They did not have bridging finance and could not start their work unless the customer gave them a deposit.

Perm chairman Mr Peter Creighton made these remarks at a seminar attended by school leavers, members of civic associations and liberation movements in Roodepoort last weekend.

Creighton said Hodeco would acquire land and allocate it to suitable small builders.

Hodeco has established links with various black builder associations, such as the Fabcos affiliate, Transvaal African Builders' Association and Nafcoc's National African Federation of Builders' Industries to identify suitable builders.

He said bridging finance would be given up front once a bond had been approved in principle.

By **JOSHUA RABOROKO**

The SBDC, Entrepreneurial Development of South Africa and Building Industries' Federation of South Africa would also assist in making this venture succeed.

He said that in about 85 percent of cases Perm was the financier, although that was not a condition and other major finance houses have taken part in the scheme.

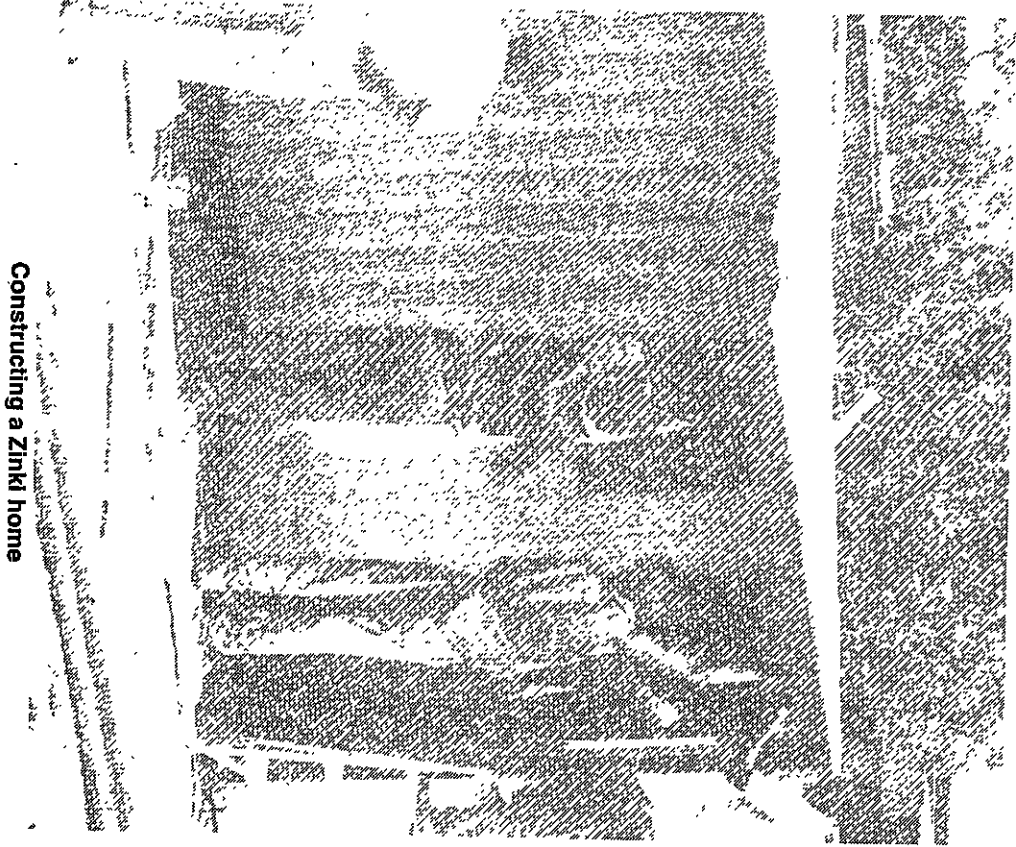
Since its inception the company had worked with some 800 black builders who have built more than 600 houses, mainly in Soweto, Sebokeng, Evaton, Vosloorus, Kallahong, Daveyton and Tsakane.

The houses ranged between R33 000 to R65 000, depending upon personal needs and affordability.

Many of the small builders who have worked with the company were well established and running vibrant businesses, despite the recession biting into the building industry.

Unrest, violence and the recession had greatly affected the industry.

There had, however, also been about 25 percent of builders who did not meet required standards.



Constructing a Zinkl home

Africa opening up for business

By Michael Sparks

South African companies, particularly those in the construction field, are aiming their sights with some success beyond the traditional trading partners of the apartheid years.

While the number of construction contracts signed with countries like Mozambique, Angola, Zaire, Zimbabwe, Zambia, Kenya and Madagascar may not be all that impressive just now, the fact that companies can openly tender for contracts in these countries is a dramatic change from a few years ago.

Aid organisations

According to SA Foreign Trade Organisation executive Parash Pandya one of the reasons for this openness was that aid organisations and development banks, which play a major role in financing large projects, were no longer opposed to South African company's involvement.

Mr Pandya said groups like the African Development Bank, the World Bank and United Nations development organisations had changed their view, especially as



Juergen Schultz . . . new doors are opening daily.

South African companies would be bringing with them invaluable knowledge of local conditions.

Concor's managing director Juergen Schultz says, "There is no doubt that with the political changes, new doors are opening daily."

Basil Read managing director Chris Jarvis said the changes came not a moment too soon as people in the construction indus-

try were being forced to look elsewhere for business as the recession and the shortage of money in the country meant fewer large scale projects being undertaken.

A spokesman for LTA agreed, saying that larger contractors were being forced to look further afield in order to survive the recession.

Money shortage

But as Mr Schultz explained, the shortage of money was one of the things which made it difficult for South African companies to make successful, competitive bids.

"The most important commodity in Africa is money. But we have no funds available to compete with the financial packages being offered by European companies when they tender for projects," Mr Schultz said, referring to high interest rates here.

However, Concor has been awarded contracts for projects, including the renovation of Maputo's grand-style Polana Hotel and believe they are very close to some projects in Angola.

Group Five chairman Stan

Hughes said his company started work on a joint venture in Zimbabwe six months ago, renovating a motel.

Mr Hughes said the possibility of counter-trade with countries like Angola were very promising, where that country's oil could help pay for construction projects. But he added that such a venture would need the involvement of the various governments to succeed.

Very welcome

Mr Jarvis spoke of a trip arranged by Safio where a number of contractors were invited to see the reworking of their road system. "We were treated like VIP's," he said, adding Safio also arranged a trip to Angola where they had direct dealings with that government and his company was also looking at projects in Madagascar.

"Most countries to the north of us need a great deal of infra-structural work, whether because of war damage like Zimbabwe, or through neglect like Zaire where there were 140 000 km of roads in 1960, but now half that," Mr

Jarvis said.

He added that diplomatic ties between South Africa and other African countries would increase the links created by businessmen.

One problem facing corporations planning to do business north of the border was concern about payment after a project.

Profits

In addition corporations were hesitant to commit funds to countries like Zimbabwe where repatriation of profits is severely restricted. "If a company cannot repatriate the profits, then what's the point?" asked one executive.

Aid to African countries is seen as providing great potential for South Africa's construction industry says Stocks and Stocks manager Michael Armstrong. "The good thing about the involvement of development organisations is that payment is guaranteed, in hard currency."

Mr Armstrong added, "South Africa has the resources and the ability to provide a catalyst for aid money which will lead to secondary development in those countries."

STAR 12/3/92

COMPANIES

M&R alters strategy on Genrec

^{31 Dec 13/3/92}
MURRAY & Roberts (M & R) has dropped its plans to buy 100% of Genrec, and will now make an offer to Genrec minorities.

M & R director Lionel Bird said yesterday the company dropped plans to acquire the entire shareholding in Genrec and delist as the scheme would prove expensive and M & R did not wish to be seen as wielding "the big stick" by forcing out minority shareholders.

Instead, it will now offer to buy out Genrec minorities for R16.50 a share — against the current price of R14.25. Alternatively Genrec shareholders can opt for a

EDWARD WEST

share swap of one M & R ordinary share for every 3.5 Genrec shares. (32)

Genrec's share price has climbed from 820c a year ago. M & R's cash offer reflects Genrec's peak share price of 1 650c a share recorded in September last year. (189)

M & R traded at 5 700c a share yesterday so its share offer represented a R6.25 premium over the cash offer. (27)

The announcement said fractional entitlements to M & R ordinary shares would be aggregated and sold on the JSE for the benefit of minorities entitled to it.

Partnership extended

It was always somewhat anomalous that Anglovaal's interest in Anglo-Alpha was held directly rather than through Anglovaal Industries (AVI). One advantage was that it enabled investors to see AVI primarily as a consumer sector share, as it earns the bulk of its income from food and packaging, with a limited exposure to engineering and construction sectors.

MD Jan Robbertze says AVI has always held interests in the building industry through its sizeable construction subsidiary, Grinaker Construction, and it has engineering concerns such as steel distributor Trident and ball bearing distributor Bearing Man. Robbertze has been on the Anglo-Alpha board for more than a decade.

AVI will be more exposed to construction now it has acquired 19,5% of Anglo-Alpha — comprising Anglovaal's 8,1% holding and 11,4% from the Swiss controlling shareholder, Holderbank Financiere Glaris. "The ori-

ginal Anglovaal holding would not have been a major contributor to AVI," says Robbertze, "but we have welcomed the more meaningful strategic holding."

AVI does not normally like to invest in companies it does not control, unless it thinks it can acquire control later. But Anglovaal has been a partner of Holderbank since 1947, when they merged their cement interests. Robbertze says the increased shareholding should not be interpreted as the first step towards a change of control. "It is merely an extension of the partnership," he says.

AVI's shares and the 29,8% which Holderbank retains will be injected into unlisted Altur, which becomes a pyramid.

The deal will not make a dent in the AVI cash pool that accumulated after the rights issue. AVI is paying R42,50 for each Anglo-Alpha share. To fund the purchase, it will issue just under 2m AVI ordinary shares to Anglovaal and Holderbank, valued at R249m. The shares will be placed with institutions. AVI will make an offer to Altur minorities, who hold 5,5% of Anglo-Alpha, at the same price.

Since there is no change of control in Anglo-Alpha, there is no offer to Anglo-Alpha minorities. AVI will hold an effective 25% of Anglo-Alpha if all Altur minorities accept the offer.

Anglo-Alpha is an asset-intensive business, and it would have increased AVI's December interim NAV by almost a tenth, to R56,82, though it will have had no material affect on AVI earnings in the short term. AVI expects Anglo-Alpha's contribution to be significant in the medium term.

Demand for cement products is soft. If there is a protracted building boom the industry will eventually have to consider increasing capacity, which would involve sizeable expenditure. Robbertze, however, says he does not expect Anglo-Alpha will need to invest large sums in additional capacity for at least the next five years.

Violence plagues building industry

32

APR 14/3/92

Business Staff

THE building industry in South Africa is being negatively affected by the level of violence and political uncertainty in the country at present," says Mr Peter du Trevou, 34, managing director of Corobrik Western Cape.

But fortunately for Corobrik Western Cape the building industry in the Cape has not been as badly affected as it has been in other regions.

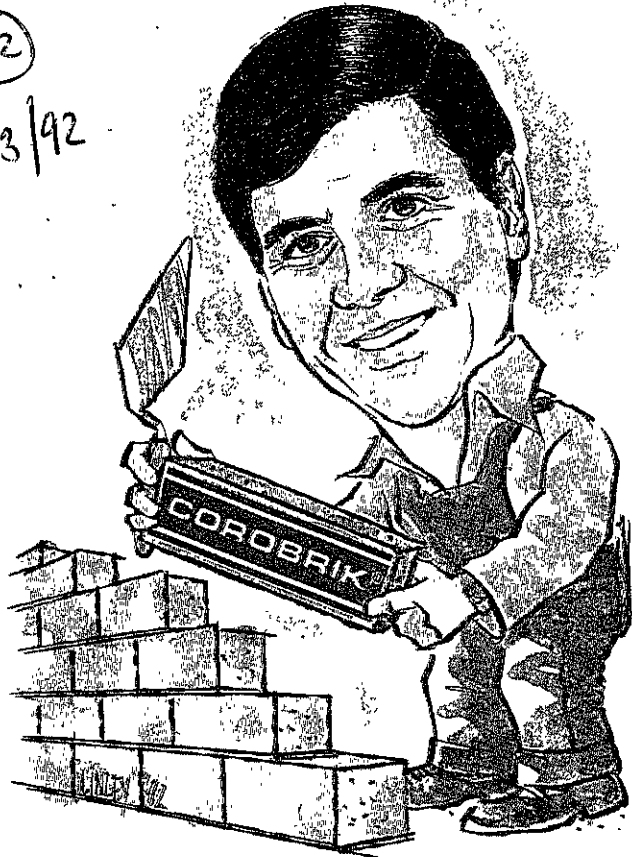
"Building is not taking place in the areas which most need it and in spite of desperate need there is almost none in the low-cost housing market," he says.

Continued high interest rates and investor caution were likely to continue for at least the rest of this year.

He says: "Corobrik might have to further rationalise its production, although the company is well placed to meet any increase in demand that might arise."

The result of the referendum will be crucial to the future of South Africa, as well as to its building industry, says Mr Du Trevou.

He believes a Conservative Party win will plunge the industry into greater uncertain-



Peter du Trevou ... keeping an eye on violence.

ty, and that renewed disinvestment will put thousands more out of work.

"But a positive result would inspire confidence, which would auger particularly well for the Western Cape as increased industrial activity would favour building," he says.

Mr Du Trevou is a relative newcomer to the Cape, having been born and educated in Durban.

He matriculated at Northlands Boys' High School and

then completed a B.Comm at the University of Natal.

Mr Du Trevou then signed articles with Hudson Langham Morrison and Company, continued his studies and qualified as a Chartered Accountant in 1983.

He then joined Toncoro (Corobrik's holding company) as an accountant in February, 1984, and was later transferred to Johannesburg as financial director of the Brick 'n Tile Centres, a series of convenience buying outlets for smaller builders. Mr du

Trevou was then promoted to general manager of the group's operations, and during his time there number of stores grew from 10 to 24.

"This expansion meant that I moved back from Johannesburg to Durban, where the head office of the Brick 'n Tile Centre was established," he says.

In May, 1991, he was appointed a member of the Toncoro board of directors. "And in September, 1991, I was transferred to Stellenbosch as managing director of Corobrik Western Cape," he says.

He comes from a family of three, all of whom have followed professional careers. His brother is a Neurosurgeon and his sister a partner in a legal firm, both in Durban.

Mr Du Trevou is married to Jane, who is an honours graduate in social science, and they have two children, Christopher, 7, and Nicole, 5.

The Western Cape company is playing a role in conservation by donating a percentage from the sale of clay paving products to the Rhino and Elephant Foundation, of which it is a patron.

Clay brick paving is experiencing a huge upswing as developers increasingly appreciate the product, he said.

The industry experienced a 30 percent growth last year in contrast to the region's general economic downturn.

"While major building contracts have slowed in the last year, so the improvement and enhancement contracts for existing buildings has become a priority," he added.

Money pouring in for poor

Soweto 19/3/92

By JOSHUA RABOROKO

TAXPAYERS' money is starting to pour into the transfer of serviced sites of land to poor families in various parts of the country.

By yesterday many contracts — some of them from blacks — worth more than R200-million had been signed between developers of 35 projects involving 28 978 serviced sites and the Independent Development Trust (IDT).

The exact number of black developers who will participate in these projects had not been released by the IDT officials by late last night, according to a spokesman in Cape Town.

However, it is understood that the Fabcos' affiliate, the African Builders Association (Abna) and Natcoc's National Federated Builders Industries (Nafbi) have been approached.

On the brink of signature are two more massive contracts for:
* 8 000 serviced sites at Soweto-on-Sea, Port Elizabeth and
* 4 000 serviced sites at the "Freedom Square

and Nambija" development near Bloemfontein.

By the end of this month up to 75 projects across the country are expected to be signed and sealed.

In terms of the scheme, breadwinners who earn less than R1 000 a month and have dependants living with them receive a site with water, sewerage and drainage services.

As each site is transferred to a qualifying individual, the IDT pays out a subsidy of R7 500. The developers range from local authorities to private developers and include utility and community trusts. Prominent leaders in black communities are involved in the developments.

A feature of the IDT scheme has been the effective and responsible role played by community leaders in allocating sites to deserving individuals.

32

The demand far exceeds the supply and great skills are necessary in ensuring fair play.

Another feature has been the speed and ingenuity with which homes have been erected on serviced sites. Pride of ownership has also led to stand holders planting grass and trees on their sites.

The IDT's communications director, Mr Joyon Nuttal, said yesterday: "Those who have been associated with the capital subsidy scheme have gained a great deal of know-how and expertise in the process.

"But, although we have allocated R750-million in total, it is only meeting about 10 percent of the need. We have been urging the authorities to make further funds available to us so that we can extend the scheme to thousands of other families."

The present allocation will give 100 000 people and their dependants - a total of about 700 000 in all - a site of their own.

Going for the double

Soweto 19/3/92

(32)

He said arrangements have been made with Federalised Timbers to supply the materials to the site in kit form from their Benoni branch.

The company will embark on other similar projects in the PVV area at affordable prices for the disadvantaged families in the townships.

One of the first occupants of the "double-up project" in Rockville, Mr Desmond Mphasane, said he believed the new concept was unique.

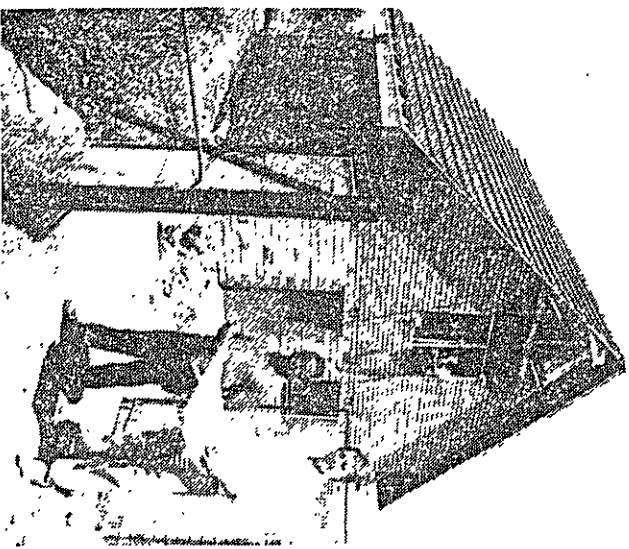
"The double-storey houses have been expensive for blacks in the townships, but the new scheme is better and can be structured in small yards," Mphasane said.

"Our yards in the townships are small and I believe that the double-up project will help alleviate the space problem we are experiencing."

THE overcrowded conditions in the townships and the increased demand for housing from blacks have caused builders to erect and market "double-storey" structures on the existing "matchbox houses". It is expected that the new scheme will also add value to the existing homes, help alleviate the overcrowding and serve as a potential source of rental income.

The "build on" housing scheme has been designed and re-introduced in Soweto by Mitek South Africa Ltd and plans have been drawn up by Mr Ian Cruickshank, a registered architect and currently president of the SA Council for Architects.

At the launch of the project in Soweto this week, manager of Double-Up Mr Mac Leaf said that as space was limited in the townships, they proposed to market and erect "loft room" structures on the existing house to alleviate the overcrowding.



Mr Bushy Moloi, co-director of Double-Up Project with managing director Mr Mac Leaf on the site in Rockville, Soweto.

Interest ⁽³²⁾ shown in contests

Sowetan 19/3/92

MANY black builders have shown interest in the South African Housing Trust's Design and Builder of the Year competitions as they contribute towards community participation and job creation.

Both competitions, which are being run for the fourth time this year, are aimed at serving the efforts of the lower income communities, according to SAHT's Mr Hennie Crowther.

He would not say how many people had already entered, but indicated that there was great enthusiasm from black entrepreneurs.

"The aim of the competition is to produce a design for a multi-purpose centre for entrepreneurs in a newly-created or already existing informal residential neighbourhood," he added. The builder of the year is the only annual showcase for local builders who specialise in affordable housing.

The adjudication of the regional finals will be held in July and entries should be sent to SAHT, PO Box 3316, Randburg, 2125.

NEEDS TO BE MET

Builders' Spoils for Choice

Sorel
RATHER like the story of the three little pigs and the big bad wolf, home builders have a number of choices available when selecting bricks for their new home.

While bricks remain infinitely more preferable to straw, the question is: "What type of brick to use?"

Recently there has been a lot of "huffing and puffing" about the issue of clay versus concrete brick.

In an article in South African Builder, Professor Brian Eksleen, head of the Department of Construction Management at the University of Port Elizabeth, opened a can of worms on this issue.

In the article on the need to raise the quality of service, rendered by building enterprises in South Africa, he points out the manifestations of builders' lack of technical knowledge. One such manifestation was: "Substitution of

19/3/92

clay bricks with concrete masonry units, use of dissimilar materials in contact with each other without adequate joints or appropriate detailing."

The consequences were listed as "cracks, damage to structure and finishes, water penetration and corrosion, due to ignorance of physical and chemical properties of materials".

Unfortunately, it seems the practice Eksleen referred to of substituting clay bricks with concrete masonry units is widespread.

In an attempt to beat the downturn and show a profit, some builders are hoodwinking consumers into shoddy quality and lack of performance in their new homes and on extensions, by using the cheaper alternative, concrete bricks.

Consumers are led to believe there is no material difference between inferior quality bricks and high quality clay bricks.

This dubious practice has been helped along

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by the latest trend of tining concrete bricks to resemble clay bricks, enabling building contractors and estate agents to pull the wool over the home builders/buyers' eyes in terms of value and durability.

Home builders must be given a clear choice and have the differences and shortfalls clearly pointed out to them. In addition, this information should be made available to home buyers who may well have to deal with the problems arising from inferior quality concrete bricks in years to come.

It is time the myth that concrete bricks are the equivalent of clay bricks was shown up for what it really is - a fairy tale.

In terms of quality, durability, aesthetic appeal and value for money no cheaper substitute can compare with clay brick - and no amount of "huffing and puffing" will prove otherwise.

Housing (32) commitment

welcomed

By Frank Jeans

A positive measure to emerge from the Budget is the Government's continued commitment to housing.

The increased expenditure to a total of R3.3 billion for homes has been welcomed by the development community which, however, at the same time, emphasises that now is the time to implement the national housing policy mentioned in the Budget speech.

Charles Martin, economist with the Building Industries Federation (Bifsa), who sees the Minister's recommendations as "mildly stimulatory", believes the findings of the De Loor Committee on Housing should now be implemented.

"We have the money to invest in housing, but it is now imperative to establish a comprehensive housing policy which is sorely lacking in the accommodation market," he says.

A further positive step to get the lower end of the residential property market on the move has been the changes in transfer duty.

Previously, no transfer duty was payable up to R30 000. That figure is now R50 000 — a move which should have the effect of increasing the affordability among lower income earners.

A leading estate agent, Scott McRae, managing director of the Camdon's Group, has no doubt the property market has received a "double tonic" in the form of a favourable referendum result, along with expectations of a mild upturn later this year.

Predicting an improvement in foreign sentiment towards South Africa, Mr McRae says: "This could lead to an inflow of capital into local property which, in turn, could lead to an increase in prices.

"For overseas investors, local properties have, for decades, suffered from a 'political discount' and their true market value has consistently fallen short of comparable property abroad."

STAR 20/3/92

M & R doubles

Blue Circle stake

Finance Staff 32 (1992)

Murray and Roberts (M&R) has doubled its stake in cement producer Blue Circle by buying the 42,3 percent stake held in Blue Circle by its UK parent group Blue Circle Industries Plc (BCI) for R630 million.

In terms of the deal M&R has acquired 11,66 million Blue Circle shares from BCI for a purchase consideration, which excludes the rights to an extraordinary Blue Circle dividend of R24,80 per share.

BCI will be paid through the renounceable issue of M&R ordinaries at R54 each. Analysts said yesterday BCI was likely to renounce the shares and they could be placed with local institutions.

The offer will be extended to the minority shareholders. Minorities can opt to receive one M&R share for every Blue Circle share held or R54 in cash for each share.

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Construction declines ⁽³²⁾

THE total value of construction work on hand at the end of October 1991 decreased by 14.6% compared with October 1990, the Central Statistical Service, said yesterday. *8/0am 20/3/92*

It said decreases were in respect of residential buildings (15%), other buildings (18.2%) and other construction (9.2%).

Waste Flow pulls Basil Read down

Biday 23/3/92

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MICK ELLINGHAM

AN underperforming waste recycling operation and an inadequate workload in the core civil engineering division combined to plunge Basil Read into the red in the half-year to December 1991.

The group reported a R6.4m bottomline loss — after a R4m write off for possible capital losses from its Waste Flow division — against the comparable period's R5m profit.

The company is trying to sell its 55% interest in the troubled Waste Flow division at Robinson Deep or, alternatively, hopes to find partners to finance the operation's losses.

In a statement with the results, the directors said Waste Flow was making a

loss and would continue to do so unless the volumes and mix of recyclable material improved considerably.

As a result, the group had provided R4m for possible capital loss.

The group's mining division had, however, performed "excellently" and the directors were optimistic about the current half year's performance — despite caution over the likely effect of the recession. They expect the group as a whole to return to profitability by the financial year's end.

This is despite a "considerable loss" by the property

development division in the half year, which, was blamed on the economy.

The housing division suffered the same fate, though a significant improvement was expected if certain land-holding issues were resolved.

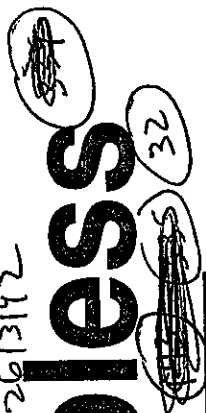
Director David Lawrence said some days ago that feasibility studies indicated high returns on capital from the Waste Flow division but that expected returns had not materialised because the quantities and quality of the municipal refuse processed by the plant had been poorer than expected.

He also cited teething problems as adding to the recycling plant's difficulties.

Basil Read acquired its 55% interest in Waste Flow from the firm which built the plant after an encouraging feasibility study by a firm of consultants.

Trust moves mean work for jobless

26/3/92
Dove farm



THE South African Housing Trust (SAHT) is again contributing towards community participation and job creation, according to the trust's corporate communications manager, Mr Hennie Crowther.

The SAHT's annual design competition and its builder of the year competition are furthering their efforts to serve low income communities.

This year both competitions will be hosted for the fourth time.

The trust promotes and facilitates the provision and funding of low-cost housing and security of tenure for lower income communities.

Minds

"Community acceptance and participation are foremost in the minds of the SAHT management for this year's competition to design a multi-purpose centre for entrepreneurs.

"The aim of the competition is to produce a design for a multi-purpose centre in a newly created or already existing (informal) residential neighbourhood," Crowther said.

Entry submissions for the competition are required to research the general needs for which such a centre for entrepreneurs should cater. In addition, provision must be made for design flexibility allowing for a high degree of community participation in the decision.

Needs

The R350 000 multi-purpose community business centre is earmarked for a newly established or developing neighbourhood.

"Planning of the building has to be done in such a way that it can be adapted to the community's changing needs," he added.

The national winner receives R10 000 and the runner-up gets R2 500. The prize-winners will be announced during November 1992.

The "Builder of the Year" competition is the

By JOSHUA RABOROKO

annual showcase for local builders who specialise in affordable housing for low-income communities.

Crowther said: "The housing trust is in the unique position of providing employment opportunities in the areas most in need of both homes and jobs — low-income communities.

By January 1991 some 1 848 labourers, 485 artisans, 115 contractors and 10 mini-developers were involved in the trust's Local Builder Development Programme.

"This resulted in the

construction of 3 087 houses in 17 projects, totalling approximately R370-million."

The adjudication of the regional finals will be held during July this year.

A completed house and one under construction will be inspected to determine the quality of the finished product and the actual construction work. General house-keeping and the organisation and control of the different trades will be taken into consideration.

"Through this competition the trust recognises the work, skill and expertise of local builders, and we are proud to be associated with this annual competition," Crowther said.

Create building society

THE Government has been urged to establish a building society to help alleviate the critical shortage of black housing which has become a "hot potato" in South Africa today. *Sowetan 26/3/92*

Property developers and experts contend that finance houses have experienced severe losses in the past, are now reluctant to lend monies and are increasingly more selective in approving candidates.

The private sector will also be able to assist more effectively if such a plan is in place and financing is available to help poor black families.

Now that the referendum is over and the country has affirmed its commitment to reform, it is essential that immediate Government action is taken and a formal housing strategy put forward, according to Marketing Director of Gough Cooper Homes, Mr Russel Glyn-Cuthbert.

Time bomb

The critical shortage of black housing, just like the unemployment crisis, is rapidly becoming a "time bomb" about which very little appears to be happening.

While the need for immediate informal housing exists, a longer-term view is also required, according to developers and experts in the building industry.

To tackle the low cost "affordable" housing requires direction and definition from the Government and unless this is soon forthcoming the problem will become worse by the day.

The building industry urgently requires a long-term guide plan for the development of urban areas.

This will avoid spontaneous, panic motivated, resettlements such as the Bloubastrand debacle that created more problems than it solved.

Gough Cooper is one such company that has always committed itself to the black housing market and aims to supply a product that is both affordable and of a desirable standard.

By JOSHUA RABOROKO

Glyn-Cuthbert says: "Even in these socially turbulent times there are many black people who are financially well positioned to buy a home."

"The quality aspect is a factor for all South Africans. We have a responsibility to develop land and offer a range of house worthy of home owner pride," he said.

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By **MAGGIE ROWLEY**
Deputy Business Editor

THE Harmful Business Practices Committee is to draw up a code of conduct for the building and construction industry following a deluge of complaints from consumers about harmful practices in the sector, chairman Professor Louise Tager confirmed last night.

She said similar codes of conduct for the motor, furniture and advertising industries were now nearing completion and would be disseminated before the end of May.

"After collecting lots of evidence of harmful practices from bad workmanship to administrative charges in the building and construction industry we have identified this sector as our next target of operation."

Among harmful practices brought to light in their investigations, was the selling of building contracts to more than 200 people by a Transvaal company which did not even own the land.

"The matter is now in the hands of the police but we have been going all out to try and safeguard the interests of investors," she said.

Tager said the organisations and associations within the industry as well as consumer bodies would be widely consulted in the drafting of the code of conduct for the industry.

"The whole idea of codes is extremely important as it goes hand in hand with the process of deregulation. With a code of conduct to adhere to, organisations within indus-

Conduct code for building industry soon

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try can become self-regulatory."

The move by the committee has spurred the National Association of Homebuilders (NAHB) to draw up its own code of conduct governing its more than 200 member companies.

Executive director, Dan Roelvert said they were not happy having a code of conduct imposed from outside the organisation but would work closely with Professor Tager's committee.

At the AGM of the Western Cape branch of the NAHB this week, Roelvert said the organisation was seeking urgent clarification over allocations for housing in the 1992/93 Budget.

"We are concerned that the total allocation was down about 8% in real term on last year and also about the discrepancy in the amounts budgeted and then actually spent during the course of the year."

Roelvert said organisations within the industry were forging closer links to give the private sector a stronger and more united voice under a new dispensation.

The NAHB conference later this year would be jointly hosted with the African Builders Association.

01 27/3/92

RECYCLING BUILDING MATERIALS

FM 27/3/92

Waste not, want not

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The idea of using discarded building materials — usually stuck away in city dumps and landfills — for informal-settlement construction is gaining support. There are few other ways low- or non-income-earning blacks can obtain building materials. The property and low-cost housing industries believe the concept (mooted by the FM) has merit.

Most people in areas set aside by provincial administrations for informal settlement — some serviced, others not — use plastic and cardboard to build shacks.

The Transvaal Provincial Administration's Physical Planning & Development Department says it would be keen to redeploy second-hand building materials. It is prepared to set aside delivery areas from which these could be distributed.

Understandably, TPA director Jan Breytenbach has no qualms about accepting donations from the private sector for urbanisation. His 1991-1992 budget of R180m is intended to provide only rudimentary services like water and sewerage or lavatories to the 36 informal communities on the Witwatersrand. He estimates there are an additional 360 000 families — with 6,2 people per family — waiting for such serviced sites in his area.

The department's technical inspector, André Venter, has volunteered to allocate the delivery sites.

Some related problems arise out of the suggestion. One is the cost of transport and another the time limits imposed on demolishers. Concrete has to be removed from the bricks to make them fit for re-use. The cost of transporting rubble could be as high as R1,4m from one major site alone, according to leading demolisher, Wreckers, which is about to implode a Johannesburg city block to make room for BankCity. Auto House on the corner of Fraser and Jeppe streets, which takes up half a block, will be levelled on Sunday. It will be followed by Aitkin House on April 25.

Wreckers MD Mike Perkin suggests that for such jobs — far from informal settlements — unused mine land within 5km of the CBD could be set aside for further dispersal points. "Bricks and other materials could then be cleaned up by the end-users

without the imposition of time limits," he points out.

Murphy Demolishers' Dave Murphy says a clean-up process is often not necessary — as when taking up brick driveways. All demolishers canvassed — including Express, which is about to take down the Hyperama sheds in Edenvale — confirm that millions of bricks and other re-usable materials are thrown away in the course of their work. While doors and windows have a ready



Auto House ... out of implosion, bricks and work

second-hand market and are sold on demolition sites, or to discount building traders, bricks are dumped into landfills, at golf courses or municipal tips.

Rand Mine Properties, which owns large areas of land adjacent to townships and central Johannesburg, says it is prepared to discuss the idea of using suitable areas as clean-up sites. One obvious concern is the disposal of large chunks of rubble resulting from implosion and the need to ensure that only materials suitable for re-use are delivered to designated sites.

The clean-up process could be completed earlier than delivery to dispersal sites. The only person involved in brick recycling is Thomas Masingi who has run Rixile Demolishers, of Newtown, Johannesburg, for 22 years. Rixile's demolition work is usually on small sites — his clients include RMP — where enough time is available to clean bricks. These he gets free before processing and selling them. He employs eight women who can process up to 1 000 bricks a day.

Masingi comments: "Ninety per cent of my customers are rich whites. Blacks are only now starting to realise that second-hand bricks, and even halfbricks, can be used, particularly on the inside of houses where they are plastered over. Face bricks can be used on the outside. As far as I'm concerned, if the bricks are used by the squatters, it

won't deprive me of business."

PPC group MD Ted Hodgkiss says he may consider donating cement to selected projects as part of the company's social responsibility programme.

Bricks make up one-third of the price of a house. Low-cost housing agencies such as the SA Housing Trust, the Urban Foundation and the Independent Development Trust, could find that the money saved on the cost of bricks, along with materials donated by developers, could be used to provide employment for shack dwellers to build homes. This is the principle behind using on-the-spot labour at Rietfontein where a water main is being constructed under the direction of consulting engineer BKS.

CLIFTON BUNGALOWS

Testing the price

The sale of what are widely regarded as the most sought-after residential properties in SA — the Clifton bungalow sites in Cape Town — is headed for a long legal battle.

Leaseholders are trying to make the city council sell the properties at prices set six years ago. FM 27/3/92

The 170 sites on the beach at Clifton are leased from the council at nominal rentals but long-term leases, including the modest bungalows on the sites, now sell for much more than they would have in 1986 when the council decided in principle to sell the sites.

Prices were set at around R200 000. They were regarded as steep then but not unreasonable.

Technicalities delayed the sales. Earlier this year, the council decided to test the market by selling three vacant sites and one which had a bungalow. They fetched a total of R2,6m.

The plots ranged in size from 371 m² to 520 m² and the prices from R550 000 to R750 000 at an auction attended by about 350 people.

The prices were regarded as exceptional in view of the strict conditions of sale: you must build within two years of transfer; resale before building is restricted, as is size and height of buildings and vehicular access from the road.

The auction was seen as an indicator of how the council could peg prices when it eventually sells the other plots. But bungalow owners say legal opinion is that the council cannot raise the prices from the 1986 level.

After the auction, the council decided to let its executive committee determine the prices. It is understood that the committee is

Increase in transfer duty 'disastrous and unexpected'

FINANCE STAFF

BUILDERS of housing and other developments will be hard hit by the rise in transfer duty from 5 to 7 percent proposed in last week's Budget.

Describing the increase as "disastrous", Bill Rawson, chairman of Bill Rawson Estates, said: "Many companies which buy property are developers, who provide an essential social service by building homes. Now they are to be penalised for their contribution to the community."

lopers and speculators have used is the trading trust."

(Up to now these paid transfer duty as natural persons).

"If, as the Minister has said, they too are to be charged the company rate of 7 percent, it will lead to many trusts being deregistered. And it will be difficult to distinguish between trading trusts and genuine family trusts."

"The economy is already depressed, interest rates and unemployment are high, and now the Government has seen fit to raise indirect taxes by increasing transfer duties."

Existing transfer duty is 1 percent of the first R30 000 and 3 percent of the balance.

Now it will be 1 percent of the first R50 000 and 5 percent of the balance.

A R100 000 property which now attracts duty of R2 400 would cost R3 000 in transfer duties.

However, there was a measure of relief for people in the lower income bracket, who will now be exempted from transfer duties on properties worth less than R50 000. The previous exemption was only up to R30 000.

In the case of vacant land, the exemption ceiling has been raised from R12 000 to R20 000.

"As it is, the high cost of transfer duty and conveyancing is a hardship for many," says Mr Rawson. "Property prices have doubled over the past four years, which means transfer duty payments have doubled."

He feels the Government's decision to place a further burden on home owners is uncalled for.

"The relief for those buying property under R50 000, is, however, welcome, but they are few and far between."

"Those who buy property benefit from a small degree, but anyone buying anything more expensive will suffer."

The increase, which affects individuals as well as companies, was unexpected, said Philip Meinel, senior tax manager at KPMG Alken & Peat.

"Transfer duty rates have not been adjusted for some time and, prior to the adjustment, there was a great difference between VAT and the rate of transfer duty."

"However, there was no sales tax on the cost of a house, apart

from that which was included in the building materials.

"When one considers the extent of middle-income families presently unable to afford a house and the dearth of housing available below the R70 000 level, prospective home buyers have been penalised," he said.

Mr Rawson said the referendum result should restore confidence in a long-depressed market.

February and March were normally peak selling months, but the referendum had a dampening effect this year.

Property economist Neville Berkowitz said the construction industry would not see an immediate benefit from the referendum result as the surplus space in the market would first need to be taken up before any new construction started.

The upswing in construction activity would probably start by the second half of 1993, he said.

STAR 28/3/92

Klein is set for Bournat hot seat

S Times (Buss) 29/3/92

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By ZILLA EFRAI

STUDENT and labour leader Adam Klein has joined the ranks of the bosses.

He is the new chief executive officer "in waiting" of Bournat, the listed building merchant and manufacturing group with annual sales of more than R1-billion.

After 16 years in the US working as a lecturer and management consultant, Mr Klein, 40, has just returned to South Africa with a strong American accent.

He left in 1976 on a three-month American Leadership grant to study at Harvard University.



At the time he was general secretary of the Garment Workers' Union of SA and deputy vice-president of the Trade Union Council of SA.

While in the US, he heard that 27 trade union leaders had been banned and understood the same would happen to him if he returned.

He decided to stay on and complete an MBA at Harvard Business School and then complete his doctorate in business administration.

He later specialised in the management of change in corporations, trade unions and government agencies.

He was also a periodic visiting professor at Wits and Cape Town business schools, as well as to the Jerusalem Institute of Management.

In 1987, he started his own company, Klein & Co, concentrating on designing and implementing strategic and organisational change for corporations and trade unions.

His work took him to countries like the US, Canada, Sweden, Russia, Romania, SA and Brazil.

For a number of years, however, he had been thinking about returning to SA, the country of his birth and where his family still lived.

He says he knew it was time to get out of consulting when his secretary told him

he had logged up "one million and forty" frequent flyer hours.

At the same time Bournat was looking for a new CEO, Mr Klein was looking for a way to become involved in SA because of the enormous opportunities the country had to offer.

He says: "There is definitely a sense that the individual has the ability to contribute in SA. In the US, you are just one person out of 250-million."

Mr Klein who already had a personal association with Bournat's out-going CEO, David Gevisser, and its new chairman, Sidney Borsook, had to go through a series of rigorous interviews before he was offered the job.

He accepted because of the job's many challenges. One is keeping Bournat, which is being restructured after a couple of tough years, in the front line of the competitive construction and building industry.

Another is taking advantage of the host of opportunities opening up to the company, including the export market and increased social spending to meet SA's developmental needs.

Last week he was busy settling in at Bournat's Sandton head office, but his appointment only becomes effective in July.

Meanwhile, he is learning the ropes from Mr Gevisser and touring Bournat divisions



ADAM KLEIN Accepted the challenge

around the country. While he will be able to draw on skills as a consultant, his new job is a change.

"It is a different challenge being in the driver's seat and being emotionally in the centre of a company, as opposed to being in the passenger seat telling people what to do," he says.

Benefit

Mr Klein, who was president of Wits University's Student Representative Council in 1971 and 1972, says his student and trade union days were a powerful period of his life.

Today he believes trade unions, management and shareholders all have an important role to play with mutual benefit.

"They are not in conflict, but create a community of interests."

Government slated for cutting road funds

GOVERNMENT has slashed the allocation for roads in the 1992/93 Budget despite the deterioration of roads, according to the SA Bitumen and Tar Association.

The amount is R2,269bn against a Transport Department estimate of R4,5bn needed to repair and maintain the road network.

At the association's AGM last week, government was criticised for not appreciating the extent of the problem.

Association chairman Wally Babb said as SA entered a period of socio-economic rehabilitation, government should know that economic recovery

B (pay) 30/3/92 (32)
GERALD REILLY

depended substantially on the economy's capital core — its R100bn road network.

He said a dedicated road fund fed by a fuel tax was needed. Currently revenue from fuel taxes was channelled directly into general revenue.

Executive director Piet Myburgh said the backlog in road spending exceeded R15bn. While other developing countries, including SA's neighbours, were investing heavily in road construction, there were few indications that SA was prepared to follow suit, he added.

Meanwhile, Sapa reports that SA National Roads Board assistant regional engineer John Craig said in Cape Town that engineers were being forced to take short-term rehabilitation measures as roads deteriorated faster than funds came in.

Craig said the Roads Board was pouring all its money into short-term rehabilitation projects because there were not enough funds for more extensive long-term restructuring.

He said it was unacceptable to the public that roads were being worked on every three to four years to try and maintain roads needing major structural repairs.

Basil Starke Group has a tough year

CAPE TOWN — Construction company Basil Starke Group (BSG) suffered a 99% drop in earnings a share in the year to end-December, described as one of the toughest years for the SA construction industry.

Earnings a share of 0,3c compared with last year's 32,8c were a clear sign of an industry in dire straits.

Basil Starke Investments (BSI), which owns 87% of the operating subsidiary BSG, scratched up earnings of 0,6c (13,9c) a share and neither company declared a dividend.

