CONTRUCTION - GENERAL

1996

Builders see modest rise in growth

CT(BR)5/1/96

By Maggie Rowley

(32)

Cape Town — Growth in total building activity would have to increase between 15 and 20 percent this year if the RDP was to be successful, according to the BMI building research strategy consulting unit.

According to its latest quarterly survey of the building industry, this growth exceeded expectations for the next 12 months for the emerging and formal sectors of the industry.

A net 70 percent of the emerging sector expect conditions to improve over the next 12 months, but this improvement is not expected to be more than 5 to 10 percent. But 64,3 percent of formal contractors expect building activity to pick up by less than 5 percent this year.

The unit said emerging and formal contractors expected the RDP's lack of visible delivery last year to continue this year. They had lost confidence because delivery had been disappointing, the unit said.

"Certainly it would appear that the established sector has written off RDP housing as a niche market at least for the foreseeable future and will concentrate their efforts in the other, more traditional building markets with a particular focus on townhouses and clusters."

There could, it said, be a return to popularity of high-rise flat developments in the metropolitan areas, sold on sectional title because of the fortress-type security offered by these developments.

"No doubt the crime wave has also contributed to the so-called security-enclave syndrome where middle- to upper-income suburbanites barricade themselves behind high walls in secluded and self-sufficient suburban islands a few street blocks in size.

"Clearly there is a commonly held view, across all respondent groups surveyed, that the next 12 months will not show significant progress with regard to delivery on the RDP housing programme and therefore for the building industry.

"The building industry is clearly adopting a wait-and-see attitude and is planning for fairly modest growth in activity in the other market segments of the industry."

Manufacturers report better business climate

CT(BR)5/1/96

By Audrey d'Angelo and Sapa

Cape Town — Business conditions were generally better than expected, the Bureau for Economic Research at Stellenbosch University said in a nationwide manufacturing survey undertaken during the fourth quarter of last year.

"The level of sales and order volumes was better than expected and significantly higher compared with a year ago," the bureau said.

However, the experience of manufacturers in the fourth quarter suggested the tempo of business activity was declining and this could persist.

But it warned that competition from imports was "becoming stronger in key consumer goods industries."

The report said that while certain consumer goods industries, particularly clothing, footwear and leather goods, enjoyed a buoyant first half last year "conditions seemed to become somewhat tougher in the second half."

There was a slowing down in the rate of manufacturers' cost increases: "Lower increases in raw material unit purchase prices and labour unit costs were translated to lower unit selling prices, but profit positions are presumably improving," the report said.

Order volumes and stocks of finished goods on the domestic market in particular were on a level which would provide little stimulus for production growth, but some impetus could come from a combination of keener export order volumes and too low stocks of finished export goods.

The bureau said that despite an apparent lull in demand conditions, manufacturers expressed confidence in the long-term prospects of industry.

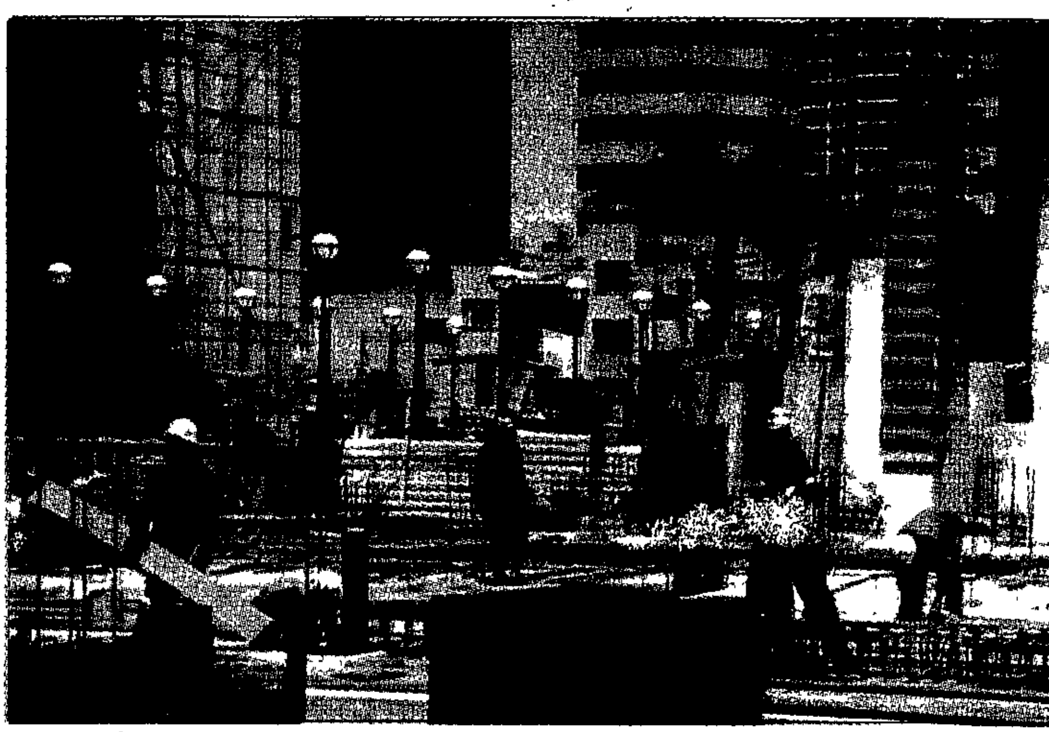
The report said the motor industry was a leading performer last year. "Its production volumes grew by 28 percent compared with a year ago. This industry has wide-ranging forward and backward linkages in the economy.

"Consumer goods industries which benefited from the growth in private consumption expenditure in the first half of 1995 included clothing (production volumes growing by 9 percent year on year), textiles (13 percent), footwear (15 percent), wood products (7,3 percent) and leather goods (10 percent)."

But production and order volumes declined in the clothing, footwear and leather industries in the fourth quarter, compared with a year ago.

"Business confidence is lacking in these industries. In contrast, business conditions in the furniture industry appear to have turned for the better."

The future for heavy industries was bright, but these prospects were, however, also dependent on export demand, the bureau said.



BANKING THE BONUSES *LTA is expecting to receive three incentive bonuses as work on the R82 million contract for block E of Bank City in the Johannesburg city centre looks likely to be achieved ahead of schedule. This, the fourth phase of the project, is due for completion by May next year. The current value of work completed by LTA, which also constructed blocks A, B, C and D, is about R600 million*

Wake up, or watch housing dream fade

(32) ST 7/1/96

By ANDREW TRENCH

THE construction industry has warned the government to get its housing policy in order or watch the collapse of its dream of delivering a million houses by the end of the decade.

The warning follows a dramatic week which saw Gauteng pull the plug on housing projects worth R89-million, or 7 100 planned homes.

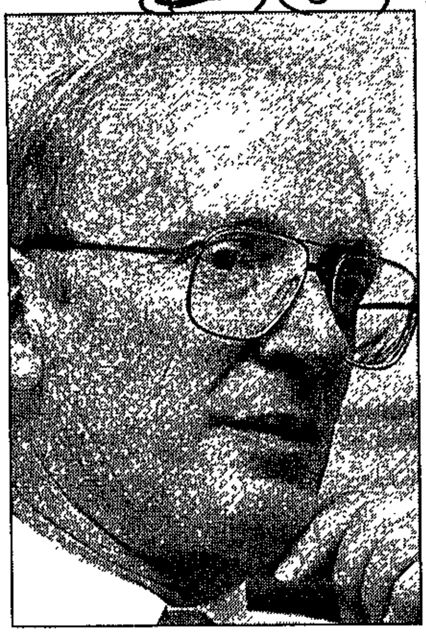
Daan Roelvert, the director of the National Association of Home Builders and Developers — which represents some of South Africa's biggest construction companies — warned that major developers and construction companies were shying away from government housing projects because of delays, uncertainties and the financial risks they were expected to take.

Mr Roelvert said developers wanting to establish a township of 1 000 houses, for example, could expect to wait two years, spending millions of rands before building the first house.

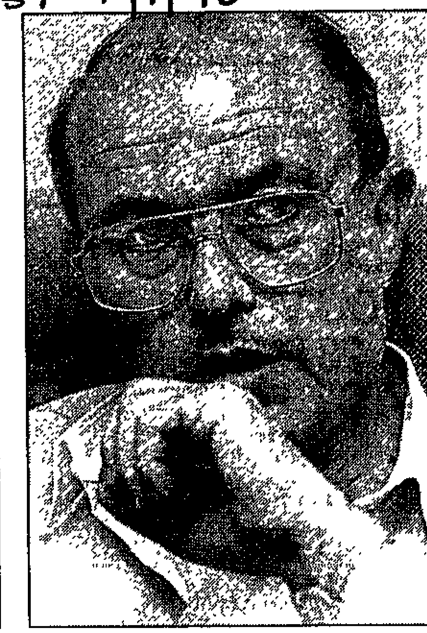
During that time political or community interference, or cancelled contracts, could sink the project — and the developer's investment.

"The social and political scenario has got to change. They have to make it viable and attractive enough for developers to get involved," he said.

Mr Roelvert's warnings follow the Gauteng government's decision to take eight projects away from several companies, claiming they were not delivering and that only 2 000 homes had been built in the region last year.



BIG PLANS . . . Alex Leonsins's company has pulled out of a project



BUILDING HOPES . . . Martin van Zyl of the Gauteng Housing Board

But Enos Ngutshane, the deputy director general of housing and local government in Gauteng, who insisted the companies were to blame for losing the contracts, had a different view.

"We are not going to sit down and beg them to do it (build houses) — those days are over. More especially for the big guys. They are the ones who are holding the building industry to ransom. We need to break down the cartels," he said.

Among those which lost contracts was Stocks & Stocks — builders of the Lost City, and former darling of the Gauteng government — whose dream of building 150 000 houses a year was embraced by the Gauteng premier, Tokyo Sexwale, in 1994.

This week the company — backed by the Gauteng Housing Board — insisted it had not been pushed from the projects but had voluntarily given them up to allow the money to go to other companies which were well placed to deliver houses.

Government officials have stood their ground, insisting the companies did not give up their projects willingly, but that the projects were taken away because the companies failed to deliver the goods.

Mr Ngutshane insisted that Stocks & Stocks and others lost their contracts because of non-delivery.

He provided details of Stocks & Stocks alleged failure to deliver, saying 6 800 houses had not been built in Bekkersdal and Westonaria; 3 536 at Roodekop in Germiston; and a further 560 houses in Mpilisweni in Thokoza.

By comparison, a construction company in Protea Glen in Soweto had already delivered 979 houses, he said.

Stocks & Stocks denied that it was associated with some of the projects mentioned, and said it had relinquished others because they were not viable at the moment.

Alex Leonsins, the managing director of Homes for Gauteng — a Stocks & Stocks subsidiary — confirmed that his company had withdrawn from an agreement to build 1 000 houses, and had yet to complete any of the other 9 000 houses it was committed to building.

He conceded that the company's initial vision of 150 000 houses a year being built in Gauteng — of which it hoped to build 40 000 a year — had had to be tempered in the face of delays in implementing financing policies.

Mr Ngutshane said that in the past the industry had had to deliver only 35 000 houses a year, but South Africa now needed 10 times that number.

He said the "conglomerates cannot afford" this as they were over-committed.

Martin van Zyl, the head of the Gauteng Housing Board, confirmed this week that only 2 000 houses had been delivered in Gauteng this year.

Joe Malherbe, the legal consultant to the board, said some 90 percent of the 67 projects undertaken in the region were way behind schedule.

The government has taken a first step towards speeding up delivery and dealing with the concerns of developers.

Late last year it agreed to pay developers as construction progressed, instead of at completion, to combat their cash-flow problems.

In return, the Gauteng Housing Board put deadline clauses in the contracts with developers to make sure houses were completed on time.

Mr van Zyl said the deal was already bearing fruit, with the board paying out R37-million in the two weeks following the agreement for some 8 000 partially completed houses. "It's a kind of a carrot on a stick," he said.

Under the previous policy of paying on completion, only R18-million of the R900-million which had been allocated for housing construction in Gauteng until 1998 had been spent by November.

Optimism for building industry boom

BD 10/1/96 (32)

Robyn Chalmers
and Lukanyo Mnyanda

THE construction industry was buffeted by job losses, the fall-off of large-scale contracts and the non-performance of the RDP last year, but there is growing optimism that the long-awaited boom will materialise this year.

Central Statistical Service figures released this week showed employment in the total construction industry fell 4,1% or by more than 15 000 workers between August 1994 and August last year.

This was despite fears at the beginning of the year that the industry would be unable to gear up for the demand created by the take-off of the low-cost housing segment of the RDP.

The figures showed that employment in the building construction industry decreased 3,3% or 6 900 workers, and 6,2% or 8 000 fewer workers were employed in the civil engineering industry.

Building Industries' Federation of SA executive director Ian Robinson said last year had been a disappointing one for the building industry, particularly as there were strong expectations that the sector was entering into a period of sustainable growth.

Price increases for building materials were lower than expected, although analysts said the acid test this year would come when the delivery of mass housing began in earnest.

SA Association of Quantity Surveyors president Barry Probert said industry figures showed that price increases were maintained at around 7% last year, with steady demand for products and no difficulty with supply meeting demand.

SA Federation of Civil Engineering Contractors economist Henk Langenhoven said the industry's contract awards for last year were likely to show a decline of between 27% and 32% in rand terms.

Langenhoven said there were signs that the industry was recovering from the "tender standstill" reported in 1994, but the completion of large contracts such as Alusaf were unlikely to be replaced, which meant awards would remain low.

Total turnover levels for last year were expected to be at around R5,1bn, about 4,5% lower than the initial expectations of about R5,4bn. However, the situation could improve this year, Langenhoven said, citing last year's successful local government elections as a possible generator of more contracts.

An improvement in the administration of provincial and local governments might resolve "bottlenecks" in RDP recovery and the benefits could spill over to the civil engineering industry.

Construction company forced to cut estimates

(32) BD 11/1/96

DELAYS in massive public works projects had forced industrial conglomerate Murray & Roberts Holdings (M&R) to cut its estimate of group net profit this fiscal year to 15-20% from 25-30%, CE Graham Hardy said.

M&R earned R408m in financial 1995, up 20% from 1994's R340m. The company's fiscal year ends on June 30.

Analysts said that as the country's largest construction group, M&R is likely to get 25-30% of RDP-related project work, for which R7,5bn has been allocated this year. Its main competitors are construction groups LTA, Group 5 Holdings and Grinaker Holdings, and engineering concern Dorbyl.

The group's Blue Circle cement arm — which contributed 18,9% of its operating profit of R741m in financial 1995 — is a good barometer for measuring activity. "During the second quarter of last year, cement volumes grew by 15%. Now we are currently at 5-6%," Hardy said.

The RDP was to have started at the beginning of last year. But best estimates are that it will start in mid-1996, with M&R's earnings not benefiting until next year and beyond.

Still, the group's core construction and engineering business should yield a 15-20% net profit expansion, given expectations of a 4% growth in SA's GDP this year and an 8% rise in fixed investment, Hardy said.

Analysts' forecasts for the company are mixed. Kerry Clarke of brokerage Fleming Martin Securities downgraded her projections to just 15% growth from 30% because of the delay in state infrastructure spending. "But the upside is that the government fixed spending cycle will probably extend to 2000 from 1998," she said.

Chris Veegh at broker Ivor Jones, Roy & Co believes earnings growth is sustainable at 30% for this year and next year.

To untie the knots delaying the RDP, M&R has seconded three senior executives to government — Brian Monteath, Camagu Soga and Bob Allister — to help develop administrative and financial systems, as well as business plans for projects. — AP-DJ.

Delays in RDP may hurt construction industry (32)

BD 12/1/96

Lukanyo Mnyanda
and Robyn Chalmers

THE profit levels of a range of construction companies are likely to have suffered over the past year as a result of delays in the implementation of government's public works and low-cost housing programmes.

Industrial group Murray & Roberts Holdings' announced this week that it had been forced to cut its estimate of group net profit growth for the year to June to 15%-20% from 25%-30%.

Stocks & Stocks deputy executive chairman Bart Dorrestein said yesterday the housing construction and development division's contribution to group profits had taken a huge knock since last April.

"Were it not for the fact that we have compensated with income from other areas, the group would not have been able to remain on track with its forecast of improved profits," he said.

Grinaker Holdings CE Jack Saulez said Murray & Roberts' reduced forecast was likely to apply to a large percentage of companies in the building and construction industry.

Government had to move quickly and provide direction as it was still "not clear what RDP projects are".

Grinaker's half-year results would be released next month.

LTA Group MD Colin Campbell said that while movement on RDP projects was slow, LTA would not be reducing its forecasts.

An analyst said he believed the slow movement on RDP projects was also likely to knock smaller township developers who were expected to undertake a share of the development work.

invested over three months, while for the sake of the company.

Training programme for 2 000 people on site of new toll road

(32) CT (BR) 12/1/96

A training programme is under way on the site of the largest road contract ever awarded in South Africa — the R500 million, 122 km section of the N1 toll road from Warmbaths to Pietersburg.

The South African Road Board awarded the financing, construction and maintenance of the road to Northern Toll Road Construction — a joint venture between LTA and Murray & Roberts. The actual construction is being undertaken as a sub-contract by LMG, a joint venture between LTA, Murray & Roberts and Grinaker Construction.

The contractor has committed to award contracts worth R50 million to emerging businesses, to provide formal training for about 2 000 people. LMG project manager Eugene Erasmus said 53 contracts, plant hire and supply orders valued at more than R35 million, had been awarded by the end of last November.

"The success of this programme could well result in the RDP portion of the contract exceeding the stipulated R50 million by contract completion in July 1997."

To date, emerging business has been involved in activities such as fencing, installation of gabions and sub-soil drains, and the construction of cross roads.

LMG's training school, run in conjunction with the Civil Engineering Industry Training Scheme, employs four full-time multilingual instructors. It is based at LMG's site offices in Potgietersrus, and offers 25 different courses — with the capacity for 20 to 30 trainees a week. By the end of November last year a total of 452 trainee certificates had been issued.

Heated competition for tenders slows building cost increases

(32.) CT (BR) 17/1/96

By Maggie Rowley

Cape Town — The disappointing performance of the South African construction industry has caused heated competition for tenders for non-residential buildings. This slowed cost increases to 8 percent in the fourth quarter last year from double-digit figures over the previous five quarters.

The fourth-quarter figures were in the latest survey of the building and construction sector by the Stellenbosch-based Bureau for Economic Research

The inflation in building costs for the fourth-quarter was the lowest since the second quarter of 1994 when price increases averaged 7,5 percent.

Since then inflation picked up sharply, touching a high of 15,1 percent in the fourth quarter of 1994 and the first quarter of last year. It then eased slightly to 14,8 percent in the second quarter of last year and to 13 percent in the third quarter.

However, business confidence among contractors, and particularly sub-contractors, picked up in the past quarter and a further improvement was expected this year.

The outlook was not as positive for all sectors of the industry. Architects and quantity surveyors still reported poor conditions with business confidence remaining low.

The majority of architects reported employment numbers down on a year ago. Only 3 percent expected an improvement in the first quarter of this year.

The number and value of contracts awarded during the past quarter were down on the previous quarter.

The survey results showed that building activity picked up in the residential sector during the past quarter but the non-residential sector was still experiencing problems.

Tendering competition remained severe in the non-residential sector, but the increased volume of work in the residential sector saw competition for tenders easing for contractors and subcontractors.

The bureau said the severity of tendering competition was an important gauge of increased building costs.

Keener competition for tenders normally indicated increased scarcity of work and consequently fiercer competition among contractors. This led to expectations of moderate increases in building costs.

According to the survey, there were no serious shortages of skilled labour and even less of unskilled workers. The supply of building materials was regarded as satisfactory by most contractors and subcontractors, the bureau said.

Unregistered contractors will be left out in the cold

BD 17/1/96 (32)

Robyn Chalmers

BUILDING contractors who have not registered with the National Home Builders' Registration Council by the end of this month will find themselves cut out of the loop when it comes to finance, contracts and subsidies.

Council MD Peter Allsopp said yesterday that mortgage lenders would no longer extend finance for mortgages to unregistered contractors after February 1 — although the council would continue to register contractors after that date.

"Unregistered contractors are also unlikely to get onto the tender lists of large employer bodies, such as Transnet, for the construction of employee housing. Some provincial housing boards will only approve credit-linked subsidies to contractors who are registered.

"All in all, therefore, those who are not registered are likely to suffer unless they are in a cash-only business," he said.

Allsopp said the 600 building contractors who had registered to date were broadly representative of the construction industry, with more than 85% being small and medium-sized.

"There are no statistics on the size of the construction industry, so we have no idea as to how many contractors are out there and unregistered.

"A list of registered contractors who qualify for the registration will be available to consumers. It is, therefore, in the interests of developers, estate agents, property professionals and general housing contractors to register," he said.

The council was put in place last year as a negotiated deal between the construction industry, banks and the housing ministry to protect consumers against unscrupulous builders and shoddy workmanship.

A development compact had been introduced to assist emerging building contractors to be trained in accordance with the council's requirements. The programme covered a range of subjects from the practical aspect of building to basic business and management principles.

Commenting on the delay in providing housing for the lower income groups, Allsopp said one of the reasons was the reluctance on the part of banks to grant loans for fear of non-payment. "With the establishment of the council, banks should be reassured that they are dealing with proven professional contractors and be more comfortable in granting housing loans.

"Hopefully 1996 will see a rebirth of the building industry and an escalation of the low-cost housing programme," he said.

Association's policy on unity talks

(32)

Robyn Chalmers

BD 17/1/96

THE National Association of Home Builders and Urban Developers' decision not to be actively involved in talks on unifying the construction industry was the result of its decision to review its strategic position in the sector, said president Victor Booth.

Booth said recently that the association fully supported the unification process of the contracting/construction industry, called Unicon, but it would in future be focusing on residential development issues.

"The association envisages mutual co-operation with Unicon in future but, for specific residential development related issues, we need to maintain our own direct access to the housing ministry.

"In taking this approach we are not precluding house builders and all other disciplines relevant to the broader housing delivery process from membership," he said.

Booth said there were more than 40 activities involved in residential development, of which only about five were directly related to construction and contracting.

Major residential development issues included land identification and acquisition, development finance for projects, social compacts and subsidy applications, town planning and proclamation and facilitating end user finance.

Booth said that all of the major activities relating to residential development were non-construction related, and none related to any of the issues being dealt with in the unification process.

Bean Bornheimer, chairman of the steering committee looking into unification and Grinaker Construction MD, said the unification process did not impinge on the issues and functions that the association would be addressing and vice versa.

Bornheimer said the benefits of unification included the construction industry's ability to negotiate cohesively with government, financiers, suppliers and trade unions. The move would also facilitate much-needed training and consensus on improved productivity and quality.

Builders call for govt co-operation

BD 18/1/96 (32)

Robyn Chalmers

PROVINCIAL MECs and politicians had to accept the concept of incrementalism and starter homes for the building industry to support the housing programme this year, an industry steering committee said yesterday.

The committee, formed under the auspices of the Building Industries' Federation of SA (Bifsa), met yesterday to discuss the impediments to the housing programme in the run-up to the expected release today of the housing ministry's task team report on housing blockages.

Bifsa executive director Ian Robinson said confusion over national government and provincial government support for incrementalism — whereby homeowners improved their units when they could afford to — had been a major blockage to the programme.

"There are two major bands of housing which are expected to take off this year. The first is in the R50 000 and above category which is bondable ...

"And then there is the band where people have severe affordability constraints and have access to the R15 000 subsidy which will provide a serviced site, some services and rudimentary shelter." A number of provinces had refused to endorse any houses consisting of less than $40m^2$.

He said the committee had also called on government to recognise that the Masakhane Campaign had failed, and steps had to be taken urgently to improve the level of payments for bonds and services.

☐ **BASICS:** Duncan McGregor, left, inventor of the new Wirewall Building System recently introduced to the Western Cape, discusses technical details with civil engineer Mike Hurworth on the construction of the house in the background in which the new system is used.
Picture: JACK LESTRADE.

(32) ARG. 20/1/96

House-in-a-day mass construction method

Property Reporter

AN affordable mass housing construction method designed and developed in South Africa has been launched in the Western Cape.

The Wirewall Building System allowed the basic home structure to be put up in a day by unskilled people, said civil engineer Mike Hurworth of M Hurworth & Associates, who have been appointed structural engineers for the system in the Western Cape.

The system has been used in several houses in Kwazulu-Natal and it has been launched in Gauteng and Plettenberg Bay.

"The system is aimed at the low-cost housing market and provides a top structure with a floor space of about 20sq m for about R6 000 or R7 000 — being the likely balance of the government subsidy scheme after the purchase of a serviced site.

The cost of a serviced site in the Western Cape is about R8 500 but in some areas can cost up to R12 500.

Apart from the floors, walls, roof and windows, the price allows for a toilet and a sink behind a dividing wall.

Documentation on the system claims it is quick, safe, crack-resistant, economical and "extremely durable".

"A team can erect and plaster a 50sq m house including a tiled roof in only eight working days."

Building industry confidence higher

(32)

ARG 20/1/96

CHARLENE CLAYTON
Property Reporter

BUSINESS confidence in the building industry in the final quarter of last year improved marginally and building costs subsided towards the end of the year, according to the University of Stellenbosch's Bureau for Economic Research.

The latest survey on the building industry indicates that building costs increased by eight percent in the final quarter of last year.

This is down on the building cost index of 15,1 percent measured in the fourth quarter of 1994 and the first quarter of 1995.

Building cost increases in the first three-quarters of 1995 were adjusted downwards and the provisional average BER building cost index increase for 1995 is 12,7 percent.

Architects and quantity surveyors were still reporting poor conditions, and business confidence within these groups remained almost unchanged at very low levels compared to the previous year.

Survey results among contractors suggest that building activity in the fourth quarter improved in the residential sector, while the non-residential sector still experienced problems, but overall business confidence nevertheless improved in these sectors.

Combining the results of activity in the residential and non-residential sectors, it was clear that both contractors and subcontractors experienced an improvement in value of work on hand, while the volume was slightly lower.

Subcontractors in particular had more work on hand and expectations for 1996 have improved, the report says.

There were no serious shortages of skilled labour, such as artisans and foremen, and even less of unskilled workers.

Finance facilities were more accessible, while the cost of finance and insufficient demand for building were still rated as the most serious hampering factors.

The supply of building materials, including bricks, cement and plumbing materials, was also still regarded as satisfactory by most contractors and subcontractors.

General tendering competition remained largely unchanged and the net result of tendering competition in the residential and non-residential sectors led to a levelling off in building cost increases.

Total tendering competition among contractors and subcontractors in the final quarter of 1995 remained virtually unchanged.

Home-building contractors pass the test

OF the nearly 600 building contractors who have registered with the National Home Builders' Registration Council (NHBRC) before the February 1 deadline, only nine did not meet the required standards.

"Those who were unsuccessful and who complete the council's rehabilitation programme can re-submit their applications once we are satisfied they can perform with due diligence," said Peter Allsopp, managing director of the NHBRC.

He said the many successful applications were of a high standard and were a credit to the building industry.

This was good news for the consumer because each member had to build according to minimum construction standards and adhere to the NHBRCs code of conduct and rules.

A standard home builders' warranty provides the consumer with the contractor's undertaking to rectify any structural defects caused by the contractor that occur within five years of the residence being occupied.

The new standards apply for homes up to a maximum of R250 000 and will be a prerequisite for lending by financial institutions.

A list of contractors who qualify for the registration would be available to consumers and it was, therefore, in the interests of developers, estate agents, property professionals and general housing contractors to register with the council, Mr Allsopp said.

The Minister of Housing, the provincial government, banks and the industry as a whole all backed the council despite a concerted effort by a small group of lobbyist from the Western Cape to stop its formation, he added.

A development compact had been introduced to assist emerging building contractors to be trained in accordance with the council's requirements.

Application forms to register with the council may be obtained from the organisation's offices by telephoning ☎(011) 886 3636. — Property Reporter.

Bifsa to tackle housing problems

CT (BR) 26/1/96 [illegible] (32)

By Maggie Rowley

Cape Town — The Building Industries Federation of South Africa (Bifsa) has formed a team to help remove obstacles to housing delivery.

The team will determine how the private sector can help to remove obstacles identified in this week's report on housing strategies prepared by a special ministerial team.

Executive director Ian Robinson said the self-critical tone of the government report had been refreshing and was an excellent summation of not only the impediments to delivery, but also the actions required by government to unblock the process.

"It gives the private sector something definite to work with and acknowledges that the government could do with some helpful intervention," said Robinson.

He said the Bifsa team, which comprised representatives of all sectors of the industry, would meet regularly with government officials to assist where possible.

Robinson said the industry welcomed the possibility of government acting as a developer for low-cost housing, putting large projects out to tender, with the lowest tenderer getting the job.

"That is the way the private sector is used to operating and means we will not have to enter into protracted negotiations.

"It has become clear to the construction industry that negotiations to achieve the type of social contracts which are envisaged by the government, are likely to become extremely protracted.

"This is particularly true where communities are ill-informed about the type of housing they can afford and what they will have to provide themselves to upgrade this."

Stocks & Stocks lifts income despite mass housing disappointments

(32) CT(BR) 31/1/96

By John Spira

Johannesburg — Stocks & Stocks, the construction, property and leisure group, boosted attributable income by 31 percent to R15,4 million in the six months to October.

The performance falls short of the 40 percent earnings growth achieved in the year to March last year. But chief executive Bart Dorrestein regards the interim result as "highly satisfactory", considering that the company had to refocus after the failure of the government's mass-housing initiative.

For the six-month period, turnover grew 9 percent to R821 million, operating income before tax increased 21 percent to R21,4 million and taxed income was up 25 percent at R15,8 million.

Stocks & Stocks has declared an interim dividend of 5c (4c) and holding company Stocks & Stocks Holdings a dividend of 4,5c (4c).

The dividend cover for Stocks & Stocks is 3,8 times and 3,6 times in the holding company.

The sharply higher interest charge of R14,2 million (R5,2 million) resulted from the internal financing of property developments ahead of the Landmarks Berhad of Malaysia transaction and the sale of property developments not included in that portfolio.

Stocks & Stocks has formed a property investment partnership with Landmarks. Dorrestein is confident that the association will add impetus to Stocks & Stocks' opportunities in its broader-based construction, property development and leisure businesses.

Cost overflows relating to opening and start-up expenses in the hotel and leisure operations detracted from overall performance.

OPTIMISTIC *Stocks & Stocks' Bart Dorrestein*

PHOTO. JOHN WOODROOF

Dorrestein describes these expenses as "normal in such operations". They should be recouped within the first two years of operation. "Our leisure operation in the overall is profitable."

He considers all divisions in the group to be well positioned to take advantage of the increase in business activity and investment that South Africa is enjoying. "Order books are at an acceptable level and we look forward to … growth."

He says the group has identified business opportunities outside of the expected RDP and housing developments that have not yet taken place. "We remain committed to making meaningful contributions to both these areas and are engaged in several such projects."

If the halfway performance is repeated for the full financial year, Stocks & Stocks would earn 64c a share and pay dividends totalling 16c for a projected price-earnings multiple of 13,7 and a dividend yield of 1,8 percent.

The respective sector averages are 17,7 and 1,9 percent.

Building contractors race to meet deadline for bond finance

CT(BR) 2/2/96 (32)

By Maggie Rowley

Cape Town — The National Home Builders' Registration Council received a flood of late applications from contractors in the past week, ahead of yesterday's deadline for registration in order to qualify for bond finance on projects.

Peter Allsopp, managing director of the council, said he had received more than 60 late applications a day in the past week, with no less than four builders queuing at any one time.

However, all late applications would take at least a month for processing before registration could be given.

"While we will provide builders with a receipt for their application, banks have been saying this is no longer enough and contractors will have to wait until they have been registered before bond financing on their projects will be granted.

"We have been warning the industry for the past year that this would happen and there is no doubt it could hold up a significant number of projects dependent on bond finance for a month or so."

Meanwhile, the 18 members of the Western Cape Developers Forum, which vehemently opposed the formation of the council and its 1,3 percent levy on the purchase-price of units for coverage by the warranty scheme, have applied for registration.

Chairman Johan Schooling said they had done so reluctantly so that they would not be prejudiced for bond finance but were working on an alternative scheme which they expected to be able to submit to the minister of housing and the banks within two weeks.

"Our proposed scheme will be underwritten by major insurance companies and will cost half of the present scheme. In fact we are looking at no more than 1,34 percent of the construction price against 1,3 percent of the total price of a unit. This will obviously benefit the consumer who will be carrying the cost of the levy and help keep the lid on new housing costs," he said.

SA to host regional building conference

CT (BR) 7/2/96 (732)

Top ministers, senior officials and private sector representatives from 10 southern African states will attend the Southern Africa Construction Industry Initiative to be hosted by the public works department and the Council of Construction in South Africa.

Policy options for regional co-operation to encourage and enhance local participation in the industry, and improve the sector's performance, would be formulated at the four-day conference to be held between February 12 and February 15 in Gauteng, said Sivi Gounden, the deputy director of the department.

He said the meeting would consider and ratify protocols of co-operation which would be developed by government officials and key stakeholders in the industry.

This would benefit the region as a whole but would also contribute to the economic development in each of the countries.

Linda Nyembe, the president of the council, said that regional committees would be formed during the conference to develop new initiatives on common problems affecting the construction industry.

Ministerial delegations from Angola, Botswana, Lesotho, Mozambique, Malawi, Namibia, South Africa, Swaziland, Zambia and Zimbabwe will attend the conference, which is not open to the general public.

Since the inaugural meeting of the initiative in 1993, the council had played an important unifying role resulting in many of the African states forming their own independent councils, said Nyembe.

Construction chiefs reject govt inquiry

BD 9/2/96 (32)

Robyn Chalmers

THE construction industry has dismissed the need for a proposed government-led investigation of its failure to deliver low-cost housing, saying other impediments such as affordability should rather be addressed.

The housing ministry and the Council of Southern African Bankers (Cosab) said this week the reasons contractors had not delivered had to be probed thoroughly. Poor housing quality was also a problem.

Building Industries' Federation of SA executive director Ian Robinson said yesterday the industry had the resources and the will to get involved in low-cost housing, but other impediments were preventing this. "Poor access to finance and lack of affordability are the most important issues preventing the housing programme from moving ahead, and both are pretty much out of our control. We readily concede some stock produced in the lower market end has been of poor quality, but that is why the defects warranty scheme has been put in place."

The proposed probe followed a meeting last week between banks and government at which it was agreed action should be taken against defaulters who had refused to co-operate with the payment normalisation offer.

Cosab CE Piet Liebenberg said the construction sector was an integral part of the housing programme. "If the sector has problems with delivery or finance and says the risks are too great, we must all sit down and discuss how these obstacles can be overcome."

A housing department spokesman said it was imperative that the construction industry was unified so negotiations could be co-ordinated. The public sector had analysed its progress and its mistakes, and had come up with ideas to boost delivery.

Robinson said he welcomed government's "refreshing self-criticism". The industry team was also looking at problems in the low-cost market. Government's task team had failed to be specific about policy on incrementalism and minimum standards, he said.

See Page 12

Yorkcor shrugs off poor activity in building industry

(32) BD 12/3/96

Robyn Chalmers

TIMBER group Yorkcor boosted earnings to 47,1c (21c) a share for the year ended December despite poor activity levels in the building and furniture industries.

Turnover increased marginally to R46,8m from R45,2m the previous financial year, but net operating income improved to R6,1m from R2,9m.

The dividend increased 50% at 15c (10c) — covered 5,7 times by earnings.

Yorkcor chairman Solly Tucker said he was pleased with the results in the light of disappointing activity levels generally in the building and furniture industries, and the non-delivery of the RDP.

The group expected to boost earnings to about 58c a share during the current financial year.

He said it expected to improve dividends to 18c.

"This allows for some disruption in production due to the installation and commissioning of new production facilities and the reaping of early benefits of some advanced technology to be installed," he said.

Tucker said the local timber industry needed a sustainable upturn in both the building and furniture industries.

This could be achieved by releasing the logjam that had held back the RDP and reducing the high levels of crime and violence in SA, he said.

Master builders' associations unite

CT (BR) 13/2/96 (32)

By Maggie Rowley

Cape Town — Two master builders' associations in the old Transvaal province, the Pretoria-based Building Industries Federation and the Johannesburg-based Gauteng Master Builders' Association, have merged to form the new Gauteng Master Builders' Association.

Naude Klopper, the president of the new body, said the merger would create one of the most powerful organisations in the industry. It would have a combined membership of about 1 250 contractors and would include the "big six" listed companies. Most of the contractors are in the formal sector.

Klopper said the joint body would take a more outward focus than in the past and would provide assistance to emerging builders. One of the first goals would be to form a business resource centre for emerging contractors. The group would provide office equipment, secretarial assistance and training for emerging business contractors for a nominal fee.

The centre would initially be housed in part of the association's premises in Commissioner Street, Fairview, Johannesburg.

"Ways have to be found to assist the start-up builder who needs training, resources and information if he is to do quality work, create jobs in the community and contribute to the RDP," Klopper said.

"There are literally thousands of emerging businesses out there which cannot afford to run their offices but will benefit greatly from having quarters from which to run their operations.

"We will be providing support services as well as running training and mentoring courses for these contractors, who have a substantial role to play in the South African economy."

Emerging contractors would be encouraged to join the Master Builders' Association, but membership would not be a prerequisite for using the facilities, he said.

Klopper said that the Pretoria office had already started a consumer advice centre to assist the public in disputes with builders. A second advice centre would be opened shortly in Johannesburg.

The merger comes after months of negotiations between the two bodies. Members of the industry see it as a precursor to wider unification talks now in progress to unite formal contractors and informal contractors under one umbrella.

Call for regional unity in construction industry

Robyn Chalmers

BD 14/2/96 (32)

THE long-awaited unification of the local construction industry came under the spotlight yesterday, with calls that the process be extended to other countries in the African subregion.

The issue came up for discussion at the southern Africa construction industry initiative conference, where policies aimed at governing the region's construction sector were being negotiated.

The housing ministry has repeatedly called on construction to unify its various representative bodies so government has a single body with which to negotiate, and which can in turn lobby the state.

Council for Construction in SA (Cocosa) president Linda Nyembe said the unification process should go beyond SA. Discussions on the unification of the local industry were leading to a partnership between emerging contractors and established industry.

Cocosa vice-president Ian Robinson gave details of progress made since the initiative to unite the construction and contracting industry's federations and associations last year. A steering committee was addressing the key issues and establishing a time frame for implementation.

Other initiatives, such as the defects warranty scheme, were also discussed at the conference.

Home owners should ask builders for warranties

BD 14/2/96 (32)

Lukanyo Mnyanda and Robyn Chalmers

THE Estate Agents' Board has warned owners of new homes to ensure their builders hold the Home Builders' Registration Council's standard building warranty, as they are unlikely to have claims against local authorities for defects in construction.

The council was set up last year in terms of an agreement between banks, government and the construction industry after defects in homes built in the lower end of the housing market were a contributory factor to bond boycotts.

Board manager Andrew Harrison said yesterday it would be difficult for owners to lodge claims against local authorities even if their buildings had been passed by municipal inspectors as there was no contract between local authorities and owners.

The only possible claim that an owner might have against a local authority would be a damages claim stemming from the council's legal duty. In this case the owner would have to prove the local authority that approved the plans and inspected the foundations owed the owner a "legal duty" to ensure that the builder or developer complied with the necessary requirements.

Council MD Peter Allsopp said there had been a flood of new applicants looking to sign up with the council in the run-up to the February 1 cut-off date, after which banks would no longer lend to non-registered contractors.

Allsopp stressed that the council was still signing up new applicants. The number of contractors applying to register was broadly in line with the range of small, medium and large enterprises operating in SA.

Harrison said that in a recent decision, the Appeal Court had laid out duties owed by local authorities to building owners when inspecting foundations of new homes. This was to ensure that new occupants and the general public were protected from dangers to health and personal safety.

However, the judgment also stated that a local authority exercising supervisory powers would normally not owe any duty to an original building owner as it was the owner's responsibility to ensure the building was erected in accordance with regulations.

"It cannot have been the intention of the legislature that, save perhaps in exceptional circumstances, a local authority could owe a duty to a person in such a breach," the judgment stated.

The council had the power to ensure that building contractors rectified structural, roofing, plumbing or electrical faults and was looking into establishing a warranty fund to cover repair costs in cases where a builder had continued to default or had gone insolvent, Harrison said.

Estate agents selling newly built homes or units off plan had to ensure building contractors were registered with the council and buyers should insist on seeing a builder's registration certificate.

Building industry picks up

(32) CT(BR) 15/2/96

By Maggie Rowley

Cape Town — Latest figures from Central Statistical Service (CSS) indicate that prospects for the building industry have picked up. The figures show that the value of building plans passed in the fourth quarter of last year improved 4,9 percent to nearly R4,5 billion.

The figures, released yesterday, reinforce the findings of a Bureau for Economic Research survey in the fourth quarter of last year. The findings of the survey, where most respondents were in the construction and building industry, said both activity levels and value of contracts would pick up.

According to the CSS, the increase in the seasonally adjusted value of building plans passed in the fourth quarter was due mainly to a 8,9 percent rise in residential plans, with increases noted in Cape Town, East London and Durban. The Witwatersrand had the highest increase in flat plans and Pretoria the highest in townhouse plans.

The value of buildings completed in the past quarter was up 1,3 percent, or R27 million, on the previous quarter. Cape Town and Port Elizabeth were the main contributors.

An expert said low-income housing accounted for 7 percent of activity. Townhouses rose from 10 percent to 20 percent of all home building in the past three years.

Builders to launch resource centre and helpline

(32) Star 15/2/96

By Bongiwe Mlangeni
Housing Reporter

Emerging builders are to launch a resource centre and customer helpline service to boost their role in the industry.

The move is part of an effort by the Gauteng Master Builders' Association to restore builders' credibility, said executive director Colin de Kock.

The centre would be open by the end of the month in Johannesburg CBD. One was already operating in Pretoria.

De Kock said most emerging builders run their businesses from home and had no managerial skills. "The centre will give them an opportunity to have an appropriate place to run their business."

The centre will provide builders with access to computers, fax machines and telephones. They will also receive assistance in bookkeeping and educational and technical data will be placed in the computer system.

For customers who are unhappy with a builder's workmanship, the association will do site inspection at a nominal fee.

The services will be a plus for customers extending or altering their houses, De Kock said.

However, first-time owners who are building new houses costing less than R250 000 and are using a builder registered with the National Home Builders Registration Council will be assisted by the council in cases of disputes.

Telephone (011) 614-1519.

Cape developers slam defect warranty scheme

(32) ([illegible])

By Maggie Rowley

CT (BR) 16/2/96

Cape Town — Affordability remained the most serious constraint to low-cost housing delivery and instead of additional levies and taxes, measures to cut costs to the bone needed to be pursued, said John Schooling of the Cape Developers Forum.

The forum has vehemently opposed the introduction of the home builders' defects warranty scheme that came into operation on February 1. The scheme imposes a levy of 1,3 percent on the price of houses under R250 000.

This translated into about 6 percent of the building contract, which was more than double the management cost most developers allowed for a project, he said.

"It is the consumer that ultimately carries this load, pushing housing further out of reach for those that need it most," he said.

Schooling said the forum could construct low-cost housing for a competitive R680 a square metre, translating into R30 600 for a 45m² home.

With the cost of a serviced site taken into account, this brought the figure up to about R45 000. However, once VAT and other taxes, including local authority fees and the defects warranty scheme, were taken into account this figure soared to about R65 000.

He said many of the services conducted by the local authorities could be done by the private sector for a fraction of the cost.

