

CONSTRUCTION — GENERAL

1994

Construction profit dives

THE net profit of listed and unlisted construction companies fell 54.3% between 1990 and 1991, according to a Central Statistical Service survey.

The survey analysed the consolidated accounts of 1 657 companies, including mining, finance houses, banks, insurance companies and organisations operating in the secondary and tertiary industries.

In the secondary and tertiary industries, the survey found that companies' net profit was on average 0.8% lower in 1991 than in 1990, while their total assets rose 12.4%.

During this period, the net profit of companies

ROBYN CHALMERS

with mines in the production stage decreased 9.3% while agricultural and forestry companies' net profit dropped a staggering 48.8%.

Financial institutions and insurance companies managed to increase their net profits, which rose 6.7% during 1991 compared with the previous financial year.

In line with this trend, financial institutions and insurance companies increased their total assets 12.4%.

The total assets of mining companies advanced 5.1% and those of agricultural and forestry organisations rose 8.6%.

Concor rated as adequate risk

BIDAN 6/11/94
ROBYN CHALMERS

CONSTRUCTION group Concor has been given a long-term debt rating of BBB- by Republic Ratings, making it an adequate investment risk. (22)

Republic Ratings director Dave King said the construction industry's cyclical nature, poor gross domestic fixed investment trends and socio-economic instability put a rating ceiling on the group.

The rating meant Concor's capacity for timely repayment of principal and interest was sufficient. However, adverse changes in business, economic or financial conditions would lead to increased risk.

Concor was awarded a rating of A3 in terms of its ability to honour short-term debt commitments.

King said there was a strong capacity for timely repayment, but this was could be vulnerable to unfavourable changes in the business environment.

King said the group's performance in 1993 had been harmed by its R17,3m investment in the Time Group. Concor had recovered some of its outlay through the acquisition of Time Projects Botswana as a result of a breach of warranties.

It ended the 1993 financial year with net cash holdings of R30,6m and increased earnings by a quarter to 112,3c (89,8c) a share despite a small decline in turnover to R488,2m (R505,9m).

"The group has, in fact, remained ungeared throughout the protracted downward trend in the construction cycle and has posted a consistent operational performance," King said.

"Operating income has declined only 7% since 1990, notwithstanding the unprecedented deterioration in domestic fixed investment."

He said current order books were satisfactory. Longer-term prospects were underpinned by Concor's aim to diversify income sources.

Building investment 'to grow by 5%'

By MAGGIE ROWLEY
Property Editor

THE building cycle is reaching the nadir of the four-year recession and investment in buildings should show growth of 5% in spending this year after three consecutive years of declines, according to economist Johan Snyman of Medium Term Forecasting Associates.

He said the residential sector, which showed a growth of 2% last year after a 4% contraction in 1992, should now enter an upturn phase lasting well into 1996.

As this sector was particularly sensitive to interest rates, a possible rise in rates two years down the line would again depress demand for building work. The non-residential sector was still firmly in the

downswing phase of the building cycle and had reached levels last seen in 1970. Currently activity levels were more than 25% lower than when the market peaked in 1990.

This sector, which showed a 7% decline in investment last year and a 12% decline in 1992, had not yet reached rock bottom and a further painful year lay ahead with little relief before 1995.

The medium term outlook would be dependent on government policies. If a new government were to concentrate on the provision of schools, clinics and hospitals, as has been mooted in some circles, the

upturn could last for three to four years.

In his latest review of the industry, Snyman said it had experienced the worst recession since World War II with activity levels having declined to lower levels than those recorded in the recessions of 1977/78 and 1986/7, while the drop from the most recent peak in 1990 was almost 20%.

The recession in the housing sector had been gradual but protracted, lasting roughly four years. Due to the drop in interest rates in the second half of last year, affordability and consequently demand had increased.

While investment in houses had declined sharply, flats and particularly townhouses had put in a good performance because of the perceived benefits of these developments, including security, low maintenance and good resale value.

In contrast, the low-income housing sector had remained stagnant last year in spite of the R3bn available for infrastructure and dwellings.

Snyman's forecast are supported by the latest building statistics for the private sector released by the Central Statistical Services.

During the first 10 months of 1993, the value of

building plans passed dropped 8.5% to R9,3bn compared to the previous year, according to the CSS. The value of plans for non-residential buildings decreased by 37.1% while those for residential buildings increased by 4.3%.

While the number of plans passed for houses rose by only 41, 2 636 more townhouse plans were approved during this period with the main increases in the metropolitan areas of Durban, Bloemfontein and Cape Town.

The total value of buildings completed increased by 2.3% to R6,7bn during the first 10 months of last year against the corresponding period in 1992.

The largest increases were for flats and townhouses, which were up 18.9%, and non-residential buildings which were up just more than 7%.

Building industry hints at chances of upswing

EDWARD WEST

CAPE TOWN — The building industry, which has experienced its worst recession since the Second World War, was showing signs of an upswing expected to last until early 1996. (32)

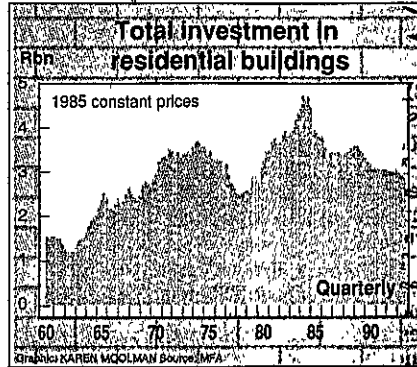
A bi-annual survey by Stellenbosch-based Medium-Term Forecasting Associates, showed there were indications that the building cycle had reached the nadir of a four-year decline in line with a general economic improvement.

The housing sector would be the first to react to an improvement in the overall economy, and would be followed by the non-residential sector late in 1994. The lag was due to long planning periods of large construction projects.

Annual residential building investment was expected to increase 5% this year compared with 2% in 1993 and a decline of 4% in 1994. Non-residential investment was likely to increase 4% in 1994 compared with declines of 7% in 1993 and 12% in 1992.

Positive influences on the building market in 1994 were lower interest rates, continued subsidisation, low building cost increases, improved management and the relatively free availability of finance, labour and materials.

The forecasting organisation said there were already indications that builders' merchants were restocking. Contractors reported that tendering competition was still fierce, but easing slightly.



The low-cost housing sector remained stagnant during 1993 in spite of about R3bn being available for infrastructure and dwellings, said the survey. Bond repayment boycotts and unemployment boycotts made investment in the sector unattractive for financiers.

A proposal to break this impasse with a mortgage indemnity insurance scheme to encourage financiers to grant loans to low-income earners was being debated by the National Housing Forum and other interested parties.

Spending on houses had fallen gradually over the past four years, but investment in townhouses and flats grew because of perceived benefits such as security, maintenance and good resale value.

The non-residential sector was still firmly in the downswing phase.

Builders set for common future

THE Council for Construction in SA (Cocosa), aimed at bridging the gap between SA's formal and informal builders, will be officially launched next month.

Newly appointed president Linda Nyembe said the council would soon meet representatives from the government, ANC and extra-parliamentary groups to outline its aims and objectives.

Twelve bodies are represented on the council, including the African Builders Association, the Building Industries Federation of SA (Bifsa), the SA Federation of Civil Engineering Contractors and the National Association of Black Contractors and Allied Trades.

Nyembe said the second draft of Cocosa's constitution would be adopted in time for the February launch. It had adopted the

ROBYN CHALMERS

motto of "United we will construct the future". *Biday 7/11/94*

"Cocosa's main functions will be lobbying government on behalf of the construction industry and addressing macro-issues." *(32)*

Nyembe said special sub-committees had been set up to work on training, proposals for new tax laws for the industry and monitoring of the prices of materials supplied to the industry.

An investigation into monopolies and cartels had been launched. It was a contentious issue which had led to ongoing disputes over the past decade, he said.

Cocosa's vice presidents were Bifsa executive director Ian Robinson and Boumat's Mike Mohohlo.

United front is industry's constructive new stance

32

CT10/1/94



Property Perspectives

by MAGGIE ROWLEY

AS THE building and construction industry starts returning after the traditional builders' holidays, it is with a new, united face. The industry, which has a history of fragmentation, has formed a new body to represent all interests in the building industry.

Known as Cocosa (The Council for Construction in Southern Africa), this body has drafted a constitution and set up sub-committees for various purposes.

Its official launch is to take place next month. The newly elected president is Linda Nyembe of the National African Federation of the Building Industry, and the vice-presidents are Ian Robinson, executive director of Bifsa and Mike Mohohlo of Boumat.

In addition to the 11 bodies previously announced as members of Cocosa, there is now a 12th member, Nabcat (The National Association of Black Contractors and Allied Traders).

Nyembe said that the second draft of Cocosa's constitution was now circulating and it would be adopted in time for the February launch.

Motto adopted

Cocosa has also, he said, adopted a motto, "United we will construct the future".

He said at this stage Cocosa's main functions would be lobbying government on behalf of the construction industry, addressing macro-issues facing the industry, facilitating communication between formal and informal sectors and co-ordinating training throughout Southern Africa.

Special sub-committees had been set up to work on training, the proposals for new tax laws for the industry and the monitoring of the prices of materials supplied to the industry, including an investigation into monopolies and cartels — a contentious issue which has led to ongoing disputes over the last decade.

He said the executive council of Cocosa would be meeting representatives of government, the ANC and certain extra-parliamentary groups in the near future as the first step in achieving a higher profile, and would be outlining Cocosa's aims and objectives.

"We are all grateful that at last an industry that has for so long been fragmented is now able to speak with a unified, powerful voice. We see this as a huge step forward and it will definitely be to the benefit of all concerned."

Also eagerly awaited this year is the formation of the regional housing boards.

The National Housing Board, comprising equal representations from the National Housing Forum (NHF) and the government is already up and running and the regional housing boards are expected to get off the ground this month.

Once these are in place, the framework for action to solve the impasse in the low cost housing arena will be in place.

The NHF is also still investigating proposals by Housing Minister Louis Shill regarding an indemnity scheme to reduce the risk of financial institutions of leading into this market. It is also likely to put forward its proposals in this regard to government in the near future.

Chairperson of the Co-ordinating Committee of the NHF, Matthew Nel, said the NHF would hold its first meeting of the year this week and announcements following this meeting are expected.

Agreement has already been reached between the NHF and the Department of National Housing over not only the composition of the National Housing Board but also on an interim sliding scale for lower income home subsidies.

Breakthrough

This issue is central to any new housing policy and while some points, such as whether those who have qualified for the once off capital subsidy scheme of R7 500 through the IDT will also qualify for these subsidies have to be resolved, agreement so far represents a major breakthrough.

The agreed subsidy scheme sets out three levels of income earners and puts maximum values on houses to be bought.

People earning less than R1 500 a month would qualify for a subsidy of R12 500 on a house costing up to R20 000; those earning between R1 500 and R2 000 would qualify for a housing subsidy of R9 500 on a house of up to R25 000 while those earning between R2 000 and R2 500 would qualify for a R5 000 subsidy on a house of up to R45 000.

Once implemented, this scheme will be administered by the Department of National Housing under the direction of the National Housing Board and the regional housing boards and will go a long way to boosting affordability at the lower end of the market.

No relief for building industry

From ROBYN CHALMERS (32)
JOHANNESBURG. — The total value of building plans passed during the first eleven months of 1993 dropped 6,2% compared with the corresponding period of 1992, according to the Central Statistical Service.

The figures indicated that the building industry continued on its downward spiral in 1993, although construction analysts are optimistic that this year will be a turning point for the sector.

The value of non-residential building plans passed took the biggest dive, falling 35,5% during the eleven months ended November.

The biggest decrease took place in

the Witwatersrand, where the value of non-residential plans fell by R570m. This was followed by Durban, which took a R292,1m cut in the value of plans passed.

CT 131/194
“Regarding the surface area of non-residential buildings, 405 651m² less office space was approved, 310 243m² less shopping space and 175 425m² less industrial space,” said the report.

Opposed to this, the total value of buildings completed during the first eleven months of 1993 rose by 0,2% to R7,3bn.

Increases of 2,3% occurred for residential buildings completed and 4,3% for non-residential establishments.

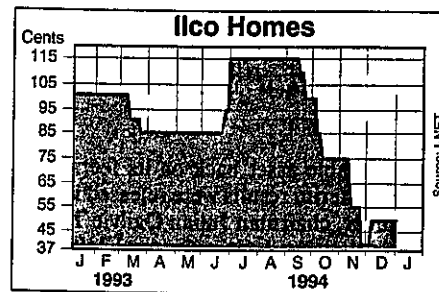
Fm 14/1194

ginally to R6,1m in financial 1993, turnover climbed 28%. No turnover figure is disclosed so minorities are clueless about margins. CE Jos Demmers says profit would have been substantially higher but for an "inexplicable" court decision against Ilco, the costs of which were taken into the 1993 accounts. He does not say what the court case involved, nor does he disclose how "substantially" the decision affected profit.

Demmers says the standard of living of South Africans has been drastically reduced over the past few years and consequently the affordability of buying houses looks bleak. "Only a drastic reduction in interest rates or an improved subsidy scheme can help the many prospective buyers to qualify in purchasing houses," he says.

No buyers have yet been found for Ilco's minifactories, business village and shopping centre (32) (33)

Ilco remains heavily involved in developing proposals for tracts of land owned by diverse organisations. Demmers says there are positive signs that certain of these developments will materialise soon and could well increase earnings.



Fm 14/1194
ILCO HOMES

Little on offer (32) (33)

Activities: Construction and marketing of mass housing.

Control: Directors 92%.

CE: A C Demmers.

Capital structure: 30,8m ords. Market capitalisation: R12,3m.

Share market: Price: 40c. Yields: 49,8% on earnings; p:e ratio, 2,0. 12-month high, 115c; low, 40c. Trading volume last quarter, nil shares.

Year to June 30	'90	'91	'92	'93
ST debt (Rm)	17,8	15,3	25,0	29,9
LT debt (Rm)	nil	0,1	7,3	7,5
Debt:equity ratio	0,45	0,38	0,73	0,74
Shareholders' interest	0,64	0,56	0,55	0,55
Int & leasing cover ..	2,4	1,9	2,2	2,0
Return on cap (%) ..	7,6	15,0	14,4	13,6
Turnover (% change) ..	(19)	215	(23)	28
Pre-int profit (Rm) ...	4,5	10,9	11,6	12,4
Earnings (c)	8,5	17,0	20,2	19,9
Dividends (c)	7,5	7,5	7,5	nil
Tangible NAV (c)	122	132	145	164

Why did Ilco bother listing in 1987? There has been virtually no trade in the stock for 10 months (directors hold 92% directly and indirectly), earnings have been disappointing and the price stands 66% below NAV.

While operating income decreased mar-

These prospects could be clouded by political uncertainty and unrest before April's general election, so Demmers finds it difficult to predict results for this year.

Granted, sooner or later a new housing policy must come into effect. But, as Demmers points out: "The period Ilco is now entering will be the most difficult and uncertain era encountered yet."

The share is inexpensive for the building & construction sector. It carries one of the lowest earnings multiples (2,5) and, at 40c, is only 23% of its 175c listing price. Aside from the results, low tradeability must discourage investment.

Kate Rushton

Industry expects building boost

Special Correspondent

PROPERTY values and building activity will get a boost from the election of April 27.

So say more than half of the country's building contractors and home builders in a survey about the impact of the election on the industry.

Fifty-two percent of the firms surveyed expect building to increase and 53 percent believe property values will rise.

But 28 percent see building work remaining static and 24 percent expect no change in property values.

Only 8 percent forecast a drop in building activity and 11 percent see property values falling.

The survey was conducted by BMI Building Research Strategy Consulting Unit (Pty) and the African Builders' Association, the Building Industries Federation and the National Association of Homebuilders.

The main reason for the expected increase in building activity is that prospective home owners are currently uncertain about the future and will be awaiting the outcome of the elections before making major investment decisions, says a report on the survey published by Bifsa.

"The expectation however is that stability will return after the election, that confidence will be restored, that more funds will flow into the country and more opportunities will be created.

"In particular, there will be an increase in investment in affordable housing and this will stimulate building activity.

"In spite of some uncertainty about the outcome of the elections, there is a positive and generally optimistic view of the future."

The report quotes the view that property values always increase in the longer term and that property is still the best investment and wealth creator for the majority of people.

● About 25 percent of Cape builders said conditions in the nine months to September were worse than in the same nine months of 1992. Only 15 percent expected conditions in the 12 months to September 1994 to be better than in the previous 12 months.

By MAGGIE ROWLEY
Property Editor

ALTHOUGH conditions in the building industry remain at rock bottom there were indications that the worst was now over, says the Bureau of Economic Research in its latest quarterly survey.

In addition, the competition in tendering among contractors and sub-contractors has started to weaken, putting upward pressure on building costs.

After increasing by only 3.1% during 1992, the BER Building Cost Index showed an average annual increase of 5.3% during the first three quarters of 1993 with the rate of change consistently increasing and rising to 6.4% in the third quarter.

BER warns that businesses which have struggled during the recession were expected to use the opportunity afforded them by the weakening tender-

Worst now over? in building sector

ing situation to increase building costs. As such, a moderate increase in the rate of change in the BER BCIs is expected over the short term.

BER economist Graham White said in spite of business conditions currently being worse than a year ago, expectations were that the first quarter of 1994 would be the "best" quarter since 1990.

The surplus capacity in the building industry was evident in respondents indicating that there were no serious supply constraints with regard to building material.

Rather, the constraints in the industry were largely on the demand side with both contractors and

sub-contractors highlighting insufficient demand for building, the cost of financing and inadequate finance facilities as the three major factors inhibiting growth.

Business confidence among architects remains low with 79% of respondents reporting "unsatisfactory" conditions in the fourth quarter.

The relative improvement in both the number and value of contracts awarded to architects in the fourth quarter of last year was expected to continue in the current quarter.

Quantity surveys were on the whole more optimistic than other sectors surveyed and was the only

sector which expected the first quarter of this year to be better than a year ago.

"If this optimism is realised it will be the fifth successive quarter in which a relative improvement has been recorded," says BER.

The optimism in the quantity surveying profession was spilling over into this segment of the labour market with firms starting to increase their employment levels.

Expectations are that while the number of contracts awarded will increase, the value of the contracts will rise at a slower rate.

As is to be expected, business confidence among

contractors was higher in the residential sector than in the non-residential sector during the fourth quarter.

This bears out latest statistics from the Reserve Bank which shows that non-residential fixed investment declined by an annual 19.8% in the third quarter of last year compared to an annual decline of 2% in the residential sector.

A relative improvement in business conditions as evident in the fourth quarter, with further improvement forecast for the first quarter.

Business confidence among building sub-contractors rose by 10% in the fourth quarter but just under 30% regarded business conditions as satisfactory.

The value and volume of work on hand for this sector is expected to remain at about the same level during the current quarter.

Star 19/11/94
**Building outlook
now healthier**

Although conditions in the building industry are generally worse than a year ago, indications are the worst is over, says the Bureau for Economic Research (BER) at Stellenbosch University.

In a survey in the last quarter of 1993 of architects, surveyors, contractors and sub-contractors, respondents said there were no serious supply constraints regarding building material. (32)

Sub-contractors and contractors agreed the factors inhibiting growth were insufficient demand for building, the cost of financing and inadequate finance facilities. — Sapa.

Engineers wary of rapid development

BMSM

19/11/94

MUNGO SOGGOT

A RAPID and unplanned redevelopment programme would damage SA's construction industry, the SA Association of Consulting Engineers said on Monday.

Executive director Hennie Lemmer said it was imperative that development was structured and gradual.

"SA has suffered severely due to the lack of a structured development plan. There was either a feast or a famine ... which was detrimental to the country and the economy," he said.

Long-term vision was now even more necessary as SA was poised for redevelopment, said Lemmer, who believed 2020 should be the year of its completion.

"It is indeed a challenge to achieve a total First World nation by 2020. It is important to optimise capacity in SA," he said.

If the industry was pushed into building 300 000 houses a year over a short period, certain essential materials would have to be imported.

SA Federation of Civil Engineering Contractors executive director William Vance said Lemmer's proposed timescale might

be too ambitious. "A year is a long time in the civil engineering world." (32)

He agreed the cyclical, "boom and bust" nature of SA construction had to end, but said his federation favoured a more realistic five-year plan.

"What matters is that the construction industry is not the tap government uses to switch the economy on and off."

He said the federation had repeatedly asked government to adopt a longer-term approach to construction.

Vance said it had had "no visible success" with its requests. Its policies were more in line with those of the National Economic Forum, "where everyone wants long-term planning".

Murray & Roberts construction chief Arthur Coy said it would be "good to get the stress out of the industry".

However, the realities of life would make this difficult and political demands might outflank the need to "soften the industry's ups and downs".

Building industry may be over the worst — poll

Build 19/11/94

CAPE TOWN — A Bureau for Economic Research (BER) survey has indicated the worst may well be over for the building industry even though conditions in the fourth quarter were generally worse compared with a year previously. (32)

Contractors and subcontractors polled said insufficient demand for buildings, the cost of finance and inadequate financing facilities were inhibiting industry growth.

Respondents said there was no serious shortage of building materials, proving there was surplus capacity in the industry.

Business confidence among architects polled remained low with 79% of respondents saying conditions in the fourth quarter were unsatisfactory.

BER economist Graham White said in spite of this large percentage, business conditions were improving and the first quarter of 1994 was expected to be the best since 1990. The relative improvement in the number and value of contracts awarded to architects in the fourth quarter was expected to continue.

Competition in tendering among contractors and subcontractors had started to weaken, resulting in upward pressure on the BER building cost index. Building

EDWARD WEST

costs, as measured by the index, increased an annual 6,4% in the third quarter of 1993 compared with an average of 3,1% in 1992.

Business confidence among residential contractors was slightly higher than among contractors in the non-residential building sector. Non-residential fixed investment fell an annual 19,8% in the 1993 third quarter compared with a 2% drop in the residential sector.

Contractors expected a relatively significant improvement in business conditions in the fourth quarter to be repeated in the first quarter of 1994.

Business confidence among subcontractors increased 10 percentage points in the fourth quarter, but just under 30% regarded business conditions as unsatisfactory.

The value and volume of work on hand for subcontractors for the first three months of 1994 was expected to be similar to the last quarter of 1993.

About 25% of the quantity surveyors polled expected the first quarter to be better than a year ago. Employment levels in the sector were also rising.

Engineers wary of rapid development

LLOYD COUTTS

Telk

A RAPID and unplanned redevelopment programme would damage SA's construction industry, the SA Association of Consulting Engineers said on Monday.

Executive director Hennie Lemmer said it was imperative that development was structured and gradual.

"SA has suffered severely due to the lack of a structured development plan. There was either a feast or a famine... which was detrimental to the country and the economy," he said.

Long-term vision was now even more necessary as SA was poised for redevelopment, said Lemmer, who believed 2020 should be the year of its completion.

"It is indeed a challenge to achieve a total First World nation by 2020. It is important to optimise capacity in SA," he said.

If the industry was pushed into building 300 000 houses a year over a short period, certain essential materials would have to be imported.

SA Federation of Civil Engineering Contractors executive director William Vance said Lemmer's proposed timescale might

be too ambitious. "A year is a long time in the civil engineering world." (32)

He agreed the cyclical, "boom and bust" nature of SA construction had to end, but said his federation favoured a more realistic five-year plan.

"What matters is that the construction industry is not the tap government uses to switch the economy on and off."

He said the federation had repeatedly asked government to adopt a longer-term approach to construction.

Vance said it had had "no visible success" with its requests. Its policies were more in line with those of the National Economic Forum, "where everyone wants long-term planning".

Murray & Roberts construction chief Arthur Coy said it would be "good to get the stress out of the industry".

However, the realities of life would make this difficult and political demands might outflank the need to "soften the industry's ups and downs".

TELKOM will have to increase productivity and efficiency to generate additional profit against a background of tough economic conditions and a high interest burden, according to a Telkom brochure, Telkom Hello.

Telkom said that in commercialising its operations, it had inherited a gross interest-bearing debt of R10,2bn and a debt-to-equity ratio of 2,14:1, affecting its ability to commit funds to capital expenditure.

Income on telecommunications in the corporate sector had decreased and insolvencies had had a negative impact on Telkom. This trend would not abate until the economy showed signs of recovery.

While many economists

investment pour into far more c

"Telkom meaningful will take ties such a World Ban can Develo before lendi

veloping co "Telkom mit even r year to imp try's telec infrastru

creasing del brochure sa Turnove months aft had been de Post and T tions Depa believed gr

Fruit exports set to flourish

EDWARD WEST

CAPE TOWN — Fresh deciduous fruit export production and earnings in 1994 were likely to be substantially higher than last year, a spokesman for the industry's marketing company, Unifruco, said yesterday.

Unifruco expected deciduous fruit export production to grow more than a fifth to about 45-million cartons this year compared with about 37-million cartons last year.

The spokesman declined to forecast potential export earnings as it was still too early in the exporting season, which ends in September. But he said industry prospects looked "extremely goods so far" and 1994 could end up a "vintage year" in terms of quality.

Last year deciduous fruit export earnings totalled R1,45bn, substantially lower than the R1,7bn earned the year before. The decline was due to climatic factors and difficult market conditions in Europe.

World recession was affecting markets, but local climatic conditions had improved substantially.

Early crops had tended to produce slightly smaller fruit than usual, reducing margins, but this problem usually ironed itself out later in the season.

The fresh deciduous fruit industry, with an annual turnover of about R1,7bn, makes up about half the total fruit market production, with the other half producing dried and processed fruits.

Elections fund starts up

WILSON ZWANE

THE Independent Business Elections Fund, established by a group of major corporations last month, comes into official operation tomorrow with the appointment of a policy-making board of directors.

This board, appointed by donors, will choose a secretariat at its first meeting to carry out its decisions. The secretariat will also ensure that all expenditure is assessed, justified and carefully monitored.

Murray & Roberts CE David Brink, who is a member of the committee entrusted with getting the fund off the ground, said yesterday money was being raised from 27 sectors.

"The response is very encouraging," he said. The exact amount raised so far would be known soon.

Among the fund's objectives is to support, reinforce and promote political tolerance, freedom of association and the secrecy of the ballot.

Nafcoc helps blacks into import-export trade

THEO RAWANA

THE import-export programme launched by Nafcoc in September had led to black businessmen linking up with markets in Europe, the US, Africa and the Far East, Nafcoc said this week.

Nafcoc foreign trade manager Edwin Moloto said the initiative, which moved black businessmen from the confines of retailing to markets abroad, had been instigated by the German embassy.

The embassy, flooded with inquiries from countries seeking contact with local businessmen, seconded an expert on foreign trade through the German Chamber of Commerce to run programmes in conjunction with Nafcoc for aspiring black exporters.

Moloto said the programme was in line with Nafcoc president Archie Nkonyeni's intention to get black businessmen involved in the import/

export trade, exposing them to foreign markets.

"At least 200 businessmen have gone through the scheme and the feedback is that they are doing well in their newfound trade," Moloto said.

The German chamber's Hans Riemann started the programme with seminars familiarising local businessmen with foreign markets, customs regulations, trade fairs and other issues, including GATT provisions.

In turn, foreign traders looking for partners in SA were taken through courses demonstrating the spectrum of trade in SA.

Moloto said: "The programme is not designed solely for Nafcoc members.

"All businessmen with an eye on the import/export trade are invited to benefit from this scheme."

Public sector construction spending up sharply

Rosy outlook for builders

Star 21/1/94

■ BY MEG WILSON

Details of the expected capital expenditure by the public sector this year paint an encouraging picture for the building and construction industry and associated professions.

According to the Central Statistical Service (CSS), private-sector firms should earn almost R15 billion (R11,5 billion in 1993) from public-sector capex on new construction of almost R19 billion (R15 billion).

Estimates also indicate that private contractors' share of the total expected capex by the public sector will increase to almost 80 percent in 1995, from 75 percent in 1992.

By far the biggest amount of capex this year — some R8,6 billion of the total — is expected to come from public

corporations, including Alusaf, Eskom, the Industrial Development Corporation, the Land Bank, Mossgas, the Post Office, Telkom and Transnet.

The amount allocated to private firms by such organisations is expected to reach R6,9 billion this year (R4,2 billion). (32)

Most of it will be spent on civil engineering works, and private contractors in this field can expect to earn some R5 billion.

It is expected that local authorities will spend a total of R4,8 billion, with R3,5 million of this going to private enterprise.

These figures have been calculated in anticipation of the amalgamation of separate, racially based local authorities in most urban areas.

However, the CSS figures re-

veal the present discrepancy in spending capacity of the various local authorities, with those still defined as being for whites, coloureds and Indians accounting for R4 billion of total expected capex (R3,7 billion).

The type of contracts expected to be handled by the local authorities this year include a total of R387 million worth of housing and other residential building, about R237 million of which should go to private contractors.

Local authority expenditure on non-residential building, which includes the construction of clinics, hospitals, schools and offices, is likely to total R543 million.

The private sector can expect to earn about R440 million of this.

Most of the balance of mu-

nicipal expenditure is expected to go into road and street construction, water and electricity supply and sewage and sanitation systems.

Central government and government enterprises are likely to be the third-biggest spenders this year, laying out a total of R2,3 billion.

By far the biggest portion — about R1 billion — will be spent on non-residential buildings, and almost all of that will go to private contractors.

The survey also takes into account the expected expenditure of the present provincial authorities, regional services councils, and self-governing territories, which should award non-residential building contracts worth about R780 million to private enterprise.

Optimism on housing sends M&R price aloft

Biday 21/1/94

ROBYN CHALMERS

MURRAY & Roberts (M&R) Holdings' share price has soared over the past seven months, buoyed by prospects of increased spending on housing and SA's infrastructural requirements.

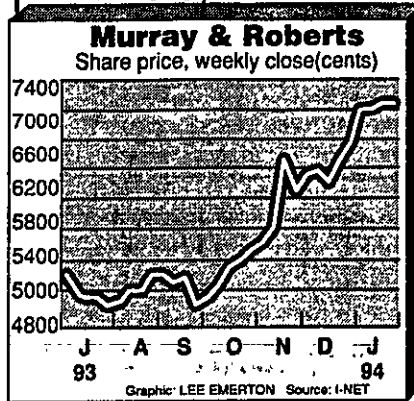
The share has risen steadily from its low of R42 in August last year, adding 2 950c to close at 7 150c yesterday. However, analysts said they did not expect the group to post substantially increased earnings for the year to June. (32) (123)

"It will take some time before there is a marked rise in the number of fixed investment projects coming on stream, so M & R will not see the benefit of this before the next half-year results," said an analyst.

M & R CE David Brink said the organisation had a strong focus towards activities which enhanced the productive capacity of the economy. This included infrastructural development and the provision of industrial, commercial and residential shelter.

"The financial year to June 1994 is likely to be as great a challenge as were the 1992 and 1993 years. The group is budgeting to increase pre-tax operating earnings but will not enjoy the one-off tax break of 1993.

"This will probably mean a reduction of attributable earnings and consequently of



earnings per share," said Brink.

The company's core business includes construction — encompassing the supply and manufacture of building materials — engineering, properties and the manufacture and distribution of spare parts for the motor vehicle industry.

The group has had a long-term strategy to increase its holdings in the gross domestic fixed investment sector.

The group's price:earnings ratio stood at 13,37 yesterday, compared with comparable share Barlows' p:e of 10,19.

Grovewalk's fate in the balance, say analysts

BIDAY 27/11/94

THE low-cost housing market could claim yet another victim if management action being undertaken to rescue property company Grovewalk Holdings does not succeed, say analysts.

The Durban-based organisation has been on a slide for three years. Yesterday its share was trading above its 5c low at 10c, but was well down on the 150c it commanded when the company was listed in 1987.

Analysts said three years of poor financial results had taken their toll. The group has posted an attributable loss since 1991, when it realised a loss of R1,9m.

During the 1993 financial year, turnover fell to R20,7m (R39,4m) and operating income before interest and abnormal items

ROBYN CHALMERS

more than halved to R1m when compared with R2,9m in the previous comparable period. (32)

It posted an attributable loss of R5,7m against a loss of R4,7m in 1992. Earnings per combined unit were down to a loss of 43,2c (35,9c).

Grovewalk operates in the markets of property development, affordable housing and holiday and leisure.

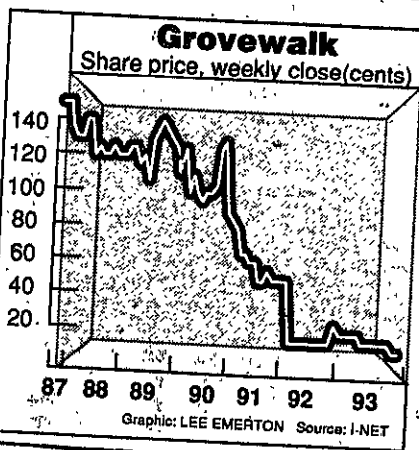
The property development and leisure divisions have remained comparatively steady. It has five residential projects in the Durban and Knysna areas and the Palace Protea Hotel in Durban, which had a good year in 1993.

However, analysts said it was largely the organisation's involvement in the low-cost housing market which had pulled it down. This division has recorded a loss of about R8m over the past three years.

Group MD Gerard de Rauville has said the decision to make a major commitment to the affordable housing sector "has undoubtedly proved to be the biggest single reason for the group's poor performance".

More positively, he said Grovewalk had provided shelter to 600 families and provided serviced sites to 3 400 people.

De Rauville said adverse results posted by the group over the past few years had led to a capital base and debt/equity ratio which made it difficult to take advantage of new opportunities.



Stocks strategy now paying off

■ BY STEPHEN CRANSTON

A strategy of creating quality turnover is paying dividends for Stocks & Stocks.

Turnover rose just 2,7 per cent to R630 million in the six months to October, but attributable earnings jumped 16 per cent to R4,85 million.

The interim dividend has been lifted by 20 per cent to 3c.

Group MD Bart Dorrestein says the tender market for construction projects has been very competitive, so more of the group's work has focused on its own developments.

Stocks is still expanding its interests in tourism by building a hotel at the Victoria & Alfred Waterfront, Cape Town, which it will own. 28/11/94

Stocks is also considering building a five-star hotel at

Sandton Square because of the huge shortage of five-star rooms in Johannesburg.

One of the drains on profitability last year was the roads division, which lost R13 million on two major projects. The losses have now been stemmed.

Stocks is SA's largest home builder. It recently launched the Homes for Africa project on the East Rand in which it uses jobless people to build their own houses, giving them new skills and ultimately making them employable. (32)

At 155c, Stocks sits on a P/E ratio of seven. The share is trading at a 31 per cent discount to net asset value of 224c. Given its range of activities, and its achievement of real earnings growth, the share looks underpriced. (32)

Marketing helps Stocks & Stocks recover

BIDAM 28/11/94
ROBYN CHALMERS

CONSTRUCTION and property group Stocks & Stocks Limited (SSL) recovered from its earnings decline in fiscal 1993 to post a 2,7% rise in turnover to R630m (R613m) for the six months ended October.

Chairman Reg Edwards said a positive marketing and development strategy had compensated for continued poor trading conditions.

Operating income before finance charges dipped to R19,3m (R19,5m), but the dip was largely offset by a

lower interest bill of R4,7m (R5,7m) and reduced instalment finance charges at R3m (R3,7m).

This provided a boost to pre-tax operating income, which rose 14% to R11,6m. An increased tax charge of R4m (R3,3m) left net after-tax income higher at R7,7m (R7m).

Attributable income advanced 18% to R7,5m (R6,4m), equivalent to earnings of 9c (8c) a share. An interim

dividend of 3c (2,5c) was declared.

Directors said SSL had assembled a property portfolio in the past few years to reduce its reliance on construction. This, together with property development, contributed about 37% of the group's segmented income during the 1993 financial year.

Edwards said the group had strong order books. He added that the housing and civil engineering arms, and the steel reinforcing and trading division, were operating satisfactorily.

CONSTRUCTION INDUSTRY

Fri 28/11/94

Hoisted to new heights?

32

After years of declining activity — during which employment and the number of registered contractors shrunk by about a third in 10 years — the building industry finally looks poised for a recovery.

The latest indication that the sector is on the mend is to be found in the fourth quarter 1993 report by the Bureau for Economic Research (BER) which shows that both contractors and building professionals, such as quantity surveyors and architects, are more optimistic now than they've been for many years.

Workloads, they say, began to pick up in the last quarter and they expect that momentum to be sustained in the current quarter. Most optimistic are quantity surveyors — who are beginning to take on more staff — and residential building contractors.

Building Industries Federation (Bifsa) executive director Ian Robinson says builders were in an ebullient mood at the start of the new year. What caused the excitement, he notes, was the announcement by the national housing authorities that around 300 000 new houses a year could be built over the next five years.

“Government seems to be committed to this target, though it could be a while before the building industry gears itself up to produce houses at this rate. Consequently, we believe the programme should be stretched over seven to eight years rather than five.”

While housing will obviously be the prime focus of activity, Robinson believes the “multiplier” effect emanating from attempts to address the housing backlog will soon ripple through to other sectors of the industry.

With offices, shops and factories in adequate supply, private sector development is expected to remain sluggish (the Reserve Bank *Quarterly Bulletin* noted that fixed investment in nonresidential property declined by 19,8% in the third quarter last year). Robinson expects that most of the new work will come from the State's community upliftment programme which is likely to include the building of schools, hospitals, clinics and community centres.

A downside, though, for those who commission building work is that the improved demand for builders' services is likely to cause building costs to rise. The BER says it has already detected a weakening in the degree of tendering competition among contractors (see graph). In 1992 its building cost index increased by only 3,1%. The average increase for the first three quarters of last year was 5,3% with the fourth quarter increase at 6,4%.

The improved outlook is obviously good news for contractors. The BER expects them to use the decline in tendering competition to increase their margins. In addition, their order books have been lean for the past few years and they've built up considerable spare capacity which should allow them to expand quickly should the need arise.

However, it's possible that building material manufacturers have not been that forward-looking and they could find it hard to keep up with demand. For example,

Robinson estimates that building 300 000 houses a year will consume 5 700 t of putty annually. While he expects most material suppliers to be able to cope with the increased demand stemming from the accelerated building activity, there could be a few areas where critical shortages develop.

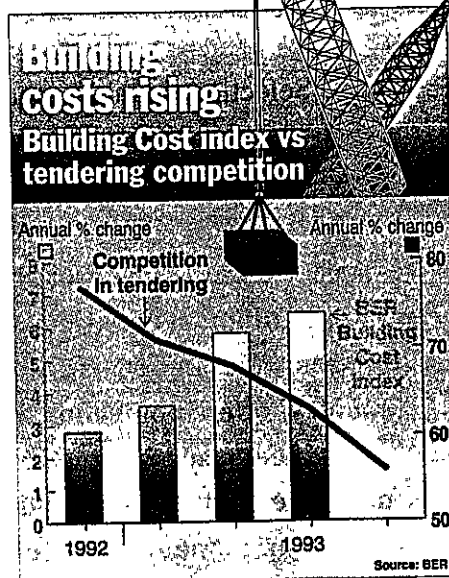
One obvious area where there could be problems is in finding sufficient skilled labour. The industry has contracted over the past few years and many skilled artisans

are working in other types of jobs.

A spokesman for the Clay Brick Association, Mike Wilkins, notes that in 1992 there were only 22 people enrolled for Bifsa's three-year apprentice training courses — a number which he regards as pitifully inadequate.

In addition, many Bifsa training centres are closed because of a lack of suitable applicants and proper commitment from the federation.

Robinson admits that the shortage of manpower is a growing concern. “We would need around 15 000 trained bricklayers in this country to meet the medium-term needs of the construction industry. No way do we



Bright prospects for building industry

Biday 11/21/94
KELVIN BROWN

PROSPECTS for the construction and engineering industry are the best in years as the public sector plans to pass on business worth R14,9bn to the private sector this year.

Central Statistical Service (CSS) figures show the value of planned public sector capex contracts allocated to private construction firms is expected to increase 30,3% in 1994.

Private contractors' share of total public sector capex was expected to

increase to 78,8% by 1995 from around 75% in 1992. Most of the expenditure would be geared towards building schools, clinics, hospitals, roads, dams and reservoirs (32)

Building Industries Federation of SA (Bifsa) executive director Ian Robinson said signs of a pick-up in construction activity were beginning to come through in official statistics

such as building plans passed.

However, Bifsa was having trouble convincing players the time was right to begin planning for the mini boom. The industry had no spare capacity as it had cut its workforce.

ROBYN CHALMERS reports that indicators for the construction industry continue to improve. CSS said the contract price index for buildings rose 23,3% for the third quarter of 1993 against 1992's figures.

LTA expects repeat of performance

ROBYN CHALMERS

CONSTRUCTION group LTA expected to improve profit in the year ending December 31 1994 as a result of increased contracts, which stood at R2,04bn last year, chairman Hilton Davies said in the annual report. **BIDCM**

Despite the low level of activity in the construction industry, Davies said the group increased attributable profit 8,5% to R35,4m on an annualised basis.

LTA changed its year-end from March to December, and on an annualised basis earnings a share rose 8,4% to 129c and directors declared a 25,7% rise in dividends to 44c a share.

Davies said the building division once again found the market difficult, with margins depressed. "Rather than take work at prices that could result in losses, further consolidation of operations took place. An improvement in profits in the year ahead is anticipated."

LTA's other divisions all maintained or increased market share. The civil and earthworks division continued to seek opportunities beyond SA's borders as a result of the low level of government spending.

Property development arm RPP Developments had a successful year, while the Autecon electrical and instrumentation division increased its scope of operation. **(32)**

Newly appointed MD Colin Campbell said the pursuit of opportunities outside SA was beginning to bear fruit with the award, on a negotiated basis, of work which was being executed on a joint venture basis.

He said the group had made significant investments. Acquisitions took up R28m and R23m was invested in plant. "Notwithstanding this, the financial position remains sound with funds on deposit and at banks exceeding borrowings by R27m. **2 | 12 | 94**

M&R is set to profit from transition

(32)

WM 4-10/3/94

Simon Segal investigates why Murray & Roberts is such an investment favourite

THAT one of South Africa's major construction groups plans to double its size by the turn of the century is testament to the growth it sees ahead. Sanlam-controlled Murray & Roberts, whose focus is on enhancing the economy's productive capacity, is well positioned to reap the benefits of South Africa's export markets opening up as South Africa's politics regain normality.

It will also benefit from the upturn in gross domestic fixed investment (GDFI).

Last year marked the bottom of the downswing that has seen GDFI fall from 27,9 percent of gross domestic product in 1982 to 15,9 percent in 1992. In real terms this means fixed investment is only 60 percent of what it was in 1982.

Over 1992 and 1993 M&R acquired Blue Circle, Darling & Hodgson, Fedstone (which includes Firestone) and Unitrans. Last year Maibak put its Standard Engineering shares into M&R. M&R Investments then distributed its shares in M&R Holdings and delisted.

This unbundling was done to eliminate the discount at which investment shares have historically traded and improve M&R shares' marketability.

M&R has emerged from the recession in a strong position, with inter-

ests in building and construction, cement, engineering and property.

Today M&R contributes five percent to GDFI, double that of 1990. Optimism is expressed in its share price, which has appreciated 100 percent since September to R86 last week before falling back to R80 after publication of its interim results.

At the interim turnover was up 13 percent (R3,7-billion) and earnings before tax, interest and depreciation up 11 percent at R377-million. This reflects the group's bigger stake in Standard Engineering (up at 76 percent from 38 percent).

Perhaps more than its healthy financial situation M&R's social responsibility profile puts it in a strong position to grow in a changed South Africa.

Last year it invested R25-million in what it calls "people development", up from R14-million in 1991 and R22-million in 1992.

It is closely involved in the transition, with former CE Dave Brink serving as chairman of the business forum in the National Economic Forum, and among other things runs the innovative Sunflower Projects, which involve communities from design of schemes through to completion.

M&R's social involvement funding amounts to five percent of its ordinary dividend (R6-million in the 1994 budget).

With so much going for it, it is understandably a favourite among investors local and foreign, despite last year's projections of a decline in earnings for the 1994 financial year which ends in June.

Housing claims another victim

Biday 4/2/94

ROBYN CHALMERS

PROPERTY company Grovewalk Holdings is the latest in a long list of organisations to have been hard hit by investments in low-cost housing.

Analysts said both private and listed companies had got their fingers burnt in affordable housing. This had led to a serious drop in private-sector funding of the industry (32)

"Bottlenecks in the government's subsidy systems, violence and the lack of end-user finance have caused several construction firms to pull out of the market. Both property and building companies have sustained severe losses," an analyst said.

Grovewalk has posted an attributable loss since 1991, when it made a loss of R1,9m. Group MD Gerard de Rauville said the biggest single reason for the company's poor performance was its major commitment to

affordable housing.

Basil Read was forced to sell its investment and development properties for R53,4m last year as a result of its dealings in the low-cost market.

MD Chris Jarvis said the group had decided to cut its losses.

In the year to June, Basil Read posted a net loss of R32,66m (R9,51m).

Ileo Homes, whose main business is township development for low and middle earners, decided not to declare a dividend for the year ended June, and results for the coming year are expected to be difficult.

During 1992, Group Five's housing division suffered a drop in turnover to R53,3m (R69,9m). As a result, it switched its focus to the medium- and upper-income markets.

LTA ups turnover 14%

JOHANNESBURG. — Construction group LTA produced better than expected results for the nine months ended December 31, lifting annualised turnover 14% to R1,4bn.

The organisation changed its year end from March to December, making previous results difficult to compare. Chairman Hilton Davies said he was satisfied with performance.

The figures showed operating profit before interest rose marginally to R41,6m, but net interest received more than halved to R4m.

CT8/2194 (32)
The tax charge dropped to R15,4m, leaving annualised taxed profit up 9,6% at R30,2m. Outside shareholders' interest rose marginally to R3,6m. This put ordinary shareholders' earnings at R26,6m.

Earnings a share rose to 97c and the dividend of 33c a share represented an annualised increase of 25,7%.

Davies said liquidity levels were satisfactory. The group expected to start the distribution of an interim dividend in August.

R2-billion orders in hand bodes well for LTA profit

Star 8/2/94

■ BY DEREK TOMMEY

Construction group LTA increased its profit on an annualised basis by 8,5 per cent in the nine months to its new year-end of December, reports chairman Hilton Davies.

This gives attributable earnings for ordinary shareholders for the nine months of R26,6 million.

The dividend was lifted by 25,7 per cent on an annualised basis to 33c and an interim dividend will be paid in August.

Turnover in the nine months stood at R1,38 billion, with good performances headed by LTA's civil and earth-works division, says Davies. However, the market in the building division remained difficult, with margins depressed.

Off the base of increased work in hand, which at December 31 stood at R2,04 billion, LTA was looking forward to another good performance in the current year, Davies says.

(32)

LTA's figures better than expected, says chairman

ROBYN CHALMERS

CONSTRUCTION group LTA produced better than expected results for the nine months ended December 31, lifting annualised turnover 14% to R1,4bn.

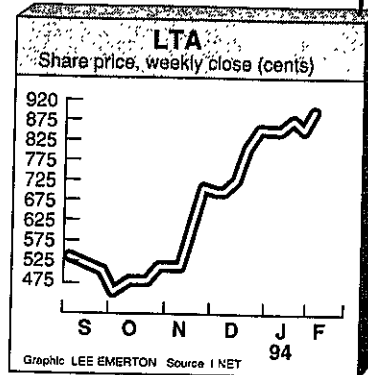
The organisation changed its year end from March to December, making previous results difficult to compare. Chairman Hilton Davies said he was satisfied with performance.

The figures showed operating profit before interest rose marginally to R41,6m, but net interest received more than halved to R4m.

The tax charge dropped to R15,4m, leaving annualised taxed profit up 9,6% at R30,2m. Outside shareholders' interest rose marginally to R3,6m. This put ordinary shareholders' earnings at R26,6m.

Davies said shareholders' funds employed represented an after tax return of 20,1% on average.

Earnings a share rose to 97c and the dividend of 33c a share represent-



ed an annualised increase of 25,7%.

Davies said liquidity levels were satisfactory. The group expected to start the distribution of an interim dividend in August.

LTA went on an acquisition drive during the period under review. This led to a considerable broadening of its activities.

It acquired the Simon Carves group for R6,4m. This provided an entry into mechanical and piping

contracting as well as broadening the technology base of its process engineering organisation. (32)

LTA would market the Fisher range of instrumentation and control systems as a result of its R10,4m acquisition of Control Specialists.

A 50% stake in Wade Refuse was purchased for R10,5m.

The civil and earthworks division increased its profit for the nine months, and would seek foreign business as government spending remained low.

Further consolidation in the building division took place as margins were depressed.

However, Davies said an improvement in profits was expected during the year ahead.

The Steeledale division, RPP Developments, and the Autecon division performed well.

"Off the base of increased work in hand, which stood at R2,04bn on December 31, we are looking forward to a good performance," said Davies.

Call to enforce housing funding

B/Say 9/12/94

THEO RAWANA

PRESCRIBED investments, in which financial institutions would be forced to invest in low-cost housing, should be used to get this sector to enter into risk, Building Industries' Federation of SA (Bifsa) executive director Ian Robinson said yesterday.

Addressing the African Business Round Table (ABR) conference in Johannesburg, Robinson said it had become obvious these institutions, sitting on assets of about R700bn, "will accept nothing less than a 100% guarantee if they are going to once again invest in low-income housing in SA".

This was in spite of a great number of initiatives from a host of organisations that were trying to find a formula for risk reduction.

(32) (13) ABR is an Abidjan-based association of business leaders which, with a membership in 36 African countries, recently opened its doors to SA businessmen.

Its aim is to promote private enterprise, attract foreign trade and foster trade between African countries.

Robinson said Bifsa, with the help of the Fedsure Group and Investec Merchant Bank, had produced a working model to demonstrate the leverage that could be obtained using government funds to obtain private-sector financing.

"For some strange reason people are not interested in listening to our

message and listening to our thoughts.

"We fear that the real reason is politically motivated and that those who can offer solutions to this thorny problem are looking to make political expediency out of the political solutions.

"In our view, should the private sector not be able to enter into risk in the provision of finance for low-income housing, then the government has a simple solution and that is prescribed investment."

He said a small percentage of the R700bn assets should be allocated to housing to solve the housing problem.

The problem this would create for pensioners and potential pensioners was minor compared to the salvation this would present for the whole country.

Robinson also called on employers in the building industry to make immediate commitments for investment in basic adult education, and entrepreneurial and skills training, to enable the industry to cope with demands for housing.

"It is absolutely essential that the formal building industry joins hands with the informal industry to create alliances and joint ventures in order to achieve this potential programme," Robinson said.

Major growth predicted for construction industry

8/Day 10/2/94
ROBYN CHALMERS

GROWTH in the construction industry was expected to take off in the third quarter, said Master Builders' Association outgoing president Keith Elgie yesterday.

Many companies had already seen a surge in tender work, he said at the association's annual general meeting in Johannesburg. (32)

Numerous factors contributed to the more positive outlook, including lower mortgage and interest rates, lower inflation, the easing of the world recession and the improvement in SA's economic position.

Despite these positive influences, Elgie said his outlook remained cautious as the economy and political stability were fragile. There was continued violence in many areas, an inconclusive housing policy and a negative attitude from minority political groupings.

"Currently prices are very competitive and much creative management time has to be employed for companies to continue to survive through the next six to nine months on a profitable basis," he said.

Fedsure group CE Arnold Basserabie told the meeting that a sound economic framework in which solid growth could be achieved was vital to support the political structures being put in place.

"We are aware of the needs of this country, such as the acute housing shortage, the need for job creation and funds for social upliftment.

"An injection of foreign capital, political stability and domestic confidence and commitment would strengthen SA's economy and could have a much needed impact on the building industry," he said.

Basserabie said interest rates should continue to fall in line with the trend of declining inflation. There were expectations that a further reduction in the bank rate would be announced after the elections and that capital market rates would follow, depending on political perceptions.

Murray & Roberts buildings director Terence Hinton was named the new president of the association at the meeting.

M&R attracts foreign investors

BY STEPHEN CRANSTON

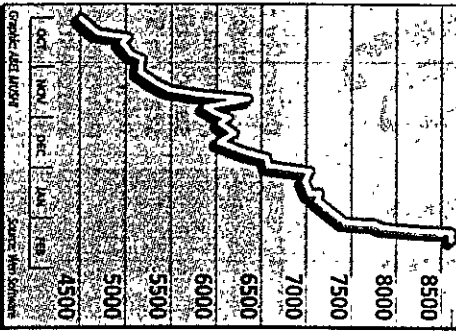
Murray & Roberts (M&R) has become a favourite of the international investor trying to cash in on the increased investment in housing and infrastructure expected after the election.

It has enabled the share price to double since late September to R86.

Johan Snyman, an analyst at stockbrokers Frankel Pollak Vinderne says the share is a kind of unit trust, giving the investor exposure to the building and construction market, to cement through Blue Circle, to engineering, property and even the automotive sector, the latter primarily through Firestone.

He says that even at its present price of R86, it sits on a P/E ratio of 16.2, which is below the more demanding 20.4.

MURRAY & ROBERTS SHARE PRICE



ratings of the other two heavy industry giants, Amic on 19 and Barlow on 18.7.

Through no analyst would dare say it, it is also apparent that M&R's management is held in somewhat higher es-

teem than that of either Amic or Barlow. (32) (15/2/96)

It is surprising that the departure of former CE Dave Brink, the architect of the present M&R, to Sankorp did not cause the share price to hiccup.

His successor Andre van der Colff built up M&R suppliers and services division into a major contributor and was well-received by the market.

In retrospect, it was a relief that M&R's attempt to acquire Dorbyl was unsuccessful.

That engineering group has had a poor track record recently and synergy with M&R's existing engineering interests was limited.

Fergusson Bros analyst Leslie-Anne Dry says the share price would not be justified solely by the short-term earnings prospects.

M&R will not enjoy the bene-

fit of the deferred tax credit it enjoyed last year, and Dry says earnings per share will fall from 531c to 500c in the year to June.

She says the price reflects expectations of a strong recovery in the economy in the year to June 1995 and beyond.

Other shares in the construction field have enjoyed strong re-ratings, but none are as tradeable as M&R, which has a market capitalisation far higher than, say, LTA or Grinaker.

M&R will show some improvement in results for the six months to December, to be announced next week.

The group reported earnings per share of 177c last year, before company tax was reduced from 48 percent to 40 percent.

This should now show an increase to about 200c a share.

Foundations laid for regional building bloc

B1 Day 16/2/94
 THEO RAWANA

A SOUTHERN African building council is close to being formed following extensive talks between the newly formed Council for Construction in SA (Cocosa) and federations in neighbouring countries.

Cocosa executive director Ian Robinson said that the aim of forming a council for southern Africa was to create a regional building industry "power bloc".

The first unity talks were held in May last year in Swaziland, and there would be another meeting in May or June in Lusaka.

The World Bank, the African Development Bank, the US Agency for International Development and the Development Bank of Southern Africa were funding the meetings, Robinson said.

Countries which would fall under the southern African umbrella would be Botswana, Lesotho, Malawi, Mozambique, Namibia, SA, Swaziland, Zambia and Zimbabwe. Despite

the civil war in Angola, it was also in the fold. (32)

Robinson said Cocosa, with a mission to unify the construction industry, promote its well-being and create a profitable environment, would have its official SA launch in March.

It would unite the formal and informal building sectors to form an umbrella body of 11 organisations. The constitution was in its fourth draft and should be finalised before the launch, Robinson said.

Cocosa's three top executives are Linda Nyembe of National Association of Home Builders, who is president; and Mike Mohohlo of Boumat and Robinson, who are vice-presidents.

Organisations in Cocosa are the African Builders' Association; National African Federation for the Building Industry; National African Building Contractors and Allied Trades Forum; National Association

of Home Builders; Association of General Contractors; Bifsa; the SA Federation of Civil Engineering Contractors; the Association of SA Quantity Surveyors; the Institute of SA Architects; the SA Association of Consulting Engineers; the Specialist Engineering Contractors Committee; and material suppliers.

Robinson said the organisation was born out of a need to unify the fragmented construction industry.

"The main thrust is to have the formal building sector joining hands with the informal sector." He said it made sense that black housing initiatives should be done by blacks, "but the black building sector is still at the early stages of evolution".

The sectors needed to form alliances and joint ventures and share skills and resources.

"Cocosa is the ideal vehicle for promoting this union," he said.

"The building industry is a key engine for growth contributing to a prosperous environment in SA."

Construction firms' share prices 'soar'

32

22/2/94

By MAGGIE ROWLEY
Property Editor

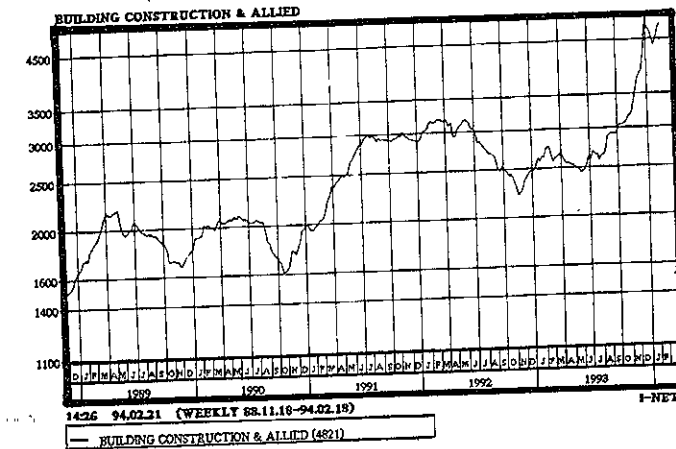
SHARE prices of building and construction companies have soared in recent months with the index jumping to around 4 800 from 2 600 a year ago.

Bouyed by positive sentiment evident in foreign investor interest on the JSE and the prospects of a significant growth in Gross Domestic Fixed Investment (GDFI), the index starting rising in October last year when it stood at 3 000. After peaking at 4 800 at the end of December it fell back in January before surging back up to around the 4 800 level this month.

The two cement manufacturers, namely PPC and Anglo Alpha, together comprise 90% of the index with Grinaker and LTA forming the remaining 10%.

Many of the share prices in this sector have doubled in recent months on the back of improved results. Anglo Alpha, which stood at R43 at the end of October is now trading at around R70 while PPC has moved from R46 to R70 during this period.

Other share prices have performed as well or even better. LTA, which was trading at around 485c at the end of October is now at 1 000c. Group-5,



which was at 75c, is now trading at 225c while Stocks has also more than doubled from 95c to 190c.

Another strong performer has been Cape based Ovcon whose share price has moved from 80c at the end of October to a current trading of around 140c.

Analysts said that ratings given by the market for this sector had never been higher and share prices are now expensive by historical standards.

Johan van Zyl, a director of Ed Hern Rudolph said that hard on the heels of mining houses, the building sector at 96% up was the third best performing industrial sector in 1993. This reflected the simultan-

eous recovery in the economy and gross domestic fixed investment — including improving prospects for eventual commencement of a mass housing programme.

However, other analysts warned that prospects for this sector were probably more closely linked to positive sentiment and the political scenario than any other sector.

If the political transition gets off to a good start, this sector could see three years of strong growth in the order of 25% to 30% a year. If this were to materialise then shares were currently not overpriced.

However in the event of political turmoil, this sector more than any other sector would be

adversely affected.

"As such it remains high risk but if there is a peaceful transition, mass housing schemes and other fixed investment projects will get off the ground with growth in this sector being enormous," they say.

Widespread rationalisation and downsizing in this sector during the recession has resulted in many of these companies being better positioned with strong management controls.

However as Richard Lomborg of Davis Borkhum Hare points out, if there is the expected surge in GDFI many of the companies in the sector, bar the cement manufacturers who had substantial surplus capacity, could well go to the market to raise capital for expansion.

"It is likely though that many of them would wait until they had contracts in hand before doing so."

Van Zyl said Ed Hern Rudolph were recommending an overweight position as the sector has a long backlog on which to catch up.

"Having enjoyed an initial recovery spurt over the past six months, which led to some shares doubling in price, there may well be a significant correction especially during the turbulent period that seems to lie ahead. Such periods should certainly be used to accommodate stock, he said.

Opportunity to buy 'on weakness'

Property Editor

A SIGNIFICANT correction, especially during the turbulent period that appears to lie ahead — should be used to accumulate stock in the building sector, says Johan van Zyl, director at Ed Henn Rudolph.

He says that Anglo Alpha, having returned to a growth path for the year to end December 31 with a 27% increase in EPS on an historical cost basis, has re-established its status as a quality investment vehicle.

On a forward PE of 13.2 based on their estimate of a further 20% increase in earnings to 506c this year, purchases could be considered at current levels — especially in view of increased growth in the event of stability after the elections.

Van Zyl said that although Bournat, despite well-

publicised management problems, Concor and Grinaker all warrant considerations on improved prospects for the sector, their preferred selections were Group 5, LTA, PPC and Stocks & Stocks.

He said following some unfortunate restructuring locally and in the US, a thorough restructuring has seen Group 5 — which includes Everite and SM Goldstein — well placed for above average growth in construction, including mass housing and building materials as well as civil engineering.

In particular, the appointment of Howard Turner,

former senior partner at Coopers & Lybrand, as financial director bodes well for tight control, says Van Zyl.

LTA, he says, has maintained a modicum of growth and a strong financial position under extremely tough conditions and is now well placed for steadily increasing growth.

An Anglo American Group company involved in construction, civil engineering, project management and structural steel, LTA has obtained many major contracts such as the the Lesotho Highlands Water

on weakness.

PPC, whose shares are currently trading at 7 000c, has much more spare capacity than Anglo Alpha and although there is some doubt as to the ease with which mothballed plant can be reactivated, it remains a prime candidate for consideration and should be bought on weakness, he says.

Turning to Stocks & Stocks, Van Zyl says this group has shown commendable ingenuity in maintaining its position through the lean years and has successfully completed major contracts such as the Lost City and the new Metlife building in Cape Town. The Germinston CBD housing project and successful leisure developments prove that it is well placed to benefit both from mass housing as well as tourism. His recommendation too is to buy on weakness.

(32) CT 22/21/94

Scheme the Mossel Bay refinery, ABEC's Sua Pan, FNB's Bank City major office blocks for JCI, Anglos and Southern and a number of projects outside SA. There is also the prospect of some participation in projects like Columbus, Alusaf, Namaqua Sands and other infrastructural developments. LTA, says Van Zyl, is also negotiating an acquisition in Angola to expand its activities in southern Africa. Van Zyl said their recommendations were that LTA shares, currently trading at 1 000c, should be bought

Construction industry shows signs of recovery

THE construction industry was finally on the road to recovery after years of poor performance, economists said after activity in the building sector continued to show signs of an uptick in the final quarter of 1993.

Central Statistical Service GDP figures showed the construction industry grew a real, seasonally adjusted 0,6% at factor cost in the last three months of 1993, after expanding a revised 0,2% in the previous quarter.

Cement sales, which were a strong indicator of growth in the building sector, moved back into positive territory last year. This was a good sign of the growth to come, one economist said. Talk among builders had also been upbeat, with the industry showing signs of improvement, they said.

Southern Life economist Sandra

BIDON 22/2/94
SAMANTHA SHARPE

Gordon said construction followed the economic cycle and a certain lag effect was to be expected before strong signs of growth were visible.

Current political and economic uncertainty had also played a role as growth in construction rested to some extent on the economic environment. The time lag between planning and building would then also come into play, Gordon added.

The positive performance of the industry's growth rate in the second half of last year was insufficient to overshadow poor performance in the first six months of last year.

The industry showed a year-on-year contraction of 6,8% in 1993 after shrinking 6,2% the year before.

Econometrix economist Tony

Twine said the fact that construction was still heavily down was a manifestation of the country's extremely poor fixed investment climate.

High real interest rates had also discouraged investment in the building industry, one economist said.

"Construction has fallen like a stone since 1985," Twine said, adding that the industry was unlikely to show real signs of life until much later in the year and certainly not before the future government had become well settled. (32)

Economists said recovery in the industry would really be evident only in the last quarter of 1994 or as late as the first quarter of 1995.

Twine said the measure of the growth rate at the turning point in construction's downward trend would be very small.

Construction

industry gets less work

By Mungo Soggot

CONSTRUCTION work on hand in the 1993 September quarter dropped 4,1% from the June quarter to R8,4bn, according to figures released by the Central Statistical Service yesterday.

Construction work completed increased 7,5% to R4,2bn in the three months to September against the June quarter. Building contractors reported a R295m increase in the value of work done to September, accounting for the overall increase. The value of work completed was R4,2bn.

Building contractors reported a R352m drop in work on hand. Civil engineering and other sectors reported a decrease in work on hand of R8m.

Econometrix economist Tony Twine said the drop in work on hand reflected sectoral GDP figures, which had shown a general shortage in new orders.

This was symptomatic of an extremely weak fixed investment climate, which was unlikely to improve until the second half of this year, he said. (32)

Mixed fortunes for M&R

MARC HASENFUSS (32)
Business Staff ARGT 24/2/94

AS expected Murray & Roberts (M&R) shifted into a consolidation phase in the interim period to end December after an array of acquisitions in the previous year.

The diversified engineering group reported attributable earnings down 3 percent to R107 million off a 13 percent rise in turnover to R3,7 billion for the period under review.

Operating profit came in 11 percent higher at R377 million — indicating mixed fortunes in operating efficiencies.

Bottom line was eroded by an increased depreciation charge of R137 million, a higher interest bill of R60 million and a doubling of the minority shareholders' payout to R16 million.

Arguably a clearer indication of M&R's performance can be seen in straight after tax earnings of R121 million (before payouts to minorities) — which represents a 7 percent increase on R113 million earned last year.

M&R's engineering division was the star performer, increasing its earnings before interest and tax (EBIT) 23 percent to R102 million.

Chief executive Andre van der Colff said the division performed well with a growing order book into 1995 and increased exports.

The materials and transport divi-

sions (including strong performing Unitrans) also had a good interim period increasing EBIT contributions by 19 percent to R87 million and 16 percent to R30 million respectively.

Mr Van der Colff said construction — which reported an EBIT contribution down 66 percent to R6 million — was "really having a tough time".

He said the suppliers and services division (EBIT contribution down 20 percent) would only bottom out by June this year, while the property division (EBIT down 22 percent) was holding out in a shrinking market.

In spite of the harsh trading environment, M&R managed to strengthen its balance sheet.

Mr Van der Colff pointed out that in the interim period tight management of working capital and the right-sizing of business units resulted in a reduction in assets employed and a cut of nearly R100 million in interest bearing debt.

Operating cash flow at R228 million showed a marked improvement in the period under review compared to R160 million in the corresponding period.

Looking ahead, Mr Van der Colff said the group would do well to repeat last year's full year earnings of 474c a share. "We warned in our last annual report that without the one off-tax benefits of 1993, attributable earnings would fall in the 1994 financial year."

Building firms deliver the goods

MARC HASENFUSS

Business Staff

ARC 28/2/94

32

THE increased punting of construction and engineering listings as strong recovery stock was justified by results released today by Group Five companies and Concor.

Group Five reported a 25 percent jump in attributable earnings to R5,4 million in the half year to end December — thanks mainly to a marked improvement in operating margins.

The improved margins were reflected in the 53 percent gain in operating profit to R20 million from a more modest 12 percent increase in turnover to R842 million.

Growth at bottom line was, however, diluted by the more than halving of investment income to R900 000 and a huge jump in the tax bill to R4,5 million (R680 000) in the period under review.

The balance sheet appears sound with gearing down to a acceptable 38 percent. Directors intend reducing gearing to 27 percent by year end via operational cash flow and a maturing investment of R49 million.

More good news is that the possibility of settling the R18 million Fancourt claim appears promising for the second half of the financial year.

Prospects for the full year look strong, with directors reporting that construction companies in the group had secured more turnover for the next six months than for the corresponding period last year.

■ Group Five associate Everite Holdings reported a more than 70 percent increase in attributable earnings to R6,6 million in the six months to end December.

Directors said steps taken during the previous financial year — including the rationalisation of unprofitable operations, reduction of costs and improved operating efficiencies — had a significant impact on operating margins.

This was clearly seen in the more than doubling of operating income to R14 million, from a more pedestrian 10 percent rise in turnover to R242 million.

■ Concor posted a 16 percent increase in attributable earnings to R6,4 million in the half year to end December on the back of a "satisfactory" order book.

Turnover was lifted 21 percent to R307 million and operating profit came in 23 percent higher at R11 million.

In spite of the improved profit performance, directors played it safe and held the dividend payout at last year's 10c a share level.

Directors were bullish about full year prospects. "With the increased level of activity in the construction industry beginning to manifest itself, the group looks forward to acquiring its share of the work on offer and we anticipate a continued improvement in our operating income."

■ Ceramics group Italtile will be transferred from the "Building, Construction and Allied" sector of the JSE to the "Stores" board today.

Consumer code for home building welcomed



Property Perspectives
by MAGGIE ROWLEY

CT 28/2/14 32

WHILE the building industry generally renders a service of fair and acceptable standards, justified complaints do occur. Therefore the proposed Consumer Code for Home Construction, published in the Gazette of February 18 for comment from both business, is to be welcomed. Supported by various industry and consumer bodies in co-operation with the Business Practices Committee, the proposed code suggests a guide to govern the relationships between businesses and consumers involved in the home ownership market. Observance and enforcement of such a code will hopefully reduce the incidence of problems in the field.

Rights outlined

It outlines not only the rights of consumers but also their obligations, as well as the obligations of developers, payment procedures and all aspects of contracts among other things. Provision is also made in the code for procedures to deal with consumer complaints. Professor Louise Tager of the Harmful Business Practices Committee said the whole policy behind the code was to get businesses to start abiding by these rules and regulations. While it might take longer to draw in the informal sector operators, this could be achieved by a gradual process. With the formation of the National Housing Board and the setting up of the regional housing boards which come into operation on April 1, coupled with great strides being made towards a solution to the interim delivery of low cost housing, it now looks likely that a mass housing programme will get off the ground by the end of this year. Education of these new homeowners is essential if they are to be protected from exploitation. They need to know their rights and obligations as consumers.

Education

Much of the success of the proposed code aimed at the building industry's self-regulation, however in fact will hinge on the education of consumers as education is by far the most desirable and potentially the most effective instrument of consumer protection. Consumers as well as business people are however often uncertain as to both their rights and obligations in regard to consumer transactions. The proposed Code outlines these in fairly extensive detail. All interested parties have until March 20 to submit comment on the proposals.

Group Five earnings up 24%

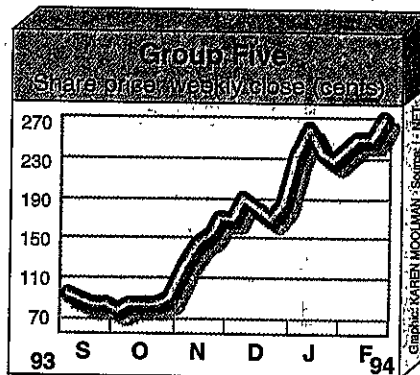
PETER GALLI

CONSTRUCTION and engineering group Group Five has reported a 24% rise in earnings to 12,9c a share in the six months to end-December from 10,4c during the same period the year before, as the benefits of its rationalisation and restructuring programme filtered through. **BIDAY**

But the dividend was passed again so that the funds could be used to strengthen the balance sheet and to allow the group to "cope with any difficulties in the run-up to the elections". **28/2/94**

Chairman Theunis Kotzee said it was unlikely that Group Five would pay a dividend at the end of the financial year as the company wanted to increase its 39% stake in Everite Holdings to more than 50%.

Turnover showed real growth, rising 12% to R841,9m (R749,1m), while improved margins — mainly within the Everite group — pushed operating income up 53% to R19,9m (R13m). There was a 31% profit



rise, before tax and interest payments, to R23m (R17,5m). **(32) (494E)**

Finance costs fell 11% to R8,2m (R9,2m) and a markedly higher tax bill of R4,5m (R680 000) left taxed income of R10,2m (R7,6m). After outside shareholders' inter-

To Page 2

Group Five

BIDAY 28/2/94

From Page 1

ests, attributable earnings were 24,6% better at R5,4m (R4,3m). **(32) (494E)**

Group borrowings amounted to 38% of shareholders' funds, but were expected to be reduced to at least 27% in the present period by increased operational cash flow and a maturing investment of R49m.

The Everite Group reported earnings growth of 72% to 7,4c (4,3c) a share, although off a low base, and declared a 2c (nil) interim dividend. Turnover was up 10% at R242,2m (R220,4m) and operating profit nearly trebled to R14m (R5,2m).

Income before tax and interest was 55% better at R15,8m (R10,2m). After finance costs and tax were paid, attributable earnings of R6,5m were declared.

An extraordinary item of R2,9m for the rationalisation of manufacturing operations following the merger of the fibre-cement operations of Everite and Rocla was declared below the line.

Group borrowings were 37% of share-

holders' funds, but would be reduced to about 20%. "We have identified our low-return and surplus assets and are addressing this, while the improved business climate is seeing increased cash flows," Kotzee said.

Both Everite and Group Five were expected to perform better in the current six months — barring any unforeseen difficulties in the run-up to the elections. But both companies "have some way to go before returns on shareholders' funds reach acceptable levels", he said.

The two groups are also examining their existing operations and ways in which these can be improved. Two areas of attention would be the restructuring of Everite's property portfolio to release cash, and to realise the R18m which Group Five still has tied up in the Fancourt project.

"Restructuring will reduce Everite's property investment from 42% of shareholders' funds to 25% and release about R60m," Kotzee said.

Roads 'not a priority'

2812194
GERALD REILLY

GOVERNMENT spending imperatives in other areas in the post-election years will relegate road funding to an even lower priority, the SA Road Federation fears.

Federation president Loon Oosthuizen said on Friday it was vital to prevent a further decline of the national road network.

Funds in the present financial year would at best be held at the current inadequate levels, as priorities were likely to be housing, health and education.

Oosthuizen said roads had been underfunded for 20 years, resulting in widespread deterioration and the downgrading of large stretches of tarred roads.

Roads were proving to be increasingly inadequate to carry a rising traffic load.

Oosthuizen estimated that merely to repair the huge backlog of damage would cost R13bn (32)

He said the cost of road neglect would be counted in increased road accidents, a slowdown in the movement of commercial traffic to the detriment of the economy, and increased vehicle maintenance costs.

COMPANIES

Concor sees good times ahead

DIVERSIFIED building and construction group Concor has posted a 16% rise in earnings to 56c a share in the six months to end-December, from 48,3c in the comparable period the year before. But the dividend was maintained at 10c a share.

Turnover firmed 21% to R307,22m (R254,84m), while operating income was 23% higher at R8,85m (R7,19m).

Chairman Brian Murphy said the group continued to maintain a satisfactory order book and the increased level of activity in the construction industry was starting to be felt. "I am confident we will acquire a share of the increased work on offer and expect a continued improvement in operating income in the second half," he said.

Net finance income was slightly lower at R2,18m (R2,66m) and pre-tax income gained 11,8% to R11,02m. The tax bill was little changed at R4,79m (R4,49m), resulting in taxed income rising 16% to R6,23m (R5,37m).

After outside shareholders' interest, attributable income of R6,39m (R5,51m)

PETER GALLI

was declared. **BIDON**
Murphy said the group continued to follow up on the recovery of the proceeds from the various securities held through its investment in the failed Time Holdings group. "No additional provision is required at this stage." **2812194**

In the year to end-June, Concor made a R7,9m provision, as an extraordinary item, against its investment in Time Holdings.

At the interim stage, Concor had assets of R175,75m (R170,17m) and current liabilities of R111,44m (R102,13m).

The share was untraded on Friday, reflecting a buyer at 540c but no seller. The share hit a February 24 high of 525c from a low of 310c on March 4 1993. **(32)**

Earlier this year the company was given a long-term debt rating of BBB by Republic Ratings, making it an adequate investment risk. The rating meant Concor's capacity for timely repayment of principal debt and interest was sufficient.

Buoyant M&R aims for major expansion

ARG 1/3/94 (32)

BRUCE CAMERON
Business Editor

MURRAY & Roberts (M&R) intends doubling its size by the year 2000 — but it all depends on whether other companies and the government are prepared to go ahead with major investment programmes.

M&R group chief executive Andre van der Colff told senior management of the diversified group in Cape Town last night that he could not pinpoint exactly when investment would pick up but he was confident gross domestic fixed investment (GDFI) would, again "resume prominence".

He said economists were predicting a positive outlook over the next four years which — with an upswing in the business cycle, an improved world economy and increased investor interest — would combine to create a "window of economic opportunity for vigorous and sustained recovery".

But GDFI would only grow if there was successful economic structural change, as well as political tolerance and co-operation between the various participants in the economy.

If these preconditions were met GDFI could be expected to grow exponentially from a year-on-year near zero base this year through to 18 percent by 1998. If the conditions were not met growth in GDFI would be flaccid, only reaching 9 percent by 1998.

Growth in GDFI was the life blood of M&R and Mr Van der Colff was optimistic the group saw the bottom of the downswing in 1993 and from here on the fortunes of the various parts of the company would be on the up.

He said many of the targets set for the group had not been met last year.

Earnings before interest and tax (Ebit) to turnover were 1,5 percent below target at 6,5 percent while Ebit return on assets was almost 11 percent below target at a little over 9 percent.

Apart from growth in GDFI Mr Van der Colff said the group's ambition to double by the turn of the century would also require prepared leadership and the development of its employees based on "new generation thinking".

He spelt out that management would have to be judged on four

"value driving factors", namely improving profits, increasing capital efficiency, disposal of non-performing assets and growing profitable income.

He pointed out that investors clearly had confidence that the group would achieve future targets with the share price soaring over the past six months from R46 to more than R80. The climb had also pushed the share price from below the JSE financial and industrial index to well above.

The key targets were to increase current gross profit from 8 to 12,5 percent, to push productivity of assets beyond 20 percent and achieve a productivity measure of 166c for every 100c of payroll.

The group would concentrate on its core competence and niche markets while focusing on exports with a target of the current 10 percent of turnover being increased to 20 percent in the next three to five years.

The group reported a 3 percent decline in earnings to R107 million off a 13 percent rise in turnover to R3,7 billion for the six months ending December 1993.

Good results herald boom in construction

THE construction industry has weathered the past four years and is set to show sharp growth.

This is reflected in recently released financial results for the major players, analysts say.

"These clearly indicate that the bust period is over and the boom is starting," an analyst said.

The building and construction index — weighted by cement companies Pretoria Portland Cement (PPC) and Anglo-Alpha — has more than doubled over the past eight months.

It reached a 12-month high of 5 006,8 last Friday from its June 1993 annual low of 2 443,35 but eased 72 points to 4 935 yesterday.

In the year to December, Anglo-Alpha posted earnings of 421,5c (331,3c) while the dividend was increased to 175c (152c).

Its share price rose to a new year high of R73 last Friday from a May 27 1993 low of R31. The share was untraded yesterday, despite going ex-dividend.

In the year to September, PPC saw earnings grow to 299,6c a share (265,4c) and dividends increase to 215c (195c). The share lost 200c or 2,7% to R70 yesterday to move off its R72 annual high last Thursday. It was at a R37,50 low last June.

Cement sales remained largely stagnant last year,

PETER GALLI

an improvement on the past four years when sales fell steadily. (32)

Analysts are bullish about the industry's prospects, with a future government expected to focus on national infrastructural development.

The falling level of gross domestic fixed investment (GDFI), from about 28% of GNP in the 1980s to about 15% at present, had had a serious effect on the construction industry.

An analyst said: "GDFI is about 25% of GNP in most developing economies, so we have a long way to go, but all the major players are committed to this".

Investors were not particular about building and construction shares as all would benefit from the economic recovery and increase in GDFI. Shares in the sector, although pricier, still offered value, he said.

Murray & Roberts Holdings reported a 3% drop in earnings to 171c a share. Although turnover rose 13% to R3,7bn, attributable earnings eased 4% to R107m, but the dividend was 4% better at 58c.

The share has lost ground since hitting an R86 high on February 10. It lost 100c yesterday to R80.

In the nine months to December, LTA increased

earnings and dividends 25,7% to 97c and 33c a share respectively, in annualised terms. The share, which went ex-dividend yesterday, was untraded at its 975c ruling price, off its R10 February 10 high.

Group Five posted a 24% rise in earnings to 12,9c a share in the six months to December from 10,4c previously, but the dividend was passed to strengthen the balance sheet. Group Five shares firmed 5c or 1,8% to a new yearly high of 275c yesterday.

Concor reported 16% earnings growth to 56c a share in the six months to December. The share was untraded at its Friday new high of 540c.

Stocks & Stocks was also untraded yesterday at its 200c new high reached on Friday.

MURRAY & ROBERTS

Puzzling comparison

Murray & Roberts (M&R)'s interims may leave some shareholders confused. Somehow, it has managed to dispose of 57c a share in earnings and I can only presume it is because this amount — R36m — presents an embarrassment. *FM 4/13/94*

Here is what appears to have happened: Last year, M&R reported EPS for the year to June as 531c. That included 57c in deferred tax benefits; these were taken above the line, a practice which is quite legal but which isn't exactly conservative. One result was that M&R reflected an increase of 9% in EPS over 1992, 46c to be precise — and unkind observers will point out the increase was funded solely by Derek Keys's generosity. Another was that it was able to raise its dividend 11% to 200c.

This time, however, the interims faithfully repeat last year's audited figures — all the way down to EPS. This is now shown as 474c and is under the heading "EPS excluding prior year tax adjustment." So 57c in deferred tax benefits are now not shown — though they were welcome last year.

This means that when 1994's annual statements are presented it will be by comparison with a lower EPS for 1993 and that is certainly one way of ensuring management is cast constantly in as good a light as possible. Commercial director Jeremy Ractliffe says both figures will be disclosed in the annual report. I must add that nothing improper has been done, but playing ducks and drakes with bottom-line earnings isn't a practice to be recommended. *(32)*

For the rest, the notable increase in earnings this half year was from the engineering division, which returned an increase of 23% on first half 1993. However, much of that will have come from M&R's increased shareholding in Standard Engineering.

M&R has positioned itself to take maximum advantage of the long-awaited spurt in capital projects (GDFI) and that's been a bad place to be for the last 21 successive quarters. The realisation that SA's capital stock has been contracting for longer than three years (and that GDFI has declined for 21 successive quarters) is sobering.

However, things are now on the move: Alusaf, Columbus and Namakwa Sands are bubbling and more should transpire as (if) the country returns to a state resembling normality. Still, none of these will have any effect on M&R's fortunes in the short term.

The abridged and consolidated balance sheet reflects inherent strength; borrowings

FOX

are a net 27% of permanent capital, very acceptable gearing. CE Andre van der Colff says the group "will do well" to achieve attributable EPS of 474c. That probably explains the decision to change the EPS figures used previously. *FM 4/13/94*

Nevertheless, this is a strong and well-managed group operating in a sector which has certainly borne a disproportionate share of SA's economic woes. If the recovery is sustained and heightened, M&R will benefit more than many of its competitors. *(32)*

The counter is trading R5 below its high of R86. The earnings yield is 2% and the p:e 17; that compares with the sector's 20 and the building and construction industry's 12. There is a tendency to read too much into these statistics and they are not infallible guides. However, the retreat from the share's high in early February suggests some shyness. Potential investors might wait a while.

David Gleason

Ready for the turn

Activities: Engineering, construction, project management and development projects in all disciplines throughout southern Africa.

Control: Amic 70%.

Chairman: H K Davies; MD: C V Campbell.

Capital structure: 27,4m ord. Market capitalisation: R301m.

Share market: Price: 1 100c. Yields: 3% on dividend; 8,9% on earnings; p:e ratio, 11,3; cover, 2,9. 12-month high, 1 100c; low, 450c.

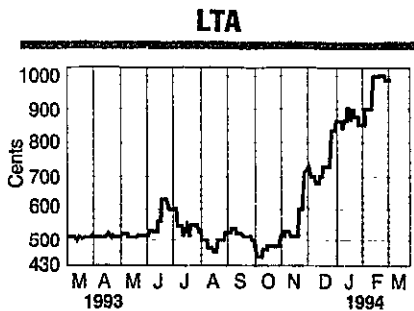
Trading volume last quarter, 268 000 shares.

Year to	†'91	†'92	†'93	**'93
ST debt (Rm)	10,5	15,3	19,5	59,0
LT debt (Rm)	4,4	31,8	46,0	37,9
Debt:equity ratio	n/a	7,3	12,5	n/a
Shareholders' interest	0,20	0,21	0,27	0,36
Int & leasing cover	7,7	n/a	6,7	12,4
Return on cap (%)	7,0	6,6	10,6	10,2
Turnover (Rbn)	1,87	1,88	1,61	1,38
Pre-int profit (Rm)	40,1	47,4	51,5	49,6
Pre-int margin (%)	2,1	2,5	4,6	3,6
Earnings (c)	88	114	119	97
Dividends (c)	25	32,5	35	33
Tangible NAV (c)	412	598	673	613

* Nine months to December 31

† 12 months to March 31

The result of the last nine months' labour — not always a good gestation period — is pedestrian; and the immediate past few years have been dreadful for the industry, though LTA has increased profits every year for the last eight years, something no other construction group has achieved. LTA's record over the last four years shows it has weathered a long recession with some comfort and is ready to reap the rewards. ~~(32)~~ (32)



Chairman Hilton Davies makes no bones about it: teamwork and commitment have made the difference, he says. "In an industry which has been badly battered by the recession, LTA owes its continued success to the calibre of its people." Well, it's nice for them to know they're appreciated — those that are left, that is. Retrenchments continued over 1993, though LTA's glossy annual report carefully avoids the subject.

Frankly, I'm not surprised. Employment is a sore, emotive issue. At last week's presentation of the Amic annual results, chairman Leslie Boyd said members of the SA Engineering Industries Federation (Seifsa) had been reporting an average of 3 000 lost jobs a month for three years.

That adds up to more than 100 000 breadwinners without means of earning, more than 100 000 families without visible sustenance or support. The knock-on effect, elastic but acknowledged to be large, means that perhaps 600 000 people are directly affected. The rate has slowed, but retrenchments continue. This is a painful matter, deserving much greater attention than has been accorded it in the welter of electioneering nonsense.

LTA has moved its financial year into line with parent Amic; the report is for the nine months to December. The result is solid, though modest. Turnover is R1,4bn — annualised that equates to R1,8bn and is



LTA's Davies ... good order book and liquidity

indicative of a market beginning to turn. Nevertheless, pre-interest profit is down to 3,02% of turnover (last year: 3,19%), evidence of severe competition.

EPS of 97c (119c) indicate LTA is on the road to recovery. However, extraordinary items are a huge R21,8m (1993: R260 000) and R16,4m of this is devoted to writing off goodwill on acquisitions made in the nine months. LTA bought Simon Carves for R6,4m, Control Specialists for R10,6m and half of Wade Refuse for R10,5m; R27,5m in total. It means 60% of the purchase price was in goodwill, a rather handsome ratio.

The interesting result is that LTA's total dividend for the nine months of 33c a share was R4,2m more than was available from profit generated in the period. To pay shareholders, it has had to dip into the distributable reserve. There's no question about its ability to make the payment; cash flow is strong and money and near-money totals R123,7m. ~~(32)~~ (32)

I have some curiosity with the borrowings, which seem to be all over the place. Last March, short-term borrowings totalled R19,5m, yet at end-December they were up at R59m; similarly, March's long-term borrowing was R56m, now it is down at R37,9m. These extraordinary swings are, apparently, commonplace in this industry.

However, the cash position is enormously strong, so much so that LTA is effectively ungeared. For a group which has gone into its next financial year with an order book of R2bn, this is an excellent place to be.

How things change! In the Seventies, LTA made its money from power stations, road construction and lightweight buildings. In the Nineties, there are no power stations to build and very little money is being spent on national roads. These days the cash is coming from earthworks (LTA's open cast mining activities for JCI and Sasol), civils (Anglo's Namakwa Sands mine on the west coast and the Lesotho Highlands water scheme) and from its instrumentation and electrical contracting operations.

The impression I formed from talking with Davies is that he believes LTA will make the most this year of the already evident turn in the economy. Substantially trimmed, with a good order book and adequate liquidity, the company is ready for lift-off. Davies's concern is that the politicians will make heavy weather of the next few critical months; investors share his worry.

David Gleason

Structural changes pave way for Basil Read to reduce losses

CONSTRUCTION group Basil Read reduced its losses in the six months to end-December after structural changes.

Turnover was marginally down at R184,7m (R192,8m), and an operating loss of R3,2m compared with income of R1m in the previous year.

Operating loss before interest, taking into account a R9,5m extraordinary item in the previous year, was reduced to R3,2m from R8,5m.

The company substantially reduced interest payments to R1,7m (R6,4m) as a result of selling its housing and development property portfolios for R53,4m in December.

At the end of the period, gearing was 85%.

Net loss was reduced to R4,9m (R14,9m), and the loss was 22,3c (104,2c) a share. No dividend would be paid out.

During the period, French construction company Bouygues increased its equity holding in the company to 51,8% from 25,9%.

The directors said Basil Read would concentrate on civil engineering, roads, mining, tunnelling, building and waste recycling activities.

AMANDA VERMEULEN

The mining division had improved on its forecast, but the civil engineering division lost ground after securing a satisfactory workload in the first half.

The building and mining divisions also felt intense competition.

The directors said optimistic growth forecasts for the economy, an increase in the volume of work advertised for tender and statements by political parties and housing authorities about the need to address problems of housing and urbanisation would boost the construction industry and would benefit the group.

Basil Read would continue to pursue its activities beyond SA borders, particularly in southern Africa, boosted by the resources of Bouygues which was already active in several African countries.

The company announced it would change its financial year-end to December to fall in line with Bouygues.

It would publish a second interim report for the period to end-June.

The current financial year would become an 18-month period to the end of December.

GROUP FIVE/EVERITE For the shopping basket

In five trading days, Group Five's share price has risen 15%, from 260c to 300c a share. No-one is telling why, though last week's interims from the company and associate Everite are most pleasing. Turnover, operating income and EPS are up across the board. More important, perhaps, margins have improved appreciably. *Fm 11/3/94*

Group Five's turnover has increased 12% over first half 1992; operating income soared to R20m and the trading margin has gone to 2,37% from 1,74% a year earlier. These remain pathetic figures which demonstrate the extraordinary pressures which have been applied against the construction industry during the recession.

Nevertheless, tight cost controls pushed EPS up 24% to a very creditable 12,9c (1992: 10,4c). The unaudited, abridged balance sheet reflects the weakness you would expect after the erosion of the last four years. It is plain one of chairman Theunis Kotzee's principal objectives will have to be to rebuild the asset base.

Long-term borrowings have increased to R26m, and gearing is now at 38% of shareholders' funds. Finance director Howard Turner says this is the outer limit; he expects gearing to be 28% by June year-end. *(32)*

However, this company has survived a brutal period intact and expects now to reap the rewards. Among these will be a fat endowment policy with Momentum, laid down some years ago, and which is to mature in June. It will produce R50m, which will go a long way towards restoring the health of Group Five's balance sheet.

Much of the income improvement this time has come from Everite, where refocusing and restructuring of diverse operations is paying off. Everite's EPS improved 72% to 7,4c on a turnover rise of 10%.

Group Five is now on a p/e of 23, rather high for a company emerging from troubled times; the EY is 4,3%. Those investors who believe April will bring relief and economic resurgence are right to put Group Five into their shopping baskets. Otherwise, there is cause to delay. *David Gleason*

CADBURY SCHWEPES

Another sweetener

Fm 11/3/94
Yet another first-class result from confectionery, soft drinks and food producer Cadbury Schweppes (Cadswep). EPS/growth of 22% for the 1993 financial year is excellent in a time of recession and unrest.

CE Peter Bester says volume gains in the main product segments and an improved sales mix helped turnover to rise 13% to R818m. "Particularly satisfying was the gain in market share across the broad spectrum of products. This insight into the relative competitiveness of the group gives an indication of its long-term vitality."

Operating profit increased 18% to R83m, finance costs declined almost 21% to R12m, influenced by lower interest rates and lower borrowings — gearing declined from 39% in 1992 to 25%. Interest cover improved to 6,8 times (4,6). Pre-tax profit climbed a satisfying 28% to R70,7m. This was partly thanks to a well-managed increase in the trading margin, which grew to 10%, and benefits from structural changes to the manufacturing facilities in 1992.

The effective tax rate was lower than expected, at 24%, and Bester attributes this to export allowances. Though exports remain a small part of the business, he says their importance is growing materially. The bulk of exports are in confectionery, though there has been an increase in exports of soft drinks, cordials and food into Africa.

To retain cash resources, Bester says management has proposed a capitalisation shares award which has fully provided for STC. "If there is 100% acceptance, the impact on attributable earnings will be R2,9m." If so, the 1993 figures are conservative.

Though reasonable real earnings growth is forecast for this year, the share has fallen 20% from its annual high of 5 900c. This suggests some investors feel the counter is expensive and are rather increasing exposure to recovery stocks. *Marylou Gretig*

Construction price hike looms as developers

32

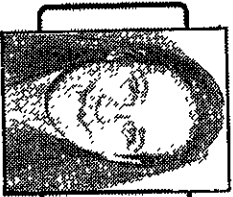
CT 21/3/94

hold fire

THERE are many projects in the pipeline for the western Cape but most developers appear to be holding fire and waiting until after the elections before pushing the button.

A surge of development in the second half of this year, particularly as a massive low cost housing programme is expected to start getting off the ground before year end, is highly likely to put pressure on resources and building materials forcing up prices.

The building and supplies industries, while reporting some surplus capacity, has down-sized during the past four years of recession raising some doubt as to how quickly supplies can be increased to meet demand. The industry could



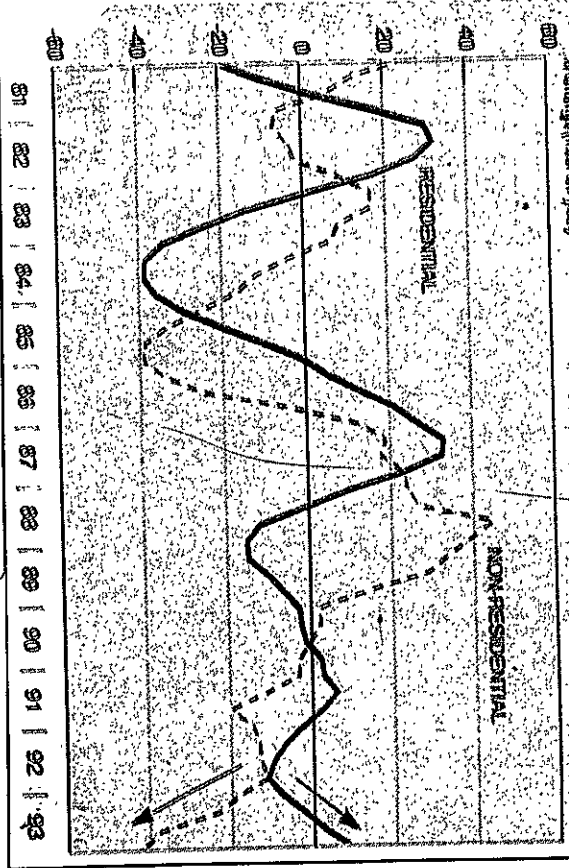
Property Perspectives
by MAGGIE ROWLEY

also face a skills shortage as thousands of jobs have been cut during this period and skilled people lost to the industry for good. Boland Bank, in its latest economic review,

points out that if the trend in the real value of approved building plans is applied as an indicator of building activities to be realised soon, the message is clear that the construction of dwellings rated on a scale of importance will enjoy priority in the near future.

The divergent trends in the accompanying graph, according to Boland Bank economist Louis Fourie, confirms the validity of this observation who also points out that the materialisation of comprehensive housing projects for lower income groups in the latter part of the year should add further drive to residential building activity.

BUILDING PLANS: CLEAR INCREASE IN ACTIVITIES PREDICTED FOR RESIDENTIAL MARKET
% Change (Year-on-year)



In the non-residential market, strong indications exist that in the temporary absence of an increase in new projects, upgrading of lower grade non-residential property may be of surprising extent in the coming year, says Fourie.

He points out that the increase in average building costs in South Africa is similar to the broad spectrum of prices in the economy, and was still of moderate extent.

However, market sources indicate that contractors will be looking to increase margins at the first opportunity and that in some cases prices were already beginning to move.

Funds for maintenance of South African freeways vital, says Minister of Transport

Call for levy to finance road upkeep

Star 23/3/94

■ BY ANNA COX

A dedicated road levy must be reinstated to maintain South Africa's national roads, said Minister of Transport Dr Piet Welgemoed at the official opening of the new 9 km section of the Ben Schoeman freeway yesterday.

Welgemoed said his department had done everything legally and practically possible to enlarge the source of funds to maintain roads but it was clear that with the exception of those limited sections that could be viably serviced by a toll, the large remaining parts could not be adequately served with the existing amount of money allocated to it by the Government through the normal budget process.

Prevent wastage

"The dedicated fuel levy must be applied in a more controlled and planned way to prevent wastage of limited resources. My view is that all primary and secondary roads should be financed with a dedicated fuel levy. I am aware that the public and the business sector strongly support the idea," he said.

Welgemoed said if one looked at the Transition Act it was obvious that second and third-tier authorities would be responsible for the planning, financing and management of roads.

ALL PRIMARY and secondary roads should be financed with a dedicated fuel levy, says Piet Welgemoed



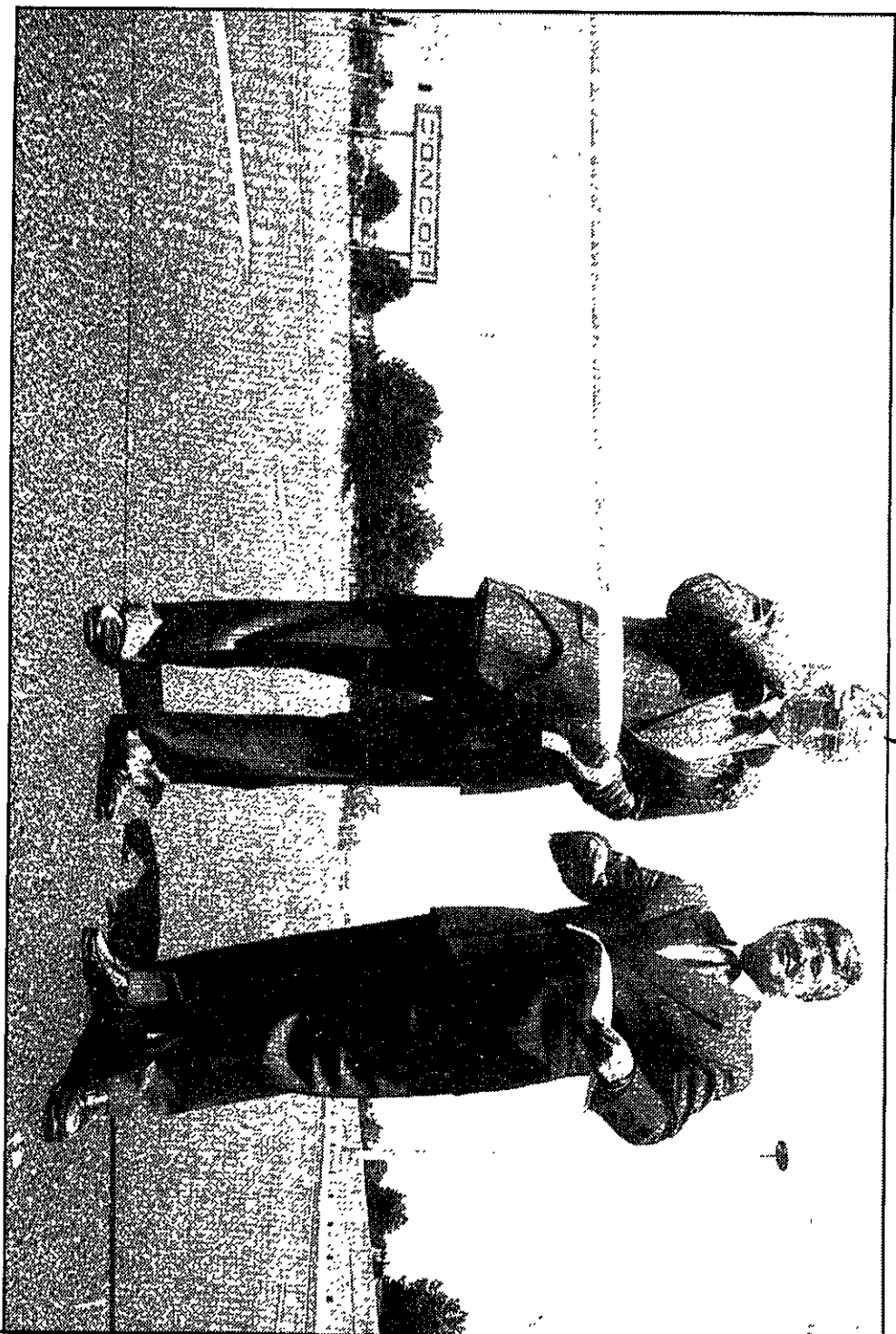
The new provinces would be responsible for public transport, traffic control and roads which fall in their jurisdiction.

The Department of Transport would only be responsible for national roads, interprovincial and roads with international mobility.

The roadworks on the 9 km stretch between Corlett Drive and the Broelouch interchange were completed at a cost of R54 million.

The Ben Schoeman freeway is not only one of the biggest freeways but also one of the most important road links in the country, with up to 100 000 cars a day using the road in both directions, said Administrator of the Transvaal Danie Hough who officially opened the road.

He said additional fifth and sixth lanes had been added and the Grayston interchange expanded by the widening of the on-and-off-ramps including Grayston Drive up to Katherine Street.



Ready! Go! . . . Transvaal administrator Danie Hough lends a hand as Transport Minister Dr Piet Welgemoed (right) cuts the ribbon that stopped M1 highway traffic for five minutes yesterday.

PICTURE BY RUVAN BOSHOFF

Investors banking on building boom

Star 25/3/94

(32)

■ BY STEPHEN CRANSTON

South African stands on the threshold of its biggest ever building boom — to judge from the manner in which the JSE's building and construction index has rocketed in the past few months.

Both local and overseas investors have jumped into building and construction shares, which have outperformed the industrial index by a considerable margin since July.

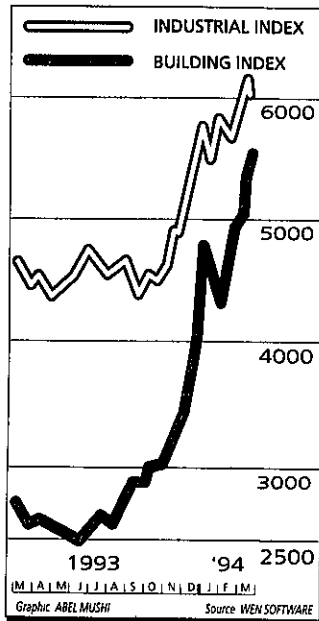
During that time, while the industrial index has firmed just over 30 percent, building and construction shares have soared by 125 percent.