BSG's turnover slid 16% to R143,9m (R171,2m), the operating margin was slashed to 3,2% (4,5%) and further pain was inflicted by a R4,3m (R4,5m) interest bill which nearly wiped out the operating profit. Attributable income was R22 000 (R2,9m).

31/3/92
LINDA ENSOR

Chairman Basil Starke said the group's gearing remained a source of concern and everything possible was being done to keep stocks and debtors at minimum levels.

BSG's long-term borrowings and interest-bearing, short-term debt totalled R19,6m at year-end, compared with total shareholders' funds of R15,5m.

No improvement in the level of debt was achieved during the 1991 year. BSI's debt totalled R20m (R19,4m) and it had shareholders' funds of R15m.

Starke said a radical rationalisation programme had been undertaken in the second half of the financial year as the recession deepened. Staff had been laid off, redundant

plant had been sold and operations had been rationalised.

While the rationalisation had significantly reduced costs in the construction, earthmoving and plant hire divisions, it had also constrained the growth in turnover.

It is the group's intention to continue operating at the new levels until an upturn in the economy warrants an increase.

The reduced level of activity will not exclude the group from taking advantage of an upturn in the economy.

It has a sound base from where it can develop at any time, according to the demand.

Starke believed 1992 would be a difficult year although there were signs an economic upturn could take place later this or early next year.

Shoredits looking better (32)

By Roy Cokayne ^{STAR} 3/13/92

Shoredits Holdings increased attributable income by 15 percent in the 12 months to end-December compared with the 18-month reporting period to end-December 1990.

Earnings a share rose from 25,9c to 28,4c in the same period.

Chairman Mr Andy Shoredits said that on an annualised basis for the reporting period, earnings a share had risen by 64 percent.

He said the rise in attributable income occurred in spite of large provisional write-offs for potential losses on Die Meent in Pretoria and the Golden Walk Centre in Germiston following the liquidation of the De

Bruyns Group.

Mr Shoredits said the group had recovered all the money from the banks which took over the bonds for all outstanding money on Die Meent while the group now had a 10 percent shareholding in the Golden Walk in lieu of outstanding money on this development.

Attributable income rose from R2,659 million in the 18 months to December 31 1990 to R3,063 million in the year to end-December last year and a dividend of 8c a share (1990: 12c) has been declared.

The balance sheet reveals the group has large debts. Net interest paid rose from R6,995 million to R7,126 million with bank overdrafts increas-

ing from R10,308 million to R18,001 million.

But Mr Shoredits said the group's large debt related to the increase in the group's fixed investments and work in progress.

Fixed investments rose by more than R8 million to R51,288 million in the current reporting period while the value of work in progress increased by R8,65 million to R28,027 million in the same period.

Expansion of Beit Bridge under way

HARARE — SA and Zimbabwe are expanding the strategic Beit Bridge border crossing point as the funnel for huge quantities of emergency food supplies for drought-stricken southern Africa. ~~250~~ 32

The number of trucks crossing the narrow steel girder bridge across the Limpopo River has jumped to 250 a day from 120. ~~120~~ 252

The number of Zimbabweans visiting SA, most through Beit Bridge, is also increasing dramatically.

Nico Nel, a senior diplomat and SA's trade representative in Harare, said yesterday his mission issued 280 000 visas last year.

Nel said serious consideration was being given to upgrading facilities this year. The scheme had been originally scheduled for 1984/85. — Reuter. *Bizman 1/4/92.*

Development of low-cost housing sites given boost

B/Daw 2/4/92 SHARON WOOD 32

DEVELOPMENT of low-cost housing sites was given a boost yesterday by the successful private placement of R120m in unlisted debentures issued by Land Investment Trust (LIT) to institutional investors.

The funds are to be used to buy raw land and to provide bridging finance to community developers for site-and-service land, including land subsidised by IDT capital.

"Unlike the major developers such as Murray and Roberts and LTA, community developers need bridging finance because they cannot wait to get the money at the end of a site's development," said UAL senior manager Daan Wandrag.

The LIT debenture issue, the first of its kind, was taken up by the pension funds of AECL, Anglo American Corporation, De Beers, Eskom, Everite, Fedlife, Metal Industries Group, the Old Mutual, Sage Life and Sanlam.

"The intention is to raise further tranches when required," said UAL GM Leon Kirkinis. UAL Merchant Bank was commissioned by LIT to raise R175m from institutional investors.

Investors would receive either a floating rate based on the Eskom Capital Project Bill rate and reset every six months, or a fixed interest rate, Wandrag said. Of the R120m raised, R50m would be used to finance land holdings and the balance would be used to finance the development of land.

Innova, a subsidiary of the LIT, would buy land well in advance and hold it until development to prevent land speculation.

LIT is a non-profit financing organisation specifically established to be a catalyst for an effective land delivery process. It is a subsidiary of the New Housing Company, an independent national housing agency established during restructuring of the Urban Foundation.

Building expo aims for high quality

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3/4/92

By JOSHUA RABOROKO

SOUTH Africa's 13th International Building and Construction exhibition - Interbou '92 - whose theme is "Quality in Building", will take place at the National Exhibition Centre, Johannesburg from August 24-29.

This biennial exhibition is organised by specialised exhibition, and has grown to become the country's premier platform for trade communication, marketing and sales in the building and construction industry.

The media officer of Specialised Exhibitors, Mr Aaron Ngema, said that it attracted both exhibitors and visitors throughout the industry in South Africa, other African States and several European countries.

Interbou '90 attracted more than 25 000 visitors — building professionals, contractors and specifiers who came to buy and order current and upcoming products.

Analysis indicated that it met a growing demand for information exchange in the industry.

The comprehensive display of building systems, materials and finishes, interior fittings and applications, allied services, as well as construction equipment and machinery, makes Interbou '92 an ideal meeting and marketing venue.

In order to make Interbou '92 more exciting, Ngema said it would incorporate Kitchens International - exposing the latest developments and innovative kitchens; and Lighting International, an exhibit which would feature architectural, domestic, environmental and security lighting.

Added to that will be Security International which will reveal the most advanced technology available in the field.

The exhibition has been running since 1968 and has built an impressive track record over the years.

Its major supporters and sponsors are the Building Industries Federation of South Africa, the Institute of South African Architects, the Association of South African Quantity Surveyors and the South African Institute of Building.

Lid on building cost increases

32' ET 3/4/92

By MAGGIE ROWLEY
Property Editor

A LACK of building activity has put a lid on building costs increases which dropped to below 10% in the first quarter of this year, preliminary figures from the Bureau of Economic Research show.

In an interview, BER director Dr Oekie Stuart said the slowdown in building costs increases to below inflation levels was expected to continue for the rest of the year.

"Increases last year averaged 12% but since then building activity levels have dropped off further put pressure on cost increases."

He said the downturn in the building industry had not yet bottomed and the short-term outlook was extremely bleak.

While the general economic downturn appeared to now be

bottoming, he said the upturn would be very gradual and no clear signs of recovery could be expected until well into the second half of the year.

"As the building industry lags the rest of the economy, I don't think we can look for any upturn in this sector until well into next year."

Supporting this forecast Stuart said the bureau had just completed its survey of the industry for the first quarter of 1992 and architects and builders had reported very low activity levels.

"There is a lead time of about six months between architect activity levels and building activity and so the worst does not appear to be over yet."

He said political uncertainty coupled with the recession, continued high interest rates and resultant pressure on disposable incomes did not bode well for the

residential sector.

"There does not seem to be much in the pipeline and in the low cost housing sector there is difficulty in getting access to finance and many contractors are reluctant for a number of reasons, including the high level of violence, to go into these areas."

"Things appear even worse for the non-residential sector. From the latest Central Services statistics, capacity utilisation is running at about 80%. As there is so much slack to be taken up demand for new space is unlikely to come until well into the economic upturn. I think the earliest we can expect any real upturn in this sector will be well into next year."

Stuart said the only sector where any meaningful activity could be expected was in the supply of basic infrastructure and site and servicing.

KENNISGEWING 306 VAN 1992
DEPARTEMENT VAN MANNEKRAG
LOONWET, 1957

LOONRAADONDERSOEK: HERSIENING VAN LOONVASSTELLING 408: METAALHOUER- EN AANVERWANTE PRODUKTENYWERHEID: SEKERE GEBIEDE

Die Loonraad het, kragtens artikel 15 (3) (b) van die Loonwet, 1957, besluit om persone wat belang het by bogemelde ondersoek waarvan besonderhede in *Staatskoerant* No. 13792 (by Kennisgewing 193) van 6 Maart 1992 gepubliseer is, toe te laat om mondelinge vertoë tot die Raad te rig. Vir dié doel sal die Raad 'n sitting hou op die plek, tyd en datum hieronder aangedui:

Johannesburg: Departement van Mannekrag, Ouditorium, Vyfde Verdieping, Annuity House, Rissikstraat 8, om 14:00 op 15 April 1992.

M. J. DELPORT,

Sekretaris: Loonraad.
 (3 April 1992)

KENNISGEWING 307 VAN 1992
WET OP ARBEIDSVERHOUDINGE, 1956

AANSOEK OM REGISTRASIE VAN 'N WERKGEWERSORGANISASIE

Ek, David William James, Nywerheidsregistrator, maak ingevolge artikel 4 (2) van die Wet op Arbeidsverhoudinge, 1956, hierby bekend dat 'n aansoek om registrasie as 'n werkgewersorganisasie ontvang is van die South African Post Tensioning Association.

Besonderhede van die aansoek word in onderstaande tabel verstrek.

Enige geregistreerde werkgewersorganisasie wat teen die aansoek beswaar maak, word versoek om binne een maand na die datum van publikasie van hierdie kennisgewing sy beswaar skriftelik by my in te dien, p/a die Departement van Mannekrag, Mannekraggebou 123A, Schoemanstraat 215, Pretoria (posadres: Privaat Sak X117, Pretoria, 0001).

TABEL

Naam van werkgewersorganisasie: South African Post Tensioning Association.

Datum waarop aansoek ingedien is: 13 Augustus 1991.

Belange en gebied ten opsigte waarvan aansoek gedoen word: Werkgewers betrokke by die Naspanbetonstelselnywerheid in die Republiek van Suid-Afrika.

Vir die doeleindes hiervan beteken—

“**Naspanbetonstelselnywerheid**” die nywerheid waarin werkgewers en hul werknemers met mekaar geassosieer is vir die verrigting van alle werksaamhede in die betonnaspanningsproses, en omvat dit alle bedrywighede wat daarmee gepaard gaan of daaruit voortspuit;

NOTICE 306 OF 1992
DEPARTMENT OF MANPOWER
WAGE ACT, 1957

WAGE BOARD INVESTIGATION: REVISION OF WAGE DETERMINATION 408: METAL CONTAINERS AND ALLIED PRODUCTS INDUSTRY: CERTAIN AREAS

The Wage Board has decided, in terms of section 15 (3) (b) of the Wage Act, 1957, to allow persons who have an interest in the above-mentioned investigation, particulars of which were published in *Government Gazette* No. 13792 (under Notice 193) of 6 March 1992 to submit oral representations to the Board. For the purpose of hearing representations, the Board will hold a sitting at the venue, time and date indicated below:

Johannesburg: Department of Manpower, Auditorium, Fifth Floor, Annuity House, Rissik Street 8, at 14:00 on 15 April 1992.

M. J. DELPORT,

Secretary: Wage Board.
 (3 April 1992)

NOTICE 307 OF 1992

LABOUR RELATIONS ACT, 1956

APPLICATION FOR REGISTRATION OF AN EMPLOYERS' ORGANISATION

I, David William James, Industrial Registrar, do hereby, in terms of section 4 (2) of the Labour Relations Act, 1956, give notice that an application for registration as an employer's organisation has been received from the South African Post Tensioning Association.

Particulars of the application are reflected in the subjoined table.

Any registered employers' organisation which objects to the application is invited to lodge its objection in writing with me, c/o the Department of Manpower, 123A Manpower Building, 215 Schoeman Street, Pretoria (postal address: Private Bag X117, Pretoria, 0001), within one month of the date of the date of publication of this notice.

TABLE

Name of employers' organisation: South African Post Tensioning Association.

Date on which application was lodged: 13 August 1991.

Interests and area in respect of which application is made: Employers engaged in the post tensioned concrete systems industry in the Republic of South Africa.

For the purposes hereof—

“**Post Tensioned Concrete Systems Industry**” means the industry in which employers and their employees are associated for the carrying on of activities in the process of the post tensioning of concrete, and includes all operations incidental thereto or consequent thereon;

"**naspanning**" die voorspanning van beton waarin die spandrade gespan word nadat die beton hard geword het;

"**spandraad**" 'n staaf, draad of string, van hoëtreksterktestaal, wat gebruik word om voorspanning aan beton te verleen wanneer die element gespan word.

Posadres van applikant: Posbus 1338, Johannesburg, 2000.

Kantooradres van applikant: Metal Industries House, Andersonstraat 42, Johannesburg.

Die aandag word gevestig op onderstaande vereistes van artikel 4 van die Wet:

- (a) Die mate waarin 'n beswaarmakende werkgewersorganisasie verteenwoordigend is, word ingevolge subartikel (4) bepaal volgens die feite soos hulle bestaan het op die datum waarop die aansoek ingedien is, en wat die lidmaatskap betref, word alleen lede wat ingevolge artikel 1 (2) van die Wet op voormelde datum volwaardige lede was, in aanmerking geneem.
- (b) Die prosedure voorgeskryf by subartikel (2) moet gevolg word in verband met 'n beswaar wat ingedien word.

D. W. JAMES,
Nywerheidsregistrateur.
(3 April 1992)

KENNISGEWING 308 VAN 1992

DEPARTEMENT VAN MANNEKRAG

WET OP MANNEKRAGOPLEIDING, 1981

TRANSNET BEPERK: AANWYSING VAN AMBAGTE EN VOORSKRYWING VAN LEERVOORWAARDES

VERBETERINGSKENNISGEWING

Die onderstaande verbeterings aan Goewermementskennisgewing No. R. 2944 wat in *Staatskoerant* No. 12907 van 21 Desember 1990, verskyn het, word vir algemene inligting gepubliseer:

In die Engelse teks, vervang die uitdrukking "25 Platmetal worker (17)" met die uitdrukking "26 A Sheetmetal Worker (17)".

In die Afrikaanse teks, vervang "17 Plaatmetaalwerker (25)" met die uitdrukking "17 Plaatmetaalwerker (26 A)".

(3 April 1992)

KENNISGEWING 309 VAN 1992

DEPARTEMENT VAN VERVOER

WET OP DIE LISENSIERING VAN LUGDIENSTE, 1990 (WET 115 VAN 1990)

Hierby word ingevolge die bepalings van artikel 15 (1) (b) van Wet 115 van 1990 en regulasie 8 van die Regulasies vir Binnelandse Lugdiens, 1991, vir algemene inligting bekendgemaak dat die Lugdiensliseniersingsraad die aansoeke waarvan besonderhede in die Bylae(s) hieronder verskyn, sal oorweeg.

Verhoë ingevolge artikel 15 (3) van Wet 115 van 1990 ter ondersteuning of bestryding van 'n aansoek moet die Lugdiensliseniersingsraad, Privaat Sak X193, Pretoria, 0001, binne 21 dae na die datum van publikasie hiervan bereik.

"**post tensioning**" means the prestressing of concrete in which the tendons are tensioned after the concrete has hardened;

"**tendon**" means a bar, wire or strand of high tensile steel used to impart prestresses to concrete when the element is tensioned.

Postal address of applicant: P.O. Box 1338, Johannesburg, 2000.

Office address of applicant: Metal Industries House, 42 Anderson Street, Johannesburg.

Attention is drawn to the following requirements of section 4 of the Act:

- (a) The representativeness of any employers' organisation which objects to the application shall in terms of subsection (4) be determined on the facts as they existed at the date on which the application was lodged and, as far as membership is concerned, only members who were in good standing in terms of section 1 (2) of the Act as at the aforesaid date shall be taken into consideration.
- (b) The procedure laid down in subsection (2) must be followed in connection with any objection lodged.

D. W. JAMES,
Industrial Registrar.
(3 April 1992)

NOTICE 308 OF 1992

DEPARTMENT OF MANPOWER

MANPOWER TRAINING ACT, 1981

TRANSNET LIMITED: DESIGNATION OF TRADES AND PRESCRIPTION OF CONDITIONS OF APPRENTICESHIP

CORRECTION NOTICE

The following corrections to Government Notice No. R. 2944 which appeared in Gazette No. 12907 of 21 December 1990, are published for general information:

In the English text, replace the expression "25 Plate-metal worker (17)" with the expression "26 A Sheet-metal Worker (17)".

In the Afrikaans text, replace the expression "17 Plaatmetaalwerker (25)" with expression "17 Plaatmetaalwerker (26 A)".

(3 April 1992)

NOTICE 309 OF 1992

DEPARTMENT OF TRANSPORT

AIR SERVICE LICENSING ACT, 1990
(ACT 115 OF 1990)

Pursuant to the provisions of section 15 (1) (b) of Act 115 of 1990 and regulation 8 of the Domestic Air Services Regulations, 1991, it is hereby notified for general information that the application(s) details of which appear in the Schedule(s) hereto, will be considered by the Air Service Licensing Council.

Representations in accordance with section 15 (3) of Act 115 of 1990 in support of, or in opposition to, an application, should reach the Air Service Licensing Council, Private Bag X193, Pretoria, 0001, within 21 days of the date of publication hereof.

Value of building plans tops inflation

B(Daw) 8/4/92

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Reports by
PETER GALLI

THE VALUE of building plans passed and completed continues to outpace inflation, despite a weak residential market and oversupplied commercial and industrial markets.

The total value of building plans passed in January 1992 was 21,2% higher at R876,1m than in January 1991, latest Central Statistical Service (CSS) figures show.

The Witwatersrand was the largest contributor to this, at 76% or R493,1m. R189,6m was for non-residential buildings and R111,4m for residential, the CSS said.

"The local authority of Johannesburg approved plans for office buildings to the value of R136m or 71,7% of the non-residential plans passed for the Witwatersrand," the service said.

Buildings completed in January 1992 rose by 24,7% to R595,5m over the corresponding period in 1991, with the Witwatersrand region once again being the main contributor at 38,7%.

Cape Town was next with 12,7% of the buildings completed, with Durban and Pretoria behind at 12,6% and 6,8% respectively. Office buildings completed in the Witwatersrand amounted to R54,6m.

The boost to general business confidence given by the recent referendum means predictions of an upturn in the commercial market from the first or second quarter of 1993 may not be unrealistic, Anglo American Property Services research department says.

However, if the current office development rate is maintained, a significant pick-up in business will be required to fill the space, it adds.

A study carried out by Ampros Research shows that in spite of the recession, 413 508m² of space is under construction in the greater Johannesburg area.

"This is almost the same as the

414 699m² of a year ago, but the unlet portion of space under construction has dropped to 45,9% compared with 51,5% a year ago," the study says.

Most unlet space is decentralised, with 95,3% in Rosebank, Illovo and Dunkeld, followed by Bedfordview and Bruma (90,8%), Randburg CBD (86,4%), Sandton (48,6%) and Parktown (44%).

The figures are based on projects under construction and include refurbishments. Office space under way in the Johannesburg CBD totals 105 467m², including major developments like BankCity blocks B and C (46 990m²), Anglo American's 55 Marshall Street (30 477m²), Absa's Tower East (18 000m²) and Old Mutual's speculative Surrey House development (10 000m²).

While only 9,5% of this space was available for letting, in January 1991, all space under construction was prelet as all the projects were for owner occupiers.

In Braamfontein 53,9% is unlet from 67,4% last year, while a number of speculative developments are underway in the Randburg CBD, where 23 539m² are under construction.

"Sandton is still the most popular area among developers with 30,8% of the total area under construction being built in this area. A number of developments are underway, including the 16 000m² Sandton Square and JCI Properties' 14 000m² Gateway office development," the study says.

In Woodmead, about 14 buildings are under construction totalling some 40 000m², of which 41% is unlet, while in Rivonia some 23 500m² is being developed with 31,4% unlet.

Of the 27 986m² of space being developed in Parktown, about 44% is unlet, while 95,3% of the 25 700m² in Rosebank and Illovo is unlet.

Quantity surveyors suffering

QUANTITY surveyors are suffering in today's difficult economic conditions, with more firms battling than doing well, says Association of Quantity Surveyors president-elect Wally Brink.

"The demand for commercial and industrial space has been held back over the past 10 years because of SA's economic isolation, and it will probably be another two years before the industry booms."

Brink says the industry had been rationalised but there had been no retrenchments, with staff at some firms being offered no increases or even taking salary reductions. *B.10 cas 8/4/19*

"However, they know they will be rewarded when the upturn comes."

Demand for commercial and industrial space had been falling for 10 years, with the past two years seeing demand dropping substantially, he says.

Quantity surveyors were involved in about 40% of all construction work, but

few of them were involved to any degree in housing at the moment.

If demand for the services of quantity surveyors was to grow substantially, there would have to be growth in the housing market. *(32) (33)*

However, Brink cautions that if there is a "massive boom" there will be a dramatic rise in building costs, and any price increases will need to be controlled.

While market conditions are tight and all players in the building and construction field are cutting costs, the industry needs the skills of the quantity surveyor.

This was shown by the fact that universities reflected full capacity for their courses in the profession, with the number of students in their final year being consistently double that of 10 years ago.

"While employment opportunities have been tight, this situation has bottomed out and graduates will now be more readily able to find employment," he says.

Contractors form association

A GROUP of QwaQwa contractors have formed an association - the Tswelopele Building Association - with the aim of training black builders and building low cost housing in the rural areas.

There is a problem in that most local contractors in the building industry are stifled by lack of working capital and the QwaQwa Housing Corporation has established a working relationship with black contractors.

Sowetan 9/4/92

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The corporation would assist the local contractors by providing bridging finance in the form of a short term loan at prime interest rates.

The corporation's communications manager, Mr Michael Ntuli, said that although ownership of property as security was not a pre-requisite, contractors who owned property had an advantage in obtaining a loan.

About R2,8 million was granted to clients of local contractors for the construction of houses in the greater Phuthaditjhaba area in 1991.

As a variation of the scheme, the corporation provided building material, and the contractors supplied labour only.

Both schemes have proved to be effective in promoting viable business for the contractors.

In order to broaden the

scope of involvement with Tswelopele contractors an agreement was reached for them to build about 100 low cost houses in Tshiane district.

He said during the run of a project there were spin-offs for the surrounding communities.

One of these is the low cost of outlets for the informal sector.

In Qholoane, one of the corporation's biggest projects, there have been up to 100 small business operators who sold food and other items to the large work force on site.

Many new house owners displayed entrepreneurship by converting part of their houses into "spaza-shops".

Improvements on the houses were soon evident after occupation.

One major advancement in quality was achieved through a change from self-

climbing shutter concrete houses to conventional black structures.

One of the major contributing factors to the housing crisis in South Africa is the inability of its people to afford a house of their own.

About 64 percent of potential home-owners are unable to buy a house through conventional loan facilities.

"It is evident, therefore, that innovative methods have to be applied to keep house prices as low as possible and to facilitate loan finance," Ntuli said.

In financing low cost housing, the corporation is proud to have done away with red tape and other intimidating factors.

During 1991 alone, the corporation granted low cost housing loans to the value of R225,5 million.

Boumat acquisition to put Saficon in 'the big league'

B/DWY 9/4/92 (32)

SAFICON's acquisition of a controlling stake in Boumat would take it into "the big league" on the JSE with combined annual sales forecast to exceed R2,7bn and total assets R800m, Saficon chairman Sidney Borsook said yesterday.

Following the deal with Sanlam guaranteeing a minimum 47% stake, Borsook was confident enough other shareholders would accept the offer to increase the stake to 51%.

Saficon subsidiary Sakers Industrial Holding announced the deal to acquire 27% of Sanlam's holdings in Boumat in February. At the same time, Sanlam agreed to sell Saficon additional Boumat shares which, together with those acquired from the other Boumat shareholders, would lift Saficon's stake from 32% to not less than 47% and not more than 51%.

Saficon subsidiary Sakers Industrial Holdings offered to acquire 27% of Boumat's shareholder's shares. Those shareholders who accepted the offer were invited to tender to Sakers Industrial any additional Boumat

EDWARD WEST

shares they wished to offer.

Borsook said Boumat's change from an attributable to a consolidated accounting basis would see Saficon lift sales to R2,8bn from R1,5bn.

Saficon's updated earnings forecast to March 31 1992 is included in the offer document sent to Boumat shareholders today, which shows Saficon could expect to earn 51c a share and pay out dividends of 13c.

This forecast was revised from the previous forecast of 74c and 19c a share respectively at the interim period, which in turn was revised from the 94c and 24c forecast at year-end to March 1991.

Saficon paid out a 7c a share interim dividend which means shareholders can expect a 6c a share final dividend while Sakers final dividend — with its 51,4% interest in Saficon — is likely to be 9c a share.

Boumat shareholders were told the scheme had been revised and replaced by a dividend policy of 25% of earnings a share. The offer document

also revised Boumat's forecasts to enable shareholders to decide whether to take up the Saficon offer. Boumat expects to earn 42c a share and pay a total dividend of 10c a share for the year to March 1992.

Reflecting the continuing recession, particularly in the building industry, Boumat previously forecast earnings of 50c a share and dividends of 12c at the interim stage. At its year end at March 31 1991, it originally forecast earnings at 67c a share with a dividend of 16c a share for the year to March 1992.

Initially, Saficon's increased interest in Boumat was not expected to affect Saficon's earnings in the forthcoming year. Had the deal been effective for the year to March 31 1991, its net asset value a share would have declined to 550c from 564c because of goodwill written off on the acquisition and accounting policy changes.

The basis of the deal was 12 Saficon shares plus six Saker's shares for every 27 Boumat shares. Saficon will be obliged to accept all tenders, with the additional shares available from Sanlam, on a pro-rata basis.

LTA buys US stake

S Times CBuss 12/4/92
LTA has bought roofer, panel and flooring company HH Robertson from American-based shareholder Robertson-Ceco for R15.1-million.

The businesses complement those of LTA subsidiary Dekex

Systems. **32**
The deal comes only weeks after rival construction company Group Five bought control of Everite, which is also involved in ceilings, pipes and fibre-cement products.

Team work on the Lost City

SUN International has drawn on both local and offshore companies to create the development team now working on its R750m Lost City complex at Sun City.

On the local front, Bou Raath Civil Contractors was appointed principal earth works contractor on the project in August 1990. Since then, its involvement has extended to contracts valued at more than R60m.

Gary Player Design Company is responsible for the design of the 18-hole championship Lost City golf course, while Top Turf & Associates is the main contractor for the course. It is also responsible for much of the work in the new "jungle".

Much of the electrical installation, lightning protection and lifts and escalators will be done by Biderman, Finn, Beekhuizen & Associates.

The consulting civil and structural engineers are Kampel, Abromowitz, Yawitch and Partners.

McIntosh, Latilla, Carrier and Laing are the quantity surveyors for the project, which is the largest handled by the firm.

Carpeting of the Lost City will be done by Meanly Hill, which has acted for Sun International on every carpet requirement since the resorts were established.

MV3 Architects are the architects of record for the Lost City and the Entertainment Centre, where they have worked directly with American interior designers Henry Conversano and Paul Steelman on the Entertainment Centre and with Wimberly Allison Tong and Goo on the Lost City.

Engineers

Burg, Doherty Bryant and Partners are the architects of record for The Palace, while Schneid Israelite and partners are project managers.

Stewart Scott Inc are consulting engineers and were responsible to the Bophuthatswana government for the augmentation of the water supply. This involved the laying of about 35km of pipeline and the construction of a five megalitre reservoir.

The entire design concept of the jungle is the responsibility of land-

scape architect Patrick Watson.

A number of foreign companies are working on the project. Among them are Aquatic Design Group, based in California, which is responsible for all the water features. Rock and Waterscape Systems are involved with the design, construction and implementation of the many rock and water features, and also with creating the "ancient ruins".

Californian Henry Conversano and Paul Steelman are the interior designers of the new Entertainment Centre, with Craig Roberts and Associates doing the interior lighting for The Palace. Lighting for the exterior of The Palace and The Lost City has been designed by Light Source.

The Leonard Parker company is to buy most of the furniture and fittings. Also involved are Wilson and Associates, an international interior architectural design firm, and Wimberly Allison Tong and Goo, design architects for Day Visitors' Centre.

The entire project is expected to be open to the public towards the end of the year.

Blouay 15/4/92

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Low-cost housing: Banks fear boycotts

Sanetun 16/4/92
LEADING construction companies have accused financial institutions of being reluctant to give poor families loans for low-cost housing.

The chairman of the Mortgage Lenders' Association, Mr Tim Hart, yesterday said that new designs for low-cost housing would not solve the housing crisis as long as organisations continued to place financial institutions' loans at risk by supporting rent boycotts.

However, he said that banks had to be careful of advancing funds without high certainty of repayment, because they were dealing with trust money.

It was not the function of banks to solve the social problems, he said, adding that that was the responsibility of the State and the private sector.

The Urban Foundation and the associa-

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By JOSHUA RABOROKO

tion launched the loan guarantee fund in July 1990 and started lending money in October 1990, according to the latest survey of the South African Institute of Race Relations.

The survey says by August 25 1991, 1 996 loans had been processed through this fund. Amounts lent were as low as R12 500 but were not to exceed R35 000.

The objective of the loan guarantee fund was to address two constraints on lending in the low income housing market - the risk of not recovering funds loaned and the non-profitability of small loans.

It also aimed to make housing finance available to an additional 30 percent of the population by lowering the normal lending threshold and the deposit required.

Construction is hardest hit

STIMES (BUS) 14/14/92

THE construction industry is the sector most under pressure as the recession continues to lift liquidation figures.

Information Trust Corporation chief executive Tony Leng says construction suffered the highest leap in liquidations in 1991 — by 40% over 1990 to 214.

Other sectors under pressure were manufacturing, with liquidations 19% higher in 1990, and the wholesale and retail sector with 18% more failures.

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Bite

Liquidations last year numbered 1 881, an 18.3% increase on 1990, also a year of recession.

However, Mr Leng says this is nowhere near the number of liquidations in the slump of the mid-1980s.

In 1985, liquidations amounted to 3 061, but fell to 2 741 in 1986 and 1 809 in 1987.

Liquidations started climbing in 1988. They are still rising as the recession bites harder.

Mr Leng says 169 companies failed in January and 197 in February — well above the monthly average

By ZILLA EFRAT

in 1991 of 157 and the highest figures for these two months since 1986.

Last year's figures confirm the rising trend. Liquidations in the second six months of 1991 were up 62% on the second half of 1990. The figure for the second half of 1991 rose by 16% over the first.

The gloomy upward spiral of judgments for debt, liquidations and insolvencies is shown by Central Statistical Services figures for January.

Mr Leng says judgments for debt in January of R189-million were the highest on record for this month.

Cash

Judgments against businesses amounted to R41-million and were 9% higher than in January last year.

Mr Leng calls on granters of credit to investigate the risks involved.

He says: "Small businesses are particularly at risk and should monitor cash flow carefully because this is the area to be hit first."

On the road to ruin

STAR 20/4/92

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Hazard lights are flashing after reports on the poor state of South African roads. PAULA FRAY reports that the local industry is calling for the reinstatement of the dedicated road fund.

EARLY THIS year, Transvaal administrator Danie Hough said the alarming damage done to the country's road network would render it totally unusable within five to 10 years. He was not alone.

Last year Southern African Bitumen and Tar Association (Sabita) executive director Piet Myburgh warned that South Africa's road system, seen as the backbone of the economy, would need about R3,5 billion just to get the network into an acceptable condition.

"Government is preoccupied with social spending and still does not realise that a well-maintained road system is vital to solving these social problems," said Mr Myburgh.

One way provincial administrations intend countering the crisis is by concentrating on cutting down on overloading. The CSIR has calculated that 16 percent of all carriers overloaded their vehicles.

According to Mr Hough, a heavy vehicle with double the legal load causes the same damage as 75 000 cars. Statistics show that overloaded heavy

vehicles accounted for 58 percent of maintenance. Eliminating overloading would save Transvaal taxpayers up to R63 million a year, he said.

According to SA Roads Federation president Mike Withers, South Africa's roads are reaching such a state of disrepair that they will either have to be completely rebuilt or downgraded to Third World gravel standards.

"It is clear that only the reinstatement of dedicated road funds can stave off a very serious situation that will affect every individual as transport costs rise and as cars are damaged," said Mr Withers.

"Under the current arrangements, whereby ad hoc allocations are made, it is impossible to properly plan the conservation of roads.

"The time is rapidly approaching when the less costly restorative options of maintenance will fall away and the only

ones left will be complete reconstruction or downgrading to gravel."

Provincial administrators last week released figures which back up the concern expressed in the industry.

The Transvaal Provincial Administration is closing all but four of its road construction units because of lack of funds. Simultaneously, a number of additional traffic officers' posts have been approved, subject to the availability of funds, according to the TPA's MEC for roads, Ahmed Arbee.

During a debate on the Transvaal budget, Mr Arbee said the extra officers should help reduce the high accident rate and combat vehicle overloading — responsible for more than half the damage to roads. Increased traffic fines, announced in February, should also help reduce the accident rate.

Natal's MEC Peter Miller said insufficient funds for main-

tenance, let alone improvement, had led to a crisis in Natal's road network.

Mr Miller said the funding decline of the past few years would continue and virtually all road maintenance would cease in the next few years. Most of Natal's major roads were constructed in the '60s and '70s and now need urgent repair.

In the Cape four major tenders for repairing main roads, worth R26,08 million, have been cancelled, and repairs have been limited to resealing road surfaces to extend serviceability for another five years. About 65 percent of the 17 000 km tarred roads in the province are more than 15 years old.

At the current rate of repairs of about 100 km a year, it should take 60 years to fix roads built more than 25 years ago.

These revelations emerged as South Africa's role in the transport industry in southern Africa came under international focus

at a National African Federated Transport Organisation (Nafto) conference in Johannesburg.

This, Nafto's third annual general meeting, entitled "Opportunities and Challenges facing the new South Africa: The Role of Transport in Economic Empowerment", focused on the mobility needs of people in post-apartheid South Africa.

Eastern and Southern African States Preferential Trade Area secretary general Bingwa Wa Mutharika said, in a statement read on his behalf, said it was a recognised fact that transport and the communications sector was one area which ideally lent itself to regional integration — "not only because it transcends all national boundaries, but also because profitability and optimal use of transport can only be achieved within a wider market of co-operation".

He outlined the following possible areas of co-operation between PTA member states and South Africa:

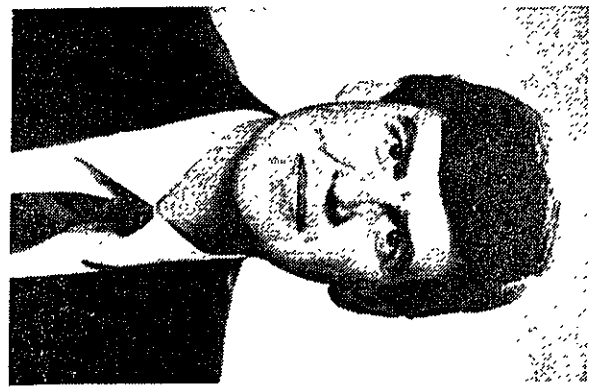
- The harmonisation of road freight rates and axle load standards; harmonisation of railway tariffs, free movement of wagons and rolling stock across national boundaries and co-operation in the rehabilitation and/or construction of existing and/or missing railway lines.
- The operation of joint shipping lines.
- Co-operation in all air transport matters.
- Co-operation towards the expansion of telecommunication services and in the transfer of technology and skills.
- Eastern and Southern African Management Institute Dr Kasuku Mutukwa of Zambia said the earlier economic performance of sub-Saharan Africa, particularly its transport sector, left much to be desired.

"This has ... been partly caused by apartheid and its destruction of economic and social infrastructure, especially transport networks in the SADCC sub-region," said Dr Mutukwa. □

PROPERTY Government has experienced mixed fortunes in bid to solve housing problem

Housing is critical - Minister

By Joshua Raboroko



Leon Wessels

HOUSING was a burning issue in South Africa today, the Minister of National Housing and Manpower, Mr Leon Wessels, said this week.

Officially opening the 13th International Building and Construction Exhibition (Interbou '92) at Nasrec, Johannesburg, he said this was linked to national and international political trends.

He said South Africa had been both successful and unsuccessful in addressing the housing needs of its people.

This year's housing exhibition, attended by about 403 participants, fo-

structures have to be centralised:

NEW POLICIES: Duplicated

causes on quality in building and has drawn a positive response from the industry.

The exhibitors are from the South African building industry, Africa and Europe.

The National Stokvel Association of South Africa, the National African Federation for the Building Industry and the Marketing Builder Services are exhibiting for the first time.

The Minister said the present prob-

lem in housing was affected by several negative factors:

● Widespread poverty, unemployment, unrest and violence;

● Boycotts; and

Limited financial resources to finance unrealistically high expectations.

Wessels said the fiscal implications of the De Looor Commission on housing were formidable and resources should not come from increased taxation but from a redirection of expenditure.

He said duplicated institutional structures brought about by the own affairs concept could be rationalised. Uniform policies could be adopted and savings in bridging and other financial outlays could be directed to the problem.

His department had undertaken not to implement unilaterally recommendations of the De Looor Commission, but to achieve consensus as far as possible among key players in the housing field. Many of the commission's proposals could be branded as revolutionary and the housing industry had to come with new roles.

He invited the private sector to join the Government in creating a working relationship with communities.

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B/1000 2/11/92

Roof collapse probed

A POLICE engineer yesterday began an investigation into why the roof of a partially constructed building in Randburg collapsed on Wednesday, killing one worker and injuring four others. (33)

The 100m² of collapsed roofing had been constructed using a new technique which incorporates polystyrene. (33)

BASIL STARKE FM 24/4/92 (32)

Smoothing the figures

Activities: Construction, building and manufacturing.

Control: Basil Starke Investments 87%.

Chairman: B E Starke; MD: M Phillips.

Capital structure: 8,8m ords. Market capitalisation: R2,6m.

Share market: Price: 30c. Yield: 8,3% on earnings; p:e ratio, 12. 12-month high, 35c; low, 30c. Trading volume last quarter, 2 000 shares.

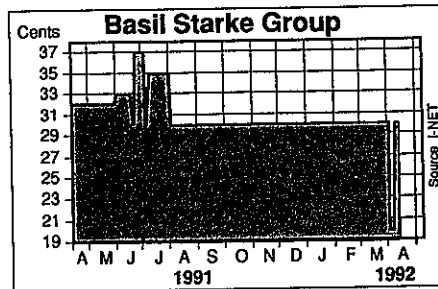
Year to Dec 31	'88	'89	'90	'91
ST debt (Rm)	11,9	11,1	10,1	10,9
LT debt (Rm)	12,1	8,5	7,2	8,6
Debt:equity ratio	7,6	3,4	1,6	1,9
Shareholders' interest	0,1	0,1	0,2	0,3
Int & leasing cover ..	—	1,6	1,7	1,1
Return on cap (%) ..	nil	13,7	13,5	10,0
Turnover (Rm)	135	148	171	144
Pre-int profit (Rm) ...	(0,6)	6,6	7,8	4,6
Pre-int margin (%) ..	nil	4,4	4,5	2,7
Earnings (c)	(30,7)	32,5	33,9	2,5
Dividends (c)	4	—	—	—
Net worth (c)	44	76	149	136

Basil Starke Group performed poorly last year but there is cause to view its case sympathetically. It could not escape the recession's effect on the construction and manufacturing industries. However, it rankles when changes in accounting procedures have the ultimate result of smoothing the past two years' performance to make the latest one appear more acceptable.

The figures are not, however, of great significance. During 1991, interest on instalment sale creditors was changed from the straight-line to the effective interest method. The net effect has been that the 1990 accumulated loss carried forward was retrospectively increased and the 1991 accumulated loss is smaller than it would have been. As a result, 1991 shareholders' funds are almost unchanged when they should have declined. Fewer contracts came up for the construc-

tion division to tender for last year. Turnover fell 22% to R110m and operating profits plunged to R203 000 (1990: R1,75m). At the manufacturing division, at least turnover rose by a satisfactory 11%, but net income plummeted to R169 000 (R1,5m).

Chairman Basil Starke says that management was compelled to downsize. Capacity, particularly in the construction and plant hire divisions, was reduced. Staff were laid off, redundant plant and equipment disposed of and operations rationalised. He says the group will operate at current levels until the economy recovers and demand increases.



Starke acknowledges that gearing remains a concern and reassures that working capital is receiving attention to keep stocks and debtors at a minimum. Debtors' and creditors' balances were halved last year.

The p:e ratio reflected in the table is pre-tax, as no tax is payable. At normal tax rate, it would be more than 20, a rating that cannot be justified because of its patchy record. As is prudent in the current climate, cash is being conserved. No dividend can therefore be expected for some time. This is an additional factor that reduces the market rating.

The share seldom trades. It is a small company that shows little consistency of results and is evidently highly sensitive to swings in the economy. In essence it is a family business and the family would probably be more comfortable had the share not come to the JSE. Similar comments apply to the listed holding company, Basil Starke Investments.

Gerald Hirshon



SDBF's secretary Mr Chris Jiyane.

Soweto developers unite to fight whites

By JOSHUA RABOROKO

THE Soweto Developers and Builders Forum was launched last week to end the monopoly of white established companies.

This was confirmed by the forum's secretary, Mr Chris Jiyane.

He said the forum would ensure that black entrepreneurs obtained their rightful share of land allocations and building contracts in the townships.

He said local authorities always claimed that there was no land available to build homes, yet white companies that normally operated on the periphery of the townships, obtained land easily.

"This practice has resulted in white-built properties being vandalised - apparently because they are

associated with 'foreigners' in the townships," he said.

The forum disapproved of the vandalism of property, however, it felt that black developers and builders were unfairly treated by the authorities.

Other aims include:

- Overcoming the historical obstacles in the way of the growth and development of black builders and developers and allied traders;
- Becoming for the local and other authorities the channel of land and building contract allocations in so-called "black" areas;
- Providing the training and education necessary to

enable the black entrepreneur to take his rightful place in the construction industry;

● Educating the people in all aspects of home ownership;

● Fostering black economic empowerment and wealth in the black property market; and

● Generating employment and business opportunities for black builders, developers and allied traders.

He said that over the years the black developer and builder had been at a disadvantage in competing against established developers, even in those areas designed for black occupation and ownership.

tion and ownership. As a result of these circumstances, he said, the black builder had not possessed the necessary skills, experience or financial resources to be able to tender successfully against his corporate counterpart.

He said that the forum would ensure that potential home buyers were not ripped off by "fly-by-night" property developers by advising them on how to obtain new homes.

Many blacks were ignorant about how to obtain a home - the reason they were being exploited and ripped off millions of rand by "foreigners" in the townships.