For example, local authorities charged between R850 and R1 100 to connect a water meter, which could be done by the private sector for about R350.

"Local authorities also charge about R1 200 for the electrical connections which would cost the private sector R450. For the sewerage connection the local authorities charge R490, which would cost developers nothing as all it requires is breaking through a pipe."

The 18 member companies of the developers forum had applied for registration with the Homebuilders Registration Council under duress, he said.

However, the group was working with insurers and re-insurers on devising an alternative scheme that could halve the cost of home-defect insurance for end users, which it hoped to present to the government within the next few weeks.

"We supposedly have a free-market system and yet a compulsory defects warranty scheme with a huge supporting bureaucracy has been set up. It is a costly bureaucratic exercise, which has a monopoly in the market and, if anything, will just cause another bureaucratic bottleneck.

"While we are not opposed to a defects warranty scheme as such, we strongly believe this should be on a voluntary basis and allow consumers to go out to the market and shop around for alternative schemes.

"Insurers and re-insurers have the necessary infrastructure and systems to administer schemes of this nature without having to re-invent the wheel," he said.

BUILDING INDUSTRY

(32)

COLD WAR

FM 16/2/96

A tender by a small airconditioning firm on a multimillion rand Sanlam project has been rejected after the "big five" industry leaders threatened to withdraw if the company was allowed to compete.

The five, Savannah Engineering, Airgro, Northern Air, Aster and Improvair, are all members of the SA Industrial Refrigeration & Air Conditioning Contractors' Association (Saracca).

The tough action by the Saracca members against nonmember, Uniserve, contrasts starkly with Saracca's bylaw 6.5 which states that "no member shall under any circumstances . . . indicate to any person that he will refuse to tender if that person calls for tenders from nonmembers in competition with members."

But a Saracca tender envelope states that, except in some cases, "this tender may only be opened in competition with tenders submitted by members in the official Saracca tender envelope."

Competition Board chairman Pierre Brooks says the building and building-related industries had been warned that an earlier exemption which allowed collusive tendering, had been withdrawn. "Based on the facts presented to me there is reason to believe that this (Saracca) type of behaviour could constitute a contravention of the prohibition of collusive tendering, price fixing and other forms of conduct."

He says the exemption on the prohibition of certain forms of conduct had earlier been necessitated by factors such as recession but "because of the policy to promote small businesses it was decided to withdraw it."

"Last year we wrote to the Building Industry Federation of SA, with copies to Saracca and other building-related industries to inform them of this."

A contravention of the prohibition is a criminal matter which carries a R100 000 fine or five years' imprisonment.

Uniserve MD Boet Marx says his firm was invited by Combrinck Construction to submit a tender to install airconditioning in the new Braampark Phase 5 complex in Braamfontein. "Applications for the tender closed on December 1 1995 but two days prior to the closing day, I was told by the consulting engineer that my tender could not be accepted as the other companies had refused to tender if mine was submitted."

Marx says he had been forewarned not to tender on the Braampark project. "Earlier Barney Richardson from Improvair (which eventually won the contract) told me it was a problem as I was not a Saracca member."

Attorney Pieter Malan says he will advise Marx on whether to lay criminal charges against the five Saracca members.

Saracca president Robin Mitchell says the objective is to establish fair and equitable conditions concerning tendering. By inviting only Saracca members, clients will receive tenders complying fully with specifications.

Mitchell says Saracca cannot instruct members not to tender. Despite the "members only" statement on the Saracca envelopes Mitchell says "Saracca is totally opposed to any form of price fixing or collusive tendering." *Eddie Botha*

Regional construction pact signed

Robyn Chalmers

A COMMON regional framework for the southern African construction industry is to be implemented later this year following agreement between African ministers responsible for construction on policies to govern the sector.

Ministers from Lesotho, SA, Zambia, Zimbabwe and Botswana signed a declaration of intent yesterday outlining a number of recommendations intended to boost the construction industry.

The declaration was signed after a week-long regional seminar attended by delegates from 10 countries. The delegates were addressed yesterday by Deputy President Thabo Mbeki.

The ministers supported the idea that a common economic community for construction be created and that a regional council made up of government and private sector officials be set up to enforce the recommendations.

Promoting access to capital and funding was regarded as a priority by the ministers and other delegates attending the seminar. This should overcome the financial difficulties faced by contractors, particularly emerging contractors, they said.

"Although these problems ultimately concern the monetary and fiscal governance of the economy, there is much ... that can be done to improve the rate of payment for construction work, to create financial support programmes and to promote joint ventures between established and emerging contractors," they said.

It was recommended that there be an audit of education and training facilities in the region. The ministers agreed that there was a need to establish regional compatibility of course content. Ultimately, a regional qualifications framework should be established.

On the question of standardised practices, it was agreed that a common operating framework for construction firms should be set up to ensure that the long-term developmental objectives of projects were realised.

The issue of preferences generated much debate, but it was agreed that the region should be able to arrive at preference policies which protected local industries. The policies should also prepare the regional economies for international competition.

(32) BD 16/2/96

For some it's home sweet home once more after dwellings are fixed

By CHRISTINA STUCKY

Angeline Sithole abandoned her house in Katlehong in 1993, forced to flee from the violence ravaging the township south-east of Johannesburg.

She is now back in her newly refurbished house, but getting her to sign the handover documents takes a great deal of convincing.

"No, this is not good. Look at the cracks," she says, pointing up at the eaves, while her two-year-old son Malcolm stands rigid at her feet and stares at the strangers.

"But were these cracks here before? Are they because of the war or because of lack of maintenance? We can only repair what was damaged during the violence."

Tinus de Beer, assistant contract manager for consulting engineering firm Leech Price & Associates, runs through this type of exchange every week when he visits the Katorus home owners for the signing of the official handover documents.

It is then that the public's misconceptions regarding the Government's commitment towards the refurbishment of their homes, damaged in the political clashes in the townships, come to the fore.

"We sometimes get complaints from the owners," De Beer says.

"They moan about things that are unfair to moan about, if you think of what the Government is doing for them in terms of rebuilding their houses," he explains.

"They have not been properly informed," he adds.

The Government has committed itself to repairing the damaged houses — if the house had burglar bars before, the bars will be replaced; if there was a window, that too will be replaced.

The Reconstruction and Development Programme allocated a total of R25-million to the repair of war damage in Katorus.

Each house has been allocated a maximum of R100 000 for restoration, but the average cost of repairing a house in the area is R20 000.

"The idea is to get them into a house with windows and doors. We are also putting in stoves to make the house livable," De Beer says.

Like Sithole, many of the returning home owners suffer the misconception that the Government should upgrade their houses, and not simply refurbish them.

One woman complained, for instance, that one room had no tiles, while another man said he wanted the windows to be put in like before, that is, two narrow windows rather than one larger one.

But most agree to sign the handover documents once De Beer explains to them what the extent of the Government's obligation is.

The home owners also have a three-month period in which to lodge complaints stemming from the rebuilding process.

In the end, the returning home owners are happy just to be settled back in their own houses again, and not in exile in other townships, hiding from the clashes.

"I am very pleased," says Sithole after signing the handover documents. "I am home."

(32)

Star 17/2/96

Small contractors hit hard as repair work cancelled

(32) Star 17/2/96

GETTING HER HOUSE IN ORDER: A happy resident looks on as her house is repaired after political storms ravaged the area PHOTOGRAPHS: ANTON HAMMERL

By CHRISTINA STUCKY

About half the jobs awarded to small contractors for the repair of war-damaged houses in the Katlehong-Tokoza-Vosloorus area will be cancelled within the next few months because, in many instances, their ambitions exceed their abilities.

Although the problems with small contractors have caused a backlog in the repair and handover of the houses, the cancellations may also have a positive side effect, a consulting engineer says.

"The Government's idea was to uplift the emerging contractor," Fanie Sadler, director of the consulting engineering company Leech Price & Associates, explains.

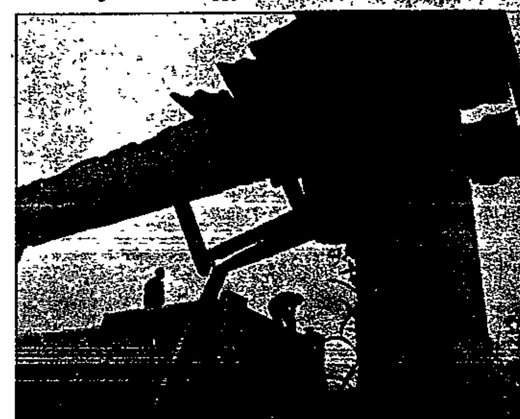
"Initially we were happy to give them the opportunity to prove themselves, but now we have to start cancelling contracts."

Of the between 70 and 80 small contractors who won tenders to rebuild houses in the formerly war-torn Katorus area, he estimates that half will lose their contracts in the next few months.

On the bright side, he points out that "we have achieved our objective to sift out the men from the boys".

Once the company can work with reliable contractors, the process will be speeded up.

And in need of speeding up it is. More than 170 contracts have been awarded since September, but so far fewer than 50 houses have been completed and handed over.



SORRY STATE: A Katorus house awaits the builders

"And there are almost another 1 000 houses in Katorus in dire need of repair before the original owners can reoccupy them.

The process before a house can be handed over is long, although not complicated.

A home owner files an application for the repair of his house with the Home Loan Guarantee Company.

Another company employed by Leech Price does an initial check of the house while the Home Loan Guarantee Company proves rightful ownership. Then Leech Price drafts a bill and the tender goes out.

About two weeks later, the contractor – by government regulation the one with the lowest bid – is awarded the job.

But the small contractor with the lowest tender is not always the one with the most experience.

"Some guys who were walking around Katlehong with a wheelbarrow how all of a sudden have become real-life contractors.

"That's how you get the problems," says assistant contract manager Tinus de Beer.

"I'm still dealing with houses that were awarded in September as three-week jobs," he says.

Since it is the responsibility of the small contractors to come up with the financing for the supplies, many of them "get stuck after the first payment to suppliers and workers".

A few suppliers were willing to provide supplies on credit, but after a number of bad experiences they have chosen the safe rather than the altruistic route.

No workers as construction booms

ST(M) 18/2/96 (32)

By TOM HOOD

A CRITICAL shortage of skilled building workers has surfaced in the Western Cape at the start of a construction upturn with R20-billion of known developments on the cards plus an unknown number of RDP projects.

The local building industry lost more than half its skilled and semi-skilled men in the last six years of recession, according to Jan Kaminski, chairman of WBH-Ovcon Construction.

"The solution will either be to import men or train them. It is highly unlikely the unions will permit importation of skilled men and we will have to train as never before. But no matter how hard we do this, we will not meet the shortfall."

Biggest problems were likely to be with subcontractors, where skilled men were scarce.

"Already contractors have found themselves supervising subcontractors' teams on site because the subcontractors were desperately lacking in supervision," said Mr Kaminsky.

The shortage of foremen coming through the ranks had already caused serious problems in the industry. The growing use of technikon and technical college graduates helped to solve the problem but the lack of experienced on-site leaders would remain a problem for many years to come.

Developers who delayed their projects stood a chance of being caught by escalating costs and a skills shortage, added Mr Kaminsky.

WBH-Ovcon's new Cape projects division has identified proposals for R20-billion in development over the next five years. Projects in the pipeline include:

- Development of Cape Town's old power station site, with an outlay up to R1-billion.
- New Eland Hotel on the President Hotel site in Sea Point, R100-million.
- Anglo American Industrial Corporation's new syringe plant at Somerset West, R117-million.
- Mouille Point residential complex The Gateway, R50-million.
- Cape Town Airport projects, R400-million.
- New convention centre, R300-million.
- Shopping centre for Philippi, R50-million.
- Saldanha Bay projects, R1 600-million.
- New hotels and casinos in the Western Cape, over R1-billion.
- Century City, Milnerton, R3-billion.
- Initial work for Olympic Games bid, R400-million.
- New Syfin shopping centre, Kraaifontein, R450-million.

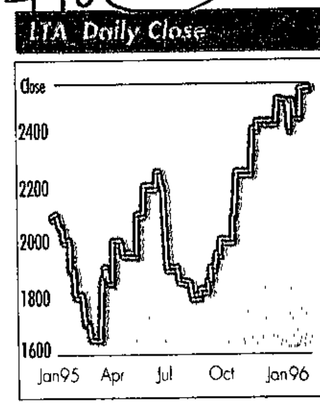
LOOKING UP *Colin Campbell, LTA's group managing director*

PHOTO JOHN WOODROOF

LTA construction sustains solid footing

CT(BR) 20/2/96 (32)

BY ANN CROTTY



Johannesburg — The construction group LTA sustained a strong first-half performance to report a 15 percent advance in attributable earnings to R45,3 million for the 12 months to the end of December from R39,4 million previously.

The improvement occurred despite disappointing performances from its building and process-engineering divisions.

Earnings a share were held at 12 percent because more shares were in issue. Share earnings rose to 161c from 141c. The final dividend was up 14 percent to 40c from 35c in the previous year.

The Autecon, civil and earthworks, and the Steeldale divisions earned higher profit than was forecast.

The process engineering division's performance was disappointing, because of the lack of major project work.

The building division's performance was also disappointing. Ansell Matcher, the group financial director, said this was due to a combination of low activity levels, highly competitive market conditions and urban labour unrest.

During the year, the group finished work on a number of major projects, including the Columbus stainless steel project at Middleburg, the Namakwa Sands project on the west coast and the Sappi Saiccor pulp paper mill expansion at Umkomaas.

The group is still involved in the Hillside smelter for Alusaf at Richards Bay and on the Lesotho Highlands water scheme.

The bulk of major new contracts secured last year were for projects outside South Africa, including Lesotho, Botswana and Mali. At this stage, there appeared to be a lull in large projects in South Africa. Matcher said he was confident that would improve.

Despite the dearth of major new construction projects, the group had projects worth R2,1 billion under way. Coupled with the strong growth forecast for the economy, these were expected to ensure another good performance this financial year.

New Road Bill amendment will allow small contractors in, says national tar body

(32) Star 21/2/96

The SA Bitumen and Tar Association has come out in support of the National Roads Amendment Bill which they say will include small contractors in road construction and also decrease toll charges.

The Bill, to be tabled in Parliament shortly, includes amendments which allow for the development of partnerships between the public and private sectors. Under the Bill, the SA Roads Board is able to authorise any person to plan, design, construct and operate any portion of a national road. It allows for the operator to charge a toll to recover costs for building roads. – Staff Reporter.

Southern African construction industry deal will benefit SA

(32) BD 21/2/96

Robyn Chalmers

THE agreement reached last week between regional construction ministers to implement a common framework for the southern African construction industry will have important spin-offs for SA.

The ministers responsible for construction in Lesotho, SA, Zambia and Zimbabwe signed an agreement aimed at opening up the construction markets of participating countries for the benefit of others.

Construction industry analysts and spokesmen said one of the benefits of the agreement would be greater access to funding in the medium-term, particularly for emerging contractors.

The ministers recommended an improved rate of pay for construction work, the creation of financial support programmes for emerging contractors and the promotion of joint ventures.

"Although government can contribute significantly to overcoming the financial difficulties of contractors, this support must be provided with due regard paid to risk management," said one minister.

Most countries involved in drawing up the recommendations — which came out of a week-long seminar in Johannesburg with delegates from 10 countries — expressed concern about human resource development and capacity. It was agreed there would be an audit of educational and training facilities in the region, as most people had a problem gaining access to them.

One industry analyst said the proposal to establish regional compatibility of course content and a regional qualifications framework would go some way to boosting the mobility of construction personnel.

Deputy President Thabo Mbeki calmed the fears of other countries that SA would ride roughshod over its regional counterparts because of its well-developed construction industry and strong skills resources.

He said SA would pay dearly if it developed to the detriment of others as no country could survive without regional co-operation.

Public Works Minister Jeff Radebe said if the construction industry was to meet the challenges of the RDP, its productivity and output quality would have to be dramatically improved.

A way to boost the construction sector's output and ward off competition from foreign firms in the region was to give local firms preference in procuring work. This should, however, be seen as an interim strategy, he said.

The issue of preferences was debated at length, but no decisions were taken. "With the co-operation of all regional partners, the region should be able to arrive at preference policies which protect local industries while ultimately preparing the regional economies for the challenges of international competition," the ministers said.

New builders' body embraces nation building

(32)

Lukanyo Mnyanda

BD 21/2/96

THE Gauteng Master Builders' Association is eager to meet the demands placed on the industry by the country's social and political transformation.

Naude Klopper, who was elected association president at the body's inaugural meeting last week, said the organisation realised industry's response to changes would have a significant effect on the long-term success of the RDP and economic development.

The association, with a membership of about 1 250 contractors, was committed to nation building, Klopper said, and saw the challenges as "exciting rather than threatening".

"Master builders' associations have, over the years, shown themselves to be responsible and receptive organisations that work for the benefit of their members, their industry, communities and regions," he said.

He committed the new organisation to assisting emerging contractors and to a role in the educational and technical fields as their contribution to national reconstruction.

"The emerging builder has a major contribution to make to the work of national renewal and community upliftment. He needs hands-on support from industry colleagues who have years of practical experience of the many challenges which face the start-up operator," he said.

Strategic Business Development official Bennie Nhlapho would be charged with the task of identifying and responding to the needs of emerging builders.

The Gauteng Master Builders' Association's reconstruction agenda would put added responsibility on its members, who would still be expected to fulfil traditional roles such as consulting on industry standards, training and industrial relations, and serving on tender boards wherever they were when required.

Grinaker lives up to analysts' expectations

CT(BR) 22/2/96 (32)

By Fiona Leney

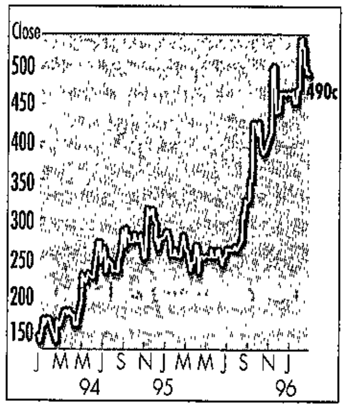
Johannesburg — Grinaker Holdings, Anglovaal's electronics and construction group, yesterday reported modestly improved results for the half-year ended 31 December 1995, roughly in line with analysts' expectations.

The group, which draws its income from subsidiaries Grintek and Grinaker Construction, said that attributable profits had risen by 18 percent to R21,9 million before exceptional items. Turnover was up at R1,95 billion (R1,71 billion).

This was despite a downturn in the construction business after the completion of large building projects such as the Columbus stainless steel plant and the Alusaf smelter.

Government expenditure on capital projects also slowed down during the period of uncertainty around the November municipal elections, said Grinaker chairman Richard Savage.

Grintek Ltd.



The subsequent squeezing of tender margins was reflected in the 7 percent fall in attributable earnings to R7,223 million for subsidiary Grinaker Construction.

Work in hand, worth R1 billion, was at a satisfactory level and short-term prospects were good, with promising tourism and RDP-related opportunities.

"The intention is to declare an interim dividend of 9c a share before the end of April, which will be a 12 percent improvement on the one paid last year," Savage said.

Grintek, the group's electronics subsidiary, also posted improved results, with attributable earnings up 24 percent to R21,1 million on turnover of R1 billion (R877,5 million).

The proposed dividend payable to shareholders would be 18 percent higher than last year, at 2c a share.

Siltek, Grintek's information technology subsidiary, also performed well. It posted a 14 percent rise in attributable earnings to R32,1 million, with strong performances from the computer systems division, despite weaker-than-expected results from its distribution arm and a mixed performance from its offshore operations.

Siltek's management did not expect earnings growth in the second half of the financial year to exceed that of the first six months, it said.

Grinaker Electronics, the other Grintek subsidiary, which specialises in electronics communications, expected trading to improve in the second half, with a stronger order book than at this time last year, and growth in export orders expected.

The company had recovered from a fire which destroyed part of its manufacturing facility in Pretoria last year, said Grintek chairman Jack Saulez.

Four countries to empower small builders

(32) Sowetan 22/2/96

By Joshua Raboroko

GOVERNMENT ministers from four Southern African states have signed a declaration of intent to empower small and medium sized construction enterprises in the region.

The ministers pledged themselves at a meeting in Sandton this week to make money available to emerging contractors and to promote joint ventures between big and small businesses.

The declaration was signed by South Africa, Zimbabwe, Zambia, and Lesotho. Botswana still has to sign.

The World Bank and the Development Bank of Southern Africa have endorsed the construction declaration, which is seen as an important milestone for the provision of houses, services and other facilities in the region.

The countries will collaborate jointly to:

- Promote skills, business education and training as well as to ensure career development;
- Advocate the use of appropriate technology and encourage labour-based construction and material production;
- Negotiate a regional labour pact which will define minimum working conditions for construction labour;
- Cooperate in the sourcing of donor funds to ensure that the benefits of the joint framework are shared throughout the region; and
- Negotiate regional cooperation agreements between professional institutions to allow cross border practice.

The meeting also resolved to form a regional council which will commission work from task teams aimed to monitor protocols.

Addressing delegates during the same meeting, deputy president Mr Thabo Mbeki said there was a need for equitable development in the region.

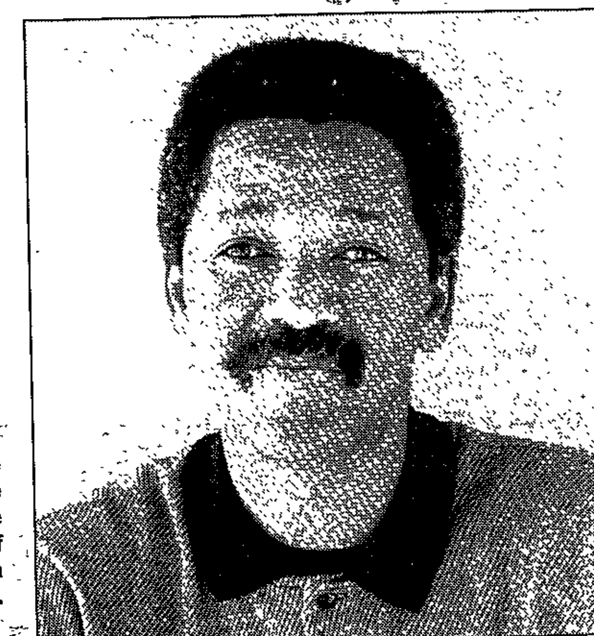
Public Works Minister Mr Jeff Radebe proposed that the principles of Reconstruction and Development Programme be extended to the rest of the region.

He said the main benefit of the RDP would come from the active participation of all sectors of the southern African economy. Public sector funding was essential to kick-start the development process.

Zimbabwean construction and national housing minister Mr Enos Chikowore said the declaration would open the construction market for the benefit of the region.

He said it would also level the playing fields for construction companies and encourage donors to standardise the procedures under which development projects were funded.

The delegates were urged to take their responsibilities seriously and to ensure that when they meet in Zambia for the regional council, they will have accomplished the plans as set out in the declaration.



Jeff Radebe proposes the RDP for the whole of Southern Africa.

Group Five boosts earnings 37%

CT(BR) 23/2/96 (32)

By John Spira

Johannesburg — Group Five, the construction and development company, boosted earnings by 37 percent to 31,1c a share in the six months to December despite the continuing lull in major building and civil engineering projects.

The interim dividend has been increased by 40 percent to 7c. Income before interest and taxation was up 89 percent at R26,4 million. But higher financing costs, from R4 million to R11,5 million, pulled down the advance at taxed income level to 42 percent.

The higher financing costs reflected the increased level of activity in the sectional-title residential market.

The executive chairman, Theunis Kotzee, drew attention to "considerably improved margins" and a 21 percent improvement in turnover as important factors in the results. He expected the interest charge to decline owing to optimisation of cash flows in the sectional-title sector.

He predicted that results for the present six months would exceed those of the half year to December, based on present activity levels.

He said the following "variables" could affect activity in the short to medium term:

☐ The pending gambling concessions; "If all gaming concessions presently mooted are awarded, the building industry could run out of capacity within 12 to 18 months";

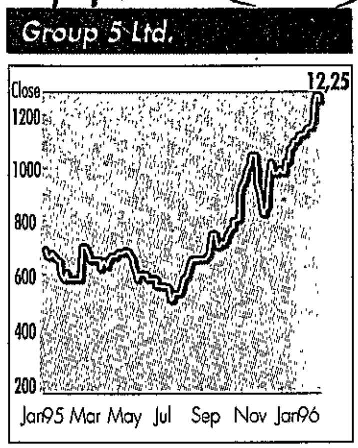
☐ The government's housing initiative, "which should ensure a protracted period of activity";

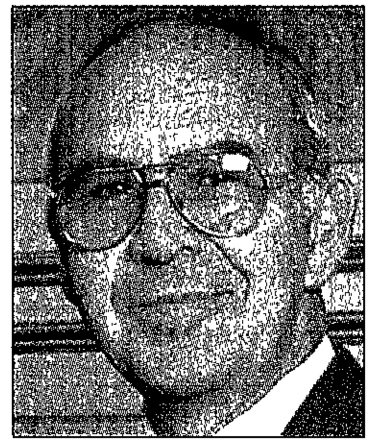
☐ The construction of planned toll roads; and

☐ Positive indications of an increased upturn in the civil engineering sector.

Kotzee said if South Africa could maintain a 4 percent to 5 percent growth rate in the years ahead, prospects for the construction industry would be highly promising.

Earnings for Everite, a Group Five subsidiary, slumped 29 percent to 8,8c a share for the six months to December. The interim dividend of 3c has been maintained because the directors considered the decline in earnings to be temporary.





OPTIMISTIC *Theunis Kotzee, the Group Five executive chairman*

They said the temporary slump in market demand resulted from the impasse caused by the country's political transition, "particularly the restructuring and replanning of the national housing delivery strategies".

Kotzee said though Everite's prospects for for the next six months were uncertain, with trading conditions unlikely to improve in the short term, "there are definite grounds for optimism in the medium to long term".

"All the indications are that the newly developed housing strategies are beginning to take effect and should start gaining momentum in the near future," he said.

HOUSING

PROTECTING AGAINST DEFECTS

FM 23/2/96 (32)

The National Home Builders' Registration Council has made an important amendment to the wording in future contracts between buyers and builders in the R250 000 and below homes market.

Key documents stated previously that consumers had no claim against the council — or its builders' defect warranty fund. Documents now specify that any justifiable structural defect claim on the part of consumers would be against the contractor.

According to council MD Peter Allsopp, 10 000 new Authorisation of Contractor's Payment forms are being printed "to better reflect the relationship between the contractor and the consumer."

Payment authorisations now read: "I/we accept that should I/we believe that I/we have a claim in respect of a structural defect in relation to my/our residential unit, such claim will lie against and be made against the contractor and not the council. However, I/we understand that should the contractor fail to comply with warranty obligations, I/we may approach the council, which will use its best endeavours to investigate and resolve the matter."

Peter Allsopp *. . . who will compensate for shoddy work?*

The change comes about at the onset of a renewed wave of criticism of the scheme from the KwaZulu-Natal Master Builders' Association and the Cape Developers' Forum.

The focus of their complaints has been on their compulsory membership of the scheme, set against their perceptions of the scheme's deficiencies. The nonliability of the council and its fund has been one of their complaints.

The new wording does not allay their concern. The council's assurances to "use its best endeavours" are, they claim, by no means sufficient.

Allsopp replies: "This choice of wording is used because the council is not a legal insurer." He emphasises that council rules lay down strict obligations and responsibilities for all parties concerned, including itself.

Short of launching a State-backed, third party insurance or insurance company to protect consumers against shoddy workmanship or fly-by-night contractors, the scheme as devised is a self-regulatory measure.

Like the Estate Agents' Board (and its fidelity fund), the council is funded by its members and has teeth — though it is not a statutory body.

Should builders fail to repair validated defects in council registered houses, they can be deregistered by the council and barred from building bonded homes.

Much of the criticism of the scheme is levelled at its perceived nonapplicability to unbonded homes. Whether a house is bonded or not is not the issue. What matters is whether it's registered with the council.

The bulk of the low-cost housing market is in the R15 000 and below bracket, which is now fully subsidised by government and not likely to be registered with the council. Homes in this sector, where linked to projects, will be inspected by project engineers, whose certificates are required to ensure payment of government subsidies.

There is still the question of what happens to houses that are not registered with the council and are not part of projects. Potential home buyers who want protection from the council should find out what the council requires for their homes to be registered with it.

What quality protection, too, can be offered to those who use the R15 000 subsidy to build initially incomplete structures that cannot be registered with the council? ■

Building doldrums fail to restrain Group Five

(32) BD 23/2/96

Edward West

CONSTRUCTION company Group Five boosted attributable earnings by 42% to R10,7m in the six months to December, in spite of a lengthy lull in activity on major building and civil projects.

Share earnings rose 37% to 31,1c and the interim dividend was set at 7c (5c). Group Five executive chairman Theunis Kotzee said earnings improved in spite of mixed trading conditions and a temporary setback in the performance of building materials subsidiary Everite.

Earnings in the second half were likely to exceed those achieved in the first half. Everite was expected to improve on its first-half earnings, but full-year profit was expected to be lower than last year's.

Group Five's turnover, excluding Everite, was up 21% to R938,7m, while income before interest and tax was 89% higher at R26,4m, reflecting higher margins.

Finance costs more than doubled to R11,5m, reflecting increased activity in the sectional title residential market, but were expected to drop in future thanks to improved cash flows.

Turnover for Everite Holdings, in which the group bought an additional 11% interest, fell 12% to R284,4m, and income before interest and tax was 33% lower at R14,4m.

Earnings dipped by 29% to R7,7m, translating into share earnings of 8,8c (12,5c), but the interim dividend was kept at 3c because directors believed the earnings slide to be temporary.

Kotzee said expected sales volumes at Everite from the middle of last year had failed to materialise. Building materials retailers had started destocking towards the end of the year, while dumped imports had begun to affect local markets.

There were grounds for optimism in the medium to short term, with the possible take-off of housing strategies from mid-1996.

At Group Five, the civils division performed well and it appeared the industry was pulling itself "out of the doldrums". The building division was suffering from a lack of new starts. Low-cost housing activity was non-existent.

The planned development of toll roads was expected to keep the road-building industry busy, and the road division's prospects were promising.

The engineering division was expected to remain active for the next two to three years, while the property division was doing well in the commercial and the medium-priced residential housing sectors.

Group Five Holdings, with a 53,8% interest in Group Five, declared an interim dividend of 7c (5c) off earnings equivalent to 30,4c (22,2c) a share.

SM Goldstein, which derives its income from a 45% stake in Group Five Holdings, declared a 7c (5c) interim dividend after a 36% hike in share earnings to 31,9c.

Low scores for low-cost housing

BD 26/2/96 (32)

Adrienne Gillomee

MOST of the elements involved in low cost housing — including housing policy and its ministry — were deemed by the building industry to have been unsuccessful, a survey among established and emerging contractors shows.

In its February assessment of the construction industry, the BMI Building Research Strategy Consulting Unit said factors deemed critical to the low-cost housing programme had all failed to win industry plaudits.

The report follows government's call earlier this month to investigate the construction industry's failure to deliver on low-cost housing — a probe the industry has claimed was misdirected.

The unit found that of the 14 factors chosen as critical, 11 were deemed to have been fairly or very unsuccessful by the respondents.

The poorest scorers included national housing policy, housing ministers, national and provincial housing boards, the Mortgage Indemnity Scheme and the Masakhane campaign.

Training and government's attempts to create the right climate for investment gave the best score, but that was a "neutral" response.

The survey covered 120 companies, 31 of them emerging contractors, with respondents offering in both residential and non-residential markets.

The findings follow a sluggish performance by the programme, with one mainstay — the Servcon payment normalisation programme — buckling last month as eviction notices went out to 5 700 of its 49 000 borrowers.

Outgoing Council of Southern African Bankers CE Piet Liebenberg said at the weekend that lack of stock and an absence of suitable affordability levels were the main obstacles to low-cost housing.

Government had a duty to normalise the situation and reduce the risk for banks to invest in low-cost housing. He said it was immoral to grant credit to people who were not able to afford bond payments. "It does not help that they have security — banks also want to be sure of a cash flow."

The report found nearly two-thirds of the emerging contractors expected major growth in low-cost housing this year. The established sector also identified low-cost housing as the major growth sector, alongside townhouses and cluster developments.

The report said given that the 14 critical elements for low-cost housing were now in place, "they must contribute to success in the affordable housing segment".

A "new realism" had emerged in the industry about the low-cost housing sector, the report said.

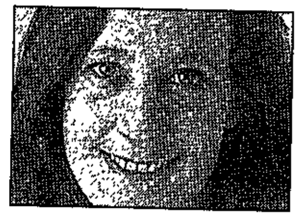
"The realisation (is) that affordability is the major constraint and the acceptance that government may have to enter the housing arena through facilitating mass housing contracts for those who can afford them.

"It is of the utmost importance that government should manage unrealistic expectations in a direct and forthright manner."

Builders face bright prospects

(32) CT (BR) 28/2/96

MAGGIE ROWLEY



ON PROPERTY

The outlook for the building industry is now more positive than it has been for the past decade, according to the latest survey by the BMI building strategy research unit.

Llewellyn Lewis, the director, said that optimism in the building industry was continuing to improve. The emerging and established sectors expected conditions to pick up by between 5 and 10 percent this year.

The emerging sector is the most optimistic: a net 87 percent expect conditions to be better compared with a net 72 percent of the established sector.

Most of the established sector's optimism arises from their positive perceptions of the outlook for their traditional market segments.

Growth, said Lewis, could be expected in most of the traditional market segments in the building industry as well as affordable housing, which would start being delivered this year.

"Even though this sector is bedevilled by many obstacles, it is evident that significant progress has been made in coming to grips with these."

For example, the mortgage indemnity scheme was in place, the builders' registration had proceeded quite well and the product defect warranty scheme was in place. Servcon was also reducing the number of bond defaulters, said Lewis.

In addition, he said the government housing task team had produced a very pragmatic document. The issues of non-delivery were more clearly understood now than ever before.

Both the emerging and the established sectors expect better conditions

"There is a clear realisation that affordability is the major constraint and that the housing subsidy mechanism of government can only aspire to create access to appropriate housing opportunities rather than build hundreds of thousands of houses which people cannot afford.

"Therefore the realisation has developed that the incremental approach to affordable housing is appropriate in that it creates access to housing opportunities according to the affordability."

Lewis said that in future it would be important for the RDP to be judged on the ability to create access to affordable housing, rather than building the houses.

"However, within this total spectrum of housing, wealth creation takes place and investment in building results, which can also influence activity in all the other sectors as optimism increases."

The survey found that contractors in the emerging sector were experiencing problems obtaining finance for low-income housing and in obtaining capital subsidies.

Land for low-cost housing development could also become a problem for this sector in future.

The established sector also encountered a problem obtaining bank finance for low-income housing, but had less of a problem obtaining capital subsidies.

A net 19,4 percent of the emerging contractors surveyed and a net 40,7 percent of the established sector reported that building-material prices increased more than inflation.

This, said Lewis, was a matter for concern. He said that perceptions were powerful determinants of behaviour, though they might not be correct.

To this end, the Building Materials Suppliers of South Africa had decided to start monitoring the increased prices of the building materials for a typical 40m^2 house starting each quarter. The monitoring programme would begin this quarter.

In future, price increases would be monitored in each province every quarter using this quarter's prices as a base, he said.

Lukanyo Mnyanda

Building industry looks to improve

BD 28/2/96 (32)

THE building industry lacked everything but labour and building materials last year, although materials' prices, perceived to be increasing faster than inflation, posed problems, says a report.

The BMI Building Research Strategy Consulting Unit, in its February assessment of the building industry, said that a survey among contractors showed that the accessibility of labour and building materials was satisfactory. But the industry had gained low points on most other factors crucial for housing delivery.

According to the survey, 19% of emerging sector respondents and almost 41% from the established sector viewed material prices as increasing faster than inflation.

"This is a matter of concern because perceptions are powerful determinants of behaviour, even though they may not be factually correct," the report said.

To rectify this, the Building Materials Suppliers of SA would initiate a quarterly monitor of price increases to provide a factual base for comparison.

Overall, the industry did not experience difficulties with the availability of critical resources and key capabilities, although the established and emerging sectors experienced problems in obtaining building society finance and subsidies for low-cost housing.

The availability of land for low-cost housing was also identified as one of the obstacles still to be overcome by emerging contractors.

The report followed government's call for an investigation into the construction industry's failure to deliver on low-cost housing and shows a negative perception of the progress achieved so far, among 120 companies polled in the residential and non-residential markets.

When asked to compare the building conditions experienced last year with those of the previous year, most respondents reported little change. Only about 16% said conditions were better.

Established contractors made up the majority of those who experienced better conditions last year, with the emerging sector's poorer performance explained by the lack of movement on low-cost housing and other projects related to the RDP related projects.

About 55% of all respondents, with the established sector again showing more optimism, expected conditions in the next six months to improve by up to 5% on the same period last year.

But on the outlook for the next 12 months, the emerging sector was slightly more optimistic, with 87% of the respondents expecting better conditions, compared with 72% for the established sector.

The established sector was looking to its traditional markets for growth, although it was likely to benefit from the delivery of affordable housing, expected to accelerate this year.

"Even though this sector is bedevilled by many obstacles, it is evident that significant progress has been made in coming to grips with these," the report said.

Offshore gains lift Murray & Roberts

(32) BD 29/2/96

Robyn Chalmers

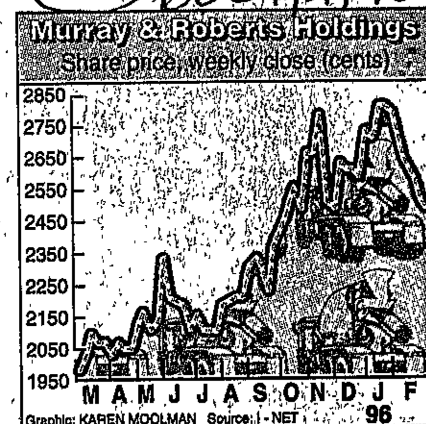
CONSTRUCTION group Murray & Roberts lifted attributable earnings 22% to R177m for the six months to December, as strong offshore gains overcame reduced government and private sector infrastructural investment.

Share earnings on an expanded share base were 13% higher at 52c and the interim dividend was raised to 14,5c (13c).

CE Graham Hardy warned that depressed levels of activity could worsen in the second half, which could leave earnings growth in the latter six months below the inflation rate.

Turnover increased 15% to R5,2bn and earnings before interest and depreciation rose 13% to R507m. Earnings before interest increased 14% to R345m, while a higher interest bill of R83m (R60m) and lower tax charge of R71m (R72m) saw earnings after tax rise to R191m (R170m).

The group said it had still to feel the



Graphic: KAREN MOOLMAN Source: I-NET

benefit of RDP spending while private enterprise projects had slowed.

Gross domestic fixed investment spend had veered towards projects worth less than R500m. These projects

Continued on Page 2

M&R

(32) BD 29/2/96

Continued from Page 1

were mainly in the downstream manufacturing and commercial sectors with investment largely in equipment and machinery.

M&R had responded with stronger offshore initiatives, with the group working in Hong Kong, Dubai and neighbouring sub-Saharan countries.

International activities contributed 17% of turnover.

Hardy said the group was on track to reach its target of 20% by 1998. Operating divisions all posted good gains. But Standard Engineering sustained a fall in pre-interest earnings to R39m (R52m), which M&R pinned a "more conservative view" on profit-taking amid a delayed export contract for train sets.

There was a serious disagreement with consortium partners which was being resolved.

The group declined to give details, but reports have suggested that Standard Engineering subsidiary Union Carriage and Wagon's R500m contract in Taiwan for the Taipei underground has been delayed.

Long- and short-term borrowings rose to R1,09bn (R998m), while borrowings increased to 27% of permanent capital against 14% by end-June 1995. Hardy said although this gearing level was within the group's caveats, attention was being paid to reducing it by year-end.

The group finalised several acquisitions, including buying the Mega plastic piping business from Sentrachem, the contract transport operations of the Matthysen Bus Transport Company and the remaining 50% shareholdings in Johnson Crane Hire and Quality Tyres. Hardy said the acquisitions signalled a consolidation of the group's positioning rather than a diversification into other areas.

The counter closed 25c, or 1%, down yesterday at R24,75.

Picture: Page 3

GRINAKER HOLDINGS (32)

MIXING MORTAR WITH CHIPS

FM 1/3/96

Construction companies emerged leaner and meaner from the recession — they will need that new muscle to handle the pressures of global competition in the new SA.

Grinaker Holdings is an anomaly in this sector, deriving slightly more than half of its earnings from information technology interests. In the past, the construction and IT interests were roughly counter-cyclical, which helped shield group earnings from excesses in either cycle, but finance director Tony Mitchell says that no longer applies.

In the newly open IT markets, subsidiary Siltek and associate Q Data cannot be complacent. They face intense competition from returning international companies and grey market dealers. Seeing these off demands improved efficiencies and superior product knowledge.

"The sales are there," says Mitchell, "but margins are being squeezed."

Grinaker Construction boosted turnover 10% but dropped earnings before exceptional items by 7%, compared with first-half financial 1995. "The construction industry is treading water," says Mitchell. "The volume of work has slowed and margins are tighter — an industry-wide complaint."

But the company has work on hand worth R1bn and chairman Richard Savage expects "an upswing in the number of tourism-related opportunities."

Mitchell is not worried about Grinaker's ability to compete for its share of the construction cake. "It's going to be tough. Some good companies have survived the past few years. But we have a strong balance sheet not over-burdened with debt. We have room to expand without over-extending ourselves."

Total borrowings stand at R40m compared with R70m in the previous period and the balance sheet is ungeared, with R166m cash on hand.

The p:e ratios of the main contracting stocks fall in a tight band between 15 and 15,8, with a few outriders near 18. At 15,5, Grinaker is firmly in the centre. The share price has almost doubled to R26,25 in the past year and is now probably fully priced. *Margaret-Anne Halse*

FINANCIAL MAIL · MARCH 1 · 1996

Building industry ready for take-off

(32) ST (BT) 3/3/96

THE ECONOMY

With the increase in the number of building plans passed exceeding that of buildings completed, South Africa is surely headed for a boom in the property and building industries, writes DON ROBERTSON.

THE building and property industries are set to become leading growth factors in the economy over the next few years after a number of false starts since 1993.

The latest figures from the Central Statistical Service show that building plans passed in 1995 rose sharply by 31,4% to R17,8-billion compared with R13,5-billion in the previous year and R11-billion in 1993. The level of buildings completed was a more modest 7,1% at R8,2-billion against R7,6-billion (see graph).

Property analysts, developers and agents concur.

Boland Bank economist Francois Jansen says there are a number of factors which point towards the long-awaited revival.

Traditionally, the property market lags an economic upturn by 12 to 18 months. The current economic upswing began in mid-1993 with the property market showing a revival during the period preceding April 1994.

Contrary to expectations, however, the industry levelled off after the elections, but is now showing signs of a sustained recovery which is likely to begin in the near future.

Mr Jansen bases his optimistic forecast on the substantial increase in building plans approved, but not yet translated into building activities.

The CSS is a little more circumspect, saying that from October last year prospects for the building industry have, "improved slightly". But indications are that the industry is preparing for take-off.

The CSS says that the seasonally adjusted value of building plans passed in the fourth quarter of 1995 increased to R4,4-billion, up 4,9% on the previous quarter, while the adjusted value of buildings completed increased by only R2,1-billion, or 1,3%, suggesting that the construction industry has a bountiful order book on hand if this trend continues.

The 4,9% jump in building plans passed during the quarter can be attributed to a hike of 8,9% or R179-million in respect of residential buildings, with the largest increases in the urban areas of Cape Town and East London. Durban comes a close third.