Mike Brown, an economist at stockbrokers Frankel Pollak Vinderine, says economic sectors linked to gross domestic fixed investment might be expected to anticipate an economic revival. GDFI usually lags economic recovery by 12 to 18 months.

New tax structure

The new tax regime, with a lower company tax rate but a tax on dividends has encouraged companies to retain income, much of which would then be spent on capital projects.

By some estimates R50 billion has been allocated to capital projects by the pri-



vate sector. And the public sector will drive a boom in housing and related infrastructure, though experts have been predicting an imminent "low-cost housing boom" for at least two years, and many companies have lost money and pulled out of this sector.

Nevertheless, a report from PPC showed that if government built 300 000 low-cost houses a year, it would mean an extra 2,1 million tons, a good 30 percent increase on current cement consumption of

7,2 million.

And as the industry is operating at about 60 percent of capacity, it can cope with the extra demand with no extra capital expenditure. And the effect on profitability would be enormous.

A house building scheme on this scale might not materialise, but cement companies will be among the first to benefit from such socially desirable projects and cement shares have been moving accordingly.

Anglo-Alpha and PPC are by far the largest components of the building and construction index and their share prices have pulled the index higher.

Since July PPC has doubled from R37 to R74 — not entirely justified by its hardly earth-shattering 13 percent increase in earnings per share for the year to September.

Anglo-Alpha, bolstered by its unexpectedly high 47 percent earnings hike in the year to December, has jumped a massive 174 percent from R31 to R85.

Both these share have been able to attract overseas buyers as they are large groups, with market capitalisations of well in excess of R2 billion. Further, they have had a more consistent profit history than the contracting companies in the sector and they have a large fixed asset base.

That the other cement giant,

Blue Circle, is no longer listed means that there are two and not three options for investors into the cement industry, which has certainly helped both shares.

Frankel Pollak's Johan Snyman believes the ratings gap between the cement shares and contractors should narrow.

PPC is looking fully priced at 25 times earnings and Anglo-Alpha not far off it at 20 times. But although both groups seem well-placed to benefit from an upturn in the future, Grinaker and LTA, the other components of the building and construction index, command relatively modest p/e ratios of about 10.

Survivors

Grinaker Holdings managing director Jack Saulez says there has been dramatic resizing in the industry which has seen the index of construction expenditure fall from 100 in 1983 to 45 today.

"Those companies that are still around after these terrible years, in which margins have been extremely tight, have to be well-managed and costs are right down."

Leslie-Anne Dry of brokers Fergusson Bros agrees that the surviving groups are lean and mean and they have diversified to remain profitable.

BUILDING CODES

FM 2513194

Trying to please all parties


32

Homebuilders will come under increasing pressure to play fair if a new code for house construction drawn up recently by the Harmful Business Practices Committee is anything to go by.

The code has the blessing of a number of industry and consumer bodies bent on cleaning up the industry's image and safeguarding consumers. Says the Master Builders' Association's Deon Crous: "The code is an excellent start, though we would like to see greater minimum requirements. The public is increasingly losing money and being left with inferior workmanship."

But if homebuilders' responsibilities are detailed in great length, so too are those of the consumer. Rules of fair play apply equally to consumers, developers, contractors and subcontractors and relate to the sale of land, construction, alterations and related services, including the arrangement and provision of finance.

Says committee chairman Louise Tager: "Education is by far the most desirable and potentially the most effective instrument of consumer protection. Consumers as well as business people are often uncertain as to their rights and obligations."

Building Industries Federation executive director Ian Robinson says the code will become increasingly vital to any successful housing initiative: "A fundamental requirement of mortgage lenders will be recourse against defects. Insurers will increasingly try to sift out poor workmanship."

The code reminds developers that they need to have suitable technical qualifications, knowledge and practical experience to ensure that projects are carried out in a workmanlike and economical way. Alternatively, they need to employ someone who has these skills. Their purpose must be to satisfy their clients or fellow contractors.

Developers are also expected to operate sound business ventures, particularly by maintaining adequate financial resources to meet their legal obligations. Here, the developer must provide the consumer with full specifications, including the total cost of the contract. Land costs must be shown separately.

Lawyers for Human Rights housing rights unit director Brian Leveson says low-cost housing is particularly susceptible to poor quality controls and builders who go insolvent before completing the job. "Around R10m has been lost through this in the past five years in the Johannesburg area alone. And while we wouldn't want to undermine the role of the small builder, we would like to see money being held in trust at least until the land is registered in the homeowner's name."



Tager ... educating consumers to protect themselves

Where improvements are concerned, the code advises that the developer shouldn't start construction until the relevant property has been registered in the consumer's name. And where construction is to be financed by a loan secured by a mortgage bond, the bond must generally be registered before construction begins.

The consumer, for his part, must make sure he understands the terms of the contract and the specifications of any proposed construction. He's obliged to stick to his part of the deal by being co-operative and not causing any undue delays. Consumers are advised to inspect the construction site regularly to monitor progress and to seek legal advice before signing any documents. They are also warned to check specifications for differences between show houses and the construction contract they're paying for.

There's also a stern warning to the consumer to make sure the developer is allowed to sell or transfer the property in question or to build on the site. "In particular, consumers should take care not to make advance payments for work not done," the code cautions.

It specifies that media advertisements should be clear and honest and no misleading sales techniques or advertising should be used to "bolster the attractiveness of the offer." There's a duty on the developer to explain the contractual terms to the consumer. The uncertain consumer can also rely on an unconditional two-day cooling-off period that's supposed to include prompt repayment of any money paid.

The code frowns on the developer who unreasonably denies liability for the actions or representations of agents and employees, provided that the agent has acted within his mandate and the employee within the scope of his employment. For the developer who provides building specifications as well as the land, there's an added responsibility for ensuring that the house design accommodates adverse soil conditions. There's also a warning to developers who substitute inferior quality materials for those agreed in the contract.

Of course, a well-drafted contract would eliminate the need for many of these recommendations. So the code details a comprehensive checklist for parties concluding a contract. Some of the points to be observed are:

- The contract must be reduced to writing;
- A signed quotation should only be acceptable for minor works;
- The consumer must be given a copy of the signed contract;
- Price, payment procedures and conditions of payment must be stipulated;
- A commencement date and practical completion date must be included;
- Provision must be made for dispute settlement;
- The contract should contain extension of time provisions and arrangements for the payment of interim interest;
- The area of the stand should be stipulated in m² along with an accurate description of the land, and;
- The contract should contain suspensive conditions.

An interesting directive warns against the use of Latin expressions, legalese and confusing technical terms. Consumers are advised to retain 10% of the contract price until the contract is completed and to specify who's responsible for latent and patent defects. Parties are also told to apportion additional interim interest to the party who causes the delay. Further, it bars the developer from obtaining a general power of attorney from the consumer and stipulates that consumers who take occupation prior to final completion don't prejudice any of their legal rights.

Of course, some might say that statutory and common law provisions should more than adequately protect the interests of both consumers and homebuilders in the event of any dispute.

But Tager says: "It is possible that conduct which is contractually agreed upon and not in conflict with the law, may still amount to an unacceptable business practice."

The intention is for the code to be self-regulatory. Aggrieved consumers should first complain to the contractor/developer,

thereafter any of the building industry or consumer organisations supporting the code. Ultimately the committee could be called upon to adjudicate in disputes. 32

FM 2513194

Investors expect building boom

(32) ARG 26/3/94

Weekend Argus Reporter

SOUTH AFRICA stands on the threshold of its biggest building boom — to judge from the manner in which the JSE's building and construction index has rocketed in the past few months.

Local and overseas investors have jumped into building and construction shares, which have outperformed the industrial index by a considerable margin since July last year.

During that time, while the industrial index has firmed just over 30 percent, building and construction shares have soared by 125 percent.

Mike Brown, an economist at stockbrokers Frankel Pollak Vinderine, says economic sectors linked to gross domestic fixed investment might be expected to anticipate an economic revival. GDFI usually lags economic recovery by 12 to 18 months.

The new tax regime, with a lower company tax rate, but a tax on dividends, has encouraged companies to retain income, much of which would then be spent on capital projects.

In some estimates, R50 bil-

lion has been allocated by the private sector to capital projects. And, the public sector will drive a boom in housing and related infrastructure, although experts have been predicting an imminent "low-cost housing boom" for at least two years and many companies have lost money and pulled out of this sector.

Nevertheless, a report from PPC showed that if government built 300 000 low-cost houses a year, it would mean an extra 2,1 million tons, a good 30 percent increase on current cement consumption of 7,2million.

And, as the industry is operating at about 60 percent of capacity, it can cope with the extra demand with no extra capital expenditure. The effect on profitability would be enormous.

A house-building scheme on this scale might not materialise, but cement companies will be among the first to benefit from such socially desirable projects and cement shares have been moving accordingly.

Anglo-Alpha and PPC are by far the largest components of the building and construction

index and their share prices have pulled the index higher.

Since July, PPC has doubled from R37 to R74 — not entirely justified by its hardly earth-shattering 13 percent increase in earnings per share for the year to September.

Anglo-Alpha, bolstered by its unexpectedly high 47 percent earnings hike in the year to December, has jumped 174 percent from R31 to R85.

Both these share have been able to attract overseas buyers as they are large groups, with market capitalisations of well in excess of R2 billion.

Further, they have had a more consistent profit history than the contracting companies in the sector and they have a large fixed-asset base.

That the other cement giant, Blue Circle, is no longer listed means that there are two and not three options for investors into the cement industry, which has certainly helped both shares.

Frankel Pollak's Johan Snyman believes the ratings gap between the cement shares and contractors should narrow.

PPC is looking fully priced at 25 times earnings and Anglo-

Alpha not far off it at 20 times. But, although both groups seem well-placed to benefit from an upturn in the future, Grinaker and LTA, the other components of the building and construction index, command relatively modest p/e ratios of about 10.

Grinaker Holdings managing director Jack Saulez says there has been dramatic resizing in the industry which has seen the index of construction expenditure fall from 100 in 1983 to 45 today.

"Those companies that are still around after these terrible years, in which margins have been extremely tight, have to be well-managed and costs are right down."

Leslie-Anne Dry of brokers Fergusson Bros agrees that the surviving groups are lean and mean and they have diversified to remain profitable.

Stocks and Stocks moved successfully into property and leisure developments such as KwaMaritane near Sun City more recently followed Grinaker's example by moving into information technology.

LTA has diversified into opencast mining and electrical contracting.

Building work set to increase

EDWARD WEST

CAPE TOWN — The value of building work-on-hand was lower in the first quarter than in the same quarter last year, but an increase was expected from April for the first time in many successive quarters.

The quarterly national review into the building industry by the Stellenbosch-based Bureau for Economic Research said the fall in building activity over the first three months was not as sharp as previously anticipated and the industry was coming out of recession.

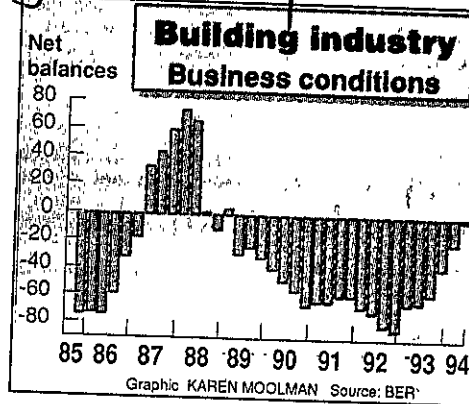
The majority of the survey respondents forecast an increase in the value of work-on-hand, with the non-residential sector in particular expecting an acceleration in business activity.

Activity in the architectural sector — which usually precedes the building industry — was improving. The number of projects at sketch plan stage bottomed out in the first quarter and was expected to increase in the second quarter.

In quantity surveying, the numbers of sketch plans and projects at bills of quantity stage in the first quarter were on par with that of a year ago and further improvements were predicted in the second quarter.

Competition in building contract tendering remained keen during the surveyed quarter, but slackened relative to the last three months of 1993 which implied more work was becoming available and upward pressure was being exerted on building costs.

House prices firmed in the second half of last



year, but prices were still falling in real terms and it appeared demand for newly built houses had yet to develop momentum. Keener demand for houses was unlikely before mid-year.

The survey showed that 1993 had not been a good year for the property market.

More than a third of respondents in the residential building sector reported a shortage of artisans.

The shortage of skilled labour was of concern considering the ambitious housing programmes being debated, the bureau said.

Relatively good prospects for the non-residential sector suggested competition in tendering would ease and building costs would rise.

Ovbel trims Ovcon stake

BRUCE CAMERON
Business Editor

(32)

APR 12/4/94

CAPE TOWN construction holding company Ovbel has reduced its stake in its Ovcon subsidiary to 10 percent in a deal giving Transvaal construction company Wilson Bayley Homes (WBH) a 25 percent holding in Ovcon.

WBH has bought up the shares on the open market over the past few months with the approval of Ovcon pushing the price from 80c to trade in the 170c region.

Ovcon Limited managing director Jan Kaminski said, however, that the link between Ovbel and Ovcon will remain strong.

Ovbel chairman Andrew Ovenstone continues as chairman of Ovcon — and Ovbel will continue to promote projects for the mutual benefit of both groups.

Mr Kaminski emphasised that the management of both companies had known each other for many years and had considerable respect for one another's abilities.

WBH chairman Brian Holmes said the main reason for the link proving attractive to both companies was that they complement each other geographically.

Ovcon operates in and around Cape Town, in the Boland (where it has a Paarl-based building company), in Natal (from a Durban-based company), in Namibia and in the Middle East (from Abu Dhabi).

WBH is active throughout the Transvaal, northern Natal and the Richards Bay area, Botswana, Namibia and Mauritius.

Also, since the dropping of sanctions, WBH has tendered regularly for work in Kenya, Zambia, Tanzania and Mozambique.

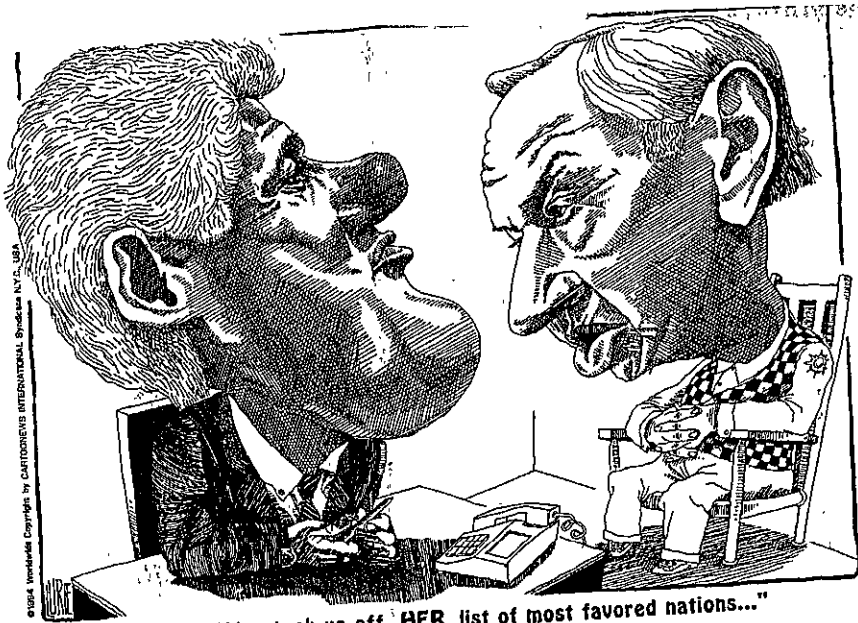
Mr Holmes said the two companies' fields of operation were compatible to a remarkable degree, both Ovcon and WBH being involved in building (particularly at large fast track complexes, such as CBD offices, regional shopping centres and industrial buildings), and civil engineering.

WBH also undertakes contracts for roadworks, earthworks, township and general services, and has a strong civil engineering connection with the mining industry.

Ovcon's expertise also encompasses slip-forming of concrete structures, a patented reservoir construction method and marine engineering.

In 1992 WBH diversified, successfully, into timber harvesting and has become the country's leader in the export to world markets of round logs for pulp and saw timber.

Ovcon executive director Jimmy Thomas said that one of the first fruits of the association is likely to be joint venture bids between WBH and Ovcon for major projects which call for more than one field of expertise and might involve the finding of development capital.



Wilson Bayly nets 25% Ovcon stake

By **MAGGIE ROWLEY**
Property Editor **(32)**

ONE of the top seven SA construction companies, Wilson Bayly Holmes, has acquired a 25% stake in Cape-based, JSE-listed Ovcon.

With the full agreement of Ovcon management, WBH has purchased 50% of Ovbel's holding in Ovcon and has acquired the balance through the market.

The acquisition has reduced Ovbel's shareholding in Ovcon to 10% but the link between Ovcon and Ovbel will remain strong with Andrew Ovenstone continuing as chairman of both companies.

Brian Holmes, chairman of WBH, which is 100% owned by management, said the two companies complemented each other geographically with Ovcon operating in and around Cape Town, in the Boland, Natal, Namibia and the Middle East whereas WBH is active throughout the northern Transvaal, northern Natal, the Richards

Bay area, Botswana, Namibia and Mauritius.

The two companies' fields of operation were also compatible with both being involved in building and civil engineering.

Holmes said they were in favour of companies being management owned and felt one of Ovcon's strengths was that it was more than 50% held by management. This situation, he said, should continue and if possible, Ovcon management should look to increasing their shareholding.

According to Ovcon executive director Jimmy Thomas, the first spin-offs of the association were likely to be joint venture bids between the two companies for major projects which called for more than one field of expertise and could involve the finding of development capital.

He said the association would enable both companies to become more competitive for projects on a national basis as well as in the southern African region as a whole.

COMPANIES

Masonite withstands tough conditions

B/Dau 13/4/94
MUNGO SOGGOT

A STRONG performance from its manufacturing and forestry divisions had shielded building materials manufacturer Masonite from tough market conditions, chairman Alan Wilson said in the company's annual report.

But "the much talked-about improvement in building activity" driven by SA's housing backlog had failed to materialise last year, and would have to wait for the installation of the next government.

Between 250 000 and 300 000 houses a year would have to be built to eliminate the backlog, against the recent annual average of only 30 000 houses. 32

"The achievement of a democratically elected government of national unity which can start to address the violence and begin to reduce the housing and schooling backlogs will bring about improved results for the company," Wilson added.

The company, which is controlled by US group Masonite Corporation, lifted earnings 86% to 99c a share in the year to December 1993, on turnover ahead 14% at R137,1m.

Masonite's traditional export markets — including Germany, Holland and Belgium — had been hit by the global recession.

Prices had fallen in these markets in the face of competition from eastern Europe and Scandinavia.

"This competitive position prevailed in the newly developed Pacific Rim markets, although we were able to increase volumes by opening up new markets such as China," Wilson added.

Wilson said Masonite's Estcourt factory had not been affected the violence in Natal, although eight off-duty workers had lost their lives.

Divisional manufacturing manager Mike Slater said the mill had returned to full hardboard capacity in May 1993.

Cashbuild does it again

Star 22/4/94

BY STEPHEN
CRANSTON

Only the most optimistic observer could have expected Cashbuild to better the 48 percent earnings growth it achieved in the six months to last August.

Surprisingly, this was easily done, with earnings per share for the full year to February up 70 percent to 39,8c.

A dividend of 14c has been declared (6c in the eight months to February 1993).

Cashbuild changed its year-end from June to February when control was bought from Tradegro by Pepkor.

Cashbuild CEO Gerald Haumant says the 1991/92 period was a difficult one, with the introduction of VAT, less attractive building materials prices, a drought de-

trimental to the formation of wealth in rural areas and the collapse of the low-cost building industry.

There has been a positive turnaround in the first three and the housing tap is about to be reopened. (22)

Most of its stores showed volume growth, after two years of decline.

Turnover was up 18 percent to R545,7 million, of which 11,7 percent was contributed by existing stores and 6,3 percent by those opened over the last two years.

The operating margin improved from 2,7 to 3,7 percent, helped by the suspension of the store opening programme in March 1993, good expense control and the return of gross margins to their historical level.

Cashbuild sold off a property company owning nine of its stores, which reduced gearing from 47 to 13 percent.

An extraordinary item of R2,3 million relates to a gain of R2,6 million made on the disposal of the property company, minus the write-off of a R300 000 investment in Khayelihle Homemakers, a low-cost housing venture.

Restored cash flow will allow the group to fund internally the development of three Buy 'n Build Homecentres and nine Cashbuild stores in the current year.

Haumant says that trading conditions have been difficult since year-end because of election fever, but he remains confident about prospects for the building industry after the election.

Building creates jobs — Norwich

NORWICH Life SA had R150 million in buildings under construction in the past year, leading to the creation of several thousands jobs, chairman Ronnie Napier said in Cape Town. (32)

He told guests at the opening of Norwich on St George's, the latest addition to the Norwich Life property portfolio, that life offices had been criticised for, supposedly not stimulating job creation.

"It has been reliably estimated that for each R1 million of construction activity between 60 and 80 jobs are created. This means that for the Norwich on St George's project some 1 200 jobs have been created over the 18-month construction period."

Further expansion of the portfolio was planned. ARL 23/4/94

A R60 million investment, Norwich of St George's — bounded by Exchange Place, Adderley Street and St George's Mall — was formerly the Garlicks building. It has undergone extensive internal renovation and remodelling and now offers 10 500 m² of offices over nine floors, 2 800 m² of retail space and 250 parking bays with access from Adderley Street. The retail space has been fully let and the office component is 75 percent let, the main tenants being attorneys Sonnenberg, Hoffman and Galombik, and Investec.

Norwich Life's other major Cape Town development is Norwich Oval.

Building industry faces struggle to meet demand

B New 28/4/94

(32)

ROBYN CHALMERS

THE building industry might struggle to cope with the surge in demand caused by the next government's construction initiatives unless massive funding was pumped into training, industry sources said yesterday.

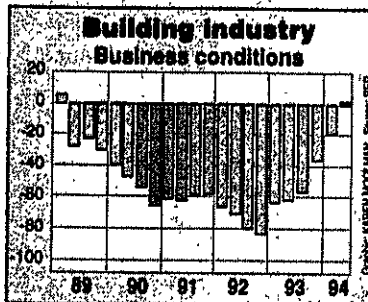
Building Industries Federation of SA (Bifsa) executive director Ian Robinson said the erosion of the workforce over the past few years meant the industry could not provide the skilled manpower needed to cope with higher activity levels.

Robinson estimated the industry would have to increase its annual spend on training tenfold, to about R200m. Bifsa had approached many overseas funding agencies, but Robinson believed it would have to tap government for training funds in the near future.

SA Federation of Civil Engineering Contractors executive director Willie Vance said construction would also be hard pressed to deal with higher activity levels.

Bureau for Economic Research (BER) director Ockie Stuart said the recession-hit industry had shed more than 60 000 jobs since 1986.

Reserve Bank figures showed that,



at constant 1985 prices, gross domestic fixed investment (GDFI) in the sector had fallen steadily since 1982 when it totalled 27,9% of gross domestic product (GDP) to 15,9% in 1993.

In real terms, this translated into 1993 GDFI standing at only about 60% of the investment achieved in 1982. The construction sector had already begun to feel the effects of an upturn. BER statistics for the first quarter of this year indicated that order books had returned to levels last seen in 1990.

Vance said this was welcome news for an industry which, in real terms, had shrunk 50% over the past 10 years.

"The (civil engineering) sector employed 140 000 people in 1980 and this plunged to about 56 000 towards the

end of 1992. People seldom return to the industry once they have left it.

"However, the focus in the new dispensation will be more on infrastructural projects than schemes such as Mossgas, so the construction industry will not be as hard hit as the building sector," he said.

Much of the work for major capital projects coming on stream had already been allocated.

Valued at more than R30bn, these included the R7,2bn Alusaf aluminium scheme, the R3,2bn Columbus stainless steel project and phase two of the R4,9bn Highlands Water Scheme in Lesotho.

Robinson said Bifsa was conducting a survey into the need for building materials, but preliminary estimates indicated that companies had underestimated the scale of the undertaking. "In order to eradicate the 1,5-million housing backlog, two houses will have to be built every working minute, or 120 homes an hour."

He said there would be a move by contractors to increase their margins to make up for losses during the past few years, which could lead to a building inflation rate of more than 20% within three years.

Labour unions in the industry were beginning to put pressure on companies for wage rises.

New firm for Namibian expansion

Property Editor (22/11)
JSE-listed Stocks & Stocks has formed a company in Namibia to spearhead its expansion into that country, says group deputy chairman Bart Dorrestein.

(32) et 2/5/94
The main thrust of the new company will be in the areas of construction, housing and tourism with the company announcing the launch of two major leisure developments — a 90-room luxury hotel development at the Swakopmund railway sta-

tion and a 150-room, five star hotel and entertainment complex, to be known as the Windhoek Resort and Country Club, in Windhoek.

The Swakopmund development will include an entertainment node comprising restaurants, bars, boutiques, cinemas and a 350-seat conference and entertainment centre.

Dorrestein said Stocks was also hoping to expand its involvement in environmentally

sensitive tourist resorts and develop lodges at key locations to market Namibia's extensive wildlife and scenic potential, he said.

He said that through their Homes for Namibia programme which focuses on job creation in partnership with communities on the unprecedented scale of \$1 200 per job they "dreamed" of creating jobs for all Namibians.

Aaron Mushimba, chairman

of Stocks and Stocks Namibia said that much criticism had been levied at the invitation of non-Namibians into the economy.

"But if Stocks were a role model of what can be achieved, then our confidence in inviting them in and thus generating about \$250m of work into a stagnant economy and in the process create about 10 000 direct and indirect jobs, is not only justified but to be encouraged," he said.

Grinaker restructuring gets no fanfare

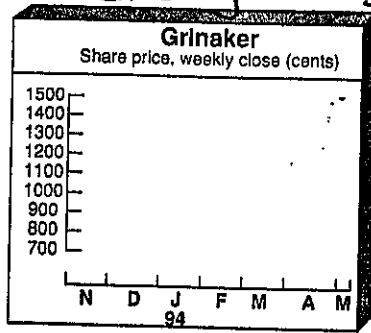
ROBYN CHALMERS

THE restructuring of Anglovaal's construction and electronics subsidiary Grinaker Holdings went virtually unnoticed by the market yesterday, but MD Jack Saulez was bullish about the group's future.

Saulez said the move was "really a cleaning up of the holding structure", and had been on the cards for several years.

"We will receive cash proceeds of about R50m from the deals which will be used to fund additional working capital requirements over the next few years," he said.

Saulez said several further changes would place take within the group, including the growth of construction interests within 92,4%-held



Grinaker Construction.

"The experts predict a 10% growth in gross domestic fixed investment next year following a long period of recessionary conditions within the building and construction industries."

Saulez said the organisation would

be "hungry for money" in the short-term, largely on the back of an expected boom in the construction industry once the new government's housing and infrastructural initiatives got off the ground. (32)

Investor interest in Grinaker was reflected in the share price. Over the past month, it has soared 350c to achieve a seven-year high of R15, against a 12-month low of R5 in July last year. (32)

Apart from increased working capital, the major effect of the restructuring would be greater tradeability of Siltek and Grintek's tightly held shares. Grinaker Holdings' direct 3,2% interest in Siltek was sold for R17,3m while the 6,7% stake in Grintek was sold to Genbel for R32,4m.

Service award for Power

CT 4/5/94
(32)
Property Editor

THE SA Institution of Civil Engineers (SAICE) Presidents Award for Meritorious Service for 1993 has been presented to Graham Power, MD of Power Construction.

The award was made in recognition of Power's efforts to establish a system whereby labour enhanced construction can take its place in the array of tools available for the development of infrastructure.

The efforts of Power and others led directly to the historic Framework Agreement for Labour Intensive Construction on Public Works Projects signed in June last year between the civil engineering industry, Cosatu and Sanco.

The initiative committed the industry to maximise the use of manual construction methods on appropriate projects.

It also achieved consultation with communities and a human resource enrichment programme based on skills and management training.

Building companies slicing margins to stay in business

ROBYN CHALMERS

MANY construction companies tendered for projects at up to 10% below cost to survive during the industry's five-year recession, sources said yesterday.

Medium Term Forecasting Associates director Johan Snyman said Bureau for Economic Research (BER) statistics showed that average tender prices rose 4% last year.

However, the cost of building materials rose 6% on average, labour costs increased about 11% and fuel and equipment charges rose significantly over the same period.

"On the surface, an average 4% rise in tender prices during 1993 cannot be justified, but contractors have stepped up productivity significantly and there have been few bottlenecks in the supply of materials or labour.

"In addition, those contractors technically tendering below cost have generally amortised their plant and equipment expenses during a boom period. Margins are, however, exceedingly thin," he said.

A further indication of cost cutting was evident in the number of contractors competing for tenders.

BER surveys showed that in 1988, less than 10% of respondents reported fierce competition in tendering whereas 90% of respondents reported this during the third quarter of 1993.

The number of people employed in the

industry plummeted between 1988 and 1993. Industry sources estimated that up to 110 000 jobs had been lost during that period.

SA Federation of Civil Engineering Contractors economist Henk Langenhoven said in the civil engineering industry alone, employment had fallen from 135 000 in 1976 to 53 200 last year.

Building Industries Federation of SA executive director Ian Robinson said that over the past five years, there were many examples of companies tendering below their overhead costs.

"Large construction companies have the scope to do this as many have operations outside SA. They are also backed by large institutions so they can negotiate slightly better mark-ups.

"The smaller contractors can also continue to survive during recessionary periods, as there are always small alterations to be done and jobbing work is generally available."

Robinson said it was the medium-sized organisations which often went to the wall during a downturn.

This was evident in the number of liquidations in the industry over the past few years.

Associate's loss puts Cemenco in the red

Blay 65194
ROBYN CHALMERS

CONSTRUCTION and engineering group Cementation Company (Cemenco) was pushed into the red during the six months to March, knocked by a trading loss from associate Barracuda Granite Tile.

The organisation posted an attributable loss of R969 000 against a profit of R329 000 for the 1993 interim period.

Cemenco's turnover was marginally lower at R134,9m from R138,5m.

Operating income was higher at R1,4m (R981 000) and a reduction in interest paid to R1m from R1,5m boosted pre-tax income to R346 000 from a loss of R515 000 previously.

During the 1993 interim period, the

group received R1,3m as a result of adjustments to deferred tax, which hiked post-tax income to R762 000.

In the absence of tax benefits during the period under review, the tax charge of R253 000 left post-tax income at R93 000 (32) (104)

Cemenco's share of the trading loss suffered by Barracuda amounted to R1m, forcing the group into a loss of 10,8c (3,7c profit) a share. The interim dividend was passed.

Directors said in order to limit further losses, the group's investment in Barracuda was sold with effect from

March 1. This led to an extraordinary loss of R3m.

While Cemenco's orders on hand increased to R253,6m (R243,6m), directors were concerned about the make-up of the order book, particularly at subsidiary La Forge where the order book had reached "critically low levels".

"Under the prevailing circumstances, the result before tax reflects well on the group and, all things considered, management remains optimistic," they said.

"It is expected that the attributable loss for the year to date will be eliminated by the end of the financial year."

PROPERTY

Speculators back buildings boom

(32)
 15/94
 7/15/94

TOM HOOD
 SPECTATORS have struck before the Mandela government starts to build its promised houses for the homeless millions.

They have spent billions of rands to buy up shares of building companies, causing prices to triple and more in only six months.

And this at a time when many of these companies are struggling to recover from the recession and losses of millions of rands.

Investors are gambling on expectations of a huge increase in business for the depressed industry which would see the squeeze on profits ending as prices and margins improve.

There could be tremendous pressure to get supplies of materials and components which is likely to push up prices. A shortage of skilled labour is also feared — the industry shed more than 50 000 workers in the recession — and wages and labour costs could also rise.

The 26 companies in the building, construction and allied industries sector of the Johannesburg Stock Exchange have seen the value of their shares soar to about R6,3 billion from R2,9 billion in the last six months.

Since the depths of the depression in 1989, the value of listed building companies has rocketed by R4 billion from about R1,26 billion.

Some companies already into house building such as

Group Five, Goldstein and Stocks and Stocks notched up four and five-fold increases. Ilco Homes doubled its price on Wednesday.

Major cement producers Anglo Alpha and PP Cement are both heading for a R100 share price — you could buy Anglo Alpha for R41 and PP Cement for R46 a mere six months ago.

At least 2,5 million newly enfranchised people face the future without homes and housing programmes estimated at R9 billion to improve their lot have been drawn up.

Apart from housing, the nation's new provincial capitals will need to be beefed up to accommodate civil servants, permanent trade agencies and trade and business centres.

Schools and hospitals in areas badly supplied with health services are likely to be built.

Capital spending over the next five years is envisaged by the Development Bank of Southern Africa in its recent report *A Micro-Economic Policy Model for Human Development in South Africa*.

The backlog of housing worsened last year and houses built dropped to a low of 30 000 in 1993. The ANC's Reconstruction and Development Programme says the new government will build a million houses a year in the next five years.

This figure could be achieved, says the Building Industries Federation, but the delivery process and mechanisms — building material distribution, trained man-

power and the provision of land — will have to be in place

Bifa executive director Ian Robinson believes all the dynamics now at work in the building industry point to a housing take-off late this year.

But there is now a definite shift towards support for a national plan to relieve the housing shortage through the provision of rental accommodation rather than individually owned units, he says.

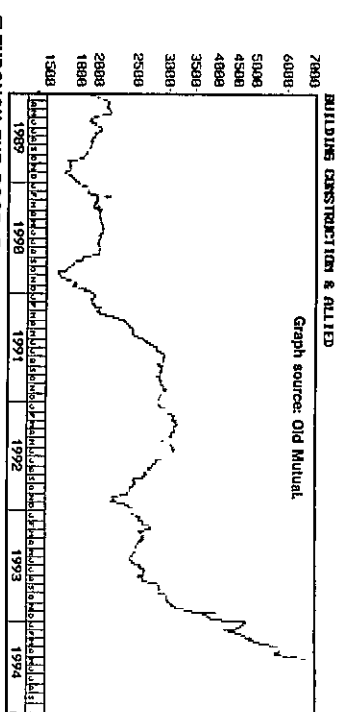
Already in place are the regional housing boards, which will determine and evaluate local community housing and social infrastructure needs as well as coordinate funding and subsidy grants for projects in each of the nine new regions.

"All this points to a take-off in the provision of housing soon after the election," he says.

"But we are finding a definite swing among the major industry players towards the thinking that the housing backlog can probably only be taken care of through a massive programme to provide rental accommodation."

Even if the formal banking sector enters the low-cost housing market again, there will be many individuals who cannot afford to service a mortgage loan.

Less than 13 percent of the total mortgage amount is on loan to blacks and less than 10 percent of black families are estimated to be able to afford formal housing of the type the financial institutions regard as bondable.



Graph source: Old Mutual.

□ THROUGH THE ROOF: From the depths of the depression, share prices have surged, as shown by the movement of the building, construction and allied sector of the JSE. Speculators have spent billions of rands to buy up shares of building companies, causing prices to triple and more in only six months. And this at a time when many of these companies are struggling to recover from the recession and losses of millions of rands. Investors are gambling on expectations of a huge increase in business for the depressed industry.

PROPERTY SCENE

THE famous Garrick mansion in St James is on the market again — this time for R2,5 million. It fetched about R400 000 in 1988 when sold by a businessman who paid R400 000 two years earlier. The green-roofed mansion was offered at R45 000 when I first saw it in 1971, when a rand was a rand.

This history is a good illustration of the value of investing in good property. Built for the Garrick family as a holiday home in 1920, the property has proved a good money spinner for Pam Golding Properties, which sold it three times in five years.

ANC intentions for roads 'encouraging'

INDICATIONS that an ANC government would treat the repair of SA's road infrastructural network as a priority were encouraging to the roads industry, SA Bitumen and Tar Association (Sabita) chairman Piet Myburgh said this week.

He said comments by ANC leaders suggested a new emphasis on repairing roads.

"Although roads provision and preservation did not feature specifically in any election manifestos, the ANC's reconstruction and development programme (RDP) gives prominence to the improvement of transportation infrastructure and road construction.

(32)
"In particular, it refers to the need to 'redress the imbalances in the level and access to infrastructure, transportation and basic services for the majority of the urban population'.

"It says housing, transport, electrification and other infrastructure and service programmes should promote access to employment opportunities and urban resources," Myburgh said.

He said the gross distortions of past economic policy-making, coupled with the economic downturn associated with the isolation of SA, had caused funding of the provision and preservation of roads to be inadequate and inequitable; and had not

THEO RAWANA

addressed the roads needs of SA.

"The roads industry shares the commitment to national reconstruction and development which characterises the government of national unity," Myburgh said.

Throughout the campaign, ANC speakers said a new democratic government had to develop a southern African regional transport grid to benefit the whole region.

"We agree fully with the ANC that growth and development in our country are interdependent. The key to this link is an infrastructural programme that will provide access to modern and effective services like electricity, water, telecommunications, transport, health, education and training of all people.

"A recent study carried out by the CSIR Transportek on behalf of Sabita showed that there is an estimated 220 000km of 'off-inventory' roads serving marginalised communities. This is approximately equal to the total length of inventoried rural and urban roads currently subject to engineering and financial control by road authorities. In other words, only about half of the country's roads are being managed."

Myburgh said community expectations were that 35 000km of these roads should be upgraded to permanent paved surfacing standards.

House and building costs set to rocket

S Times [Cimetro]

15/5/94

By FRED ROFFEY

BUILDING costs could rise by as much as 25 percent within the next year, warns the Building Industries Federation of South Africa (Bifsa).

It points out that the expected surge in low-cost housing following the election will put pressure on the building industry's limited resources.

Estate agents say this gives potential house buyers a golden opportunity to invest in a home at the bottom of a building industry price cycle.

As it is, prices are already climbing, says banking group Absa.

It estimates that the average price of a medium-sized house in South Africa last year was about R150 800 — 9,5 percent higher than in 1992 — while the average

price of a small house was R115 000, or 9,6 percent higher.

Large houses averaged R202 800, or 5,7 percent ahead of the previous year. (32) (23)

These figures apply to existing properties, and Absa says house prices are expected to rise three percent this year.

This means that potential home buyers — particularly first-time buyers — may consider building their own homes, so creating a demand for new developments and influencing prices there.

Whichever way you look at it, it makes sense to consider buying a home now, instead of waiting for prices to rise further.

THE National Housing Forum, on which the business community is strongly represented, has stated its vision for housing as "everyone should at least have a permanent, secure home with access to essential services such as drinking water, toilets, waste disposal and electricity."

"Everyone should be able to live in a healthy environment within reach of work, schools, clinics, economic opportunities and social amenities."

While the achievement of this vision will undoubtedly be difficult, the Cape Chamber of Industries Housing Committee, has come up with a unique housing policy package to assist its 850 member companies to help alleviate the housing shortage.

As chairman of the committee, Guenter Koch says, it should at least be possible for people who are permanently employed to be properly housed with the assistance of their employers.

"Not only do employed people have the means to contribute meaningfully to the cost of their housing but they can use the lever-

Chamber leads with housing policy package



(32)
CT 16/5/94
Property Perspectives
by MAGGIE ROWLEY

age of a caring employer to ensure the availability of necessary loan finance."

The State, he says, has already announced its contribution to the housing crisis — a capital subsidy of up to R12 500 per family depending on income.

"In so doing it has made it clear that the private sector must also play a role."

He points out that while industry and business cannot single handedly alleviate the enormous housing shortage, employers have the organisational and entrepreneurial

means to provide some innovative answers to this problem."

The CCI, which represents the interests of the manufacturing sector at all levels, has a major objective to create a climate that is conducive to growth of industry in the Western Cape.

Its newly launched Housing Assistance Guidelines forms part of this objective.

This package consists of a standard housing assistance policy that can be tailor-made to meet the needs and circumstances of employees, a housing finance

policy that as a framework has been accepted by the major financial institutions and a housing advice service that members can call upon for assistance.

According to Koch, principles of participative problem-solving and management are built into these policy documents.

"Business now has a way of making a real contribution to the housing crisis."

A number of the chamber's member companies have already initiated housing programmes and Koch urges all CCI members to take full advantage of this process which "will show that your care, that you mean business when it comes to employee's welfare but that you will not commit your company to more than it can afford."

"There are many ways of a company facilitating the improvement of housing for its employees. Each one offers an investment in health, peace of mind and productivity. We trust that these Housing Assistance Guidelines will be of real and lasting benefit to thousands of families in our community."

Hear! Hear!

M&R shares rise to new heights

Biday
MURRAY & Roberts (M&R) Holdings' share price has scaled new heights over the past month on speculation that the construction and engineering group is negotiating a major acquisition.

During May, the M&R counter surged to a seven-year high of R106.50. This represented a 150% rise on the 12-month low of R42 in June last year. (32)

Analysts said that while the higher share price could in part be attributed to a higher level of confidence in the construction sector, there was market speculation that M&R was close to finalising the acquisition of a manufacturing organisation. They valued the deal at more than R100m.

M&R spokesmen would not comment on the speculation, but analysts believed there could be an announcement towards the end of the week.

M&R CE Andre van der Colff said he was optimistic about the future of the construction sector.

"During April, M&R's production was significantly down. However, there are signs of an upturn, particularly in the civil engineering sector where order books are full.

"In addition, we are witnessing greater demand for office space in

ROBYN CHALMERS

our property portfolio," he said.

Should government's reconstruction and development programme take off before Christmas, Van der Colff said the group expected to see a significant increase in demand for its services. 1815194

The group aimed to double its size over the next 15 years, and believed the 1993 financial year, which saw earnings rise 9% to 531c (485c) a share, was the bottom of the downturn.

The group posted marginally lower earnings of 171c (177c) a share for the six months to December. Van der Colff said attributable earnings and earnings a share for the full year were expected to show a decline as the group would not enjoy the one-off tax benefit received last year.

"Indications that the SA economy has come to the end of a protracted recession are not expected to have a marked effect on the current year earnings of the majority of the group's operations.

"Most of M&R's operations are participants of the gross domestic fixed investment (GDFI) cycle activities, and will reflect the benefit of the upturn at a later stage," he said.

Ovcon maintains dividend payout

ROBYN CHALMERS

CAPE-based construction group Ovcon maintained its dividend for the year ended March 31 despite a sharp fall in earnings to 20.8c (34.8c) a share. *BIDAY*

Turnover was marginally higher at R148,3m against R147,8m, but a tight squeeze on margins saw operating income fall a third to R3,5m from R5,3m. *1815194*

Interest paid dipped to R370 000 (R600 000), leaving pre-tax income at R3,1m (R4,7m). A reduced tax bill of R1,3m (R1,5m) including STC, saw post-tax income 42% lower at R1,8m (R3,1m). *(32)*

A final dividend of 8,5c a share was declared, resulting in an unchanged total dividend of 12,5c a share.

Group MD Jan Kaminski said he was satisfied with the results, given the poor economic conditions and the depressed construction industry.

Projects completed or close to completion during the year under review included the R20m President's Stand at Newlands cricket ground, renovation of the R28m Norwich complex, and the R20m Bluff shopping centre in Durban.

Kaminski said the current order book was satisfactory but the company was still operating below capacity. It was well placed to take advantage of an expected upturn in the construction sector.

Ovcon pays same on less

Optimism for the year ahead persuaded Ovcon's directors to maintain dividends at 12,5c for the year to March, despite a 35 percent drop in operating profit to R3,4 million from last year's R5,2 million.

Turnover edged up three percent to R148 million, reflecting break-even pricing on some contracts.

"We believe it vital to keep our core labour force in anticipation of a big increase in building work," says group MD Jan Kaminsky.

After tax and interest, Ovcon ended with profit of R1,8 million, down from 1993's R3,1 million. Taxed earnings dipped 41 percent to 20,3c (34,8c).

Net asset value rose to 152c from 145c a share and the balance sheet showed a high level of liquidity — cash reserves of R14,7 million and interest-bearing debt reduced to R1,7 million.
Business Staff.

Murray & Roberts buys AAF firm

BIDAY 19/5/94

(32) (552)
Own Correspondent

LONDON — AAF Industries, one of the main causes of W&A Investment's crippling losses during the last financial year, has sold subsidiary Alloy Wheels International (AWI) to SA construction group Murray & Roberts for about £20m.

Sources said AWI — the UK's largest alloy wheels manufacturer — would inform shareholders this morning that construction and engineering giant M&R had acquired 100% of its shareholding.

Bidding for the AAF Industries subsidiary was fierce, with US car manufacturer Mayflower, US market leader Hayes Wheel International and BTR all believed to have placed offers for AWI.

The price, expected to be met by offshore sterling debt and a cash payment through the financial rand, was lower than AWI's estimated value of £30m. The group was believed have made a pre-tax profit of about £850 000 during 1993.

The acquisition would give M&R Engineering a foothold in the lucrative European automotive market, as AWI supplies

an annual 1.6-million alloy wheels to numerous equipment manufacturers in Europe and America. These include Jaguar, Lotus, Fiat, Ford and General Motors.

Analysts said AWI would not only establish an offshore base for M&R, but give the group a pipeline into the European market via the UK. AWI had plants operating in Rochester and Cardiff.

Details on the form of financing for the deal were sketchy. Neither AAF nor M&R could be contacted for comment last night.

JOHN CAVILL reports that sources said the sale of AWI would leave AAF with "next to nothing" in tangible assets.

AAF, in which W&A has a 43% stake, incurred losses of £11.4m for the six months to last June. Combined with a spiralling debt problem, AAF's performance helped precipitate the resignation of W&A joint executive chairman Jeff Liebesman earlier this year and compounded the

To Page 2

AAF

group's financial woes.

AWI, bought for £11m — a 42% discount to net asset value — in 1991, accounted for £32m of AAF's £72m turnover in 1992. Modular building systems accounted for the balance (32) (552)

When it announced the first-half loss last October, AAF warned that further costs of

BIDAY 19/5/94

From Page 1

£7m would be run up in the second six months in closing down the main cause of its problems, the Blackburn prefabricated building on-site contracting business.

In November AAF disclosed it had sold the US modular building subsidiary for net proceeds of £8.8m of which £4.3m was to be used to reduce group debt to £24m.

M&R buys top UK wheels firm

Star 19/5/94

BY JOHN SPIRA

Fixed investment-orientated giant Murray & Roberts is to pay R100 million for 100 per cent of the UK's largest alloy wheel manufacturer, Alloy Wheels International (AWI).

The seller is AAF Industries, in which South Africa's W&A has a large stake.

M&R chief executive Andre van der Colff notes: "An important part of our strategy is to reach deeper into our existing markets both at home and abroad and one of our key targets is to grow our exports and international activities from 10 percent to 20 percent of our turnover in the next five years."

AWI supplies several European and US original equipment manufacturers (OEMs), including leading world names such as Ford, General Motors, Fiat, Rover, Alfa-Romeo, Lotus and Jaguar. AWI's plants are capable of producing 1.6 million units a year.

Van der Colff says the acquisition of AWI by M&R Engineering Holdings (MRE) is a further step in MRE's expansion of its aluminium casting and machining capabilities for supplying automotive products.

"MRE has the capability to provide tooling design and manufacture, casting, machining and sub assembly of cylinder heads, inlet manifolds, steering racks, engine blocks and other aluminium compo-



Van der Colff ... M&R becoming significant global player.

nents.

"The acquisition of AWI thus complements this capability, enabling MRE to reach closer to international markets and supply an extensive range of high technology, quality aluminium products to the international OEMs on a globally competitive basis."

Van der Colff reveals that MRE intends to further develop its local facilities to achieve world class competitiveness and to meet expected demand for aluminium products.

"This intention is in keeping with the principles of beneficiation of raw materials down-

stream and the creation of increased employment in South Africa."

Significantly, when the current Alusaf expansion programme is complete, South Africa will become a major world supplier of aluminium.

M&R expects to develop AWI's product range and ultimately to establish further manufacturing capabilities strategically placed in other parts of the world.

"The combination of British and South African manufacturing facilities will provide MRE with the flexibility and scale of production required to be a significant global player in the supply of high tech machined aluminium components to the automotive industry."

The acquisition would have no material impact on either M&R's earnings per share or on M&R's ordinary shareholders' funds for the financial year to June 1994. An additional 10c a share could be anticipated in 1994-95.

Van der Colff says the depressed economy militates against M&R matching last year's earnings in the current financial year to June.

However, the further realisation of M&R's strategic intent in its international activities, coupled with a peaceful start to the political transition, augured well for the fixed investment sector of the economy (where M&R played a leading role) and provided a firm foundation for the medium term.

I
L
a
n
v
t
n
r
o
t
i
p
q
s
p
k
b
s
a
t
h
b
e
t
c
n
a
n
t
i
r
v
p
n
t
c
t
p
a
h
t
a
w
f
a
S

0

nd



7

Go slow strike at Pick'n Pay

Sowetan 2015/194

By Ike Motsapi

WORKERS at 34 Pick 'n Pay outlets throughout the country are on a go-slow strike in an attempt to put pressure on management to conclude wage negotiations with their trade union.

The Pick 'n Pay store in Alberton on the East Rand was closed on Wednesday after what management described as "a threatening situation that could turn violent".

The strike started at some outlets on Tuesday while management was involved with officials

of the South African Commercial Catering and Allied Workers Union in a meeting to try to resolve the matter.

Saccawu declared a dispute with Pick 'n Pay two weeks ago.

Workers said they were frustrated by management's "delaying tactics in not trying to finalise the wage negotiations".

Management spokesman Mr Francois van der Walt confirmed the strike actions which he described "as of a varying degree" at the 34 affected outlets.

DIAGONAL STREET

By Julie Walker

M&R loads up on light-weight deal

MURRAY & Roberts Engineering chief Ian Colepeper expects its automotive parts divisions to use 60 000 tons of aluminium annually five years from now — about 10% of Alusaf's output.

Murray & Roberts this week bought Alloy Wheels International, a British company owned by W&A associate AAF Industries plc. The price will be about £19-million, 13 times earnings.

Mr Colepeper says legislation in America dictates that fuel use by vehicles must fall within certain limits by the turn of the century.

Lighter vehicles use less fuel and the best places to reduce weight lie below a vehicle's suspension. Aluminium wheels in a vehicle can weigh 15kg less than steel ones.

M&R has invested about R70-million in the Cosmar Aluminium Foundry in Port Elizabeth and in Gemtec.

Cosmar makes engine blocks, steering racks and other components.

Gemtec makes aluminium cylinder heads and manifolds.

M&R has earmarked R48-million for developments in South Africa in the next three years.

It aims to double group exports to a fifth of turnover in the next five years.

Mr Colepeper sees the AWI acquisition as a short cut to major automobile manufacturers.

AWI's Rochester and Cardiff factories supply 1.6-million wheels annually to Jaguar, Lotus, Ford, General Motors, Fiat, Rover,



IAN COLEPEPER: Acquisition of W&A arm in Britain to boost M&R's aluminium use

Rolls-Royce and Alfa Romeo.

AWI has been in business for 20 years and is the fifth biggest of its type in the world.

M&R will expand AWI's product range and use its contacts to promote SA-made automotive parts.

Mr Colepeper says new products are scrutinised and tested to destruction by car makers, a process which takes perhaps two years in Germany and three in Japan.

Up to 18 months can be saved by using the AWI supply pipeline.

"It is difficult to market our products from 6 000

miles away, but flying from London to Europe is like from Johannesburg to Durban," says Mr Colepeper.

There were four bidders for AWI. Mr Colepeper negotiated the deal for M&R Engineering, conditional on AAF shareholder approval.

Payment will be in several forms. M&R will buy W&A's £4-million loan into AAF, send £3-million out of SA through the financial rand and borrow £11.2-million abroad, for which the Reserve Bank has given M&R permission to guarantee £5.2-million.

Mr Colepeper says AWI is well run and its structure will be retained. Paul Bell

who headed M&R's Consani stainless-steel tank containers and aluminium divisions, will go to England to become AWI chairman and run M&R's Dutch Tanker Services in Rotterdam.

AWI uses 10 000 tons of aluminium a year and Gemtec 5 000. Alusaf supports M&R's efforts and Mr Colepeper says the two parties will be able to agree on an aluminium price.

Mr Colepeper says: "This is the start of M&R Engineering's role as a global player in the supply of high-tech machined aluminium components to the automotive industry."

HA

Of course also have Unless, the system, the At Nokia communication for you

A series of cellular users and the investment services you

AUS OPPO

Do you have: A SUCCESSFUL MANUFACTURER that owns a valuable business in Australia? We have investors to buy your company and offer you a share in THE ADVERTER PHILLIPS R.

Investec gets in early to raise

each for... S1 Trueco (Buss) 22/5/94

M&R acquisition gets the thumbs-down from market

Biday 23/5/94

THE market has not reacted well to Murray & Roberts' acquisition of UK-based Alloy Wheels International (AWI), with the construction conglomerate's share price losing 200c on Friday to close at R101.

The question raised by analysts was what affect the £19m acquisition would have on M&R's earnings for the 1995 financial year.

Analysts said consideration needed to be taken of the fact that the group had funded a large portion of the acquisition through offshore borrowings. One analyst estimated that interest payments would be significantly higher than the earnings yield on the purchase.

"Earnings a share for the 1995 financial year will be diluted as a result, but the extent of the dilution will depend on AWI's performance during the year," said one analyst.

AWI had borrowings of approximately £10.2m, and analysts said an indication of the group's gearing and underlying net asset value had to be disclosed before the market could make an informed judgment on the future of the group.

M&R financial director Lionel Bird said last week "the acquisition of AWI will have no material impact on either M&R's earnings a share or

ROBYN CHALMERS

M&R's ordinary shareholders' funds for the year ending June 30 1994.

"Had the acquisition been implemented at December 31 1993, the ratio of M&R's debt to permanent capital would have increased from 27% to 33%, while the ratio of M&R's total liabilities to permanent capital would have increased from 96% to 105%." (32) (33)

M&R directors agreed the impact of the acquisition on earnings a share would be seen during the following financial year, but they could not give estimates on the extent.

Analysts also queried the need to make an offshore purchase when the gross domestic fixed investment cycle in SA was set to move upwards after a lengthy downturn.

While acknowledging that the investment would give M&R a pipeline into the lucrative European and American automotive markets, one analyst pointed out that those markets were highly competitive.

"M&R will be competing with the Germans and other European manufacturers as well as American organisations, all of which are well established in the market and produce high quality products."

RDP-related budget cuts feared

Govt blamed for R1bn road tenders delay

B/Day 24/5/94

ROBYN CHALMERS

THE ailing civil engineering industry claims it is being starved of about R1bn worth of road construction as the Transport Department tries to determine how contracts fit into the reconstruction and development programme.

Civil engineering and construction firms have been left holding millions of rands of plant and equipment amid confusion over when tenders will be awarded.

The contracts involve five major road projects, valued at R500m, for the continuation of the North Coast Road in Kwa-Zulu/Natal and the R500m N1 scheme between Warmbaths and Pietersburg.

Transport Department contracts director Schalk Hanekom said neither these nor any other projects had been held back because of the new government. He also said no new big civil engineering projects were in the pipeline.

But SA Federation of Civil Engineering Contractors (Safcec) executive director Willie Vance said tenders for most projects had closed in January or February.

The tenders remain valid for between 90 and 100 days in order to keep up to date with the prices of building materials and keep up with inflation. In line with this, the majority of them should have been awarded, said Vance.

Sources believed the reason for the delay was uncertainty over the department's budget and whether toll roads would be privatised. They feared that the budget could be cut in order to fund the RDP.

The indecision had also affected existing road construction, with work on several projects halted. Included in this were the Harrismith bypass and the R250m completion of the N3 and N17 toll roads between Krugersdorp and Springs.

A survey commissioned by the National Transport Policy Forum estimated that SA's roads were underfunded by billions of rands each year. This led to huge backlogs in community roads while existing roads were not effectively maintained.

The forum has been lobbying the ANC for increased expenditure on community roads serving rural areas. Community involvement in road building and maintenance would boost economic empowerment, said the forum.

The Transport Department had also been lobbying the ANC with limited success. Earlier this year, it proposed a fuel tax of 8c/l towards the R17,7bn needed to restore national roads and almost R8bn to upgrade community roads.

To Page 2

Roads

B/Day 24/5/94

From Page 1

Safcec economist Henk Langenhoven said expenditure by road authorities during 1993 was about R4,4bn, of which 40% was used to maintain the existing network. This equated to R1,6bn at 1985 prices compared with R2,4bn spent during 1988.

The sharp drop in government spending in real terms had devastated the civil engineering industry. Safcec figures showed there had been a 60% nominal decline in the sector's turnover from R4,25bn in 1976 to around R1,5bn last year which could be

attributed in part to government cutbacks.

One of the most telling indicators was the sharp drop in the industry's employment figures, which plummeted to 53 200 in 1993 against 93 500 during 1989.

The delay in the road projects has put a temporary dampener on the industry's hopes of staging a comeback this year.

The sector was forecast to grow 7%-9% in rand terms, boosting employment and turnover, but this would have to be restated if the delays continued.

Roads board to move on tenders

BIDAY 27/5/94

ROBYN CHALMERS

THE Transport Department announced yesterday that a decision on more than R1bn worth of road construction contracts would be taken at a meeting on June 22 — a move which has been welcomed by the civil engineering industry. (32) ~~(31)~~

Transport Department national roads chief director Ed Petzer said the contracts would be awarded by the SA Roads Board. They involved five major road projects, valued at R500m, for the continuation of the North Coast Road in KwaZulu/Natal, and the R500m N1 scheme between Warmbaths and Pietersburg.

The beleaguered civil engineering industry believed the department was dragging its feet over the contracts to determine how they slotted into the new government's strategies.

Tenders for some of the contracts closed several months ago, and were in danger of becoming invalid. Inflation and changes in building material costs distorted the tender figures after 90 to 100 days.

Petzer said the contracts would again be considered by the road board at the June meeting, together with additional information requested by the board.

"In this respect it should be mentioned that certain contractors placed conditions on their tenders, which were not part of the tender documents, and which require resolu-

tion. If the validity of any of the tenders under consideration expires before June 22, the respective contractors will be asked to extend the validity of the tenders," he said.

SA Federation of Civil Engineering Contractors executive director Willie Vance said the organisation was heartened to hear the Roads Board was considering the contracts.

"The lengthy economic recession has been particularly difficult for civil engineering firms, and we desperately need the work."

Vance said extending the validity of any tenders which had expired would not incur major costs if they only had to be extended for a short period of time. Cost implications would only become a factor if the tenders had to be lengthened by six months to a year.

Petzer said no decision had yet been made on a proposal by the department that a fuel tax of 8c/l be imposed to fund SA's roads. It estimated R17,7bn was needed to restore national roads, and almost R8bn to upgrade community roads.

"Former Transport Minister Piet Weigemoed supported such a proposal, but the department has not yet formally put the matter to new Transport Minister Mac Maharaj. He will have to decide whether he wishes to take the matter to the cabinet," said Petzer.

Building's formal sector 'must train informal area'

Bilguy 11/6/94

32 173

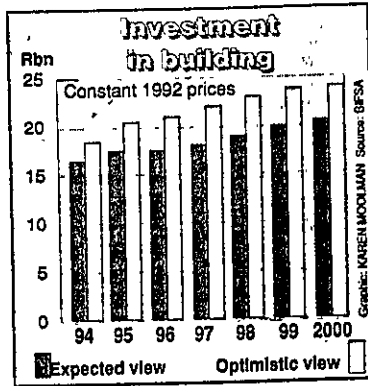
SAMANTHA SHARPE

THE building industry had to transfer skills to the informal sector and nurture black entrepreneurs if it was to meet the prospective construction boom, the industry's trade body said this week.

Building Industries Federation of SA (Bifsa) executive chairman Ian Robinson said an audit of SA's construction companies had found the industry lacked the skills needed for boosted workloads, based on the government's plans to build 300 000 houses a year.

The federation spoke of forecasts that investment in building could rise from R16bn-R18bn this year to R17bn-R22bn by 1997, at constant 1992 prices.

A dramatic increase in money spent on training from current levels of about R20m to R200m could go some way to increasing the industry's skills pool, he said. But it was essential that the formal and informal industry began to work together.



The transfer of skills from the formal to the informal industry, and the creation of black entrepreneurship within the sector, were vital for growth, he said.

The possibility existed for the "importation" of international tradesmen to be used as trainers in the short-term. But the country could not afford to employ foreigners on a long-term basis, given the huge number of South Africans currently

unemployed.

Some companies, however, said they were ready for the kick-start.

Murray & Roberts CEO Arthur Coy said the company had shifted its focus from major capital projects to social infrastructure and "de-layered" internal organisation of the company to accelerate decision-making. "Industry will cope with the demands made upon it, despite a few growing pains," he said.

The problem of establishing a sufficient supply of materials was also investigated by Bifsa. An upswing would be accommodated by substantial spare capacity in the cement industry, but problems would arise when the materials produced were ready for transport. Transnet was not manufacturing more bulk cement carriers and the possibility of a delivery "bottleneck" was a real one.

Cement manufacturers Anglo Alpha group MD Johan Pretorius said: "The biggest challenge will be to provide adequate distribution and outlets for our products to reach the potentially large informal market."

Bold boost for local contractors

CT/6/94 (32)

By MAGGIE ROWLEY
Property Editor

AN ambitious programme funded by USAid and aimed at developing local construction capacity through practical assistance to emergent contractors has been launched in the Western Cape.

The initiative, known as the South African Black Contractors Assistance Programme (SABCAP), has set up head offices in Philippi, Cape Town and is to open branch offices in Durban and Johannesburg within the next three months.

Executive director Conny Petersen said SABCAP, which aims to become a powerful force and the representative voice of the construction and building industry, will provide emergent contractors access to resources such as technological and managerial know-how.

"We are not here to give contractors money but to assist black contractors make money. We will provide hands-on assistance to emergent contractors who show both potential and the drive for growth and who are hungry to

make money and a success.

"The aim is to assist black contractors compete and participate fully and effectively for private and public construction works in South Africa and in so doing draw in informal sector operators into the mainstream of the economy."

Access to resources, including assistance from professionals in the industry such as architects, civil engineers and quantity surveyors, will be provided by SABCAP through their national offices and hopefully within time via mobile training centres.

"The idea is that a contractor who is having problems can drive up here in his bakkie and get assistance from one of our construction advisors who will go if necessary and assist on site."

He said the initial thrust by the programme would be housing led, while emergent contractors built up their businesses.

"While the government's planned affordable housing programme offers opportunities in this regard, it is a difficult market for emerging contractors to operate in as margins are extremely low and there is a high risk for failure."

"Consequently we have identified a lower risk niche in the

housing market and will initially steer our client contractors in this direction."

He said USAid was particular about procurement processes employed by programmes it funded and initially they would have to draw on the services of a limited number of black professionals.

"However as more people from disadvantaged areas get these qualifications our pool will grow."

Petersen said they hoped to be representative in all centres but would "first concentrate on building small successes rather than huge failures".

He said one of the key directives for SABCAP, which is based on similar successful ventures in Swaziland and Zimbabwe, will be to make direct representations to government on proposals for the industry.

Petersen leaves today on a two-week orientation programme funded by the US government and the US Trade & Agreement Agency, where he will have a chance to inspect products, services and technologies aimed at increasing housing production and that may be appropriate for applications in South Africa.

R23-m Read rights offer is on

BRUCE CAMERON (32)
Business Editor

AR 11/16/94
TROUBLED construction company Basil Read has had its rights offer of 22 million new ordinary shares oversubscribed by 15 percent.

The R23,1 million cash injection through the rights issue was another step in getting the company back on track following its takeover by French construction group Bouygues.

Bouygues increased its stake in the company from 25,9 percent to 51,8 percent last year through a 7,7 million increase of issued ordinary shares.

The latest rights issue was done on a one-for-one basis at 105c a share.

The share is currently trading at 160c from a year high of 220c.

Shares on issue after the rights offer number 44 million.

In the six months ended December losses were reduced.

Turnover was marginally down at R184,7 million (R192,8 million).

The company substantially reduced interest payments to R1,7 million from R6,4 million as a result of selling its housing and property development portfolios for R53,4 million.

The net loss was reduced to R4,9 million from R14,9 million.

Rosy future for building industry

CT8/6/94 (32)

By MAGGIE ROWLEY
Property Editor

THE building industry has finally turned the corner and growth of between 6% and 10% is expected over the next year, according to the latest survey on the state of the industry by BMI Building Research Strategy Consulting Unit.

The industry is forecasting building activity for 1994 to be about 5% better than last year with growth occurring "under its own steam" and at this stage would not depend on government intervention in the provision of increased affordable housing.

However, the planned increase in affordable housing provision of about 50 000 units this year is expected to accelerate the growth in the building industry, according to the survey which was carried out among contractors in the Cape, Transvaal and Natal.

"Therefore the outlook for the next six, 12 and five years for the building industry is rosy. There is no doubt that the government is earnest with their pledge to deliver one million affordable homes by 2 000 and this programme will already commence this year," says BMI director Llewellyn Lewis.

He said however, it was a matter of concern that such a small percentage of the building contractors surveyed (less than 50%) believed that the target of one million homes in five years was achievable or that the programme could be stepped up to the delivery of 300 000 units per year.

"If the building industry disbelieves the government in terms of their commitment and their ability to deliver on their RDP programme, this will affect the manner in which the building industry prepares itself to meet this future.

RDP programme

"Therefore it is imperative that the building industry should combine its resources and its thinking and come to the conclusion that the government's RDP vision is achievable and must be endorsed.

"Then the industry will be able to plan ahead for the many facets of increased capacity that will be required in terms of employment, training, building materials supply, distribution, joint ventures and alliances and active involvement in debating the RDP and endorsing its objectives."

Lewis says that at this stage it is clear that white building contractors will have ready allies among

the black building contracting fraternity which has been included in the survey for the first time.

Black builders were generally found to be more optimistic about the future, were expecting to play a major role in it and were more ready to believe the government's RDP vision.

"There is no doubt that if the building industry returns to the activity levels of 1984 by 1998, that all the available skills will be required and there will be work enough for all the different sectors of the building fraternity.

"The black contractors are willing to establish joint ventures and partnerships and are willing to train their own employees.

"There is no doubt the building industry has an attractive future and can offer attractive careers to hundreds of thousands of people.

"However, there is a concern that the image of the building industry as a career needs to be marketed better particularly to school children.

"The building industry has a momentously important role to play in the economy of the country and in creating peace and stability and in contributing to the strategic issue of nation building.

"These are the aspects that have to be sold to the key constituencies."

Strong rise in value of plans passed

Sky brightens for building industry

Star 15/6/94

■ BY DEREK TOMMEY

The building industry — one of the main generators of employment and economic growth — is about to receive a major boost.

Figures for planned new buildings, after steadily declining since 1990, are starting to show a strong upward trend.

The gradual improvement in the economic climate in the past year as a result of the higher gold price, the ending of the drought, the continued high level of government deficit spending and reassuring pre-election statements by the ANC have apparently prompted the private sector to look more positively at the future.

The Central Statistical Service (CSS) reports that in the first quarter of the year the authorities approved the construction of buildings estimated to cost R2,86 billion — an increase of R400 million on the same quarter last year.

However, the figure conceals many important regional variations.

The recovery is much stronger in Pretoria, the Reef and in the Natal region than in most of the Cape and it is these areas that should witness the biggest upsurge in building activity.

For the moment, Pretoria seems to be the main area of

economic growth. CSS reports that the value of building plans approved by the local authorities there in the first quarter of this year jumped by R114 million to R328,7 million.

In Durban, the value of planned buildings rose 20,8 percent, or R61 million, compared with a year ago, to R354,7 million. (32) (153)

Maritzburg also seems to an area of growth for the value of plans passed there in the first quarter was R52,8 million — an increase of R15,4 million, or R41,3 percent.

Approved

The Witwatersrand can also look to a significant increase in activity. Plans for buildings worth R873,9 million were approved in the first quarter — an increase of R135,4 million, or 18,3 percent, on the first quarter of last year.

But the recovery has yet to make itself felt in the Vaal Triangle. The value of buildings planned dropped 17,3 percent in the first quarter to R3,4 million.

Building in the Free State gold fields area will get a useful shot in the arm.

The value of plans passed was R16,9 million — more than double last year's R7,1 million.

Kimberley is also showing signs of picking up, with a 55,2

percent rise in the value of plans passed to R6 million.

Another area that seems to be enjoying higher activity is East London, where the value of plans passed jumped 34 percent to R17,4 million.

However, there are no signs yet of a building recovery in Cape Town, where the value of plans passed was down 19,1 percent to R352,9 million in the first quarter, or in Port Elizabeth, where the increase was a mere 3,6 percent at R65,9 million.

The CSS figures show that the biggest increase in demand is for industrial and warehouse space, indicating a welcome upturn in industrial activity.

The value of plans passed for this type of building rose 74,2 percent to R154,5 million. The value of office buildings planned increased by 50,8 percent to R238,7 million, followed by a 40,4 percent increase in shopping space plans to R93,1 million.

The value of plans approved for new houses dropped 6,1 percent to R613,8 million.

■ Work has started on sinking Freegold's No 4 Shaft which, it is estimated, will cost R534 million. Some R75 million has already been committed.

The shaft will produce about 106 tons of gold over the next 19 years and provide jobs for 3 000.

COMPANIES

Building activity 'no reflection'

BETTER days for the construction industry were not necessarily guaranteed by the recent uptick in the number of new buildings planned, construction companies warned yesterday. **BIDON**

Latest Central Statistical Service (CSS) figures show a 16% increase in the estimated value of the number of building plans passed in the first quarter to R2.86bn from the same period last year. **1716194**

But construction company Stocks & Stocks chairman Reg Edwards said the CSS figures could be misleading.

He said companies' order books would reflect the activity in the industry more accurately. Stocks & Stocks's order book, while healthy, had not improved substantially from last year.

The statistics for planned new buildings could have been boosted by one or two larger projects already completed. The timing of plan submissions to councils could also have skewed the data.

He warned that the increase in the number of planned buildings did not necessar-

SAMANTHA SHARPE

ily reflect what would actually happen.

Basil Read MD Chris Jarvis said there were still too many companies chasing too few tenders. But the reconstruction and development programme might bring renewed impetus to the industry.

Industry sources said construction activity had been "patchy" over the last few months, with a real dearth of activity in jobs worth between R10m and R50m.

Construction company Bovis MD Edmund Wilson said there was more activity in the industry, but it was largely tender-related. **(32)**

There was much talk and high expectations about things to come, without anything actually getting off the ground.

The industry's JSE performance has been underpinned by investor perceptions that construction stands to reap the benefit of government's reconstruction plans. The building index fixed at 7 499.3 yesterday, against 2 515 this time last year.

Realty aids Cape move

SAMANTHA SHARPE

AN EXODUS of companies and individuals to the Cape has prompted Cape-based property group Realty 1 to offer a specialist business relocation package.

Realty 1 franchise director Christopher Searle said many company owners were interested in relocating from the Transvaal and Natal to the Cape but could not handle the move without specialist assistance.

Realty 1 staff would be cognate involved with the company from the start of its relocation plans.

"If we find there is a real possibility of the company succeeding in its new environment we will determine its needs in terms of labour, power, overall specifications and situation," Searle said.

Realty 1 would arrange the finance needed and draw up plans for the company's factory using its own architectural service.

"We will also look after the individual executive's needs by finding them a suitable home either close to their business or in an area which suits them."

Builders criticise housing delays

ROBYN CHAMBERS

THERE was a groundswell of support among National Association of Home Builders conference delegates at Sun City this week to reduce delay mechanisms inherent in SA's affordable housing programme — a move which goes against the principles of the reconstruction and development programme. These require widespread consultation on housing projects.

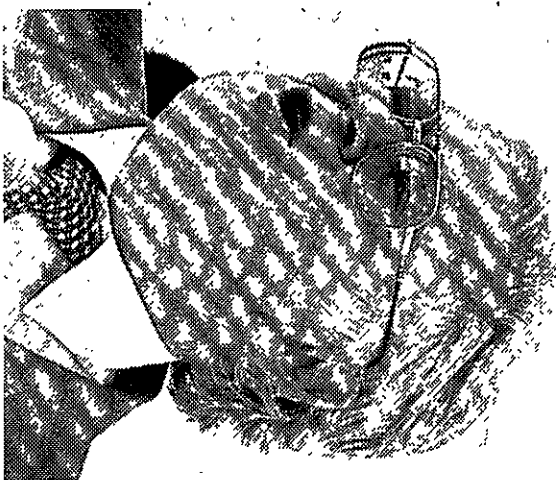
BMI MD Llewellyn Lewis said yesterday the National Housing Forum, National Housing Board and regional housing boards might be democratic talkshops, but they were notoriously slow in getting things done.

The concept that grassroots communities had to be involved in a people-driven development programme was laudable, Lewis said, but "when the urgent target is to build up to 350 000 houses a year, these processes will no doubt prove to be time-consuming obstacles in the way of performance".

He added: "The question to be pondered is why the affordable housing market should be treated so differently and paternalistically compared with the rest of the market. In the rest of the housing market, the free market mechanism operates very effectively in determining where people live and what type of house and neighbourhood they have, according to their free choice and within their means."

Lewis said government would have to walk a tightrope between being held ransom by the social movements of development programmes and meeting the needs of the people.

Bernhardt, Dunstan and Associates develop-



● SLOVO

ment strategy director Nonhlanhla Mjoli-Mncube said while the RDP's community participation goals were excellent, they made sense only if they were implementable and sustainable.

There were three major restraints on communities benefiting from the RDP: lack of technically experienced leadership, difficulty in financing social compacts, and small business's lack of capacity to participate.

Bidwey Zalela

"There is an urgent need to develop a strategic framework for addressing these problems, the thrust of which should be alternative mechanisms for funding capacity building and social compacts," she said.

Housing Minister Joe Slovo echoed the belief of many speakers when he said the most fundamental challenge facing housing delivery was not a shortage of finance but the inability of people to afford the repayments for finance.

"For this reason, and consistent with the aims and objectives of the RDP, we view our strategy as moving beyond the provision of homes.

"Our policies will be designed to bring the issue of job creation and housing into the centre of our focus," he said.

SA National Civics Organisation president Lechesa Tsenoli welcomed Slovo's holistic approach. He said housing issues had to be linked to community empowerment and other development issues, so SA could address matters such as unemployment and the redistribution of wealth.

On the question of possible mandatory investment in a social development fund, Tsenoli said the first prize would be the voluntary involvement of financial institutions.

If, however, this was not forthcoming, government would have to consider some form of legislation to ensure their involvement. This could take the form of prescribed assets.

"It is clear from the RDP that some form of reconstruction levy is required. This should be located within structures to make funds available to targeted communities in a transparent manner," Tsenoli said.

'No nasty shocks for building, property industries'

(32)
CT 23/6/94

By MAGGIE ROWLEY
Property Editor

IT'S a good news budget with "no nasty shocks" as far as the building, construction and property industries are concerned.

Property economist Johan Snyman of Medium Term Forecasting Associates said the Budget would provide a three-pronged boost to the building industry.

Firstly a large portion of RDP expenditure of R35bn over the next five years was likely to be set aside for housing which would benefit the building industry.

"Secondly, the Minister had asserted that the budget deficit of R29,3bn would not place undue pressure on the level of interest rates. As the building industry is very sensitive to this, no upward pressure implies a favourable trend.

"In addition, the removal of the 5% import surcharge on capital and intermediate goods is designed to stimulate investment in general and as the building industry handles a large portion of overall investment, this is a positive boost."

Administrative costs

Ian Robinson, executive director of the Building Industries Federation of South Africa, said the 15,6% increase in the budget allocation to R2,2bn for housing was "all very well and good if it is allocated and put into the ground and not fluttered away in administrative costs as has happened in the past".

He said the industry now awaited the White Paper on the RDP to see what additional amounts would be allocated to housing.

Robinson said they had been anticipating fiscal incentive for housing but this had possibly being left to the new taxation advisory committee.

Players in the property industry expressed "joy" and "satisfaction" that the progress experienced in the property market since the country's peaceful transition would not be affected by the terms of the Budget. There was relief that further property taxes were not forthcoming in the way of increased transfer duties, no tax on second properties and that VAT had not been increased which would have negatively impacted on the new housing market.

However Graham Young, MD of Seeff Residential said if the Budget was going to impact on the property market this would only happen in the long term.

But with the additional taxes and "sin taxes" it would certainly not be easier for people with reasonable incomes to own their own homes. Commercial and residential property developer

Mark Slot said that while the wealth tax may cause many to lower their sights when it came to selecting a home, on the whole it was a good budget for property.

Building industry steels itself for shady dealers

32 ARL 2/7/94

Weekend Argus Business Staff

HOUSE builders and consumer organisations are steeling themselves for an invasion of fly-by-nights who hope to make fortunes out of the government's plan to build hundreds of thousands of houses.

The collapse of low-cost houses in this week's storms over the Cape Flats highlighted problems that could arise again.

Householders complained of bad building and poor use of materials in the Delft area, while the cost of repairs and on-going maintenance could be crippling.

They said roofs were tied to the walls with wire — the industry norm is to have roof trusses bolted to the walls — and mortar between bricks could be scraped out by fingers.

Solid walls as used in some Delft houses were not suitable for the Cape weather, said Charles Pritchard, Cape chairman of the Clay Brick Association.

It was essential to build with cavity walls to keep out cold and water penetration.

"Significantly, recently constructed houses suffered most damage. This endorses our long-held opinion that there is nothing intrinsically wrong with these so-called economic housing units.

"Short cuts taken in construction of these houses makes a mockery of the frugality shown in choosing cheaper masonry products," he said.

"Using them incorrectly has resulted in huge expense for the homeowners. It is no use constructing this imitation of permanent housing that will consistently fail, disappoint and eventually trigger slums."

Ian Robinson, executive director of the Building Industries Federation, said the Association of Mortgage Lenderstold the construction industry they wanted some low-cost defect insurance and thought the construction industry should sort it out.

Two schemes existed, both run by Fedsure group. One was designed for use by Bifsa members and was prepared to cover only 30 000 low-income group houses.

"We are exploring the possibility of other entrants. We are exploring with estate agents and the Consumer Council a self-insurance scheme where a central fund is established.

"Everybody would pay into it and the fund would meet the cost of defects."



Pictures: ANDREW INGRAM, Weekend Argus.

- **RISE AND SHINE:** A group of children in Delft, above, awoken to a cup of hot porridge.
- **BREAKFAST:** Gamieda Lakay and Gadija Francis, right, dish out porridge to the families who spent the night in Delft Civic Centre.
- **WASH DAY:** Delft residents, below, take full advantage of the sunshine to dry their washing.



Cape families' loss highlights need for consumer protection

(32) ARG 2/7/94
Weekend Argus Business Staff

THE disastrous loss of homes by Cape families this week

highlighted the need for more consumer advice and protection for people buying a house for the first time.

One problem facing first-time homebuyers is the fact that there is nothing to stop anyone calling himself a builder, or forming a building company.

A large number of small contractors do not belong to any association such as the Master Builders' Association, so it is difficult to control them, said Mark Massyn, president of the South African Institute of Building.

People mostly affected by defective workmanship were owner-builders, he said.

The Delft houses were built by contractors, so there should be some recourse.

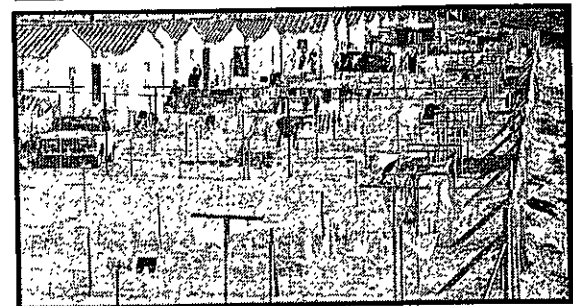
If people had problems with contractors building their houses, the institute could be contacted to send someone to inspect work or arbitrate.

"We provide that kind of service. If they think they have a problem we could get someone to have a look at it," said Mr Massyn.

"We could put them in touch with one of our lawyers at a lower cost. If they think something has gone wrong we could help them to get the whole thing processed.

"If they are thinking of building and don't know how to go about it, we could help them to select the proper contractor.

"We would contact a number of our members at basic remuneration depending on what needs to be done. Large num-



bers of our members are building consultants."

Just as artisan and manpower resources needed to be replenished for the housing drive, there was an equally great need for well-trained construction managers in the mass housing sector, he said.

The institute's role as education and training facilitators in the new South Africa would become even more important than in the past.

When the Reconstruction and Development Programme comes on line, there will be a shortage of builders and so much work that people will need to be protected, says Norman Abraham, an attorney with the Housing Consumer Protection Unit.

Quality control left much to be desired — not only with small builders, but also big companies, and most low-cost housing.

"We are preparing a set of rules that must be adopted to protect the consumer," said Mr Abraham.

"We want to leave it to the building industry themselves to try and control quality, other-

wise we will point out the things that must be done and if they are not, the government will be asked to legislate."

Mr Abraham said lost deposits formed the biggest single problem, with R8 million reported lost by low-income families to unscrupulous developers.

This was how much had been lost on the Witwatersrand alone, and was only a small proportion of what went on countrywide.

The possibility of consumer protection was being investigated by a joint committee of the National Housing Forum and National Housing Department.

One suggestion was the creation of a Property Board, on similar lines to the Estate Agents Board.

"When people are desperate for houses, they are easily duped by crooks. Some people open an office, place an advertisement and queues of people go to them in the hope of getting a house. People queue to hand over as much as R7 000 or R8 000 of hard-earned cash and then never see it again."

'Guarantee your work — or else'

ARCT 2/7/94

TOM HOOD

Weekend Argus Business Staff

BUILDERS may soon have to guarantee to repair defects in houses if they want to get business from the government's multibillion-rand housing programme.

If builders fail to give a warranty, subsidies could be withheld and banks prevented from mortgaging the houses.

And a building ombudsman appointed by the government to look after consumers' interests could have legal powers to punish offenders.

These proposals by the powerful National Housing Forum (NHF) are a direct response to the collapse in the storms of new houses at Delft on the Cape Flats.

"We want to be proactive and get the home-building industry to run its own warranty scheme," said Sello Rasethaba, co-chairman of the NHF's technical committee on subsidies. "Responsibility for the delivery of quality products lies with the building industry."

■ After storms exposed defects in building industry regulations, builders may be forced to guarantee their workmanship.

The NHF recommends that the building industry should provide a fidelity fund with stop-loss insurance to protect the fund in its infancy. A short-term insurance company should be used to manage claims settlements.

Such a scheme could land the consumer with higher building costs but the NHF says "all efforts should be made to ensure these remain as small as possible."

The NHF wants the state to establish an ombudsman with legal powers to ensure that warranties are effective, with no prejudice against consumers.

"These legal powers should include a fine on the builder or the ability to close down the builder and attach his assets to cover the cost of repairing defective products."

The focus should move away from developing a protection

mechanism paid for by the consumer towards putting the onus on the builder and the building industry to guarantee their own products, said Mr Rasethaba.

The NHF recommends that negotiations should be held with the government and the Council for Construction in South Africa to implement the warranty scheme.

The negotiations should focus on two options:

■ "A voluntary concurrence and quality assurance by the home-building industry;" and

■ "A suspended censure approach" to come into "immediate effect" if the building industry did not comply with the first option and the national and regional housing boards would not pay any subsidy to any builder who did not provide a warranty.

The proposals have to be endorsed by the NHF's co-ordination committee this month.

32

Builders support drive to curb costs

ROBYN CHALMERS

MAJOR players in the construction sector have agreed to enter into a state-supported "social compact" aimed at containing building costs to aid the delivery of low-cost housing. *Biday*

Construction-related bodies reacted swiftly to a call by Housing director-general designate Billy Cobbett at last week's National Housing Forum conference.

Building materials suppliers, the Building Industries Federation of SA (Bifsa), the National Association of Home Builders and professionals all pledged their support for the initiative. *4/7/94*

Bifsa executive director Ian Robinson said a meeting would be held next week to discuss the compact and thrash out a unified approach. He did not envisage formal price controls but said the ploy of talking prices up would be actively discouraged.

The industry had to consult government on setting out a formal scheme of low-cost housing delivery so that the sector could plan for long-term growth.

"The cyclical nature of the sector means firms have never been able to plan for growth, with the result that prices have traditionally risen above inflation during boom times. *(32)*

"If there is a formal state scheme for home delivery, construction firms would become far more efficient in terms of labour and resources through planned approaches. This would automatically lead to

To Page 2

Builders

cost containments." *Biday 4/7/94*

Robinson said trade unions needed to become responsible in terms of low-cost housing, and suggested that there could be an argument to do away with minimum wage levels in the industry. *(32)*

Cobbett said on Friday there was a danger that huge price hikes in the construction sector would fuel inflation and affect the delivery of mass housing projects.

"There is already evidence that building prices are being talked up. Such inflationary pressure will have an adverse effect on

affordability as it will hit subsidy levels and have a knock-on effect on the fiscus," he said.

Studies by the forum showed that if construction spending was pushed beyond the capacity of the industry, the resulting rise in inflation would either decrease or eliminate the multiplier effect housing initiatives would have on other sectors.

Cobbett said a voluntary compact between players in the industry was vital to deal with pricing and bottlenecks in the sector. If such a compact occurred, it would have the full support of the state.

From Page 1

Serious concerns over housing plan

By Day

5/7/94

ROBYN CHALMERS

SA's construction industry is unlikely to be able to increase its output more than 20% to 30%, raising serious concerns about government's affordable housing initiatives, according to a National Housing Forum study.

Economist Andrew Merrifield, who carried out the study, said the industry would need to be restructured if it was to build the houses, schools and hospitals required.

Five years of recession had affected the industry severely, with the number of formal firms dropping to about 7 000 from 14 300 in 1988. About 76% of these reported cutting staff. Industry employment figures had halved since the mid-1980s to about 375 000 in 1992. The construction industry was contributing 2,79% of SA's GDP, against 5,37% in 1975. Its contribution to gross domestic fixed investment was down to 44,5% in 1992 from 49% in 1986.

Merrifield said the lack of skilled staff in the industry was one of the main factors inhibiting growth, followed by the lack of suitable plant and ageing equipment.

"A third, and possibly the most serious, constraint to increasing construction output, particularly in low-income communities, is that most formal construction firms have not worked with these communities before," he said.

Lack of end-user finance, high interest rates, violence and crime in the townships, affordability and red tape were further restraints.

Merrifield said the best solution to many of the problems would be for public authorities to support joint ventures between formal and informal contractors. This would help bridge the skills gap in the informal sector and grant established companies a role in developing low-income communities.

"Since these joint ventures will reach organisational maturity over time, it is likely that such arrangements will be able to deliver on scale only within the next two or three years," he said.

Forum consultant Moss Ngoasheng, commenting on a number of housing studies undertaken for the forum, said there were five critical areas constraining small-scale builders. These were lack of capital or bridging finance, lack of land for developments, and the inability to procure materials on credit, access training schemes and manage risk.

Ngoasheng said the cement sector was one of the few in the industry which had the capacity to supply required amounts of material. Brick, wood and steel manufacturers all faced capacity constraints.

BUILDING COSTS
FM 8/7/94
The price of progress

Developers have long suspected building costs will escalate rapidly once demand for building services really gets going. Now their worst fears are about to be realised.

Figures released this week by the Stellenbosch University's Bureau for Economic Research show costs increased by 11,9% in the last quarter — 6,8% up on last year's 5,1% for the same period.

This follows an 8,1% increase in building costs in the first quarter. The bureau now estimates the hike in building prices this year will be around 12%. (32)

But the situation looks even bleaker in the years ahead — especially as the major push to provide houses for all in terms of government's RDP gets under way.

Says the bureau's Nils de Jager: "We expect that building costs will rise by 18,1% next year, and by 21,4% in 1996 as demand for housing — particularly low-cost housing — increases. More forms have been returned from quantity surveyors, which is an indication that tender activity is also picking up."

Confirming these predictions, Econometric economist Michiel Bester says, however, that the inflation rate for building materials — usually an early indication of building cost patterns — is still low at between 5% and 6%, a situation that's prevailed for the past two years. He doesn't expect large increases in building costs this year but predicts increases will be dramatic next year.

He points out that the inflation rate for building materials only (compiled from Central Statistical Service) represents the Producer Price Index — excluding profit mark-ups. By contrast, the bureau's index is compiled from statistics submitted by quantity surveyors gathered from bills of quantities drawn up from accepted tenders for

FM 8/7/94

various building projects, ranging from houses to schools, shopping centres and hospitals.

Inputs analysed include labour costs and some 22 specific building materials — the basic materials used in a 100 m² building, adjusted to depict a "quasi-house." Each item is weighted according to the percentage it constitutes of the building, ultimately translating into the total rand value of the building.

The rapidly rising building prices are a direct challenge to recent calls from government for the building sector not to try to reap huge profits from a national housing drive. It has threatened to introduce price controls if the industry does. However, in the notoriously cyclical building industry, both builders and material suppliers have traditionally priced their products higher in the upturn phases to take account of under-recovery in the lean years.

A spokesman for building materials supplier Everite says the industry will probably display a commitment, next year, to keeping prices below the inflation rate of 7%-9%.

The bureau's De Jager disagrees. "Holding down costs on a large scale is wishful thinking, assuming there is industry consensus to do so." He points out that all players will be subject to the same economic forces that will put pressure on suppliers of materials and labour as demand increases, unless price controls are introduced for building materials — a control that will be difficult to implement for one sector and not another. Says De Jager: "Clay brick material prices, for example, have increased dramatically in boom times. In times of shortage, prices could increase further."

Absa economist Jacques du Toit says if government's housing project gets started, the building industry will come under intense pressure resulting from the increased demand for skilled labour. He adds: "Prices will inevitably rise. Of course low-cost housing will cost less per square metre — possibly through government handouts or subsidies — but there will be less skilled labour available to build more upmarket houses."

He suggests that the traditional patterns of supply and demand could change as low-cost housing tends to make greater use of manufactured walls and cement slabs — products that would require less skilled labour and could cost less through economies of scale production. "The lack of skills could also be overcome by making the construction of low-cost housing labour intensive rather than skills intensive — a possibility that the civil engineering sector appears to be considering," he says.

Du Toit predicts that demand for houses will level out by the end of 1995 when he expects interest rates to start rising. He says higher interest rates — which he believes will peak in 1996 — should only affect those not benefiting from government subsidies.

Right now, however, bureau statistics say an average 100 m² dwelling costs R856/m² to build. Bifsa statistics claim that an aver-

(32)
age 175 m² house — with three bedrooms, two bathrooms and a double garage — costs R1 100/m². Absa figures say that the average small house — about 110 m² — cost R1 016/m² in the last quarter, a medium dwelling of 175 m² was R886/m² for the same period while a large house — 266 m² — cost R839/m² last year.

Du Toit says an existing home now costs some 12,4% less than building a new home — a gap that's closed by 50% since 1990. ■

Building workers on strike

ABOUT 2 000 striking construction workers surrounded the Building Industries Council building on the Foreshore yesterday.

A joint memorandum from six construction and allied workers' unions was handed to Master Builders Association president Mr Barry van Breda.

Union leaders and association representatives began talks yesterday afternoon.

OT (4) 12/74

(32) (4)

Housing bills go through the roof

SI Times (Buss)

17/194

By SVEN LUNSCHÉ

THE Sexwale-Slovo wrangle aside, soaring building and labour costs are emerging as one of the major threats to the government's housing programme.

Figures released by the Bureau for Economic Research at Stellenbosch University (BER) show that building costs rose by 12% in the second quarter compared with the same quarter last year. Early last year price increases were as low as 4% (see graph).

Worse is to come. The BER's Nils de Jager expects building costs to increase by 18% in 1995 and by over 21% in 1996, as the low-cost housing programme raises demand for building material and pushes up wage costs.

Amid talk of artificial price increases by some

players, the Department of Housing has called for a voluntary price compact between building materials and construction companies. Otherwise government would be forced to consider "other alternatives", director-general Billy Cobbett says.

The threat of surging prices to the housing programme is two-fold: it pushes up the cost to the fiscus and, more importantly, renders state subsidies ineffective, thus making houses less affordable to the low-income sector.

And while some rises in wage and material costs are accepted — since higher demand inevitably pushes up prices — officials are worried about the extent of the increases.

"We have to face the possibility of inflation and even hyper-inflation in small sectors in anticipation of increased activity," Mr Cobbett said.

In anticipation of demand shortages and supply bottlenecks, the National Housing Forum's Working Group Three has commissioned a number of reports on the building and construction industries.

The key report, by Andrew Merrifield of Natal University's Property and Construction Economics Department, highlights an industry short of capacity and skilled labour.

This is against the background of a need to increase production more than ten-fold to 300 000 units a year to meet the vast housing backlogs. Yet the construction industry, battered by five years of recession and

short of skilled supervisors, is capable of raising output by only 20% to 30%, the report says.

"To build the houses, schools, hospitals and shopping centres anticipated the industry would need to restructure itself," Mr Merrifield comments.

The labour shortage is particularly severe in the construction industry, where employment levels have plunged by 50% since the mid-1980s to 375 000.

"Since most of the constraints in the industry relate to human capacity, it is likely that we will see sustained growth in housing delivery only in the next two to five years," he says.

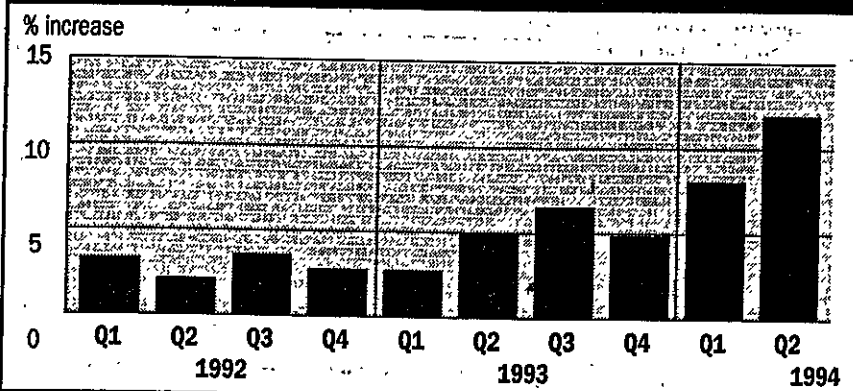
If the government housing programme is to be met, 60 660 artisans, 295 750 labourers and at least 3 360 foremen will be needed, consultant Richard Tomlinson estimates.

This in turn would require 240 managerial trainers, 250 training officers, 85 technical, 11 professional and 175 labourer trainers.

Material prices appear to be even more demand sensitive. A study shows that between 1983 and 1989 material costs surged by 133% compared with a 67% rise in labour prices.

At peak production the NHF estimates annual material requirements of, among others, 430-million building blocks, one million tons of cement, 30-million metres of cable, 900 tons of nails, 1,5-million doors and 1,8-million water taps.

BER building cost index



Graphic: FIONA KRISCH

Source: BER

Building material prices may rise

THERE are signs that smaller manufacturers of building materials are preparing to introduce price increases which could seriously damage government's low-cost housing initiatives. 18/7/94

Contractors were told recently of a proposed 50% increase in the price of certain types of bricks over the next five months, but major manufacturers Corobrik and Cullinan promised restraint (32) (244)

Building Industries Federation of SA executive director Ian Robinson said news of proposed price hikes was staggering.

Major construction industry players met last week to discuss government's call

ROBYN CHALMERS and SELLO MOTLHABAKWE

to clamp down on price hikes in building materials. It was agreed that they would be kept to acceptable levels," he said.

The trend towards significantly higher prices was evident in figures released at the weekend by Stellenbosch University's Bureau for Economic Research (BER). They showed that building costs rose 12% in the second quarter compared with the same quarter last year.

BER economist Nils de Jager warned

□ To Page 2

Building

BIDay 18/7/94

□ From Page 1

that building costs could soar 18% next year and more than 20% in 1996.

Claybrick Association executive director Nic Louw said brick price increases were inevitable in view of tough trading conditions in the past four to five years. Manufacturers had been operating at 65% capacity and much business was lost to lower priced products. "Most operations during that period were supported by government tenders for schools and clinics, as few houses were built in the past year."

Prices had been kept low and the current increases should be seen against a background of overall increases in product pricing. The latest increase was a result of producers providing for expansion, which meant a larger labour force and new machinery and peripherals. (32) (244)

Bravo Bricks MD Jacques van Graan

said higher consumer demand had led to a price increase.

Corobrik MD Errol Rutherford said the organisation had increased prices between 5% and 8% in April, and while there was always the temptation to put up prices further, the industry had to be responsible.

Cullinan Bricks spokesman Michael Berg said his company would not increase its prices. It was likely to have a board review in October but this would not automatically lead to a price increase.

Concrete Masonry Association spokesman Patrick Kelley said a co-ordinated price increase in the concrete brick and block manufacturing industry was unlikely as all operators were independent.

Prices for stock bricks were unrealistically low and could improve with better economic conditions.

LTA raises its earnings marginally to R17,5m

ROBYN CHALMERS

CONSTRUCTION group LTA posted a marginal rise in earnings to 63c from 62c a share for the six months to June 30 despite labour disruptions and tough conditions in the construction sector.

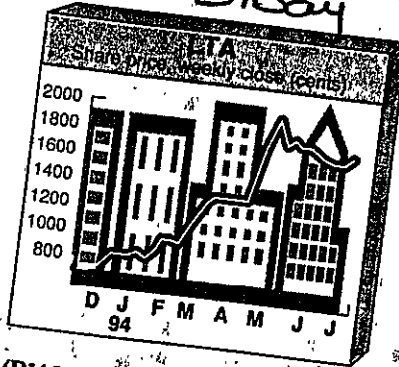
The organisation awarded an interim dividend of 15c for the first time. MD Colin Campbell said this was a sign that the group was more optimistic about the future after weathering a five-year recession.

The operations of the group had been satisfactory despite work disruptions during April and May. Turnover rose 19% to breach the R1bn mark against R833m previously, said Campbell.

A payment of R541 000 in net interest against an inflow of R4,1m previously hit bottomline profits.

Campbell said surplus funds had been reduced by investments in mining plant and equipment as well as process plants, but these would generate additional income over the next four years.

A reduced tax charge of R9,5m



(R14,5m) left post-tax profit higher at R18,5m against R16,3m. Abnormal items of R275 000 (R2,1m) related to deferred tax adjustments and the one-off transition levy, which absorbed R1,2m.

Attributable earnings were marginally higher at R17,5m from R17m, and Campbell said extraordinary items of R893m (R519m) related mainly to goodwill writeoffs. The value of uncompleted work in hand rose to R2bn from R1,8bn during the previous six-month period.

Group companies were involved in

most of the major capital projects under way, including Alusaf, Columbus, Namakwa Sands and the Olfantsvlei waste water treatment works in Johannesburg.

"We have recently been awarded a number of major projects, including the R75,6m Mtunzini to Fairbreeze interchange — part of the North Coast N2 toll road — which we are undertaking in a joint venture with Murray & Roberts."

"Much depends on the rate of economic growth in the second half of the year, but we are confident that we will be able to achieve growth in earnings and dividends," he said.

Campbell said government's low-cost housing initiatives should provide the impetus for increased activity in the construction industry, but added that many companies were wary of getting their fingers burnt a second time around.

In addition, there was no clarity on which direction national and regional housing policies were moving in, but LTA expected to be a major player in housing programmes once they got off ground.

More SA equities quoted

A SURGE in UK investor interest in SA shares has led UK-based stockbroker Smith New Court to expand the number of local equities quoted on the SEAQ Interna-

PETER GALLI

Corporation and Richemont Securities.

Investors 'set to miss out'

EDWARD WEST
CAPE TOWN — SA investors' 20% stake in UK group

CO
ach
year
the
bet
res
ear
Ag
rec
pos
fin
in
ele
ex
set
ba
dic
SE
Se
pr
m
la
sp
ca
th
sh
aj

MEC threatens imports to fight local price hikes

WILSON ZWANE B/Day

PWV local government and housing MEC Dan Mofokeng says his administration will import building materials if local manufacturers raise prices when low-cost housing initiatives create a greater demand. 1977/94

Mofokeng said yesterday his government would not allow manufacturers and suppliers of building materials to cause inflation by pushing prices up once the low-cost housing initiatives had been launched. (32) (1977/94)

He said studies had been conducted which showed that certain building materials could be imported "at very fair price levels". While this would endanger thousands of jobs on the local market, he believed it was the way to go if manufacturers and suppliers did not keep prices at acceptable levels.

Mofokeng said his government would be documenting "what we have in this province" in the next 30 days to ensure it was considered in a White Paper on housing.

The scheme had job-creation as its key element. This would entail building factories which would make building materials and employ skilled people in the building projects.

Other spin-offs from the scheme would be the establishment of a furniture industry and jobs in areas such as education, health and social welfare. "We are not only going to build houses . . . there are going to be day care centres, schools, clinics and other things," he said.

All projects sanctioned by the province should take into account the need for affirmative action and high construction standards. A code of conduct for construction companies would be drawn up as a safeguard against shoddy construction.

He said his government would intervene soon to ensure that "minor differences", which were delaying the metropolitan government for the central Witwatersrand, were focused on.

A provincial demarcation board, chaired by Peter Smith of the Pretoria regional services council, had been established and it was expected to begin its work within three weeks.

Building blocks to ensure the future

Sowetan 2117194

By Joshua Raboroko

■ MAJOR THREAT Dan Mofokeng

THE PWV PROVINCIAL government has been urged to empower black builders and contractors by involving them in the plan to build 150 000 housing units.

The involvement of all sectors of the building and construction industry in the development of South Africa was essential — and ways could be found to do it, experts say.

But the problem of soaring building and labour costs are emerging as one of the major threats to the Government's programme, according to a survey.

The survey was commenting on concerns expressed by the black construction industry that it was being excluded from plans to build homes.

Managing director of Intersite Mr Dirk Ackerman said that many black professionals had been excluded from involvement in significant projects in the past.

Intersite, the property management arm of the South African Rail Commuter Corporation, was actively trying to include those professionals in its projects around the country — and Ackerman believes that more property

vows to import to counter costs:

companies should be doing the same.

These professionals include, architects, quantity surveyors, project managers and electrical, structural, mechanical and civil engineers.

Ackerman said various teams of blacks were involved in projects such as a taxi rank development and the upgrading of Johannesburg south station with a combined value of R8 million. His company had numerous cases where it had used black contractors. Contracts worth R16,4 million went to five contractors for the refurbishment of nine stations in Soweto.

Landscaper Mr Billy Leballo was awarded the job to do the landscaping for the projects, and the ongoing maintenance work.

"I will just be happy to be part and parcel of the grand idea by Mr Tokyo Sexwale's housing plan. Blacks should be included in the project to economically empowered them," Leballo said.

Figures by the Bureau for Economic Research at Stellenbosch University show that building costs rose by 12

percent in the second quarter compared with the same period last year.

Worse is to come. The BER's executive, Mr Nils de Jager, says he expects building costs to increase by 18 percent in 1995 and by over 21 percent in 1996 as the low-cost housing programme raises demand for building material and pushes up wage costs.