"We will also ensure that they get affordable financial help in the wake of money lenders being reluctant to do so," he said, adding, "the forum is a vehicle blacks can use to eradicate large scale swindling."

The forum would hold regular seminars where blacks would be advised on property development.

'Send funds direct'

Soweto 20/1/92

SOWETO black entrepreneurs believe that vast funds allocated to black housing and upgrading of township projects should be channelled directly to black builders.

The secretary of the Soweto Developers and Builders Forum, Mr Chris Jiyane, said that they made proposals to the local authorities and the Department of Education and Training (DET).

They held discussions with the Soweto City Council about the allocation of sites, building of homes and upgrading and improvement of projects in the townships.

Recognising problems inherent in this situation, the council requested the local builders to form a community-based organisation to represent black builders and developers in Soweto.

The forum proposed to take jobs such as improvement of roads, building and renovation of homes, schools and recreational facilities.

By so doing, he added, the forum would create wealth for entrepreneurs and jobs for the poor families, already reeling under the escalating cost of living and at a time when the country's unemployment rate is swelling daily due to the recession.

It is estimated that about four to six million people are unemployed in South Africa, according to unofficial reports, while the government puts the figure at a million

unemployed. (32) (32)

Jiyane said that the forum aimed at generating employment and business opportunities for black builders, developers and allied traders in the townships.

"We also aim to educate our people in all aspects of home ownership," he added.

Many school buildings in Soweto were dilapidated with broken windows and rafters destroyed as a result of unrest and mayhem in the townships.

"We have appealed to DET, through the funds available from the Government, to give contracts to black builders and developers to repair damage at schools," he said.

He added that the forum had emphasised to the authorities that it was vital to give such contracts to blacks to enable them to earn a living.

During the course of these events, he said, the forum would engage and teach youths how to fit windows as well as to inculcate the sense of belonging and responsibility in the community.

"We also hope they will earn money to further their education," he added.

Jiyane said black builders knew best what sort of houses to provide as well as opportunities that existed for small builders in their areas.

AS SCHOOL fees rocket with the introduction of the state-aided Model C plan, parents increasingly want to know whether schools can match their claims of high standards against the new fees.

In return for double their initial fees, parents have been promised various advantages in a circular from the Department of Education and Culture. The fees, it claims, will retain quality schooling for your child.

These costly advantages include being able to decide on additions to the curriculum; setting the admission policy of the school; and deciding the financial policy. But the main advantage for parents says the department, is that through the managing body they can for the first time choose the teachers they want — and they can provide incentives for teachers by paying higher wages.

The new autonomy also means, according to the circular, "the wider community in which the school is situated can make an important contribution to the well-being of pupils at the school".

Thus, as the Model C plan moves the control of white education away from the state and into the hands of the community, information about what the various schools have to offer should, in theory, be made more freely available to parents and the community generally.

The state will pay the salaries of only a specific number of teachers at Model C schools, leaving parent bodies to take care of other teaching, operating and administration costs. It is therefore crucial that schools

'Privatised' schools must use hard-sell tactics to prosper

By Kathryn Strachan

KATHRYN STRACHAN

attract sufficient pupils to meet the additional fixed costs for which they will become responsible from August 1. In the light of this, principals expect schools to start advertising their merits and facilities to attract pupils.

However, Transvaal Education Department (TED) director-general Ken Paine has declined to disclose the academic performance of schools, saying it is not educational.

There are surprising discrepancies in results — even between schools in neighbouring suburbs, he says. Furthermore, Paine warned certain schools, in spite of their new management autonomy under Model C, that they were incurring TED rulings by making their results available to Business Day. Several principals heeded Paine's

ban and refused to co-operate with this newspaper.

Paine's reason was that teachers and pupils were doing the best they could, and that it was not fair to compare various schools. But this is exactly what school principals believe parents will be doing. Now that they are paying more, they will be more selective about what they are paying for.

Parktown Boys' High principal Tom Clarke says the new plan has freed schools to improve their results by having more control over teaching. He believes academic results depend primarily on the quality of teaching.

With their new autonomy, schools can appoint teachers immediately, sidestepping a lot of bureaucracy. Although the state will be paying for fewer teachers' salaries from August, schools will be allowed to decide for the first time, how many staff they want to employ above the department's quota.

Schools are now allowed to employ more teachers than before, which will allow them to have extra teachers to pay attention to slower pupils or to provide enrichment for gifted pupils, says Clarke.

This partial privatisation has led many to fear that the new plan is merely a thin disguise for segregation in education where income levels will support privilege.

The great bonus of Model C, says Clarke, is that schools will, for the first time, be allowed to make their academic successes public knowledge. Clarke says the previous restrictions were "extremely unfair" as they placed the public spotlight on a school's sporting victories which

could be publicised, thus often making them more important than academic results in setting the image of the school. This disclosure of results is precisely what Paine has attempted to block.

It also gave commercial colleges, which were allowed to advertise their academic results, an unfair advantage, and led the public to the incorrect conclusion that they performed better results than ordinary schools, says Clarke. "We will have

to market our school more like commercial colleges, because parents will be more selective now that they are paying more. So schools will have to ensure that their academic standards are excellent."

Jeppie Boys' High principal David Qual supports the view that parents will look more closely at their choices. They will not only scrutinise academic results, but will consider facilities, sporting results, history and traditions of the school. This means schools will have to go out and actively market their image to attract pupils, he says.

Jeppie Girls' High principal Barbara Thomason agrees that many factors are taken into account when a school is chosen. Girls are drawn to her school as much by the flower shows and by the way the girls "turn out" as by its academic record — which is very good.

As the payment of school fees now becomes compulsory under Model C, Ferndale High principal Dan Brown says schools will be able to set their fees at a higher level. But it is critical that schools keep fees within the reach of the community, he says.

The success of the Model C plan hinges entirely on whether parents are able to pay, says a northeastern high school principal. Although state bursaries will be available to those who cannot afford the fees, as established by a means test, he says there are surprisingly many parents who do not pay even the existing fees. Taking into account the rising cost of living, the increase in school fees will strain many families' finances, especially if there are several children to educate.

Schools have been told they can prosecute defaulting parents but that can also be costly, he says.

Greenside vice-principal Anthony Mason also has reservations about the change, but from a different perspective. "We are now terrified of parental interference. Parents who know nothing about education are now going to come meddling in our affairs. What legal firm would allow me to tell them what to do — what would they say if I told them to cut back on secretaries?"

Much confusion still surrounds the change and the degree of control the TED retains over schools. To what extent can it embargo information about schools? Principals say they have had very little in writing, and there is little clarity about whether schools will have to pay municipal rates — which explains a great deal of the uncertainty about final school fees. The rates for Sandown High, for example, are a potentially crippling R60 000 a year.

The state will pay rates for the next year and schools have requested the Johannesburg City Council to exempt them from payment thereafter.

Model C School Report

School	Model C	Fees before Model C	Fees after Model C	No of 1991 matriculants	University exemptions overall (%)	Distinctions overall (%)	Maths A1 (%)	Science A1 (%)
PARKTOWN BOYS	R1800	R2000 or 50	R145	129	64%	75	17	23
PARKTOWN GIRLS	R1800	R2000 or 50	R170	121	65%	82	10	8
WANDERLEY GIRLS	R1400	R1750	R120	102	74%	85	2	2
SANDOWN	R880	R1090	R180	67	55%	14	3	12
HIGHLANDS NORTH	R1020	R1090	R180	140	70%	36	6	9
JEPPIE BOYS	R880	R900	R200 or 50	135	33%	34	12	4
EDENVALE	R825	R1330	R170	173	70%	82	19	9
ROSEBETH	R1020	R1620 or 50	R180	154	75%	50	6	4
SANDRINGHAM	R400	R850	R800	44	75%	33	4	3
ONE KNIN	R250	R800	R800	156	60%	30	7	4
VOYERTE	R500	R800	R1100 or 50	111	58%	18	2	5
QUEENS	R1000	R1000	R1000	151	63%	54	16	8

High schools which declined to supply academic results

School	Fees before Model C	Fees after Model C
JEPPIE GIRLS	R450	R825
NINE EDWARDS VI	R900	R1200
NORTHERN	R800	R1000
GREENSIDE	R850	R1200
NORTHCLIFF	R800	R1300
HONE PARK	R1000	R1500
MESSEKOP HELMELKAR	R800	R1200
HIGHLANDS NORTH	R800	R1200
MALVERN	R200	R800
FERNDALE	R800	R1000
BIRKENHEAD	R1000	R2000
ANTHONY BOYS	R650	R1500
ANTHONY GIRLS	R600	R1200
WINDYWOOD	R415	R1325
ALBERTON MODEL C (opened January '92)		
FOUNTAINS	R1300	
EDEN CLIFF	R1400	
RANDOLPH	R1100	
SEMPSON HILMELKAR	R800	

'Govt's tardiness over funds hitting projects'

CAPE TOWN — The building and engineering sector — already strangled by the recession — is being hit further by government's failure to release nearly R4bn for approved projects, says Stellenbosch-based building economist Johan Snyman.

An estimated R3,7bn was available from central government and housing agencies such as the Independent Development Trust, the SA Housing Trust, and the Development Bank of Southern Africa for housing and related infrastructural developments, Snyman said.

Snyman, a director of Medium-Term Forecasting Associates, said government and its agencies had been postponing payment for work already completed until such time as funds become available.

Furthermore, some projects already planned had been shelved after the appointment of consultants, even though designs had been completed and the firms geared up for the work. This had exacerbated the financial difficulties of architects and engineers, Snyman said.

SA Federation of Civil Engineering Contractors (Safcec) executive director William Vance said finance made available in the Budget was not filtering down to the engineering and construction sectors.

When funds did eventually materialise into actual development, not only had pro-

LINDA ENSOR and EDWARD WEST

ject costs escalated, but the amount of funds allocated were substantially less than originally budgeted.

Safcec economist Hank Langenhoven said in spite of billions budgeted by government every year for development, actual amounts awarded to civil engineering contractors for township work had consistently decreased over three years.

Kayaletu Home Loans GM Ben Pieters said funds to his company from SA Housing Trust had dried up. No funds were made available for housing and home loans in the Budget except for the R500m allocation from the sale of oil stockpiles.

A leading Cape Town consulting engineer said there were "enormous bottlenecks" in the release of funds for housing and infrastructural development.

He believed the situation was complicated by the political jockeying for funds by politicians who had more of an eye for their own constituencies than the needs of the country.

Government's response to recommendations of the De Loor report on the rationalisation of housing delivery system is expected to be raised by Local Government and National Housing Minister Leon Wesels in his vote in the middle of May.

'Too easy' to be contractor

STAR 6/5/92

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The building industry is urgently in need of 21st century thinking so as to remove the stigma of having "one of the worst reputations" in the business scene, says Herman Kroon, president of the Building Industries Association.

Lashing out at traditional attitudes within the industry and calling for a registration system for building contractors, Mr Kroon told the recent annual meeting of the Transvaal North division of the association:

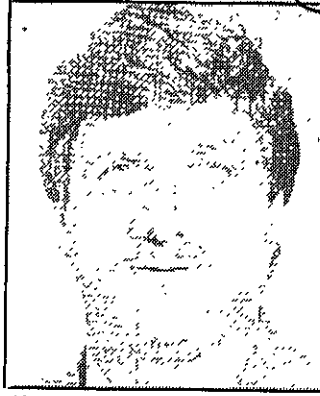
"It is unbelievably easy for a person to become a building contractor.

Borrowed bakkie

"A few rands, a borrowed bakkie and anyone can become a contractor.

"No wonder the building industry — one of the biggest sectors in South Africa and a major contributor to the Gross National Product — also has the worst reputation in the eyes of the public."

Calling for registration of builders and minimum qualifications to operate, Mr Kroon said the association had offered its services to the committee on Harmful Business Practices to participate in drawing up a



Herman Kroon . . . registration system needed.



James McLuckie . . . marketing mix important.

code of practice for contractors.

Mr Kroon also hit out at the growing presence of labour-only sub-contractors which, he believes, if left uncontrolled could lead to disastrous consequences.

"Even major contractors are using the services of labour-only operations because it eliminates the need for additional permanent staff and because it offers savings in labour costs," he said.

"These sub-contractors are not registered as employers and therefore do not pay into the Unemployment Insurance Fund or workers compensation."

James McLuckie, executive director of the Institute of Marketing Management, told the meeting statistics showed South Africa was rated third lowest in the world for customer service.

"While 75 percent of your work is secured by tendering, this does tend to make the price the primordial decision-making issue," said.

"You should realise, though that the marketing mix consists of other important elements such as developing a product to address customer needs, promotion of your business to achieve customer awareness as well as availability and accessibility of your services."

Syfin to develop R80m bulk handling facility

PROPERTY developer Syfin, previously known as N1 City Holdings and developer of the N-1 City complex in Goodwood, has unveiled three new projects in the Cape worth more than R100m.

Syfin is backed by Syfrets and Investment holding company Fintrust.

The first major project involves the construction of a bulk handling facility worth more than R80m for the Post Office. The new centralised facility, to be erected on a portion of the old Goodwood showgrounds, is expected to result in substantial savings in operating costs for the Post Office, which currently sources its mail from sites scattered all over the western Cape.

The 32 000m² facility, which will boast the latest mail handling technology, will allow the Post Office to render a more efficient service to bulk and ordinary mail service clients and will include a parcel delivery service.

The second project, also on a portion of the old showgrounds, involves the redevelopment of a 25,9ha site. It involves the construction of a business park combining industrial, retail and office premises.

The third project is a R16m residential development in the Stellenbosch area of

Prins Park. Construction on this "medium/upmarket project", comprising 128 sectional-title units, is scheduled to start within a month. About two-thirds of the units had already been sold, the company said.

"This is further testimony to Syfin's expertise in actively supporting new property developments which not only show good growth prospects but also serve the community," MD Johan Pauw said.

One such example was the decision by M-Net to select N1 City as the regional offices for its Cape operations. The R16m complex, known as M-Net Park, represents 4 500m² of A-grade office space, he said.

M-Net, which will occupy at least 60% of the building, will be moving in shortly. Other N1 City developments highlighted were the R27m policlinic complex and a service and filling station.

Two projects on the drawing board were a hotel and a hi-tech office development complex called Technocity. "Although Syfin is predominantly a property developer, it is also active in fields of clinics, accident and medical insurance and smartcards through its subsidiary company host."

Construction industry to offer award for productivity

The construction industry is at last to have its own productivity award.

The main criteria will be total productivity improvement, including quality and safety aspects.

Entries are open to all builders, civil contractors, professionals and manufacturers, municipal departments, institutes and associations whose main business falls

START LIST

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6/15/72

within the construction industry. To be run in conjunction with the National Productivity Institute, the award has been largely motivated by Nick Grobler of Con Roux Construction, whose thesis on the productivity process has been published in the US.

Quoted in the latest issue of SA Builder, Mr Grobler says that when his company began to evaluate productivity, management

came to the conclusion that elements involved included "planning, brain power, accounts procedures, purchasing, customer relations and, of course, quality and safety."

Any of these on their own would not lead to real improvement.

The company has now put together a breakfast presentation to be held in all major centres in the

next few weeks, at which details of the award scheme and how to submit entries will be discussed.

He will also pass on valuable information on the company's experience in implementing productivity strategies.

"The majority of people in South Africa need to understand that you need to make something before you can sell it," he says. "You cannot survive on handouts."

It must also be clearly understood that there has to be a use for the things we make. And most important, profit has to be made if a company is to survive."

Entries for the award close at the end of September, and the winner will be announced in February next year. Details of the breakfast sessions are available from Val van der Hoven at (012) 341-1470.

Employers asked to help with houses

Sowetan 7/5/92

32

By JOSHUA RABOROKO

THE importance of assistance in home ownership is becoming increasingly evident to employers, according to the South African Housing Trust (SAHT).

The time has come for employers to become involved in dealing with the housing needs of their employees.

Recently Trans-Natal Collieries Limited, a large coal mining group within the Genmin group, committed itself to housing their employees.

After consulting numerous companies and organisations, Trans-Natal chose to use SAHT with its somewhat unique approach to company housing schemes — using the bottom-up consultants method.

“Through our commitment to finding housing solutions, the SAHT have proved to be the perfect vehicle for this rational holistic approach towards housing.

“Trans-Natal realised that the search for housing solutions requires certain changes in management thinking.

“This change is unilateral and it is evident that employers are taking steps to familiarise themselves with the housing circumstances and needs of their staff before adopting a housing policy, if necessary, in order that it may be best applied and to the benefit of all employees.”

Housing schemes and policy are only effective if they are supported by the employees and they should therefore be involved in the setting up and implementing of policy.

This approach is effective in establishing the preference and housing needs of employees. A survey has been undertaken, using a sample of three mines in the Middleburg area.

One hundred employees were interviewed at each mine with the assistance of the mine personnel. These random samples were broken up evenly into categories, including age and income, in order to establish an even distribution of all employees.

Only 44 percent of all employees wished to purchase

homes within the area of their employment within the next year.

Their reasons were varied and included the possibility of farming in their “home” areas as well as the extended family concept in the area of origin.

It was therefore, ascertained that employees are prepared to spend R200 of their monthly income (over and above their housing allowance) on housing.

About 40 percent of these employees earn between R500 and R800 a month which indicates that owning a home of their own has a high monetary value to them.

“The findings enabled us to draw conclusions which not only relate to the size of the developments which are to be planned, but also to the type of product and price which would be acceptable.

“The SAHT is now in a position to provide the best service to Trans-Natal.”

Having access to the information, the SAHT can advise on housing policy, provide relevant training, and facilitate the housing of individuals on relevant SAHT projects.

Employees’ needs and preferences could therefore be considered when accommodating them on SAHT facilitated projects, bearing in mind cost and quality constraints.

Where the SAHT did not deem it appropriate to initiate projects they can give advice as to possible other private sector project management services and can act as a consultant in this regard.

Therefore (as a team) Trans-Natal (employer and employees) and the SAHT are in a position to successfully implement any housing schemes or policies the former finds equitable with its internal constraints and practices.

Civil engineering upturn forecast

By Day 7/5/92

(32)

A 2.5% decrease in the civil engineering industry's 1992 turnover and a nominal 7% increase in 1993 is forecast by the SA Federation of Civil Engineering Contractors (Safcec).

A Safcec industry review predicted that contract price increases would slow down further from about 11.6% in 1991 to 9.6% in 1992. The rate of contract price increases would increase again only in 1993, the review said.

It said prospects in 1992 and 1993 would be influenced by political change, increased co-operation — instead of conflict — which would increase the mood for government expenditure on development projects, and high interest rates.

The drought could also negatively affect economic growth by 0.6%, Safcec said.

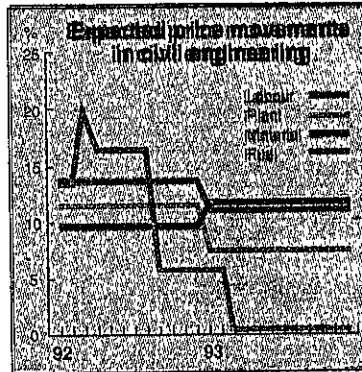
Safcec forecast labour cost increases to slow down from about 15% in 1991 to 13% in 1992 and to 11% in 1993. The cost of plant and machinery was expected to increase from 8% in 1991, to 12% in 1992 and slow down again to 13% in 1993.

The cost of materials was expected to increase in tandem with the production price index. Because of the fuel price increase, announced as a tax measure in the Budget, direct costs would increase, but indirectly, higher inflationary pressures could

prevail longer than expected which could be to the detriment of all the other input costs, Safcec said.

After some improvement at the end of 1991, turnover in the first quarter of 1992 was not promising, causing a drop in tender activity. Prospects for increased turnover in the second quarter did not look promising either, Safcec reported.

Civil engineering work lags between eight and 18 months behind the general economy and went into a downward phase in the third quarter of 1989 with inflation-adjusted declines in turnover of 12% in 1989/90 and 30% in 1990/91. Employment dropped 8% and 20% over the respective periods, Safcec said.



Graphics RUBY-GAY MARTIN Source SAFCEC

the UK £1 coin and has been tails of a standby offer to buy... Speaking at a banquet at the... ANC



Business Day's youngest Blue Chip Challenge winner, Kelly Orme, 6, of Pinetown, scooped the pool on Friday to receive R1 800.

Hall urges business to bring peace

B/D Day 11/5/92
ANDREW KRUMM

NATIONAL peace accord chairman John Hall said at the weekend business was uniquely suited to halt SA's slide into anarchy and violence. ~~274~~ ~~32~~

Speaking at the final day of the National Association of Homebuilders conference in Sandton, Hall said SA was made up of thousands of mini-economies, many unaware they were "on the endangered species list... Some communities are sinking into anarchy and violence and taking their business communities with them."

Although nurturing the peace accord was everyone's responsibility, the business community possessed the ability to play a major role as facilitator and mediator. He urged individual businesses, as "honest brokers of peace and stability" to become heavily involved through organisations.

"When violence becomes endemic, the downward spiral is hard to reverse — ask Marlborough businessmen," said Hall. He said economic growth could be achieved only through collaborative effort to restore peace.

Housing forum may still see De Loor report

B/D Day 11/5/92
ANDREW KRUMM

GOVERNMENT's closely guarded De Loor commission report on housing policy might be made available to the National Housing Forum, its working committee chairman Khehla Shubane told a National Association of Homebuilders' conference in Sandton on Friday. ~~33~~ ~~37~~

He said Minister Leon Wessels had indicated he would like to make the report available after local government finished processing it.

The forum was formed by the Independent Development Trust and Development Bank last year to provide housing solutions, and includes trade union, business, political and development organisations.

Government withdrew from the forum in January, saying it was an attempt at "interim rule by stealth". Shubane said this sprang from unease over an agreement that decisions be binding on all parties.

ANC

SOUTH Africa could satisfy two pressing needs if government and the private sector changed their views on housing and investment, and acted swiftly.

This would alleviate the desperate housing shortage and the blossoming of squatter camps caused by rapid urbanisation, and it would also give a substantial injection to economic growth.

This is one of the main findings of the De Loor task group's investigation into housing whose report was published yesterday.

Government's White Paper on Land Reform earlier acknowledged that widespread and increased urbanisation was inevitable. The task group report states that about 198 000 housing units a year have to be built in the next 10 years to deal with this.

Under the chairmanship of former auditor-general Joop de Loor, the task group of experts says it is generally accepted that a properly functioning housing sector would contribute substantially to alleviating some of SA's economic problems.

"Housing can play an important role in generating income and employment opportunities, and it can encourage people to save. Furthermore, investment in housing need not be inflationary."

In fact the housing sector has not functioned optimally and, especially in the low-income segment, housing has often not been regarded as an economic commodity. This perception has led to a negative impact on the entire housing market and on the savings and consumption patterns of individuals, the report argues.

State expenditure and commitment to housing is also very low, which helps perpetuate this perception. Budget appropriations for housing and housing-related matters in 1980/81 totalled a mere R1,6bn or 2,1% of expenditure. In spite of rapid population growth and a high urbanisation rate the contribution of housing to the economy had remained almost constant during the '80s.

Over the entire period, investment in housing as a percentage of GDP was far lower than in other countries at the same stage of development —

Investment in housing will bring jobs and aid growth

8/10/81
14/5/82

BILLY PADDOCK in Cape Town



running at below 3% in some years as low as 2.6%, according to the World Bank — indicating there was ample scope for increased investment in this sector.

"It is consequently essential that investment, especially in low-income housing, should be substantially increased and that total investment should be normalised around 5% of GDP," the task group says. There is also a need to increase its more productive use of the existing budgetary resources.

It opposes classical development theory which assumes that industrial development leads to urbanisation, and that the market would provide for additional housing requirements. The report says all serious standards of housing accept that sustainable provision of acceptable housing creates large measures of social stability, while at the same time providing important income and employment opportunities.

"As stated by the World Bank, it is generally agreed that for the economy and for cities to function well the housing sector must function well."

Apart from the direct effect on income and job creation, construction has strong indirect effects through backward and forward linkages.

Backwards it is linked to building material industries, to products such as stone, cement, bricks, glass, steel

and processed wood. The forward linkages are less obvious but homeowners are strongly motivated to purchase furniture, equipment and other fixtures which may have a strong effect on many industries.

The World Bank had estimated that the income multiplier for housing construction is about two. In Korea, about 14 additional jobs were

created for every \$10 000 invested. Similar figures prevailed in Pakistan, India and Mexico, the report states.

There are other, less tangible employment benefits. Investment in housing is particularly well suited to absorbing labour resources.

Newly arrived migrants often work in construction, where a large majority of workers are unskilled and they use this as a launching pad to other opportunities in the cities.

The task group found that the labour-absorptive capacity of SA's economy had assumed daunting proportions.

In the period 1965 to 1970, the capacity was 73,6%, from 1970 to 1975 it dropped to 62,7% and thereafter it dropped drastically to 12,5% in the period 1985 to 1989.

The construction of low-income housing on a stage-by-stage basis allows labour to be used incrementally. Countries adopting a wide range of self-help, mutual-aid and hired labour methods had benefited from the flexibility enabling houses to be built at nights and over weekends.

Another advantage of investing in low-income housing is that most of the industries it is linked to require minimal inputs during the first phase and this provides potential for contributing to development and growth that would otherwise not be possible, it states.

De Loor argues that every R1 invested in the housing sector

through deficit financing would lead to an increase of about R2,70 in the GDP, whereas the increase would be 28c if it was done through increased taxation.

Using the work of the World Bank reconnaissance mission, the task group says there is a reasonably well-functioning housing market in the higher income brackets in the white segment, but not in the lower income segments. This has led to persistent housing shortages, poor quality housing, overcrowding, high home prices, a general unwillingness to spend or invest in housing, and undercutting of the revenue-generating potential of residential property in those areas.

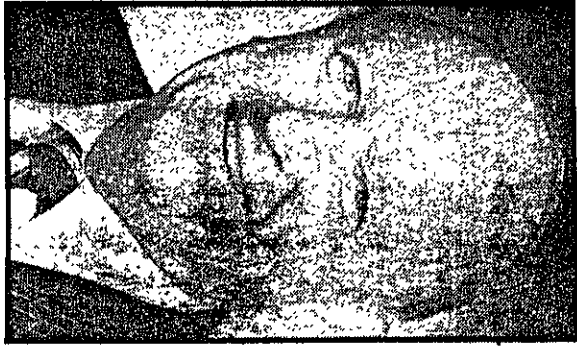
The commission concludes that, for housing to make this substantial contribution, a change in the composition of government expenditure in favour of housing is required. This would lead to a redistribution of income and changes in demand patterns which bode well for economic growth and job creation.

To succeed in this venture, the housing sector should be integrated into the market economy and a more balanced approach adopted. "However, housing expenditures alone could not lead to permanent long-term growth. Attention should also be given to programmes such as the promotion of small business development and the provision of education and training," the report states.

Deregulation, commercialisation and the employment of sound policies which strengthen market forces and provide access to opportunities are all strategies needing strong promotion and high priority.

In spite of the sound proposals contained in the report and the laudatory comments from politicians across the board on the report, government has not accepted it and has said it will not result in a White Paper or direct implementation.

Local Government and Housing Minister Leon Westers yesterday said that, because the report was not a result of widespread consultation with extra-parliamentary political groups and the "main players", it will be used as input for discussion, possibly going to Codesa. It will be buried along with the other 33 inquiries into housing since 1970.



□ DE LOOR

Loans market collapses

STAR 1415192

THE breakdown in law and order had led to a collapse in the normal functioning of the housing loans market and an inability to enforce the legal consequences of non-payment, the De Loor report found.

Political action such as bond boycotts had caused significant losses to mortgage lenders and undermined the functioning of the process which sustained viable housing delivery.

Bond boycotts, together with a lack of affordability and the risk of non-recovery due to dismissals and retrenchments, placed constraints on the small housing loans market.

To sustain viable housing provision, the whole process surrounding home-ownership had to be allowed to function within established systems.

The State should provide remedies for mortgage lenders. — Sapa. □

Appeal to protect consumers

STAR 1415192

WIDE-RANGING exploitation and malpractice by some commercial housing developers, particularly of people in low-income groups, had led certain communities to challenge the role of the private sector in housing provision, according to the De Loor Commission on Housing.

Provision had to be made for a more effective form of consumer protection.

Malpractices identified by the Urban Foundation included falsification of income information, incomplete disclosure of associated costs (eg transfer costs), brokering firms which charged a fee to secure bond finance which was not reimbursed if the application failed, excessive deposits which were not refundable, collection of deposits by non-approved estate agents, and the illegal sale of sites to squatters. — Sapa. □

Building industry probe call

STAR 1415192

(32)

AN IN-DEPTH investigation into monopolies and over-concentrations in the building material supply industry should be undertaken, the De Loor Commission on Housing has recommended in its report.

The commission said the Government should also relax import controls and lower tariffs on building material to promote domestic competition.

The building material supply industry was dominated by a few local conglomerates protected from foreign competition by effective trade barriers.

In many instances, building material could be imported at substantially lower cost.

A superficial analysis of the suppliers' profit records indicated that prices were adjusted upwards to allow a supplier to maintain profit margins even when demand for a product declined. — Sapa. □

NEGATIVE GARY BEN-
thins' first clash
with the law

Programme for blacks urged

8/10/93 1515712.
PRETORIA — A black housebuilding programme on the scale recommended by the De Loor task group could help lift the building industry out of its two-year slump, Building Industries Federation (Bifsa) economist Charles Martin said yesterday.

He was commenting on the task group report in which chairman Joop de Loor recommended that 198 000 houses should be built a year for the next 10 years to eliminate the backlog.

Spending on housing would have to be increased to R3,5bn a year to finance the programme, the group recommended.

Martin said the effect on the building industry would depend on how much of the allocated funds was earmarked for site and service development and how much for actual housebuilding contracts.

A large-scale building programme could initially result in a major materials shortage as there had been little capacity expansion because of the recession.

Martin said the shortage of skilled labour could also be a problem if the industry had to expand to meet such a large building programme.



GERALD REILLY

Martin added that a large-scale housebuilding project would also have to take off gradually if highly inflated costs were to be avoided.

Latest Central Statistical Service figures show that in the first quarter of the year, building plans passed rose by just 2,1% to R2,78bn compared with January to March last year.

Martin said activity in the industry could come down further in the short term and an upturn was unlikely until mid-1993.

The CSS said the value of non-residential buildings passed plunged by 25,8% to R766,3m.

This, Martin said, reflected the saturation in new office space and the fact that institutional money was going elsewhere.

The big increase in plans passed for flats and townhouses of 54% to R340,7m indicated a drift of families from houses to more secure and possibly cheaper community lifestyles. This was also borne out by the small (8,7%) increase in the value of plans for houses (to R878,2m).

Ovcon does well under ³² new control

STAR 15/5/92

Property Reporter

Building and civil engineering group Ovcon has seen its share price almost double to 120c in the first year of its listing.

Even better, results for the year to end-March show that earnings increased more than 60 percent to R4,215 million, compared with the annualised results for the six months to March 1991.

Earnings per share of 46,8c were recorded and a final dividend of 8,5c has been declared, taking the total to 12,5c.

Directors, senior management and staff now control the group and executive director Jan Kaminski said profitability had improved markedly since they had been given the opportunity to participate in ownership.

He said turnover of R133,4 million had generated operating income of R5 million but that margins were very thin. New work remained difficult to come by and all divisions had considerable spare capacity.

Current major contracts included the R80 million Victoria and Alfred retail complex in Cape Town and the initial phases of a R200 million marina and residential complex at Gordon's Bay.

Ovcon cocks a snook at recession

CAPE TOWN — The building and civil engineering industry may have been through its toughest recession yet, but Ovcon bucked the trend in the 12 months to end-March by producing a 59% rise in earnings a share. Despite cut-throat tendering in the industry, margins showed strong growth compared with the annualised results of the last six months of the 1991 year, the only comparison available because of the restructuring of the Ovcon group in 1990. On an annualised basis, turnover declined to R133,4m (R145,5m), but with margins increasing to 3,7% (2,4%), a 42% rise in operating income to R4,96m (R3,5m) was recorded. Earnings a share rose 59% to 46,8c (annualised 29,4c) and a final divi-

8/10/92 15/5/92
LINDA ENSOR

dend of 8,5c brought the total to 12,5c.

Group MD Jan Kaminski attributed Ovcon's success to its reputation for high quality work, which brought in lucrative contracts. Another factor was the adoption of careful and conservative financial strategies. 32

Large contracts finished during the year were the R80m construction project at Mossref, undertaken jointly with Concor, the R22m Protea Assurance building in Greenmarket Square, the R24m head office building for Equikor and, a R12m project, building the infrastructure for Anglo American's Namibian diamond mine.

In 1990 the group sold off its Trans-

vaal and Botswana operations to concentrate on its strong areas of operation — the Cape, Natal and Namibia. This move also generated cash reserves, so the group paid little interest. At year-end, cash totalled about R18m and short-term borrowings had been cut sharply.

The coming year's earnings will be significantly affected by the return of Ovcon to a tax-paying position, as it has exhausted its acquired tax losses, but Kaminski expects pre-tax income to be maintained.

He said there was a shortage of work, but there was also a baseload such as the R80m Victoria & Alfred shopping centre, and the R26m contract for Phase 2 of the Harbour Island project at Gordon's Bay.

Time Holdings loses R14-m

By Frank Jeans

Low-cost housing has been a massive drain on the earnings of Time Holdings, which reports a R14 million loss for the year to December.

The operating loss of the now discontinued low-cost housing division was R11,5 million and following a re-evaluation of the remaining housing assets a below-the-line write-off of R6 million has been made.

In contrast, the operating profit of continuing operations, primarily TimeProp and Time Life, was 32 percent higher at R14,3 million.

This reflected higher profitability of the commercial property division and the group's

Botswana operations.

The group's attributable loss before extraordinary items was R9,6 million (1990: R2,6 million profit), equal to a loss of 26c a share.

However the company has sold its affordable housing operations to their managements and since the continuing operations are profitable and are experiencing growth, group chairman, Colin Hibbert expects a recovery this year.

Time is the last major house-building company to withdraw from the low-cost market and Mr Hibbert says: "It is a sad reflection on the South African political environment that no major home builder is prepared to remain in this sector."

Building alliance ³² beats all odds

By JOSHUA RABOROKO

THE newly-formed black-owned South African Developers and Builders Alliance is rapidly expanding despite the recession in the building industry.

The company has sold more than 75 homes in Mfundu Park near Vosloorus since its inception about 13 months ago.

It is presently involved in the development of 2000 homes in Port Elizabeth. Two equally large projects, in Rabie Ridge and Orchestra Extension, near Pretoria, are in the pipeline.

The alliance, formed by nine black builders and three white property developers, is an umbrella body for black contractors.

The chairman of the alliance, Mr. Sydney Mnguni, said the alliance had also created 250 new jobs in Mfundu Park. He said he expected the number to increase. *Soweto*

The alliance is aiming at building 40 new houses a month. *2115192*

Speaking at the completion of the 75th sale, Mnguni said the biggest setback was the unavailability of finance due to the reluctance by financial institutions to lend in townships.

He said, however, that the problem was being overcome by spreading the perceived financial risk equally among three major lending institutions.

The high standard of building had also helped to dispel these reservations.

Prices range from R42 500. Repayments for owners qualifying for a Government subsidy were in the region of R300 a month.

Mnguni said the design of the homes allowed for easy extensions.

The alliance believed, however, that the majority of buyers would eventually move to larger homes and make way for newcomers in the home ownership market.

So far that had happened to a limited extent with sellers making an exceptionally high return of 25 percent on their original investment in just 12 months.

SOUTHERN AFRICA

FM 22/5/92

32

Contractors branch out

SA-based developers, professional consultants and other construction-related companies are casting their eyes beyond SA's borders in search of future work. And, with the notable exception of Zimbabwe, countries like Angola, Mozambique, Zambia and Botswana thanks to foreign investment and development aid appear to be in a position to pay for it.

In Mozambique and Angola, for instance, demand for housing from various countries wishing to establish or upgrade their diplomatic presence has spawned two upmarket housing schemes worth R570m.

Consulting Projects & Development International (CPDI), a "southern African" company established for the development of property and infrastructure in sub-Saharan Africa, says the need for diplomatic staff housing is so acute in Angola that it is currently providing pre-fabricated "park homes" in a temporary settlement outside Luanda. They are currently being occupied by SA and UK diplomatic staff as well as by the staff of a multinational company. However, interest in the upmarket residential village taking shape on the outskirts of Luanda has also come from oil companies, as well as from Portuguese residents.

Construction of the first of a total of 260 units will begin in August in a joint venture with a local construction company and will include the provision of all the necessary infrastructure. A development similar in concept and size is expected to start on the northern side of Maputo before the end of the year.

CPDI, which has signed joint venture agreements with local companies in both countries, has been quietly laying the groundwork for these and other schemes over the past year.

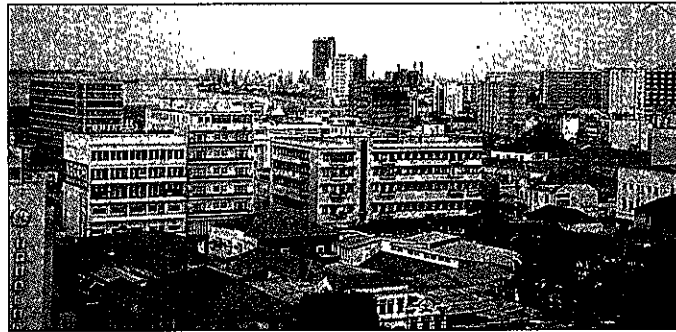
In Angola, CPDI has been requested by local government officials to undertake a study for the rehabilitation of the Luanda airport.

The company has distinguished itself from other turnkey operators by catering to local demand for professional, one-stop, consulting. This has meant forming a multi-disciplinary entity drawing on the 1 000-strong staff and resources of its four associate companies: architect Burg Doherty Bryant & Partners, quantity surveyor and cost control-

ler Farrow Laing & Partners, project manager Pivotal Projects and consulting engineer Hill Kaplan Scott. All have undertaken turnkey projects in southern Africa for their own account.

The Murray & Roberts Group (M&R) is also in Angola, though somewhat further north, building schools and houses in the oil-rich province of Cabinda. M&R business development director Roger Veysey says the company has signed a protocol with the Angolan government enabling it to operate there. It also recently signed a "memorandum of understanding" with the Zambian government which gives the company preferred contractor status.

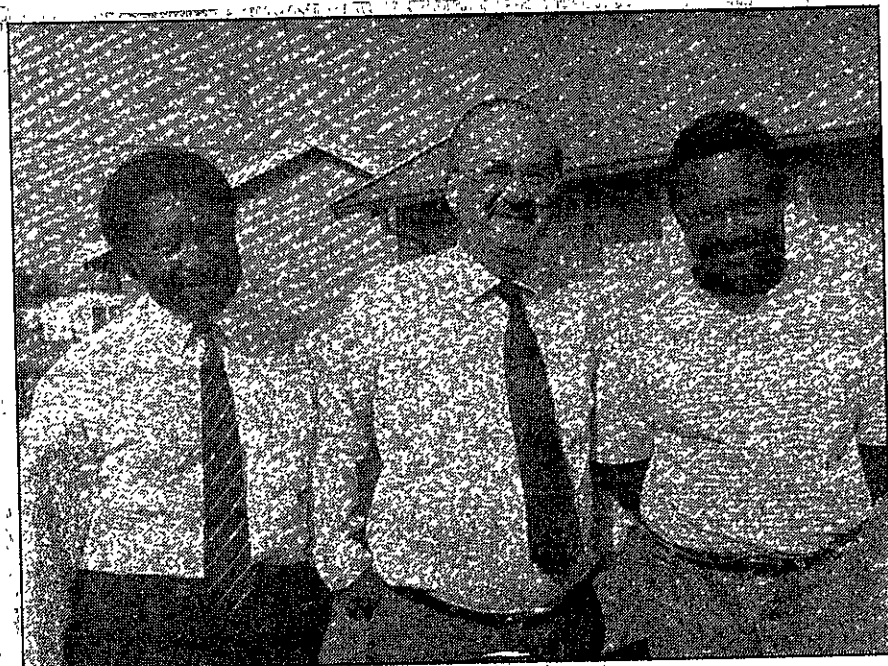
M&R is now in the process of setting up a



Luanda ... signs of life after the war

new company in Zambia to undertake various projects. As with CPDI, the thrust of M&R's work will initially be to assist the government in rebuilding the country's infrastructure. Once this is done, it will assist the government with the procurement of suitable financing as well as train Zambian citizens in aspects of the construction and engineering industries.

The company will benefit from a number of new initiatives, including a tax-free period for the first five years, after which it will be subject to tax on a sliding scale rising to the promulgated tax rate. In addition, no import duties will be levied on government-related imports necessary for the company to fulfil its obligations. All profits earned by the company in Zambia, will be fully remittable, while any profit earned on exports from Zambia will qualify for 100% retention. ■



WINNING FORMULA ... (From left) Sadba chairman Sydney Mnguni, marketing company Faith Homes' MD David Paterson and Sadba building director Moses Molefi at Mfundo Park.

Building allies flourish

CP Reporter

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CP News 24/5/92

AT a time when the building and construction industry is suffering widespread contraction, the black-controlled South African Developers and Builders Alliance (Sadba) has recorded massive expansion.

In the 13 months since its start-up, Sadba has celebrated its 75th sale of a home in Mfundo Park near Vosloorus and has more recently become involved in a 2 000-unit development in Port Elizabeth.

Sadba has two equally large projects still in finalisation stages in Rabie Ridge and Orchards Extension 13 near Pretoria.

The Alliance was formed by nine black builders and three white property developers as an umbrella for black contractors to compete with their white counterparts for large building contracts.

Sadba chairman Sydney Mnguni says the Alliance has created 250 new jobs in Mfundo Park and he expects this number to increase substantially when the monthly target of 40 new houses is achieved in the 1 000-unit township.

Speaking at the completion of the 75th sale, he said the biggest setback to this target had been the shortage of finance due to general caution by financial institutions to lend to the townships.

However, he added that Sadba had

largely overcome the problem by spreading the perceived financial risk equally among three major lending institutions.

Sadba's high standard of building had also helped dispel lending reservations by the institutions.

All the solid, brick-and-tile, double-skinned homes in Mfundo Park have mains electricity, sewerage and heated water.

Sadba's minimum standards for all units include meranti doors, gutters, engineered roof trusses and external lighting.

Prices start at R42 500 with a R5 000 deposit required for a 42 square metre unit.

Repayments for owners qualifying for a government subsidy are in the region of R300 a month.

Design of the homes, which are on 300 square metre stands, allows for easy extensions, but Sadba believes the majority of buyers will eventually upgrade to larger homes and make way for newcomers to the homeowners' market.

This is already happening to a limited extent with sellers making an exceptionally high return of 25 percent on their original investment in just 12 months.

You can contact David Peterson and Sydney Mnguni at Sadba on (011) 794-1936, and Rodney Hayter at Front Page Communications, on (011) 793-1360.