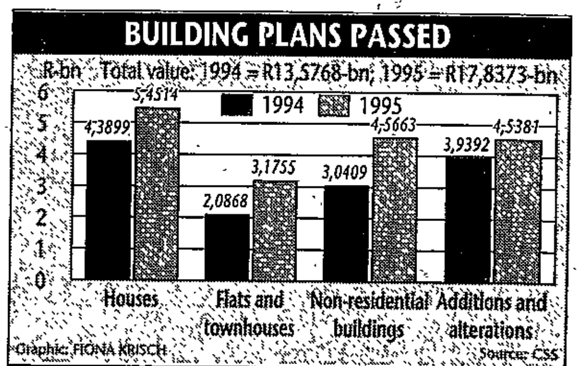
In Gauteng/Witwatersrand, 676 more flat units were passed and 212 more townhouses were approved in urban Pretoria during the quarter which helped push the value of these dwellings up by 50% in 1995 compared with the previous year.

Mr Jansen says that apart from the pick-up in construction activities needed to turn approvals into buildings, the provision of low-cost housing should come on stream this year, with a decline in building costs since mid-1995 making homes more affordable.

Also on the cards is a cut in mortgage interest rates in the second quarter of the year. This will be an added stimulus, as will the fact that the economy has entered what is hoped will be a relatively long upward trend.

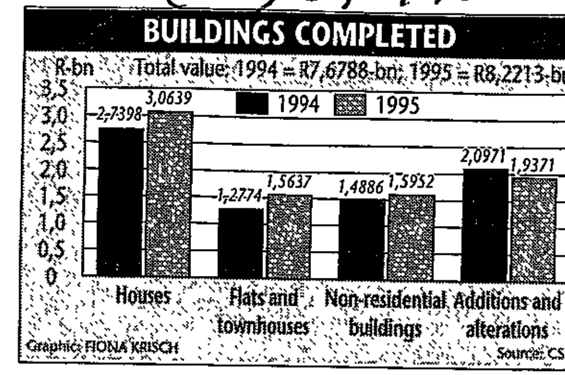
On the negative side, work on a number of large, low-cost housing projects in the planning stage, is being delayed by the time-consuming nature of creating the necessary administrative infrastructure.

BUILDING PLANS PASSED



Graphic: FIONA KRISCH Source: CSS

BUILDINGS COMPLETED



Graphic: FIONA KRISCH Source: CSS

Construction industry forum 'has major role'

Robyn Chalmers (32) BD 6/3/96

THE construction industry forum, mooted earlier this year by the public works department and construction industry leaders, will play an important role in overseeing the sector's transformation.

Public works department deputy director-general Sivi Gounden said yesterday that once the forum had been set up, its primary role would be to oversee the development of strategies and monitor delivery in joint efforts between government and the private sector.

Gounden said it would not replace any existing structures, but would serve as a vehicle for the promotion of unity and commonality of purpose in the industry.

A drive to unify the construction sector was launched last year.

Gounden said an interim task team had been established to develop recommendations on the way forward for the industry and to ensure that all affected parties were included in negotiations. Members of the task team had been drawn from the private sector and the department.

LTA expects good growth despite dearth of work

Robyn Chalmers

(32) BD 6/3/96

CONSTRUCTION group LTA has forecast good growth in earnings for the year ending December, despite the dearth of major construction projects.

Chairman Hilton Davies said in the annual report that the group had work on hand worth a total of R2,1bn by the end of December last year, and the strong growth that had been forecast for the economy should go some way to boosting its fortunes in the current year.

He said during the review period, LTA had participated in all the major construction projects in SA, including the Columbus stainless steel project, Namakwa Sands, the Sappi Saiccor pulp paper mill expansion and the Hillside smelter at Alusaf.

This had contributed to higher attributable earnings before non-trading items of R45,4m from R39,4m for the previous comparable period on raised turnover of R2,5bn (R2,3bn). Share earnings rose to 161c from 141c.

The Autecon, civil and earthworks as well as Steeledale divisions performed well and earned profits higher than forecast, while the process engineering division fell short of expectations, primarily as a result of a lack of major new project work.

Davies said the building division had achieved a lower than expected profit, largely as a result of highly competitive market conditions, coupled with labour unrest, although good results were reported in property development.

"The delayed implementation of certain objectives outlined in the RDP has affected opportunities for companies in the group, especially in the building division," he said. "It is encouraging to note, however, that the programme is now gaining momentum and group companies remain geared to participate to the fullest possible extent."

Emerging contractors face cash, skills crunch

(32) BD 6/3/96

Lukanyo Mnyanda
and Robyn Chalmers

EMERGING contractors are facing a cash and skills crunch which is effectively excluding them from the construction industry, despite government's push for the inclusion of emerging contractors in the low-cost housing programme.

Walker & Murray Quantity Surveyors partner Andre ten Krooden, who works extensively with emerging contractors, said their biggest problem was an inability to price properly. He said consultants could help contractors by separating material and labour costs. This would make pricing a less daunting task.

Emerging contractors also lacked the skills to enable them to manage their resources on site effectively. This had, in turn, made it difficult for contractors to plan their projects correctly.

Government had to ensure there was further movement on RDP projects, which were not providing enough work for emerging contractors. Emerging contractors needed to be kept active to gain the necessary experience and skills. They had only sporadic, inconsistent opportunities now.

Ten Krooden said some contractors lacked the strength needed to ensure discipline among their work force, and were reluctant to dismiss "useless people" as they feared retaliation.

"This either pushes up their prices or results in losses."

The fact that community organisations had been largely reluctant to help in this regard made the situation worse.

Ten Krooden said the construction industry needed to spell out a work ethic setting minimum standards for emerging contractors, who were often unaware of their own productivity levels.

The industry also needed to expand its training facilities, but the commitment had to come from both sides as, in some cases, emerging contractors simply did not arrive for classes.

Lack of bridging finance was also a big problem, and those contractors who obtained funds needed to be educated on how to manage them.

"Some of the contractors use their bridging finance to settle old debts or to buy luxury goods and then end up running out of money to pay their workers."

Association of SA Quantity Surveyors president Barry Probert said that the skills of the quantity surveying profession should not be overlooked, as they could play an important role in drawing emerging contractors into the industry.

"Our role as the cost management consultants of the construction industry means we can control budgets while ensuring quality standards are maintained."

Probert said a non-controversial system of grading contractors according to their ability should be investigated.

This could ensure that builders were allocated projects within their capabilities.

In addition, small-scale contractors should gain experience through joint ventures with larger contractors, he said.

Liability for home electricals questioned

Lukanyo Mnyanda

BUYERS and sellers of new homes have been warned to clarify the issue of who is responsible for ensuring that the electrical installation of a house for sale has been approved and has a certificate of compliance.

Aida National Franchise CEO Gian Sdoya said there was still confusion and misunderstanding about electrical certificates of compliance, as legislation was not clear on who was responsible.

According to the Occupational Health and Safety Act, the responsibility for the safe use and maintenance of electrical installations is on the user or lessor of the installations.

Industry sources criticised the legislation for its lack of clarity when it was introduced about two years ago. It gave no clear guidelines and it was up to landlords and tenants to clarify the issue of responsibility to avoid future confusion, Sdoya said.

Era Real Estate MD Willie Marais said although the legislation implied that the buyer was responsible for the clearance certificate, it was the industry norm for sellers to ensure they had valid certificates.

"While legislation does imply that the buyer is responsible for this clearance certificate, the general practice is the seller should obtain the certificate. In this way, the seller can prevent any claims against him should the electrical wiring not be up to recommended standards," he said.

Sdoya said the certificate was valid until changes were made to the installation, yet the industry generally acknowledged that electrical installations could deteriorate over time. A subsequent buyer of property had no guarantee that the installation was still safe, even if it had a certificate of compliance.

Basil Read shows signs of turnaround

BY MAGGIE ROWLEY CT (BR) 8/3/96 (32)

Cape Town — Basil Read, the construction group, showed signs of having turned the corner as it broke even in the second half of the year to end December after more than three years of trading at a loss.

The company, which reported an attributable loss of R14,4 million for the first six months, reaped a net profit of R340 000 in the second half to end December, reducing the loss for the full year to just more than R14 million. This compared with a loss of R28,3 million for the previous reporting period of 18 months.

The number of shares in issue was increased during the reporting period which also contributed to the loss a share being reduced to 15,5c from 100,5c.

The sale of the underground mining division and a management policy decision not to chase turnover but to concentrate on quality tenders, saw turnover for the year down almost 38 percent at R386,4 million (R621,6 million).

Bad debt write-offs of R5,1 million, an interest bill of R2,2 million and extraordinary items of R7,3 million wiped out a small operating profit of R303 000. The extraordinary items related to a R2,4 million loss on the sale of unproductive operations and R5 million incurred in restructuring.

The balance sheet has strengthened, with the group reporting a positive bank balance of R35,2 million (R11,2 million) at year-end. Interest-bearing debt, excluding a shareholder's loan of R13 million which has been converted to long-term debt, has been reduced to R4,8 million from R25 million.

Chris Jarvis, the chairman, said this was expected to result in a saving in interest.

He said the company had recently been awarded several major contracts, most notably the Richards Bay quay wall extension and basin excavation.

The workload in all three divisions, civil engineering, building, and open-cast mining, was at a satisfactory level, with more than 80 percent of the group's budgeted turnover for this year having been secured.

During the year, Basread's controlling shareholder, Dragasges et Travaux Publics, a wholly owned subsidiary of the Bouygues group, increased its stake in the company from 51,8 percent to 61,1 percent with a R10 million rescue operation.

MURRAY & ROBERTS

(32)

SEEKING GROWTH ABROAD

FM 8/3/96

As Shakespeare once said, the readiness is all. But Murray & Roberts (M&R) — all dressed up for the GDFI (gross domestic fixed investment) party — has discovered, along with others, that there are few places to go domestically.

The GDFI spend has shifted towards capital projects under R500m, more for manufacturing plant equipment and machinery than construction. The large construction projects have ended and no new ones are on the drawing board except for Saldanha Steel, creating a hiatus in the industry.

With CE Graham Hardy at the helm, the new-look group — based on five operating divisions which target specific markets — is off to seek its fortune overseas. "Our growth aspirations outrun the opportunities for realising them domestically, so we're giving added impetus to our growing offshore activities," says Hardy.

He believes a good balance between imports and exports is essential for future profitability, and adds: "Any international opportunities we follow need to be well within our areas of competence."

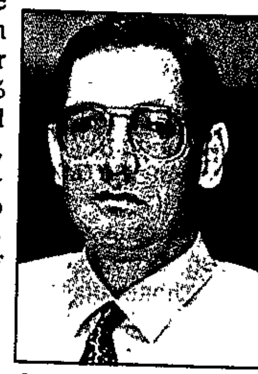
FOCUSED PROFITS

Six months to	Dec 31 1994	Jun 30 1995	Dec 31 1995
Turnover (Rm)	4 479	4 804	5 171
Operating income (Rm)	448	573	507
Attributable (Rm)	145	263	177
Earnings (c)	46	80	52
Dividends (Rm)	13,0	34,0	14,5

The first contract in a region is often critical. "We tend to pick up other opportunities because of our presence there." For example, M&R now has an office in Dubai, and is building its sixth submarine pipeline in south-east Asia. Malaysia also offers considerable potential. Now contributing 17% of turnover, exports are on track to reach 20% by 1998.

Despite throttling back profit expectations in January, attributable income of R177m for the six months to December 1995 rose 22% on the year-ago half year. But share dilution resulting from the takeout of Standard Engineering minorities and capitalisation issues reduced the EPS advance to 13%.

Of the operating divisions, the only one to disappoint was Standard Engineering, with operating profit down 25% — its main problem was a setback in a large export contract for train sets which delayed profit-taking. The strain may show on the margin. Though 1994's half-year level of 10% was maintained this half-year, the group is under pressure to deliver the full-year target of 8%.



Graham Hardy

Hardy admits it will be a great struggle. He expects the increasing number of participants in M&R's core markets — plus their "depressed state" — to keep the heat on.

But the group is ready to fight for its market shares. Acquisitions in the cement, automotive, engineering and transport sectors serve to strengthen its hand in these areas. Capex totalled R434m, up 42% on a year ago.

Hardy cites the value ratio (value created/payroll costs) as a crucial performance measure. At the interim 1,4, it lags the targeted 1,6, which is a matter of concern.

LABOUR DISPUTES

The engineering division suffered from labour disruptions — Firestone alone lost R15m in operating income as a result — which hamper efforts to become internationally competitive.

The balance sheet reflects expansionary activities. Net borrowings increased, pushing gearing to 27%, and cash balances have fallen to R174m (R315m).

Working capital rose, driven by Standard Engineering's demand for export funding. But neither is alarming, but Hardy wants to see these down by year-end.

Though he considers the domestic scene unexciting in the short term, he says: "We are comfortable with our core competences and there are enough opportunities out there for us to prove ourselves."

The share price is around R23, down from its pre-result R25 as the market adjusts to lower expectations. On an historical p:e of 17,6, it's not expensive and is worth holding. *Margaret-Anne Halse*

Building costs inflation causes concern

Robyn Chalmers

(32) BD 8/3/96

GOVERNMENT's decision to zero-rate VAT on low-cost housing subsidies was welcome, although it would do little to combat the effects of rising building costs, expected to increase well above inflation this year, industry spokesmen said yesterday.

Housing Minister Sankie Mthembi-Nkondo said this week the decision to zero-rate VAT on housing subsidies was aimed at helping the poor. It would effectively increase the buying power of the top subsidy of R15 000 by R1 842 — or about 12%.

Figures from the Stellenbosch-based Bureau for Economic Research showed inflation in building costs touched a high of 15,1% in the fourth quarter of 1994 and the first quarter of last year.

The figures showed building cost inflation had been on a downward trend since then, dropping to 14,8% in the second quarter of last year, to 13% in the third quarter and to 8% in the final quarter of last year.

However, there were indications that with the improvement in economic conditions, building costs could rise by 4% to 5% above the inflation rate.

BMI Building Research Strategy Consulting Unit head Llewellyn Lewis said a recent assessment of the building industry showed there was a strong perception that building material prices were rising faster than inflation.

Lewis said 19% of emerging contractors and 41% of established contractors took this view.

"This is a matter of concern because perceptions are powerful determinants of behaviour."

One source said the decision to zero-rate VAT would go some way to alleviating the problem of reduced buying power of many poor people.

"While not wishing to take away from government's gesture, it is becoming increasingly clear that building material suppliers will find it difficult to stick closely to their pact with government for much longer," said the source. Suppliers agreed some years ago to keep price increases in line with inflation.

Bad debts still haunt Basil Read Holdings

(32) BD 8/3/96

Lukanyo Mnyanda

CONSTRUCTION group Basil Read Holdings, still dogged by bad debts totalling R5,1m in its opencast division, turned in a net loss of R14,1m for the year to December, equivalent to a 15,5c loss per share.

The group changed its year-end from June to December last year, and figures for the review period were compared with those for the previous 18 months. Turnover dropped from R621,6m to R386,4 in the 18 months to December 1994.

This was due to the sale of the group's underground mining division and management's policy of concentrating on quality tenders which had resulted in an underrecovery of overheads.

The group said it viewed the underrecovery of overheads last year as an investment in its future.

Its operating loss was limited to R303 000 compared to a R25,2m loss in the previous 18 months, with interest payments reduced to R2,2m (R4,2m).

The group said it expected to benefit from an anticipated sharp increase in its civil engineering, building and opencast mining workloads, and had already secured a number of major projects.

Its civil engineering division had already secured all its budgeted turnover for this year and had managed to turn a R15,9m loss for the previous 18 months into a R3,7m profit in the review period.

Its cash position had improved, with its bank balance standing at R35,2m in December compared to R11,3m the previous year.

The group said it had managed to reduce interest-bearing loans to R4,8m since the year-end and expected a "substantial" interest saving for this year.

Optimism picks up in the building world

M+G (BM) 8-14/3/96 (32)

The construction industry is positive about a better year ahead, locally and internationally, reports **Karen Harverson**

DESPITE a slowdown in the building and construction industry towards the end of last year, the industry is optimistic that activity will pick up significantly by mid-1996.

"The situation is a lot better now than two years ago," says Grinaker chief executive Bean Bornheimer. He says the increase in activity began after the elections in 1994, but flattened off in 1995. "However, we are optimistic that things will pick up in 1996."

He says the industry is looking forward to the Saldanha Steel Project, having seen mega projects like Columbus and Alusaf come to an end.

Building Industries Federation South Africa (Bifsa) executive director Ian Robinson says although momentum in the building industry slowed towards the end of 1995, he predicts a 10 to 12% growth in real terms in 1996. "Turnover will increase from R17,5-billion to more than R19-billion during the current financial year."

The main areas to experience growth will be the industrial sector (18%), commercial (14%) and housing, albeit off a very low base.

"Tourism will have a major effect on the building industry, particularly in the Western Cape, where some 30 hotels are being built over the next two to three years," says Robinson. This will boost activity by some 30 to 50% in that region.

Other factors influencing the upturn in activity will be the expected drop in prime overdraft rate by 1% this year.

If growth continues to improve as expected, says Robinson, the impact on job creation in the building industry could result in an additional 600 000 direct jobs and about one million jobs indirectly by the year 2000, assuming the Reconstruction and Development Programme (RDP) is implemented.

He says the RDP impact on the industry has been modest to date, but there are signs it is picking up.

Ian Robinson

However, he warns that a boom in South Africa's construction economy could be trouble if the construction economies of neighbouring countries remain stagnant. "We'll see an unwelcome migration of people to South Africa."

Robinson says a joint venture has been established between the Minister of Public Works and the Council for Construction in South Africa (Cocosa), which will attend a regional council meeting in Lusaka in two months' time.

The regional council was set up to address four key issues: capacity building in the region as a whole; the promotion of local and regional construction industries; the implementation of common standards throughout the region; and ways to access capital for regional initiatives.

"It is vital that we develop a regional strategy as well as a national strategy to establish common training programmes so that standards are upheld and accreditation processes are the same," says Robinson.

He says the shortage of work in the local industry has resulted in a number of big companies seeking work in neighbouring countries and internationally. "However, their need will not be as great in the future, as there will be more opportunities locally," he adds.

Despite the slackening off last year, all the major companies reported improved earnings.

Murray & Roberts reported attributable earnings of R177-million for the half year ended December 1995, an increase of 22%. Group chief executive Graham Hardy said a response to the depressed local conditions had been to go offshore.

"The group is working in Hong Kong, Dubai and neighbouring sub-Saharan countries." International activities contribute 17% to turnover and are expected to rise to 20% by 1998.

Construction company LTA increased its operating profit for the year ended December 1995 by 18% to R75,9-million. Besides its involvement in all major construction projects in South Africa, chairman Hilton Davies said it had secured significant contracts including the Mohale and Mountain access roads in Lesotho, the north/south pipeline contract in Botswana and the plant construction at the Sadiola Hill gold mine in Mali.

He said that despite the dearth of new major construction projects, the strong growth forecast for 1996 is expected to ensure another good performance for the company.

Construction and development company Group Five boosted attributed earnings by 42% to R10,7-million for the interim period. However, the company was not reliant on projects in sub-Saharan Africa to improve its bottom line.

Says executive chairman Theunis Kotzee: "Although growth is expected in those regions, it will be off a low base and none of the countries we've investigated has justified the setting-up of stand-alone business units." Instead, the company is looking to Europe for new market opportunities.

He believes the lull in South Africa is short-term and expects a considerable growth period to begin and last through the next decade. "With local government in place and money spending power decentralised, fixed investment will rapidly increase."

Kotzee says while mega projects such as Iscor, Columbus and Alusaf boosted the industrial market by millions of rands last year, growth in office accommodation was stagnant, "but this will increase when growth in the economy reaches the anticipated 5 to 6%".

He said one of the problems affecting companies involved in the export of building materials was the issue of import tariffs. "We're penalised by countries such as India which impose a tariff of 50% on goods, but their manufacturers can export products into South Africa at a mere 20%."

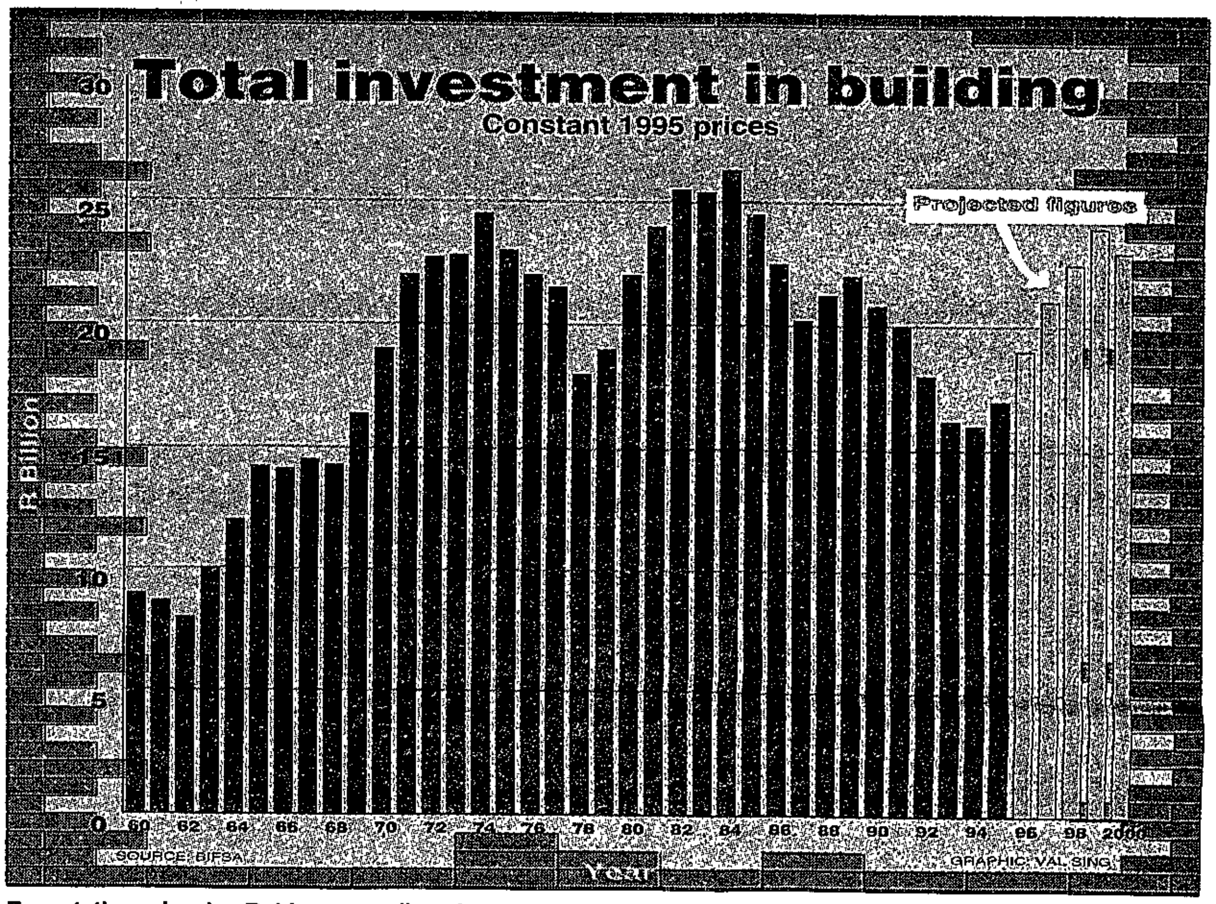
He says this is putting pressure on manufacturing companies, which are being pushed out of the industry, with dire consequences for job creation.

An emerging trend in the industry is the splitting up of mega projects into smaller, packaged contracts to enable previously disadvantaged contractors to compete.

Another trend, says Concor's Leo Rohrig, is the involvement of the private sector in big infrastructural projects such as tollroads.

Concor announced last week that its net attributable income for the six months ended December 1995 increased by 20% to R10,85-million. Turnover was up 20% to R441-million.

Chairman Brian Murphy said conditions in the construction industry were likely to remain difficult, but said a similar percentage increase was expected for the full year in June 1996.



Expectations rise: Ian Robinson predicts that 'turnover will increase from R17,5-billion to more than R19-billion during the current financial year'

Masonite profit increased 33%

(32)

Nicola Jenvey

BD 13/3/96

DURBAN — Building and construction group Masonite (Africa) lifted attributable earnings 33% to R12,9m for the year to December after record production and cost management programmes boosted profits.

Share earnings came to 189c from 142c a year before, while a final dividend of 30c lifted total distribution to 50c (38c).

Group chairman and MD Alan Wilson said higher local demand and a 41% growth in exports had pushed turnover to R192,7m from R154,6m.

Exports contributed 17,5% to net sales, with new markets set up in Africa and Asia.

Operating income improved 31% to R27m due to the record production and effective cost management, while taxation rose by 63% to R8m as the group benefited from a R1,2m deferred taxation in the comparable period in 1994.

Wilson said the group's performance in the second half had not matched that of the first half.

In SA, the growth in RDP-driven housing schemes had not materialised, and internationally the prices of commodity board had come under pressure, as a result of economic slowdown and oversupply. These conditions were expected to persist this year.

He said that only 10 000 housing units had been built in 18 months, although at least 350 000 units were needed annually.

Construction slowdown fails to dent Masonite's earnings

(32) CT (BR) 13/3/96

BY JON BEVERLEY

Durban — Durban-based building products manufacturer, Masonite (Africa) produced good results for the past year despite a slowdown in building and related activities in its second half.

Alan Wilson, the chairman, said only 10 000 housing units were built in the past 18 months instead of the 350 000 needed each year.

"There are obviously serious delivery problems. Massive opportunities for the building industry to capitalise on the huge benefits such a programme represents have been lost."

He said that statistics from the housing department for the seven months ending October 31 1994 showed that the value of the 262 314 project-linked subsidies allocated was R3,5 billion.

"Of this only R137 million was paid out through the provincial housing boards to developers and contractors.

"Up to last August only R31 million had been paid out which meant that most of the money had flowed during the last two months of the period under review (to last December) and indicated a quickening of the pace."

Results showed that Masonite's earnings after tax increased 33 percent to R12,8 million on the back of a 25 percent rise in turnover from R154,6 million to R192,7 million.

A final dividend of 30c will be paid, giving a total dividend for the year of 50c (38c). Capital expenditure during the year amounted to R12,8 million.

Wilson said the improvement in operating margin was due to record production, coupled with effective cost management. Turnover had grown as a result of higher local demand and increased exports.

Masonite's export contracts grew 41 percent last year as new markets in Africa and Asia were established. These accounted for 17,5 percent of net sales.

Restructuring set to push Basil Read group back into the black

(32) BD 14/3/96

Robyn Chalmers

CONSTRUCTION group Basil Read was poised to move back into the black in the current year, with substantial restructuring due to pay off and the group set to benefit from expected higher spending on fixed investment this year, analysts said yesterday.

The group has produced a net loss for four consecutive years, largely as a result of major losses on low-cost housing investments, having to complete unprofitable long-term contracts, as well as poor construction performance on certain contracts.

Net profit dropped from R6m for the year ended June 1991 to a loss of R9,5m in 1992, a R36,5m loss in 1993, a R28,3m loss for the 18 months ended December 1994 — when it changed its year end — and a R14m loss sustained in December 1995.

However, analysts said the huge restructuring effort motivated by French-based Bouygues — which currently holds 61,5% of the group — appeared to be paying off finally. Recently released figures showed that Basil Read achieved a R340 000 net profit for the second half of the 1995 year.

One analyst said the share price had risen dramatically since the end of last October — when it was at 70c — to touch a one-year high of 190c at the beginning of January. He said that the sharp rise in the counter came after it was announced the group would be recapitalised to the tune of R10m — which saw Bouygues increasing its shareholding to 61,1% from 51,8%.

The group's balance sheet was looking healthier, with the cash position having improved to R35,2m at the end of last year against R11,3m for the previous comparable period.

Basil Read would also not be required to pay tax until 1998 as a result of the accumulation of substantial assessed losses, which should boost the bottom line.

Another analyst said Basil Read's restructuring had placed it on a far sounder footing, and the group's order book looked healthy after it had managed to secure a number of large contracts recently, mostly in civil engineering.

The analyst said the group was focusing heavily on Africa where there were a number of opportunities available. Locally, it should benefit significantly from increased gross domestic fixed investment spending, particularly that linked to the RDP.

The Basil Read group was looking closely at the provision of infrastructure surrounding low-cost housing programmes — such as hospitals, schools and clinics — although it was steering clear of the actual provision of low-cost housing projects.

Centres will help home builders

(32) Star 20/3/96

HOUSING REPORTER

A total of 13 housing support centres will be opening around Gauteng at a cost of about R750 000 to advise and support communities in planning and funding new housing developments.

Gauteng local government and housing spokesman Manase Sefathle said the satellite centres would also assist communities to start self-help building projects and supply them with building materials at affordable prices.

The projects would open in Midrand; Mohlakeng on the West Rand; Benoni; Kanana and Boipatong in the Vaal area; Soshanguve, Pretoria; Soweto; Phola Park; Katlehong and Vosloorus. In Soweto, three centres serving different sections of the township would be opened.

Power construction to build 671 classrooms

Power Construction has won a R30 million contract for 671 classrooms in the Eastern Cape, about 40 percent of the 1680 classrooms tendered by the provincial department of public works. They will be built using the eCoFrame high-quality, low-cost system.

(32) CT (BR) 3/4/96

Premium Properties earns historic ...

Comparisons bode well for construction sector

(32) BD 17/4/96

Samantha Sharpe

A "SIGNIFICANT" increase in housing starts last year compared with 1994, and a surge in the value of building plans passed bode well for vigorous activity in the building sector this year, the Bureau for Economic Research says in its latest building and construction survey.

However, the research bureau warned that building starts had tapered off in the second quarter last year, with the growth in building plans passed also losing steam as the year progressed.

The survey showed the average number of housing starts rising 7,11% last year against 1994, with non-residential buildings up 18,9% on the previous year. The value of plans passed was about 20% higher in real terms last year than in 1994, with all survey statistics reflected in percentage change form.

While building plans passed were "nothing more than intentions in a different guise" with a fairly large percentage never coming to fruition, they were good news for architects and building contractors, the bureau said.

Building and subcontractors had not experienced a particularly buoyant first quarter, with an inadequate supply of financing facilities and high financing costs the key factors hampering activity.

However, those surveyed were optimistic about the second quarter, with business confidence "markedly improved". The bureau said fewer buildings were completed last year than in 1994, with the number of non-residential buildings in particular showing a 4% decline on the previous year.

However, fixed investment in non-residential buildings tended to fluctuate from period to period and "not too much should be read into the lack of growth".

More residential buildings were finished last year than in 1994, with flats and townhouses doing particularly well. The survey showed a 12,9% increase in the bureau's building cost index to 164,1 points for the first quarter of this year compared with the year previously, with higher costs associated with an uptick in activity.

Together with good conditions in the property market, "the building industry should experience general conditions during 1996 which promise to be livelier than those in 1995", the bureau said.

Robyn Chalmers reports that the fortune of architects appears to be improving after a lengthy downturn, with the survey reporting that the employment situation was beginning to improve with further improvement expected during the second quarter of this year. The decline in the number of projects at sketch plan stage seemed to have been arrested, with an upturn in these numbers expected in the second quarter.

Quantity surveyors also reported that the deterioration in the employment situation had been arrested and most of those interviewed expected to see further increases in employment in the second quarter.

M&R's shares keep on falling

(32)

Robyn Chalmers

BD 6/5/96

MURRAY & Roberts Holdings' share price has been on a downward path since January, partly in line with a rerating of the construction index but also as a result of expected depressed results for the year to June.

The building, construction and allied index has shown a steady decline since the beginning of February after a strong rise during most of last year, largely in anticipation of the RDP taking off.

M&R, which tends to take its cue from growth in gross domestic fixed investment spending, has mirrored the building index's fall, showing a steady decline over the past three months. The counter lost 100c on Friday to hit a new 12-month low of R18, bringing its losses since April 26 to 200c.

Some analysts have reduced their forecasts for M&R for the full year to June following interim results which were slightly below market expectations.

The big question mark concerning group earnings is the performance of subsidiary Standard Engineering after it reported depressed results at the interim stage. Standard's bottom line suffered largely as a result of controversy over subsidiary Union Carriage & Wagon's R500m Taiwanese train contract.

Building industry halves growth estimates for year

BD 7/5/96 (32)

Lukanyo Mnyanda

THE building industry has halved its growth estimates for this year in the wake of the rand's collapse and the one percentage point hike in interest rates, with some developers warning they could be forced re-evaluate projects.

Building Industries' Federation of SA executive director Ian Robinson said yesterday the industry was now expecting a 5% growth rate after initial estimates of 10%.

"For the past three years we have been subjected to high interest rates. This, together with an unfavourable exchange rate and the increased petrol price, will definitely have a negative effect on growth in the industry."

Robinson said Cosatu's hardline opposition to the inclusion of property and lockout clauses in the constitution "makes me feel a lot less optimistic".

Job creation was also not expected to grow beyond 5% in the industry, which had aimed to create more than 500 000 new jobs by the year 2 000.

Robinson said he did not expect growth in low cost housing to be affected as the R4,6bn in the housing budget was being spent at an increasing rate. But a slowdown could be expected in the bondable housing market, with high earners being hardest hit by mortgage rate increases.

SA's interest rates were too high and would dampen investment in the construction industry, he said. "Property investors tend to rethink the viability of a project when faced with an unexpected rise in interest rates."

Sanlam Properties Investments GM Alan Le Roux said the group had not made plans to shelve projects, but long-term interest rates were putting yields under pressure and getting projects off the ground was proving more difficult.

Group 5 executive chairman Theunis Kotzee, said the market was responding to SA's changing "economic fundamentals" and the industry was reviewing its forecasts for the year.

SA had one of the highest company taxes in the world and this, together with the trade and industry department's policy of allowing "dumping" in the country, was depressing job creation in the construction industry.

The country's policy of associating with "unsuccessful" countries like Cuba and Libya had done its standing among investors harm. "The world markets are discounting our future as they had with those countries," he said.

Investors were adopting a "wait and see" attitude and this would be reflected in fixed investment patterns.

Construction industry revises growth forecast

CT(BR) 8/5/96 (32)

By Audrey d'Angelo

Cape Town — Rising costs and interest rates combined with a falling rand meant that hopes for a 10 percent growth rate in the construction industry this year had been dashed, said Ian Robinson, the executive director of the Building Industries Federation of South Africa.

He said growth of 5 percent was the most that could be expected.

"For the past three years, we have been subjected to high interest rates.

"This, together with an unfavourable exchange rate and the increased petrol price, will definitely have a negative effect on growth in the industry," he said.

Robinson pointed out that the cost of importing plant and machinery was likely to rise as the rand fell.

The higher petrol price would not have an immediate effect on the cost of building materials because of stocks in hand, but the consequences would be felt in a couple of months' time when the new prices start to come through.

"However, it is difficult to estimate the extent of these increases at present," Robinson said.

Average building costs increased 11,8 percent last year. Robinson said an increase of between 12 to 14 percent was expected this year.

"General building costs are presently running at about R1 400 a square metre.

"These are likely to escalate to R1 570 and this will probably help to push up the inflation rate even further.

"Rising inflation and escalating labour costs go hand in hand. Labour accounts for between 30 percent and 40 percent of building costs."

He forecast a fall in consumer demand for services and goods as the 1 percent bond increase bit into consumers' pay packets.

"Thirty percent of a household's budget is spent on mortgage payments and any rise lessens the amount of disposable income.

"This sets off a chain reaction that impacts ultimately on job creation and the economy as a whole.

"Increased interest rates also dampen economic growth in terms of investment in the construction industry.

"Property investors tend to rethink the viability of a project when faced with an unexpected rise in interest rates."

ST (BT) 12/6/96

Tougher times for builders

(32)

HIGHER interest rates, the collapse of the rand and the soaring petrol price will have a strong impact on the construction industry this year, writes **DON ROBERTSON.**

Ian Robinson, executive director of the Building Industries Federation of South Africa, says hopes of 10% growth have been dashed and the most that can be expected is an improvement of about 5%.

"For the past three years, we have been subjected to high interest rates and this, together with the unfavourable exchange rate and increased petrol price will definitely have a negative impact on growth in the industry," says Mr Robinson.

Last year, average building costs rose by 11,8%, but they are expected to soar to 12-14% this year from about R1 400 a square metre to R1 570 a square metre.

This could influence the inflation rate as it will also have an impact on labour costs, says Mr Robinson.

Robyn Chalmers

Cementation lifts share earnings

BD 13/5/96 (32)

CONSTRUCTION and engineering group Cementation Company (Africa) hoisted share earnings before exceptional items 69% to 40,7c for the six months to March. An interim dividend of 12,5c (7,5c) a share was declared.

Turnover during the review period rose 35% to R257,5m, while net operating income grew 47% to R7,8m.

After the inclusion of exceptional items and a higher tax bill, net income after tax and interest fell 30% to R3,9m.

Share earnings were 40,7c (62,4c) after exceptional items of R3,6m in the previous comparable six-month period were taken into account.

The directors said results for the first half last year had been restated to comply with revised accounting principles, with former extraordinary items being reclassified as exceptional items.

They said the order book was holding up well in most sectors of the business, although margins remained under pressure. In three of the engineering business units, however, there had been work shortages which led to periodic short-time workings.

Capital expenditure increased during the review period and this had lifted net borrowings.

They said the group was continuing to develop its export business, and prospects for the second half remained good. Management expected results to at least equal those produced in the first half.

However, a worrying factor was the state of relations at national level between employees and employers which could lead to industrial action.

Govt plan to aid contractors gets a lukewarm welcome

(32) BD 15/5/96

Lukanyo Mnyanda

THE construction industry has cautiously welcomed government's new interim procurement strategies aimed at drawing emerging contractors into the construction industry. Business spokesmen called for the measures to be implemented in an open and transparent manner.

They also warned that the new policies — which would involve government paying a premium of up to 18% on prime contracts to favour companies supporting its RDP goals — could increase costs and prove hard to implement.

"We support the initiative to bring in emerging contractors," said LTA chairman Hilton Davies. Theoretically, he said, it would help speed up delivery, but he stressed that the new procedures would also need to be handled with care.

The pilot roster system, which had introduced a points system for tenders with companies judged on their commitment to addressing past imbalances, had been introduced a few months earlier and LTA had been involved in training emerging contractors.

"The five major construction companies have been working with the public works department to develop mechanisms to bring in black contractors."

However, Davies warned that the implementation would be complicated, and that the decision to waive the need for security on contracts of less than R100 000 — to facilitate the entry of emerging contractors into the construction industry — could be open to abuse.

Murray and Roberts Construction MD Arthur Coy also welcomed the development, although he expressed concern at government's capacity to implement and manage the new measures.

Coy said it was hard for "emerging contractors" to get into the market and he fully supported measures to facilitate their entry. "But this must be done in a fair and transparent manner."

The decision to waive securities on some contracts could be risky but the R100 000 limit would ensure that this happened only at the lower end of the market.

Coy said the new system could help speed up delivery but he felt their greatest significance lay in their potential to create new businesses for the future. This in turn would create employment and promote economic growth.

Association of SA Quantity Surveyors president Koos Klopper also welcomed the new systems aimed at providing improved opportunities for black contractors and professionals previously excluded from government work.

"However, it is clear that the development of the 10-point plan for emerging contractors has been one of the factors holding up the allocation of housing contracts."

Klopper called on government to make use of the skills on offer from among professionals in the industry, saying they were a reliable resource — "especially in view of the flight of skills at management level in government".

Construction could boost stainless steel

CT (BR) 15/5/96 (32) (

By James Lamont
INDUSTRIAL EDITOR

Johannesburg — The local construction and building industry could use as much as 5 000 tons of stainless steel a year by next year, Phil Warne, the market development manager of the Southern Africa Stainless Steel Development said yesterday.

This was due largely to prison, airport and hotel developments, he said.

"The building and construction sector is the fastest growing sector in stainless steel and is largely untapped in South Africa. This country can take a lesson from Japan, where 25 percent of locally fabricated production of stainless steel is used in building and construction," Warne said.

Only 1 percent of South Africa's total stainless steel production is used in the building trade.

Warne said the government's budget of R1,3 billion to refurbish South Africa's airports and R1,1 billion to build and refurbish prisons, could provide scope for the use of stainless steel.

Maintenance-free stainless steel applications like basins could realise savings for the public sector, said Warne.

In addition to lifts, carousels and cafeterias, Warne said stainless steel could be used in the interior design of South Africa's airports.

The increase in hotel developments was expected to lead to strong demand for steel. Cape Town was considering building about 30 hotels during the next three years to meet tourism demand. Major hotel groups such as the Hyatt, Sheraton and Hilton have an international format for the use of stainless steel.

However, the hotel boom is dependent on the proliferation of casinos, whose interiors alone could constitute a demand base. Warne said provincial governments have to award gambling rights before new hotels, shopping malls and leisure centres grow around them. "The drawcard is the casino," he said.

The association also viewed the Olympic building programme and the RDP as possible showcases for implementation of architectural stainless steel.

The association represents 260 small and medium stainless steel manufacturers. They are trying to convince architects and designers, formerly deterred by the higher cost of stainless steel, to follow the example of the Far East and use the locally produced material alongside glass and aluminium.

It is also encouraging joint ventures with overseas companies that are expert in these installations. It aims to supply the construction industry with a shopping list of stainless steel components, such as wall ties, cladding, roof sections, facades and handrails and advise architects of their availability in South Africa.

Some manufacturers in the Fast East are selling as much as 50 000 tons of stainless steel a year to the building and construction sector. South Africa, however, has few stainless steel buildings. Local examples are the Iscor headquarters in Pretoria and the Standard Bank building in Sandton.

Construction workers flee violence in townships

Durban – Construction workers in townships around Durban are fleeing their sites because of attacks, murders, hijackings and theft.

They say "only the very brave or the very stupid" would work under these conditions. Those who remain are working under SAPS and private security guard – and need armed escorts to and from work.

Areas such as KwaMakutha, KwaMashu, Kwandabeka and Umlazi have been hardest hit.

Development is coming to a near standstill. In the past two months, several construction companies have left. It is estimated this has left at least 60 workers per site unemployed.

Lenny Anderson of Anderson Construction and LA Estates said he had walked off an Umlazi school site after being robbed of more than R10 000 in cash at gunpoint last week. "The money and the work is there, but we need political backing from the top because there are just far too many problems," he said. – Own Correspondent and Sapa

Star 18/5/96

32

Building industry in Cape slides despite optimism

(32)

ARG 18/5/96

CHARLENE CLAYTON
Property Reporter

THE value of building contracts in the Peninsula is down by 26 percent, figures for the first quarter of 1996 show, putting a damper on expectations that the local industry was showing signs of emerging from its seven-year recession.

According to Mike Loy, director of the Master Builders and Allied Trades Association in the Peninsula, which monitors all major commercial, industrial and government work that goes out to tender in the area, tendered contracts in the first quarter were R75,6 million against the R95,5 million of the first quarter of last year.

Furthermore, Mr Loy said tender work issued for the whole of 1995 at R450,9 million was much the same as the amount tendered for 1993 – R426,5 million if inflation was taken into account.

"The much publicised resurgence of work in the industry is still not the reality that many people believe it to be," he said.

"Although current local indicators are still promising and although areas further to the north have enjoyed increased activity for some two years now, it is still too early to talk about an upswing here in the Cape Peninsula," he said.

Reports of major projects in and around the city which were now "almost a weekly occurrence". If they did go ahead, it would take at least a year or longer to get started, said Mr Loy.