The threat of surging prices in the housing programme is two-fold: it pushes up the cost to the fiscus and, more importantly, renders State subsidies ineffective, thus making houses less affordable to the low-income sector. (32) (245)

PWV local government and housing MEC Mr Dan Mofokeng said his administration would import building material if local manufacturers raise prices when low cost housing initiatives created a greater demand.

His administration would not allow manufacturers and suppliers of building materials to raise inflation by pushing prices up once the low-cost housing initiatives had been launched.

SA building costs rocket

(32)

CT 21/7/94

By MAGGIE ROWLEY
Property Editor

BUILDING costs shot up in the first six months of this year and the rapid increase in prices was one of the most serious problems of implementing the RDP, according to the latest Bureau of Economic Research (BER) building cost index.

According to BER, the preliminary index figure for the first quarter has been adjusted upwards from 5.1% to 8.1% while an increase of 11.9% was recorded for the second quarter.

BER economist Nils de Jager says in the BER's latest survey of the building and construction industry that the intensity of tendering competition has declined which accounted for the upward pressure on prices.

The business confidence index representing the manufacturing, commercial and building and construction sectors had improved from a level well below neutral to relatively optimistic.

A net 3% of architects surveyed reported that the number of people in their employment had decreased compared to a year ago which indicated retrenchments were still taking place.

This situation was poorer than expected in the previous survey when 4% net of architects planned to expand their work force.

However expectations were that building activity would start picking up which should result in increased employment in the third quarter.

This is underpinned by the number of projects at sketch plan stage — survey results showed 15% net reported more projects and nearly 50% of architects expected more projects at sketch plan stage in the third quarter.

Quantity surveyors surveyed reported increased employment levels.

Building contractors and sub-contractors noted that both the value and volume of work on hand was lower than a year ago with regard to residential buildings.

In the non-residential sector, more than half of the respondents reported an increase in work and value of work on hand compared to a year ago. Significant improvement is expected in the third quarter.

RDP jeopardised by higher costs — BER

Star 21/7/94

The rapid increase in building costs could jeopardise the implementation of the Government's Reconstruction and Development Programme (RDP), the Bureau for Economic Research at Stellenbosch University said yesterday in its survey of the building industry.

The bureau said its building cost index had increased sharply from a year ago.

The preliminary index figure for the first quarter was adjusted upwards from 5.1 percent to 8.1 percent, while an increase of 11.9 percent was recorded for the second quarter.

"While most contractors and sub-contractors are still reporting keen tendering in general, the intensity of tendering competition has declined, which accounts for the upward pressure on prices," it said.

Architects reported continuing retrenchments, while quantity surveyors expanded their workforce. Both these sectors expected an improvement in the third quarter. (32)

Building contractors and sub-contractors reported that the value of work on hand was lower, but that the tempo of deterioration was slowing down.

They also expected a much improved third quarter.

The bureau's business confidence index, representing the manufacturing, commercial and building and construction sectors, has improved from a level well below neutral to relatively optimistic.

"This augurs well for the short-term economic developments," the bureau said. — Sapa.

Civil engineers report recovery

BIDay 21/7/94

ROBYN CHALMERS

THE civil engineering sector's recovery is powering ahead with turnover forecast to rise almost a quarter this year over last, but economists warn that capacity constraints could hinder growth.

SA Federation of Civil Engineering Contractors economist Henk Langenhoven said yesterday the industry's turnaround had been confirmed with growth in employment, wages and contract awards since January.

However, there was concern about "very rapid gains in almost all indicators". The short-term growth suggested "capacity constraints arising at this early stage", he said.

"A slackening of the pace could be evident during the second half of 1995, with a resumption of high growth thereafter."

The industry would struggle to meet the demands placed on it, given the sharp drop in employment figures to 53 200 in 1993 from 93 500 in 1989 and the fact that many organisations had ageing and inappropriate plant.

There was a strong trend towards the building of cement roads during the 1980s and the sector geared up for this, but the reconstruction and development programme dictated that labour-intensive methods would be needed with future road contracts.

"On the other hand, we are concerned about the longer-term sustainability of growth as a result of the poor state of government finances and movements of capital in and out of the country," Langenhoven said.

The civil engineering industry had benefited from large investment projects by the private sector in the early phases of the current economic activity. These projects would reach their peak by the end of the year.

Langenhoven said delayed announcements on toll road developments had caused uncertainty. And the general feeling was that the RDP would have minimal effect in the short term — increasing turnover by between 2% and 4% in rand terms over the next two years.

Plant prices were expected to rise 11% this year and 12,5% next year.

Material prices should move in line with producer price increases of 6,3% and 9,3% respectively this year and next year. (32) (33)

Wilson Bayly Holmes executive chairman Brian Holmes said the work would change from massive capital intensive projects to the provision of infrastructure.

"We are starting to see major road contracts coming through which will sustain the industry for the next 12 to 18 months, but there is uncertainty about what will happen thereafter."

Holmes said the biggest single obstacle to the growth of the industry was the lack of qualified technicians and engineers. It was vital to improve the skills level and there was a possibility that highly skilled people would have to be imported in the short term.

SA building industry decline slows

Biday 21/7/94

EDWARD WEST

CAPE TOWN — Business activity for architects, quantity surveyors and builders continued to fall by the end of the second quarter — albeit at a slower pace, according to a Bureau of Economic Research (BER) survey released yesterday.

But all three sectors expected conditions to improve considerably in the third quarter. The BER survey was conducted over the period June 1 to 24, 1994.

Architects reported continuing retrenchments. A smaller number of contracts were awarded in the second quarter — much poorer than expected in the previous BER survey — but the number and value of projects at sketch-plan stage increased, a good indicator of future changes in building activity.

Quantity surveyors' business confidence was virtually unchanged at the end of the second quarter against the first. Surveyors expanded work-

forces, but fewer contracts were awarded in the second quarter relative to a year ago.

However, in the second quarter the number and value of projects at sketch-plan stage were higher than expected in the first quarter survey. The number of projects at bills of quantity stage fell relative to a year ago, but overall, quantity surveyors believed business would improve.

Contractors and subcontractors said the value of work on hand was lower, but the tempo of deterioration was slowing. They expected a much improved third quarter and tendering competition was decreasing, indicating a pickup in activity, which could lead to higher building costs.

Building costs had increased considerably in the second quarter, with rising prices likely to hamper the implementation of the RDP. Building

activity was hampered mainly by demand and finance related matters.

The BER said at this stage of the building cycle there was no apparent shortage of skilled labour. Of the building contractor respondents, 55% had not experienced a shortage of artisans, while only 15% reported serious shortages. (32)

Inadequate supplies of raw materials could be a serious constraint if demand picked up. (33)

Adequate finance facilities were another potential constraint to building activity, although this was not yet affecting production significantly, with only 14% of respondents regarding it as a "serious" problem.

The cost of financing was more of a problem, with 26% of contractors seriously affected. But insufficient demand for building was still the most serious constraint on building activity, with 53% of contractors' operations seriously affected.

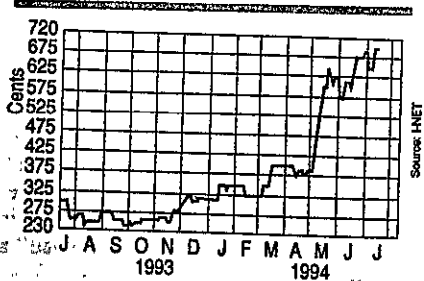
BOUMAT *FM 22/7/94* Rebuilding phase

Boumat has had a tumultuous year. Unfortunately, the tumult hasn't been of the variety which best pleases shareholders and directors.

(32)

Mostly, it has been notorious and piquant, flavoured by disturbing goings-on, the type

Boumat



COMPANIES

Activities: Manufactures and supplies building materials.

Control: Saficon Group 64,9%.

Chairman: S Borsook.

Capital structure: 31,1m ords. Market capitalisation: R217,7m.

Share market: Price: 700c. Yields: 1,4% on dividend; 6% on earnings; p:e ratio, 16,7; cover, 4,2. 12-month high, 700c; low, 245c. Trading volume last quarter, 559 000 shares.

Year to March 31	'91	'92	'93	'94
ST debt (Rm)	27,8	—	53,2	87,8
LT debt (Rm)	31,8	19,1	8,9	6,0
Debt:equity ratio	0,41	0,08	n/a	0,23
Shareholders' interest	0,30	0,32	0,29	0,28
Int & leasing cover	1,2	1,9	2,3	3,0
Return on cap (%)	7,2	10,6	5,0	4,9
Turnover (Rm)	1 091	1 163	1 222	1 299
Pre-int profit (Rm)	31,1	45,3	24,7	26,2
Pre-int margin (%)	3,8	2,9	1,8	2,0
Earnings (c)	7,4	43	25	42
Dividends (c)	*48	10	6	10
Tangible NAV (c)	417	438	459	484

* Paid only to those shareholders electing not to take up bonus shares.

which everyone secretly reads and enjoys. It may be spicy when a CE is fired and then charged on counts of fraud and theft, but it's no joke for the chairman and his fellow directors. Adam Klein, the Harvard MBA and Garment Workers' Union general secretary, who took over as CE of Boumat in August 1992, was "summarily dismissed" a year later.

Chairman Sidney Borsook won't discuss the matter. It is, he says, *sub judice* — though I must point out that for SA chairmen and directors this is a legalism sent from heaven to spare them embarrassment. Still, I must say I was struck by a phrase attributed to him in *Finance Week* (October 15 1992). Borsook is quoted as describing innovative steps taken by Klein leaving him "thrilled to bits." Exactly.

That aside (and Klein is disputing his dismissal), Boumat is emerging from a long, dark, trading period. Its five-year review reveals good cause for gloom, lifted only by 1994's sudden shaft of light. 1990, for example, produced EPS of 82c. The next year, this plunged to a catastrophic 7c on almost identical turnover. This year's 42c is a welcome relief but the record shows how far the company has still to go.

Productivity, for example, is trailing along in the dust: operating profit per employee in 1990 was R12 000; in 1994 it is R7 000. There is a message here for Cosatu's Sam Shilowa: if we do not become competitive across the board, we will fail as a nation. The pity is that he probably never reads important things like company balance sheets.

From a modest increase in turnover (up only 1%), Boumat returned better operating profit (R1,5m), paid less interest (R2,7m) and a little less tax. Attributable profit was R12,9m compared with 1993's R7,9m: it makes a difference, doesn't it? And shareholders put more in the bank (10c) after last year's miserable 6c. The income statement clearly portrays a company in recovery.

I have niggling complaints about the treat-

22/7/94

ment of Secondary Tax (STC) and extraordinary — both are brought in below the line, wrong in the eyes of the Institute of Chartered Accountants (SAICA) and the *FM*.

(32)

The balance sheet is strong enough, though I must draw attention to a swing in gearing from a negative (is that possible?) 11% in 1993 to a rate this year of 0,22:1. That is a hefty change from a company which was cash flush (R15,8m+) to one which now owes R33,2m. However, total debt to equity, inclusive of non-interest bearing debt, is 2,14:1; the company's target is 2:1.

Borsook signs off his statement on June 1; barely a fortnight later, Boumat announced its acquisition of Federated Blaikie's plumbing operations and outlets. The purchase price was about R30m (settled by issuing 2m Boumat shares at R6 (R18m) with the balance in cash). Interestingly, Saficon is buying the shares and that increases its holding in Boumat to 67% (now 65%). Everyone is careful to say the deal will have no effect on Boumat's earnings this year.

The counter is now at its 12-month high of 725c; its p:e is 17 in a sector averaging 15,8. When the *FM* reviewed the preliminaries, the price was 615c and the p:e 14,6, indicating the share has run fast over a few weeks. On the facts, it is probably a little rich. However, if you believe the RDP will deliver, then this is a stock which will benefit.

David Gleason

Building costs likely to soar

Cape Town — If you are thinking of building a house, don't wait until next year.

That's the word from the Building Industries Federation (Bifsa), *Star 26/7/94*

Inflation is set to rise rapidly in the remainder of this year as business picks up and the RDP boosts demand for building materials. (32)

"We believe the cost of building could rise as much as 25 percent in the next 12 months, including significant materials price increases as well as labour costs because trade unions will be looking for pay rises as the industry enters an upturn," says Ian Robinson, executive director of Bifsa.

Bifsa is concerned that pay rises should be linked to increases in productivity and that contractors should not be so eager to regain profitability that they price themselves out of the market. — Business Staff.

Builders frame reply to call for cost containment

SAMANTHA SHARPE

THE building industry's response to Housing director-general Billy Cobbett's call for a "social compact" to head off rising costs would be ready in about two weeks, the Building Industries Federation (Bifsa) said yesterday. *Bifsa*

Rising building costs have threatened to make a large dent in government's plans to deliver on its mass housing initiatives, one of the keystones of the government's reconstruction and development programme (RDP), Cobbett said recently. *267194*

Bifsa executive director Ian Robinson said yesterday that Bifsa had orchestrated a meeting between the major stakeholders in the industry to decide on the structure.

The report would indicate the cost ingredients involved in low income housing and had investigated methods of self-regulation of price increases within the industry, as opposed to government price controls.

The report would be released within days of the Competition Board's investigation into the cement cartel.

A preliminary draft of the current situation in the cement industry had been made by the board and would go to board members in two to three weeks' time.

Robinson said only 60% of the costs in-

involved in building a house were construction-related, with land, legal and transfer costs making up the remaining 40%.

Of the 60%, a significant chunk was tied up in labour charges and union-controlled. It was only the actual building material costs that the industry could enter into a compact about. *(32)*

In the case of the cement industry, prices had remained unchanged in times of boom and recession, offering the same return on capital employed at all times. The cement cartel has said it would not take advantage of the "boom situation".

Robinson said any growth within the sector would see old plants brought out of mothballs and new plants constructed. This would more than likely lead to higher costs within the cement industry. But he said it would be premature to make definitive statements prior to the report.

Cartel members said yesterday, keeping increases in cement costs about 1% below the rate of inflation was not out of the question, but government would have to allow the continued existence of the cartel in a "quid pro quo" move.

Stocks & Stocks hit the big time

2/29/94 (32)

From AMANDA VERMEULEN

JOHANNESBURG. — Construction and property group Stocks & Stocks lifted net income before extraordinary items 46,5% to R27,8m for the year to April, as last year's restructuring helped push the group to what it termed its best results yet.

Earnings increased 45,8% to 35c a share and the dividend of 9c (7c) was covered 3,89 times.

Chairman Reg Edwards said the group's performance was a "remarkable achievement" considering the deterioration of the business environment.

Work on hand at R1,5bn was slightly up on last year, with leisure and property development representing a substantial amount of this total.

Turnover increased 20,9% to R1,3bn despite poor business conditions. Operating income was up 25,9% to R48,9m with pre-tax income increasing 52,3% to R37,8m.

Income after an increased tax payment of R8,7m (R4,9m) grew 45,8% to R29,1m.

Edwards said construction had regained its position as the principle contributor to the group's segmented income, contributing 51% of total income.

"But our forecast growth in leisure and property development will see the construction contribution declining to less than 50% of total next year, although it is expected to increase in rand terms."

Edwards said the housing division was well-positioned to play a role in

the reconstruction and development programme.

"Deputy chairman and MD Bart Dorrestein's Homes for SA project is a formula to help economic growth whilst solving the country's housing needs."

The project's thrust was the provision of permanent jobs and creation of decentralised industries in new planned communities.

The programme had found wide acceptance and the group would commit substantial resources to meet its goals.

Civil engineering activities also expanded, and included involvement in the Alusaf and other projects. However, township development remained an area of growth, with labour-intensive projects becoming more frequent.

Property development

Property development was a cornerstone of the group, being the source of more than 50% of the building division's work and contributing 39% to group income.

The leisure division developed into a fully fledged and growing hotel owning and management operation, with four new facilities opening in the next 18 months. The timeshare division performed well.

The steel reinforcing and trading division contributed 5% to income, but the information technology division recorded a loss representing 3% of segmented group income.

Stocks & Stocks lifts income 46,5%

BIDay 29/7/94

AMANDA VERMEULEN

CONSTRUCTION and property group Stocks & Stocks lifted net income before extraordinary items 46,5% to R27,8m for the year to April, as last year's restructuring helped push the group to what it termed its best results yet.

Earnings increased 45,8% to 35c a share and the dividend of 9c (7c) was covered 3,89 times. (32) (33)

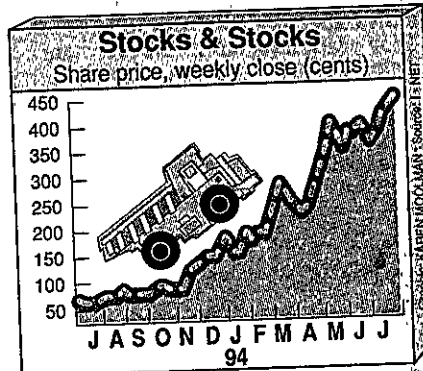
Chairman Reg Edwards said the group's performance was a "remarkable achievement" considering the deterioration of the business environment.

Work on hand at R1,5bn was slightly up on last year, with leisure and property development representing a substantial amount of this total.

Turnover increased 20,9% to R1,3bn despite poor business conditions. Operating income was up 25,9% to R48,9m with pre-tax income increasing 52,3% to R37,8m.

Income after an increased tax payment of R8,7m (R4,9m) grew 45,8% to R29,1m.

Edwards said construction had regained its position as the principle contributor to



the group's segmented income, contributing 51% of total income.

"But our forecast growth in leisure and property development will see the construction contribution declining to less than 50% of total next year, although it is expected to increase in rand terms."

Edwards said the housing division was well-positioned to play a role in the reconstruction and development programme.

□ To Page 2

Stocks & Stocks BIDay

□ From Page 1

"Deputy chairman and MD Bart Dorrestein's Homes for SA project is a formula to help economic growth whilst solving the country's housing needs." The project's thrust was the provision of permanent jobs and creation of decentralised industries in new planned communities. 29/7/94

The programme had found wide acceptance and the group would commit substantial resources to meet its goals.

Civil engineering activities also expanded, and included involvement in the Alusaf and other projects. However, township development remained an area of growth, with labour-intensive projects becoming more frequent. Property development was a cornerstone of the group, being the source of more than 50% of the building division's work and contributing 39% to group income. (32) (33)

The coming year should see an increase in demand for office and industrial space.

The leisure division, which in the past consisted of timeshare management and sales, developed into a fully fledged and growing hotel owning and management operation, with four new facilities opening in the next 18 months. The timeshare division performed well and should make a significant contribution to the group's bottom line in the coming year.

The steel reinforcing and trading division contributed 5% to income, with good prospects for the year to come.

But the information technology division recorded a loss representing 3% of segmented group income. Cost reduction and an alliance with Denel Informatics were expected to improve performance.

Building industry 'set to prosper'

TOM HOOD

IS the recession in the Cape Peninsula's building industry about to end — or do bullish reports just amount to "talking up"?

Barry van Breda, president of the Cape's Master Builders and Allied Trades Association, said 90 percent of the factors mitigating against an upswing had now been removed — and the new conditions were highly favourable to prosperity.

"Previously we had severe political strikes, an unprecedented level of violence, capital outflows, high interest rates and a generally declining business confidence," he said in an interview.

"All this has changed. Of course there are uncertainties, particularly about strikes, but the successful election and the economic policy statements put out by the government have been tremendously encouraging."

Asked if he foresaw a flood of investment from overseas or even from the north into the

Western Cape, Mr Van Breda said: "I predict a steady trickle from now on and I predict that it will grow from month to month, reaching a significant volume round about Christmas."

"Our experience indicates that those looking at us from other areas are hard-nosed businessmen."

"They will come in when it suits them and when they are a little more confident of stability. But we can tell them right now that returns on investments at the Cape are likely to be better than most achievable anywhere in the Western world."

Mr Van Breda said industrial land, power, transport and labour were considerably cheaper in the Western Cape than in most developed countries.

Like other building industry experts, he advised developers to start their new projects within the next few months, before prices escalate.

"Building contractors and subcontractors have done all they

(32) AUG 30 7/94
could to keep prices down, significantly lowering their costs (in real terms) for more than three years now.

"Nobody can stay in business forever under those conditions."

"The industry has got to be allowed to recompense itself — but the wise investor will climb in now before the more hesitant investors come in."

■ Ex-factory cement price increases have been below the consumer price index (CPI) for eight years and are expected to remain so this year, the Cement Producers' Association said.

In swift reaction to comments by Trade and Industry Minister Trevor Manuel that the cement cartel could soon come under review, the association's executive director, Graham Mitchell, said producers are determined to keep prices affordable.

"Each year since 1986 we have been able to hold price increases below the level of the CPI and don't foresee 1994 being an exception," Mr Mitchell said.

Construction may be 'at its peak'

Biday 3/8/94

Reports by
SAMANTHA SHARPE

THE construction sector of the JSE, which has outstripped the performance of the industrial index over the past 12 months, may have peaked even before the effect of the "construction boom" kicks in, construction analysts warned yesterday.

The sector began its rerating half-way through last year, boosted initially by the performance of major cement companies and followed by a strengthening in share prices of construction companies like Grinaker Holdings and LTA. (32)

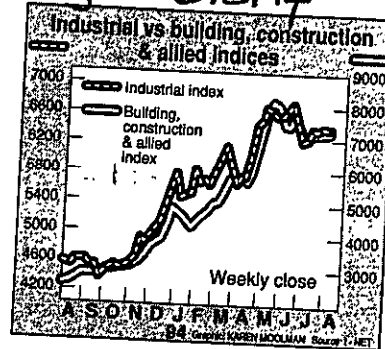
With a current price earnings ratio of about 26%, the construction sector was still at a premium to the industrial sector of the JSE, which boasted a price earnings ratio of less than 20%, analysts said. "If you look back 12 months this was simply not the case."

But they warned there was not much value left in share prices in the sector, which had already discounted up to two years ahead the effect of government's reconstruction and development programme (RDP).

Stocks had run ahead of themselves in recent months and were unlikely to repeat the growth rush experienced over the last year, although corporate profits were still expected to grow, they said.

But one analyst said while most of the better-traded shares in the sector had reached their top prices, there were still pockets of value in smaller companies not as well traded.

Other analysts said there would



most likely be a shift in focus on the JSE, with interest moving to chemical, oils and engineering sectors — which tend to lag behind movement in the construction industry.

They attributed the improved performance of the construction sector to better economic conditions and the initial surfacing of the RDP.

The economy has anticipated the growth in gross domestic fixed investment to be in the region of 4.5% in 1994 and 8% next year. This could be compared with expected growth in GDP of 3% and 4.5% respectively, fuelling expectations that companies related to fixed investment spending would be primary beneficiaries of the new business cycle.

The movement of the construction sector over the past year was more a reaction to expectations of future growth than growth itself, they said.

Large capital projects, including Alusaf and Columbus, had helped boost activity among major players in the industry, with the uptick in tender activity in civil engineering also contributing to the rerating.



Fun 518194

the company's building materials, real turnover growth was 9,1% — indicating

Activities: Retail building material for cash through Cashbuild, Buy 'n Build and U-Build outlets.

Control: Pepkor 62%.

Chairman: C H Wiese; MD: G R S Haumant.

Capital structure: 21,4m ords. Market capitalisation: R246m.

Share market: Price: 1 150c. Yields: 1,2% on dividend; 3,5% on earnings; p:e ratio, 28,9; cover, 2,8. 12-month high, 1 150c; low, 430c. Trading volume last quarter, 106 000 shares.

Year to February 26	'91	'92	'93	'94
ST debt (Rm)	—	—	4,0	3,4
LT debt (Rm)	1,1	0,9	14,3	3,1
Debt:equity ratio	n/a	n/a	0,37	0,01
Shareholders' interest	0,28	0,21	0,27	0,32
Int & leasing cover ..	76,6	23,8	n/a	7,9
Return on cap (%) ..	15,7	14,9	6,2	15,1
Turnover (Rm)	387	426	328	546
Pre-int profit (Rm) ...	16,1	15,9	8,9	22,9
Pre-int margin (%) ...	4,3	3,9	2,7	4,2
Earnings (c)	32,9	33,3	14,1	39,8
Dividends (c)	15,0	13,5	6,0	14,0
Tangible NAV (c)	121,3	138,5	147	184

¹ Year-end June 30. ² 35 weeks ended February 27.

growth in market share. Stores opened in 1993 produced 6,2%, with 2,9% coming from existing outlets.

Shrinkage remained constant at 0,67% of sales but 36 stores bettered the target of 0,4% and 437 staff collectively received a bonus of R653 000 for loss prevention. CE Gerald Haumant reports that turnover per employee exceeded target and group productivity improved. Haumant says total expenses as a percentage of sales were well controlled, partly because of the agreement by all staff to accept only a moderate pay increase.

Gearing of 0,37 in 1993 was reduced to almost zero with the sale at year-end of land and buildings for R11,5m. A related long-term loan of R14m was correspondingly released.

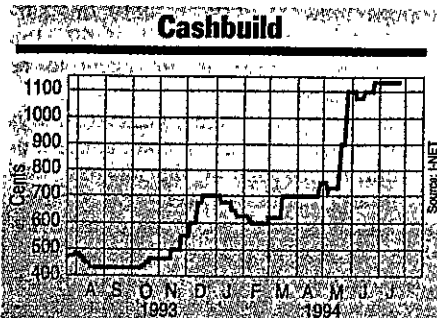
Financial director Richard Lyon summarises Cashbuild's position. Financial 1993, he says, with the drought and the political unrest, meant objectives could not be met. "It was as though the whole world

CASHBUILD Fun 518194 Building pipeline empty

Financial 1993 produced comparatively poor results for Cashbuild because of a continuing store development programme throughout a lamentable trading period. But in fiscal 1994, despite almost no improvement in trading conditions, the group re-established a positive cash flow, returned the margin to historical levels and lifted earnings significantly — all thanks to stringent pursuit of specific objectives.

Store development was halted at the start of the financial year. No more branches were opened. But a market share increase, measured by share of cement distributed through merchants in southern Africa, remained a prime objective. Though this measure declined from 7,2% to 6,7% because of increased use of cement blenders, turnover grew 18%, slightly more than the target.

Allowing for price increases of 8,9% on



had conspired against us." He reckons the group restored its equilibrium in 1994 after creating normal operational patterns from the eight new stores opened the previous year and "put things back in place."

March and April were highly disruptive

Fun 518194
months due partly to the elections, the riots in Bophuthatswana and to general social and political unrest, says Lyon. Though these months' budgets were not met, he is confident the organisation will be able to make up what was lost — though he adds there is a lot of talk but still no sign of money in the building pipeline. Lyon believes Cashbuild will perform adequately in 1995 and 1996 should again produce dynamic growth.

Cashbuild's share stands on demanding yields. These indicate the market expects earnings to grow rapidly and be sustainable. It seems unrealistic to expect strong earnings growth in financial 1995. The share is fully priced for now.

Gerald Hirschon

Boumat laying solid foundation for growth

Star 11/8/94

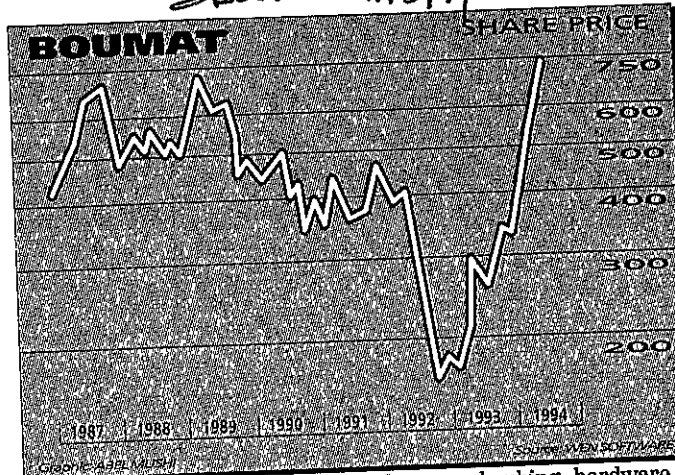
BY CHARLOTTE MATHEWS

The first four months of the current financial year for building material manufacturer and supplier Boumat have been "most satisfactory", chairman Sidney Borsook told the annual meeting yesterday.

Turnover is 13 percent ahead of the same four months in 1993 and the estimated profit is both ahead of budget and above last year's, he said. This was particularly satisfactory in view of the reduced number of trading days in April and May.

"It is expected that this trend will continue for the remainder of the 1995 financial year as the group benefits from the resurgence in home construction," he said.

The group appears to be lifting itself out of a long decline, lasting about four years and mirroring the recession. In the year to March 1994 earnings recovered to 42c a share from 25c in



1993 but were still only nearing their 1990 level of 45c.

This year's climb in Boumat's share price reflects its re-rating by the market as a share likely to benefit both from economic recovery in general and from increased housing expenditure arising from the Reconstruction and Development Programme.

Boumat's divisions include ti-

leware, plumbing, hardware, engineering and electric geysers.

The shares are now around 750c, where they are well over double the 315c at the beginning of the year and approaching three times what they were a year ago.

The historical p.e. at 17.9, is below the sector average but in line with LTA's.

(32)

1218/94

Activities: Mining and selling of gypsum and manufacture of rhinoboard and cornice for domestic and commercial ceilings and walls.

Control: B P B Industries Plc 50% (UK).

Chairman: P L Herring; MD: S G Snowden.

Capital structure: 8,2m ords. Market capitalisation: R205m.

Share market: Price: 2 500c. Yields: 3,5% on dividend; 11,4% on earnings; p:e ratio, 8,7; cover, 3,3. 12-month high, 2 500c; low, 850c. Trading volume last quarter, 32 000 shares.

Year to March 31	†'91	*'92	'93	'94
ST debt (Rm)	8,0	17,2	15,7	0,1
LT debt (Rm)	46,8	15,5	0,4	0,04
Debt:equity ratio	60,3	36,9	11,4	nil
Shareholders' interest	0,45	0,44	0,54	0,62
int & leasing cover . .	132	4,5	5,4	n/a
Return on cap (%) . . .	18,0	13,6	14,8	23,3
Turnover (Rm)	n/d	n/d	199	216
Pre-int profit (Rm) . . .	30,0	24,8	23,8	39,2
Pre-int margin (%) . . .	n/d	n/d	12,0	18,1
Earnings (c)	195,2	120,5	112,5	285,8
Dividends (c)	60	45	60	87
Tangible NAV (c)	838	913	968	1 164

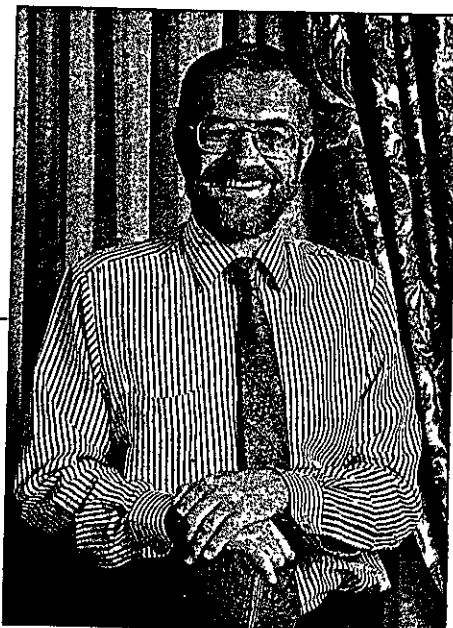
* 9 months to March 31 1992. † 12 months to June 30 1991.

(199) (32)

The year-end March balance sheet showed net cash of R20m and, accordingly, interest income received accelerated from R583 000 to R2,4m. With a lower effective tax rate — 40% against 1993's 48% — this translated into a more than doubling of EPS to 285,8c off only a 9% rise in sales.

This result was partly because of strategies, including converting long-term debt to short-term to force early repayment. The cost base has been driven down — mainly through technological development.

Though stock rose only marginally last year, debtors grew 12% to R34m and creditors fell R16,8m to R22,8m. Debtors, contends MD Grant Snowden, "are very

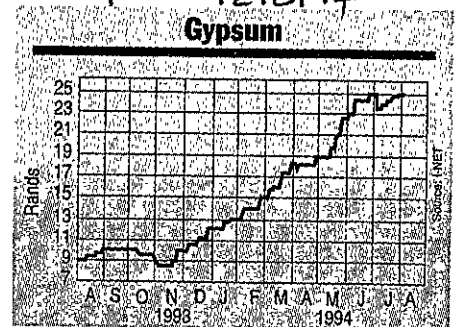


Gypsum's Snowden . . . debtors tightly controlled

tightly controlled."

Management is planning significant capital expenditure (R31m) from existing funds

1218/94



plus those expected to be generated this year — R10m since year-end. Debt should be unaffected. The aim is to become partners in the construction of new homes, schools and clinics. (199) (32)

Snowden says many in the market see the RDP as a means to a quick profit, whereas "our position is one of helping to create sustainable long-term demand for new ceilings and walls through increased skills training in the building industry."

However, the commercial market is likely to remain low and the profits of Donn Products division, which has a range of ceilings, walls, access floors and shopfronts, will be under pressure. "It will be very difficult to maintain profits at 1994 levels," adds Snowden, "particularly in view of the disruption resulting from the additional public holidays in April and May. But providing fixed investment maintains its positive run, the outlook is good."

Shareholders will have to console themselves with the rising share price. From only R8,50 in November, it has soared to R25. On a p:e of 8,7, it is not overvalued. Further upward movement is likely.

Kate Rushton

GYP SUM INDUSTRIES

Positive strategies

1218/94

Manufacturing building products for the construction industry, which is only now emerging from the doldrums, should be a depressed business, producing poor or static results. This has not been the case for Gypsum.

Last year, the gypsum and plasterboard maker put in its best performance since listing more than 40 years ago; operating margins widened from 12% to 18,1% and gearing was eliminated. (Notably, these increases were not off a low base.)

(199) (32)

Strong sales rise at Saficon

Business Day Reporter

MOTOR and building materials group Saficon had seen a strong rise in sales and earnings in the first four months of its 1995 financial year, chairman Sidney Borsook said yesterday.

Though there had been a fall in working days in April and May, Borsook told the company's annual general meeting that turnover was up 18% on the same period last year. Estimated income was also above last year's level and above budget.

But he warned that the motor strike could still restrain earnings growth this year, unless the dispute was settled soon.

"The impact of strikes at motor plants will no doubt affect our ability to sell and deliver new vehicles," he said. "The extent of this depends on how long the strikes will

last as well as what will be done to make up the lost production over the remainder of the year. *B/D 12/8/94*

"Assuming these strikes are settled within the next 10 days, and considering the benefit that the group is deriving from the resurgence in home construction, we expect to achieve the budgeted improvement in Saficon's results for the year."

The company secured a fourfold earnings increase in the year to March, posting attributable income of R22.5m on sales 7% ahead at R2.9bn. *(32)*

The performance lent heavily on a stronger showing from building materials arm Boumat and motor business.



Bifsa to seek state guarantees on risks

By MAGGIE ROWLEY
Property Editor

THE Building Industries Federation of SA (Bifsa) is to seek state guarantees to help reduce risks associated with low-income housing development.

Bifsa executive director Ian Robinson said that the guarantee scheme being sought was not unlike that of the Mortgage Indemnity Scheme for financial institutions presently under discussion by a committee representing the banks and the government departments concerned with housing.

Robinson said the large housing projects which would be necessary to meet demand would expose private sector developers to colossal financial risk — but due to the high risks involved in low cost housing and the low margins, a guarantee scheme would be required if contractors were to be attracted back into this sector.

If political events or violence were to halt development or prevent the sale of the houses it would probably spell disaster for any construction company involved, he said.

"For example, the cost of providing

infrastructure for a 2 000 house project would be about R20m with these costs only starting to become recoverable once the first houses are sold which creates huge cash flow problems for contractors."

In recent years, several companies which had committed resources to low income housing projects collapsed under the pressure of such holding costs and most of the large private sector construction concerns had fought shy of the sector ever since.

It was possible that the risk situation could be reduced by early payment to the contractor of the government's capital subsidy scheme for low income home buyers.

The contribution of the formal contracting sector with its capacity and expertise, he said, would be vital in meeting the housing objectives of the RDP but Bifsa members would need the government to act as guarantor of last resort if they were to re-enter this market.

Bifsa, he said, would be making representations to Housing Minister Joe Slovo regarding a state guarantee scheme within the next few weeks.

32

CT 20/8/94

M&R earnings may dip in absence of tax break

BIDAY 23/8/94

ROBYN CHALMERS

CONSTRUCTION and engineering group Murray & Roberts Holdings (M&R) is expected to take a slight knock in earnings a share for the year to June in the absence of the 1993 one-off tax break.

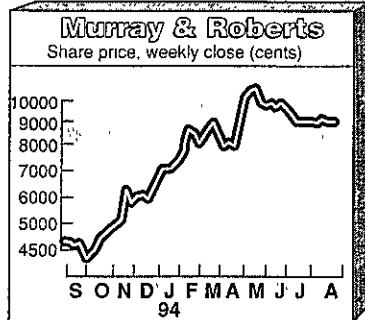
Analysts' forecasts for earnings a share ranged from 480c to 520c, against 531c achieved during 1993. A slight increase in dividends to around 210c (200c) was expected.

Analysts said reasons for the expected lower earnings included the absence of the tax break, which reduced the 1993 tax bill to R91m from R185m, and that the expected recovery of the construction and engineering sectors had not materialised.

But one analyst said the recent reduction in the company tax rate could lead to M&R bringing its deferred tax above the line, providing a boost to attributable earnings.

There had been few major contracts coming through for the construction and civil engineering divisions, apart from those secured previously on major capital projects such as Alusaf.

On the property side, analysts said



the division had completed all the major projects which had bolstered it during the recession, but the lack of new schemes coming on stream could bite into earnings.

In the 1993 annual report, CE Dave Brink said the group had budgeted to increase pre-tax operating earnings, but would probably see a reduction in attributable earnings and consequently earnings a share.

"The M&R team does not expect an easy ride (during the 1994 year), nor do we ask for one.

"As SA emerges from isolation, M&R's businesses, in line with all businesses in the country, are seeing opportunities open up around the world but are also being challenged by global competitive forces."

Coping in a changing environment required adaptation from largely production-driven tendencies towards market-driven attitudes and approaches, he said.

One of the ways in which M&R had moved towards its stated goal of becoming more export orientated was through the recent acquisition of UK-based Alloy Wheels International (AWI).

Analysts said, however, that the £19m purchase would have little effect on the group's 1994 earnings. The real effect would be seen the following year when earnings were expected to be diluted — the extent of which would depend on AWI's performance during the year.

Despite the possible dilutory effect of the acquisition, most analysts believed M&R would resume earnings growth during 1995. This would gain momentum as the full effect of the reconstruction and development programme was felt.

M&R's share price rose sharply from its one-year low of R43 in September to achieve a 12-month high of R106,50 in May. The counter has dropped off significantly over the past three months, and closed untraded at R89,50 yesterday.

Building industry waiting for govt decision

THE National Housing Department has not yet made a decision on the allocation of funds for training, but a spokesman said the issue was under discussion.

The construction industry warned recently that almost R220m would have to be spent on training if the housing objectives of the reconstruction and development programme (RDP) were to be met.

Training expenditure stood at about R25m a year and the additional R200m needed to bridge the training gap would have to come from government or the taxpayer.

Building Industries' Federation of SA (Bifsa)

B 10/09 21/18/94
SAMANTHA SHARPE

executive director Ian Robinson said extra funds could not come from the formal building sector as contractors were already paying a levy of 1,5% of wages.

"The money will simply have to come from the state, and in our submissions (to Housing Minister Joe Slovo) we have suggested a training tax levy on building materials as a possible option. A tax of just 1% on annual sales in this sector would be required. A possible alternative is that 2% of VAT on new houses be put aside for training. But the problem with this is

that one would obtain the funds only after a significant number of houses have been built."

He said the industry would need to employ 600 000 people in the next six years, which included 20 000 new artisans a year. The number of trainers would have to grow to 270 from the current 48.

The building industry was on the brink of delivering a practical response to the call by the Housing Ministry for a social compact aimed at preventing excessive price increases. Robinson said, however, that any such compact would be worthless unless government asked trade unions to make similar commitments.

Unexpected growth for M&R Holdings

B Day 25/8/94

ROBYN CHALMERS

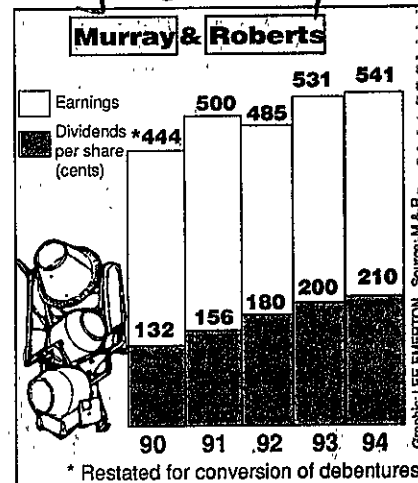
CONSTRUCTION and engineering group Murray & Roberts (M&R) Holdings surpassed market expectations, achieving a 2% growth in earnings to 541c a share for the year-to-June in a stagnant economy.

The bottom line was bolstered by another release from a deferred tax provision of R36m, but earnings excluding the tax adjustment rose 2% to 484c a share. A final dividend of 152c (144c) boosted the total dividend 5% to 210c.

Capitalisation shares would be awarded instead of a final dividend. Terms would be published on September 5. Shareholders may elect to receive the final dividend.

Turnover increased 15% to R7,8bn and a squeeze on margins left operating profit up at R864m (R791m) ~~(32) (1993)~~

A significant hike in the interest bill to R107m (R78m) saw pre-tax earnings rise 8% to R487m. Despite the tax adjustment, the tax charge rose 22% to R111m. Post-tax profit rose to R376m from R361m. After accounting for outside shareholders' interest of R37m (R30m), attributable



earnings increased 2% to R340m. The balance sheet remained healthy, showing a 10% rise in total assets to R5,9bn. Borrowings rose 3% to R948m.

Commercial director Jeremy Ractliffe

□ To Page 2

M & R

B Day

25/8/94

□ From Page 1

said the group had benefited from a more positive business and political mood as well as the disposal of non-core businesses.

CE Andre van der Colff said the results, which were above the group's expectations and budget, reflected the success of its strategy to become the "unit trust" of the fixed investment market sector.

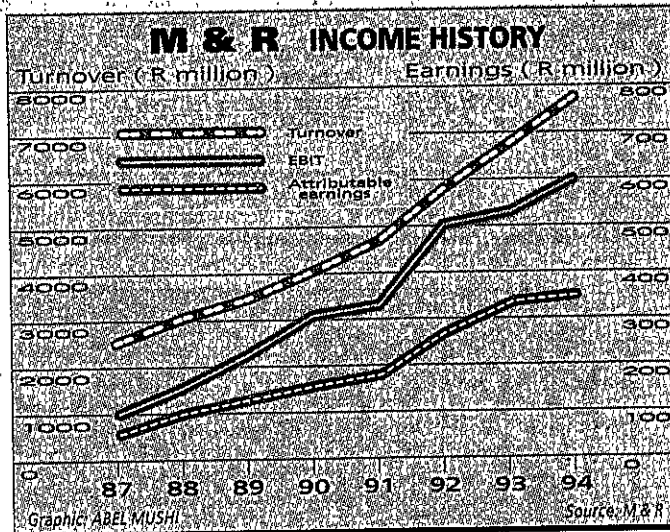
M&R's material division overtook the engineering division as the main contributor to pre-interest earnings. The suppliers and services and transport sections both contributed 11%. International trading activities grew strongly, amounting to R913m or 12% of group turnover. Van der Colff expected these activities to grow 50% on the stronger base created this year.

He was optimistic that the current year

would produce a solid contribution towards M&R's goal of doubling its 1993 size in real terms by the turn of the century.

"M&R is committed to participation in the reconstruction and development programme. While it will take some time for the group to benefit from the RDP, we should see modest real growth above the expected inflation rate during the year, and strong growth in real terms thereafter," he said ~~(32) (1993)~~

He expected SA's economic recovery to be delayed six months, but said fixed investment growth should exceed GDP growth, rising about 4% during 1995 and soaring to about 16% by 1998 against GDP growth of about 4%.



57
179

M&R keeps its head above water

Star 26/8/94

■ BY CHARLOTTE MATHEWS

After another difficult year, industrial and construction group Murray & Roberts Holdings (M&R) lifted attributable earnings by 2 percent to R340 million in the twelve months to June.

Chief executive Andre van der Colff said yesterday the figures were above budget and modest real growth was likely in the year to June 1995. After that, strong growth in real terms was expected.

Group turnover was 15 percent higher at R7,8 billion and earnings before interest and depreciation rose 9 percent to R864 million, showing operating margins squeezed to 7,6 percent from 7,8 percent. The group incurred a slightly higher tax bill.

Earnings a share after the write-back of R36 million from the deferred tax liability were 541c (531c), on which a total dividend 5 percent better at 210c (200c) was declared.

Financial director Lionel Bird said the increase in the dividend was in line with the long-term dividend policy and reflected management's view of sustained future growth.

One of the group's greatest strengths was its ability to generate cash, Bird said.

Bank balances and deposits were R420 million, up from R279 million previously, and borrowings were little changed at R948 million.

The group has issued R200 million of seven- and ten-year bonds, locking in a low interest rate, which should help fund future working capital requirements. (32)

Total new investment was R600 million, mainly on the acquisition of Alloy Wheels International of the UK and on the renewal and expansion of production capacity.

M&R plans to spend R2 billion over the next three years, excluding acquisitions, on replacement and expansion of equipment.

Shortly before the end of the financial year an improvement in activity was discernible, Bird said, and the number of employees had risen to 49 754 at end-June from 47 608 a year previously.

Demand for construction materials had increased and the order book was healthier than a year ago, Bird said.

"We are working hard to ensure the RDP programme succeeds and results in a rapid delivery of houses."

M&R shares closed 50c higher at R90 yesterday, 15 percent lower than their year's high of R106,50 in May, but nearly double their R46 of a year ago.

In view of the slightly disappointing figures, the sharp increase in the share looks misplaced, but probably reflects mostly its re-rating by overseas investors.

DIAGONAL STREET

By Julie Walker



M&R builds on its optimism



ANDRE VAN DER COLFF... uncertainties more finite

ANDRE van der Colff, chief executive at Murray & Roberts, notes a real improvement in the group's business climate.

A year ago, Murray & Roberts correctly predicted another 12 months of low growth but managed to outmanoeuvre the prevailing economic wind with an adequate year's performance.

The engineering and industrial giant, capitalised at R5,8-billion on the JSE, raised earnings a share by 2% to 541c and the dividend by 5% to 210c in the year to June 1994.

The cash dividend is an alternative to a more tax-effective capitalisation issue of shares, terms to be announced.

The uncertainty of that period — Will there be peace? Will there be a new government? Is there any

hope? — has been replaced by clouds of a new kind: When will the reconstruction and development programme get going?

"It is a more finite uncertainty and one which is largely in our own hands," says Mr van der Colff.

In spite of almost every project being placed on hold in the run-up to the April elections, Murray & Roberts achieved an extra billion Rands worth of turnover to reach R7,7-billion. This includes a full year of its owning another 38% of Standard Engineering and two months' contribution from AWI, the alloy wheels business bought from the W&A group.

Mr van der Colff says the group's performance at the earnings before interest and tax level is the focal point: it rose 12% to R530-million in an environment of gross domestic

fixed investment growth of barely 1%. Although the operating margin was down a shade at 7,6% it is still the third-best in eight years.

Group cash flow was half as good again as in 1993 at 1 007c a share before discretionary capital investments and was a factor in reducing gearing from 28% to 19%.

A breakdown of the contributions to consolidated earnings reflects the point in the economic cycle accurately. The biggest jumps came from materials and transport, the largest drops from properties and engineering. Construction and supplies are little changed.

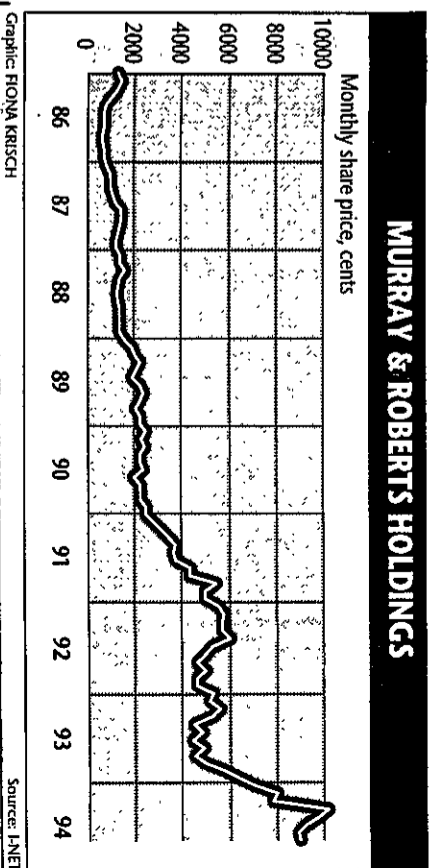
Mr van der Colff concurs that these are signals of an upturn and already notes a shortage of some materials such as bricks. After the low point of December 1993, the construction division now employs

25% more people at 15 600 and the whole group nearly 50 000 — 4 400 more than it did at the end of 1993.

The more positive mood is tempered by several trends such as labour unrest, worker expectations unable to be met and potential government intervention. For these reasons a strong recovery and RDP activity will likely be delayed until the second half of Murray & Roberts' financial year.

Nevertheless the group's order books are markedly improved: on 1993's and Mr van der Colff conditionally expects earnings to grow modestly above the rate of inflation during the current 12 months.

Shareholders have already enjoyed impressive returns, especially those on board since 1986, when it was well below R10. It is now R92,50.



Building costs more than double at half-year

CT 30/8/94 (32)

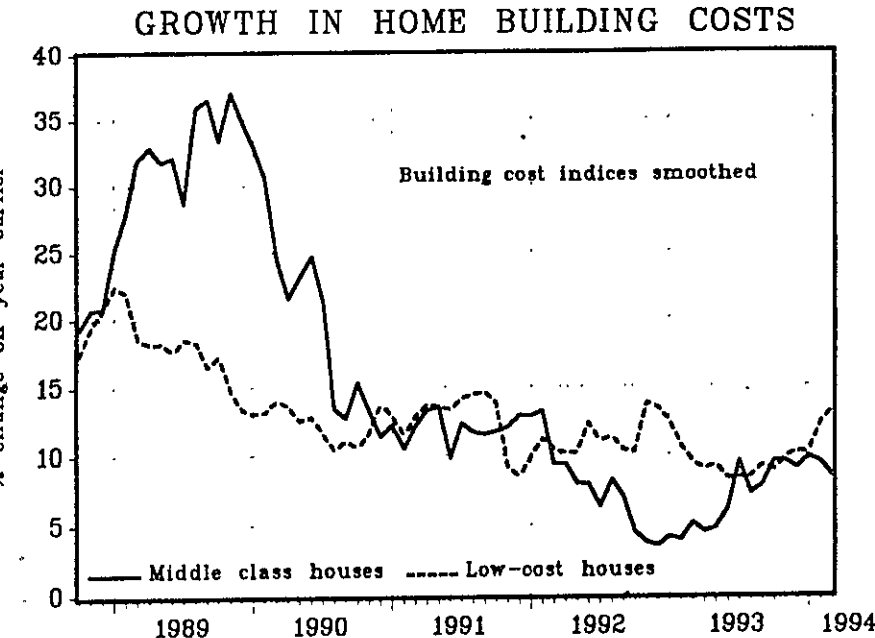
By MAGGIE ROWLEY
Property Editor

TENDER prices, as measured by the BER Building Cost Index, more than doubled in the first half of the year jumping to 13% in June from 6% in January.

According to the latest Rode Report, this escalation implies a sharp decline in tender competition as a result of an increase in the number of non-residential building projects getting off the ground and the start of contractors increasing margins after the lean years of recession.

However the growth in input prices, as measured by the Haylett Index compiled by Medium Term Forecasting Associates from the CSS, shows that for March little change in the rate of growth was apparent at the end of the first quarter.

Rode is forecasting that growth in the BER Building Cost Index will continue to outstrip Haylett in the next 18 months, as contractors attempt to make up for the lean years by in-



Source: CSS & Rode's Database

creasing their profit margins.

He is forecasting that the BER Building Cost Index will show growth of 10.6% this year, against 5.3% last year, rising to 16.6% during 1995.

Haylett, which showed annual average growth of 7.3% last year, is forecast at 9.4% this year and

10.9% next year.

Growth in both indices last year was well below inflation, as measured by CPI but is forecast to outperform the CPI index over the next 18 months.

"What is clear is that the coming upswing forecast for the building cycle is set to bring with it the customary sharp

hikes in building costs. Thus timing becomes, if possible, an even more critical factor in determining the feasibility of projects."

Rode's Home Building Cost Indices — one for middle income houses and the other for low-cost houses, show different patterns of growth for the first quarter of

1994.

Whereas middle class home building cost growth has remained stable over the past nine months or so, low cost building costs have shown a definite acceleration to March 1994 and this, Rode points out, was prior to the government's how cost housing drive.

Further growth in both these indices, particularly the low cost index, is forecast by Rode.

In the residential market, townhouse starts tapered off toward the end of 1993 but his market still showed more life than free-standing housing.

Gross domestic fixed investment in residential buildings, which declined by 2.5% last year, is set to show growth of 7.2% during 1994 rising to 10.4% next year, he said.

Turning to the non-residential market, private sector starts, as recorded by CSS, continued to show the same erratic behaviour that has been the pattern since the beginning of 1993, but the beginning of a recovery in this sector cannot be ruled out, says Rode.

Fin 21/9/94

been restated, which adds 4c to EPS.

The big increase in contributions came from the materials division, up from R140m last year to R186m, or 31% of earnings before interest and tax of R594m.

Van der Colff sees this as the beginning of M&R's traditional cycle of activities. "The cycle we've detected is that materials moves first, followed by suppliers & services, engineering, construction and, finally, property."

He forecasts that attributable earnings should outpace expected growth in inflation of 9%-10% this financial year, but expects 1996 and 1997 to be the boom years as engineering and construction start to kick in, aided by a number of fixed investment projects currently on the drawing board.



M&R's Van der Colff ... ready for upswing in fixed investment

Van der Colff also sees potential benefits for M&R coming from government's Reconstruction & Development Programme. "For us, the major benefit should come from supplying materials, like cement, concrete and steel pipes, bricks and timber, and from infrastructural work. It's also likely, though, that while government will probably try to involve the smaller black builders in housing construction, they may have to call in the bigger groups at some stage. About 80% of SA's building capacity now exists with 20% of the companies."

Internationally, M&R also sees growth prospects. International trading, represented across all divisions by exports and activities outside SA, comprised 12% of turnover in 1994. Van der Colff expects its contribution to increase to between 16%-18% in the current financial year.

Standard Engineering has R900m worth of exports — locomotive and train sets for Taiwan.

Apart from activities in Africa, M&R is doing marine pipeline contract work in Thailand and Hong Kong and has a timber operation in Singapore. That leaves it well poised to exploit strongly developing east-

ern markets.

Backed by sound cash flow — operating cash flow increased by 50% to R633m — M&R will increase capital spending for the first time in two years, planning investment of about R600m in 1995. In addition to last year's capex of R430m, it expects to spend a total of R2bn by the end of financial 1997. (32) (185)

Smart investors picked up the share last year. In September, it was trading around R46. The price has more than doubled to R94,50 on significantly firmer ratings. It's notable that the volume of shares traded has increased strongly, particularly since the unbundling of pyramid M&R Investments. Volumes have increased from an average in 1993 of 260 000 shares a month to more than 600 000 a month in 1994.

But it may not be too late to consider the share. A dividend yield of 2,2% and p:e ratio of 19,5 is slightly off the average for the sector. If M&R's projections for 1996 and 1997 are correct, the share should be a sound medium- to long-term investment.

Shawn Harris

MURRAY & ROBERTS

Bullish projections

Fin 21/9/94

More important than Murray & Roberts (M&R)'s 2% bottom line growth — in itself a notable achievement for what is essentially an engineering and construction group — is the potential indicated by stronger trading in the last quarter of financial 1994. (32) (185)

With growth in gross domestic fixed investment, covered by all seven of M&R's operating divisions, just starting to outstrip growth in gross domestic product — and forecast to pull away strongly over the next two years — prospects are encouraging.

CE André van der Colff says there seemed to be a resurgence of business in June across all operating divisions, possibly from pent-up demand. "I see this as an indication of the industry coming out of the doldrums," he says.

To some extent, the income statement was helped by a R36m release from deferred tax (the same as 1993) from the lower corporate tax rate, and by con-

LOOKING BETTER

Year to June 30	1993	1994
Turnover (Rbn)	6,78	7,77
Operating Income (Rm)	530	594
Attributable (Rm)	333	340
Earnings (c)	531	541
Dividends (c)	200	210

solidating M&R's Zimbabwe and Malawi activities, treated on a cash remitted basis the previous year. Figures for 1993 have not

Good times are back for building industry

CT 2/9/94 (32)

By **MAGGIE ROWLEY**
Property Editor

THE building industry is already experiencing a clear improvement and is expecting growth of 4% this year and between 5 and 10% over the next 12 months, according to the latest survey on the state of the building industry by BMI Building Research Strategy Consulting Unit.

The survey conducted among both black and white building contractors in the residential

and non-residential sectors in association with, among others, the African Buildings Association, the Building Industries Federation of South Africa and the National Association of Home Builders, showed respondents were now much more optimistic about future prospects than they have been in previous surveys.

The majority reported activity levels in the first six months of this year were better than the corresponding period last year and further improvements over 1993 levels were expected for the rest of the year.

In fact the vast majority —

more than 70% — are expecting conditions to be "very much better" over the next 12 months against the previous 12 months.

Both black and white contractors see the greatest opportunities for growth in the residential sector, particularly in the construction of housing units costing less than R65 000.

However, white building contractors indicated their reluctance to enter into the affordable housing market in spite of the fact they rate this segment as having the most growth potential. Black contractors, on the other hand, not only see

this sector as having the most growth potential but it is also the market in which they operate most comfortably, in spite of the barriers to entry and the highly competitive nature of the industry.

This, says BMI executive director, Llewellyn Lewis could be indicative of the fact that the black building contractors understand the affordable housing customers better and they are also more comfortable than their white counterparts in terms of handling the special and unique requirements of this market.

Group Five earnings up 12%

SITimeo (Buss)

GOOD performances from buildings, civils, engineering, roads and from Everite helped Group Five to lift earnings a share by 12% to 42,7c in the year to June.

Group Five managing director Theunis Kotzee says operating margins showed a marked improvement; income was 126% higher at R43,3-million on a 17% higher turnover of R1,8-billion.

A change in accounting policy into line with international standards now includes extraordinary items as operating income and adjustments have been

By JULIE WALKER

(32) ~~32~~
made to the comparative figures of 1993. Assessed tax losses kept the bill low and attributable earnings were R17,8-million. A cash dividend of 5,5c was declared.

Group Five's order books are healthy and Mr Kotzee is hopeful that the promised land is within reach.

Fancourt has been sold and the proceeds paid into a trust account controlled by the liquidator. Group Five hopes to recoup its R18-mil-

lion of claims before the end of the year and spend the money on reducing debt. Group gearing is below 10% but interest absorbed R18-million in the year to June.

Group Five's claims regarding a loss-making bridge project in the US are at a similar stage. Mr Kotzee says that the design of the bridge, in Houston, was being revised even as Group Five was building it, resulting in costly delays. The claims are in dollars and Group Five should get the benefit of the falling rand when they are finally met.

Only property was a loss-maker. Mr Kotzee says the group, including Everite, has carried residential and industrial property through 68 months of recession and its value could begin to be realised in the upturn.

First prize would be for Group Five's reconstruction and development proposals to be given the go-ahead. Mr Kotzee says that with the group acting as contractor, houses of R55 000 or so can be built at an adequate return and even at the most basic R12 500 level, it would do business.

So far, the RDP has not had much effect on the group and general business conditions are picking up. Everite's problem areas have also been attended to. The granite operations have benefited from a change in quarrying procedure away from outcrops to excavation and removal. Demand outstrips supply at present.

The complicated control structure might be tidied a little. With Group Five shares at 450c, Group Five Holdings and Goldstein are cheap at 375c as they should trade at the same price. Everite and Evhold are both 570c.

11/9/94

Everite helps Group Five boost earnings to R9,6m

SAMANTHA SHARPE

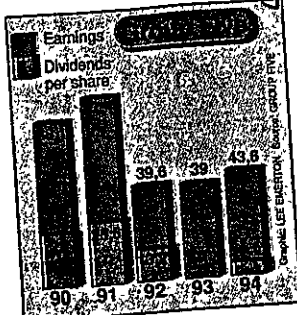
ACCOUNTING policy changes to include extraordinary items in operating income and the treatment of jointly controlled associates in joint ventures meant construction company Group Five's attributable earnings rose to R9,6m (R833 000) for the year to Jun.

Comparative figures based on previous accounting policies showed a 17% increase in turnover to R1,85m, with income before interest and tax up 3% to R50,4m.

An abnormally low tax charge of R1,3m from the use of assessed losses, exemption of certain income from taxation and favourable foreign and local tax rates also helped towards the favourable bottom line.

Earnings a share rose 12% on a comparative base to 43,6c and translated to a total dividend declaration of 5,5c. There was no dividend declaration in 1993.

Group Five executive chairman



Theunis Kotzee said subsidiary Everite had made a major contribution to improvement in operating margins.

Group Five's building, civils, engineering and roads divisions also performed well under difficult circumstances, he said.

Kotzee said the group had suffered from losses in its property division resulting from the sale of unused properties, write-offs on low cost

housing land and trading losses in commercial property operations.

But Group Five's construction companies had secured considerably more work for next year than they had at the same time last year.

Employment opportunities within the group were increasing and should continue to rise with the growth in activity, he said.

"Prospects for the year ahead look promising and should signal the start of a move towards the realisation of the group's full potential."

He said he was pleased with the results of the Everite Group — largely because of cost reductions and improvement in operating efficiencies. But overall return on capital was unsatisfactory and would have to enjoy special attention.

The Everite Group showed an increase in turnover of 9% to R547m, with operating income up 93% to R22,5m.

Earnings a share rose 106% to 13,4c, with a total dividend of 4c declared. There was no dividend declared in 1993.

Builders buy foreign steel

6/19/94
ROBYN CHALMERS

LOCAL construction groups were increasingly importing steel for big projects, and the trend could grow with the demands of the reconstruction and development programme, sources said yesterday. Few construction companies will admit to importing steel, given the overcapacity of steel on the local market and that local demand could diminish as major projects such as Columbus near completion. Analysts said the relative recent weakness of the rand against the dollar had slowed imports by local firms, but the currency had begun to ease, which could signal renewed interest.

Among organisations involved in steel imports were Stocks & Stocks and Murray & Roberts subsidiary Reinforcing Steel Contractors (RSC) (RSC).

UK-based publication Metals Bulletin reported recently M&R was believed to have imported between 7 000 and 9 000 tons of Spanish rebar with a landing price of between \$255 and \$265 a ton. (32)

RSC MD Carlo de Nicola said the only deal the organisation had been involved in this year was the importation of around 5 000 tons of rod from the UK.

The Metals Bulletin report intimated Stocks & Stocks recently purchased 12 000 tons of Russian rebar. A Stocks & Stocks spokesman denied this.

By **MAGGIE ROWLEY**
Property Editor

OVCON's branch in Abu Dhabi has secured its fourth contract with work now totalling R33m since it set up offices there in late 1992.

Ovcon Cape director, Piet Groenhof, who has been estimating for the company regularly in Abu Dhabi, said while there was a glut of work in the region and it looked like a builders' paradise, competition was extremely fierce and as a result margins were fairly tight.

The company, to date, he said had tendered for about 50 different projects and was currently tendering on a further 20.

The latest R8m contact, he said, was for a five-storey residential building with a commercial ground floor as the mezzanine floor. The contract period is 12 months.

The awarding of the latest contract overlaps with the completion of the company's first project in the region — a R7m apartment block which has now been handed over.

Meanwhile Jimmy Thomas, an executive director of Ovcon, said their trading division, managed by Ovcon but which operates through their sponsor company in the United Arab Emirates had secured or was currently negotiating contracts totalling R10m.

"Only a national can be an agent in the region and it has taken us longer than anticipated to get this division up and running.

He said many SA companies had found agencies they had entered into in the region were not successful and were difficult to terminate.

"However our sponsors are reputable and pro-active. While they will be the agent for the SA suppliers, Ovcon has entered into an agreement with the sponsor company that

Middle East bonanza ⁽³²⁾ for Ovcon

CT 7/9/94

it will manage the trading division from arrange orders, to on-selling as well as all the administration and financial aspects."

He said three or four major suppliers had already been registered and licensed and the first containers had gone off.

Most of these trade contracts, he said, were for South African manufactured building and related supplies.

Ovcon recently signed a deal with ExactoCraft, the Cape-based plastic converters, giving Ovcon the right to market their Tiltrak vertical blind systems throughout the Middle East.

ExactoCraft was awarded a Culinan Design Award in 1993 for their vertical blind system and exhibited at the R&T show in Stuttgart earlier this year.

"The first consignment reached Abu Dhabi a week ago, and has been well received both price wise and quality wise," he said.

Thomas said one of the setbacks to trading in the region was that the government agencies did not accept the South African Bureau of Standards certification "as they have never heard of it before".

"We have bought this to the attention of the South African Trade Organisation but certain suppliers considering entering this market might be well advised to obtain an internationally accepted certification," he said.

Grinaker puts in fine performance

ROBYN CHALMERS

RATIONALISATION introduced last year has begun to pay off for Anglovaal's construction and electronics group Grinaker Holdings, with attributable earnings rising more than a third to R41,1m for the year to June.

The group's turnover increased 21% to R2,8bn.

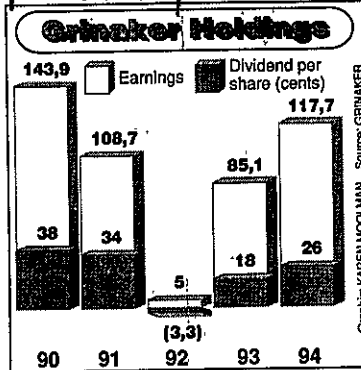
Earnings a share rose to 117,7c from 85,1c during the 1993 year, and a final dividend of 20c was declared, bringing the total dividend to 26c against 18c previously.

Operating profit improved 39% to R107,3m, and R19m in income from investments, together with a lower interest bill of R13m (R16,7m), saw pre-tax profit rise 42% to R113,4m.

After providing for the higher tax charge of R32,9m (R21m), after-tax profit advanced to R80,5m (R58,6m).

Extraordinary items amounted to a net surplus of R16,8m (R32,9m).

One of the strongest turnarounds came from subsidiary Grinaker Construction, Grinaker Holdings' chair-



man Jan Robbertze said.

Turnover rose 18% to R1,1bn and pre-tax profit soared 146% to R24,8m while earnings increased 111% to R18,2m.

Grinaker Electronics boosted earnings a third to R10,6m on the back of a 12% increase in turnover to R285,4m.

Information technology subsidiary Siltek continued its strong performance, raising earnings 23% to R57m and turnover 26% to R1,41bn.

Graphic: KAREN MOOLMAN Source: GRINAKEER

Basil Read suffers net loss of R14,2m

SAMANTHA SHARPE

A POOR performance from Basil Read's civil engineering division was a major culprit behind the construction group's net loss of R14,2m for the 12 months to June, compared with a previous R20,01m loss.

The recently restructured group said it had changed its year-end to December to put it on par with major stakeholder French construction firm Bouygues, resulting in interim results for the year to June.

Turnover showed a marginal increase to R391,49m from a previous R381,6m, but the group said the 1993 figure would have included certain activities curtailed after the Bouygues capital injection of R12m earlier this year.

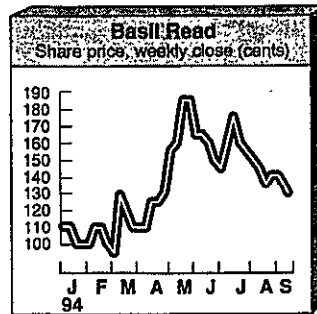
Its operating loss was confined to R11,4m compared with a R17,25m loss at the same time last year, with interest payments reduced nearly 74% to R3,06m.

Losses a share were pegged at 68,8c — a significant improvement on last year's 139,8c, and were based on the average number of shares in issue for the last year.

Chairman Leon Dison said that while the results still showed a loss they were an improvement on the previous year.

"We've been going through a terrible time and it finally looks like we're pulling ourselves out of the red."

He said the group had taken a knock from the poor performance of its civil



engineering division, especially its activities in Botswana, and from strike action in June and July.

The negative effect of the strike action had, however, been fully accounted for in the latest results, he said.

He said the French connection boded well for future prospects and further forays into the subcontinent.

"Bouygues is determined to get the whole thing right and it has tremendous resources and expertise at its disposal," Dison added.

Turnover and profit for the next six months was expected to show an improvement on the latest figures, with the prospect of international development aid to many southern African countries boosting construction opportunities in the region.

700 building firms to the wall

(32) ARG 12/9/94

MORE than 700 building companies have been liquidated in the past three years as a result of a marked decline in industry activity levels.

This is according to the latest annual report of the Building Industries Federation (Bifsa) which added that almost 240 firms closed in 1993, which saw overall real investment in buildings drop by 13,3 percent.

Writing in the overview, Bifsa executive director Ian Robinson noted that the non-residential sector was worst hit, recording a decline of 22,7 percent in 1993, largely attributable to a sharp reduction in public sector investment in buildings.

In contrast, investment in housing fell by three percent in the same year.

Meanwhile, overall building costs or tender

prices rose by an average of 5,4 percent in 1993.

Skilled labour costs rose roughly by six percent last year, unskilled labour costs by some 13 percent and building materials by 6,8 percent.

The report said overall employment in the building industry dropped by 9,6 percent in the year to June 1993, bringing to 200 000 the number of employees in the formal sector compared to a high of about 300 000 in 1982.

"Labour bottlenecks are bound to arise unless employers begin to make immediate commitments to investment in adult basic education as well as business and entrepreneurial training coupled with skills training.

"Bifsa is taking the lead in this endeavour," Mr Robinson said. — Sapa.

Concor ups div payout by 17pc

(32) ARG 12/9/94

Business Staff

INDUSTRIAL-building and construction company Concor Ltd today announced a 46 percent increase in operating income of R19,256 million for the year ended June 30, 1994.

The company said improved results reflected the upturn in the construction industry and a resultant 30 percent increase in Concor's turnover to R632,326 million.

Earnings per share of 135c reflected a 20 percent increase over the previous year and were the highest achieved by the group since its incorporation in 1948.

A final dividend of 25c a share was declared, making 35c for the year — an increase of 17 percent over the previous year.

Chairman Brian Murphy said he was pleased with the results and the balance sheet in general.

He said Concor should again improve earnings in the coming year if the current upturn continued.

■ Negotiations between publishing group Penrose Holdings and eight bidders to sell Penrose's recently acquired 75,3 percent stake in life insurer TimeLife were at an advanced stage, Penrose directors confirmed.

Penrose chairman Albert Alletzhauser said the eight bidders were all top names in South Africa and all the bids were above the R3 million paid by Penrose in June.

At the same time, three bids have been put on the table to acquire the business of Penrose itself.

One bidder is CTP Holdings, which issued a cautionary at the end of August saying it was exploring the possibility.

Two others are rumoured to be Macmillan Publishers and Perskor.

Builders agree to curb price rises

B1 Day 12/19/94

ROBYN CHALMERS

MAJOR manufacturers in the construction industry have pledged to keep price increases below inflation to aid the reconstruction and development programme (RDP), but smaller producers are pulling out of the deal.

Manufacturers including Pretoria Portland Cement (PPC), Corobrik and Anglo Alpha have agreed to the call from Housing Department director-general Billy Cobbett.

PPC MD John Gomersall said the group's undertaking to keep increases below inflation until 1997 was in line with the need for SA to build more homes with limited resources.

Anglo Alpha MD Johan Pretorius said recently he did not believe the cement industry was averse to giving an assurance on reasonable increases in prices to assist the RDP.

But there was a potential problem if moves to scrap the cement cartel succeeded. The Competition Board is due to release a report on its investigation into the future of the cartel this week, and analysts believed it could propose that the government exemption permitting the existence of the cartel be withdrawn.

Anglo Alpha chairman Peter Byland said overseas experience showed that if the cartel's pricing system should fall away, larger customers would be able to negotiate

large discounts at the expense of smaller contractors.

This would negate the aims of the RDP, which called for the promotion of smaller emerging contractors to allow them to compete effectively with major players.

Building Industries Federation of SA (Bifsa) executive director Ian Robinson said large and medium-sized contractors had banded together to form the Building Material Suppliers' Consortium, which was formed two weeks ago.

"We have had undertakings from all the major suppliers to keep price increases reasonable, but we have already had a few shocks. We have had reports of smaller brick and tile manufacturers instituting price hikes of more than 25% which we are viewing very seriously."

Robinson said it was in the interest of the industry to act responsibly to avoid government bringing in price controls. In addition, the office and industrial property rental market could not sustain significant increases even though rentals were beginning to rise.

Bifsa would submit an industry response to Cobbett next week on his call for a compact, as it had received input from all sectors of the building materials industry.

Building industry 'must change to satisfy RDP'

BIDay

14/9/96

Reports by ROBYN CHALMERS
and SAMANTHA SHARPE

MMABATHO — Delegates at the Building Industries' Federation of SA (Bifsa) congress this week were bombarded with messages that the building industry had to change if it was to meet the needs of the reconstruction and development programme successfully.

Speakers pointed to the industry's poor record when it came to productivity, labour relations and assisting in the upliftment of the emerging construction sector, among others.

Consultant Albert Koopman said the construction industry would have to be transformed if it was to deliver 300 000 homes in a year.

"There is one fundamental issue, which is being played out at national level, and that revolves around the fact that the managements of large construction firms are seen to be illegitimate," he said.

"There is a strong belief that there are two sets of standards applied — one to management and one to workers. What this boils down to is the need for better communication between management and workers."

The industry needed to transform itself in terms of a holistic philosophy

of affirmative change. This should be done through participative leadership, empowerment by devolving decision-making, educating the workforce and ending discrimination.

National Productivity Institute executive director Jan Visser said the industry would have to "rethink worker training and management skill development. Training will have to be competency-based and management will have to learn how to empower newly trained workers to contribute to the productive functioning of the industry."

Proper standards and controls were normally considered as primary requirements for increasing productivity, but in SA these should be preceded by sound training and effective involvement and empowerment of staff, Visser said.

"By using their knowledge and insights, the industry can make great strides towards higher productivity. Employers should not forget, however, that this must be rewarded."

Absa chairman Dave Brink said more than 725 companies had been

liquidated in the construction industry in the past five years, and there had been a massive loss of skilled and unskilled labour.

Increased productivity levels could be achieved only through strong leadership, changing people's attitudes and by drawing emerging contractors into the process.

"The biggest problem with delivering the required amount of houses is not in the actual building of the homes, but the ability to obtain finance by providing collateral security to banks."

The issue of drawing banks into the low-cost housing market is being addressed by a task team set up by government and the Association of Mortgage Lenders (32)

Housing director-general Billy Cobbett said recently the RDP could be financed only through the wholesale mobilisation of funds and involving the private sector, particularly with regard to offering credit to home buyers.

He said a plan to expand the scope of banks to include services such as savings, subsidies and housing credit was under consideration, along with the mortgage indemnity scheme.

Bifsa beefs up on initiatives ⁽³²⁾

By MAGGIE ROWLEY
Property Editor

THE Building Industries Federation of SA (Bifsa) is to embark on a "structured programme of sustainable initiatives" on both a national and regional basis to help meet the challenges of the RDP.

This year's annual congress, which ends today, has been spent repositioning the organisation within the framework of the RDP, and delegates are expected to approve motions detailing the organisation's path ahead.

Among initiatives expected to emerge from today's meeting are:

- The appointment of a task force to pursue initiatives in education and training to meeting the capacity building requirements of the RDP. This will include lobbying for appropriate training finance.

- The appointment of a standing committee to interface and liaise with other key stakeholders to establish codes of conduct and procedures for the industry to govern its structures, ethics and working relationships.

- The appointment of a task force to work towards establishing a unified construction industry in consultation with other key shareholders such as trade unions and emerging contractors. CT 14/9/94

- The appointment of a qualified facilitator to research and consult with all other stakeholders including organisations, trade unions, government, civic and professional bodies concerned, to find sustainable measures to improve productivity in the building industry which is currently unacceptably low and in danger of deteriorating further under the pressures of the RDP.

Credit access urged

MIDDLE-SIZED and large construction companies needed to assist small contractors by providing them with access to their credit, says Bart Dorrestein, MD and deputy executive chairman of Stocks & Stocks.

Lack of access to credit due to banks being unwilling to lend into their area was the single most inhibiting factor for emergent contractors, he told Bifsa's 89th annual congress.

Builders in the formal sector would be unable to cope with the scale of delivery required — namely the construction of 300 000 units a year — he said.

Small contractors were the answer to this challenge but they needed assistance.

Dorrestein advocated that contractors operating in the housing arena should plough back 5% of their turnover on these projects into partnerships with the community.

Dorrestein said the formal sector also needed to be encouraged to set up industries in close proximity to housing areas.

The average employee currently spent 20% to 30% of income on transport and commuted up to six hours a day. The cost of this both to family life and productivity in the workplace was enormous.

By increasing productivity 15%, companies could double their profits, he said.

Property Editor

A DEFECTS warranty scheme for subsidised housing could be devised before the end of the year if consensus over key issues could be reached between the Association of Mortgage Lenders (AML), the National Housing Forum and the building industry, says Bifsa executive director Ian Robinson.

A defects warranty scheme for low-cost housing has been stipulated by the AML as a prerequisite for a mortgage indemnity scheme which would in turn free up private sector finance for subsidised housing.

Robinson said however, they were concerned about some extreme standpoints taken by other stakeholders, in particular the AML's proposal that warranties be in place for a 10-year period, whereas build-

Defects warranty scheme in the pipeline for '94

ing materials were only indemnified for one year.

"Three years would be more appropriate and would allow sufficient time for soil condition defects to materialise. The material supply indemnity will have to be aligned to the warranty scheme."

Robinson pointed out that if a contractor was to self-indemnify in respect of warranties, the cost of cover would be far too prohibitive for low cost housing.

It would be more practical to fund the scheme through a payment at plans submission stage at the local

authority. This would be preferable to trying to charge a contractor a percentage of turnover or a cost per house as larger contractors' turnover figures would have to be audited in order to determine what portion of work was for subsidised housing as opposed to other construction work.

In addition, smaller and emergent contractors did not necessarily have the administrative capability to produce such information in a reliable manner.

Robinson said a uniform set of criteria needed to be established.

Brink punts debate on cartels' future

Property Editor

A VIGOROUS debate needed to be conducted on the future of cartels in the building industry, Murray & Roberts' chairman Dave Brink told the 89th Bifsa Congress.

"All factors have to be put on the table and examined in the greatest of detail and people need to reach conclusions about options, to see whether abolishing cartels will in fact offer an improvement.

"For example the cost of transporting cement contributes 30% to the end cost. The logistics of transporting cement from the Transvaal to compete with PPC in the Cape have to be looked at.

"The building industry must go into all these factors with eyes open, because the opinion of the industry will carry a lot of weight."

Tax writebacks help boost Shoredits income

SIGNIFICANT tax writebacks and a lower interest bill helped construction and civil engineering group Shoredits boost attributable income 17% to R2,4m for the year to June from R2m previously.

This was equivalent to earnings a share of 21,9c (18,6c) and directors declared a final dividend of 8c; double the 1993 dividend of 4c. Comparative figures are shown on a pro forma basis as the group changed its year-end in 1993.

ROBYN CHALMERS

Wet weather and poor productivity over the election left turnover marginally lower at R196,2m from R203,2m previously. The interest bill fell to R5,7m from R7,1m, leaving pre-tax income more than five times higher at R2m (R347 000).

Significant tax writebacks saw the tax charge fall to R407 000 from R1,6m, and chairman Andy Shoredits

said the group was unlikely to pay tax in the current year.

"Shoredits took a strategic decision some time ago to invest in plant and equipment in anticipation of an upturn in the economy.

"This strategy is now paying off. We have already won several major contracts, notably the Olifantsvlei sewage works south of Johannesburg and the Suikerbos water purification works near Vereeniging."

CONCOR

Unduly modest rating

What's striking about construction group Concor is not so much that it remained ungeared and improved profits during the building industry's years of famine — though this is commendable — but the share's low p:e of 6,9.

Operating margins are average for the industry and the group has just achieved its highest earnings since incorporation in 1948. Management's aim to diversify income sources underpin long-term prospects. *fm 16/9/94*

By June 1995, more than half of profits will be derived from nonconstruction activities such as toll roads, concrete products and tool retailing and wholesaling.

Chairman Brian Murphy says: "Provided the indicated upturn in the construction industry materialises, earnings should again improve this year."

MATERIAL IMPROVEMENT

Year to June 30	1993	1994
Turnover (Rm)	488,2	632,3
Operating income (Rm)	13,1	19,3
Attributable (Rm)	12,8	15,4
Earnings (c)	112,3	134,9
Dividends (c)	30,0	35,0

On the face of it, therefore, either the market is unaware of this modest rating or shareholders are holding on to their paper. The main shareholder is Eurafrika GmbH, a subsidiary of German construction company Hochtief (35%). *(32) (22)*

Time Holdings share

One possible reason for the rating could be Concor's 50% indirect share acquired in Time Holdings some six months before Time was placed in liquidation. A R7,9m provision was made in the 1993 results. To protect its interest, Concor acquired all the shares in Time Projects Botswana for R2m and the 66% stake in Time Life — which was sold to printing group Penrose in June. No additional provision for the Time Holdings deal is required; so this association hardly seems to justify the share's low rating.

The start and completion of a number of large projects provided most of the profits for financial 1994. Operating income increased by 46% to R19,3m, off a 30% rise in turnover to R632m. The balance sheet is sound, with interest-bearing debt less than a tenth of shareholders' equity. Cash reserves stand at R66m.

Management is bullish and the financials support this sentiment. A price of R15 would bring the share in line with the building and construction sector average p:e. This suggests that, at R8,25, the share is inexplicably cheap.

Kate Rushton

Lifting brick capacity

Fm 16/9/94
 At its March year-end Corobrik, the building materials division of Tongaat-Hulett, was running on 55% of its capacity. That made it profitable, but only because improved efficiencies and cost reductions had reduced the break-even sales level from 75% to 50% usage.

**Savage**

Demand remains soft. Group MD Cedric Savage says the increase in demand has been lower than expected, though it is 5%-6% higher than a year ago.

However Corobrik is gearing up to increase capacity by recommissioning its Odendaalsrus and Crown Mines brick plants. Capacity has also been increased at the Effingham, Maritzburg, Glencoe and Witbank factories. That has raised capacity to about 70%. *(32) (16)*

The expansion, says Corobrik executive chairman Errol Rutherford, is "in anticipation that the country as a whole, and the Reconstruction & Development Programme in particular, will enter the delivery phase later this year."

Corobrik will benefit from the RDP's emphasis on low income housing, particularly if clay face bricks are chosen as the building medium, but the real benefits will probably come from the infrastructure that goes with large-scale housing projects.

"Even in the squatter camps, the first basic needs are a community hall for community activities and meetings and

Fm 16/9/94
 schooling facilities. If we are to create housing, then the need for schools, community halls, health clinics and the like, are essential to the wellbeing of those communities," Rutherford says.

At year-end, Corobrik was contributing R358m, or 9%, of group turnover and R8,3m (4,9%) of profit. An underperformer as recession hit the construction industry, it did, however, use the downturn to streamline efficiencies and lower its cost base. Savage says the division is now well positioned for growth — it should become one of the group's strong performers.

Prospects for the aluminium division will be boosted if the board gives the go-ahead for a R1,6bn hot rolling aluminium mill expansion, partly dependent on Tongaat finding a joint venture partner for the project. A final decision is expected in November.

Interim results, also due in November,

Fm 16/9/94
 should show a continuation of the emerging pattern in the second-half of financial 1994, when all six divisions improved operating profits. That was the first time in several years that all divisions grew profits simultaneously and was largely due to management's earlier thrust to get rid of loss-makers and sharpen the focus of the respective businesses.

Savage says despite disruptions caused by the elections, large number of holidays, violence and strikes, he expects results to show a material improvement" on the first half last year.

The market is anticipating good results. Despite coming off its R55 high, at R43 the share is double the price of a year ago. A p:e ratio of 20,1 is slightly above the average for the Food sector, though with Tongaat's growth prospects there is probably still value in the share at this price.

Shaun Harris

Bifsa shifts goals to align with new SA

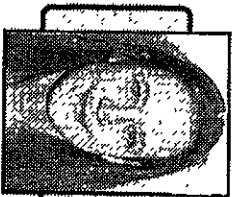
432 CT 19/9/94

LAST week's 89th congress of the Building Industries Federation of South Africa (Bifsa), aimed at repositioning the organisation within the new SA and gearing it to help meet the challenges of the RDP, was a brave, even if self-preserving, step forward for an organisation operating in a traditionally conservative industry.

The choice of speakers lined up to address the congress, including well-known author turned industrial relations consultant and founder and former MD of Cashbuild, Albert Koopman, ensured that the organisation had to take a long hard look at both its strengths and shortcomings and rose admirably to the occasion.

But it was not just the choice and messages of the speakers at the congress which impressed, but the tasks set for and achieved by delegates, who spent the best part of congress workshopping solutions for the challenges ahead.

The face of Bifsa, which represents the formal building and construction sector, has tended to be



Property Perspectives
by MAGGIE ROWLEY

white due to the demographics under apartheid. However, Bifsa has made moves in the past towards creating a unified building industry in the country, and the need to do so was reiterated at the congress and is its main goal for the next year.

As part of this commitment, representatives of other organisations were invited as guests to attend the congress and participated fully in the workshops. For many, it was a daunting first experience of

participating in a democratic caucus. But it was also an essential experience if delegates were to take back and implement in their companies the message that democratisation of workplaces represented the way forward and held the key to increased productivity — a prerequisite for the country to have any chance of meeting the RDP challenges and to become competitive in world markets.

Both the unification of the industry and measures to increase productivity form part of widespread initiatives to be implemented over the next year by Bifsa to enable it to meet the awesome demands of the RDP. Training is another key issue that was addressed and a task force to investigate and institute initiatives in this regard is to be set up shortly.

There is no doubt, if Bifsa achieves what it has set out to do during the next year, it will be a radically different organisation that celebrates its 90th birthday, and the industry will be far better prepared to meet the RDP requirements.

In this, its 90th year of operation, it truly can be said, Bifsa is finally coming of age.

Competition Board rules that cement cartel should be scrapped

THE cartel that fixes prices and market share in the R1,4bn-a-year cement industry should be scrapped, the Competition Board has ruled.

The decision — which has sent shock waves through the building materials industry — is understood to have followed pressure from Trade and Industry Minister Trevor Manuel and Public Enterprises Minister Stella Sigcau.

It is a major blow for cartel members Pretoria Portland Cement, Anglo-Alpha and Blue Circle Cement. Analysts believed it could lead to sharply diminished profits.

(32) The board's long-awaited report, handed to Manuel last week following a 15-month investigation. He is expected to make a ruling on the board's recommendations within weeks. Manuel and Sigcau's opposition to the cartel is in line with the reconstruction and development programme's opposition to market collusion.

Competition Board chairman Pierre Brooks said a number of factors were considered. The investigation was conducted with the co-operation of the SA Cement Producers' Association (Sacpa). "Some of the arguments advanced by

ROBYN CHALMERS
21/11/94

Sacpa were contradictory. For example, in arguing for the retention of the status quo it points to the capital intensive nature of the industry and the high risk involved and modest return on investment. At the same time, it dismisses the notion that there are substantial barriers to entry."

Cartel members were consistently able to make profits and achieve returns on investment that were better than most other capital intensive companies. This was despite operating at about 62% of their col-

lective capacity countrywide and despite the economic recession.

Sacpa argued that Cement Distributors of SA (CDSA), which is owned by the three cartel members, led to cost savings.

Brooks said the benefits of the transportation model, when assessed in relation to the industry's size, were not significant and did not justify continuing the exemption.

Blue Circle Cement chairman Graham Hardy said the organisation did not agree with the board's recommendations, but the exact import of the report was not yet clear. No firm recommendation had been

made on the CDSA's continued existence.

"If the recommendations are ratified by Mahoney, there could possibly be adverse implications for certain cement consumers and industry associate employees. The industry subsidised the prices of cement transported to rural and distant areas. This might no longer be possible."

Analysts said the industry could see prices fall in the short term as producers competed with each other. But the cartel existed primarily to reduce investment risk and, if it was disbanded, producers would look for higher long-term returns.

Electronics sector 'set for rapid expansion'

By Day 27/9/94

SELLO MOTLHABAKWE

THE electronics sector was set for rapid expansion with the National Electrification Forum's five-year plan to electrify 500 000 homes, and could become a new growth sector rivalling the construction industry, sources said yesterday.

They said the Cabinet endorsement of the NEF's proposal to connect electricity to 500 000 homes over a five-year period was long overdue.

Altron group corporate communications executive Jacques Sellschop said group companies had made capital investments of more than R200m in the past two to three years to position the group as a leader in the field.

Dave Brian, whose company Hardware Assemblies is a significant supplier of components to Eskom, said he expected an upturn in production output, employment and revenues. (32)

The industry was likely to get busier around December when the second leg of a project to connect 50 000 more homes started.

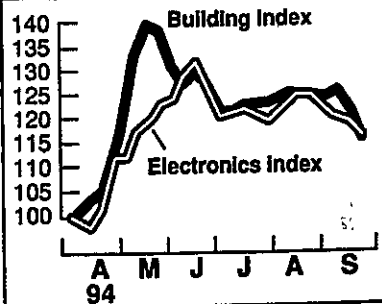
Reunert affiliate GEC Alstom SA group MD Mike Sullivan said the electrification project would benefit the electronics and electrical engineering sectors.

"Insofar as we are concerned we see an upstream benefit in supplying equipment for the transmission of electricity. The downstream benefit will be the increased consumption of products such as lamps, appliances and appliance components."

The latest electrification plans and the endorsement of them at Cabinet level had

Building/construction & electronics indices

Weekly close (Based to 100)



had a beneficial effect on share prices, Sullivan said. "This sector, along with the tourism industry, is considered the growth sector of the economy."

Powertech CE Johan van den Bergh said should the electrification programme gain momentum, it would boost the industry through increased demand for products and services. It would also provide job opportunities.

An industry analyst said the share prices of companies in the electronics sector had gone up in anticipation of electrification projects. "Once it (electrification) gets off the ground companies in the components sector will make good money. Rising earnings will be coupled with good dividends."

The electronics index moved 21 points yesterday to 1 751. The index recorded a year-high of 2 015 in June.

Group Five could see boost due to US claim

BINNEY 11/10/94

SAMANTHA SHARPE

CONSTRUCTION company Group Five's changed accounting policy — which helped lift its earnings from R15m to R17.8m for the year to June — could see a large slice of its \$65m claim on a US contract feed through to its bottom line.

The company said in its annual report that it had been forced to write off the money on a contract it had undertaken with US engineering group Williams Brothers for the Texas Highway Authority.

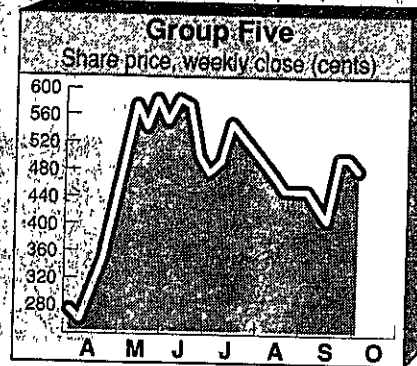
The companies had since lodged a claim against the authority, arguing that most of the losses stemmed from delays due to changes instituted by the authority.

If the claim is successful, the cash recovered — though an extraordinary item — could be brought into Group Five's operating income, following the company's accounting policy changes. (32) (200)

Chairman Theunis Kotzee said the amount recovered would be less than \$65m, as it was unlikely that the whole claim would be successful, and Williams Brothers would also take a portion.

"While it is unlikely the full loss will be recovered, the group is hopeful of a meaningful settlement which would be posted to the bottom line."

Group Five reported a 12% increase in earnings a share to 43.6c on a comparative basis for the year to June, with the change in accounting policy necessitating re-



worked earnings figures to put them in line with last year's earnings to June. Turnover rose 17% to R1,85bn, with income before interest and tax up 31% to R50,4m.

Group Five was hit by losses in its property division, following the sale of unused properties, write-offs on low cost housing land and trading losses in commercial property operations.

But its construction companies had seen their order books for this year significantly healthier than last year.

The group's involvement with the doomed Fancourt golf project could also see a positive outcome.

Fancourt's purchase by overseas investors could see the group recover some of the R18m owed to it in the next 1995 financial year.

M&R forecasts

strong growth

81244 410194
EDWARD WEST

CAPE TOWN — Construction, transport and engineering company Murray & Roberts expected a modest, but higher than inflation, improvement in earnings in its financial year to end June 1995, CE Andre van der Colff said yesterday.

Speaking at a function to mark the release of the group's annual report, he said the M&R was planning strong earnings growth in real terms in 1996 and 1997. Its strategic aim was to double its size in 1993 by 2000.

The group had entered the new financial year stronger in terms of its balance sheet, cash position and cash flows. By year end total assets had climbed 10% to R5,87bn, while borrowings had climbed 3% to R948m. Net borrowings to permanent capital had fallen to 19% from 26%.

Operating cash flow had climbed 51% to R633m while available cash had climbed by half to R419m.

The group planned to expand its international trading operations to 20% of group turnover by 1998. In the past year international trade amounted to 12% of the group's R7,77bn turnover.

WOOLTRU

Fm 7/10/94

Unlocking the energy

Fresh strategies have restored the capacity for growth

Wooltru deputy chairman and CE Colin Hall has a missionary zeal. He is convinced he has uncovered a way of unlocking additional energy from directors and employees that will boost the fast-growing organisation's profits for many years. He is as excited about this as he is about the large earnings improvement posted in the 1994 financial year — so much so that he now spends about half his time running courses and training trainers from all parts of Wooltru.

Sceptics may be chuckling about Hall's obvious enthusiasm for his new and unconventional approach. After all, there are not that many CEs who delve into the mysteries of left-brain rational thinking and the more creative and caring right-brain as it applies to conventional business management. To some outsiders, it may seem somewhat spurious. But, judging by the latest results, it's no laughing matter for competitors. It is Hall who is doing the laughing — all the way to the bank.

Only a year ago, the share price was equivalent to 820c (the share was split 10 times in April); it is now 1 800c. This year group sales increased 20%, pre-tax profit 57% and EPS 58%. Of course, it was not only Hall's teachings that lay behind this. An important factor was the pace at which the Woolworths chain has recovered from its poor 1992 financial year. The other two retailing divisions continued to do well: Select Retail Group (SRG) turned in another vigorous performance; Massmart recorded impressive profit gains that were helped by its acquisition of Dion in August 1993. But Woolworths was the real profit booster.

Woolworths' results should be put into perspective, though. Its 1994 pre-tax profit

of R150m was a 118% improvement on 1993's R68,8m. And the 1993 pre-tax figure was 71% higher than the R40,2m of 1992. Yet in 1991 it was no less than R138,6m; in 1990 it was R147,4m, almost the same as the 1994 pre-tax profit.

For those whose memory of the Woolworths slump two years ago has been dimmed by the passage of time, it's somewhat sobering to contemplate, for instance, that sister company SRG — a good example because its growth has been entirely organic — has grown pre-tax profit from R58m in 1990 to R147m in 1994. Annual compound growth was 26,2%. If Woolworths had grown at the same pace since 1990, its 1994 profit should have been about R370m. Even at 17% annual pre-tax profit growth (about the same as that achieved by Edgars and Foschini), the 1994 figure would have been R276m.

Had Woolworths performed as well as SRG, then Wooltru's share would now be standing on an even better rating than its current 26,5 p:e. That is about the average for the stores sector, which is led by Foschini (31,6 p:e) and Edgars (29,3 p:e). But the market evidently took the view that Woolworths would recover swiftly. And investors plainly believe the group has substantial earnings potential in the short and long terms.

Now that Woolworths is recovering so well, how does the market justify this standpoint? Hall has firm views on the subject.

He reckons that six or seven years ago, the group was highly rated mainly for nostalgic and emotional reasons. He says it was then a somewhat unthinking, paternalistic, white, male-dominated, autocratic, chauvinistic and dependent business that listened slavishly to what Marks & Spencer in the UK had to say. Nevertheless, he says, it had developed a successful formula for its time.

However, instead of allowing the business to become a learning one that was

responsive and growing, the old formula was entrenched and the chain persisted with obsolete practices. The shops were not being upgraded fast enough, far too little was being spent on software or on people development, and there was no marketing strategy. "We were," says Hall, "busy liquidating market share."

In retrospect, the Woolworths earnings fall of 1992 seems to have been the catalyst which, quite rightly if Hall's views correctly represent the situation, spurred far-reaching change. The earnings collapse happened two years after Syd Muller was appointed MD of Woolworths. It was a sobering experience for all. But management worked assiduously at the new strategies and what was a tired looking chain has been turned into a new business.

At an early stage in this process, new faces were introduced

at the top. Farrel Ratner, a merchandising specialist, and Carol Grolman, best known for her skills in marketing and credit control, were enticed from Edgars at attractive remuneration packages. Ian Sturrock, responsible for finance, administration, information systems and the credit card, was recruited from Rusfurn. And the Woolworths board was restructured.

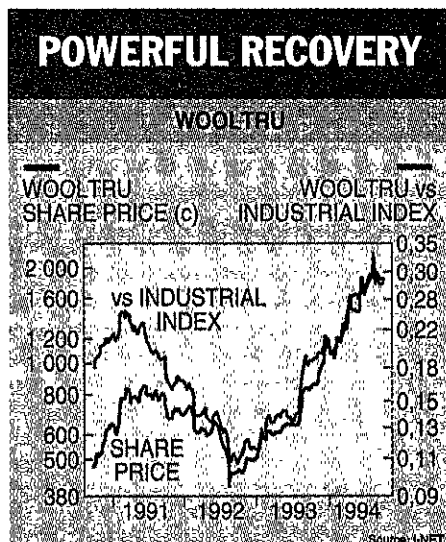
The chain now has a marketing philosophy and clear strategies. Roughly R500m has been spent over the past three years on installing information technology software in every outlet. Systems have been improved and buying procedures modernised. Stores have been upgraded.

Competing with the world's best retailers, this year Woolworths won the US-based Institute of Store Planners award for the best store design in the world. A charge card has been introduced and it helped spur Woolworths' turnover in the last quarter. Says Muller: "We've put in place a compelling business vision that was needed to enthuse and energise the business. I don't think the organisation has ever been in better shape."

At the end of financial 1994, adds Hall,



Hall ... new and unconventional approach



Road fund considered as repair backlog mounts

CAPE TOWN — The reintroduction of a dedicated road fund had been strongly advocated in government, Transport Minister Mac Maharaj said yesterday.

At the Asphalt Pavements for SA conference he said many players in the road industry — government, the construction industry, planners and designers — were dependent on a constant and adequate flow of funding.

Only 52% of essential road maintenance was being carried out. Less than a third of the total of about 183 000km of rural roads was paved.

Maharaj said road construction could provide an opportunity to assist the reconstruction and development programme (RDP) by providing jobs for the skilled and unskilled, for the development of small to medium-sized businesses and in the development of infrastructure.

A review of strategic planning was needed, as was redirection of technology to underpin the provisioning of road infrastructure and its management at all tiers of government.

He questioned whether SA's technical expertise in road design, regarded as among the best in the world, and its reliance on heavily mechanised technology were relevant for the majority of lower

EDWARD WEST

order roads which required attention.

"We have to go back to basics and repair cracks and potholes as they occur instead of trying to hide these problems under a carpet of refined technology," he said.

The constraints on road funding were unlikely to change and a review of the maintenance of SA's roads would stretch funding resources even further. (32)

If SA was to encourage efficiency and long-term stability in the industry, it would not be able to afford the radical fluctuations in funding of transport infrastructure experienced in the past.

All avenues for road funding would have to be investigated. Other sources being explored included fuel levies, licence fees, traffic offence revenues, cross-border levies, traffic generator levies, toll tariffs and RDP funds for roads.

Measures which decreased the physical demand for funds — such as mandatory high vehicle occupancy combined with dedicated lanes in city environs, traffic lane management during peak hours and action on overloading — should also form part of the integrated approach to efficient management of roads in SA.

Group Five might restructure

CONSTRUCTION and engineering firm Group Five was exploring ways of simplifying its group structure to create a more streamlined entity, executive chairman Theunis Kotzee said yesterday.

Kotzee said while no final decision on the proposed restructuring had been taken, the aim was to ultimately reduce the five listed companies within the group to three.

"It may not be possible to downsize to three listed entities immediately, and we could initially reduce the number to four.

"We are considering options such as the swapping of assets which we believe will lead to a more streamlined entity able to trade more effectively and reduce costs."

The group is controlled by a management consortium through a voting pool arrangement between listed Group Five Holdings and SM Goldstein. The remaining listed firms within the group are Group Five, Everite Holdings and Everite Group.

Biday

ROBYN CHALMERS

Everite Holdings is controlled through a voting pool agreement between Group Five and Fedlife Assurance, with management control vested in Fedlife.

Prospects for Group Five have picked up significantly over the past year, with earnings rising to 42,7c for the year ended June against last year's restated 3,7c.

Kotzee said the results were bolstered by a solid performance from subsidiary Everite, contributing R2,6m to Group Five's attributable earnings of R17,8m.

Also, the traditional core businesses — building, civils, engineering and roads — performed well under pressure and showed healthy operating profit growth.

The properties division was the group's bugbear, however, with a loss on the realisation and write-down of surplus residential land holdings and a trading loss in the commercial property division.

M&R exports set to hit target early

MURRAY & Roberts Holdings says exports are growing faster than expected and it is likely to reach its 1998 target of 20% of group turnover a year early. *B/Say*

Exports contributed about 12% to total revenue at R6,8bn in the financial year to June 30 1994, and were expected to increase by 50% in the current year. *13/10/94*

"The way that is accelerating at the moment, we're actually hoping to achieve the target by 1997," said CE Andre van der Colff at a company presentation.

A previously-stated major contract awarded to subsidiary Union Carriage for 64 locomotives for the Taiwan railway administration kicked in only during the 1996 financial year.

Van der Colff said Murray & Roberts, which expected to achieve "modest" real increases in attributable earnings and dividends in the current year — ahead of an expected 9%-10% inflation rate — would see strong growth in the 1996 and 1997 financial years.

The group recently reported a 2% rise in share earnings of 541c for the past year to June 30 1994 compared with 531c in 1992/93, with total dividends at 210c compared with 200c.

Van der Colff said there were plenty of prospects in the offing. *(32)*

The group had been awarded road contracts worth R600m in the past month, among other new deals, he said. — Reuter.