Premier offers ^{24/5/92} workers a home

³²
CP Reporter 

A MAJOR development near Orange Farm on the Golden Highway will give employees of Premier Milling the opportunity to own their own home.

The low cost housing development, which provides for some 400 houses, is currently in its first phase.

Eventually it will have its own shopping centre in addition to medical facilities and schools.

Known as Driezick, the scheme is being co-ordinated by MBS Projects which views it as an important job-creation exercise.

Says director Ken Dlamini: "MBS members are committed to sub-contracting out to the smaller builder who would normally not have the chance to participate in a development such as this. Our role also extends to training and regular checks on workmanship."

MBS Project member GT Home Build Construction recently completed its first Driezick showhouse. A 45 square metre two-bedroomed home on a 160 square metre stand, it has been well received by potential buyers who will pay around R32 000 for similar accommodation.

Says GT Home Build's Joe Tshabangu: "We have contained prices without compromising on quality or aesthetics. For instance we opted for Tuffspan 'S' - rib-profiled roof sheeting - as an economical solution to roofing."

Murray & Roberts survives nightmare

DEVELOPER Murray & Roberts has overcome the project co-ordinators' nightmare, successfully juggling into place the large volumes of resources needed to construct Pretoria's R220m Sammy Marks Square development.

The project remains on schedule for completion on September 24, a week ahead of deadline. *5/04/92 27/5/92*

Murray and Roberts (N-TVL) Property MD Leon Botha said in a recent interview the most difficult aspect of the square, Pretoria's largest retail centre, was co-ordinating the use and distribution of "very large volumes" of materials.

Botha said in the first three months of excavations, 177 000m³ of soil was removed from the site, peaking at 520 truckloads a day.

The site, a block bordering the State Theatre and the Reserve Bank, had been excavated to a depth of 9m, the equivalent of excavating three blocks in Johannesburg, he said.

32
ANDREW KRUMM

Botha said 32 000m³ of structural concrete had been cast on site, while 80 000m³ of suspended concrete slab was being produced at a rate of 3 000m³ a week.

The brick industry will not be left out of the profit equation as 5,5-million bricks will be used before the project is completed. Work began in February last year.

The 30 850m² complex is the first major development to be undertaken in Pretoria's CBD since 1979. It is also the first co-operative venture between the private sector and Pretoria City Council.

Financiers Newport Property Fund, Prima Property Trust and AA Life Assurance each own a portion of the development, while the council is financing and retaining ownership of their own portion.

The council facilities are to open in stages between September/October this year and mid-1993.

Fancourt's new golf holes signal progress

PETER GALLI

DEVELOPMENT at Fancourt, the luxury golf estate in George, is on track with the third nine-hole golf course officially opened at the weekend.

The development now boasts a 27-hole course, comparable with any in the world. About R9m has been spent on the development of the course, said MD Billy Freer.

So far, about 47 lodges, valued at more than R30m, have been sold. A R5m health and beauty centre is also on the cards.

Land has also been bought for a beach centre at Wilderness and construction is expected to begin soon.

The hotel section of the development consists of about 100 rooms.

"The development is presently equally owned by the Pieterse family through Golf Investments and Golf Estates and a British consortium headed by Abraham van Praagh," Freer said.

Negotiations are still under way with Orient Express regarding its shareholding and management contract, but these are expected to be finalised soon, he added.

Initially, Masterbond had a 50% stake in Fancourt, but all of this was bought out before Masterbond's collapse.

"Masterbond was to provide bond finance, and when it collapsed we were left without a bank," he said. "However, alternative arrangements are in the process of being finalised and an announcement is expected to be made soon."

When Masterbond went under, Group Five construction, Fancourt Holdings, Orient Express and the Masterbond curators

reached agreement on the best way to continue the development of the resort.

Group Five was a major player in this, extending its financial arrangements and credit line.

"We are committed to paying back all the money borrowed from Masterbond to debenture holders and will meet all of our responsibilities in this regard. Thus far, just over R90m has been spent on the project, on infrastructure and land," Freer said.

The development plan envisages 292 lodges on the 154ha site over the next four years.

About 200 stands of 1 000m² will then be offered for sale for permanent residents. Guidelines for building have been set.

About 47% of buyers and 68,3% of hotel guests have been foreigners.

Several sales are in the pipeline, but are dependent on improved marketplace confidence in the development, Freer said.

Lodges range from about R745 000 for a two-bedroomed unit to well over R2m, depending on size and location.

Chairman André Pieterse said that since the collapse of Masterbond, about R23m worth of property had been sold, but there were still doubts in the minds of many prospective buyers. "We are going to address these in the near future and hope this will end the rumours and stories that are preventing more sales."

Lakefront offices 'in demand'

Business Day Reporter

NEW Kleinfontein Properties, which launched a R45m low density lakefront office park in Benoni three months ago, has moved up the proclamation of a second phase — an additional 10 stands. Twenty-two of the 26 stands have already been sold. NKP MD Grant Fischer said sales had demonstrated a distinct need for low density office developments. NKP offers a fixed interest rate of 15% and allows buyers three years to take transfer.

<p align="center">KENNISGEWING 481 VAN 1992 ADMINISTRASIE: VOLKSRAAD DEPARTEMENT VAN LANDBOU-ONTWIKKELING</p> <p>KENNISGEWING VAN VERGADERING VAN SKULDEISERS KRAGTENS ARTIKEL 22 (1) VAN DIE WET OP LANDBOUKREDIET, 1966</p> <p>Hierby word 'n vergadering van ondergenoemde applikant en sy skuldeisers op die plek en datum hieronder genoem, belê, met die doel om skuldeisers in staat te stel om hul vorderings teen die applikant te bewys en 'n skikkingsvoorstel van die Landboukredietraad te oorweeg.</p> <p>J. H. SMIT, Direkteur: Direktoraat Finansiële Bystand, Departement van Landbou-ontwikkeling.</p>		<p align="center">NOTICE 481 OF 1992 ADMINISTRATION: HOUSE OF ASSEMBLY DEPARTMENT OF AGRICULTURAL DEVELOPMENT</p> <p>NOTICE OF MEETING OF CREDITORS IN TERMS OF SECTION 22 (1) OF THE AGRICULTURAL CREDIT ACT, 1966</p> <p>A meeting of the undermentioned applicant and his creditors is hereby convened at the place and date mentioned hereunder for the purpose of enabling creditors to prove their claims against the applicant and of considering a proposal for a compromise by the Agricultural Credit Board.</p> <p>J. H. SMIT, Director: Directorate Financial Assistance, Department of Agricultural Development.</p>	
Aansoek van Application by	Plek van byeenkoms Place of meeting	Datum en tyd Date and time	
Anna Margaretha Johanna van Niekerk (Id. No. 491227 0033 007), van die plaas/of the farm Buffelshoek; Posbus/P.O. Box 2734, Newcastle, 2940	Kantoor van die Landdros/Magistrate's Office, Newcastle	6 Julie/July 1992 om/at 10:00.	

(29 Mei 1992)/(29 May 1992)

<p align="center">KENNISGEWING 482 VAN 1992 ADMINISTRASIE: VOLKSRAAD DEPARTEMENT VAN LANDBOU-ONTWIKKELING</p> <p>KENNISGEWING VAN VERGADERING VAN SKULDEISERS KRAGTENS ARTIKEL 22 (1) VAN DIE WET OP LANDBOUKREDIET, 1966</p> <p>Hierby word 'n vergadering van ondergenoemde applikant en sy skuldeisers op die plek en datum hieronder genoem, belê, met die doel om skuldeisers in staat te stel om hul vorderings teen die applikant te bewys en 'n skikkingsvoorstel van die Landboukredietraad te oorweeg.</p> <p>J. H. SMIT, Direkteur: Direktoraat Finansiële Bystand, Departement van Landbou-ontwikkeling.</p>		<p align="center">NOTICE 482 OF 1992 ADMINISTRATION: HOUSE OF ASSEMBLY DEPARTMENT OF AGRICULTURAL DEVELOPMENT</p> <p>NOTICE OF MEETING OF CREDITORS IN TERMS OF SECTION 22 (1) OF THE AGRICULTURAL CREDIT ACT, 1966</p> <p>A meeting of the undermentioned applicant and his creditors is hereby convened at the place and date mentioned hereunder for the purpose of enabling creditors to prove their claims against the applicant and of considering a proposal for a compromise by the Agricultural Credit Board.</p> <p>J. H. SMIT, Director: Directorate Financial Assistance, Department of Agricultural Development.</p>	
Aansoek van Application by	Plek van byeenkoms Place of meeting	Datum en tyd Date and time	
Willem Adriaan Venter van Niekerk (Id. 350708 5010 008), van die plaas/of the farm Erfplaas, Posbus/P.O. Box 59, Kroonstad, 9500	Kantoor van die Landdros/Magistrate's Office, Ventersburg	7 Julie/July 1992 om/at 10:00.	

(29 Mei 1992)/(29 May 1992)

<p align="center">KENNISGEWING 483 VAN 1992 DEPARTEMENT VAN HANDEL EN NYWERHEID WET OP SKADELIKE SAKEPRAKTYKE, 1988</p> <p>Ek, David de Villiers Graaff, Adjunkminister van Handel en Nywerheid, handelende namens die Minister van Finansies en van Handel en Nywerheid, publiseer hiermee, kragtens artikel 10 (3) van die Wet op</p>		<p align="center">NOTICE 483 OF 1992 32 DEPARTMENT OF TRADE AND INDUSTRY HARMFUL BUSINESS PRACTICES ACT, 1988</p> <p>I, David de Villiers Graaff, Deputy Minister of Trade and Industry, acting on behalf of the Minister of Finance and of Trade and Industry, do hereby, in terms of section 10 (3) of the Harmful Business Practices Act,</p>	
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Skadelike Sakepraktyke, 1988 (Wet No. 71 van 1988), die verslag van die Sakepraktykekomitee oor die uitslag van die ondersoek deur die Komitee gedoen kragtens Algemene Kennisgewing 255 van 1991 soos gepubliseer in *Staatskoerant* No. 13061, gedateer 15 Maart 1991, soos in die Bylae uiteengesit.

D. DE V. GRAAFF,

Adjunkminister van Handel en Nywerheid.

1988 (Act No. 71 of 1988), publish the report of the Business Practices Committee on the result of an investigation made by the Committee pursuant to General Notice 255 of 1991 as published in *Government Gazette* No. 13061 dated 15 March 1991, as set out in the Schedule.

D. DE V. GRAAFF,

Deputy Minister of Trade and Industry.

BYLAE

SAKEPRAKTYKEKOMITEE

VERSLAG INGEVOLGE ARTIKEL 10 (1) VAN DIE WET OP SKADELIKE SAKEPRAKTYKE, 1988
(WET No. 71 VAN 1988)

Verslag No. 18

AFRICAN PROPERTY DEVELOPMENT COMPANY LTD

INHOUD

- I. Inleiding.
- II. Die partye.
- III. Die behuisingsontwikkelingskema.
- IV. Die maatskappy se finansiële toestand.
- V. Die sakepraktyk.
- VI. Evaluasie.
- VII. Gevolgtrekking en aanbevelings.

I. Inleiding

Die Sakepraktykekomitee het ingevolge artikel 8 (1) (a) van die Wet op Skadelike Sakepraktyke, 1988 ("die Wet"), ondersoek ingestel na die sakepraktyke van **African Property Development Company Ltd ("Afprop")** en van **mnr. Frans Badenhorst**.

Afprop bou en bemark huise aan voornemende huiseienaars, meer spesifiek swart verbruikers met lae inkomste, wat genooi word om aandele in Afprop te koop met die verstandhouding dat hulle as aandeelhouders in die maatskappy eerste aanspraak het op die goedkoop huise wat deur Afprop te koop aangebied word.

Afprop se sakepraktyke het gedurende 1990 onder die Sakepraktykekomitee ("die Komitee") se aandag gekom deur persberigte en navrae deur die Regshulpburo van Johannesburg.

Die Komitee was besorg daarvoor dat die bestuur en finansiële struktuur van Afprop ongesond is en dat beleggers in die maatskappy 'n risiko loop weens die manier waarop die besigheid bedryf is.

Afprop se aandeelhouders het die maatskappy se werksaamhede grotendeels befonds. Hoewel daar nie van alle fondse wat deur Afprop ontvang is, rekenskap gegee kan word nie, is dit nietemin duidelik dat 'n aansienlike deel van die aandeelhouders se fondse aangewend is vir die neem van sessie van die regte om oor die grond te beskik, dienste op die grond te verskaf deur die installering van 'n netwerk vir watertoevoer en 'n spoelrioolstelsel en deur die bou van 'n aantal huise. Dié huise is op grond opgerig waarvan Afprop nie die eienaar is nie. As Afprop sou versuim om sy ontwikkelingsverpligtinge na te kom, bly die grond en alles daarop (d.w.s. die huise en verbeterings) die eiendom van die oorspronklike eienaar. Sowel Afprop se aandeelhouders wat reeds okkupasie van huise geneem het as dié wat nog wag om dit te doen, sal dan probleme hê om enige regte teen die wettige eienaar van die grond af te dwing.

Louis. The firm has also been appointed to prepare a plan to revive the Port Louis waterfront on similar lines to the Cape Town Victoria and Alfred dock development.

Retail expert RMS Syfrets is also sharing its expertise with the Mauritians in helping to establish a modern new shopping facility on the island.

Stauch Vorster deputy chairman Derrick Garvie says SV five years ago formed a subsidiary Design Planning International (DPI) under Midrand-based Barry Sawyer to look for work outside of the country. That initiative led to several major commissions in Mauritius.

Working with local architects on a project basis, SV does the basic design concepts and working drawings while local architects provide the construction detail drawings and contract administration.

Three Port Louis office buildings are still under construction and the fourth is already completed. They are: a R50m extension to the Mauritius Commercial Bank HQ; a R4m computer centre for the Mauritius Commercial Bank; the R40m Swan Group Centre; and the R10m eight-storey Cascade Building for the diversified Rogers Group PL.

Garvie says more work is in the offing. DPI recently completed a master plan for the renewal of Port Louis's Caudan Basin on the waterfront. The company has entered into a design competition for the government's R90m Finance House in Port Louis harbour and it has completed plans for a Mauritius Hilton hotel (now temporarily shelved) at Tamarin Bay which includes an 18-hole Gary Player golf course.

Further up the west coast of the island at Grande Baie, the architects are in the detailed design stage of a combined residential, retail and marina development. Forty apartments, at a construction cost of R6m, will make up the first phase of the scheme.

Meanwhile, retail specialist RMS Syfrets has been appointed by Jade Developments subsidiary Orchard Towers Ltd to consult on the design and tenant mix of a R50m new shopping centre in Quatres Bornes (between Port Louis and Curepipe).

RMS will manage the 14 000 m² centre after its completion in March 1993, and, as SA leasing agent for the project, has secured a Spar supermarket as the anchor tenant — to be operated by a Mauritian franchisee — and a Porterhouse restaurant. Negotiations with other retail groups continues.

RMS director Pat Flanagan says because the country's 1m people are fully employed, labourers had to be imported from mainland China to help build the centre which was designed by Canadian Chinese architect Joe Chiang Chan.

Garvie says the Mauritian economy has taken off as a result of a change in emphasis from tourism to the manufacture and export of sugar, high-quality clothing and knitwear. He says the government's adoption of free-market principles and insistence on a high standard of education for all Mauritians have also helped to boost business. ■

MAURITIUS Fm 29/5/92 ~~32~~
Paradise found? (32)

SA architectural and retail expertise have long been valued by Mauritian developers. But, due to SA's pariah status, it has been difficult for local firms to publicise the work they're doing on this prosperous island.

Much of that is changing. As SA comes out of the pale, designers and developers are now able to talk more freely about their Mauritian activities. And the list of projects they're engaged in is impressive indeed.

Top SA architectural firm Stauch Vorster (SV), for example, is designing four new office developments taking shape in Port

Gearing for growth (32)

Activities: Diversified building and construction group.

Control: Directors 65,1%.

Chairman: A K R Shoredits.

Capital structure: 10,8m ords. Market capitalisation: R11,8m.

Share market: Price: 110c. Yields: 7,3% on dividend; 25,8% on earnings; p:e ratio, 3,9; cover, 3,6. 12-month high, 130c; low, 110c.

Trading volume last quarter, 2 000 shares.

Year to Dec 31	'88	'89	'90	'91
ST debt (Rm)	11,8	19,1	14,0	25,0
LT debt (Rm)	4,8	8,9	7,6	12,1
Debt:equity ratio	1,9	2,7	1,6	2,6
Shareholders' interest	0,18	0,12	0,15	0,14
Int & leasing cover .	4,1	2,1	1,9	1,7
Return on cap (%) ..	10,2	9,9	9,7*	11,5
Turnover (Rm)	66	190	329	232
Pre-int profit (Rm) ...	5,2	8,8	8,4*	12,1
Pre-int margin (%) ..	7,6	4,3	3,8	5,2
Earnings (c)	33,7	44,0	17,3*	28,4
Dividends (c)	8	8	8*	8
Net worth (c)	97	111	123	133

‡ Year to end-June.

† 18 months.

* Annualised.

Operating margins almost doubled last year but gearing remains high. A R3,2m rights issue helped to reduce debt in 1990 but this year Shoredits can rely only on restricting capital expenditure and reducing debtors — R23,5m — to curtail debt.

Overdrafts rose from R10m to R18m. Financial director Pierre Cronje blames the builders' recession and seasonal nature of the industry. Chairman Andy Shoredits says Shoredits must gear itself so as "not to miss good business" in the next upswing — though this is not expected till 1993. In 1990 Shoredits said margins were under pressure and order books were becoming difficult to fill. Last year operating profit rose 22% and Cronje says books are now full.

The tightly held share has lagged the building sector and is at a 12-month low. Cronje argues this is not a true reflection of the company and claims overall results compare favourably with others in the sector. He also says the high debt is tailored to the workload. The acquisition of plant has cost more than R15m in the past two years but he says it is still more economic than hiring it.

Full order books do not compensate for a 62% increase in gearing but the share might appeal to high-risk investors. *Kate Rushton*

M&R school is opened despite death threat

B. D. van
29/5/92 Own Correspondent

DESPITE a death threat on his life from a mysterious caller, Murray & Roberts CE David Brink yesterday opened a school that his company financed in Cabinda province, Angola.

A military attaché from the SA representative office in Luanda, who declined to be named, said yesterday his office had received a call from the SA Foreign Affairs Department and been informed of the death threat.

"We were told that someone had called the head office of Murray & Roberts in SA and said that if Mr Brink did not return immediately, something would happen to him here in Angola," he said.

Journalist Callie Long is reported by Sapa as saying the death threat was received by Brink and his wife Merle "in their Luanda office". Long is reported to have said the caller was unhappy with the high profile of the visit.

The military attaché said the caller had said he was an ANC member.

The caller expressed unhappiness at M & R developing ties with Angola. He also said he knew Sanlam and M & R were closely associated.

Brink went to Angola with his wife, some associates and an SABC-TV crew in two corporate jets. Their task was to open a prefabricated community school, the first of nine in the M & R project there.

Brink decided to go ahead with the opening after the Angolan authorities gave him assurances regarding the safety of his party.

M & R announced earlier this year that it would assist Angola's oil-rich Cabinda province in a number of infrastructural projects.

The company is providing prefabricated houses, schools and hotels as a priority. It will also be involved in the training of engineering and construction personnel, production of concrete bricks and blocks, harbour and road works and mining exploration.

2% rise in building bodes ill

(32)

CT 29/5/92

By **MAGGIE ROWLEY**
Property Editor

Building plans passed

THE total value of building plans passed in the first three months of this year rose by a mere 2,1% to R2,8bn from the first quarter of 1991.

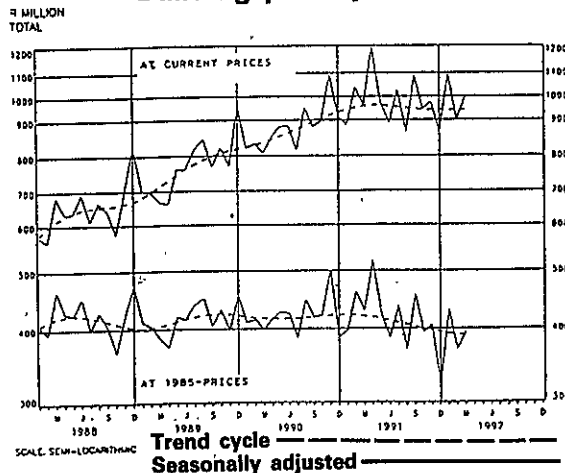
The drop in real terms bodes badly for the building and construction industry which is reeling under the country's longest post-war recession.

A 17,5% increase in residential plans to R1,2bn and a 14,1% increase in additions and alterations to R852,4m were offset by a 25,8% drop in the non-residential sector to R877,3m.

According to CSS, the urban areas of Pretoria, Witwatersrand and Durban were the main contributors to the increase in residential building plans passed.

However, the value of plans passed at constant 1985 prices shows a real drop of 8,6%.

During the first quarter the total value of dwelling house plans passed rose by 8,7% or R70,4m to R878,2 while the value of flats and townhousing soared 54,3% to R340,7m.



However the total value of buildings completed for the first quarter of this year registered a healthy 27,3% increase to R1,9bn against the same period last year.

Non-residential buildings completed rose 45,2% year on year to R615,3m while residential building completions rose 28,1% to R823,1m — of which houses accounted for R669,5m and townhouses and flats R131m.

Additions and alterations completed in the first quarter of this year were up 8,7% on a year ago at R473,8m.

LTA on Warsaw road

STIMEZ (0455) 31/5/92

By ZILLA EFRAT



A POLISH delegation to South Africa has approached construction group LTA about building a road from Berlin to Warsaw.

LTA group managing director Colin Wood says his group was consulted because of its experience in structuring toll roads.

Although it is still early days, Mr Wood says it is possible that LTA could get involved on the management side of the European road.

It is believed that Transport Minister Piet Welgemoed will visit Poland to sign an aviation agreement in August. But this cannot be confirmed.

The Polish-SA Chamber of Commerce and Industry is also set to take its first trade delegation to Poland in June. It will visit Warsaw and attend the Poznan trade fair.

Badger sheds its cloak in SA

810am 5/6/92
 (32) KARIN FRANKEN

US ENGINEERING and construction group Badger International, after braving sanctioneers with its surreptitious involvement in local multimillion-rand petro projects in SA for five years, is to return openly.

Its controlling company, Raytheon, bowed to sanctions pressures in 1987, saying it had sold 85% of its SA interests and that it intended to sell the rest.

In what was essentially a warehousing operation, Badger teamed up with Murray & Roberts subsidiary Engineering Management Services (EMS) under the banner of Process Industry Engineering (PIE).

Because of sanctions pressures at the time, Raytheon was reluctant to say whether it had maintained licensing or technical agreements with SA.

Badger has reopened an office in Johannesburg, and will trade as Badger Africa.

Essentially, PIE has been renamed. It is at present working on design and construction projects for Natref in Sasolburg and Sapref in Durban.

The projects are worth a combined R850m.

Badger MD David Beldotti said yesterday: "Badger never left SA.

"We provided engineering, design and

construction services to Sapref in the early '70s, and engineering, design, procurement and startup services for the giant Sasol 2 and Sasol 3 complexes at Secunda.

"During the more recent difficult times, as PIE, we carried out engineering, design, procurement and startup support services for the synthol units at the Mossel Bay onshore refinery."

EMS MD Bob Allester said the successful liaison with Badger would allow easier access to international experience, research and knowledge for the industry.

Other projects undertaken during the past five years included design and construction services for synthol units at the Mossel Bay refinery.

Further projects included design and construction management of Sasol's N-Butanol facility at Secunda.

The company is undertaking the grass-roots installation of delayed coker facilities for Sasol at Secunda.

It said it also intended to expand into the fertiliser, pharmaceutical, food and environmental sectors during the coming year.

Building doldrums continuing

PETER GALLI

THE building industry's woes were expected to continue for at least the next six to nine months as retrenchments continued unabated, SA Building Industries Federation (Bifsa) chief economist Charles Martin said yesterday.

He said high interest rates had seen order books run low and some tenders were being submitted below cost.

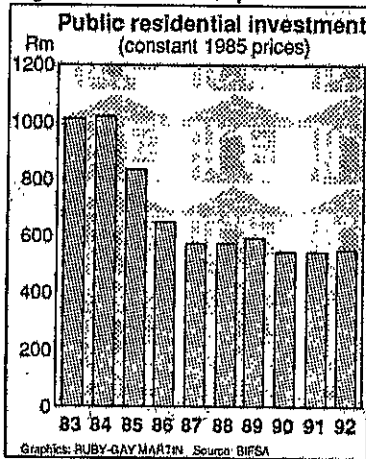
"We have seen about 40 000 job losses in the past two years and I expect another 5 000 to 10 000 people to be retrenched over the next year. These job losses were initially restricted to unskilled staff, but are now affecting skilled and senior personnel," he said.

The building cycle was still in a decline and should hit the bottom during the first half of 1993.

Gross domestic fixed investment in building was expected to rise by 7,5% to R16bn in 1992 at current prices from R14,8bn in 1991. However, in real terms this reflected a 5% drop this year in addition to the 10% decline seen in 1991.

While the present recession was not as severe as the one in 1985/86, it had been more prolonged and smaller to medium sized building companies were beginning to fold.

"Liquidations in the industry are increasing as continued high interest



rates see the smaller players unable to hold out. The industry and its activity and employment levels are inextricably linked to the interest rate scenario," he said.

Since the beginning of this year, the tendering market had become even tighter and margins were being cut further. "Some firms are desperate for work and are starting to tender below cost.

The high mortgage rate and slow-down in personal disposable income over the past two to three years had had a negative impact on the private residential market. While this market had been in the doldrums over the past 2 years, it was expected to dip by

a further 5% in real terms this year. Underlying fundamentals driving this sector were expected to improve by the second quarter of next year, but only after interest rates had fallen a further 2% and real personal disposable income had started to climb, Martin said.

"The townhouse market is the only growth area in this sector as these are seen as offering greater security in the present climate of economic deprivation and escalating crime."

Changes in government housing policy and cutbacks in capital expenditure by public corporations had seen a continued downward trend in public sector investment in housing.

"This downward trend has been evident for the past seven years, but has been partially offset by increased expenditure on infrastructural development," he said.

The non-residential sector also began to weaken late last year and a renewed upturn WAS not expected before the end of 1993.

Institutional investors had reassessed the situation in the light of the oversupplied position and lack of demand, and were now investing more heavily in the capital and money markets.

"The demand for hospitals, schools and clinics is likely to escalate in line with the democratisation process and these areas should see further positive growth," Martin said.

**ANC TAKES ON V & A BOSSES
OVER 'ALL-WHITE' WATERFRONT**

Race row tarnishes jewel of harbour

ST Times [Cape Metro] 7/6/92

By EVE VOSLOO

A TOP-LEVEL meeting has taken place between the African National Congress and the Victoria and Alfred Waterfront company about ANC concerns that the development has an all-white image and "excludes the broader community at all levels".

The meeting was confirmed this week by the director of the Waterfront, Mr David Jack, and ANC Western Cape Regional Executive Committee member Mr Basil Davidson.

It was also attended by ANC regional chairman Dr Allan Boesak, the chairman of the V & A company, Professor Brian Kantor, and city councillor Mr Sol Kreimer.

Favourable

Mr Davidson, the ANC regional executive committee member dealing with development-related issues, said this week that certain questions had arisen about the waterfront, "given that the development is on public property".

These included the privatisation of public property "without consultation with the broader community", he said.

"We discussed the composition of the board and the section of the community which has access to the opportunities offered by the development. Both of these are perceived as broadly white and of primary benefit to whites," he said.

"We also discussed the workers at the waterfront and said we felt the broader community was under-represented — even

most of the waiting staff are white — and that the target market of the development was not representative of the population of Cape Town."

The ANC believed it had not received a favourable response to its representations.

"We were more or less told that free market forces would determine who came in and who was employed at the Waterfront," Mr Davidson said.

He said, however, that it had been agreed to meet again.

The director of the Waterfront, Mr Jack, said all criticism was noted as there was high public interest in the project.

The Waterfront was open to everyone, he said.

Anyone could put forward a proposal and, provided it fitted in with the overall concept of the Waterfront and was based on sound business principles, it would be considered on merit. This was vital as the company received no finance from the state or the province, Mr Jack said.

"All interested parties were asked to put forward their ideas right from the initial planning stages."

Mr Jack said people of colour were involved in the Waterfront as employees, owners of businesses and contractors.

"One of the great success stories here is that of Mrs Fawziyah Knowlden, who saw at the start that there was room for a Halaal take-away," he said.

"There are other examples of people who have shown initiative."

Among them are Tallop Petersen, who

was instrumental in starting the Dock Road Theatre complex, and Abdullah Ibrahim and Hugh Masekela who were involved in Rosie's."

Mr Jack said the development was aimed primarily at locals — who accounted for more than 90 percent of visitors — and not at foreign tourists.

The company also had educational programmes, designed particularly to teach children — many of them underprivileged — about the South African fishing industry as well as the harbour and its history.

Success

The chairman of the V & A company, Professor Brian Kantor, said there had been a lot of scepticism initially about the project.

Now that it was successful, people who had not been involved earlier would "use almost any tactic" to gain a footing.

"The idea that this project is keeping out people of any persuasion is a calumny."

"We want to provide opportunity for everyone, based on merit. This development is open to all and its opportunities are being used by everybody."

"But this is not a charity. What some people want is affirmative action of some kind."

'Monsignor jeans' is archbishop's new right hand

By EVE VOSLOO

A RUGGED-LOOKING former navy chaplain with an impish sense of humour and a penchant for conducting parish business in blue jeans is the new Catholic Auxiliary Bishop of Cape Town.

Monsignor Reginald Cawcutt, appointed to his new position by Pope John Paul II, is vicar-general of the Archdiocese of Cape Town.

He is also priest in charge of Holy Cross parish, which includes parts of the old District Six.

In 1968, after working extensively with the deaf for six years, he became the first Catholic to be appointed chaplain to the South African Navy and held this position for 16 years.

Born in Rugby in 1938, Monsignor Cawcutt was the second of four sons of one of South Africa's most successful racehorse trainers, Mr Willie Cawcutt. His mother, Mary, who lives in Cape Town, was born on Robben Island while it was a leper



REGINALD CAWCUTT
New auxiliary bishop

hood at St John Vianney Seminary, Pretoria, from 1955 to 1962.

He was appointed vicar-general in 1985 by the late Archbishop Stephen Naidoo and reappointed by Archbishop Lawrence Henry in 1990.

The Pope appointed him a domestic prelate with the title of Monsignor in 1990.

Monsignor Cawcutt said yesterday he had known for some time that he had been nominated for his new appointment and that the confirmation was welcome.

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Gloomy prospects for civil engineers

8/10am 8/16/92

(32)

ANDREW KRUMM

REVISED civil engineering industry estimates show that actual contracts awarded are declining dramatically.

The Federation of Civil Engineering Contractors (Safcec) said the latest survey among its members indicated a 50% drop in contracts awarded in the first quarter of 1992.

Safcec economist Henk Langenhoven said at the weekend: "I expect a 25% decline to the end of the second quarter. At best, actual awards will remain static in the third quarter."

Current tender activity — a prime indicator of the timing of spending on civil investment works — decreased 17% from the fourth quarter 1991 to the first quarter 1992 "and we expect a continued decrease of about 9% to the end of the second quarter of 1992".

The bigger companies were tendering for small contracts, pushing small firms out of the market.

Real growth in turnover could be expected only in 1993.

He said 80% of Safcec members canvassed in a recent survey saw industry turnover decreasing 2.5% this year, but increasing 7% in 1993. A more optimistic Safcec study showed a 7% nominal growth rate in 1992 and about 20% in 1993. "The conclusion is that real growth can be expected in the latter half of 1993."

As turnover growth was linked to gross domestic fixed investment (GDFI), the industry faced a two-fold problem. "Civil's share of GDFI has declined since 1981. This is a structural problem. We have a cyclical problem as well in that funds especially budgeted for construction have not been flowing into the industry."

About R3,8bn was available for housing development from the sale of oil stockpiles, Independent Development Trust funds and other sources, but the organisations responsible were "sitting on it".

Grinaker Construction MD Bean Bornheimer said the industry was experiencing one of its deepest recessions yet. The industry relied on GDFI, which in turn depended on clear government policy and business confidence. Neither growth ingredient was evident, and the situation was unlikely to improve unless political stability was achieved.

Langenhoven said falling employment, lower margins and no real growth in projected turnover sketched a depressing short-term picture for the industry.

"Employment dropped 8% in 1989/90, 20% in 1990/91 and will decrease between 4% and 10% this year," he said.

Industry has had to adapt to radical technology change

BPA 10/6/92
BUILDING industry changes during the past 57 years have been revolutionary.

A gentleman's agreement is now defunct terminology and restrictive clauses are the order of the day, says one of Durban's most senior quantity surveyors, Nathan Abrahams, who celebrates his 75th birthday this month.

"A minefield of contractual legalities has come into being because of the massive escalations in the building price index — a R20 000 project in 1935 would cost about R1,8m by today's standards," he says.

A full-time consultant for Natal's largest firm of quantity surveyors, Walters & Simpson, Abrahams says compiling tender documentation was a laborious process. Procedure had to be followed to the letter.

Today the profession is far more open to lateral thinking, and computers have oiled the wheels of progress.

By the early 1950s, modernisation of building technology came into its own, and Durban's first highrise buildings began to mushroom on the city's skyline.

"The accent in the construction industry was towards labour-saving procedures.

Affected

"This affected the number of skilled artisans," Abrahams says.

"Apprenticeships shortened and the ranks of highly skilled workmen thinned out alarmingly."

Spiralling costs within the building industry and the lack of skilled workmen led to more simply styled buildings.

In recent years the industry has been forced to adapt to many changes, including conversion to metric measurements and the introduction of VAT.

"The modern era has given rise to a host of specialists within the building industry, with airconditioning, lift technology, electrical systems, safety features and alarm systems standard features in highrise buildings," Abrahams says.

More university graduates have moved across to work with building firms in project management, and there is generally a higher level of professionalism in the industry.

Graduates

Two out of every 10 university graduates join the profession.

The balance join building firms and property development companies.

"The good fellowship that exists within the profession has been an important constant to me in my 57 years with Walters & Simpson.

"The dog-eat-dog syndrome, so rampant in today's business world, has not become a trait of our profession."

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A vital role played in creating employment

6/19/92

10/6/92

SAPOA provides employment for some 4 million people in the formal economy — about 75% of those employed outside agriculture — if employment in the services, retail, industrial and construction sectors are taken into account.

Sapoa president Derek Stuart-Findlay says Sapoa members therefore play a vital role in the generation of employment and international evidence has shown that only the cities can generate work on the scale required to meet the huge population rises in the

developing countries. "Everybody is looking for that first job that will enable them and their families to start climbing the ladder of economic fortune. The activities of our members play a crucial role in this process," he says.

The commercial property industry represents about 20% of SA's total gross domestic fixed investment and consists of three major forms of investment — the office, retail and industrial markets.

The office market is occupied by the services sector of the economy. This

sector, which includes finance, trade, tourism, communication and government, represents 50% of gross domestic product (GDP).

"Locally, the services sector employs 1.5-million people. The office market houses this sector and I believe that our developers have acted responsibly during the last recessionary period in relation to similar conditions in many Western economies," he says.

Distribution

An outstanding characteristic of the local economy is its excellent distribution system. In many parts of SA, competition between retailers is as intense as anywhere in the Western world.

In metropolitan areas today there are about 16 regional centres each with a gross lettable area of more than 45 000m², 30 hypermarkets with an average area of 20 000m², more than 50 community centres averaging 17 500m² and hundreds of convenience and "high street" city and

town centres.

"The challenge is now to provide appropriate facilities in the less affluent suburbs. The potential is mind boggling. We face a situation where black South Africans represent some 75% of our country's population.

"Although only about 57% of this group is urbanised, their spending power already represents 41% of the total," he says.

Some 760 000 people are employed in the local formal retailing sector and there is no doubt that the retailing industry will continue to be a major generator of employment, wealth creation and distribution.

Sapoa members participate in this process by funding and developing structures within which retailing activities take place.

Members also manage a great proportion of the properties used for manufacturing and warehousing. The strength of this sector has been one of the surprises of the last few years of the recession, he says.

"With indications of renewed stability in our capital account and with the

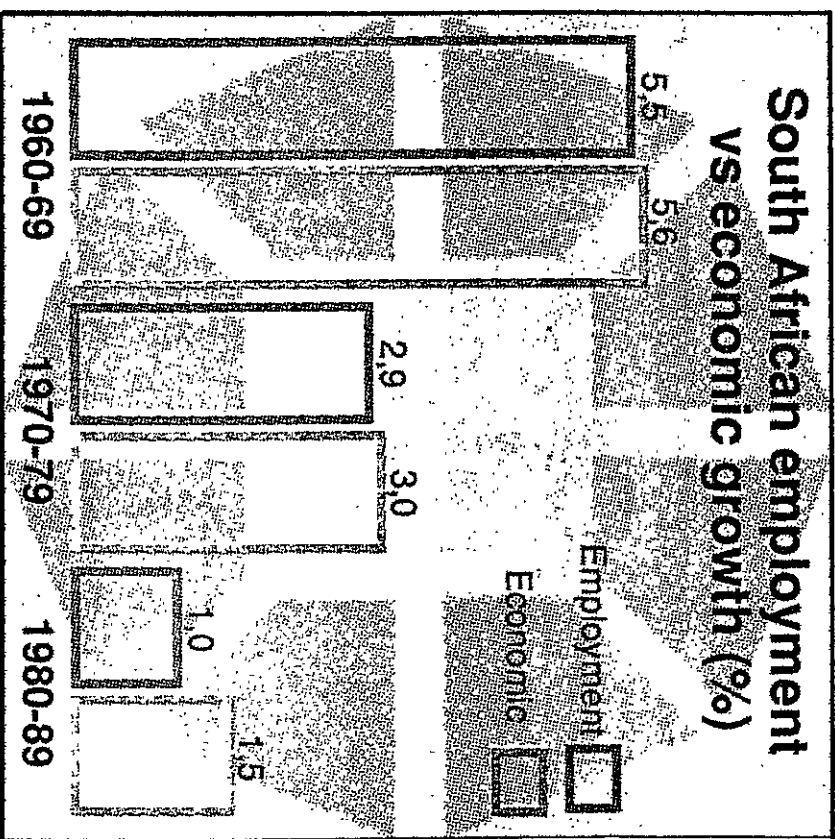


TO LET

Quality

Rrammfantain.

Sectional title needs to change with the times



Graphics: RUBY-GAY MARTIN Source: OLD MUTUAL

rebuilding of gold and foreign exchange reserves, interest rates should continue to decline slowly.

"As a result, we are likely to see increased investment in manufacturing. Given a reasonable investment scenario, offshore investors could start setting up new manufacturing plants," he says.

Apart from the jobs cre-

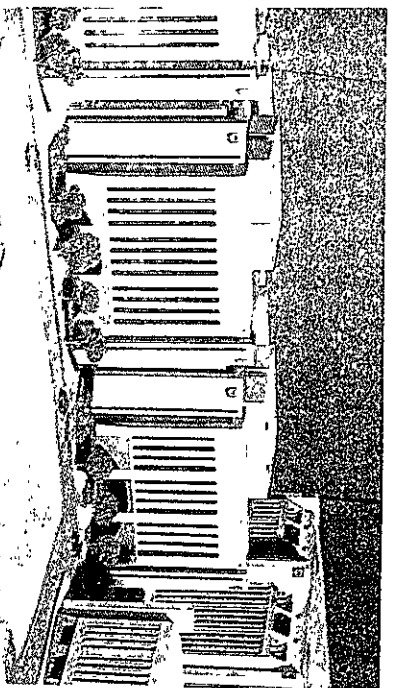
ated by businesses housed in office blocks, retail outlets and industrial developments, the commercial construction industry is also a major employer of labour, with some 400 000 people employed.

During the 1960s, local economic performance at an average of 5.5% a year compared favourably with

the rest of the world. During the 1970s SA grew at only 3% a year compared with 3.5% for the developed countries and 5% for the developed world.

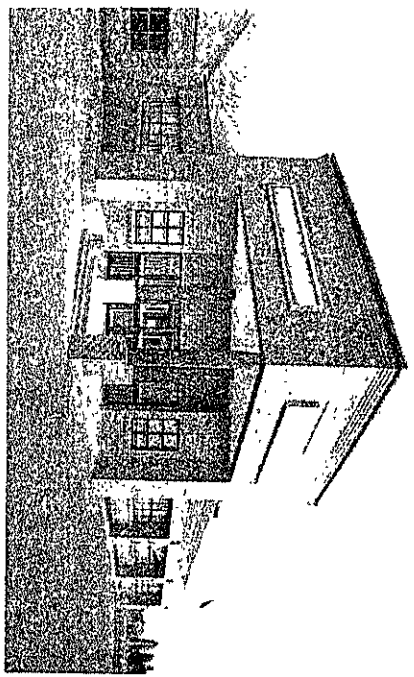
"The 1980s were disastrous for SA, which grew at only 1.5% a year while the rest of the world grew at 3% to 3.5% a year on average," he says.

32



Standard Bank's new headquarters in Simmonds Street, Johannesburg.

gold brings in business



60 000m² Abland development in Stridom Park. The building is occupied by Trustabank but owned by Standard Bank Properties.

Drawing on energy efficiency

STANDARD Bank's head office complex in Simmonds Street, Johannesburg is being designed by Taljaard Carter.

The three new buildings will be added to the already existing head office in 5 and 6 Simmonds Street.

The first phase of 22 000m² project will cost an estimated R60m and the entire project is scheduled to cost about R80m.

The head office complex, which will be joined by an atrium and pedestrian bridges, will take up the south-west quadrant of the city between Faraday and Westgate stations. There will be shops on the ground floor for the public and for bank personnel.

Taljaard Carter director Bill Carter says the building is a world leader in energy efficiency.

The first phase is due for completion in 1995 and the whole complex, which will house about 12 000 people and have parking for 6 000 cars, is scheduled to be completed in about 2005.

Health is at heart of the project

THE new Chris Barnard health centre in Phalaborwa is being designed by Taljaard Carter.

The R150m centre is an up-market concept, combining a luxury holiday with the improvement of quality of life and is a joint project between Barnard and Cape Town lawyer Frikke Erasmus.

Education provides broad platform

EDUCATION has provided a diverse platform for Taljaard Carter to spring into its present market.

The company started out in this field decades ago but changed direction with the political tide. We didn't wait for work in the education field to dry up. We saw the writing on the wall and moved into new areas, taking all that expertise with us," says partner Justus van der Horst.

Retail market is the newest venture

TALJAARD Carter's most recent commercial venture has been a move into the retail market.