Meanwhile current difficulties were still leading to liquidations among contractors and sub-contractors.

"Two reputable firms have gone down recently and there could be further casualties before better times return," he said.

The demise of a major contractor also often means the downfall of certain suppliers and smaller sub-contractors.

"It is now accepted in the industry that the high hopes held out for massive RDP-type work are unlikely to be fulfilled" because "the RDP has failed to deliver".

Mr Loy said the industry was now pinning its hopes on the programmes outlined by the new Minister of Housing.

In general, those in government circles still seemed too often to become caught up in consultative paralysis and endless discussions rather than taking firm steps to implement and then, if necessary, amend the programme to suit changing circumstances.

He urged that building on all viable projects should start within the next six months. If this did not happen, there was a risk that, within a year's time, the feasibility of such projects could be seriously endangered.

Mr Loy said if the majority of commentators on the economy were correct, the building industry could see overall price increases of 20 percent by May next year.

Building sector feels the pinch of rates hike

(32) CT(BR) 22/5/96

By John Soderlund

Johannesburg — The stock exchange's building and construction sector has been partially demolished by the recent correction on the market as interest rates rise and fixed investment slows, analysts said.

They said that the effect on the industry and the economy as a whole would be devastating if activity did not pick up later this year.

The sector's index had fallen 31 percent to 6853 since its peak of 9964 in late January, compared with a fall of 11,5 percent in the industrial index.

The sell-off was sparked by an increasingly obvious slowdown in fixed investment spending and the evaporation of expectations that the economy might remain on the boil this year, they said.

"It's principally a civil engineering story. They are under extreme pressure, probably the worst they have been for a long time, and it's hurting all the contractors across the board," said an analyst

Two of the casualties are Murray and Roberts Holdings whose shares have fallen 45 percent to R15,75, and Group Five, whose stock has lost 45 percent to R7, since their peaks in late January.

But the building supply companies had borne much of the pain because even smaller-scale residential activity slowed.

Everite has fallen 52 percent to R4,65 and Pretoria Portland Cement has fallen 32 percent to R73.

This month's two one-point hikes in bank lending and mortgage rates would compound the scarcity of work in the industry, analysts said.

They said another rate hike would slow down the residential sector. Johan Snyman, an analyst at Barings Securities, said the outlook for the remainder of the year was bleak but there might be a marginal upturn from the third quarter. — Reuter

Builders' confidence suffers serious setback

(32)

Robyn Chalmers

BD 31/5/96

THE level of confidence for emerging and formal contractors received a serious setback during the first quarter of this year, with 5% growth expected in the second quarter against the previously expected 10%, a countrywide survey says.

The quarterly BMI building research strategy unit survey said the confidence level in the building industry dropped during the first quarter of this year to the lowest level since the final quarter of 1993.

The survey said the decline in confidence in the building industry was largely a mirror of the general decline in business confidence. The inability of government, labour and business to reach a social accord on growth strategies and privatisation for SA had contributed to the decrease in confidence.

On the building industry front, the survey said, the most negative effect had been the result of recent increases in bond rate and their expected impact on building activity in the medium to longer term.

BMI director Llewellyn Lewis said yesterday that the established sector saw the major growth over the next 12 months taking place in the market for houses costing less than R65 000 as well as townhouse, duplex and cluster developments.

The emerging sector agreed about the priority for housing costing less than R65 000, but believed the second best opportunity was in the market for houses costing between R65 000 and R150 000.

The established sector noted two problem areas: the availability of bank financing for low-cost housing and the availability of capital subsidies for this segment of the market.

Lewis said the emerging sector said capital subsidies were "very unavailable", while bank finance for low-cost housing and other housing was "fairly unavailable". There were also concerns about the availability of land for low-cost housing.

"The emerging and established sectors have a real problem with criminal violence, civil disobedience, squatting and land invasion, bond and services boycotts, strikes and political violence."

Prospects for building industry growth fade

(32) BD 27/5/96

Robyn Chalmers and Lukanyo Mnyanda

THE building industry's growth expectations over the next two years have been dramatically scaled down as a result of volatility on the foreign exchange market and the recent interest rate hikes, the Building Industries Federation of SA (Bifsa) says.

The organisation last week estimated growth this year at about 5% against initial estimates of 10%.

Bifsa executive director Ian Robinson said at the weekend building projects were unlikely to be stopped this year, which meant the current momentum should continue until at least the end of the year. However, new building projects would be affected next year and little growth was expected then. Industry growth could amount to 9% in 1998 and about 7% in 1999.

Robinson said a decline in private building activity was likely over the next two years, unless interest rates dropped by three or four percentage points.

"In contrast, public sector work should rise. Investment in housing especially is labour intensive and has little import content. This sector will therefore benefit from keen tender prices and the free availability of materials."

There were factors which could counteract the expected lower growth, including the reintegration of SA into the mainstream international economy, which could lead to an inflow of foreign capital.

Signs that the RDP was beginning to take off should also have a positive effect.

Property developers and construction companies agreed that activity would slow down this year, with Group Five and Murray & Roberts warning that non-residential building could drop by as much as 10%.

Bifsa has predicted a growth rate of only 2% in the non-residential property industry compared to last year. It said last year's non-residential property developments had totalled R8,3bn, with the private sector accounting for R6,3bn.

Group Five executive chairman Theunis Kotzee said the rate hikes would only start having a serious effect on construction companies' profits in the next financial year as it was too expensive for clients to cancel contracts once they were committed.

Residential building would feel the effects first and consumers would find their monthly interest payments painful, he said.

A Murray & Roberts spokesman said the company was "a little disappointed" with this year's growth prospects. High bond rates made construction difficult and he expected industry activity to drop about 10%.

Old Mutual Properties head Ian Watt said it would proceed with developments only in cases where it had managed to secure tenants.

Sage Property Holdings executive director Simon Mills said it had not shelved any projects, but was adopting a cautious approach.

Anglo American Properties MD Gerald Leissner said the group was working on a number of projects, worth about R120m and was trying to raise finance.

Building margins register an upturn

(32) BD 7/6/96

Lukanyo Mnyanda

BUILDING industry profit margins improved last year for the first time in five years, despite declining activity, the Building Industry Federation of SA (Bifsa) said yesterday.

In its 1995 statistical year book, Bifsa said tender prices had risen 13% during the year, while material costs had risen roughly 10% and labour costs an average 4%-6%. Executive director Ian Robinson said the higher tender prices suggested the industry had finally emerged from the recession of the previous five years when contractors were pricing at cost.

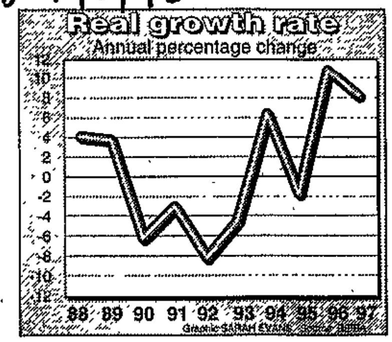
The townhouse market recorded the largest growth in the residential sector. Robinson attributed this to the greater security associated with townhouses.

He said the bondable low-cost housing market — still hard hit by bond boycotts, an inability to access finance and a lack of RDP delivery — was almost non-existent last year.

The report showed only 9 976 houses valued at R481m were built last year, compared with 10 326 houses in 1994.

But private sector residential building plans passed jumped to 16 018 (13 969), valued at R798,3m (R587,9m), and housing starts for dwellings jumped to 26 106 (23 872), worth R3,6bn from a previous R2,99bn.

Robinson said the industry had been encouraged by the increase in the number of subsidies approved this year, indicating that there was an increase in the rate of spending at the lower end of the market.



The report said the upward trend in injuries sustained by industry workers had continued despite a slight fall in fatalities. "It still has an extremely poor record in the equipping of its most valuable resource," Bifsa said.

Robinson said Bifsa was still confident of industry growth during the next few years with the 1998/99 levels expected to be between 8% and 10%.

The Cabinet's approval of Cape Town's Olympic bid was positive news for the construction industry. But recent economic events had forced Bifsa to halve its 1996 growth estimate to 5%.

The report blamed former finance minister Chris Liebenburg's "sudden" resignation, the uncertainty of exchange control policy, "the arrogant militancy of the trade unions" and the lack of foreign investor confidence for the rand's weakness and high interest rates.

Building boom expected to taper off

(32) CT (BR) 14/6/96

By Marc Hasenfuss

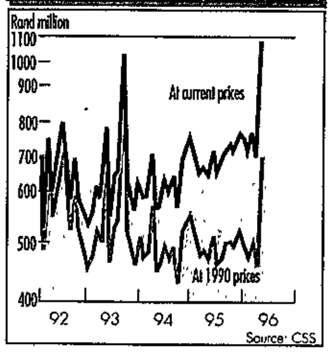
CAPE EDITOR

Cape Town — The building industry has enjoyed an upbeat start to the year, but there are indications that activity could level off by early next year.

The Central Statistical Service released figures yesterday that showed the value of buildings completed in South Africa during the first four months of this year jumped by more than 20 percent to above R3 billion.

The largest increases were in Gauteng, where the value of work increased 38 percent, or R370,5 million, compared with the same period last year. Sizeable increases were recorded for townhouse development (up R163,5 million) and non-residential buildings (R163 million higher).

Buildings completed: private sector



The figures showed that the largest increases in townhouse developments were in Roodepoort, Sandton and Pretoria.

Standard Bank's complex in Johannesburg boosted the value of non-residential buildings.

A building industry source attributed the marked increase in the value of buildings completed to the meeting of pent-up demand for building work in the mid-1990s.

But there were indications that construction work would cool off by next year. The value of building plans passed in the first four months to April 30 had only increased 1 percent to R5,6 billion.

The source said the slender increase in building plans passed did not indicate an economic slowdown, but a smoothing in the demand curve for building work.

The figures showed that the value of building plans for non-residential buildings increased by R57 million and by the same amount for additions and alterations. The value of plans passed for residential buildings dropped by R57 million.

☐ See Business Watch, Page 16

WS

Building industry welcomes growth strategy

(32) CT (BR) 19/6/96

By Audrey d'Angelo

Cape Town – The government's new macro-economic strategy has been received favourably by the building industry.

Ian Robinson, the executive director of the Building Industries Federation of SA (Bifsa), said the plan had the potential to create thousands of jobs, bring down interest rates and provide more funds for training.

The building industry, because it was labour intensive, offered "the best opportunity for job creation".

"The government's plan will go a long way to stimulate activity in building and hopefully we can get back on a path of sustainable growth as a result," said Robinson.

"However, it is important that business and the trade unions give the plan their unqualified support."

The plan "envisages the creation of thousands of jobs in sanitation, roads, railways, airports, harbours ... urban housing infrastructure and rural development".

But, he said, the building industry was sensitive to interest rates. If borrowing by the state, as envisaged in the strategy, was reduced the upward pressure on interest rates in the financial markets would subside.

"Interest rates are above 20 percent a year and should they decline to 15 percent or 16 percent the building industry could record some robust growth."

Robinson said training was high on the list of Bifsa's priorities. In the short term, R200 million a year was needed to train unskilled workers. "The new macro-economic strategy should benefit the building industry in that more money should be available for much-needed training.

'Strategy has the potential to create thousands of jobs'

"It is noteworthy that attention has been given to improving the methods by which levy funds for training are collected.

"At present, too much is slipping through the net. We favour other means of imposing the levy, such as a tax on building materials."

The South African Association of Quantity Surveyors also welcomed the strategy, saying it would create more than a million jobs.

Plans to carry the strategy forward should be developed rapidly so that major employment opportunities in fields such as tourism could be created.

COMPANIES

Murray & Roberts share price falls

(32) BD 27/2/96

Robyn Chalmers

MURRAY & Roberts Holdings was expected to make provision of more than R125m for the dispute over the R500m Taiwanese train contract, almost a quarter of its attributable earnings of R408m for the year to June last year, analysts said yesterday.

The construction and engineering group's share price fell 2,3% to close at R17,10 yesterday after its announcement that total share earnings were likely to fall 15% to 107c (126c) for the year ended June.

Attributable earnings were expected to fall 10% to about R367m (R408m) for the year, but an increase in the number of shares in issue could lead to the 15% drop in share earnings.

Analysts said the announcement had been expected and that the poorer results had largely been discounted.

Murray & Roberts finance director Lionel Bird said that industrial unrest, lower activity in the group's core industries and rain in the first quarter of the year would adversely affect results.

He said a general decline in gross domestic fixed investment spending in some sectors had led to increased competition which had squeezed M&R's margins. Turnover, which totalled R9,3bn last year, would be higher.

Bird said management was in the process of a total strategic repositioning of M&R to meet the needs of its market in the new SA and also to compete more effectively in the international marketplace.

This meant that M&R would be assessing a number of smaller business which did not necessarily fit into its core focus, and further sales could be announced this year.The group had sold its minority shareholding in Gypsum Industries, which would result in gross disposal proceeds of R185m.

Construction standards needs 'urgent' solution

BD 3/7/96 (32)

Robyn Chalmers

STRUCTURAL defects and shoddy workmanship on houses remained a serious problem and the National Home Builders Registration Council was being swamped with consumer complaints, mostly from the low-cost housing category, the council's MD, Peter Allsopp, said yesterday.

He told a council-organised conference yesterday the problem had to be dealt with urgently.

"The calls we are getting relate to houses which fall outside the estimated 49 000 repossessed properties and nonperforming loans currently held by banks in the low-cost housing market.

"This is over and above the bond boycotts," he said.

Allsopp said that while defects were a problem, this should diminish as more contractors registered with the council.

Once registered, contractors were obliged to stand by a five-year warranty for new home owners and to build to technical standards.

More than 2 000 applications to enrol with the council had been received to date, with 1 569 approved of which about 65% came from emerging contractors.

Housing Consumer Protection Trust director Brian Leveson said the major areas of consumer abuse were through lost deposits, defective workmanship and incomplete construction.

The council was an important step forward for consumer protection. However, there were concerns that the five-year warranty provided for the construction of bank-finance houses, and a large portion of houses, particularly in the lower end of the housing market, fell outside this category.

Council of SA Banks housing spokesman Lance Edmunds said the estimated 49 000 borrowers who were in default with their loans could largely be attributed to affordability problems.

"But there is no doubt that some of the non-payment is as a result of consumers being unhappy with the construction of their homes and are therefore unwilling to pay for them."

Edmunds said that banks had held lengthy discussions with the SA National Civic Organisation in the run-up to the 1994 record of understanding signed between banks and government to boost lending in low-income areas.

Sanco had indicated the quality of products delivered by some developers was a major grievance, he said.

Sanco launched a mass action campaign recently calling for scheduled evictions to be stopped and the record of understanding to be suspended, claiming it had not been consulted or involved in discussions.

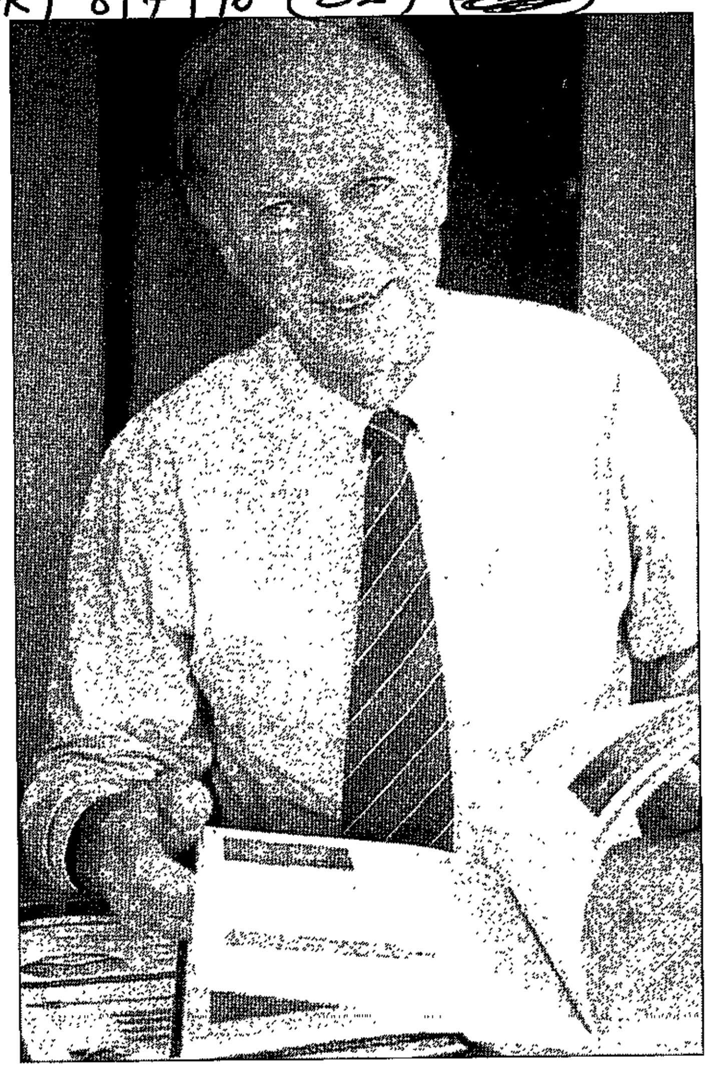
Sanco met with Housing Minister Sankie Mthembi-Mahanyele this week.

It was agreed at this meeting that a joint technical task team would be convened to look into the record and greater co-operation between the two would be pursued.

Unbundling could lead to leaner, meaner M&R

CT (PR) 8/7/96 (32)

John Spira examines M&R, a likely candidate for unbundling, and shows how the process could provide extra value for shareholders



RESTRUCTURING *Lionel Bird, the financial director of M&R*

PHOTO JOHN WOODROOF

The major unbundling exercises thus far concluded have all been unqualified successes, with shareholders better off in their wake following the release of value previously locked up in the balance sheet.

Accordingly, in a stock market environment where gains have been hard to come by this year, it makes sense to ferret out the next likely unbundling candidate, since the successes of the past would no doubt induce the market to summarily discount the benefits.

Murray & Roberts has already set the ball in motion by selling off its minority stake in Gypsum Industries and taking a step back from its Blue Circle Cement subsidiary by agreeing to a merger with Alpha.

Full details of the Alpha-Blue Circle deal have yet to materialise, but early indications are that M&R will be a junior partner in the merged operation, thereby releasing management's energy for application elsewhere in the group.

In M&R's case the unbundling process, should it continue, will not only unlock tangible value, but also help focus the group's considerable experience and specialised expertise upon major core businesses — contracting, materials and engineering — instead of dissipating those skills and that energy unproductively.

Lionel Bird, the financial director, has gone on record that M&R is in the process of a total strategic repositioning. This implies assessing a number of smaller business units which do not necessarily dovetail with the group's focus. Further sales (in addition to Gypsum) could be announced this year.

Bird was not, understandably, specific. But perusal of M&R's 400-plus subsidiaries pinpoints many potential candidates, businesses which stand in the books at remarkably low valuations but which could be disposed of for handsome sums of money.

M&R has been expanding its alloy-wheels activities, but this does not mean it should not sell off its tyre interests, which are identifiably different in nature.

Were M&R to sell Firestone, Natyre, Quality Tyres, Supa Quick, Trichamp and Performance Tyres, considerable value would be unlocked. They are companies which fail to gel with the specialist engineering strengths which are so characteristic of M&R.

Standard Engineering and Consani Engineering, formerly JSE-listed companies, should yield a handsome profit on disposal, while Unitrans, although successful, is a diversification remote from M&R's core activities.

Looked at in this light, M&R's true net worth is probably way in excess of the share price, whereas the published net worth is only 50 percent thereof.

M&R's diversification strategy over the last two decades was to shareholders' advantage, smoothing out as it did the volatile nature of the construction industry. But things have since changed, as M&R itself has acknowledged by reversing part of the process and focusing on infrastructural activities.

With the world having shrunk dramatically, fluctuations in the domestic gross fixed investment cycle can be offset by internationalisation. M&R is therefore increasingly turning its attention to ventures abroad. In doing so, it dare not retain businesses which sap its strength. Unbundling could channel the group's not inconsiderable human resources into a global engineering force.

In this context, the pointed question is being asked: Was it an absence of necessary focus that forced M&R into providing for more than R125 million, in the dispute over the R500 million Taiwanese contract?

The setback certainly offers food for thought, especially since the provision will trim earnings for the year to June 30 by some 15 percent. This could, however, prove to be a blessing in disguise, primarily because it has depressed the share price to a level nearly 40 percent below its peak in January this year.

The indicated price-earnings multiple is 16,4. What price an unbundled, focused M&R? A guesstimate suggests a mutliple of 20-plus, though the final arbiter will be the pace at which unbundling proceeds and the subsidiaries which M&R ultimately decides to unbundle.

M&R Colas group consolidates

Reinie Booysen

#(32) BD 11/7/96

MURRAY & Roberts' road surfacing group Colas Southern Africa has consolidated its marketing and operational companies under one trade name, in order to provide a "one-stop" range of products and services.

This had been done to prepare the company for the resurgence in SA roadworks expected in coming years, Colas chairman Dave Orton said yesterday.

Subsidiaries Petrocol, Protea Asphalt, Much Asphalt and Premier Road Surfacing would trade under the Colas name after the restructuring.

Orton said the urgent necessity for road maintenance and repairs in SA was receiving sympathetic attention within government, which should translate into increased funding for the industry.

"It is most encouraging to note that the need for adequate roads is gaining political recognition as being fundamental to the development of the economy, both nationally and in the developing communities in our country," Orton said.

The road surfacing industry had been in decline for several years, leading to a loss of skills in both private and public sectors, Orton said.

"Innovative solutions, financing alternatives and cost-effective products are all dictating a different approach. Colas has recognised this in its consolidation of resources and will now reflect the 'one-stop' suite of products and services that will meet the emerging challenges," he said.

Colas CEO Paul Orton said that the company was moving away from the product-based operations of its subsidiaries. Instead it intended to introduce market-based regional businesses to provide a total package of products, services and advice to customers under a common Colas banner.

BUILDMAX (32)

MAXIMISING THEIR OPTIONS

FM 26/7/96

The building and construction sector is to acquire a new member. Demonstrating their belief in the industry's future, three family-owned businesses, two in timber and one in galvanised steel rain water goods, have merged to form Buildmax, which lists on the JSE on July 30.

The companies have each been in business for about 50 years. Buildmax chairman and CEO Martin Smullen says this new venture is "not a quick-buck arrangement. We are planning for sustainable and steady growth."

The synergies are many. Rain water tanks and gutter maker S Burde is the dominant supplier in the southern African market, and both East African Timbers and Dave Zick Timbers will gain access to Burde's marketing and distribution network. In turn they contribute a strong presence in niche markets, an international supply network for quality woods and experienced management.

The responsibilities of being a quoted company have also instigated an upgrade in administrative systems and controls as well as manufacturing technology, increasing efficiency and productivity. Though each company will remain a separate operating division, head-office costs will drop.

The three have enough critical mass to go public — combined turnover for 1996 was R75,7m — and this gives them crucial access to new capital. Smullen, who is also the original owner of Burde, says the limitations of private borrowings are holding up quality growth.

Before the preferential placing of 8,4m shares at R2 each, which were snapped up by institutions, business associates and staff, group debt stood at R15,8m to shareholders' equity of R3,2m. After the listing of Buildmax, debt will drop to R3,6m against equity of R18,7m. At 19,4%, gearing will be manageable. Operating margins are reasonable at 7% for 1996 and a forecast 8,3% for next year (year-end is March). Burde, which contributed over R53m of total turnover, has had average compound sales growth of 31% over the 21 years that the Smullen family has owned it.

The vendors retain control with 60% of the shares and executive management will hold the majority. Smullen says he is looking at acquisitions and joint ventures. He hopes to use paper to pay for these.

Operating largely in niche markets and without threat from imports, Smullen believes the group can hold its own against competition.

Major clients on the timber side include furniture makers, shopfitters and hotel developers — the Hyatt and Michelangelo hotels sport Buildmax timber interiors. Burde sells to building and plumbing merchants and makes large water storage tanks to order.

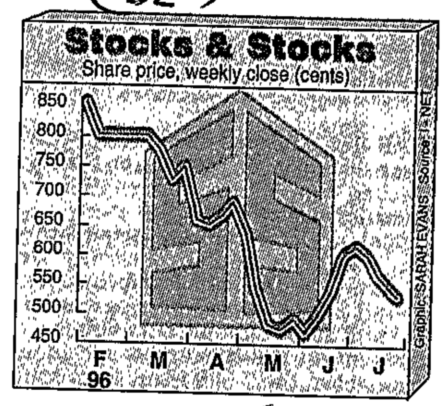
Smullen expects much of the group's future growth to be driven by demand in the housing market — in all its forms, shopping centres and office blocks, which all use wood, guttering and a wide range of sheet metal products. "Housing will be a mainstay of the country in the long term," says Smullen. "It is critical to our long-term survival."

On 1996 EPS of 19,2c, the historical p:e on the offer price of R2 is 10,4, which compares favourably with the building sector average of 12,9. The forecast 1997 p:e is 8,5. With a long and well-documented track record, backed by competent management, the counter is worth a spin. *Margaret-Anne Halse*

Stocks & Stocks' income 'to increase 11% to 16%'

BD 29/9/96 (32)

Robyn Chalmers



CONSTRUCTION group Stocks & Stocks' attributable income for the year to April is expected to come in 11% to 16% above last year's 49c a share performance, hemmed in by tougher trading conditions and higher interest rates.

Analysts said at the weekend that the group's profit growth during the second half of the year was likely to have been lower than for the first six months — when share earnings rose 26,6% to 19c — as the industry had experienced a fall-off in activity. Stocks' figures are due to be published tomorrow.

One analyst said the increase in Stocks' interest bearing debt at the halfway stage to R221,2m against R172m at the April year end would also have had an effect with the higher interest rates. The increased debt was partially due to Stocks' financing property developments.

The analyst said the higher debt should have been offset to an extent by the group's link-up with Bolton Properties which was undertaken in a bid to garner a portfolio of high income earning properties.

"The group had to fund much of its own work after the low-cost housing initiative failed to get off the ground last year, but the altered nature of the group's operations seems to be working," said the analyst.

Internally generated business helped Stocks lift turnover 12% to R1,5bn for the year ended April 1995, while the improved quality of the order book saw operating income soar 70% to R83,2m. Attributable income was 41% higher at R39m.

Another analyst said the leisure division appeared to have made good progress, with the hotels division expanding its capacity significantly. This would assist the group's aim of making the leisure division SA's largest quality hotel and resorts company.

The exception in the leisure division was the Namibian operation which analysts believed was still too new to have shown real growth.

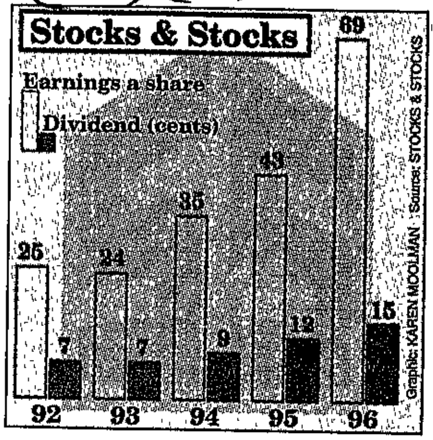
The civil engineering division was expected to have shown only marginal growth as heavy rains and highly competitive conditions were likely to have trimmed margins. The housing division was also likely to see limited growth with the housing programme only recently making progress.

The counter closed 10c off at 530c on Friday, against its 450c low last month and 900c year high in January.

Stocks & Stocks plans unbundling

BD 30/7/96 (32)

Robyn Chalmers



CONSTRUCTION group Stocks & Stocks lifted attributable income 61% to R55,8m for the year to April but was forced to fund much of the work itself amid a dearth of public sector projects.

Stocks said yesterday it was considering unbundling and separately listing its property and leisure interests to help cut borrowings. The interests — potentially holding assets of more than R750m — accounted for nearly 60% of the group's profit for the year.

The self-generation of work and investment in long-term property developments helped lift total borrowings to R208,5m, from R185,8m the previous year, despite last year's R77m rights issue. Finance charges jumped to R24,4m from R8m, more than halving its interest cover.

Group turnover rose to R1,6bn (R1,5bn), while operating income jumped to R85,3m (R62,9m), with operating margins rising to 5,5% (4,2%).

Higher finance charges brought pre-tax profit growth back to 11% to R60,1m. But the bottom line was lifted

Continued on Page 2

Stocks

(32)

Continued from Page 1

BD 30/7/96

by a policy change on deferred tax to comprehensive from partial. The move helped bring the tax charge in at just R2,3m (R17,25m).

Share earnings were 69c (43c), while the dividend was 15c (12c).

CEO Bart Dorrestein said the property division was the top performer, contributing 48% to earnings and the recent joint venture with the listed Samrand Development group was well placed to capitalise on opportunities.

Slow progress by the RDP and heavy rains contributed to the construction group's contribution to total profits declining to 31,6% (44,2%), although the division raised turnover and profit. This was assisted by the civils and roads division, which was involved in a number of major projects.

Dorrestein said the hotels and leisure group's contribution to group profit rose to 10,7% (9,5%) despite start-up costs and it had huge growth potential with two hotels to be built this year.

Unbundling and listing the property and leisure interests would cut debt and position the businesses for continued growth. It would also help the construction group achieve acceptable levels of business and boost the group's equity base, unlock value and open the doors for smaller, entrepreneurial groups to invest in Stocks.

The group had entered the current year with an order book of more than R1,5bn, and Dorrestein was hopeful that government expenditure on infrastructure, roads and housing would take off. This would lead to real growth in the construction sector of the group towards the second half of the year.

The steel fabricating and trading division as well as the recently established information technology operation were well placed for growth during the current year, he said.

Stocks chairman Reg Edwards said the group was looking at expanding into Africa, and was considering construction and leisure possibilities in Zaire and Zambia among others.

Bouygues aids Basil Read in remarkable turnaround

(32) BD 2/8/96

Lukanyo Mnyanda

CONSTRUCTION group Basil Read reported a remarkable turnround in the six months to June, moving back into the black for the first time since 1992 after good performances by all three operating divisions.

Results published today show a profit of R2,98m against a loss of R14,43m for the corresponding period last year. A spokesman attributed the recovery to the involvement of French group Bouygues, which holds 61% of Basil Read and which invested in the company's restructuring.

"We were really in trouble when they (Bouygues) moved in in 1993. They put a lot of money and resources into turning the company around. Their new ideas and innovation have reinstated Basil Read as one of the country's leading construction companies."

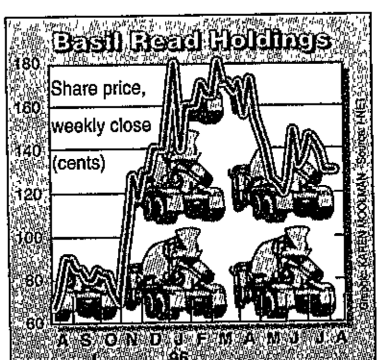
Group turnover jumped 58% to R268,12m compared with R169,44m in the corresponding period last year, mainly as a result of the company winning new contracts valued at R550m.

The group achieved share earnings of 5,4c a share from a 20c loss, but did not declare a dividend.

It also turned a R2,1m operating loss into a R2,75m profit. Interest received stood at R235 000, an impressive turnaround from last year's interest payment of R1,63m.

The spokesman said the company's balance sheet had been strengthened by a R10m recapitalisation last October, enabling it to repay most of its interest bearing debts. These stood at R14,3m, but R13,4m of that was owed to the holding company.

Basil Read's financial statement was also free of the abnormal items and restructuring costs which eroded its income in the first six months of last year.



He said all three operations — civil engineering, building and opencast mining — had reported profits and were expected to improve their performance during the rest of the financial year.

The group had work on hand amounting to R700m, which ensured a solid base for continued growth into next year. Major projects on hand included the Richards Bay quay wall extension and basin, as well as the Tonga Hospital in Mpumalanga.

It also had a number of joint ventures with emerging contractors throughout the country, the most notable being the R173m Malmesbury Prison contract.

Basil Read said that, in a joint venture with Bouygues and other interests, it had submitted a bid for the construction of infrastructure for the Maputo Corridor.

It was involved in projects in a number of African countries and hoped to increase its involvement in the rest of the continent. Current projects included a R46m road contract in Zambia.

The share closed unchanged at 130c on the JSE yesterday.

'ESS

Tough times lie ahead for W Cape building industry

(32) ST (CM) 4/8/96

BY TOM HOOD

THE building industry, a key barometer of the Western Cape economy, is facing tough times again.

Hopes of a 10 percent upsurge this year are being scaled down to four percent, said a leading analyst, Johan Snyman of Medium Term Forecasting Associates of Stellenbosch.

"There will be more building than last year, but the growth is not so strong," he said this week.

This was echoed by the Building Industries Federation, which reported only 49 percent of companies expected conditions to improve in the next 12 months. Three months ago 72 percent were looking to an improvement and expecting the RDP and housing programme to improve.

Snyman said a dearth of work had resulted in increased competition in tendering and a lowering of building cost inflation.

Prices of materials and building costs were rising at double the rate of consumer inflation.

"Contractors are having to trim their profit margins in this lacklustre situation. Prices generally are under pressure and the building work being done is by established contractors, leaving little scope for new entrants into the market."

Higher interest rates and the devaluation of the rand had increased the prices of imports, Snyman said. However, he expected rates to fall from 18,5 to 16,5 percent in the next 12 months.

Building costs had risen more rapidly at the coast than inland, especially in Cape Town, Durban and Port Elizabeth. Inland, more use was made of semi-skilled workers at lower wages. The "gash" housing market was also becoming saturated after growing at about 40 percent last year.

Another industry spokesman, Llewellyn Jacobson, said while prospects for the Cape building industry remained promising, the upswing had yet to hit Cape Town.

Jacobson, chairman of the Western Cape branch of the Association of Quantity Surveyors, said turnover on tendered work in the first quarter of this year was down 26 percent on the same period of 1995 — and 1995 itself showed a 30 percent drop on 1994.

However, Corobrik, the Cape's biggest brickmaker, reported a 20 percent hike in sales this year and its factories were going flat out after increasing capacity by 30 percent last year.

The housing market was quieter after a rise in interest rates, said Mike Ingram, Cape managing director.

But there had been an increase in public infrastructure projects such as schools, clinics and prisons.

Training blueprint for emerging builders

Lukanyo Mnyanda (32) BD 15/8/96

THE Building Industries' Federation of SA has launched a manual to help emerging contractors upgrade their business management skills.

The manual — sponsored by Building Industries Training Scheme and Fedsure Financial Services — consists of 30 modules covering issues such as running a business, safety and the Labour Relations Act.

Executive director Ian Robinson described the manual as "one of the most significant projects to come from the building industry". Its use would facilitate upgrading the emerging builder's skills who in turn played a vital role in meeting the demands of the housing programme. "In compiling this training manual, we have taken into account the diversity of needs within our industry," he said.

Some builders would be able to use the manual without assistance while regular workshops would be held to assist those who encountered difficulties.

"The modules can be used over a period of a couple of days in a formal teaching workshop, or specific modules can be taken on site and used in a hands-on context," Robinson said.

Contractors urged to help solve housing crisis

Star 21/8/96 (32) (125)

STAFF REPORTER

Small and large contractors would have to form equitable partnerships to accelerate the housing process as they were a key link in the chain of delivery, Housing Minister Sankie Mthembi-Mahanyele said at the opening of the Interbuild Africa '96 exhibition yesterday.

The six-day exhibition at Nasrec, south of Johannesburg, is hosting more than 450 local and international exhibitors that play a role in the construction industry.

Mthembi-Mahanyele said partnerships were essential to ensure that all resources offered by the private sector were effectively used and of benefit to potential home-owners.

The construction industry had in the past been criticised for hindering the process of delivery by favouring large contractors to build low-cost housing while sidelining emerging smaller ones, said the minister.

She added that, although her ministry was still facing several challenges, there was an indication of an increase in housing delivery.

Delivery had increased from the monthly average of 536 subsidies approved between March and August 1995, to 5 611 approvals in the 10 months between September 1995 and June 1996, she said.

"Although these numbers may seem small, our statistics show that there is a discernible increase in the delivery of housing and we are confident this trend will strengthen in the months ahead."

More than 30 000 visitors are expected to attend the exhibition, which will continue until August 25.

Lack of subsidies drops builders' confidence

(32) BD 26/8/96

Robyn Chalmers

CONFIDENCE levels among emerging and established builders have dropped significantly over the past three months, with most expecting marginal growth in the industry over the next year.

The quarterly survey up to August conducted by BMI building research strategy consulting unit showed growth of less than 5% was expected over a 12-month period. This is in line with the industry recently having halved its growth expectations for the year.

The survey showed that the expectation of poor growth was based on the perception that the housing programme would not make a significant difference to building over the next year.

The only constraints which the emerging and established builders said they were facing were the lack of bank finance for low-income housing and the poor availability of capital subsidies.

BMI director Llewellyn Lewis said. however, that this may indicate a lack of active involvement on the part of the building industry in these markets, rather than the presence of any real constraints.

More than half of the emerging sector respondents still perceived price increases of building materials to be higher than inflation, while 61% of the established sector also believed this was the case.

"With the latest available inflation figures of just over 6,9%, it is clear that the respondents would expect building material prices to increase by no more than 6% to 7% a year," he said. This was in line with an undertaking that building material suppliers have given to government not to raise prices above inflation.

The survey indicated that there were a number of factors which had to be addressed urgently if the industry's growth pattern was going to move upwards again next year.

These included skills training, management education and the creation by government of an investor-friendly environment. Unrealistic expectations had to be better managed by government and the housing ministry and national and local government had to "get their acts in order" and fall behind a more consistent and coordinated national housing policy.

"On balance, therefore, it is evident that the housing effort has a long way to go before it can be deemed to be successful," said Lewis.

Issues identified as having the potential to derail the industry included squatting and land invasion, crime and violence, bond and rent boycotts as well as the lukewarm commitment given to government's RDP by business.

Reduced M&R share price shows market's expectations

Robyn Chalmers (32)
BD 27/8/96

MURRAY & Roberts Holdings is expected to report reduced earnings for the year ended June, with attributable earnings likely to be between 10% and 15% lower at R367,2m to R346,8m (R408m) as the sluggish economy affected profitability.

The industrial group, which will report its results on Thursday, issued a cautionary in June saying depressed levels of activity meant the group might not achieve real growth in operating and attributable earnings.

Murray & Roberts's share price has reflected market expectations of reduced earnings, with the counter closing 15c lower yesterday at R14,50, having fallen from its eight-year high of R28,50 in January.

Analysts said yesterday there were a number of reasons for the reduced earnings, but a decline in gross domestic fixed investment spending in some sectors was a primary factor.

The reduced spending had led to increased competition which in turn had squeezed Murray & Roberts's margins in some of the group's core sectors.

One analyst said the dispute between M&R-controlled Standard Engineering subsidiary Union Carriage and Siemens over the R500m Taiwanese train contract would also have an effect. The dispute relates to Union Carriage's contract to build electric trains for Taipei's metro system.

"The extent of the impact depends on what sort of provision M&R makes, but the group has indicated that it will be in the order of R125m," said the analyst. Another analyst believed M&R's turnover would increase about 10% to R10,1bn (R9,2bn). The analyst questioned how the expected reduced earnings would affect the group's ability to reach its target of doubling its 1993 turnover and profit in real terms by 2000.

Looking at the group's various business units, analysts said most should improve their contributions to consolidated earnings, with the exception of Standard Engineering which was expected to show a substantial decline.

Construction firms accused of 'token' empowerment efforts

Robyn Chalmers

BD 29/8/96 (32)

FORMAL firms in the construction industry were largely paying lip service to empowering emerging contractors, the National Black Contractors and Allied Trade Forum said recently.

Chairman Linda Nyembe said that many so-called "empowerment" initiatives were insufficient, and unacceptable to black communities at large.

"The formal sector still lacks a fundamental understanding of empowerment and how to assist the disadvantaged in achieving it," he said.

Nyembe said many established contractors had vested interests in their own supply companies or had mutually beneficial relationships with other suppliers, so were generally reticent to use the services of black suppliers.

To achieve empowerment, Nyembe said black contractors and their communities faced both established contractors' resistance to empowerment initiatives, and barriers to entry.

These included a lack of skills and infrastructure, a lack of capital to finance projects, no credit record or volume purchase record to procure wholesale supplies and limits on the amount of bank finance available at the bottom end of the market.

He said there were 722 000 serviced sites in SA which were too expensive to use in the lower end of the housing market. Some of these low-cost housing sites recently put out to tender were at Lenasia South, where sites were priced at about R19 000, Lawley Extension 1 at between R10 000 and R15 000 and Lotus Gardens at between R7 000 and R24 000.

"With the cost of the established serviced sites so high, in some cases there are no funds available (from government's subsidy) for the top structure," he said. Subsidies for those earning less than R800 a month amount to R15 000 and R12 500 for those earnings between R801 and R1 500.

Nyembe said that many areas were not covered by the Mortgage Indemnity Fund and thus could not be financed. Also, there was a limit to the number of subsidies which government was able to finance.

He said a successful low-cost housing project needed to include and detail several criteria, including community self-management and a focus on how a housing project was designed and implemented. It should ensure that employment could be sustained and that the project was used as a springboard for the community's growth.

Building quality eases mortgages

Robyn Chalmers (32)

MOST new houses being built by members of the National Home Builders' Registration Council were meeting its technical standards, MD Peter Allsopp said yesterday.

As a result, mortgage loans for new home builders were becoming easier to secure and the homes were protected under the defects warranty scheme set up to protect consumers from shoddy workmanship.

Allsopp said inspectors were making regular visits to building sites to monitor construction standards.

"While we are generally satisfied with site quality, we have, however, had to serve notices of non-compliance on a few units that have not met our required conditions. Such matters have to be rectified to the satisfaction of the inspectorate before the contractor is allowed to continue."

About 500 houses were being registered by the council each week, and more than 2 500 contractors had applied for registration, 2 000 successfully. Allsopp said a list of more than 1 500 home builders certified by the council had been compiled so people wishing to build a home could have access to builders who complied with minimum building standards and offered a home builder's warranty.

This provided for a 90-day latent defect liability period, a 12-month roof leak warranty and a five year structural integrity warranty.

Both contractor and consumer had the option of approaching the council to mediate in the event of a complaint over a structural defect.

If the contractor was found to be at fault the council could then encourage him to rectify defects, failing which the contractor could be deregistered, Allsopp said.

BD 29/8/96

Train contract hurts Murray & Roberts

BD 30/8/96

Robyn Chalmers (32)

CONSTRUCTION group Murray & Roberts' earnings after exceptional items slipped 8% to R375m for the year to June, pulled down by a hefty charge on its Taiwanese train contract.

A wider share base left share earnings 13% down at 101c, while the total dividend was set 3% higher at 48,5c.

The figures had been hit by the R160m charge on the contract undertaken by subsidiary Union Carriage & Wagon, while local conditions for other businesses remained tough.

CE Graham Hardy described the period as "traumatic", with the group being restructured to focus on core competencies and a limited range of industries while also focusing more closely on international markets. In addition, while gross domestic fixed investment (GDFI) increased 10,4% in real terms last year, there was a 1% decrease in the building and construction component of the GDFI index.

Trading income was expected to rise in the current year, but attributable

Continued on Page 2

M&R

(322) BD 30/8/96

Continued from Page 1

earnings growth would depend on M&R's programme of selling non-core businesses. "In the longer term, we remain firm in our intention to double our 1993 turnover, and to more than double our 1993 earnings in real terms by the year 2000," he said.