Cashbuild full of optimism

Star 14/10/97

■ BY CHARLOTTE
MATHEWS

The government-led housing boom is expected to have a significant impact on results from building materials retailer Cashbuild from July 1995 onwards, MD Gerald Haumant forecast on releasing the group's interim figures yesterday.

Haumant said the group was gearing itself to derive the maximum benefit from the housing boom and at present was putting long-term growth ahead of short-term profit.

It had embarked on an extensive computerisation, manpower and store development programme to prepare itself for the

upswing.

In the 26 weeks to August 27 group turnover grew by 13,2 percent to R285,1 million. Haumant said trading was affected by disruptions in March and April arising from riots in Bophuthatswana and the elections.

32 Turnover

In the last few months turnover had grown steadily and he was confident this trend would continue in the second half of the year.

Operating income declined by 13,6 percent to R8,5 million as a result of restructuring costs incurred in positioning the company to take advantage of the expected

housing boom.

The interest bill declined mainly owing to a sale and leaseback agreement on R11 million of properties which meant rent paid had increased correspondingly. Cash resources at the end of August were R15 million.

After a decline in the tax bill as well, attributable income grew by 8,6 percent to R3,4 million, equivalent to earnings of 15,6c (14,5c) a share. An interim dividend of 5,5c (5,0c) a share was declared.

Haumant said the allocation of the first 65 000 project-based housing subsidies had already started to benefit the

larger construction companies.

Cashbuild was ideally placed to benefit from the individual subsidy scheme for incremental housing which the government was due to announce in November.

Disappointing

Although sales in Namibia, Botswana, Swaziland and Lesotho were still disappointing, the group was investigating the possibility of extending its operations to Mozambique, Malawi and Zimbabwe.

This would benefit SA manufacturers because almost all stocks would have to be imported from SA.

RDP's housing boom benefits Cashbuild

BISday 14/10/94

AMANDA VERMEULEN

BUILDING material cash and carry group Cashbuild lifted attributable income 8,6% to R3,4m in the 26 weeks to August as the housing boom resulting from the RDP started to trickle through.

Earnings a share increased to 15,8c (14,5c) and an interim dividend of 5,5c (5c) was declared. Turnover improved 13,2% to R285,1m but this was partially offset by an operating loss of 13,6% to R8,5m. (32)

But significantly lower financing charges of R186 000 (R1,7m) left pre-tax income 2,4% up at R8,3m. A lower tax bill of R3,4m (R3,6m), saw after-tax income 6,8% higher at R4,9m. Outside shareholder's interest of R1,5m (R1,4m) left attributable income at R3,4m (R3,1m).

MD Gerald Haumant said election disruptions and riots in the former Bophuthatwana, where the group had eight stores, had an adverse affect on sales.

Traders' demand stayed flat even after the violence abated, and civil servants' strikes led to the collapse of government decision-making structures, causing total paralysis in the building industry.

But recent months had seen an increase in turnover, a trend the group was confident would continue in the second half of the year.

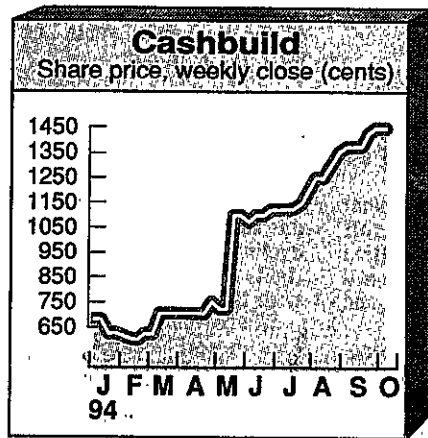
Allocation of the first 65 000 project-based housing subsidies had already started to benefit the larger construction companies, and the group was well-positioned to benefit from the individual subsidy scheme for incremental housing, expected to be announced next month.

The group was gearing itself to maximise benefits from the housing boom that would result from the RDP, expenditure on which had already begun to filter through some of its stores.

Part of the group's preparation for the housing upswing was an extensive computerisation, manpower and store development programme. Two new stores were opened in the period under review, four more were opened in September, and four more would be established soon.

Sales in Namibia, Botswana, Swaziland and Lesotho had also been affected by lower investor confidence levels. Following the better-than-expected SA election outcome, investors realised SA offered a more attractive opportunity than neighbouring states. Consequently sales in those countries were disappointing.

However, the group was investigating an extension of operations to Mozambique, Malawi and Zimbabwe, which generally had good foreign investor-inflated gross domestic product growth.



Forum answers need for training

IMPROVED training and education in the building and construction industry is going to be essential if the sector is to meet the challenges of the RDP.

As such, the establishment of a forum by the Western Cape branch of the SA Institute of Building (SAIB) to formulate a new educational policy for the industry is to be welcomed.

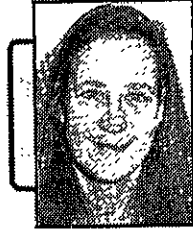
The forum follows suggestions made at a Building Industries Federation of SA seminar earlier this year and the local branch is hoping their example will be followed by others in the country.

The Western Cape forum is attended by representatives from 27 different bodies including nine service and employer organisations, two universities, two technikons, five colleges, one training centre, the Department of Labour, two industry training schemes, three entrepreneurial training organisations, the Chartered Institute of Building, the SA Institute of Building and one manufacturing association.

SAIB president Geoff Sessions said that to cope with so wide-ranging a subject, a number of sub-committees have been established.

These are dealing with matters such as managerial and technical training for the informal sector (which certain members considered to be the number one priority); communication between the universities, technikons and technical colleges (which, at the moment, overlap in some of the teaching given); communication with the building industry to ascertain its real needs and the setting up of a central fund to finance tertiary and other training.

"We are aiming to have a draft document ready for distribution by the



(32) CT 17/10/94

Property Perspectives

by MAGGIE ROWLEY

end of November. We hope that our initiative in this respect will be followed by other SAIB branches."

Mark Massyn, SAIB council member responsible for education said SA builders had to start investing heavily in the training and education of supervisors and middle management if the SA building industry wished to hold its place with other first world contractors, as it has done for the past 30 years.

The money currently available for supervisory and management training, as well as for tertiary education, said Massyn, was simply not sufficient to meet the needs of the new SA.

Problems facing contractors wishing to be enlightened and responsible in this respect, he said, include the prolonged recession, which had made keeping people employed more important than training them and had caused building contractors to cut back on the recruitment of qualified trainees, and the present lack of tax incentives for training.

A further problem was the lack of a central funding body for management training and education in the industry.

"At first sight, all these problems appear to be very difficult. However, we should realise that they have all been faced and overcome by the UK construction industry which somehow managed, and still does, to continue management training through good times and bad."

The RDP's first major threat

Fun 21/10/94

The housing shortage is not a malady to be cured by coercive measures



Government's housing programme - controversial and ill-starved as it has been, is facing an unexpected setback even before it begins its phased progression.

For an unexpected surge in building to meet the pent-up demand for middle-income homes and industrial property is effectively crowding out the poor as the construction and building materials industry hits capacity constraints.

Despite the fact that the National Housing Forum and the Department of National Housing are attempting to step up housing gradually to minimise inflationary pressures, this capacity constraint could turn out to be a major setback, both to the availability of housing for the poor and housing price stability.

Those plans are to begin with subsidy allocations approximating 100 000 homes this year and eventually increasing that number to 300 000 homes per annum by 1999 to meet the RDP's five-year target of 1.5 million homes. A further decade and a half of building at that level is envisaged by Housing Minister Joe Slovo to meet the backlog of homes needed, by which time industry should have enough capacity to cope.

For the construction industry the first difficulty is to find skilled labour. Contractors and building merchants are also experiencing shortages and irregular supplies of some materials and equipment.

The real problem is a three- to four-year backlog of work that is hitting the industry with all the force of an avalanche. Building plans passed in previous years, particularly in the townhouse market, are now being implemented. It took the April election results to see a resumption of confidence and a start on the work.

From Central Statistical Service figures, the pick-up is most marked from July to August in all property markets, including home alterations.

The civil engineering sector typically began to move in line with rising economic activity last year, because major capital projects such as Columbus and Alusaf, as well as steady township servicing work, commenced two years ago. But recent contract awards for major highway programmes (the Natal North Coast road and the N1), and the unexpected pick-up in the non-residential and residential property markets, have caught equipment suppliers napping. "We never expected the upturn so

quickly," says one major supplier.

The industry has been caught with its pants down," says one of the PVV's largest building merchants, Ferrera's director Louis Mendez.

Four years of recession have resulted in drastic retrenchment, downsizing and a loss of capacity, both in plant and productivity. A major shift by contractors to the subcontracting of labour has meant little or no transfer of skills, particularly in contract administration. The construction and building materials supply sectors have become even more concentrated, as firms have disappeared. This means that the sudden pick-up now has higher labour costs. For building merchants this is a boom.

However, in the low-cost housing market, contractors' margins remain painfully thin.

The Bureau for Economic Research's preliminary 13% building cost rise in the third quarter — the highest in years — should be setting off alarms. The annual change in 1993 was about half this.

Certainly the Building Industries Federation of SA (Bifisa), which previously was sure the industry could meet the housing programme, is calling for urgent action. Building price increases and the 1% increase in interest rates, it believes, will add a further 10% to the cost of new homes by 1995, placing them further out of the



London

reach of those most desperately in need.

Its most immediate concern is its limited capacity to train the number of skilled workers needed to meet all the demands on from both a resurgent economy and a housing drive — a task that would see delivery of competent foremen from scratch in only six to eight years if it could start now. Bifisa has urged government to provide R200m a year for training.

The most immediate way of meeting this skills shortage is importation. Bifisa executive director Ian Robinson believes the importation of a limited number of supervisors could put out the short-term fires, say over the next three years.

The big question is whether the recent upturn in the property sector will be sustained along a broad front. Property economist Erwin Rode believes the rise in residential activity in the higher income brackets will be sustained, but questions the sustainability of the non-residential pick-up.

SA Property Owners' Association executive director Brian Kirchmann believes industrial activity will continue. And if indications of demand from the tourism sector are correct, that could prove to be so.

Excluding government's "heroic" RDP programme, Rode is forecasting total growth of 23% in activity in both residential and non-residential sectors between 1995 and 1999.

The National Housing Forum's Working Group Three has been studying the relationship of supply to expected demand. The recently formalised Building Material Supply Consortium is collaborating in an ongoing review of the NHF work.

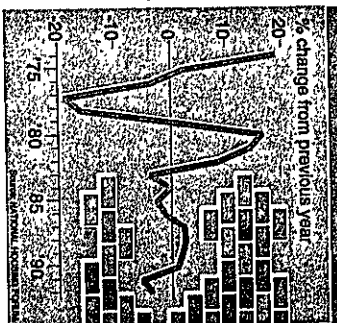
The consortium's executive director, J.P. Landman, says real investment in capacity will take place only when there is more certainty that returns will be commercial and sustained.

"The critical thing is that government follows a consistent policy and that its programme is sustainable. We believe they are doing that and hopefully this commitment will emerge at the housing summit next week. It is true that there are shortages. This is a function of demand outstripping supply. The strength of the recovery has taken everyone by surprise, given the historically low capacity. To compensate, suppliers hope imports will alleviate supply problems.



Continued on Page 28

TOTAL CONSTRUCTION EMPLOYMENT



Continued from Page 24

"Our view is that tariffs must be reduced. Once Ghat applies in January, imports will become cheaper over the next three to five years. That will open the way for more competition and increased supply."

An important question is what the aggregate demands on the construction and building materials supply economies will be from the residential, non-residential and civil engineering sectors. Clarity is required from government. A perceived shift to site and service schemes raises uncertainties over the extent of the labour and materials required. Housing experts say the difference between government's envisaged site and service schemes and those of the past is that now there will be a sustained upgrading.

Civil engineering, according to SA Federation of Civil Engineering Contractors economist Hank Langenhoven, is expected to make up 60% of the RDP, housing aside.

Certainly some building material manufacturers have already started to gear up; others have sufficient capacity. Such is the case in the cement industry, which is able to supply product until the year 2000. But it has to improve distribution.

The clay brick industry is also reporting shortages. Clay Brick Association executive director Nick Louw describes these "delays" as both locational and due to specific consumer choice. But even with plans to increase production by the end of next year by roughly 50% (to just over 6bn bricks per annum), he says there could still be delays. The industry is currently said to be working at 70% capacity, using its surplus capacity to satisfy the sudden increase in demand. Panic ordering could account for some of the problems this sector now faces. Prices over the year "have not exceeded the rate of inflation," says Louw.

The concern in the timber industry is the availability of sawn logs in the medium to long term. The SA Lumber Millers Association cites price increases around 7%

this year and says mills are working at full capacity. Salama says merchants report lead times of up to six weeks for sawn pine from some mills, but says shortages are only locational. In the event of a sudden upswing, it says there could well be pressure on the industry to supply unless manufacturers gear up now. To compensate, importation from Zimbabwe is taking place. And imported wood is cheaper, despite claims of parity pricing in the industry.

The main local producer of plumbing materials is working at full capacity and is reported to "just keep up." Observers say the problem with this producer is one of attitude. It apparently still needs to be convinced that volume production is the way to go to compete with imported products (mainly from the East) at prices 40% lower, even with tariffs.

Exchange rates dictate the costs of imported earthmoving and construction equipment, which accounts for more than half. Smaller loaders and excavators are most needed in the low-cost housing market where delays in the importation of equipment extend for up to four months and more. Pressure is on government to reduce tariffs on heavy vehicles, where punctively high costs, customers say, will jeopardise the entire RDP. Shortages of cement tankers have been noted.

Commercial developers are complaining about a scarcity of bricklayers and plaster subcontractors. The former have upped their prices from R220/1 000 to R250/1 000, the latter by 21% over the past nine months from R6,50/m to R7,90/m.

Natal University's Andrew Merrifield says capacity constraints which lead to rises in marginal costs and, therefore, inflation and other macro-economic problems, are typically of a short- to medium-term nature, say of between two to six years. Once supply-side constraints are addressed, they



Louw

may fall again. "However, the inflationary effects of such supply inelasticities may take longer to be worked out of the economy. This could mean that any benefits from an increase in construction output will be stifled by inflation before the constraints can be overcome by market forces."

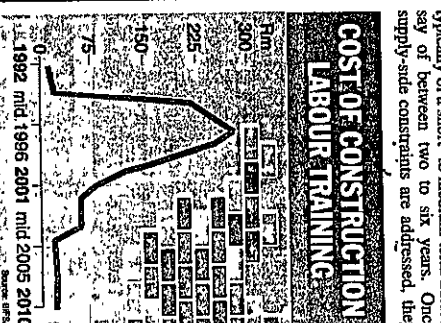
In the debate around housing as a "kick-start to the economy" there have been arguments that construction activity is not import-intensive — but development's biggest overbite. It's simple enough to increase imports, but as with any economic pick-up, Langenhoven comments, the moment this happens, a strain is placed on the country's savings in the form of its reserves. The recent hike in interest rates by Reserve Bank Governor Chris Stals was partly in response to the increased level of imports.

It is unlikely that government will disband its housing programme in favour of job creation, though this is its first RDP priority. The very setting of the target of 1.5 million homes could meet both housing and job aspirations in the short term.

Left to the market, without supply-side intervention, it is unlikely SA could provide more homes than it has in the past. Inflation may see many of those houses incomplete, but this is the political risk government will have to face in 1999 if it fails to meet the target.

To make government's target achievable, the construction and building material supply industries need to make investment decisions around the aggregate demand for their product and services. In addition, low-income housing and other RDP-related projects will mean, as Merrifield suggests, that the construction industry needs to overcome the institutional and logistical problems that surround on-site training. Deploying its managerial and technological capability in the low-income market is likely to be a persistent problem in the short term, as the industry has not been faced with a challenge on such a scale before.

From government's perspective, if the RDP is to succeed, Langenhoven believes it needs to increase capital expenditure by 7%-9% a year and decrease current expenditure. The present ratio is 90% current and 10% capital expenditure. That implies some hard political decisions on wages and jobs. But it also means that deregulation and import protection removal will need to be hastened. Solutions need to be found in the re-assessment of RDP priorities and in supply side measures, especially the removal of import constraints. Any attempt at coercive intervention will exacerbate the housing problem.



Concor bullish on building sector ⁽³²⁾ outlook

ARG 25/10/94

CHARLOTTE MATHEWS

JOHANNESBURG. — Concor has a satisfactory level of work on hand and believes there will be opportunities in the future, and not only in the Reconstruction and Development Programme.

The shares were trading at R10,50 last week, thereby showing a satisfactory return because they were at 395c on the first trading day of 1994.

But other major construction firms have performed even better, and Concor's P/E ratio of 7,8 is about half the building sector average's 15,8, suggesting it is cheap in view of positive prospects for the industry.

Chairman Brian Murphy says in the annual report that the year to June was very successful in financial terms.

As reported recently, earnings a share grew to 134,9c from 112,3c in 1993 and the dividend was raised to 35c after three successive years when it was held at 30c.

The good figures arose mainly from efforts to improve productivity at all operations and from increased construction activity in the second part of the year.

The construction division exceeded forecasts, but there are not many major projects on offer at present, says Mr Murphy.

Concor Technicrete was successful in increasing its penetration in mining.

It paid attention to upgrading machinery, improving productivity, enhancing sales effectiveness and streamlining administration.

Roads and earthworks improved on forecast and its outlook for the current year is encouraging, with the award of a substantial road contract on the north coast of Natal and expected mining contracts.

Concor Engineering reversed previous losses and has been restructured, while Concor Investments expanded its activities through the acquisition of Time Projects (Botswana).

COMPANIES

FM 28/10/94

as a fifth "division" of the group, gross interest receipts of R7,8m in 1994 would have made this the second-most important profit source, after construction which earned R12,8m pre-tax. (32) (1285)

Yet interest receipts still represent a return of under 12% on the gross cash holdings which, in turn, account for almost 28% of the total asset base at June 30. That, it could be argued, hardly makes the cash worth having.

A related aspect is that, though Concor's financial structure was hardly dented by the liquidation of Time Holdings, the R7,9m write-off against this investment was the equivalent of almost two years' dividend at 1994's increased rate. Given that Time hit the wall barely six months after the investment was made, perhaps shareholders would have been better off with an additional 69c in dividends instead of the investment and subsequent write-off.

Similarly, if Concor is generating cash which is not being used fully, is the dividend policy appropriate? The 1994 cover of 3,9 was the same as the average over the past six years, during which period Concor earned a total of 589c a share (before extraordinary items) and paid out 153c. It retained 436c a share, or just short of R50m.

If calculated on dividends, the discount of 27% at which Concor is rated relative to the rest of the sector is only half the discount if the calculation is earnings-based. A more liberal dividend policy would not, by itself, guarantee a more favourable market rating. But it is hard to accept that shareholders' interests are being best served while the share is trading at a discount to the sector when, by all appearances, it is outperforming its competitors in terms of earnings. *Brian Thompson*

PROFIT PATTERN

Pre-tax profit	1993		1994	
	Rm	%	Rm	%
Concor Construction	11,5	63	12,9	49
Concor Technicrete	2,5	13	5,1	19
Coricor Roads	3,5	19	,8	15
Investments/Other	0,9	5	4,5	17
Total	18,4	100	26,3	100

original investment), and a remaining potential exposure of R4m treated in the 1994 financial statements as a contingent liability as the directors do not expect further losses. FM 28/10/94

Concor resumed strong cash generation in the year to June 30. By year-end gross cash holdings had jumped from R34,8m to R66,6m, exceeding shareholders' funds by almost R4m, while cash net of borrowings rose from R30,6m to R54,7m, equivalent to 479c a share out of a total net worth of 550c.

The high liquidity underlines another point made by the FM at the time of the preliminary results — that Concor's investment rating appears to be out of line with the record results of last year. If one takes the cash out of the present 1 050c share price, the operations appear valued by the market at only 571c a share, or R65m in total. Operating earnings (excluding taxed interest receipts) exceeded R10m, giving an operating p:e ratio below 6,5.

That's a large improvement on 1993. Operating earnings were then R9,2m, when the market value excluding cash was only R9,4m — the share price having been 350c last October, of which 268c was backed by cash. (32) (1285)

None of this explains why the market is unwilling to give Concor a rating more in line with the Building & Construction sector, where the average p:e ratio is almost 16.

Ironically, the proven cash-generating ability — which one would normally see as a major plus — may be impairing the market rating. The reason for saying this is that there is not much evidence — particularly after the Time Holdings affair — that the group has the ability to maximise the benefits of its cash pile. That raises the question of what value should be placed on this cash if it is not going to be put to fully productive use.

If one was to consider the cash holding

CONCOR FM 28/10/94

The burden of cash

Activities: Civil engineering, building, roads and toll management. (32)

Control: Eurafrika GMBH 34,8%. (1285)

Chairman: B W Murphy.

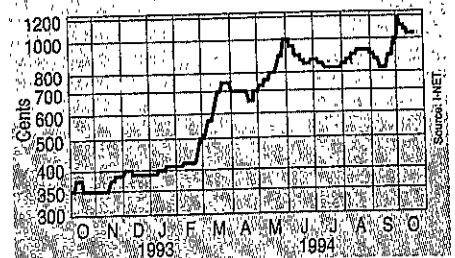
Capital structure: 11,4m ords. Market capitalisation: R120m

Share market: Price: 1 050c. Yields: 3,3% on dividend; 12,8% on earnings; p:e ratio, 7,8; cover, 3,9. 12-month high, 1 050c; low, 350c. Trading volume last quarter, 153 095 shares.

Year to June 30	'91	'92	'93	'94
ST debt (Rm)	2,6	2,0	2,0	9,2
LT debt (Rm)	2,9	2,9	2,2	2,8
Debt:equity ratio	—	(0,78)	(0,39)	(0,86)
Shareholders' interest	0,24	0,24	0,27	0,26
Return on cap (%)	9,2	5,3	6,7	8,0
Turnover (Rm)	550	506	488	632
Pre-int profit (Rm)	11,8	11,3	13,1	19,3
Pre-int margin (%)	2,2	2,2	2,7	3,0
Earnings (c)	112,1	89,8	112,3	134,9
Dividends (c)	30	30	30	35
Tangible NAV (c)	391	448	454	550

It says much for the financial strengths of Concor that it was able to emerge from the Time Holdings debacle with only scratches instead of scars. After the sale of Time Life Insurance, and after taking into account other recoveries, the net damage seems to have been confined to 1993's R8,7m write-off (including goodwill arising from the

Concor



Building industry falls under spotlight of affirmative action and RDP projects

Weekend Argus Reporter

CAN South Africa's building industry cope with RDP programmes? This question will come under the microscope at a high-powered conference in Cape Town on Monday.

Minister of Public Works Jeff Radebe will be the guest speaker at the conference entitled "Implementing Affirmative Action and the RDP in the Build Environment", to be held at the Ritz Hotel in Sea Point.

Hosted by the South African Black Technical and Allied Careers Organisation (Sabtaco), the conference will examine affirmative action and the RDP's implementation by focusing on the construction industry's capacity to deliver.

The conference will address present biases of race, gender and socio-economic status.

"The present structured discrimination of the industry requires an enormous shift to transform the way in which delivery takes place. The conference will tackle the crucial issue of encouraging black people into the mainstream construction economy... a vital part of the RDP. The issues of capacity building and partnerships in contracts will also be examined," a statement said.

Other speakers include Leonard Ramatlakane, Minister of Roads, Transport and Public Works (Western Cape), Ngconde Baloum, co-chairman of the Cape Town 2004 Olympic bid committee, and Delisive

Dudlu of the Black Management Forum.

Coinciding with the conference will be the official launch of Sabtaco (Western Cape). Its mission is to develop and promote technical skills within disadvantaged communities, to enable effective use of technology for sustainable social and economic development at the national, regional and local levels, and to build capacity and empower (economically and socially) communities as well as individuals with technical skills.

Sabtaco's principles include affirmative action, a sustainable built environment, sustainable socio-economic development, capacity building and community empowerment.

The objectives are:

- To promote theory and practice of the technical disciplines in disadvantaged communities;
- To address the unique problems, needs and aspirations of disadvantaged professionals;
- To exchange knowledge and experience between the relevant disciplines;
- To promote technical education and training;
- To conduct research, assist and co-operate with statutory or other bodies;
- To ensure affirmative action and empowerment is implemented; and
- To actively influence interventions to redress past and present inequities.

(32) (100) (200)

Building industry falls under spotlight of affirmative action and RDP projects

(32) Weekend Argus Reporter

CAN South Africa's building industry cope with RDP programmes? This question will come under the microscope at a high-powered conference in Cape Town on Monday.

Minister of Public Works Jeff Radebe will be the guest speaker at the conference, entitled "Implementing Affirmative Action and the RDP in the Build Environment", to be held at the Ritz Hotel in Sea Point.

Hosted by the South African Black Technical and Allied Careers Organisation (Sabtaco), the conference will examine affirmative action and the RDP's implementation by focusing on the construction industry's capacity to deliver.

The conference will address present biases of race, gender and socio-economic status.

"The present structured discrimination of the industry requires an enormous shift to transform the way in which delivery takes place. The conference will tackle the crucial issue of encouraging black people into the mainstream construction economy ... a vital part of the RDP. The issues of capacity building and partnerships in contracts will also be examined," a statement said.

Other speakers include Leonard Ramatlakane, Minister of Roads, Transport and Public Works (Western Cape), Ngeonde Balfour, co-chairman of the Cape Town 2004 Olympic bid committee, and Delisiwe

Dludlu of the Black Management Forum.

Coinciding with the conference will be the official launch of Sabtaco (Western Cape). Its mission is to develop and promote technical skills within disadvantaged communities, to enable effective use of technology for sustainable social and economic development at the national, regional and local levels, and to build capacity and empower (economically and socially) communities as well as individuals with technical skills.

Sabtaco's principles include affirmative action, a sustainable built environment, sustainable socio-economic development, capacity building and community empowerment.

The objectives are:

- To promote theory and practice of the technical disciplines in disadvantaged communities;
- To address the unique problems, needs and aspirations of disadvantaged professionals;
- To exchange knowledge and experience between the relevant disciplines;
- To promote technical education and training;
- To conduct research, assist and co-operate with statutory or other bodies;
- To ensure affirmative action and empowerment is implemented; and
- To actively influence interventions to redress past and present inequities.

Building costs will ⁽³²⁾ rocket, warns expert

ARCT 5/11/94

TOM HOOD

EXPECT building costs to soar 85 percent within the next five years, says Neville Berkowitz, an independent property economist.

This would not only push up the cost of new houses but, if historical trends recurred, it could also mean an increase in property values, rentals and prices of more than 100 percent.

Investors had a golden opportunity to buy at the bottom of the market and reap the immense rewards of selling at the top, he said in Property Professional magazine.

The only condition for this upswing in the market was sustained economic growth of about 2.5 to three percent a year.

But he warned that an economic upswing would require a substantial inflow of foreign investment. If this did not materialise, high interest rates would once more cut off the upswing.

"The residential housing market has firmed substantially in the past nine months and we are reaching a position where new construction of residential hous-

ing is about to lift off.

"This is not only for the sub-economic housing plan for about 150 000 houses a year but also for up-market suburbs.

"Assuming higher than inflation returns to the overheated economy — at an average of, say, 13 percent a year — property values could still show real annual growth rates of 10 percent during the upswing."

Timing a property investment correctly could enable investors to increase their capital substantially.

Referring to the income benefits of an investment, Mr Berkowitz said returns of between 10 and 15 percent in real terms would be possible provided the correct property investments were chosen.

"Property is one medium you should consider investing in during 1994 and 1995," he added.

However, interest rates in the next five years were likely to be substantially higher than at present. This would affect not only the continued affordability of a house owner's mortgage pay-

ments but the viability of property developments.

"My advice is to check the financial muscle of the person proposing a development project as — once again — we are going to see a lot of casualties at the end of this upswing in the property market."

■ A Flemish provincial government delegation headed by President Luc van den Brande this week announced it was negotiating a loan guarantee arrangement to fund low-cost housing in South Africa.

Mr Van den Brande told a news conference in Johannesburg that Flanders wanted to resume links which were severed in 1977 because of apartheid and to reinforce economic, cultural and political contact.

Flemish Vice-President Norbert de Batselier said he and Mr Van den Brande had met political leaders and the main problem which had emerged was that of housing.

"One of the main problems we have seen here is housing and we think we can help," Mr De Batselier told the news conference.

Govt hesitancy causes concern

BIDAY 11/11/94
MICK COLLINS

GOVERNMENT's hesitancy in getting involved in major developments had not halted an upswing in the contracting industry, the SA Federation of Civil Engineering Contractors (Safcec) said yesterday.

However, Safcec warned of a lull in activity in the first half of next year if government did not start implementing the reconstruction and development programme (RDP). (32)

Because of private sector initiatives capacity utilisation had improved to 80% and contracts awarded for the first three quarters of the year increased 46% to R5,5bn (inflation adjusted), a Safcec report said.

Turnover improved 27% to R3,9bn compared with the first three quarters of 1993. Employment levels were 21% higher.

In the first quarter, numbers employed rose to 66 251 from 61 130 in the last quarter of 1993, while the second quarter saw the total increase to 69 329. In the third quarter 70 022 people were employed.

The report was critical of the lack of government spending and said lines of authority and decision-making had not been established or spending priorities determined. "This is of great concern to contractors and indirectly for stability, because expectations are not met. The longer-term sustainability of the growth phase will be in jeopardy — amplified by the poor state of government finances."

Reports indicated "great hesitancy" on

□ To Page 2

Contracting BIDAY 11/11/94

□ From Page 1

the part of public sector institutions at all levels to get funds flowing into projects. Spending priorities had not been determined and the worst case scenario would be that there would be no improvement this financial year. (32)

However, new information coming from the policy arena indicated that capital expenditure from the RDP could be higher than expected.

Safcec said the sector had moved upwards in tandem with the economy, not lagging activity, as was the usual case. Cost inflation expectations were much higher as a result of the depreciating exchange rate and labour costs, and profit margins were under so much pressure that ageing plant could not be replaced. Measured escalation was expected to be 9,3% this year, 10,6% next year and 11% in 1996.

Boumat profit up fivefold

BUILDING materials group Boumat increased earnings nearly fivefold to R16,5m for the six months to September on the back of increased activity in the industry.

Turnover rose 23% to R820,5m, which CE Kurt Hipper said was the result of real growth and additional business activity arising from the acquisition of Federated Blaikie in June. The real effect of the acquisition would be felt in the second six months, he said.

Operating margins remained constant but tight cost control saw operating profit treble to R35m.

Chairman of the Saficon-held group, Sidney Borsook, said the strategic reorganisation of the group begun a year ago continued to bear fruit and was responsible in part for the increase in operating profit.

Earnings a share shot up to 50c (11c) and the group resumed payment of an interim dividend which was declared at 8c, 6,25 times covered by

MICK COLLINS

earnings. *51204*

Borsook said the building industry had started to experience real growth for the first time in six years, and trading conditions were significantly better than the previous interim period. *111197*

He said there had been an uptick in individual orders but the effects of reconstruction and development programme-inspired projects had yet to filter through. *(32)*

Pre-tax profit of R27,5m was nearly five times higher than in 1993, and tax rose to R11m (R2,3m).

The higher level of debt assumed to finance stock and the increase in working capital required to support the higher turnover volumes led to a rise in the debt to equity ratio from 0,5:1 to 0,56:1, which Borsook said was still considered to be a "satisfactory level". Total debt to equity increased from 2,08:1 to 2,18:1.

GROUP FIVE

Unravelling the web

FM 11/11/94

Activities: Composite construction/engineering group.

Control: Management through S M Goldstein.

Chairman: TJ Kotzee.

Capital structure: 41,8m ords. Market capitalisation: R251m.

Share market: Price: 600c. Yields: 1% on dividend; 7,1% on earnings; p:e ratio, 14; cover, 7,7. 12-month high, 650c; low, 88c. Trading volume last quarter, 1m shares.

Year to June	'91	'92	*'93	'94
ST debt (Rm)	0,7	115,4	146,7	29,5
LT debt (Rm)	—	3,5	6,6	20,5
Debt:equity ratio	(0,93)	0,20	0,21	0,10
Shareholders' interest	0,17	0,36	0,35	0,38
Int & leasing cover	n/a	6,6	1,4	2,6
Return on cap (%)	7,2	2,8	2,1	4,9
Turnover (Fbn)	1,3	1,4	1,6	1,8
Pre-int profit (Rm)	39,1	28,3	21,0	47,4
Pre-int margin (%)	3,0	1,8	1,3	2,6
Earnings (c)	77,4	39,6	3,7	42,7
Dividends (c)	25,6	13,2	nil	5,5
Tangible NAV (c)	221	244	213	252

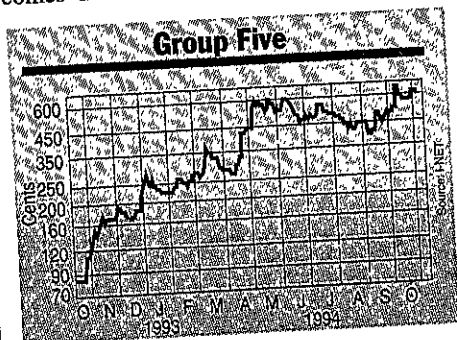
* Re-stated following accounting changes.

(32) The casual announcement by chairman Theunis Kotzee that consideration is being given to simplifying the control structures around Group Five and Everite could not be better timed or justified. These are a dog's breakfast; if the original intention was to frighten off predators, it must surely be unnecessary now.

Meanwhile, the results for financial 1994 confirm recovery: turnover rose 17% to R1,9bn and operating income rocketed to R43,4m, up R24,2m, or better than double 1993's result. Operating margin has improved from 1,2% to 2,4%; while these sound small numbers, they become large when set against turnover.

If there is disappointment in the income statement it is in financing costs, a net R18,5m — almost precisely the same as for 1993. Yet the balance sheet shows borrowings down to R50m from 1993's R153,3m; this highlights the essential time differences in the two documents. Income after a tax clawback of R1,3m was R27,7m (1993: R7,2m); after providing for outside shareholders, attributable is R17,8m and EPS 42,7c (1993: 3,7c). Dividends were resumed with a payment of 5,5c.

A puzzling feature of the balance sheet comes in the investments, which include



endowment policies: last year, these were shown as R46,4m; this year, nil. The implication is that payment was made and received. However, the income statement reveals R4m in fund value increases from this source, and the cash flow throws out R50,4m in proceeds on the maturity of investments. *FM 11/11/94*

Of course, the increase in fund value, taken with 1993's value, exactly equals the cash inflow. Isn't it strange, given such a large movement (actually in Everite) that the chairman's comment is restricted to a single line? Shareholders are entitled to better disclosure and explanation.

This year's results confirm the importance of Everite to the group: its contribution to pre-interest and tax profit was R22,5m or 47,5% of a figure confused by the huge loss of R16,4m in Goldstein Properties. However, Everite's contribution to Group Five's bottom line is only R2,6m because the effective holding is only 23%. Everite is controlled through Everite Holdings by a voting pool of Group Five (40%) and Fedlife Assurance (20%); Kotzee says the group investment increased to 40% this year, because Fedlife exercised its right to put shares to it. The indication is that another 5% of the equity will be put to Group Five over financial 1996.

Short-term prospects hinge around a real and sustained resurgence in economic activity. Kotzee places importance on the RDP. Other factors of potential benefit over 1995 may be a resolution of claims in respect of the Houston Bridge project in Texas, and the ill-fated Fancourt project near George. **(32) (189E)**

The p:e of 14 sits strangely with Everite's 37 and Evhold's 42. What this underlines is that the market is more confident about Group Five's major constituent than it is about the spider at the centre, though this may merely reflect Everite's tight share control. Take note.

David Gleason

GROUP FIVE

Unravelling the web

FM 11/11/94
Activities: Composite construction/engineering group.

Control: Management through S M Goldstein.

Chairman: TJ Kotzee.

Capital structure: 41,8m ords. Market capitalisation: R251m.

Share market: Price: 600c. Yields: 1% on dividend; 7,1% on earnings; p:e ratio, 14; cover, 7,7. 12-month high, 650c; low, 88c. Trading volume last quarter, 1m shares.

Year to June	'91	'92	'93	'94
ST debt (Rm)	0,7	115,4	146,7	29,5
LT debt (Rm)	—	3,5	6,6	20,5
Debt:equity ratio	(0,93)	0,20	0,21	0,10
Shareholders' interest	0,17	0,36	0,35	0,38
Int & leasing cover	n/a	6,6	1,4	2,6
Return on cap (%)	7,2	2,8	2,1	4,9
Turnover (Rbn)	1,3	1,4	1,6	1,8
Pre-int profit (Rm)	39,1	28,3	21,0	47,4
Pre-int margin (%)	3,0	1,8	1,3	2,6
Earnings (c)	77,4	39,6	3,7	42,7
Dividends (c)	25,6	13,2	nil	5,5
Tangible NAV (c)	221	244	213	252

* Re-stated following accounting changes.

The casual announcement by chairman Theunis Kotzee that consideration is being given to simplifying the control structures around Group Five and Everite could not be better timed or justified. These are a dog's breakfast; if the original intention was to frighten off predators, it must surely be unnecessary now.

Meanwhile, the results for financial 1994 confirm recovery: turnover rose 17% to R1,9bn and operating income rocketed to R43,4m, up R24,2m, or better than double 1993's result. Operating margin has improved from 1,2% to 2,4%; while these sound small numbers, they become large when set against turnover.

If there is disappointment in the income statement it is in financing costs, a net R18,5m — almost precisely the same as for 1993. Yet the balance sheet shows borrowings down to R50m from 1993's R153,3m; this highlights the essential time differences in the two documents. Income after a tax clawback of R1,3m was R27,7m (1993: R7,2m); after providing for outside shareholders, attributable is R17,8m and EPS 42,7c (1993: 3,7c). Dividends were resumed with a payment of 5,5c.

A puzzling feature of the balance sheet comes in the investments, which include

endowment policies: last year, these were shown as R46,4m; this year, nil. The implication is that payment was made and received. However, the income statement reveals R4m in fund value increases from this source, and the cash flow through out R50,4m in proceeds on the maturity of investments. *FM 11/11/94*

Of course, the increase in fund value, taken with 1993's value, exactly equals the cash inflow. Isn't it strange, given such a large movement (actually in Everite) that the chairman's comment is restricted to a single line? Shareholders are entitled to better disclosure and explanation.

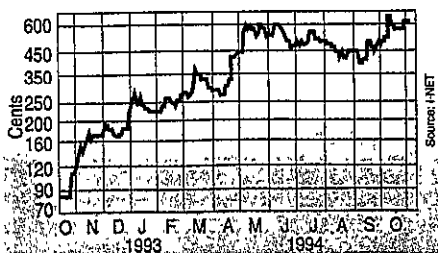
This year's results confirm the importance of Everite to the group: its contribution to pre-interest and tax profit was R22,5m or 47,5% of a figure confused by the huge loss of R16,4m in Goldstein Properties. However, Everite's contribution to Group Five's bottom line is only R2,6m because the effective holding is only 23%. Everite is controlled through Everite Holdings by a voting pool of Group Five (40%) and Fedlife Assurance (20%); Kotzee says the group investment increased to 40% this year, because Fedlife exercised its right to put shares to it. The indication is that another 5% of the equity will be put to Group Five over financial 1996.

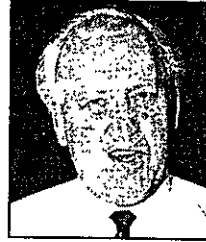
Short-term prospects hinge around a real and sustained resurgence in economic activity. Kotzee places importance on the RDP. Other factors of potential benefit over 1995 may be a resolution of claims in respect of the Houston Bridge project in Texas, and the ill-fated Fancourt project near George ~~(32)~~.

The p:e of 14 sits strangely with Everite's 37 and Evhold's 42. What this underlines is that the market is more confident about Group Five's major constituent than it is about the spider at the centre, though this may merely reflect Everite's tight share control. Take note.

David Gleason

Group Five





Robinson

in tandem with the economy. Comparing the first three quarters of this year with the first three of last year, use of capacity improved to 80% and the value of contracts awarded increased by 46% after adjustments for inflation.

In rand terms, turnover was 27% higher but only 16,5% up after adjustment for inflation. (32)

The industry is disappointed that government has not yet started moving on civil engineering projects. Says Vance: "New lines of authority and decision-making in government have not been established and spending priorities not yet determined."

Building and material costs will increase and this will be factored into contracts. Partly because the exchange rate has already dropped by 16% this year, Safcec believes that plant prices will increase by at least 12,5% between now and 1996 with fuel going up by about half the inflation rate. Vance says labour costs should "hopefully not rise by more than 9% in 1994, 11% in 1995 and 12% in 1996. Material prices should move in line with producer prices, 6,4% in 1994, 10,3% in 1995 and 10,8% in 1996." ■

CONSTRUCTION INDUSTRY

Hoisting itself up

FM 25/11/94
The fortunes of the building industry are improving, though not dramatically, says Building Industries Federation of SA executive director Ian Robinson.

Projected turnover for this year is R15bn — the same as last year's. But Robinson says: "If SA takes the high road, industry turnover will jump 60% to R24bn, in today's money, by the year 2000. To achieve that, the RDP should be implemented soon and we must assume we'll build 300 000 houses within five years."

Priority will be given to satisfying the demand for housing, which will in turn create a demand for schools and offices. The pick-up in tourism, he says, could create a demand for more hotel rooms and if Cape Town gets the nod for the 2004 Olympic Games, the industry in the Western Cape should get a R3bn boost.

The rising office and retail space rentals are encouraging, he says, and indicate that commercial developers must start building again. (32)

Civil engineering contractors may be drifting but they're still smiling. They are well out of their nadir, which they reached in the first quarter of 1993 when turnover dropped below R940m.

In the third quarter of this year the sector turned over R1,37bn, was awarded contracts worth R1,48bn and had R3,65bn of remaining work on the books.

SA Federation of Civil Engineering Contractors (Safcec) executive director Willie Vance says the industry is still "in a recovery phase."

The industry moved into a growth phase

Building industry on track

By MAGGIE ROWLEY

Property Editor

MOST builders believe that the construction industry has already turned and activity will grow by a further 5% to 10% in 1995, according to the latest survey by BMI Building Research Strategy Consulting Unit.

BMI economist Llewellyn Lewis said that building activity during the first nine months of 1994 was perceived to have been between 4% and 5% better than the comparable period for 1993. Over the next six months activity was expected to show further growth of about 4% to 5%, rising to 5% to 10% in the second half of 1995.

More than 60% of respondents in the formal building sector reported that in their view the industry had turned, while 27% believed that the turnaround would come in the first quarter of 1995 and about 10% that the turnaround would be delayed until the second quarter of next year.

Lewis points out that while it was clear that healthy growth could be expected next year, this would depend on the success with which the RDP was implemented, particularly as far as affordable housing was concerned.

Scepticism over boycotts issue

Property Editor

THE emergent building sector is sceptical that the government will be able to curtail bond and rent boycotts, the latest survey of the industry by BMI Building Research Strategy Consulting Unit has found.

Emergent builders expect the market to grow by between 4% and 5% during 1995 — a conservative estimate particularly if the RDP gets off the ground as it should, says BMI economist Llewellyn Lewis.

"This indicates a degree of scepticism on the part of emergent contractors as to whether the RDP will really take off and is particularly true for the emergent builders because they expect the major growth to take place in the affordable housing sector — the sector

which they are most involved in."

The survey found that now the Housing Summit had taken place in Botshabelo and a Housing Accord had been reached between all the key stakeholders, 43.5% of respondents were keen to get involved immediately in the affordable housing market with a further 39% indicating they would like to do so in due course.

Only 17.4% of the informal building sector surveyed indicated they would not be interested in ever getting involved in this sector against nearly 50% of building contractors in the formal sector who were sceptical about the government's ability to meet the RDP housing vision and "lukewarm" about how achievable the Accord would prove to be.

Only the hope that they could enter the market in due course.

"The Housing Accord, signed at the summit is not regarded by the formal building sector as providing the panacea to the housing problem.

"In particular, the achievability of the Accord is questioned with regard to quality workmanship, whether sup-

pliers can keep their costs below the rate of inflation and whether the government can provide sufficient subsidies in order to deliver one million houses in five years."

"This once again confirms that affordability is the major problem and that with access to subsidies and end-user finance to leverage the subsidies, an impact can be achieved on the affordable housing backlog.

"At this stage, however, government has certainly not been able to convince the organised building industry or the emergent builders that their commitment is serious."

Lewis said the undertaking by the finance industry to move downmarket to R10 000 to supply end-user finance was ranked as the most achievable of all the various accords signed with almost 69% of respondents agreeing that a six to 12 months Building Product Defect Warranty Scheme should be introduced.

On the non-residential front, the outlook for the industrial market segment was regarded as the most attractive and competitive, followed by the office and retail sectors.

The major concern, however, appeared to be the threat of "potential new entrants" into this market.

CT 25/11/94

32

'Builders' break costs 8 weeks' production'

By MAGGIE ROWLEY (32)
Property Editor

CLOSING down the building industry in December is an archaic and counter-productive practice which is a drain on the economy, say leading building material suppliers Crammix and Corobrik.

Charles Pritchard, MD of major clay brick producer Crammix said that this was particularly so in the Cape as the region experienced some of its best building weather over the traditional shut down period from mid-December to mid-January.

"It is absurd that an entire workforce shuts up shop when they could be at their most productive. Bringing the industry to a halt is by no means just a matter of a cutoff date and quick start again either. Production slacks off for a few weeks before the holidays and getting up a full head of steam takes another couple of weeks at the beginning of the year. You are looking at almost eight weeks' production loss

ET 7/12/94
"Comes the Cape winter and the building industry again takes a dive as the cold fronts line up to dump days of miserable, work-stopping weather. Not for us the quick thunderstorm, over in an hour. Strictly speaking, that is when the building industry should be taking its break, but even so, there really is no appropriate precedent for an entire industry to come to a halt."

Pritchard suggested that the building industry follow the example of commerce and the professional sector, where annual leave was an individual decision by employees in consultation with their employers.

"This would also enable the industry to employ at least 10% more workers without any of the loss of revenue occasioned by the total shut-down.

He expected a 5% to 10% production increase requirement for 1995 in the Cape, unlike Transvaal and Natal, with their 25% expected increases. "The Cape is just that little bit slower at the moment," he said.

M&R plans to spend R2 billion

22/12/1994

BY DEREK TOMMEY

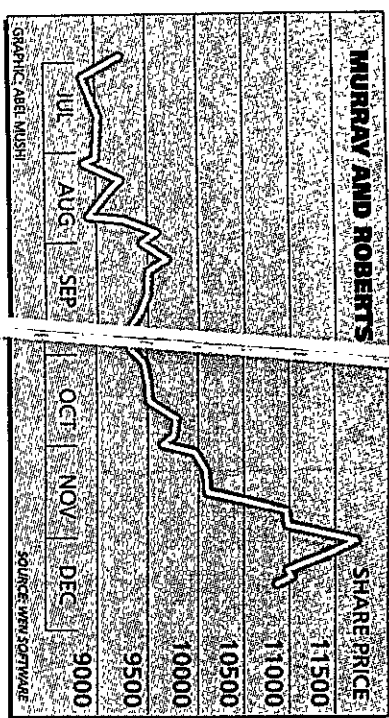
The local construction industry is about to receive a shot in the arm from Iscor's R3 billion Salamba Steel venture.

This has come at just the right time for the major construction companies as it will help fill the gap being left by the completion of the Alusat and Columbus Stainless Steel projects.

It is understood that tenders for the venture have to be submitted in the next few days.

One company which the venture could help is Murray and Roberts, the construction, engineering and transport giant, which has ambitious plans to grow rapidly in the coming years.

Chairman David Brink told shareholders a little while ago that M&R plans capital expenditure of R2 billion in the next three years on improving its plant and facilities. This is part of a plan aimed



at growing M&R to twice its 1993 size in real terms by the year 2000.

He added that a significant part of this growth would come from overseas. Because of the country's political situation only 10 percent of the group's total turnover in recent years has come from foreign work and exports.

But following the previous falling away of sanctions, it is developing new export

foreign activities.

The ending of the recession and the new spirit of cooperation in Southern Africa could provide an abundance of opportunities which will suit what M&R has to offer.

He says these foreign activities are targeted to reach 20 percent of group turnover in value by 1998.

However, exports are growing faster than expected and it is possible that M&R could

reach this figure a year earlier, says chief executive Andrew van der Colff.

Brink says that M&R's prospects for improving current attributable earnings depend on the timing and the extent of RDP expenditure in the year ending June, 1994.

Ambitious housing plans have been announced but before these can be implemented, the problem of ensuring that mortgage payments are made needs addressing.

"In addition, it is essential to develop the infrastructure to support communities in a sustainable manner".

He reports that that the prospects for a better business climate are noticeable in many parts of the group.

Order books have shown a marked improvement and this, together with the group's involvement in major projects should lead to solid growth in operating profits in 1994-95.

Building costs about to spiral

32

CT 28/12/94

By MAGGIE ROWLEY
Deputy Business Editor

THOUGH the revival in the building industry is still relatively weak, there are already clear signs of shortages of skilled labour and certain building materials, according to property economist Johan Snyman of Medium Term Forecasting Associates.

Competition in tendering, he says, is easing and building costs are rising more rapidly than they have done in recent years with tender prices having shot up by 10% to 12% over the past year.

A further acceleration can be expected in coming years as greater demands are made on the resources of the building industry, he says.

Snyman forecasts that total investment in both residential and non-residential buildings should show growth of 1% this year against a decline of 11% during 1993.

He says that activity should start picking up next year with total investment in buildings showing a 7% growth followed by an 11% growth in 1996 before tai-

loring off to an 8% growth in 1997 and a 6% growth in 1998.

He points out that these forecasts are based on the recent fundamental revisions of the Reserve Bank data, which has seen a change of base year, incorporation of the informal sector and reclassification of certain public corporations as private investment, which, in turn, has bought a shift towards the private sector and away from public sector investment.

Total investment by the private sector in residential buildings is expected to grow by 5% this year, 7% next year, 12% in 1996, 9% in 1997 and 12% in 1998.

Public sector investment in residential buildings on the other hand is expected to show more moderate growth of 5% this year, 7% next year, 11% in 1996, 9% in 1997 and 8% in 1998.

Private sector investment in non-residential buildings which declined by 19% last year and is expected to show a further decline of 2% for 1994, was expected to increase by 9% next year, 11% in 1996, a further 9% in 1997 before tailoring off to a 3% increase in 1998.

Again, public sector investment in non-residential buildings is

expected to show more moderate growth rates in the medium term. This sector also registered a decline of 17% last year and was expected to show a further drop of 4% for 1994, but is expected to grow by 4% next year, 5% in 1996, 1% in 1997 and 9% in 1998.

Snyman says, given that interest rates are likely to rise further during 1995, local economic growth prospects were expected to be lower than previously forecast with GDP now expected to rise by about 3.5% next year.

Against this background, he said the building industry was expected to perform well next year and particularly in 1996 once the RDP expenditure, which is mostly building related, starts to gather momentum.

While current trends are positive in private housing, this was not yet the case in public housing and it would probably take until mid-1995 before the mortgage indemnity scheme, the capital subsidy scheme and related matters are sorted out by government.

"Current trends in the non-residential sector are more favourable than this time last year and prospects are much improved for 1995 given the foreseen acceleration in overall economic growth."

CONSTRUCTION - GENERAL

1995

JANUARY - MAY

Bifsa 'satisfied' with alliance-building

(32) 2091195
THE Building Industries Federation of SA says it is satisfied with its efforts to forge alliances between its members and small, medium and emerging entrepreneurs.

Bifsa executive director Ian Robinson said representative organisations in the Northern Transvaal, Eastern Cape and Free State had been constituted into building forums and federations and were recognised by the provincial governments. The unification process was last year

SELLO MOTLHABAKWE

adopted as a major objective in Bifsa's five-year strategic plan. Another objective was reviewing entry criteria and the introduction of a tiered membership system so that all employers in the industry could qualify for a membership category.

At national level, Bifsa continued to act as the secretariat for the Construction Council of SA.

Building sector 'more confident'⁽³²⁾

BD 17/1/95

EDWARD WEST

CAPE TOWN — Business confidence in the building industry improved only slightly in the fourth quarter, but a continuous improvement was expected in 1995 and 1996, said the Stellenbosch-based Bureau of Economic Research (BER).

Releasing the results of a survey, the BER said yesterday building contractors and sub-contractors experienced a much better fourth quarter in terms of work on hand relative to the third quarter, as well as compared with a year ago. Realisations generally exceeded expectations.

Expectations for the first quarter of 1995 were positive, with the recovery particularly evident in the residential sector. While the level of confidence of this sector improved to an index figure of 51 from 40, the index deteriorated slightly for the non-residential sector.

Tender competition fell slightly as a result of more work on hand. The third quarter's sharp acceleration in building costs was sustained in the fourth quarter and the annual average BER building cost index was 9,9%, with the tempo of increase unlikely to change much in the near future, the BER said.

Factors constraining business activity in the fourth quarter were chiefly demand and finances. No shortages of materials were apparent. Given the poor demand, a short-

age of raw materials was not yet posing a threat, but once demand started improving, this could lead to shortages and high price increases.

Quantity surveyors polled said they appointed more employees in the fourth quarter and more appointments were planned for the first three months of 1995. The number and value of projects at sketch plan stage increased in the quarter compared with the same period a year ago. However, fewer bills of quantity were reported and fewer contracts were awarded in the fourth quarter.

The BER said employment in the architectural sector fell marginally in the fourth quarter, but expansion was expected early in 1995. The number and value of projects at sketch plan stage increased, but did not live up to expectations. Fewer contracts were awarded over the same period last year and architects were "cautiously optimistic" about the first quarter.

House prices of particularly medium-sized and large houses started to increase more rapidly in the 1994 second quarter, a trend which continued to the third quarter and which was expected to increase in 1995. The property market experienced a tough third quarter in 1994 and market participants were still experiencing tough conditions.

Building costs ⁽³²⁾ likely to climb

STAY 17/1/95

■ BY THABO LESHILO

Building costs look set to maintain their steady climb after a further 11,2 percent rise in the fourth quarter of 1994, says a Bureau for Economic Research (BER) survey.

The survey partly blames the "slightly less keen" tendering competition for the continuing rise.

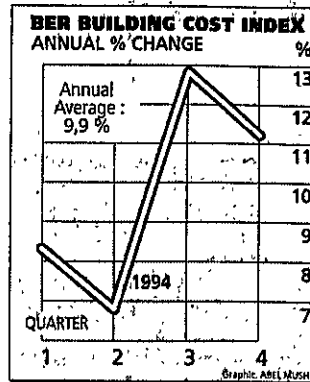
It says market conditions remain unfavourable after the tough third quarter (12,8 percent), spelling bad news for jobs.

Architects reported a marginal four percent decline in employment levels compared with last year — "a further deterioration relative to the third quarter, when employment seemed to be improving".

However, a majority of architects are planning to hire more people this quarter, citing expectations of a relative improvement in the building industry.

While in the third quarter 20 percent of architects expected more projects, only seven percent reported more during the period under review, leading to lower expectations for the first quarter of this year.

The employment situation among quantity surveyors improved one percent, compared with five percent in 1993. A 12 percent increase in jobs for the first three months of this



year is expected.

Three percent of those surveyed said the value of projects at "sketch plan stage" increased more or less in line with expectations. A healthy 27 percent are optimistic projects will increase.

Contractors and sub-contractors fared better, with more work on hand relative to the previous quarter and 1993. The recovery was marked in the residential sector.

Tendering competition among contractors fell a percentage point to 39 percent, while sub-contractors reported higher tenders (59 percent).

"This measures up to the difference in reported work on hand: if more work is on hand, tendering competition will be more keen," says the BER.

It expects cost increases to remain high if the work of sub-contractors increases.

Contractors

looking to RDP

CT 17/1/95

(32)

JOHANNESBURG. — The building industry is pinning its hopes on the Reconstruction and Development Programme after another tough year, the University of Stellenbosch's Bureau for Economic Research said.

In its latest survey of the building industry, Ber said architects had reported that the year-on-year number and value of projects at sketch plan stage increased in the last quarter of 1994, but they did not live up to expectations.

Fewer contracts were awarded but architects were "cautiously optimistic about the first quarter" of 1995. Em-

Industry cautiously optimistic

ployment, however, fell marginally in the last quarter.

Quantity surveyors appointed more people and they planned to appoint more staff in the first quarter, it said. The number and value of projects at sketch plan stage increased, and further increases were expected in 1995.

Building contractors and sub-contractors saw work in hand rise in the

fourth quarter and realisations exceeded expectations.

Rising cost

Tender competition decreased marginally because of more work on hand but there was no serious shortage of skilled labour. Building costs continued to rise.

There was no shortage of building materials, although contractors reported slower delivery.

Business confidence was strongest in the residential sector and Ber said the "initiatives surrounding certain parts of the RDP should boost developments in the building industry". —
Reuter

e's money ● Architects optimistic for 1995

Building industry boosted

By Mzimkulu Malunga

EMPLOYMENT prospects for architects and quantity surveyors are better this year than they were at the same time in 1994.

This is according to the latest building industry survey compiled by the Stellenbosch-based Bureau for Economic Research. Although some architects reported a nominal decline in the number of people employed in the last quarter of last year, many are optimistic about this year's prospects.

"A net majority of architects plan to employ more employees in the first

quarter of 1995. They therefore expect the relative improvement in the building activity to continue," says the survey. Employment conditions in the quantity surveying sector are also expected to improve during the course of the year. There has been an increase in the number of quantity surveyors who expect to employ more workers this year. 19/11/95

Business conditions for both architects and quantity surveyors are also better than the same time last year, says the BER.

Things are also looking up in home building. Almost 30 percent of the

respondents report increased volumes of work. "These results by far exceed the expectations expressed by most participants in the last survey."

"The contractors' expectations for the first quarter of 1995 are equally optimistic," says the BER. The slight decline in competition for tendering also suggests that there is more work than in previous years. Due to increasing activity in the building industry, costs are expected to go up.

The construction industry, says the BER, can smile for time being because skilled labour, raw materials and finance are still available.

Reed Tapoe

nightmare

Municipal Reporter

A BUREAUCRATIC nightmare, is in the offing for developers, architects, builders and homeowners due to a clause in the new laws governing transitional councils.

The change may lead to even longer delays in the passing of plans and a severe setback to the building industry.

The new law, which means that town planning committees will no longer be able to delegate the approval of certain plans to council employees, comes into effect with the changeover to non-racial councils next month.

Details of the change emerged yesterday at a town planning committee meeting where officials admitted that the clause could lead to problems not only for people who want plans approved but for town planners as well.

Town planning committees throughout the country may be loaded with more work than they can cope with.

Already some developers and many smaller-scale builders are complaining about delays of several months.

A Constantia architect who did not wish to be named said the new delays "are going to be a disaster".

"Getting plans passed timeously in Cape

New law

will delay

house plans

Town has always been a headache and it was a great help when some of the load was passed on to council delegates.

"Developers do not want to see their money tied up awaiting council approval," he said.

Kensington builder Mr Greg Josias said he was "thoroughly disappointed".

He said builders were desperate for work and could not afford to wait even longer periods than they already did for council go-aheads.

A private builder who did not wish to be named said: "I was hoping things would get better with a new council, not worse".

Town planning committee chairman Mr John Muir said last night that passing an ordinary building plan should be unaffected by the Transition Act, but those in which any special permission was sought

CT19/1/95 (32)
— such as building close-to-a boundary, or seeking permission to build higher than regulations permit — would be affected.

Already "uncomplicated" applications took about a month to approve.

The committee was told that some Kempton Park negotiators had wanted to make it more difficult for councils to approve major land use changes, such as having low-income housing in high-income areas.

This was the idea behind making councillors more directly responsible for every slightly unusual approval that was passed. Senior surveying and land information official Mr Ian Kirkwood said yesterday that 80% of, for example, applications for subdivision of plots of land were handled by officials, rather than by the town planning committee.

The municipality dealt with nearly 600 such applications each year.

Applications for clearance transfer of ownership were even more frequent, with council employees processing up to 20 a day.

Mr Kirkwood said town planning agendas and reports would be considerably thicker than they are now — in the region of 300 pages — if written reports were still expected on each item.

City legal adviser Mr Chris Glaum suggested that instead of written reports "you may have officials coming to address you verbally".

BUILDING WARRANTIES

Everything has a price

The first compulsory builders' defect warranty scheme is likely to be accepted by all parties within a fortnight. For the first time consumers may have some protection in an industry plagued by jerry builders and fly-by-nighters. But — it is certain to raise building costs.

Aside from offering homeowners additional security, its most immediate effect will be to unleash private-sector bank finance for low-cost housing. Banks have balked at opening credit lines on low-income housing because of the risk to their investments inherent in shoddy building work.

A steering committee set up three months ago to establish the scheme met this week to finalise the proposal, which has been underwritten by the Building Industries Federation of SA (Bifsa).

Executive director and steering committee chairman Ian Robinson says the next step will be to get mandates from constituencies represented by committee members. He says the chances of achieving this are good. He expects only minor changes to be made to "the proposed establishment of a National Home Builders' Registration Council and a Home Builders' Warranty Fund."

All accredited contractors will be required to provide a standard industry warranty on houses constructed costing more than R22 500. The warranty will be a prescribed agreement with the customer and will cover all patent and latent defects in the construction of a dwelling for a three-month period after its completion and thereafter for the remainder of a five-year period on certain elements.

It is envisaged that the standard contractual warranty will be underpinned by a Home Builders' Warranty Fund, at the discretion of a Home Builders' Registration Council, but only in regard to failure of the foundation structure, structural shell, drainage and electrical systems, roof or plumbing systems and only where the contractor is no longer in existence or persists in defaulting on his obligations.

The proposal puts the emphasis on the responsibility of the original contractor to repair damage and limits the role of the council to one of a regulator, not guarantor. If the contractor fails to act, the warranty fund may step in and do the repairs at the cost of the contractor. In this instance a penalty on the levy payable by the contractor to the warranty fund for new houses constructed may apply, if the contractor is not delisted. The industry is still calculating the levy amounts as well as the financial modelling of the fund itself.

Should the proposal be acceptable an accreditation board, otherwise known as the Home Builders' Registration Council, would be set up as well as an inspectorate board with provincial branches, plus the administration to run the warranty fund itself. The umbrella Home Builders' Registration Council will take the form of a Section 21 company and be controlled by an independent board consisting of not more than 15 members.

The board will comprise no more than four members from the Council of Construction for Southern Africa which represents emerging and established home builders, not more than two members from the building materials supply sector, up to two members each to represent the professions and the Association of Mortgage

lenders, one member from government, up to two members to represent national housing consumer bodies, and two additional members appointed on the basis of their expertise.

"Between now and the end of March we hope to set up the various inspectorate boards and appoint a CE for the council," says Robinson.

The cost of setting up the council is estimated at R500 000-R1m. Contributions from the stakeholders were to be debated at this week's meetings plus the possibility of borrowing the money and repaying it when the fund is running. Once the fund is implemented further borrowings may be necessary to have money in the kitty to pay immediate claims.

Robinson, who recently returned from

PROPERTY

Canada where he examined the local warranty fund, says the system was modelled on the UK's.

Of concern is that such a fund caters for local conditions and that emerging contractors are not prejudiced. At the same time building standards must not be allowed to deteriorate. Still to be worked out are the building standards that must be set.

A step towards this is the seven levels of accreditation envisaged, whereby contractors must graduate from one to the next. Some builders, for instance, will be allowed to build only up to 12 houses a year while contractors like Murray & Roberts will have no limit. The levels are: 0 to 12 houses a year, 13 to 25, 26 to 50, 51 to 100, 101 to 500, 501 to 1 000, and then no limit.

The R22 500-plus cost for a house to qualify for the warranty scheme is important. It means there are no safeguards on the construction of houses built for less. But it also encourages new contractors to strive for this level to offer some security to clients.

Levy amounts for emerging and established contractors will be the same, the cost of which will be passed on to the consumer. No figures have been finalised. It is hoped that this cost will be contained to within 3% of the total construction cost.

Bifsa in bid for govt subsidy

SELLO MOTLHABAKWE

THE Building Industries Federation of SA (Bifsa) is to ask government to subsidise the "astronomical" costs of a defects liability scheme for low cost housing, says executive director Ian Robinson.

He said Bifsa needed R2m to R3m to get the building defects scheme off the ground. "We will probably borrow money which we will repay as soon as the scheme pays off."

The scheme is a key ingredient of last year's agreement between government and the banking industry to increase finance available for low-cost housing.

Robinson said Bifsa had done the initial work of underwriting the start-up cost of the scheme — about R100 000. Since that outlay it had run out of money.

Bifsa has also launched a campaign of lobbying government ministers with portfolios relevant to the building industry. A

letter asking for support for the organisation's R25m expenditure on training artisans has been forwarded to government.

Bifsa would need R200m annually to cater for trainees. "We need government intervention in finding that money." The organisation had undertaken to train about 600 000 workers over a six-year period.

The high number was justified in view of the expanded housing programme which aimed for the construction of 300 000 units a year to complete a targeted 1,5-million units in five years. (32)

As part of the lobbying campaign, Bifsa hoped Public Works Minister Jeff Radebe would attend its national convention on March 2. Minister without Portfolio Jay Naidoo had also been asked.

BD 21/1/95

Thugs wre cking R

~~CP 22-1195~~ (32)

CP 22-1195

RDP

KwaNatal construction work plagued by thieves, violence

By SIPHO KHUMALO

RAMPANT crime, thuggery and violence are severely hampering the provision of crucial services and the implementation of RDP projects in townships in the Greater Durban area.

This warning is made in a report by the SA Federation of Civil Engineering Contractors (Safcec) - the representative body of construction companies doing work in the townships.

Safcec regional general manager Ted Brown warned that acts of thuggery and violence were effectively negating efforts to implement the RDP.

"The lives of site personnel are under constant threat, some have lost their lives or have been seriously injured while going about their daily duties.

"This is borne out by numerous recorded incidents of attacks as well as the recent and apparently motiveless shooting of persons in KwaMashu and Ntuzuma," said Brown.

Brown said at least one bakkie was stolen a day and the thefts of movable property from construction sites were

too numerous to be recorded.

"Quite clearly, Natal civil engineering contractors have reached a state of impasse where their continued existence and ability to implement the RDP is threatened. That is unless the criminal activity and attendant violence can be contained within a very short period," he said.

Brown said even attempts to uplift communities by providing jobs to local residents on construction projects were being undermined by the acts of thuggery and criminal violence.

The South African National Civic Organisation (Sanco) this week said criminal violence and thuggery had to be condemned by the community.

"We need to weed out the unruly elements and our people must begin to join the restructured police force in order to beef it up," said Sanco's regional secretary, Essa Al'Seppe.

SA Police Services spokesman in KwaZulu/Natal, Colonel Bala Naidoo, confirmed vehicles had been hijacked. He said there was just not enough police to patrol these vast areas.



Construction prices 'up by 18% this year'

(32) BD 25/1/95

QUANTITY surveyors Walter and Simpson predict that the gradual upswing forecast for the building industry will gain momentum and result in tender price increases of about 18% by year-end.

Walter and Simpson partner Ian Cardwell said the predictions were supported by statistics released by the Bureau for Economic Research in Stellenbosch. The institution compiles an annual fore-

cast for the industry.

Considering that input price rises were expected to reach 12% this year, it was assumed that the 6% difference between the two predictions represented an opportunity for contractors to recoup their losses of the past three years.

Cardwell said work outside SA increased last year. With funds from organisations such as the World Bank being provided to

African countries, consultants would be needed to monitor expenditure and certify monthly payments to beneficiary countries.

The bank had for this reason looked to SA firms with experience of the continent for input.

Many SA building professionals had formed associations with practices overseas. These joint ventures exposed them to new ideas and techniques while allow-

ing overseas professionals access into Africa.

Affirmative action within the industry would take centre stage this year. The process had to be "taken to heart" by the profession, said Cardwell. It was not good enough to say there are too few qualified quantity surveyors. The best course of action was to identify potential quantity surveyors at school level and fund their education.

Stocks & Stocks earnings up 58%

By MAGGIE ROWLEY
Deputy Business Editor

THE strong improvement in the share price of construction company Stocks & Stocks over the past year has been justified by the company's strong interim results for the six months to end October which show earnings up 58% on a 20% increase in turnover against the corresponding period in 1993.

Turnover for the six months was at R754m against R630m for the corresponding period with operating income before finance charges 39% higher at R26,9m.

After a 10,3% increase in interest paid to R5m and a 32% increase in instalment finance charges, pre-tax profit was up 52,2% at R17,7m.

The tax bill of R5m (R3,9m) saw attributable profits at R7,6m (R4,8m) equivalent to 15c (9c) at the share level.

The interim dividend has been raised 33% to 4c a share.

The share is currently trading at around 420c against 170c on February 2 last year and a peak of 475c in July 1994.

(32)
The directors say that strategies followed during the difficult pre-election years and the investments made in property and the leisure industry were well on the road to achieving planned objectives.

This, they said, was evidenced by a strong current order book and the recent opening of three new projects — the Portwood Hotel in the V&A Waterfront, Sandton Square and the Swakopmund Hotel and Entertainment Centre.

They said that while the expected beneficial effects of the RDP on activity in the construction industry had yet to materialise, the group was beginning to reap the benefits of the tourism growth seen since the elections due to its increased investments and new developments in the leisure industry. *et 311195*

All divisions in the group are performing satisfactorily and the group was well positioned to benefit from the business growth expected to take place in its traditional businesses of building, civil engineering, construction, housing, property development and steel fabrication and trading.



Contractors up in arms

32

CT 31/1/95

Issued: 06/02/95

By **MAGGIE ROWLEY**
Property Editor

MAJOR residential contractors are up in arms over the pending Home Builders Warranty Scheme — due to come into effect on February 28 — which they claim discriminates against major contractors and will push up the cost of new housing by about 10%.

At least one major contractor, Ilco Homes, is threatening to boycott the system and find a loophole in legislation if the implementation date is not postponed to allow input from contractors.

Ilco's special projects manager, George Smit, said they were amazed that the building industry, which has long complained about the delays and costs caused by bureaucrats, should be so keen to create its own bureaucracy in registration, duplication of plan approval and inspection functions, as well as the creation of another set of building standards and guidelines.

He said the proposed fee as a percentage of the total selling price was estimated to be about 5% and in due course probably more.

"The fee is payable at the plan approval stage, bearing in the mind the long lead time from plan approval to registration of title and hence payment on large developments of about 12 months, the interest increases this cost to 5,9%."

The increased bureaucracy, he said, would cause further significant delays of at least another month. Building costs, he said, were projected to increase by 21% over the next two years and this, together with the additional holding costs, would add a further 2% to the selling price.

Further costs would also be incurred including registration with National Home Builders Registration Council (NHBC), approval of contractors' building systems, plan submission and administration, monitoring of NHBC specifications,

arranging inspection dates and so forth.

He said VAT must be added to all these additional costs. In addition — due to the price of the house being pushed up — increased estate agents' commissions would be payable.

"The whole object is to house the nation but all these new systems will do is to make housing even less affordable to the masses."

John Wilkinson, MD of Condev Cape, the largest residential developer in the Western Cape said they would be discussing their concerns over the new scheme at the National Association of Home Buildings exco meeting today.

"I believe it is too expensive and is prejudicial to major contractors."

Wilkinson and Stocks & Stocks' Dave Defreitas, said major contractors had always stood by the work and rectified any defaults.

They would continue to stand by their work and it would not be the major contractors but fly-by nights who would go into default.

In effect, this means major contractors would have to pay the 5% fee at plan approval stage as well as carry the costs of rectifying any defaults.

They said this amounted to cross subsidisation of fly-by-night operators, by the more stable contractors in the industry.

De Freitas said while they did not have a problem in principle with the scheme, they were concerned about how it was worded. The draft document, he said, was fraught with difficulties.

He and Wilkinson also called for the implementation date to be set back to allow greater input from the industry so that problems could be thrashed out beforehand to avoid unnecessary pitfalls later.

Neither Ian Robinson, executive director of the Building Industries Federation of South Africa, which has been party to drawing up the draft proposals for the scheme, could be reached at the time of going to press.

CHANNEL SYSTEMS

Plan for building guarantees ready

(32) B01/2/95

PLANS are in place for the proposed National Home Builders' Registration Council, which will monitor a comprehensive warranty system against building defects in affordable homes costing between R22 500 and R100 000.

Building Industries' Federation of SA (Bifsa) executive director Ian Robinson said yesterday it was hoped the council would be established by the end of March.

The plan is the construction industry's response to the request by government and banks that it draw up a scheme which would enable banks to support government's housing programme with confidence.

In welcoming the proposals yesterday, Housing Ministry spokesman Stephen Laufer said the plan for the warranty scheme was a "giant step" towards facilitating loan finance to people in the lower end of the market.

The plan has been drawn up by a task team consisting of representatives from government, the National Housing Forum and the Council for Construction in SA.

Robinson said the plan would be put to all stakeholders. It proposed a comprehensive warranty supported by an industry fidelity fund. The warranty would be standard on all new homes costing between R22 500 and R100 000. It would cover defects in foundations, the structural shell, roof, plumbing, drainage and electrical

SELLO MOTLHABAKWE

system for five years from the date of plan approval.

Mortgage loans would not be granted unless the builder was registered with the council, which would issue the buyer with the warranty.

Builders' performance would be monitored by the council, which would also draft a code of conduct and institute an accreditation and grading system for builders.

Robinson said the council would have the power to place sanctions on builders who defaulted, and to de-register those who repeatedly contravened the code and council rules.

The council would establish a trust fund which would enable it to step in to rectify defects when the original contractor failed to do so.

Although the financial details had yet to be finalised, it was expected that the fund would be financed by charging contractors a fixed percentage of the selling price of each home. The levy would be payable when building plans were approved, but would presumably be passed on to the buyer by the contractor.

Robinson said emerging contractors could apply for provisional registration, provided they could meet full accreditation requirements — including technical, managerial and financial competence — within a year of the application.

The 58% increase in attributable income was generated on only a 20% rise in turnover; the interim operating margin was

rising to around 49c.

This places the share, at 415c, on a forward p/e of 8,5. Competitors LTA, Group 5 and Grinaker stand on p/eps of 15,5, 14,1, and 13,2 respectively. SSL is undervalued on its historical 10,1 p/e rating.

Kate Rushton



Dorrestein ... confident of a strong second half

3,6% (1993: 3,1%). However, it's unlikely that these percentage increases and margins will be sustained at year-end. Even deputy chairman Bart Dorrestein admits "that would be expecting too much, but we are confident the second half will be strong."

His view is supported by a historically better second half, a strong order book

QUANTITY AND QUALITY

Six months to	Oct 31 1993	Apr 30 1994	Oct 31 1994
Turnover (Rm)	630	704	754
Operating income (Rm)	19,9	29,6	26,9
Attributable (Rm)	4,8	13,2	7,7
Earnings (c)	9	26	15
Dividends (c)	3	6	4

STOCKS & STOCKS ⁽³²⁾
 FM 3/2/95
Quietly confident

Stocks & Stocks (SSL) started financial 1995 as it ended 1994, with a substantial increase in earnings — and this growth is expected to continue, be it on a slightly diminished scale.

(R1,2bn) and the fact that for the first time all the divisions — construction, property, leisure, steel reinforcements and information technology — contributed towards profits in the first six months. Though construction retained its position as prime contributor (more than half), this will probably be overshadowed by good growth from leisure and property development.

SSL recently opened three new projects — Sandton Square, Swakopmund Hotel & Entertainment Centre and the PortsWood Hotel on the V&A Waterfront, Cape Town.

A glance at the balance sheet shows long-term debt up from R37,7m to R53,5m. This partly reflects expansion of SSL's property portfolio, ahead of the expected listing of a company which will hold strategic, income earning properties. Dorrestein is not prepared to expand further.

The Building & Construction sector featured in the top five industrial sectors in terms of turnover, operating profit and earnings growth in the *FM*'s last corporate profit roundup (*Leaders* December 23), and will probably do so again in the next one. Taking this into account, and considering that management says benefits of the RDP have yet to materialise, SSL's EPS should increase by at least 40% for the full year,

Warranty will 'raise house prices by 10%'

32
ST(BT)SK/95

THE draft building warranty scheme has raised the ire of some builders who say it will increase new house prices by 10% and exacerbate the already cumbersome bureaucracy in the industry.

The scheme is supposed to be formalised by April 1.

As it stands, warranties will be provided for on all houses costing between R22 500 and R100 000.

They will cover defects in the foundations, structural shell, roof, plumbing, drainage and electrical systems for five years from the date plans are approved.

The industry will set up a warranty fund, into which home builders will contribute a fixed percentage of the house price.

Building Industries Federation of South Africa executive director Ian Robinson estimates that the contribution will be between 3% and 5% of the cost of the house.

However, George Smit of Durban-based Ilco Homes says in a letter circulated within the industry: "This fee is payable at the plan approval stage. Bearing in mind the long lead time from plan approval to registration of title and hence payments on large developments of approximately 12 months, the interest in-

By TERRY BETTY

creases this cost to 5,9%."

He says the increased bureaucracy will add significantly to delays. Considering holding and building cost escalations, Vat and agent commissions, selling prices of homes will increase "by at least 10%".

Mr Smit says houses priced at between R65 000 and R130 000 are highly price sensitive and a 10% increase will reduce sales.

He says most of the large building companies provide their own warranties through insurance, which is far cheaper than the proposed scheme, and serves the same purpose.

A further controversial point is the introduction of another inspectorate function. Currently when a house is built the local authorities and building societies both have inspectors approve the plans and inspect standards during the building phase.

The new scheme proposes the setting up also of a national inspectorate.

Mr Smit complains that duplication of bureaucracy and the creation of another set of building standards and guidelines will add to the already cumbersome delays and costs.

Mr Robinson admits

there may be duplication initially, but says they will eventually rationalise.

He says this is a self-regulatory system and will not be legislated, but bankers have made it a requirement for low income houses requiring bond finance. He says it cannot be allowed not to work, and that if some builders hijack the process, then legislation may be considered to bring the private sector into line.

Mr Robinson has attacked Mr Smith's input to the debate, calling it "belligerent and ill-considered".

Mr Robinson said a large number of "other builders" had given Bifsa great support on the issue.

Mr Smit complains that the construction companies have not yet been involved and have had insufficient time to give feedback.

Peter Allsopp, who represents the National Association of Homebuilders at task group level, stresses that the process has not yet reached its final stage and that workshops are being held countrywide to get feedback from all in the NAHB.

He says rather than look at changing the proposal, the industry intends to finalise it in the most appropriate manner that will best accommodate all interested parties.

LTA weathers disruptions

32

JOHANNESBURG. — Construction group LTA lifted earnings before extraordinary items in the year to December by 11,2% to R39,4m, despite pre-election work disruption and political uncertainty.

The comparable figures for 1993 show an annualised nine months since the group changed its year-end, in line with Amic's, when control passed from Anglo American in February 1993.

Group turnover rose 26% to R2,3bn, while operating profit was up 15% to R63,9m from R55,4m.

Group financial director Jimmy Oosthuizen says there is little relationship between turnover and operating profit because profits were realised at different phases of a contract and because various activities operated at different margins.

Earnings rose to 141c a share from 129c previously and an interim dividend of 15c has been declared.

Chairman Hilton Davies says the operating divisions had in general performed above expectation.

With uncompleted work in hand currently worth R2,1bn and expectations of improved trading conditions, a further improvement in earnings is likely in 1995, Davies says.

(32) 8/10/10/2/95
LTA lifts earnings 11 percent

■ BY CHARLOTTE MATHews

Construction group LTA lifted earnings before extraordinary items in the year to December by 11,2 percent to R39,4 million, despite pre-election work disruption and political uncertainty.

The comparable figures for 1993 show an annualised nine months since the group changed its year-end, in line with Amic's, when control passed from Anglo American in February 1993.

Group turnover rose 26 percent to R2,3 billion, while operating profit was up 15 percent to

R63,9 million from R55,4 million.

Group financial director Jimmy Oosthuizen says there is little relationship between turnover and operating profit because profits were realised at different phases of a contract and because various activities operated at different margins.

Earnings rose to 141c a share from 129c previously and an interim dividend of 15c has been declared.

Chairman Hilton Davies says the operating divisions had in general performed above expectation.

Autecon, the building division, Steeledale and

the civil and earthworks divisions all performed ahead of budget.

Despite a lack of turnover, process engineering made a satisfactory profit, while RPP Developments, the property development arm, had another successful year.

With uncompleted work in hand currently worth R2,1 billion and expectations of improved trading conditions, a further improvement in earnings is likely in 1995, Davies says.

LTA shares closed unchanged at R18 yesterday, where they are at a P:E of 12,8, compared with the building sector average of 17.

THE introduction of a defects warranty scheme, and its concomitant system of registration for home building contractors, will be the most radical move made by the construction industry in a decade.

So it is perhaps not surprising that the proposals for its implementation have attracted some mischievous, if not downright malevolent, criticism. But much of this appears to be founded in the immediate self-interest of certain individuals and groups, and most of it is ill-considered.

For one thing, the banks have made clear that mortgage bond finance will simply not be granted for new homes costing between R22 500 and R100 000 unless a defects warranty scheme is in place soon, and the consequences for the country of that eventually will be disastrous.

For another, it is not beyond the bounds of possibility that, should the private sector players in the home building industry not reach consensus soon on a self-imposed system of registration, government will step in to prescribe the conditions under which they must operate.

The Building Industries Federation of SA (BIFSA) obviously believes it preferable that the industry as a whole exercise its right to regulate itself, with the rider that the warranty it devises to back its endeavours should be acceptable to the banks — and to consumers, who have undoubtedly suffered as a result of defective building work by some contractors over the past few years.

However, the current proposals for the establishment of a home builders registration council, the creation of a national building standard, and a fidelity fund to back builders' warranties, are not only BIFSA-driven.

I have acted as chairman of the steering committee which tabled the proposal document causing all the controversy, in my capacity as Council for Construction vice-president, and as the representative of the formal building industry at the National Housing Forum. And Bifsa has borne the cost of researching and workshoping the warranty scheme, in line with its commitment to the national housing accord signed at Botshabelo last

Criticism of building warranty scheme is ill-considered

B013/2/198

(32)

IAN ROBINSON

year.

One of the cornerstones of the national housing strategy outlined on that occasion was the mobilisation of private savings and housing credit at scale, on a sustainable basis and simultaneously ensuring adequate protection for consumers. In the short term, it said, a code of conduct, reporting and monitoring mechanisms and a range of risk interventions and incentives had been identified as necessary to unlock the considerable capacity of the banks. A defects warranty scheme was considered a vital intervention.

But the scheme on the table is actually the result of four months of work by a cross section of representatives from Bifsa, the Federation of Civil Engineering Contractors, the National Association of Home Builders, the industry-related professions, the emerging contractors, the banks, the Housing Department, the Consumer Council and Lawyers for Human Rights. It is, in fact, a product of democracy at its best.

And, radical as it may be in SA, the scheme as a whole is based on one which has been in force in the UK for more than 60 years. It has, though, been carefully tailored to suit local conditions — one of the first concerns of the task team charged with its development being to ensure that emerging contractors would not be

prejudiced in any way by the proposed builder accreditation system.

It is not true, as some have alleged, that the only way small builders will in future be able to participate in home building is as subcontractors to large construction companies which can attain registration, or that the requirement for accreditation is a ploy by the formal building industry to gain a monopoly on home delivery.

In the first place, even inexperienced, would-be housing contractors will be able to apply for provisional registration, and they will have a year to meet the requirements for full accreditation.

Second, a grading system to be applied in parallel to the accreditation system will ensure that contractors capable of delivering only a few houses a year can also achieve full registration. The entry level of the grading system is the capacity to build one to 12 houses a year.

And the proposed warranty levy, which will most likely be a fixed percentage of the selling price of each housing unit covered by the national warranty fund, is also equitable in regard to small builders, since their payments will be in direct proportion

to the number of homes they build.

What is more, the task team is satisfied that the establishment of a code of conduct for registered builders will be the best means of achieving the level playing field so much desired by organisers representing emerging contractors. It means that even the largest construction companies, which might be delivering more than 1 000 houses a year, will have to comply with the same performance criteria as apply to very small contractors.

To a large extent the need among consumers for a standard frame of reference on building practices, also prescribes the requirement for a single type of warranty, and answers the criticism that contractors should be left alone to offer their own warranties on what they build.

There is also the danger, given the fallout in the building industry in tough economic times, that some contractors who offer a five-year warranty now will simply not be in business five years hence. And in any case, because the value of money generally halves in five years, the value of such individual warranties would rapidly decline over the period they were in force. This will not be the case with the standard warranty backed by the home builders' warranty fund.

However, there is no doubt that the

implementation of the regulation and warranty mechanisms will involve a cost to consumers. Builders are certain to add the warranty levy to the price of the housing units they build, and the levy will include a charge for the inspections required to monitor building performance and guarantee access to bond finance.

What is not yet clear is how big this cost will be, since it depends largely on the level of risk the banks are prepared to accept, and consequently at what percentage the warranty levy will have to be fixed. The results of financial modelling by auditors should be available shortly to allow us to determine the alternative cost scenarios.

There is also a feeling in the industry that banks should, as a service to consumers, contribute to the establishment and upkeep of the national and regional inspectorates which will ultimately be responsible for the scheme's success, in that their activities will focus on prevention rather than cure. It is foreseen that these inspectorates will soon be rationalised with those in some municipalities and in the banks themselves.

Many contractors also believe that, in seeking relatively risk-free lending in the low-income market, the banks may have to compromise on some of the more onerous implications. Unless they do so, the cost of introducing the scheme may be prohibitive, and resistance by other stakeholders in the housing industry may seriously inhibit delivery.

For now, the draft proposal still requires mandating by all building industry constituents, and modifications can be expected during this process. The emerging contractors will consider such modifications at a workshop and Bifsa, having obtained mandated views from its associated countrywide, will also discuss the issues.

Achieving consensus from a diverse industry with many conflicting interests will not be easy. It is, however, vital that we succeed to allow an important ingredient in the low-income housing delivery process to become entrenched, in accordance with all commitments at Botshabelo.

□ Ian Robinson is executive director of Bifsa.

LETTERS

Defects scheme 'needs lead-in time'

32
~~12~~

CT/4/2/95

By **MAGGIE ROWLEY**
Property Editor

NATIONAL Association of Home Builders (NAHB) members have called for a lead-in time for the proposed building defects warranty scheme and for it to be limited to houses costing no more than R65 000.

These were the main problems raised by NAHB members at meetings in Cape Town and Durban in the past week, NAHB executive director Daan Roelvert confirmed last night.

At last week's meeting in Cape Town, members generally agreed there was a need to produce a warranty scheme to protect consumer interests, but rejected certain draft proposals for the National Home Builders' Registration Council and Home Builders' Warranty Fund.

The meeting unanimously agreed that the proposals should be limited to the government home subsidy top limit amount of R65 000 and called for electrical and plumbing works to be excluded from the scheme.

These sentiments were backed by members at the Durban meeting yesterday where the call for a phasing-in period, similar to that given when VAT was introduced, were made.

Roelvert, who is conducting the NAHB roadshows to get feedback for the task group which is to finalise the new scheme, said there was still uncertainty as to what the levy would cost the end user and, as such, pricing of developments being sold off-plan now was extremely difficult.

"If contracts are negotiated before the scheme comes into operation, developers might have to go back to their clients and re-negotiate. Unless there is a lead-in period, there could be complications," he said.

Two more roadshows are to be held — one in Johannesburg tomorrow and the other in Port Elizabeth on Monday.

Problems raised will then be submitted to the exco meeting of the task force on February 22 for solutions to be found, he said.

The scheme was due to come into operation on April 1, but if a lead-in period is granted, this would be set back, said Roelvert.

Techniques for fast construction

(32) BP 1512195

A GRASSROOTS franchise company has been launched in SA to provide fast track construction techniques for local communities involved in low cost housing.

Unity Construction will offer franchise opportunities in a specialised construction technique to local entrepreneurs.

The scheme is designed to ensure regional wealth creation, as the process of training and construction would take place within local communities.

Chairman Wayne McIntock said the most crucial aspect of the scheme was that money generated by the system stayed within the communities, whereas large construction companies' profits were usually spread among predominantly white shareholders.

He said the process involved setting up training centres within the communities where both franchisees and their employees were trained in the construction method and how to run a small construction business.

On graduation, small autonomous businesses were formed to begin operating within the local community.

McIntock said the first training centres were being established in Newcastle,

and opportunities were being explored in Gauteng.

Unity Construction offered services in the form of a non-profit central bulk buying division, a business administration support service and marketing and sales support.

Unity Construction MD

Denis Winter said the organisation had the ability to build an estimated 40 000 new homes over the next five years.

The development would stimulate 9 000 direct and indirect jobs and educate and train about 1 000 people, he said.

Jan 1995

JOHAN DE RIDDER

IN MY OPINION

Builders need not fear warranty scheme (32)



Johan de Ridder is the government-appointed consultant on the steering committee for establishing a National Home Builders' Registration Council & Warranty Fund.

The proposed builders' warranty scheme, designed to bring order and regulation into an industry frequently plagued by controversy over substandard workmanship and consumer exploitation in recent years, seems to have run into significant opposition in some quarters.

This has emerged through the energetic efforts of some in the industry who are making every effort to mobilise resistance against the scheme in the ranks of home builders.

Concerns apparently centre around the technical details of a draft proposal submitted to builders for comment.

The time, however, has perhaps come to analyse the underlying principles of the proposal, rather than discuss the technical detail. The catalyst for the introduction of the scheme, was broad agreement among the National Housing Forum, government and especially mortgage lenders, that such an intervention was necessary.

Institutions such as the Housing Consumer Protection Trust, Legal Resources Centre and mortgage lenders, in particular, have over the past five to seven years been inundated with complaints related to:

- The disappearance of deposits (appropriated by fly-by-night builders);
- Serious defects in the construction of houses and the use of inappropriate designs, materials and construction methods;
- Unethical marketing practices leading to disillusionment soon after occupation; and
- Builders refusing to come back and repair defects, hiding behind contractual technicalities or simply relying on the lack of resources and know-how.

Though the large majority of contractors are doing their best to do honest business and provide value for money, the industry has become tainted through the actions of certain small and sometimes not so small companies, guilty of some of these offences. The problem is that no mechanism exists which:

- Accredits and regulates the behaviour of home builders, providing consumers with a degree of protection and a way of differentiating between good and bad contractors;
- Sets nationally uniform, minimum construction standards and monitors compliance by accredited contractors; and

- Provides a backup to a compulsory, standard industry warranty without legal loopholes, in instances where regulation and monitoring fails, and therefore protects borrowers where the builder is no longer around to perform in terms of his warranty.

The absence of these basic requirements has significantly contributed to triggering bond repayment boycotts, and therefore the withdrawal of lenders from the lower income market, making it an issue of national importance and a precondition for the launch of the government's housing programme. *FM 17/2/95*

The scheme proposed reduces the warranty cover to an absolute minimum (the structural shell, roofing and perhaps plumbing, drainage and electrical installation) in order to limit its cost to the industry. It will ensure standard warranty cover for every mortgageable house constructed (if government has its way), except for starter structures where informal alterations and expansion make warranty cover impractical.

What then are builders' complaints?

- Accreditation will exclude small, inexperienced, emerging contractors, including most black home builders.

There is no doubt that historically disadvantaged newcomers to the industry will require and should receive support in technical, financial, training and institutional terms to comply with minimum standards.

This, however, does not form part of a regulatory mechanism and should be addressed as a separate matter by the industry as a whole and government through the Department of Trade and Industry. Entry thresholds, however, should not be compromised as far as regulation in the industry is concerned;

- Houses costing more than R65 000 should be excluded.

This argument seems to be based on an assumption that home buyers outside the government subsidised market can afford to fend for themselves.

In reality this is not the case and such a proposition undermines the intent to lower the per unit cost of the scheme by broadening the base across the whole market;

- Competent contractors with excellent service will subsidise less competent or weaker participants.

This, initially, is inevitable until verifiable track records are available to enable differentiation. The present proposal envisages tariff differentiation to reward performing contractors and penalise nonperformers on actual monitored performance, which will diminish this effect in the future considerably;

- The scheme should be voluntary.

This will undermine the viability, benefit the larger contractors at the expense of

smaller ones and increase the per unit cost of the scheme significantly.

International experience indicates the need for universal application, especially during the establishment phase in a relatively unregulated environment as is the case in SA;

- An additional set of plan approvals and inspections will result in increased costs. In addition to the valuations by banks and the regulatory inspections by local authorities, monitoring of builders' quality control by the proposed council and a contribution to the warranty fund will introduce an extra cost.

The present draft proposal acknowledges this. Over time, this cost will diminish if the scheme is successful and can become insignificant — as is presently the case in the UK — where a much more elaborate and comprehensive scheme costs home builders £250 per house irrespective of its value.

The cost of inadequate regulation and quality control is hidden and the full burden is carried by the many unfortunate, individual home buyers who are left carrying the can.

Rationalisation of inspection functions should be pursued with vigour following the introduction of the scheme, but making the introduction conditional on it will delay the process by months.

There will be no duplication of functions as neither banks nor local government fulfil this function; and

- It is not practical to warranty the electrical and plumbing/drainage systems because of the discrepancies between warranty periods, leading to immediate disputes over responsibility.

While the scheme proposes five-year cover, geysers carry a one year guarantee and new electrical installations must already be certified.

There are other complexities involved and these may ultimately not be covered, should they prove to be insurmountable.

Clarity about the industry's response to the present proposal will only emerge after completion of the four information workshops of the National Association of Home Builders and Urban Developers, being held countrywide, as well as after the national workshop for emerging (black) builders, to be held in Midrand this Saturday.

In their deliberations, it is hoped that home builders will consider the strategic importance to the future of SA of getting the industry's house in order and, in the broader interest, put short-term considerations based on self-interest aside. The opportunity to do this within the industry without the heavy hand of the State should not be wasted.

'You are warned!'

Madiba declares war on crime

ENTHUSIASTIC endorsement has greeted President Mandela's tough stance on crime, lawlessness and anarchy in his opening address to parliament on Friday.

However, political parties on the right expressed several reservations over the issue of affirmative action.

In one of his strongest speeches on lawlessness, Mandela said the government would take the war to the criminals.

He said that the "battle against the forces of anarchy and chaos has been joined . . . let no one say they have not been warned."

Condemned

Speaking before a joint seating of the National Assembly and the Senate, he condemned the killing of policemen, hostage-taking, rioting, looting, blocking highways, forcibly occupying public buildings and vandalising public and private property.

The ANC Youth League congratulated Mandela on his address and said it would co-operate with the security forces in their fight against crime and would help improve the image of the police.

In its reaction to Mandela's statement that mass action would not improve the state's ability

to pay higher wages, Cosatu said it would continue with the strategy - but "only as a last resort".

The Democratic Party applauded the iron fist approach to crime, the "culture of entitlement", anarchy and public sector union demands, but expressed reservations about Mandela's approach to corruption.

The president should have tackled corruption more decisively and proactively instead of shooting the messenger, the DP said.

The National Party also supported Mandela's strong stand against escalating crime and anarchy, as well as his commitment to financial discipline, said NP spokesman Marthinus van Schalkwyk.

Describing Mandela's speech as "well balanced", he said the NP would like to see a number of the good intentions converted into "concrete plans".

However Van Schalkwyk said the NP differed with Mandela's approach to affirmative action.

"Although the NP supports a clearly delineated programme of affirmative action which goes together with training, we are against the present process which often amounts to reverse racial discrimination."

The NP was disappointed that Mandela had not mentioned the important issue of education, Van Schalkwyk added.

Freedom Front spokesman Dr Pieter Mulder said it had become clear that the political honeymoon was over and that the ANC-led government had now acknowledged that "the time had come to rule the country effectively".

Uncertainty

Muller expressed reservations about the accelerated affirmative-action outlined by Mandela, claiming this would lead to further resignations and uncertainty in the police and public services.

The Afrikaanse Handelsinstituut also welcomed the strong stand against corruption, violence and crime, saying these factors were discouraging foreign investment in the country.

Only the Conservative Party had a dissenting voice, saying it thought the speech was "disappointing".

CP leader Dr Ferdi Hartzenberg said the government's failure to recognise and provide for the basic rights of indigenous nations indicated that South Africa was "sitting on a time-bomb".
- Sapa

Katz's 'business licence' supported

(32) ~~65-112195~~

CAPE TOWN — The parliamentary finance committee said it supported the presumptive tax on the gross assets of companies recommended by the Katz commission on taxation, despite strong objections.

This was the only issue on which the committee was not able to reach a unanimous opinion. The initial Katz commission recommendations suggested a presumptive tax on gross assets at a rate of R1 500 a year for every R10m in assets held. The finance committee said it sympathised with the objections raised about the presumptive tax, which has been described as a form of business licence.

But it was aware that the costs of tax reform, especially the removal of discriminations against women, had to be financed from other sources. "It was further noted that the tax was a small one... and that it was tax deductible," the report said. "The committee is therefore of the opinion that the presumptive tax is not an onerous one, nor is it necessarily open to more abuse than any other form of taxation."

It did, however, suggest that a threshold of between R50 000 and R1m be set to cater for trusts, closed corporations and small to medium-sized enterprises. The committee also said the Inland Revenue Department should be independent of government to be free to improve tax administration. "The committee endorses the proposal that Inland Revenue be made organisationally autonomous, accountable to Parliament

through the Finance Minister, without further delay."

It endorsed the Katz commissioner's proposals on bolstering tax administration. It said there was a "looming crisis" in tax administration and collection. The situation demanded immediate action.

The committee supported a proposed tax amnesty. In an effort to draw more people into the tax system, the Katz commission proposed an amnesty on tax obligations up to a period of three years prior to the announcement of the amnesty. However, the committee proposed that the amnesty be granted in respect of the period prior to February 28 1995. A three-year tax payment, as contemplated by the Katz commission, would be financially prohibitive.

The committee said the proposals on personal tax rates and brackets should not be adopted. It found the burden of adjustment to the proposed personal income tax schedules would fall on low-income taxpayers. "A schedule in which the tax burden on those in the R10 000 to R22 700 income range was increased, while those in higher income brackets experienced significant relief, would be unacceptable," the committee said.

The commission had urged that the gender and marital status discrimination of the current tax schedule be scrapped. It proposed a flat 9% tax rate for incomes below R30 000 a year with a rebate of R900 reducing to zero for incomes between R10 000 and R20 000, and four other tax brackets where

marginal rates would apply. It also recommended an increase in the top marginal rate from 43% to 45% and raising the affected threshold to incomes exceeding R150 000 annually.

The finance committee agreed that the tax discrimination be abolished, but it was concerned that single wage, low-income households would consequently be lumped with an additional tax burden. **BD 2/11/95**

The committee was against the Katz commission's proposed reduction in the SITE upper limit from R50 000 to R30 000 a year.

The committee urged that a new personal tax schedule should be drawn up to ensure the impact of ending the discrimination would not place an additional burden on low-income taxpayers. Where tax relief was experienced at higher income levels due to discrimination being scrapped, the rates should be adjusted to ensure the effect was at least tax neutral.

The proposal on capping the tax deductibility of pension fund contributions was also referred back to the commission.

The proposal of a R9 000 tax deductible limit on pension fund contributions by an employee and R18 000 by an employer had been drawn up in an "ad hoc" manner, the finance committee said.

It urged Finance Minister Chris Liebenberg to set up a special Katz commission task team to investigate the proposal further, consult broadly with the retirement industry and make recommendations in time for use in the 1996/97 Budget. Sapa.

Builders' warranty scheme on track

THE builders' warranty mechanism could be in place by March 31 following an agreement reached between representatives from the formal and emerging construction industries at the weekend (32)

Council for Construction in SA chairman Linda Nyemba said yesterday emerging builders at a workshop had come out strongly in support of the scheme. BD 22/2/95

Members from the four major organisations representing the emerging contractors agreed to elect a further 12 members to the task team investigating the mechanism.

ROBYN CHALMERS

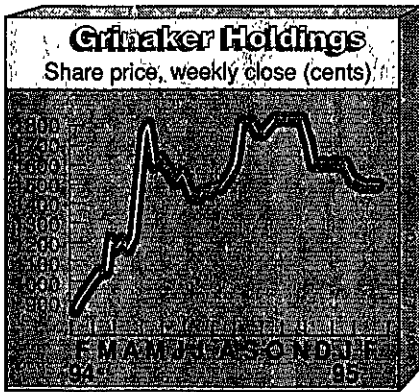
These organisations were the African Builders' Association, the National Federation for the Building Industry, the National Black Contractors' and Allied Trade Forum and the SA Black Technical and Allied Careers Organisation.

Nyemba said there was broad agreement on the aims of the building warranty mechanism.

The enlarged task team would meet tomorrow to discuss how the emerging sector could be further involved in the scheme.

Grinaker posts strong growth

BD 23/2/95



ROBYN CHALMERS

ANGLOVAAL's construction and electronics group Grinaker Holdings has raised attributable earnings a third to R18,6m (R14,2m) for the six months to December on the back of strong performances by subsidiaries. (18.6) (32)

The group increased turnover 29% to R1,7bn. The operating profit margin declined to 3,2% from 3,5%, but improved income from investments and a reduction in interest paid contributed to a 28% rise in pre-tax profit to R58,9m. A reduction in the effective tax rate and improved earnings

□ To Page 2

Grinaker (18.6) (32) BD 23/2/95

□ From Page 1

by associated companies saw after-tax profit rise 34% to R38,8m.

The group posted earnings of 53,1c (40,7c) a share and directors declared an interim dividend of 8c (6c).

Chairman Jan Robbertze said the results of a joint venture company in Zimbabwe, which had previously been accounted for on a cash remitted basis, had been proportionately consolidated. Comparative figures had been restated.

Grinaker Construction was one of the group's strongest performers, continuing the turnaround it achieved during the previous year. Turnover rose 43% to R836m and pre-taxed profits rose 55% to R14,2m.

Robbertze said Grinaker Construction had been active on the Alusaf and Columbus projects, which were now nearing completion. "While a significant volume of work has been secured, including toll road undertakings and several major building contracts, additional work is needed to utilise the company's resources fully."

Listed Grintek, the holding company of

Grinaker Electronics and Siltek, increased earnings 33% to R17,1m on the back of an 18% rise in turnover to R877,4m.

Grinaker Electronics, specialising in electronic communications, posted a 13% rise in turnover to R148,4m, but pre-tax profit dipped to R2,5m (R4,2m).

Robbertze said the decrease was due to delays in new orders which were expected to replace export contracts completed last year. However, he said good new orders had been received in December which would improve the company's workload.

Computer company Siltek turned in another strong performance, raising turnover a fifth to R729,1m and increasing earnings 25% to 53c a share.

Robbertze said Siltek subsidiaries experienced continued pressure on margins, but this was countered by improved operating efficiencies and reduced overheads.

Of group prospects, Robbertze said earnings in the second half would rise, but the rate of increase would not match that of the first six months.