It has identified the market as having two growth areas: the first is the conversion of neighbourhood shops of a manageable size which are user-friendly. An example of this is Epsom Downs near Sandton City, says Taljaard Carter's retail specialist Sean Mahoney.

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turnover this past year in a market in which it is a relatively new player.

"The market is very tight but we have an attitude that overcomes that — adapt or die," he says. The company has three universities under its belt, including the University of Venda and the University of the North, and 11 teacher training colleges. These include the Johannesburg College of Education, Potchefstroom, Goudstad, Kwa Thema and Sebokeng.

By the time we moved into our present market we had expertise in almost every area. In education you are always dealing with huge projects which are very complicated and diverse. They are multi-disciplined and multi-faceted. In one project, a wide spectrum of buildings such as offices, laboratories, workshops and canteens has to be dealt with. The move has been timely for the company which despite a recession, has managed to double its

which is not usually conveniently located near residential areas but is highly visible adjacent to a highway for instance, and has low rentals and ample parking. Mahoney says a recent visit to the US confirmed that this was the trend there.

The company's industrial sections venturing into the discount centre market with the combined skill of retail and industrial staff. Taljaard Carter is designing a 4 000m² discount

centre in Sandton, and is contracted to design a convenience shopping centre near Johannesburg. Mahoney says an important aspect of the retail division is the identification of market trends, where areas needing to be looked at include urban patterns, location, development viability and demographics. The company is also looking at designing low-cost shopping centres in areas such as Soweto, where the market is huge and existing facilities are inadequate.

division in turn has of effective alliances with minded developers, building consultants. This way the client deals one team as opposed to dual players, with certain as opposed to risk e believe this strategy has ed us to grow in turnover 2% in the past two years. I predict growth of 50%," what becomes of quality gnality with all this on speed and cost the opposite to what

one would expect. This new development has allowed innovative design rather than hampering it. Industrial team member Mark Pretorius says. We spend less time re-inventing the wheel and are able to concentrate on innovation within the framework of the known. Lankester says this innovation typically takes place at the level of structural lightness and column placing, roof lighting and ventilation, cladding and rainwater details.

"We have ongoing design development meetings which are not related to any particular project but to address the problems at a general level. In this way solutions are tested and predetermined even before the client enters the field. At present, the industrial building often constitutes the client's corporate image. For this reason the aesthetics of the building remain an important issue. Through innovative and integrated design we are able to achieve this at nominal extra expense. "You have to pay for bricks anyway. What counts is how you put them down," he says.

whole page

Tc Architects

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Strijdom Park 'the best positioned area in SA'

STRIDDOM Park in Randburg is showing its true potential as the best-positioned area in the country, says Taljaard Carter director of the firm designed the 60 000m² industrial park in Strijdom Park for Abland.

The Riddom development offers a rental or freehold solution to almost any light industrial requirement, and has exceeded all expectations.

highest for industrial accommodation in the area. "This growth in the face of a generally stable market is proof of the excellent location of the development, and the high rental rates mean that cap rates are well above 12%."

Based on the trend in Strijdom Park, with a surge in industrial development, he believes investors should look carefully at the ratio of industrial units to office developments in their unit trust portfolios.

He says the interest in the industrial park stems from the fact that tenants and buyers are recognising its accessibility from Johannesburg's northern suburbs and a major freeway, as well as its relative security.

Industrial building will recover first

THE economic upswing will first be experienced in industrial building, followed by recovery in the office market, says Taljaard Carter director of Justus van der Hoven.

He predicts that existing buildings will fill up within two years and new building activity will begin within three years.

Taljaard Carter has established a strong industrial arm in anticipation of this recovery and is expecting increased activity in this sector, with 60 000m² more than 60 000m² more expected this year.

Not only factories but head offices are moving to the area.

Stewarts & Lloyds has built a new head office with a factory component in the park.

Tenants and buyers into the Abland development include no less than four suppliers of medical equipment. These co-exists with companies such as Technics, McNeil's deodorising centre, HFM, Seminars Meat Products, retailing outlets for Villaggio and Bosch, and Excelsior Tiles.

"Today there are no let-upers for buildings which are 30% let off plan. Institutions want buildings 100% pre-let before they will look at them."

He says a recent trip to Dallas showed a critical lack of activity among developers and architects specialising in offices.

"A few years ago Dallas began to decentralise, and buildings went up at a rapid rate to cater for expected demand."

"This did not materialise."

Van der Hoven believes the route to survival is the re-use of existing buildings, and his firm is becoming more adept at refurbishing work to meet this demand.

Demand has been mainly in the 1 000m² to 4 000m² space range, with lesser interest in factories of less than 1 000m².



De Beers' R53, 2m facilities could easily expand

TALJAARD Carter was responsible for the design of the R53, 2m new office and factory facilities for De Beers Industrial Diamond Division.

The 8 900m² facilities, on a 7,2ha site in Booysebosch, Johannesburg, include separate buildings to accommodate Debeers' diamonds and electronics divisions.

The complex also has a central services block with a canteen and kitchen. A security building is situated at the entrance to the complex.

Taljaard Carter director Justus van der Hoven says each operational unit included in the design has two distinct components: a two-story office building, a single-story factory building and the office area.

This facilitates split access and makes outward expansion easy.

The exterior finishes of the buildings are clean and

A sandstone-coloured facade with flush mortar joints is intersected at regular intervals by recessed panels of darker brickwork to emphasise depth and create interest.

Thorough steel metal roofs are accented by yellow gables and louvers.

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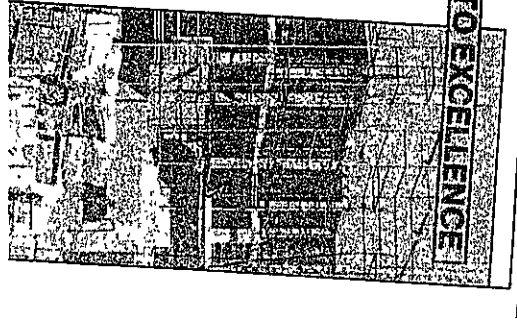
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WORLD

Russia says many will lose their jobs

MOSCOW — Unemployment in Russia may increase 60 fold this year as the country moves towards a free market system, the chairman of parliament's committee on labour and employment said on Monday.

"We are expecting from 3.5 to 4 million to be registered as unemployed by the end of the year, compared with 62,000 on January 1 1991," Pyodor Prokopyov said.

These projections could be considered as a minimum, since a large number of those people losing jobs did not register with the state employment office, he told a news conference.

The government had predicted 7-million unemployed among the country's labour force of 67-million by the end of the year. Russian television on Monday quoted independent experts as saying the real figure could be twice that number.

Prokopyov said by the end of May only about 150,000 unemployed workers had registered. He said a far greater number were without work but could not register because their workplaces were not yet deemed to be legally closed.

A new law on bankruptcy was de-

New investigation into Maxwell's share scams

LONDON — British investigators, still baffled by Robert Maxwell's mysterious web of finance seven months after his death, have launched a major probe into his Mirror Group share dealings.

This follows Monday's announcement by the government that it was creating a £250m fund to pay retired men and women whose pension funds were plundered by the late media mogul.

Prime Minister John Major said the Maxwell pensioners were the victims of a "piece of criminality".

The government's new attack on the Maxwell empire follows allegations in recent days that Maxwell interests set up thriving businesses beyond the reach of court officials appointed to retrieve funds for pensioners and other creditors.

Investigators who have been probing Maxwell's affairs since his mysterious death at sea last November say he stole as much as £50m from pensioners, using the money to prop up shares of various com-

NEWS IN BRIEF

Call for Yes vote

DUBLIN — Ireland's four main political parties united yesterday in calling for a Yes vote in next week's crucial referendum on the Maastricht Treaty.

"I don't believe attempts to conceal unemployment or to artificially regulate it can do any good. Only a stable economy is a cure for the malady," Prokopyov said.

He said the process of mass privatisation to be launched soon in Russia could further swell unemployment.

Prokopyov said the state employment bodies planned to set up a public works programme providing temporary jobs, but complained they were short of funds.

Meanwhile Russia's privatisation chief said on Monday government had rejected proposals to return property seized by the Bolsheviks after the 1917 Revolution, blaming such moves for chaos in the rest of Eastern Europe.

Head of the State Property Committee and a deputy prime minister Anatoly Chubais said proposals for the return of such property had been thoroughly considered and rejected.

He added Russia's relatively long period under Communist rule further complicated the question of property claims. — Sapa-Reuters

Recipe for corruption

HARARE — Rigid and over-centralised decision-making processes in developing countries contribute to corruption.

Participants to an anti-corruption conference heard in Harare yesterday, the Ziema news agency reports.

Writer gunned down
CAIRO — Farag Foda, an Egyptian writer who denounced and mocked Muslim fundamentalists, was gunned down by two masked men on a motorcycle on Monday evening and died in hospital yesterday. One of the two attackers was captured.

REPORTS: Sapa-Reuters

Czechoslovakia set to split

PRAGUE — President Vaclav Havel, desperately seeking ways to prevent Czechoslovakia splitting apart, conferred with Prime Minister-designate Vaclav Klaus yesterday but there seemed little room for manoeuvre.

Klaus reported back to Havel after the failure of late-night talks with Slovak leaders plunging the country deep into crisis. Break-up seemed inevitable.

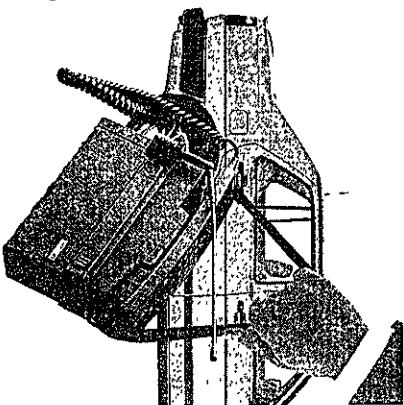
"The common state is lost in the opinion of our partners today," Klaus said when he emerged from six hours of tough bargaining with Slovak strongman Vladimir Meciar over forming a new government.

"The negotiations revealed truly deep and essential differences."

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are with regard to what the market wants." The two main factors in this regard are profitability and marketability.

Efficient

As far as profitability is concerned, a commercial building must be efficient in terms of space, design energy use and the design must be simple and rational, English says.

In terms of marketability, there must be flexibility of space and ideal working environments.

Design efficiency is achieved through close working with the developer, quantity surveyors and other consultants.

Aspects to be accommodated are the size and requirements of tenants, and various company profiles. It is not just a question of having in on institutions, developers and property



The SA Housing Trust headquarters in Randburg. A design competition won Taljaard Carter the commission for the building

brokers says English. Institutions are no longer taking the risk, the market is very susceptible to the business cycle. Developers have to show institutions that the building is let before completion. English says the company works closely with institutions in this field. "We understand what institutions want, we under-

stand what developers want. We work as part of a team. "Speed is of the essence." "In short, we make sure we are fast and effective and a building will cost what we say it will cost," he says.

The company has worked with many large institutions including Sepham, Saso Pension Fund, Federal and Standard Bank Properties. The company has shown

— the tax base, transport and security. The CBD faced the problem of losing much of its tax base due to companies decentralising and because of this and the expense of Soweto's upkeep taxes and rates could spiral.

Contribute

It was now necessary for government to step in and contribute financially to the upkeep of Soweto to prevent the

He said a recent visit to Dallas in Texas showed how decentralisation had led to the decay of the city centre. The difficulty in letting buildings had led to them being demolished, leaving the city sprinkled with vacant plots.

Transport and security were two major factors driving large corporations out of the city centre at present, the said. Latest figures from the S2 Police showed that only 20 policemen patrolled the city centre streets during the week

MURRAY & ROBERTS CONSTRUCTION

Business Warning on effects of mass action

SA Press Association

AN estimated R97 million a day could be lost by the construction industry if the ANC's mass action campaign went ahead, the Association of the South African Quantity Surveyors warned yesterday.

"Retrenchments and closures could become the order of the day if mass action at this delicate stage of work scarcity was sustained for any length of time.

"Lost wages could exceed R8 million a day, which would result in extreme hardship particularly as work is scarce and job security is threatened," the association said in a statement.

Sowetan 15/6/92

Reduced productivity

"Each element of construction work has, as a part of its cost makeup, an element of labour cost allowance, and a stoppage does not reduce the quantity of work still to be executed in the completion of any construction project," the statement said.

In fact, Asaqs said; days lost in this manner created an atmosphere of reduced productivity followed by the cost of unproductive overtime.

"There is also the ripple effect into allied industries - cement, quarry, brick, steel, timber, electrical and mechanical industries which largely depend upon the regular turnover of work generated by the construction industry," the association concluded.

Builders want housing forum

B/Daily 17/6/92 *(32)*
THE National Association of Home Builders was formed 10 years ago to supplement services offered by the SA Building Industries Federation (Bifsa) and the Master Builders Association, past executive director Johan Grotsius said at its tenth anniversary celebration this week.

"The association was instituted to support the interests of the home building industry, which differs from the other sectors of the construction industry," he said.

However, it was only in the past five years that the association could fully focus on its real responsi-

bilities of setting specific targets for the housing delivery process and moving towards fulfilling its dream of building the nation through home ownership, said Grotsius.

It had attempted to bring all players in the industry together and believed that a single effective strategy would soon be adopted. "Subtle but persistent persuasion has succeeded in conveying the message that the housing battle could not be thrust upon the private sector," he said.

In anticipation of a changing social structure in SA, the association had started to encourage members to establish business

alliances with black groups so that entrepreneurial skills could be developed within deprived communities.

The association had accepted the challenge of working towards greater rationalisation in the industry's organisational structure in order to improve services.

Executive director Daan Roelvert said he hoped to see the formation of a national housing forum in the near future.

Positive

A world housing conference to be held in Cape Town next May "was quite an achievement", he said.

Chairman Martin van Zyl said the association did not do enough for its members and, as there would be a new government policy in the next two years, it had to work on moving forward in a positive way.

"The national housing forum will be the venue for placing an acceptable policy for the future on the table as there is no way forward without this," he said.



Compiled by Frank
Jeans and Meg Wilson

Tiber Bonvec buys 32 Parktown building

Construction group Tiber Bonvec has paid R3,35 million for 12 Sherborne Rd, an office building in Parktown.

The seller was Anglo American Property Services, on behalf of the Main Street Property Fund. *STAR 17/6/92*

Long-standing tenant McCann Erikson will not be renewing its lease, but the new owner says it has already had a number of enquiries for the building, which has about 1 200 sq m of lettable space and parking for 27 cars.

NAHB aims for policy-making role

The news that \$30-billion has been approved by the United States Aid Organisation to provide housing for the "poorest of the poor" in South Africa is proof, says the National Association of Home-builders (NAHB), that it is on the right track in redefining its role in the

housing delivery process. Initially formed to stabilise the home building industry and enable the implementation of home warranty schemes, the association is now determined to act as a major player in the formation of a national housing policy.

To this end, it is now actively seeking alliances with industry players in less privileged communities and lobbying for maximum participation in the National Housing Forum, which will in the next few weeks debate the De Loor report recommen-

dations and, hopefully, formulate an overall housing strategy.

The NAHB is in the best position to act as the catalyst, says newly appointed executive director Daan Roelvert, because it is an umbrella body for most of the big home builders as well as many others whose livelihood is bound up with the industry, and has already been influential in changing government thinking on housing and rationalising the industry.

It regards the confirmation of the US aid package, as well as the imminent relocation of the aid organisation's offices from Nairobi to Pretoria, as evidence of its success in focusing international attention on South Africa's housing problems — as well as possible solutions.

It has also notched up successes this year in the form of a joint national

housing conference with the African Builders' Association and, together with the Institute for Housing of Southern Africa, securing the 1993 World Housing Congress, to be held in Cape Town.

At a function this week to mark the association's 10th anniversary, former director Johan Grotsius said it had been the NAHB's recognition that builders within the sector did not function in isolation which led to the initial search for alliances with other players: those in land development, the financial institutions, manufacturers and suppliers of building materials, researchers, marketers, and those with specific technical knowhow and entrepreneurial skills.

Once this had been achieved, the NAHB focused on setting specific targets for the housing delivery process and, said Mr Grotsius, the re-

cent marked change in government thinking and policy was in large measure due to the association's voluble rejection in 1983 of moves to thrust sole responsibility for housing on to the private sector, and its wide ranging lobbying activities since then.

While the association could not claim all the credit for the current re-vitalisation of the housing debate, it did feel justified in claiming a key role in ensuring that housing had come to be acknowledged as being of primary importance in the "national household".

It had finally been recognised that a healthy, stable housing industry was essential to the well-being of all South Africans and that conditions had to be created to ensure that the capacity of the industry and its supporting services were utilised to the full.

Business

Boom in building training

THE increased number and distribution of courses displays the growing demand for entrepreneurial training from small builders.

And in turn it shows the Entrepreneurial Development of Southern Africa's ability to respond to the demand.

Citing all this, Edsa chairman Mr Neville Davies says a training contract awarded to the African Builders was a further endorsement of the relevance of the association's training to the needs of its members.

During the year pilot entrepreneurial courses were also introduced for small civil engineering contractors and manufacturers of building related materials. These initiatives have the potential to support the future development of viable enterprises in these areas.

Market conditions have led to a

By JOSHUA RABOROKO

32

low level of activity for the Small Builders' Bridging Finance Programme. *Sowetan 18/6/92*

A review took place to assess its internal efficiency and its relevance in a changing market environment.

Entrepreneurial Development helped in networking with other organisations to mobilise resources for small builder development.

The Action Forum, in particular, is addressing a number of macro issues which would not otherwise be effectively tackled by any single organisation.

The report says during the year Dr Gordon Sibiyi resigned from the Edsa due to the pressure of other commitments.

NAHB ready to help

Sowetan 17/6/92 (32)

Sowetan Reporter

housing conference with the African Builders Association.

THE National Association of Home Builders says it should provide houses after the United States Aid Organisations approved R90 billion for the "poorest of the poor" in South Africa.

Formed to stabilise the home building industry and help to implement home warranty schemes, the association is now determined to play a major role in the formation of a national housing policy.

To this end, it is now seeking alliances with industry players in less privileged communities and lobbying for maximum participation in the National Housing Forum.

The Forum will debate the De Loor report recommendations and, hopefully,

formulate a housing strategy.

The NAHB is in the best position to act as the catalyst, says newly-appointed executive director Mr Daan Roelvert.

Roelvert said it had already influenced the Government on housing and was the umbrella body for most of the big home builders and other organisations linked to the industry.

It regards the relocation of the US body from Nairobi to Pretoria and its aid package as evidence of success in diverting international attention to South Africa.

The successes this year include a joint national

SOWETAN PROPERTY

Omhle plans material depots near camps

By JOSHUA RABOROKO

Soweto 19/6/92

THE Operation Masakhane for the Homeless needs R8 million to finance building material depots in an attempt to alleviate the plight of homeless blacks.

The chairman of the organisation, Mr Dan Moshugi, yesterday said they were expecting the money from local and international communities.

The Japan anti-apartheid committee has already pledged to grant the organisation about R80 000 to motivate the funding of low-cost community based building material depots in the homeless communities of Bohlakong near Belhe-

hem, Doornkop near Soweto and Mofatlala near Ventersdorp.

Training has already started and about 20 craftsmen have completed their courses in these areas.

Omhle, in conjunction with the South African Lumber Millers' Association devised a viable and practical strategy to address the housing problem.

Salma is the custodian of timber construction technology in the country and has a well developed training division.

The depots would be

situated right where the people live because they do not have transport to go and buy materials from distant outlets.

The major challenge is to pioneer a community based supply system which, together with proper training, will help break the slum syndrome in informal settlements.

"Respectable affordable housing has to be made achievable and available to the very poor as the first and foremost phase in the process of social upliftment," Moshugi said.

Because of the lack of skills in timber construction, appropriate training would be considered as the first step in the organisation's strategy.

"The need for community depots arises from the fact that formal building material supply channels are for many reasons not reaching informal settlements.

"Good quality materials are therefore not readily available in these areas where normal transport cannot be afforded," he added.

"This offers new hope to the homeless but what is needed now is the money in

order to have positive input and participation from all sectors of the housing fraternity in South Africa," he said.

According to a Salma spokesman more than 350 people have been trained by the company to build their own time frame home units.

Building material depots in or near areas where millions of homeless have erected temporary shelters were also established.

By the end of the year they might be five to eight and by the end of next year a substantial number, the spokesman said.



Omhle's chairman Mr Dan Moshugi.

Bricks for 20 000 homes in stock

THERE were now sufficient bricks stockpiled to build 20 000 average-sized homes, Claybrick Association spokesman Nick Vujovic said.

And with no end to the building slump in sight, the 400-million brick stockpile — double the stock held during the 1985 building boom — was likely to continue growing. (32)

Vujovic said the industry was operating at 55% to 60% of its capacity, mainly because of the closure of various brick making factories.

The most recent example was Corobrik, which mothballed three of its 10 factories. (22)

About 50 brick factories had been closed over the past five years due to

EDWARD WEST

6/Day 22/6/92
the building industry's slump. (12)

Murray & Roberts Construction chairman Schaal van der Merwe did not expect an upturn in the construction industry — which traditionally lagged nine to 12 months behind the economy — for at least two years.

Low-cost housing building activity would only increase once the political situation improved, he said, adding that there was a change of investment emphasis in this sector from brick and mortar homes to serviced sites using other materials.

Vujovic said that on a regional ba-

sis, demand for bricks in the western Transvaal was expected to slacken with the winding up of the Lost City project at Sun City.

Demand in the Free State was minimal, and capacity had been cut as far as possible.

Demand was erratic in the PWV. Margins were tight and consumers could benefit by negotiating prices. In the western Cape, demand was reasonably buoyant.

However, in the northern Transvaal, where approximately 48% of the national housing shortage existed, homeland government agencies were showing much interest in purchasing bricks, Vujovic said.

Bank accounts

1992 takes its toll on builders

(32) CT 22/1/92



Property Perspectives

by MAGGIE ROWLEY

LIQUIDATIONS have reached record levels in the construction and building industry.

A total of 100 companies in the industry going under in the first quarter of this year — 60% more than during the same period in 1991.

This has brought the number of building companies liquidated in the past four years to 963 resulting in a loss of more than 30 000 job opportunities in the industry.

And if the current trend continues a further 250 companies could go under this year, Johan Snyman of Medium Term Forecasting Associates has warned.

According to the latest building review from the Building Industries Federation of South Africa, many companies have increased the risk of running into serious trouble through suicidal tendering on projects.

Lower tender sizes

There is no doubt that tendering competition has become extremely keen with up to 15 tenders or even more being submitted per project against an average of two to five under normal business conditions.

Tender sizes are also decreasing and projects of R10m and under are now being put out to tender compared to average tender amounts of R20m in more prosperous times.

In addition, tender price spreads have reduced significantly and the variance of highest to lowest tenderer now varies between five and 10 percent.

Due to the lack of work in the industry, the practice of the call for open tendering has become more prevalent and, says Bifsa, it would appear that only the major institutional investors are inviting offers by way of negotiated contracts.

Getting tougher

By tendering on projects below or near cost, as an increasing number of builders are now prepared to do, smaller to medium size companies were significantly increasing their chances of going bankrupt during the course of medium to longer term contracts, Bifsa warns.

With order books generally very low and little improvement forecast for the industry this year tendering can be expected to get even tougher.

One of the reasons builders have been prepared to go in at close to or below cost is to keep their workforce occupied.

Arguing that if this is the object of suicidal tendering, some in the industry have argued that companies would do better to send their workers home with full pay for a couple of months.

At least this way, they say, companies would retain control and budget for their losses.

While this may seem somewhat drastic action, it does provide food for thought.

LTA earnings up despite tough trading conditions

by Day 23/6/92
EDWARD WEST

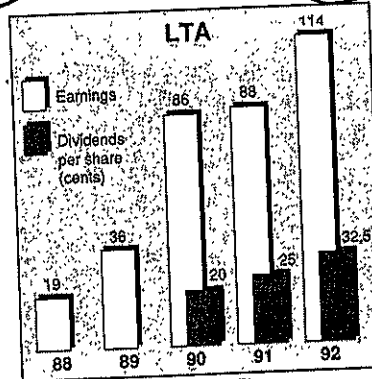
LTA continued to weather difficult trading conditions in the construction industry and posted a healthy 29,5% increase in earnings to 114c (88c) a share in the year to March 1992.

A dividend of 32,5c (25c) a share for the year was declared.

Chairman Hilton Davies said in his annual review the group should be able to maintain earnings growth in the coming year. His view was reiterated by financial director Jimmy Oosthuizen, who said trading conditions were as tough as they could be, but that LTA was holding its own with the value of uncompleted work in hand at R1,564bn (R1,506bn).

Sales increased marginally to R1,876bn (R1,870bn). However, operating income reflected improved profit margins and increased 18,2% to R47,4m (R40,1m). Gross profit margins improved to 2,53% (2,14%) of sales.

The 72,3% Anglo American owned construction conglomerate also benefited from a healthy cash balance of



Graphics: RUBY-GAY MARTIN Source: LTA

R164,2m (R107,3m) which contributed R7,1m (R1,5m) in interest to profits.

Tax came to R19,9m (R15,6m). Taxed profits improved 33% to R34,6m (R26m). An extraordinary loss of R664 000 was declared which related to goodwill written off on acquisitions and profits on the disposal of property.

Attributable earnings after extraordinary items grew 30,6% to R30,3m (R23,2m).

LTA recently acquired roofing, ventilation and flooring manufactur-

er H H Robertson from the US-based Robertson Ceco Corp for R15,1m. The deal was expected to increase LTA's earnings by at least 4c a share a year.

Davies said LTA was maintaining a high level of activity in Lesotho and Botswana and was planning to extend activities to other areas of southern Africa in view of the declining investment in construction in SA.

Gross domestic fixed investment in construction had fallen by 25% over the past 12 years. While the level of non-residential spending remained constant, residential building had fallen 11%. Spending in the civil engineering industry dropped by 56% over the period.

There was considerable construction activity relating to office buildings and shopping centres during the year and unless the economy improved, Davies questioned whether the level of investment by institutions could continue.

LTA was untraded at 425c a share yesterday, off its 12-month high of 450c a share on July 8 1992. In the year to March 1992, net asset value was 598c (412c) a share.

LTA bucks building sector doldrums

Business Staff

(32) ARC 23/6/92
SHAREHOLDERS in LTA, one of South Africa's Big Two construction companies, should have little cause to complain about results for the tough 1991-1992 financial year.

The 29,5 percent growth in profits, it is true, is below the previous three years' 50 percent-plus annual increases.

But shareholders can draw satisfaction from two facts. The first is that the increase in earnings came from a virtually static turnover, indicating exceptionally good management.

The second is that the dividend, both in percentage and in cash, has been increased by a significantly greater amount than a year ago.

LTA is paying an annual dividend of 32,5c a share, which is an increase of 7,5c, or 30 percent, on last year's 25c.

This itself was an increase of 5c, or 25 percent, on the 1989-90 payment. This puts LTA shares on a fairly handsome 7,6 percent dividend yield.

Nonetheless, the bigger dividend is still covered by 3,5 times earnings.

Shareholders should also be pleased by the improvement in the group's financial health, shown in the increase in cash holdings and deposits from R107 3million to R164,2 million.

LTA should, therefore, be able to take advantage of any upturn in business over and above what it is doing at the moment.

Despite the depressed state of the economy, LTA is comfortably placed to maintain current earnings with uncompleted contracts on hand worth R1,56 billion, up from R1,50 bil-

lion a year ago, says finance director Jimmy Oosthuizen.

■ Despite a 24,5 percent dive in earnings per share to 308,6c, Plate Glass and Shatterproof Industries (PGSI) will continue to dominate the southern African board and glass industries, says chairman Ronnie Lubner.

A final dividend of 85c (157c) has been declared to make a total of 150c (222c) for the year to March.

Lower interest and tax bills were offset by an increase in preference dividends.

Lead: £299,00 (£301,50)
Tin: \$6745,00 (\$6687,00)
Sugar: £142,20 (£143,80)
FTSE: 2550,3 (2584,8)
DOW: 3285,35 (3274,12)

nor Jaap Meijer said last week, however, that intervention in the past few months was very small. The Reserve Bank was still testing the market, he said. Dealers expect the Reserve

the economic outlook for South Africa is bright, but that if the situation becomes deadlocked or deteriorates, unrest could seriously weaken activity, impeding output particularly in the gold mines.

ital markets in order to reduce interest rates, and to normalise foreign financial relations before the current standstill arrangements expired at the end of next year.

LTA keeps shareholders happy

By Derek Tommey

Shareholders in LTA, one of SA's Big Two construction companies, should have little cause to complain about results for the tough 1991-1992 financial year.

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despite the depressed state of the economy, LTA is comfortably placed to maintain current earnings with uncompleted contracts on hand worth R1,56 billion, up from R1,50 billion a year ago, says finance director Jimmy Oosthuizen.

The business is in SA and neighbouring territories.

Mr Oosthuizen would not discuss the R660 million contract, in which it has a major part, to build a R1 billion air base in Botswana. The profit figures show that turnover rose marginally in the year to March by R6 million to R1,876 billion, but operating profit rose 18,2 percent from R40,1 million to R47,4 million.

Mr Oosthuizen says the increase is not the result of any special de-

velopment, but merely reflects the steady recovery from the problems of a few years ago.

As LTA is cash-rich, interest received rose from R1,5 million to R7,1 million and helped pre-tax profit rise 31 percent from R41,6 million to R54,5 million.

Tax took R19,9 million (R15,6 million) and after providing R4,3 million for outside shareholders and R664 000 in extraordinary items, LTA had earnings of R29,6 million (R24,2 million).

Dividends took

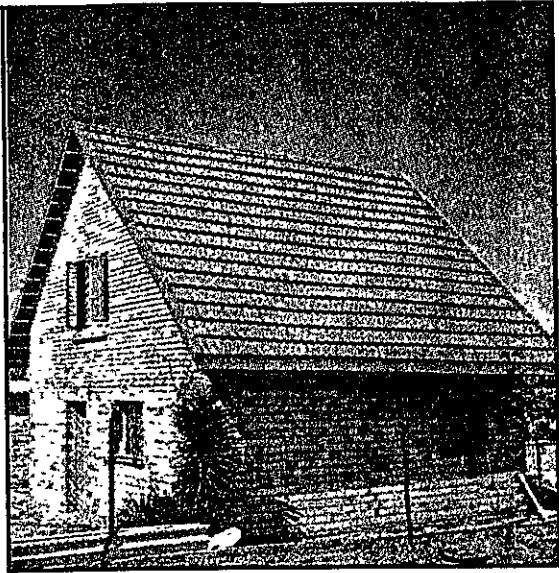
R8,6 million (R6,6 million) and R21 million (R24,2 million) went to reserves.

This, together with R30 million arising from a revaluation of properties, and R38 million arising from bringing a property finance company onto the balance sheet, resulted in capital employed jumping from R145,9 million to R230,6 million.

The other side of the coin was that holdings of fixed assets increased from R113,4 million to R219,7 million.

32

23/6/92



Going up . . . how an attic conversion can transform an ordinary township house.

World leaders in timber engineering

32
S-TAVE 25/6/92

MiTeK TM South Africa is a local subsidiary of the world's leading timber-roof truss system.

It has licensed 120 timber truss manufacturers in South Africa, using the Gang-Nail and Hydro-Nail truss system which is acknowledged as being the world's finest with state of the art CAD/CAM software.

The MiTek family of truss manufacturers in South Africa make over 1,5-million timber trusses per annum, using proven MiTek products in a R200-million-rand industry.

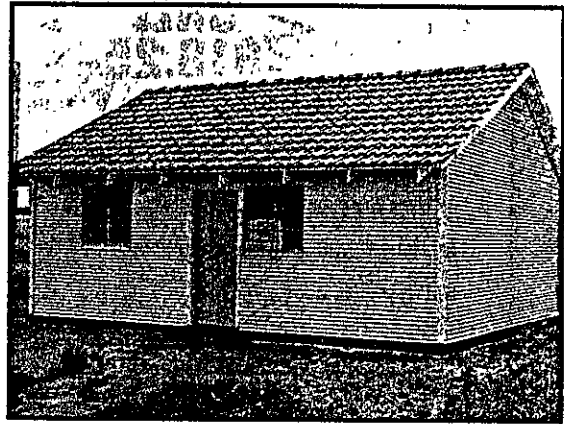
MiTek also make products for the keen DIY enthusiast to make his own roof trusses with special metal connectors. These save enormously on timber requirements as well as a multitude of the other metal connectors for use in timber construction, all available throughout South Africa from the company's product standards in leading DIY stores.

MiTek has pioneered new concepts in low-cost housing using appropriate technology linked to job creation.

A complete 30-sq-m house called the "Mi-Home" can be constructed with basic skills for far less cost than one would normally expect.

This concept will be a great boon for corporate housing schemes and similar projects. A further MiTek innovation is a practical and affordable method which converts the standard township house into an attractive double-storey home with the minimum of disruption.

● Tel: (011) 803-7540



Good-looking and durable . . . an example of a timber home. MiTek has pioneered new concepts in low-cost housing using appropriate technology linked to job creation.

The project, the repair of the 18th century Lutheran Church in Strand Street, drew on the skills of a variety of disciplines.

Work included exposing de-tailed plaster mouldings, putting back into use the clock, bells and weather vane and repairs of leaks in the facade and roof which had caused water damage to the building.

School enters second phase

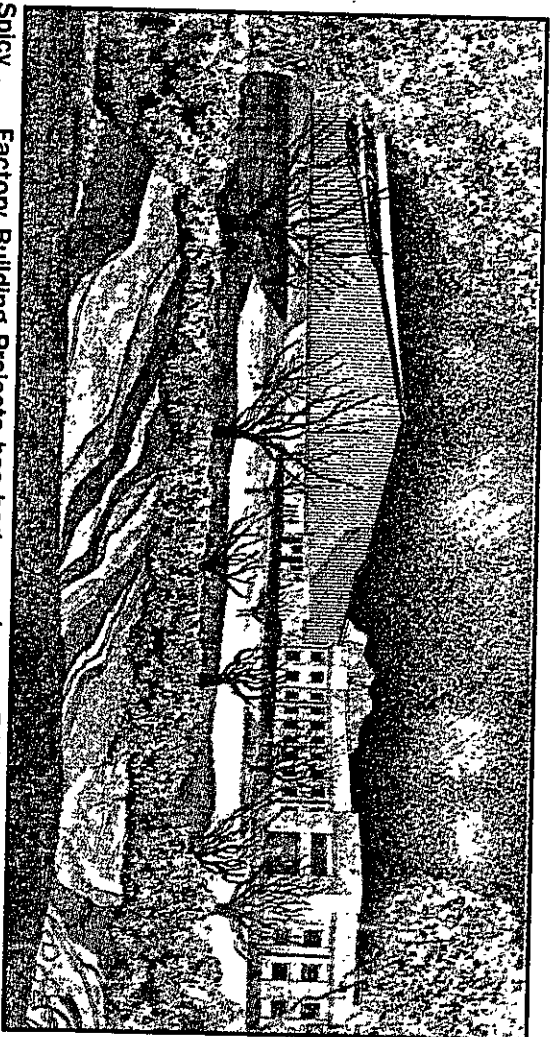
LTA Mining Areas Construction is building the second stage of a R10,75 million career-directed secondary school at the new Alexandra Community Education Centre.

The work under way comprises three three-storey classroom blocks and an administration block. The complex includes a technical college, which was built first, and a community hall.

and decentralisation proceeds apace, landlords are largely ignoring opportunities in areas peripheral to the CBDs of the country's main centres. David Maughan, group

and a subsequent upgrading — and a subsequent increase in rentals. He has identified areas such as Doornfontein and Jeppestown in Johannesburg, Berea

"In each of these areas there are pre-war and older buildings which offer immense possibilities to the renter or converter."



Spicy ... Factory Building Projects has begun work on a R13 million warehouse for Robertsons Spices at Jet Park, Boksburg. The 17 000 sq m facility, which will rank as one of the largest of its kind in the country, is financed by Fedlife.

Bifsa gears up for changing environment

Property Staff

STA 25/6/92

The Building Industries Federation (Bifsa) has shed its monolithic, inflexible image and established a reputation for being approachable, progressive and far-sighted.

Now, says outgoing executive director Neil Fraser, it must meet the challenges of a changing business environment by aiming for a national focus, strengthened by alliances with all other industry players, including established controlling bodies and professional organisations.

Its strength lies, he says, in that its 5 000 members employ about 80 percent of the building labour force, and handle about four-fifths of the annual total investment in building, now around R15 billion.

It has already set up an independent umbrella body, the Construction Industries Confederation (CIC), which he believes could form the base for consolidated action on matters such as training, housing and the combating of unemployment.

Mr Fraser says all organisations serving various sec-

tors of the construction industry will have to become market driven, recognising the growth of the informal sector, and the resulting opportunities in the whole of southern Africa.

It is clear that the CIC could also function as a springboard for the construction industry into southern Africa. Such a drive would be assisted by Bifsa's plans to assist, wherever possible, with training in neighbouring countries.

"A huge effort has been made to turn Bifsa's old train-

ing system into one that is relevant to today's needs.

"The effect, if the training is as effective as we expect, will be to offer all in the industry an identifiable career path which involves the acquisition of skills and should make the labour force more productive and stable."

Although the recession has slowed the launch of new training schemes, it should still be possible to train about 5 000 people a year in courses of varying lengths.

Another result of the liaison with other bodies, and with

may may encounter some problems.

Not the least of these are perceptions among prospective tenants that such areas have poor security and could also create a slightly shabby or seedy impression of their enterprises.

However, proposals contained in the De Loor report may prompt large-scale clean up action. The commission recommended that local authorities combat urban sprawl by turning their attention to revitalising inner city areas, promoting mixed use which would encourage higher densities and improve security.

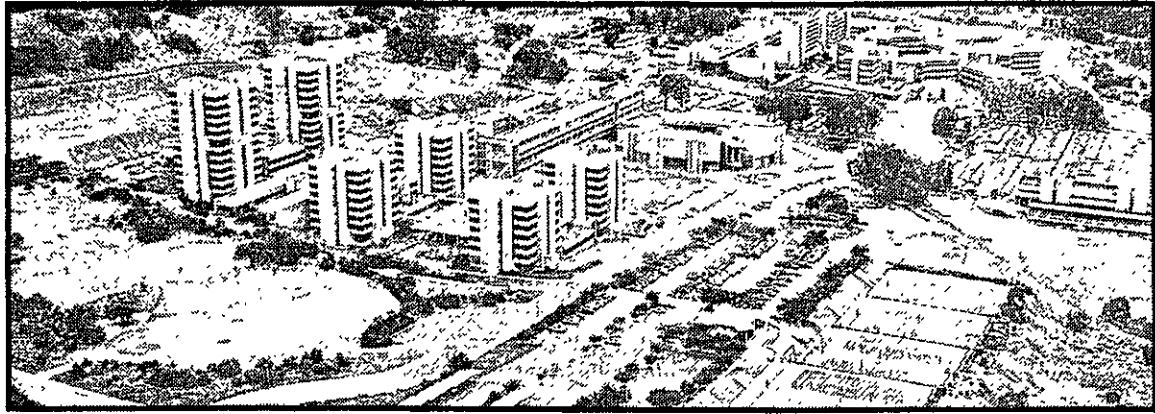
Already, says Mr Maughan, planning permission for restoration is available far more quickly than for new building, which means investors in such areas see a return on their buildings in a short time.

However, he cautions against half-hearted restoration performed without sufficient technical know-how

the public, has been a marked increase in awareness among Bifsa members of consumer reactions, especially in the housing sector.

The organisation has played a major role in establishing the Home Owner's Warranty Scheme, which offers home buyers protection against defects arising from poor workmanship.

In addition, the organisation has now agreed to work with the Board of Trade and Industry to establish guidelines and codes for consumer protection.



An aerial view of the Technichon Rand campus.

Sammy Marks Square work on schedule

CONSTRUCTION on the Sammy Marks Square development is well on schedule for the opening of the private sector portion in September.

Murray & Roberts Buildings Transvaal has more than 1 000 workmen on site.

The vast size of the site, with a perimeter of 740m and total building area of 115 513m², combined with the nature of the construction and integration of the refurbished historical buildings, makes the logistics particularly impressive.

A total of 177 000m³ of soil was removed during the excavation, which took three months to complete.

Some 600 augered piles were put in place in pre-

paration for the construction of the concrete structure. To date, 32 000m³ of concrete has been cast and 80 000m³ of suspended concrete slab were produced at the rate of 3 000m³ a week. By completion of the project, 45 000m³ of concrete will have been used.

The first of the two bridges linking the square with Munitoria was constructed in October and the second is being built now.

The first is a double-storey structure on four columns, 28m long. The second will be 48m long.

At the moment bricks are being laid at the rate of 50 000 a day. In total 5,5-million will be laid.

Residents see the square becoming a major focus

point for the city.

The square will be the largest business centre in Pretoria's CBD and the largest development undertaken since 1979.

The premises of the largest tenants are being prepared for shopfitting.

More than 16 000m² of the 22 000m² of retail space has been allocated to national chains, while SA's newest cinema chain Starnet will open a 800-seat entertainment complex occupying 1 300m².

Woolworths is opening its largest CBD store, taking some 6 500m². Woolworths senior executive: operations Johan van Vuuren compares the ambience to St George's Mall in Cape Town and believes

the layout and decor will create an atmosphere particularly conducive to leisure shopping.

Major fashion chains are Jet Stores, Topics and Markhams. Furniture chains Johsua Doore and Bradlows have taken out 2 830m² between them.

According to spokesmen for joint leasing agents BSA Eidendomme and RMS Syfrets, line shops are still available for specialist traders and negotiations are being held with a number of prospective tenants.

The city council's R70m portion of the development is scheduled for completion by mid-1993 and will include a library, health department, offices and an information bureau.

PROPERTY



Brick homes for A

A LOCAL company has developed a quick, easy-to-build home using brick-style panels which could make housing available to thousands of people who can't afford conventional brick houses.

The houses can be built by the contractor in less than a week, or bought in kit form for do-it-yourselfers.

They range from 20 square metres at R9 000 to 72 square metres at R22 500 and are designed for easy additions.

The house featured here is the 38 square metre "Starter" design, which sells for a basic R14 600 or R20 000, including internal walls and doors, ceilings and bathroom. **(52000)**

The same size house in kit form costs R12 000.

The largest house in the range is 72 square metres, which costs R22 500 in basic form and R34 000 including internal walls and doors and a bathroom. The houses meet national building regulations and bond requirements.

The brick-faced panels are 110mm thick, the same as a standard single course brick wall and have an insulated foam core centre, which gives good sound and temperature insulation.

The panels are made in a factory and transported to the site with the rein-

forced concrete pillars, roofing and other materials.

Foundations are dug and filled with concrete as for a conventional brick house and it takes only a day or two to erect the pillars and panels. Floors are standard cement screed.