Sales rose 16% to R10,7bn, with international turnover accounting for R2bn, or 18,5%, of the total, putting M&R on track to meet its target of 20% by 1998. Earnings before interest and depreciation increased 4% to R1,06bn. After depreciation of R324m, the R160m provision and a non-operating profit of R128m, earnings before interest and tax fell to R703m (R733m).

On the dispute between Standard Engineering subsidiary Union Carriage and Siemens over the Taiwanese train contract, Hardy said negotiations were continuing but there was uncertainty about the quantum and timing of any resolution.

The number of operating groups was reduced to four, namely construction, materials, transport and engineering, with most recording improved earnings before interest and tax.

The exception was engineering — housing Standard Engineering — which posted a drop to R189m (R253m) with margins falling to 5,8% (8,6%).

The group continued its programme of disposing non-core activities, selling 10 of its holdings for R318m, leading to a net non-operating surplus of R128m.

M&R also bought the Mega plastic piping interests of Sentrachem, Matthysens bus and coach company and the outstanding shareholdings in a number of companies, including Johnson Crane Hire and Quality Tyres.

Hardy said good progress was made in penetrating selected international markets, with regional offices being established in Malaysia and United Arab Emirates, and major projects being undertaken in Hong Kong and Dubai.

Building sector 'weak until 1997'

ARGUS 31/8/96

But no major recession, survey predicts

(32)

Business Editor

CONDITIONS in the building industry are not likely to improve until the second half of next year, according to Stellenbosch Bureau for Economic Research consultant Charles Martin.

Addressing a Bureau conference in Cape Town yesterday, Dr Martin said activity in the private residential market had been falling since the middle of last year. The market was expected to be weak for the rest of 1996, rebounding in 1997 following likely cuts in mortgage bond interest rates.

Government housing policy was likely to focus on the provision of serviced sites and incremental housing for low-income families.

"The bottom line is that it is simply not within the ability of the South African economy to provide every citizen with a house based on First World standards," Dr Martin said.

In the non-residential market, private investment was likely to remain strong. Fewer vacancies in office buildings as well as inflation-beating rental increases had stimulated building. Construction of industrial buildings could be boosted by an upturn in exports in 1997.

As for government investment, Dr Martin forecast real growth both this year and in 1997, as the building of jails, clinics and schools takes off. He expected growth of five percent in building industry investment this year and next.

Building costs were expected to rise by 11 percent this year and 9,5 percent next year, with labour and materials prices held down by weak demand.

Labour costs in the building industry, which rose 5,8 percent last year, were expected to show similar growth this year and an increase of six percent in 1997.

"Overall business conditions in the building and construction industries will remain somewhat mediocre in the short term," he said. "We do not foresee a major recession."

COMPAN

Move will create the largest independent construction company in Africa

Group Five to swallow Everite

CT(MR) 2/9/96 (32)

By Marc Hasenfuss

CAPE EDITOR

Cape Town — Group Five, the R2,5 billion a year construction company, will absorb Everite, its building products manufacturing subsidiary, in a restructuring aimed at supporting a growth programme for the next five years.

The move, which will create the largest independent construction company in Africa, was not entirely unexpected. A construction industry analyst said: "Recently the views of certain analysts were canvassed about a simpler corporate structure at Group Five, so we knew something was happening."

Group Five owns 50,1 percent of Everite Holdings, which in turn holds 57,4 percent of the Everite Group. The new arrangement will result in a share swap of one Group Five share for two Everite shares.

Both Everite companies will be delisted, while Group Five's issued shares will increase from 41,8 million to 73,6 million. Group Five's largest minority shareholders, Old Mutual and Fedlife, have approved the restructuring proposals.

The additional 31,8 million shares will be classified as N shares, which rank equally with ordinary shares but carry fewer voting rights.

Group Five's management will thus retain the voting control of the group in a consortium with Group Five Holdings and SM Goldstein, a 45 percent-owned subsidiary that is also listed on the JSE.

The combined company will have six main operating divisions — building, civils, engineering, roads and earthworks, and properties and manufacturing. Infrastructural concessions is expected to become a seventh division shortly.

Theunis Kotzee, the chief executive officer of Group Five, said Everite had substantial assets but made a low return on them, while Group Five had a small capital base on which it made good returns.

One analyst expected Group Five's earnings to rise 25 percent in the year to June 30, with Everite's earnings falling to 10c a share from 35c a share last year.

Kotzee said the group's combined capital took the company to another level of operation. He said Group Five's total resources at the 1990 year-end were R66 million, but that strong growth took them to R122 million by last year.

"If we had restructured last year our resources would have leapt near to R400 million. This ratchets us up to a different plane by giving us far greater firepower for such activities as acquisitions and capital development," he said.

Kotzee said Group Five had taken a long-term view with the restructuring. "There will be many intangible benefits.

"We have consistently had the top price-to-earnings ratio of the listed construction companies this year. We hope the restructuring is seen as another step in cementing this perception of the company."

He said the restructuring created more shares and potentially more tradeability.

Difficult year for M&R

(32) ARG 3/9/96

Blue Circle, Alpha merger decision expected this month

LLEWELLYN JONES
Business Reporter

CEMENT producers Blue Circle and Alpha should know by the end of the month whether they will be allowed to merge their operations.

Graham Hardy, managing director of the Murray & Roberts (M&R) group, the parent of Blue Circle, told analysts in Cape Town yesterday that the Competition Board had to report on the proposed deal to the Department of Trade and Industry by September 14.

While analysts were confident that the deal would get the go-ahead from the board, Mr Hardy said there was an "element of politics in the final decision" and he could not say the deal was home and dry.

Should the deal get the go-ahead, M&R will sell Blue Circle into Alpha for a significant minority stake in Alpha.

Mr Hardy said the merged company would have some "very interesting" geographic expansion opportunities and was looking for a new product line, although he did not expand on what this might be.

Neither Alpha nor Blue Circle have any major operations in the immediate Cape Town vicinity, but Mr Hardy said they had the capacity to establish such a presence through Alpha's limestone operations in Saldanha Bay should it make an economic sense to do so.

In another vein, Mr Hardy is very optimistic about M&R's future despite the group's disappointing results for the year to June released last week. They showed an eight percent drop in attributable profits.

"The past year has been a particularly difficult one, and I guess that can be said of our country generally. M&R is very much a microcosm of our entire country and, just as our country has been confronted by major change, so have we."

Mr Hardy said M&R had worked very hard during the past year to tune the group for a growth environment.

He expected the building and construction industry to show real growth in excess of eight percent in the current year, which M&R was well placed to take advantage of, compared to the real decline of one percent last year.

Mr Hardy said there had been two fairly major changes in the group's philosophy: firstly, concentrating on the group's international strategy, and secondly, focussing and aligning the group's businesses and technologies with markets.

M&R's international objective was to increase the offshore element of its turnover, either exports or overseas business, to 20 percent of the total by 1998.

Mr Hardy said the group was well on target to achieving this, having increased its offshore turnover to 18,5 percent of the total in the year to June from 15,2 percent in the 1995 financial year.

M&R hopes for negotiated end to dispute

(32) CT (BR) 3/9/96

By Marc Hasenfuss

CAPE EDITOR

Cape Town — Murray & Roberts (M&R) hopes to reach a speedy negotiated settlement in the dispute over a R500 million overseas contract to reinforce its bottom line earnings in the year ahead.

The dispute between M&R's 71 percent held subsidiary Union Carriage and Wagon and Siemens, is over a contract to build electric trains for Taipei's metro system.

Graham Hardy, M&R's chief executive, said yesterday that the company was trying to negotiate a settlement with its consortium partners.

"These talks are going very well and we could arrive at a settlement within six months," he said.

He said that a negotiated settlement, which would preclude a lengthy arbitration hearing in Geneva, would be a big advantage for the company. Provisions against the disputed contract could shave about 47c a share off M&R's earnings. "The law being applied is highly complex and convoluted, in fact the laws of four countries are involved. So it makes good sense to attempt a negotiated settlement and we are well down that track."

In the meantime, Hardy said M&R were preparing their case for arbitration. Indications are that the arbitration process could only be completed by 1998.

In view of the delays that could result from going to arbitration, M&R has made a pretax provision of R160 million (about 47c a share).

Hardy said this provision was only a view on the matter. "Nothing has been decided yet and this figure could turn out to be more or less."

Looking ahead, Hardy said that despite the growth hiccup in the year to June 30, M&R was still on track to double its 1993 turnover and more than double that year's earnings by the year 2000.

□ See Business Watch

COMPANIES

Restructuring to benefit Group Five's tradeability

(32) BD 3/9/96

Robyn Chalmers

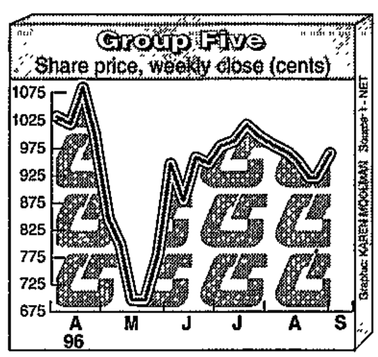
GROUP Five's share price rose 40c yesterday to close at R9,65 after the announcement that subsidiary Everite would be taken over and the group's structure would be streamlined.

The 40c improvement in the counter follows a steady drop from R10,20 at the middle of July to settle at R9,25 towards the end of August, well below the eight-year high of R12,75 seen in March.

Analysts said the gains made yesterday were largely in reaction to the announcement on Group Five's restructuring, which they said should unlock value and boost tradability.

Group Five CEO Theunis Kotzee said at the weekend Group Five would gain 100% of Everite Holdings and the Everite Group through a share swap of one Group Five share for two Everite shares. Everite Holdings and the Everite Group would be delisted, with voting control to remain with the management of Group Five in consortium with Group Five Holdings and SM Goldstein.

One analyst said the group's combined capital would give it greater leverage to make acquisitions and embark on capital development, while the simpler corporate structure would create more shares. The analyst said that a further factor in the improved share price was an expectation of higher earnings for Group Five, although Everite was expected to break even.



Group Five, which reports its results for the year ended June on Friday, was expected to raise attributable earnings 20% to 25% to between R31,2m and R32,5m from R26m for the previous year.

The group issued a cautionary in August warning that preliminary results for building materials subsidiary Everite indicated a break-even position.

Everite Holdings' turnover fell 12% to R284,4m and earnings dipped 29% to R7,7m translating into lower share earnings of 8,8c (12,5c) for the six months to December. Analysts said the scaled down growth predictions for the construction industry, as well as the slow start to government's housing programme, had affected Everite's results adversely.

Construction interests to be unbundled

Good year for Grinaker

(32) CT(BR) 4/9/96

By James Lamont and Jonathan Rosenthal

Johannesburg — Grinaker Holdings, Anglovaal's construction and electronics subsidiary, reported a 24 percent growth in earnings a share before exceptional items to 198c for the year to June 30.

A final dividend of 35c was declared, taking the total dividend for the year to 44c, a 19 percent increase on last year's 37c.

The company said in a statement accompanying the results that it planned to unbundle its construction interests by listing Grinaker Construction, which would be directly controlled by Anglovaal Industries. All the group's electronics interests would be concentrated in Grinaker Holdings and Grintek would be delisted.

Grinaker Holdings' turnover increased by 10 percent to R4,1 billion in the year under review but operating profit rose by only 2 percent to R153 million after capital expenditure was increased to R87,8 million from R68,1 million.

Richard Savage, the chairman, said the results were "particularly pleasing as they were achieved in a year which has not been without severe difficulties".

"Prospects for the current financial year are encouraging and management have identified interesting expansion and investment opportunities in the construction and electronics fields."

All the group's major subsidiaries achieved earnings growth of 20 percent or more.

Grinaker Construction recovered in the second half, after a below-expectation first half, to record a yearly increase in profit before tax of 22 percent to R41,5 million compared with R33,9 million in 1995.

Turnover rose 12 percent to R1,9 billion for the year to June 30, reflecting an all-round improvement.

After-tax earnings before exceptional items surged by 32 percent to R29,7 million. Operating profit rose 14,4 percent to R45,6 million. Earnings a share rose 23,8 percent to 81,2c from 65,6c.

The company improved its cash position by R122,7 million during the year and cash deposits exceeded interest-bearing debt by R68,8 million.

Grinaker chalks up 24% earnings rise

BD 4/9/96

(32)

Robyn Chalmers

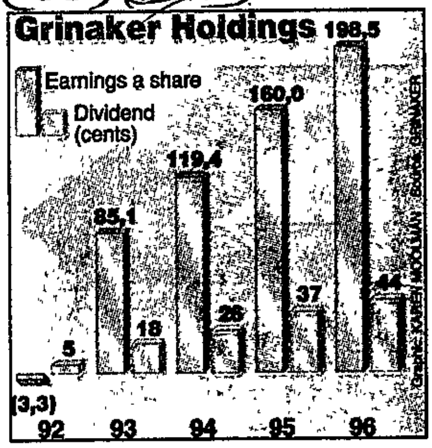
GRINAKER Holdings, Anglovaal's construction and electronics group, overcame competitive market conditions to post a 24% increase in earnings before exceptional items to R63,4m for the year to June.

Chairman Richard Savage said all the group's major subsidiaries — Grinaker Construction, Grintek, Siltek and Grinaker Electronics — posted earnings growth of 20% or more during the review period.

Prospects for the current financial year were encouraging, with strong expansion and investment opportunities expected in the construction and electronics fields, he said.

Turnover rose 10% to R4,1bn, while profit before exceptional items increased 11% to R176,6m.

Exceptional items arising mainly from Siltek's sale of computer networking company Centera to associate Q Data, added a net R40m to attributable earnings, which jumped to R109,8m (R50,8m).



Share earnings before exceptional items rose to 198,5c (160c) while a final dividend of 35c (29c) was declared, bringing the total dividend to 44c from 37c previously.

Savage said competition, particularly in the electronics and information

Continued on Page 2

Grinaker

(32)

Continued from Page 1

BD 4/9/96

technology sector, had intensified following the return of several multinationals to the SA market.

"SA companies are having to make major adjustments to compete, and have had to accept a smaller share of the limited skills pool and accelerate their internal development programmes," he said.

The group announced recently that Grinaker Construction would seek a separate listing under direct control of Anglovaal. All the group's electronics interests would be concentrated in Grinaker Holdings, and Grintek would be delisted. Details of the proposals would be published on September 17.

Grinaker Construction's earnings before exceptional items rose 32% to R29,7m on an 11,5% rise in turnover to R1,9bn. MD Bean Bornheimer said the company performed well during the second half after a first half which did not live up to expectations.

The civil engineering division contributed 30% to profit before interest and tax, while the supplier and services division and building division contributed 29% and 17% respectively.

Bornheimer said the company was looking at opportunities in Malaysia and planned to invest a "substantial amount" in business ventures, training and development of employees and upgrading plant and equipment.

Siltek posted a 20% increase in earnings to R92,8m on a 9% rise in turnover to R1,9bn, with HiPerformance Systems producing a strong performance but disappointing results from Centera contributed to zero growth in operating profit.

Grinaker Electronics saw earnings rise 23% to R17,7m on an 8% increase in turnover to R318,6m as a result of improved trading in several areas and an increase in export orders.

R14-m court contract for Atlantis group

PROPERTY EDITOR (32) ARG 7/9/96

The R14-million contract for the construction of the Atlantis Magistrate's court has been awarded by the Department of Public Works to Atlantis Bos United Contractors trading as Abcon.

Abcon is a joint venture between established master builders Bos and Punt and Atlantis and Districts United Contractors (Aduc), an organisation representing previously disadvantaged groups from Atlantis and the surrounding area.

The contract was allocated by the Public Works Department as part of their commitment to awarding projects to local community-based concerns and the private sector as presribed by the government's Reconstruction and Development Policy.

Regional director of the department Greg MacMaster said the department had initiated a policy to use emerging contractors for building construction, maintenance and renovations.

He urged contractors to come forward and present their credentials.

Construction on the 19-month contract is to start immediately. The single storey building of over 4 500 sq m will comprise eight basement holding cells and seven courts.

Atlantis has gained the reputation of being the "birthplace" of the RDP, with organisations such as Atlantis Business Information Centre playing a vital role in bringing the relevant parties together.

Ian Petersen, Aduc chairman, is confident that the project will provide its members with the opportunity to gain valuable experience on large building contracts. Provisions for training, as well as creche facilities to accommodate the children of female workers have been included in the project.

Flush Group Five set to build profits

(32)

The company has sorted out a legal wrangle and is set to bridge another problem, writes JULIE WALKER

ST (BT) 8/9/96

THE resolution of the Fancourt wrangle this week has put R11-million more cash in the bank for Group Five.

The construction and engineering group's chief executive, Theunis Kotzee, says this represents the recovery of the R10-million book debt, plus some legal and other fees. Group Five has been struggling to recover the money for four years.

The second problem child, the Houston bridge, is also close to resolution. Kotzee says the main contractor has been appointed and Group Five may even get its money back before Christmas. "I can say it is the final section of the bridge," he says.

Group Five lifted earnings a share by more than a third to 83,8c in the year to June 1996. This is the third consecutive year in which the group's profitability improvement has exceeded the average trend in the construction sector.

During the year, Group Five's shares hit a high of R12,75 on the JSE, up from a low of 500c. But it took a knock to its current 975c on a poor showing from Everite, which suffered from World Trade Organisation-induced competition and dumping of cheap goods. Best performers in the Group Five stable were building and property development, civils, roads and earthworks.

Turnover approached R2,5-billion and consolidated profit from ongoing operations was R100-million before losses in Everite deducted R21-million.

Finance costs jumped from R15-million to R26-million, due to greater activity in the sectional title area of residential property. Kotzee says the project finance requirement peaked during the first quarter of this year and has since been decreased following a decision to reduce exposure.

"It takes 10 or 11 months to recoup the costs in sectional title developments. This market is getting tougher and returns are not as exciting as we can get elsewhere. So we are expanding on our Gash business (good address, small home) because it is less capital-intensive. Without this project finance, Group Five would have no borrowings at all and the current year's interest bill will be much lower than the 12 months under review."

Taxation was little changed at R16-million and outside shareholders' interests — principally Everite — took only R1,7-million, against last year's R24,6-million. This left Group Five with attributable profit of R35-million, against the previous R26-million. The dividend will total 20c (14c).

Looking ahead, Kotzee says the company is in fine shape financially and operationally, but the country is not as well positioned. "Fixed investment requires greater certainty, lower interest rates, low inflation, good government and less crime and their absence is of concern to all businesses. But ... conditions further up in Africa look considerably better than they have for years and we will be turning our attention that way."

Last week Group Five announced plans to absorb its poorly performing subsidiary Everite and delist two of its five listed companies. The move will support the group's five-year growth plan. Everite Holdings and Everite Group will be delisted and become wholly owned, leaving the group with SM Goldstein, Group Five Holdings and Group Five Limited. There will be six operating divisions.

Kotzee said last week Everite's sizeable assets yielded a low return, while Group Five made good returns on a small capital base.

LOOKING AHEAD ... chief executive Theunis Kotzee says conditions further up in Africa look better than they have for years

Lacklustre activity in building

BD 10/9/96 (32)

Robyn Chalmers

EAST LONDON — Growth in the building industry fell 2% on average last year as delays in implementing the RDP led to a drop in public sector building.

The Building Industries' Federation of SA 1996 annual report, released yesterday, showed the industry had recorded little growth over the past few years, and that high interest rates had contributed to the lacklustre performance.

Investment in the building industry by the private sector grew 0,1% last year, but public sector investment dropped 11%.

Bifsa CE Ian Robinson said in the report that while RDP and housing expenditure were sluggish last year, prospects had picked up, with volumes and margins improving slightly over the previous year.

"Prospects for 1996 are brighter than for many years," he said. "Activity levels in the building industry are expected to rise from roughly R17bn to over R19bn during 1996."

A major contributor to the improved performance was expected to be the RDP. Bottlenecks in the delivery of low-cost housing had been addressed and there were signs that delivery was gaining momentum.

Tourism and the RDP should boost investment in buildings and higher rentals in the commercial and industrial sectors should provide a stimulus. But the most important factor inhibiting more rapid growth was the ruling high level of interest rates, Robinson said.

High interest rates raised monthly mortgage premiums, affecting the housing market, and also jeopardised the development of marginal commercial and industrial projects.

Bifsa expected growth in the industry of around 5% this year — scaled down from an original 8-10% forecast largely as a result of high interest rates.

Tough conditions last year were reflected in 232 construction firms going into liquidation, against 228 in 1994. The number of workers employed in the building industry fell to 198 231 from 210 394.

Robinson said the drop could be attributed in part to artisans leaving employers to take up work as subcontractors.

"Nevertheless, a drop in employment when greater demands are to be placed on manpower resources deserves attention of the organised industry and government," he said.

Radebe calls for unification in construction

Robyn Chalmers

EAST LONDON — Public Works Minister Jeff Radebe called yesterday for the formation of a construction industry development board to unify the industry and overcome the sector's deficiencies.

Radebe told the Building Industries' Federation of SA congress that the industry suffered distortions because of apartheid, and needed to change fundamentally.

It was clear the local industry would be unable to meet any significant increase in demand for its services due to structural and operational weaknesses.

The industry was plagued by declining efficiency and output quality, and gross inequalities which had seen a disproportionate few dominate the market at the expense of the majority. Government intervention was needed to complement market forces to overcome these structural weaknesses.

"(The stakeholders need to) focus on best practices within the industry — enhance capacity, especially for those previously excluded, and provide access to international opportunities," he said.

Construction workers and employers needed to have access to appropriate training facilities. The industry should consider adopting certain performance standards for labour regulation, safety and environment management.

The state was assisting development of small, medium and micro enterprises by enhancing the contracting and procurement capacity of emerging contractors.

Bifsa president and Stocks & Stocks chairman Reg Edwards said the industry had taken note of comments on the need for reform and had placed emphasis on safety, quality and productivity over the past year.

"But the future of the building industry is more than ever dependent on SA's macroeconomic performance," Edwards said.

Funding shortage hits construction industry

ARG 11/9/96 (32)

PROPERTY EDITOR

Lack of funding for training is severely hampering the construction industry – one of the largest job creators in the country.

The new president of the Building Industries Federation of South Africa (Bifsa), Stephen Jones, said construction employed 10,4 percent of the non-agricultural sector.

In 1995, it contributed 35,2 percent of the total gross domestic fixed investment and 6,1 percent of the gross domestic product.

"However training for skilled and semi-skilled workers is essential and while Bifsa contributes R30-million annually towards this training, it is nowhere near adequate to meet the demand," he said.

Stephen Jones: Bifsa's new president

Training a skilled worker cost R700 a week over an average period of nine weeks, although semi-skilled labourers in the disadvantaged communities could reach a minimum level of competency over a shorter period.

Mr Jones has called for Government backing for training which he said was essential to meet the demand for housing delivery.

"We will persist in our efforts to obtain commitment from Government in this respect. In our opinion, an injection of R100-million from Government is required annually," he said.

Mr Jones highlighted communication between the national body and Bifsa's 5 000 as a priority that would be addressed during his term of offfice.

"We must work together as a team to address important issues and support progress and development towards six percent macro-economic growth by the turn of the century."

Bifsa would continue to support the Government's macro-economic strategy, because the industry was very sensitive to the country's macro-circumstances.

"The high crime levels, the rising interest rates and the lack of foreign investment fall outside the industry's day to day influence, but nevertheless impact on the effectiveness of industry as a whole," he said.

Material cost hikes concern for industry

(32) BD 11/9/96

Robyn Chalmers

EAST LONDON — Building material prices rose 11,8% on average last year — well above the inflation rate of 8,7%. This has caused concern among construction industry representatives.

Delegates at the Building Industries' Federation of SA (Bifsa) congress yesterday said the average price hike flew in the face of an agreement undertaken by manufacturers in 1994.

At the housing summit in Botshabelo in 1994, the Building Materials Suppliers' Association committed its members to keeping any price increases below inflation in an attempt to boost low-cost housing.

The increased prices follow earlier warnings by Housing Minister Sankie Mthembi-Mahanyele that profiteering on the part of elements within the building industry would not be tolerated.

Bifsa CE Ian Robinson said the federation would continue to monitor price trends.

Recent surveys showed building materials were still relatively freely available. This was due largely to imports and spare production capacity.

"Bifsa is concerned a rise in the demand for materials originating from the RDP could lead to higher prices unless producers are able to raise productive capacity timeously," said Robinson.

He warned that SA had to guard against foreign competition which promoted the importation of supplies and prejudiced local industry.

Bifsa calls for unification and restructuring

(32) BD 11/9/96

Robyn Chalmers

EAST LONDON — The unification of the construction industry and the need for significant restructuring remained one of the central themes at this year's Building Federation of SA (Bifsa) congress.

Discussions on unification and restructuring kicked off a number of years ago, and delegates at the conference this week heard that these were taking longer than expected to produce results.

Public Works Minister Jeff Radebe made it clear that government believed reform in the construction industry was imperative. "Experience of the last nine decades points to the necessity for fundamental change," he said. "This is because the building industry as a whole was itself distorted by the system of apartheid."

Radebe said the construction sector had to rise to meet the requirements of the RDP, with new capacity being created to allow historical imbalances to be redressed.

UK Construction Industry Board chairman Michael Latham, giving the keynote address, said the £50bn construction industry in the UK faced a range of challenges, some similar to those experienced in SA.

Latham said there were a number of internal problems and squabbles about unification between the main employer bodies in the construction industries, and this was highly unproductive. "What we all need is to get a united team on the playing field, preferably all wearing the same team colours — or at least ones that match."

Bifsa president and Stocks & Stocks chairman Reg Edwards said some progress had been made on unification, particularly on training, but while discussions were constructive they had also been slow.

Timetables for the implementation of proposals on the unification of the industry were expected to be placed on the table soon. The talks on unification were taking place between a number of bodies, including those representing civil engineering, emerging contractors, trade unions and government.

Bifsa CE Ian Robinson said a merger of the building industry and civil engineering industry training scheme and boards were contemplated for later this year. The new Construction Industry Training Board to be formed out of this merger would have representation from the established construction industry, emerging contractors, trade unions and government.

"It is rewarding to note that there has been a high degree of co-operation and understanding between the emerging contractors' leadership and the established construction industry during (unification talks)," he said.

Robinson said a steering committee with four subcommittees had been formed to steer the talks. The four subcommittees — structure and constitution, finance, emerging contractors and training — had met regularly over the past few months.

STOCKS & STOCKS (32)

SHOWING IMAGINATION

FM 13/9/96

On the face of it, any company operating in the construction field that has chalked up a 27% annual compound growth rate in EPS over the past four years, must be doing something right.

In the case of Stocks & Stocks, however, the fall in share price from R9 at end-January to 425c now, and, particularly, the 47% discount based on p:e multiples relative to the Building & Construction sector, indicates there is a large body of opinion that at first appearances may be misleading. Which view is right?

Reviewing the preliminary results (*Fox* August 9) the *FM* listed some aspects that could be souring investor perceptions. These included burgeoning debt — gearing has ballooned from 7% in 1994 to 38% at April 30 1996 — and the fact that last year's EPS growth was derived largely from a virtual elimination of tax liability.

There is reason for concern on both counts. While from a purely structural viewpoint the latest balance sheet is no more than moderately geared, this would not be the case next year if present trends continue. Even now, purists would probably take the view that the 3,5% interest cover is starting to look threadbare.

Had the 1996 tax charge been at the 25% rate expected by management for the future instead of the actual 3,9%, growth in taxed profit would have been limited to 21% instead of the 56% declared. But, while this is negative in terms of future growth potential as the tax rate normalises, the group achieved

- **ACTIVITIES:** *Construction, property and leisure resort development, steel and trading, and information technology.*
- **CONTROL:** *Management through Stocks & Stocks Holdings 54,1%.*
- **CHAIRMAN:** *R A Edwards. CEO: A H Dorrestein.*
- **CAPITAL STRUCTURE:** *80,5m ords. Market capitalisation: R342m.*
- **SHARE MARKET:** *Price: 425c. Yields: 3,5% on dividend; 16,3% on earnings; p:e ratio, 6,1; cover, 4,6. 12-month high, 900c; low, 425c. Trading volume last quarter, 3m shares.*

Year to April	'93	'94	'95	'96
ST debt (Rm)	61,5	37,5	66,9	69,0
LT debt (Rm)	35,8	46,4	90,6	110,7
Debt:equity ratio	0,20	0,07	0,31	0,38
Shareholders' interest	0,31	0,28	0,29	0,36
Int & leasing cover	2,5	n/a	7,8	3,5
Return on cap (%)	3,6	4,1	6,7	1,8
Turnover (Rm)	1 104	1 334	1 489	1 563
Pre-int profit (Rm)	22,5	30,5	62,9	85,3
Pre-int margin (%)	2,0	2,3	4,2	5,2
Earnings (c)	31,2	37,5	42,9	69,4
Dividends (c)	7	9	12	15
Tangible NAV (c)	224	249	240	336

P.T.O.

MURRAY & ROBERTS (32)

TIME TO FOCUS ON BASICS?

FM 6/9/96

All things considered, Murray & Roberts (M&R) has withstood declining demand in the building & construction sector reasonably well. Though margins took strain, turnover increased and operating profit held its own.

The blow, causing EPS to fall 13%, came from a R160m provision on Union Carriage & Wagon's much publicised row with Siemens.

Graham Hardy

Group CE Graham Hardy says management has taken a view on this as a likely estimate of the cost. So far, the debacle has cost M&R more than R260m.

A settlement may be negotiated within a few months, says Hardy. Failing that, the dispute will go to arbitration — which is likely to take years if similar disputes are anything to go by.

Of greater concern is the search for a new identity. M&R has again restructured and now has four divisions: contracting, engineering (which incorporates Standard Engineering), materials and transport. All except the engineering division had satisfactory years.

But satisfactory may no longer be sufficient. Hardy says M&R wants to emphasise international operations and "maximise its opportunities." House-cleaning continues, with a number of disposals during last year that tighten the focus. Perhaps this is the time for major divestment rather than small realignments.

The days of the "siege economy" are over, says an analyst, and with them the age of diversified industrials. M&R has never been a brilliant performer, tracking the All Share index rather than beating it. Though the intent was to balance cyclical and counter-cyclical operations, the effect seems to have been a cancellation of benefits on both sides.

PROFIT FATIGUE

Year to June 30	1995	1996
Turnover (Rm)	9 283	10 746
Operating income (Rm)	1 021	1 059
Attributable (Rm)	408	375
Earnings (c)	126	109
Dividends (c)	47,0	48,5

A return to core operations, seen as contracting and some specialist engineering functions "that dovetail in," may serve it better than continuing to nurse a gaggle of operations in varied fields.

Among its strengths are an ability to win and run high-risk contracts in the cut-throat international market and a willingness to create its own projects. Hardy argues that "financial performance is not the only criterion of success." He could include vision as another.

The market has taken the results well and the share price has edged up from its 12-month low of R13,75 to R15,70. It offers fair value. *Margaret-Anne Halse*

Grinaker unbundling expected, say analysts

Robyn Chalmers

BD 17/9/96 (32)

GRINAKER Holdings was expected to give notice of a separate listing for Grinaker Construction and the simplification of its electronics interests in an unbundling and restructuring announcement later today, analysts said.

The group disclosed its intention to unbundle in June, a move which is likely to see Grinaker Construction moving out of Grinaker Holdings and becoming a subsidiary of Anglovaal Industries through a share swap scheme.

Analysts said Grinaker Construction could then seek a separate listing on the JSE, and it was likely that all Grinaker Holdings shareholders would receive an equivalent number of shares in Grinaker Construction.

The original plan to concentrate all of Grinaker group's electronics interests in Grinaker Holdings and then delist Grintek was still being finalised, they said.

Grinaker closed untraded yesterday at R24,50, giving the group a market valuation of R856m, while its electronics interest Grintek was valued at R886m and Grintek subsidiary Siltek at R1,4bn.

Grinaker MD Jack Saulez said recently the reshape had been investor driven, as many were uncomfortable with having to invest in both the construction and electronics businesses.

One analyst said the market had initially reacted well to the proposals, after which the share price tapered off. However, strong results for the year ended June, reported at the beginning of the month, appeared to have boosted investor confidence in the counter.

Grinaker Holdings posted a 24% rise in earnings before exceptional items to R69,4m on a 10% increase in turnover to R4,1bn. Grinaker Construction lifted turnover 12% to R1,9bn, while earnings excluding exceptional items improved 32% to R29,7m. All the group's other major subsidiaries — Grintek, Siltek and Grinaker Electronics — posted earnings growth of 20% or more during the review period.

Grinaker Holdings' share price has risen strongly since the beginning of the month, when it stood at R19,70, to reach today's close of R24,50, a vast improvement on its 12-month low of R16,40 in May, but below the eight-year high of R28,26 in February.

Rainbow lands R4-m deal

(32) ARG 18/9/96

BUSINESS EDITOR

New black-owned building company Rainbow Construction (Western Cape) has won a R4-million contract in Salt River.

Rainbow beat seven other contractors in tendering for the contract for alterations and extensions to the Industrial Council for the Clothing Industry offices in the Main Road.

"We were very excited to get this contract so soon," Rainbow managing director Frank Fredericks said.

He said the company had secured other contracts in the Saldanha Steel project "and there are more in the pipeline".

Rainbow Construction (Western Cape) is 85 percent owned by Rainbow Holdings, a Gauteng-based group jointly held by Johannesburg Stock Exchange-listed WBHO, Thebe Properties and three Soweto-based contractors.

The remaining 15 percent is owned by three Western Cape black contractors: Haroun Construction, IHI Building Services and Umelisizwe Construction, who have options to increase their stake over time.

Mr Fredericks sees great potential for black contractors in the government's new policy on tenders for state contracts.

According to the policy, not only the price offered by a tendering company, but also its ownership, by colour and gender, will be taken into account by the State Tender Board when evaluating contracts.

The Western Cape government is likely to follow a similar path in redrafting provincial policy on tenders.

"The government has created something here which is conducive to development," Mr Fredericks said.

Tensions on township building centres

(32) CT (BR) 20/9/96

By Jonathan Rosenthal

Johannesburg — Dan Mofokeng, the Gauteng MEC for housing, met with building materials merchants yesterday to head off tensions over government plans to establish township building material distribution centres.

Mofokeng unveiled the plan that would combine advice services with initiatives to ensure the cheap supply of building materials.

The national government had already allocated R150 million to support the establishment of these centres. The Gauteng government would provide additional funds for 14 centres in the next year.

Mofokeng said building materials cost more in townships than in traditionally white areas.

This had put a brake on government's plans to encourage people to build their own homes.

Mofokeng said the government wanted to shorten the supply chain and ensure that materials were delivered in bulk to township hardware stores. This move could result in white merchants and retailers being bypassed.

He said government planned to set up these centres in existing retailers in the townships.

Building supplies merchants contested the plan, arguing that the existing supply chain was adequate but that lack of credit and high risks pushed up the costs of supplying to emerging contractors and township hardware stores.

Instead of an overhaul of the existing chain, they argued that government resources would be better spent on providing credit guarantees and support to black builders and retailers.

Establishing new supply centres would only duplicate existing infrastructure and threaten the existence of small, black hardware stores in the townships.

The marketing manager of a retail chain argued that the government should rather allow market forces to govern the supply of materials and prices, which would fall in the townships as demand increased.

RDP delays knock out building firms

(32)

ARG 21/9/96

State input down 11%

CHARLENE CLAYTON
PROPERTY EDITOR

The building industry's paltry performance during 1995 which led to another 232 construction firms being liquidated this year was largely due to high interest rates and RDP projects not getting off the ground.

The lacklustre performance of the industry is reflected in figures in the annual report of the Building Industries Federation of South Africa (Bifsa).

The industry showed a negative growth of two percent, despite an overall higher economic growth of 3,3 percent in the country during 1995.

On the local front, the Master Builder's and Allied Trades Association reports that building tenders in the Cape Peninsula have dropped by almost 41 percent.

Bifsa chief executive Ian Robinson said investment in building in the private sector grew by 0,1 percent and the public sector dropped by 11 percent, due largely to delays in the implementation of the Reconstruction and Development programme (RDP) coupled with high interest rates.

As a result of difficult trading conditions, another 232 construction firms were liqudiated in 1995. This followed liquidations in previous years of 214 firms in 1991, 272 in 1992, 239 in 1993 and 228 in 1994.

Employment in the industry in the 1995 finanical year fell by 5,8 percent, but despite these disappointing trends there were signs that the protracted recession was now coming to an end, Mr Robinson said.

Activity levels in the building industry were expected to rise from R17 billion to over R19 billion during 1996. A major contributor to this improved economic performance was expected to be the RDP.

"We expect growth in the building industry of around five percent this year. However the interest rate hike announced in April will constrain building activity below its long-term potential," said Mr Robinson.

Meanwhile members of the Master Builders and Allied Trades Association (MBA) say they have experienced the worst year in industry history.

The quantity of commercial, industrial and public sector building work put out to tender in the Cape Peninsula in the first eight months of this year has dropped by a staggering 40,9 percent compared to the same period last year.

Mike Loy, MBA director for the Cape Peninsula said R268,3 million worth of work was undertaken in the first eight months of 1996 compared with R454,6 million for the corresponding period in 1995.

"June, with a tendered turnover of R10,4 million and August with R2,9 million, were by far the worst months – although traditionally June, July and August is a good period for the building industry in our area," he said.

The forthcoming construction programme for the initial infrastructure of the 2004 Olympic Games bid and the growth of the tourism industry hold hope for the industry, and a slight upturn is therefore possible before the end of this year.

The government, said Mr Loy, had to take much of the blame for the poor performance in the building industry which was suffering from an acute lack of investor confidence.

A boost for home builders

CP 22/9/96 (32)

By ANDILE NOGANTA

THE HOMELESS People's Federation will soon be able to house 253 more of its members – thanks to a R1,8 million government grant.

Eastern Cape Premier Raymond Mhlaba announced the grant at the opening ceremony of a low cost housing project in Port Elizabeth last week.

The Homeless People's Federation has already built 290 houses countrywide on its own initiative and the grant makes it the first people's organisation to receive a government subsidy.

"It's the first time government has changed the rules on subsidies to include groups like this. And it's the first time a people's organisation has got money directly from government," said ministry of housing spokesperson Mandy Jean Woods.

400 more subsidies are expected to be allocated to the Homeless People's Federation from the R150 million set aside this year by the Housing Department to support the People's Housing Project.

Woods said the department supported the Homeless People's Federation because it was a shining example of people helping themselves.

☐ Earlier in the day, Mhlaba and the provincial MEC for local government and housing, Max Mamase, had handed over keys to 80 new home owners in another low cost housing project at kwaNomzamo and Kruisfontein townships in Humansdorp.

Addressing the opening ceremony, Housing Minister Sankie Mthembi Mahanyele announced that government would shift focus to the problem of rural housing.

"One area of concern to me is housing in rural areas, and I expect to soon make some announcements regarding this," said Mahanyele.

"This will be of particular importance to the Eastern Cape as it carries the burden of having one of the highest concentrations of poor, rural dwellers in the country.

"My aim as minister of housing has been to focus my attention on the issue of providing adequate shelter for the most underprivileged people in our country."

☐ Each of the houses built by the Masibambane Housing Project in Humansdorp cost R15 000.

Group Five looks offshore to make good the lack of SA work

(32) BD 25/9/96

Robyn Chalmers

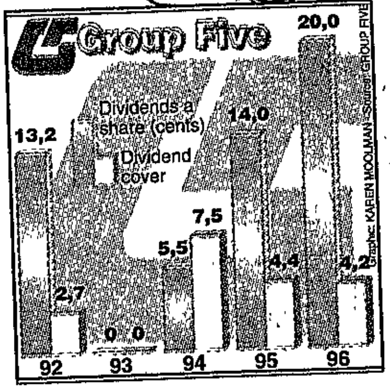
CONSTRUCTION and building materials business Group Five had been forced to look offshore to counter declining private sector work in SA.

Chairman Stanley Goldstein said in the group's 1996 annual report that the organisation operated in an environment where the level of private fixed investment was an index of growth.

"This had been disappointing and is set to decline because of investors' perceptions," he said. "Because of this we are devoting energy to identify opportunities, local and offshore, in order to ensure our continuing growth, which we code name 'Growth 2000'."

CEO Theunis Kotzee said at the recent release of the group's results for the year to June that an international partner was being sought in a region where fixed investment spending was growing fast. He hoped the group would find such a partner in the next year or two.

Kotzee said in the annual report that profits grew above the



trend in the construction industry during the review period, partly as a result of the group's focus on the goals set out in the Growth 2000 strategy.

"I said last year that we were realising a third of our potential and despite more difficult conditions than expected, we have made material advances," he said.

Group Five's attributable income rose to R35,03m (R26m) on higher turnover of R1,7bn from R1,4bn for the previous year. This was despite a sharp drop in Everite's profits to R1,6m from R31,3m. A total dividend of 20c was declared against 14c for the previous year, while dividend cover dipped to 4,2 from 4,4 in 1995 which in turn fell from 7,5 in 1994.

The share was trading at 980c on the JSE on Monday, against a R12,75c year high in March and a 326,5c net asset value at the June year end.

Kotzee said a key part of the strategy was the autonomous management of its divisions — building, civils, engineering, manufacturing, roads, property and the proposed infrastructural concessions. As a result of this strategy, the building division had broadened its services and extended alliances with smaller, emerging builders, while the civils division was developing special skills in labour intensive rural projects.

Everite's poor performance was mainly due to SA's lower trade barriers coupled with the dumping of goods. In addition, a programme of closing and selling businesses had led to considerable losses, but it should be finalised in the current financial year.

GROUP FIVE/EVERITE (32)

DEMANDING HURDLES

FM 27/9/96

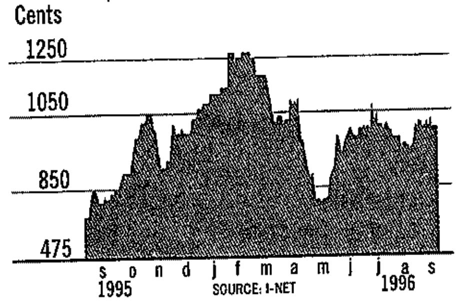
In terms of assessing prospects, the annual reports of Group Five and 57,5%-held Everite have been completely overshadowed by the proposed take-out of Everite/Evhold minorities.

In the normal course of events, it would be relatively safe to take at face value management's view that both

Group Five

- **ACTIVITIES:** *Construction, engineering, manufacturing and property. Holding company of Everite.*
- **CONTROL:** *Group Five Holdings 53,8%.*
- **CHAIRMAN:** *S M Goldstein.* **CEO:** *T J Kotzee.*
- **CAPITAL STRUCTURE:** *41,8m ords. Market capitalisation: R426,5m.*
- **SHARE MARKET:** *Price: 1 020c. Yields: 2,0% on dividend; 8,2% on earnings; p:e ratio, 12,2; cover, 4,2 . 12-month high, 1 275c; low, 650c. Trading volume last quarter, 0,8m shares.*

Year to June 30	'93	'94	'95	'96
ST debt (Rm)	146,7	29,5	103,7	56,6
LT debt (Rm)	6,6	20,5	21,3	18,4
Debt:equity ratio	0,22	0,10	0,15	(0,04)
Shareholders' interest	0,34	0,37	0,33	0,30
Int & leasing cover	1,0	2,4	5,5	3,0
Return on cap (%)	1,8	4,6	7,0	6,1
Turnover (Rm)	1 594	1 859	2 249	2 495
Pre-int profit (Rm)	18,5	44,8	81,7	79,9
Pre-int margin (%)	1,0	2,2	3,4	2,9
Earnings (c)	2,0	41,3	62,3	83,8
Dividends (c)	nil	5,5	14	20
Tangible NAV (c)	194	271	312	385



groups "should show improvements in the year ahead." They probably will. But how does this translate into prospects for Group Five, with what will be a vastly expanded issued share capital?