Defects scheme: House prices won't be hard hit

By MAGGIE ROWLEY
Property Editor

32

CT 24/2/95

THE proposed Home Builders' Defects Warranty Scheme is likely to be more modest than has previously been suggested, Ian Robinson, executive director of the Building Industries Federation of South Africa (Bifsa) said last night.

Some contractors, concerned about the effects of the scheme, have estimated it could push up the price of new housing by as much as 10%.

However, Robinson said the recent study undertaken on the financial implications showed that the effect could be even lower than 3% depending on the final details of the scheme, including the length of time for which it will operate.

An interim scheme, he said, would hopefully be in place by April 1 this year, paving the way to free-up private sector financing for affordable housing schemes, as mortgage lenders

have made the defects warranty scheme a pre-requisite for this to take place.

"It will take much longer than that to put the final nuts and bolts into place — possibly even a number of years, but an interim scheme will at least allow us to make a start on mass housing programmes."

Bifsa, he said, had met with the Minister of Housing yesterday to brief her on the developments, and an updated version of the draft warranty scheme had been presented earlier this week to the steering committee consisting of representatives from all stakeholders involved in "the pursuit of a widely acceptable defects warranty scheme".

Industry members, said Robinson, were still voicing concerns about the impact of the scheme, and Bifsa would be holding workshops around the country "so that people can understand what it is really about and not feel threatened."

NATION BUILDING We kick off one of our most important projects

Search is on for the community builders

TODAY WE LAUNCH the fifth annual *Sowetan*/CCV-TV/Old Mutual Community Builder of the Year Award.

The search is on for people who have identified a need in their community, taken the initiative and are dedicated to improve the quality of life for their fellowmen.

We are looking for the unsung heroes and heroines who have started reconstruction and development programmes in their own communities.

If you know or have seen someone who qualifies as a Community Builder then complete this nomination form and send it to us before Friday, April 7.

Every nomination received is considered and following extensive investigations, 12 national finalists are selected—four projects announced dur-

HEROES AND HEROINES The public will choose their own finalists.

ing July, August and September in *Sowetan* and on CCV-TV.

During October you, the public, will have the opportunity to vote for your favourite finalist. Your votes determine the category and overall winners.

The Community Builder of the Year Award culminates at the Nation Building Panquet on November 7 where the finalists' hard work and commitment to rebuild their communities is recognised during a live broadcast on CCV-TV.

Category winners and the overall Community Builder of the Year are also announced.

28 Sowetan 28/2/95

Any woman, man or child is eligible or be nominated.

- Project must be apolitical and inspirational
- Project must not require large funding or vast technical knowledge to start up and maintain
- Project should be easy to implement
- Project must meet a basic community need
- Project should not form part of the nominee's job, i.e. he or she should not be paid for work they are doing.

Where to get nomination forms: Nomination forms are available in *Sowetan* every Tuesday or from your local Old Mutual branch.

Watch *Cosmo Life, Era* and *Prospects* on CCV-TV for further details.

Categories: Community Builder nominations fall into three age categories, projects run by the youth (15-26 years), adults (27-55 years) and senior citizens (over 56 years).

Prizes: Category winners, as voted by the public, each receive a project prize of R10 000 and a personal prize of R5 000 as well as a trophy.

The remaining finalists each receive a R2 000 prize. All finalists are awarded with a framed certificate. The overall Community Builder of the Year receives a special trophy.

Who qualifies as a community

Labour intensive project completed

The longest length of road utilising labour intensive methods has been completed by Basil Read.

The R15 million project consisted of the construction of 9,5km of new provincial road linking the Harrismith Golden Gate main road to Phuthaditjhaba, the capital of Qwa Qwa, with double zig-zag interlocking blocks.

The project was financed by the Development Bank of Southern Africa and was awarded to Basil Read based on labour intensive methods which have become very important in the construction industry (32)

Skills were developed in areas such as pipe laying, brickwork for manholes, stone pitching, gabions, concrete work and block paving. SM 28/2/95

Block paving is more expensive than normal surfacing but has double the life span and can be maintained and repaired by the local community.

M&R moves into gear ^{B01/3/95} ⁽³²⁾ with 36% earnings hike

INCREASED activity in the fixed investment market helped construction and engineering group Murray & Roberts (M&R) Holdings lift attributable earnings 36% to R145m (R107m) for the six months ended December.

CE Andre van der Colff said the group's economic activity bottomed out in the six months ended December 1993, and it had moved strongly into a growth cycle with good prospects over the next five years.

Turnover rose more than 20% to R4,5bn against R3,7bn previously, while earnings before interest jumped 26% to R302m (R240m).

Interest charges remained level at R60m, leaving pre-tax earnings 34% higher at R242m (R180m).

A greater number of shares in issue meant earnings rose 34% to 229c (171c) a share. Directors declared an interim dividend of 65c (58c), which shareholders could receive as a capitalisation award or in cash.

The group's operating cash flow

ROBYN CHALMERS

declined to R100m (R228m) due to increased tax payments and higher working capital requirements. The cash position improved, however, with bank balances and deposits rising to R315m (R145m).

Van der Colff expressed his satisfaction with the improved results, but warned that growth in the second half was unlikely to be as strong. He said growth in attributable earnings for the full year should be slightly above the expected inflation rate.

The services and suppliers operating division benefited significantly from greater activity in the fixed investment market, evident in a 243% leap to R48m in its contribution to the group's consolidated earnings.

The construction, engineering and particularly the property development divisions were traditionally slower to respond to changes in fixed investment demand. Improvements would only flow through over the

next two to three years.

Van der Colff said the materials division should post strong gains over the next six months as the cement industry was moving into an upward cycle.

M&R acquired the remaining 50% shareholding in Main Industries and a further 15,8% stake in Standard Engineering to increase its holding to 89,3%. Both purchases were settled by the issue of new M&R shares.

Exports were growing strongly, boosted by a major Taiwanese contract for locomotives awarded to subsidiary Union Carriage, and M&R was on track to reach its 1998 target of exports accounting for 20% of group turnover.

Van der Colff said M&R was still looking to expand northwards into southern Africa. The construction division had a strong representation in Namibia and Zimbabwe. The division had recently moved into Mozambique and was on the verge of expanding into Angola.

Warning on RDP delays

(32) ARG 1/3/95

CHARLENE CLAYTON
Property Correspondent

THE Western Cape branch of the Association of SA Quantity Surveyors has warned that delays in making funds available for RDP projects could have disastrous results.

Chairman of the Western Cape chapter of the association Martin Treadaway said that those responsible for the implementing of the Reconstruction and Development Programme should take cognisance of the fact that the projected increase in building costs in 1995 and 1996 could be in the region of 21 percent on an annualised basis.

"This means that every delay in implementing the programme will effectively result in fewer houses being built, fewer services being installed and, in general, less being achieved.

"With increases of almost two percent per month, any delay at this stage is bound to have disastrous consequences," he said.

Even more serious was the fact that overseas funding bodies such as the World Bank would automatically withdraw their support if they saw investments or donated funds being eroded through inflation without being speedily converted into bricks, mortar or other useful facilities.

"The impression of many in the Western Cape building industry is that those who promised us an RDP-led kick-start to the economy are having great difficulty in getting their act together.

"We know for a fact that the funding is available — the problem is getting it put into projects.

"From all viewpoints — humanitarian, political and economic — it is essential that

progress be seen to take place within the very near future," he said.

He added that the genuine goodwill of the RDP planners was still "very evident".

But all too often worthwhile community projects, were being held up by the need to get consensus from the participating groups.

"Community approval is essential, but methods have to be worked out whereby splinter groups are prevented from holding up the whole effort," he said.

■ This year could see Western Cape brick manufacturers — currently operating at half their capacity — moving production up sharply if the upward trend which started in October last year continues.

The industry, currently operating at about 50 percent capacity, experienced a 10 percent increase in volumes between the last quarters of

1993 and that of 1994.

Orders so far this year have continued to reflect the jump recorded in the last quarter, said Crammix Bricks sales manager Clive Archer.

He said that the next two or three months would be the barometer on which to base strategic decisions to step up production.

"It is clear that the Western Cape is the pivot on which the South African economy rests.

"Interest is booming in the hotel industry alone, not only with the news of Kersaf's purchase of the Goodwood showgrounds, but also from Taiwanese and Malaysian groups showing interest in local sites.

"If the Olympics squabble is cleared up and the bid is successful, enormous numbers of hotels will have to be built.

"In addition, the Olympics infrastructure has to be largely in place, or at least easily planned and located," he said.

32 ARDT
1/3/95

Top men focus on building sector

Property Correspondent

PUBLIC Works Minister Jeff Radebe will be the keynote speaker at the first annual convention of the Council for Construction (COCOSA) to be held at the Eskom Conference Centre in Midrand tomorrow.

Cocosa — established as a forum for the various stakeholders in the construction industry — has the widest constituent base of any organisation in the national housing drive.

It represents both established and emerging contractors, professionals and building materials suppliers.

Consequently, it has been able to lobby powerfully and cohesively for significant industry developments in the past year.

The latest of these, the proposed Building Industry Defects Warranty Scheme, will come under the spotlight at the convention.

According to the proposed scheme, all new homes costing more than R22 500 will be covered by a builder's guarantee against any defect in foundations, structural shell, roof, plumbing, drainage and electrical system for five years from the date of plan approval.

Discussions will also be held to pave the way for the plenary session of all similar national construction organisations in southern Africa to be held in Lusaka at the end of March.

This meeting is expected to draw delegates from Malawi, Zimbabwe, Angola, Botswana, Namibia, Lesotho, Swaziland, and Zambia.

Building for the future

FM 3/3/95

Construction and electronics may seem strange bedfellows to the casual glance, but the partnership has served Grinaker Holdings well.

During the lean years, the (unlisted) construction subsidiaries were supported by the electronics arm, Grintek and its operating subsidiaries Siltek and Grinaker Electronics. Interim results indicate the balance is shifting as the construction industry picks up.

"In a good year, we would expect an equal contribution from both," says MD Jack Saulez. "We have outperformed the construction specialists because of our diversification."

Holdings' turnover for the half-year to December 1994 is up by 29% a year ago, attributable income has risen 31% and EPS are up 30%.

Grinaker's conservative write-down policy is reflected in its stated NAV of nearly R7 a share; at R14,80, the shares trade at a

premium of over 100% to NAV. Considering the construction recovery has been slow, with RDP funds held up by procedural logjams in government, the share may appear overvalued.

A different perspective is gained by calculating NAV on market value for listed investments instead of book value. NAV then rises to R18,54 a share and the trading premium becomes a discount of 20%.

CONSTRUCTIVE GAINS

Grinaker Holdings

Six months to	Dec 1993	Jun 1994	Dec 1994
Turnover (Rm)	1 326,5	1 589,1	1 713,5
Operating income (Rm)	46,8	74,8	54,9
Attributable (Rm)	14,2	30,7	18,6
Earnings (c)	40,7	87,8	53,1
Dividends (c)	6,0	20,0	8,0

Saulcz considers this approach undervalues the unlisted investments, so the true NAV may be even higher.

The balance sheet is solid, with gearing halved over 1994 to 14,5%. For this, Grinaker can pat itself on the back, because things have been tough in the construction industry. Construction spending is now 40% of its 1980 value in real terms, a contraction of 4% a year for the past 15 years. The construction industry is relatively unconcentrated, the six largest groups handling only 45%-50% of total business. Grinaker's share is about 7%-8%.

A Grinaker strength is its adaptability. As long as money is spent somewhere in the industry, the building and construction divisions will be able to take advantage.

Margins are low in the industry, around 2%-3%, and this limits the scope for bidding on contracts. "There is no room for a big mistake," says Saulez. Grinaker is willing to bid on the grounds that, though not the biggest, it is among the best. It tends to do better on complex contracts.

On the computer side, the top six firms have a market share of 70%-80% and competition is much stiffer. The Grintek subsidiaries operate in niche markets, of which their share is about 50%, with higher margins and higher risk.

Siltek has been the group money-spinner over the past few years and is still performing well. The computer distribution businesses have been consolidated into

Distribution Dynamics and the group will "achieve very significant savings" thereby. It is the biggest, and intends to become the most efficient, computer distributor. Saulez expects it to be competitive in a year or so, once the reorganisation has settled in.

Growth should continue in the near future, assuming the RDP funds and fixed investment pump more money into the economy. On the private construction side, Saulez says, people are holding back, waiting for government to move. He is confident matters will improve. But when?

Investors who buy now could still catch these shares poised for an upswing in profits. But the question is which investment to make — in Grinaker Holdings, which offers construction and electronics and a p:e of 11, in Grintek's broad range of electronics (p:e of 11,6), or in computers through Siltek (p:e 13,4). Holdings looks attractive and less risky.

Margaret-Anne Halse

TECHNICAL GAINS

Grintek

Six months to	Dec 1993	Jun 1994	Dec 1994
Turnover (Rm)	740,8	967,1	877,5
Operating income (Rm)	36,1	53,1	39,9
Attributable (Rm)	12,8	29,3	17,1
Earnings (c)	6,6	14,9	8,4
Dividends (c)	1,4	3,0	1,7

Builders' warranty scheme formulated

(32) ROBYN CHALMERS

THE Housing Ministry and construction industry have formulated an interim scheme to replace the builders' warranty mechanism in a bid to kickstart the delivery of low-cost houses.

This follows National Assembly housing committee chairman Titus Mafalo's threat to force the construction industry, through legislation, to adhere to the mechanism.

At the Council of Construction for SA's (Cocosa) annual convention yesterday, Ministry representative Johan de Ridder said the mechanism could take some time to finalise. *BD 3/3/95*

Slow progress on a guarantee against defective homes and a mortgage indemnity scheme — insisted on by mortgage lenders before they extend credit to low-income earners — has delayed government's housing programme.

De Ridder said the construction industry and his ministry had recognised the need for an interim measure. Details of an interim scheme — presented to banks late yesterday — would be discussed by various bodies on Monday when the builders' warranty mechanism steering committee met. However, he would not disclose the details.

One of the technical elements of the mechanism which has caused problems is the proposed builders' warranty fund, to be capitalised by imposing a fixed levy on the total selling price of each house built. Industry analysts speculated that the interim

□ To Page 2

Warranty (32) *BD 3/3/95*

□ From Page 1

measure would attempt to find a way around such a broad-based fund without deviating from the need for some sort of back-up financing method.

Cocosa vice-president Ian Robinson said the new scheme included elements of the original mechanism and was believed to be a fair compromise by government and the construction sector.

Public Works Minister Jeff Radebe said initiatives launched by the ministry would have a significant effect on the construc-

tion sector. These included appraisal of government's procurement and tendering process, restructuring statutory councils, and reviewing the way in which consultants were appointed by the department and the national public works programme.

He invited Cocosa to help the ministry devise and implement a programme to develop small contractors. A joint government-private sector training programme was being investigated.

DE A N I T S

Builders' prospects 'best in 5 years'

By MAGGIE ROWLEY
Property Editor

THE outlook for the building industry is now more positive than it has been in close to five years, according to BMI Building Research Strategy Unit.

In its latest survey on the state of the building industry, BMI states the building industry has definitely turned the corner with real growth of around 7.5% expected by respondents during 1995.

Llewellyn Lewis, MD of BMI, said the magnitude of the expected growth was probably still underestimated.

"If the RDP housing programme gets off the ground this year, the growth in total activity could be more than 10% — and substantially higher in the affordable housing sector."

The survey was conducted in association with the African Builders' Association, Boutek, the Building Industries Federation of South Africa, the National Association of Homebuilders and Developers and the South African Lumber Millers' Asso-

ciation.

Lewis states that in terms of scenarios for South Africa, the next five years could be regarded as the "window of opportunity" and could provide confirmation as to whether the country would break out of the current "muddling through" phase to the high road Singapore option or the low road Rwanda option.

For the first time, the survey included criteria identified by the former Prime Minister of Singapore, Lee Kuan Yew as being behind his country's growth from poverty to prosperity.

Lewis says these criteria provide a useful basis of measuring the progress of the RDP and, in terms of responses, it appeared ABA respondents were by far the most optimistic, believing South Africa had taken the first tentative but correct steps toward the Singapore option.

NAHB and Bifsa members, on the other hand, reserved judgment and were prepared to "give the government the benefit of the doubt".

32 CF 3/3/95

The next phase would be...

Good expectations for Masonite Africa

NICOLA JENVEY

DURBAN — Strong demand during the second half of the year, firmer export market prices and a good production performance lifted earnings for industrial building company Masonite Africa 42% to R14,6m for the year to December (32)

Turnover improved 13% to R154,6m and operating income by 35% to R14,8m.

Taxation rose 11% to R9,6m due to a reduction in tax free allowances and the imposition of the 5% transitional levy. 30713195

A dividend of 38c (1993: 35c) was declared.

"These results were achieved despite the five-week wage strike at the

Estcourt plant in September and October and lost operations during the April elections," chairman and MD Alan Wilson said.

Capital expenditure amounted to R10,3m and Wilson said the company was committed to investing in capacity and products which would meet growing market needs.

Net working capital during 1994 increased by 2,5% as a result of effective control over receivables and inventories.

Wilson said local demand for all products was strong and export prices for hard-board continued to firm.

"It is expected the building programmes under the RDP will gain momentum during this year, which should further improve prospects."

EXECUTIVE SUITE

SO, THE BOSS JOINED SOME SORT OF SUPPORT GROUP FOR CHIEF EXECUTIVE OFFICERS?

HE CHANGED HIS MIND



FROM M-TEL AND SAVE S, CHEETAHS, AND BUI

Golden Touch finds the easy touch

32
Sowetan
8/3/95

By Russel Molefe

AN elderly Soweto man saw his R1 700 savings go down the drain when a construction company which had promised to build him a house disappeared.

The Golden Touch Construction Company rented offices at the Medical Centre in Jeppe Street, Johannesburg, but vacated the premises without leaving a forwarding address.

Mr Cathwell Hlutwa is now desperate. Hlutwa (57) told *Sowetan* he gave the

company R1 760 as a deposit in 1991 for a house which he was told would be built at Stand 104 in Protea, Soweto.

He said he never heard from the company again. When he visited their offices he found they had moved.

Sowetan yesterday established that the company disappeared from their offices a year ago.

They had not informed their clients of their new premises.

The offices are now occupied by a firm of attorneys who have no connection with the company.

Warranty scheme may be forced

CLIVE SAWYER
Political Correspondent

THE building industry could be forced by law into a controversial housing warranty scheme.

The scheme is viewed by its parliamentary backers as essential to forestalling bond boycotts because of shoddy construction.

Members of the building industry who oppose the scheme have said they stand by their

ARLT 8/3/75

record.

Titus Matolo, chairman of the national assembly portfolio committee on housing, told a Press conference yesterday MPs wanted a legislative solution to end the impasse.

"Resistance to the scheme will have a negative impact on the Reconstruction and Development Programme."

It was hoped a solution could be found because legislation should be a last resort, Mr Matolo said.

(32)

The scheme was formulated by the Council of Construction for South Africa (Cocosa) and the national housing ministry.

Mr Matolo said details about how to fund the scheme were still being worked out.

There had been a suggestion that a central fund be set up, to which the building industry would contribute.

Asked whether he was satisfied with the number of houses built after the election, Mr Matolo said he had not expected

"thousands and thousands."

The first months of government had been useful for "intense consultation" about housing issues, to avoid the pitfalls into which previous governments had fallen.

He hoped momentum would grow soon.

Commenting on the housing white paper, he said many groups, including MPs, wanted rental housing added to options open to planners.

Housing loan facility created

THE Transvaal Building Industry's industrial council for the construction sector in Northwest, Gauteng and Eastern Transvaal has formulated a R250m housing loan facility intended to assist members in financing houses.

Trustees of the Transvaal Building Industry pension and provident funds said about 30 000 fund members could benefit from the mobilisation of R250m worth of retirement fund assets.

Employer fund members included the Master Builders' Association and the Building Industries' Association, while employees were represented by four trade unions. These were the Amaigamated Union of Building Trade Workers of SA, the Building Construction and Allied Workers Union, the Construction and Allied Workers Union and the White Building Workers Union.

The pension and provident funds trustees collaborated with Fedlife to develop the housing loan facility which was aimed at meeting members' mortgage loan needs in a cost-

ROBYN CHALMERS

effective manner.

A spokesman for the trustees said the loan facility was motivated by SA's critical housing shortage which could be addressed only by a mass mobilisation of resources and manpower from the public and private sectors.

He said the minimum loan allowed in terms of the facility was R1 000. Up to 60% of a member's withdrawal benefit could be mobilised for housing purposes. An interest rate of 15% would be charged on loans.

Repayments were not obligatory on houses costing less than R45 000, but the loan would accrue interest and become payable when a member left the industry. Monthly interest repayments had to be made on homes valued at more than R45 100, he said.

"The anticipated consequences of this initiative highlight that the building industry and allied services have a leading role to play in SA's development and growth."

Building defects warranty scheme comes a step closer

By MAGGIE ROWLEY

CAPE TOWN EDITOR

The RDP housing initiative is a step closer to getting off the ground after representatives of the construction industry agreed on Monday to an interim scheme binding building contractors to repairing faults in their work.

The proposed defects warranty scheme, thrashed out by a committee set up by the council for construction, will be presented to representatives in the regions over the next few weeks for discussion.

32 CT (GR) 8/2/95

The proposal is also being considered by the body which has been pushing for a warranty system, the council of South African banks.

From our side it appears to be a workable arrangement, but we will have to wait for a final proposal from the construction council in the next few weeks after they have had feedback from their constituents," said one member of the banking council's task group on the issue, Peter Marais.

If the proposed scheme is implemented, it will prevent any further unnecessary

delays in the RDP's housing programme.

The vice-president of the construction council, Ian Robinson, said details of the scheme would not be made public until it had found "universal acceptance" in the regions and had been approved by the banks council. But he said the proposed scheme would not increase the cost of building houses as it involved only a "modest levy" on contractors.

The banks have demanded a builders defects warranty scheme as a prerequisite for their entry into the affordable housing market.

Marais said this week their demands were "not unreasonable". "We realise there is a lot that has to be fine-tuned. What we require is a commitment to a scheme which would ensure contractors — and the interim proposal does this."

The construction council's regional workshops on the proposed scheme will kick off in Bloemfontein on March 13. This will be followed by workshops in Durban on March 14, in Gauteng on March 15, in Port Elizabeth on March 16, in Cape Town on March 23 and in Kimberley on April 4.

Builders' boom may lead to price increases

(32) CT(BR) 8/3/95

By MAGGIE ROWLEY

CAPE PROPERTY EDITOR

There was a definite increase in work on hand in the building industry in the fourth quarter of 1994, even though employment levels might not have been up, according to a national survey conducted by the Bureau for Economic Research (BER).

It was expected that this increase, and a rise in the number of projects on the drawing board, would increase as the year progressed.

Similar findings confirming that the industry has eventually turned the corner were published last week by BMI Building Research Strategy Unit.

While it would appear that this improvement is not yet being seen across the board, there are definitely pockets of the industry that are experiencing near-to-boom conditions, specifically small operators.

Caught in the traffic on the way to work this week, I was amazed by the abundance of builder's bakkies on the road. Later, an architect in a small practice was complaining to me that although he had been inundated with work, the contractors he normally used were unavailable and he was having to find new candidates.

Derick Henstra, who has one of the country's larger architectural practices, confirmed that something of a mini-boom was happening for "bakkie builders".

"We have even been using them on

some jobs that we previously would have used a medium-sized contractor for, but as the tendering situation is easing, some of these are just pricing themselves out of the market. They are too busy and obviously don't need the work."

BER economist Nils De Jager said they were still awaiting responses to their first quarter survey due out next month, but were expecting a continuation of the trends seen in the fourth quarter of 1994.

"The implications of the easing tendering situation is of concern. Our building cost index shows that as soon as tendering eases, building costs start rising.

"The mass housing programme has not even got off the ground and as soon as it happens, the industry is going to run into capacity constraints that will inevitably push up prices. The problem is exacerbated by the fact that many skilled people lost to the industry during the recession are unlikely to return."

The possibility of the government instituting price freezes in the building industry has often been mooted.

However, De Jager points out that although it might be feasible to freeze the price of building materials, labour accounts for a large percentage of the costs of any building contract.

"And it is in the area of skilled labour that the industry's greatest constraints lie. Obviously the principle of supply and demand will dictate the level of cost increases, but putting price freezes on the cost of labour will be impossible to implement," he said.

Builders galvanised by threat

32
PARLIAMENTARY housing committee chairman Titus Mafolo's threat to introduce legislation which would force the building industry to adhere to the builders' warranty mechanism has galvanised the construction industry into action.

He said earlier that legislation was being investigated to overcome resistance from "quarters of the building industry" that were impeding the scheme. Sapa reports he said legislation was a "last option" but it could be used.

His comments were viewed with trepidation by the construction industry, which has been battling to get agreement among formal and emerging contractors on the builders' warranty mechanism.

Reacting yesterday, Council for Construction in SA (Cocosa) vice-president Ian Robinson said strenuous attempts were being made to achieve consensus between

ROBYN CHALMERS

banks, government and the industry on the interim scheme by the month-end.

Last week Cocosa formulated an interim scheme to replace temporarily the warranty mechanism in a bid to kickstart low-cost housing delivery.

Robinson said the Cocosa steering committee on the mechanism had agreed on the details of the interim scheme on Monday. Workshops on the issue would be held in the nine provinces this month.

The committee was also committed to establishing a more comprehensive final warranty product within a few months.

The delay in finalising the warranty scheme is impeding government's housing programme as mortgage lenders will not extend credit to low-income earners before it is in place. BD 8/3/95

MPs set to force hand of builders

(32) Star 9/2/95

**POLITICAL
CORRESPONDENT**

The building industry could be forced by law into a housing warranty scheme it is resisting.

The scheme is viewed by its parliamentary backers as essential to forestalling bond boycotts over shoddy construction.

Builders who oppose the scheme say they stand by their record.

Titus Mafolo, chairman of the National Assembly's portfolio committee on housing, said MPs wanted a legislative solution to end the impasse.

"Resistance to the scheme will have a negative impact on the RDP," he said.

It was hoped a solution could be found because legislation should be a last resort, Mafolo said.

The scheme was formulated by the Council of Construction for South Africa and the National Housing Ministry.

Mafolo said details about how to fund the scheme were still being worked out.

There had been a suggestion that a central fund be set up into which the building industry would contribute.

Asked whether he was satisfied with the number of houses built after the election, Mafolo said he had not expected "thousands and thousands".

The first months of government had been useful for "intense consultation" about housing issues, to avoid the pitfalls into which previous governments had fallen.

Commenting on the Housing White Paper, Mafolo said many influential groups, including MPs, wanted rental housing added to options open to planners.

GREEN LIGHT FOR NEW HOUSING CONSTRUCTION

Builders' warranty: Interim agreement

CT10/3/95 (32)

AN INTERIM accord on a builders' warranty scheme could open the way to large-scale housing delivery by mid-year, Housing Minister Sankie Nkondo told MPs yesterday. Report by **Reuter**

"We are definitely going to have the warranty scheme set up by mid-year," Ms Nkondo told the Senate and National Assembly housing committees.

Disagreement on the terms of a warranty scheme had delayed the government's housing programme by three months. But, she said, talks with builders on Monday and yesterday could result in an inter-

im agreement to break the logjam.

Ms Nkondo is seeking agreement with builders' organisations, which did not have a single representative body, on a scheme to force them to accept responsibility for the quality of their work.

The proposed National Housing Builders' Warranty Scheme is a precondition set by banks to release funding in terms of a financial accord brokered by the late housing minister Mr Joe Slovo.

"We have to be able to assure the financial institutions that they can make funding available without incurring a very high risk," Ms Nkondo said.

Director-general Mr Billy Cobbett said the ministry was seeking a temporary accord with builders to allow housing delivery to start. "To put in place the full warranty



BROKERED ACCORD: Former Housing Minister Mr Joe Slovo

scheme will take a long time.

"We want to provide something that will give protection to consumers and satisfy all parties so that credit can flow."

COMPANIES

LTA and Bechtel teaming up

CONSTRUCTION and engineering group LTA has signed a co-operation agreement with International Bechtel, based in San Francisco and France, to work together in southern Africa. (32) (1978)

An LTA spokesman said the combination of the strength and resources of the two groups would provide a comprehensive range of engineering and construction services in all fields of development.

The worldwide experience and resources of the Bechtel group, combined with LTA's southern African expertise and manpower, would allow the two organisations to play a significant role in the development of the region and the training of its people, he said. BB 14/3/95

Bechtel, one of the world's largest privately owned companies, provides technical and management services to develop and operate installations and perform related services on a global basis.

ROBYN CHALMERS

A Bechtel spokesman said the company had conducted more than 70 studies and projects in SA, including the development of the Phalabora mine complex in Northern Transvaal.

Other projects included development of the industrial city of Jubail in Saudi Arabia, the transnational highway system in Turkey, and the Shoubrah Elkheima fossil power plant in Egypt.

In addition, Bechtel supported the construction of the Los Angeles and the Barcelona Olympics sites and assisted in the reconstruction of Kuwait following the Gulf War.

Among large projects LTA has been involved in have been the Hillside smelter for Alusaf, the Lesotho Highlands Water Scheme and the Kingsway Mall, an office development in Maseru.

Western Cape labour problems affect Ilco

BD 15/3/95 (32) (33)

NICOLA JENVEY

DURBAN — Building and construction company Ilco Homes saw net income plunge 46% to R1,09m for the six months to December after labour problems hampered construction in the Western Cape.

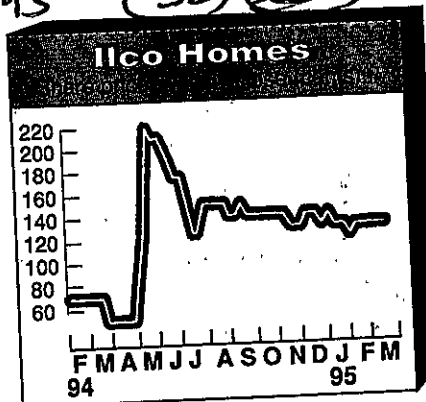
Operating income fell to R4,8m from R5,5m at 1993 interim stage, and interest paid rose 5% to R3,7m.

Earnings a share decreased to 3,5c (6,5c) and the company paid no tax for the period. Turnover figures were not available.

MD Adrianus Demmers said the company had written down the values of those properties where there had been little or no activity and which it was unable to sell.

"This prudent policy has amounted to R24,6m and the resultant write-down maintains the current values of stock and work in progress at conservative values," he said.

He said the gearing was too high, but the company was in the final process of negotiating with certain institutions to restructure the debt to improve the situation.



"The prospects for the following six months reflect a vast improvement in the housing demand. Should this prevail, we anticipate a drastic improvement in the company results in June."

However, high interest rates materially affected the affordability of housing, Demmers said.



HOME BUYERS PROTECTED Cocosa vice-president Ian Robinson, president Linda Nyembe and government representative Johan de Ridder field questions at yesterday's workshop on the builders' warranty scheme

PHOTO: THYS DULLAART

Boost for housing warranty scheme

(32)

CT16/3/95

Banks, contractors and the government agree on a measure that will allow mortgage lending under protection from May 1

By THABO LESHLO

STAFF WRITER

The banking industry has endorsed an interim measure which will allow mortgage lending under the proposed Defects' Warranty Scheme even before builders are fully accredited.

Pieter Marais, Absa assistant general manager for emerging markets, confirmed this yesterday.

The arrangement will take effect on May 1. It has been adopted because the government and the construction sector will not get the National Home Builders Registration Council and Home Builders Warranty Fund in motion by April 1, as the banks had initially required.

The compromise by the banks, contractors and the government is aimed at protecting the public against shoddy workmanship until

the full warranty scheme is established. However, Marais warned that the banks reserved the right to withdraw from the deal if insufficient progress were made in setting up the final scheme.

Progress needed

Said Marais: "We want to see progress in establishing effective mechanisms to protect consumers."

The Council for Construction in SA (Cocosa) said it might take about nine months before the full scheme was established.

Johan de Ridder, the government's representative on the steering committee charged with establishing the scheme, said yesterday the interim measure required that a standard industry warranty be introduced for all newly built homes sold by accredit-

ed builders.

Secondly, an accreditation structure would be set up under the auspices of Cocosa in conjunction with the standard warranty.

Builders would be required to ensure that designs and construction complied with minimum standards laid down by the body.

They would also be required to issue a warranty to every home buyer.

Thirdly, the agreement required that the body issue minimum construction guidelines to accredited builders, who would undertake to comply to them.

De Ridder was addressing a workshop organised by Cocosa in Johannesburg to explain the warranty scheme and the interim arrangement.

Cocosa president Linda Nyembe denied that black builders were opposed to the warranty scheme.

"We need the scheme, because it will enhance the image of black builders," he said.

Banks conditionally accept warranty

BD 16/3/95

ROBYN CHALMERS

THE banking industry has conditionally accepted the interim builders' warranty mechanism proposed by government and the construction sector, which could see the mass delivery of homes begin in May.

An Association of Mortgage Lenders spokesman said yesterday the banking industry agreed that the interim mechanism was acceptable in the short term, but it still needed extensive work. (32)

Outlining the interim scheme yesterday, Housing Ministry special consultant Johan de Ridder said it could take between six and nine months to implement the build-

ers' warranty mechanism originally proposed. "The challenge facing the construction industry, mortgage lenders and government is finding a way of preventing such a delay by reaching some form of compromise in the short term.

"It will, however, be necessary to proceed with a process to design a final scheme which will satisfy all basic requirements, and this will be done in tandem with the interim mechanism."

□ To Page 2

Warranty

(32) BD 16/3/95

□ From Page 1

De Ridder said the interim scheme proposed that three aspects of the original mechanism be introduced for all newly constructed homes costing between R22 500 and R100 000 and sold by accredited builders. These were a standard industry warranty, accreditation for builders and minimum construction guidelines.

The standard industry warranty would cover the design and construction of the foundation, roof and structural shell of the house. It would supersede any other conflicting agreements between the homebuyer and builder.

The interim scheme postpones the implementation of a proposed home builders' warranty fund, which the original mechanism said should be funded by imposing a set levy on the total selling cost of each house. As a result, builders will have to guarantee their products to consumers

without the cushion of a warranty fund and will be liable for defective products.

De Ridder said an accreditation body would be established, possibly under the auspices of the Council for Construction in SA, which would immediately begin accrediting builders on a preliminary basis.

The body would not have any infrastructure during the interim stage and would not be required to deal with plan approvals, plan registrations, compliance inspections or conciliation.

Builders would have to adhere to basic minimum construction guidelines and a specified code of conduct issued by the accreditation body. Guidelines relating to foundation design and construction standards would be applicable to all housing financed through mortgage lenders, irrespective of price.

Govt plan may hurt smaller suppliers

ROBYN CHALMERS

(32)

SOME building materials suppliers have expressed concern that the Housing Ministry's proposal to set up building support centres to supply advice and cheap material to emerging contractors may jeopardise smaller companies.

The centres are part of the housing support system outlined in the Housing White Paper and are aimed at boosting the capacity of the construction industry, particularly the emerging sector.

Industry sources said yesterday there was growing concern that if government bought building products in bulk, it would be able to undercut prices and jeopardise smaller companies.

Building Materials Suppliers Consortium spokesman JP Landman said while the industry backed the Ministry's housing support proposals, any intervention by the state should take place only once the playing fields were levelled, otherwise the private sector would be crowded out.

Landman said the best way forward was on a competitive basis. Building materials suppliers would keep prices reasonable, in line with an undertaking given to government last year.

Housing Ministry spokesman Stephen Laufer said if building materials suppliers stuck to this undertaking, there would be little need for government to intervene.

He said details of the proposed system had not been fleshed out yet, but a pilot

□ To Page 2

Builders

(32)

BD 17/3/95

building support centre was under consideration. Such centres, which could total 10 by the end of the year, would provide technical advice to builders and could sell reasonably priced building materials.

The National Housing Forum has also expressed concern about the housing support systems proposed, saying they could possibly distort the market. "It is proposed that where intervention of a direct delivery nature is unavoidable, this should be structured and funded in such a way that

will enable sustained non-state sector participation in delivery."

The forum said this was particularly important for pricing policies as a lack of transparency would prevent private sector agencies from being involved in the delivery of housing goods and services. It said in a recent submission on the White Paper that should this occur, it would increase the burden on the state to deliver such goods and services.

● See Page 3

□ From Page 1

CONSTRUCTION

(32)

Radebe hazards *Am 17/3/95*

A decision by the Public Works Ministry to award construction projects on the basis of factors other than technical competence has confused the industry.

The State Tender Board will give preference to projects which:

- Are labour intensive;
- Have task-related payments;
- Make affirmative action appointments; and
- Make a point of teaching workers contract administration and costing.

While the thrust of the policy has been welcomed, implementation would have its dangers.

There is little controversy over making State tenders more accessible to emerging contractors. This will be possible within seven months once a programme, providing practical and technical assistance, has been implemented by the Public Works Department and National Economic, Development and Labour Council.

But the industry has reservations on a number of issues.

The SA Federation of Civil Engineering Contractors (Safsec), for example, says it would be prepared to formulate rules for small contract set-asides. But it warns that, unless clear ground rules are laid, the tender system could be open to corruption.

The World Bank estimates subcontractors, using labour intensive schemes, must cut wages by half to make the method viable. This means contractors will not be able to compete on price and the jobs of their own workers will then be in jeopardy.

Senior lecturer in property development and construction economics at Natal University Andrew Merrifield says a task-related payment system could increase employment opportunities and draw new participants into the industry. But it will create anomalies in rates of payment to workers.

Workers on adjacent sites could be paid different rates and firms working on national works programmes and other projects would find themselves paying different rates for the same work.

"Both situations could lead to labour dissatisfaction and confu-

sion." Merrifield also identifies problems with on-site training. "We might create a surplus of poorly trained construction workers who have neither the expertise nor the experience to become productive in an internationally competitive industry."

The civil engineering industry and unions negotiated a framework agreement a year ago, to provide a career development strategy with both formal and informal sectors. "But it is not certain yet it can effectively replace existing training and development programmes," says Merrifield.

Public Works Minister Jeff Radebe says his ministry was considering asking the state "to consider underwriting certain types of contracts."

Safsec economist Hank Langenhoven doubts the State can afford this.

"There are few black civil engineering contractors and they will require an enormous amount of assistance from both government and Safsec sectors. Capital and sureties cannot be free. To waive sureties would be to waive the workings of the whole system. I can't see the banks being prepared to accept it."

However, he agrees the concept can be used provided the value of the contracts is small. ■

Building industry's R250m loan scheme

By Roy Cokame

RECORDER BUSINESS EDITOR

The Transvaal Building Industry Pension and Provident Funds have launched a R250 million housing loan facility to assist its 30 000 active members with home finance.

Developed for the two funds by Fedlife, the custom-designed facility has been launched in recognition of the industry's responsibility to the community at large.

The trustees of the Transvaal Building Industry Retirement Funds have estimated R250 million may be mobilised in this mutually beneficial project.

Master Builders' Association (MBA) executive director Deon Crous said the R250 million estimate was fairly realistic. He said it was based on the pool of money currently in the fund - more or less R1 billion, which is not a fixed amount but a growing figure.

A spokesman for the trustees of the funds said the implications were enormously favourable.

Not only will individual members be able to access funds to build or buy their own homes, but the release of these funds will create new jobs within the building industry, actively pursuing one of the primary objectives of the RDP. It will also help to build a stronger foundation for South Africa's economic revival, the spokesman said.

The funds will help build a strong foundation for economic revival

He added that the trustees also hoped the scheme would improve relations between employers, trade unions and their members. The trustees represent the employers in the building industry through the Master Builders' Association (Transvaal South) and the Building Industries Association (Transvaal North), while the employees are represented by four trade unions - the Amalgamated Union of Building Trade Workers of South Africa, the Building Construction and Allied

Workers' Union, the Construction and Allied Workers' Union and the White Building Workers' Union.

Loans will be made available to members of both funds, subject to certain conditions.

In terms of current legislation, loans via the funds may only be used to purchase or improve residential properties and these properties must be owned and occupied by employees.

The spokesman said the benefit improvement was an important way of assisting members' immediate housing needs.

The minimum loan allowed under this arrangement is R1 000 and up to 60 percent of a member's withdrawal benefit can be used for housing.

Employment in the building industry is cyclical by nature.

For this reason, arrears payments as a result of temporary breaks in employment can be made up at year-end through the Industrial Council's Holiday Fund system, the spokesman said.

Features of the housing loan facility include:

ST (BR) 17/3/95

32

- The funds stand surety for the loans made to members;
- Members must be current contributors at the date of the loan;
- For members under 55 years, the amount of the loan can be equivalent to 60 percent of withdrawal benefits;
- For members over age 55, the amount of the loan will be negotiated as percentage of the withdrawal benefit;
- Since the trustees have a fiduciary duty to members who do not take advantage of the facility, the interest rate charged is the minimum prescribed by the Pension Funds Act, currently 15 percent.
- If the purchase price or value of the property is R45 000 or less, there will be no repayments, but the loan will continue to accrue interest until the member leaves the building industry or retires, at which time it will be payable;
- If the purchase price or value of the property exceeds R45 000, then at least the interest on the loan amount has to be repaid on a regular monthly basis;
- The total loans outstanding may not exceed 25 percent of the actuarial value of the funds.

Builders' warranty to cost R95m a year

BD 22/3/95 (32)
THE builders' warranty mechanism under negotiation between banks, government and the construction industry could cost R95,4m a year to run once established, a survey by Deloitte & Touche has found.

A financial model prepared by the accounting firm found that the infrastructure required to monitor the mechanism meant the home building industry and consumers would have to fork out R95,4m annually when the mechanism was fully operational, expected by 1999/2000.

In addition, contractors would have to pay about R59m a year in levies to the envisaged home builders' warranty fund, which would establish financial reserves to rectify construction defects.

Deloitte & Touche's survey was carried out on the comprehensive builders' warranty mechanism and does not relate to the interim scheme which should be finalised by the end of this month.

A draft document on the comprehensive mechanism proposes that a national home builders' registration council be established to implement a standard home builders' warranty. It would also regulate the industry to ensure adequate standards of construction and responsible behaviour by home builders.

The council would have to establish appropriate infrastructure to undertake inspections during construction of all houses.

ROBYN CHALMERS

which could total 350 000 by 1999. It would need infrastructure to approve plans for houses, adjudicate on consumer complaints and provide a conciliation service.

Ilco Homes special projects head George Smit estimated that funding this infrastructure would add R1 500 to the cost of a R45 000 house. "The proposed mechanism will increase the affordability problem that the home buyer already faces.

"Developers are already having to reduce specifications to make homes affordable, so ceilings and hot water systems, for example, are eliminated. What other items will have to be eliminated from a home to account for this proposal?"

Council for Construction in SA vice-president Ian Robinson said all parties negotiating the mechanism were acutely aware of the huge bureaucratic costs which could be incurred. Several proposals were under consideration which could reduce these costs, one of which was the use of a professional engineer's certificate. In terms of this proposal, builders would have to obtain such a certificate for the foundations, structural shell and roof on homes constructed. This route would enable the inspectorate to be reduced, but meant engineers would have to bear the burden if a consumer sued for a defective home.

Provinces complain of feeling pinch

BY BRUCE CAMERON

POLITICAL EDITOR

Provincial governments face unbudgeted deficits of billions of rands for the year because they have not been given sufficient funding by the central government.

The warnings were made by members of provincial executive committees appearing before the parliamentary finance committee.

They said they were unable to meet commitments because they had not received sufficient funds in the Budget.

Nearly two-thirds of Budget

expenditure is directed through the provinces to pay mainly for welfare, education and health.

Three provincial executive members appeared before the committee yesterday to plead for additional funds, saying they did not know how they were going to cover their deficits.

The evidence given to the committee indicates that a major tussle lies ahead in the distribution of funds to the provinces.

Western Cape MEC Kobus Meiring said he was unable to find the funds to meet the demands of maintaining health and education

levels — both of which were employment intensive in spending.

North West Province and Eastern Cape MECs told of other problems in areas including the former homelands.

Martin Kuscus of North West and Shepherd Mayatula of Eastern Cape said the allocation of funds was unfair because:

They had inherited debts of the former homelands; they were expected to take on a greater load of self funding because they had casinos; and they had to deal with issues like international airports in the middle of nowhere.

Builders divided over warranty scheme

BY MAGGIE ROWLEY

PROPERTY EDITOR

A highly charged meeting of Cape Town builders yesterday approved in principle an interim builders' defects warranty scheme on which they would make further comment before April 4.

However, established and emerging contractors were clearly divided over whether or not they could support a final scheme involving a builders' defects warranty fund to underwrite defaulting builders, as requested by both the government and the Association of Mortgage Lenders.

Representatives of the established building industry strongly rejected the proposed final scheme — which is still being fine-tuned —

saying it would create a bureaucratic monster, costing the industry well over R400 million in the next five years.

Financial modelling by Deloitte Touche indicated that the scheme would cost more than R143 million a year when fully operational by 1999 or 2000.

Emerging builders felt equally strongly that while they still needed to consider the proposals and make recommendations for a final scheme, no further delays could be afforded in getting the RDP housing programme off the ground.

Last week the association agreed to the interim proposals for a defects warranty scheme on condition that the building industry commit itself to settling a full scheme within three months.

Yesterday's meeting was one of the roadshows being conducted in the nine provinces by the industry's umbrella body, the Council for Construction in South Africa, to get agreement on an interim builders' defects warranty scheme and a commitment to a final scheme.

It finally resolved to agree in principle to the interim proposals which do not involve a warranty fund and to work towards a final scheme but "reserving the right to abort the process at any time". Ian Robinson, chair of the council's steering committee on the defects warranty scheme, warned that if Cape Town did not commit itself to pursuing a final scheme, it could find itself out in the cold with no mortgage loans being granted in the region.

CT(BR) 24/3/95

(32)

CT(BR) 24/3/95

ILCO HOMES

Houses of straw

32
FM 24/3/95

Housing developers have not had a pleasant time lately and Ilco Homes is no exception. The RDP promised riches through low-cost housing development, but these probably won't materialise until after the local elections in October, when authorities are in place to decide on specific projects. Meanwhile, Ilco, which is in the mass housing market, has suffered from the delay.

In the year to last June profits fell by over half, to R2,9m (1993: R6,1m). The interim to December shows losses to have slowed slightly from the six months to June 1994, but attributable income at R1,1m is down 45% on the year-ago period (R2,0m). EPS of 3,5c are 55% of those for the six months to December 1993.

CE Jos Demmers ascribes the fall to labour problems in the Western Cape construction industry.

Debt rose by 29% to R48,7m in calendar 1994 (1993: R37,8m), giving a debt:equity ratio of almost 1:1. Total liabilities at December of R52,9m are 36% up on the year. There is also a contingent liability of R34,7m to secure banking facilities.

It is reassuring that Ilco acknowledges the magnitude of its debt and is trying to restructure it, because it simply cannot afford to increase debt at this rate. Interest cover is already low at 1,4 and projected rises in interest rates over the next year will increase net interest payments beyond the R3,8m of the past six months.

Negotiations are in progress with the bankers.

Ilco has assets including a minifactory and a business village which could theoretically be sold, but they have been on the market for at least a year with no takers.

It has written these down by R24,6m over the past five years. "The write-downs," says Demmers, "maintain conservative current values of stock and work in progress."

The accounts give cause for concern. Ilco violates the Companies Act by not disclosing turnover, so that profit margins are a matter for speculation only.

Cash flow has dried up: year-end results to June 1994 showed an outflow of R8,8m, up from R4,7m in 1993, and cash reserves dropped from R180 000 to R90 000. There is no cash flow summary in the interim.

Finally, the four directors appear to work without recompense, surely unheard of in the annals of business. Ilco was 269th in the

FM Accounts Awards list; a glance at the annual report explains why.

The share offers a p/e of 19,5, about four points above the building industry average. Ilco expects prospects to improve over the next six months, with a commensurate upturn in results, but investors would be advised to see debt significantly reduced and cash flow turned positive before they venture any money on stock. *Margaret-Anne Halse*

Single construction sector association being probed

(32)

BD 24/3/95

ROBYN CHALMERS

A SINGLE association to represent the formal and emerging construction sector nationwide could be in place by next year following the appointment of Deloitte & Touche to undertake a survey on the issue.

The need for a single association which could lobby government on a range of issues as well as provide industrywide training and other needs was mooted at the Building Industries' Federation of SA (Bifsa) conference in Mmabatho last year.

Bifsa executive director Ian Robinson said last week several meetings had been held by the six bodies considering a merger. A steering committee with two members from each organisation had been set up. These were Bifsa, the National Association of Home Builders, the SA Federation of Civil Engineering Contractors, the

Association of African Builders, the National Federation for the Building Industry and the National Black Contractors' and Allied Trade Forum.

Robinson said a single body was advocated to avoid the duplication of functions carried out by six organisations, be more cost-effective and lobby government effectively. Deloitte & Touche would interview contractors around SA in a bid to establish a common vision of what sort of representative body was needed.

There were several options which could be pursued, including the formation of a confederation with representative members from each of the six bodies and the disbandment of all the bodies which would then come together in an amorphous organisation. Neither of these options was ideal. The industry needed to come up

with a solution which would create a balance between the formation of an entirely new body and disbandment, Robinson said.

One other option was to establish all the organisations under one roof and divide them into separate divisions. This option meant the organisations could pool their legal resources as well as the marketing, training and information systems.

Robinson said no decision would be taken until Deloitte & Touche had completed its survey, which could take five to six months as workshops around SA had to be held on the issue.

Should a single nationwide construction body be formed, the future role of the Construction Council of SA would have to be re-examined. The six representative bodies were all council members. Should they merge, the council's role as a co-ordinating forum would be diminished.

SA gives Bovis a good start

(32) ST (BT) 26/95

BOVIS Southern Africa, the local subsidiary of the British construction group, has signed contracts worth a total of R237-million in its first 10 months, writes JEREMY WOODS.

The largest single contract is for a R100-million construction management at Old Mutual Palace, an office block to be built in the Johannesburg CBD, says Roger Mabey of Bovis International.

Bovis has also been awarded a series of contracts, worth R137-million, by Woolworths, for whom Bovis is carrying out major alterations in Cape Town.

"The concept of construction management with its proven time, cost and quality benefits is already established in Europe and the US. Now it is beginning to make its mark here," said Ed Wilson, managing director of Bovis Southern Africa.

Boom may endanger govt's housing plan

(32)

ROBYN CHALMERS

BUILDING and construction industry statistics indicate that the sector will enter a boom period next year, fuelling fears that materials costs will soar and undermine government's housing programme.

Figures released by the Central Statistical Service, Stellenbosch-based Bureau of Economic Research, and the BMI Building Research Strategy Consulting Unit show that the building and construction industry has moved out of the recession.

Growth forecasts range from 7.5% to 12%. *BD 27/3/95*

The JSE's building, construction and allied index soared during April last year to touch 8 162 in May, based largely on premature expectations of a building boom last year.

Analysts said the index levelled off between June and October last year as it became clear that the RDP would not get off the ground, but began to move upwards following the signing of a Housing Accord at Botshabelo in late October.

The index recently began to gain ground again, a move analysts attributed to improved expectations that the RDP and particularly the housing programme would gain momentum from the middle of this year.

However, the real boom was expected next year and could lead to growth levels of up to 20%. Analysts

said this would place severe strain on the capacity of the sector, which is emerging from a four-year recession.

Industry analysts and spokesmen, including Murray & Roberts CE Andre van der Colff, have warned that a serious skills shortage is likely to be experienced by next year.

Van der Colff said at the weekend a lot of money would have to be spent on training and a recruitment drive would have to be undertaken to meet the expected increased demand.

The Housing Ministry has expressed concern that building costs could rise well above inflation once the RDP got going, and has urged suppliers to form a compact to keep price increases reasonable.

Building Industries Federation of SA executive director Ian Robinson said while building material suppliers had agreed to the compact, it could be rendered ineffectual as labour unions had not been included.

"If the compact is to be effective, we must have an urgent commitment from the unions that labour cost increases will be linked to productivity," he said.

Robinson said there were already indications that the price of certain building materials were rising above the inflation rate.

The last hurdle for RDP housing

PROPERTY PERSPECTIVES

With the government-funded Mortgage Indemnity Scheme (MIS) due to be finalised shortly, the only real obstacle in the way of the RDP housing programme is the proposed Builders Defects Warranty Scheme.

The Budget made a provision of R50 million for the MIS, which is aimed at reducing the risks of lending money in the low-income housing market, where banks have pledged to provide 50 000 home loans this year.

However, a further condition is attached to protect consumers (and at the end of the day, the banks), namely, that builders stand by their products for a certain period and that a fund is implemented to cover defaulting builders.

In recent years, defects in newly constructed houses have caused problems for consumers and, in certain instances, have resulted in bond boycotts.

In most cases the builders have left the site and the banks, which have provided the long-

term finance, have suffered.

It is not surprising, therefore, that the government and the banks have called on the building industry to come to the party.

The industry's response has come through the umbrella body the Council for Construction in South Africa.

The steering committee's proposed scheme, for which they are presently trying to get grassroots support, includes the establishment of a National Home Builders Registration Council, backed up with a Home Builders Warranty Fund.

The intricacies of putting together such a scheme are immense.

The UK, for one, has had a scheme in place for 60 years and it is still being fine-tuned.

The banks have consequently agreed to an interim scheme to



By MAGGIE ROWLEY

Builders search for an acceptable scheme to protect both the consumer and the bank

help avoid further delays in getting the housing programme off the ground.

The proviso, however, is that the industry commits itself to having a final product in place within a certain period.

Currently under negotiation, but expected to be about six months, getting industry consensus on a final scheme (and one which will carry government and bank approval) will indeed be a challenge.

The council is currently conducting roadshows around the country to drum up support and

thing to go by, it would appear that there is a very rocky road ahead for the council.

Further setbacks to the RDP housing programme cannot be ruled out.

The interim scheme, which will involve registration of builders, does not include a defects warranty fund nor a major bureaucracy, which are the major bones of contention for critics of the final proposed scheme.

While most builders at the Cape Town meeting were in favour, at least in principle, of an

interim scheme, that is where about half of those present — mainly the established contractors — would like it to end.

They were eventually persuaded to work towards a final product but not without reserving their right to "abort the process at any time".

This was in spite of warnings from the chair that they would leave the Western Cape out of the cold without mortgage loans being granted in the region. Alternatively, they were warned, they could face legislation.

The issues of contention — raising the blood pressure of a fair number of builders and threatening to derail the housing initiative — revolve mostly around what builders perceive to be an unacceptably large new bureaucracy, which will cost the industry about R150 million a year by the turn of the century.

The end result of this new bureaucracy, they argue, will be to significantly push up the cost of housing to the end user.

Pact likely to boost black builders

BY JO-ANNE COLLINGS

32

Gauteng branches of the South African National Civic Organisation (Sanco) and the National Building Contractors and Allied Trade Forums (Nabcat) have concluded a pact likely to boost the odds for black builders in the low-cost housing stakes.

"For the first time there is unity among emerging builders and organisations like Sanco," said Sanco regional president Ali Maziya. "Local government can now deal with this single body in redressing the backlog of housing and ensuring that black contractors are used."

31 JAN 30 1995
Nabcat has lost little time in making this potentially beneficial pact — its Gauteng branch was formed only a week ago. It speaks for more than 400 individual builders organised into associations in seven sub-regions.

The Sanco-Nabcat pact essentially sets up channels of communication between the two groups. Sanco's constituents stand to benefit in terms of provisions on quality control, while Nabcat's members should gain from the commitment to jointly tackle the questions of training and creating conditions for small business to benefit from RDP projects.

Warranty could raise house prices 2%

THE builders' warranty mechanism could raise the price of low-cost houses by 2%, considerably less than the 10% originally estimated by the construction industry, says Deloitte & Touche consultant David Porteous.

A financial model prepared by the accounting firm found that R900 for a R45 000 house would be contributed to the mechanism by home builders and ultimately consumers.

The 2% contribution was made up of fees paid for plan approvals, to be undertaken by a national home builders' registration council, and an insurance levy to be paid into a home builders' warranty fund.

The construction industry had feared that the levy could amount to between 3% and 5% of the sale price

ROBYN CHALMERS

of a house, but Porteous estimated that it could be as low as 1,5% during the first year.

Further, this levy would decrease progressively, and could amount to around 1,3% by the year 1999/2000 when the warranty scheme was expected to be fully operational.

The model estimated that payments would increase marginally to 2,33% during the scheme's second year of operation, but would also move progressively downwards to amount to 2,08% by the turn of the century.

The infrastructure required to monitor the mechanism would cost R28,6m during the first year of opera-

tion, rising to R95,4m by the year 2000. Porteous said this was based on the assumption that 52 500 houses would be built in the first year and approximately 363 500 by the turn of the century. (32)

Housing Ministry spokesman Johan de Ridder estimated that the comprehensive mechanism would take about a year to implement. An interim scheme was being negotiated between government, banks and builders to temporarily replace the full-blown scheme, and this should be finalised by the end of this month.

Absa credit assistant GM Pieter Marais said the warranty scheme was designed to give consumers peace of mind when it came to buying a house.

Transvaal builders set up R250m housing loan fund

CT(BR) 5/4/95

(32) (BR)

By Roy Cokayne

PRETORIA BUSINESS EDITOR

The Transvaal Building Industry pension and provident funds have launched a R250 million housing loan facility to assist their 30 000 active members with home finance.

Developed for the two funds by Fedlife, the custom-designed facility has been launched in recognition of the industry's responsibility to the community.

The trustees of the Transvaal Building Industry Retirement Funds have estimated R250 million may be mobilised.

Master Builders' Association executive director Deon Crous said the estimate was fairly realistic.

He said it was based on the pool of money currently in the fund — approximately R1 billion, which is not a fixed amount but a growing figure.

A spokesman for the trustees of the funds said the implications were enormously favourable.

Not only will individual members be able to access funds to build or buy their own homes, but the release and employment of these funds will create new jobs within the building industry, actively pursuing one of the primary objectives of the RDP.

The release of the funds will also help to build a stronger foundation for economic revival, the spokesman said.

The spokesman said the trustees also hoped the scheme would improve relations between

employers, trade unions and members.

The anticipated consequences of the scheme highlight that the building industry and allied services have a leading role to play in South Africa's development and growth, both now and in the future, the spokesman said.

The trustees represent the employers in the building industry through the Master Builders' Association (Transvaal South) and the Building Industries Association (Transvaal North).

The employees are represented by four trade unions — the Amalgamated Union of Building Trade Workers of South Africa, the Building Construction and Allied Workers' Union, the Construction and Allied Workers' Union and the White Building Workers' Union.

Loans will be made available to members of both funds, subject to certain conditions.

In terms of legislation, loans via the funds may only be used to purchase or improve residential properties and these properties must be owned and occupied by employees and their dependents.

The spokesman said the benefit improvement was an important way of assisting members' immediate housing needs.

This was especially so in the face of the national housing crisis.

The minimum loan allowed under this arrangement is R1 000, and up to 60 percent of a member's withdrawal benefit can be mobilised for housing purposes.

Employment in the building industry is cyclical by nature. For this reason, arrears payments as a result of temporary breaks in employment can be made up at year-end through the Industrial Council's Holiday Fund system, the spokesman said.

Features of the housing loan facility include:

The funds stand surety for the loans made to members;

Members must be contributors at the date of the loan;

For members under age 55, the amount of the loan can be equivalent to 60 percent of his withdrawal benefits;

For members over age 55, the amount of the loan will be negotiated as a percentage of withdrawal benefits;

Since the trustees have a fiduciary duty to members who do not take advantage of the facility, the interest rate charged is the minimum prescribed by the Pension Funds Act, currently 15 percent;

If the purchase price or value of the property is R45 000 or less, there will be no repayments, but the loan will continue to accrue interest until the member leaves the building industry or retires, at which time it will be payable;

If the purchase price or value of the property exceeds R45 000, then at least the interest on the loan amount has to be repaid on a regular monthly basis by debit order;

The total loans outstanding may not exceed 25 percent of the actuarial value of the funds.

Price rise trend for building materials

BUILDING material prices will continue to firm this year on strong growth in the local industry and a shortage of supply on export markets, says Masonite chairman Alan Wilson in the 1994 annual report.

Wilson said the market price of hardwood pulpwood had escalated by 20% during the year. **BD 514195**

"The export of a considerable tonnage of wood chips out of Richards Bay, due in part to a strong yen and a world shortage of timber, will adversely affect the availability of timber locally," he said.

Earnings for the building material manufacturer rose to R9,7m (R8,7m) during the year ended December, on turnover which increased 13% to R154,6m (R137,1m).

This translated into earnings of 142c

ROBYN CHALMERS

(128c) a share

(32)

(199)

The company participated with Masonite US and Masonite UK in the joint marketing of door panels in international markets, which reduced selling costs and enabled a full product range to be offered.

The forestry operation achieved a modest profit against a budgeted break-even, but he said lack of rain remained a problem which would affect future yields.

While capital expenditure was modest at R10,3m in the light of the company's commitment to invest in capacity, technology and products, Wilson said a number of opportunities continued to be researched.

BUILDERS' WARRANTY SCHEME

Finding each other

(32) AM 7/4/95

Concerns among the stakeholders party to the proposed national home builders' warranty fund over the affordability of such a scheme have led to a decision to postpone its introduction until less costly alternatives have been investigated.

The fund is intended to protect home buyers when contractors refuse or are unable to repair shoddy workmanship. It is also intended to ensure that banks do not continue to be the victims of bond boycotts as a result of building defects.

The interim measures adopted will not stop consumers targeting banks for defects in their homes as there is no industry fallback if builders disappear. However, a combination of builder accreditation, standard warranties and minimum building guidelines should significantly reduce the incidence of building defects. Builders did not want to commit themselves to a national warranty fund because they felt it would have serious financial implications for them as well as home owners.

A financial model prepared by accounting firm Deloitte & Touche found R300m would be needed over the next five years to cover the costs of the Home Builders' Registration Council to support the construction of about 500 000 houses at an estimated value of about R50bn. An additional R200m would be required in premiums to cover the fallback warranty fund on the credit-linked subsidised home market only, estimated at 360 000 houses.

Consultant David Porteous of Deloitte & Touche says he was surprised at how low running expenses were. "We found that, infrastructure included, managing the fund adds no more than 2,4% to the price of a house, or R1 093 on a R45 000 house. This compares favourably with initial expecta-

tations of 3%-5% — against the trade-off of high legal costs. These can amount to as much as 40% of the price of the house if owners take legal action against builders for substandard workmanship."

Some developers feel the figure of R1 093 may escalate because of high holding costs and estate agents' commission in larger schemes. They say a figure of R1 500 per house is more appropriate.

Minus the fund and the council's infrastructure, costs of a warranty scheme will be insignificant. But the downside is that consumers who do not have the knowledge or financial resources to access legal help, will have to continue without it.

The interim measure proposes a once-off accreditation fee for builders seeking to get involved in low cost housing of R500-R600 plus a small annual levy to renew the accreditation.

Three elements of the scheme will be implemented. Builders will have to be accredited; they will have to attach a standard warranty form to each sale agreement; and adhere to a minimum set of construction standards. Together they should provide consumers with some protection and a means of differentiating between good and bad contractors.

In the interim, while a national warranty fund is under investigation, the design and construction of the foundations of all homes will be covered by a warranty from the builder. Homes below R65 000 will receive additional cover for the roof and structural shell from the builder.

Government-appointed steering committee member Johan de Ridder says once standard building guidelines become available for more complex structures, all home building activities of a contractor will be subject to the rules of the scheme irrespective of price or size.

The challenge for the drafters of the final scheme will be the creation of a fund without undue bureaucratic and financial implications. Certification by professional engineers is one of the alternatives being considered. Builders have been invited to present their proposals at workshops. ■



De Ridder . . . no fallback in interim measure if builders disappear

New body could be vital lobby

(32) BD 19/4/95

ROBYN CHALMERS

THE association being set up to represent the building and construction sector will have a vital role in lobbying government on issues such as the road programme, says SA Federation of Civil Engineering Contractors (Safcec) president Bean Bornheimer.

Bornheimer said the road programme was not receiving anywhere near the amount of funding and attention it should, and a merging of building and construction bodies would be a powerful force to discuss such issues.

Deloitte & Touche was recently appointed to investigate the formation of a single association to represent the formal and emerging construction sectors.

This would involve merging six industry bodies, Safcec, the Building Industries' Federation of SA, the National Federation for the Building Industry, the National Black Contractors' and Allied Workers' Forum, the National Association of Home Builders and the Association of African Builders.

In an interview with the Civil Engineering Contractor, Bornheimer said he believed the best chance of bringing about the merger and unifying the industry would be through the creation of a new body.

"This will have a better chance of being totally acceptable to all the players in the industry."

Within the unified structure, Bornheimer said he envisaged there would still be structures which specifically addressed the civil engineering industry, the building sector, and so on.

"I am convinced that by creating a single body we will be able to play a much more meaningful role in influencing government on where and how it should be spending money on infrastructure development."

T
3
C
3
a
n
T
P
t
J
1

Building industry mood buoyant

(32) BO 19/4/95
CAPE TOWN — The mood of building contractors is improving, confidence indices released by the Bureau for Economic Research at Stellenbosch University show.

The confidence index of contractors in the residential sector increased from 51 to 61 in the last quarter of last year, while in the non-residential sector it increased from 37 to 54.

The bureau said in its latest nationwide survey on the building and

construction industry that investment expenditure performed particularly well last year.

"The main factors constraining activities were demand and cost of financing," the bureau said.

Although the property market experienced a tough fourth quarter, "prices... continued to increase in the fourth quarter of 1994 and are expected to increase throughout 1995". — Sapa.

PROPERTY

Upswing for Cape construction industry

By Maggie Rowley

PROPERTY EDITOR

The upswing in the construction industry has eventually got under way, according to Cape companies, who are reporting increased order books and a reprieve from "suicidal" tendering conditions.

Jan Kaminski, managing director of Orcon Construction, said that after six tough years the tide appeared to have now turned. They had as much work on hand at the start of the financial year beginning April 1 as they had had in the whole of the past financial year.

"What is more, it looks like further new work will be forthcoming and group turnover for the year to end March 1996 should show an improvement of around 37 percent

over the past year to about R240 million." The group's results for the year to end-March 1995, to be published in the next few weeks, he said, would reflect the very difficult year the company had been through.

While the company still had considerable spare capacity, the current order book, he said, was approaching a very satisfactory level and the company was tendering for a number of large projects, including the R100 million New Wingfield prison in Goodwood and the adjacent R70 million residential housing project. Tender prices, he said, were still very tight but were improving.

"However, price increases are likely to be felt by July/August and an inflation rate of 19 percent could hit the industry by the end of the year. Kaminski praised the large financial and industrial com-

Estate agents welcome new deadline for property bill

By Maggie Rowley

PROPERTY EDITOR

The deadline for comment on the proposed Property Transactions with Consumers Bill, aspects of which have been vehemently opposed by estate agents, has been extended until the end of July.

Lawrence Tsoer, the chairman of the National Estate Agents Association,

industry and remain relevant to the evolving market.

Henk Delpoit, deputy dean of law at Port Elizabeth University, told the meeting that the draft legislation — which would degenerate the industry and remove statutory control and disciplinary powers — was based on the British model, where conveyancing was handled entirely by attorneys.

panies for their confidence in the future and their ability to plan ahead.

"After the successful election last year, many people rather naively expected an immediate flood of foreign investment. At the time, we said we did not expect this until South African companies had initiated an economic upturn by investing themselves. This they are now doing and no doubt in 1996 we will start to see significant foreign investment."

A second Cape company to report improved conditions in the past few months is Murray & Roberts (Cape). Managing director Jeff Turner said the upswing had become noticeable since mid-February.

"There is a significant amount of work out there and more under negotiation. We are in good shape for the current financial year."

The increase in work on hand would see employment levels up this year. The company was currently recruiting key people, he said.

Leon Glaser Construction said they too had seen a strong improvement in the past six weeks. "The thing with the Western Cape is that when the boom comes it comes quickly and I think we are looking at a sustainable upswing. Work is coming in across the sector from industrial and commercial development to super-luxury housing in the million rand-plus bracket."

But the upturn is not yet been felt in all quarters. Rob Heller, managing director of Stocks of Stocks Cape, said they had yet to feel the impact and did not expect much improvement before well into the second half of the year.

27 (E&P) 26/4/95

52

Building sector 'sticks to pledge'

(32)

ROBYN CHALMERS

THE major building material manufacturers around SA had stuck to a pledge they gave government last year, and kept price increases reasonable, the Building Material Suppliers' Consortium said at the weekend.

Consortium chairman George Thomas said recent research showed that any price increases implemented by larger manufacturers of cement, bricks, paint, ceramics and door frames had been in line with the inflation rate.

This followed a prediction by Stellenbosch University's Bureau for Economic Research (BER) that building costs could rise 18% this year as the building and construction industry emerged from a lengthy recession. The BER survey for the first three months of this year found that building contractors and subcontractors experienced a much better quarter in terms of work on hand.

It said the main factors still constraining activities were demand and cost of financing, with no apparent shortage of bricks, cement or plumbing materials, although contractors did report slower delivery.

Industry analysts feared that the upturn in the building sector would lead to higher building material prices, which could have a negative effect on government's

plans to build 1-million low-cost houses within five years.

However, Thomas said the only two materials which had been affected to date were timber and plastics.

Masonite chairman Alan Wilson said recently that the price of hardwood pulpwood had risen by 20% last year, which he attributed to strong growth in the local market and a shortage on export markets.

He said the export of a considerable tonnage of wood chips through Richards Bay, due in part to a strong yen and a world shortage of timber, would adversely affect the availability of timber locally.

Thomas said the major manufacturers were, by and large, sticking to the compact they entered into last year after government called on them to keep any price rises reasonable in a bid to ensure the reconstruction and development programme was not impeded.

He said one of the biggest concerns for building material suppliers was that labour unions had not been included in the compact and a significant hike in labour costs could render the compact ineffectual.

"It must not be forgotten that price increases are often beyond the control of companies, which have to contend with international pricing and rising input costs," he said.

However, Thomas said the imminent disbandment of the cement cartel was a positive factor for the industry, as competition was the surest way of keeping price increases reasonable.

B0 2/5/9x

Bifsa set to give approval

ROBYN CHALMERS

THE Building Industries Federation of SA (Bifsa) is expected to rubber stamp the interim builders' warranty mechanism today, paying the way for the release of mortgage finance for low-cost homes at the end of the month. (32)

Bifsa executive director Ian Robinson said all the parties involved, including banks, the construction sector and government, had agreed on the scheme. Black contractor bodies would meet on Sunday for further discussions, but Robinson expected them to accept the scheme.

The builders' warranty mechanism has been the major obstacle to implementing an accord reached last year by the banking industry and Housing Ministry to build 50 000 low-cost homes at a cost of R2bn.

Banks insisted that a scheme to guard against defective construction techniques be included in the accord.

Faulty homes, they said, had been one of the major causes of bond boycotts which had cost the industry millions of rands over the past decade.

Robinson said once final agreement by all parties had been reached on the interim builders' warranty mechanism, it would be implemented soon and should be up and running by the end of the month.

Building pace hot up

BY ROY COKAYNE

The value of building plans approved in the first two months of this year rocketed by 43% compared with the same period last year.

The Witwatersrand accounted for almost half of the increase.

Figures released by Central Statistical Services (CSS) showed that building plans to the value of R2491,1-million were approved in the first two months of this year, R749,2-million more than the R1741,9-million in January and February last year. CSS added that 48,5% or R363,1-million of the increase was reported by the Witwatersrand

with residential buildings contributing R313,6-million to the Witwatersrand total.

The value of residential buildings completed on the Witwatersrand increased by 60,8% or R92,5-million to R244,6-million during this period, CSS said.

Residential building plans to the value of R1420-million and non-residential plans to the value of R430,5-million were approved in January and February.

CSS said the value of residential building plans approved increased by 80% or R631,5-million compared with the first two months of last year.

It said the largest in-

crease was recorded by flats and townhouses — 2689 more units to the value of R344,6-million were approved.

Next best was houses with 168 more plans to the value of R254,8-million approved.

CSS said the Witwatersrand approved 1593 more flat and townhouse units.

Sandton reported the largest increase in flat and townhouse units (504) followed by Brakpan (310), Benoni (262) and Bedfordview (249).

With regard to buildings completed, the total value during the first two months increased by 16,2% or R177-million to R1 270,7-million.

(32) 8/10/8/95

Warranty plan gets okay from black builders

32

ABG 13/5/95

DEFECT warranty scheme negotiations have achieved a breakthrough according to Mr Douglas Setuke, RDP manager of PPC Cement's new business development unit and secretary general of the National Association of Black Contractors and Allied Trades.

"The black contractor constituency have previously not supported the defect warranty scheme as in our view it failed to make adequate provision for the inclusion and development of black contractors," Mr Setuke said at the PPC Cement sponsored National Association of Home Builders (NAHB) Conference being held at Sun City this week.

Consequently, the black contractors support has been withheld, effectively blocking the implementation of the defect warranty scheme and in turn the delivery of housing.

Obstacles to black contractors support of the defect warranty scheme were debated by the major black contractor bodies: African Builders Asso-

ciation; National Association of Black Contractors and Allied Trades; and the National Federation of Building Industries, who agreed to support the scheme following the inclusion of the following clause in the draft legislation.

"Cognisance is given to the fact that, due to historic circumstances, many small (especially black) contractors were in the past denied access to opportunities and resources, to fully participate in the process of housing construction and to acquire the necessary skills and training for this purpose. Despite this fact and the implications thereof, it was agreed there should be only one set of entry standards for registration with the National Home Builders Registration Council (NHBRC)."

A delegate from each black contractor body will now be represented on the NHBRC and the parties have now agreed to set about identifying a practical way to include and develop black contractors.

Gauteng takes lead in building

BD 18/5/95

(32)

Robyn Chalmers

GAUTENG's building industry is forging ahead of its provincial counterparts, with building plans worth more than R6bn passed in the province last year out of the total R13,6bn approved around SA.

Central Statistical Service (CSS) figures showed the value of building plans passed in Gauteng last year was by far the highest in SA. Next closest was the Western Cape, where plans worth R2,9bn were passed.

Construction analysts said this indicated that a significant percentage of the increased residential, commercial, industrial and retail building activity expected this year and next would take place in Gauteng.

One analyst said it was clear from research conducted by a number of organisations, including Stellenbosch University's Bureau for Economic Research, that building activity had recovered well last year.

The recovery was particularly evident in the residential sector and, given the expectations of the reconstruction and development programme, he said, this sector of the market should continue to grow throughout this year and next.

CSS figures showed KwaZulu/Natal was third in line, with plans to the value of R2,6bn passed. The total

value of building plans approved in the other six provinces amounted to only R2,1bn.

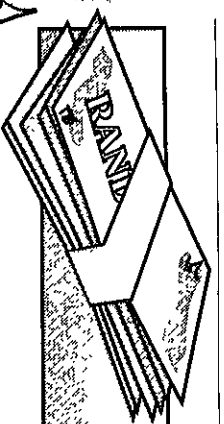
The CSS figures indicated that the largest contributor to the planned building activities in Gauteng was Pretoria, where building plans valued at R1,1bn were approved.

Behind Pretoria came Johannesburg, with plans for buildings worth R770,8m, Sandton (R728,1m) and Roodeport (R546,5m).

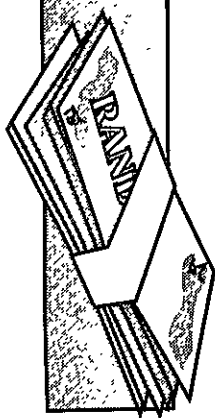
Residential building plans, at a total value of R701,4m, made up the bulk of those approved in Pretoria. In Sandton and Roodeport, the value of residential plans amounted to R375,9m and R239,2m respectively.

Gauteng led the provinces last year in terms of the value of buildings completed, with structures worth R3,2bn out of the total R7,7bn completed throughout SA. The Western Cape brought up the rear once again with buildings valued at R1,8bn, followed by KwaZulu/Natal with buildings worth R1,5bn.

In Gauteng the largest contributor was Sandton, followed by Pretoria and Johannesburg. More than half of the total value of buildings completed in KwaZulu/Natal was in those built in Durban. In the Western Cape, Cape Town made the largest contribution, with buildings completed valued at R343,7m.



Focus on Business



Are builders ready for the challenge?

(32)

South Africa

By Mzimkulu Malunga

THE GOVERNMENT'S low cost housing scheme is due to take off but the question that many ask is whether black contractors will take advantage of opportunities presented by this programme.

Although the Government's programme has been tailored to ensure that emerging black contractors benefit, the readiness of the black building industry has until now remained a closed book.

However, the National Building Contractors and Allied Trade Forum's (Nabcat) secretary general Douglas Setuke believes the black building industry will be ready soon.

"We are just having little hitches here and there, but we will be ready soon," he says. His organisation has succeeded in lobbying the Government to restructure the Tender Act to make it user friendly.

"This issue is being seriously addressed at the moment," says Setuke. Another milestone in preparing

BRIDGING FINANCE Builders

Will need funds to start on projects:

black contractors for the housing boom has been an agreement with trade and industry minister Trevor Manuel that the government-owned financial institutions will help provide bridging finance to black contractors.

Bridging finance is money needed to start a project while banks are still finalising finance details after the building contract has been clinched.

Bridging finance

Setuke says Nabcat is also on the brink of signing a bridging finance deal with a major financial institution. "We cannot afford to wait for the Government alone to help us. We have to be pro-active."

The deal could be finalised in three weeks' time.

The organisation is also conducting an audit of all black contractors in the country to assess their capacity as well as to categorise that capacity.

Setuke promises that the study could be completed within a month.

He says Nabcat is lobbying Government to extend the proposed defect guarantee scheme to all the houses irrespective of value so as to facilitate improved quality — which is one area where black contractors have a bad reputation.

The guarantee scheme has been proposed only for houses valued at R65 000 and above. "But we want it extended to all houses irrespective of value," says Setuke.

The head of the African Builders Association's marketing arm, Richard Ford, says there are ABA members who are ready for the boom, but there are also those who are not.

He says it is difficult to quantify as to how many of the 1400 ABA members are ready to take advantage of the programme.

However, Ford believes that black

Openings in the building industry

18/5/95

By Mzimkulu Malunga

THERE is growing concern in the building industry because of the low number of students enrolling for various courses.

Head of the department of building and quantity surveying at Wits University Professor Ronnie Schloss says the building industry will present outstanding career opportunities for the next 20 years.

"Our fear is that many young people who might otherwise have opted for a career in building have been put off by the effects of recession, which saw many people in recent years losing their jobs and leaving the industry," he says. Although the number of black students who enrol for building related courses has improved, it is still not adequate and the industry can absorb more.

"It is a tragedy that when such opportunities are available, our student intake is only about half the number the industry can absorb," says Schloss.

He says many who left the building industry during the recession went to countries on the Persian Gulf.

Schloss's concern is echoed by the sector's captains of industry. Murray and Robert's managing director Rob Henderson says his company's work load has increased threefold in the past few years.

This phenomenal increase, says Henderson, means long working hours for the company's existing staff.

As a result of the shortage of skilled people in the building industry, some companies are importing labour from abroad.

builders will eventually take advantage of the opportunities presented by the massive housing delivery programme.

be helped to take advantage of the opportunities presented by the RDP? Ford says there is a lot of good will in the building industry to provide black builders with on-site training and there is hope that emerging contractors will benefit from such schemes.

Delay in plan approval is hitting smaller builders

□ *Clause in transitional Act puts brakes on construction*

(32)

AR 4/19/5/95

ANDREA WEISS
Municipal Reporter

DELAYS of at least a month in approvals of building plans — mainly for flats in gardens and car ports — are adversely affecting the smaller construction businesses.

City planner David Daniels said about 40 percent of building plans — which previously would have been dealt with in a matter of days — are being held up by at least a month.

The remaining 60 percent were still being dealt with by officials.

The delays are being caused by a clause in the Local Government Transition Act and the interim constitution prohibiting the delegation to council officials of decision-making.

The new law applies to minor departures from the rules, consent uses and routine sub-

divisions which now have to be decided by the planning committee.

Builders, architects and building designers have expressed concern about the delays which are seriously affecting their business.

At least 372 plans have been affected in the past few months.

The council was dealing with the new law, which effectively added another layer of bureaucracy to planning approval, by asking that the planning committee approve lists of minor plans.

Where in the past it took an official about three days to assess plans of this nature, now the delay was about a month or longer.

Mr Daniels said he had written to Constitutional Affairs Minister Roelf Meyer and Land Affairs Minister Derek Hanekom to express his concerns.

Mr Meyer's office did not think the matter merited amending the Local Government Transition Act, but Mr Hanekom had said that he agreed that planning decisions should not have to go to committee.

Mr Hanekom had undertaken to raise this with the constitutional assembly. Mr Daniels said he would also write to the constitutional assembly to try to get the clause removed from the final constitution.

The matter would also be raised with Chris Heunis' "red-tape commission".

He said the work affected was usually granny flats and carports, typically the kind of work done by small builders who could run into cash-flow difficulties if their work was delayed.

Carport builder Sam Zaayman said he had one plan which had been delayed for al-

most 2½ months.

While he had work on his books, he would often not be able to do it because he was waiting for approval. This in turn affected his profits because the price of materials might go up in the interim, but he was committed to a 30-day quote.

Another builder said that at least half his income for the last three months had been affected.

His cashflow was such that he was not sure whether he would be able to cover his bond repayments.

Building designer Fareed de Bruyns has appealed to the city council to speed up the process because "we need on-the-spot guidance" in cases where clients had to make rapid decisions.

He said the council should tell people why plans were delayed.

Concern over state intervention

Govt warning on building price hikes

BO 19/5/95

(32)

Robyn Chalmers

HOUSING Minister Sankie Mthembu-Nkondo issued a stern warning yesterday to contractors and building materials suppliers, saying they would not be allowed to profiteer at the expense of the national housing programme.

Presenting her budget debate in the Senate, she said she was concerned about "murmurings and mumbblings" coming from building material suppliers on the issue of price discipline. "The downturn in construction in the past few years, we hear, has meant that pressure for large price increases in the materials sector has built up. The building materials suppliers need to catch up, we hear."

She reminded the construction industry and building materials suppliers of the promises they made at last year's Botshabelo housing summit. These included pledges to support the establishment of a builders' warranty mechanism to protect consumers against shoddy work and committed the industry to price discipline.

SA's housing effort could succeed only as a strategic triangular alliance — with government, communities and the private sector, being essential elements. If one side was taken out the triangle would collapse.

The banks understood this and would provide 50 000 loans for low-cost housing while communities were entering into the spirit of Masakhane and raising levels of payment and community responsibility.

No single segment within the private sector would be allowed to erode the value of subsidies unnecessarily.

Building Materials Suppliers' Consor-

tium chairman George Thomas defended suppliers, saying they had stuck to their pledge. Recent research showed price increases by larger manufacturers of cement, bricks, paint, ceramics and door frames had been in line with inflation. But suppliers were concerned about the proposed establishment of housing support centres by government to provide wholesale building materials along with finance, training and advice for small builders.

If government undercut private sector prices, he said it would in effect amount to a hidden subsidy. "While building material suppliers back the Ministry's housing support proposals, any intervention by the state in terms of manufacture and distribution should take place only once the playing fields are levelled, otherwise the private sector will be crowded out."

Building Industries Federation of SA executive director Ian Robinson said the organisation had urged restraint on unrealistic profit-taking among all private sector players in the housing delivery process. However, input cost increases were not the chief cause of expected increases in the cost of new housing for the end-user which could reach 18% by year-end.

A drop in labour productivity had led to increased lead times and costs, prompting higher tender prices. The Bureau for Economic Research's tender price index showed prices rose 11,3% in the first quarter this year over the same quarter last year. The BER said an improvement in the residential property market, rising bond rates and slower housing land rezonings at the hands of transitional local authorities were all contributing factors.

Cemenco turns losses around to earn R2m

Llewellyn Jones

BO 23/5/95

CONSTRUCTION and engineering group Cementation Company (Cemenco) returned to the black during the six months to March, reporting attributable earnings of R2m compared to a R969 000 loss in the same period last year.

The company hiked turnover 41% to R190,4m (R134,9m), while operating profit more than trebled to R5,3m from R1,4m. Margins remained tight at 2,8% from 1%.

A group spokesman said the increase in turnover was largely due to the effect of orders of about R30m placed in the second half of last year which had taken some operating business units beyond the break-even point and had improved their margins.

The directors said the increased activity across the group resulted in an increase in net borrowings over the six months despite improved working capital ratios. This saw interest paid climb 66% to R1,8m (R1,1m), but pre-tax income was still more than ten times better at R3,6m (R346 000).

While the company's tax bill rose more than six times to R1,6m (R253 000), the marginal tax rate dropped to 43% from 73%, and saw net income after tax surge to R2m (R93 000).

Earnings a share climbed to 22,4c compared with a loss of 10,4c a year before.

The group realised a profit of R3,6m from the disposal of its remaining 50% interest in La Forge. In the same period last year it disposed of its interest in Baracuda, which resulted in a loss of R3m.

The directors declared an ordinary dividend of 7,5c per share and a special dividend of 6,5c as a result of the profit made on the sale of La Forge.

They said tendering was at reasonable levels and the group's order book was at the same levels it was at the end of March last year.

"At that time, the order book was heavily biased towards mining activities, but is now more evenly spread over mining and engineering," the spokesman said.

The company's shares closed untraded yesterday at 450c.

Building staff shortage affects RDP

Robyn Chalmers

(32) BD 23/5/95

THE shortage of experienced managers and supervisory staff in the building industry is affecting its ability to cope with the demands of the reconstruction and development programme, industry spokesmen say.

Wits building and quantity surveying department head Ronnie Schloss said at a time when there were big opportunities in the industry and new graduates were being snapped up, the student intake was well below the needs of the industry.

A significant percentage of experienced people had left the industry during the recession, and in most cases had found employment in other fields.

"Now, when these people are des-

perately needed to manage and control the growing volume of work needed to develop SA, they are no longer available.

"New graduates cannot immediately make up this shortfall, and in any case there are too few of them. Our intake this year is slightly up on last year, but is little more than half the number we would like to have," Schloss said.

The solution was not to import large numbers of people from overseas as this option would be far too expensive, given the scale of the problem, he said.

The department was launching an awareness campaign, pointing out the attractions and rewards of a career in building, but he said this was only a medium-term solution.

Murray & Roberts Housing Transvaal MD Rob Henderson said his company's workload had more than trebled over the past couple of years.

Henderson said his contracts ranged from upmarket apartment complexes to various budget-priced housing developments, and it was becoming harder to get staff of the right calibre to cope with demand.

Bovis Southern Africa chairman Peter Clogg said his organisation recently advertised for site managers, technical trainers and quantity surveyors to work on new contracts.

Although more than 140 replies were received, almost all of those who applied were already in employment and looking for better career prospects rather than up and coming new applicants, he said.

BD 23/5/95
Rector seeks

Minister's aid

Farouk Chothia

ML SULTAN Technikon rector Prof Ramanlal Soni had appealed to Education Minister Sibusiso Bengu to appoint a commissioner to investigate the crisis on the campus, technikon spokesman Rumilla Naran said yesterday.

His appeal came as staff members, including lecturers, decided to start a two-day work stoppage today in a bid to force the students' representative council (SRC) to tone down its hard-line stance, sources said.

The SRC last week said the safety of four senior management officials could not be guaranteed. The four are now working from offices off campus.

Bengu's spokesman Lincoln Mali said the request was being considered.

MBA IN FINANCE

for Financial specialists
International Distance Learning

A joint venture between *University of Wales*
and *Manchester Business School*

Promotional presentation by:
Dr Alistair Benson, Academic Director of Studies

Friday, 26 May, Eaton Room, Balalaika Hotel, Sandown

All welcome

Enquiries to: Diana Banahan - (011) 463-2802

Stocks & Stocks

plans new casinos

Amanda Vermeulen

BO 24/5/95

32

CONSTRUCTION group Stocks & Stocks has launched a R320m tourism operation, Stocks Hotels & Resorts, which plans four and five star hotels and casinos in southern Africa.

The new company's chairman, Bart Dorrestein, said the Transnet pension fund had acquired 26% of the company for an undisclosed sum. The company would also negotiate to bring in other shareholders, particularly black-owned companies.

Earlier this year, it was reported that Stocks & Stocks was in negotiations with Thebe Investments leisure subsidiary Moribo, Vela International, the Viva Trust and the Totalisator Agency Board with a view to applying for gaming licences.

The hotel and resort operation already had over R320m of assets under its control, including three game lodges, three hotels — in Midrand, Cape Town and Sandton — and two casino resorts, one in Swakopmund and one in Windhoek. This portfolio

was expected to become a significant contributor to earnings within two years.

Dorrestein said these hotels and resorts would be the backbone of the group's plan to become a meaningful player in tourism and the development of hotels and casino resorts in southern Africa. The group would apply for casino licences and had identified a number of sites for possible casino resort developments.

Stocks Hotels & Resorts would be headed up by MD Bruno Corte while former head of casino operations at Sun International, Miron Stabinsky, would head up the casino operations.

Stabinsky said SA could attract large numbers of South American gamblers.

Corte said the group could invest up to R1bn in a casino resort if it was awarded a licence. The Cape had potential for further four and five star hotel developments.

An indication of the interest foreign tourists had in SA was the number of major hotel multinationals investing in the country, such as Hyatt and Inter-Continental.



SCORING ALL ROUND Steven Allin of Flag World in Sandton with a display of some of the Rugby World Cup memorabilia which has flooded shops all over South Africa. See next page for our special report

PHOTO JOHN WOODROOF

Townhouses beat RDP to the draw

(32) CT (BR) 25/5/95
BY CLAIRE GEBHARDT

ECONOMICS EDITOR

Residential building plans are booming for townhouses — rather than for the reconstruction and development programme.

Building plans passed to February are up almost 50 percent in real terms on their level a year ago, says Econometrix director Azar Jammine.

But the upswing appears to be more related to an upturn in demand for accommodation by middle and upper-income earners seeking security, than to moves to provide housing to the masses, he says.

Jammine cites a tremendous take-off in plans for townhouses and cluster homes, with plans passed having doubled in two years.

"Hopefully RDP-related housing expenditure will get under way in due course in the next year or two," he said.

For the present it may be just as well that it hasn't got off the ground, he says, or else significant bottlenecks in the building industry would have appeared by now.

Self-help builders are showing the way

Municipal Staff

(32)

ARC 25/5/95

SELF-help housing projects, where potential homeowners build their own houses, are one of the surest ways to overcome the country's desperate housing shortage, according to John Hopkins, development manager of Condev Cape.

He said that during the past 10 years the schemes had helped about 20 000 families in more than 200 projects throughout the country to build their homes.

"Home-ownership is absolutely essential

for community stability and every family should be given the opportunity to own a home.

"But for the project to be successful, an unwavering commitment is required by the state, private sector utility companies, housing developers and financial institutions to train sufficient project managers with the skills required to manage self-help projects.

"Developing human resources for the

scheme will not only help address the tremendous housing backlog, but will help create employment and further develop community skills.

"And this in turn creates other opportunities for socio-economic upliftment," he said. Mr Hopkins warned that the project could only be successful and self-reliance only won when communities were prepared to become actively involved in their own development and a major partner in the project. ● See also page 29.

Townhouses top RDP houses

(32) star 25/5/95

Residential building plans are booming for townhouses rather than for the RDP.

Building plans passed to February are up almost 50% in real terms on their level a year ago, says Econometrix director Dr Azar Jammine.

But the upswing appears to be more related to an upturn in demand for accommodation by middle and upper income

people seeking security in a crime-ridden country than moves to provide housing to the masses.

Jammine cites a tremendous take-off in plans for townhouses and cluster homes, with plans passed having doubled in two years. "Hopefully RDP-related housing expenditure will get underway in due course in the next year or two." — Economics Editor.

New firm targets RDP housing

(32)

ET (HR) 26/5/93

By THABO LESHILO

STAFF WRITER

Construction group Stocks & Stocks and small builders in the Gauteng province have formed a R25 million company, Gauteng Residential Development, to develop and build RDP homes in the province.

Also known as Homes for Gauteng, the unlisted company is a 50/50 partnership and has 20 000 subsidies in the area.

"Today we have a great opportunity to destroy homelessness and poverty in the province. We spent the last 12 months debating. The time for debates and policy formulation is up. The next 12 months will be dedicated to delivering and we have already started," Dan Mofokeng, Gauteng MEC for housing, told the launch in Johannesburg yesterday.

He praised the joint venture as a great opportunity to develop the capacity of small and emerging contractors.

Mofokeng also urged corporations to invest more in housing in a province seen by many as their last hope of getting employment. The government, he said, had sent a positive signal by making housing one of its priorities.

He challenged the private sector to increase its investment in housing to the levels of the 1980s in order to help underpin the country's new democracy.

The private sector should also create new financing mechanisms to empower small builders, thus helping solve unemployment.

Victor Selane, deputy chairman of Homes for Gauteng, said the company intended building 40 000 houses a year within five years.

This would create 30 000 new jobs in the construction industry and would be a catalyst that would support an investment of R350 million a year in the RDP in Gauteng.

Selane, also from the National Black Contractors and Allied Trades Forum (Nabcap), challenged participating builders to ensure they produced houses of the highest quality.

Bart Dorrestein, chairman of the newly formed company, said only competent builders and specialist contractors would be able to take part in the projects initially. Emerging builders would take part as trainee builders. Once qualified, the trainees would then qualify to become shareholders.

He said plans were to list the new company within five years to enable greater public participation.

First-quarter building plans surge by 34,5%

CT(P&R) 26/5/95 (32)

MAGGIE ROWLEY

PROPERTY EDITOR

The real value of building plans approved during the first quarter of the year was up 34,5 percent at R2,8 billion over the corresponding period last year, improving prospects for the building and construction sectors.

Central Statistical Services said the value of building plans passed had shown a strong turnaround since the second half of last year and the upward trend was continuing to gain momentum with first quarter figures up 8,6 percent in real terms over the fourth quarter of last year.

Large increases in the value of building plans approved in the first quarter were seen in both the residential and non-residential sectors.

At constant 1990 prices, the value of plans for flats and townhouses rose 80,3 percent to R532,6 million while house plans approved showed 30,8 percent

growth at R1,3 billion. On the non-residential front, the value of plans approved was up 744,8 percent in real terms at R753,2 million.

Approved plans for alterations and additions showed more modest growth, rising 4,6 percent to R660 million at constant 1990 prices.

The largest increases in flats and townhouse units approved was reported by Gauteng while Pretoria reported the largest increases in house plan approvals.

The increase in non-residential plan approvals was mostly due to planned industrial and warehouse development for Richards Bay.

While the value of plans had increased on a year on year basis, the value of buildings completed in the first three months of this year dropped by a seasonally adjusted 10,2 percent over the corresponding period last year.

The value of buildings completed was also down on the fourth quarter of last year.

Marginal mines lose R47,63m

BY JOHN SPIRA

GAUTENG BUSINESS EDITOR

South Africa's marginal gold mines suffered a loss of R47,63 million in the final quarter of last year — appreciably more than the September 1994 quarter loss of R7,36 million.

The Chamber of Mines' Productivity Monitor found that marginal mines among its members realised an average R43 701/kg for their December quarter output.

This figure was considerably lower than the average R45 892/kg for marginal production in the previous quarter.

Working revenue produced by the marginals fell quarter-on-quarter from R400,3 million to R347,9 million.

The total working cost bill of these mines amounted to substantially more than their revenue.

The monitor showed

CT(P&R) 26/5/95 (32)

that the marginals incurred an average unit loss of R5 180 for each of the 7 961kg produced.

"The mines' pronounced difficulty in preserving price-recovery productivity in support of unit profit levels was compounded by a marked dilution in their grade productivity.

"The latter, set at 3,67g of gold yield per ton milled for the September quarter, declined to 3,20g/t in the final quarter of 1994," the monitor said.

Cunning cuisine,
comfort and conviviality
at Jackson's Restaurant and Bar



313 BEACH ROAD SEA POINT CAPE TOWN
TEL: (021) 439-8302 FAX: (021) 439-8888

JACKSON'S
RESTAURANT & BAR

Warranties by September

(32) Oct 30/5/95

EAST LONDON: The final builders warranty scheme would come into effect by September, Housing Minister Ms Sankie Mthembu Nkondo said here yesterday.

In the meantime, an interim builders warranty scheme would operate to cover the construction of walls and roofs.

"We are working on the final scheme," she told reporters.

In the warranty scheme people who buy new homes or pay builders to have them built will be protected against shoddy workmanship and building work for at least five years.

"We are still trying to iron out aspects of the scheme," said Ms Mthembu Nkondo. Further discussions were taking place in the provinces. The interim measures provided for a point of reference when things went wrong.

In the final scheme, builders would have to register with the proposed National Home Builders Registration Council and pay a fee. The present situation where a few companies were dominating the market had to change. — Political Staff

Projects worth R175m for M&R

31/5/95

BY MAGGIE ROWLEY

PROPERTY EDITOR

Murray and Roberts Properties had projects worth more than R175 million due for completion this year and 18 projects with a value of R450 million on the drawing board. Construction would probably start within nine months, said Chris Lawrence, chief executive.

This did not include the Pretoria Lake project, for which Murray & Roberts was project coordinator. The Pretoria Lake development would total about R300 million. This would make it the largest private development project under construction in South Africa. Construction was expected to begin within three years.

Confidence

Lawrence said that projects that were due for completion this year included Ascot Park, a decentralised office scheme in Greenacres, Port Elizabeth, Centro Continental, a R60 million shopping development in Rosettenville and industrial schemes at Route 24 and

Kya Sands in Johannesburg. Decentralised office buildings were also being constructed in Brooklyn, Pretoria and in Waverley, Johannesburg.

Lawrence said rising business confidence was evident in the property market which was emerging from a traumatic five-year recession.

Rentals

However, he said, a new and much higher level of rentals would be needed if the development industry was to continue with increased levels of activity.

"Much will depend on the expansion of the economy and also the movement of foreign businesses into our markets.

"The owners are promising and with the cost structure in property extremely low in world terms, there is good reason to anticipate a level of buoyancy which many of us had forgotten could exist."

Lawrence said the increased demand for space had resulted in rentals becoming firmer — up to R40 a square metre for prime

offices and up to R15 a square metre for industrial premises.

"This has in turn encouraged developers to re-enter the market in specific areas.

"The northern suburbs of Johannesburg have been first to react with small office blocks of between 1 000 square metres and 4 000 square metres becoming popular among tenants seeking their own personal or corporate identity.

"Traditional architectural styles with pitched roofs which blend easily with neighbouring residential areas are attractive and cost effective."

He said Durban and Cape Town could be expected to respond in a similar way although the topography and a scarcity of zoned sites inhibited the process.

Capacity

While spare capacity still existed in most industries, the service and distribution sector were seeking modern, highly visible and accessible premises.

He predicted that the old heavy engineering areas would continue

to decline and that new industrial townships emerging along the N1 and N3 in the Johannesburg and Midrand areas would continue to develop.

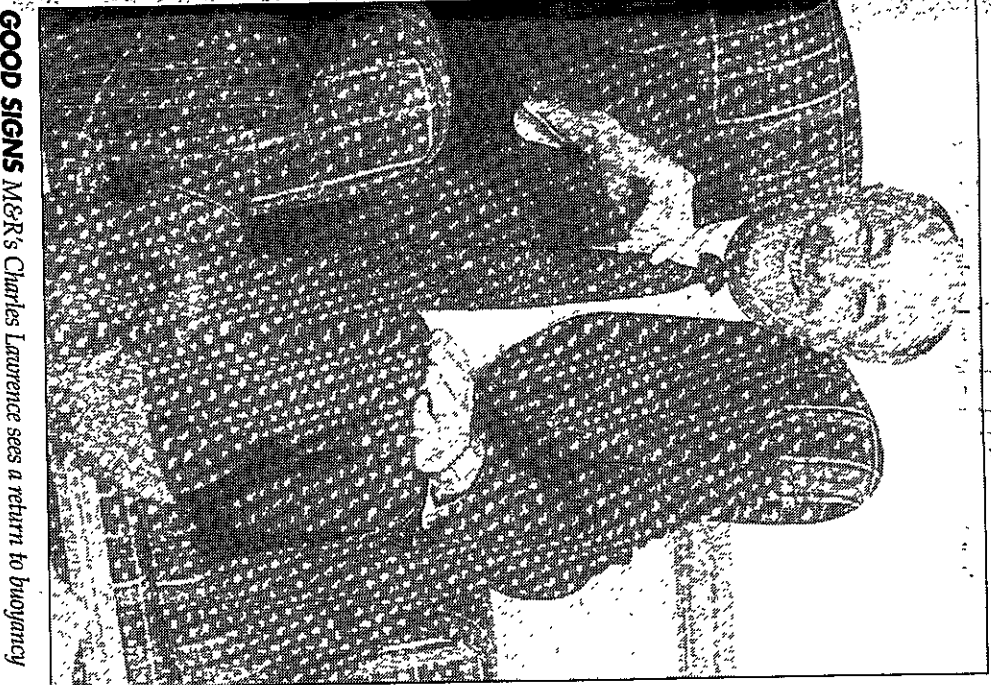
Turning to the retail sector, he said many opportunities were surfacing in black townships.

Rewards

"And for those who get the recipe right there will be rewards. Location, size, design and tenant mix will be more critical than ever in this market which is largely untried and where there are few examples of success," he said.

However, Lawrence said high interest rates would be a threat to the smaller developer who was too highly geared. In addition, building cost increases could be expected to effect the whole development process.

"Also of concern is the ability of the larger institutions seeking outlets for their funds to dump overly large schemes onto the marketplace, upsetting the equilibrium in particular sectors of the market," Lawrence said.



GOOD SIGNS M&R's Charles Lawrence sees a return to buoyancy

CONSTRUCTION - GENERAL

1995

JUNE - DEC.

A coup for black builders

(32) WMM(MM) 2-8/6/95

Aspasia Karras

MIKE GCABO has landed a coup: the North West Builders Federation (NWBF), of which he is president, has just embarked on one of the biggest construction contracts ever awarded to black builders.

A R60-million joint venture between Mawite (a consortium of nine builders from the NWBF) and LTA Building will rebuild the Mabopane Shopping Centre in Mmabatho, destroyed in last year's unrest.

Gcabo (30) has come a long way from the days when he helped in his father's construction company. He now sits on the Bophuthatswana University Council and is a director of the North West Housing Corporation.

He says karate has given him the necessary discipline, focus, drive and philosophical basis to pursue his dreams. Those dreams are rapidly being fulfilled.

The NWBF could function as a showcase of the Reconstruction and Development Programme (RDP).

Gcabo traces the process that resulted in the NWBF becoming such a force in a highly competitive market: "Two years ago, black construction was disorganised and undernourished", he says. He decided to bring together random small-scale entrepreneurs in the North West, and organise a provincial, purely African structure.

He received assistance from both the then Bophuthatswana National Development Corporation, and co-ordinated the process through the civics. The federation profits by being able to tender for large contracts, from which it receives a small percentage.