Owners can build just the shell, or include extras such as internal walls and ceilings. Other extras include electricity or solar power, kitchen fittings and inside toilets and bathrooms, depending on what the buyer can afford.

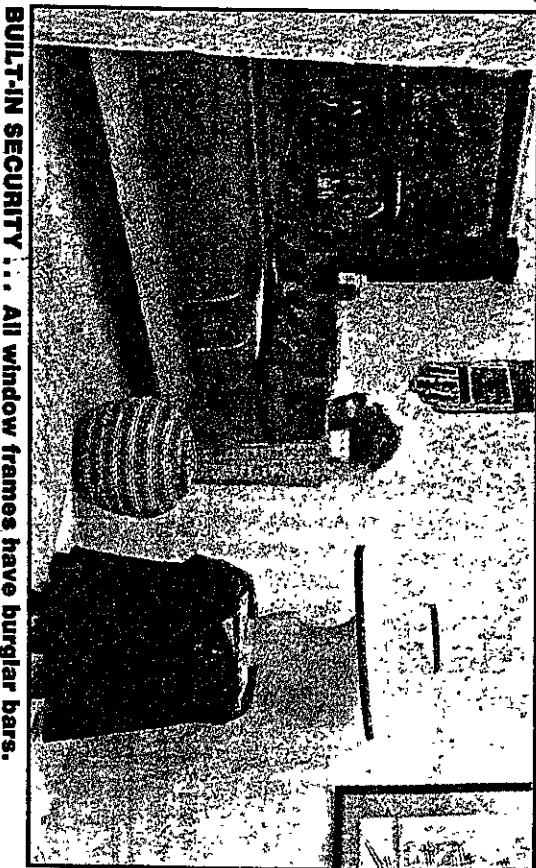
A project is under way near Nelspruit, where 50 houses are nearing completion. Homes of 72 square metres, much larger than the usual homes contractors offer, can sell for less than R40 000, including the land.

Kwix Homes spokesperson Glyn French says one of the aims of the project is to create jobs for local people wherever projects take place.

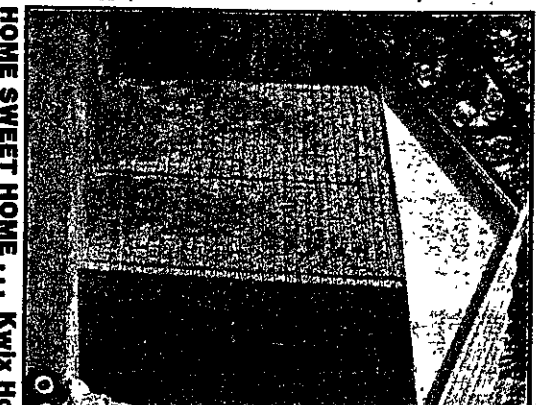
"We have done a lot of research and found that people prefer brick homes. But nowhere in South African can you get a 72 square metre brick house - a decent, family-sized home, for less than R35 000.

"This new method gives people a home which looks and feels like a solid brick house, but at an affordable price."

CIPRO 28/6/92



BUILT-IN SECURITY ... All window frames have burglar bars.



HOME SWEET HOME ... Kwix Ho

String of successes for FHA

ORIGINALLY known as the Family Housing Association, FHA Homes was one of five housing utility companies established by the Urban Foundation under Section 21 of the Companies Act. *C/Pnes 28/6/92*

This means it is a company not for private gain. Its main goal is to provide serviced land, to build homes and to upgrade informal settlements.

Operating in the Transvaal – mostly in the PWV area – FHA Homes has, since its inception in 1983, delivered more than 8 000 homes to low- and middle-income families and serviced and sold over 25 000 stands. It is involved in eight projects which are delivering over 100 houses a month.

Apart from the sheer physical size of the task ahead, FHA Homes must also deal with ignorance of the home ownership concept, difficulties with personal and bond finance, and limited land, building and personnel resources.

FHA is striving to minimise these problems by working closer with the community and financial institutions. In Dobsonville Gardens a residents' committee has been formed and there are regular meetings to discuss any day-to-day problems and future development plans.

Regarding financial institutions, FHA is endeavouring to submit bond applications to as many institutions as possible to minimise exposure.

FHA is also assisting where possible with arrears. *(b) (b)*

Officials are interviewing and educating purchasers on home ownership and assisting with the resale of properties. *(b) (32)*

FHA offers assistance and advice to companies on the formulation and upgrading of housing schemes.

FHA is very aware of the need for prospective purchasers to be confident that they are getting the best possible service and advice when negotiating to buy a home.

At FHA we are continuously training and educating our sales consultants to achieve and maintain a high standard of ethics to ensure this service is being met.

Readers might be interested in our housing developments on the West Rand at Dobsonville Gardens (900 stands) and Mohlakeng (550 stands).

Packages including land and all fees start at R47 500 for Dobsonville and R44 000 for Mohlakeng.

For further information contact Des Jordaan on (011) 29-7211.

SA companies move in

on SE Asia trade

By TERRY BETTY
ST. LOUIS (BUSINESS) 28/6/92.
 Services giant executive Andrew Van der Merwe has operated in Hong Kong for the last 20 years but is now the key man in the region. Mr. Van der Merwe is one of many SA companies taking advantage of the boom in South-East Asia since sanctions were re-

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Services giant executive Andrew Van der Merwe has operated in Hong Kong for the last 20 years but is now the key man in the region. Mr. Van der Merwe is one of many SA companies taking advantage of the boom in South-East Asia since sanctions were re-

the region's average is twice that of the European Community and far higher than SA's 0.6% for 1991. Mr. Limerick says the region has maintained this pace for 10 to 15 years. It has been even higher, but was trimmed by world recession. The standard of living in most of these countries is still better than in SA.

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MBSA, Samcor head for clash

By DON ROBERTSON
ST. LOUIS (BUSINESS) 28/6/92.

A Dispute is possible between Mercedes-Benz SA (MBSA) and Samcor, both of which could soon be producing Mitsubishi vehicles in South Africa.

Mr. Kople refuses to comment on whether negotiations with the Bess and to willing to do business with SA.

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Prospects of mediation in metal pay talks slim

By ADRIAN HENSCH
ST. LOUIS (BUSINESS) 28/6/92.

Mediation settled last year's row after strike and lock-out battles were held. Sasas is balloting on a lock-out and NUMSA, the largest union at the current talks, appears set to hold a strike ballot.

But no lawful strike can occur in the motor industry - at leasting 180 000 workers mostly at gearboxes and in motor retail - until September because the agreement expires at the end of August.

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COMPANY ROUND-UP

PRELIMS	Turnover (Rm)	% change	Profit (Rm)	% change	Share price	Dividend	% change
Toto	182.6	+17	18.0	+27	18.4	7.75	+3
LTA	117.5	+14	5.4	+30	11.2	7.75	+3
Papa Glass	1891.3	-14	216.5	-20	300.6	15.00	-32
Carla	44.6	N/A	3.3	N/A	7.3	3.0	N/A
Argus	2011.5	+45	187.5	+15	213.0	5.00	+10
Carlsberg	187.1	-3	8.5	-16	12.0	1.5	+15
Carlsberg (2)	N/A	-	82.1	+4	5343.80	N/A	+11
OWM	N/A	-	19.3	+10	120.5	45.0	+125

13 months. (2) Sterling, earnings/unit. # 8 months.

Mr. Angus says: "The industry companies, many of them small. Where there is no op-

VW cuts prices

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Construction lifeline

Mr. Limerick says the region has maintained this pace for 10 to 15 years. It has been even higher, but was trimmed by world recession. The standard of living in most of these countries is still better than in SA.

Mr. Limerick says the region has maintained this pace for 10 to 15 years. It has been even higher, but was trimmed by world recession. The standard of living in most of these countries is still better than in SA.

Mr. Angus says: "The industry companies, many of them small. Where there is no op-

Sunday Times
SPECIAL FEATURE
A FAIR DEAL
 THE NEWLY-PUBLISHED
 CHANGING CONCEPT OF CAPITALISM

Recession is a good time to do some spring cleaning

REFURBISHMENT remains an option to property owners and developers, and, when times are tight, is often seen as the most cost-effective option available.

Ongoing refurbishment is a key factor in the maintenance of a good property portfolio, says Anglo American Property Services (Ampros) MD Gerald Leissner.

"Refurbishment rather than expansion has been a key part of our philosophy over the past five years. That is not to say that strategic acquisitions have not been made where the right opportunities presented

themselves, but rather the state of the market has been appropriate for consolidation and house-keeping."

Ampros says in order to prepare for the years ahead, when competition for the best tenant mix and emerging new consumers can be expected to increase, quality will be vital.

While Ampros continues to refurbish, with its latest projects including the R6m revamp of the Carlton Centre Office Tower and the R95m refurbishment of Southern Life Centre, a watchful eye is maintained for suitable acquisitions or developments.

manager Tony Moore says the company has invested about R200m in the refurbishment of a number of its commercial properties.

The Southern Life Centre/Thibault Square development in Cape Town is a prime example of the innovative rehabilitation and extensive upgrading of a delapidated CBD office/retail block, architect Louis Karol says.

The project, which involved co-operation between a public body and private enterprise, was recently awarded a Sapota building merit award.

The development consists of the 18-storey Southern Life Centre, an office block with a retail podium and the Thibault Square parking garage, public amenities and landscaped at ground level.

"With the realisation of the St George's Mall as a major pedestrian attraction in the Cape Town city centre, the need for increased parking facilities became apparent," Karol says.

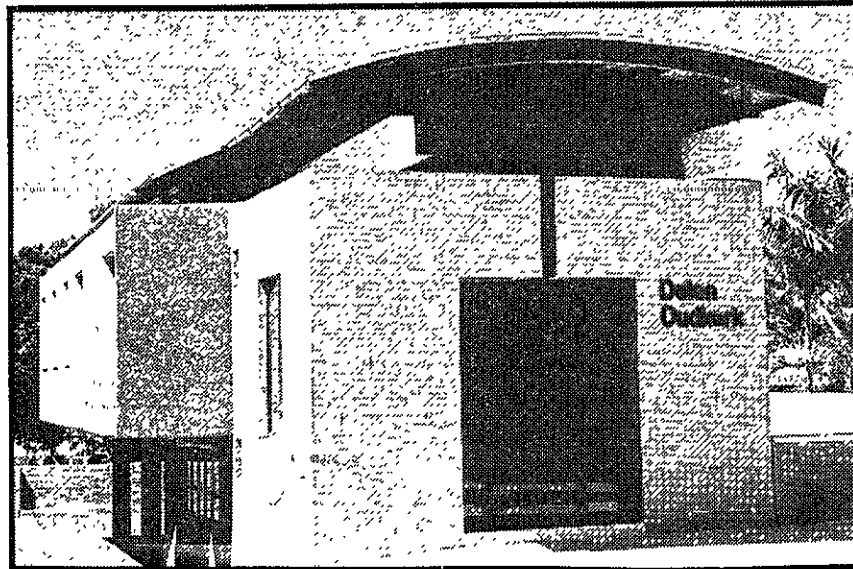
Thibault Square at the northern end of the mall was a likely location, but its redevelopment was complicated by extensive city

services under the square.

The ground under the square is mostly solid rock, further increasing the expense of developing underground parking. The municipality was approached with a joint venture to redevelop the square, putting three levels of parking underground and additional rental accommodation on the square as the Pavillion.

In exchange, the municipality would contribute the land and pay 25% of the cost of the garage.

"The redevelopment of both the office block and the square have been heralded as a great success.



The ISAA office complex designed by FGG for consulting engineers Delen Oudkerk is evidence of an architect's ability to respond to the challenge of sourcing alternative materials and building methods against a tight budget without affecting design.

Top architects challenged by sophisticated client needs ³²

TOP architects are being challenged from every quarter as clients become more sophisticated in their needs and there is extreme pressure to negotiate fees since the statutory scale has been repealed, says FGG Architects senior partner Pat Gibson.

In addition, package deals and project managers are competing with the industry, which will rise to the challenge not only by polishing its marketing and negotiating skills, but primarily in its ability to show its professionalism, he says.

Respond

"Architects are noted for their ability to respond to challenges. We are constantly faced with sourcing alternative materials and building methods without compromising our ability to design functional, aesthetically-pleasing buildings which are required to be completed within budget and on time," he says.

The recession has also prompted architects to exercise their creative talents in the largely untapped

discipline of sound business management.

The latest Bureau for Economic Research building and construction survey shows that general business conditions are deteriorating at an increased rate rather than bottoming out.

A decline in the number of projects at sketch plan stage, the number of commissions at working drawing stage and the number of contracts awarded, mirror the deterioration in business conditions.

"The number of people employed and the number of contracts awarded continue to decline at very much the same rate as in the last quarter of last year," it says.

SA's tourist infrastructure, particularly in the resort accommodation area, has to be upgraded to appeal to more sophisticated offshore visitors.

FGG is rebuilding the Natal Parks Board Hluhluwe game reserve hilltop camp.

It also has a qualified nursing sister who has done considerable research into primary health care in its hospital planner.

Her expertise, coupled with the sponsorship of the university fees of two black architects on its staff, means that the company is well equipped to tackle the critical areas of health care facilities and affordable housing schemes appropriate to the new SA.

Bloam 29/6/92

Bifsa gives lukewarm response to cut in rates

Property Staff

STAR 11792

The Building Industries Federation (Bifsa) does not believe interest rates will fall below the inflation rate, despite this week's Bank rate cut.

It expects the prime overdraft and mortgage rates to stick at around 16 to 17 percent and forecasts that overall real investment in buildings will drop 3.5 percent this year, bottoming out in about mid-1993 (Other research indicates that gross domestic fixed investment in construction has fallen 25 percent in the past 12 years.)

This means retrenchments in the building sector, estimated at between 29 000 and 40 000 since 1989, are likely to continue, cutting the workforce to below 230 000 from more than 400 000 at the beginning of 1991.

Hardest hit has been the civil engineering sector, where employment has fallen off almost 50 percent since 1980.

Now, although 60 percent of major contracts are still negotiated, competition for tender work is



Compiled by
Meg Wilson

likely to intensify.

As it is, says Bifsa, up to 15 tenders are commonly submitted for a project, price spreads have narrowed and tenders averaging R10-million and under are frequent.

"Builders are once again willing to tender on projects below or near cost.

"We believe this is a highly dangerous practice and it significantly increases the chances of smaller-to-medium companies going bankrupt."

The good news is that the rise in building costs has slowed. In the first quarter of this year, they rose

only 7.6 percent from the levels of a year ago.

Nevertheless, Bifsa believes the market for private houses — depressed by still-high mortgage rates and stagnant disposable income — is unlikely to recover before next year.

And, although government spending on housing will probably expand until total spending on housing reaches an internationally-accepted level of about five percent of GDP, the accent is likely to be on informal housing and services, with only limited benefits to the building industry.

The office and commercial markets are simply oversupplied, Bifsa says. No real recovery can be expected until late 1993 at the earliest.

It believes the industrial sector will be the first to recover, probably in the third quarter of next year, and that government spending on non-residential buildings — schools, clinics and community facilities — is also likely to accelerate.

US puts race limitation on SA contract bids

SIMON BARBER

ONLY black and other minority-owned US firms may bid on the principal contract for the new SA housing initiative of the US Agency for International Development.

The initiative, which the successful bidder will design and implement, will fund "innovative financing schemes, technical assistance, training and research aimed at developing housing programmes which do not perpetuate the forced living patterns imposed under apartheid."

The agency proposes to issue contracts for this project worth \$30m between now and 1994.

Of that amount \$6m is to be obligated this year.

In its formal request for bids, the agency stipulates that "this procurement is set aside solely for disadvantaged enterprises", defined in law as firms controlled and managed by black, Hispanic and native Americans and those who can trace their origins to Asia and the Pacific. No SA

bid will be accepted.

The successful bidder will be obliged also to subcontract out at least 10% of the business to "disadvantaged" Americans.

Racial set-asides are a standard feature of US government procurement practice, but it is rare for a major contract to be reserved exclusively for minorities.

Meanwhile, bidding has just closed on a contract to provide office equipment, computer software and after-sales services to the ANC and Inkatha.

This contract, which was open to US and SA bidders, is part of the agency's Transition to Democracy Project, under which the ANC and Inkatha are to receive \$4.5m and \$2.5m to assist them to develop their negotiating positions.

The two organisations are to receive the funds in kind rather than in cash to ensure they are not misused.

Skills lost through unrealistic regulations

PETER GALLI

32

THE building industry is divided over whether essential and irreplaceable skills are being lost due to a lack of foresight and an insistence on high academic standards for tradesmen.

Cape Clay Brick Association chairman Charles Pritchard said yesterday the protracted recession, combined with unrealistic regulations, were stripping the industry of expertise.

"This has already caused serious damage in the short term. During bad times the industry tends to lick its wounds instead of preparing for the upturn. Training is neglected and poorer materials are used to meet the lack of proficiency of tradesmen," he said.

Authorities and employers were insisting on very high qualifications for jobs that did not require them. While this was partly a response to the tough economic climate, realistic requirements were needed for artisans.

810 ay 217192

Stockpile

SA Building Industries Federation (Bifsa) past president and Kirchmann-Hurry Properties director Richard Hurry said Bifsa had introduced a training system whereby a person without academic qualifications could become a bricklayer.

"I believe materials are of a better quality now than before and, for example, we do not need to use inferior bricks as there is a stockpile situation and we can buy from the big manufacturers," he said.

Competition was seeing deals negotiated at very good prices. The present Bifsa system meant people were still trained during tough conditions.

All contractors had to pay a training levy, which was used to pay for the training, he said. However, many artisans were unaware of this and had to be employed by a contractor before they could qualify.

"The industry must recreate a pride in certain aspects of the industry, such as bricklaying. This is a trade for men with practical training and not an academic bent."

It was time the criteria for entering the trade changed, he said.

COMPANIES

Business decisions 'must allow for change'

LOCAL businessmen need to allow for the uncertainties created by high inflation and political change when making decisions, property and engineering group Ozz chairman Gary Zulberg says in the annual report released yesterday. *B1024*

"Our business plan and budget for the year has been formulated on the basis of cautious optimism and any recovery is expected to be mild and gradual. However, the financial strength of the group is seeing acquisitions constantly being evaluated and pursued so quality investments can be added to the portfolio," he says. *2/7/92*

The property development, construction and investment divisions showed improved profitability, with the major contributor being the 50% investment in Fisherman's

32

PETER GALLI *f*

Village, the entertainment and speciality shopping centre at Bruma, Johannesburg.

Rent-producing properties remained fully let and an industrial property was sold at a R250 000 profit.

Ozz reported earnings a share up 21,5% to 56c and a 29,8% average return on capital employed in the group in the 1992 year.

Barring any unforeseen problems, further growth in earnings and dividends is expected during the 1993 financial year.

The borrowings-to-equity ratio is 1,3%, reflecting a reduction in interest-bearing debt of R16,5m, which is covered seven times by operating income, Zulberg said.

Charter profit falls but dividend rises

8/Day 2/7/92

32

JOHN CAVILL

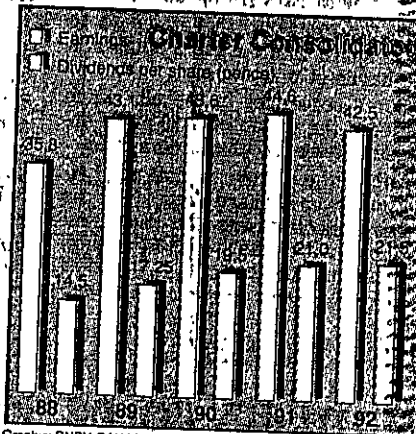
LONDON — Charter Consolidated has raised its final dividend in spite of a fall of nearly 5% to £73.8m in pre-tax profit for the year ended March 31.

The industrial conglomerate, which is 36% owned by Anglo-De Beers-controlled Minorco, reported yesterday it would pay a final dividend of 14.5p a share to make a total of 21.5p — up 0.5p on 1990-91.

Turnover in Charter's operating divisions, which was flat in the first six months, rose by nearly 10% in the second half to lift the total by £22m to £462.5m.

In spite of a second-half decline at Charter's 38.5%-held associate Johnson Matthey, consolidated turnover was 2.2% better at £1.13bn. Pretax profits continued to slide — by £800 000 — but at a slower rate than during the first six months, when they dropped by £2.9m.

Cost-cutting produced a revival in the stricken mining-equipment business, blighted by a fall-off in orders from British



Graphic: RUBY-GAY MARTIN Source: CHARTER CONSOLIDATED

Coal, which slashed 1991's operating profits by 81% to £1.5m. While sales drooped by £4.8m to £110.4m, the division's surplus recovered by 87% at £2.8m.

Pandrol, the rail track equipment operator,

To Page 2

Charter

tion which won a Queen's Award for Export Achievement, continued to expand — especially in Hong Kong, China and Japan. At £94.4m, sales were up 13% and operating profits, 9% better at £11.8m.

The drive to reduce costs also produced an improved performance in quarrying (stone) and mining (coal) where earnings were up 11% to £3m. But the sale of two US contracting mining operations led to a fall of nearly 10% in turnover to £54.9m.

Building products (via the 66.9% holding in Cape) suffered from the collapse of the UK construction industry, even though overseas sales jumped by nearly 50%. Cape is expanding into Germany and the Far East (where sales and profit doubled) and non-UK business is now 39% of the total against 29% previously.

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The division's sales rose £20.5m to £202.8m, but low prices cut margins and overall profits fell 26% to £12.5m.

After investment of £55m — £30m on acquisitions — Charter's net cash balance was £122m (£133m). However, weakening rates saw interest income decline by £4.6m to £19.2m.

CE Jeffrey Herbert said the increased dividend reflected the strong balance sheet — net assets a share increased to 519p — and a business that was in good shape.

"The recession has been long and deep in most of our markets, especially in the UK. There are few signs that things are about to change."

The group's share price firmed slightly to 541.5p following the results — and remain just below their 1992 peak of 548p.

LTA predicts continued profitability in next year

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By Day 3/7/92
EDWARD WEST

CONSTRUCTION company LTA is financially stronger than it has ever been and has forecast that the coming financial year will be as profitable as the previous 12 months, its annual report released yesterday showed.

Chairman Hilton Davies said the group had not only improved its performance over the year, but had achieved a higher rate of improvement in the second half compared with the first half.

MD Colin Wood said LTA's policy was to avoid taking low margin work and to seek opportunities which would ensure a reasonable level of profitability.

Davies said the civil engineering and earthworks division, which increased earnings and exceeded forecasts in the past year, was likely to remain profitable in the coming year. With government spending at low levels, a significant part of the division's work was situated outside SA.

Margins in the building division remained low as it was the only area in which there were significant oppor-

tunities. Davies said management believed the division could equal the previous year's performance.

The Steeldale division exceeded forecasts and as a result of re-organisation, and subject to acceptable turnover levels, expected to maintain profitability in the year ahead.

LTA's process engineering activities had a profitable year, albeit at lower levels than it operated at while participating in the major projects at Mossel Bay, Sua Pan and Richards Bay.

LTA property development arm RPP Developments had a successful year. However, Davies found it difficult to see how current levels of activity could continue without a rapidly growing economy.

The electrical and instrumentation division Autecon was expected to increase profitability in the year ahead.

In the year to March 1992 LTA's earnings increased to R30,3m (R23,2m) while dividends increased 30% to 32,5c (25c) a share.

n

The 1992 year's results show how sensitive the group is to activity in the building industry. Chubb's earnings' plunge appears anomalous given the attention being paid to security, because of the country's high crime levels, but chairman Dirk Ackerman notes it is difficult to sell locks if houses are not being built.

The physical security division's trading profit plummeted to R1,4m (1991: R6,1m), on a decline in turnover to R61,4m (R66,8m), indicating the division has relatively high fixed costs; perhaps management should give more attention to this.

Rationalisation in the financial and retail industries also hurt the division, through lower activity in the safe operations. The division's contribution was marginal after interest and tax deductions, with attributable income of R142 000 (R3,1m). Though significant development in mass housing activity should return this division to past fortunes, there are no indications this will occur near term.

Trading profit at the electronic security division increased to R9,8m (R7,7m), despite the marginal drop in turnover, to R69m. This division's activities include the installation of new equipment, monitoring crime and a rapid response service. Ackerman says rapid response, where commercial operations account for 60% of turnover and residential the remainder, is doing very well. But the installation activities are feeling the pressure of lower disposable incomes.

Assuming the crime rate does not ease, the division should continue to increase trading profit, particularly as the rapid response activities seem to have higher margins.

Fierce competition in the maintenance of fire extinguishers once again pressured margins in the fire security division. Trading profit dropped to R2,4m (R2,6m), even

PHYSICAL PLUMMETS

Year to March 31	1991	1992
Turnover (Rm)	172,8	167,2
Operating income (Rm) ..	16,5	13,6
Attributable (Rm)	7,6	6,9
Earnings (c)	137,9	124,9
Dividends (c)	28	25

FM 3/7/92 (32) (1992)
 though turnover increased to R36,7m (R35,6m). Ackerman explains barriers to entry in fire extinguisher maintenance are very low, making the market tough. Fire extinguisher manufacture also came under pressure, owing to lower activity in the construction industry and weaker demand from government following expenditure cuts.

On a brighter note, stringent attention to working capital meant long-term borrowings dropped to R4m (R6,1m), while year-end gearing dropped to 47,4% (63,3%) through this and the increase in shareholders' funds. Also, tight control over costs, aligned to a reduction in the work force, meant group trading margins widened to 12% in the second half from the first half's 4,8%.

On the outlook, Ackerman says: "We are being advised of an upturn in 1993 but I believe economic progress will be directly related to political stability and, to a greater extent, the outcome of Codesa."

The group is expecting to increase earnings in real terms this year. The 420c share price gives a massive 30% earnings yield, compared to the sector's 9,2%. As Chubb UK holds 67% of the local operation, there must come a time when holding company expertise will reduce the gap. *William Giffillan*

ducs 2A can buy at once, tea, cashew nuts, curios, sisal, soda ash, salt, fruit, cut flowers and soya beans.

Kenyan import duties range from 5% to 70%, but are about 35% on average, says a customs and excise official.

VAT of 18% is applied on imports, but it is zero rated or exempt in some cases. Importers require licences to bring in goods. The allocation of licences is divided into orders of priority. There is some concern among SA exhibitors about

festival will attract further trade and tourism interest in Kenya among SA businessmen," she says.

The festival aims to make a statement about modern Kenya and show the rich variety of art and culture in its mixed society.

The project is expected to cost about \$500,000. Lady Wood leaves this weekend for London and New York to raise funds. She will speak to the Rockefeller and Ford foundations. She is also looking for SA sponsors.

US Expo for

Johannesburg

By ZILLA FERRAT

A MADE in the USA exhibition will be held in Johannesburg in May. About 200 American companies are expected to take part. Show organiser David Altman says it will be the largest US Expo in Africa.

It is expected to attract businessmen from SA and other Southern African countries, including Kenya and Tanzania. It will be marketed to more than 35,000 companies in the US, says Mr Altman.

Mr Altman has already received more than 100 serious inquiries from US companies. He says the exhibition at the World Trade Centre has the backing of Amcham (US Chamber of Commerce).

Mr Altman, who put together this week's Contact Kenya show, is also organising a SA pavilion at the biggest exhibition in Africa, the Cairo International Fair in April next year.

He expects about 100 SA companies to take part in the two-week fair, which is usually visited by a million people, mostly from the Middle East and North Africa.

The fair is expected to have about 1,700 companies exhibiting and there will be 31 national pavilions.

Mr Altman says the show will be launched to SA businessmen in September. The SA Government has indicated support in other developments. Mr Altman says he has been officially approached by officials from China to mount an exhibition in Beijing or Shanghai.

He is also involved in discussions with the governments of two East African nations and an Indian Ocean island to help them market their countries to SA.

Better deal in pensions, but...

STimes (Buss) ST192

By JULIE WALKER

A SPELL of high investment returns has allowed pension funds to increase benefits to members, says Sandham's biennial survey on retirement.

But, says actuary Chris Bosenberg, employers are shifting away from having an open-ended liability in the three-legged equation determining final benefits. This means final pensions are not defined years in advance.

Pension on retirement is mostly based on a formula. The pension relates to the number of years' membership of the fund, multiplied by a salary figure.

Abuses

The norm used to be the average salary over the last three years, but this has been improved to two years or shorter in two-thirds of the funds surveyed. Only 2% of funds base the formula on the average of the last five years' service.

Mr Bosenberg says 11% of funds indicated they were considering changing from a defined benefit system to one of defined contribution. This would limit employers' liabilities to the pension funds and is seen as a reflection of their concern about future economic risks.

About half of the 756 invited funds responded to the survey, resulting in a 330-

strong pension fund sample. A total of 99 provident funds replied.

The survey's objective is to allow employers and trustees to compare their benefits with those of other funds.

The survey observed certain trends when compared with the previous one in late 1989.

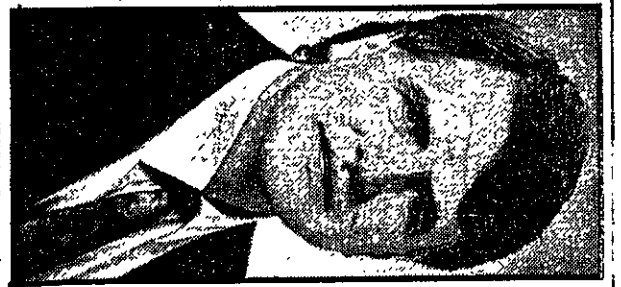
There has been a swing to providing the same benefits for both males and females. A smaller reduction factor is applied when early retirement is taken in good health.

Spouses' pensions have generally improved, as have disability income benefits. They are more widely based on a percentage of salary rather than past or potential service.

Fringe benefits are being increasingly incorporated in pensionable remuneration. Companies are also adopting policies on AIDS.

Funds provide for greater future increases in pensions in the course of payment. Finally, there is a strong move to enhanced withdrawal benefits — previously the last in line.

Mr Bosenberg describes as near criminal a company that retracts employees and does not pay its contribu-



CHRIS BOSENBERG: Companies worried about the future

tions to the fund to the departing worker.

Mr Bosenberg lists some abuses in the past — and no doubt now. New York's municipal employees boosted their pensions, which were based on the final year's salary including overtime, by fictional overtime entries. The increased pension liability almost bankrupted the city.

In SA, government employees' pensions were based on the last month's salary in addition to the lucrative buy-back scheme. In some cases, people were promoted to absurd positions and salaries before retiring.

SA prefabs for export

STimes (Buss) ST192

By DON ROBERTSON

ENTERPRISING businessman David Poole plans to export SA-made prefabricated houses to Europe and the US.

Using an A-frame design developed by his company, PAM Holdings, Mr Poole plans to market the houses in Britain for £65,000 a single unit and £100,000 a double unit.

Mr Poole says this is about half the price of a modest brick house. The price includes shipment from SA.

Ahead of an international marketing programme, orders for two houses have been received from the UK and eight from Los Angeles.

The Country Lodge houses consist of a lounge, bedroom, shower, kitchen and upstairs recreation room. By adding a second A-frame module with connecting walkway, a four-bedroom house can be built.

The prefabricated houses will be delivered to the site and put up by an SA team on a concrete slab in about three weeks. The houses are equipped with all electrical appliances, made in SA, and the windows have double glazing.

Underfloor heating is provided by solar panels. There

is generous cupboard space and each house has a hi-fi system.

Local content is about 95%.

Thatch is protected by a fire-proof coating material, developed by the company. The walls consist of plywood, polyurethane and gypsum board.

The design and specifications comply with UK building regulations and qualify for bond financing and insurance.

Mr Poole has received help from the Department of Trade and Industry. It will help him to take part in international exhibitions.

A plot has been acquired in the UK on which a permanent show house will be built.

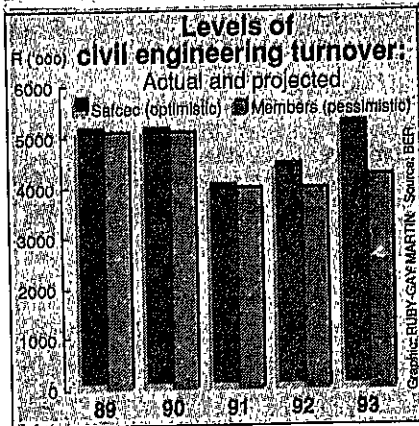
Kitchen to cost R18m

AIR Caterers, a joint venture between the Fedics group and Swissair, is to build an R18-million kitchen at Jan Smuts airport to cater for the expected increase in tourism.

COMPANY ROUND-UP

PRELIMS	Turnover (Rm)	% change	Profit before tax (Rm)	% change	Earnings a share (c)	% change	Div a share (c)	% change





Grim tidings for building sector

Bloom
6/17/92 LINDA ENSOR (32)

CAPE TOWN — Further deterioration in business conditions affecting the building and construction sector was expected in the third quarter, although at a slower pace than in the second quarter, the Stellenbosch University Bureau for Economic Research (BER) has found.

"The current unfavourable investment climate in SA will also contribute to influencing the construction and property sector in an adverse manner. Both these sectors are, however, expected to improve during the course of 1993."

The BER said the continued increase in tendering competition indicated that the number of contractors had not decreased in line with the amount of work, and said a further downward pressure on building costs could be expected.

Increases in building costs were not expected to exceed 6% in 1992 and 9% in 1993. Architects and quantity surveyors said they had increased the number of jobs cut.

The BER said individuals would not have much disposable income to invest in residential properties, and the real prime lending rate would remain high until 1993. No considerable growth in residential investment was expected until mid-1993.

Residential investment had been negative since 1985, declining by 5,2% last year. BER said the backlog in residential investment would be unleashed when political and economic conditions improved and problems in the black market were resolved.

□ To Page 2

Building sector

Bloom
6/17/92

In the non-residential sector, surplus capacity and an unfavourable investment climate would continue to put downward pressure on investment, especially investment in offices and shops, which was expected to improve only in 1994. Currently, 34% of offices completed in 1991 were still vacant, while 47% of offices to be completed in 1992 were vacant.

On the other hand, investment in industrial buildings was expected to be more

(32) □ From Page 1

sensitive to the business cycle, as there was less surplus capacity.

Non-residential investment grew 12,4% last year. The average annual decline between 1985 and 1991 of 0,4% was mainly due to the inability of the authorities to invest, the BER said.

In a review of the economy, the BER said the recession should bottom out this year, with exports contributing to a 3,8% growth next year.

STAR 6/7/92

Residential building sector feeling effect of recession

CAPE TOWN — The economy's disappointing performance and the unstable and uncertain political and social climate over the past six years have had a far-reaching influence on the building sector, says the Bureau for Economic Research (BER) at Stellenbosch University.

It says in its latest building and construction survey that fixed investment in the residential sector, in particular, was put under pressure during this time

and that activity has been mainly in the non-residential sector.

"The poor performance of residential investment since 1985 has, however, caused a backlog in the demand which will be unleashed as soon as political and economic conditions improve.

"More political and social stability and certainty should materialise as the negotiation process progresses and this should also increasingly support invest-

ment in residential buildings from 1993."

Non-residential investment will also be negatively affected in the short term by continued political instability and uncertainty and this sector will reach its next upswing phase only in 1994.

Both architects and quantity surveyors expect further deterioration in business conditions, with staff numbers decreasing at a higher rate.

"These already poor conditions

are expected to deteriorate further in the third quarter, albeit at a slower rate," says the BER.

While building contractors expect both the volume and value of work to decrease further in the third quarter, they feel a bottoming out will not yet materialise.

Sub-contractors think the deteriorating conditions will continue, with no chance of a bottoming out in the third quarter. — Sapa.

No income growth, so property is in doldrums

PETER GALLI

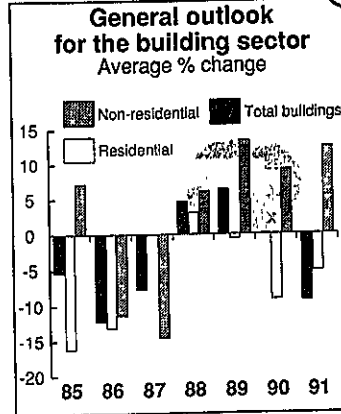
INVESTMENT in the residential property market is unlikely to improve much before the middle of next year, says the Bureau for Economic Research (BER) at Stellenbosch University.

It says in its latest report on the building and construction industry that investment in non-residential buildings will reach its next upswing phase only in 1994, because of surplus capacity in the sector and an unfavourable investment environment.

The recession is particularly painful for the building industry, which has been under pressure since 1985 with only a short, mild revival.

The report says residential investment is determined by real disposable income and the real prime lending rate. The BER does not expect growth of any note in disposable income until the second quarter of 1993.

"Due to this, changes in personal disposable income will exert little upward pressure on residential investment before the middle of 1993.



The real prime lending rate is also expected to remain high before softening considerably in 1993," the report said.

However, investment in non-residential buildings performed slightly better than the residential market between 1985 and 1991.

There was average negative growth of -0,4% in this period, compared with an average growth rate of 3,5% during 1989-1991.

The average growth rate of invest-

ment by private business was 1,6% and 6% for the two periods respectively, while the average growth rate for investment by the authorities was -5,6% and -11,6% respectively.

A substantial amount of excess capacity existed in the commercial market, and building activities were thus expected to lag the expected upswing by quite some time.

"Prospects for shopping space are much the same, as oversupply in supermarket space in particular indicates that investment in the sector will also lag the economic upswing.

"Investment in the sector will also be negatively affected as the upswing will not be consumer orientated and private consumption expenditure will only benefit later in the upswing," the BER said.

However, investment in industrial space was expected to be more sensitive to the economic upswing and would react more quickly as there was less surplus capacity.

Economic growth was expected to be driven mainly by manufactured goods in the short to medium term. This would increase the demand for industrial space.

31 day 8/7/92 (32) (5) (18)

Top property sales volumes crumble

BIDON 9/7/92

32

PETER GALLI

PROPERTY developers in the middle to upper market range are biting the bullet as sales volumes have plummeted by as much as 50% over the past few months, developers said yesterday.

Disa Development chairman Theo Stergianos said the market was extremely tight and sales volumes were being severely affected.

"While we hold land in a number of areas, we are not undertaking any speculative developments and all projects are tenant driven. The market is very quiet and activity is at least 50% down on a year ago."

Rabie Investment Holdings MD Leon Cohen agreed, saying political uncertainty and the economic recession had resulted in sales volumes dropping steadily over the past few months, and were now about 50% lower than six months ago.

"The property development industry is in a difficult position due to the

capital expense it has to outlay for every project. It also has to look six months to two years ahead and plan accordingly," he said.

Rabie was undertaking no speculative developments. Construction was not started until at least 70% of a project had been pre-sold, Cohen said. Disa was selling only off-plan.

"Disa has diversified and now not only builds homes but conducts estate agency work in the Western Cape. We concentrate around the R120 000 price range, but people are worried about job security and are not keen to commit to bond responsibilities."

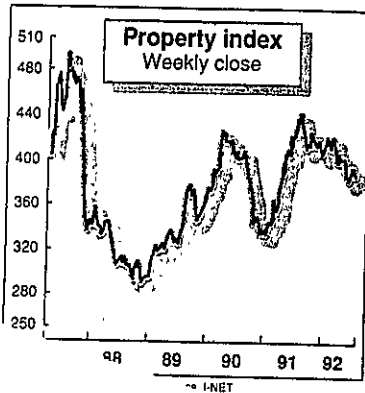
The company looked at the market from the Western Cape to East London and Port Elizabeth.

Rabie's main business thrust was the Western Cape market in the R100 000 to R2m range, but it had a Johannesburg office that concentrated on sectional title development.

While Rabie had reported a loss last year, this had been reversed and a small profit had been made in the financial year to end-June. It hoped to improve this next year.

Stergianos was less optimistic, saying Disa's return to profitability was dependent on political and economic developments. Disa reported a R1,99m loss in the six months to end-February.

The property index was unchanged yesterday at 381,4 points, midway between its August 7 1991 high of 441,25 points and November 11 1990 low of 327,46 points.



PROPERTY Building sector in trouble • Inner city can't handle the pace of change

Recession still bites

Sowetan 9/7/92

By Josina Raboroko
HARD TIMES Uncertain climates (32)

continue to have far-reaching effects:

A CITY in the building sector has deteriorated further during the second quarter of 1992 and has placed more pressure on an already frail industry, according to the latest survey of the Stellenbosch University Bureau for Economic Research.

The survey also showed that the expected bottoming out of the recession did not materialise, and that it was unlikely to do so during the third quarter.

The survey said the disappointing performance of the economy during the period 1985 to 1991, as well as the unstable and uncertain political and social climate, have had a far-reaching influence on the building sector.

Large backlogs in black housing existed during the quarter and as soon as financing and other problems in this sector were rectified, upward pressure on residential investment could be ex-

pected.

The recent release of the report by the De Loor Commission, as well as the importance of the ANC placed on the provision of housing - as is clear from its policy - held great promise.

The survey said the implementation of the commission could lead to an increase of between 35-50 percent in the levels of investment in housing after a number of years.

"The prospects for residential investment are still not good and a revival is only expected in the middle of 1993.

"The revival will be caused by an increase in disposable income, lowering rates, greater political certainty and stability as well as positive developments regarding low cost housing," it said. Investment in non-residential build-

ing performed better than residential investment during the period 1985-1991.

An average annual growth rate of 0,4 percent was realised during the period, as opposed to an average growth rate of 3,5 percent during the same period for residential investment.

Prospects for shopping space were much the same. A reasonable over supply in the supermarket space indicated that investment in this sector would also lag in the economic upswing considerably.

The survey also said that there had been deterioration in quantities surveyed; building and sub-contractors; building costs, and added "the outlook for the economy remains rather bleak over the short term".



Ovcon's Ovenstone .. will at least maintain earnings

Activities: Civil engineering contracting and building.

Control: Directors 26%, management 30%.

Chairman: A D P Ovenstone.

Capital structure: 9m ords. Market capitalisation: R11,3m.

Share market: Price: 125c. Yields: 10,0% on dividend; 37,4% on earnings; p:e ratio, 2,7; cover, 3,7. 12-month high, 125c; low, 65c.

Trading volume last quarter, 13 000 shares.

Year to Mar 31	'91*	'92
ST debt (Rm)	—	—
LT debt (Rm)	3,4	3,9
Debt:equity ratio	n/a	n/a
Shareholders' interest	0,18	0,25
Return on capital (%)	2,0	4,6
Turnover (Rm)	72,7	133,4
Pre-int profit (Rm)	0,9	2,0
Pre-int margin (%)	1,2	1,5
Earnings (c)	14,7	46,8
Dividends (c)	—	12,5
Net worth (c)	88	122

* 6 months.

process and the construction activities which follow are thus risky.