The proposals involve Group Five buying out the 49,9% of Evhold which it does not already own in exchange for 12,8m new "N" shares (equivalent to the existing ords but carrying only a hundredth of the voting power), together with 42,6% of Everite itself not held by Evhold for a further 19m "N" shares. In total, this will add 31,8m new shares, or 76%, to the present capital base of 41,8m shares.

Inevitably, with the terms of the deal — one Group Five "N" share for every two Everite or Evhold shares — set to increase the NAV of Group Five shares by 54% while decreasing that of Everite/Evhold by 30%, the proposals have run into criticism that Group Five is buying Everite too cheaply.

It could even be added that this view is supported by management's statement when the terms of the deal were announced that implementation of the proposals "will be to the long-term benefit" of Group Five shareholders.

The two annual reports do suggest, however, that if this benefit is to be realised, Group Five is going to have to work for it in terms of bringing the Everite assets up to speed.

As things stand, and disregarding Everite's disastrous 1996 results, its attributable earnings would have to grow 19% from the 1995 peak simply to provide the same EPS on the new Group Five shares to be issued as Group Five earned last year on its existing capital.

It is difficult to escape the conclusion that, in the short term, Group Five is likely to suffer earnings dilution because of the deal. Longer-term, the outlook will be dictated by the success or otherwise of efforts to stabilise Everite's erratic profit record and to bring its returns more into line with those of its parent.

Even at its earnings peak, Everite's net return on equity of 9,7%, apart from being miserable for a manufacturing company, was less than half of Group Five's record return of 21,8% for the past year.

This indicates a classic asset situation, but the proof of the pudding will be

Everite

- **ACTIVITIES:** *Manufactures products for the construction industry and invests in infrastructural concessions such as water and sanitation.*
- **CONTROL:** *Group Five 57,4%; soon to be wholly-owned.*
- **CEO:** *T J Kotzee*
- **CAPITAL STRUCTURE:** *89,1m ords. Market capitalisation: R400m.*
- **SHARE MARKET:** *Price: 450c. Yields: 0,7% on dividend; 0,4% on earnings; p:e ratio, 248,4; cover, 0,6. 12-month high, 975c; low, 385c. Trading volume last quarter, 0,3m shares.*

Year to June 30	'93	'94	'95	'96
ST debt (Rm)	129,3	32,4	16,4	23,0
LT debt (Rm)	6,6	13,2	12,2	7,9
Debt:equity ratio	0,37	0,15	nil	0,04
Shareholders' interest	0,56	0,68	0,55	0,65
Int & leasing cover	0,6	1,9	8,4	2,5
Return on cap (%)	1,4	3,8	10,5	1,9
Turnover (Rm)	514	559	620	548
Pre-int profit (Rm)	7,8	17,4	49,4	9,3
Pre-int margin (%)	1,5	3,1	7,9	1,5
Earnings (c)	5,2	11,8	35,0	1,8
Dividends (c)	nil	4	8	3
Tangible NAV (c)	342	349	362	361

P.T.O.

THE BUILDING INDUSTRY

WHY BUILDERS ARE OPTIMISTIC

(32) FM 27/9/96

Is the building industry growing? The Building Industries Federation of SA (Bifsa) and Medium Term Forecasting Associates say investment in the industry declined by 2% on average last year but should grow 3% this year before dipping temporarily next year.

Thereafter, they tell us, we can expect a better 1997 and 1998 (see graphic).

Some of the reasons for Bifsa's optimism are spelt out by former Bifsa economist and now Bureau for Economic Research consultant Charles Martin, who has measured the movement in the various sectors.

Though concerned about the impact of high interest rates, the bureau sees an improved residential construction market next year — mainly because it expects mortgage rates to come off by about 2%. Declining interest rates, it believes, will help stimulate demand for houses and townhouses.

Overall, it forecasts a 5% real growth in the private residential market in 1997. This compares with 1,3% in 1995 and 1,9% this year.

The bureau predicts private nonresidential building will grow 11% this year after contracting by 1,2% last year. It forecasts 4,5% for 1997.

Though it's difficult to distinguish government's investment in housing from private residential activity, Martin says that, based on Reserve Bank figures, investment in the housing programme was recorded at -3% in 1994, -10% in 1995 and -5% this year.

Following the upward trend in housing subsidy allocations, this investment is forecast at 3% next year.

"The important point is that government's housing programme will make less of an impact on the building industry than on the civil engineering sector because of the need to first provide infrastructure and services."

According to Martin, there was 14% growth in private civil construction work last year. This reflects township development, roads and bridges and significant private investment in big projects such as Columbus Stainless Steel.

The growing importance of the road building programme should see this sector grow 15% this year and 10% next year.

Government civil work — primarily municipal infrastructure — took a knock last year (-6%) but is expected to post 5% growth this year and even stronger gowth (12%) next year.

Government nonresidential building — mainly schools and clinics — underperformed last year (-17%) but the R1bn school building programme should start to have an effect soon, leading to 1,5% growth this year and 6,7% next year.

Warnings by Rode & Associates CEO Erwin Rode that government is likely to cut back on capital expenditure to reduce the deficit are queried by Martin who thinks that the cuts are likely to be sought elsewhere.

THE BUILDING INDUSTRY'S CHANGING FORTUNES

Annual % change in investment

1994	1995	1996	1997	1998	1999	2000
0	2	3	-3	8	5	2

SOURCE: MEDIUMTERM FORECASTING ASSOCIATES

Martin says the healthier outlook for government's nonresidential building is being fuelled in part by the construction of additional jails.

The bureau believes that private-sector nonresidential building activity will be relatively healthy in 1997. Vacancy rates are still high but an export-driven upturn is expected after 1997.

"We see an improvement in 1998-1999," says Martin.

UNNECESSARY GLOOM

Bifsa's announcement that building costs rose by about 14% last year has caused much disquiet in the industry.

Though it's hard to separate nonresidential from residential building costs, the distinction is vital. The automatic reaction in the low-cost housing market to a largely nonresidential-related building cost increase of 13,8% (Martin's figure) is one of unnecessary gloom. It suggests that building material suppliers have breached their record of understanding with government, struck in 1994, to keep costs increases at or below inflation.

However, the figure is based largely on tender prices which more accurately reflect costs in the nonresidential market. Even then, says Martin, these building costs are on a downward trend as they're coming off a high base. They're projected to rise only 11% in 1996 and 9,5% in 1997.

A more accurate measure of building cost increases in the residential sector is the Haylett formula (for wages and material prices) which records an average 8,6% rise in 1995.

Absa Bank reported an annual 8,1% rise in home building costs for the second quarter of this year, which means little or no real growth in prices.

Rode & Associates and Building Material Suppliers, which track building costs in the low-income housing market, say building cost rises have been even lower over the past year.

Erwin Rode, using Central Statistical Service data, recorded a 2,6% rise in building costs between April 1995-1996 in the low-income (81 m² and below) housing market. In the market category above this — which he describes as middle class — residential building costs went up only 2,9%.

The latest research by Building Material Suppliers may confirm Rode's data. Basic building materials in a typical 42 m² house (no imported tiles here) rose only 2,59% between December 1995 and August 1996. Annualised, that would mean an increase of 5% — which is still below inflation.

But one man's meat can be another man's poison. To many, below-inflation building cost increases imply that severe market conditions and intense competition prevail. But to low-cost housing developers, anything higher could mean a wipe-out. ■

Builders reject scheme to boost bond finance

Contractors 'further marginalised'

(32)

ARG 28/9/96

CHARLENE CLAYTON
PROPERTY EDITOR

The Western Cape branch of the National Black Contractors and Allied Trades Forum (NABCAT) has called for a review of the Builders Warranty Scheme, which has been criticised as totally ineffective in its present form.

Darawees Gasant, chairperson of the 700-member branch of NABCAT, said the organisation would take "active steps" to force the government to review the scheme. He said they supported the principle of builders providing a quality product.

The scheme, implemented in February this year, applies to all properties worth R250 000 or less that require bond finance.

It was one of the mechanisms put in place as part of the government's mass housing strategy to lure the banks back into lending in this market. Part of the reason for the bond boycotts of the past, according to the financial institutions, has been poor building standards.

Funding for the scheme is provided by a 1,3 percent levy on the building cost of a house. Builders registering with the council have to pay a registration fee of R750 and an annual membership fee of R500.

The scheme is administered by the National Home Builders Registration Council, a Section-21 company headed up by Peter Allsopp.

Mr Gasant questioned why it was necessary to establish another bureaucracy – the National Home Builders Registration Council – when there were local authority mechanisms and building inspectors with the potential to manage building standards.

'It benefits rogue builders who do a duck leaving the council to pick up the tab'

He said the criteria and process which builders now had to follow further marginalised emerging contractors. For example, contractors need a track record in the industry and a credit record, he said.

He questioned the effectiveness of the warranty when it provided cover only for the foundations, superstructure and roof of a house.

"We will fight this thing to the bitter end and will get it revisited and restructured."

A second Cape body which is opposed to the scheme is the Western Cape Developers Forum, an ad hoc group of developers.

Stag Homes managing director, John Schooling, who heads the forum, slated the scheme as having an inflationary effect on the cost of houses which is ultimately passed on to hard pressed consumers.

He said his company had signed up with the National Home Builders Registration Council "because there was no option" (if his clients want bond finance).

Those benefitting from the scheme were the "rogue builders, who did a duck leaving the council to pick up the tab".

It prejudiced the reputable builders who had been providing a quality product all along.

Mr Schooling believed the scheme would not result in additional housing being built because ultimately the problem bedevilling the low-cost market was one of affordability.

In response to the criticism, Builders Registration Council managing director Peter Allsopp, said the position of the Western Cape branch of NABCAT was not supported by the rest of the organisation.

"It is a political statement by one branch in order to win points," he said.

The four main bodies representing black contractors in the country participate on the board of the council. Apart from NABCAT, they include the African Builders Association, the National African Federation of Building Industries and the South African Black Traders and Allied Careers Association.

Mr Allsopp said NABCAT was proposing a "head-in-the-sand-approach" to the past which did not acknowledge that consumers lost money and builders "built rubbish".

He disputed the claim that the scheme further marginalised contractors. Over 70 percent of the council's membership of 2 300 were emerging contractors of all races.

"If anything, signing up with us empowers the contractors because they are now formally recognised as contractors," said Mr Allsopp.

"If you cannot afford to pay R750 or obtain loan finance to pay it, you should not be building houses and will not be able to look after that house for the next five years," he said.

On the call for a more comprehensive warranty, Mr Allsopp said he agreed with this but felt that "we must learn to walk before we can run".

Mr Allsopp said eight contractors out of 2 300 had been deregistered so far for not complying with council conditions.

Construction group's warning on RDP work

(32) BD 2/10/96

Lukanyo Mnyanda

CONSTRUCTION group Wilson Bayly Holmes-Ovcon said it had experienced problems carrying out reconstruction and development programme-related projects and warned that progress in the sector would be severely hampered unless the "basic norms of conduct are restored".

Chairman Brian Holmes said in the company's 1996 annual report that it was not involved in low cost housing but still expected to benefit from RDP projects, as the number of contracts would increase as the programme gained momentum.

Its construction north division had been involved in a number of contracts for the construction of reservoirs, water works and the treatment of sewage.

Progress in the sector, which is seen as crucial for SA's development and long-term growth potential, was still not satisfactory, he said.

"While one has sympathy for the plight of the homeless and the disadvantaged, unless the basic norms of conduct are restored, progress in this area will be severely hampered."

Holmes said the construction industry had suffered from a lack of confidence during the review period, mainly as a result of instability in interest rates and the currency market.

Confidence would be restored only once government had shown a clear commitment to deal with obstacles related to crime, exchange controls, privatisation and labour conflict.

Despite this, Holmes said, the group had managed to exceed its forecast earnings made at the time of the Wilson Bayly Holmes-Ovcon merger.

Results for the year ended June were skewed because of the merger with Ovcon, which had a different year-end, and had been reported on an annualised basis.

Attributable profit rose to R18,1m (R12,6m) on gross revenue of R744,7m (R550,9m) with operating profit before interest and tax rising to R22,5m (R20,9m).

Still optimistic

Holmes said the industry, experiencing the tail end of the economic boom which accompanied SA's re-entry into the global economy, would become more competitive and margins would be placed under increasing pressure over the next financial year.

However, the group was still optimistic about its future performance and expected real growth to continue into the coming year.

"Our order book is in good shape and the geographical spread we have created through the merger means we are well positioned to meet challenges."

NE

BUILDING INDUSTRY *Clients' deposits vanished*

Eight contractors on blacklist will get no more work

CT (PR) 2/10/96 (32)

MAGGIE ROWLEY
PROPERTY EDITOR

Cape Town — Eight contractors have so far been blacklisted by the National Home Builders' Registration Council for financial irregularities including absconding with clients' deposits, Peter Allsopp, the council's managing director, said yesterday.

The council, which began operating in February this year, administers the Builders' Defects Warranty Fund which is aimed at protecting homebuyers from shoddy workmanship.

In terms of new requirements, all contractors operating in the residential sector and building units costing R250 000 or less have to be registered with the council in order to qualify for bonds from financial institutions.

Allsopp said deregistering the blacklisted contractors effectively barred them from operating in this field.

The eight blacklisted companies are Manuels Construction from KwaZulu Natal and Howz-it Property Developers from Mpumalanga, and six contractors from Gauteng. These are KK Home Improvers, ME Moraba Projects, Pro Builders, Tahas Building Construction, JJ Viljoen Developers and Ntsele Property Developers trading as Comfort Properties.

Since February this year when the council became effective, 2 920 contractors have applied for registration. Of these 2 263 have been approved.

Allsopp said the council's blacklist was circulated to mortgage lenders, and members of the public could check if a contractor was listed with the council. He said it was costing about R500 000 a month to administer the council and the inspectorate.

Through a levy on contractors, the council was raising about R1,2 million a month, giving it a net surplus of about R700 000 which was being ploughed into the Defects Warranty Fund.

No claims have yet been lodged against the fund, but this was to be expected as claims could only be lodged against defective houses, said Allsopp. "Only houses built since February this year are covered by the scheme and potential problems have as yet to come to light."

He said all indications were pointed to a 5 percent growth in the housing market next year.

"With an anticipated 2 to 3 percent drop in interest rates, the demand for housing looks promising."

Graphic: KAREN MOOLMAN Source: ANGLOVAAL INDUSTRIES

Shoredits moves into red with R10,8m loss

(32) BD 4/10/96

Adrienne Giliomee

BUILDING and construction group Shoredits moved into the red with an attributable loss of R10,8m for the year to June, as its civil engineering operation continued to be plagued by disruptions and restructuring problems.

Headline loss a share was 54,4c (43c) and the dividend was passed.

Turnover dropped 12,8% to R223,5m, but operating income was up 165% to R12m.

An operating loss of R3,7m and closure costs of R9,3m in civil operations, together with R10,6m interest paid on curtailed and continuing operations resulted in a net loss of R11,6m.

Chairman Andy Shoredits said action had been taken to restructure the curtailed civil engineering division. He said contracts which had incurred losses were almost completed.

Heavy rains at the start of the year had restricted activity on civil engineering sites for nearly four months, resulting in a loss of turnover. This had been aggravated by continuing expenses not covered by contracts.

"General conditions in the civil engineering sector were depressed. Operations were about 60% of the sector's 1986 capacity, largely because of the sluggish flow of government expenditure on infrastructure and unacceptably low margins," he said.

Shoredits said the restructured civil division would focus on niche markets such as mine rehabilitation.

The electrical contracting division continued to operate successfully in niche markets such as pump stations. The construction, industrial and property administration and development operations were "extremely busy" with full order books.

Budgets for the next financial year reflected a marked improvement in the overall profitability of the group, Shoredits said.

BUILDING INDUSTRY (32)

PLUMBING THE DEPTHS

FM 4/10/96

The shortage of artisans in the Western Cape will harm the building industry in the long run, warns Building Workers' Union executive director Rod Damon.

He blames the shortage on industry neglect of training over the past five years.

Building Industries Federation (Bifsa) president Stephen Jones has urged government backing for training, which he says is essential to housing delivery.

Damon says at least all of the union members are employed but adds: "We have no bricklayers, carpenters or plumbers to offer employers. It is our responsibility to supply people, not train them." The union has 50 000 members.

Architect Tobias Lochner says the builders of Goodwood-Wingfield prison need about 40 bricklayers and are behind schedule but still hope to meet next year's deadline.

Koos Kitschoff, of the Industrial Council for the Building Industry, says the shortage may have been aggravated by a sudden pick-up in building in the region. He says one company is importing artisans from Natal in an effort to keep projects on schedule.

Damon says training programmes should eventually create more qualified artisans. Meanwhile, he warns, many workers with limited experience and qualifications are being given work beyond their capabilities. In some cases, workers with basic training are trying to do jobs that require long-term experience and certification.

Jones says many newly qualified building workers are trained through the RDP to reach basic skill levels that will allow them to work in their own communities. A skilled worker takes many weeks and thousands of rand to train.

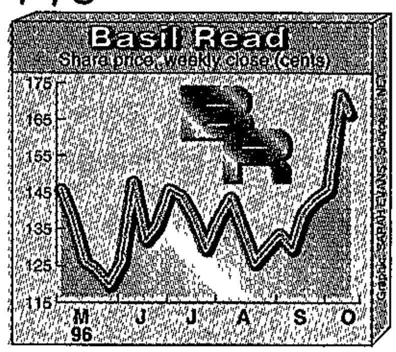
Bifsa contributes R30m a year to training but Jones says this is far short of demand and Bifsa is continuing to ask government for help.

"In our opinion, an injection of R100m from government is required each year in an industry which employs 10,4% of the nonagricultural sector," he says. ■

Basil Read lays the path to strong financial future

(32) BD 10|10|96

Lukanyo Mnyanda



CONSTRUCTION group Basil Read was firmly on the path to financial recovery and was poised to become a "star performer" in the industry if it managed to win some of the contracts — such as the Maputo Corridor — it had tendered for, analysts said yesterday.

The company made a R2,98m profit in the six months to June after reporting a loss for four consecutive years as a result of the failure of low cost housing projects and poor construction performance.

Basil Read said at the interim stage it had work on hand amounting to R700m which would ensure a solid base for continued growth into next year.

Analysts said the involvement of French group Bouygues, which holds a 61% stake, would allow it to compete for big projects which would have otherwise been out of reach. "They are still in the running for the Maputo harbour and they will do well if they manage to win that (contract). Basil Read could become one of the big five within a few years," one analyst said.

Another analyst said the company's share price could be expected to reach R2,00 by year-end, before reaching R2,60 by the end of the next financial year. He expected the company to report earnings of about 20c a share for the current financial year, which would probably climb to 24c next year.

Basil Read CEO Gérard Perceau said the company's recovery could be attributed to its staff commitment to the implementation of the changes introduced by Bouygues, an upgraded plant fleet, as well as a sound financial position. He said the turnover would rise 50% compared with R386,4m last year, with the building division expected to deliver the bulk of the growth. "As with the interim results, we are expecting a profitable second half ... we are extremely satisfied with our performance."

Basil Read's share price reached a one-year high of R1,90c in January — a far cry from last October when it stood at just 70c. It lost 6c or 3,49% to close at R1,66c on the JSE yesterday. The share has gained 26c or 18,57% in the first nine days of October.

The DEPUTY MINISTER OF HOME AFFAIRS:

No provision is made for the granting of permanent residence to illegal immigrants from the countries, as indicated by the hon member. However, with regard to the granting of exemptions to citizens from the South African Development Community (SADC) member States who have resided illegally in the country for a period of five years or more and who comply with certain conditions, hon member is referred to the announcement in the Minister's budgetary speech in the National Assembly on 4 June 1996.

With the implementation of the Aliens Control Amendment Act, 1995, on 1 July 1996, all aliens, except the holders of valid work permits, can only apply for permanent residence permits from their countries of ordinary residence. It implies that illegal aliens residing in the Republic of South Africa cannot apply for permanent residence within the RSA.

The exemption referred to above was the only legal instrument which could be applied in order to address the problem of those people from SADC countries who resided illegally in South Africa for at least five years.

Senator Dr G W KOORNHOF: Mr President, arising out of the hon the Deputy Minister's reply, could she indicate to us how many exemptions have been granted in the past year?

The DEPUTY MINISTER OF HOME AFFAIRS: Mr President, it is not possible for me to indicate that, because the process of exemption is continuing. When the process has been completed, we will begin the process of sifting the acceptable conditions that we have laid down. Then we will grant exemptions. We have not started the process yet.

For written reply:

Number of employees in Department

387. Sen A VAN BREDA asked the Minister for Public Enterprises:

(1) (a) What was the total number of employees in her Department as at the latest specified date for which information is available and (b) how does this figure compare with the number of employees on the corresponding date or during the corresponding period in the previous (i) quarter and (ii) year;

(2) whether there were any changes in the total number of persons employed in her Department; if so, what were the reasons for these changes;

(3) what is her or her Department's policy in regard to the optimum number of persons employed in her Department?

S670E

The MINISTER FOR PUBLIC ENTERPRISES:

(1) (a) 35

(b) (i) 36

(ii) 31

(2) Filling of five vacant posts.

(3) Having only 38 posts on our establishment it is essential that all posts are filled to ensure the optimal efficiency and functioning of this Office.

Advisers/consultants/other contract staff in Department

392. Sen A VAN BREDA asked the Minister for Public Enterprises:†

(a) How many persons are currently being utilised as (i) advisers, (ii) consultants and/or (iii) other contract staff in her Department, (b) what are the names of these persons, (c) what does the total remuneration package of each such person amount to, (d) what is the term of appointment of each and (e) for what purpose is each being utilised?

S675E

The MINISTER FOR PUBLIC ENTERPRISES:

(a) (i) Two

(ii) Nil

(iii) Nil

(b) Messrs Jeff van Rooyen and Kennedy Memani

(c) R345 600 per annum; R228 000 per annum

(d) 12 months

(e) Advice to the Minister.

HANSARD

National Home Builders Registration Council: requirements for membership

(32)

408. Sen W F MNISI asked the Minister of Housing:

(1) What requirements must be met by persons wishing to become members of the National Home Builders Registration Council;

(2) whether the Council has any authority to act against member companies or organisations for non-performance or inadequate performance; if so, what action may it take in this regard;

(3) whether action has been taken against any members since 1 February 1996; if so, what are the relevant details?

S691E

The MINISTER OF HOUSING:

The following information was supplied by the NHBRC, which is an independent private company:

(1) Contractors wishing to register with the NHBRC are evaluated upon the following criteria:

1. Number of years in the construction industry.
2. Number of houses or projects previously constructed.
3. History and quality of trade references.
4. History and quality of consumer references.
5. History and quality of professional references (Items 3-5 all as available and appropriate)
6. Bank account details and references.
7. The size and structure of the institution/company.

All of the above are evaluated and judged against the number of dwellings the contractor is expecting to construct over the next 12 months period.

For example: A contractor who intends to construct only six houses this year does not require larger-value trade accounts and huge plant and equipment. If the bank account and previous history of the contractor indicate that he/she has the abilities and capacities to construct the required six, then NHBRC shall register such contractor with a condition of six dwellings to be enrolled. During the early part of our relationship with the contractors we will, through our site inspectorate continually re-evaluate the contractors abilities and either lift the conditions of registration, or increase such conditions as necessary.

(2) Should we, in the course of our evaluation, find unacceptable references we may request that some rectification of previous problems be required.

The Council has within its Rules, agreed to by the Contractors, the power to:

- register, or not, as the case may be, any applicant contractor;
- set appropriate conditions of registration;
- amend the conditions of a contractors' registration;
- demand compliance with any conditions of registration;
- demand compliance with its rules, including the construction of dwellings in accordance to the NHBRC technical standards and guidelines as well as the National Building Regulations;
- cancel a contractor's registration, including the publication of such cancellation.

The NHBRC's database allows the Council to record any cancellation of registration against the:

Company, and its

- Principals
- Directors
- Officers and Guarantors of the contractor, thereby preventing any of the above from registering under a separate name.

The Council has already received 3 054 applications for registration, 199 applications have not been approved due to the inability to satisfy the above criteria.

(3) The Council has de-registered 9 contractors, the details of which are:

Name of Company	*Reg No.*	*Reasons*
Howz-It Property Developers	562	Company went into liquidation. There are allegations of receiving bond draws without completion of house.
KK Home Improvers	n/a	Several cases of incomplete work, work not to building regulation. No supervision of site. Fraudulent use of NHBRC logo and NHBRC warranty ±R200 000 paid for incomplete work.
JJ Viljoen Developers	1083	Cheque bounced, no response to contacts.
Manuels Construction T/A Alby's Construction	261	Numerous large scale judgments. ±R1 million exposure.
Tanas Building Construction	526	Bounced cheque. No response to contacts.
Ntsele Property Developers—T/A Comfort Properties	1081	Bounced cheque. No response to contacts.
ME Moraba Projects CC	529	Bounced cheque. Unco-operative.
Pro Builders T/A Rand Construction	122	Fraudulent use of NHBRC registration certificate, forged to obtain bond from bank not willing to lend under his real name.
Jan Mahlangu Builders	1895	Bounced cheque. No response to contacts.

A further two contractors have been given notice of our intention to cancel their registration unless they satisfy our complaints within 22 working days.

X

HANSARD

QUESTIONS

†Indicates translated version.

For written reply:

Oil pollution of South African coastline

407. Sen E K MOORCROFT asked the Minister of Environmental Affairs and Tourism:

(1) (a) How many shipwrecks or instances of the spillage of oil from ships resulting in the pollution of the South African coastline occurred during the period 1 January 1990 and 30 June 1996 and (b) in each case, (i) what was the (aa) name and (bb) nationality of the ship involved, (ii) what were the circumstances surrounding the oil spillage, (iii) what quantity of oil was spilled, (iv) what was the extent of the damage caused to the environment and (v) what was the cost of the clean-up operation involved;

(2) whether any (a) action has been taken against and/or (b) expenses have been recovered from the ships concerned; if not, why not; if so, what are the relevant details?

S690E

The MINISTER OF ENVIRONMENTAL AFFAIRS AND TOURISM:

(1) (a) For the period 1 January 1990 to 31 December 1995, the Kuswag VII (the Departmental patrol aircraft) spotted a total of 330 oil slicks. For the same period, another 319 spills were reported to us by other parties.

(b) (i) In the majority of cases it was not possible to identify the source of the spill. Of the 330 slicks sighted by the Kuswag VII, for example, only 83 (± 25%) were linked to particular vessels. Available details are provided for 1995 in the attached table.

(ii)/(iii) In most cases, the volumes of oil involved were relatively small (less than one tonne), and were probably the result of illegal discharges of bilges. The only significant exception to this for 1995, was the spillage of some 70 tonnes of oil from the Hawaiian King into Saldanha Bay. This occurred as a result of an undetected leak into the ballast water tanks from the pipe through which oil was being loaded to the vessel. The contaminated ballast water was subsequently discharged into the bay.

(iv) The environmental damage caused by minor slicks at sea is negligible, but where spills impact on sensitive areas of the coastline, damage can be more significant. Of greatest concern, are the cumulative effects of a series of spills. In the case of the Hawaiian King, the oil affected a number of birds, and penetrated into Langebaan Lagoon.

(v) For the Hawaiian King, the clean-up operation cost in the order of R3 million.

(2) (a) Where the ship is identifiable the following actions can be taken:

(i) If the vessel is not coming into a South African port, then a notification is generally sent to the International Maritime Organisation and/or the port of registry.

(ii) Where the vessel does enter a South African port, it is prosecuted. A list of successful prosecutions for 1995 is attached.

(b) The costs of the clean-up for the Hawaiian King incident are currently being processed by insurers.

Slump in civil engineering work at low end of market

BD 11/12/96 (32)

Edward West

THE value of civil engineering contracts at the lower end of the contracting market has slumped in the past few months following a dearth of work from local authorities.

SA Federation of Civil Engineering Contractors (Safcec) statistics on contract awards worth less than R5m each, showed contracts' value had dropped from R150m in July to a few million rand in September. The figures were derived from a survey of about 3 500 civil contractors.

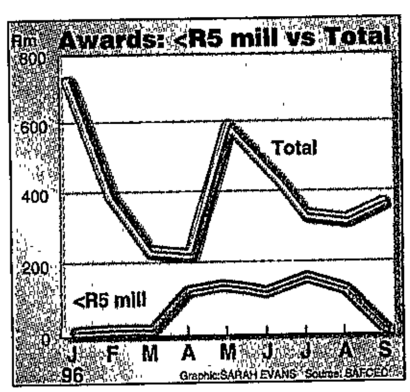
Safcec economist Henk Langenhoven said this represented a complete turnaround from previous trends. Traditionally, the value of contract awards increased from July as June represented the financial year-end of most local authorities.

Local authorities provided the bulk of contracts awarded below R5m. In March these contracts made up 60% of the industry awards.

He did not expect short-term improvement regarding problems local authorities faced in delivery of infrastructure and other basic services.

A Institute of Municipal Treasurers and Accountants report showed the poor financial situation of local authorities. More than R5,25bn was owed to local authorities by recalcitrant consumers, representing 25% of the authorities' total turnover.

Central government grants intended to assist the poor were being used to balance budgets.



Business confidence had improved among civil engineering contractors, but medium to small contractors were still experiencing low activity levels.

Most civil engineering activity was currently being derived from road construction, the water and forestry affairs department and from the private sector — contract market segments traditionally catered for by large civil engineering groups, said Langenhoven.

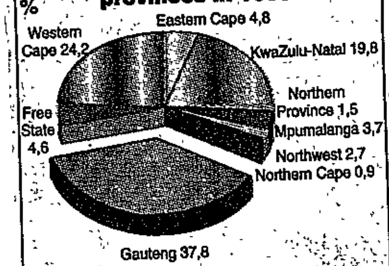
Overall, the number of contract awards declined in the first quarter compared to the same period a year before. It had grown more than a third in the second quarter, mainly due to a number of contract awards from the Saldanha Steel plant and a few road contracts.

The expected contract award later this month of the Maputo corridor toll road and other awards were expected to boost overall industry activity levels for the year. However, these would be relatively low compared to historical levels, he said.

Construction levels hit by crime and low growth

(32) BD 15/10/96

Distribution of privately financed buildings completed by provinces in 1995



Graphic: SARAH EVANS Source: UNISA BUREAU FOR MARKET RESEARCH

Robyn Chalmers

LOW levels of investment confidence and economic growth coupled with high crime led to a 21,1% drop in privately financed construction between 1992 and 1995, a research review shows.

The University of SA's Bureau for Market Research showed the total number of residential units completed by the private sector between 1992 and 1995 amounted to just under 150 000 units. This was well below the needs of SA which has an estimated housing backlog of almost 2-million homes.

In 1995, government envisioned that the RDP would increase housing delivery to 300 000 units a year with between 1-million and 1,5-million houses to be built over five years.

The review showed the decline in construction was particularly severe in non-residential buildings such as office, shopping and industrial space. The real value of space completed at constant 1992 prices declined to R1,2bn in 1995 from R2,1bn in 1992. This implied that the 1995 level of completed non-residential buildings was a mere 55% of its 1992 level.

The review said the real value of new privately financed residential buildings showed a slight decline in 1993, but has increased since then to reach its 1992 level of about R3,3bn in 1995.

Almost one-quarter of residential buildings were erected in four local authority areas: Pretoria, Centurion, Sandton and Durban.

"The increased crime rate in SA has caused considerable changes in the type of residential units completed by the private sector since 1992. The (higher security) townhouse increased its share in the value of residential buildings completed to 25,9% in 1995 from 15,2% in 1992," said the review.

The Western Cape's 24,2% share in buildings completed last year was disproportionally high when compared to its 9% share of the population and its 14,1% share in economic production.

"With the exception of Gauteng, which also has a higher share in construction than in population, all the other provinces showed a reverse discrepancy between their shares in construction and population," said the review.

In rand value, the largest provincial contributors of buildings completed were Gauteng at 37,8%, Western Cape at 24,2% and KwaZulu-Natal at 19,8%. Only 18,2% of buildings were erected in the other six provinces, ranging from 4,8% in the Eastern Cape to 0,9% in the Northern Cape.

High crime rate adds to 21% decline in the national construction industry

Star 15/10/96

(32)

BY NORMAN CHANDLER
Pretoria Bureau

Crime has dealt a huge blow to the national construction industry over the past three years.

Unisa's Bureau for Market Research said in a report released in Pretoria that there had been a decline of 21,1% in the number of buildings completed in the 1992-1995 period.

"Low levels of investment confidence and economic growth at the beginning of the 1990s, coupled with the high crime rate, have impacted seriously on these activities," the report said.

"The decline was particularly severe in non-residential buildings like office, shopping and industrial warehouse space. The real value of economic space completed at constant 1992 prices declined from R2,1-billion in 1992 to R1,2-billion in 1995," it added.

It said "the increased crime rate has caused considerable changes in the types of residential units built by the private sector since 1992" and that townhouses, with their higher security features, increased their share in the value of residential buildings from 15,2% in 1992 to 25,9% in 1995.

New townhouses built over this period increased from 4 782 to 12 010.

Privately financed residential buildings showed a decline in 1993, but had since picked up to reach a value of about R3,3-billion.

Most housing construction took place in the fast-developing Pretoria, Centurion, Sandton and Durban areas.

The bureau said the total number of new houses – not including government-funded housing – built in the same period was about 150 000, which compared "unfavourably with the housing needs of South Africa".

"In 1995 the RDP hoped to increase housing delivery to 300 000 a year with a target of between 1 million and 1,5 million over five years," the bureau added.

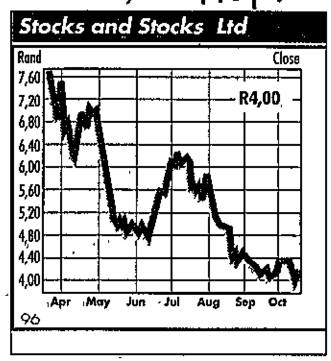
Company News

Stocks & Stocks in R400m coup

(32) CT (BR) 17/10/96

John Spira

Deputy Editor



Johannesburg — Construction group Stocks & Stocks has clinched contracts worth more than R400 million in the past month, an achievement which belies a halving in the share price since the beginning of the year.

Biggest of the new contracts is the R155 million extension of the terminal facilities at the Johannesburg International Airport, where the group is already building South African Airways' new R70 million headquarters.

Other large contracts recently concluded include a R60 million for extensions to the Brooklyn shopping centre in Pretoria, a new R30 million contract for the construction of a new office park in Rivonia, and a R12 million deal for extensions to the Paul Kruger Hospital in Rustenburg.

Outside South Africa the group bid successfully for the government supplies building in Gaborone, the project value of which is R12 million. In Windhoek the group has been awarded a R130 million contract for the new government office.

Other contracts have been secured in the Gauteng and North West regions in partnership with emerging business contractors.

In the year to April 30, Stocks & Stocks lifted earnings from 42,9c to 69,4c a share for a four-year annual compound growth rate of 27 percent.

Stocks & Stocks recently indicated that it planned to unbundle its property and leisure interests into separate, listed companies.

2 die as R75-m building falls

(52) Sowetan 18/10/96

By Josias Charle

Two construction workers died, three more were feared dead and at least 10 others seriously injured when a R75-million building they were working on collapsed in Pretoria North yesterday.

The area around the partly collapsed building resembled a major disaster scene as more than 100 rescue workers and police worked frantically to free trapped workers.

The first man, aged about 30, died around 1pm – five minutes after being rescued from the rubble. He had been trapped for more than four hours.

As rescue workers were trying to stabilise him, the man gasped for air and died. He appeared to have suffered severe head and back injuries.

Second casualty

An hour later, the second casualty was brought to the surface after firemen removed huge chunks of concrete slabs from where he was trapped.

They dug for more than two hours before reaching his body. He was strapped on to a wooden stretcher and his mangled and bloodied body was covered in a blue blanket before being taken away.

Sniffer dogs were brought in to identify spots where workers could still be trapped.

Rescue workers had to break down one section of a wall to reach about two other workers trapped in rubble that was more than five metres high in places.

Emergency workers had to use cutting torches and remove chunks of stone to reach the injured. One victim had to be given pain killers intravenously while the rescue operation was under way.

Assorted tools were used to reach the injured. Emergency personnel used hydraulic hammers, airbags to lift the concrete slabs and jaws of life to cut through the rubble.

The building, a new shopping mall, collapsed at about 9am while the workers were removing scaffolding.

Some workers managed to crawl from the rubble of twisted reinforced steel and huge slabs of set concrete blocks hanging dangerously from the three-storey building.

Police investigator Director Willie du Preez said the cause of the collapse would only be determined after tests had been carried out. But it seemed as if the scaffolding had been removed "too early".

Du Preez said a preliminary check showed that some of the cement slabs had not set properly. He did not, however, want to confirm if that was the cause of the accident.

Sapa reports that the second building phase of the mall had not been approved by the Pretoria City Council.

City development controller Mr Daan Visser told a Press conference that building plans for the first phase were appro-ved only six months after construction started in January last year.

In May last year, the city council, after several warnings, obtained a court interdict prohibiting further construction. "Even this court order was not heeded," Visser said.

Because the project was illegal, building work was never inspected in that time.

Rescue and construction workers go through the rubble while they try to help victims at a construction site in Pretoria North after the building collapsed yesterday morning. Kango hammers and vetta airbags were used to lift concrete slabs and jaws of life to cut through the rubble. Inset: Paramedics try to resuscitate an injured worker after the accident.

MURRAY & ROBERTS (32)

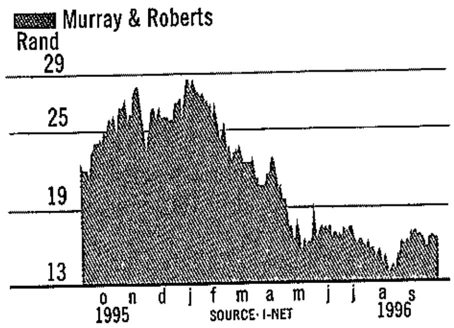
FACING MARKET WEAKNESS

FM 18/10/96

After the events of 1996, no-one would blame CEO Graham Hardy for keeping his fingers crossed that his first year in office would not prove typical of his tenure at the helm of M&R.

- **ACTIVITIES:** *Contracting, building materials, transport and engineering.*
- **CONTROL:** *Sankorp 32,9%.*
- **CHAIRMAN:** *D C Brink. CEO: G D Hardy.*
- **CAPITAL STRUCTURE:** *346m ords. Market capitalisation: R5 846,9m.*
- **SHARE MARKET:** *Price: 1 690c. Yields: 2,9% on dividend; 6,4% on earnings; p:e ratio, 15,5; cover, 2,2. 12-month high, 2 850c; low, 1 375c. Trading volume last quarter, 15m shares.*

Year to June 30	'93	'94	'95	'96
ST debt (Rm)	252	219	231	293
LT debt (Rm)	671	729	690	1 051
Debt:equity ratio	0,37	0,26	0,18	0,32
Shareholders' interest	0,38	0,40	0,42	0,39
Int & leasing cover	6,8	5,5	6,1	3,9
Return on cap (%)	11,5	11,5	12,1	9,8
Turnover (Rbn)	6,78	7,77	9,28	10,75
Pre-int profit (Rm)	530	594	731	703
Pre-int margin (%)	7,8	7,6	7,9	6,5
Earnings (c)	106,2	108,1	126,4	108,7
Dividends (c)	40,0	42,0	47,0	48,5
Tangible NAV (c)	493	575	686	759



The annual report leaves the impression that profits were under siege on most fronts. The event that received the most publicity — though, arguably, not the most important in terms of the disappointing group results — was the dispute that erupted between Siemens AG and M&R's 71% subsidiary, Union Carriage & Wagon (UCW) over the supply of rapid transit train sets to Taiwan.

It resulted in the cancellation of the contract between these two companies, and the R160m provision that M&R raised in its 1996 financial statements to cover potential losses.

Though this was a severe blow, the financial effects were largely offset by a non-operating surplus of R127,4m earned on the disposal of noncore activities. After the R7,7m deficit in 1995, the turn here exceeded R135m, leaving the combined effect of these two extraordinary items as a R25m drain on pre-tax profit (4% of the 1995 figure). Damage to EPS should have been limited to less than 5c or about a quarter of the actual decline of 17c.

These effects were less damaging than the R42m (18%) increase in the net depreciation charge arising from a much larger fixed asset base and the R62m (52%) leap in finance costs as net borrowings doubled to R905m.

Both these, in turn, were less important than the amount "missing" from profit because of thinner trading margins. Calculated before the UCW situation and non-operating capital profits, the 1996 margin shrank from 7,9% to 6,8%. On a turnover base of R10,7bn, that represented a profit shortfall of R118m.

From this it is apparent that the overriding factor behind M&R's failure to achieve its forecast real improvement in earnings was the continued decline in the building and construction component of gross domestic fixed investment.

This, in turn, meant the group was unable to benefit from additional capacity installed in anticipation of an RDP-based bonanza. Instead it has had to contend with a business environment that has remained intensely competitive.

It also adds perspective to the latest (and continuing) restructuring and refocusing programmes.

Clearly, what management hopes to achieve by telescoping the group into fewer, more broadly based divisions is enhanced profitability through more effective overhead recoveries and, possibly, improved cross-pollination of expertise within these larger business units, but without diminishing its capacity to respond when the building and construction cycle turns positive — as it must do at some stage.

However, the report suggests it would be unwise to view this restructuring progress as a quick fix.

Chairman Dave Brink sees the group in 1997 "producing earnings and dividends which will be more enthusiastically received by shareholders."

But Hardy cautions that despite the significant increase expected in pre-interest profit, bottom-line earnings will depend on the extent and timing of disposals of noncore activities. This is an obvious reference to the fact that almost a quarter of last year's pre-tax profit was non-operating income.

Still, management's continuing optimism despite last year's setbacks has probably helped support the investment rating of the share.

Though the price halved between January and August before settling at around R17, the market has merely downrated M&R to parity with the Industrial Holding sector (on earnings multiples). Last year it achieved a premium rating when an 18% EPS advance was taken as a sign that the group was breaking out of a three-year earnings plateau.

That assumption proved premature but, clearly, there is still a wide body of investor opinion that shares management's view that the group will perform once more normal conditions return to the building and construction sector. *Brian Thompson*

Completed building projects rise to R6,1-bn this year

ARG 24/10/96

CHARLENE CLAYTON
PROPERTY EDITOR

(32)

The total value of buildings completed during the first eight months of 1996 increased by 12,8 percent or R696,8 million to R6 149 million, compared with the same period last year.

But the value of building plans increased only marginally – by 2,4 percent or R290,2 million to R12 475 million.

The largest increase in the total value of buildings completed was reported in Gauteng where 25,4 percent more buildings were completed during the first eight months of this year, compared with the corresponding period last year.

Large increases were recorded in completed townhouses and non-residential buildings – R241,3 million and R183,5 million respectively.

Large increases were also recorded in the number of dwelling houses completed in Potgietersrus, Port Elizabeth and Strand, of which the greater portion was for low-cost housing.

In Potgietersrus, 657 homes were completed, in Port Elizabeth 432 more dwellings and in Strand 367 houses.

Industry welcomes Green Paper

CT (BR) 28/10/96 (32)

Maggie Rowley

PROPERTY EDITOR

Cape Town — The property, building and construction industries have warmly welcomed the public works department's Green Paper released last week, saying it will usher in a new era of co-operation between the public and private sectors.

Brian Kirschmann, the executive director of the South African Property Owners Association, said the association had helped the government before, but this would be first time the ANC government was actively seeking private-sector participation.