But for Gcabo the real benefit lies in community development through the development of individuals. "We do not hope to produce instant millionaires, if we do that's great, but we do hope to produce competent contract managers, who can function effectively and cleverly in the fast track."

Gcabo describes the negotiations that resulted in the contract as exacting and laborious. They involved Property company Inter-site, the client Sefalana Employee Benefits Organisation (SEBO) Properties, the Winterveld Development Association which queried



Mike Gcabo: Organised black builders into a force to be reckoned with

PHOTOGRAPH: ASPASIA KARRAS

the intended reconstruction, and ultimately with LTA, which was chosen as a contract partner after an intensive selection process.

Gcabo enjoyed this particular aspect of the negotiations, as the "tables were turned" and for the first time the "big five" had to present their case to the contractor's steering committee.

Gcabo, is happy with the relationship the NWBF has with LTA as it was a highly negotiated agreement based on sustainability. "We sought maximum retention of wealth in the area, training and development, and a business plan ensuring the sharing of wealth."

Essentially Gcabo understands the two partners come from diametrically opposed positions. He stresses the need for modular training, which concentrates on the need for strategic knowledge of the industry and contractual management, as well as a reciprocal understanding of the new way of doing things.

Dave Simms of LTA stresses that the 14-month contract, due for completion in February 1995, is going well. Specifically, both partners of the joint venture are benefiting from the transference of skills and the cultural exchange. He sees the contract as an opportunity to create an "Afro European" method-

ology for business.

Gcabo travels up to 10 000 km every month to ensure that his pioneering aspirations are fulfilled, and it seems to be working, as SEBO has approached the NWBF with another shopping complex proposal, the R15-million Themba City development.

"We are community builders as opposed to ordinary builders, and as specialised civilians we must ensure that people live where they work and work where they live." He says society and productivity suffer because of the distances people have to travel to and from work.

Gcabo describes himself as an "analyst". He says he has often been accused of politicising the industry, but "then everything is politicised in this country".

Commenting on the "boom and bust" scenarios that some economists predict for the construction industry, and more specifically for the black contractors within it, Gcabo retorts, that not only has the NWBF been approached by foreign investors regularly, but black contractors are in a far stronger position to adjust to downturns as they have lower overheads than the industry's giants. His only concern is that inevitably the consumer bears the brunt.

A no-win situation

(32)

FM 2/6/95

Developers appear to be losing the battle to keep down rising construction prices. Electrical cables used in the construction industry — both low- and high-voltage — have risen on average by 28% between April 1994-1995.

Electrical contractors have been notified that a further 3% increase is in the pipeline. And it has been suggested that cabling prices could rise by as much as 2% a month in future.

Local cable manufacturers say rising input costs and wages are largely responsible for the rapid price increases. They are not showing any sign of abating either. Manufacturers were notified this week of yet another PVC price increase, destined to take effect in the third quarter.

While electrical cabling constitutes only a small portion of the cost of the average small house — the electrical contract on a R30 000 house is worth around R1 400, of which about R300 is made up of cabling costs — it does have worrying implications for the mass housing and electrification programmes. Cabling, for example, is a major ingredient in the cost of installing

bulk electrical services to a new housing estate.

Housing Minister Sankie Mthembu-Nkondo has already warned building material suppliers not to be exploitative with pricing policies — otherwise government will consider imposing some form of price control on building products.

In response, the Building Material Suppliers of SA noted that building cost rises had kept in line with inflation over the past year. The association was set up in 1992 to represent the building material supply industry on the National Housing Forum and now has a seat on the National Housing Board.

It says electrical cabling manufacturers are not members. Interestingly, the cost of normal home wiring has risen by 20% in the year to April — about double the inflation rate.

One of the largest black electrical contractors, Edison Power, says electrical costs are not being monitored properly. Neither the Haylett Formula, which tracks building material and labour costs, nor the Seifsa index, which tracks general engineering

costs, reflects the huge increase in copper cable. These formulas track only average rises in building and civil engineering costs.

As a proportion of development costs, electrical cabling is significant. Edison MD Vivian Reddy estimates that electrical cabling, together with busbars (conductors) and electrical wiring, make up 40% — almost half — of an electrical contract. An electrical contract would be 12% of the cost of a shopping centre, 15% of an office building, 20% of an hotel and 25% of a hospital.

In a recently won electrical contract for Durban's International Convention Centre (Property May 26), Reddy estimates rising cabling costs during a five-month delay in the tender award added 5%-7% to the original tender price.

Local electrical contractors maintain that they can reduce cabling prices by between 22%-35% if permitted to import more cable.

SA's cabling industry comprises about eight principal manufacturers but is dominated by three large ones: Aberdare,

African Cables and Voltex. Each claims to have its own pricing structure and says competition is fierce. But electrical contractors disagree. They say local manufacturers' prices are very similar — they differ by 2%-3% at most. In addition, Voltex manufactures some products for Aberdare and owns about 70 wholesale outlets.

In its defence, Aberdare MD Robbie Venter says that between April 1994-1995 copper increased by 59%, aluminium by 30%, PVC by 26% and labour by about 15%.

Copper is the metal most commonly used in the cable construction industry. As a cable component, like aluminium, it can account for as much as 60%-80% of the price of a cable. Venter says the average price increase in Aberdare's low-voltage (construction) cabling over this period was 26%-27%.

Also a factor in the price spiral is increased wage costs — by up to 15% since February 1994. The raises follow the usual mid-year Steel & Engineering Industry Federation of SA wage negotiations. The next round of increases is currently being negotiated.

Challenging the stranglehold

Electrical contractors and cable importers say they are gearing up to increase imports to challenge the stranglehold which local manufacturers have on the market.

The protection local manufacturers enjoy is in the SA Bureau of Standards (Sabs) stamp on their products. The international equivalent of the Sabs is the ISO 9002 standard. But now that SA is a member of the international community, contractors say this is being accepted as an Sabs equivalent.

Venter confirms that imports are on the rise. According to Customs and Excise, imported electrical cabling in two pertinent categories (cables without connectors of between 80V and 1 000V, which includes household wiring and low-voltage cables; and high-voltage cabling of more than 1 000V — most cables used in SA are around 1 100V) rose in value from R46,7m to R64m from 1993-1994.

Like Voltex chairman Myron Berzack, Venter says cheaper imports are attributable to excess stock, substandard products or dumping. Electrical contractors and cable importers think otherwise.

Edison says it has started to import electrical cabling and accessories from the East which comply with the Sabs standard. It believes it will be able to supply 30% of the Natal market and 10% of national demand over the next year. Reddy believes he can land these up to 35% cheaper than locally manufactured products.

Berzack says lower cable costs may be possible again if raw material costs fall. But, in the present circumstances, this seems unlikely. Until this happens, imports are almost certain to increase. ■

Basil Read begins to reap benefits from its restructuring programme

Robyn Chalmers

32
BD 8/6/95
CONSTRUCTION group Basil Read's implementation of a major restructuring exercise to stem ongoing losses was starting to place the group on a more healthy footing, said director Leon Dison.

The group's 1994 annual report shows that for the 18-month period ended December, a net loss of R28,3m was recorded amounting to a loss of 110,5c (139,8c) a share. The dividend was passed.

Dison said the loss arose largely from a poor construction performance on certain contracts, and having to complete long-term contracts that incurred larger losses than anticipated. Disappointing claim settlements were a further hindering factor for the group.

Dison said the restructuring operation was put in place during the 1994 financial year, largely as a result of French construction group Bouygues, which owns 51% of Basil Read.

He said Bouygues influenced all of the group's activities including administrative, financial and operational.

"They have not hesitated to bring in personnel from France on a temporary, semi-permanent or permanent basis, in order to establish systems which have proved successful in their worldwide activities.

"A temporary impact of these moves has been to increase costs, but this phenomenon will disappear once all the systems are put in place." Dison said the link with an international group had made it easier for Basil Read to recruit experienced and expert SA personnel, especially at senior level.

He said evidence of Basil Read's restructuring had started to filter through, with work on hand having increased dramatically over the past few months.

The cash position had improved to the extent that the group's positive bank balance stood at R11,6m at December 31, against R1,7m at June 30 1993. Net borrowing at end December was down to R11,3m from R60,4m at end-June 1993.

"Despite extended delays, major disputes are on the way to settlement and the number of disputes still to be settled is reducing," said Dison.

Looking ahead, he said although the balance sheet presented something of a gloomy picture, the basis had been laid for the group to regain its place among other successful construction groups in SA.

"Building and construction are sensitive to both public and private investment, and the recent encouraging figures of economic growth and business confidence can only benefit the group," he said.

Chaos reigns in Cape building industry⁽³²⁾

ARG 8/6/95

ROGER FRIEDMAN
Staff Reporter

CHAOS reigns in the building industry with the largest contractor in the Western Cape entering its second week of strike-induced paralysis today, while workers at another major firm came under attack from their peers.

Other building companies fear the strike at Murray & Roberts (Cape) Ltd by its entire workforce of more than 1 300 could spread to their workers — more so because work stoppages in the industry over the past year have been characterised by violence and

intimidation.

Meanwhile the Construction and Allied Workers Union held a meeting of shop stewards across company lines in Guguletu last night to brief them on the Murray & Roberts situation and to discuss joint action.

The four Julius Cohen (Pty) Ltd workers, injured by other workers at their Maitland building site yesterday, were recovering. Two were apparently hospitalised.

Police said the injured workers had declined to press charges for assault because of fear of intimidation.

It is unclear whether the at-

tackers were affiliated to Murray & Roberts or Julius Cohen. Police said they came from Murray & Roberts, who denied the allegation.

Julius Cohen's Roxana Mungul said: "I have no comment whatsoever."

Murray & Roberts managing director Geoff Turner confirmed the "whole company" had ceased operations — "the sites are being cleared by intimidators".

At issue is the fact that an undisclosed number of employees were retrenched last week on the completion of certain building contracts.

Mr Turner described retrenchments on completion of contracts as "a norm ... the only way the industry works anywhere in the world."

But the workers are demanding to be reinstated, that there be no retrenchments in future, and the dismissal of the company's industrial relations boss.

Management and workers met yesterday in an attempt to resolve the impasse, but the workers walked out of the meeting when the bosses refused to pay wages for the duration of the strike.

Building standards are set

to consist
Robyn Chalmers

THE interim builders warranty mechanism kicked off last week with the appointment of a new national home builders registration council which contractors will have to register with in July.

Peter Ailsop from Sage Schachat has been appointed CE of the council, and member nominations from a wide range of business, government and community organisations will be considered at the first meeting today.

Council for Construction of SA vice-president Ian Robinson said a chairman and vice-chairman would also be appointed at the meeting. Decisions on all applications for registration by building firms would be outsourced to a professional company.

Agreement on the establishment of a builders warranty mechanism was forged between

banks, government and builders to ensure that home builders were no longer victims of unscrupulous contractors and shoddy work.

The agreement made provision for a standard industry warranty, minimum standards which had to be adhered to and a system of registration for builders.

There was also an understanding that a warranty mechanism should be in place by the end of the year with a back-up fund as a final recourse should builders be found guilty of shoddy workmanship.

Robinson said the standard industry warranty had been distributed to all members and should be on sale in bookstores this week, while minimum standard guidelines were sent out last week.

"We will be brainstorming the comprehensive mechanism over the next few months, and hope to be able to present something by

(32) PD 12/6/95
September 30. The banks have indicated they want the final product in place by January 1," he said.

SA Quantity Surveyors president Barry Probert said quantity surveyors were prepared to play a role in the warranty scheme by participating in a preventative support structure to help ensure homes were built rapidly.

Accreditation of contractors was one aspect of this structure. Other aspects included the passing of plans and the inspection of houses under construction.

"With the volume of homes expected, it is unlikely that existing municipal authorities will have the infrastructure to cope, even if assisted by mortgage lenders.

"The civil and building professions can be engaged at a reasonable fee to assist in eliminating the potential bottlenecks," he said.

Builders concerned at new bond criteria

(32) (43) 2013/6/95
Robyn Chalmers

THE building industry is concerned about the decision by mortgage lenders to base affordability tests for smaller bond applications on recently introduced criteria for fixed rate mortgage loans.

National Home Builders' Association executive director Daan Roelvert said yesterday that the market for home builders could be significantly reduced as a percentage of bond applicants would be disqualified due to the new criteria.

"Fixed rate mortgage loans have been introduced with a considerably higher interest rate than variable loans, and the term has been halved from 20 years to 10 years. Monthly instalment will be higher than in the past, and with banks basing affordability tests on the fixed rate, it will exclude a significant proportion of applicants for smaller bonds."

Absa and First National Bank announced last week that they would introduce mortgage bonds under R65 000 which carried a fixed interest rate for 10 years. The top interest rate was 22,5% for loans between R10 000 and R25 000.

Izwi Homes head Danie Barnard said while applicants could opt for the variable rate applicable to mortgage loans, the affordability test was still done at the rele-

vant fixed rate.

"A person earning R2 400 would have qualified for a loan of R40 376 before but that same person will now only qualify for R33 388. This means their affordability has been effectively reduced by R6 988."

Barnard also queried why the new rates were brought into effect without significant warning. "Many man hours have been wasted by agents and contractors who have put transactions together only to find they will have to redo some of these and cancel the majority of them."

Absa assistant GM Pieter Marais said the fixed rate mortgage loans had been designed to meet the needs of the emerging market, and were a response to calls from civic association leaders.

"The higher cost of administering loans to the affordable market and the principle of non-cross subsidisation has resulted in interest rates which are higher than rates quoted previously," he said.

Standard Bank community banking GM Jopie van Honschooten said recently that affordability relating to the financing of homes was politically sensitive.

As a result, mortgage lenders had decided to use disposable income after housing spend rather than stipulate a standard percentage of income to determine the instalment and hence the loan size.

Financial risks too high for developers

(32) SPAN 13/16/95
LEADERS in international construction industry believe that the policy of funding building projects is too cumbersome, reports Liz Clarke in Paris

South Africa would need a "dramatic shift in policy" before it attracts foreign enterprise into its low-cost building programme.

If operations are not streamlined now, the country's mass housing dream could be in danger of collapsing.

This was the warning given in Paris by leaders in the international construction industry.

Addressing a South African media delegation, top building experts said the financial risks for developers undertaking large-scale housing projects in South Africa were "unacceptably high".

A spokesman for one international company said: "We would gladly go into South Africa. The potential is excellent. But when we are told that the entire financing of infrastructure is up to us, and so is the job of finding potential buyers, then, of course, we have to think again."

Gwilym Owen, the southern Africa representative for Spie Batignolle, one of the world's largest construction companies, said they, too, would welcome the chance to be part of the housing reconstruction programme.

"The South African construction industry is highly sophisticated, but I think even it would agree that tackling such a vast project on its own would be virtually impossible," he said.

He said that there were "just too many" administrative problems. The money was available, but the process of funding was too cumbersome.

"It's something the politicians will have to sort out," he added.

The issues of concern were that: Development tenders in South Africa were often fragmented, making them unsuitable for large international companies to take on, and there was not enough done to absorb emerging black construction companies into South African projects. Black companies were mostly used to "build trenches and dig holes".

Asked if his company would be prepared to take the risk of absorbing new enterprises into a South African-based scheme, the representative for Spie Baginolle said: "We most certainly would."

Spie Baginolle played a key role in building the Channel Tunnel, and is currently involved in the Lesotho Dam project.

Mavuka scoops R2,2m investment deal

By Roy COKAVNE

RETORNA BUSINESS EDITOR

The black-controlled Mavuka Construction Group has successfully negotiated a R2,2 million investment in South Africa by Belgian construction group Canneyt.

In terms of the deal Mavuka, which is based in Johannesburg and involved in general construction and civil work, will give a 24 percent share in Mavuka Projects to the Canneyt Group.

In return, Canneyt will invest their technical knowledge and equipment from Belgium. The technology used by the company does not yet exist in South Africa.

The transaction between the two companies was negotiated between the Generale Bank in Belgium and Bolingbroke van Zyl and Company, a member of the International Network of Accountants and Auditors, which are Mavuka's auditors.

The share deal will result in 76 percent of Mavuka's shareholding still

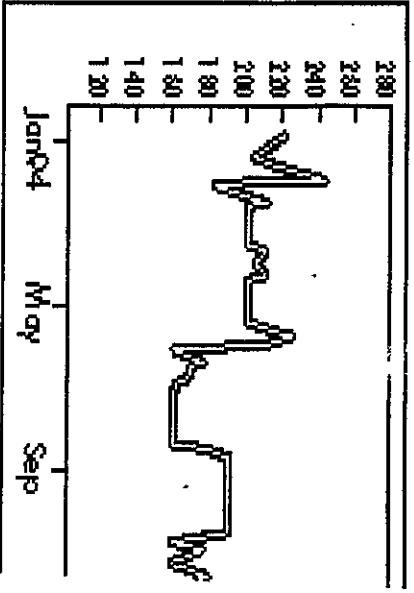
(32) CT (BR) 20/6/95

being held by the company's founders contractors Daniel Madlabane and Lydia Masilo and professional engineer André Mathys.

Mavuka was established last year to address the needs of the local low cost housing market. However, Mathys said low cost housing development delays had resulted in the company mainly being awarded civil and roads contracts.

The company had been awarded a roads contract in Soweto and Sebokeng.

Dartek's share price



Coastal building costs now higher, says study

(32)

21/6/95

Reports by

Robyn Chalmers

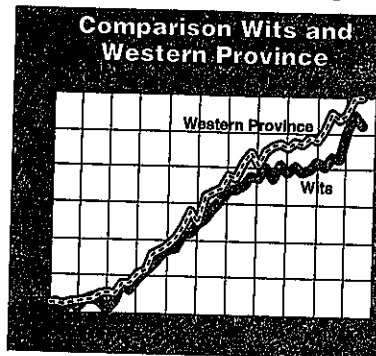
BUILDING costs have risen more rapidly in SA's coastal regions than in the inland areas, making it significantly cheaper to build inland, according to a study by independent building economists Medium-Term Forecasting Associates.

Director Johan Snyman said that by comparing index values across the regions, it could be determined if it was cheaper or more expensive to build in Durban or Johannesburg.

The Witwatersrand, western Cape and Durban were selected for analysis, with Witwatersrand regional indices compared to those for the Cape and Durban between 1971 and 1995.

Snyman said the study showed that building costs rose faster in the Witwatersrand than in the Cape during the 1970s and early 1980s. However this cost pattern was reversed from 1984 onwards.

The study showed that the experi-



ence was almost the same for the Witwatersrand and Durban regions, while building costs rose at virtually the same rate during this period in the western Cape and in Durban.

Snyman said the difference in building costs varied between 10% and 15%.

There were a number of reasons for this, including the possibility that labour costs in the coastal regions

were higher than those in inland regions, and that proportionately more unskilled labour was employed on-site in the inland areas.

The cost of building materials was generally lower on the Reef than at the coast. This was because the majority of building materials factories were situated inland, so savings on transport costs could be passed on to inland clients.

Building methods could also vary, as adverse weather conditions at the coast meant more robust, and therefore more expensive, building techniques were required.

"Differences in the work loads of building contractors may account for some of the differences in tender prices. Furthermore, the existence of oligopolies or strong monopolies in the supplies of sand, stone and cement can bring about regional price differentials."

Snyman said productivity differences could also occur.

(32) 60 21/6/95

Bad year for Cape builders

THE majority of builders operating in the Cape have yet to experience the long-awaited upswing, according to Master Builders' & Allied Traders' Association Cape Peninsula director Mike Loy.

Reports from certain of the Cape's major building contractors about sizeable increases to their order books were giving the wrong impression of the region's building industry.

Loy said in the first quarter this year, contracts worth R126,6m were put out to tender. This was

R52m less than the figure for the first quarter of 1994.

"A 12% drop in turnover compared with 1994, which is generally regarded as the worst year in building since the 1930s depression, is very worrying," he said.

The lack of work opportunities meant the tender market continued to be tight and prices had shown no sign of softening, although the cost of certain materials had risen.

Loy said much of the work being undertaken in the Cape was in the additions and alterations mar-

ket, a further indication that the revival had not yet gained momentum.

"The biggest disappointments have been the slow progress on getting the reconstruction and development programme and the Olympic Games bid off the ground.

"In the first quarter, there were no RDP housing contracts awarded and there was only one significant contract relating to the Olympics — the refurbishment of the Hartleyvale stadium."

Looking ahead, Loy said recent announcements by the Housing Department on its housing programme were positive and the Cape's building industry could improve significantly this year.

Building industry to launch safety and health forum

BY MAGGIE ROWLEY

32
CT 21/6/95 (BR)

A widespread initiative to improve safety standards in the construction industry — rated as one of the poorest safety performers with at least one fatality a month — is to be formally launched in August.

The latest statistics from the Building Industries' Federation of South Africa (Bifsa) show that while the average number of man-days lost per accident in the industry dropped from 22 in 1992 to 12 in 1993, the direct cost of injuries rose from R10 million to R14,5 million in the same period.

In 1993 there were almost 5 000 injuries recorded in the formal building industry alone, at an average cost of R2 530. Since then there has been an upswing in building activity and small and medium builders have begun to play an increasing role, especially in the provision of housing. This has brought with it a very real danger of a rise in the number of accidents and fatalities.

Now employers and employees have together accepted the challenge to improve the situation and have accepted a draft constitution for a national, fully representative health and safety organisation for the construction industry.

The initiative was spearheaded last year by Bifsa and the National Occupational Safety Association.

August 8 will see the formal launch and first annual general meeting of the construction industry occupational health and safety forum at Bifsa's headquarters in Midrand. The newly constituted forum, which is expected to sit twice a year, will be able to develop an overall safety policy for the construction industry and formulate specific health and safety standards.

All roleplayers in the industry will be invited to become members. Among organisations which already subscribe to the constitution are the Amalgamated Union of Building Trade Workers, the Building Construction and Allied Workers' Union, the Construction and Allied Workers' Union, the Electrical Contractors' Association, the Master Builders' Association, the National Association of Black Contractors and Allied Trades Forum, the SA Black Contractors' Assistance Programme, and the Federation of Civil Engineering Contractors.

Prop

BI

THE I

DAY CO

THE R

Contractors get deadline

Robyn Chalmers

32

128

CONTRACTORS who intend to be involved in the low-cost government housing programme, and who wish to get bond finance, must submit registration applications with the National Home Builders' Registration Council by September 1. **BD 22/6/95**

Releasing the details of home builders' registration requirements yesterday, council MD Peter Allsopp said the council was an essential part of the interim defects warranty mechanism.

"Registration with the council is voluntary, but banks that are members of the Association of Mortgage Lenders will grant bond finance for new houses costing under R65 000 only in cases where the contractor is registered with the council," he said.

DEVELOPMENT

Is this the right way to go?

Cape Town City Council could run into a hornet's nest over plans to negotiate development of one of the most valuable sites in the city, the power station on the foreshore, with an overseas construction company.

French building company Compagnie de Batiment et Construction (CBC) is the front-runner to develop part of the site.

The city's officials want to finalise the deal directly with the French company without having to call for tender proposals again. They have asked Provincial Planning Minister Lampie Fick for guidance on how to go about it.

As far as they are concerned, they are not acting improperly. They've already called for tenders to develop a portion of the site — all of which they have rejected.

Council development co-ordinator Rod Young says: "What we are doing now is an extension of the already advertised process, of which last year's tender was a part."

While those developers who tendered on the site last year don't necessarily disagree with his assessment, they say the site's development could be delayed by the need to call for objections from interested parties to any proposals negotiated directly with the French company.

The reason there is such controversy over the property is that it is probably the most important development site in Cape Town. Situated on the fringe of the CBD, it links the city with the Victoria & Alfred Water-

front. Consequently, there's a real concern that any development on the site should be appropriate and take into account the long-term needs of the city and the waterfront.

CBC wants to develop two hotels — one possibly a Hilton — together with office and retail accommodation on two of the seven undeveloped stands that make up the block. The city council owns five of the stands with a total bulk of 98 000 m². The two CBC is negotiating on (A and B) have a bulk of 40 000 m².

Those who tendered last year were Murray & Roberts (two tenders), JCI, Sanlam Properties and Malaysian Resources Corporation Berhad. Young says the council decided not to accept any of the proposals.

"We then invited everybody who had expressed an interest, regardless of whether they had tendered, to the negotiating table. As a result, we entered into negotiations with four parties," he says. "Two of them — Murray & Roberts and Malaysian Resources — had tendered and two had not." These were CBC and the Devland Group. Devland owns two stands in the power station block with a bulk of 60 000 m².

"When we were negotiating with the parties, we knew they were all negotiating with one another. The result was that each made a separate offer. We considered the French one the most attractive," says Young.

Though he declines to go into detail, he says the French company's proposal "is

(32) FM 23/6/95
really fantastic. It's the first substantial proposal since the Golden Acre site was developed 20 years ago. I believe it will be of special benefit to Cape Town."

A spokesman for Paris-based CBC, Pierre Linden, says the company is ready to start building as soon as a deal is concluded. "If we sign this one, we will start looking for other opportunities in SA," he says.

Meanwhile, Devland Group MD Neil Bernstein says that if the council wants to accommodate the French development proposal, it will have to increase the bulk on the two stands in question. That, in turn, would require that it advertise for objections and comment, which is a time-consuming process. He says it will almost certainly lead to objections from adjoining property owners and other interested parties.

According to Bernstein, Devland, as an adjoining property owner, embarked on a joint planning exercise with the council in 1989 to ensure that the entire power station site would be developed appropriately. However, a joint venture with Devland, which council officials proposed to politicians in 1991, was rejected. Council then decided to put its five stands out to tender.

"The first flaw in the proposal call," says Bernstein, "was the harsh subdivision of the property into different areas. As the property owner, the council shouldn't try to be the developer and prescribe what must be built. A further problem was that it pre-

PROPERTY

scribed office and retail usage — for which there is little demand in this area. So what the council faces now — after years of wasted time and expenditure — is an application to vary the bulk and zoning on the site to meet the current French proposal."

Bernstein says the development of two hotels on the site would increase the value of his property. But he challenges the wisdom of developing a corner of the site in isolation. He says he and other developers have suggested on numerous occasions that a development agency be set up to develop public land using private-sector finance. This would enable joint venture developments, not only on the power station site but on the foreshore in general. It would also streamline the development process.

Bernstein says the deal may fail because of the time it will take to make negotiations with the French as transparent as possible through advertising for objections.

He says at least five international groups are eyeing the power station site and other development opportunities in Cape Town. But, because of red tape, they are likely to invest elsewhere.

Coastal building costs climb rapidly

(32) CT(MR) 28/6/95

By MAGGIE ROWLEY

Building costs had risen more sharply in coastal regions in the past decade and it was now cheaper to build inland, said Johan Snyman, independent building economist from Medium Term Forecasting Associates.

Snyman has undertaken a comparative analysis of index values across the spectrum for the Witwatersrand, the Western Cape and Durban. He said that while building costs, namely tender prices, rose faster in the Witwatersrand than in the Western Cape and Durban in the 1970s and early 1980s, the position had been reversed since 1984. As shown in

the graph, the positive gap between the Western Cape and the Witwatersrand has widened.

In recent years building costs, he said, had risen virtually at the same rate in the Durban and Western Cape regions and these were generally 10 percent to 15 percent ahead of inland regions.

Snyman said to determine the reasons for these findings a survey of leading quantity surveyors had been undertaken which found that a contributing factor could possibly be that labour costs were higher in the coastal regions.

Quantity surveyors also noted it was possible the cost of building materials was generally lower in the Witwatersrand as the majority

of building materials factories are situated there.

He said other factors included:

□ More expensive building techniques, such as cavity walls were required at the coast due to adverse weather conditions.

□ Differences in the work loans of building contractors which could account for differences in tender prices.

□ The existence of strong monopolies in the supply of sand, stone, cement and other building materials, could bring about regional price differentials

□ Differences in productivity which could occur from time to time. For example bad weather at the coast could affect production.

27/10/23/95

Building sector bullish, figures show

Robyn Chalmers

60 4/7/95
32
EXPECTATIONS of improved conditions in the building industry were reflected in a 19.4% hike in the Central Statistical Service contract price index for the first quarter of this year compared to the same period last year.

Analysts said building companies began to see more robust order books in the first quarter and this had led to a decrease in tendering competition in the residential and non-residential property sectors.

One analyst said many companies had been tendering at cost or below simply to remain in business over the past five recessionary years, and were now looking to make up the shortfall.

Indications of price increases above inflation for building material were also driving up contract prices as companies were making provision for higher labour costs and rising raw material prices.

A recent survey by Stellenbosch University's Bureau for Economic Research showed that tendering competition among contractors and subcontractors had become less severe while building cost increases remained in double digits.

"A sharp acceleration in building costs

Continued on Page 2

Building sector (32)

Continued from Page 1

60 4/7/95
measured in the third quarter and fourth quarter of 1994 was sustained in the first quarter of 1995, although the rate of increase was moderated somewhat, the bureau said.

However, BMI building research strategy consulting unit MD Llewellyn Lewis said recent surveys showed that real growth in the building industry was not expected until the third or fourth quarters.

"Although companies seem to be experiencing somewhat better conditions and are expecting much improved conditions in the next six to 12 months, they do not believe the industry has turned around decisively," he said.

Contract prices were increasing on the expectation of more contracts being issued, increased gross domestic fixed investment spending and government's mass housing programme taking off.

This was despite a stern warning from Housing Minister Sankie Mithembi-Nkondo in her budget speech to the Senate that contractors and building material suppliers would not be allowed to profit at the expense of the housing programme.

She said the downturn in the construction industry over the past few years had meant pressure for large price increases in the materials sector had built up. No single segment within the private sector would be allowed to erode the value of housing subsidies unnecessarily, she said.

Housing demand fuels speculation

Sello Motlhabakwe (32)

THE growth of SA's cities and the accompanying surge in demand for housing has resulted in property investors acquiring land for residential development and fuelled investor speculation on land deals.

Lew Geffen projects division head Graham Bailey said property investors who several years ago had the

vision to buy land in the then undeveloped Midrand were now reaping the benefits of that investment.

A critical factor in successful speculation in land was sound advice. The smaller investor, in particular, needed to know in which areas the local authorities would consider rezoning larger stands for multi-unit housing developments, or in which direc-

tion the area would expand. Bailey said much of his division's operation was geared towards knowing what land was available, in which areas, how it could be developed and what return it would generate.

This meant that an investor could buy property prior to increased density rights being granted in a certain area and then sell it at a good return to a multi-unit housing developer.

Bailey said many townhouse and cluster development companies were on the lookout for good sites in established suburbs.

Larger investors or companies tended to want bigger areas of land in newer areas. However, here too it was essential that they established that there was a development axis in the direction of their proposed purchase. If so, the land would be able to be subdivided either for further development or for resale.

Building index down 400 points on shaky sentiment

Robyn Chalmers

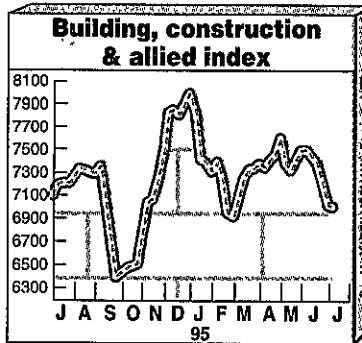
SLOW progress in implementing the reconstruction and development programme, particularly government's housing programme, has contributed to the market's loss of faith in building and construction shares over the past month.

The building, construction and allied index has fallen sharply since early last month when the housing programme was officially launched and banks opened their doors to the lower income market for the first time in a decade.

It started falling on June 9, when it stood at 7484 points, and moved steadily downwards to close three points lower yesterday from the previous day's close at 7009. This compared with the 12-month high of 7981 points seen in January.

Analysts said that in addition to the faltering progress of the RDP, tentative signs of an upturn in the sector were unlikely to turn into a boom period until the end of this year or the beginning of next year.

As a result, there was probably going to be a gap in the number of



contracts coming through, as activity on a number of the larger infrastructural projects, such as Alusaf and Columbus Stainless Steel, was beginning to wind down.

One analyst said that while statistics from the Central Statistical Service showed that more building plans were being approved and the contract price index was moving upwards, there were as yet no concrete signs of a turnaround.

"There can be no doubt that companies in the building and construction sector are beginning to see fuller order books and prospects are look-

(32) 07/7/95
ing significantly better, but the RDP will be the real generator of growth. "Many companies have geared up their delivery capacity for higher growth levels in the industry, and the longer we wait for the RDP to get off the ground, the more these organisations will be affected," he said.

Companies were also being adversely affected by poor margins on contracts which were concluded last year, when margins were still squeezed and a number of organisations were tendering at or below cost.

Analysts said government's stated objective of raising the gross domestic fixed investment component of GDP to 20% over the next five years from its current level of 15.7% would be a longer term goal.

They said a number of the larger groups which had spread their activities over a broad range of sectors within the industry as well as some of the smaller, niche companies could see an improvement in earnings and turnover this year.

However, one analyst predicted that a significant percentage of companies in the industry would see only a small improvement in earnings.

Building sector hit by delays in RDP

Robyn Chalmers

32
12/7/95

THE building industry experienced a setback during the second quarter with slow progress in implementing the reconstruction and development programme (RDP) affecting activity adversely, the Stellenbosch University-based Bureau for Economic Research says in its latest survey.

The nationwide quarterly survey showed that contractors and subcontractors experienced a lull during the second quarter of this year which led to a deterioration in business confidence.

"Expectations for the third quarter are nevertheless positive," the bureau said.

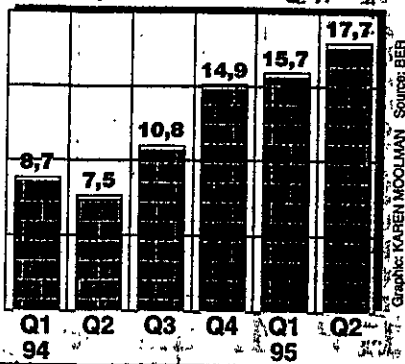
It said the non-residential sector performed slightly better than the residential sector, which could be linked to the delay in government's low-cost housing programme getting off the ground.

However, it said the launch of the programme at the beginning of last month put many unresolved issues in place, and activity in the low-cost market could boost the rest of the sector and SA's economy.

For architects and quantity surveyors, the second quarter was also disappointing, with lower employment levels and a decrease in the number and value of projects.

Building costs rose steeply in the first and second quarters of this year, after an initial jump during the fourth quarter of

BER: Building cost index
(annual % change)



last year.

In the first two quarters costs rose 15.7% and 17.7% respectively, against a 14.9% hike in the fourth quarter of last year and a 10.8% increase in the third quarter.

Analysts said one of the main reasons for rising building costs was the spiralling cost of new imported plant, coupled with rising labour and material costs.

Johnson Crane Hire head Harold Johnson said the weakness of the rand, coupled with unfavourable rates of exchange, had pushed plant prices up more than 100%

Continued on Page 2

Building

Continued from Page 1
over the past five years.

He said the company had recently acquired a 300-ton crane for R8.5m — almost double the price of the crane at the beginning of the 1990s. "The costs are further compounded by the fact that spare parts are imported and our operators undergo training overseas."

Association of SA Quantity Surveyors president Barry Probert said the construction industry had to guard against over-

compensating for the low profit margins of the recent downturn by pushing increases to unacceptable levels.

"Quantity surveyors have begun noticing the effects of increased labour and material costs on projects throughout the country. The upturn is beginning to put pressure on product supply and shortages of certain materials are already being experienced in some regions."

Probert said order books in most regions were beginning to look healthier and an expected improved spread of work would ensure acceptable profits in the industry.

Building costs up 17,7% in second quarter, says report

By MAGGIE ROWLEY

PROPERTY EDITOR

Building costs surged by a higher than expected 17,7 percent in the second quarter, according to the Bureau for Economic Research in Stellenbosch.

The bureau's latest quarterly survey of the building and construction industry, released yesterday, shows that the surprise rise, which is a preliminary figure, follows an upwardly adjusted 15,7 percent increase in the first quarter against a revised annual average for 1994 of 10,5 percent.

Building costs have been rising ahead of inflation since the third

quarter of 1994 with revised increases of 10,8 percent and 14,9 percent being recorded for the third and fourth quarters respectively.

Nils de Jager, the bureau's economist, said the second quarter rise was even more surprising in view of the fact that the building and construction industry had experienced a slump in the second quarter, no major shortages of materials were reported, the reconstruction and development housing programmes had yet to get under way and tendering competition had in fact increased, contrary to expectations.

"This would indicate that the

building cost increases are coming from an excess in margins rather than cost push inflation.

"If this trend continues we could be looking at an average building costs increase this year in excess of 20 percent, against our initial forecast of a more moderate 16,4 percent."

De Jager points out in the survey that the latest figures show that the Haylett Index, which measures input contract prices, has begun to move upwards.

He said that it was possible that in spite of increased tendering competition in the second quarter, contractors were "already in a cost increase mindset" and had ten-

dered higher than previously.

"If this is the case and the slump continues in the third quarter, they might well be forced to adjust this mindset and we could see increases slowing down."

Quantity surveyor Doug Brook, who is a consultant to the bureau, said he suspected that due to tendering competition remaining tough, contractors were not the main cause of the higher-than-expected second quarter increases as they would have been forced to keep their prices down to secure a slice of the smaller amount of work on hand. The problem, he said, was more likely to lie with building materials suppliers.

Murray & Roberts packs more competitive clout

BD 13/7/95

(32)

Robyn Chalmers

THE new streamlined structure of Murray & Roberts Holdings will give it the muscle to compete internationally while benefiting from increased gross domestic fixed investment (GDFI) spending locally, says new group CE Graham Hardy.

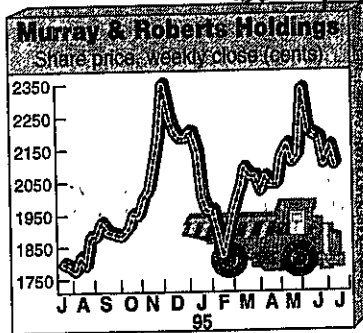
Hardy said yesterday that the restructuring, which reduced the number of operating groups from seven to five, would align the group more closely with market needs in the future and facilitate better co-ordination of activities.

The new operating groups consisted of contracting, engineering and materials along with the existing operating groups Unitrans and Standard Engineering.

Hardy said M&R had acquired a number of businesses during the disinvestment era, some of which did not fit into its GDFI focus and left it unwieldy, particularly when it came to competing with multinationals.

The group will continue in its attempts to grow its international trading activities and the restructuring will facilitate.

"We are confident that our objective, set in 1993, of increasing exports



and international trading activities from 10% to 20% of turnover within five years will be achieved sooner than anticipated."

One of the ways in which M&R has moved towards becoming more export orientated was through the acquisition last year of UK-based Alloy Wheels International, which supplied 1.6-million wheels a year to equipment manufacturers in Europe and the US.

Hardy said the acquisition had proved to be more successful than initially envisaged, and said there were further growth prospects in the niche wheels market.

On the domestic front, he said

M&R's new structure meant the group was well-positioned to assist and benefit from the reconstruction and development programme, particularly with the attention being given to infrastructure investment.

"We have the capacity and expertise to facilitate or undertake a wide range of projects under the RDP, and believe our major growth over the next few years will come from higher levels of GDFI," he said.

The first areas to benefit from an economic upturn have historically been the materials and suppliers and services divisions.

Hardy said the materials and suppliers and services divisions had already witnessed increased activity and order books in the construction industry were beginning to improve.

"We believe we are still about a year away from significantly higher activity levels as a group, but we are seeing positive signs of an upturn," he said.

The share price of M&R, which will report its results for the year ended June at the end of August, closed at R21.25 yesterday, lower than its one-year high of R23.50 last month but well up on the 12-month low of R17.70 last August.

Building trade still awaits a kick-start from the RDP

(32) CT (PR) 19/7/95

The building, construction and allied sector, which ran ahead of itself with over-optimistic expectations of a surge in earnings arising from the RDP in 1993 and the first half of last year, has come off its highs and has been biding its time over the past year.

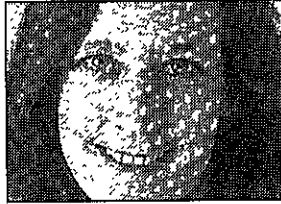
Analysts said this week investors were waiting for proof that the programme had got off the ground. A further surge could be forthcoming once the programme is up and running.

Negative

The sector's index, which soared from 2600 in early 1993 to as high as about 8300 in May/June last year, delivered a negative return of 1,6 percent in the past quarter and is at present about 7250.

The share prices of the two cement manufacturers, namely PPC and Anglo Alpha, which together comprise more than 80 percent of the index, have fallen in the past year, but they are still well ahead of July 1993 levels. PPC, which peaked at R112 in December last year, is trading at about R85, close to its 12-month low, but still

MAGGIE ROWLEY



ON PROPERTY

The construction sector, which expected the RDP to boost earnings, is still waiting for it to get off the ground

almost three times higher than its July 1993 levels.

Anglo Alpha, on the other hand, is trading at about R110, about R3 down from levels seen in July last year — but also about three times higher than its July 1993 levels.

The building stocks in the sector indicate a similar trend and, although most are off their highs, they are still trading about 300 per-

cent up on two years ago.

Price-earnings ratios have also been falling. PPC's price-earnings ratio is at 19 times against a high of 29 times, Anglo Alpha at 19,8 times against 21,6 times, LTA at about 14 times against 16, Group 5 at 9,46 against 16,9 times, and Stocks & Stocks at 11, against about 13.

Although the stocks have come off their highs, they still look fairly expensive, says Johan van Zyl, a director with Ed Hern Rudolph.

Benefits

However, he says, he believes this is a sector that will gain from the yet-to-materialise benefits of the RDP.

"We have been seeing some good results come from this sector, thanks to the generally improved economy. In addition, most of these companies downsized during the recession and are consequently lean, mean machines."

Although the performance in the past year has been behind market expectations, he says, the fundamentals are extremely good, and the medium term outlook for earnings growth is fairly positive.

(32)
CT (PR) 24/7/95

British builders

drawn to SA boom

By GARNER THOMSON

INDEPENDENT FOREIGN SERVICE

London — British construction firms are cashing in on South Africa's building boom as the country's RDP and tourist industry get under way.

Architects and construction companies — hit by a domestic slump — are anxious to capitalise on South Africa's expansion, not merely because of the boom, but because British standards are similar to those in South Africa.

British firms are starting to capitalise on developments in South Africa and the trend seems set to continue.

"Since the elections last April, there has been an increase in the number of companies looking to South Africa as a possible market," said Richard Eyre-Wilson, the vice-consul at the British Consulate.

"There's a lot of construction work at the moment and we are encouraging British firms to take advantage of it."

Broadway Malyan, Britain's fourth largest architectural firm, is the latest to open a Johannesburg branch after securing three design projects worth £110 million (R639 million). These include a £40-million complex of offices, hotel, sports centre, cinema and cafe.

"Tourism has been ignored over the past several years and now there is a drive to build hotels and leisure sites," said Brian Relph, the senior partner at Broadway Malyan.

"There is also a tremendous drive to replace township accommodation," he said.

Other leading British companies now established in South Africa include Bovis, concentrating on low-cost township housing as well as sports and tourist sites, and Turner and Townsend, contracted to regenerate Johannesburg's central business district, construct a new light railway system and build schools in Soweto.

Cape construction crisis gets worse

BY MAGGIE ROWLEY

PROPERTY EDITOR

CT(MR) 21/7/95

The Western Cape construction industry is in dire straits, with further contractors heading for the wall and retrenchments continuing apace, warns Mike Loy, a director of the Master Builders and Allied Trades Association.

He said figures released this week showed the number of contracts put out to tender in the second quarter was down 39,2 percent over the corresponding period last year. This followed a revised drop of 27,3 percent in tender work in the first quarter.

June was the leanest month, with tendered work down 68,2 percent over last year.

"These figures are particularly alarming when taking into consideration the fact that 1994 was generally regarded as the worst year in the history of Cape building since 1930. While they only take into account tender work, there is not much other work being negotiated, as the lack of cranes on the skyline bears witness to."

In a hard-hitting attack on the government, he said the recent scrapping of large, planned state projects, such as the R140 million

Wingfield prison and the R400 million KwaZulu Natal academic teaching hospital, were compounding the situation.

"Actions of this kind, coupled to the government's general lacklustre approach to development, must in the end destroy investor confidence. If there is one thing contractors have grown tired of hearing, it is the repeated exhortations to have confidence and to find new investors. The government has to set the example and lead in this respect."

Loy said the industry was beginning to feel that after raising high hopes with the reconstruction and development programme and other promises, government officials were now content to sit back and just "look as if they are doing something".

"Endless discussions, seminars, get-togethers and committee meetings follow one after the other but no work materialises. One hears time and again the phrase 'consultative paralysis' and it becomes daily more obvious that the accusation is justified.

"Quite simply, the government has failed to deliver and the Cape construction industry is a major victim of this stalling."

Cashing in on South Africa's reconstruction programme

32
Star 24/7/95
■ BY GARNER THOMSON
STAR FOREIGN SERVICE

London — British construction firms are cashing in on South Africa's building boom as the country's reconstruction programme and tourist industry gets under way.

Architects and construction companies — hit by a domestic slump — are anxious to capitalise on the new South Africa's expansion, not merely because of the boom, but because United Kingdom standards are similar to those in South Africa.

According to a survey in (British) Sunday Independent, British firms are starting to capitalise on developments following South Africa's emergence into democracy, and the trend seems set to continue.

It quotes Richard Eyre-Wilson, vice-consul at the British Consulate, as saying: "Since the elections last April, there has been a clear increase in the number of companies looking to South Africa as a possible market."

Encouragement

"There's a lot of construction work at the moment, and we are encouraging British firms to take advantage of it."

Broadway Malyan, Britain's fourth largest architectural firm, is the latest to open a Johannesburg branch after securing three design projects worth £110-million. These include a £40-million complex of offices, hotels sports centre, cinema, and cafe.

Senior partner Brian Relph says: "Tourism has been ignored and now there is a drive to build hotels and leisure sites."

"There is also a tremendous drive to replace township accommodation."

British builders turn to SA

Own Correspondent

(32)

BO 24/7/95

LONDON — British architects and construction companies are escaping the slump in their domestic building industry by setting up in SA.

Broadway Malayan, Britain's fourth largest architectural firm, will open a Johannesburg branch this week after securing three design projects worth £110m, including a £40m complex of offices, hotel, sports centre, cinema and cafe.

"Tourism has been ignored over the past several years in SA and now there is a drive to build hotels and leisure sites," said Broadway's senior partner, Brian Relph. "There is also a tremendous drive to replace township accommodation.

Bovis, the international contracting arm of shipping and property group P & O, was one of the first companies to test the waters when it established a Johannesburg arm, Bovis Southern Africa. Two months ago the company joined with Thebe Investment Corporation to form Thebe Bovis Construction Management.

The joint venture will focus on building low-cost housing as well as sports and tourist sites.

Turner & Townsend, the construction consultancy and project manager, is well established in SA with 100 staff and three offices. The firm has won contracts to regenerate Johannesburg's CBD, construct a new light railway system and build schools in Soweto.

Stocks & Stocks achieves 40% earnings rise by helping itself

BY ANDY DUFFY

STAFF WRITER

Stocks & Stocks lifted attributable earnings more than 40 percent to R39 million for the year to April, as internally-generated business helped shield the construction group from flat markets.

Sales moved to R1,5 billion from R1,3 billion, with operating profit surging 70 percent to R82,1 million. Share earnings rose to 49c from 35c, while the dividend jumped 33,3 percent to 12c.

But cut-throat conditions had left Stocks dependent on its property arm for more than one third of its turnover, with capital employed jumping to R457 million from R279 million as a result.

Stocks had R1,5 billion on its order books, similar to last year, to sustain growth this year.

But future earnings growth

hinged on the economy taking off, and government building initiatives going ahead. Low-cost housing joint venture Homes for South Africa was scratching out an existence, building niche townhouses.

"If we had not generated our own work then we could not have produced this set of results," said Bart Dorrestein, deputy executive chairman of Stocks & Stocks.

"Our order book has been the product of aggressive marketing. Unless the economy takes off, it is going to be very difficult to sustain."

Construction contributed 58 percent of turnover, drawing 60 percent of its work from other group operations. Housing sales were static, but income fell to R5 million from R8 million.

Property, the next largest sales contributor, had been bolstered by the formation of leisure division

Hotels & Resorts, in partnership with Transnet. Hotels & Resorts was bidding for a gambling license, but did not expect allocations before the start of next year.

Stocks' internal work generation helped lift long-term debt to R80,6 million from R36,4 million, pushing finance charges to R20,4 million from a previous R6,3 million.

Burden

The group had managed to partially offset the greater debt burden after the year end with its R77 million rights issue.

An upward revaluation of leisure properties had also helped, bolstering shareholders' funds by R60 million — a 30 percent jump.

Dorrestein said the Homes for South Africa venture had been prevented from pursuing projects

because of funding hitches stemming from a government logjam. It had pre-sold 4 000 units on one development, but the scheme was now on ice.

The cost of finance was proving the greatest obstacle to low-cost housing, with the current 22,5 percent rate lifting housing beyond the reach of 85 percent of the population. The government had to widen its approach to low-cost housing to remove this obstruction.

Labour problems also threatened business, the group said, with frequent strikes and stayaways driving away foreign investment and damaging industry.

But Stocks had several joint ventures with the informal sector, which it said was effectively an unbundling.

Such business accounted for around 15 percent of sales, and this was expected to rise to 20 percent.



SOLID PERFORMERS from left, Stocks & Stocks deputy executive chairman Bart Dorrestein, non-executive chairman Reg Edwards and group finance director Johan van Vuuren. The construction group posted share earnings up 40,5 percent for the year to April

PHOTO JOHN WOODROOF

(32)

Construction industry to be 'democratised'

et (MR) 26/7/95

FROM SAPA

The construction industry would be revamped to allow black contractors to compete with established white-owned companies, Jeff Radebe, the public works minister, said yesterday.

Addressing the 31st annual conference of the National African Federated Chamber of Commerce at Sun City, he said apartheid laws and regulations still prevented blacks from entering business.

His department was trying to "democratised" the construction industry in which only 5 percent of contractors were black. The first step was to review state procurement and tendering systems.

Radebe said proposed amendments to the tendering system would be tabled in Parliament next month. These included:

Reserving tenders and giv-

ing price preferences to marginalised contractors;

Translating tender documents into black languages; and

Dividing large contracts into smaller ones more appropriate to emerging black contractors.

Radebe said he did not expect the changes to be made law until the middle of next year, but he thought some departments would start to implement voluntary changes soon.

A second step in changing the industry was to rethink the way consultants were appointed by the public works department.

Consultants would be appointed preferentially to provide opportunities for blacks.

Radebe said his department would create a unit that would co-ordinate and develop public and private sector training programmes, develop a registry of contractors and promote quality assurance.

Building industry looks abroad for help

Robyn Chalmers

REPRESENTATIVES of the local construction industry have undertaken a global drive to secure foreign aid for training campaigns to boost skills after the five-year recession significantly reduced capacity.

Projections of the number of skilled workers needed to meet the housing plan for 300 000 units a year for the next 10 years indicated that about 18 000 artisans and workers with specific skills would have to be trained each year for five years.

This did not take account of the people needed to create the social infrastructure which would go hand-in-hand with the provision of housing.

Building Industries Federation of SA (Bifsa) representatives have been to a number of international conferences over the past few months. The message they delivered was that funds were needed to provide more instructors and to make the existing training accessible, rather than finance for more training centres or courses.

Bifsa executive director Ian Robinson said at a recent conference in Copenhagen on Danish-SA relations that many donor organisations and foreign governments were keen to help SA achieve reconstruction and development programme objectives.

However, he said, many were uninformed about specific areas in which their resources could be best used.

Bifsa education and training GM Derek

Weston said that specific training needs for the construction industry had been identified in the areas of technical skills, development of management ability and business skills for entrepreneurs and managers. In some cases, training in literacy and numeracy was also required.

However, a well established system of competency-based modular training, with a network of more than 80 accredited training centres, was already functioning in SA. Standards were set by the building industries training board, which represented employer and labour organisations. "What is needed to boost skills is funding to supplement the training levies now being paid by formal sector employers," said Weston.

In addition, the development of entrepreneurs and managers was strategic to the viability of the construction industry.

"Forecasts already indicate that supervisory and management skills are likely to be a key constraint in the provision of housing," he said.

"At the same time, the mobilisation of new builders in low-income communities and the further development of the black construction industry will be essential to the sustained functioning of the industry as a whole."

The construction industry was spending R25m a year on training. However, Bifsa's projections indicated that R200m a year was actually required to meet the demand generated by the RDP.

Battle looms in SA over tax

BY SUDARSAN RAGHAVAN

SPECIAL WRITER

"We know it is going to be an intensive debate in the coming months," said Ben van Rensburg, the director of economic policy for the South African Chamber of Business (Sacob), when referring to tax-based incentives to lure investors — foreign and domestic — to dump more job-creating money into South Africa.

From the paper-strewn floors of the Johannesburg Stock Exchange to the luxuriant offices of politicians, there's a brewing, quotidian buzz about tax holidays and other incentive schemes.

"There is absolutely no agreement within the business community on whether tax incentives should be in place," said Azar Jammine, the chief economist at Econometrix, a consultancy firm in Johannesburg. "There are many proponents as well as critics. It is something that is going to take a long time to establish."

Nevertheless, the battle lines are slowly but surely being drawn, pitting those who want to attract foreign investment at any cost against those who want to protect domestic firms from moves that might give foreigners an edge in South Africa's percolating market.

"Foreign investors cannot be given preferential treatment at the expense of domestic ones," said the governor of the Reserve Bank, Chris Stals, in an interview with Newsweek earlier this year.

Such sentiments are echoed by many in the circles of business and power in South Africa. At the same time, there's a perception among some economists and businessmen — both local and foreign — that the absence of tax-based and other incentive schemes could be harmful to the nation's economy.

"It's very effective as a signaling tool that you're open for business," said Ernest JP Lai King, a tax consultant in Johannesburg.

Other analysts note that incentive schemes to lure investment into the nation are ludicrously minuscule compared with other nations competing for the world's capital. And they feel that something needs to be done.

The punches are being thrown at a time when capital-hungry nations are fiercely fighting for a larger slice of the world's fast-moving, multibillion rand supply of money that shows no loyalty to national borders and governments.

Fickle multinational corporate giants scrutinise national balance sheets, looking for positive signs such as low budget deficits, political stability and low corporate tax rates.

What they don't find appealing can often be rectified by a tax incentive or two. Or, when such firms have a tough choice between equally worthy nations to invest in, a series of tax incentives can make the difference. With this in mind, more and more countries are providing tax-based and other incentives to lure foreign investors.

This has caused a growing number of analysts here to think about whether the absence of tax-based incentives is hampering the level of foreign investment into South Africa, and what the prospects are for instituting some form of tax incentive scheme.

While the prospects for introducing such programmes are reportedly being looked at by the Katz commission, some analysts feel the body has neglected to recog-



INTENSIVE DEBATE Sacob's Ben van Rensburg



OPEN ATTITUDE Nedlac's Jayendra Naidoo



ONE OR THE OTHER Ernst & Young's Ian MacKenzie

nise the value of tax incentives.

Last December, the commission — in its interim report to make recommendations for the March Budget — ruled out specific tax incentives to attract foreign investment, arguing instead for internationally competitive corporate tax rates. In the past, however, South Africa had attractive tax-based incentives which included manufacturing investment allowances, economic development area allowances, training allowances, and incentives to promote exports.

But, by the late 1980s, virtually every major tax incentive had been scrapped or significantly reduced by the government. It was, in part, a last-ditch effort to suck out more revenues from a stagnating economy bombarded by sanctions, labour and political instability, a worldwide economic recession and a shrinking domestic economy.

These days the nation's policymakers are confronted by critical questions such as: What level of taxes can the economy bear? What level would not be as punitive and uncompetitive so as to shackle investment, but would still be able to raise money to fund more social programmes?

Some have argued for a reduction

of the nation's vertiginous corporate tax rate of up to 48 percent — it is the highest among all of its major trading partners — to around the international nominal tax rate average of 40 percent, while advocating against tax-based incentives. Some foreigners used to pay nearly 58 percent in taxes until the non-resident shareholder's tax was scrapped in March.

Other analysts argue for keeping the high corporate rates, but introducing incentives. But

South Africa has both high taxes and virtually no incentives.

"We've ended up with the worst of both worlds," said Ian MacKenzie, a tax lawyer with Ernst & Young and director of the tax committee at Sacob. "All the tax incentives have been scrapped, but we still have a high tax rate... We have to have one plan or the other."

Some, however, argue that there are potent incentives already in place. Rudy Seifert, the deputy director of industrial development at the ministry of finance, pointed out that companies can receive profit-based incentives — depending on the amount invested — that return at least 20 percent of profits before tax to the firm for the first five years. There is also a relocation incentive which, in essence, reimburses the cost of moving manufacturing operations from outside South Africa to within the country. In addition, there are also a number of export incentives.

However, some analysts feel

that this is negligible compared with what other nations are placing on the table to entice investors: "There are so much larger incentives being offered by other countries," says Jammine. "It is really small-fry compared with them."

Ireland, for example, offers a special corporate tax rate of 10 percent for firms operating in its International Financial Services Centre in Dublin. The zone has survived a recession and saw a surge in business last year. Analysts say this is due partly to the incentives.

At the same time, tax incentives are also often seen as a short-term necessity to bring in much-needed investment to train workers, create jobs and promote exports. In the case of Ireland, the 10 percent tax rate is due to run out in 10 years.

"The infrastructure, regulations and workforce will be so good by 2005 that people will not worry about tax breaks," said Ciaran Desmond, a solicitor at Matheson Ormsby Prentice in Dublin.

Nevertheless, some proponents of tax incentives are somewhat surprised that South Africa has not put any in place. They point out that around the world, manufacturers are consolidating and reluctant to build more factories.

Add to this South Africa's labour problems, political violence and high corporate tax rates that include a stiff secondary tax levied on dividend income and you have a recipe for investor apathy.

"It makes a fairly grim picture," said Roger Crawford, former chairman of the American Chamber of Commerce and an executive of Johnson & Johnson. "So they should incentivise investments in South Africa. It is something that we have recommended. I just cannot understand why they haven't done it yet."

So far, however, the voices of those against are a bit louder than those for tax incentives. Some argue that the government's expenditures are so vast that it will be cautious about implementing anything that might lose revenues or discriminate against local investors.

"Ultimately tax incentives tend to be regarded as a forfeiture of income," said Keith Lockwood, a Sacob economist. "In the new South Africa, the emphasis tends to be not to discriminate between local and foreign investors."

Some analysts and government officials worry that by giving preferential treatment to foreigners, domestic firms might pack up and leave South Africa. Other analysts point out that giving a foreign firm a tax holiday would only transfer tax revenues to the firm's home country because taxes have to be paid there.

"We have had them in the past. They don't work," said Ernie van der Merwe, chief economist at the Reserve Bank. "They tend to distort your economy in the end."

Meanwhile, there are those who argue that favourable tax rates and incentives alone won't attract investment, and that other factors such as political and labour instability and high, protective tariffs need to be addressed first.



'There are many proponents as well as critics. It is something that is going to take a long time'

— AZAR JAMMINE
ECONOMETRIX

x incentives for foreigners

(32) CT (BR) 27/7/95

TAX AND INCENTIVES IN DIFFERENT COUNTRIES						
1980-92	SOUTH AFRICA	ZIMBABWE	SINGAPORE	INDONESIA	CHILE	HUNGARY
Corporate tax revenue to GDP % [1980-92]	6,10	6,17	N/A	12,43	2,10	7,03
Average GNP/CAPITA growth	0,10	-0,90	5,30	4,0	3,70	0,20
Average annual manufacturing growth	-0,20	2,80	7,10	12,00	4,20	N/A
Gross domestic investment	-4,40	1,80	5,0	6,60	9,20	-2,30
Average annual export growth	0,70	-0,80	9,90	5,60	5,50	1,60
Net FDI \$millions	N/A	4,0	N/A	1774,00	737,00	1479,00
	1995	1995	1995	1995	1995	1995
Capital gains tax	None	10% to 30%	None	0,1% to 30%	15%	18%
Withholding tax - Interest	0%	10% to 30%	27%	15% to 20%	15%	18%
Withholding tax - Dividends	15%	20%	0%	15% to 20%	20%	0% to 20%
Withholding tax - Fees	0%	20%	0%	15% to 20%	20%	0%
Max personal tax rate [1995]	45%	40%	30%	30%	45%	44%
Nominal corporate tax rate [1995]	35% to 48%	40%	27%	30%	15%	18%
Treaty network	22 countries	10 countries	28 countries	30 countries	1 country	32 countries
Success of reforms in growing economy	Low	Low	High	High	High	Low

SOURCE: SACOB

curve. They are still trying to figure out issues at home before they start to tackle them on a more international basis. They are doing what they can with what they got."

Mallory claims that of all the American firms who have enquired at his organisation about investing in South Africa, not one asked whether there was an incentive programme in place. They were more concerned about the availability of labour and other issues, he says.

Still, some economic prognosticators who were once completely against incentives, are starting to bend. Last week, Sacob released a series of recommendations on corporate taxation to be submitted to

the Katz commission — including a noteworthy one on tax incentives.

After an in-depth study of taxes and incentives in six nations — Malaysia, Singapore, Zimbabwe, Chile, Hungary, and Indonesia — Sacob urged the commission to adopt a single, low corporate tax rate without exemptions, while putting in place a limited number of tax incentives.

These were for projects that directly benefited the nation's RDP, such as those promoting skills training, RDP-type activities, and investment in new technologies.

"It is a realisation that has dawned on us that further reduction of the corporate tax rate will not happen in the next two years,"

said Van Rensburg. "If we should introduce incentives, they should be RDP-friendly."

It is not yet clear where the government stands on the issue of tax incentives. Nor is it clear what the prospects are for the spawning of any significant allowances.

For now, the Katz commission is presumably still mulling over this issue; it is expected to make any recommendation on incentives to the Cabinet by the end of the year, according to government sources.

Then, the proposals will likely go to the National Economic Development and Labour Council (Nedlac). In anticipation, Nedlac is already debating the various merits

of incentives within its fold.

According to Jayendra Naidoo, the executive director of Nedlac, there is an open attitude — in both trade and labour circles — towards tax and other types of incentives

One recent study commissioned by Nedlac strongly urged putting in place tax incentives as opposed to grant-based incentives. But, predicted Naidoo, "it is not likely that foreign investors will get a more favourable dispensation over local investors, except possibly for special projects. That is a very strong thrust in our policy."

Such "special projects" could include much-needed investments in technology and skills training, said Naidoo.

COMPANIES

Building sector loses some shine as forecasts prove too bullish

PACIOU

THE building, construction and allied sector still holds solid growth prospects, but investors have lost some enthusiasm for it after forecasts proved too bullish.

A year-and-a-half ago the right buzzwords — the reconstruction and development programme — saw the sector run ahead of itself. Sure enough, conditions in the building and construction industries have turned on the back of generally improved confidence levels and economic activity.

But forecasts for these industries appear to have been over-optimistic and investors now seem to be looking elsewhere, despite solid results recently out from construction companies and expectations of improvements from others.

Stock & Stocks this week said its earnings for the year to April were up 41% to 49c a share. It benefited from a stronger order

book with better quality business which enhanced profit margins.

Last week IFA announced better-than-expected results after benefiting from more buoyant business conditions — a 22% improvement in earnings to 77c a share for the six months to end June. Forecasts for Group Five and Grinaker Holdings are also positive.

Towards the end of 1993 building and construction shares put in a good showing but came off in the middle of last year when the market realised they had run too far.

Over the past few months the sector's index has been trailing the industrial index. Almost all

the major shares in the sector have come off their yearly highs and price earnings ratios have slid. The decline has been particularly steep since June.

An analyst says: "There are not too many 'hugs' in the sector at the moment. A main reason is that the RDP, with R39-billion to be spent over five years, was expected to be a major boost for building and construction companies.

South Africa's housing backlog is estimated at 2.5-million and a host of accompanying infrastructure projects are needed.

Yet the RDP has had little effect on fixed investment spending. According to Mike Harworth,

(32) ST (PT) 30/4/95

an analyst at Shy's Barnard, it is unlikely to for at least a year after the November elections. Newly elected officials will need time to get to grips with issues and he questions whether it is possible to build low-cost housing at the rate hoped for.

Factors that could affect this include a lack of skills and the risks of lending money. About 70% of SA households earn less than R1 500 a month, leaving little for mortgage repayments and construction sector has also been fairly grim.

The latest quarterly survey of the University of Stellenbosch's Bureau for Economic Research (BER) showed a lull in building activity during the second quarter this year. It also found reversed signs of the upswing that emerged in the last quarter of last year.

In addition, the BER Confidence Index reveals the confidence of contractors and subcontractors fell in the second quarter. Few architects and quantity surveyors expected conditions to improve in the third quarter.

Analysts note too that a number of major infrastructural projects like Absal and Columbus Stainless Steel are beginning to wind down.

Many companies have also come out of the recession "lean and mean" and still appear to have excess capacity. With sustained world economic recovery looking uncertain in some parts of the world, some may choose to import or de-bottleneck rather than expand production capacity.

are not promising. They only show that previous forecasts may have been too optimistic. Indeed, cement producers have been stepping up production volumes and sales levels have been strong.

Statistics also show significant growth in demand for non-residential buildings last year, especially for office space and for industrial property and warehousing.

An analyst says private sector development should drive growth in the building sector until the RDP kicks in.

This will include expansion of certain mines, upgrades of airports and industrial projects announced by major groups.

Others point to the need for hotel accommodation as tourism rises and for casino resorts, given new gaming legislation. However, when the RDP does

gain momentum, most low-cost housing construction is expected to be done by the informal sector. Many of the listed companies will not want to get involved in this area because it is not viewed as profitable, say analysts.

However, substantial growth is forecast for the building of schools, clinics, hospitals and community centres — areas where the listed groups will score.

Larger groups will also build infrastructure like roads and water systems needed in low-cost housing areas. They will include engineering contractors like Group Five, Grinaker Murray & Roberts, Concor, Basil Read and Stocks & Stocks.

Large amounts of piping will also be needed and may be supplied by companies like Everite, Murray & Roberts and Dorbyl. Analysts say building materi-

als suppliers are expected to benefit most from the RDP because they supply both informal and formal markets. Here cement companies and suppliers like Bonmat offer an entrance into both markets.

Housing delivery may also accelerate before the next general election in 1999 and large housing and commercial building projects are likely to be completed by companies like Group Five, Goldstein, IFA, Concor, Grinaker and Stocks & Stocks.

For those looking for wide exposure to the fixed investment market, an analyst recommends Murray & Roberts. He says it is one of the most tradeable counters, has the broadest portfolio and should benefit longest through the investment cycle.

Zilla Efrat

Gentle recovery in the construction industry sees residential growth

CT(BR) 1/8/95

(32)

MAGGIE ROWLEY

PROPERTY EDITOR

The gentle recovery in the construction industry continued in the first quarter of this year with the total amount of work on hand 8,1 percent up on the previous quarter at R11,1 billion.

According to statistics released yesterday by the Central Statistical Service, the largest percentage increase occurred in the residential building sector where work on hand was up 33,7 percent or R280 million over the previous quarter at R1,1 billion.

Work on hand for non-residential buildings increased by a more muted 5,3 percent or R232 million to R4,6 billion on a quarterly basis.

Other construction and works figures showed a 6,4 percent increase to R5,4 billion.

Work completed during the first quarter of this year, however, was only marginally up at R4,8 bil-

lion over the previous quarter.

Again residential buildings fared better than the non-residential sector with 8,3 percent or R60 million more work completed than in the fourth quarter of last year.

Johan Snyman, of Medium Term Forecasting Associates, said that while the building industry appeared to be on an upswing, the improvement was much more subtle than was the case in previous upturns.

The latest increase in interest rates could be expected to have an immediate effect on the momentum in the building industry but this impact would only filter through to year-on-year statistics a year down the line, said Snyman.

While the building industry was in fairly healthy shape, the civil engineering industry was experiencing a sharp drop-off in work-on-hand which was extremely worrying, he said.



BUILDING UP Johan Snyman says this upswing is subtle

This was in no small part due to delays in the getting the reconstruction and development programme off the ground.

Building merger mooted

(32) CT (MR) 2/8/95
BY FRANÇOISE BOTHA

Ovcon and Wilson Bayly Holmes are discussing a possible merger which could lead to a group with a R700 million turnover.

Wilson Bayly Holmes, South Africa's largest privately owned construction company, has a 24 percent stake (worth R3,8 million) in Ovcon, a listed construction company.

Jan Kaminski, the managing director of Ovcon, said that the aim of the proposed merger was to create a strong, well-resourced construction group operating nationally and internationally.

Both companies operate in the domestic and foreign markets, with large contracts in southern Africa, specifically in Botswana and Mozambique.

Strong skills in similar fields (but provided in different areas) have prompted the merger discussions, which could result in providing the companies' respective services over a wider area.

Further reasons include links between the organisations on the tender front.

Ovcon and Wilson Bayly Holmes have been involved in the development of shopping centres, residential complexes and offices, producing solid turnover growth for both companies. The combined group intends to become a more serious player in this field.

Katorus reconstruction programme gets R17-m boost

BY BONGIWE MLANGENI
HOUSING REPORTER

Renewed efforts to repair Katorus houses vandalised during violence in the early '90s have received a R17-million boost from Reconstruction and Development Programme coffers.

The Katorus housing project was relaunched yesterday, almost a year after the launch of the Special Presidential Project which later came to a halt because it excluded local residents. Sources said RDP funds allocated to the project in October 1994 were used to upgrade street lights and manholes.

Only 151 houses, all council-owned and insured, were repaired by the council. But the houses were left unoccupied and later vandalised again as resi-

4/8/95
dents felt unsafe despite the presence of the SDUs and SPUs.

Displaced people representative Octavia Hlatshwayo said the first project failed because local residents were not involved and local builders were excluded.

About R645-million was initially allocated to the Presidential Project, but Mike Morkel, managing member of Settlement Dynamics (appointed to co-ordinate the RDP lead projects in Gauteng), yesterday could not say how much of it was spent.

Special Presidential Project manager Themba Maluleke, who failed to attend the conference, could not be reached for more details on the use of the funds.

Morkels said the upgrading of houses in Phenduka section, Tokoza, and Mngadi section, Katle-

(32)
hous, would occur simultaneously with the upgrading of hostels which will start before the end of the month.

He said the project was expected to last about 18 months and about 1 500 houses would be repaired. Already 62 houses have been assessed and 228 claims have been received.

Homeowners and tenants who lost their homes through violence could submit claims at the Home Loan Guarantee Company offices in Alberton, corner Du Plessis and Truida streets. All claims would be reviewed and assessed before being approved.

Home Loan operations manager Dimakatso Moraka said houses would be repaired only after the rightful owner submitted a claim.

Builders unite to improve construction site safety

32
STW 9/8/95
BY MANDLA MTHEMBU

The construction industry has established a forum aimed at creating a safer working environment for workers in the industry.

The Construction Industry Health and Safety Forum (CIHSF) was launched in Midrand yesterday by employers and workers. CIHSF spokesman Ray Strydom said the forum would develop a safety plan for the industry to formulate and monitor safety standards.

"This would help eliminate accidents at work and occupational diseases which cause loss of life, limb or property."

At present, occupational accidents cause at least one fatality a month and cost the country at least R50-million annually.

"In 1993, there were almost 5 000 injuries recorded in the formal building industry alone, at an average cost of R2 530 each, Strydom said.

He said the growth in building activity — especially among self-

employed builders and small construction enterprises involved in the provision of houses — has made the need for training more important.

"This has posed a real danger of a rise of accidents and fatalities," he said. "A training programme focused on social infrastructures outside the workplace would help prevent health and safety-related risks on the job."

Among other organisations included in the forum are the Building Industries Federation; the National Occupational Safety Association; the Amalgamated Union of Building Trade Workers; the Building Construction and Allied Workers Union; the Building Industries Association; the Construction and Allied Workers Union; the Electrical Contractors Association; the Federated Employers Mutual Assurance Company; the Master Builders Association; the National Association of Black Contractors Assistance Programme; and the Federation of Civil Engineering Contractors.

Council moves to placate small builders

Sello Motlhabakwe

(32)
11/8/95

THE National Home Builders' Registration Council says it has contingency measures in place to assist emerging contractors who may not be able to meet the November deadline for registering with the organisation.

Contractors have to register with the council and fulfil certain criteria before becoming eligible for contracts and for assistance from lending institutions.

Council spokesman and Building Industries Federation of SA (Bifsa) chairman Ian Robinson was reacting to fears by National Black Contractors and Allied Trades (Nabcat) Gauteng chairman Victor Selane that

most contractors would miss work opportunities because of, among other things, the qualifying criteria set for small operators.

Robinson said that if contractors could not fulfil some of the financial requirements, they would be taken on board and given six months probation and provisional membership. The contractor's work on projects would be evaluated. Shoddy and "incorrigible" workmanship would disqualify participants but satisfactory work would promote them to full members of the council.

A subcommittee of the council on which all formal and informal contractors enjoyed equal representation would have a significant say in

determining the registration process of small contractors.

He said formal contractors in the small to medium range would need to be informed and encouraged to take on joint ventures.

He said a great deal would be done to help emerging contractors between now and November. As a first step, the organisation had engaged a public relations company to help disseminate information to the public and potential small contractors who were not aware of the steps the council was taking in regard to bringing them on board.

Registration would add missing information on small contractors to the council database, Robinson said.

The courses will help pharmacists recognise and treat common symptoms and diseases, and to distinguish whether to treat a patient or refer the patient to another professional.

Swaziland to aid SA

SA AND Swaziland would join forces against the smuggling of arms into SA, President Nelson Mandela said yesterday.

He told reporters after meeting Swaziland's King Mswati III in Pretoria an agreement of co-operation between the police agencies of the two countries would be signed during the king's state visit to SA.

Masekela joins PACT

TOP jazz musician Hugh Masekela has been appointed assistant CEO of the Performing Arts Council of the Transvaal.

"I have no plans to push through radical changes and to steer people out of their jobs," Masekela said. "I am aware of the expertise to be found in an organisation like PACT and I am here to help in whatever way I can." He denied he had been asked by government to accept the position.

REPORTS: Business Day Reporters, Sapa.

Rumbles over RDP hiatus

Nicola Jenvey

MARITZBURG — The slow delivery of KwaZulu-Natal's reconstruction and development programme (RDP) projects has prompted the provincial finance committee to demand monthly progress reports from the departments concerned. *M 11/8/95*

Yesterday's finance portfolio meeting also called for closer links between the local RDP office and the joint services boards servicing rural areas, and for a greater awareness of grassroots needs.

Mike Sutcliffe (ANC) said it was "ridiculous" that nothing appeared to happen in KwaZulu-Natal and that the province lagged behind the rest of the country. Clarity had to be obtained on which departments were involved in delivering RDP projects to communities and monthly progress reports tabled.

"It is not our responsibility nor within our means for the finance committee to drive the RDP in KwaZulu-Natal, but we must have definition and clarity on where we are going," John Aulsbrook (IFP) said.

Discrepancies existed between the departments of economic affairs and

tourism and public works. Both claimed responsibilities for various projects, but did not have the mechanisms in place to motivate funding.

Gordon Haygarth (NP) said unless priorities were established and structures augmented for KwaZulu-Natal's RDP, the province would never spend the money allocated.

"We must not reinvent the wheel by looking for projects suitable for RDP funding. The joint services boards have dealt with these projects in the rural areas for years and we must use them as a mechanism to get money moving," he said.

Justifying the "perceived slow delivery", RDP official Rowan Persad said government had not yet determined how much each province would receive from funds available.

This included R65m for building clinics, R270,81m for the land reform pilot project, R500m for school nutrition, R185m for urban renewal, R250m for rural water supply and sanitation, R64,65m for land restitution and R350m for free health care.

Persad acknowledged that KwaZulu-Natal still did not have a task group for the community-based public works programme.

Council moves to placate small builders

Sello Motlhabakwe *(32) M 11/8/95*

THE National Home Builders' Registration Council says it has contingency measures in place to assist emerging contractors who may not be able to meet the November deadline for registering with the organisation.

Contractors have to register with the council and fulfil certain criteria before becoming eligible for contracts and for assistance from lending institutions.

Council spokesman and Building Industries Federation of SA (Bifsa) chairman Ian Robinson was reacting to fears by National Black Contractors and Allied Trades (Nabcat) Gauteng chairman Victor Selane that

most contractors would miss work opportunities because of, among other things, the qualifying criteria set for small operators.

Robinson said that if contractors could not fulfil some of the financial requirements, they would be taken on board and given six months probation and provisional membership. The contractor's work on projects would be evaluated. Shoddy and "incorrigible" workmanship would disqualify participants but satisfactory work would promote them to full members of the council.

A subcommittee of the council on which all formal and informal contractors enjoyed equal representation would have a significant say in

determining the registration process of small contractors.

He said formal contractors in the small to medium range would need to be informed and encouraged to take on joint ventures.

He said a great deal would be done to help emerging contractors between now and November. As a first step, the organisation had engaged a public relations company to help disseminate information to the public and potential small contractors who were not aware of the steps the council was taking in regard to bringing them on board.

Registration would add missing information on small contractors to the council database, Robinson said.

Bad debts push Basil Read into the red

(32) STAFF 15/8/95

■ BY ANDY DUFFY
STAFF WRITER

Basil Read, the construction group, sustained an R8,8 million bottom-line loss for the six months to June as bad debts swamped operating improvements.

The group, in which French construction group Bouygues had a 51 percent interest, also took a R5,65 million hit below the line to cover rationalisation costs.

It has now agreed to Bouygues lifting its stake in a bid to revive shareholders' funds, which have plunged to little more than R2 million from R30,4 million last year, sapped by continuing losses.

Turnover dropped from R206,8 million to R169,4 million, cut by the sale of its underground mining and trackwork operations.

Share losses were 20c against a 35,2c loss last year, and the interim dividend was again passed.

Chris Jarvis, the chairman of the group, said the core activities had recovered.

The company had shown a R4,2 million profit against losses last year and had secured 87 percent of the R420 million turnover budgeted for the full year.

But Jarvis was unable to say whether Basil Read would scrape into the black for the second half.

Jarvis refused to be drawn on the increase in Bouygues' shareholding, but the French group had also agreed to shift its R13,5 million loan on to a long-term footing.

Construction industry skills shortage hits Western Cape

By Maggie Rowley

A severe shortage of skills was already beginning to manifest itself in the construction industry in the Western Cape in spite of insufficient work to go round, said Willy Learmonth, a director of Neil

Muller Construction.

"There are few very good people out there without jobs," he said. "Either they have been snapped up in anticipation of the yet-to-materialise upswing or else have left the industry for good. It is worrying because once the turnaround does

come, the shortages will be even more severe."

Managing director Neil Muller said his company, which won the 1994 National Productivity Institute's diamond award, was cautiously optimistic that the construction industry would soon

experience an upswing.

He said he expected to announce details soon of a major deal with an international company which could see Neil Muller Construction extending its operations beyond the Cape for the duration of the contract.

(32)
ET (MR) 16/8/95

PROPERTY

Shot in arm for Cape builders (32)

Robyn Chalmers

THE Cape's ailing construction industry, and particularly emerging contractors, will receive a significant boost when tendering begins on almost R300m in building work for the region's serviced land project.

The serviced land project, being funded under the reconstruction and development programme and by the Western Cape provincial administration, will provide educational, health and community services in disadvantaged areas.

This follows reports of increasingly depressed conditions in the Cape building industry. Master Builders' and Allied Trades Association Cape Peninsula director Mike Loy said the amount of work put out to tender in the first quarter of this year dropped 27,3% compared to the year-ago period.

"The situation has continued to deteriorate, with the second quarter of this year down 39,2% on last year, giving an overall drop for the first six months of 32,8% over the comparable period in 1994," Loy said.

However, improved conditions were on the horizon and contractors were hoping they would be kick-started by the serviced land project.

The Association of South African Quantity Surveyors' Western Cape Chapter was playing a key role in assisting the provincial

administration on the project.

Chapter spokesman Martin Treadaway said work on the project was expected to be awarded over the next five years.

"The condition imposed by the RDP office was that much of the work must be handled by community-based builders in order to fulfil the aims of the RDP in respect of empowerment and capacity building.

"The problem, however, is that many of these emerging contractors do not qualify for such contracts either due to lack of experience, absence of finance or lack of understanding of contract documentation and tendering procedures," he said.

To simplify the tendering process, the chapter had been preparing document packages which provided a relevant contract document, and tender documents to enable emerging contractors to arrive at a tender price with relatively little training.

Treadaway said guarantees were also being addressed, as one of new contractors' biggest difficulties was lack of resources. "This in turn makes it impossible for them to put up sureties or get contract guarantees — and that, under present tender conditions, disqualifies them from tendering.

"We believe we can get around this by breaking larger contracts into relatively small parts and by arranging appropriate financial support, which will help the con-

tractor get established at the start."

A further problem was the lack of management skills among the emerging contractors, Treadaway said.

"The sort of people whom the government wants to handle work may well have proven bricklaying or plastering skills, but they lack the main contractors' ability to budget, co-ordinate and plan a contract."

As a result, the Master Builders' Association, Alliance of Development Professions and a number of other organisations were setting up courses to educate the new manager in these fields. Talks were being held with the Building Industries' Federation of SA to assist with the courses.

In order to make it possible for emerging builders to attend, Treadaway said a reasonable wage would be paid during the training period and transport provided. A request would be made for the funds to come from the RDP.

"If the initiative is successful, many of the emerging contractors will benefit directly from this capacity-building process, and be capable of becoming contractors in their own right.

"They will also be able to form partnerships with other emerging contractors, or joint ventures with more established contractors to enable them to handle ever larger contracts," he said.

NO 16/8/95

Home council warns on bonds

ET 18/8/95

~~(123)~~ (32)

JOHANNESBURG: People using builders not registered with the National Home Builders' Registration Council will soon not be able to get bonds, NHBRC managing director Mr Peter Allsopp said yesterday.

Mr Allsopp said contractors had until September 1 to register with the NHBRC.

The NHBRC said registered contractors' work had to comply with technical standards set by the

council and a warranty on houses built must be provided.

The non-profit-making NHBRC was formed in June to provide consumers with protection and to monitor builders' performance.

The council's warranty scheme applied to bonded houses qualifying for a government subsidy of between R20 000 and R65 000.

He expected the upper limit on houses qualifying for warrantees to increase next year. — Sapa

Govt asked to act as developer

Contractors spurn work on cheap housing

BD18/8/95

32

Robyn Chalmers

LARGE contractors have effectively abandoned the lowest end of the housing market, citing a lack of political commitment, high risks, low profits and chaotic local government structures.

As a result, contractors, home builders and the Gauteng provincial housing board attending a National Association of Home Builders' meeting yesterday called on government to enter directly that end of the housing market as a developer.

Murray & Roberts community construction CEO Chris Cudmore said the most important issue holding up delivery of housing in SA was the lack of a single, clear message from government on its policy.

"We find national government saying one thing, provincial governments saying another while the excessive length of time required to process applications by local authorities is compounding the issue."

Contractors could not meet the expectations being created among communities by "political rhetoric", he said.

Gauteng provincial housing board representative Eugene Sadie said the project-linked subsidy scheme was not a success. The absence of large contractors meant 50% of SA's delivery capacity was not participating in the low-cost programme.

Board figures showed that only 1 200 houses had been delivered in Gauteng, totalling R8m in subsidies, since May, against a provincial target of 2 100 units amounting to R20m in subsidies.

"It is unrealistic to expect that 1-million

houses will be delivered by 1999 via the private developer-driven route in the less than R1 500-a-month income category. At most, 10% to 20% will be delivered by the private sector," Sadie said.

"The state must assume responsibility for the delivery of welfare housing for those earning less than R1 500 a month."

However, housing department deputy director-general Neville Karsen said international experience had shown where government took the lead in delivery, it had been a dismal failure. "The process needs to be community driven and supported by government. We will assist as far as possible through mechanisms such as the National Housing Finance Corporation."

Council of Southern African Bankers CE Piet Liebenberg said it should be accepted that the formal banking sector was not prepared or equipped to extend mortgage finance into the lowest end of the market.

"We are willing to move into the market where income levels exceed R1 500 a month on a selective basis."

Contractors said other reasons for the lack of progress included the high cost of lengthy social compacts and that cash flows were affected by subsidies being paid out only when houses were completed.

Other contributing factors were onerous minimum standards set by certain provincial housing ministers, the lack of end-user finance, the mortgage indemnity scheme being a new form of red-lining in areas not yet covered, and uncertainty about the implementation date and cost of the builders' warranty scheme.

Activities: Construction, property and leisure resort development, steel and trading, and information technology.

Control: Stocks & Stocks Holdings 65%.

Chairman: R Edwards. CE: A Dorrestein.

Capital structure: 80,5m ords. Market capitalisation: R402,5m.

Share market: Price: 500c. Yields: 2,4% on dividend; 9,8% on earnings; p:e ratio, 10,2; cover, 4,1. 12-month high, 535c; low, 290c. Trading volume last quarter, 1,1m shares.

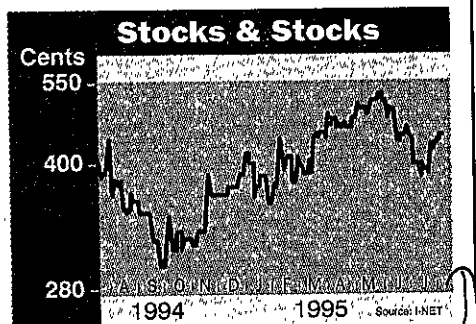
Year to April 30	'92	'93	'94	'95
ST debt (Rm) ..	25,6	61,5	56,4	66,9
LT debt (Rm) ..	18,3	35,8	36,4	80,6
Debt:equity ratio ..	0,18	0,20	0,11	0,19
Shareholders' interest ..	0,29	0,31	0,29	0,37
Int & leasing cover ..	4,4	2,5	3,8	2,9
Return on cap (%) ..	6,7	6,6	6,7	8,6
Turnover (Rm) ..	1 439	1 104	1 334	1 489
Pre-int profit (Rm) ..	53,1	38,9	48,9	83,2
Pre-int margin (%) ..	3,7	3,5	3,7	5,6
Earnings (c) ..	25	24	35	49
Dividends (c) ..	10	7	9	12
Tangible NAV (c) ..	203	216	249	362

area of operations. The construction division still contributed 58% of group turnover and 44% of earnings in 1995.

Stocks also operates in property development and management, which contributed 26% of turnover and 37,5% of earnings; the leisure industry, including timeshare developments, hotels and resorts (5% of turnover and 9,4% of earnings); steel fabrication and trading (7% of turnover and 8% of earnings) and information technology (4% of turnover and 1% of earnings). Its foreign division has construction, property and/or leisure interests in Botswana, Namibia, Zimbabwe and the US.

Group turnover rose to R1,4bn, up 11,6% on 1994; operating income rocketed 70% to R83,2m. The operating margin of 5,6% is a big improvement on the year-ago 3,7%. Attributable income grew 40% to R39m, giving EPS of 49c — almost doubled in four years. The IT division is now profitable and has significant growth potential.

Chairman Reg Edwards says Stocks stepped up investment in its property holding and leisure businesses in 1994-1995, which resulted in higher interest payments. A rights issue of convertible debentures will bring R77m on to the balance sheet in 1996 to fund future expansion. Investment partnerships formed with Transnet Pension Fund and Transnamib to develop leisure properties benefited the shareholders in that



some properties were revalued at R60m, pushing up shareholders' funds.

Cross-fertilisation within the group has meant that growth in the property and leisure divisions is feeding through to the construction division, which will build several major projects for them in the coming year. The intra-group provision of construction management and property development services gives the group an edge in resort development, says Stocks Hotels & Resorts MD Bruno Corte. Stocks operates two casinos in Namibia and intends to add more elsewhere.

Property had the most successful year in the division's history, says Stocks Properties MD Neil Gardner. Year-on-year earnings rose 74% from 1994. The division proposes retaining ownership of "strategic income-earning properties" worth R320m nationwide. Stocks expects property development in the next few years to focus on the industrial market and is preparing to participate.

For investors interested in a diversified construction and property counter with a risk cushion, this one looks promising.

Margaret-Anne Halska

(32) FM 18/8/95
STOCKS & STOCKS

Spreading the load

The 1995 annual report demonstrates the benefits Stocks & Stocks has gained from diversifying. On a p:e of 10,2, the share is close to its 12-month high of 535c, having climbed steadily in recent weeks. Financial performance in the past four years has been impressive: NAV has jumped from 203c in 1992 to 362c now and, at R5, the share stands at a premium of 38% to NAV.

The rationale for diversifying is to reduce vulnerability to the cyclical swings of the construction industry, previously the main

Contractors fail to register

Robyn Chalmers

(32) ED 21/8/95
CONTRACTORS around SA will be stonewalled when applying for mortgage finance for homes costing below R65 000 after September 1, as less than 100 have applied for registration with the National Home Builders' Registration Council.

Council MD Peter Allsopp said at the weekend there had been an abysmal response to calls for contractors to register on the council, a vital element of the interim builders warranty mechanism.

"Registration with the council is voluntary, but banks that are members of the Association of Mortgage Lenders will

grant bond finance for new houses costing under R65 000 only in cases where the contractor is registered with the council."

Allsopp said the purpose of the council was to establish a register of approved contractors to maintain minimum standards within the building industry, and to facilitate mortgage loans for new home builders. "The housing shortage has accelerated the demand for instant houses. Possibilities exist therefore that unscrupulous and unskilled contractors will enter the market, leaving the consumer unprotected against claims and with no recourse."

Continued on Page 2

Contractors

Continued from Page 1

(32) ED 21/8/95
During the interim period, only contractor-built new housing units selling for below R65 000 would be affected. However, this top limit was expected to rise or be completely reviewed in the near future which meant all home builders would be forced to register.

Allsopp said this would significantly alter the manner in which home building had been undertaken previously.

Contractors having registered with the council would have to agree that work they undertook would be done in accordance

with the council's technical standards.

They would also agree to abide by the council's standard home builders warranty, which guaranteed that any structural defects would be rectified by the contractor within a five-year period after building was complete.

The council was established in June after nearly two years of negotiations with all parties involved in the housing process. It was a non-profit, non-governmental organisation and would be funded by a levy paid by the contractors.

● See Page 3

The stick for trashy builders

(32) Sowetan 21/8/95

By Joshua Raboroko

THE housing backlog in black townships may increase once more when banks get tough on building and construction contractors from September 1 this year.

Financial institutions will no longer give loans to people using building contractors who are not registered with the National Home Builders Registration Council (NHBRC).

NHBRC managing director Mr Peter Allsop said contractors are expected to register with the council in order to comply with technical standards.

He said: "It is necessary to 'use both a stick and a carrot' to speed up the housing process and monitor performance of homebuilders, while protecting the consumer."

The move is part of the Record of Understanding between the Department of Housing and the Association of Mortgage Lenders.

It is aimed at stopping "fly-by-night" township contractors who rip off huge sums of money from home buyers.

A large number of newly built township homes either have defects such as cracks in the walls, are incomplete or are defective.

Standard Bank media relations manager Mr Eric Larsen said yesterday that defective products delivered by developers or contractors prejudiced consumers and, in many instances, caused problems to lenders.

He said negotiations have been entered into with the construction sector and material suppliers to establish a central product defect warranty fund to underwrite the products delivered by builders.

Allsop said the National Home Builders Warranty guaranteed that any structural defects would be rectified by contractors within a five-year period after the building is completed.

The scheme presently applies to mortgage bonds between R20 000 and R65 000, including land and a government subsidy.

Meanwhile, the deputy president of the Council for Construction in South Africa, Mr Mike Mohohlo, said there was a need to provide customers with good quality homes.

Bid to stop fly-by-night builders

Star 22/8/95

(32)

HIS GAME IS UP
A retired soccer star has had the whistle blown on him by angry clients of his home building firm. **JOHN MILLER** reports on this matter and two other home builders who also failed to deliver.

A former Orlando Pirates goalkeeper who ran a home-building venture has refused to play the game with one of his clients after she paid a R15 000 deposit on a house and not a single brick was laid.

Novatu Nkora of Tembisa said she paid the deposit to Patson Banda in December 1993 when he was running Resene Kitchen cc from Commissioner Street in Johannesburg.

Nkora said work on her R64 000 three-bedroomed house in Walkerville was supposed to start at the beginning of last year.

She visited Banda's office several times and was given excuses about the delay. Finally, she discovered he had closed shop.

Some weeks later when she tracked him down to his home in Orlando West he told her he had started building.

When she visited the stand she found there was not a brick on site.

"I returned to Banda's house and he told me that bricks stacked next to his home were to build my house but the delivery man could not find my stand."

Nkora said she was furious when she again visited Banda's house and noticed the bricks had been used to build a driveway on his property.

"I asked him if he had used my bricks for his driveway but he denied this."

She said Banda later claimed he would sell his home to repay her R15 000.

However, over the last year a letter of demand for repayment, a complaint to Lawyers for Human Rights and a charge of theft all failed to get her money back.

Banda told Star Line on the phone that his contract stipulated



that a client had to pay a minimum deposit of 50% before work would start.

He refused to say what had happened to the money and denied he'd laid a driveway with Nkora's bricks.

After failing to keep an appointment with Star Line Banda refused to discuss the

matter any further as he claimed Nkora kept on changing her story.

When it was pointed out that Star Line believed in printing both sides, of the story he shrugged this off.

A prospective homeowner from Kagiso, Martha Maswaza, said she paid David Mochethi of the same township a deposit of

R1 200 to build a two-roomed house last year.

But Mochethi of MDM Builders had not been seen since she handed him the money.

Yet another victim of a construction company, Polly Mochlko, said she met Willie van Biljon in December 1993 when she was shown houses he had built in

Fourways.

Mochlko said she paid R3 000 on Van Biljon's insistence in February last year and a further two cheques of R1 000 each in May and June to build her Kyalami home.

The following month her home loan of R223 000 was approved and Van Biljon was instructed to

start work.

A year later nothing has been done.

The National Homebuilders Registration Council, which was established to protect the public against fly-by-night operators or "bake builders" as they are known in the trade, has issued several warnings.

Managing director Peter Allsop said builders would be required to apply for registration by September 1 and be registered by November 1.

Once this process was complete builders would be issued with certificates and the public would be entitled to ask for proof of membership.

He said the council would soon publish lists of registered builders.

Registered builders would also have to supply the buyer with a written contract which must include a three-month post-occupation or defects warranty as well as a 12-month post-occupation roof-leak warranty. The builder must also offer a five-year structural warranty which included the foundation, walls and roof.

Allsop cautioned home buyers that many builders offered warranties which could not be backed up by the council as they were registered with other associations.

It would only be possible for the council to back up members' warranties once a Warranty Fund was set up early next year.

"In the meantime we can de-register a builder if he does not repair defects."

Allsop said all de-registered builders would be placed on a blacklist and their names made available to banks and other authorities.

tion
ber

per-

le

51

cent at one stage," a dealer said.

See Page 26

See Page 26

Grinaker in Malaysian deal

By PETER GALLI AND ANDY DUFFY

Malaysian leisure group Landmarks Berhad is linking with Grinaker Construction and discussing similar ties with Stocks & Stocks in a major drive into black-controlled low-cost housing.

The company said yesterday it planned to form a consortium with Grinaker Construction, a new black-owned Grinaker subsidiary, and fellow Malaysian company Mitrajaja to build low-cost housing in Gauteng.

The group, which is listed in Kuala Lumpur, was also pursuing a deal with Stocks & Stocks, focussing on Stocks & Stocks' black-owned Homes for South Africa subsidiary. Stocks & Stocks, which is already planning to sell Landmarks a large chunk of its property assets, said yesterday further talks were under way. André Verhaag, the project

manager of Landmarks, said the talks should lead to soft loans worth hundreds of millions of dollars flowing into low-cost housing for the province.

But he said Malaysian companies wanted to link with South African groups where black ownership was at least 30 percent.

Grinaker Construction will hold 50 percent of its new subsidiary Nare-Grinaker, with black shareholders holding the balance.

Linda Nyembe has been appointed chairman, with Moses Molefe and Ken Leach — formerly of Grinaker — as joint managing directors. The other shareholders are Douglas Setuke and Dimba Magane.

Bean Bornheimer, the managing director of Grinaker Construction, said established contractors were struggling to secure ownership work.

CT(22) 23/8/95 (32)

"Nare-Grinaker will give us access to those markets where we have not been represented previously," he said.

Verhaag said Landmarks wanted deals with contractors to cover other regions. Stocks & Stocks announced yesterday that it would sell Landmarks 50 percent of its unlisted R230 million property portfolio for R40,4 million — half the portfolio's equity value.

The Malaysian company will combine the stake with its Midrand development subsidiary Samrand to form a new listed property company. It plans to invest at least R500 million in Midrand property development by the turn of the century.

Landmarks wants a partner to enter the gambling industry, a market Stocks & Stocks is also targeting through the recently formed subsidiary, Hotels & Resorts.