Ovcon was spawned from the old Cape construction company, R H Morris. Ovcon directors Jan Kaminski, Derek Mace and Jimmy Thomas — all former Morris executives — founded Ovcon in 1975. Since then, in competition with the biggest firms in the country, Ovcon has successfully completed projects of all descriptions and has prospered. The success enjoyed in 1992 is a tribute to resourceful management.

The company states operating income as R4,96m. However, this includes R2,96m interest earned on cash holdings that at year-end stood at R18,3m, equating to 203c a share; so the operating income does not accurately indicate the trading performance — though the company contends that cash and working capital management is vital to the profitability of the operation.

Furthermore, operating income was reduced by an unusual R1m provision made to enable Ovcon to retain valuable staff if the volume of work in progress recedes.

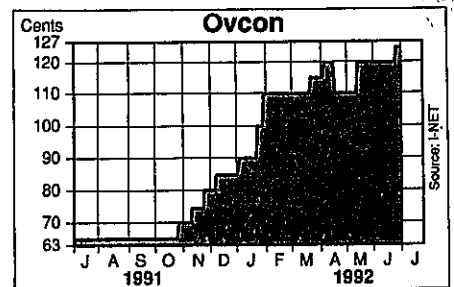
Holding more than half of the shares, the

OVCON FM 10/7/92

Value recognised (32)

A year ago, with the prospect of recession taking its toll on the building and construction sector, Ovcon's share price of 65c was about half the present level. It was paying no dividend and had only been listed on the JSE on March 18 1991 as an autonomous entity, no longer controlled by Ovbel. Why, then, did the price double?

Ovcon operates in a highly competitive sector. Most projects it undertakes are won from keenly pitched tenders — the reason for the fine margin given in the accompanying table. The usually large building and civil engineering projects pursued call for razor-sharp efficiencies from skilled engineers, their associates and managers. Leeway for mistakes is minimal. Both the tendering



FM 10/7/92 (32)

directors and management control Ovcon. Their motivation to maximise profitability is, therefore, high. The order book until the end of 1992 is sound, but even now, while the R80m Victoria & Alfred complex is under way at the Cape Town docks, the company has spare capacity. Chairman Andrew Ovenstone says the group will at least maintain pre-tax profit in fiscal 1993.

The share price is only slightly above net asset value. With the historical dividend yield at 10% and the p:e below 3, it is little wonder the price doubled. Even now, it offers value to an investor prepared to hold a share with a higher risk-reward ratio. Gerald Hirshon

Move to ease building costs and restrictions

BLDAY 14/7/92

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A NEW planning policy may be introduced in Johannesburg next month which will increase residential densities and cut back on building costs and bureaucratic red tape, the city council's executive planning director Ian Symon said yesterday.

Residents wanting to build a second or third dwelling unit on their land, or who want to upgrade domestics' living quarters, will receive considerable encouragement from the council if amendments to the city's town planning scheme are approved.

The policy, which has been sent to residents' and ratepayers' associations for consideration, removes red tape, council fees and months of waiting from planning applications and makes second and third dwellings a primary right, Symon said. Johannesburg is believed to be the first municipality to consider such a primary right ruling, by which developers need not submit costly and time-consuming rezoning applications.

The new policy forms part of a broader council initiative to increase densities in residential areas while providing rental or mortgage relief to occupiers and owners.

The current town planning scheme requires residents or developers to submit a "consent use" application before planning permission is obtained. The consent use application takes several months to process at a cost of R175 while residents must

ADRIAN HADLAND

advertise intended alterations on site and in the local Press.

With the new policy, the application will no longer be necessary. "This will shorten the development procedure by approximately three to four months, saving both the council and developers time and money," a document proposing the amendments to the town planning scheme said.

City planners' decision to recommend the scrapping of consent use applications followed the realisation that 99,1% of all applications were being approved and that planners could be used more efficiently elsewhere.

Further suggested amendments include the abandonment of the complicated open space ratio formula which controls the area of new dwelling units according to a sliding scale proportional to stand size.

In the new policy, subsidiary dwellings may not exceed 50% of the floor area of the main housing unit.

Provision of parking and protection of privacy will be emphasised in the new policy as critical to the approval of building plans. Also included in the new policy is a broadening of the definition of a second or third dwelling unit, as well as a clause that written consent from neighbours is required only if the proposed second dwelling is a double-storey structure.

Architects warned on informal competitions

ANDREW KRUMM

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ARCHITECTS are often exploited by organisers of informal competitions who use submitted plans without compensating the designers, says SA Institute of Architects director André van Graan.

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"Our members are often asked to submit designs to competitions not rubber-stamped by the institute and, after having done so, they are dismissed without compensation or recognition," Van Graan said.

"Since many architects look to competitions to boost their profile, the current shortage of professional work and fierce rivalry for available work — does not help the situation. B I D A M 157192

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"The main culprits are local authorities and not private organisations. We saw it at the local authority level in the Free State last year, where competitors complained they had spent much time and money on their submissions, only to be dismissed. The municipality concerned then used the plans as a briefing base to a firm of architects not involved in the competition.

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"On the other hand, formal competitions are a good thing and have benefits for all. Many ideas evolve, high standards of design are introduced, new names are made and companies can promote market awareness for their products."

Formal competitions were strictly controlled by the institute's rules, and run on a two-tiered system.

The first stage — an ideas stage — required the submission of design ideas and was not too costly for competitors.

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"During the second stage finalists are asked to produce sketch plans for which they get paid, compensating them for the time and costs involved," said Van Graan.

The Everite Facades Design Challenge is the latest competition to be held under the institute's banner. It offers a R100 000 first prize.



The good standing of the industry, and had consideration was to clear his name

Little strike activity in building sector

THERE is little strike activity in the building and construction industry despite the number of people employed in the sector, says SA Building Industries Federation (Bifisa) executive director Neil Fraser.

He feels the reason is that trade unions have problems organising labour action, because building workers tend to move from job to job.

"Our industry also works on the basis of local industrial councils rather than national industrial councils, which means we can negotiate closer to home. This gives us an edge," he says.

But the industry was not without strike action or disruptions, which were usually caused by retrainments.

Employment was governed by the level and size of contracts. If new contracts were not available, or were smaller, this inevitably led to retrainments.

"This results in staff cutbacks and in some cases union action and sympathy strikes.

"Bifisa has recommended that most staff be employed on a contractual basis rather than on a full-time basis," Fraser says.

B10A4

1517192

A survey on total industrial action in the first six months of the year by Andrew Levy & Associates shows that grievances are the main cause of strike action (39,9%), followed by wages (32,3%), recognition/bargaining levels (13,9%) and dismissal/discipline problems (10,5%).

In all industries, about 630 000 man-days were lost in the six-month period — almost double the 375 000 man-days lost during the same period in 1991, but lower than 1990's 1,2-million.

The motor industry suffered the greatest number of man-days lost in the six-month period, at 35,3% of the total number of man-days lost because of strikes. Then came the retail sector at 14,7% and the mining sector at 12,9%.

Last year, the building industry was responsible for only 2,9% of the man-days lost through strikes.

"Retrainments are still continuing on a monthly basis as the industry is under severe pressure, which is reflected in tender prices.

320

There seems to be little light at the end of the tunnel and we are not predicting an upturn until the middle of next year at the earliest," he says.

Central Statistical Service (CSS) figures on retrainments in the building industry show that 14 500 people lost their jobs in the six months from September 1991 to March 1992.

About 369 800 people were employed in the building and construction sector in March 1992 — down from 384 300 in September.

"This figure seems to be dropping regularly from month to month and the figure to June will probably reflect an increased number of job losses," Fraser says.

Medium-sized companies are suffering most, as the large firms generally have long-term contracts. Some smaller companies are co-operating in joint ventures and just managing to survive.

Fraser said a recovery depended on political solutions. The oversupply of commercial space needed to be filled "to give the local market confidence", but for this to happen there had to be economic activity.

Workshop to explore urban housing

THE one city, one tax base concept and its effect on the delivery of housing will be the central issue at an SA Institute for Housing Workshop in August, Institute president Jan Viljoen says. B10A4 1517192

"The workshop programme was designed to give a broad view of the impact a single city with a uniform income base would have on the future provision of housing in local areas," Viljoen said.

The workshop will run from August 6-7 at the King David conference centre in East London.

"Just how housing delivery will change through the one-city-one-taxbase idea, is critical to the health of the housing industry — particularly since local authorities

ANDREW KRUMM

face a very different future," Viljoen said. "While the state is pushing local authorities to incorporate dormitory suburbs ... into single metropolitan bodies, the affected communities contest this." 306

This impasse would affect housing because the viability of metropolitan areas depended on efficient and affordable municipal and social services for all.

Organiser Rose Mitchell said Cape Administrator Kobus Meiring would be the keynote speaker. "We also have international speakers. Local housing experts, city officials and community and civic association speakers lined up."



Perfect

More jobs at risk in construction

BIDAY 16/10/92

PETER GALLI

THE construction industry faced another two tough years after battling through the past 18 months, and more jobs could be lost, industry sources said.

Group Five chairman Peter Clogg said yesterday the next two years would be "very difficult" with little chance of renewed activity.

"I believe there will be an erosion in returns to shareholders of about 20% over the next two years. Private sector investment has been badly affected by continued violence and economic conditions, as has public sector investment," he said.

While most of the major players had managed to keep afloat, staff had to be cut and was still being reduced. In 1983, Group Five had 23 000 employees, but it now stood at 15 000 despite acquiring construction firms Goldstein and Everite.

Concor Construction chairman Brian Murphy said staff numbers had dipped by about 20% over the year, mainly at the unskilled and semi-skilled levels. However, if conditions continued this would start affecting skilled staff.

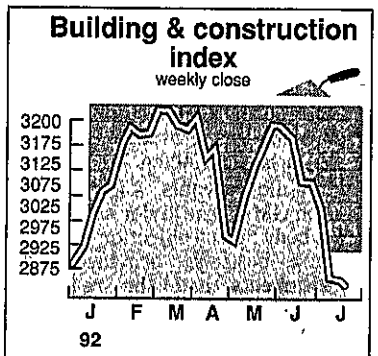
The market would not improve before the end of 1993, he said.

"This is the worst situation I have seen for many years."

Clogg said work across the border had also declined due to the world recession and the drop in US interest in southern Africa.

Concor was also operating in southern Africa and was "taking a long, hard look at Angola".

The building and construction index had fallen sharply from mid-June, losing a further 11 points to 2 843 yesterday. This was from a March 12 1992 high of 3 243 and off an October 19 1990 low of 1 606.



Graphic: LEE EMERTON Source: I-NET

Soweto inquiry has yet to start

ADRIAN HADLANA (32)
B10A9 16/7/92

AN URGENT inquiry into fraudulent construction company activities in Soweto has failed to begin its deliberations, three months after it was ordered to do so by the Central Witwatersrand Regional Services Council (RSC).

In April the RSC requested the Soweto City Council to set up an inquiry "forthwith to investigate and apportion culpability for irregularities in the approval of contractors' certifications of payment by Soweto City Council employees."

Initial investigations by consulting engineer Van Wyk & Louw found almost R500 000 unaccounted for in just one project to supply roads and stormwater drainage to Soweto, undertaken by the recently sequestered Honball civil engineering company.

The RSC ordered the disciplinary inquiry to produce a detailed report, including "any punitive or corrective actions taken", by not later than May 22 this year.

Three months after the inquiry's urgent creation was ordered by the RSC, it has yet to meet. Newly appointed RSC CEO Leon de Wet said the Soweto council had requested financial aid to pay for the disciplinary inquiry and RSC assistance with structuring the inquiry.

"We are all anxious to proceed and are trying to sort out the details," he said. De Wet said it was a matter of time before it met and compiled its report. He could give no indication of when the report could be expected.

SADF officer kept tabs on Coetzee

PRETORIA — The SADF admitted yesterday that a senior officer had "monitored" SAP renegade Capt Dirk Coetzee in the UK, but denied the monitoring had been authorised officially.

The SADF statement followed a report in the Independent newspaper in Britain that two SA agents were arrested by British authorities in April after allegedly plotting to kill Coetzee.

An SADF spokesman said no disciplinary action had been taken against the officer, but the SADF and President F W de Klerk said in statements yesterday that the matter was being investigated.

The independent said the agents allegedly plotted to murder Coetzee in co-operation with Ulster loyalists, but the plot was foiled after a tip-off to British intelligence from within the SAP.

Coetzee fled to Zambia in 1989, where he told of his role in poisonings and killings by SA security agents. He subsequently joined the ANC, Sapa reports.

He sought asylum in Britain in 1991 and has been under police protection. Coetzee was quoted as saying he had only narrowly escaped death. "Scotland Yard (London police headquarters) confirmed to me that this was a very serious attempt on my life," he said.

The two agents, Capt Pamela du Randt and Leon Flores, a former policeman, were arrested just before their departure from London and were interrogated for

TIM COHEN

three days before being sent home.

Du Randt was secretary to chief of staff, intelligence, Gen Christoffel van der Westhuizen, who has allegedly been linked to the assassination of four eastern Cape activists in 1985.

The SADF said that two members of the defence force were sent to London in April to confirm a possible international terrorism link between Umkhonto and the IRA.

"During the visit one member, acting without sanction, authority or knowledge of the SADF or any other government authority, allegedly decided to arrange for the monitoring of Dirk Coetzee."

The SADF denied the defence force had ever had any interest in Coetzee. "The possibility of collusion between the individual in question and an individual or individuals who are not members of the SADF is also being investigated".

De Klerk said he was fully informed of the situation at the time the incident occurred, and gave instructions that every assistance be given to the British authorities. "Departmental investigations are continuing and I hope to be informed of the final results in the near future."

"These results will be communicated also to the British authorities, at which time a decision will be taken whether a further public statement is deemed desirable," the statement said.



Gangold MD Gary Maude at yesterday's presentation of the group's quarterly results. Maude said Gangold, as a whole, had a good quarter. Picture: CATHERINE ROSS

Russian tender may lure SA firms

MADDEN COLE
B10A9 16/7/92

THE Russian Federation would soon call for tenders for development of what could be the largest undeveloped copper deposit in the world, and it was likely that companies such as Anglo American and Gencor would be among the large international companies approached.

Executive-director Richard Gnonde of London-based Goldman Sachs International said last night that the Udokan project presented a unique opportunity to participate in a world class copper project with a potential life measurable in decades. Market analysts said it was likely

that Anglo American and Gencor would be competing with large international companies such as Phelps Dodge of the US, RTZ of the UK and BHP of Australia. Udokan's copper deposits were estimated at 1.25-billion tons of ore containing about 18-million tons of copper. The deposit, discovered in 1949, was near the rail service connecting to the Trans-Siberian railroad. Analysis said this was likely to be the first of many tenders concerning Russian mineral reserves.

Extortion pushes up township project prices

TOWNSHIP warlords and extortioners, some posing as representatives of political organisations, are causing the loss of millions of rands a year on state-funded construction sites across SA.

The losses, in the form of pilferage and theft, vandalism, pay-offs and protection money, have affected virtually every construction company involved in the development of township infrastructure.

SA Federation of Civil Engineering Contractors (Safcec) president Des King says: "I don't think there is one company that comes out of the townships unscathed."

BIDAY 17/7/92
ADRIAN HADLAND

King said many construction companies in the R4,5bn-a-year industry included a risk premium in the tender price of up to 50% of the anticipated cost of the project to cover potential losses of time, money and equipment.

"It is not an easy thing to work in the townships. You must grease the palms of street committees and give hand-outs to local warlords to make sure work goes on uninterrupted," King said.

He said one local committee had de-

manded R80 000 upfront before a project could begin while a warlord in Kwa Mashu, Natal, wanted a new Mercedes-Benz and 10% of the profits on a new petrol station.

W J M Construction company MD Harry Adams, whose company won the Safcec president's award for "activities beyond the call of duty" in 1991, explained how a group of armed men in suits had arrived on a road construction site in Dobsonville last year and insisted on a monthly payment of R800 for "protection".

He said the men claimed to represent

□ To Page 2

Extortion

BIDAY 17/7/92
the Soweto Students' Congress and needed the money for a congress.

Adams said despite this, his company had lost 12 vehicles and equipment worth thousands of rands in 18 months.

The cost of the project, a 3km stretch of road, had been estimated at R10m at the outset but ended up costing R18m.

One result of the difficult conditions has been that companies, which more established ones say are less reputable, have become involved in township construction projects. The case is illustrated by the RSC appointment in April of an inquiry into alleged fraud committed by the Honiball civil engineering company.

A spokesman for Van Wyk & Louw consulting engineers, Frik van der Merwe, who investigated the Honiball case on be-

half of the RSC, said "circumstances can get so unsavoury that companies aware of the risk walk away".

This left other companies with a lack of know-how about a contract offering unrealistic tenders.

King said more than 90% of all township infrastructure development was funded by regional services councils and other state or quasi-state bodies.

Consulting engineer for the Central Witwatersrand RSC Duncan Miller said he was aware that a certain amount of protection money was being paid out. "Under difficult conditions, project prices are going to be high in these areas."

The RSC paid out about R200m for construction work in the townships last year.

□ From Page 1

Industrial waste can mean cheaper housing

BIDAY 17/1/92
A LEADING SA mining corporation has found a way to save money, provide cheaper housing and protect the environment by using its industrial waste to make building materials.

Details of the breakthrough were carried in a paper delivered on Tuesday at a Johannesburg environmental symposium focusing on recycling, at the SA Institute of Mineral and Technology.

Genmin Mining Corporation engineer B E Dowling said the process had begun with a Council for Scientific and Industrial Research (CSIR) report which concluded that chrome, copper and platinum slag (metal waste) was suitable for making concrete.

Genmin began making "cement bricks", experimenting with different proportions of platinum slag and cement mixed with water, and testing them. It was also found that chrome slag could be used instead of sand in mortar for bricklaying or for plastering.

Slag is being incorporated into Genmin's employee housing scheme at its Impala platinum plant, and two entrepreneurs are making bricks using platinum slag. A special mould has been invented to make brick units to replace steel window frames and door frames, further reducing costs.

Manufacturing from waste was no miracle cure for housing, since the most expensive ingredient was the cement, Dowling said.

"However, using the waste material will contribute to savings in brickmaking costs and simultaneously reduce pollution of the environment."

In another paper, SA companies were warned that they would be forced to keep pace with foreign achievements in recycling.

The paper, presented by consulting engineers Dr Robert Muller and Dave Hojem, said the most recent legal requirements in Europe demanded that recycling take place if it was technically and environmentally feasible. Waste which filled these criteria could not be dumped.

Although SA had the most advanced technology for processing and recycling plastics, it still lacked stringent legislation for waste treatment. — Sapa.

How Lonerock Construction overcomes difficult hurdles

STAR 23/7/92

Lonerock Construction started out 11 years ago with 30 employees, three scrap trucks and a grader.

Today it employs 460 and has enough equipment to service around eight contracts at a time.

Managing director Fred Poggenpoel started out on his own with Lonerock because he did not enjoy the office politics of the corporate environment.

He now has the help of two excellent contracts managers, Johan Rootes and Jan van der Walt.

"The company's first project was the development of Lonehill. The project kept expanding and Lonerock Construction was kept busy for the following two years.

"We did very well. The company was in the red one month and in the black the following month. It has never moved back into the red," says Mr Poggenpoel.

The company concentrates mainly on civil works associated with retail and industrial development, and the installation of township services.

The competition and violence has made township development very hazardous.

"The shortage of work has resulted in many companies tendering at unrealistic prices, but the township violence is something we all under-estimate. How much profit should you make when a bakkie is burned each month? It is easy to lose three or four bakkies on a single contract.

"A few years ago providing services was the company's bread and butter. One project was worth R8,5 million. We were producing stand after stand, without problems," says Mr Poggenpoel.

He says the detailed nature of the work is unsuited to the major construction companies with their larger machines.

"The work is all corners, manholes and bits of concrete work.

Your management structure must be horizontal and each supervisor must be able to organise three to four different operations at a time," says Mr Poggenpoel.

He says labour is about 20 per cent of the cost of providing township services, but believes it should be larger.

He points out that, while using machines may be more directly cost effective, all the equipment and fuel has to be imported.

"It looks cheaper to use machines, but in terms of what you are doing to the economy it is not. I believe we would do better to double the labour content, provide more jobs and keep the money in South Africa."

As less cash per stand is available, many authorities involved in the provision of housing are phasing the development of services. However, he warns that developers should not leave the installation of sewage until later.

Costs

"When the sites are first being developed is the right time to install sewage. If it is left until the stands are developed the costs will increase dramatically," he says.

The site works to factories and shopping centres form a major component of Lonerock's work.

The company has worked on four major shopping centres in the past two years.

One such project was the Southgate shopping centre and Lonerock is currently working on the Fourways shopping centre.

The key to a successful development is the project management. Contractors tend to get in each other's way. The project manager must be a combination of referee and co-ordinator.

"This is why we have learnt to pay attention to the project man-

ager chosen. There are penalties for delays and they are getting increasingly severe."

Mr Poggenpoel says the developer has nothing with which to compare the project manager at the tender stage but should go on reputation.

"It is different when choosing a contractor where usually the choice is based on price. However, the cheapest on tender may prove to be the more expensive after all the difficulties and extras are added in. But there is no comparison made after the project, only when the tenders are submitted.

"One interesting fact I learnt in the early days is that if you have made an error and are set to lose 10 percent, you actually lose 20 percent because the whole project goes negative and your staff become demotivated."

He sees some rocky times ahead for the industry and further job losses: "You form a survival unit with everyone prepared to do almost anything for the company. We look after each other and that is what makes it so tragic if you have to retrench people."

The company has diversified in an effort to keep its staff.

It has started a sand-washing plant in Middelburg. A major construction project planned for the area could turn the plant into a money spinner.

Lonerock has also started a dairy farm in the Eastern Cape.

He says his never-say-die spirit was probably the result of his days as a Springbok 400-m athlete just prior to the end of SA's world sporting ties.

He recalls ruefully:

"We were going to Mexico for the Olympics — instead we went to Bloemfontein."

For more information, phone (011) 659-0520

Labour intensive projects for Soweto

THE Central Witwatersrand Regional Services Council (RSC) has approved two labour-intensive construction projects which are worth R14m.

The RSC had been involved in funding labour intensive work to provide jobs in the townships since 1990, an RSC spokesman said.

It was hoped the projects would encourage entrepreneurship and the expansion of small businesses, he said.

In the first project, which would provide up to 100 jobs, 6km of road would be constructed in Soweto using labour intensive methods. These would include the use of interlocking concrete blocks.

The second project, involving another 50

ADRIAN HADLAND (32)

jobs, was part of a programme to upgrade the water supply in Soweto's Naledi and Zola townships. The project would cost about R10m this year. Another R10m was to be spent on upgrading Soweto's secondary water mains. BIDA 23/7/92

Sapa reports that the RSC said the Soweto City Council had collected R262,4m in levies from July 1991 until June this year.

"After deducting R14,5m VAT, the council's net income was R247,9m — representing an increase of 13,35% on the amount of R218,7m collected during the previous year," it said.

Foreign capital 'waiting for political settlement'

81 DAY 241719 Z

ANDREW KRUMM

LARGE inflows of foreign capital — desperately needed to develop major projects and create jobs — would wait for a political settlement, said Investors Mutual Fund chairman HL Shill.

Reviewing unit trusts Sage Fund's and Sage Resources' results for the year ended March 1992, Shill said a political settlement would halt violence and strikes, and promote productivity and foreign interest.

"As we progress politically, the lifting of the last sanctions and the opening of additional markets for export should result. SA's access to World Bank and IMF finance should emerge and promote easier monetary policy as the need for a large current account surplus is diminished."

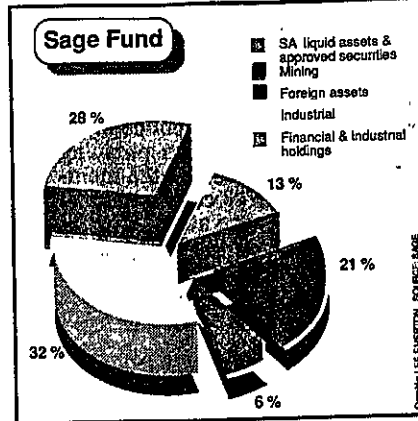
The outlook for the domestic economy was also dependent on political progress and a mild international recovery in 1992.

The domestic upswing would be delayed due to the effect of drought on agriculture.

"The R16bn budget deficit — at 4,5% of GDP — combined with the relaxation of HP restrictions and the lowering of bank rate shows governments attempt to stimulate the economy."

Meanwhile high levels of social expenditure would boost building and construction, while accelerated depreciation allowances to export industries should assist major capital projects.

Shill said the unit trust industry had continued to expand during the year. "Total industry assets rose by nearly 46% to pass the R12bn mark, while the number of unitholders' accounts increased 33% to exceed 1-million for the first time. The net



inflow to the industry, which increased 39%, was a record R1,5bn."

Shill said Sage Fund posted a 29% return for the twelve months ended March 1992 and unitholders received 98,7c a unit. The Fund's total assets increased to a year-end record of R989,7m, while unit sales hit their highest ever at R101,5m. However, net inflow at R17,8m was substantially down from R58,7m in the preceding 15 months. "This was due to one institutional holder distorting repurchases with a large redemption."

Specialist unit trust Sage Resources — which focused exclusively on natural resources — only recorded a marginal net inflow. However, Sage Resources posted a return of 14,4% this year, substantially up from the -12,8% in 1991, reflecting the improved performance of the mining and resources sector, Shill said.

Group Five in pipeline³² joint venture

EDWARD WEST

GROUP Five's joint venture with Cape-based Marine Civil on a R60m contract to supply pipes for the Stellenbosch-to-Philli water pipeline, was the largest contract ever awarded by the Cape Town City Council, Group 5 said yesterday. The new joint venture company, Group Five Pipe, manufactures pipes required by the main contractor for the R125m, 35km pipeline. Group Five chairman Peter Clogg said because the new company was coastal it would take advantage of export opportunities.

The transport costs from Transvaal-based pipe makers made exporting difficult.

Urbanisation and township development would provide other opportunities, he said.

Group Five Pipe's new factory and pipe mill produced steel pipes weighing up to 22 tons each with a diameter of 2 400 millimetres. The factory was currently producing seven pipe lengths worth about R2m a month.

Three overseas companies, nine engineers, numerous Cape-based sub-contractors and hydraulic, electrical and mechanical consultants had worked for seven months commissioning the pipe-making operation.

FM 24/7/92 (32)

Activities: Engineering, construction, project management and development projects in all disciplines throughout southern Africa.
Control: Anglo 50%, Amic 22,6%.
Chairman: H K Davies; MD: C J M Wood.
Capital structure: 26,6m ords. Market capitalisation: R96m.
Share market: Price: 360c. Yields: 9% on dividend; 31,7% on earnings; p:e ratio, 3,2; cover, 5,7. 12-month high, 450c; low, 300c.
 Trading volume last quarter, 1,1m shares.

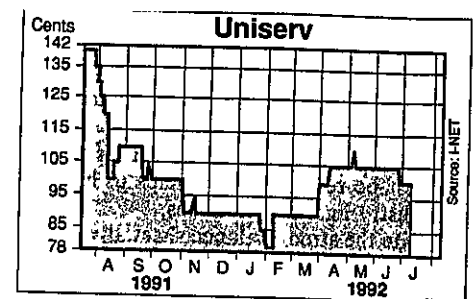
Year to Mar 31	'89	'90	'91	'92
ST debt (Rm)	4,29	28,2	10,5	15,3
LT debt (Rm)	18,5	13,2	4,4	31,8
Debt:equity ratio	0,55	n/a	n/a	7,3
Shareholders' interest	0,16	0,19	0,2	0,21
Int & leasing cover	3,1	2,5	7,7	n/a
Return on cap (%)	3,7	6,4	7,0	6,6
Turnover (Rm)	1,66	1,83	1,87	1,88
Pre-int profit (Rm)	20,0	36,3	40,1	47,4
Pre-int margin (%)	1,0	1,9	2,1	2,5
Earnings (c)	48	53	88	114
Dividends (c)	nil	20	20	20
Net worth (c)	422	485	412	562

owns Rapp & Maister. However, if one is to have a big daddy, it may as well be the biggest, particularly as Anglo's projects are able to keep both LTA's civil engineering and building arms busy. Liberty's projects, on the other hand, relate more to building activities.

Cash flow is particularly material to construction groups and LTA's was strong last year, thanks to the R77m drop in working capital. This is only R5m short of the R82m cash generated by the operations.

A drop in working capital is not always good news to construction groups, particularly where the decline comes through a decrease in "contracts in progress and contract debtors" — in LTA's case, dropping to R130m (1991: R158m). This increases where work has been done but no payment has been received and would rise if LTA were given more work.

Wood comments that LTA has followed a policy in this recession of "only taking work with a reasonable profit margin and has accepted the resultant decline in turnover as being a good strategy." Working capital fell mainly because of the surge in creditors,



FM 24/7/92 (32)

ern African states resulted in a disappointing performance from the export division. This required management changes to improve use of assets managed.

The acquisition and restructuring of Overnight Express and the expansion of operations in Mounties are expected to make positive contributions during the coming year. Gundelfingers Travel has been sold.

Attributable earnings declined to R764 000, from R12,2m in 1991. The dividend was passed.

The first tranche of the "B" convertible prefs was converted on June 30 1992 (the last stretches through to June 1994), raising the total issued ords by 6% based on the 46m in issue at year-end.

Prospects are mixed. While restructuring in the divisions may prove successful, the group's sensitivity to labour unrest and changes in the political climate suggest a return to previous levels of growth is unlikely, at least in the near term. Uniserv's close business link with the motor industry suggests any strikes in the industry will affect Sun Couriers' performance.

At 95c, the share stands on a p:e of 55,9 and is well off the 12-month high of 140c. It cannot be expected to perform until the political climate improves and management has demonstrated that the restructuring in Sun Couriers is working.

Marylou Greig

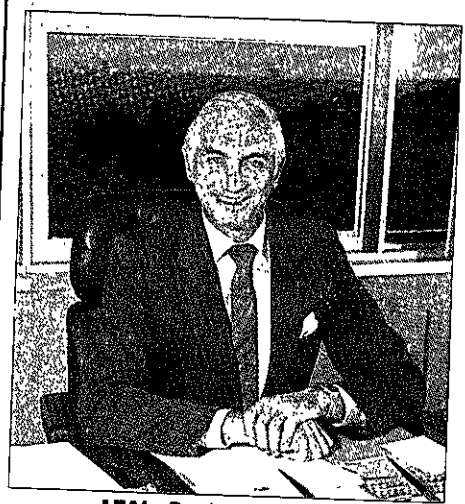
LTA FM 24/7/92

More selective (32)

Having Anglo American Corp as the major shareholder seems to make a difference to LTA. Newly completed and current Anglo-related projects include: work undertaken at FNB's Bank City; JCI's Arthur Taylor Colliery; AECI's Sua Pan mine in Botswana; JCI's Sandton office development; a central city office block for Southern Life in Bloemfontein; Anglo's Marshall Street office block in Johannesburg; and a new winery at Somerset West's Vergelegen Estate.

MD Colin Wood points out that work on Bank City, Arthur Taylor Colliery, the Botswana soda ash mine and JCI's Sandton office development was tendered in competition and won on the basis of being the lowest tender. He adds that most work undertaken by LTA is "non-Anglo operations."

Still, as an industry source says, the Anglo backing reduces LTA's risk profile. Most, if not all, the big local construction groups are backed by large institutions, with Murray & Roberts in the Sanlam stable, while Liberty



LTA's Davies ... should maintain earnings

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LTA

FM. 24/7/92

32

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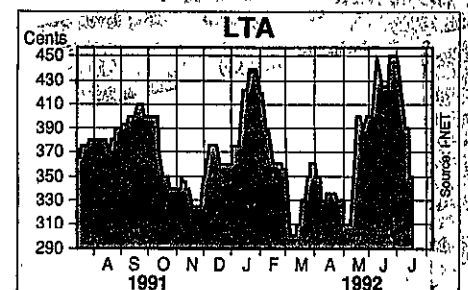


LTA's Davies ... should maintain earnings

FM 24/7/92 (32)

from R317m to R391m, helped by the acquisition of H H Robertson and Lennings last year.

Still, the 4% increase to R1,56bn (a drop in real terms) in the value of work remaining to be completed must concern management. Building, property development, civil engineering, roads and earthworks, the backbone of the group's activities, dropped to R1,23bn from R1,24bn. Meanwhile, the higher-margin manufacturing activities, comprising steel reinforcing, roofing systems and industrialised buildings, jumped to R257m (R117m), partly because of the Bank City project.



Value of work to be completed at the mechanical, electrical and process engineering division dropped to R69m from R147m. This is explained by the completion of the Matimba and Kendal power stations for Eskom and the Mossel Bay project.

The change in the activity profile towards higher-margin manufacturing activities is material and partly explains the rise in group margins to 2,5% from 2,1%. Chairman Hilton Davies believes the group should be able to maintain earnings this year, despite the tough conditions, indicated by the high 5,7 dividend cover.

The share, on a p:e of 3,2, is probably slightly underrated despite the industry's volatility.

William Gillilan

Only fittest will survive, forecasts Ovcon MID

(32)
ARCT 25/7/92

CONDITIONS in the construction industry are now as tough as anyone can remember, says Ovcon group managing director, Mr Jan Kaminski.

But he is confident that better contractors can come through the next two years, despite the difficulties.

"Management strength is being tested as never before, but there are a few companies which have learned to operate on exceptionally tight pricing. I see such companies surviving until the better times which we believe will follow a political settlement."

Mr Kaminski said that among the hopeful signs for the next year were the half a dozen or so major projects either coming up for tender or in the planning stages.

Among those he mentioned were a new international hotel in the V&A Waterfront, the new Waterfront aquarium, the cable stations for the proposed Signal Hill cableway (not yet approved), the redevelopment of the strategic power station site at the lower end of Cape Town, civil engineering infrastructure for the residential development within the V&A Waterfront and a new Somerset West one-stop shopping centre.

In addition, he said, there were definite further possibilities for smaller, upmarket townhouse projects.

Mr Kaminski said Ovcon had many contacts among European and UK developers and contractors who had shown an unprecedented interest in getting into South Africa.

"We can to a limited extent use their expertise, but their great contribution would be capital. At the pre-

sent exchange rates they can make a little capital go far in this area"

Most of Ovcon's overseas contacts, said Mr Kaminski, were interested not just in South Africa but in the whole of southern Africa and saw this country as the doorway to the region.

Their interest, he added, complemented that of his company because Ovcon was looking hard for work in Namibia, Angola and Kenya. Ovcon directors had, visited these countries over the past few months and were now once again tendering in Namibia.

In addition, said Mr Kaminski, Ovcon had recently had a look at the Middle East. Several of its British staff had at some stage worked there.

"There are still contracts on offer there, but securing them involves a lengthy process of getting to know the local authorities and gaining their confidence. You cannot simply go in and submit a tender; you have to spend considerable time establishing your credentials."

He added a word of warning, however, and said that foreign groups would be able to purchase South African companies at bargain prices if the political logjam continued for even another six months.

"Industry is deteriorating at an accelerating rate with many skilled employees unable to find a job of any description as more firms close."

Mr Kaminski stressed that the Cape, with its scenic beauty and extremely pleasant lifestyle, could still attract developers.

"The evidence of the last few months shows that good projects still can and will succeed. It is the mediocre and second rate for which there is no longer a market", he said.

EDITED BY FRED ROFFEY

Battered construction industry heading for third-world status

BATTERED by lack of work and liquidations which have reached record levels, the construction industry is now facing another problem — contractors who are rapidly losing the confidence to replace equipment because they see no sign of a sustained work flow.

The problem is particularly acute in the civil engineering industry, which is being hit by excessive fluctuations in workloads as a result of erratic and un-coordinated government spending on capital projects, according to Nolan Marsh, managing director of Cape-based civil engineering contractors EU Civils, specialists in pipelines and township services.

He warned: "Unless there is a concerted effort to stabilise the flow of work, very few contractors will have the confidence to replace equip-

ment. As a result, our industry will rapidly achieve third-world status.

"Without the continued support of state expenditure, the civil engineering industry will be hard pressed to survive, and without a competent civil engineering industry this country will be unable to develop the infrastructure so desperately required."

The plant and equipment required to undertake civil engineering contracts involves significant capital expenditure which could only be recovered over the usable life of the machines, which in many instances was five years or more. If the plant was not used, the contractor would be in trouble.

"The ability and competency of the civil engineering industry are vital to ensure the proper infrastructural development required by a de-

veloping country," said Mr Marsh.

"Our industry has risen to the occasion and has met the demands placed on it by government, but in return has not been afforded a reasonable continuity of work to justify the investment in plant and equipment."

"Whatever the reason for this unacceptable cyclical workload, the net effect is that the government is making it extremely difficult for our industry to maintain the high standards that have been built up over the years."

He added: "The irony of the matter is that when farmers are subjected to drought, they are offered government aid."

"But when our industry is subjected to a 'drought' directly as a result of government policy, we are expected to grin and bear the consequences."

STIVES

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32

Positive politics will push up building costs

ANDREW KRUMM

(32) POSITIVE political developments in SA would push industrial construction prices up, making new factories and warehouses less attractive to investors, says project management company Clearspan CE Ernie Heatlie. BIDAY 2917192

"An upturn in political events will cause supplier discounts to the industrial construction industry to fall away.

"Any change to the beneficial discount structure, which has been in place over the past two years, would squeeze subcontractor profit margins, and filter through to the market as price increases," he said.

Now was a good time to build, since subcontractors — through whom the company did most work — were still competing within the current discount structure.

Grinaker Projects MD Terry Walton agreed with Heatlie, saying the entire market was holding prices and margins down.

But the industry had to welcome a political settlement — and not only for the resultant long-term business prospects.

"Our order book this year is down on last year, but we believe by aggressively seeking new business, even in a fairly flat market, we will have an adequate amount of work for the year," Walton said.

Heatlie said Clearspan was bullish, although margins were tighter this year.

"A 23% rise in our turnover more than offset year-on-year cost escalations, which are up 13% in real terms.

"Our order load is comfortable and will take the company through 1992 with relative ease," he said.

NEWS ANALYSIS *IDT is creating jobs for many*



Toilets like these were funded by the Independent Development Trust.

IDT projects have a positive spin-off

MORE JOBS

Instead of using machines on IDT projects, the residents now reap the rewards:

TREND-WATCHERS will have noted a dramatic change in recent months from a capital intensive to a labour-based approach to getting things made or built. Put in simple terms: machines are out, people are in.

What is more, the evidence is that, apart from creating desperately needed jobs, the move back to humans is having positive spin-offs.

I am pleased to record that this trend is becoming a fetish within IDT-sponsored projects.

First major signals about the potential for harnessing development programmes to the creation of jobs came from the construction of a substantial new primary school at Etwatwa, near Daveyton, on the East Rand.

Labourers were recruited from the community and trained on site. The school was built in 100 days. Of the total cost of R2,2-million, R800 000 went back into Etwatwa in wages.

Now examples are coming in aplenty from site-and-service development being paid for by the IDT across the country.

These initiatives are being captured in a regular IDT newsletter which is sent to more than 100 developers so they can share the experience of others. Thus, the trend is likely to spread.

At Vosloorus in the Transvaal, there is a good case being made for labour-based construction methods. Machines are being used on the 1 325 site project only where absolutely necessary. A combination of soil and dolomitic rock requires bulldozers to

Sowetan 29/7/92 *32*



This is a further article in a regular series on how the Independent Development Trust is using R2-billion of taxpayers' money to provide a better future for the very poor of all races in South Africa. **JOLYON NUTTALL**, IDT Director of Communications, reports.

turn the ground.

But manual labour is being used for site clearing, trench digging, laying of pre-cast manholes and in laying road surfaces with interlocking concrete blocks. The blocks are being used deliberately as an alternative to tar.

They are made by local labourers on site. The blocks cost more than tar but they require less maintenance.

A total of 170 local workers have been recruited.

On the East Rand, the Katlehong

“No fewer than 600 local labourers have been recruited. They prefer to work on a piecework basis”

Builders Association has been formed. It has 28 members and recently completed its first contract to build 500 toilets on a nearby Moleleki project funded by the IDT.

At Stutterheim, in the Border region, about 40 percent of the work on a 900 site project has been completed, using mainly labour intensive building methods

The project has been divided into 29 areas of about 30 stands each. Initial contracts were divided between experienced contractors doing more skilled work, such as pipelaying, and less experienced contractors doing less skilled tasks, such as backfill. Now all contractors do all tasks in a single contract

At a 500 site project at Kokozi in the Western Transvaal, the only machinery used in construction consisted of water pumps, compressors for compacting roads, and transport for delivery materials.

No fewer than 600 local labourers have been recruited. They prefer to work on a piecework basis rather than for a fixed weekly wage. It allows them to work harder and thus increase their income.

Somehow, this momentum must be maintained. More projects must be developed, so that this newly acquired expertise can be put to further use

The IDT is doing all it can to secure more funds, in order to achieve just that

● Readers will note from the scorecard that the funds allocated to projects exceed the founding grant of R2-billion. This is where the interest earned on the grant starts to come in useful

The IDT score so far

Projects supported to date: 331
Funds allocated: R2 080 520 000
Funds "in the ground": R611 000 000

Trebled tax bill, higher interest costs hit Stocks

BIDAY 31/7/92 (32) ~~32~~

PETER GALLI

A TREBLED tax bill and higher interest charges saw construction company Stocks & Stocks post a 22% drop in attributable profit to R18,085m in the year to end-April from R23,168m previously.

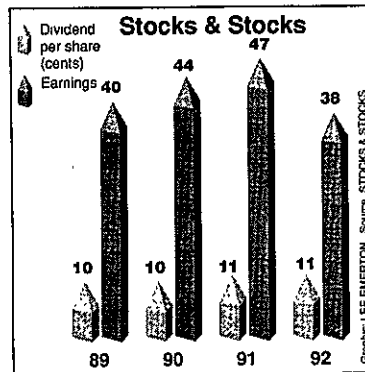
The tax bill more than trebled to R10,59m from R3,26m, as a result of the increased tax rate of 32% from 12% previously, and phasing in of new legislation on stock in trade and the reversal of timing differences at the year-end.

Chairman Reg Edwards said in an interview yesterday the 7% rise in turnover to R1,44bn was "quite admirable", given present market conditions, particularly as this translated into a 19% improvement in operating income to R53,11m and a 20% rise in pre-tax profit to R33,12m — benefits of which were offset by the tax bill.

"Given inflation, our order book has shrunk by 8% to R1,1bn for the next year and will continue to do so until the economy is sorted out, but we are confident our results for the next six months will remain around these levels," he said.

The company was quite "cash flush", having net cash of R97m at the year-end.

This, with a dividend cover of 3,5, allowed the dividend to be maintained at 11c a share in spite of a 19%



drop in earnings to 38c a share (47c a share), he said.

However, the conversion of 3,5-million convertible notes last year diluted earnings a share for the year under review.