He said the association had formed a committee to assist the public works department.

Ian Robinson, the executive director of the Building Industries Federation of South Africa, agreed with him. "The recognition that previous adversarial relationships between the department and the construction industry have not been conducive to economic growth and the paradigm shift to co-operative approach is very evident and we look forward to a co-operative and productive future."

He said the federation welcomed in particular the director-general's plan to cut staff from 8 000 to 3 000 and hoped it would set an example for other government departments.

He said, however, that the emphasis on achieving socio-economic objectives would delay the delivery process in the short term and would increase costs.

Building sector still suffering

CT(BR) 29/10/96

MAGGIE ROWLEY

(32)

Cape Town — The woes of the building and construction sector continued, with contractors' profit margins under pressure as tendering competition intensified, the Bureau of Economic Research said in its fourth-quarter survey of the industry.

The bureau said the drop in building activity resulted in a keener tendering environment, forcing contractors to reduce their profit margins. This was reflected in a slower than expected increase in building costs of 8,9 percent year-on-year in the third quarter.

The bureau now expected building costs to show an average increase of 10 percent against its initial forecast of 11 percent. Building activities of contractors were constrained by a lack of demand for building work and the cost and availability of finance, the bureau said.

However, no further significant deterioration in conditions was expected during the fourth quarter by either the residential or non-residential sector.

The outlook for sub-contractors was less optimistic, with the majority of those surveyed reporting the volume of work on hand significantly down in the third quarter and a further drop expected in the fourth quarter.

Architects surveyed were still experiencing a decline in work volumes, with a net 13 percent reporting worsening business conditions in the third quarter against a year ago. It appeared the declines reported in the last few quarters were bottoming out, with one percent indicating they intended increasing employees.

Public works chief criticises builders

CT (BR) 29/10/96 (32)

JONATHAN ROSENTHAL

Cape Town — Tension is brewing between the public works department and the construction industry over some of the policy recommendations contained in a Green Paper on the industry which will be released next week.

Lulu Gwagwa, the deputy director-general in the department, said yesterday that the construction industry was dominated by a few large firms, had seen its productivity decline since 1970 and had contributed to destroying the social and political fabric of South Africa.

Volatility in demand and pronounced fluctuations in construction had adversely affected investment. This had left the construction and material supply sectors with insufficient capacity to respond to an upturn in fixed investment, Gwagwa said.

The material supply sector would take three to five years to reactivate existing production facilities to optimum capacity.

She attacked the industry's flexible form of production, based on sub-contracting, to cope with the fluctuations in demand, saying it had led to a dramatic decline in health and safety standards and productivity.

Gwagwa said the Green Paper proposed to support the emergence of new contractors to increase capacity.

The government also planned to establish a construction industry development board to integrate and promote the construction industry, as well as a construction enterprise promotion agency to promote and finance the development of emerging contractors.

But delegates to the convention of the South African Federation of Civil Engineering criticised Gwagwa for the lack of consultation on the new plan.

Ian Robinson, the executive director of the Building Industries Federation of South Africa, said the industry had not been consulted.

"We are told what is going to happen and invited to ask questions. That is not my view of consultation," Robinson said.

An industry source also attacked the notion the industry lacked capacity, saying it had considerable excess capacity.

Industry welcomes plan to revamp public works

(32) BD 30/10/96

Reports by
Lukanyo Mnyanda

THE building and property industry has welcomed the proposed restructuring of the public works department, saying it was the first real signal that government recognised the importance of working closely with the private sector.

SA Property Owners Association (Sapoa) CEO Brian Kirchmann said he was excited that government had shown a "willingness to form partnerships with the private sector".

The association, whose members control about R150bn in commercial and industrial property, was looking forward to using its resources to assist government with the development and management of properties.

Public Works Minister Jeff Radebe last week published the department's green paper, which proposed a greater role for the private sector in maintenance services. The department also pledged to work more closely with the construction industry in property development.

He said departments would also be able to source property and the management of facilities services from the private sector from the 2002/03 financial year.

Kirchmann said privatisation was likely to be added to the mix at a later stage, and Sapoa welcomed the prospect of getting involved in that as well. "We've been knocking on the door for a long time and we're excited with the paradigm shift," he said.

Building Industries Federation of SA (Bifsa) executive director Ian Robinson also welcomed the proposals, especially the plan to reduce department staff from 8 000 to 3 000 as it should set an example for other government departments.

Robinson also welcomed the acknowledgement that "previous adversarial relationships" between the department and the construction industry had not been conducive to economic growth.

"The shift to a co-operative approach is very evident, and we look forward to a productive future in the new relationship."

However, the emphasis on the achievement of socioeconomic objectives was likely to delay the delivery process in the short term and would inevitably increase costs, Robinson said.

The change in approach was the most positive feature of the green paper, produced by "a progressive department under young and dynamic leadership".

Association of SA Quantity Surveyors president Koos Klopper also welcomed the green paper, but warned that successful downsizing could be achieved only through the adequate use of private sector expertise.

"It is important that alternative expertise be used to ensure that projects initiated on behalf of government are properly executed and monitored, especially in view of the extent of the downsizing envisaged in the department," Klopper said.

CONSTRUCTION

Builders on the scaffold

eT (PTR) 1/11/96 (32)

MAGGIE ROWLEY

PROPERTY EDITOR

A shortage of skilled labour is already evident in the construction industry and will become more severe as major projects get under way. This will result in upward pressure on building costs, warns Jan Kaminski, the deputy chairman of Wilson Bayly Homes/Ovcon and the chairman of the newly merged group's construction division.

Kaminski says most, if not all, construction companies downsized during the long recession, opting to sub-contract work out when necessary.

This has had a negative effect on in-house training by companies, leading to a shortage of managerial staff and foremen. In addition, many skilled people have left the industry during the downturn and standards have dropped almost across the board, particularly with regard to sub-contractors.

"The downside of using sub-contractors who, in turn, often employ labour-only teams, is that they could let the main contractors down and, if subject to penalties, they might not have the cash flow to survive, with the main contractors having to take the brunt," he said.

While the shortage of skills is a national problem, it will be particularly severe in the Western Cape when a number of large projects get under way soon.

"We have been waiting for this building boom for seven years. It now looks like it is eventually going to start with seven new hotels going up in one precinct alone, not to mention any of the Olympic-related contracts and hotel and other developments elsewhere in the city."

The timing of many of these contracts, he says, will overlap significantly, which will put great pressure on skill resources in the industry.

WBHO is expecting to pick up the R140 million contract for three Southern Sun hotels on the foreshore in Cape Town, for which it came in with the lowest tender in a joint venture with Grinaker.

Kaminski says one of the major benefits of the recent merger between Gauteng-based WBH and the Cape-based Ovcon is that the group's resources are pooled and they can move to the place where they are most needed.

The construction industry, says Kaminski, is undergoing a shake-up and realignment, with medium-sized players really being squeezed in a vicious tendering market.

"The very competitive tendering and increasing skills shortage in recent years have resulted in standards dropping. Some of the bigger clients have got wise to this and have opted for selected tender lists of contractors they believe can cope with a large contract and do a good job. Negotiations with favoured contractors have also become more common."

He says that, through the merger, WBHO is now among the larger players in the market and is getting a bite at contracts it was not in a position to bid for previously.

The construction division, he says, has a healthy order book and was ahead of budget for the year to June 30.

Among contracts it has picked up in Gauteng are the new R100 million Investec head office building in Sandton, the Holiday Inn Garden Court in Eastgate and the R60 million Hyundai motor assembly facility in Gaborone.

Existing projects include the Motor World at Northgate, additional major work at Sun City, a clubhouse and lodges at Leopard Creek in Malelane and the new headquarters for MultiChoice Africa as well as the remodelling of Park City Station in joint venture with associate company Rainbow Construction.

Its smallest division is KwaZulu Natal, which is presently constructing hospitals in Newcastle and Umhlanga Rocks and a number of reservoirs in the province as well as undertaking refurbishment work for the Frame Group. A joint development with Mark 2 of the Athlone Hotel site will begin shortly.

Work on hand in the Western Cape includes the Corex plant at Saldanha in a joint venture with Stocks & Stocks and Norwich on Main Office Park at Claremont.

Fund to pay out R18m

32

Robyn Chalmers

THE national home builders registration council's warranty fund would have spent R18m on rectifying shoddy workmanship by February 1999, leaving R13,6m in reserve.

The council recently established a separate warranty fund, funded by a 1,3% levy on the selling price of new houses valued at under R250 000. While no legitimate claims against the fund had been lodged, some were expected soon.

Council MD Peter Allsopp said at the weekend that nine contractors registered with the council had been blacklisted for poor workmanship and financial problems.

"The council anticipates an escalation in the deregistration of defaulting and unco-operative contractors, mainly brought about by financial irregularities."

Allsopp said a contractor grading system would be introduced in 1998, whereby contractors would be given a star-rating based on their quality of workmanship rather than the quantity of homes they had built.

BD 4/11/96

Builder, contractor deals 'a success'

Lukanyo Mnyanda (32) BD 14/11/96

THE country's established construction companies have expressed satisfaction with the performance of their joint ventures with emerging contractors, saying that they had already won some large contracts and looked forward to even bigger achievements.

Grinaker Construction subsidiary Nare Grinaker, a 50-50 joint venture with a consortium of emerging contractors, said it had secured contracts worth about R23m since its launch last year and the order book was growing "beyond expectations".

Joint MD Ken Leach said in the latest corporate newsletter that most of the company's work was in Soweto, where it had recently completed a R9,5m upgrade of hostels in Dobsonville and the construction of a sports facility in Moletsane.

It had also completed a R12m contract for refurbishment of a hostel in Meadowlands, converting 600 single units into family units. The company had also won a R700 000 contract from the United Cricket Board of SA for the construction of a cricket change room and ablution facility at Kagiso sports centre.

Leach and joint MD Moses Molefi said Nare Grinaker looked forward to a period of further growth, with planned projects including retail developments in Meadowlands, Dobsonville and Protea North.

Basil Read also said it was satisfied with Armac, a joint venture with project managers Amsa and the Atlantis & Districts United Contractors, which had won the R173m contract for the design and construction of the Malmesbury Prison in the Western Cape.

Armac had achieved the highest RDP score and lowest tender price when it was awarded the 11-month contract for the 46 500m² medium and maximum security facility for 1 000 prisoners.

Murray and Roberts community construction head Chris Cudmore said the division was satisfied with progress in its joint ventures with emerging contractors, but Gauteng lagged behind other regions.

Group 5's building division placed value of joint projects with black contractors at more than R200m.

450 builders in Western Cape register with national council

PROPERTY EDITOR (32) ARG 14/11/96

A total of 450 Western Cape builders have registered with the National Home Builder's Registration Council. Applications were received from 544 builders in the region.

None of the 11 builders that have been blacklisted are from the Cape, although one large company is being investigated.

Managing director of the council Peter Allsopp declined to reveal the name of the company until the investigation had been completed.

A council official had visited Cape Town yesterday to investigate complaints against the company, he said.

At a media briefing yesterday, Mr Allsopp said it was council policy to publish the names of the companies that had deregistered and to supply the names and sponsors behind the company.

The council was established in June 1985 to ensure that building standards were upgraded in South Africa and that homeowners were protected from fly-by-night operators.

It is a non-government, non-profit section 21 company and was established following complaints of shoddy worksmanship from consumers which resulted in bond repayments being withheld.

It was one of the mechanisms put in place to encourage banks back into providing finance in the low-cost housing market.

The Association of Mortgage Lenders, the representative body of the banks, and the council have agreed that as from February 1 this year, bond finance will not be given on new houses of R250 000 or less unless a warranty certificate is provided on the building.

Warranty certificates can only be issued by registered builders who are obliged to comply with the council's building standards and guidelines. In terms of the warranty, builders have to provide a five-year warranty on the structure of the house.

Mr Allsopp said a revision of the standards and guidelines was underway so that a warranty could be provided for all new homes.

It was possible that the current 1,3 percent levy, which was payable by the homeowner, could be calculated on a sliding scale in the higher priced home bracket.

On the finances of the council, Mr Allsopp said the company no longer required overdraft facilities or guarantees from other building industry organisations.

It had also established a warranty fund which would support the council conciliation and arbitration services through an indemnity fund.

This fund would be available to finance the rectification of defects where registered contractors failed to meet their obligations to consumers, Mr Allsopp said.

Government policy bedevils construction

BD 15/11/96 (32)

Robyn Chalmers

BOTTLENECKS in the delivery of housing and infrastructure services continue to bedevil the construction sector, with concerns focused on market uncertainty over government's RDP, housing and public works policies.

A report from a recent workshop to discuss the problems facing the construction industry found that investment was not taking place at anything like the levels needed to sustain companies in the sector.

The report, compiled by SA Federation of Civil Engineering Contractors economist Henk Langenhoven, found that investment levels in the industry were approaching the same low levels last experienced in the 1991/92 recession.

"These low levels have mainly been because of inactivity from our main client, government, which is responsible for 90% of the civil engineering market," the report said. "The private sector has, in many cases, put their money where their mouth is and kept investing."

The report said contradictions in policy signals from different departments were also of concern, although some departments — such as transport, water affairs and public works — were succeeding in putting out contracts. The housing department was struggling to get its programmes off the ground, largely due to poor capacity and little co-operation from stakeholders, although there were recent signs of improvement.

The infrastructure portion of the RDP had fallen under the constitutional development department, but viable urbanisation was largely dependent on housing with services.

"The result is that services provision is continuously declining as a portion of our market," the report said.

There was an urgent need to sort out the policy contradictions emanating from different departments, to ensure that the industry did not "wither away".

There was an overall drive to bring delivery down to the lowest level of government possible. While this was supported, the problem of capacity to implement housing projects was a major bottleneck.

Community-based contracting could lead to the loss of construction capacity — when contracts went to communities the amount of work available to losing companies diminished.

"This must be seen in contrast to the clear capacity problem among communities to do the contracting required," the report said.

Agricultural union rejects tenure move

Louise Cook

BD 15/11/96

THE Transvaal Agricultural Union yesterday rejected moves by Agriculture and Land Affairs Minister Derek Hanekom to give "artificial" tenure security to people not actively employed on farms.

The union said the planned laws would jeopardise farmers' property ownership rights and rights as employers, upset labour relations in agriculture and hamper food production.

"Service contracts between farmers and workers provide for worker accommodation on the farm linked to conditions of service. It is obvious that a worker no longer employed on the farm, has to find another home — as in every other sector of the economy."

The union said unemployed people were not entitled to artificial claims to farm land.

Meanwhile, draft legislation on tenure security was being prepared by the land affairs department. Land affairs spokesman Maurice Smithers said the tenure security laws were urgent, but the department was careful not to create inappropriate measures.

Fund could face claims of R17m

32

CT (MR) 15/11/96

MAGGIE ROWLEY

PROPERTY EDITOR

Cape Town — Claims against the newly formed building defects warranty scheme are expected to top R17 million over the next 26 months, Peter Allsopp, the chairman of the National Home Builders Registration Council, said this week.

The warranty fund was formed in February this year to protect consumers and covers all houses up to R250 000 built by companies registered with the council.

Companies have to register with the council to qualify for bond finance from banks.

Allsopp said no claims had yet been lodged with the council because it took time for defects to manifest themselves.

These were expected to start filtering through shortly and, according to the council's financial modelling, were expected to total R17,68 million by February 1999.

The warranty fund, he said, was planned to be extended to houses costing more than R250 000 by mid-1997 once council guidelines and standards for this sector of the market had been drawn up. This move has been strongly opposed by a number of stakeholders in the industry, including the Building Industries Federation of South Africa.

Last month the council published a list of nine contractors who had been delisted following various complaints against the companies and in some instances financial irregularities.

Allsopp said a 10th contractor, J Mahlangu of Gauteng, had now been deregistered after his cheque to the council had bounced and "he had been unwilling or unable to co-operate with the council".

Low-cost housing will lay the foundation for real growth in building

(32) ST(BT)24/11/96

CONSTRUCTION

BY DON ROBERTSON

THE building and construction industries have again weathered a difficult year but, ever optimistic, builders are forecasting a better year in 1997.

Bureaucratic bungling and a lack of progress on reconstruction and development projects were cited as constraints in 1995, but there was hope that improvements would come into effect in the current year. By all accounts, this has not happened.

Ian Robinson, executive director of the Building Industries Federation of SA, says the industry will achieve a growth rate of about 5% for the year compared with forecasts of about 10%.

Ian Strickland, president of the SA Association of Consulting Engineers, says 1996 was not a particularly good year for the industry. There has been increased pressure on firms to reduce fees and the government has taken a long time to get its administration in order.

But both are cautiously hopeful that the new year will bring some improvement provided crime and violence can be contained.

In his last annual report, Graham Hardy, chief executive of Murray & Roberts, said of the crime wave: "I believe it is necessary to record our deep concern at the further breakdown in law and order in our country.

"We need the confidence of all South Africans, as well as that of long-term international investors, if we are going to achieve the necessary growth targets. This confidence is not helped by the near anarchy that exists in many areas of our land.

"A strong hand is needed now from the highest levels of government to stamp out activities which threaten to destroy our society."

Apart from the disruptive impact of crime on housing development, rising interest rates put a further dampener on RDP projects, although there is hope that next year will finally see the beginning of real expenditure.

The building industry has been waiting for the low-cost housing system to kick into gear. Robinson forecasts a possible marginal increase in interest rates next year which should constrain growth, but housing development should nevertheless begin in earnest.

The further possibility that interest rates could decline by as much as three percentage points towards the end of the year could put the industry back on track, with growth of up to 10% in both 1998 and 1999.

As long as Cape Town remains a bidder for the 2004 Olympics and tourism maintains its growth, additional construction can be expected. Should the industry expand as expected, a shortage of management could become a problem.

Once projects such as Alusaf and Columbus are completed, the construction industry will be more dependent on work from central government and local authorities.

In the last seven or eight years, the construction industry has relied on government for almost three-quarters of its business. Today the figure is higher. A problem, however, has been the inordinate time taken by government to redesign its administration procedures and train suitable civil servants.

"Many of the experienced civil servants have taken early retirement and new people have been appointed," says Strickland. "Many of them, especially those newcomers in local government, have little experience in administering construction projects and need assistance. The consulting engineers' association is facilitating the secondment of staff from its members to certain government departments which have requested this."

The association, as part of the Alliance of Development Professions, has developed good working relationships with the departments of Public Works and Transport. These departments have shown an enlightened approach to implementing policies of empowerment and capacity building without sacrificing competence and experience, says Strickland.

The Public Works' pilot roster system, with all its shortcomings, is the product of effective consultation between government and the private sector and represents a vast improvement over the scheme initially mooted.

The association will also embark on a campaign to inform new decision-makers, particularly at local government level, of the criteria which should be considered when appointing professional consultants.

Strickland is, however, hopeful that RDP projects will improve in the coming year, especially in the Western Cape.

Brian Holmes, president of the SA Federation of Civil Engineering Contractors, echoes Strickland's concern at the lack of skills at provincial government level, citing the Eastern Cape as being understaffed. He is hopeful, however, that next year will bring some improvement after a disappointing 1996 with the rest of Saldanha Steel, Huletts Aluminium and major road works on the N4 and N3 likely to be awarded.

The civil engineering industry is operating at about 70% of capacity and has sufficient skills available to meet any increase in demand. Should the market take off, however, a shortage of staff at foreman level could be experienced, he says.

The building sector is more private-sector oriented and with a reasonable level of confidence evident, better results can be expected in the years ahead.

Strickland also believes that if South Africa is to avoid sinking into a third-world economy, the government must reduce short-term consumer expenditure and increase the development of suitable infrastructures.

"It is equally important for the government to set aside funds to carry out maintenance on the infrastructure which already exists. Timely expenditure on maintenance can avoid the need to spend larger amounts on reconstruction," he says.

At the annual convention of the International Federation of Consulting Engineers in October, vice-president Steyn Laubscher said the substantial decline in investment in infrastructure since 1980 had been accompanied by a corresponding drop in gross domestic product per capita.

WARNING SHOTS . . . Graham Hardy, CE of Murray & Roberts, who says crime hinders investment ɪY NEWS

Tender reforms 'help black construction'

(32) CT(BR) 27/11/96

THABO LESHILO

Johannesburg — Small black construction companies were benefiting from the government's changes to tender and procurement procedures to award black companies public tenders, Josh Nkosi, Makhosi Construction's managing director, said yesterday.

But he said large amounts of credit were not available to the newly formed black construction companies and discrimination was still rife among some large construction and development companies.

PAVING THE WAY *Josh Nkosi, Makhosi's managing director, is succeeding despite discrimination* PHOTO JOHN WOODROOF

He said Makhosi Construction, a small black-owned building and civil engineering company, had made a name for itself in the multibillion-rand construction industry through the government's reconstruction and development programme.

Established in June 1994, Makhosi was involved in projects worth about R52,6 million and has completed contracts worth R10 million. Nkosi expected a turnover of about R50 million in the next financial year. The company is in partnership with Concor, the construction company.

Nkosi said the company has a 50 percent share of a R43 million contract for the building of low-income houses for the public works department.

(32)

Building set for nil growth in 1997

ST (BT) 1/12/96

CONSTRUCTION

By DON ROBERTSON

LAST month's one percentage point increase in interest rates coupled with the decline in business confidence will have a severe effect on the building industry next year.

Hopes of a 10% rise in building volumes this year have been thwarted, and Ian Robinson, executive director of the Building Industries' Federation of SA says the real increase will be about 5%.

He believes the adverse business climate, plus the weak rand and the government's lassitude on exchange control regulations, will stall the industry into zero growth in 1997.

He is, however, more optimistic about 1998 and 1999, when growth of 8% is expected.

It is expected that interest rates will fall by one percentage point before the Budget and by a further two percentage points before year-end.

Compounding these problems are figures from the Central Statistical Service which show that in the first nine months of 1996, total building plans passed rose by a mere 2,1% or R291-million to R13,9-billion compared with the same period in 1995, a real decline in values.

Actual declines in building projects approved were recorded in Kwazulu Natal and the Free State, worth a combined R609-million.

More significant is the 2,4% or R155-million decline to R6,5-billion in the value of residential buildings passed. This, says the CSS, is because of the R420-million drop in the value of townhouses and flats.

In contrast, the value of homes rose R71-million and non-residential buildings by R343-million.

Robinson expects between 50 000 and 100 000 homes in the R15 000 range to be completed next year, with a further 50 000 in the R65 000 price range. Mass housing could add a further 40 000 to 80 000 homes.

"What the authorities need to do, though, is bite the bullet, speed up privatisation and relax exchange controls," he concludes.

Building industry to get much-needed RDP boost

(32) CT (BR) 2/12/96

Maggie Rowley

Cape Town — The building and construction industry will get a significant boost from the RDP housing programme next year, with activity in the industry rising between 8 and 9 percent, the Building Research Strategy Consulting Unit said on Friday.

Llewellyn Lewis, the executive director of the independent research group, said in his fourth-quarter survey of the industry that the sector was likely to perform far ahead of general expectations.

He said that though the majority of companies surveyed were positive about activity for next year, expecting growth of up to 5 percent, these expectations were based on the perception that the number of RDP houses being built was fairly low and that the endorsement of the RDP by business was lukewarm.

"However, the reality is that the RDP housing programme is gathering momentum and it is expected that about 30 000 affordable houses in the price range of R30 000 to R65 000 will be built in 1996 and about 40 000 to 50 000 in this price range in 1997," Lewis said.

He said it was expected access would be created to a further 185 000 to 200 000 affordable housing opportunities next year.

"Some of these opportunities will be based on a combination of core housing and self-help, but the majority will result in self help housing solutions," he said.

He said access to 1,3 million affordable housing opportunities was expected by the turn of the century. Of that figure, about 130 000 would be in the cost range of R35 000 to R65 000, 190 000 would be in the cost range of R20 000 to R35 000 and just over a million would be in the cost range below R20 000.

Lewis said that though the bulk of new housing would fall in the self-help range, activity would translate into growth in the building industry and would add to the growth expected in the more traditional markets.

"Therefore, we believe that total growth in the industry could be between 8 and 9 percent, with the affordable housing segment contributing between 3 and 4 percent of this growth."

Lewis warned, however, that there were many problems which could inhibit growth of this magnitude, including the high level of crime and the loss of adminsitrative efficiency in the public service and local authorities because of affirmative action.

Grincon will become 'one of top four construction firms'

Lukanyo Mnyanda (32) BD 2|12|96

ELECTRONICS and construction group Grinaker Holdings' unbundling exercise, which sees the separate listing of its construction arm today, was likely to unlock value and create one of the top four construction companies in SA, analysts said.

The group's failure to provide an earnings forecast for the new company — Grinaker Construction (Grincon) — made it difficult to forecast a share price, but the consensus was between 860c and 870c a share, based on historical performance.

Grinaker, an Anglovaal subsidiary, is one of SA's largest construction groups with a turnover of almost R2bn for the year ended June and a market capitalisation of R867m based on Friday's R24,80 share price.

Grinaker Holdings MD Jack Saulez said that the holding company's 81% stake in Grincon and a part of its holding in Grintek (10%) would be distributed to shareholders.

The construction division would be listed in the building and construction sector, with Grinaker being transferred to the electronics sector. Grinaker shareholders would retain their shares and receive 102,2754 shares in Grincon and 60 Grintek shares for every 100 Grinaker shares.

Analysts were bullish about Grincon's prospects, with some saying the construction side had been undervalued. "The electronics sector has stolen some of the limelight and the unbundling will unlock some value on the construction side," an analyst said.

Grincon increased pre-tax profit 17% to R40,2m in the year to June.

Builders concerned, survey shows

(32)

Lukanyo Mnyanda

BD 4/12/96

BOTH emerging and established building contractors perceived the first two quarters of the year to be up to 5% better than conditions last year, but they had serious concerns about key areas of their operations.

The BMI building research strategy unit's fourth quarterly survey also found that the decline in confidence level dating from last year's fourth quarter had largely been contained, with about 56% of the 121 respondents expecting improved conditions over the next year.

BMI executive director Llewellyn Lewis said both emerging and established contractors were concerned about building materials prices, which they believed were increasing faster than the inflation rate.

The survey showed 44,1% of emerging sector respondents thought materials' price increases were above the inflation rate, as did 35,6% of the established contractors.

"With the latest inflation figures at just more than 9% ... the respondents would expect material prices to increase by no more than 10% a year." But the price monitor of actual costs had shown prices of materials for a 42m² "affordable house" had risen only 4,4% since last December.

Another factor which had harmed confidence was the perception that the country had not achieved much in its quest for peace and stability.

These views showed the importance of curtailing crime if SA was to become a winning nation and achieve the growth levels envisaged in government's macroeconomic strategy.

Perceptions that government was making progress towards privatisation and that SA was establishing a culture of democracy and a strong entrepreneurial spirit had helped counter some of the negative feelings.

Local authorities had to be empowered to become more effective in implementing government policies, or development would not take place.

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New rules for loan subsidies could hamper delivery, builders warn

(32) BD 6/12/96

Robyn Chalmers

HOUSING developers warned yesterday that new lending criteria to be introduced by banks for mortgages on January 1 could affect the delivery of low-cost housing severely.

The National Association of Home Builders (NAHB) and SA Residential Developers' Association said the criteria could lead to 80% of the 60 000 houses facilitated by private developers a year not being built. Both associations said banks had not consulted developers, government or consumers.

The new criteria, which include amendments to the home loans subsidy formula for public servants and lower income bracket buyers, mean a person who previously qualified for a loan of R85 670 over 20 years would qualify only for a R60 000 loan.

NAHB president Victor Booth said: "This will result in many private sector developers being forced to close their doors, further frustrating housing delivery."

However, President Nelson Mandela yesterday recommitted government to delivering a million low-cost houses by 1999, saying the housing programme was visibly under way.

Recent government statistics showed 169 000 houses had been built or were under construction between October 1994 and September this year. This meant 28 000 homes had to be built each month to meet the target.

At the launch of the Protea Glen extension 11 project in Soweto, Mandela said it was inevitable that there should be a slow start to the housing programme. "There were many inherited problems to overcome. Capacity and skills had to be developed, consensus on policy had to be forged (and) democratic government — including local authorities — had to be established."

Mandela said the housing ministry was likely to have spent its budget by the end of the financial year, and rolling over funds was becoming a thing of the past. Free State, Western Cape and Gauteng had spent their budgets, and more provinces could do so by the end of the financial year. The challenge was to turn this flow of funding into bricks and mortar.

The number of subsidies released nationally each month had risen to almost 6 000 from 500 last year, which meant about 30 000 people were benefiting from the subsidy scheme.

Mandela said a partnership between government and developers had turned the R1,3bn Protea Glen into a housing project accessible to people earning less than R40 000 a year.

Picture: Page 3

Building industry 'leaner and fitter'

(32) BD 11/12/96

THE SA construction industry had emerged healthier from tough times in the early 1990s and was poised to benefit from an expected upturn, a report from European credit rating agency IBCA said.

The industry had stagnated and many construction firms had been forced to launch radical restructuring programmes. However, IBCA said most companies had emerged leaner and fitter.

"Most of the groups in the industry are ... well positioned to benefit if the expected improved conditions materialise, and similarly better able to withstand adverse market conditions."

Available data showed that investment in real terms in the industry was set to grow 3% this year.

IBCA said that government funds for infrastructural development were now beginning to come through and should boost the sector in the short-term after being tied up due to bottlenecks in the delivery system.

Local building firms were also starting to spread their wings overseas. But recent unexpected losses or lower earnings from companies such as Group Five showed that the construction industry was still volatile and carried high risks. — Reuter.

MORE THAN A CABIN

FM 20/12/96

With plots alone costing R350 000-R450 000, the soon to be launched 19-unit Cloud Nine Village — on a 6,5 ha site between George and Knysna — is no hill-billy scattering of log cabins. Timber homes are going upmarket in SA and, and whether for permanent or holiday use, demand is growing.

T&B Loghomes MD John Tanner, who manufactures SA pine log homes and who's developing Cloud Nine, says that though exports still provide 55% of sales, demand is growing by 30%/year.

Log cabins have been bought traditionally in SA for holiday homes and built at resorts — for example, at Hogsback and Highgate in the Eastern Cape. But they are being increasingly used as permanent homes.

Though construction costs in SA are not less than bricks and mortar, erection is four times faster. That, says Tanner, is because components are pre-engineered and packaged — on-site work is confined to assembly.

The new "slot-in system" — patented in 52 countries — eliminates many of the usual problems associated with timber construction, such as the need for expensive, skilled and rare artisans. Hence T&B's exports to 12 countries — in Africa, Indian Ocean islands, Holland, Malaysia, Thailand and New Zealand. In some of these, says T&B director Clive Buttner, their log homes are cheaper than using conventional building methods — despite the transport costs. Tanner expects to add three-four new export markets each year.

"SA timber and wood technology is among the best in the world," Buttner says. "The houses are built from selected pine logs grown in the Knysna area, where new plantations ensure adequate supply." ■

CONSTRUCTION

THE WAY BACK?

(32)

FM 20/12/96

The anticipated investment growth in construction works will be led by the public sector due to the high priority being accorded social upliftment, development projects and the backlog of State investment in public works.

This prognosis for the construction sector was released last week by the European credit rating agency Ibca. If true then one wonders where the cash is going to come from? As Ibca itself admits, "ways are being sought by the Civil Engineering Advisory Council of unblocking government funds as the industry, which has declined in the past decade, is now operating at 70% of its capacity and only 60% of its 1986 capacity."

It adds available data so far shows investment in real terms in the industry is set to grow 3% in 1996, after five years of recession.

In the same breath, Ibca says due to depressed local conditions, companies are "increasingly obtaining work in neighbouring countries or offshore."

Growth opportunities are being explored in Africa and to a lesser extent in the newly industrialised countries of Asia and the Middle East.

The agency also says recent unexpected losses or drops in earnings from companies like Group Five show the

construction industry is still volatile and carries high risks.

"Major unanticipated losses or drops in earnings during the most recent financial year by some companies indicate the inherent volatility and high business risk associated with the industry.

"Nonetheless, the general trend has been one of gradually strengthening balance sheets and modest improvements in profitability," the agency adds.

However, Ibca does back up its forecast with some telling facts. It says one of the more encouraging aspects of the "economic recovery" has been the strong performance of gross fixed investment — up 9% and 10% respectively in 1994 and 1995.

This follows a decline in real terms for the four years to 1993.

"Building and construction, constituting 33,6% of GDFI in 1995, however, did not share in the growth in overall investment in the past two years, declining 1% in both years.

This translates to a contraction (in real terms) in fixed investment in building and construction for five consecutive years from 1991 to 1995."

But Ibca goes on to add that based on figures for the first two quarters of 1996, there has been a turnaround, with annualised and seasonally adjusted growth of 3,1%.

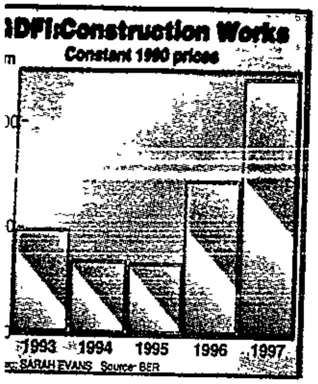
It sees road construction as undergoing a buoyant period with prospects looking good as large contracts — the N3 toll road (R1,2bn) and the Maputo Corridor (R1bn) — being a reflection of this. It also warns that local companies could face growing foreign competition, naming Bovis Construction, Taylor Woodrow and Redland as showing more interest in the SA market.

"The expectation is that 1997 could be the first year of mass delivery of low-cost housing. It is estimated that the rollover of unspent RDP funds amounts to as much as R10bn, with around a third of this specifically related to housing."

Heartening sentiments indeed and if proven true will do much to encourage the beleaguered sector which has seen radical restructuring. ■

Healthier outlook for building and construction

(32) BD 30/12/96



Samantha Sharpe

CAPE TOWN — The outlook for investment in civil engineering projects, which suffered a sharp contraction in the past decade, was better than any time for five years, the Bureau for Economic Research (BER) said in its latest quarterly analysis of building and construction activity.

The Stellenbosch University research unit said real fixed investment in private and public authority engineering projects — public sector investment represents the major source of capital formation — were expected to increase 10,8% and 7,5% respectively next year, with total real investment growth forecast at 9,6%.

"Notwithstanding initial utopian beliefs that low-income households should be provided with formal four-room dwellings, affordability constraints dictate that more emphasis will have to be placed on the supply of incremental housing and serviced sites, which will have a positive spin-off on civil engineering activity."

The large number of national road projects already under way or in the planning stages also boded well for activity in the sector, with the provision of basic water supply and sanitation in rural areas progressing well.

"The upgrading of harbour facilities and airports will further underpin civil engineering activity, with the long-awaited implementation of the municipal infrastructure plan also a potential reality in 1997," the report said.

On investment in non-residential building activity, the BER said it appeared that the sharp downward trend in public sector fixed investment was gradually being arrested, with private non-residential investment starting to moderate next year.

"Apart from the increased expenditure on clinics and other health facilities, government has also announced a R1bn schools building programme. The continuing high crime rate will necessitate the further building of prisons ... (supporting) a forecast real public non-residential investment growth rate of 7,2% in 1997."

Private non-residential investment would probably grow at a rate of 4% following the recent rise in Bank rate and indications that large institutional investors had started to cut back on their investment expenditure.

On residential building, the bureau said the recent rise in mortgage rates would probably exacerbate the current market weakness and forecast "a real growth rate of 2% for next year in private residential investment".

While there was some evidence of activity in the low-income housing market, initial expectations of a major boom in this sector were unlikely to materialise in the short term and the research unit predicted a growth of "1,9% in real terms next year".

Low-cost housing will give building boost

(32) BD 30/12/96

Lukanyo Mnyanda

INCREASED delivery of low-cost houses and expected spending of R5bn on casino developments next year would boost the construction industry, the latest UBS Securities SA Construction Review said.

The industry should achieve 4% real growth this year, the review forecast.

"After a long wait, there is clear evidence that spending on low-cost housing is finally coming through.

"This, with expected spending on casino developments will have a substantial impact on building and construction activity over the next few years," the report said.

Low-cost housing delivery would increase to about 200 000 dwellings next year, it said, compared with this year's expected 60 000, and would be the biggest impetus for growth.

"Along with the RDP, new casino developments, with an estimated construction value of about R5bn, are expected to provide substantial additional impetus to growth.

"The marginal contribution of RDP housing projects to growth in building and construction gross domestic fixed investment will vary between 10% and 13% in 1997 and 7% and 12% in 1998," UBS Securities said.

This depended on the outcome of negotiations between government and the private sector, aimed at increasing delivery by reducing the risk for the private sector.

The construction of major casino developments would begin almost immediately after the granting of the expected 28 new licences next year. "The total construction value of the casino developments is expected to be between R2,7bn and R7,1bn, half of which will be carried out in 1998." UBS Securities said.

Most construction companies were expected to benefit from the boom and would post an average 22% growth in earnings. This would increase to 28% in 1988, with Concor and Group 5 having the highest exposure to growth.

However, the report also came to some gloomy conclusions and predicted that building and construction industry inflation would exceed the normal inflation rate by about 7% next year, with the upward trend probably continuing up to 1998.

CONSTRUCTION – GENERAL

1997

Building revival after five-year slump

(32) CT (BR) 7/1/97

Ronelle Burger

Cape Town — Prospects for the construction industry are looking up after a five-year slump, according to the latest research of the University of Stellenbosch's Bureau of Economic Research.

The bureau projected an increase of 9,6 percent in real fixed investment in construction works over the next year.

Growth rates of 10,8 percent and 7,5 percent were forecast for private and public sector investments respectively.

Large government undertakings planned for this year would provide the stimulus to set the slumbering industry on to a positive growth path. The upgrading of harbour facilities and airports, the implementation of municipal infrastructure, the provision of basic water supply and sanitation in rural areas, large national road projects, and a more realistic and practical approach to low-income housing, were expected to have positive effects on civil engineering activity.

Building costs had increased at a slower rate this year than last year, because of improved competition.

The bureau's building cost index projected even slower increases for this year. The projections were based on accepted tender prices; the expected rate of 9,1 percent compared well with the 13,8 percent of 1995.

Fixed investment in the residential market remained low last year because of the high real mortgage rate, declining consumer confidence and the lack of momentum in the government's housing programme.

A slow, real growth rate of 2 percent was forecast for this year, because of the depressing effect tight monetary conditions were expected to have on private-sector investment.

The report also said the rise in the mortgage rate would discourage investments by making first-time buyers wary to commit themselves.

Despite positive indications, the bureau predicted the market for low-income housing was likely to grow at a rate of 1,9 percent in real terms.

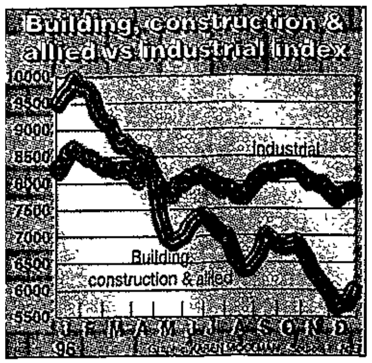
Strong growth was experienced in non-residential building investment last year, driven by increased demands for rentals.

According to the bureau's survey results, building activity had already started to taper off. It anticipated the trend would continue this year, predicting a relatively low real growth rate of 4 percent for private non-residential investment.

Lower house prices and lack of activity in the residential property market were blamed on the high real mortgage rate, increasing emigration figures and waning confidence levels.

Depressed construction stocks may rally this year

(32) BD 8/1/97



Robyn Chalmers

SA CONSTRUCTION stocks traded at discounts of between 21% and 57% to the industrial index last year, but there should be a strong growth in many counters this year, analysts said yesterday.

Concerns over Reconstruction and Development Programme delivery, a rise in interest rates and poor growth in building and construction gross domestic fixed investment (GDFI), led to construction shares underperforming the industrial index in the last nine months of last year.

UBS Securities analysts said, however, construction companies should benefit this year from expected growth in construction GDFI of 10% and 15% next year.

"A combination of strong volume growth, higher price rises and improved margins should result in a 33% improvement in operating profit on average this year from a number of companies. These companies include Concor, Grinaker Construction, Group Five, LTA and Stocks & Stocks."

IBCA SA analysts said building and construction industry conditions had been largely unfavourable, with activity levels generally flat and competition fuelled by excess capacity.

"Nonetheless, the general trend has been one of gradually strengthening balance sheets and modest improvements in profitability. The industry has undergone a prolonged period of rationalisation and repositioning to restore greater financial flexibility and gear operational capacity for an imminent upswing," they said.

Turnover growth for construction companies in the past five years averaged less than 10%, lagging the average inflation rate of just over 11% during this period.

Only Wilson Bayly Holmes-Ovcon, Murray & Roberts and Grinaker had achieved double digit compound growth over the five year period, but rationalisation and restructuring could boost profitability over the next few years, the analysts said.

Stellenbosch University's Bureau for Economic Research forecast in its building and construction survey for the three months ended December that total real investment in the industry would rise on all fronts this year.

The survey said while investment in the residential market remained subdued last year, it would increase 2% next year while non-residential investment would grow 7,2%. Total real investment in construction is expected to rise 9,6% this year.

Stocks & Stocks's order books get R450m boost

32

BD 15/1/97

CONSTRUCTION group Stocks & Stocks, which is planning an unbundling exercise likely to result in the separate listing of its leisure and property development division, says its order books have received a R450m boost in recent weeks.

The new projects did not include the R3,5bn N4 Maputo Corridor road for which it was part of the consortium named as "preferred bidder", Trac consortium.

The building division's new contracts included a R165m joint venture with emerging contractors to extend terminal facilities at Johannesburg International Airport.

Building division MD Tom Hendry said this would enhance Stocks's visibility at the airport, where it was already involved in the construction of SA Airways' R70m headquarters.

Hendry said the company and partner Fikile Projects had also won a R6m contract for building airline offices on the roof of the terminal building. This was due for completion in eight months.

Other contracts around Johannesburg included a R30m office park for Old Mutual Properties in Rivonia, a discount retail motor fitment centre in Midrand and the R50m Village View shopping centre in Bedfordview.

The Gauteng branch had started work on the R60m contract for extensions to the Brooklyn shopping centre in Pretoria.

Hendry said the Centurion Value World in Centurion was "powering ahead". The R200m phased development would include a mixed-use discount retail market, a garage site, industrial site and a recreation centre.

Projects won by the North West branch included a R12m contract to extend and renovate the Paul Kruger Hospital in Rustenburg.

"This contract was won on open tender and reinforces the company's presence and commitment to the area. We have also demonstrated our commitment to partnerships with emerging business by securing major contracts in Gauteng and North West."

Contracts

Stocks & Stocks CEO Bart Dorrestein said the group's long-term strategy was driven by its commitment to contribute to the fight against crime through empowerment and the creation of jobs.

The company, in partnership with various emerging contractors, had secured contracts valued at R29m for the construction and refurbishment of schools in black townships.

Its Namibian and Botswana divisions had also won major contracts, including one for the design, construction and financing of the new government office park in Windhoek.

Criticism of builders 'misguided'

CT(BR) 21/1/97 (32)

MAGGIE ROWLEY

Cape Town — The recent attacks by the government on the formal building industry were misguided, based on misinformation and would only serve to polarise an already fragmented industry, Frank Wright, the managing director of Group Five Building RH Morris, said yesterday.

He said criticisms of the formal building industry made on various public platforms by government officials, including the public works department at the recent conference of the South African Federation of Civil Engineering Contractors, had been direct and harsh.

'They took no account of extremely difficult conditions under which the industry had had to operate over the past decade.

"The government in effect is criticising and condemning the industry for the damage the deep recession has caused.