URGENT

Sanco cash riddle

Sowetan 24/18/95

(32)

~~210~~ ~~211~~ ~~212~~ ~~213~~ ~~214~~ ~~215~~ ~~216~~ ~~217~~ ~~218~~ ~~219~~ ~~220~~ ~~221~~ ~~222~~ ~~223~~ ~~224~~ ~~225~~ ~~226~~ ~~227~~ ~~228~~ ~~229~~ ~~230~~ ~~231~~ ~~232~~ ~~233~~ ~~234~~ ~~235~~ ~~236~~ ~~237~~ ~~238~~ ~~239~~ ~~240~~ ~~241~~ ~~242~~ ~~243~~ ~~244~~ ~~245~~ ~~246~~ ~~247~~ ~~248~~ ~~249~~ ~~250~~ ~~251~~ ~~252~~ ~~253~~ ~~254~~ ~~255~~ ~~256~~ ~~257~~ ~~258~~ ~~259~~ ~~260~~ ~~261~~ ~~262~~ ~~263~~ ~~264~~ ~~265~~ ~~266~~ ~~267~~ ~~268~~ ~~269~~ ~~270~~ ~~271~~ ~~272~~ ~~273~~ ~~274~~ ~~275~~ ~~276~~ ~~277~~ ~~278~~ ~~279~~ ~~280~~ ~~281~~ ~~282~~ ~~283~~ ~~284~~ ~~285~~ ~~286~~ ~~287~~ ~~288~~ ~~289~~ ~~290~~ ~~291~~ ~~292~~ ~~293~~ ~~294~~ ~~295~~ ~~296~~ ~~297~~ ~~298~~ ~~299~~ ~~300~~ ~~301~~ ~~302~~ ~~303~~ ~~304~~ ~~305~~ ~~306~~ ~~307~~ ~~308~~ ~~309~~ ~~310~~ ~~311~~ ~~312~~ ~~313~~ ~~314~~ ~~315~~ ~~316~~ ~~317~~ ~~318~~ ~~319~~ ~~320~~ ~~321~~ ~~322~~ ~~323~~ ~~324~~ ~~325~~ ~~326~~ ~~327~~ ~~328~~ ~~329~~ ~~330~~ ~~331~~ ~~332~~ ~~333~~ ~~334~~ ~~335~~ ~~336~~ ~~337~~ ~~338~~ ~~339~~ ~~340~~ ~~341~~ ~~342~~ ~~343~~ ~~344~~ ~~345~~ ~~346~~ ~~347~~ ~~348~~ ~~349~~ ~~350~~ ~~351~~ ~~352~~ ~~353~~ ~~354~~ ~~355~~ ~~356~~ ~~357~~ ~~358~~ ~~359~~ ~~360~~ ~~361~~ ~~362~~ ~~363~~ ~~364~~ ~~365~~ ~~366~~ ~~367~~ ~~368~~ ~~369~~ ~~370~~ ~~371~~ ~~372~~ ~~373~~ ~~374~~ ~~375~~ ~~376~~ ~~377~~ ~~378~~ ~~379~~ ~~380~~ ~~381~~ ~~382~~ ~~383~~ ~~384~~ ~~385~~ ~~386~~ ~~387~~ ~~388~~ ~~389~~ ~~390~~ ~~391~~ ~~392~~ ~~393~~ ~~394~~ ~~395~~ ~~396~~ ~~397~~ ~~398~~ ~~399~~ ~~400~~ ~~401~~ ~~402~~ ~~403~~ ~~404~~ ~~405~~ ~~406~~ ~~407~~ ~~408~~ ~~409~~ ~~410~~ ~~411~~ ~~412~~ ~~413~~ ~~414~~ ~~415~~ ~~416~~ ~~417~~ ~~418~~ ~~419~~ ~~420~~ ~~421~~ ~~422~~ ~~423~~ ~~424~~ ~~425~~ ~~426~~ ~~427~~ ~~428~~ ~~429~~ ~~430~~ ~~431~~ ~~432~~ ~~433~~ ~~434~~ ~~435~~ ~~436~~ ~~437~~ ~~438~~ ~~439~~ ~~440~~ ~~441~~ ~~442~~ ~~443~~ ~~444~~ ~~445~~ ~~446~~ ~~447~~ ~~448~~ ~~449~~ ~~450~~ ~~451~~ ~~452~~ ~~453~~ ~~454~~ ~~455~~ ~~456~~ ~~457~~ ~~458~~ ~~459~~ ~~460~~ ~~461~~ ~~462~~ ~~463~~ ~~464~~ ~~465~~ ~~466~~ ~~467~~ ~~468~~ ~~469~~ ~~470~~ ~~471~~ ~~472~~ ~~473~~ ~~474~~ ~~475~~ ~~476~~ ~~477~~ ~~478~~ ~~479~~ ~~480~~ ~~481~~ ~~482~~ ~~483~~ ~~484~~ ~~485~~ ~~486~~ ~~487~~ ~~488~~ ~~489~~ ~~490~~ ~~491~~ ~~492~~ ~~493~~ ~~494~~ ~~495~~ ~~496~~ ~~497~~ ~~498~~ ~~499~~ ~~500~~ ~~501~~ ~~502~~ ~~503~~ ~~504~~ ~~505~~ ~~506~~ ~~507~~ ~~508~~ ~~509~~ ~~510~~ ~~511~~ ~~512~~ ~~513~~ ~~514~~ ~~515~~ ~~516~~ ~~517~~ ~~518~~ ~~519~~ ~~520~~ ~~521~~ ~~522~~ ~~523~~ ~~524~~ ~~525~~ ~~526~~ ~~527~~ ~~528~~ ~~529~~ ~~530~~ ~~531~~ ~~532~~ ~~533~~ ~~534~~ ~~535~~ ~~536~~ ~~537~~ ~~538~~ ~~539~~ ~~540~~ ~~541~~ ~~542~~ ~~543~~ ~~544~~ ~~545~~ ~~546~~ ~~547~~ ~~548~~ ~~549~~ ~~550~~ ~~551~~ ~~552~~ ~~553~~ ~~554~~ ~~555~~ ~~556~~ ~~557~~ ~~558~~ ~~559~~ ~~560~~ ~~561~~ ~~562~~ ~~563~~ ~~564~~ ~~565~~ ~~566~~ ~~567~~ ~~568~~ ~~569~~ ~~570~~ ~~571~~ ~~572~~ ~~573~~ ~~574~~ ~~575~~ ~~576~~ ~~577~~ ~~578~~ ~~579~~ ~~580~~ ~~581~~ ~~582~~ ~~583~~ ~~584~~ ~~585~~ ~~586~~ ~~587~~ ~~588~~ ~~589~~ ~~590~~ ~~591~~ ~~592~~ ~~593~~ ~~594~~ ~~595~~ ~~596~~ ~~597~~ ~~598~~ ~~599~~ ~~600~~ ~~601~~ ~~602~~ ~~603~~ ~~604~~ ~~605~~ ~~606~~ ~~607~~ ~~608~~ ~~609~~ ~~610~~ ~~611~~ ~~612~~ ~~613~~ ~~614~~ ~~615~~ ~~616~~ ~~617~~ ~~618~~ ~~619~~ ~~620~~ ~~621~~ ~~622~~ ~~623~~ ~~624~~ ~~625~~ ~~626~~ ~~627~~ ~~628~~ ~~629~~ ~~630~~ ~~631~~ ~~632~~ ~~633~~ ~~634~~ ~~635~~ ~~636~~ ~~637~~ ~~638~~ ~~639~~ ~~640~~ ~~641~~ ~~642~~ ~~643~~ ~~644~~ ~~645~~ ~~646~~ ~~647~~ ~~648~~ ~~649~~ ~~650~~ ~~651~~ ~~652~~ ~~653~~ ~~654~~ ~~655~~ ~~656~~ ~~657~~ ~~658~~ ~~659~~ ~~660~~ ~~661~~ ~~662~~ ~~663~~ ~~664~~ ~~665~~ ~~666~~ ~~667~~ ~~668~~ ~~669~~ ~~670~~ ~~671~~ ~~672~~ ~~673~~ ~~674~~ ~~675~~ ~~676~~ ~~677~~ ~~678~~ ~~679~~ ~~680~~ ~~681~~ ~~682~~ ~~683~~ ~~684~~ ~~685~~ ~~686~~ ~~687~~ ~~688~~ ~~689~~ ~~690~~ ~~691~~ ~~692~~ ~~693~~ ~~694~~ ~~695~~ ~~696~~ ~~697~~ ~~698~~ ~~699~~ ~~700~~ ~~701~~ ~~702~~ ~~703~~ ~~704~~ ~~705~~ ~~706~~ ~~707~~ ~~708~~ ~~709~~ ~~710~~ ~~711~~ ~~712~~ ~~713~~ ~~714~~ ~~715~~ ~~716~~ ~~717~~ ~~718~~ ~~719~~ ~~720~~ ~~721~~ ~~722~~ ~~723~~ ~~724~~ ~~725~~ ~~726~~ ~~727~~ ~~728~~ ~~729~~ ~~730~~ ~~731~~ ~~732~~ ~~733~~ ~~734~~ ~~735~~ ~~736~~ ~~737~~ ~~738~~ ~~739~~ ~~740~~ ~~741~~ ~~742~~ ~~743~~ ~~744~~ ~~745~~ ~~746~~ ~~747~~ ~~748~~ ~~749~~ ~~750~~ ~~751~~ ~~752~~ ~~753~~ ~~754~~ ~~755~~ ~~756~~ ~~757~~ ~~758~~ ~~759~~ ~~760~~ ~~761~~ ~~762~~ ~~763~~ ~~764~~ ~~765~~ ~~766~~ ~~767~~ ~~768~~ ~~769~~ ~~770~~ ~~771~~ ~~772~~ ~~773~~ ~~774~~ ~~775~~ ~~776~~ ~~777~~ ~~778~~ ~~779~~ ~~780~~ ~~781~~ ~~782~~ ~~783~~ ~~784~~ ~~785~~ ~~786~~ ~~787~~ ~~788~~ ~~789~~ ~~790~~ ~~791~~ ~~792~~ ~~793~~ ~~794~~ ~~795~~ ~~796~~ ~~797~~ ~~798~~ ~~799~~ ~~800~~ ~~801~~ ~~802~~ ~~803~~ ~~804~~ ~~805~~ ~~806~~ ~~807~~ ~~808~~ ~~809~~ ~~810~~ ~~811~~ ~~812~~ ~~813~~ ~~814~~ ~~815~~ ~~816~~ ~~817~~ ~~818~~ ~~819~~ ~~820~~ ~~821~~ ~~822~~ ~~823~~ ~~824~~ ~~825~~ ~~826~~ ~~827~~ ~~828~~ ~~829~~ ~~830~~ ~~831~~ ~~832~~ ~~833~~ ~~834~~ ~~835~~ ~~836~~ ~~837~~ ~~838~~ ~~839~~ ~~840~~ ~~841~~ ~~842~~ ~~843~~ ~~844~~ ~~845~~ ~~846~~ ~~847~~ ~~848~~ ~~849~~ ~~850~~ ~~851~~ ~~852~~ ~~853~~ ~~854~~ ~~855~~ ~~856~~ ~~857~~ ~~858~~ ~~859~~ ~~860~~ ~~861~~ ~~862~~ ~~863~~ ~~864~~ ~~865~~ ~~866~~ ~~867~~ ~~868~~ ~~869~~ ~~870~~ ~~871~~ ~~872~~ ~~873~~ ~~874~~ ~~875~~ ~~876~~ ~~877~~ ~~878~~ ~~879~~ ~~880~~ ~~881~~ ~~882~~ ~~883~~ ~~884~~ ~~885~~ ~~886~~ ~~887~~ ~~888~~ ~~889~~ ~~890~~ ~~891~~ ~~892~~ ~~893~~ ~~894~~ ~~895~~ ~~896~~ ~~897~~ ~~898~~ ~~899~~ ~~900~~ ~~901~~ ~~902~~ ~~903~~ ~~904~~ ~~905~~ ~~906~~ ~~907~~ ~~908~~ ~~909~~ ~~910~~ ~~911~~ ~~912~~ ~~913~~ ~~914~~ ~~915~~ ~~916~~ ~~917~~ ~~918~~ ~~919~~ ~~920~~ ~~921~~ ~~922~~ ~~923~~ ~~924~~ ~~925~~ ~~926~~ ~~927~~ ~~928~~ ~~929~~ ~~930~~ ~~931~~ ~~932~~ ~~933~~ ~~934~~ ~~935~~ ~~936~~ ~~937~~ ~~938~~ ~~939~~ ~~940~~ ~~941~~ ~~942~~ ~~943~~ ~~944~~ ~~945~~ ~~946~~ ~~947~~ ~~948~~ ~~949~~ ~~950~~ ~~951~~ ~~952~~ ~~953~~ ~~954~~ ~~955~~ ~~956~~ ~~957~~ ~~958~~ ~~959~~ ~~960~~ ~~961~~ ~~962~~ ~~963~~ ~~964~~ ~~965~~ ~~966~~ ~~967~~ ~~968~~ ~~969~~ ~~970~~ ~~971~~ ~~972~~ ~~973~~ ~~974~~ ~~975~~ ~~976~~ ~~977~~ ~~978~~ ~~979~~ ~~980~~ ~~981~~ ~~982~~ ~~983~~ ~~984~~ ~~985~~ ~~986~~ ~~987~~ ~~988~~ ~~989~~ ~~990~~ ~~991~~ ~~992~~ ~~993~~ ~~994~~ ~~995~~ ~~996~~ ~~997~~ ~~998~~ ~~999~~ ~~1000~~

By Themba Molefe and Mphikeni Duma

THE South African National Civics Organisation (Sanco) in the Free State is getting thousands of rands from construction companies competing for multi-million rand housing and property contracts in the province.

At least two construction companies which recently tendered for a R60 million shopping complex in Bloemfontein have donated about R210 000 to Sanco, whose two officials sit on the Tender Board which processes applications for tenders for housing and property contracts.

The two construction companies are Stocks and Stocks and Ninham Shand Consultants, which have donated money to Sanco.

Sowetan learned that the Sanco representatives on the Tender Board, Mr Jan Juries and Mr Tony van Heerden, were recently suspended and later expelled as executive committee members.

Sources within Sanco told Sowetan that Juries and Van Heerden were kicked out because they were "blockading" Stocks tenders.

Sanco has denied this claim, saying the two were dismissed for bring-

ing the organisation into disrepute by leaking minutes of Sanco meetings to the public.

Juries is currently involved in a row with Stocks and Stocks in which he is claiming R4,8 million for subcontracting work he did for the company.

Free State MEC for economic affairs and tourism Mr Ace Magashule is to mediate in the dispute between Stocks and Stocks and Juries.

Sowetan has in its possession the minutes of a Sanco provincial working committee meeting held on June 13 in Bloemfontein, where it was disclosed that Stocks donated R10 500 towards Sanco expenses.

According to documents, Mr Koos Pretorius of Ninham Shand Consultants had promised to coordinate building contractors to donate R52 000 which would be used to pay Sanco's loan guarantees and adminis-



Mr Ace Magashule - will mediate in the dispute.

tration costs. Stocks and Stocks undertook to fund costs for Sanco's forthcoming conference to the tune of R150 000, according to the minutes.

The documents allude to the risk of Sanco losing its Stocks and Stocks funding if the construction company's tender was "hindered".

"Development of Hoffman's Square, a proposed multi-million rand complex, has been hampered by a bad impression created at the Tender Board as Stocks has been treated very badly. This hindrance could have a zero response on the R150 000 funding towards Sanco's conference," the minutes say.

The document further states the R150 000 donation should be "above board". Hoffman's Square is a R60 million shopping complex scheduled to be built in Bloemfontein.

The contract was recently granted to Stocks and Stocks, according to Bloemfontein Transitional Local Council spokesman Mr Phillip Nel.

In its response Sanco has admitted in Bloemfontein that a memorandum of agreement has been signed by its national office by Stocks and Stocks, but has denied the donations were a prerequisite for companies to receive preferential treatment when vying for tenders.

It said this was to ensure "mutual cooperation in the field of community development between Sanco and Stocks and Stocks."

"So, it is not a secret that there has been financial assistance from Stocks to Sanco.

"We are still in the process of negotiating with Stocks our request to donate R150 000 for our conference and the funding would be above board and unconditional," a Sanco statement said.

Sanco provincial secretary Mr John Makenefane said the organisation had a record of understanding with outside companies on funding.

According to that record Sanco could receive funds from any company whether in the form of vehicles, office administration and money, Makenefane said. He could not explain claims that this funding put Stocks in a better position than other companies tendering in the province.

Stocks and Stocks Free State managing director Mr Andre van Zyl confirmed that the company had given Sanco R210 000 and other assistance.

● See Page 3.

Most builders report higher materials prices

(32) CF(BR) 25/8/95

BY MAGGIE ROWLEY

PROPERTY EDITOR

Despite the building materials industry's commitment to keeping a lid on price increases, nearly half of the builders in the latest survey by BMI's building research strategy unit have reported hikes ahead of inflation over the past 12 months.

More than 57 percent of respondents in the emerging sector reported price increases higher than inflation as did 46,7 percent of builders surveyed in the established building sector.

In October last year, the established and emerging builders and the building materials industry, among others, committed themselves to South Africa's housing accord. This included the commitment to hold construction costs down through price discipline and value for money, to open up opportunities for black entrepreneurs, to maintain professional standards

and a system of warranties and to ensure a regular and reasonably priced supply of building materials in support of the country's housing plan.

However Llewellyn Lewis, a BMI director, said it was evident that both the emerging and established sectors experienced or at least perceived increases in building material prices exceeded the rate of inflation over the past 12 months.

"The Building Material Suppliers of South Africa deny that the suppliers are to be blamed for the sharp increases in building costs and claim that they have stuck to the compact with the building industry, keeping price increases well within inflation over the past five years.

"An explanation for the experience of the contractors could be that the material suppliers, buoyed by stronger demand, are reducing the discounts they were offering builders," he said.

Builders report higher prices

SKM 25/8/95 (32)
■ BY MAGGIE ROWLEY

Despite the building materials industry's commitment to keeping a lid on price increases, nearly half of the builders in the latest survey by BMI's building research strategy unit have reported hikes ahead of inflation over the past 12 months.

More than 57 percent of respondents in the emerging sector reported price increases higher than inflation as did 46,7 percent of builders surveyed in the established building sector.

In October last year, the established and emerging builders and the building materials industry, among others, com-

mitted themselves to South Africa's housing accord.

This included the commitment to hold construction costs down through price discipline and value for money.

It also aimed to open up opportunities for black entrepreneurs, to maintain professional standards and a system of warranties and to ensure a regular and reasonably priced supply of building materials in support of the country's housing plan.

However Llewellyn Lewis, a BMI director, said it was evident that both the emerging sector and the established sector experienced or at least perceived increases

in building material prices which exceeded the rate of inflation over the past 12 months.

"The Building Material Suppliers of South Africa deny that the suppliers are to be blamed for the sharp increases in building costs and claim that they have stuck to the compact with the building industry. They say they have kept price increases well within inflation over the past five years.

"An explanation for the experience of the contractors could be that the material suppliers, buoyed by stronger demand, are reducing the discounts they were offering builders," he said.

Low-cost housing

Bifsa backs the basics

BIFSA has made a detailed submission to the national housing department on what it sees as the impediments to housing delivery — and one of the main focuses is incremental housing.

The organisation's executive director, Ian Robinson, says that in some provinces, for example, there is a view at executive level that 40m² or 45m² houses — complete with dividing walls and other features — are the minimum socially acceptable product.

But Robinson says this will cost more than R40 000 a house.

Up to now, the national housing policy has advocated incremental housing in which the basic R15 000 subsidy can be used to provide a serviced site and basic shelter, or the beginnings of a core dwelling to which the owner can add over time.

He says another inhibiting factor is the election for local government due to be held in November. It is likely that firm policy decisions by provincial housing boards on incremental housing will be put on the back burner until after the poll.

He adds: "If we are to build

300 000 low income houses a year I don't think the country can afford to build that number of houses in the 40m² to 45m² range. For the poor, who have to rely on the subsidy scheme, I do not believe that anything more than incremental housing is affordable.

"It is unfortunate that expectations may be dashed in the process — but we have to cut our cloth to suit our circumstances."

Another area that urgently needs to be addressed is the improvement of information and awareness campaigns.

"There is a lack of knowledge of just how the subsidy works, how to get bond finance and how to deal with issues such as registration for the defects warranty scheme.

"Until we can get a better means of communication to enable people to understand what they are able to apply for, there is going to be a slow take-off in the housing delivery process."

Robinson says the building industry is geared to deliver, "but is frustrated at not being able to deliver for a variety of reasons, one of which is this product uncertainty.

"Those who argue that the

building industry is not geared to enter the low-income housing market (for homes below R65 000) are wrongly advised. It is a market that would be largely filled by emerging contractors, with, in appropriate circumstances, joint ventures being formed between those emerging contractors and the established industry so that they can cope with the volumes."

The critical problem will be the lack of human resources and skills once volumes of home building reach the level of 200 000 to 300 000 a year.

This underlines the need, he says, for a much more concerted training effort.

About R25m a year is being spent on training but Bifsa's calculations were that about R200m a year is needed to be invested in training and the upgrading of skills.

"The private sector is financing the R25m through levies obtained from builders. Even if we doubled the levies, this would still not provide the amount needed for training and we believe the government needs to come to the rescue of this initiative."

BD 28/8/95 (32)

Suppliers, builders wait for state to get its house in order

RESEARCH indicates that industry will be able to meet the demand for building materials to service SA's national housing programme.

Building Material Suppliers of SA chairman George Thomas says: "Timber and PVC prices have risen over recent months at above the inflation rate but in both instances prices are related to the international market, which has hardened recently after a long period of stagnation. But for the rest, we have been consistently finding that the price increases have been well within the inflation rate."

"Our members have held their prices in real terms against rising input costs — particularly the cost of labour, which has risen substantially more than the inflation rate. Transport is also a serious cost constraint."

Thomas warns that the consequences of not getting housing delivery under way soon will be serious: "The serious players in the game want it to happen. The key is how the politicians are going to manage this process of unhooking themselves from the unreasonable expectations that have been created in the minds of people."

"Now that there is a better understanding between banks and government, we should start seeing real activity — provided that approved incremental-type projects are allowed to go ahead."

In this regard, says Thomas, the

(32) PM 28/8/95
need for an accord between the provinces and the central housing authority is a conditional precedent.

"I do not believe that either the construction or the building materials supply industry will be found wanting. As building takes off and activity increases, so action will be taken to cope with the shortages. The market will take care of it."

There is also considerable scope for alternative or substitute products — such as concrete bricks or corrugated sheets instead of roof tiles, for example, if the situation warrants it.

Thomas says prefabricated homes are also an option.

Bifsa executive director Ian Robinson says manufacturers of building materials are "reasonably capable of coping".

The biggest concern is about possible bottlenecks in the distribution of materials on the road and rail transport network.

Most of the suppliers say they will be able to deliver and building materials can be imported as a last resort.

Escalating building costs remain a major concern and Robinson sees the need for the indexing of home subsidies against inflation.

He says inflation in the building industry will be greater than the normal inflation rate (about 10% or 11%) this year, with some predictions putting building inflation as high as 17%.

Sanco asks for donations from contractors

Robyn Chalmers

THE SA National Civics Organisation has asked for donations of R52 000 from contractors on southern Free State water and sanitation projects, despite officials saying at the weekend that Sanco had been appointed as a consultant on the projects.

Sanco Free State secretary Tosh Mahlakazela said Sanco had been appointed by the Bloemfontein regional services council to act as a consultant to Free State water and sanitation projects.

"There is a consultancy fee that is payable to Sanco as a result of Sanco's involvement and role in the successful implementation of the projects and dispute resolution," he said. Requests had been put out to contractors for their voluntary contributions to Sanco, but he did not believe there was a conflict of interest.

Sanco relied on donations from foreign and local organisations and "was not involved in shady deals with any organisations or individuals".

Mahlakazela was responding at a news

conference to newspaper allegations that construction groups Stocks & Stocks and Ninham Shand had donated more than R200 000 to Sanco's Free State branch, whose two officials, Jan Juries and Tony van Heerden, sit on the tender board.

The board assesses applications for tenders put forward for housing and property contracts. Both Stocks & Stocks and Ninham Shand were tendering for a R60m shopping centre in Bloemfontein.

(32) 30 28/8/95
Continued on Page 2

Sanco (32) 30 28/8/95

Continued from Page 1

Sanco national secretary Penrose Ntlonti said the organisation had signed a record of understanding with several companies, including the CSIR and Spescom. It had also agreed on principles of engagement with Stocks & Stocks.

He said the records of understanding between Sanco and private companies

were above board and one of the means by which the organisation raised funds. "We are therefore disturbed by media reports that the organisation is compromising due tender processes by favouring those companies from which it gets funds. There are procedures and criteria set up by provincial government to approve tenders and maintain the independence and transparency of the boards. Sanco cannot, therefore, manipulate the process on its own."



Low-cost housing

Developers find new builders are good bedfellows

JOINT ventures between established developers and emerging black contractors are helping to make a significant dent in the low-income housing backlog.

One such venture is between amodzi Properties and Condev Transvaal, and trades as Pamodzi Projects. It is active in Kagiso on the West and, Meadowlands in Soweto and Mabopane, north of Pretoria.

The Kagiso municipality has serviced numerous sites and is allocating sites to developers.

"Several buyers are already occupying their new homes, all of which have been built by emerging contractors," says Condev Transvaal director responsible for joint ventures John Anshore.

In Meadowlands, where homes have been sold off-plan, 151 of the 159 lots have already been purchased. The first 17 building plans have been submitted and construction is expected to begin within weeks.

In Mabopane, the largest of the three developments, 2 000 homes are planned and 651 have been built since the project began in 1991.

Affordable housing is the area in which Condev Transvaal (a division of Murray and Roberts) has shown the greatest growth rates. Condev Transvaal MD Tom Buckle says it is expected that by 1996 more than half of the company's business will be based in this segment of the market.

Other sections of Condev's development strategy concentrate on middle

income, sectional title and cluster projects, as well as project-based subsidy schemes.

These schemes are based on government subsidies, which in many cases have not yet been allocated, and the projects are still in their planning stage, says Buckle.

Several different projects in Gauteng are in various stages of planning, with building expected to begin within the next two months.

Condev KwaZulu-Natal is also involved in developing homes for the lower end of the market.

These include the development of starter homes such as the Fairways development in Umlazi, site and service developments such as Luganda near Pinetown and Umlazi CC, and project management in areas such as Umlazi CC, Luganda and Slangspruit, which is near Maritzburg.

At Fairways (on the old Umlazi golf course) the Umlazi Civic Association was involved in the R15m development from the start.

"We included the local community in the project as much as possible," says Condev director James Byrne.

"As a result of this approach, the development was totally accepted in the eyes of the community."

An added attraction is that Fairways is situated close to many large employers in Prospecton, Jacobs and Moberi — which led Condev into negotiating with large corporates and their employees on the sale of Fairways sites, says Byrne.



An affordable housing project developed by Condev-Tvi at Morula View in Mabopane, north of Pretoria.

Schemes are in place to help people save

PEOPLES Bank has introduced a plan that will make it easier for first-time home buyers who qualify for the government housing subsidy to save towards owning their own homes.

Under the Home-Scheme a client earning less than R3 500 a month will either be able to save the deposit or be in line to apply for a bond if he or she already has a 5% deposit and a history of regular savings.

The new product allows a client to save for a deposit over a predetermined period and then to apply for a bond to be able to purchase a house.

Once the target amount is reached, the bond for a house is granted subject to conditions agreed between government and major banks.

Peoples Bank operations GM Iain Paton says: "This is also an avenue through which Peoples Bank will play its role in the reconstruction

and development of the country."

At the same time, Standard Bank has introduced an education and training element to its home loan financing, says product manager of loans in the E-Bank division, Dave Wright.

Applicants are counselled as to what level of repayments they can afford. "We qualify them in terms of their actual affordability and thereafter we give them educational advice on the basic mechanisms, principles and responsibilities that go with home ownership," he says.

"One of the problems we still face is one of unrealistic expectations, in terms of what people can afford, and what the country can afford."

E-Bank has established a number of loan centres around the country and E-Bank loans will also be offered through certain Standard Bank branches.

unprotected against claims, with no means of recourse."

While registration with the council is voluntary, the Association of Mortgage Lenders will only grant bond finance to contractors who are registered with the council, says Allsopp.

Warranty protects buyers

STANDARD Home builder's Warranty has been introduced by the national Home Builders' Registration Council (NHBRC) to promote the long-term interests of the building industry.

At the same time, the scheme aims to protect the interests of the po-

tential home owner who will be using the services of a building contractor.

NHBRC MD Peter Allsopp says the council aims to establish a register of approved contractors to maintain

minimum standards within the building industry and to facilitate mortgage loans for new home builders.

Allsopp says: "The housing shortage has accelerated the demand for

instant houses.

"The possibilities exist that unscrupulous and unskilled contractors will enter the market — damaging the image of the industry and leaving the consumer

(32) 8028/8/95

A

Probe on bribery allegations

Sowetan
28/8/95
(32) (255)

**By Mpikeleli Duma and
Claire Keeton**

FREE State MEC for safety and security Mr Papi Kganare has instructed the police commercial unit to investigate corruption and bribery claims against the South African National Civics Organisation and two construction companies.

Kganare said the investigation, which would include two members of the provincial legislature, was prompted by the seriousness of the allegations.

The two are Mr Joe Mafereka and Mr Benny Kotsoane, who used to serve in the Sanco provincial executive committee before last year's general elections.

Kganare said all documents implicating the parties had been handed over to the investigating team.

However, ANC MP and former president of Sanco Mr Moses Mayekiso defended the organisation's right to accept funds from companies towards development.

A *Sowetan* investigation recently revealed Stocks and Stocks and Ningham Chand Consultants donated about R210 000 to Sanco in the Free State.

"It is important to note that all the people and companies concerned are being investigated, including Mr Jan Juries and Tony van Heerden who complained," Kganare said in a media statement.

Process applications

Both Juries and Van Heerden sit on the Provincial Township and Tender Board which processes applications for housing and property tenders.

The two were later expelled from Sanco apparently on suspicion of blocking Stocks and Stocks tenders.

Juries is currently involved in a row with Stocks from whom he is claiming R4,8 million for subcontracting work he did for the company.

Free State MEC for economic affairs and tourism Mr Ace Magashule is to mediate in the dispute between Stocks and Juries.

Mayekiso said: "Sanco Bloemfontein has been criticised for taking money but it is acceptable to take cash for rebuilding communities.

"Sanco accepts cash to upgrade communities and to assist in building administrative structures."

He said Sanco entered many joint ventures and records of understanding with corporations.

ERNMENT

NOMICS

Cape Town gets set for R600m building boost

By MAGGIE ROWLEY

PROPERTY EDITOR

Negotiations between the Cape Town city council and French construction group, Compagnie Generale de Batiment et de Construction (CBC), to build two five star hotels linked by a shopping galleria, and new headquarters for BP South Africa on a prime Cape Town CBD site, are close to fruition.

Construction of the project, which should see an investment of more than R600 million in the city and provide a major boost for the Cape construction industry, is expected to start early next year.

The two hectare power station site, owned by the city council, has been divided into five blocks. It was put out to tender late last year but attracted a "disappointing" response. This led the council to give the go-ahead to project co-ordinator Rod Young to negotiate other offers.

Young said that in terms of the deal, the council would dispose of two of the sub-divisional sites, totalling about 9 000m², to the French group.

CT (MR) 29/8/95 (32) (32)

The original purchase price offered by CBC for the two sites had been R20 million, which was far higher than any offers received when the site was put out to tender. The highest offer then came from Murray & Roberts which tendered R9 million for one of the five demarcated sites.

Negotiations with the French company had started after the assessment of tenders and the group had initially been keen to construct the two five-star hotels and the galleria using the existing bulk on the two sites.

"However, BP had identified one of these two sites as being ideal for its new headquarters and CBC has agreed to incorporate an office block into its development for them.

"But in order to do so, the existing bulk on the site will have to be increased and we are now awaiting to hear from CBC exactly how much more bulk they will require so that we can advertise this as part of a public participation exercise. Obviously we will be looking for a higher price for the land proportionate to any increased bulk," said Young.

Proceeds raised from the sale of the

two sites would wipe out all holding costs associated with the R6 million removal of the power station foundations, construction of the extension to Loop Street as well as landscaping on the site.

"These improvements will increase the value of the additional sites, including the two held by a private company, Devland, and it would be in the city's interest to bank these sites until such time as the council can reap the benefit."

Young said that while CBC was a construction company, it had indicated that it would be using South African contractors and professionals.

"CBC has not made it clear how much of the development will be funded offshore but it usually takes a stake in its developments around the world. In addition, the Hilton hotel group, to develop one of the hotels on the site, has made it clear that it would finance its hotel with offshore funds."

He said while a Sheraton hotel had been mooted for the second five-star 300-room hotel on the site, it was possible that an eastern hotel group would come on board.

Builders disillusioned with RDP

CT(BR) 30/8/95 (32)

Growing disappointment over the performance of the RDP is evident among both the established and emerging sectors of the building and construction industry.

This has emerged from the latest survey of the industry by the BMI research strategy consulting unit which found that the net percentage of respondents expecting conditions to improve had declined from 83 percent in the previous survey to an overall 62,7 percent.

This moderating of expectations, according to Lewellyn Lewis, a BMI director, was no doubt due to the expected increased activity from the RDP failing to materialise.

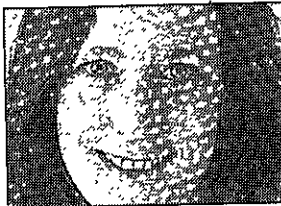
The increase in interest rates had also had a dampening effect on affordability and therefore of effective demand while optimism was also being tempered by uncertainty regarding the forthcoming local elections and the unacceptably high levels of crime.

Both sectors also agreed that boycotts and non-payment of services were still fairly high.

"The picture that emerges is not that of a healthy industry but rather of a somewhat schizophrenic industry plagued with problems and with widely differing perceptions between emerging and established sectors."

Lewis said that it was clear that substantial progress would have to be made to eliminate the impediments mitigating against sound development if the building industry were to succeed in its vision

MAGGIE ROWLEY



ON PROPERTY

Emerging builders are more optimistic than established contractors

to be an engine for growth.

"It is clear that the environment in which the building industry operates is not favourable to development.

"The conclusion must be that government is failing in its major task of creating a climate conducive to development.

"Moreover, this assessment comes to a far greater extent from the emerging sector than from the established sector."

The survey found that only 5 percent of builders believed conditions were better in the first two quarters of this year against either the first two quarters of last year or the latter half of last year.

What is interesting to note is that 12 percent of emerging builders indicated improved conditions against only 3,2 percent for the established sector.

From the emerging sector 44 percent indicated that conditions were between five and 10 percent better than the corresponding periods against only 8,5 percent for the established contractors, most of whom indicated an improvement of below 5 percent.

A net 72 percent of the emerging sector reported conditions better than last year compared to a net 40 percent of the established sector.

The emerging sector was also marginally more optimistic about the outlook for the next six months with a net 64 percent of the emerging sector expecting conditions to be about 5 percent better over the next six months compared to the same period last year against 61 percent of established contractors.

The same picture emerged for the outlook for the next 12 months, with 76 percent of the emerging sector expecting conditions to show an improvement of up to 5 percent against 63 percent of formal sector contractors.

Both sectors reported problems with the availability of management. The emerging sector reported major problems with building society finance and the access of subsidies.

Problems with the availability of low-cost land were also highlighted by the emerging sector.

"This has important strategic consequences since the emerging sector is dependent for a major part of its activity on low-cost housing and this is where they experience most difficulties," said Lewis.

Builders conflict over registration

CJ (NR) 30/8/95

(32)

By MAGGIE ROWLEY

PROPERTY EDITOR

The low-cost housing delivery programme will face a further major setback if builders fail to register en masse with the National Home Builders Registration Council, Peter Allsopp, the managing director of the council, warned this week.

As of Friday this week, houses costing under R65 000 built by contractors who are not registered with the council will not qualify for home loan finance from any institution.

Allsopp said the response from builders to date had been disappointing and unless builders moved swiftly to register they would jeopardise the RDP housing programme.

While registration presently applies to houses costing R65 000 or less, by the middle of next month it was expected to cover houses of up to R100 000 or R150 000 and up to R250 000 within a year.

"The aim is that all housing, even multi-million rand homes will be subject to the scheme," he said.

A number of builders' associations had expressed strong opposition to the formation of the council and to the builders' warranty scheme which comes into operation on January 1 next year. Allsopp said they had to realise the scheme was now upon them and unless they registered with the council they would be excluding themselves from the market.

"Home buyers, starting at the lower end of the market, will be well advised to ensure any builders they employ from September 1 are registered with the council if they wish to access home loan finance."

Allsopp said that details of the final scheme, which will include a builders' defects warranty scheme and a levy, would be finalised at the council's meeting on September 18.

The levy will amount to between 1,5 percent and 2 percent of the building contract which will be payable to the council.

"Once houses at the top end of the market are also covered by the scheme it should be possible to reduce this to 1 percent of the building contract."

He said negotiations with financial institutions were also under way to allow the levy to be paid out of the buyer's deposit to help prevent cash flow problems for contractors.

A strong opponent to the scheme is Pieter Rautenbach, the executive director of the KwaZulu Natal Master Builders Association. He said the creation of the council and the new scheme was the equivalent of using a "sledgehammer to crack a peanut."

"The extent of the problem of shoddy building hardly requires the formation of a multi-million rand bureaucratic machine which will just push up the cost of houses to the consumer."

"And if they extend it to cover all houses they will start undermining new development as buyers will opt for existing houses."

Rautenbach said few, if any, of his organisation's members had enrolled because they did not want to operate at the lower end of the market.

"It is not all a fait accompli as Allsopp would indicate and we will be meeting next week to plan our next response," he said.

... area is
sandwiched between an area
owned on one side by De Beers and

ly retained income of R933 000)
which translated into a loss of 4,76c
a share (previously 9,28c a share).

Equikor rescue talks proceed

(32) CT(BR) 30/8/95
By MAGGIE ROWLEY

Negotiations are continuing between the troubled property company Equikor and its rescuer, VLC Properties, belonging to Johannesburg entrepreneur Niki Vontas.

VLC has been negotiating the acquisition of a R130 million portfolio of 20 or so properties from the Absa group to inject into the Equikor shell and is understood to

be in the process of finalising this.

Johan Loubser, a VLC adviser, told Business Report in June that while the agreement with Equikor had long lapsed, this had been due to the practicalities of negotiating the acquisition from Absa.

He said he was confident that once a due diligence test had been completed, he would be in a position to present a "revived" offer to Equikor shareholders.

**Invest in South Africa:
Your chance to win**

first quarter of next year dealers to their normal trading

Home builders to get staggered payments

Robyn Chalmers

(13) (32)

THE National Housing Board has recommended that progressive payments be made to contractors under government's housing subsidy scheme in a bid to alleviate the financial strain on builders.

Large and smaller contractors indicated recently that the single subsidy payment made only on the transfer of title to the homeowner was causing severe problems for those involved in government's low-cost housing programme.

Board chairman Ishmael Mkhabela said the board recognised the single payment system was proving to be too onerous for builders, particularly the smaller contractors. The board is the housing ministry's primary advisory body.

Mkhabela said the board had agreed that payments would be made in four tranches, but should not be regarded by builders as a form of bridging finance.

"The recommendation has been referred to the joint technical committee on subsidies. The board has agreed that should the committee encounter further obstacles to the recommendation, they will be dealt with directly by the board's chairman or vice-chairman to expedite the process."

If the recommendation was accepted by the ministry, the first tranche would be paid once a detailed engineering design for infrastructure had been approved by local

RD 20/8/95 Continued on Page 2

Builders (13) (32)

Continued from Page 1 RD 30/8/95

authorities. The payment would equal the fees charged by a consulting engineer or other relevant professional.

Should the contractor not be able to continue with the work, it could be carried through by another appointed contractor and the funds would not be wasted he said.

The second tranche would be claimed once the surveyor-general had approved the plan, indicating that town planning work had been completed. The third tranche would be made available when it

could be proved the erven had been fully serviced, commissioned and connected with external services. A service completion certificate would have to be issued.

The final tranche would become available once the board was satisfied the project met its standards, the top structure had been completed and individual title had been registered by the homeowner.

Building Industries Federation of SA executive director and housing board member Ian Robinson said the progressive payments of subsidies would significantly assist contractors with cashflow problems.

Private sector work boosts M&R's profit

CT (P&R) 31/8/95 (32)

By ANDY DUFFY

STAFF WRITER

Murray & Roberts lifted attributable earnings 20 percent to R408 million for the year to June, propelled by resurgent private sector work.

The group — which reshaped its seven divisions into five — said public sector projects, including RDP work, had still to feed through, but fixed private investment underpinned the performance.

Market conditions were expected to strengthen, sustaining earnings growth in the current financial year. Sales jumped 20 percent to R9,3 billion, powered by contracting which brought in 44 percent of turnover.

International business provided 15 percent of sales.

Operating income was 25 percent ahead at R741 million. The total tax bill was R154 million, though a tax credit last year skewed comparisons.

Share earnings were 17 percent ahead at 126c, and 30 percent up if last year's tax credit is stripped out.

The dividend was 12 percent up at 47c, but M&R is offering scrip instead of the second-half payout.

Lionel Bird, the finance director, said the strategy of reshaping to focus on gross domestic fixed investment was working.

The contracting division had been reshuffled to provide a turnkey service, covering construction to supply services — a move in line with overseas players.

The materials division had taken in MegaFlex and MegaPipe, bought from Sentrachem for R84 million.

"We're repositioning ourselves to focus on markets rather than products," he said.

"It's already starting to pay off."

The group was driving to lift the contribution from sales abroad to 20 percent of the group's total.

M&R was in line for a R700 million Dubai hotel contract — in partnership with firms from Australia and Dubai — which should be announced next month.

The contracting division was focusing on sub-Saharan Africa, while M&R also had mining contract work in Australia, Indonesia and Chile, and specialised civils work in Hong Kong.

Domestic work, however, had still to benefit from the public purse.

Bird said the main obstacle facing the housing delivery was affordability, while government had been reluctant to draw on the industry's experience.

M&R had not been involved in low-cost housing and only saw opportunities in the provision of materials and services.

M&R bulldoze turbulence aside

(32) 20 31/8/95
Robyn Chalmers

STRONG growth in international trading and improved local conditions in the fourth quarter helped Murray & Roberts Holdings post a 20% hike in attributable earnings to R408m for the year to June.

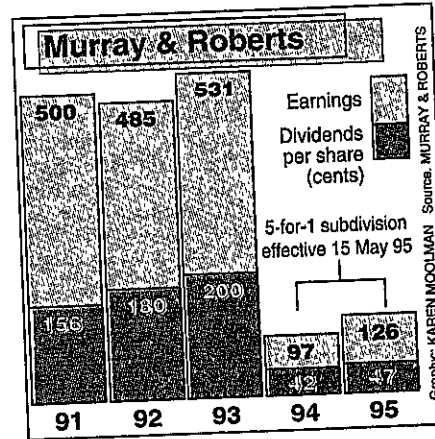
M&R CE Graham Hardy said, however, if a one-off tax credit granted the previous year was taken out of the equation, attributable earnings growth was 34%.

Hardy said the results exceeded original projections, and were achieved despite a turbulent year which included labour disruptions, particularly in the Western Cape.

The higher earnings were achieved on a 20% increase in group turnover to R9,3bn while an improvement in the operating margin saw earnings before interest rise to R741m (R594m).

A higher interest bill of R125m (R107m) left pre-tax earnings 26% higher at R616m and the tax charge of R154m (R111m) took post-tax earnings to R462m (R376m).

M&R announced a five-for-one subdivision in its share capital earlier this year in



a bid to boost tradeability. On this basis, earnings rose 17% to 126c a share, but if the prior year's tax rate adjustment was excluded, earnings rose 30%. A final dividend of 34c was declared, bringing the

Continued on Page 2

M & R

Continued from Page 1

total dividend to 47c (42c).

Hardy said the group had focused on improving the balance sheet, with total assets rising to R6,7bn (R5,9bn) and net borrowings falling to R457m (R528m). This was achieved despite an increase in capital expenditure and investments to R671m (R313m) and capital expenditure of R2,8bn was forecast over the next three years.

Murray & Roberts was significantly restructured during the year, reducing the number of operating groups from seven to five. Hardy said this was to align the group more closely with market needs and facilitate better co-ordination of activities.

The restructuring meant certain activities of Standard Engineering and the engineering and materials operating groups

were rationalised. The activities of the construction, suppliers and services and properties operating groups were merged into a contracting operating group which also incorporated the engineering contracting activities previously carried out in the engineering operating group.

He said the performance of all five operating groups was satisfactory, with Unitrans showing the largest increase in earnings before interest and tax, at 49% to R101m. Standard Engineering increased earnings before interest and tax by 38% to R98m, the materials operating group's earnings rose 27% to R229m, contracting rose 24% to R179m and engineering increased 12% to R166m.

The restructured group was well placed to take advantage of expected growth in the fixed investment sector.

Building costs will continue to

BAD NEWS for prospective home builders hoping to get affordable housing is that the cost of materials continues to climb. And this is despite the building materials industry's commitment to keeping a lid on price increases.

According to the latest survey by the BMI's building research strategy unit almost half of the builders researched have reported hikes ahead of inflation over the past 12 months.

More than 57 percent of respondents in the emerging sector reported price increases higher than inflation as

Industry is failing to keep its end of the bargain over material prices

did 46,7 percent of builders surveyed in the established building sector. During October last year, these two sectors, together with the BMI, committed themselves to South Africa's housing accord.

This included the commitment to hold construction costs down through price discipline and value for money. It also aimed to open up opportuni-

emerging sector and the established sector experienced or at least perceived increases in building material prices which exceeded the rate of inflation.

The building material suppliers deny that they are to blame for the sharp increases in building costs and claim that they have stuck to their side of the bargain. They say they have kept price increases well within inflation over the past five years.

Their explanation of the increases is that material suppliers, buoyed by stronger demand, are reducing the discounts they were offering builders.

While all this spells gloom, there is a cloud with a silver lining on the horizon. With greater pressure on the RDP to deliver - especially in the field of housing - Specialised Exhibitions, organiser of Interbuild Africa 96 have added a valuable and vital new component to next year's exhibition -- affordable housing supplies.

New theme

Exhibition manager Theresa Bezuidenhout revealed that Interbuild Africa 96 has adopted the theme "From Grass-roots to High Rise" and will, while

spiral

(32) Sowetan 31/8/95

retaining the successful elements, place emphasis on the needs and requirements of affordable housing.

"As a sector to have undergone massive growth of late, it will undoubtedly become the principal area within the local building industry for years to come - and as such belongs very much alongside the existing exhibits of building products such as cement, flooring, roofing, windows and doors; interior design, lighting kitchen and bathroom accessories security products and services as well as furniture and decor materials.

Interbuild Africa 96 has the blessing of the Minister of Housing Sankie Mtembi-Nkondo who has thrown her Ministry's support behind the show, describing it as an opportunity to establish a true partnership between the government, the private sector and the communities in the quest to provide housing for all.

Prospective home builders will do well to pay the exhibition a visit. New ideas and new products are continued coming on to the market and you can get fresh ideas and perhaps save you money...

Sanco promises action on corruption

Robyn Chalmers

(32) 80 4/9/95
PUNITIVE action would be taken against Sanco officials guilty of corruption and patronage related to funding arrangements between the organisation and outside institutions, ANC MP Moses Mayekiso said at the weekend.

Sanco has drawn up draft guidelines on how dealings with other organisations should be conducted.

This follows allegations that construction group Stocks & Stocks and engineering consultant Ninham Shand had donated more than R200 000 to Sanco's Free State branch, which has two officials sitting on the Free State tender board which assesses applications put forward for housing and property contracts. Stocks & Stocks and Ninham Shand were tendering for a R60m shopping centre in Bloemfontein.

Mayekiso, a former president of Sanco,

said relationships between Sanco and outside institutions should not be seen as an attempt to discourage competition.

"It should instead be viewed as a sincere effort to encourage outside institutions to play an active role in community investment and development under conditions of community consultation, participation and control," he said.

Sanco Free State provincial secretary Tosh Mahlakazela said that Sanco did not receive funding from government and had to look to donations. "This is so with all political parties in SA. But surprisingly enough, it becomes a national issue when Sanco requests such funding."

Mayekiso said Sanco was striving to meet five objectives in forming joint ventures. These were empowerment, capacity building, skills upgrading, project delivery and active community participation in design and delivery.

Builders slate public contracts plan

(32) ST (OR) 4/9/95

By ANDY DUFFY
STAFF WRITER

Builders have warned that plans to use black empowerment score-sheets as a basis for awarding public-sector contracts could degenerate into a bureaucratic mess.

Contractors said the plans, mooted by the public works department, would be costly and difficult to administer and would struggle to promote emerging business in mainstream construction.

Jeff Radebe, the minister of public works, wants departments to award points to companies and rank them for contracts according to factors such as affirmative action recruitment levels.

The system, which will be

launched on Thursday, is expected to be extended to provincial departments and other national departments involved in construction.

The Building Industries Federation of South Africa (Bifsa), which had advised the department, said it was concerned about the proposals.

"It is a question of cost and of how it can be implemented practically," said Ian Robinson, the executive director of Bifsa.

"Who plays god and who decides? We are not sure the system proposed is the right system."

Murray & Roberts and LTA said the system would be difficult to monitor.

Lionel Bird, the finance director of Murray & Roberts, said unscrupulous contractors could easily

fool the points system.

"Officials will be running around trying to manage something they are incapable of managing," he said.

A more effective system would be for public tenders to demand that a slice of the contract be given to emerging business, a practice that was already flourishing.

Bird said Murray & Robert's joint venture with LTA had won the R500 million contract for the NI toll road last year because it had subcontracted R50 million of the work to emerging business.

The federation favoured handing contracts and contracts according to size, and reserving work for companies that fell into the relevant band.

money in a tough civil engineering

PERTY

Ovcon Boland takes on three contracts

Sello Motlhabakwe

(32) 206/9/95

CONSTRUCTION company Ovcon Boland has been awarded several new contracts in the Cape region following a lull in business.

Work is now well under way on three of its latest contracts in Paarl and Stellenbosch.

The first contract, worth R2,5m, is for the extension and upgrading of the Simonsberg cheese factory in Stellenbosch.

The factory is part of the Unifoods group, and work involves extending the premises with a processing section, a cheddar cheese area, workshop and a new ablution block. Part of the old factory will also be renovated.

For this contract, Ovcon would

report to principal consulting engineer/planner Gerhard Potgieter Bedryfsingeneurs of Somerset West and was mainly involved in the "carcass structure", MD George Alphen said.

Work had started in May and completion was scheduled for February next year.

The second of Ovcon's contracts was for extensions to the Stellenpak building in Simondium. The work was worth R3,5m and was being carried out jointly with Ovcon Cape Civil.

The contract will provide 4 000m² of outside concrete storage area, an office and ablution block as well as a 9 000m² extension to the pack shed.

The shed is scheduled to be

completed in November — in time for the fruit season.

The third project, worth R750 000, is for the upgrading of Monument Garage in Paarl's main street. The architect is Koper Levin & George.

The garage would be the first in Paarl to have petroleum company Shell's new upgraded design. Completion and handover was expected this month, Alphen said.

Although work was still short in the area, his company's ability to handle work of any size and type had enabled it to keep on its full staff complement.

Alphen was unable to predict whether the region's employment situation would improve in the near future.

Trimmer Grinaker boosts its earnings

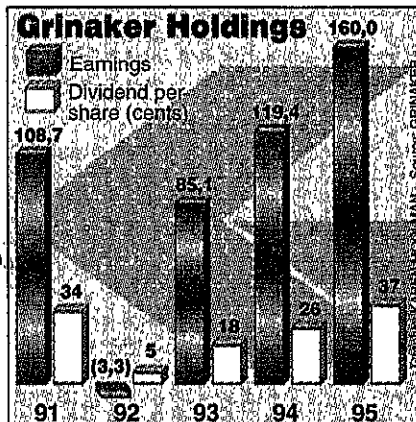
(32) (1890) 01/06/95
Robyn Chalmers

ANGLOVAAL's construction and electronics group Grinaker Holdings benefited from rationalisation and higher levels of trading to post a 34% earnings rise to R56m for the year to June.

Chairman Jan Robbertze said the group experienced improved trading conditions during the first half although there was a slowing down in SA's economic recovery during the second six months. The higher earnings were achieved on a 27% turnover increase to R3,8bn while operating profit rose to R150,9m from R116,9m.

Profit before interest increased 32% to R175,2m. A reduced interest bill of R15,8m (R17m) saw pre-tax profit jump 37% to R159,4m. A tax charge of R43,5m (R37,3m) left post-tax profit at R115,9m (R78,8m). Earnings rose 34% to 160c a share and a final dividend of 29c (20c) was declared, lifting its total dividend 42% to 37c.

Robbertze said several rationalisations and an increased focus on efficiencies in the group had played a major part in achieving these results. "These undertak-



ings were also instrumental in assisting us to succeed against continuing pressure on margins and increased competition."

Subsidiary Grinaker Construction achieved satisfactory performances in its civil engineering, building and supplies and services divisions, he said. Earnings

Continued on Page 2

Grinaker (32) (1890)

Continued from Page 1

improved 19% to R22,4m and turnover went up 36% to R1,7bn. However, these results were adversely affected by losses on some contracts as a result of labour unrest and the need to provide for bad debts in the Zimbabwe operations.

Grinaker Construction executed major contracts at Alusaf. Construction on the Sandton Holiday Inn Garden Court was completed, while local joint ventures included a brick plant in Cape Town and the training of road contractors in Soweto. "International undertakings, which make a significant contribution to group turnover, include successful operations in Mauritius, Zimbabwe, Namibia and Botswana."

Order book levels for Grinaker Construction's current financial year were particularly good in the building and related divisions, and it was budgeting for an

improvement on last year's results.

The group's other subsidiaries, including Grintek, the group's listed holding company of Siltek and Grinaker Electronics, had performed satisfactorily, he said.

A new division, Grinaker Telecom, had been formed within Grinaker Electronics and a partnership had been entered with international telecommunications group Nortel. The division would meet opportunities provided by the reconstruction and development programme and Telkom's procurement programmes.

Prospects for the group depended on sustained business confidence and higher growth in SA's domestic fixed investment. "Despite the slowdown in economic growth and reduced confidence over the past few months, we remain cautiously optimistic and forecast improved results."

● See Page 18

Grinaker acquires Liberty's builder Rapp & Maister (32)

By MAGGIE ROWLEY

PROPERTY EDITOR

Grinaker has acquired Rapp & Maister Construction, the in house construction company of Liberty Life Properties for an undisclosed sum.

Wolf Cessman, the chairman of Liberty Life Properties, said in terms of the deal, effective from the end of July, all 300 staff-members of Rapp & Maister Construction, which had been in the Liberty Life fold for the past 20 years, had been taken on by Grinaker.

In terms of the agreement, Grinaker would complete various contracts which were being undertaken by Rapp & Maister Construction, including a new head office for Times Media Limited in

Rosebank and the conversion of a building in the Johannesburg city centre into an Edgars flagship store.

Cessman said Liberty Life Properties wished to concentrate on its core investment business and therefore it no longer considered it appropriate to be involved in main building contracting.

This would now be outsourced.

Grinaker has recently been awarded certain contracts by Liberty Life Properties for some of their new developments including a major extension to the Holiday Inn Garden Court in Sandton City due for completion in November and a contract for the extension to Woolworths and 1 000-parking-bay garage at Eastgate due to come on stream by December.

Howard Jones, the executive

CF(MR) 7/9/95
director of building for Grinaker Construction, said the agreement had reinforced the relationship between Grinaker and Liberty Life Properties and was expected to result in Grinaker undertaking additional contracts for the life office.

Jones said the three branches of the Grinaker building division had a high quality of competent human resources, but in all cases they were working to almost full capacity.

The acquisition of Rapp & Maister, he said, would give a necessary boost to Grinaker's resource level, particularly with regard to competent site managers, so as to be able to take advantage of the predicted growth in the construction industry, as set out in the RDP.

Building industry's prospects improve

■ BY MAGGIE ROWLEY

The value of building plans approved in the first six months of this year totalled R8,7 billion, an increase of more than 48 percent over the first half of last year, lifting prospects for the building and construction industry.

According to Central Statistical Services, this increase was attributed to a 67,7 percent surge to R2,2 billion in the value of non-residential plans passed and a 58 percent hike in residential plans passed to R4,4 billion.

The greatest growth in residential plans was seen in the urban areas

of the Witwatersrand, which were up R710,5 million over the corresponding period.

Next was Pretoria, with a R150,6 million increase, followed by Cape Town, where the value of residential plans passed totalled R140,7 million more than in the first six months of last year.

Gauteng saw the highest number of house plans approved with 7 112, followed by the Western Cape with 5 265 and KwaZulu-Natal 2 808. The most townhouse plans were also approved in Gauteng (5 412) followed by KwaZulu-Natal (2 808) and the Western Cape (770) during this period.

Richards Bay was the main contributor to the growth in non-residential plans, reporting an increase of R409,3 million, followed by the Witwatersrand and Pretoria with increases of R219,7 million and R118,4 million respectively.

During the first six months of this year, the total value of buildings completed showed a 9,3 percent improvement to R3,6 billion.

Residential buildings accounted for R2,3 billion of this, including 12 269 houses totalling R1,5 billion, 2 115 flats totalling R189,3 million and 5 371 townhouses totalling R601,2 million.

(32) Star 8/9/95

Building industry's prospects improve

CT (MR) 8/9/95 (32)

BY MAGGIE ROWLEY

PROPERTY EDITOR

The value of building plans approved in the first six months of this year totalled R8,7 billion, an increase of more than 48 percent over the first half of last year, lifting prospects for the building and construction industry.

According to Central Statistical Services, this increase was attributed to a 67,7 percent surge to R2,2 billion in the value of non-residential plans passed and a 58 percent hike in residential plans passed to R4,4 billion.

The greatest growth in residential plans was seen in the urban areas of the Witwatersrand, which were up R710,5 million over the corresponding period.

Next was Pretoria, with a R150,6 million increase, followed by Cape Town, where the value of residential plans passed totalled R140,7 million more than in the first

six months of last year. Gauteng saw the highest number of house plans approved with 7 112, followed by the Western Cape with 5 265 and KwaZulu-Natal 2 808. The most townhouse plans were also approved in Gauteng (5 412) followed by KwaZulu-Natal (2 808) and the Western Cape (770) during this period.

Richards Bay was the main contributor to the growth in non-residential plans, reporting an increase of R409,3 million, followed by the Witwatersrand and Pretoria with increases of R219,7 million and R118,4 million respectively.

During the first six months of this year, the total value of buildings completed showed a 9,3 percent improvement to R3,6 billion.

Residential buildings accounted for R2,3 billion of this, including 12 269 houses totalling R1,5 billion, 2 115 flats totalling R189,3 million and 5 371 townhouses totalling R601,2 million.

Paying for 'wrecked homes'

(32) CP 10/9/95
'Titles are just little
pieces of paper ...'

By BENISON MAKELE

BOITEKONG means "a place of effort" ... but for hundreds of homeowners it is a place of shattered dreams.

The houses, near Rustenburg, built through loans by Impala Platinum to its employees, are now falling apart from cracks, eroded foundations and blown-away roofs.

Many of the houses, built by contractors hired by Impala, do not have bathrooms or toilets and, according to the householders, the mine has now told them to apply for loans if they want to make additions to their homes.

Their statements have been confirmed by a spokesperson for the JHT Van der Walt law firm - which is representing 80 residents of Boitekong.

And, despite the condition of the houses, Impala's employees still have to pay debit orders to the mine ranging from R750,00 to R850,00 per month, the legal spokesman said.

Impala Platinum's housing administrative manager Piet du Preez declined to comment on the matter when approached by City Press on Friday.

"Our firm is going to get a Supreme Court interdict to stop all debit orders till such time that the conditions of the houses have been attended to, repaired and the contracts rectified," said Steve Reynders, a spokesman for the lawyers.

According to Reynders, the housing contracts that the employees entered into with Impala "do not have any force or effect in law" and the householders have not even been given proper title deeds for their property. "All they have is a little piece of paper with the erf number and their name on it," he said.

One former employee of the mine, who was recently retrenched, claimed that his retrenchment package had

been completely swallowed up by the loan from the mine.

According to the contract, once an employee is retrenched or fired, he forfeits all benefits due to him as he has to pay back the micro-housing loan which is underwritten by Impala and several financial institutions.

Magdeline Nnabane stays next door to her house after hers was blown away by a storm that raged in the area on February 2 last year. Despite this she still pays the mine about R487,00 a month.

According to residents of Boitekong, some are left over with only about R60,00 after deductions - with which they have to eke out a meagre existence.

One resident who lost his job with Impala after 20 years said that he forfeited all his life's earnings to the mine - to pay back the R30,000 housing loan he had with the mine.

Earnings

"I have a wife and children to feed and if the mine takes all my earnings, what do they think I must live on? And for such a house?"

Willie van Wyk, chief buildings' inspector in the Rustenburg municipality, denied responsibility, saying that when the transitional local council took over from the TPA - Boitekong extensions 4, 5 and 6 had been designated squatter areas.

"I don't understand why Impala Platinum didn't invite us to inspect houses in Boitekong as they called us to inspect houses they had built for their white employees in Rustenburg," he said.

He added that they as the municipality do inspect buildings once plans have been submitted to them and such a request made.

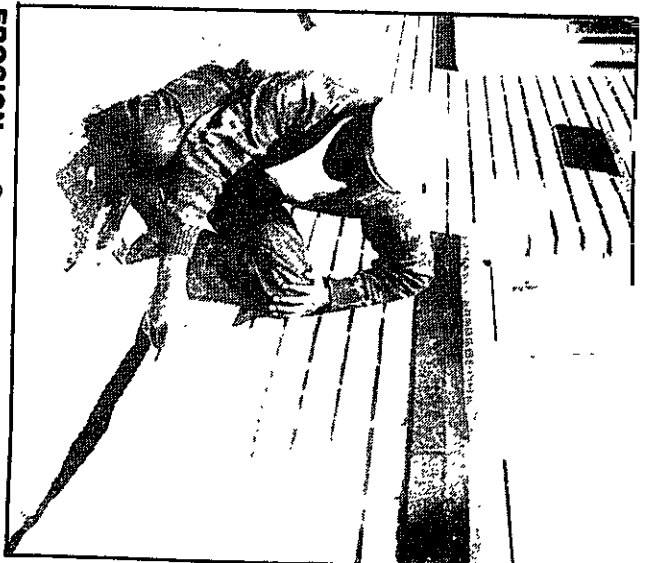
A Boitekong anti-crisis committee has been formed.

The committee also demanded that the TLC intervene with Impala Platinum management to review the exorbitant sums deducted from their employees to repay the housing loans which they described as invented "to further their exploitative measures".

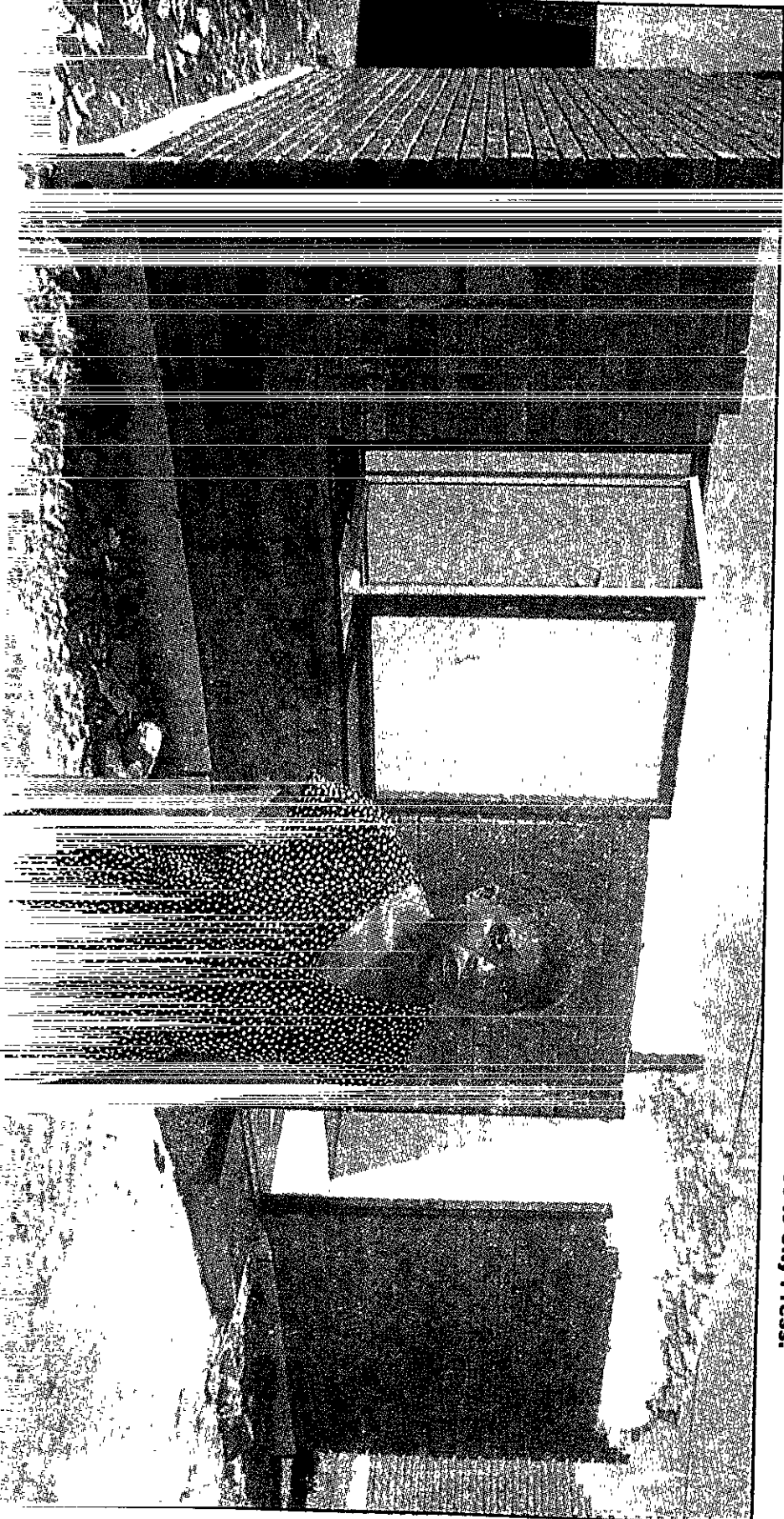


CRACKS . . . You don't have to peep through a window to see what your neighbour is doing. All it's possible through the cracks, she seems to be saying.

12



EROSION . . . One of the Botlekong residents points out the eroded foundation of his house to City Press.



Applications from builders pour in

Robyn Chalmers

(32)

ED11/9/95

Applications are processed and evaluated."

APPLICATIONS for registration with the National Home Builders' Registration Council had begun to pour in after it became clear builders not registered would not receive home-loan finance, council MD Peter Allsopp said at the weekend.

He said there had been some confusion over the September 1 deadline set by the Association of Mortgage Lenders. The 300 applications already received and any further applications received before November 1 would be acknowledged in writing. This would entitle the contractor to mortgage finance from the association.

"However, this is only an interim measure, and contractors who apply after November 1 will have to wait until they are certified members of the council before they can apply for a bond. This means waiting 22 working days while their appli-

cations are processed and evaluated." Allsopp said registration with the council — an integral part of the builders' warranty mechanism — meant contractors had to meet certain minimum building standards. Once the council had accepted their credentials, they would be eligible for bonds of up to R65 000, although the limit was expected to increase soon following calls from government for such a move.

The council would continue to accept applications from contractors. "Without a registration certificate they will be unable to conclude building contracts that require mortgage finance. The home-buying public needs to be made aware that only houses built by registered members will be covered by the back-up warranty scheme."

Allsopp said the council was particularly encouraged by the enthusiastic response from smaller home builders.

● See Page 2

Vibrant Group Five into growth phase

(32) BD 11/9/95
Robyn Chalmers

GROUP Five Holdings' focus on internal restructuring helped produce a 51% rise in attributable earnings to R14m in the year to June.

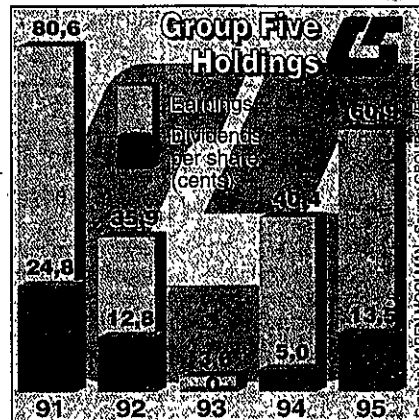
Chairman Theunis Kotzee said at the weekend the group had moved out of its consolidation period and its internal focus, and had embarked on a strong growth path which could see it setting up an offshore base in the current financial year.

The group had increased its holding in the Everite group from an effective 23% to 57.4% — a move which was undertaken after the year-end.

Turnover rose 21% to R2,2bn and operating income almost doubled to R80,2m (R40,8m), largely as a result of improved operating margins in the Everite Group.

Income before interest and tax was 82% higher at R81,7m and a lower interest charge of R14,9m (R18,5m) left pre-tax income at R66,8m (R26,3m).

The group did not benefit from tax losses as it did in the previous year, and the tax bill of R16,2m (R395,000) saw post-tax income amount to R50,6m (R25,9m).



Earnings rose to 60,9c (40,4c) a share and a final dividend of 8,5c was declared, bringing the total dividend to 13,5c.

Kotzee said the results of Goldstein Properties, which historically housed surplus properties, head leases and guarantee commitments, were again disappointing. This was due in part to the lack of delivery

Continued on Page 2

Group Five (32) BD 11/9/95

Continued from Page 1

from government's low-cost housing programme and the mediocre demand for commercial space.

The group's exposure to Goldstein Properties was, however, significantly reduced as its stocks of land intended for low-cost housing had, he said, been written down to market value.

Kotzee said the building division almost doubled pre-tax profit on a 10% increase in turnover while the engineering division doubled its pre-tax profit on substantial turnover growth.

"The civils and roads divisions met ex-

pectations in spite of a dearth of infra-structural work, while the group's residential property development and services sectors made a strong contribution to group profits. This was after allowing for the re-establishment of a commercial property development business unit."

Everite Group almost tripled attributable earnings to R31,3m (R10,5m) on an 11% increase in turnover to R619,7m. Earnings soared to 35,1c (11,8c) and a total dividend of 8c (4c) was declared. Kotzee said Everite had virtually no borrowings and was looking for new opportunities to accelerate growth and profitability.

He expected the construction and export markets in Africa to improve.

Concor conquers fierce competition to lift profit

(32) BD 11/9/95

Robyn Chalmers

CONSTRUCTION group Concor overcame an increasingly competitive environment to post higher attributable income of R20,5m (R14,9m) for the year ended June.

Chairman Brian Murphy said building conditions were buoyant in all the group's sectors — residential, commercial, retail and industrial — but margins were tight and competition fierce.

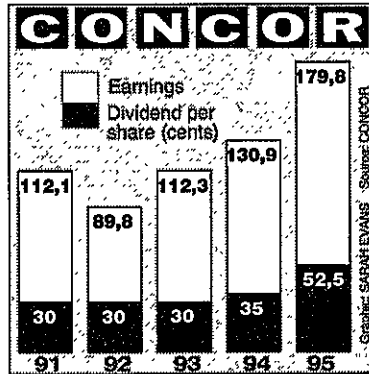
Turnover grew 15% to R729,2m, while improved operating margins resulted in a 21% rise in operating income to R22,7m.

The higher operating income, with lower tax of R9,6m (R10,9m), saw earnings rise to 179,8c from 130,9c, while a total dividend of 52,5c (35c) was declared.

Total assets rose to R273,9m from R241m during the previous financial year, with current liabilities increasing to R182,6m from R167,8m. Interest bearing debt amounted to R9,5m from R5,8m.

Murphy said the group's civil engineering division had had a good year following the completion of contracts at Columbus and Alusaf.

"Profits were taken on the tunnelling contract in SA where we are in a joint venture with Swiss and German partners. This project forms part of the Lesotho



Highlands water venture," he said.

The roads and earthworks divisions also had a satisfactory year, mainly in the rehabilitation and opencast mining markets with major contracts secured in Botswana.

Murphy said the major improvement came from Concor Technicrete, where demand for building material supplies was buoyant. Additional capacity was implemented in Gauteng, Mpumalanga, Western Transvaal and Northern Transvaal.

"The product range was increased to cover nearly all basic building materials, ranging from bricks and paving to flooring and roof tiles," he said.

Murphy predicted that building construction would remain active during the current financial year, although margins were not expected to improve significantly.

"A dearth of civil engineering contracts will affect our activities in this industry. We are nevertheless confident that we will secure enough small type contracts to keep this division profitably occupied." He also expected the roads division to perform well, with major contracts on the N2 and N17 being completed next year. Demand for building materials was expected to remain buoyant and he believed Concor Technicrete would have another good year.

On the negative side, he said labour productivity levels were not improving significantly which, coupled with illegal and unprocedural work stoppages, would remain a threat to the group.

"We are, however, being proactive in this regard and have a proven track record of addressing these problems effectively.

"The group remains committed to the reconstruction and development programme and supports the government in its endeavours to address social imbalances. Nevertheless, violent crime remains a deterrent to private sector involvement in township housing projects," he said.

Group Five boosts income 51% after restructuring

(32) Star 11/9/95

■ BY ANDY DUFFY

Group Five lifted attributable income 51 percent to R26 million for the year to June, as past restructuring allowed the construction company to exploit limited improvements in market conditions.

The group lifted turnover 21 percent to R2,25 billion.

Improved profitability, particularly at listed building materials subsidiary Everite, nearly doubled operating income to R80,2 million.

But surging payments to the taxman and outside shareholders dampened the impact on the bottom line.

Share earnings rose to 62,3c from 41,3c, though the dividend was set at 14c — 155 percent up on last year.

Results

Theunis Kotzee, the chairman of Group Five, said the results represented “only one third of the group’s potential, which should be realised as the economy improves”.

The group was well positioned to exploit improved fixed investment in southern Africa, and was planning to create an offshore operation, he said.

“The results for the coming year should show a meaningful improvement,” Kotzee said.

The building division had almost doubled its pre-tax profit, though sales had edged forward just 10 percent.

The civils and roads divisions had made their budgets, despite a lack of infrastructural work.

The residential property development and services division had also made a strong contribution.

Additional project finance helped lift the group’s short-term debt to R103,7 million from a previous R29,5 million.

The division had been restructured in July, merging Gough Cooper Homes and Group Five Homes as Group Five Residential Develop-



Realising potential . . . Theunis Kotzee, chairman of Group Five, as the construction company posted a 51 percent rise in attributable earnings

ments.

But Goldstein Properties again failed to meet its targets. The group’s exposure had decreased following the writedown policy introduced last year.

Everite lifted sales 11 percent to R620 million as expected volume increases failed to materialise.

But cost-cutting and improved operating efficiencies lifted operating income to R47,8 million from

R16,6 million. Debt fell, more than halving interest charges to R5,8 million.

Share earnings rose 198 percent to 35,1c, while the dividend doubled to 8c.

Kotzee said Group Five had lifted its stake in Everite Holdings to more than 50 percent from a previous 39 percent since the year end — a plan announced in February last year.

Concor pushes up dividend by 50%

Gran 11/9/95 (32)

BY JOHN SPIRA

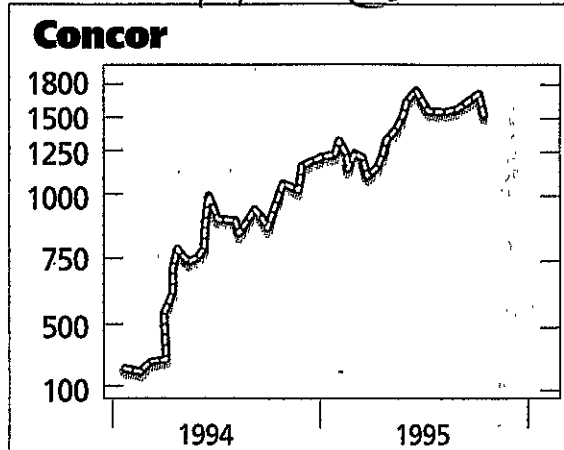
Concor, the construction group, lifted earnings by 37 percent to 179,8c a share in the 12 months to June. The year's dividend has been raised by a hefty 50 percent to 52,5c.

Earnings outstripped turnover growth, which was up 15 percent to R729 million, thanks to improved operating margins and a lower tax charge.

The final dividend was 40c, raising the 12-month total to 52,5c to yield 3,4 percent at the ruling 1550c. The average yield for the JSE's building and construction sector was 2,4 percent.

The shares had been advancing strongly since March this year, when they were trading at 1100c.

The directors said all the group's divisions — residential, commercial, retail and industrial — improved on their profit forecasts, "reflecting the



adherence to good management controls and the high degree of motivation of our employees".

They were confident that Concor would continue to achieve growth in the 1995/96 financial year, though labour productivity levels "are not improving significantly which, coupled with illegal and unprocedural work stoppages, will remain a threat to the group".

However, the company

said it had a proven track record of sorting out these problems.

On the divisional outlook, the directors predicted that building construction would remain active (though margins would not improve significantly), the dearth of major civil engineering contracts should be offset by smaller contracts, the roads division would perform well and building material demand should remain buoyant.

Group Five benefits from restructuring

CT 11/9/95 (BR) (32)

By ANDY DUFFY

STAFF WRITER

Group Five lifted attributable income 51 percent to R26 million for the year to June, as past restructuring allowed the construction company to exploit limited improvements in market conditions.

The group lifted turnover 21 percent to R2,25 billion.

Improved profitability, particularly at listed building materials subsidiary Everite, nearly doubled operating income to R80,2 million.

But surging payments to the taxman and outside shareholders dampened the impact on the bottom line.

Share earnings rose to 62,3c from 41,3c, though the dividend was set at 14c — 155 percent up on last year.

Theunis Kotzee, the chairman of Group Five, said the results represented "only one third of the group's potential, which should be realised as the economy improves". The group was well positioned to exploit improved fixed investment in southern Africa, and was planning to create an offshore operation.

"The results for the coming year should show a meaningful improvement," Kotzee said.

The building division had almost doubled its pre-tax profit, though sales had edged forward just 10 percent. The civils and



REALISING POTENTIAL Theunis Kotzee, the chairman of Group Five. The construction company has posted a 51 percent rise in attributable earnings

PHOTO: JOHN WOODROOF

roads divisions had made their budgets, despite a lack of infrastructural work.

The residential property development and services division had also made a strong contribution.

Additional project finance helped lift the group's short-term debt to R103,7 million from a previous R29,5 million.

The division had been restructured in July, merging Gough

Cooper Homes and Group Five Homes as Group Five Residential Developments.

But Goldstein Properties again failed to meet its targets. The group's exposure had decreased following the write-down policy introduced last year.

Everite lifted sales 11 percent to R620 million as expected volume increases failed to materialise. But cost-cutting and improved operating efficiencies

lifted operating income to R47,8 million from R16,6 million. Debt fell, more than halving interest charges to R5,8 million.

Share earnings rose 198 percent to 35,1c, while the dividend doubled to 8c.

Kotzee said Group Five had lifted its stake in Everite Holdings to more than 50 percent from a previous 39 percent since the year end — a plan announced in February last year.

Concor pushes up dividend by 50%

CT (BR) 11/9/95 (32)

By JOHN SPIRA

GAUTENG BUSINESS EDITOR

Concor, the construction group, lifted earnings by 37 percent to 179,8c a share in the 12 months to June. The year's dividend has been raised by a hefty 50 percent to 52,5c.

Earnings outstripped turnover growth, which was up 15 percent to R729 million, thanks to improved operating margins and a lower tax charge.

The final dividend is 40c, raising the 12-month total to 52,5c to yield 3,4 percent at the ruling 1550c. The average yield for the JSE's building and construction sector is 2,4 percent.

The shares have been advancing strongly since March this year, when they were trading at 1100c.

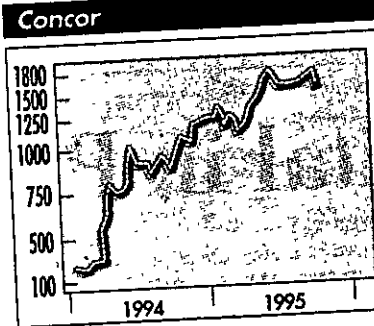
The directors said all the group's divisions — residential, commercial, retail and industrial — improved on their profit forecasts, "reflecting the adherence to good management controls and the high degree of motivation of our employees".

They were confident that

Concor would continue to achieve growth in the 1995/96 financial year, though labour productivity levels "are not improving significantly which, coupled with illegal and unprocedural work stoppages, will remain a threat to the group".

However, the company said it had a proven track record of sorting out these problems.

On the divisional outlook, the directors predicted that building construction would remain active (though margins would not improve significantly), the dearth of major civil engineering contracts should be offset by smaller contracts, the roads division would perform well and building material demand should remain buoyant.



Bifsa affirmative action challenge

Robyn Chalmers

WILDERNESS — The construction industry had to move swiftly to implement affirmative action — a responsibility it had sorely neglected, Institute of Personnel Management president Johannes Magwaza said yesterday.

Magwaza delivered a strong message to delegates attending the Building Industries Federation of SA (Bifsa) congress, saying they would face a social revolution if they did not take affirmative action seriously.

He also took Bifsa to task for the lack of black representation at its congress, saying that if this did not change by next year, it would not have lived up to its responsibilities. "The construction industry is one of the few in SA that has the training capacity, the funding ability and the captive audience to implement affirmative action policies which will have an impact in a relatively short space of time.

Magwaza said there were solid reasons why affirmative action had to succeed in SA, including political imperatives whereby black people demanded social restructuring before the next general

election. Should there have been no progress by 1999, SA could be faced with a revolution.

On a business level, companies would not prosper if white businessmen were the only ones to benefit from a company's success. Black people could also assist in opening doors.

Magwaza said business should implement set targets and stick to them. Should they not meet these after a specified period, government could legislate with quotas.

Labour ministry advisor David Lewis put in a strong plea, saying it was important that the construction sector contribute to the presidential commission investigating the development of comprehensive labour market policy.

Lewis, who is commission co-chairman, said that the limited time the commission had meant it would have to get submissions from relevant associations.

"Although we are hoping to get an extension from the Labour Ministry, at present we have until the middle of next year to complete this enormously complex task and I appeal to Bifsa to put in a formal submission as soon as possible," he said.

Building industry profits on the rise

BY MAGGIE ROWLEY

The past year had been disappointing for the building industry but prospects were continuing to improve, with activity levels, employment and profit all rising, says Ian Robinson, the executive director of the Building Industries Federation of South Africa.

In the annual report released at the federation's annual conference held in George, Robinson said the expected boost from the RDP and low-cost housing initiative had yet to materialise, but the year ahead should see turnover in the industry grow to well over R17 billion.

He said owing to the shortage of supervisory skills in the industry, it was questionable how the industry would have managed if the forecast upturn had already commenced to any sustainable degree.

"Development of our emerging contractors has been painfully slow, hampered by the lack of financial intervention and recognition that our industry is desperately in need of government support to accelerate the implementation of our training programmes.

ET (BR) 12/9/95 (32)

Our own industry leaders, while recognising the limitations to profitability during the last few years, continue to delay investment in training ahead of the market and the building industry, if not the country, may live to regret this strategic shortsightedness. Managing the upturn must commence with the utmost urgency, particularly in respect of capacity building."

The overall level of skills, he said, was inadequate to meet the needs of the government's RDP. If the industry was to meet the challenges ahead of it, the total annual training cost would have to be increased from R27,5 million last year to R220 million this year, reaching a peak of R285 million during 1997 and gradually reducing thereafter to this year's level.

South African Reserve Bank figures show that investment in the industry rose from roughly R13,7 billion in 1993 to R14 billion last year.

This represented a nominal increase of eight percent and once building cost increases had been eliminated, activity levels dropped by a marginal 0,3 percent.

Kriel warns Bifsa not to get hopes up

BY MAGGIE ROWLEY

The building industry would be well advised not to depend too heavily on the public sector for work in the short term, Hernus Kriel, the Western Cape premier, warned yesterday.

Welcoming delegates to the annual conference of the Building Industries Federation of South Africa, Kriel said the building industry would be better off seeking work opportunities from the private sector.

Even if large housing contracts were to be put out by the state, he said these would be broken up so that smaller contractors could benefit and be empowered.

"If we don't do this, foreign investors will be hesitant to become part of our economy."

Kriel said there was some despondency over the new government's inability to deliver. Hardly any new houses, schools or clinics had been built and it was possible that the situation would not improve next year.

on a straight swap of a parcel of shares.

But Thys Oosthuizen, the senior legal adviser for Old Mutual, said the fund structure was a far more stable proposition for South African investors.

"The normal asset swap can be

performed with the management, the British fund manager. Sanlam's plans, as yet undetailed, are worth more than R100 million.

Oosthuizen said Old Mutual was also considering normal asset swaps, though he refused to be drawn further.

commitments made by the committee and wanted the Bill passed speedily.

Botha said he did not agree with the DP view of the bill's effects on small business. Mboweni said the opposition from the DP and the NP was not unexpected.

Builders urged to embrace change

By MAGGIE ROWLEY

PROPERTY EDITOR

Unless business embarked on affirmative action and black empowerment, the present government would not be re-elected in 1999, and the country could face a revolution, Johannes Magwaza, president of the Institute of Personnel Management and executive director of the Tongaat Hulett group warned yesterday.

Delivering a hard-hitting address to the Building Industries Federation of South Africa's annual congress, in which he attacked the organisation's lack of implementation of affirmative action, Magwaza

CT(92)12/9/95
said that if the organisation did not start to address its relevance in the new South Africa it would be a "disgrace" to the industry.

He told delegates they had a choice to stay with their present reality, which could become ugly and result in the organisation dying or they could walk the journey of affirmative action. Affirmative action was not just about bettering a few people, but about the unlocking of human potential at all levels.

Bifsa faced serious challenges to meet the requirements of the RDP, which included affirmative action and black economic empowerment.

Magwaza warned that unless business moved to implement affir-

(32) (1995)
mative action by setting itself targets and keeping to them, it could face legislation to enforce quotas.

"While quotas can amount to reverse discrimination, business would only have itself to blame."

For affirmative action policies to be successful they needed to be an integral part of business objectives and should be seen as a process not a programme, he said. In addition, the process should be driven by the chief executive downwards with across the board support and commitment to the affirmative action process.

□ See Page 14

Mistrust between contractors

(32) BD 13/9/95
Robyn Chalmers

WILDERNESS — Mistrust between emerging and established contractors came to the fore in a discussion yesterday on unification of the construction industry at the Building Industries Federation of SA congress.

A number of emerging contractors were con-

cerned about the apparent lack of willingness of predominantly white organisations to change, the support they had given to racially-based ideologies and distrust between industry players.

Predominantly white groups worried that black organisations did not have the capital to develop infrastructure and 'skill capacity' and that there were strong organisational and cultural differences.

Deloitte and Touche's Mike Vincent said there were strong vested interests on both sides in maintaining the status quo and it was important to recognise the advantages of change.

A steering committee,

overseen by Deloitte and Touche, was created last year to explore the potential for unifying the contracting sector.

Should unification take place, contractors would have one representative organisation, similar to the umbrella bodies formed to represent all building industry professionals and material suppliers.

Another topic at the conference was the need for social compacts.

Contractors said the compacts were costing them large sums of money and had at times halted schemes which would have brought low-cost houses onto the market.

See Page 14

PROPI

Industry told to prepare for change

(32) 80 13/4/95

Robyn Chalmers

WILDERNESS — The construction industry had to begin managing for change by investing in training programmes, embracing affirmative action and becoming a unified sector. This was the message from the Building Industries Federation of SA (Bifsa) congress this week.

Delegates were told they would have to significantly alter the way they undertook projects, trained staff and tendered for bids.

Housing department director-general Billy Cobbett said he hoped the congress was the last that Bifsa held and that the industry would instead be formed into a single, representative body.

"It cannot be said that Bifsa represents the whole construction industry. We need to move towards a situation where large and small, formal and informal contractors are all housed in one body," he said.

Institute of Personnel Management pre-

sident Johannes Magwaza said the construction sector would have to pay more attention to affirmative action.

Bifsa executive director Iain Robinson said the past 12 months had been disappointing for the industry. Writing in the Bifsa annual review, Robinson said that a year ago the industry had been optimistic that it was about to enter a period of sustainable and profitable growth.

"Our expectations have not been realised for a variety of reasons. Most importantly, we have not yet seen many contracts emerging from the reconstruction and development programme which appears bogged down by bureaucracy and lack of capacity to deliver within government," he said.

However, had the upturn commenced, there was a question mark over whether the industry could have coped due to its shortage of supervisory skills.

Robinson said development of emerging contractors was hampered by the lack of fi-

ancial intervention and the recognition that government support was needed to accelerate training programmes.

"Our own industry leaders, while recognising the limitations to profitability during the last few years, continue to delay investment in training ahead of the market, and the building industry may live to regret its strategic short-sightedness.

"Managing for the upturn must commence with the utmost urgency, particularly in respect of capacity building," he said.

While the industry had experienced another difficult year, he said prospects were better than they had been for some time.

Reserve Bank statistics showed investment in the industry rose from about R13,7bn in 1993 to R14,8bn last year — a nominal increase of 8%.

He said activity levels would be boosted to a greater extent once the reconstruction and development programme's home building initiative came on stream.

Drive to attract black developers

Sello Motlhabakwe

(32)

DD 13/9/95

THE SA Property Owners' Association (Sapoa) has launched a drive to persuade commercial industrial developers, especially those from the black community, to join the association.

Sapoa CE Brian Kirchmann said the organisation needed black property developers to bring their aspirations and requirements to the table. The ideas of the black members were also needed to enable Sapoa to ensure that a responsible and credible industry was maintained in SA.

The association's training programme has already equipped many disadvantaged people with skills essential for a variety of job opportunities in the property arena.

Kirchmann said to serve black needs effectively, Sapoa had to deal

with the key players. For the programme to be developed to its full potential, and for deficiencies to be found, close liaison with black business was imperative. It was hoped black developers who joined the association would benefit from Sapoa's services and draw on its pool of trained personnel.

Sapoa was also going all out to service the commercial and industrial property industries, by catering to all needs. "Through our conventions, seminars, information dissemination, educational courses and statistics, and by lobbying government, we aim to fulfil all requirements," Kirchmann said.

"While we have recognised the desperate need for an effective placement and education programme, it is just as important for the commercial property industry to be kept up to date on international trends."

Extended scheme will reduce home levies

By MAGGIE ROWLEY

ROCHEY EDICK

Extension of the Home Builders' Defects Warranty Scheme to cover all housing up to R250 000, which is expected to be implemented shortly, would greatly reduce the levy payable on each unit by spreading the load, said Peter Allsopp, the managing director of National Home Builders' Registration Council.

He said that while the defects warranty scheme would ideally cover all new residential housing, this had initially been limited to units costing up to R65 000.

However, due to concerns that this would unfairly prejudice low income home buyers and contractors, the scheme would be extended to incorporate all new housing under R250 000 by January next year, and within a year all new residential building was likely to fall under the same criteria.

Allsopp said their financial modelling indicated that for limited units costing up to R65 000, and assuming that 30 000 units were built a year at an average cost of

Delivery sensitivity

Expected delivery	20 000	30 000	50 000
Average value	R40 000	R70 000	R100 000
Break even %	3,08%	1,84%	1,37%

BREAK EVEN If the ceiling level for the levy was kept at R65 000, and 20 000 units were built every year at an average cost of R40 000, a 3,08 percent levy on each unit would be required for the council to break even. If the levy was extended to include housing up to R150 000, with 50 000 units a year being built at an average cost of R100 000, a levy of only 1,37 percent would be required.

R40 000, the total cost of the levy per unit would be R958 or 2,39 percent of the total price.

By extending the levy to include units of up to R150 000, and assuming an average price of R100 000 and that 70 000 units were built per year within this bracket, the average cost of the levy per house would be R1 265 or 1,27 percent. The levy on a R40 000 unit would then be reduced to R508.

By extending the amount to

CT (MR) 13/19/95

(32)

Sensitivity ceiling value R65 000

Number of houses	Council net income
40 000	R5 003 249
20 000	R4 899 907
15 000	R7 503 385
10 000	R10 107 602
5 000	R12 711 587

POTENTIAL DEFICIT If 30 000 or more units are built at an average cost of R40 000 the new Home Builders' Registration Council will incur a positive net income. If fewer houses are built, and the levy is applied only to housing costing R65 000 or less, the council will run at a loss

an average price of R40 000 would require a levy of 3,08 percent, he said.

"If the ceiling was raised to R150 000 and we built 50 000 units at an average price of R100 000, the levy required for the council to break even would be 1,37 percent.

On a R40 000 unit, this would amount to R548."

Allsopp added that some of the constituent organisations of the council had supported the extension. It was now being considered by the other member organisations, including the Building Industries

Plan to raise house levy limit

Ro...
20/15/9/95 (32)

LEVI... could soon be payable on all new homes costing up to R250 000 if a proposal to raise the limit of houses covered under the builders warranty mechanism is accepted next Monday.

National Home Builders Registration Council MD Peter Allsopp said yesterday there was strong support for lifting the limit from R65 000. This had come from emerging and formal construction bodies and from government.

Allsopp said lifting the limit would significantly reduce the levy payable as the load would be spread over more houses.

Allsopp said the construction

bodies which had supported the raising of the limit included the Association of Development Professionals, the National Association of Home Builders and bodies constituting the black construction industry.

He said the full policy-making board of the National Home Builders Registration Council would make its decision next Monday. This included mortgage lenders, building material suppliers, the Housing Consumer Protection Trust and the departments of public works and housing.

The Building Industries Federation of SA (Bifsa) agreed this week to lift the ceiling for homes covered under the builders war-

ranty mechanism to R250 000.

Bifsa executive director Ian Robinson said: "The effect of this decision is to be re-evaluated by Bifsa after 12 months if the limit is increased to R250 000. Should the target of 50 000 loans agreed to by banks and government last year not be reached during the first 12 months, Bifsa would re-view its participation in the builders warranty mechanism."

Robinson said Bifsa would monitor the cost of managing the planned defects warranty fund to ensure home buyers were not affected by increases in building costs which would adversely affect the rate at which homes were provided.

New scheme offers 'better protection'

(32) (32)
Robyn Chalmers
2019/1995

THE national home builders registration council's board voted unanimously yesterday to raise the limit of houses covered under the builders warranty mechanism to R250 000 from R65 000 and to set up a warranty fund by February 1 next year.

Council MD Peter Allsopp said board members agreed lifting the limit would significantly reduce the levy payable on homes covered by the mechanism as the load would be spread over a wider base.

In addition, he said it would boost consumer protection against shoddy workmanship and unscrupulous contractors and ensure there was no discrimination against home owners in below the R65 000 market.

Board members included representatives from the departments of trade and industry, public works and housing, the Association of Mortgage Lenders, construction bodies and the SA Insurance Association.

Allsopp said contractors wishing to qualify for mortgage finance under R250 000 on February 1 would have to be registered with the council by November 1. The council was expecting a flood of inquiries and applications from contractors over the next few months.

He said the board had confirmed a comprehensive builders' warranty mechanism would be in place by February 1 next year to replace the current interim mechanism. The interim scheme was forged earlier this year when agreement could not be reached on a long-term mechanism.

The comprehensive mechanism would introduce a warranty

fund for the home building industry as a fallback measure should contractors refuse to rectify defects or had gone bankrupt.

It would be funded by ensuring a fixed percentage of the total selling price of each house constructed by an accredited contractor was paid to the council on plan approval stage in the form of a levy.

Allsopp said the council was still discussing the financial model of the fund to ascertain what percentage of each house would be levied. The council was also investigating the size of the inspectorate to be set up to monitor building work on homes.

□ A further 36 areas in eight provinces have been granted cover by the mortgage indemnity fund board, bringing to 207 the total number of areas where banks will consider lending.

The highest profile area of those granted cover in the latest round was Hillbrow.

Newly appointed fund MD Nkululeko Sowazi emphasised that the scheme was a short-term measure introduced by government to facilitate the re-entry of financial institutions in areas where they had withdrawn.

"The approval of cover for the areas involved will enable mortgage lenders to resume lending activities where they have withdrawn from areas due to abnormal or non-commercial risks," he said.

Banks accredited by the fund are Standard Bank, Absa, FNB, Nedbank, Boland Bank, Saambou, NBS, Citizen Bank, Community Bank, Mercantile Bank, African Bank, Bophuthatswana Building Society and GBS Mutual Bank, Khayaletu Home Loans and Future Bank.

Value of building plans soars

80 21/9/95

(32)

Robyn Chalmers

THE value of building plans approved soared 47% to R10,3bn for the first seven months of this year, but delays in implementing government's housing programme contributed to a slower rise in the value of residential buildings completed.

Latest Central Statistical Service figures showed that while the number of approvals for buildings, particularly in the residential sector, was rising rapidly, the value of residential buildings completed rose 27% to R2,5bn in the first seven months of 1995.

The statistics indicated that the total value of dwelling house plans approved increased 49% to R4,6bn during the first seven months of 1995 compared with the same period last year.

More than half of the houses completed were in Gauteng, where the most dwelling house and townhouse plans were approved, at 15 471, followed by the Western Cape at 7 133 and KwaZulu-Natal at 5 705.

The value of building plans approved for non-residential buildings also showed a strong rise, increasing 76% to R1,1bn. The largest contributors to the increase were

the urban areas of the Witwatersrand, Pretoria and Cape Town.

Construction analysts said while the higher activity was clearly an improvement over 1994 and building companies were reporting improved order books and decreased tendering competition, the value of buildings completed was almost half of the value of approved plans.

Stellenbosch University Bureau for Economic Research director Oekie Stuart said the recovery in the building industry appeared to be going hand in hand with government's housing programme.

"The growth in investment in the residential and non-residential sectors is encouraging, but construction figures are beginning to reflect a slump in the civil engineering industry," said Stuart.

BMI Building Research Strategy Consulting Unit head Llewellyn Lewis said a survey recently conducted by BMI showed that conditions in the building industry had improved marginally during the first six months of 1995 over 1994.

"A growth in building activity of between 15% and 20% will be required for 1996 if the RDP is to exhibit the degree of success which it is capable of," he said.

Ilco (32) ARG 23/9/95 moves to cut bank debts

CHARLENE CLAYTON
Property Reporter

BELEAGURED listed property company Ilco Homes is to be restructured in an effort to reduce its R83 million debt to Boland Bank.

From 1990 to 1995, overdrafts to Ilco and holding company Holdem rose from approximately R50 million to more than R80 million, in spite of demands that debt be reduced.

In April 1995 Boland Bank acquired the right to 76 per cent of Holdem at nominal value.

Boland Bank executive director Piet Krynaauw said the bank wanted to recoup the money advanced to Holdem/Ilco but did not have the expertise to run a property development company. As a result, Ilco had been restructured by Pro-Mark Network, which had been nominated by Boland Bank to manage the affairs of the company and return it to profitability.

Pro-Mark is controlled by two of Monex Development Company's shareholders, Martin Wragge and Keith Watkins.

Mr Wragge told a media briefing this week that considerable progress had been made with the restructuring of the two companies.

The R20 million of short-term debt in Ilco Homes is being converted to preference shares with Boland Bank. This represents a 40 percent reduction in Ilco's short-term borrowings and significantly improves the

■ To page 3

Ilco moves to cut debt

■ From page 1

capital structure of the company.

The head office of Holdem/Ilco has been moved from Pinetown in KwaZulu/Natal to Monex Development Company's offices in Cape Town. This included the rationalisation of head office staff.

The operations of Strand Timbers, which suffered losses of R9 million, have also been restructured.

The retail outlet is being closed and the properties from which the business operated have been sold for R5,1 million.

The manufacturing component, which produces roof trusses for the building industry, and other timber products, has been moved to the premises of another subsidiary, Prime Brick, in Atlantis and the two manufacturing operations are being integrated.

Prime Brick is being restructured to double the production of brick and concrete products to meet the anticipated additional demands of housing construction, the general market and the proposed Century

(32) ARG 23/9/95
City project in Milnerton.

The construction division in Cape Town is being restructured to deliver a higher throughput of houses and meet some of the "mid-rise" and infrastructural requirements of Century City.

Inzinga Ranch — one of the largest cattle ranches in KwaZulu/Natal — will be on the block at an auction scheduled for November 28. The sale is expected to yield in excess of R20 million.

The non-core assets to the value of more than R12 million, including the Strand Timbers properties, have been sold at market-related prices in 12 separate transactions.

The Isando plant of Simplify Scaffolding has been sold for R1,9 million and more than R500 000 of superfluous equipment has been disposed of.

Other non-core properties, including the nine-storey former head office building in Pinetown, will be redeveloped to maximise their potential and position them as institutional investments.

RDP projects are helping to level the local building field

Staff Reporter

(32)

HISTORICALLY disadvantaged contractors in the building industry are getting training to help equip them to tender for reconstruction and development housing projects.

More than 60 emerging contractors are presently undergoing training programmes with the Building Industries Federation of South Africa (Bifsa) to help manage the SLP (Serviced Land Project), one of the biggest RDP housing projects in the Western Cape.

The training includes the legal requirements dealing with basic contracts, production management, estimating and tendering.

The SLP caters for the communities of Guguletu, Langa, Nyanga, Crossroads and surrounding informal settlements, as well as Driftsands, Weltevreden Valley and southern Delft. *ARC 27/9/95*

Development of these area will ultimately create 40 000 residential units as well as health, education, recreation and sports facilities.

More than R1.2 billion is budgeted for development of the SLP during a five-year period, and the project has been endorsed by the cabinet committee of the RDP and is one of the Presidential Lead Projects on urban re-

newal.

It is also a joint initiative of the provincial government, regional and local authorities and communities, and is designed to meet the needs of low-income families in the area and give them access to all services to promote health, education, welfare and employment.

Lorelle Bell of Holistic Settlements, consultants for the SLP, said co-ordinators of the project were working towards ensuring that community members benefited from the project and that local economies were stimulated by the investment it represented.

"Business support programmes and intervention in the tendering process to help facilitate labour-based construction and joint ventures are some of the key elements of the project.

"Already communities are benefiting from labour-based construction initiatives by being part of the infrastructural development phase, and contractors are obliged to guarantee that 50 percent of the site work will be done by local residents.

"And where contracts are beyond the capacity of emerging contractors, conditions of the tender documents make provision for on the job training of joint venture partners."

Star 28/9/95
**Home cover
limit raised**

 (32)

■ BY PATRICK WADULA

A unanimous agreement has been reached to raise the ceiling level for warranty cover in the building industry, the National Home Builders' Registration Council has announced.

The level has been raised from R65 000 to R250 000 for all the contractors registered with the council.

NHBRC managing director Peter Allsop said this was a significant step forward as it made the scheme accessible and more attractive.

"The more houses covered by the scheme, the lower the levy per unit," said Allsop.

He said everyone would benefit, including customers, who would now have greater protection against shoddy workmanship.

Allsop expects that all houses built in the country will fall within the warranty scheme within the next 12 months.

He said contractors could register with the scheme at any time. Contractors active in the R65 000 to R250 000 market are requested to register by February 1.

BUILDING & CONSTRUCTION

Waiting for RDP funds

Activity levels are rising but spending is patchy

(32) FM 6/10/95

It is now a truism that SA's current economic recovery is rooted in an increase in fixed investment spending. This has been good news for companies in the building and construction industries, which have the task of pouring the foundations and raising the roofs for many new capital projects.

Gross domestic fixed investment rose 21,5% in the year to June, taking the total to around R79,8bn. Economists are forecasting further strong increases over the next few years.

Though the direction of this spending surge has been patchy, building and construction companies and their suppliers are gaining through rising levels of overall activity and, often, improving profit margins.

Benefits are shown in recent profit announcements. For example, Group Five in the year to end-June lifted sales by 21%, pre-interest profit 82% and EPS 50,8%. LTA in the six months to June raised sales by 12,6% but operating profit rose a third and EPS 22%. Unlisted Grinaker Construction raised turnover for its June year by 36%, pre-tax profit 24%.

Among suppliers, cement and limestone producer Anglo-Alpha produced a one-third rise in turnover for the half-year to June and more than doubled its attributable earnings. In the six months to March, the Barlows cement producer PPC improved its sales by 22,7% and EPS by 41,1%. Boumat in the year to March raised turnover by a quarter and operating profit by 165,8%.

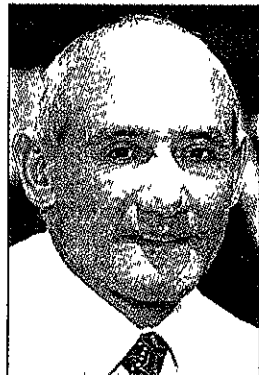
Many of these companies, especially the contractors, still lament that they have unused capacity and worry about the nonarrival of the RDP. But managers cite looming constraints such as skills shortages. Raw material producers such as the cement makers are now investing in capacity expansions.

There have been concerns about the momentum and consistency of activity. Grinaker said more difficult conditions started to emerge in the second half of its June year as the upswing lost pace. Most complain about such obstacles as bureaucracy and contract delays. Yet LTA said with its interims: "Sufficient replacement work has been secured to maintain order books."

A stockbroker's analyst says the cyclical economic revival has been enough to get the industry moving without the RDP. Analysts expect the industry to deliver earnings growth of 20%-25% in the next year

and 25%-plus in 1997. Suppliers should see good earnings earlier than contractors.

Though the overall activity levels are rising, the recovery is patchy for several reasons. One is that little or no work is coming from government. Another is that the most lucrative fixed investment projects, the massive ventures which kept many companies in work for some time — Alusaf's aluminium smelter, the Columbus stainless steel plant, Sappi's Saiccor paper mill and the Namakwa Sands mineral separation plant — are nearing completion. No new projects of comparable size are in sight.



Germena

The nearest to these in bulk, Iscor's proposed steel mill at Saldanha, now appears to be a nonstarter or has at least been delayed. This will be a disappointment for firms such as LTA, which had expected to work on the engineering side

with its new partner, US construction company Bechtel.

The Lesotho Highlands Water project, due for completion in 1997, will take up some slack, as will the Hulets aluminium project (not yet finally approved), Sasol upgrades, toll roads, mining projects, sewerage treatment works and a dam or two.

Though there is more work around than

cern," says Concor director for new business development Leo Rohrig — is the dearth of significant mining projects. "There is no reinvestment there," he says, and this has ripple effects in the building supply industries. "Mining has been our economic backbone; if it weakens, matters will be serious."

LTA group MD Colin Campbell says: "There doesn't look like a lot in the offing." However, LTA is involved in the N1 and N2 toll road construction, together with Murray & Roberts and Grinaker. The contract, which includes maintenance for 25 years, is "reasonably large," he says, but again this is private money.

One area which looks promising is dam construction. Rohrig says the Water Affairs Department, in a "major reversal of policy," has gone out to tender on the Nyaka Dam, planned for the Sabie River. At R150m, he calls the project "big in today's terms."

The lack of government work is a serious worry because civil engineering projects are mostly infrastructural and depend on government building things like roads, bridges and dams. Kotzee is concerned about underspending on local roads and municipal upkeep. "Few roads, schools or hospitals are being built," he says, and for existing projects, a single plan can take six months before it is approved.

Logically, RDP spending could take up the slack in infrastructural building and construction. It is, after all, supposed to be providing mass housing, schools, clinics and the infrastructure for these, including roads and sanitation.

Many in the building and construction industries were counting on the flow of RDP money to boost revenue but the R2,5bn set aside for these endeavours remains tantalisingly out of reach, dammed up in government coffers by bureaucratic logjams.

Says Campbell: "We expected a lot more in the way of housing and infrastructure. The decisions are not being taken at the right levels to make it happen." There is a feeling that central government's improved organisational clarity is not reflected at provincial and local levels. Where the allocation of funds should happen is precisely where the bottleneck occurs."

But Kotzee expects the purse strings to

Continued on page 31

TOPPING THE RANGE

Company	Current (R)	12-months low (R)	12-month high (R)
Anglo-Alpha	117,00	90,00	120,00
Concor	17,25	10,00	17,25
Everite	7,25	5,40	7,25
Grinaker	18,50	14,75	19,00
Group Five	7,25	4,50	7,50
LTA	20,00	16,00	22,50
Stocks & Stocks	4,60	3,00	5,35

in the past five years, says Group Five executive chairman Theunis Kotzee, it is largely funded by the private sector. Proposed government spending on infrastructure is minor compared with the boom in fixed investment in earlier decades.