The company still had land holdings in township areas, but housing and township sales and development in these areas had virtually ceased and was "a negligible loss factor" in the results.

On the house construction side, Stocks Housing continued to perform well, contributing between 15% and 20% to total operating income. This division still built about 6 000 homes a year as a contractor for mining houses and the House of Delegates among others.

"We are also doing a fair amount of work in Botswana in this regard, but

are not involved in a land-holding situation. We are continuing to follow our policy of reduced dependence on building construction and are looking at the opportunities offered in southern Africa," Edwards said.

The roads construction division also continued "to perform soundly" and was still involved with the rehabilitation of the main Natal motorway and a portion of the Trans-Kalahari in Caprivi, amounting to about R100m together, he said.

It had also won a R30m contract in Botswana, while a few others were in the pipeline awaiting tender acceptance.

The information technology division, Stocks Systems Technology, had reversed its previous loss-making position to break even and was expected to move into the black in the present year as it gained market share, Edwards said.

"We are looking for new opportunities, particularly as some of our Sun International contracts wind down. We believe that real future needs lie in the housing, education and medical fields as well as in the leisure arena," he said.

The group had recently bought the Kruger Lodge, near the Kruger Park, and was also looking at two leisure developments in the Cape area for which it already held the land, but the actual development of these would depend on market demand.

EXISTING HOUSES A BETTER BUY FOR NOW

S BUYING an existing house could still be a better proposition than having one built, but much will depend on economic conditions arising in a new SA.

The price of a home in a middle-class suburb is currently 25% to 35% below replacement cost, depending on geographical location, says Board of Executors Merchant Bank assistant GM Richard Harman.

The discount is due to current socio-political turmoil and the resulting poor economic climate.

Whether SA can use similar political developments to those which occurred earlier in other independent African countries as a guide to what may unfold here is a moot point, but a similar pattern may unfold, as the pattern has its roots in the economics of supply and demand.

In Zimbabwe, Harman says house prices initially softened from previous highs by up to 30%. But through development of a new middle class, demand began to rise.

"Within two years prices were above previous highs, and during the following five years they grew at an average rate of about 75% a year."

Hopefully SA will not experience quite the same rate of increase, as the accompanying inflationary implications would be disastrous for the purchasing power of the rand, he says.

However, it is realistically expected that the current discount should become a premium of 10% to 20% in the face of increasing demand.

"We can also assume building costs will rise and an escalation

factor of, say, 10% would not be unreasonable."

Looking at likely investment implications, assuming an average three-bedroomed house in a middle-class SA suburb now costs R175 000, this represents a 25% discount on replacement (R220 000).

Taking into account rising building costs, the same house would cost about R355 000 in five years time.

"If demand in five years is such that existing homes are trading at a 20% premium due to the scarcity of suitable land and the time delay of building, then our house will be worth R425 000 — or a 240% increase."

Harman says whether this will represent an after-tax return will depend on whether a capital-gains tax is introduced during the period.

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Quantity surveyors branch out

THE quantity surveying profession has broadened its base from the "counting of nails" to the management of clients' funds and cost control, says Association of Quantity Surveyors president Wally Brink.

"The reason for this expansion is that money has become so expensive and the control of it so important. We control the money at both the project and the contract level," he says.

The industry was previously involved only in matters relating to the building procedure but is now concerned with the furnishing and equipping of the structure.

Regarding mass housing, Walters and Simpsons Quantity Surveyors low cost housing specialist Josh Heymann says millions could be saved if developers adopted cost-cutting measures.

"A lot more could be done to cut costs in the planning of sites and services and the procurement of contracts, a survey we conducted shows."

Sound cost control and contract procurement principles were essential and

quantity surveyors needed to be seen as a vital to planning and development. ^{BIDAY 518192} ⁽³²⁾ ⁽¹⁸⁾ ⁽²⁷⁾ ⁽³⁷⁾ ⁽⁴⁷⁾ ⁽⁵⁷⁾ ⁽⁶⁷⁾ ⁽⁷⁷⁾ ⁽⁸⁷⁾ ⁽⁹⁷⁾ ⁽¹⁰⁷⁾ ⁽¹¹⁷⁾ ⁽¹²⁷⁾ ⁽¹³⁷⁾ ⁽¹⁴⁷⁾ ⁽¹⁵⁷⁾ ⁽¹⁶⁷⁾ ⁽¹⁷⁷⁾ ⁽¹⁸⁷⁾ ⁽¹⁹⁷⁾ ⁽²⁰⁷⁾ ⁽²¹⁷⁾ ⁽²²⁷⁾ ⁽²³⁷⁾ ⁽²⁴⁷⁾ ⁽²⁵⁷⁾ ⁽²⁶⁷⁾ ⁽²⁷⁷⁾ ⁽²⁸⁷⁾ ⁽²⁹⁷⁾ ⁽³⁰⁷⁾ ⁽³¹⁷⁾ ⁽³²⁷⁾ ⁽³³⁷⁾ ⁽³⁴⁷⁾ ⁽³⁵⁷⁾ ⁽³⁶⁷⁾ ⁽³⁷⁷⁾ ⁽³⁸⁷⁾ ⁽³⁹⁷⁾ ⁽⁴⁰⁷⁾ ⁽⁴¹⁷⁾ ⁽⁴²⁷⁾ ⁽⁴³⁷⁾ ⁽⁴⁴⁷⁾ ⁽⁴⁵⁷⁾ ⁽⁴⁶⁷⁾ ⁽⁴⁷⁷⁾ ⁽⁴⁸⁷⁾ ⁽⁴⁹⁷⁾ ⁽⁵⁰⁷⁾ ⁽⁵¹⁷⁾ ⁽⁵²⁷⁾ ⁽⁵³⁷⁾ ⁽⁵⁴⁷⁾ ⁽⁵⁵⁷⁾ ⁽⁵⁶⁷⁾ ⁽⁵⁷⁷⁾ ⁽⁵⁸⁷⁾ ⁽⁵⁹⁷⁾ ⁽⁶⁰⁷⁾ ⁽⁶¹⁷⁾ ⁽⁶²⁷⁾ ⁽⁶³⁷⁾ ⁽⁶⁴⁷⁾ ⁽⁶⁵⁷⁾ ⁽⁶⁶⁷⁾ ⁽⁶⁷⁷⁾ ⁽⁶⁸⁷⁾ ⁽⁶⁹⁷⁾ ⁽⁷⁰⁷⁾ ⁽⁷¹⁷⁾ ⁽⁷²⁷⁾ ⁽⁷³⁷⁾ ⁽⁷⁴⁷⁾ ⁽⁷⁵⁷⁾ ⁽⁷⁶⁷⁾ ⁽⁷⁷⁷⁾ ⁽⁷⁸⁷⁾ ⁽⁷⁹⁷⁾ ⁽⁸⁰⁷⁾ ⁽⁸¹⁷⁾ ⁽⁸²⁷⁾ ⁽⁸³⁷⁾ ⁽⁸⁴⁷⁾ ⁽⁸⁵⁷⁾ ⁽⁸⁶⁷⁾ ⁽⁸⁷⁷⁾ ⁽⁸⁸⁷⁾ ⁽⁸⁹⁷⁾ ⁽⁹⁰⁷⁾ ⁽⁹¹⁷⁾ ⁽⁹²⁷⁾ ⁽⁹³⁷⁾ ⁽⁹⁴⁷⁾ ⁽⁹⁵⁷⁾ ⁽⁹⁶⁷⁾ ⁽⁹⁷⁷⁾ ⁽⁹⁸⁷⁾ ⁽⁹⁹⁷⁾ ⁽¹⁰⁰⁷⁾ ⁽¹⁰¹⁷⁾ ⁽¹⁰²⁷⁾ ⁽¹⁰³⁷⁾ ⁽¹⁰⁴⁷⁾ ⁽¹⁰⁵⁷⁾ ⁽¹⁰⁶⁷⁾ ⁽¹⁰⁷⁷⁾ ⁽¹⁰⁸⁷⁾ ⁽¹⁰⁹⁷⁾ ⁽¹¹⁰⁷⁾ ⁽¹¹¹⁷⁾ ⁽¹¹²⁷⁾ ⁽¹¹³⁷⁾ ⁽¹¹⁴⁷⁾ ⁽¹¹⁵⁷⁾ ⁽¹¹⁶⁷⁾ ⁽¹¹⁷⁷⁾ ⁽¹¹⁸⁷⁾ ⁽¹¹⁹⁷⁾ ⁽¹²⁰⁷⁾ ⁽¹²¹⁷⁾ ⁽¹²²⁷⁾ ⁽¹²³⁷⁾ ⁽¹²⁴⁷⁾ ⁽¹²⁵⁷⁾ ⁽¹²⁶⁷⁾ ⁽¹²⁷⁷⁾ ⁽¹²⁸⁷⁾ ⁽¹²⁹⁷⁾ ⁽¹³⁰⁷⁾ ⁽¹³¹⁷⁾ ⁽¹³²⁷⁾ ⁽¹³³⁷⁾ ⁽¹³⁴⁷⁾ ⁽¹³⁵⁷⁾ ⁽¹³⁶⁷⁾ ⁽¹³⁷⁷⁾ ⁽¹³⁸⁷⁾ ⁽¹³⁹⁷⁾ ⁽¹⁴⁰⁷⁾ ⁽¹⁴¹⁷⁾ ⁽¹⁴²⁷⁾ ⁽¹⁴³⁷⁾ ⁽¹⁴⁴⁷⁾ 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While many big players in construction have moved out of low-income housing because of the high risk factor, low commercial returns and bond boycotts, the Murray & Roberts group continues to be strong in this sector.

Arthur Coy, joint managing director of M & R Construction says: "Far from leaving the lower income housing market, we are continuing to explore all avenues to find acceptable solutions to the country's housing problems."

In the role of contractor to developers, the newly-established M & R Housing (Transvaal) company is currently involved in a spread of housing from Soweto to Mabopane in Bophuthatswana.

The Pretoria-based company is providing more than 600 homes in the initial phases of these ventures.

In Bophuthatswana, where the homes shortage is a persistent problem, M&R Housing is

M&R pushes ahead with low-income homes

STAR 5/8/92 32

bringing to the market units at a rate of 25 a month.

KwaNdebele, too, is tackling its housing situation in a big way and is raising its output from 60 units to 200 units a month.

The KUC is affiliated to the KwaNdebele National Development Corporation.

Charl du Toit, chief executive officer of the corporation, says: "Forecasts indicate that by the turn of the century, we will have to deliver an average of 600 houses a month to keep pace with demand."

Current prices of new homes there are from R8 000 to R30 000.

Johan Viljoen, outgoing president of the South African Institute of Building, believes hous-

ing should be taken out of the political arena and planned by an economic or housing forum.

He said in a farewell address: "So long as housing remains a political issue, totally unrealistic claims and promises will continue to be made."

"The fundamental principle of any housing policy is that it should be affordable to both the home owner and the community."

"This means, inter alia, that the running costs of a unit and the bond repayments should be affordable to the buyer, while the capital subsidy provided by the taxpayer should be within his means — without running up large foreign or internal debts."

Pipeline profitable project for Group Five

Construction company Group Five has branched out into what is sure to be a profitable pipe manufacturing operation through a major link with the R125 million, 35 km Stellenbosch-to-Phillipi pipeline.

It has joined up with Cape company Marine Civil to form Group Five Pipe, which is producing pipes at a current value of about R2 million a month for

the big project. *Star 5/8/92*
A new factory has been set up at Marine Civil's operation near Cape Town airport. (32)

Main contractor for the pipeline is BCS — a joint venture involving Basil Starke, Clifford Harris and Group Five company, Savage & Lovemore.

Group Five Pipe's supply contract is worth R60 million and Edward Sunde, of GFP,

says: "Our production is well on programme and justifies Group Five's decision to enter the pipe manufacturing field."

The pipeline will bring untreated water from the Theewaterskloof Dam tunnel outlet near Stellenbosch to a new water treatment plant being built at Faure.

The treated water will then be distributed to the Cape Flats.

Smaller enterprises increase market share

SMALLER businesses are apparently increasing their share of the building and construction markets as the recession continues to bite.

Property developers and owners are looking for the most cost effective and efficient means of developing their properties and in many cases the smaller company can offer as good a deal as the big one — and provide more personal service.

The R27m Alphen Square high-tech industrial development in Midrand is an example of this. A three-man operation, Devcon, was appointed developer and the construction was undertaken by recently-formed Tandem Construction.

The development was originally to be built by Langley Fox, but this was

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changed when Langley Fox Building Partnership was placed in provisional liquidation.

Devcon Properties, a newcomer to the scene, came up with all the required guarantees and met its obligations. It assumed the project management and administrative duties for the 7 000m² first-phase development, which offered office accommodation linked to warehouse and manufacturing space.

"One of the strengths of this development is that it can accommodate any needs for space from 245m² upwards. Once the first phase is 50% pre-let, work on the 7 000m² second phase will begin," says director John Greve.

The company had projects worth

R45m on its books for the present year and had bought land which was being rezoned for development next year, he said. (32)

Tandem director Tom Donaldson said there were "lots of developers" in the market, but service was now becoming the issue. "The market is tight and we believe our edge is the high standards we maintain".

This meant using sub-contractors who were able to meet required standards and perform the work satisfactorily "the first time round".

The company was involved in a joint townhouse development in Glenvista and was considering cluster home projects for next year.

Strong margins bolster Genrec

EDWARD WEST

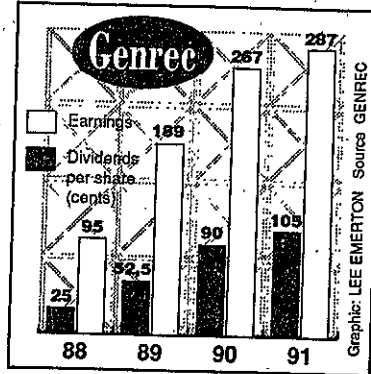
GENREC's 8% earnings increase was boosted by a healthy improvement in operating margins in the year to June 1992 in spite of a 11% drop in sales, today's published results show.

The Murray & Roberts-controlled construction, engineering and manufacturing group's turnover fell to R526,5m (1991: R592,8m). The R22,8m operating profit in the second half was lower than the first half's R25,6m, but the total for financial 1992 was 20% higher at R48,4m.

Borrowings increased to R46m (R22m). Interest of R1,6m was paid compared with R2m received in 1991. Gearing stood comfortably at 15%. Pre-tax profits rose 11% to R47m. After tax of R13,9m (R11,4m), profit was 7% higher at R32,9m. Attributable profits were 12% higher at R36,2m.

The number of shares in issue were higher at 12,5-million from 12,2-million which diluted earnings to a 4% increase to 263c (253c) a share.

Taking into account non-operating receipts of R3,3m (R1,7m) arising



from the sale of properties and other fixed assets, total income rose by a further 26c (14c) a share to 289c (267c) a share. Dividends for the year were raised to 105c (90c) a share.

Directors reported in the results that gross domestic fixed investment levels had remained at low levels.

Genrec's previous forecasts were optimistic and they predicted that trading conditions would remain difficult during the 1993 financial year with earnings unlikely to show any marked improvement.

Graphic: LEE EMERTON Source: GENREC

Funds put metal price in a spin

MATTHEW CURTIN

RAMPANT profit taking by commodity funds and nervousness about the world economy drove gold and platinum prices towards lows for the year yesterday.

Gold, having crashed on New York markets overnight, slumped in London to a close of \$338.40, down from \$345.80 on Wednesday.

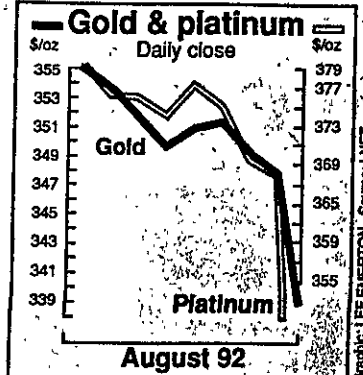
Platinum prices fell nearly 5%, losing \$16 in their fall to yesterday's afternoon fix of \$351.75, against \$368.75 on Wednesday.

Analysts said the price free-fall was started by a frenzied selling session in New York on Wednesday afternoon. One dealer noted: "There was no news, it was fund selling."

The sharply weaker Nikkei index, which fell to a 77-month low yesterday, also undercut confidence in the platinum market, because of the metal's sensitivity to motor-industry and jewellery demand in Japan.

Almorie Maule, senior manager, strategy and planning, at Genmin, said yesterday the falling precious metal prices were primarily the result of fund selling.

She said the rallies in gold and platinum prices in mid-year were not based on a significant improvement in fundamental market conditions,



but in speculative trading on world metal exchanges. Once confidence ebbed and selling started, most dealers joined the bearish bandwagon to send prices tumbling.

Commodity funds were now frightened of the precious metal markets because of fitful economic recovery in OECD countries, a nervousness compounded by De Beers' poor results announced this week.

The risk of "a triple-dip recession in the US" was stronger now than it was six months ago.

But Maule said there were no signs of profound economic weakness, with indications Japanese imports of platinum were likely to match first half figures of about 31 tons.

Hanson suffers 28% plunge

LONDON — US-British conglomerate Hanson yesterday reported pre-tax profit fell 28% to \$274m in its third quarter ending June 31, leaving profit in the first nine months of the financial year down 21% at £762m from £967m in the year-earlier period.

Hanson maintained its quarterly dividend at 2.75p a share and reaffirmed its quarterly dividend would not be lowered "until further notice".

The conglomerate switched this year to a US system of paying quarterly dividends from the British practice of interim payouts. It has now declared two quarterly dividends of 2.75p a share each, compared with a single interim dividend the year before of 3.15p.

Hanson paid a full year dividend in 1990-1991 of 11p a share and is on track to maintain that dividend in the year that will end on September 30.

Hanson is Britain's eighth-largest company by capitalisation on the London Stock Exchange. Its activities, including the Beazer construction company, Peabody Coal and Imperial Tobacco are about evenly split between Britain and the US.

"These are very good results in the economic climates affecting both sides of the Atlantic," chairman Lord Hanson said. — AP-DJ.

Basil Starke cuts operations by 60%

CAPE TOWN — Building group Basil Starke had cut back construction operations by 60% and retrenched 300 workers this year as a result of the recession, former MD Maurice Phillips said yesterday.

He said plant had been sold and would continue to be sold until it reached levels required by present construction activities. Last year 150 workers lost their jobs, bringing the total number of workers retrenched so far to 450.

LINDA ENSOR

Phillips, who retired as MD after suffering serious injuries in a motor accident this year, said the steps were essential for the group's long-term prosperity. The remainder of the construction division had enough work and was active at present.

In the financial year to end-December 1991, Basil Starke made a slight profit, and is due to release its interim results next month.

Phillips said the purpose of the downsizing operation was to maintain stability under prevailing tough economic conditions. He pointed out the scaling-down had been structured to enable the group to adapt immediately to an economic upswing.

He did not think there would be a massive economic upswing, but only a bottoming out and slight upward trend over the next 18 months.

Phillips remains a director of Basil Starke Investments and the group.

Stocks & Stocks weathers recession in niche markets

PETER GALLI

RELYING less on construction activities as its main source of income has placed construction group Stocks & Stocks in a less vulnerable position as the recession reduces construction opportunities in SA, executive chairman Reg Edwards says in his latest chairman's review.

"We have been successful in gaining contracts beyond our borders, in other southern African states and in the Indian Ocean islands, which have helped us replace some of our lost local turnover," he said.

The role of the leisure industry was becoming increasingly important in the group, which was able to offer services as developer, contractor and manager.

Stocks & Stocks aimed at "niches of market demand". Developments included

two resorts at Pilanesberg, Bophuthatswana; the Centurion Lake Hotel, which opened last October in Verwoerdburg; and the recent acquisition of Kruger Lodge in the eastern Transvaal.

"While our strategy in these operations is focused on niches in the local market, all developments would benefit substantially from any increase in tourism."

The group also holds land in the Cape, where there is expected to be hotel development when demand increases.

"Low productivity in SA remains a matter of concern for the group. We have, with the negotiated support of a trade union, just launched an experimental programme at one of our construction companies to address this problem," he said.

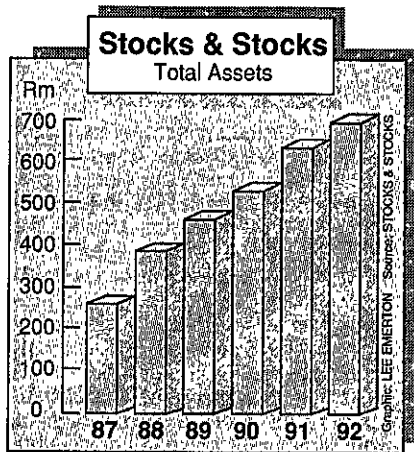
While the prolonged recession and rapid change in the construction industry in general had necessitated more than one rationalisation programme, staff reductions were lower than initially expected.

Most workers on the Lost City project would be transferred to Sandton Square, resulting in only a small staff reduction.

The challenge of "the unpredictable times" and the manner in which these were dealt with would be the yardstick of business success in the new SA.

The Stocks group would have to adapt to the circumstances.

Edwards said major investments were needed in education, health and housing if SA was to become a winning nation.



rely on informal trading • Gathering of builders

Building exhibition to focus on quality

Sowetan 20/8/92

(32)

■ BUILDING BLOCKS Major industry

support for Interbou '92 exhibition:

SOUTH AFRICA'S 13th international building and construction exhibition, Interbou '92, has the support of two major building industry relations organisations.

Interbou '92, with the theme "Quality in Building," will be from August 24-29 at Nasrec and is organised by Specialised Exhibitions.

It has grown to become the country's

premier platform for trade communication, marketing and sales in the building and construction industry, according to media officer Mr Aaron Ngema.

He said Interbou attracts industry exhibitors and visitors from South Africa, African States and overseas.

The biennial exhibition will have two major building construction-related organisations exhibiting: Marketing Builders Services Pty (MBS), led by Mr Ken Dlamini; and the National African Federation for the Building Industry, an affiliate of Nafcoc.

Dlamini said MSB aims to create stable communities in South Africa through the provision of employment and homes so that the dignity of the individual meet the aspirations of the

community.

He said that during the exhibition MBS will hold a conference, "Housing Finance in the new South Africa," on August 26. Among the speakers will be Mr Bob Tucker, Ms Dawn Maropela of the Development Bank of South Africa, Mr Andrew Lukhele of Nasasa and Mr Moses Mayekiso of Cast.

Nafbi was founded to cater to small builders, contractors and allied trades as well as to support initiatives that lead to improvements in the building industry and in living conditions of the disadvantaged.

In that way Nafbi was seeking to reconcile the interests of small builders, large contractors and the final consumer, Ngema said.

M&R goes east

32
MURRAY & Roberts has been awarded a contract to provide management and expertise for the construction of a 2.5km-long jetty costing R100-million in Thailand. Subsidiary M&R Engineering is considering a joint venture in China.

M&R Suppliers & Services chief executive Andre van der Colff says the group is completing a contract for a R150-million sewerage project in Hong Kong. *S/Time (B455)*

The group also intends to tender for contracts related to the new Hong Kong airport at the end of the year. 23/8/92

Strikes disrupt Ben Schoeman upgrade

STAR 25/8/92

By Shirley Woodgate (32)

Work on the R50 million widening of the Ben Schoeman highway between the Buccleuch interchange and Corlett Drive is behind schedule due to strikes and stayaways by construction workers, but is expected to be completed by November next year.

Addressing a press conference yesterday on progress on the project, which will see this section of the main Johannesburg-Pretoria road widened to six lanes, TPA chief construction engineer Erich Durr said that while most of the work had failed to meet deadlines since the start of construction in March, delays had not reached a critical stage.

Fatal accidents had increased, since work started, from one a month to 1,4 a month. Pedestrians comprised more than half of these casualties.

Mr Durr said minor accidents had soared from 9,3 a month to 21,6.

This was probably due to the narrower lane widths, the absence of an emergency shoulder and the distraction of drivers' attention by construction activities alongside the freeway, he said.

Before work began on the major upgrading, an average of 95 000 vehicles used the route in both directions daily, Mr Durr said.

This made it one of the busiest routes in the country.

But Mr Durr said that by the completion date, the road would already have reached maximum peak-hour capacity, but would be able to run smoothly for at least 10 years in off-peak periods.

Plans to construct the new PWV9 route west of the Ben Schoeman were still on track. But lack of funds had led to this project being shelved indefinitely, he said.

The TPA had no plans to toll the N1 and was not empowered to do so.

Road tolling was in the hands of the Department of Transport which followed a policy of tolling only new existing roads, Mr Durr said.

Various disruptions and deviations would occur on the 9 km stretch of road from this week until September 6.

The Sandton traffic department has appealed to motorists to observe proper speeds and following distances while work on the highway is in progress.

Lost . . . a Kroet (left) Anyone wh



Coins cause motor vehicle . . .



M&R embarks on R688-m upgrade

STAR 27/8/92

(32)

By Derek Tommey

Construction and manufacturing giant Murray & Roberts has ridden out the worst recession in 50 years with its profits intact, a strengthened balance sheet, an increased dividend and with confidence that the group will be able to achieve major growth in the next few years.

Investors who have knocked the price of the shares from R60,25 at the end of May to R45,00 this week may need to reconsider their action.

Although earnings attributable to ordinary shareholders rose 47 percent to R265 million, much of the increase followed from acquisitions made during the year.

These were financed by the issue of shares worth R1,3 billion. After taking the increased share capital into account, earnings a share dipped three percent from 500c to 485c.

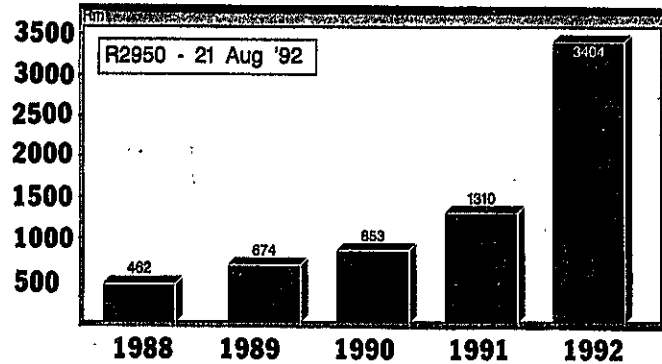
This was, however, after providing in full for deferred tax.

If deferred tax had been provided for on a partial basis, earnings would have risen one percent from 513c to 517c a share.

The final dividend has been increased by 15,5 percent from 110c to 127c, making a total of 180c for the year — an increase of 15 percent on last year's 156c.

In the year to June, contributions to operating profit before

Market capitalisation



interest from various divisions were: construction R94,5 million (R92,8 million), engineering R147,4 million (R107,9 million), supplies and services R166,8 million (R81,6 million), materials (Blue Circle for part of the year) R67,0 million (nil) and properties R25,1 million (R25 million).

Reflecting the improvement in the balance sheet, gross borrowings at June 30 dropped to 23 percent of permanent capital (26 percent last year), while total liabilities amounted to 90 percent (148 percent).

Murray & Roberts had cash resources of R261 million at end-June.

The company says it will be difficult to maintain earnings in 1992-93. But confidence in group prospects, together with a strong balance sheet, should

make continued growth of dividends possible.

Finance director Lionel Bird said yesterday the group was planning to spend R688 million in the next 12 months upgrading plant and equipment, representing an increase of 72 percent on capital expenditure in the year just ended.

The group believed the key to SA's future lay in higher investment, coupled with growing exports and tourism, he said.

The group was also looking for a quantum leap in productivity and, to this end, planned to improve the skills of its workers through training and development.

It also hoped for productivity improvements by providing housing for workers within walking distance of its factories.

BUSINESS Blacks can own swimming pools and have them serviced by a black firm

Richard is now his own boss

Sowetan 27/8/92 32

■ BUSINESS SENSE He had a dream and then set out to make it come true:

By Joshua Raboroko

MR Richard Modibedi Phaladi (44), owner of a business in Garankuwa, near Pretoria, is a man who concentrated on his dream and set out to achieve it. "I always wanted to be my own boss and have my own business after I left school," he said.

He is the owner of the Odi Waterproofing, Swimming Pool Construction, Paving, Landscape, Fencing and Thatched Summer Houses Manufacturer in the small Bophuthatswana township.

"We build new swimming pools of different sizes or to the owners' requirements, plus thatched summer houses, install vacuum cleaning units and pool lights, lay paving bricks around the pool, and erect safety or security fences around the pool with lockable gates.

"We are using gunnite, concrete, steel and marbleite. We offer a guarantee on

all our work," Phaladi said.

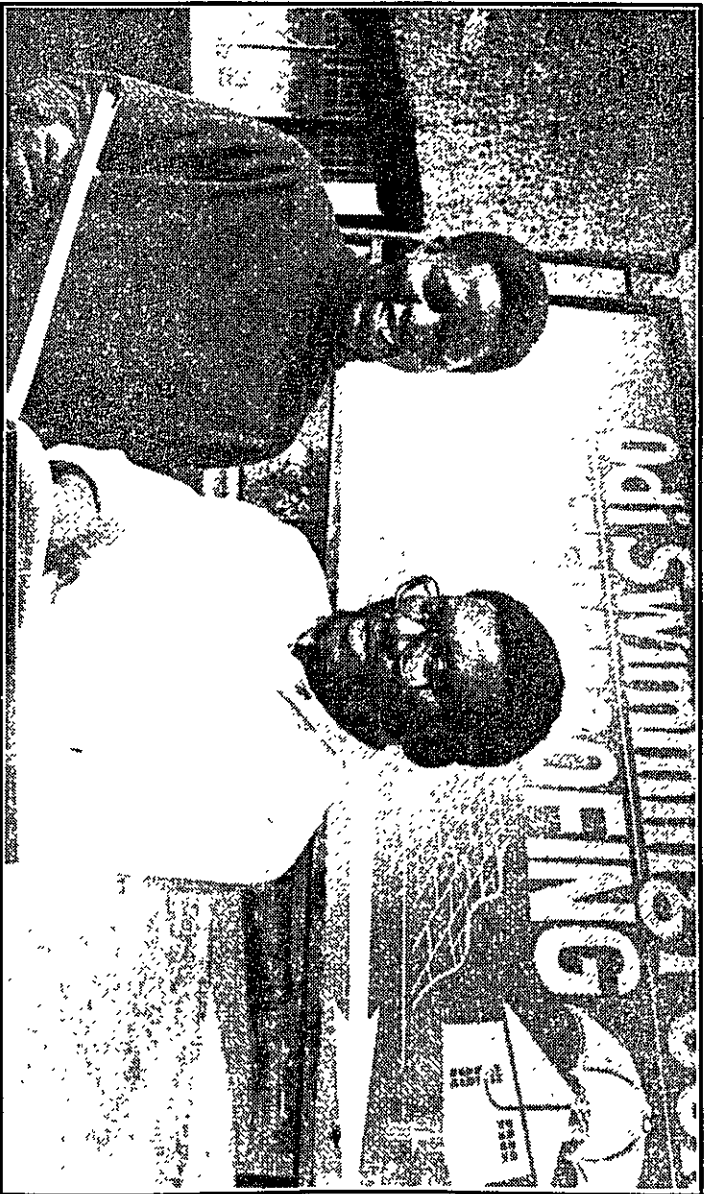
The company operates in the whole of Bophuthatswana, PWV areas, Lebowa, Venda and Gazankulu.

At last, Phaladi said, blacks in the townships can now own swimming pools and have them serviced by a black firm.

Phaladi's business motto reads: "Our prices are very competitive. Quality job normally carries a guarantee. Why not ask for it?"

He obtained a Bachelor of Arts degree at Turfloop in 1976. He was detained under the Internal Security Act while a treasurer of the Students Representative Council.

After graduating he worked for the Bophuthatswana National Development Corporation (BNDC) as a business development officer. It was while he was working there that he developed an interest in becoming an entrepreneur. He quit BNDC to do a BA honours



Phaladi (right) at his business in Garankuwa.

degree in 1982 and then worked for the Bophuthatswana government's department of economic affairs until 1990.

The spirit of entrepreneurship was in his blood and he obtained a loan from a bank to start the waterproofing and swimming pool company.

As money started pouring into his business, he expanded the trade to include paving, landscaping, building thatched shades and summer houses.

He employs 10 well-trained people and is looking at the possibility of employing more next year.

Phaladi has entered into partnership with a friend who has a retail outlet.

During his spare time he listens to jazz and is an ardent soccer fan.

This article will qualify Phaladi for the *Sowetan*/Sanlam Entrepreneur of the Month competition which is part of Nation Building campaign.

Rands 'n sense

Profile: Richard Modibedi Phaladi (44);
Marital status: Married to school teacher Matsheiso, and the couple have four children;
Education: Holds a BA degree in administration from Turfloop;
Name of business: Odi Waterproofing, Swimming Pools and Paving Contractors.

M & R acquisition spree helps boost sales, profit

32

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EDWARD WEST

THE spate of acquisitions by Murray & Roberts (M & R) in the year to end-June 1992 boosted sales by more than a quarter, but earnings were diluted by an increase in the number of shares, today's published results showed.

Sales increased to R5,8bn from R4,6bn. Profit margins rose to 8,58% from 7% which resulted in a 55,3% increase in operating profit before interest to R501,6m (1991: R322,9m). Attributable profit was 47% higher at R265m (R180,2m).

Acquisitions during the year included controlling stakes in Blue Circle, Darling & Hodgson, Firestone, Unitrans, Genrec and 38% of Standard Engineering.

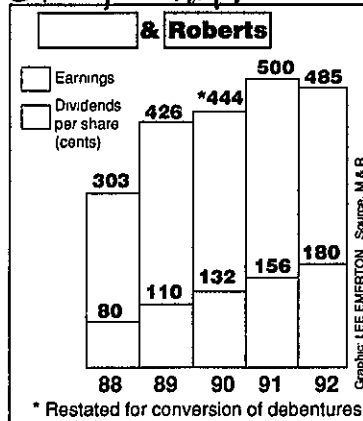
Because acquisitions were funded by shares, the average number of shares increased substantially to 54,68-million from 36,03-million.

As a result, earnings fell 3% to 485c (500c). However, the final dividend was raised to 127c (110c) bringing the total dividend for the year to 180c (156c) a share.

Using the partial method of deferred tax — some of the acquired companies used this method — earnings would have increased 1% to 517c (513c) a share.

After interest of R35,4m (R23,6m) and tax of R184,8m (R109,4m), taxed profit was 45,9% higher at R281,4m (R198,9m). Borrowings increased to R525m (R203m). Cash on hand was R261m (R157m).

M & R's construction division contributed R94,5m (R92,8m) to operat-



ing profit before interest while the engineering division contributed R147,4m (R107,9m).

The full impact of the acquisition of Blue Circle and Darling & Hodgson was reflected by the substantial increase of contributions to operating profits from the supplier and services and materials divisions to R233,8m (R81,6m).

Contributions from the property division remained virtually unchanged at R25,1m (R25m).

MD David Brink said results were within forecasts.

He said good results were achieved in the construction division, Court Helicopters, Pentow Marine, by the undersea pipeline operation off Hong Kong, by the engineering division — which moved from two to number one in the world in terms of tank container manufacture — and its

dragline building operations.

However, the motor component and foundry companies were badly hit by the depressed motor industry and the strike action at Toyota SA. Concrete and stone sales were poor.

Exploration drilling and shaft sinking operations were also affected by the drop in capital expenditure from gold and platinum mines.

Brink said M & R operations were streamlined and productivity programmes were started.

Thousands of employees were retrenched by companies in the group during the year. Some companies were operating on "short time", others were working four day weeks, while some managements were voluntarily accepting only four fifths of their salaries.

Total assets jumped to R4,3bn (R1,9bn). Brink said because the acquisitions were capital intensive with many suffering from low capacity utilisation, future rationalisation would bring these operations in line with the group policy of operating with a minimum of assets, he said.

Brink said M & R's acquisitions were over and the group looked forward to a period of consolidation. Budgeted capital expenditure in 1993 totalled R688m (R398m).

Brink believed an upturn would be led by the export of commodities once the economies of SA's trading partners improved.

Murray & Roberts would have difficulty in maintaining earnings in the year ahead, but confidence and a healthy balance sheet would make continued dividend growth possible.

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Rise in building permits

BUILDING permits rose a revised 4.7% in July to a 1 080 000 annual rate, up from a 1 032 000 annual rate in June, the US commerce department said in Washington yesterday. Commerce had earlier estimated that building permits rose 3.7% in July.

PROPERTY Government has experienced mixed fortunes in bid to solve housing problem

Housing is critical - Minister

By Joshua Raboroko



Leon Wessels

HOUSING was a burning issue in South Africa today, the Minister of National Housing and Manpower, Mr Leon Wessels, said this week.

Officially opening the 13th International Building and Construction Exhibition (Interbou '92) at Nasrec, Johannesburg, he said this was linked to national and international political trends.

He said South Africa had been both successful and unsuccessful in addressing the housing needs of its people.

This year's housing exhibition, attended by about 403 participants, fo-

structures have to be centralised:

NEW POLICIES: Duplicated

causes on quality in building and has drawn a positive response from the industry.

The exhibitors are from the South African building industry, Africa and Europe.

The National Stokvel Association of South Africa, the National African Federation for the Building Industry and the Marketing Builder Services are exhibiting for the first time.

The Minister said the present prob-

lem in housing was affected by several negative factors:

● Widespread poverty, unemployment, unrest and violence;

● Boycotts; and

Limited financial resources to finance unrealistically high expectations.

Wessels said the fiscal implications of the De Loor Commission on housing were formidable and resources should not come from increased taxation but from a redirection of expenditure.

He said duplicated institutional structures brought about by the own affairs concept could be rationalised. Uniform policies could be adopted and savings in bridging and other financial outlays could be directed to the problem.

His department had undertaken not to implement unilaterally recommendations of the De Loor Commission, but to achieve consensus as far as possible among key players in the housing field. Many of the commission's proposals could be branded as revolutionary and the housing industry had to come with new roles.

He invited the private sector to join the Government in creating a working relationship with communities.

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Abcon wins quality award

Property Reporter **32**

Outstanding craftsmanship in handling building finishes has won Abcon Construction this year's Interbou Quality in Building award.

It took the trophy yesterday for its work on Debid House, an office complex in Theta, Johannesburg.

The judges noted that the marrying of facebrick to granite and of mitred sandstone to glazing had been handled with extraordinary competence, and that interior finishes showed fine attention to detail.

Runner up was D Glaser & Sons, for House Rubin, a landmark residence built on an almost inaccessible site in Clifton, Cape Town.

The competition, established to promote the awareness of construction quality, is run alongside the bi-annual Interbou exhibition of building products and services.

Organisers say this year's show has attracted a record number of visitors, many of them keen to set up export deals with South African suppliers.

Two companies already doing particularly well in this regard are Hydraform Marketing and Fairmitre SA. *STAG 28/8/92.*

Patented

Hydraform has developed and patented a low-tech, dry-stack building system that is already being extensively used in Africa.

It involves the extrusion of interlocking blocks made from soil plus five percent cement using a mobile, low-maintenance machine which can produce all the blocks for a 50 sq m house, costing R7 000, in just three days.

Intended primarily for such low-cost applications, the system will shortly be used to de-

liver 140 sq m school buildings in KwaZulu and Natal for R45 000.

It has, however, also been used to build a shopping centre and houses in the R60 000 price range. Machines are in use in Namibia, Zambia, Mozambique and Botswana and deals are pending for delivery in Zaire, Nigeria and Malawi.

On the high-tech end of the scale is Fairmitre SA, which produces purpose-made wooden windows and doors under licence to a British parent company.

Its manufacturing operations are fully computerised, which enables it to deliver even a one-off design less than 30 minutes after an order is placed.

The company holds full distribution rights for sub-Saharan Africa, but MD Barry Brookstone says the exhibition has also generated much interest from European and American companies.

M&R looks to increased productivity

SITimes (Buss)
THE next leap in Murray & Roberts' phenomenal growth will come through increased productivity, says chief executive David Brink.

In the past few years, the diversified engineering, construction, transport and manufacturing company has given shareholders compound annual returns of more than 40% based on share-price appreciation and dividends.

Turnover grew by more than a quarter to R5,8-billion in the year to June 1992, much of it a result of the acquisitions of further holdings in Blue Circle, D&H, Standard Engineering, Genrec, Unitrans and Fedstone.

Method

These acquisitions were almost all made with highly valued M&R scrip — a most cost-effective way of payment because the share price was strong all year until easing in the current JSE downturn.

Attributable earnings were up 46% at R265-million. But because of the greater number of shares in issue, earnings a share eased 3% on 1991.

Using the comprehensive method of providing for deferred tax, M&R earned 485c a share. Companies acquired during the year adopt the partial method of provision, and if this had been continued, M&R's earnings would have been 1% higher at 517c a share.

Mr Brink believes that only when the hearts and minds of people change will productivity targets be reached. He says there is a swing to developing leadership more than managerial skills in the group's training focus.

Part of the group's training involves a system to achieve

32'
By JULIE WALKER

30/8/92
functional literacy and numeracy in six weeks.

Some of the group's divisions, such as cement and brickmaking, are struggling in the poor economy, but others are booming. Tank-maker Consani, losing money when taken aboard, has become the world's largest in its field and plans to expand abroad. That could give Consani 20% of the global tank market.

To replace standard 44-gallon drums, Consani has designed a container that can be handled on a forklift truck. It is designed for safety and ease of discharge. It is expected to be a winner.

M&R is still active in low-cost housing. The emphasis should be on building accommodation within walking distance of the workplace so that money otherwise spent on transport can be used to pay for the house.

Upturn

M&R's forecast that gross domestic fixed investment would decline by 5,5% this year has been doubled to minus 11%. Many of its business, such as building roads and bridges, relies on fixed investment. Mr Brink says M&R is well poised to take advantage of an upturn.

He had hoped that 1992 would be the worst year, but he expects 1993 to be as difficult if not more so.

The group's strong balance sheet will see it through and prospects for the next three years look bright. The 1992 dividend was increased 15% to 180c.

M&R was unchanged at R46 on the JSE after the results.

Value of building plans passed is down

GERALD REILLY

PRETORIA — The value of building plans passed in the first six months of the year declined by 5,6% to R5,555bn compared with January-June last year, Central Statistical Service figures show. *51094 31/8/92*

Economists say the decline reflects the low level of consumer confidence, and is as accurate a pointer to the state of the economy as tumbling retail sales.

House-building plans declined by 0,9% to R1,754bn in the six months, but flats and townshouses increased by 37% to R633,9m.

However, non-residential building

plans dipped sharply in value by 27% to R1,350bn. *(32)*

University of Stellenbosch's Bureau for Economic Research economist Nic de Jager said the building industry had been troubled since 1989. The substantial decline in the value of plans passed for non-residential buildings reflected the lack of effective demand and the fact that industry had 20% surplus capacity.

Industrial building was likely to remain in the doldrums until late 1993 or early 1994.