"All these projects are welcome, but it's not like building power stations in the Seventies and Eighties," says Anglo-Alpha cement division MD Marco Germena.

Another big worry — the "biggest con-

Continued from page 27

be loosened after the local elections. One analyst predicts that by April 1996, local authorities will have their new budgets in place; until then, he says, "civil engineering is a worry."

The delay affects not only the builders but also their suppliers such as brick and cement manufacturers, and purveyors of pipe, roofing and plumbing supplies. Group Five has noted the lack of demand for piping, which goes into houses costing more than R100 000 and into industrial plant.

However, other areas — in particular the informal, residential and commercial building sectors — appear to be thriving. This shows in the cement industry. Germena says it is finally seeing some growth after many years in decline. An analyst says large amounts of cement are being consumed in small quantities by the "bakkie builders" who construct township homes and build additions to existing homes for those who cannot afford to buy bigger ones.

Constraints include rising costs and a shortage of skills. The Bureau for Economic Research estimates that building costs rose nearly 18% in the second quarter of 1995. These seem to be mainly because of higher raw material prices rather than higher margins; tendering is very competitive but material suppliers are under pressure.

For example, the cement industry has seen steep cost increases for two of its major inputs; the price of coal used in the kilns has almost doubled and that of paper bags in which cement is sold has increased "dramatically" as paper costs have soared.

The imminent demise of the cement cartel (Cement Distributors of SA) means added distribution and marketing costs for the three manufacturers: Anglo-Alpha, Pretoria Portland Cement and Blue Circle.

Germena says cement price increases have been kept to "a few percent below inflation" and he thinks the industry will continue this policy as long as its own higher costs can be absorbed. Nonetheless, any increase in prices will have a cascading effect. The longer spending is held up, the greater the drain on local and national government coffers when projects do come through.

Another source of higher costs will be rising wages, as companies are forced to pay top rates to newly recruited skilled staff. Wages are being forced up by competition for the industry's technical and management skills which are in short supply after the recession. Renewed growth and emigration have worsened the position.

Lower down the ranks, it is a different story as there are no jobs. Rohrig is troubled by the fact that "funds are not being

spent when they could generate much more employment." At entry level, building and construction have "a low skills threshold, so it is easy to train people."

Stocks & Stocks chairman Reg Edwards says the hiatus in construction spending has "really hurt the industry, which got itself geared up to train people, but you can't train and then not employ. Because there are no jobs, there is no training."

Though many companies are working hard to train black builders and construction workers, it still takes time. Grinaker has recently created a black-run subsidiary, Nare-Grinaker, owned jointly by Grinaker Construction and its black shareholders.

Stocks & Stocks also has a black-owned subsidiary, Homes for South Africa. These moves have paid off in that both groups have signed deals with Malaysian property group Landmarks Berhad, which sought partners with black shareholders. Group Five's joint venture with black shareholders has been scaled back due to limited work.

The focus of RDP spending will probably be on what Rohrig calls "social upliftment" projects, which take priority over the big capital spending programmes anxiously awaited by the civil engineers. He sees a shift towards housing, schools and clinics — "small, countrywide projects."

Edwards says government is "under pressure because all see the need for housing but projects are held up by the lack of suitable funding."

The problems with funding for low-cost housing are well documented and Edwards

in conjunction with a foreign partner. But Rohrig points out that big projects in Africa are usually donor-funded and competitive; "they are not an easy answer."

Order books are much improved from a few years ago, though there is still a great need for bigger volumes of work. "If it all



Edwards



Rohrig

comes through at once," Kotzee says, "it will swamp the industry. But we are looking forward to that pressure."

Despite the concerns and delays, there is enough momentum in the earnings from these companies to suggest investors can find attractive pickings in the building, construction and allied sector.

The shares became overrated in 1993 and the first half of 1994 as prices shot up in anticipation of strong earnings from the RDP. The RDP remains intangible and more recently the shares have lagged other industrial sectors.

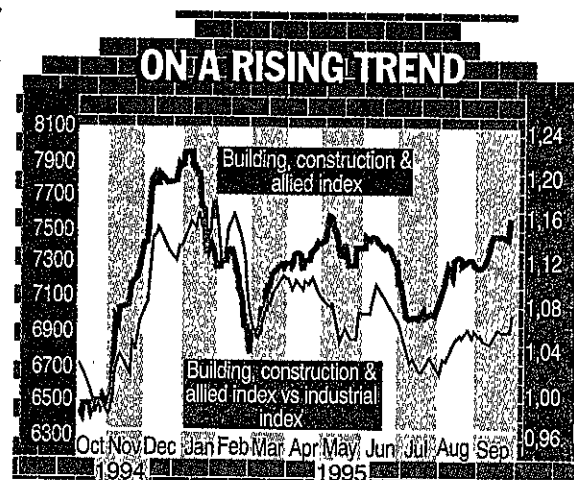
However, the good earnings growth that has been seen from building and construction companies has brought historical p:e ratios down to more attractive levels.

On an average p:e of 13,5, the building, construction and allied sector currently enjoys a rating close to that of industrial holdings (12,3) and engineering (14,7). This does not seem unjustified.

Also encouraging is that balance sheets are liquid, with minimal long-term debt and with short-term borrowings more in the nature of working capital. Some hold hefty cash balances — Grinaker Holdings had R138,6m in the bank at year-end and LTA's interim cash balance stood at R139,3m — which could help finance the next phase of growth.

Analysts believe that after the housecleaning instigated by the recession, the sector is anchored on sound fundamentals and they are positive on medium-term prospects.

One analyst thinks the RDP requirements may buoy the industry through an extended fixed investment cycle, perhaps to 2000. Much depends on expectations for RDP spending being realised — spending infrastructure in the next few years has been estimated at R174bn. Even a portion of that could boost the sector nicely. Margaret-Anne Halse



proposes building rental stock. That may open an even wrigglier can of funding worms.

An option to waiting around for the SA public purse to open is to pursue international connections and contracts, which many SA companies are doing — some such as Grinaker, Stocks & Stocks and LTA

Children's rights studied

Mdulezi ka Harvey
(248) BD 2/10/95
EIGHTY youths from different race, class, gender and disability groups countrywide met in Johannesburg at the weekend to discuss children's rights to be incorporated into SA's constitution.

The meeting, organised by the National Children's Rights Committee, was part of an effort to get children to understand their rights and responsibilities.

Committee information officer Liz Bennett said this would help children learn the fundamentals of democratic practice and empower a new generation of voters in four years' time.

Contractors' registration apathy threatens council

(32) BD 2/10/95
Sello Motlhabakwe

THE National Black Contractors and Allied Traders' Forum says it is struggling to convince emerging contractors to register with the National Home Builders' Registration Council.

Forum secretary-general Douglas Setuke said the lack of response from emerging contractors was threatening the sustainability of the council as it depended on membership fees.

There were about 20 mainstream contractors involved in the council, but for mass delivery to be effective hundreds of

emerging contractors needed to be involved. The registration fee ranged upward of R750.

Setuke was aware that national government departments had capacity-building programmes, but these were uncoordinated. The forum would urge the departments of trade and industry, labour, public works and housing to coordinate their training efforts, especially for the building industry.

The forum's initial involvement in mass housing had been based on the implementation of a development compact for emerging contractors.

Contractors support centres are on track

(32) ~~(32)~~ BD 3/10/95
Robyn Chalmers

CONSTRUCTION of SA's first housing support centres to assist emerging contractors could get under way next month, with Housing Minister Sankie Mthembi-Nkondo expected to make an announcement next week on her return from India.

The support centres are seen as a vital component of SA's housing programme.

Mthembi-Nkondo was heading up a delegation which left yesterday for India, having been invited by the Indian government for talks and site visits. These were designed to strengthen the Indo-SA agreement on intergovernmental co-operation, signed by President Nelson Mandela during his visit to India earlier this year.

A Housing Ministry spokesman said Mthembi-Nkondo would be looking at housing support systems operated by the Housing and Urban Development Corporation of India, and discussing possible technical assistance by the corporation for SA's housing effort.

All nine provincial govern-

ments had established task teams to plan and implement the support centre programme, which would provide help in explaining what the government's subsidy system could buy. It was envisaged that the centres would provide advice, finance, training, job opportunities and reasonably-priced building materials.

The proposed procurement of materials at affordable prices has raised the ire of building material suppliers, who believe they would be crowded out of the housing process. The Building Materials Suppliers' Consortium has expressed fears that if government undercut private sector prices, it would in effect amount to a hidden subsidy. But government sources said that if the material suppliers kept prices reasonable and increases at inflation or below, they would have no reason to worry.

The ministry spokesman said advice would also be given to prospective home owners or tenants on technical, legal, financial and consumer protection concerns. Planning assistance would include the cost of materials.

Builders bitter over Botshabelo deal

Property Reporter

DURBAN. — Emerging builders feel betrayed because issues relating to their upliftment have not been addressed, Linda Nyembe, president of the Council for Construction of South Africa, said here.

Speaking at the Institute for Housing of South Africa's congress yesterday, Mr Nyembe said the upliftment of emerging builders was one of the conditions attached to the council's signing of the Botshabelo Accord.

The Botshabelo accord was reached at a summit of banks, representatives of the homeless, the government, civics and the construction industry in November. As part of the accord, banks agreed to extend home loans to low-income groups.

(32) ARG 3/10/95
One of the main issues prohibiting economic empowerment was the fragmented nature of the construction industry.

The different parties were told to "sort themselves out" while the current confusion was exploited by organised industry "and I dare say quarters within the government to further suspicious agendas", he said.

Conditions relating to the training and development of black contractors and their staff was not being abided by.

Any training that did take place was subject to the whims of either of the bodies involved in presenting the training, such as the Building Industries Federation, Mr Nyembe said.

Although not against the principle of the Homebuilders

Defects Warranty Scheme and its governing body, the National Home Builders Registration Council, the Council for Construction of South Africa was against the manner in which the principles were implemented.

"The legislation and regulations surrounding the Home Builders Defects Warranty Scheme are actually imposing more, and more oppressive restrictions on our people," he said.

But it had been agreed in the Botshabelo Accord that prohibitive practices and legislation should be systematically removed and replaced with proactive measures.

There was a need for unification in the contracting industry within two years or the objective of delivering one million houses in five years would not happen, he added.

Building materials sales ease

SHIRLEY JONES

STAFF WRITER

The pent-up demand for building materials that followed last year's elections has been satisfied, said JP Landman, the executive director of the Building Material Suppliers of South Africa.

Speaking at the annual Institute for Housing of South Africa congress in Durban yesterday, Landman said from July to September this year, most of their larger members were operating at a lower level of sales volumes, compared with the same period last year.

OT(BR)3/10/95 (32)
This was because the demand for building materials following the elections last year had been satisfied. A survey of all their primary producer members showed that the price of goods had increased by between 7 percent and 11 percent this year.

"On this level, we have not seen the kind of price increases we anticipated would occur," Landman said while his organisation supported fair competition from overseas companies, they were concerned that some of the imported materials were not of the high standard of local goods. "However, for an efficient and competitive building suppliers market, competition is essential."

New Ilco owners change policy

Edward West

60 6/10/95

(32)

CAPE TOWN — Ilco Homes, which yesterday reported a loss equivalent to 39c a share for the year to end-June, has restated the previous year's R2,9m taxed profit to reflect a R5,8m loss, after its new owners changed the accounting policy.

Monex Development Company subsidiary Pro Mark took control of Ilco's holding company Holdem in May. New management reviewed accounting policies relating to stock valuation and work in progress.

"We decided ... not ... to capitalise overheads on land, but to rather expense overheads in the income statement," Ilco MD Martin Wragge said.

The result was a charge to 1995 income of R9,5m and a further adjustment to retained income of R15,6m. The effect was to reduce this year's income by R17,2m and shareholders' interests by R32,8m.

Marginal upturn in construction work

Robyn Chalmers. (32)
RD 6/10/95

TOTAL value of work done by construction companies increased 8% to R5,2bn for the second quarter of this year against R4,7bn in the first quarter, indicating only a mediocre upturn.

The latest Central Statistical Service figures showed that total value of work on hand at the end of June this year had amounted to R11,1bn, only 1,5% higher than the value at the end of March.

Analysts said the figures showed that although the construction industry definitely had emerged from the lengthy recession, a number of factors were hindering its move into a boom period.

These included the slow progress being made on government's reconstruction and development programme, little work was coming from government and a number of major fixed investment programmes were coming to an end.

The figures showed that the largest contributor to the increase of an effective R384m in the second quarter was in respect of work done by firms that constructed non-residential buildings.

One analyst said the lack of progress with government's housing programme was a factor in this, combined with relatively high interest rates which were putting a damper on the country's residential property market.

The figures indicated that of the total value of work on hand of R11,1bn, work on hand for building construction firms at the end of June 1995 had increased 5,5% to R5,5bn compared with the end of March this year.

However, work on hand for the civil engineers and other construction firms had decreased 2,1% to R5,6bn over the same period.

Stellenbosch University Bureau for Economic Research head Ockie Stuart said building contractors and subcontractors had experienced worse conditions, with less than expected work on hand.

"Expectations for the third quarter are nevertheless positive," he said.

Tendering competition had increased marginally despite slightly less work on hand.

"The main factors constraining activity are insufficient demand for building and the cost of financing. At this stage, there is no apparent shortage of bricks, cement or plumbing materials," Stuart said.

Ico reports R12,7m loss

CT(BR) 6/10/95 (32)

By FRANCOISE BOTHA

STAFF WRITER

Ico Homes reported a loss after tax of R12,7 million, or 39c a share, for the year ending June 30 after high interest charges and substantial write-offs of stock and work in progress.

The company also released revised results for the year ending June 1994, showing that the previously reported after-tax profit of R2,9 million had been reduced to a

loss of R5,85 million. The results are restated because of the takeover of Ico by Pro Mark Network, a wholly owned subsidiary of Monex Development.

No dividend has been declared.

Operating income shows an increase to R3,2 million (1994: revised R1,8m from R9,7m), but includes R1,4 million in interest on loans originally made for R8,8 million to technically insolvent subsidiaries. In a bid to limit losses, the company had started downsizing, which entailed clos-

ing non-performing operations and retrenching staff, the directors said.

Chairman Martin Wragge said last night that certain items of stock had been disposed of and other assets had been written down to realisable values.

The results reflect a change in accounting policy in terms of which overheads that apply to land will no longer be capitalised. This resulted in R9,5 million being costed against the current year and an adjustment to retained income of R15,6 million.

Champion parent reinvests

By ROY COKAYNE

PRETORIA BUSINESS EDITOR

Texas-based Cooper Industries, the parent company of Champion spark plugs which disinvested from South Africa in 1989, has reinvested in the country by acquiring the Trichamp operation of Murray & Roberts for an undisclosed amount.

The deal was effective from October 1 this year.

The company will be known as

Cooper Automotive of South Africa but will continue to trade as Trichamp until further notice.

Cooper Industries is a \$4,6 billion revenue company listed on the New York Stock Exchange. It is a diversified, worldwide manufacturer of electrical products, tools, hardware and automotive products.

Since its disinvestment from South Africa, Trichamp has been an independent licensee of Champion Spark Plugs. Trichamp manufactures

and sells wiper blades, ignition leads, lighting products and Champion brand spark plugs for the automotive industry.

"The Trichamp acquisition gives us an opportunity to participate directly in the growing automotive-components markets in southern Africa and will enable us to introduce other automotive product lines to this region," said John Riley, the president and chief executive officer of Cooper Industries.

(BR) CT(BR) 6/10/95

LTA helping to develop KwaZulu Natal

OSOSS
7000
STAFF WRITER

One of the country's largest construction businesses is continuing to play a major role in the development of KwaZulu Natal.

LTA KwaZulu Natal, an operating division of LTA Construction, has been closely involved in the wellbeing of the region for years, undertaking building and civil-engineering projects throughout the province.

CT(BR) 9/10/95 (32)

The association goes back many years to the time when the then-tallest building in South Africa, the 12-storey Colonial Mutual office block, was erected in Durban. Today, this building is dwarfed by the skyscrapers on either side of it.

The Colonial Mutual building was erected by Lewis Construction, which later merged with James Thompson and Amalgamated Construction and Contracting to form LTA. The company believes

that as the upturn in construction activities begins to become more important to the economy, meaningful affirmation-action programmes can be implemented to allow the company to play a major role on the South African scene.

The employment of emergent contractors as sub-contractors and the formation of joint-venture partnerships with the informal building industry was being pursued, a company spokesman said.

Indemnity fund to be set up soon

Robyn Chalmers

SD 11/10/95

THE National Home Builders Registration Council expects to set up the long-awaited indemnity fund early next year as part of the comprehensive builders warranty mechanism to protect consumers against defective workmanship.

Council MD Peter Allsopp announced this week that a 1,3% levy would be payable on all new housing contracts of up to R250 000 signed after January 31 next year — significantly lower than the 4% to 5% levy mooted earlier this year.

Allsopp said the registration council had been able to announce the low percentage levy by spreading the risk of the scheme over a greater number of contractors and houses after the ceiling for warranty cover was lifted to R250 000 from R65 000 last month.

"We are now discussing the details of how the indemnity fund

will be set up and how the levy will be paid to ensure that the procedure does not effect the contractor's working capital," he said.

The discussions would pave the way for the introduction of the comprehensive builders warranty mechanism by February 1.

Allsopp said the money paid into the fund would be used to indemnify home owners should contractors not honour obligations to rectify defective or shoddy work. Payment from the fund was, however, seen as a last resort.

He said the council was aiming to cover about 60 000 houses between February 1 and January 31 1997. Financial institutions would be applying cut-off dates for contractors looking to qualify for mortgage funds.

In a separate development, the mortgage indemnity fund announced it had approved 22 areas in eight provinces for indemnity cover, bringing the total to 229.

Saica issues new accounting standard for construction contracts

Robyn Chalmers

A NEW accounting standard for construction contracts issued by the SA Institute of Chartered Accountants will streamline the method of accounting for long-term contracts, says Saica.

The system is effective for the financial year beginning on or after July 1 this year.

Contracts often stretch over more than one accounting period, and the primary issue is the allocation of contract revenue and costs to the accounting periods in which construction work is performed.

Saica accounting project director Rosanne Blumberg said that as with other statements issued recently by the institute, the one for construction contracts had been based on international standards.

"It forms part of the accounting practices committee's harmonisation and improvement project, which (aims to) bring statements of generally accepted accounting practice into line with standards issued by the International Accounting Standards Committee," she said.

The criteria for recognition of revenues and costs had been brought into line with the recognition criteria in the committee's conceptual framework.

The most significant change was that the contract method of accounting, whereby revenues and costs were recognised only once the contract was completed, was no longer permitted.

Under the new standard, no option exists and contractors are required to use the percentage of completion method. This will result in a standardisation of accounting and reporting practice which will considerably enhance comparability between the financial statements of different enterprises.

"A further significant change is that the system now contains more comprehensive disclosure requirements than previously. This provides users with more information with which to assess the company."

(32)

~~11/10/95~~

BP 11/10/95

15 at Construction con-

Builders agree on contract levies

BY STAFF WRITER

The National Home Builders' Registration Council (NHBRC) and the building industry have agreed on a 1,3 percent levy on all new housing contracts signed after January 31 1996.

The council says it is able to sustain this low percentage levy by spreading the risk of the scheme over a greater number of contractors and housing units.

Once the national housing statistics have been developed, the costs and risks can be re-evaluated.

"Discussions are continuing about the method of payment of the warranty levy," the council's MD Peter Allsopp said.

"We want to ensure the procedure does not affect the contractor's working capital. These details will be released as soon as a decision has been reached."

While there has been a unanimous decision by the stakeholders of the industry about the implementation of the levy, there have been some objections from

contractors. "We have found, however, that these objections tend to come from those who are misinformed about the scheme rather than those who have a fundamental objection to it.

"Education seminars are being held around the country to counteract these objections, but lack of funding is slowing up the information dissemination process," Allsopp added.

The registration council is now being permanently established in the housing industry — contractors may apply for registration at any time.

However, the paperwork takes about a month to be processed, delayed even further by the Christmas holidays. Contractors should ensure they apply for membership of the council immediately.

A signed council warranty must be attached to contracts and the houses have to be built according to the council's technical standards and guidelines manual, otherwise they will not obtain mortgage finance from any financial institution aligned to Cosab.

However, funding institutions will be applying cut-off dates for qualifying for mortgage funds. Any contractor building a house below R65 000 in value must be registered before November 1 1995. Similarly those who apply for a bond below R250 000 after February 1 1996 must also be registered.

In both instances a bond will not be granted until registration has taken place.

At present the technical standards and guidelines only cover houses up to a value of R250 000. However, standards applicable to houses that exceed this amount are expected to come into effect in a year's time.

The NHBRC is a non-profit section 21 company controlled by the stakeholders in the home building industry.

It provides protection for the consumer, the contractor, the government and the funding institutions.

"This will go a long way to improving the public image of the home-building contractors to the benefit of all," said Allsopp.

(32)

CT(BR) 11/10/95

Construction leaders to meet

Robyn Chalmers

(32)
20 12/10/95

THE heads of seven major organisations representing construction contractors will meet next month to finalise controversial proposals to unify the industry.

The creation of a single representative organisation for contractors would have far-reaching effects on the industry, including speedier implementation of RDP initiatives, but mistrust between formal and emerging contractors has emerged during talks to date.

Unification plans have been underway since the appointment of a steering committee early this year and committee chairman Ben Bornheimer, Grinaker Construction MD, said next month's meeting would set time scales for the unification programme.

Despite rumbles of discontent from certain sectors of the construction industry, Bornheimer said the unification process was fully participative, with all organisations being given the opportunity to influence the outcome. All parties were also required to receive a mandate for proposed actions from their own memberships.

He said the benefits for the construction sector would include the ability to negotiate cohesively with government, consumers, financiers, suppliers and trade unions. The move would also facilitate access to much-needed training at all levels and to consensus on improved productivity and quality.

The organisations participating in the unity drive were the African Builders Association, the Association of General Contractors, the Building Industries Federation of SA (Bifsa), the National Black Contractors and Allied Trades Forum, the National African Federation for the Building Industry, the National Association of Home Builders and Urban Developers and the SA Federation of Civil Engineering Contractors.

The meeting of their executive committees next month follows a workshop at the recent Bifsa congress, at which key stakeholders reaffirmed their commitment to the unification process.

Builders 'unlikely' to quit warranty accord

BD 12/10/95

(32)

Robyn Chalmers

THE construction industry has backtracked on its threat to withdraw from the builders' warranty mechanism if banks fail to achieve the 50 000 low-cost home loans targeted for next June.

Building Industries' Federation of SA (Bifsa) president Reg Edwards said yesterday that some builders were still concerned about the slow progress on mortgage loan approvals, and some were unhappy about their participation in the mechanism.

It was, however, unlikely that the motion passed at Bifsa's annual conference last month — to review its participation in the mechanism if banks did not meet the loans target — would be implemented, he said.

"We all need to pull together if the housing programme is to get off the ground. The banks are just as concerned about lack of progress."

Over the past four months, fewer than 1 000 mortgage loans have been issued by the four major banks in SA, sparking fears that the 50 000 loans agreed on with government last year

would not be met.

However, banking industry sources said that several smaller banks were making progress in their efforts to deliver finance to the low-income market.

Community Bank executive trustee Cas Coovadia said the bank had been very active in the area of mortgage finance to the lower end of the market over the past six months.

"This is particularly the case in the past two months because bottlenecks that existed in the subsidy release programme are beginning to be resolved."

Coovadia said the Community Bank had committed 1 370 loans valued at R67,4m over the past six months, of which 670, valued at R28,6m, had actually been disbursed.

The average value of the loan disbursed was R42 705. All bank loans were issued at 18,5%, the current rate.

□ Housing subsidies amounting to R65,6 million have been approved by the Free State housing board. A total of 4 379 subsidies have been approved and 3 250 approved in principle.

See Page 4

Mediation service to remain independent

BD 12/10/95

Renee Grawitzky

THE Independent Mediation Services of SA (IMSSA) would remain independent of the Commission for Conciliation, Mediation and Arbitration but would assist it wherever possible, Dave Douglas of IMSSA said at the launch of Gauteng Settlement Week last night.

The settlement week — a joint initiative by the Industrial Court and IMSSA to reduce some of the estimated

4 000 cases awaiting the Industrial Court in the Gauteng region — takes place between November 13 and 25.

Durban's settlement week resulted in the settlement of 120 of a backlog of between 500 and 600 cases.

The intention of this countrywide initiative was to give parties the opportunity to "finalise disputes in an effective and relatively inexpensive way through conciliation, arbitration and other agreed processes".

Call for crude oil refining rise

BD 12/10/95

SA WOULD have to increase its existing crude oil refining capacity by 150 000 barrels a day to 800 000 over the next five years to accommodate increasing regional demand, BP Southern Africa chairman Tony Deakin said yesterday.

Sapa reports he told the Africa 1995 conference that BP estimates showed regional petrol demand would double by 2010 as the Southern African Development Community started moving off its low fuel consumption base.

SA had a daily crude refining capacity of about 450 000 barrels, while synthetic fuel producers — Sasol and Moss gas — had crude oil equivalent capacity of under 200 000 barrels a day.

SA's refined consumption was about

320 000 barrels a day with an additional synfuel consumption of an equivalent 120 000 barrels.

He said SA's current export capacity would fall short of demand in fewer than five years.

Meanwhile, Samantha Enslin reports Shell Exploration and Production Namibia MD Ger Kegge told the conference Eskom and Iscor were still being considered as potential users of Kudu Gas.

Shell holds 75% of a joint exploration licence with Engen. Kegge said studies showed the fields could have a lifetime of at least 30 years.

However, the viability of Kudu Gas depended largely on whether a major end user could be secured.

Innovative ventures create 1 200 jobs

CT (PR) 13/10/95 (32)

STAFF WRITER

The Sefalane Employee Benefits Organisation (Sebo) has created about 1 200 jobs through innovative joint venture partnerships with small building contractors in the North West Province.

Sebo is the administrator of pension and provident funds in the North West and one of the province's major property owners with a portfolio valued at R800 million.

Peter May, a spokesman for Sebo, said the pro-

jects — the development of shopping centres at Mabolane near Pretoria and at Temba near Hammanskraal — would cost more than R110 million.

During construction, they would generate millions of rands in wages for the local community.

"The joint ventures are an ideal way to transfer skills and empower previously disadvantaged builders and we have taken measures to ensure that as much as possible of the wealth generated stays in the local communities."

Sacob: regional council taxes must go

BD 18/10/95

PORT ELIZABETH — THE SA Chamber of Business (Sacob) yesterday called for the abolition of regional services council taxes.

But although delegates at the chamber's annual convention in Port Elizabeth agreed to pass the motion calling for the abolition, they were unable to agree on a suitable replacement.

Some delegates proposed Sacob hold off on a decision until the national and provincial tax regimes were revamped.

The Johannesburg Chamber of Commerce and Industry said the existing system — which taxes companies' turnover and payroll — was inherently flawed, opaque and expensive to administer, while the

regulations governing it were too complicated. A tax surcharge and higher VAT were mooted.

Last week the inland revenue department dismissed the chamber's proposal to piggyback the levies on income tax, saying the department was already understaffed and did not have the capacity to collect an additional tax.

Housing delay dents building activity

BD 18/10/95 (32) (123)

Edward West

CAPE TOWN — The housing programme delay had prompted a decline in building and construction activity in the third quarter, Stellenbosch University's Bureau of Economic Research said yesterday.

The decline had bruised confidence in both the residential and non-residential sectors of the market, and expectations for the fourth quarter were generally negative.

But bureau said the setback's link to the housing programme meant prospects could only improve, and most respondents were positive about 1996.

The bureau also expected economic growth — especially fixed investment — to spill over into the building industry in due course.

The survey found that both contrac-

tors and subcontractors experienced the setback in activity, and tendering activities had risen sharply. The lull had forced a levelling off in previous steep increases in building costs.

Finance facilities were becoming more accessible; but the cost of finance and insufficient demand for building were rated the most serious dampeners on industry activity.

Architects reported lower employment, fewer projects at sketch plan stage and fewer contracts. Business confidence had dropped and architects who responded to the survey were cautious about fourth-quarter prospects.

Quantity surveyors also reported lower employment, fewer projects at sketch plan stage and fewer projects at bills of quantity stage. Fewer contracts were awarded and the profession was pessimistic, the survey showed.

Gloomy outlook for building industry

By MAGGIE ROWLEY

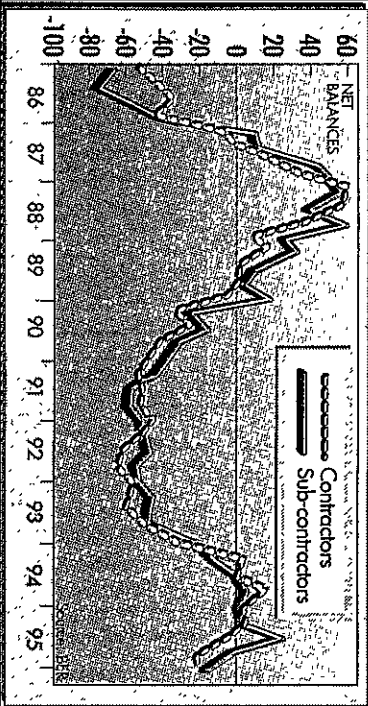
PROPERTY EDITOR

A recovery in the building and construction industry has been pushed back, with the industry reporting a setback in the third quarter with no sustainable improvement expected before well into next year, according to the latest survey by the Bureau for Economic Research in Stellenbosch.

The survey said expectations of an improved third quarter not only failed to materialise but conditions deteriorated with the amount of work on hand and at tender stage down dramatically, and retrenchments were continuing unabated.

The setback in building activity had led to a decline in business confidence in the residential and non-residential sectors which research economist Nils de Jager said was linked to the delay in the government's low-cost housing programme.

Volume of work on hand: Non-residential

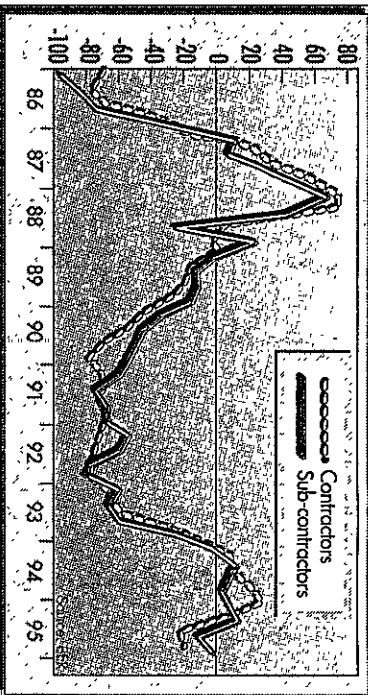


It was clear, he said, that contractors and subcontractors experienced a setback, reporting less work on hand while the outlook for the fourth quarter was also negative. Owing to the decrease of work on hand, tendering competition increased in the third quarter. As could be expected under

these circumstances, no serious shortages of skilled labour such as artisans and foremen were reported and there was even less of a problem with regard to the supply of unskilled labour.

According to the survey, finance facilities were apparently becoming more accessible but the cost of

Prevailing business conditions: Non-residential



finance and insufficient demand for building were rated the most serious hampering factors.

The one positive spin-off of the declining volumes was the curtailment of building-cost increases as measured by the survey's building-cost index. These slowed to 12,9 percent against an average of

about 15 percent for the previous three quarters with building costs peaking at more than 17 percent in the second quarter of this year.

Despite poor results and hesitant expectations for the rest of the year, economic growth should spill over into the building industry next year, said de Jager.

ET (BR) 18/10/95 (32)

State subsidies 'should take high coastal building costs into account'

(32) CT (BR) 18/10/95

By MAGGIE ROWLEY

PROPERTY EDITOR

The Association of South African Quantity Surveyors has called on the government to take into account higher coastal building costs when allocating grants and subsidy allowances for state-funded projects.

The president of the association, Barry Probert, said the current central government subsidy allocations were founded on a model based on norm studies and unit costs.

The norms should be prepared on a regional basis to take into account local conditions and should be based on actual tendering costs in each region, and be re-assessed on a regular basis, he said.

"These steps would eliminate discrepancies that can occur and

ensure that coastal taxpayers receive the same facilities as do upcountry taxpayers," said Probert.

He said that regional governments should base their applications for building fund subsidies on a formula which takes into account building costs in their regions.

The call by the association follows a report by building economists Medium Term Forecasting Associates in June in which an analysis of regional building cost data from the Bureau for Economic Research was carried out, indicating that building costs rose more rapidly in coastal regions than in the inland regions between 1984 and 1995. The latest bureau survey, published this week, again highlights these discrepancies.

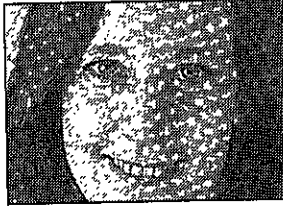
"Having arrived at a general conclusion concerning higher prices

in the four coastal regions, MFA then conducted a survey among a number of leading quantity surveyors to test their perceptions about differences in regional building costs," he said.

Possible reasons for the price differentials as far as quantity surveyors were concerned included the possibly higher costs of employing labour in coastal regions, regional differences in the composition of labour with proportionately more, lower-paid unskilled labourers being employed in inland regions as well as transport costs being added to building materials at coastal outlets because most building materials factories were situated inland.

In addition, more expensive building methods such as cavity walls were required to withstand the harsher coastal conditions.

MAGGIE ROWLEY



A greater improvement in economic activity is necessary to justify new developments

ON PROPERTY

Economic improvement may not benefit property industry

(32)

CT (M) 18/10/95

Positive economic data, including improved economic growth and a drop in the consumer price index, usually points to increased activity levels and rosier prospects for the property and construction industry.

However, this time round there does not seem to be the same amount of optimism over the spill-over benefits.

As Francois Viruly, the head of research at JH Isaacs says, the recent improvement in economic growth has failed to translate into any significant improvement in employment levels, which in turn affects the amount of space utilised by industry and commerce. The bent is now to improve productivity utilising the same resources.

It could take a greater improvement in economic activity before an increased demand for industrial and commercial space was forthcoming, which would underpin rentals and thus justify and spur new development, he said.

As such, developers would be advised to adopt a cautious approach and not resort to the overbuilding as was seen in the not-too-distant past, he said.

Viruly also warned that above inflation increases in building costs this year would make it increasingly difficult for the RDP housing programme to get off the ground.

There can be little doubt that the longer the delays, the harder and the more costly it is going to be to deliver.

While the latest survey by the Bureau of Economic Research shows that building-cost increases slowed down in the third quarter to just over 12 percent from an average of 16 percent in the first two quarters of this year, building-cost inflation is still running at well over inflation, as measured by the consumer price index, and looks set to average about 14 percent for this year.

However, the bureau's survey does not pinpoint which sectors of the industry are responsible for the bulk of the increases.

Material suppliers have maintained that they are not responsible, but it seems unlikely that professionals and contractors, particularly in view of the still keen tendering situation, are solely responsible.

Improved statistical analysis of building-cost increases would not only be useful but could act to keep a lid on price increases.

Building 'carried by the private sector'

Property Reporter (32)

GOVERNMENT and municipal building contracts had dropped off dramatically during 1995 and to a large extent the building industry had been carried by the private sector, said Corobrik's Western and Eastern Cape director, Mike Ingram.

Over the past 20 years, state and semi-government work accounted for about 25 percent of total building work. This figure had now dropped to about three percent, he said.

The past year had seen an increase in residential building projects, while state and municipal tenders and RDP projects seemed to be slowed down in the administrative corridors of power.

He attributed the sharp increase in activity in the build-

ing of townhouses and cluster developments to a pent-up demand and a desire of people to live in secure environments.

Corobrik had experienced a drop in paving usage in the residential market, but great growth in the use of paving in commercial developments.

The drop in residential paving could be attributed to the state of the economy and the fact that home owners were faced with higher interest rates and therefore had less disposable income.

"What is encouraging is the exciting mirror of an international trend to use clay brick pavers for commercial applications."

Business and municipalities were increasingly using clay brick pavers and examples

were St Georges Mall, the Waterfront and Voortrekker Road, Bellville, where an area of nearly 7km was paved.

The industrial sector had experienced patches of intense activity, especially in secured urban areas, while other areas were relatively quiet, he said.

In order to cope with changing market needs over the past six years of depression, Corobrik had made a number of strategic decisions which had impacted positively on its business.

Among these were the introduction of a larger format brick as well as a thinner face brick which had great cost advantages for the consumer.

Considerable investment in updating technology to improve volume and product

quality was made by the company.

"What is encouraging for home owners are the findings of a recent research commissioned by Corobrik, which show no significant price difference between building with Corobrik clay face brick and plaster and paint," said Mr Ingram.

The research was undertaken in a joint research project by quantity surveyors Walters & Simpson and Professor Alan Stevens of the department of construction economics and management, University of Cape Town.

They concluded that there was no significant cost differentiation between the different walling methods when comparing the cost of bricks, mortar, labour, plaster and paint.

RDP set to use non-SA firms

Public Works Minister
Jeff Radebe yesterday
said the RDP was set to
begin using construction
companies from sub-
Saharan Africa, possibly
within the next year.
Speaking in Port
Elizabeth at the annual
convention of the SA
Association of Consulting
Engineers, Radebe said
he believed agreement
had to be reached
between regional
governments on how
construction and
consulting companies
from other countries
could take part in
construction work in
their regions. - Sapa.

Handwritten: Maw 25/10/95

Building industry's unification on track

(32) CT(P&R) 25/10/95

By MAGGIE ROWLEY

PROPERTY EDITOR

Plans to unify the building and construction industry are expected to be cemented when leaders of the seven major organisations representing about 90 percent of the industry meet next month.

The creation of a single representative organisation for contractors, which has been urged by the government among others, will have far-reaching effects. Some of the implications of the unification include speeding up the implementation of the RDP's housing and infrastructure initiatives.

Unification plans to merge the formal and informal building sectors have been under way since the appointment, earlier this year, of a steering committee to establish a common vision and develop a target programme for implementation. Next month's meeting will take this one step closer and possibly set time tables for the unification.

The organisations involved are the African Builders Association;

the Association of General Contractors; the Building Industries Federation; the National Black Contractors and Allied Trades Forum; the National African Federation for the Building Industry; the National Association of Home Builders, and Urban Developers; and the Federation of Civil Engineering Contractors.

Ben Bornheimer, the chairman of the steering committee, said the benefits of unification for the contracting sector would include the ability to negotiate with the government, consumers, financiers, suppliers and trade unions.

The move would also facilitate access to much-needed training at all levels and consensus on improved productivity and quality standards.

Next month's meeting follows a workshop held at the Building Industry's Federation of South Africa's recent congress where key stakeholders reaffirmed their commitment to total integration of the construction industry at national and regional levels.

Building materials price hikes in dispute

(32) (32) 26/10/95
Robyn Chalmers

BUILDING materials suppliers have insisted that they are sticking to the compact made last year with government to keep price increases in line with inflation, despite contradictory reports.

Building Materials Suppliers' Consortium chairman George Thomas said yesterday that an informal survey of the larger building materials suppliers showed that their prices had increased between 7% and 10,5% during the year.

These figures contradicted statistics from Stellenbosch University's Bureau for Economic Research and other research institutes which estimated that prices were expected to rise 13% this year and up to 20% next year.

Thomas said he was concerned that a perception was being created in the industry that building materials suppliers were pulling out of the compact agreed to with government to keep price increases in line with inflation.

"All the feedback we are getting from larger suppliers at the grassroots level shows that not only are we sticking to the compact, but in most or al-

most all cases we are keeping increases in the prices of building materials below inflation," he said.

The informal survey showed that prices in the cement industry had risen 6% in January and 4% in July — on average about 8% for the year — and cement companies had indicated that price increases would be held below inflation until 1997.

Federated Blaikie, one of the largest distributors of building materials in SA, had seen a 10% to 10,5% increase in materials used for low-cost homes this year, and expected this to be lower in 1996.

Penny Pinchers and Cashbuild reported increases of between 8% and 10% year-on-year to March.

The Clay Brick Association estimated that industry prices for clay bricks had risen 7% over the past year, but that sales had been below expectations due mainly to the lack of delivery on the low-cost housing front.

The survey showed that the price of timber had increased 6,5% between January and October, while the price of steel roofing products rose 9,2% in the first quarter of this year compared with the first quarter of 1994.

Group 5

Activities: Construction, engineering, manufacturing and property. Holding company of Everite.

Control: Management through Group 5 Holdings 54%.

Executive chairman: T J Kotzee.

Capital structure: 41,8m ords. Market capitalisation: R334m.

Share market: Price: 800c. Yields: 1,8% on dividend; 7,8% on earnings; p:e ratio, 12,8; cover, 4,5. 12-month high, 800c; low, 500c. Trading volume last quarter, 452 200 shares.

Year to June 30	'92	'93	'94	'95
ST debt (Rm)	109,6	146,7	29,5	103,7
LT debt (Rm)	3,5	6,6	20,5	21,3
Debt:equity ratio	0,33	0,47	0,10	0,15
Shareholders' Interest	0,35	0,34	0,37	0,33
Int & leasing cover	5,0	1,0	2,4	5,5
Return on cap (%)	2,3	1,8	4,6	7,0
Turnover (Rm)	1 419	1 583	1 859	2 249
Pre-int profit (Rm)	22,5	18,5	44,8	81,7
Pre-int margin (%)	1,6	1,2	2,2	3,6
Earnings (c)	35,7	2,0	41,3	62,3
Dividends (c)	13,2	—	5,5	14
Tangible NAV (c)	215	197	271	312

Everite

Activities: Manufactures and supplies goods and services to the construction and infrastructural sectors; operates water and sanitation management systems.

Control: Group 5 — 29%.

Executive Chairman: T J Kotzee.

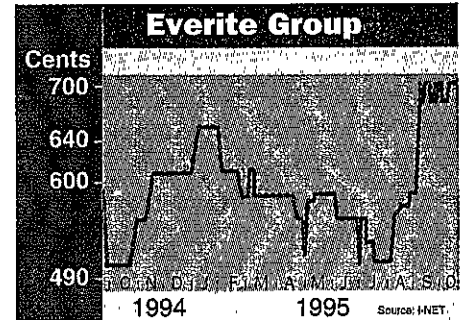
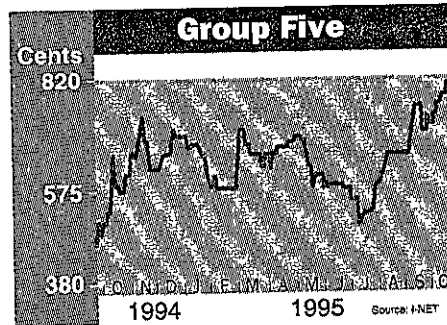
Capital structure: 89,1m ords. Market capitalisation: R624m.

Share market: Price: 700c. Yields: 1,1% on dividend; 5,0% on earnings; p:e ratio, 19,9; cover, 4,4. 12-month high, 700c; low, 500c. Trading volume last quarter, 614 450 shares.

Year to June 30	'92	'93	'94	'95
ST debt (Rm)	98,6	129,3	32,4	15,4
LT debt (Rm)	3,5	6,6	13,2	12,1
Debt:equity ratio	0,29	0,37	0,15	nil
Shareholders' Interest	0,57	0,56	0,68	0,69
Int & leasing cover	4,4	0,8	1,7	8,4
Return on cap (%)	6,0	2,1	4,6	10,5
Turnover (Rm)	461	514	559	620
Pre-int profit (Rm)	23,3	9,8	20,5	49,4
Pre-int margin (%)	5,1	1,9	3,7	8,0
Earnings (c)	14,7	5,2	11,8	35,1
Dividends (c)	6,5	—	4	8
Tangible NAV (c)	335	341	349	362

could handle 50%-plus more business.

A major economic improvement, in particular in fixed investment, infrastructural spending and housing — the areas most likely to benefit the group — would be needed to bring this about.



So the target, if attainable, is not a short-term prospect. It's interesting, though, that the market is more optimistic about Everite making the grade than Group 5.

The investor preference is understandable in that Everite, based on manufacturing, should respond quicker to a pickup in business. Group 5, which depends on long-term projects, must overcome the effects of low-margin contracts taken on during the recession before the full benefits of an upturn will be reflected in the income statement.

Even so, the market may have gone overboard in ratings here. A revision of management under Group 5 direction pulled Everite out of its profit slide. Everite, now trading on an historical p:e ratio of around 20, is rated at a 25% premium to the industrial market.

If Everite is excluded from its parent in contribution to attributable earnings and share of market capitalisation, Group 5 seems to be trading on an earnings multiple of only eight, a 50% discount to the market and a 60% discount to its subsidiary.

Both companies are expected to extend last year's profit improvements. And their growth rates are likely to be more evenly matched. With the commissioning of the Houston Bridge, Group 5 hopes to recoup at least some of the losses incurred during construction as a result of changed specifications (which contributed materially to the loss incurred in 1993).

Considering the ratings of the two shares, Group 5 appears to offer better value than its subsidiary. But Everite has a stronger balance sheet and is in a better position to grow through acquisition — a course which Kotzee says is being explored.

Brian Thompson

GROUP 5/EVERITE (32) Investor preferences

One of the most interesting points in Group 5's annual report is chairman Theunis Kotzee's view that, despite the much better performance achieved over the past two years, latest results represent only a third of the group's potential.

He does not elaborate but examination of the financial statements of Group 5 and subsidiary Everite suggests this potential would be realised only through a combination of higher margins than those achieved in 1995 and greater activity.

Each was operating at little more than 60% of peak trading margins — achieved in 1991 at Group 5 and 1989 at Everite. Regaining those would boost profits R49m, which, pre-tax, represent a 73% gain in the consolidated income statement.

Kotzee's target would require a R133m increase in last year's R67m pre-tax profit, suggesting management believes the group

ST (M) 29/10/95

CAPE Town's building industry is bracing itself for the return to boom times with more than R3-billion worth of commercial projects in the pipeline for next year.

And that does not include private enterprise housing developments and work flowing from the RDP, the Olympics, and Saldanha Bay steel plant which could add millions to builders' turnovers.

Besides builders, local suppliers of carpets and furniture stand to land valuable contracts from a number of new hotels.

However, after five years of depression and retrenchments, building companies and sub-contractors fear a shortage of foremen and skilled artisans will surface.

New work will give a shot in the arm to Cape companies after a 32 percent drop in the value of building work and continued retrenchments this year, according to the Cape Master Builders Association.

City Planner David Daniels has identified 20 major projects valued at about R3-billion planned for the inner city. The inner city, he reports, already accounts for 25 percent of the jobs in metropolitan Cape Town and 50 percent of the hotel accommodation, besides hosting the centres of four tiers of government and including the expanding port, the central financial districts and the highly successful Waterfront.

A strong public initiative is needed to provide affordable housing for lower-paid inner city workers to meet their basic need for shelter in District Six and elsewhere, says Mr Daniels.

"Seen in the long term, the inner city needs to be cared for as the goose that lays the golden egg."

Projects identified include:

- A R300-million convention centre to accommodate 2 000 delegates with over 10 000m² of exhibition space.

- The R900-million power station redevelopment with two new hotels and an office block.

- A R250-million office, retail and parking development above Cape Town railway station.

- R120-million commercial development of the former Central Post Office.

- R220-million on CBD greening and landscaping.

- R1-billion more on the Waterfront to complete the remaining 340 000m².

Boom time for inner city

BY TOM HOOD

(32)

city

Contractors rush to register with council

(32) BD 31/10/95
R250 000, we will continue to accept applications after these dates," he said.

Robyn Chalmers

THERE had been a huge last-minute response by contractors applying to the National Home Builders' Registration Council before tomorrow's deadline, MD Peter Allsopp said yesterday.

Mortgage lenders had warned they would not extend bond finance to contractors who were not registered with the council by tomorrow, although any applications received until then would be acknowledged in writing.

Allsopp said the majority of applicants were small to medium-

sized contractors, but all the major construction firms such as Murray & Roberts, Stocks & Stocks, LTA and Group Five had also applied for registration.

"We are now receiving applications at a rate of about 10 a day and these include large employer bodies, major developers such as Newhco, as well as the smaller contractors, making it demographically representative.

"Although the deadline has been set at November 1 for registration applications for homes under R65 000 and February 1 for those between R65 001 and

However, contractors would not be eligible for mortgage finance if they had not registered, and those who applied after November 1 would have to wait until they were certified members of the council before they could apply for a bond.

Allsopp said fewer than 10 applications had been rejected, either because the applicant was in an extremely bad financial position or for being overseas organisations with no local assets.

Builders pay local forums premium for 'protection'

(32) B0 1/11/95

Reports by
Robyn Chalmers

CONSTRUCTION companies are paying high premiums to complete their projects on time and peacefully, generally after holding discussions with local representative forums.

One of the more recent cases involved construction group Ribco, which completed two schools in the Sebokeng area and the De Deur region. Ribco director Philip Taylor said that both projects were won in open tender and constructed for the education and training department.

"Prior to submission of the tenders, we approached the so-called representative forum — the Vaal Democratic Builders' Forum — and agreed to rates of pay, production requirements and other costs. At no time did we pay any person

ex gratia payments in spite of several requests.

"During the currency of the contracts, we were subjected to many and varied requests for increases in agreed rates, most of which we had no option but to pay — the alternative would have been to redetermine the contract.

"We looked to the department for assistance, and to the provincial education minister, with no positive response. Most of the time personal safety was used as a bargaining tool.

Taylor said the company ended up trying to deal with approximately seven representative forums. "The net result was a premium in excess of R250 000 on each contract, due entirely to a lack of business understanding and production/work ethics on the part of the local forums."

The company had completed

contracts without abnormal problems in other areas.

A source within the construction industry said there was a discernable trend emerging whereby organisations which had never paid money to get a project off the ground were now considering doing so in desperation.

"Companies are starting to feel that the only way to get their projects approved, or to ensure they are completed in time, is to pay money to oil the wheels," he said.

Building Industries Association East Cape branch executive director Greg Steele said he was aware "protection moneys" had been discussed. "I am also aware that contractors have paid money to local organisations to gain their 'support'. However, without a specific response from our members, I am unable to give you exact details," he said.

Grinaker turns to Malaysia for long-term growth in earnings

Robyn Chalmers

units in SA

(32) (11/11/95)
BO 2/11/95

CONSTRUCTION and electronics group Grinaker Holdings has identified Malaysia as one of the key international markets into which it will expand over the next few years, says international operations director Geoff Skeen.

Skeen said Malaysia had shown high levels of development and construction in a relatively politically stable environment.

"We are making good progress in establishing business relationships with Malaysian companies, some of which are actively looking for their own opportunities in SA.

"Our own efforts will now focus on Malaysia, with the longer term opportunities being throughout Southeast Asia."

Grinaker Construction and its 50% black-owned subsidiary Nare-Grinaker recently linked up with Malaysian company Landmarks Berhad to form a consortium to build low-cost housing

Skeen said that while Grinaker was committed to implementing work initiated in terms of the reconstruction and development programme, it had to look at the big markets outside SA for meaningful long-term growth.

"There are sound, long-term strategic reasons for developing our international capacity, not least of which is earnings growth."

Skeen said the group had made good progress in African markets, with Grinaker Construction Zimbabwe having a strong record.

Rehm-Grinaker in Mauritius had also produced good growth, and had shown the group's management how to operate in a foreign environment by making use of local participation. Grinaker has also moved to establish operations in Namibia and Botswana.

Grinaker Construction MD Bean Bornheimer said international undertakings were contributing significantly to turnover.

Equibuild helps lay RDP foundations

(32)

STAFF WRITER

Johannesburg — Equibuild, the joint venture formed by Group Five Building, East Cape and the Port Elizabeth Builders and Allied Federation (Pebaf) in 1992, has done more than pay lip service to reconstruction and development.

The joint venture has completed its first year of trading and half the profit due to Pebaf has been paid, according to Rhodes Zicwele, a spokesman for Pebaf.

Pebaf's objective is to facilitate the transfer of skills to historically disadvantaged building contractors. "We are a community-based organisation and we sow the profits of our labour back into the community," said Zicwele.

Zicwele said Pebaf would conduct a series of seminars at high schools around the Eastern Cape to inform children about career opportunities in the industry.

CT(MR) 3/11/95

Give us the work, say irate contractors

By TEFO MOTHIBEL

Black contractors in the Vaal Triangle say they are tired of "playing boys" to large white-owned contractors developing their townships.

They have urged the Government to enforce the implementation of the Reconstruction and Development Programme principle of involving local labour in the development of the area.

The enraged contractors also took a swipe at the Government for unfairly awarding development contracts to outside companies when they were available and could do the job as well as their counterparts.

The contractors, who have organised themselves into the Land Developers and Builders Organisation (Ladebo), said they were prepared to go to any lengths to push the Government to make sure that principles of the RDP are adhered to when developing our areas.

Some of them claim to have been in the business for as long as 35 years, but say they are overlooked despite their experience and expertise.

The organisation, which has existed for the past six months, has civil engineers, architects, quantity surveyors, estate agents, plumbers and carpenters as members.

Ladebo expressed dissatisfaction over the awarding of contracts to established white-owned contractors.

"It is disgusting that we as black contractors are not recognised, and have to be employed by white contractors in order to survive," said Patrick Sibiya, the organisation's secretary-general.

On the question of joint ventures between white and black contractors, Sibiya said this was also unacceptable as far as Ladebo was concerned because they would prefer to develop the areas on their own.

The organisation said it would like the Government to address questions of job creation for black builders as well as land allocation for development.

"We are ready to do the job for our communities and have mustered financial support from the Americans to the tune of R93,6-million," Sibiya told the *Saturday Star*.

Construction slump in the Cape goes on

Amanda Vermeulen

BD 8/11/95

(32)

THE sluggish performance of the Western Cape construction industry, compared to the rest of SA, is continuing to be of great concern to industry players who are blaming the Cape Town City Council, the failure of the reconstruction and development housing programme to get started, and uncertainty surrounding the 2004 bid.

The Western Cape Chapter of the Association of SA Quantity Surveyors said this week that the situation was worse than most people realised. "In the last few months we have seen three civil engineering contractors go under, and all categories of building contractors are desperate for work."

The emergent contractors, a spokesman for the Western Cape Chapter said, had hoped to be the main beneficiaries in the new dispensation but they were having little luck in securing major contracts, even in joint ventures with access to sureties.

Many building professionals had also been hit hard by the poor performance of the province's industry, with the level of work for quantity surveyors down 60% on previous years and little hope of the situation improving.

This was a consequence of developers — who were facing low profit margins, particularly in multi-unit residential projects — finding ways to reduce the contribution made by the industry's professionals.

This was being exacerbated by the local authorities which were cutting back on using building professionals.

Other factors were also contributing to the decline in the local industry. Cape Town building prices remain-

ed higher than elsewhere in the country due to higher material costs and artisan wages.

The spokesman accused the city council of having "a reputation for stifling developers rather than encouraging them".

"Unlike the Bellville municipality, which has done all it can to encourage investors, the Cape Town City Council seems to be so bogged down with red tape that it might have deterred investment," he said.

There was also continuing uncertainty regarding the bid for the 2004 Olympic Games, which was beginning to create pessimism. "By now, industry players were hoping to see far more action and the fact that local professions were asked by the bid company to offer their services on a voluntary basis with no assurance of a commission is not easing the uncertainty."

Added to this was the failure of the RDP to get started.

"Traditionally the Cape Town construction scene has lagged about a year behind Johannesburg. Gauteng contractors have been doing well for over a year, so there is hope that better conditions upcountry will filter south within the next few months."

One of the most pressing issues, the spokesman said, was whether political factors could be behind the problems in the province's building industry.

"There are allegations that central government is treating the province like Cinderella because the regional legislature has such strong ties to the previous regime. Another rumour is that overseas investors are being deterred by people with political motives from investing in the Cape."

Record for building (32) plans in city

CT 9/11/95

MAGGIE ROWLEY

BOTH the number and value of building plans passed by the city's building survey branch soared to record levels last month.

City planner Mr David Daniels said 1,128 building plans, with an estimated total value of more than R109 million, had been approved in October.

This had exceeded the city's previous record of 1,065 plans approved in November last year and was about 30% higher than the monthly average for 1995.

"While it is perhaps too soon to say whether this improvement will be maintained, thus signalling an upward trend, we will be watching the figures closely over the next few months for further signs that the economy is picking up," he said.

Delays

Of plans approved last month, 273 had been for individual flat units (R25m), 26 for townhouses (R6,5m) and 11 for new commercial buildings.

Mr Daniels said 820 of the plans had been approved within the first week of being lodged.

New regulations required all plan submissions to go to committee, causing delays.

However, amendments approved by the government on September 20 had paved the way for the restoration of certain powers to city officials. The council will vote on them later this month.

Number of new buildings rises

ARG 9/11/95 (32)
Municipal Reporter

A RECORD number of plans involving projects worth R109 million were passed by the building survey branch of the Cape Town City Council in October.

The branch passed 1 128 building plans, beating the previous monthly best of 1 065 in November last year.

The work includes 143 new houses, of which 70 were smaller than 80 sq.m, 11 new commercial buildings, 273 individual flat units and 26 town houses.

City planner David Daniels said this was a "very encouraging sign" because an increase in construction activity was normally associated with an upswing in the economy.

Angry black builders seek tendering freeze

(32) Star 11/11/95

By TEFO MOTHIBELI

Black builders in the Vaal Triangle this week called on Gauteng Housing and Local Government MEC Dan Mofokeng to stop all tendering processes for new development projects in the townships.

The contractors, who have organised themselves into the Land Developers' and Builders' Organisation (Ladebo), feel this is in line with the principles of the Reconstruction and Development Programme, which calls for the involvement of local labour in the implementation of the programme.

The organisation's chairman, Bricks Mokolo, told the *Saturday Star* they were expecting the provincial government to make sure that local contractors were awarded contracts for the building of two schools in Sebokeng and one each in Lakeside and Evaton North, and for a clinic in Sharpeville.

Last week the organisation registered resentment at having to "play boys to large white-owned contractors in order to survive".

They said they wanted to develop their areas by

themselves, and that no one from outside should be hired to do the job while they were there and were not recognised for their expertise and experience in the business.

Mokolo added: "We do not want to be employed anymore, we want to employ."

He also criticised banking institutions which are allegedly reluctant to assist black contractors with loans for tendering for contracts, thus rendering them helpless against their competitors.

Mokolo appealed to the Government to reintroduce the mortgage indemnity scheme (a government security guarantee to banks for loans granted to clients) in the area.

The absence of this scheme means that banks are running a high risk when offering loans to township residents without any recourse in the event that clients fail to repay the loans.

Meanwhile, the Gauteng Community Development and the African-American Challenge Group for a New Africa presented a \$4-million loan for housing construction to Ladebo on Thursday.



BRICKS MOKOLO: Wants to employ people

Ovcon and WBH set to merge

ARL 14/11/95

□ National construction group created

CHARLENE CLAYTON
Property Reporter

(32)

CAPE-based construction company Ovcon goes national next week by merging with Gauteng's Wilson Bayly Holmes (WBH), one of the largest private construction companies in South Africa, Ovcon managing director Jan Kaminski has announced.

He said the combined turnover of the new grouping at around R700 million a year would make it the sixth largest construction company in the country.

The new company, to be known as Wilson Bayly Holmes Ovcon, will be registered on the Johannesburg Stock Exchange next Monday, said Mr Kaminski, who will be the deputy chairman of the new group.

The present WBH chairman, Brian Holmes, will be chairman.

Ovcon shareholders earlier this week met for the last time to verify proposals relating to the merger.

The aim of the merger was to create a strong, well-resourced construction group operating nationally, as well as internationally, said Mr Kaminski.

Wilson Bayly Holmes operated mainly in Gauteng, but also on large individual projects in Kwazulu/Natal, Botswana, Namibia, Mauritius and Mozambique.

Ovcon operated successfully in the Cape and Natal, with offices in Cape Town, Paarl and Durban. It also had an office in Abu Dhabi in the Middle East.

"Because we have been operating in separate geographical locations, the merger will help us to work together without any major disruptions," said Mr Kaminski.

WBH presently held a 24 percent share in Ovcon. More than 50 percent was owned by directors, management and staff, and the balance was held as a strategic investment by Ovbel Holdings, part of the Ovenstone group.

WBH would hold about 80 percent of the new group and present Ovcon shareholders would own the remaining 20 percent.

.....

Cape builders wary of new labour legislation

BD 15/11/95

(32)

Business Day Reporter

THE building industry is being completely reshaped by the social, political and economic changes in the country, says outgoing president of the Cape Peninsula Master Builders' and Allied Trades' Association Barry van Breda.

Speaking at the association's recent annual

meeting, Van Breda said it was likely the Labour Relations Act, which could be implemented by March or April next year, could cut across the free enterprise environment in which the industry had traditionally operated.

"The proposed new Act is being viewed by foreign trading partners with disbelief."

SA was "probably now the only country in the world which has so wholeheartedly supported the International Labour Organisation and adopted so many of its recommendations".

Van Breda said there was a danger that the new legislation would deter foreign investment. Association members had to fully understand the proposed Act as it would "radically alter the way in which negotiations between employer and employees are conducted in future".

Implemented

Van Breda said that after lengthy negotiations, a wage agreement had been concluded which resulted in a 10,5% increase on the minimum wage for artisans, general workers and various intermediate job categories.

Although it was still unclear when the wage increase would be implemented, efforts were being made to introduce it this month.

Among the changes which were announced at the meeting was a new definition of absconding by an employee.

This would allow an employer to dismiss an employee who failed to report for work for five

days without contacting his employer.

There would also be a change in the rates of payment for work on public holidays, which now restricted it to double pay.

In the past, workers were able to claim up to treble their normal amount.

Van Breda said the association, taking cognisance of the new labour relations legislation, intended to renegotiate a new agreement to promote an industry which had a greater degree of freedom and openness in the Cape Peninsula.

"We will not simply roll over our existing conditions," he said.

"We have made it clear we intend to start negotiating with a blank sheet of paper."

Van Breda said that for the first time trade unions would be required by law to prove that they were truly representative.

The Building Industrial Council had previously made an attempt — which failed — to ascertain the relative strength of the various relevant unions. A fresh attempt was scheduled for the new year.

Construction firms merge

(32) CT (PR) 16/11/95

BY FRANÇOISE BOTHA

Cape Town — The merger of Ovcon and Wilson Bayley Holmes (WBH), South Africa's largest privately owned construction company, which took place yesterday, has seen the formation of the country's sixth largest construction company based on turnover.

The new company will be listed on the JSE on November 20 as Wilson Bayley Holmes Ovcon.

Jan Kaminski, the managing director of Ovcon, said "one can never tell what is going to happen in the future, but we expect turnover in excess of R700 million for the year to June".

The move would add substantially to the ability to service the South African market since Cape-based Ovcon had wanted to expand into Gauteng, while WBH had wanted to service the Cape market, he said.

WBH-Ovcon lists on JSE today ⁽³²⁾

AR 20/11/95

□ R15 million profit forecast

Business Editor

NEWLY created construction company WBH-Ovcon, formed from the merger of Wilson Bayly Holmes with Cape builder Ovcon, lists on the Johannesburg Stock Exchange today.

Following the acquisition of WBH share capital by Ovcon, 3 million new WBH-Ovcon shares at 270c a share have been placed with financial institutions.

Ovcon's year-end has been changed to June 30 to coincide with WBH's.

The new board will be headed by WBH founder Brian Holmes as non-executive chairman, with Jan Kaminski of Ovcon as deputy chairman.

The new group is forecasting profits for shareholders of R15,9 million in the 15 months to next June, compared with pro forma profits of R12,6 million for the year ended March. The dividend will be maintained at 12,5c a share in the 1996 financial year, with dividend cover increasing from 2,3 to three "in the course of time".

■ Shareholders in paper and packaging group Coates Brothers will be asked next month to approve the subdivision of the company's 50c shares into 10 shares of 5c each, to make the shares more tradeable.

■ Lydenburg Platinum reported after-tax profits of R9,6 million in the year ended October, down from R21,7 million the previous year. But earnings a share were boosted by the inclusion of R20,6 million in capitalisation shares received, giving earnings a share of 209c, compared with 151c last year.

The dividend has been raised from 128c to 169c.

■ NSA Investments has maintained

its 20 percent stake in Mercantile Bank following Mercantile's rights offer. Some shareholders renounced their rights in favour of NSA, enabling the group to take up an additional 4,3 million shares for R21,6 million.

■ Standard Bank is to buy the stockbroking operations of Anderson Wilson with effect from next month.

■ Malbak is negotiating to buy Premier's stake in retail group Clicks, the two companies confirmed in cautionary notices to shareholders today.

■ Bisho-based Citizen Bank's attributable profit slid from R8,6 million to R4,1 million in the six months ended September in spite of asset growth of 10 percent. Directors said the normalisation of trading had narrowed margins and boosted provisions for doubtful debts, while higher overheads and the opening of a new branch in East London also affected profits.

The bank has spent R2,3 million on acquisitions to develop its geographical and product spread, including the link-up with Msele Finance and the takeover of Bank of Transkei and Bophutatswana Building Society.

■ Growth of 34 percent in Tiger Foods helped Tiger Oats post a 27 percent rise in shareholders' profits to R467 million in the year ended September. Directors said inflation-beating growth was again expected this year, although food markets would become increasingly competitive with the entry of international food companies in South Africa.

Since the end of the year the group has bought a 19 percent interest in United States fish product company Van Kamp for \$14 million.



COMMUNITY BUILDERS: Johan Tromp, Peninsula Technikon's vice-rector, and Frank Wright of Group Five Building, back right, congratulate some of the community sub-contractors.

Picture: JACK LESTRADE

'Developing communities need skilled well-trained people'

Staff Reporter

32

ARC 20/11/95

ACQUIRING the knowledge and skills to make a meaningful contribution to the implementation of the reconstruction and development programme in their areas was the driving force behind 15 sub-contractors who successfully completed an elementary building management course.

The group spent the past six weeks working during the day and sacrificing their evenings to attend specialised construction courses at the Peninsula Technikon to equip them to play a positive role in their communities.

They reaped the fruits of their hard work recently when the Technikon handed them certificates in recognition of their progress.

The budding contractors, all from disadvantaged communities in the Western Cape, are

presently employed as sub-contractors on a Group Five Building/Pentech project to provide additional residences for students.

They were given the opportunity of securing the building contracts while at the same time undergoing extensive training as part of a special community initiative by the Technikon.

Leader of the group, Patrick Mkhwana, said they were very proud to be afforded the opportunity to learn skills which would be very useful in building up their communities.

"The country expects of all of us to do our bit so the RDP can be successful. By undergoing this training session we are now faced with a challenge of providing employment while implementing the skills we were taught.

"We can now go back to our communities and impart the

lessons we have learnt so all can benefit from the knowledge and work together to ensure a better life for all."

At the awards ceremony Frank Wright, managing director of Group Five Building, told the contractors they had taken the first step by acquiring the necessary training to run their own businesses.

"But this is only the starting point ... there is so much we can and must do to build better communities and you have the skills to lead the way."

Pentech's vice-rector Johan Tromp said he believed that everything we did should focus on the development of people.

"Whether we are in the classrooms or on site, the only way we can uplift our communities is if we develop and build people's capacity to do things. This is the idea behind this successful project."

Minorco buys into active German construction site

BD 21/11/75 (32)

Michael Urquhart

MINORCO has bought east German quarrying company Kies-und-Natursteinbetriebe Leipzig (KNL) for \$44m, opening the door for the Anglo American group to one of Europe's most active construction sites.

Minorco said KNL — which quarries sand, gravel and hardstone — would make the group the largest producer of sand and gravel in east Germany.

Minorco said KNL's location near Leipzig put it in a good position to exploit the city's DM12bn redevelopment programme.

The two other Minorco industrial minerals businesses in east Germany are Elbekies and Lauzitzer, which mainly serve the Berlin market. Minorco said Berlin was undergoing a \$35bn redevelopment programme.

It said Berlin was the largest

industrial area in Europe, while Leipzig was the second largest construction site and was rapidly becoming east Germany's premier industrial and commercial area.

The KNL operations comprised the Kleinposna gravel and sand dredging works, the Luppa high quality sand pit and a small quarry.

Minorco said a recent capital expenditure programme on the three operations meant that all now had state of the art equipment and plants and were fully computerised.

KNL was being bought from the Schneider group and would be left in the hands of existing management, Minorco said.

Industrial minerals contributed \$52m to Minorco's operating income of \$385m for the six months to June, making it the second biggest earner in the Minorco stable after agribusiness.

Minister defends cost of builders' warranty plan

(32) et 21/11/95

By MAGGIE ROWLEY

Cape Town — The R14 million a year cost to run the home builders' warranty scheme had to be measured against the cost to the taxpayer of the 45 000 properties in possession and non-performing loans the government now had to pick up, Billy Cobbett, director-general of housing, said yesterday.

Cobbett was answering critics of the scheme at a seminar organised by the Institute of Housing of Southern Africa which called for greater representation and input.

He said negotiation and consultations had long been going on and the government was adamant the scheme would be implemented from February next year.

Cobbett was asked why a scheme to protect consumers was

only now being implemented and whether the money could not be better spent on training emerging contractors.

Cobbett said the new government had a responsibility to ensure the poor would no longer be ripped off by unscrupulous builders. The risk was put back where it belonged — in the hands of contractors.

He said the government wanted to see all people trained. Bad building, he said, had been non-racial and some of the big names among established contractors were among the shoddiest builders.

Western Cape Housing Minister Gerald Morke said the recommendations of the task team he appointed to investigate the deadlock in the civil engineering and building industry in the province would be made public later this week.

Building industry growth set to slow

Jacqueline Zaina

(32) BN 22/11/95

RISING interest rates are expected to depress building activity in the months ahead. Bureau of Economic Research (BER) business mood indicators already predict more moderate growth.

Medium-term Forecasting Association MD and President's building committee adviser Johan Snyman said last week that business confidence had, up to now, reliably indicated ensuing economic activity.

With the business mood of contractors, quantity surveyors and architects as measured by BER starting to taper off, Snyman said that the building industry was at a turning point. Although he did not anticipate a decline in the next two years, he said it was likely that growth would be less rapid. He said that although expansion in the building sector had picked up in the last three quarters, the magnitude of growth was well below long-term peaks.

However, research undertaken by Kilian and Snyman of Medium-Term Forecasting Associates suggests that the private residential sector is about to enter the upswing phase of a growth cycle, the lower turning point of which would be determined by the future course of interest rates.

Snyman said that the

R25bn building industry remained a significant one, making a meaningful contribution to the GDP. He said sector shares had performed well, due mainly to the positive effect of cost reductions on profits.

While there had been a 7%-8% increase in the construction of non-residential buildings, including factories, shops and government buildings during the past two quarters, public non-residential buildings had decreased as a proportion of total buildings by 17% in the wake of budget cuts. Construction of shops and factories had been limited as a result of decentralisation leading to vacancies.

The lacklustre performance in the residential housing sector was attributed to the increase in interest rates, a salient factor determining demand for housing.

The townhouse market, although only a relatively small sector of the private residential sector, achieved strong growth, and the number of square metres started in this sector had grown 65% in the past two years.

Snyman said although the reconstruction and development programme held promise for the building industry, little action was evident at present.

Snyman said it should be kept in mind that RDP houses will vary between 25m² and 40m². While numbers would be high, values would be relatively low. He said investors could not be blamed for emphasis on the private sector. The only factors which would result in a sustained period of growth in the industry, he said, were the incremental increases in government investment in the RDP of R2,5bn a year, together with a possible 2% decrease in interest rates next year.



Getting ready for work...Public Works Minister Jeff Radebe (right) with (from left) North West Builders Federation general secretary Sydney Nkwashu, LTA group managing director Colin Campbell and Ali Maimane of the Stocks North West-Mama joint venture.

Builders form joint ventures in N West

By Isaac Moledi

THE opportunities for growth that the Government has opened in the construction industry should not exclude or lead to further marginalisation of historically disadvantaged people, Public Works Minister Mr Jeff Radebe warned last week.

Addressing business people during a tour of three construction sites in Mabopane, Temba and Garankuwa in North West where the large construction companies are involved in joint ventures with local black contractors, Radebe said the Government had opened a window of opportunity

in the construction industry which should benefit all in the industry.

He said the industry needed a coherent human resources development strategy which focussed on skills acquisition and adult basic education training for the incumbent workforce and those who had been deprived of basic schooling.

Radebe urged established construction companies to form partnership and joint ventures to facilitate skills transfer and human resource development.

The companies involved in joint ventures are LTA Building and Mawite, a consortium of nine local con-

tractors, Group Five Goldstein Building and Ikageng, a consortium of six emerging contractors and Stocks North West and six local contractors.

They are rebuilding the R60 million Central City shopping centre in Mabopane, the R50 million Temba City shopping centre - damaged in civil unrest last year - and extending the R20 million Setlogelo Technikon in Garankuwa.

The joint ventures were initiated by community representatives and the Sefalana Employee Benefits Organisation (SEBO), which owns and manages the Central City and the Temba City shopping centres.

(32)

Sowetan 28/11/95

Big boost for building industry in West Cape

(32)

ARL 28/11/95

MICHAEL MORRIS
Political Correspondent

A MULTI-MILLION rand housing project is being launched to haul the Western Cape's construction industry out of a crisis slump and meet the desperate housing needs of low-income earners.

The kick-start plan unveiled yesterday by provincial Housing Minister Gerald Morkel and a task team representing all key members of the industry will provide between 8 000 and 12 000 "housing opportunities" — or serviced plots — within the next three or four years.

The project targets mainly those earning between R1 500 and R3 500 a month and will provide work for established companies and emergent contractors and developers from disadvantaged communities.

This follows dramatic falls in employment and contracts in the building industry this year as a result of the near-paralysis of housing delivery by excessive and protracted consultation, confusion over the status and purpose of reconstruction and development programme (RDP) forums, political interference in development, and confusion and unhappiness over the new subsidies.

The kick-start project is one of several initiatives to emerge from a task team set up earlier this year — representing established and emergent developers, civil engineers, contractors, builders, industry unions and the provincial ministries of housing, economic affairs and RDP, and transport and public works — to halt the crisis in development in the province.

While the Western Cape is ahead of all other provinces in spending on housing, the team reported that the development sector was deteriorating by the day, that there had been a 16 percent drop in jobs in the second quarter of this year, and an 80 percent "downturn" in work awarded in the first six months of this year compared with the same period last year.

"It was quite clear we had a crisis on our hands," the team reported.

It also found that of the R545 million available for housing, trends indicated that only about R335 million would be spent — leaving a balance of about R210 million "which we will not be able to convert into development".

Mr Morkel said yesterday: "It is a sin that we have money to spend and are not able to do so effectively, while thousands of families are living in the

most dismal conditions. The time has arrived for us to put more emphasis on the product.

"At some stage, consultation must come to an end," he said.

In addition to the kick-start project, key recommendations by the task team, accepted by the cabinet, are:

- The concept of social compacts (agreements with communities to ensure maximum support for development) be simplified and negotiated with the beneficiaries and not RDP forums or political structures.

- All political parties and other structures hammer home the message that RDP forums do not replace local government and do not implement projects, but play an advisory and monitoring role only.

- That the national ministry be asked to allow the Western Cape to claim a higher sum — or variance — per subsidy for servicing costs because these are between 30 and 40 percent higher in this province than elsewhere.

PROPERTY

Road builders learn from the past

(32) (S) BD 29/11/95
Business Day Reporter

TRADITIONAL road building techniques used in the early part of the century are emerging again in SA, says SA Bitumen and Tar Association (Sabita) vice-chairman Adriano Swanepoel.

"These methods extend beyond the mere provision of roads because they employ labour-enhanced methods of construction, empowering small contractors in the process."

Swanepoel said improved materials used for binding the surface had resulted in the construction of roads which were as durable as conventional roads. A capital outlay of R10 000 per construction team should allow small contractors to "get into business" and tender for road construction projects.

"This method is taking off and already roads in Doornkop and pavements at Baragwanath are being built this way. Instead of machinery costs taking a major slice of the contract amount, 35% to 40% is being paid directly to wages."

The techniques were similar to those used by the great road builders

of the past, Swanepoel said. High strength was obtained by stone-to-stone contact of larger than normal stones in the surface layer.

Chris Potgieter, a partner at Potgieter, Hattingh & Schultz, consultant to the Greater Johannesburg Metropolitan Council on the Doornkop project, said there were four levels in empowerment of road-building contractors.

The first was where a labour force did work on a pay-per-day basis. This method was not linked to productivity and was used while labourers acquired basic skills.

The second option was task work, where the labour force was advanced to a productivity-linked basis, and work was measured and paid for per task. Another level saw emerging contractors being financially and technically assisted in becoming managing contractors. Financial help was given through the provision of material, machines, guarantees and assurance.

The fourth level on the empowerment ladder was when small contractors were able to tender for projects on suitable lengths of street.

Bovis 'will contribute more to SA'

Business Day Reporter

(32) BD 29/11/95

BOVIS Construction expected to make a greater contribution to SA as the reconstruction and development programme moved forward, Bovis Construction chairman Sir Frank Lampl said on a recent visit.

His confidence in SA was backed by the fact that Bovis had established its operation in the country before the 1994 election.

"We did not wait to see what the outcome would be. We knew that you had the ability to come right and, as the new government comes to grips with its admittedly formidable task, this is beginning to happen."

SA's main tasks were to find jobs for the millions of unemployed people and to build homes for those without adequate accommodation. "The scale of

both tasks is considerable and neither can be achieved overnight.

"But the building of homes will create new jobs for many years to come, with the benefits being felt right through the economy."

Other developments were also required, from building hotels to shops and offices. "In all this, SA will undoubtedly need some help from its friends, and Bovis is happy to play its part in building the new SA."

Bovis has operations in more than 30 countries, including projects such as the 1996 Atlanta Olympic Games complex, where Bovis was involved in the management of the programming and construction of 30 venues.

The Bovis operation in southern Africa, which includes the Thebe Bovis joint venture, is headed by chairman Peter Clogg.

New concepts
will be tested

Business Day Reporter

THE estate agency industry was in a state of flux, and there could be continuing rapid changes in the foreseeable future, Institute of Realtors of SA (IRSA) president Des Nish said.

"Over the past few years we have seen the introduction of a number of new concepts like buyer's mandate, 100% commission, 2% commission and sales by owners. Many of these will have to be tested and, where necessary, adapted to suit local conditions," Nish said.

There had been some suggestion IRSA should become involved in adapting these concepts to the local market, but Nish said IRSA needed to be impartial in its analysis of these options, and in its advice to members of the institute.

"While one has to ensure consumers are protected against misrepresentation, one cannot dictate what should and what should not be allowed. Products which offer the consumer the best service and those giving agencies the best form of administration will succeed."

Builders' training courses 'a priority'

Business Day Reporter

TRAINING courses aimed at overcoming the dearth of project, financial and management skills among emerging builders should receive the highest priority at government level to ensure the delivery of reconstruction and development projects, said Association of SA Quantity Surveyors president Barry Probert.

"Training in SA has been focused virtually exclusively on hands-on skills which has provided us with a reservoir of people conversant with the physical aspects of the construction process."

The problem occurred between the actual building process and the delivery of the finished product to the required standards. Quantity surveyors in all nine provinces would have to assist, in conjunction with members of the other construction-related professions, and emerging builders in the management of projects from schools and clinics to government offices.

He said in most cases quantity surveyors had worked outside their project briefs in providing such assistance, and occasionally had found themselves in volatile situations when builders had insufficient funds to pay their suppliers and labour due to poor planning.

"One possible solution to the lack of business management and financial skills is to offer to other training institutions across the country the course being developed by the Centre

for Construction Entrepreneurs."

The centre was run under the auspices of Free State University, with the support of the quantity surveyors' association and other organisations.

Probert said the association had realised a decade ago that the provision of manual skills training was far outstripping the provision of building management skills for emerging entrepreneurs. Universities and technicians had launched courses on extremely limited budgets to fill this gap.

The centre had been the most successful venture in this sphere and the association was keen to see other institutions follow the same route.

Fifty-two students received certificates last month, bringing to 300 the number of "emerging builders" to have completed courses at various levels. Courses were aimed at newcomers to the industry, semi-skilled workers and construction engineers.

Subjects ranged from building technology and elementary management to site management and control, as well as quality management, contract documentation, tendering procedures, business management, and time and cost management.

Last year the centre launched a two-year course aimed at foremen, site managers and office staff of established construction firms. It was also investigating the possibility of Free State University giving successful students credits towards a formal degree.

BD 29/11/95

(32)

Harsher crime law ready to bite back

Star 29/11/95 (32)

Package of tough deterrents to be in force before Christmas in bid to stem hijacking and other violent crime

BY NORMAN CHANDLER, TARYN LAMBERTI AND LORNA ZOKUFA

A package of tough anti-crime laws enacted by Parliament earlier this year are to be implemented before Christmas, Justice Minister Dullah Omar has announced.

He has also briefed magistrates extensively on the harsher bail procedures contained in the laws to ensure the justice system understands what is required of it.

Omar yesterday unwrapped what he called "a package of deterrents" aimed at cutting back on the high levels of crime, in particular vehicle hijacking and murder.

The package being finalised by the Justice Department provides for longer jail sentences for adults and juveniles, refusal of bail, tougher bail conditions, revised sentences for murderers previously on death row, and no parole for murderers and others found guilty of serious crimes unless a judge has thoroughly investigated and reviewed their case.

The relevant new laws will be implemented between now and December 15.

Omar told The Star: "All the current debates about crime will come to naught unless we have a package. We need to assure the public that something is being done.

"It has to be an effective deterrent which will undoubtedly carry a message to the potential offender that he will be caught and sentenced, and there must be no doubt in his mind that that will be the case. He will be apprehended, the case investigated, and he will be charged and sentenced. That is the package for him, and it is a very important package."

Omar said that bolstering the deterrent aspect of the law was paramount because "the overwhelming statistics in connection with hijack-

ings, for instance, show that the hijacker is not being apprehended. They escape justice, and that sends a signal to the criminal that he can get away with this crime."

Omar also said he had made it clear in meetings last week with officials of the Regional Courts Association, of which magistrates are members, that the courts should use their new, wider powers to reject bail and that the letter of the law in this regard needed to be applied firmly.

Greater powers were being conferred to magistrates and regional courts to impose stiffer sentences.

Section 29 of the Correctional Services Act was also being overhauled to provide for longer sentences and prison terms for young offenders.

He was aware there could be a public outcry about the sentencing of juveniles to long jail terms, but said "we are looking at this because the safety of the public must come first".

Police Commissioner George Fivaz has reacted strongly to accusations by Johannesburg Major Isaac Mogase that senior police officers are involved in car hijacking syndicates.

Fivaz's statement follows a press report quoting Mogase as saying top Gauteng police officers would be arrested "in the next couple of days and weeks" for alleged complicity in car hijackings.

Fivaz, in a statement released last night, said he was deeply shocked by Mogase's comments because no cases of this nature had been brought to his attention.

He had immediately arranged for Mogase to be interviewed "so that the people involved be arrested without delay".

Fivaz added if Mogase's comments were true, the actions of a small minority of "corrupt police officials" could not be allowed to contaminate the efforts of the vast majority of honest and dedicated officials.

Skills training a must by Govt

By Isaac Moledi

THE Government should give top priority to training courses that will empower emerging builders with financial and management skills, says Association of South African Quantity Surveyors (ASAQS) president Barry Probert.

Probert says the speedy delivery of the RDP can be assured if emerging builders are trained in financial management.

The training in South Africa has been focused virtually on "hands on" skills, which has provided South Africans with a reservoir of people conversant with the physical aspects of the construction process.

The critical problem lies between the actual building process and the delivery of the finished product to the required standards, he says.

He urged quantity surveyors in all nine provinces to step in, along with members of other professions, to assist emerging builders in the management of projects ranging from schools to clinics and government offices.

"A possible solution to the lack of business management and financial skills is to offer training institutions courses developed by the Centre for Construction Entrepreneurs.

"The CCE runs under the auspices of the University of the Free State, with the support of the ASAQS and other organisations," he points out.

Probert says ASAQS realised more than ten years ago that the provision of

“RDP can be assured if emerging builders are trained in financial management”

Howetian 30/11/95
manual skills training in the construction industry was far outstripping the provision of building management skills for emerging entrepreneurs. He says although the CCE is by far the most successful venture in running these courses, universities and technikons around the country have launched courses, on extremely limited budgets, to fill the gap.

"ASAQS is keen to see other tertiary institutions follow CCE's formula."

So far, 52 students received their certificates from the CCE in October, bringing to 300 the total number of emerging builders to have completed the courses at various levels.

Probert says the CCE last year launched a two-year certificate course aimed at foremen, site managers and office staff of established construction firms and is presently investigating the possibility of the university giving those who have completed the two-year semi-formal certificate course credit towards a formal degree

Battle in the black construction industry

MHG (DM) 1-7/12/95

(32)

Karen Harverson

A ROW within the ranks of the black construction industry may damage its initiative to fund a developmental programme for emerging black contractors.

The programme is aimed at helping black contractors acquire the skills necessary to participate in the mainstream construction industry.

All contractors wishing to be part of the home building industry must register with the National Home Builders Registration Council and meet its criteria or they will not be eligible to build houses in South Africa.

In addition, the banks will not provide loans to home buyers if the contractor building their house has not registered with the Council's monitoring

body to protect homebuyers in the event of a registered contractor defaulting on specified parts of a contract.

It was given the support of the black construction industry with the caveat that a developmental programme be carried out simultaneously with the registration of contractors.

The four bodies representing the black construction industry, the National Black Contractors & Allied Trades Forum (Nabcat), the African Builders Association (ABA), the National African Federation for the Building Industry (Nabji) and the South African Black Technicians' Association (SABTEC) are

'The key issue facing the industry is unification and Nabcat's withdrawal does nothing to further that process'

The secretariat is looking at the developmental compact in broad terms rather than the immediate training that is needed, and we are concerned that the Council's monitoring process will be a hindrance to the industry's growth.

Another important issue is funding. The Council chairman Mike Mohoho says, "The bus is moving and those headed by the BCIs well advanced and on track. The bus is moving and those headed by the Council's monitoring

1996) by when contractors must register with the Council in order to participate in the housing market," says Nabcat secretary general Douglas Setlue.

Although Setlue says Nabcat supports the Council, it is planning to develop its members separately from the BCI's programme to ensure they are part of the registration process.

But this action may have negative effects on the industry. "Nabcat's withdrawal may split the black construction industry and there are many issues which this industry has to face and lobby government and can only do so effectively with a unified voice," says Council chairman Mike Mohoho.

Another important issue is funding. The Council chairman Mike Mohoho says, "The bus is moving and those headed by the Council's monitoring

and private sector prefer to channel funds to a unified body rather than deal with multiple organisations applying for funds to achieve the same objective. Mohoho is deeply concerned about Nabcat's withdrawal and urges them to return to the fold. He believes the BCI is well advanced in setting up programmes and liaising with the various government departments.

About R2-million is needed to facilitate the programme and is being raised by Sabcap through the banks, government and the private sector.

Director General of the Department of Housing William Cobbett says while he regrets Nabcat's withdrawal, the department will continue to liaise with the BCI in terms of funding. "The key issue facing the industry is unification and Nabcat's withdrawal does nothing to further that process," he says.

He is adamant that the process being headed by the BCIs well advanced and on track. "The bus is moving and those headed by the Council's monitoring

Housing standards needed to avoid 'RDP slums'

THE Mortgage Indemnity Fund has huge potential to unblock finance and allow the reconstruction and development programme to begin the process of providing affordable housing, Clay Brick Association (CBA) executive director Nic Louw said recently.

"It is now the appropriate time for definitive standards to be implemented as guidelines for the housing that will be built. The CBA has long been concerned that RDP houses are going to be short-

term affordable slums rather than quality housing for a nation looking for long-term solutions."

He said the association realised current needs could be partially supplied using cardboard, plastic and other substitutes for housing, but these would never establish home owners' self-esteem or develop responsible citizenship.

SA had to turn to old tried and tested solutions to housing issues and model itself on societies which had achieved stability and safety

through home ownership.

There was a misconception that clay bricks were unaffordable. But recent research by Cape Town University and quantity surveyors Walters & Simpson showed clay bricks were affordable, particularly when maintenance was taken into account.

"Now that funds are reaching the affordable housing pipeline, we must ensure the housing provided outlasts the bond repayment term," he said.

BD 6/12/95

(12) (32)

Cost-effective construction

32

Business Day Reporter

206/12/95

A THERMALLY efficient, reinforced, dry-stacking building system which could be used on low-cost housing was now available in SA, Insulated Masonry System SA (IMSD) director Bob Stanley said last week.

The system, pioneered in the US in the 1970s, cost less than conventional methods as the blocks were dry-stacked and could be laid without cement mortar jointing.

"The system can be erected with unskilled labour. Only one trained mason is required on the job," Stanley said.

Builders to recognise previous experience

CT (MR) 7/12/95 (32) (S)
By MAGGIE ROWLEY

Cape Town — The building industry will recognise previous experience in the industry from next year — a move expected to benefit millions of disadvantaged people.

This follows the success of a pilot project to recognise previous learning implemented in Bloemfontein earlier this year.

Erwin Sonnendecker, a director of the Building Industries Training Board, which was charged with developing a sustainable, effective recognition of previous learning that was recognised by workers, employers and government institutions, said the new projects would be launched in the rest of the country early next year.

Recognition of previous learning, which is widely practised in the United States and Britain, and rapidly gaining ground in other countries, has been introduced to South Africa fairly recently.

The process enables people of all ages and backgrounds to receive credit for knowledge, experience and skills acquired outside the classroom.

It acknowledges that learning, no matter how, when or where acquired, is worthy of recognition.

Sonnendecker said the recognition of previous learning had particular relevance for South Africa because of the large number of people who were unemployed or underemployed because their skills were acquired outside the formal

education and training environment, and not formally certified.

"It is recognised in the National Training Strategy Initiative outline as a key strategy for harnessing the country's human resources and is a cornerstone of the ministry of labour's five-year plan."

He said the success of the pilot project and the consequent implementation of recognition of previous learning on a national scale was likely to have a significant effect on the lives of educationally disadvantaged workers.

The National Training Board estimated that between 4 and 5 million South Africans would benefit from the process.

He said: "In practical terms it will mean they could attain a nationally recognised qualification which would immediately improve their employment prospects.

"In most cases they would be drawn into the existing national and regional training frameworks to add to existing skills as they pursued further qualifications."

He said recognition of previous learning had important implications for the country because it allowed people to build on what they already knew rather than having to start at the bottom to acquire a qualification.

"This will result in faster delivery of properly qualified skilled workers into the economy which is regarded as being vital for the reconstruction and development programme to succeed."

Outlook for building still bullish

32

BY DEREK TOMMEY

ETOR 7/12/95
Johannesburg — The outlook for the building industry remains bullish in spite of the two increases in the bank rate and mortgages rate this year. Between January and September, local authorities approved plans for buildings worth R13,4 billion, an increase of 39,2 percent on the comparable 1994 figure, reports Central Statistical Services.

At constant prices, the 1995 increase was still substantial, up 24,9 percent on last year.

In the first nine months of this year, local authorities approved plans for dwelling houses estimated to cost R4,1 billion (R3,2 billion) at current prices, an increase of 28,4 percent.

They also approved plans for flats and townhouses estimated to cost R2,4 billion (1,46 billion), an increase of 67,3 percent.

The authorities approved plans for non-residential buildings estimated to cost R3,5 billion, up from R2 billion last year.

There has been a steady increase in the value of buildings for which plans have been approved over the past 15 months.

In the September quarter last year, the authorities passed plans for buildings worth R3,78 billion. This rose to R3,9 billion in the December quarter, to R4,3 billion in March, to R4,35 billion in June and to R4,7 billion in the September quarter this year.

Pay dispute between Johannesburg Stadium and contractors

(32) Star 7/12/95

Consternation was caused among contractors to the new Johannesburg Stadium this week when businesses, still on site, were told they will have to wait until February next year for payment due to them since October.

Several smaller companies, sub-contracted to stadium management through Goldsteins, said they would have extreme difficulty remaining

solvent while "carrying" the stadium for five months without payment.

According to some companies the stadium has not got the money.

Stadium Project Managers Pro-Crit spokesman Louis Stapelberg refuted the criticisms.

He claimed payment was withheld because of a dispute between

the quantity surveyor and Goldsteins over the amount due to workers.

"Payment should already have been carried out by today. Nobody is simply withholding payment," Stapelberg said.

"To say that there are no more funds for the stadium is junk," he added. - City Reporter.

SHOREDITS (32)
 Still at a discount *FM 22/12/95*

Activities: Construction, civil engineering, property development and related industrial interests.

Control: Directors (53%).

Chairman: A K R Shoredits.

Capital structure: 19,9m ords. Market capitalisation: R58m.

Share market: Price: 290c. Yields: 3,1% on dividend; 15,5% on earnings; p:e ratio, 6,4; cover, 5,0. 12-month high, 340c; low, 210c. Trading volume last quarter, 1,9m shares.

Year to June 30	†'91	*'93	'94	'95
ST debt (Rm)	25,6	30,2	23,5	27,7
LT debt (Rm)	11,2	7,1	5,6	20,4
Debt:equity ratio	2,36	3,15	2,22	1,32
Shareholders' interest	0,15	0,13	0,12	0,26
Int & leasing cover	1,33	1,05	1,34	2,14
Return on cap (%)	9,9	8,6	7,2	6,8
Turnover (Rm)	215	203	196	256
Pre-int profit (Rm)	10,4	7,6	7,7	9,6
Pre-int margin (%)	4,9	3,7	3,9	3,7
Earnings (c)	24,7	18,6	21,9	45,0
Dividends (c)	8	8	8	9
Tangible NAV (c)	144	107	121	183

† Year to December 31. * 18-month accounting period, annualised.

Shoredits has lost little time in taking advantage of the improved financial flexibility offered by its R19m rights issue a year ago.

The financial statements at June 30 1995 reflect a period of aggressive expansion that has added R34m (31%) to tangible assets.

Taken over the year, the rights issue was matched by a similar increase in borrowings, up from R29m to R48m, the funds being channelled mainly to properties held for resale (R18m) and fixed assets (R12,5m).

Despite the share issue of 145% of the 1994 capital base and a further R5,5m added from retained earnings, Shoredits still ended 1995 with a debt:equity ratio of 1,32.

Though a significant improvement on the previous year's 2,22, it was probably a lot higher than most analysts were expecting in that the situation immediately after the rights issue should, on the *FM's* calculations at the time, have been a ratio of around 0,31.

The group is not unduly perturbed by what, against conventional criteria, would be considered a highly geared balance sheet, with chairman Andy Shoredits point-

ing out this should be viewed in the context of an extensive (and growing) investment in property development.

From an operational standpoint, the increased emphasis on property development was probably one of the year's highlights.

The growing importance of this activity is reflected in that it is now in a separate subsidiary — Shoredits Developments — which provided the construction division with about 40% of its turnover and, by extension, accounted for 16% of total group turnover (inter-group turnover is not, in terms of the accounting policies, eliminated where it arises in the normal course of business).

The divisional review adds that, this year, the group will focus on turnkey projects generated by Shoredits Development until there are more visible signs of increased activity in the construction industry stemming from RDP projects.

There were three main factors behind last year's R4,9m (208%) leap in attributable earnings. These were, in order of importance, improved operating results (R1,9m or 38%), a R1,7m increase in the deferred tax write-back (35%), and a R13m decrease in net interest paid (26%).

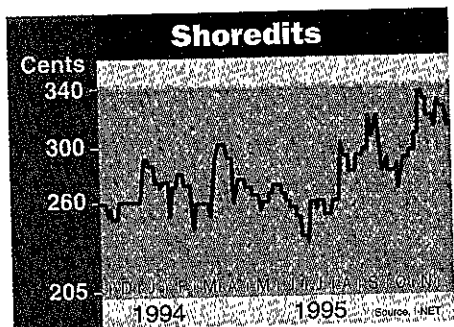
The last factor is interesting to the extent that it indicates that the additional borrowings were taken on late in the year. If debt is maintained at its current level, the 1996 interest charge could be almost R9m, uncomfortably close to present gross income (including interest received) of R10,9m.

Fortunately, however, Shoredits is forecasting another good year, with order books said to be fuller and the quality of work better than 12 months ago.

Surprisingly, the market's response to 1995's substantial growth has been subdued. The 290c price is up more than 20% since the 1994 annual report was reviewed but the p:e ratio has come down from 8,6 to 6,4 and the discount at which the group is rated relative to the building sector has widened slightly to more than 60%.

This rating is probably unfair in terms of prospects but is unlikely to improve much while the group remains unfashionably highly geared.

Brian Thompson



Training to form basis of N1 project

Theo Rawana

CONTRACTOR Northern Toll Road Construction had made training and subcontracting an important part of the R500m road construction project on the 122km section of the N1 toll road from Warmbaths to Pietersburg, manager LTA said.

The financing, construction and maintenance of the road was awarded to the construction company by the SA Roads Board. Management of the project was in turn awarded to the Northern Toll Road Venture, a joint venture between LTA and Murray & Roberts. Actual construction is being undertaken as a subcontract by LMG, a joint venture between LTA, Murray & Roberts and Grinaker Construction.

LMG's training school, run in conjunction with the Civil Engineering Industry Training Scheme, was opened on July 10. "It employs four full-time

multilingual instructors headed by chief instructor Piet Potgieter.

"The capacity of the school, based at LMG's site offices in Potgietersrus, is 20 to 30 trainees a week. Some 25 different courses are offered, most of them at the school and a few on site," LTA said.

By the end of November a total of 452 trainee certificates had been issued, 300 of which were to members of LMG's 680-strong labour complement, 113 to employees of emerging contractors involved in the project, and the balance to core employees.

The skills training involves intensive week-long sessions in skills such as measuring, scaffolding and support work, excavation, shutter erection and concrete pouring, installation of subsoil, drains and gabions and fencing erection.

"One significant aspect of this ambitious SARB project is the contractor's commitment to award contracts worth R50m to emerging contractors and to provide training for some 2 000 people," LTA said in a statement.

LMG project manager Eugene Erasmus said 53 reconstruction and development contracts — plant hire and supply orders — valued at more than R35m, had been awarded by his company by the end of November. The success of this programme could result in the RDP portion of the contract exceeding the stipulated R50m by contract completion in July 1997.

At least 14 orders had been placed with emerging businesses by LMG's subcontractors.

BO 27/12/95

32

32

RDP's slow progress fails to dim builders' optimism

Robyn Chalmers

THE building and construction industry continued its recovery this year, although growth was slower than expected because of the non-performance of the reconstruction and development programme (RDP), but many believe 1996 will see the industry take off.

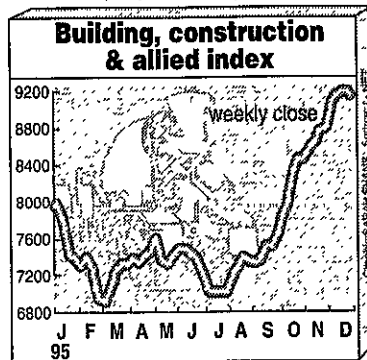
Analysts and industry spokesmen said yesterday that the emerging and established sectors of the industry had experienced improved conditions this year in comparison with last year, although activity had levelled off in the past two quarters.

This was contradicted by market perceptions, which saw the JSE's building, construction and allied index rise sharply from the beginning of October.

Analysts said this reflected the belief that the RDP, and particularly the long-delayed housing programme, would finally take off next year.

BMI Building Research Strategy Consulting Unit MD Llewellyn Lewis said the first six months of this year generally showed a more lively building industry, flattening off in the last three months.

"This can be explained by cyc-



lical factors, because the building industry traditionally shows its best sales during the build-up to the builders' holiday.

"A further factor in the slow-down could be the run-up to the local elections, with its concomitant lack of decision-making in local government developments and the uncertainty generally. Moreover, the RDP has not had any noticeable impact on building conditions this year," he said.

Expectations were that there would be some progress made on the RDP next year.

However, there were still sufficient delivery logjams to hinder growth and industry activity was expected to improve only 5% to

10% next year.

University of Stellenbosch Bureau for Economic Research survey editor Nils de Jager said architects, quantity surveyors, building contractors and subcontractors all experienced a slow-down during the third quarter.

The last six months of the year had seen building activity suffer a setback, which had led to a deterioration in business confidence in both the residential and non-residential sectors.

This was probably linked to the delay in the government's low-cost housing programme, and should improve in future.

"In addition, it can be expected that economic growth, especially fixed investment, should spill over into the building industry and many hope that better conditions will emerge next year," he said.

Ian Cardwell, partner of Walters & Simpson quantity surveyors, said that while a boom in the building industry had failed to materialise this year, the outlook for next year remained positive.

Tender prices nationally were only 12% up on 1994's — one third less than the 18% predicted — and professions across the board were scratching for work, with engineers hardest hit, he said.

Black builders get raw deal, want to take tough action

Star 30/12/95
By TEFO MOTHIBELI

Black building contractors in the Vaal Triangle expressed disappointment this week at the failure of the provincial housing department to halt the tendering process for new development projects in the area's townships.

The Land Developers and Builders Organisation (Ladebo) has declared 1996 a year of action during which they will "employ all the resources at our disposal to make our Government listen to us".

The organisation wants black contractors to be given a chance to develop townships on their own without help from their white counterparts, whom they feel have held an unfair monopoly for a long time.

"Demanding to develop these areas on our own is not necessarily intended to reverse apartheid, but is an attempt to empower our own communities," the organisation's chairman Bricks Mokolo said.

Last month, housing and local government spokesman Thabang Mamoyane said the Government could not accede to Ladebo's demands and urged the black contractors to enter the tendering processes as this was the only way things could be done fairly.

"We totally reject that suggestion because it means we will be supporting the old, unacceptable method of doing things. We voted for a new government believing that they are going to do things differently from the old order," added Mokolo.

He said white contractors always stood a better chance in the tendering process because of the strong financial muscle they had built up over the years. The whites also had easy access to credit that most blacks were denied, and blacks faced insurmountable red tape.

Mokolo said Ladebo had resolved that none of its members would participate in any tendering processes. "All that we ask for is a chance to help our Government deliver on its promises, especially (with regard to) housing."

Home defects scheme slammed by builders

32

By TOM HOOD

THE government-backed Home Defects Warranty Scheme will result in the cost of housing in the lower end of the residential market being increased for those people who can least afford it, says a leading Cape builder, Barry van Breda.

"The scheme is ill-conceived and unlikely to achieve its original intention of putting an end to consumer boycotts."

Mr van Breda, outgoing president of the Cape Master Builders Association, said the ball was now clearly in the court of the banking community and it remained to be seen whether they would deliver on their promises to grant at least 50 000 loans to low-income home owners within the next 12 months.

If they did not deliver, the building industry would withdraw from the scheme, he said. But he added he was optimistic about the future of the building industry in the Western Cape.

Mr van Breda said the industry would be boosted by the increase in tourist trade, several large hotel developments in Cape Town, the forthcoming Goodwood showground, and the Milnerton racecourse and Tyger Valley redevelopments.

ST(m) 31/12/95