"This has happened because the industry has, over a prolonged period, been faced with the effect of sanctions, a lack of investor confidence and stop-go public-sector spending. At times the shortage of work has been chronic.

Because of this, the pool of management, supervision, craft and skills diminished significantly and investment in new plant and mechanisation fell to virtually nil."

Wright said that efforts of the organised sector of the construction industry to regroup and address the problem had been undermined to a certain extent by emerging black contractor organisations "who have spared no effort to discredit them. The result is a proliferation of organisations, each purporting to represent the real building industry, all jockeying for the ear of the powers that be. Efforts to consolidate the industry have thus far largely failed."

He warned against efforts to advance emerging contractors by "hamstringing or shackling" the established construction sector. "To ignore or sideline the existing organised industry would be irresponsible to say the least and will do enormous damage to the country's capacity."

Wright urged the government and all parties and organisations in the construction industry to put aside petty differences and together urgently face the main issue of transformation and growth in capacity.

MURRAY & ROBERTS (32)

Out of the rubber

FM 24/1/97

With the sale of its Fedstone tyre interests to Bridgestone Corp of Japan, Murray & Roberts (M&R) has taken a large step with its plan to dispose of noncore assets — and it has greatly strengthened its balance sheet.

M&R will not only receive R290m, as it indicated in October's preliminary announcement, but will also be repaid its R70m worth in interest-free loans to Fedstone. This makes it larger than the R318m gross disposal proceeds for the whole of the last financial year.

The book profit on the sale is not going to make shareholders ecstatic, as it's a modest R70m — compared with R128m on last year's deals. The disposal will have no material effect on headline earnings, or the group's normal trading profit in the year to June 1997. The lost operating income will offset the reduced interest bill.

Graham Hardy

However, the effect on the balance sheet is apparent in that, had the deal occurred at the June year-end, it would have halved group net borrowings to R450m and cut gearing from 26% to 13%. Apart from the cash received, Fedstone's own debt of R90m will disappear from M&R's consolidated accounts.

Financial director Lionel Bird says, however, that gearing will be higher than this, because its working capital has grown. The group interest bill in financial 1997 will exceed last year's R182m, but it is expected to fall after that.

The deal indicates how serious M&R is about refocusing. Last year's disposals were comparative rats and mice, such as a one-third share in Court Helicopters, Trichamp spark plugs and a portion of the group interest in Buildware Market.

Fedstone is a substantial business. Its main operating company, Firestone SA, has factories in Port Elizabeth and Brits and there are 180 wholesale and retail dealerships. Firestone has had some success under M&R. Productivity per employee has risen by 50%, and it has improved from being one of the world's

highest cost producers to the lowest cost 40% of world tyre makers.

M&R has substantial automotive component businesses, such as Alloy Wheels and National Spring, but group CE Graham Hardy says that it never considered Fedstone's manufacturing, retailing and wholesaling activities as core business.

And there was a limit on export growth imposed by Firestone SA's technology licence agreement with Bridgestone. This restraint will disappear.

The M&R share price has been hammered over the last 12 months. It has fallen from a January 1996 high of R28,50, though it has recovered from a 970c low to R12,55, giving a p:e of 11,5.

This is a modest rating, especially on a more optimistic view of fixed investment growth this year. *Stephen Cranston*

Construction shored up by prospects of RDP delivery

(32) ST (BT) 26/1/97

Analysts say strong domestic fixed investment this year bodes well for building, writes ZILLA EFRAT

THE building and construction sector, last year's worst performer on the JSE, is showing signs of recovery. Some analysts, however, believe any gains may be premature.

Rising optimism has pushed the sector's index up 11% since the beginning of 1997. The main movers have been cement stocks PPC and Alpha, but companies like Group 5, LTA, Stocks & Stocks and Wilson Bayly Holmes-Ovcon have also made good gains.

This follows a bleak 1996 when, according to Investec Securities analyst Caroline Pugh, shares sensitive to gross domestic fixed investment (GDFI) were hammered by concerns over high interest rates and delays in getting the RDP going.

While no fireworks are expected, the sector's fortunes in 1997 look far more rosy and should be boosted by factors like a rise in road developments, the building of casinos and tourist facilities, government outsourcing and privatisation.

Building and construction companies are expected to turn in solid results this year. But analysts say a strong uptick in activity is expected only from the middle of the year, the effects of which will filter through to the bottom line in 1998.

Projections for the sector are coloured by forecasts for GDFI growth this year. These differ widely — between 3% and 10%. So do expectations of RDP spending. Pugh claims spending has already started and says economists expect 1997 to be "the year for RDP delivery", despite high interest rates.

Standard Bank analyst Anthony Clark is more cautious. He does not expect a fast roll-out of the RDP but says there is great commitment and certain provinces — especially the Northern Province — seem to have their act together.

However, an analyst who does not wish to be named says he is not really convinced that RDP delivery will take place. "Many departments are ready to move with their projects, but they may find that they run out of funds as government imposes constraints in order to keep its spending to 4% of the deficit."

Still another analyst says: "RDP spending is a non-issue. We will not see much happen. The local authorities and municipalities are in disarray. The private sector will increasingly get concessions to run things and government will fall out of the GDFI picture."

The delivery of low-cost housing does not appear to be crucial to the larger construction companies. An analyst says: "It is not a great profit generator. The barriers to entry are low and so are the margins. But the large companies will become involved as a social contribution if they do not have to take on too much risk."

RDP spending aside, analysts say private spending on construction is "trundling" along nicely and construction companies appear to have enough to keep them busy for now.

Cement shares are usually the first to rise when building and construction prospects improve. An analyst says: "They can sell their products and bank the money right away. Construction companies, however, are paid as the job progresses or when it is finished."

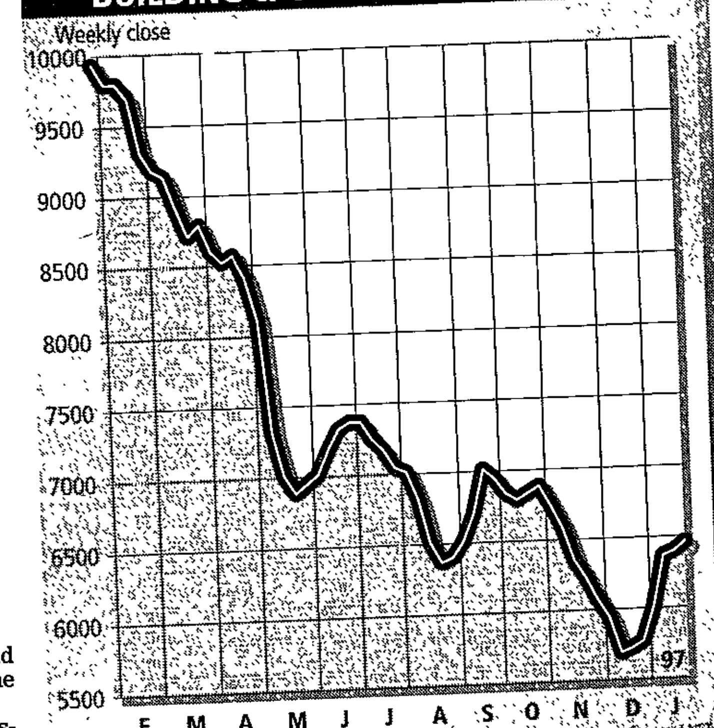
Analysts also appear to be divided in their forecasts on cement sales and how the recent disbanding of the cement cartel will affect the main players.

Nonetheless, after hitting annual lows in December, both Alpha and PPC's share prices have made rapid gains this month.

Alpha, at R84 this week, has risen 9,8% while PPC has gained 6% to R67.

Meanwhile, Wilson Bayly Holmes-Ovcon has been a star performer. It has jumped by 53% to 365c since the start of the year and Basil Read has recovered from a low of 120c in May to 200c. Group 5 was trading at 925c this week — a 7,5% rise this year. LTA has improved by 9% to R25,20 and Stocks & Stocks's price of 445c is up 7,3% since January 1.

BUILDING & CONSTRUCTION INDEX

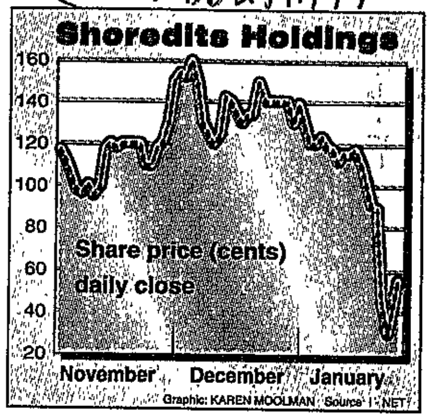


Graphic: FIONA KRISCH

Judicial managers placed at Shoredits

(32) BD 27/1/97

Robyn Chalmers



BUILDING and construction group Shoredits was placed under provisional judicial management on Friday after several attempts to find a buyer for the organisation had failed, and its debt burden continued to spiral.

Chairman Andy Shoredits declined to comment at the weekend, but it is understood that six judicial managers have been placed at Shoredits. Their names will be released this week.

The Shoredits counter, which was not suspended on Friday but could be today, has fallen sharply over the past month to touch an eight-year low of 25c on Wednesday last week. This was against an eight-year high of 380c in January last year. The counter closed at 55c on Friday.

A number of proposed deals to give Shoredits an injection of working capital have failed to come off. Capital Alliance failed to find a buyer for the organisation while talks with Malaysian-funded Samrand Development Holdings were terminated last week.

One analyst said the situation had led to an announcement last week that negotiations on the recapitalisation of the company were at an advanced stage and could affect the share price.

In the year ended June, Shoredits registered short-term debt of R47,3m (1995: R27,7m) and long-term debt of

Continued on Page 2

Shoredits

(32) BD 27/1/97

Continued from Page 1

R19,6m (R20,4m). An interest bill of R10,6m was a factors which led to the group producing an attributable loss of R10,8m (R7,3m profit).

Another analyst said the real problem for Shoredits over the past year in particular was the civils division which had been hard hit by the slow takeoff of the reconstruction and development programme (RDP) and a general downturn in the industry.

While Shoredits declined to comment, in the 1996 annual report he said the poor performance in civils could be ascribed to low margins in areas where expected work arising from the RDP had failed to materialise. The rationalised and restructured civils division was placed under the control of the construction division last year and focused on developing niche markets such as mine rehabilitation.

Analysts said the other areas of the group — notably the property development and industrial divisions — appeared to have enough work to continue operating in the interim while Shoredits attempted to trade out of its current position.

Stocks revamp 'will overshadow results'

(32) BD 28/11/97

Lukanyo Mnyanda

CONSTRUCTION group Stocks & Stocks would report flat or slightly lower earnings growth for the six months to October as higher interest and tax bills were expected to take their toll on the bottom line, analysts said yesterday.

They said the results — to be released on Thursday — were unlikely to produce any fireworks and would most likely be overshadowed by news on the group's restructuring.

The group was not expected to improve on the performance for the six months to October 1995, when it managed to lift earnings 30,7% to R15,4m despite having to fund projects as reconstruction and development programme work failed to materialise.

Stocks & Stocks is expected to announce further details of its plans to list its hotel and leisure interests in a new company, Stocks Hotels & Resorts. Analysts interviewed said they were more interested in the new company, which should be listed on the Johannesburg Stock Exchange next month, than in Stocks & Stocks' interim results. "People are still waiting to see what they're going to do (with the leisure interests). Their results will largely be overshadowed by that," one analyst said.

Another said pretax profit was expected to show growth but was likely to be dragged down by a higher tax bill.

Stocks' impressive 61% surge in attributable earnings for the year to April had been aided by a low tax bill (R2,3m). However, the tax bill was likely to rise. Earnings for the whole financial year could drop as much as 10%.

The self-generation of work and investment in property developments had helped lift borrowings for the year to April to R208,5m. The bottom line was likely to be drained by high real interest rates, the analysts said.

The counter closed unchanged at 445c yesterday. It has gained 35c or 8,54% so far this month, moving off its 350c year high reached last month.

Building industry 'to hit R2,7bn jackpot'

(32)

Robyn Chalmers

BD 29/1/97

CONSTRUCTION demand arising from the development of casinos could amount to more than R2,7bn over the next three years, Building Industries' Federation of SA executive director Ian Robinson said yesterday.

About 15% of investment would take place this year, but the bulk — at least half — was likely to come on stream next year. The remaining 35% of investment should be invested in 1999.

"We estimate that 6% of total building turnover would be generated by the gambling and casino industry over the next few years, and so it is an important contributor," Robinson said.

The R2,7bn estimated was conservative and could be significantly higher, said Robinson. However, it was difficult to determine on what scale any developments would be built as none of the licences had yet been allocated.

A total of 40 casino licences will be issued after the establishment of the nine provincial gaming boards. Of these, 28 licences will be new, with the remainder expected to be retained by existing operations.

Robinson said key considerations in the granting of licences would be the amount of investment that would accompany the development, as well as the degree of community involvement in the development.

"It is estimated the construction component of a casino development is in the region of 60% of total development cost. A further 20% can be expected to be invested in ancillary development such as retail space.

"This is unlikely to be undertaken by the casino operators themselves, but rather in partnership with financial institutions."

Robinson also called on government to invest more time, money and effort in the construction and building industry. A strong year in the building industry meant a dramatic increase in the macroeconomic growth of the country as it was the greatest contributor to employment creation.

CONSTRUCTION *Group's strategic five-year plan will pay off in the longer term, says Dorrestein*

CT(BR) 31/1/97 (32)

Stocks & Stocks holds its ground

JOHN SPIRA
DEPUTY EDITOR

Johannesburg — Stocks & Stocks returned little more than static growth in the six months to October 31, but shareholders can look forward to substantial longer-term benefits from the group's strategic five-year plan, the company said yesterday.

Among the near-term benefits is the proposed separate listing, scheduled for February this year, of the Stocks Hotels and Resorts division, with a market capitalisation of R250 million, of which about R110 million will represent new capital.

The Stocks group will retain a 55 percent stake in the new company, which is the vehicle to be used in the application for gambling licences.

Bart Dorrestein, the chief executive of Stocks & Stocks, said the group was "in the middle of a five-year strategic plan which is focused on a number of core issues". These included an improvement in the quality of earnings through "our clearly defined synergistic but independent operating divisions".

The interim figures reflect a 0,4 percent growth in turnover to R823,8 million, with operating income rising 8 percent to R38 million. Pretax profit was 14 percent up at R24,4 million, while earnings improved 5,3 percent to 20c a share. The interim dividend is unchanged at 5c a share.

Dorrestein said the construction division's order books were healthy at R1,5 billion, about R450 million higher than "recently", excluding the toll road contracts, which were expected to yield R600 million over the next three years.

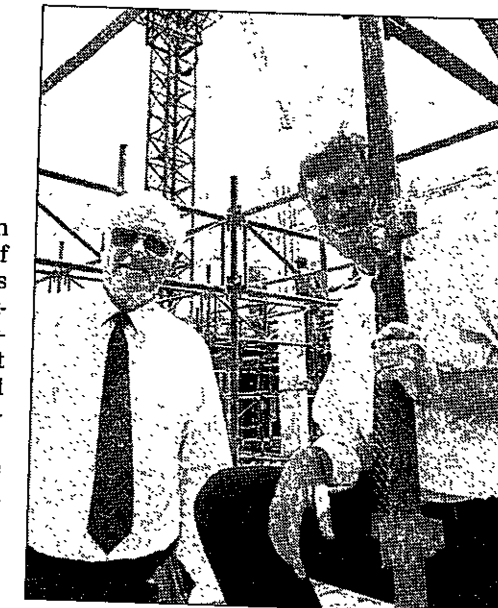
He predicted that the national housing project would finally take off, "albeit on a smaller scale than initially hoped for".

He said, in addition to the separate listing of Stocks Hotels and Resorts, the group would unbundle its property interests this year.

"We have positioned both Stocks & Stocks and Stocks Hotels and Resorts for the growth we anticipate in the leisure and gaming markets as well as the construction sectors. The operations of Stocks Hotels and Resorts will house the group's existing South African hotel operations, which include eight four- and five-star standard hotels, as well as our Michelangelo flagship.

"The listing will distance Stock Hotels and Resorts from other group operating divisions through the introduction of a substantial outside shareholding and extended board representation."

□ Business Watch



LOOKING AHEAD *Chairman Reg Edwards, and Bart Dorrestein, the chief executive of Stocks & Stocks* PHOTO JOHN WOODROOF

Delayed projects hit Stocks & Stocks

BD 31/1/97 (32)

Lukanyo Mnyanda

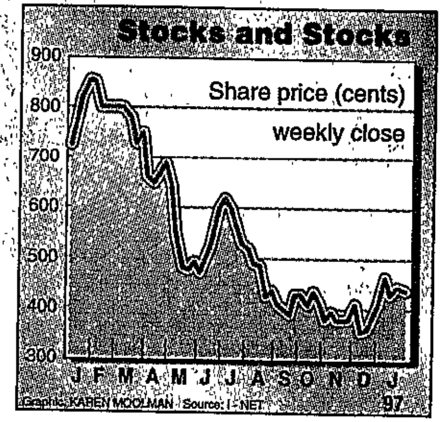
CONSTRUCTION group Stocks & Stocks lifted attributable earnings 4% to R16m for the six months to October after the continued failure of reconstruction and development programme (RDP) projects to take off, exacerbating tough trading conditions.

Stocks CEO Bart Dorrestein confirmed at the announcement of the results yesterday that the group would unbundle and list its resorts and leisure interests separately in a new company with a market capitalisation of R250m.

The exercise, which would include the unbundling and financial restructuring of the group's property interests, would boost the balance sheet and help cut the group interest bill, which remained high at R8,6m (interim 1995: R7,7m) for the period under review.

Stocks & Stocks' interest-bearing borrowings stood at R175,7m — a strong improvement from 1995's R221,2m, Dorrestein said.

Group turnover rose slightly to



R823,8m (R820,9m) while operating profit grew at a similar rate to R38m (R35,2m). Higher finance charges brought pre-tax profit back to R24,4m (R21,4m).

Taxed profit grew to R18,3m (R15,8m), despite a higher tax bill, which stood at R6,1m compared to

Continued on Page 2

Building industry estimated to have grown 4%

(32)
BD 3/2/97

Robyn Chalmers

GROWTH in the building industry is estimated to have topped 4% last year against a drop of 1,5% in 1995 says Building Industries' Federation of SA (Bifsa) executive chairman Ian Robinson.

This was slightly below Bifsa's prediction of 5% growth last year, which it downgraded from an initial estimate of 10% at the beginning of 1996.

Robinson said this year looked set to be a promising year for the provision of affordable and low-income housing with much growth expected in this area.

This was due largely to the concerted efforts of government and the private sector.

"A good year in the building industry means a dramatic increase in the macroeconomic growth of the country because it is the greatest contributor to employment creation," said Robinson.

He said government's macroeconomic strategy — growth, employment and redistribution (Gear) — held that by 2000 SA should be experiencing growth of 6%.

If this was achieved, Bifsa's estimates implied that a 15% growth in construction would be obtainable.

"Conversely, as building is the engine for growth one could assume that if we can foster growth of 15% in construction, we have a much better chance of making Gear a reality," he said.

There were several factors that would affect the industry's growth rates, in the coming years, including exchange controls, crime, interest rates and illegal immigration.

Robinson said the building industry did not consider government's aim to phase out exchange controls over five years a good strategy.

While a "big bang" approach was not recommended, a less gradual and shorter time frame would be more reasonable and the effect on the economy could be tempered by accelerating privatisation, he said.

The skills shortage in SA meant that many construction companies employed skilled, but illegal immigrants.

Of the 5-million to 10-million immigrants in SA, a fair proportion worked in the building industry. As a result, shoddy workmanship, a lack of training and the nonpayment of levies were affecting the industry.

Bifsa bets on new casinos to boost the building sector

(32) CT(BR) 3/12/97

Maggie Rowley
PROPERTY EDITOR

Cape Town — The building and construction industry is to receive a R3 billion to R5 billion boost over the next two to three years with the award of casino licences, Ian Robinson, the executive director of the Building Industries Federation of South Africa (Bifsa), said at the weekend.

Bifsa expects that about 15 percent of this investment will come out of the ground this year, 50 percent next year and the balance in 1999.

"If this materialises we can expect casino work to equate to about 7 percent of total turnover for the industry next year. It could in fact be higher as our estimates are no doubt on the conservative side," Robinson said.

He said the rate of building industry growth last year was about 4 percent against a 1,5 percent contraction in 1995.

The industry was expected to move sideways this year as growth in low-cost housing and casino resorts offset an expected drop in commercial property development, Robinson said.

No big growth for the industry as a whole is expected before next year and 1999, when real growth of about 8 percent a year is foreseen. Robinson said training in the industry was becoming an important issue, and a far greater involvement by the government was urgently needed.

"The present R30 million per annum is totally inadequate. It needs to be increased at least threefold if the current shortage of skilled workers and lack of resources is to be addressed."

He said Bifsa had historically been responsible for 80 percent of the training in the industry.

"However, with the Building Industries Training scheme now divorced from Bifsa and with colleges being underutilised, there is a danger of Bifsa having to withdraw from its training facility altogether."

Robinson said the industry was not taking the shortage of training opportunities seriously and was ignoring the fact that ultimately it would face a threat of severe management and skills shortage if nothing was done over the next year or two.

He said Bifsa was attempting to alleviate the problem with the introduction of the Small Builders' Manual.

"There has been an incredible response to it, but to get the full benefit of the programme, workshops need to be run in conjunction with the manual. Black contractors cannot afford to pay for these courses. The government therefore is urged ... to support this initiative."

Robinson said because of skills shortage in South Africa, many construction companies were employing skilled, but illegal immigrants.

"Many work on site as subcontractors with a high rate of productivity but invariably produce shoddy workmanship. They are not interested in long-term training so there is no growth in producing skilled workers. They don't pay levies which also impacts negatively on Bifsa's training budget," he said.

Local builders upset over exclusion from RDP contract

CP 9/2/97

(32)

By DAN DHLAMINI

BLACK economic empowerment has been relegated to the back seat in one North West town, as the fruit of the Reconstruction and Development Programme (RDP) goes to the "haves".

This week City Press visited the sleepy Letsopa township near Ottosdal and found a volatile situation.

Letsopa is one of the few townships in the province where the RDP's housing project is under way.

Already the bulk project's 854 units are under construction, but "black economic empowerment" does not seem to be in the vocabulary of the seven ANC and three Freedom Front councillors, according to local builders..

For each of the 854 units, the main contractor, a Portuguese national, Johnny Jardim, pockets R15 000, which is the government subsidy to the impoverished Letsopa shack dwellers.

According to sub-contractor Piet Phutiagae, who is doing the actual job of building the houses with his team of workers, for each completed house he gets a paltry R600.

Out of that, he has to pay his work force of 10 men.

"I cannot afford to pay my employees enough. I feel this is really unfair, but our pleas to the council for intervention seem to have been ignored," said Phutiagae.

He said he had been in the building industry for the past 26 years, but lack of finances prevented him from securing the tender for building the houses.

"According to my rough calculation, when the project is completed Jardim will have received more than R12 million.

"I am aware that he buys all the material, but our council should have negotiated a better deal for me," said Phutiage.

"The council should have set out terms to suit locals before looking outside," said African Builders Association (ABA) official Tsietsi Mahlatsi.

He said the Letsopa community has a Production Centre where men and women manufacture their own bricks, window sills and window frames, but it has been closed down.

Ottosdal executive committee chairman Reverend Joseph Mohapi and mayor Patrick Dintwa told City Press that they were not aware of the agreement between Jardim and the local small contractors.

Mohapi said another project which includes the construction of more than 900 houses was under way and Letsopa residents would get the first option to get involved.

Swazi king 'furious' at

Value of buildings completed up 17,6%

(32)

Robyn Chalmers

BD 12/2/97

THE total value of buildings completed last year rose 17,6% to R9,93bn, signalling significantly stronger-than-expected investment in nonresidential buildings, figures from the Central Statistical Service show.

The figures indicate the value of residential buildings constructed last year rose 15,8% to R5,53bn while the value of nonresidential buildings jumped 36% to R2,29bn. Additions and alterations made up the balance.

Analysts said the strong growth in the value of nonresidential buildings was surprising as most expected a flat performance from the sector last year and a decline of up to 10% during the current year.

One analyst said institutional cash flows directed at property investment had been muted over the past five years. A significant portion of this investment had been diverted to the capital market where more attractive yields were offered.

The analyst said the expected fall in nonresidential building investment this year was based on the rationalisation of institutional property portfolios following the introduction of a 17,5% tax on net rental income in the hands of the pension funds.

"In addition, institutional investors are expected to start acting on the anticipated further relaxation of exchange controls. The illiquidity of direct property investments is likely to weigh heavily under a scenario where institutions can invest abroad," said the analyst.

Another analyst said the 15,8% rise in the value of residential buildings constructed was also encouraging, particularly in the light of SA's high real interest rate environment.

The analyst said high interest rates and continuing crime was not conducive to high growth in the traditional residential housing market.

However, he said that the expected upturn in government's low-cost housing programme this year along with increased investment in casinos and hotels should give the sector a boost. Predictions for investment in the residential building industry ranged from 7% to 17% this year.

One analyst pointed to the small increase of 2,9% to R18,7bn in the total value of building plans passed last year — the majority of which would come on stream over the next 12 months to three years.

Figures showed the total value of plans passed for residential buildings decreased 2,3%, plans for additions and alterations rose 0,1% and for nonresidential buildings increased 15,4% to R5,4bn.

The figures indicated construction plans in the Western Cape rose R589m to R4bn and in Gauteng by R188,7m to R8,6bn, but the value fell 16,5%, or R551,3m in KwaZulu-Natal to R2,8bn.

Murray & Roberts' shares fall 10,84%

BD 18/2/97

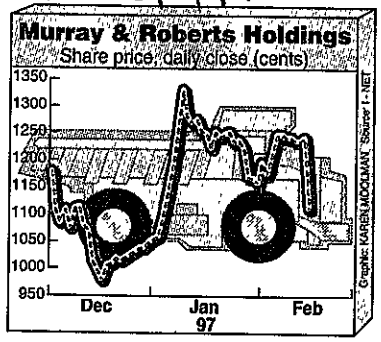
(32)

Lukanyo Mnyanda

CONSTRUCTION group Murray & Roberts' shares plunged 135c or 10;84% on the Johannesburg Stock Exchange yesterday, after the company cautioned investors about lower attributable earnings in the six months to December, the second such cautionary in a year.

Murray & Roberts could not be reached for comment yesterday, but analysts said market talk that the group might be forced to increase the R160m provision made for the R500m Taiwanese train contract last year, could have contributed to the negative feeling.

Murray & Roberts closed at



R11,10 yesterday after more than 1-million shares valued at R12,37m changed hands in 120 deals. The stock has lost 50c or 4,31% in the month so far. Analysts said poorer results in the interim period were largely expected, including losses from the Intershore joint oil rig venture with Dorbyl and UK group Amec.

Losses are estimated to be close to R90m, with the construction group expected to shoulder about R30m. One analyst said the plunge in the share was unexpected as Murray & Roberts' woes had been evident for a while.

However, analysts said, the firm should not be written off, and the dispute with Siemens could be resolved in the next six months. The group is expected to announce its interim results next Thursday.

CONSTRUCTION *Turnover will increase with housing delivery*

Grinaker builds on money in the bank

CT (BR) 18/2/97 (32)

JONATHAN ROSENTHAL

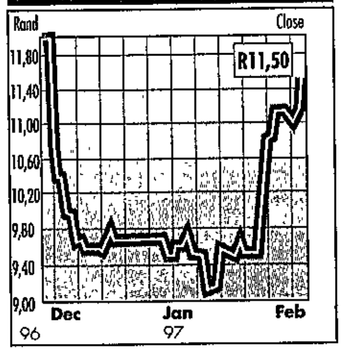
Johannesburg — Grinaker Construction, the unbundled company hived off from Anglovaal's Grinaker Holdings, beat most of the construction sector yesterday when it reported a 69 percent rise in earnings on a 20 percent rise in turnover for the six months ended December 31.

But the meteoric rise in earnings had more to do with receiving interest on its cash balance — last year it paid interest on its debt.

The group's income statement showed a 20 percent rise in turnover to R1,09 billion, which is matched by a 14 percent rise in operating profit to R18,7 million. But margins in the first half fell to 1,72 percent from 1,8 percent during the comparable first half of the previous year.

Bean Bornheimer, the managing director of Grinacon, said margins in the first half were traditionally weak, and in the previous financial year lifted to nearly 2,4 percent. The real turn in the companies' results in the period under review came from the R3 million the group received in net interest, compared with finance costs of R3,8 million the previous year, a turn of nearly R7 million.

Grinaker Construction



Earnings rose to 38,4c a share before exceptional items, but if an additional R1,6 million surplus from the sale of Tolcon and write-off on goodwill is included, earnings rise to 42,7c a share. The group declared an interim dividend of 7c a share, up 1c on the previous year.

Bornheimer said all divisions except Grinaker Precast met their budgets, with exceptionally strong performances from the civil engineering and building divisions. He said the group's turnover was likely to increase as housing delivery started, but this would be low-margin work. Grinaker's order book stood at R1,2 billion while the group was continuing with long-term mining operations which promised to raise margins over tender construction work.

"Construction activity is showing signs of reducing, although prospects in the short term are relatively good for road construction, and promising opportunities exist for tourism and leisure-related projects," he said.

□ **Business Watch, Page 16**

Shack-building to be regulated?

CT 20/2/97 (~~306~~) (32)(~~123~~)

METRO WRITER

THE days of putting up shacks without regard to building regulations may be numbered.

Ms Metsi Makheta, co-ordinator of the People's Housing Partnership, which works from the offices of the housing ministry, told a seminar in the city yesterday that town and city councils must inspect new informally built houses to make sure they are durable and meet health and safety standards.

The partnership is funded by the United Nations' Development Programme. The housing ministry has seconded some staff to work on the partnership.

Makheta said "people's housing" was the name for dwellings people built themselves.

The government was committed to supporting those who put up such housing, but it also wanted to regulate the dwellings and ensure that they complied with the law.

Town and city councils had three main tasks in "people's housing", she said.

- "Regularise" the situation of those who have simply settled somewhere without official sanction. This may happen either where they are or elsewhere. People living in shacks or other cheap housing ought to be given secure tenure. Local authorities should play a role in identifying suitable land.
- Municipalities can sign contracts with provincial housing boards in which the municipalities act as "accounts administrators" on behalf of groups of subsidy beneficiaries.

Councils can then act as clearing houses, allocating subsidies from higher levels of government to individuals who must get them.

With this kind of arrangement, local authorities can disburse monies at various stages upon completion of work done by the family, instead of the state paying out in one lump sum when the building is finished.

- Local authorities must send inspectors to make sure that new "people's housing" is built in such a way that it is durable and safe, does not impinge on other people's properties and is not inimical to good health.

Makheta said many local authorities were not accustomed to sending their inspectors to "people's housing" developments.

"The partnership has been set up specifically to make sure that we (the government and the people) walk the path together," she said.

MURRAY & ROBERTS (32)

YOU HAVE BEEN WARNED

FM 21/2/97

Profits warnings are becoming a habit at M&R since Graham Hardy became MD 18 months ago.

Monday's warning that total earnings would be down in the six months to December was preceded by a similar warning on June 25 that 1996 earnings would be 10% below those achieved in 1995. Almost a year ago, the interim report warned that real earnings growth might not be achieved in the full year.

M&R has the benefit of a R70m nonrecurring profit on the sale of Fedstone (*Fox* January 24) in the past six months, so nonoperating profit will be far higher than the R2m exceptional profit in the first half of financial 1996.

Yet M&R has warned that, even after these nonrecurring profits, it will not achieve the R177m attributable profit of the comparable period. Normal earnings will be at least 40% down to no more than R107m.

M&R will have to account for its share of losses in the Intershore oil rig project, at least R30m. Margins at cement producer Blue Circle have shrunk since the ending of the cement cartel, judging by results of rival Alpha whose margins fell from 21,4% to 14,7%. Profits from UK-based Alloy Wheels International have been below expectations.

There is mounting concern that M&R is too big and diverse, with 100 business units, and is suffering from the same malaise as the old Barlow Rand. M&R is starting to address this with recent disposals like Fedstone, its share of Gypsum and some pump producers.

Since the cautionary the share has fallen 11% to R11. This might not be far enough given the added risk. The historical p:e is 10 but if there is no recovery in the second half, the forward p:e for 1997 is a demanding 17. This price is only warranted if a break-up of the group is being considered.

A number of the businesses could easily be listed in their own right — such as the core contracting business, the automotive components and Blue Circle. The sum of the parts could well be more than

the whole. It is unclear, for instance, how much value M&R head office adds to listed transport subsidiary Unitrans.

Don't expect much from M&R this year, but consider it on a two-year view at around R10. *Stephen Cranston*

Grinaker Building surges ahead in Cape

CT (BR) 24/2/97 (32)

MAGGIE ROWLEY
PROPERTY EDITOR

Cape Town — Grinaker Building Cape had secured R120 million in new contracts and additional work at existing projects in the first two months of this year, Pierre Rousseau, the managing director, said last week.

He said the company had further contracts under negotiation and was extremely bullish about the outlook for the next few years. "We still have spare capacity as we have been building up capacity in the past year, investing in staff and machinery."

Rousseau said there was more work than a year ago and the tendering market for the larger contracts of R50 million upwards had consequently eased.

The largest of the new contracts snapped up by Grinaker is a joint venture with Wilson Bayley Holmes/Ovcon to build a new Holiday Inn Garden Court hotel on the Foreshore in Cape Town for Southern Sun at a cost of R120 million. Work is scheduled to start next month.

The company has also been awarded a R33 million fast-track contract for the Bellville Multipurpose Sports & Entertainment Facility for the city of Tygerberg, which has to be completed by the end of June to host the world junior cycling championships.

Other new projects include a R45 million office park development put together by Grinaker Projects and Properties adjacent to the Newlands cricket ground.

Rousseau said the group had recently floated a residential division, which was picking up substantial contracts in the luxury housing market. Other work on hand included the White House Hotel, a Shoprite/Checkers warehouse and Wingfield Prison plus the associated accommodation.

Everite's success boosts Group 5 income

BD 24/2/97 (32)

Lukanyo Mnyanda

CONSTRUCTION and building materials company Group 5 more than doubled attributable income to R26,51m (R12,99m) in the six months to December, benefiting from tight management and the return to profit of manufacturing subsidiary Everite.

Earnings a share increased 16% to 36,03c, diluted by the issue of shares following the take-over of Everite. The group declared an interim dividend of 9c, compared to 7c in the corresponding period last year.

CEO Theunis Kotzee said he was "satisfied" with the results considering the mixed performances delivered by the building and construction industries. Only the more diversified operations fared reasonably, he said.

All divisions except building and property development, which were suffering from tough trading conditions, contributed to the sharp rise in earnings.

Turnover had remained constant at R1,2bn, showing the improvement in earnings was based "largely on the benefits of tight management".

Profit before interest and tax rose 12% to R45,61m. A R10,65m (R8,67m) tax bill left post-tax income at R26,51m compared to R18,91m in the corresponding period last year.

Everite and asbestos manufacturer AC Pipes, which was waiting for the upturn predicted for 1998, was also receiving close attention, Kotzee said.

He was confident the outcome of a number of legal disputes, including the settlement of the Houston bridge and Johannesburg Stadium contracts, would deliver income which had n.

The group was in a strong cash position and, with turnover set for a slight increase, was confident of maintaining profitability for the full year.

"Group 5's price to earnings ratio declined with the incorporation of Everite, but with that concern out of way, the rating (9,82 on Friday) is improving to a more realistic level."

Group 5 lost 20c or 2,42% to close at R8,05 on the Johannesburg Stock Exchange on Friday, well off its eight-year high of R11,50 achieved in February last year. The share has lost 45c or 5,29% this month.

COMPANIES

Masonite's income falls 13% in wake of weak prices

BD 25/2/97

Nicola Jenvey (32)

DURBAN — Industrial building and construction group Masonite (Africa) saw attributable income drop 13% to R11,2m for the year to December as margins slumped in the wake of weaker prices both locally and internationally in an oversupplied market.

Chairman and MD Alan Wilson said yesterday that earnings a share decreased to 164c from 189c, despite being enhanced by decentralisation incentives of R3m a year received during the 1995 and 1996 financial years. A 30c (1995: 30c) final dividend was declared, bringing the total to 42c (50c).

Turnover rose 14% to R220,5m as sales were boosted during the second half-year. Wilson said increased turnover had been mainly volume-related because of more production available from the Plate Glass-controlled hardboard plant in Zimbabwe. Masonite markets the Zimbabwean product.

However, the competitive nature of both local and international markets had given rise to poor price realisations with the consequent effect on margins, and net income before taxation had slumped 23% to R16,1m. Taxation fell to R4,9m (R8m).

Looking to the current year, Wilson said several economic factors, including furniture sales, remained weak. High interest rates and the poor likelihood of any reduction during the first half of this year contributed to the poor general economic outlook.

However, Masonite was expected to benefit from increased building activities and exports. Wilson believed that should the industry eventually be boosted by the reconstruction and development programme as housing projects came on line, Masonite was well placed to take advantage of the growth.

Masonite also aimed to bring more value-added products into its core business as a means of boosting margins, and would launch a new product on the international market within weeks.

Wilson Bayly Holmes-Ovcon constructs 21% growth

(32) CT (BR) 28/7/97

MAGGIE ROWLEY
PROPERTY EDITOR

Cape Town — Wilson Bayly Holmes-Ovcon, the construction group, met market expectations by posting a 21 percent growth in earnings for the six months to December 31.

This was achieved on an 18 percent increase in turnover and operating income which rose to R422,2 million and R12,7 million respectively.

After net interest of R3,9 million (R2,5 million) and taxation of R5,6 million (R4,5 million), attributable earnings rose 28 percent to R10,9 million. As a result of an increase in the weighted average shares in issue, growth in earnings a share was diluted to a 21 percent improvement at 19,8c.

The dividend increased 25 percent to 5c a share.

Capital expenditure of R20 million was incurred in the first half of the year and this was expected to rise to R33 million for the year.

The directors said that while cash and bank balances were at a high level of about R159,8 million (R162,7 million) this was partly a seasonal phenomenon. But, the directors said if cash balances were taken into account, the group had no gearing.

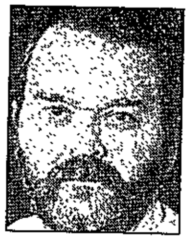
The construction division and the road and earthworks division had a good first half. The construction division had been busy in all areas in which it operated although difficulties had been experienced in maintaining work levels in KwaZulu Natal. Contracts awarded to this division during the review period totalled R519 million.

The Road & Earthworks division was busy in spite of heavy rainfalls and lifted turnover and profit. The division is active in Swaziland, Botswana and Namibia.

DIPLOMATIC VIEW

Chile constructs relations with SA building industry

CT(BR) 6/3/97 (32)



JEAN-JACQUES CORNISH

The high standard of South African construction projects abroad has earned this country's industry an enviable international reputation, a fact borne out by advertisements now appearing in South African newspapers calling for tenders to build the new $80 million passenger terminal at Chile's Santiago International Airport.

This is only a small piece of the $2,4 billion cake on offer from the Chilean project. Ricardo Lagos Escobar, that country's minister of public works, was in South Africa last week to encourage South African construction firms that Chile wants them to grab as big a piece as they can.

The name of South African firms has been enhanced by their involvement in such projects as the new Hong Kong airport, currently the largest construction operation in the world, and on various sites in the Middle East.

As Chile's third-largest foreign investor, trailing only the US and Canada, South Africa has established an impressive track record in the South American country, although the $1,8 billion worth of investment is mainly concentrated in mining concerns.

The $2,4 billion airport project is just a part of Chile's pragmatic centrist government's drive to attract $11 billion worth of infrastructural projects over the next five years.

Lagos said he was impressed by such projects as the Huguenot Tunnel, the highway systems and Cape Town's Victoria and Albert development, while at the same time sympathetic with the growing pains of both nations.

"It showed me that with your technological know-how, we have a lot to learn from each other. We are countries at a very similar stage of development. I think it is easier to learn lessons from someone very much like you."

Lagos's comparison is flattering. The only complaint one hears about Chile is that the country is doing rather too well. Its savings to GNP ratio is between 28 and 30 percent. Growth over the past decade has been between six and seven percent. It is not altogether surprising that Chile's economic achievement has been labelled the Germany of Latin America — when Germany was on the up, that is.

Lagos pitched to major South African construction firms at a breakfast in Johannesburg last Friday, and dined with Julian Ogilvie Thompson, Anglo American Corporation's chairman, who in the 1970s was among the first to materially demonstrate his faith in Chile's future.

Unlike Jeff Radebe, the South African minister with a similarly titled portfolio who is concerned with what we already have, Lagos's brief is attending to what is yet to be: airports, ports, roads, canals, dams and the like.

Mac Maharaj, the transport minister, played host to Lagos who also spent time with Kader Asmal, the water affairs minister, whose duties in certain ways mirror his own in Chile.

Lagos also had a number of informal meetings, chatting with Thabo Mbeki, the deputy president and Alec Erwin, the minister of trade and industry. He also touched base briefly with Radebe and Valli Moosa, the provincial affairs minister.

He was particularly interested in South Africa's methods of attracting the $400 million of private capital needed for the Maputo Corridor scheme.

It is a path that Lagos knows well. In his own country, he has been instrumental in securing private sector funds for more than half of Chile's infrastructural development, which in turn has freed up government money for other projects designed to narrow the gap between rich and poor and improve Chile's communications with neighbours and the rest of the world.

He espoused the need to share experiences in balancing social advances and at the same time maintaining economic progress.

"We need to have growth with equity. For example, it is necessary to have income redistribution, but not at the cost of other projects that will lead to inflation and unemployment.

"Equality does not exist anywhere. The best we can achieve is a society that ensures that no matter where you are born, you will have equal opportunity."

Basil Read continues comeback

(32) BD 7/3/97

Lukanyo Mnyanda

CONSTRUCTION group Basil Read continued its impressive interim stage recovery, reporting a R9,3m profit from a R14m loss in the year to December, and moving into the black for the first time since 1991.

The profit was achieved on the back of solid performances by all three operating divisions and was a culmination of a restructuring exercise which began with French group Bouygues' acquisition of a controlling 61% stake in 1993.

Group turnover jumped 51% to R583,6m compared to R385,4m in the same period last year. Headline share earnings jumped to 16,9c from a 15,5c headline share loss but the group did not declare a dividend, opting to retain cash resources for the funding of additional plant and equipment.

Operating profit was R7,9m up from just R303 000 last year, while interest received also showed a turnaround to R1,7m compared to last year's payment of R2,2m.

The group had accounted for all restructuring costs. The only significant interest bearing debt was the R13,4m owed to holding company Bouygues, group financial manager Cobus Bester said.

The group's cash position had improved considerably and it had a R76,4m positive bank balance at the end of the financial year, compared to R35,2m in 1995.

Bester said all three operations — civil engineering, opencast mining and building — had reported profits. The latter expected a turnover increase of 150%.

Basil Read had work on hand worth R780m, providing a solid base for future growth. Major projects included the R89m Richards Bay quay wall extension and basin, the Tonga Hospital in Mpumalanga, and the R34m extension to Gallagher Estates in Midrand.

Also — in a consortium with Stocks & Stocks and Bouygues — it been appointed as preferred bidder for the Maputo Corridor.

MD Gerard Perceau said: "The group has repositioned itself as one of the leading construction companies in SA."

Banks delay loans criteria move

BD 11/3/97 (32)

Robyn Chalmers

BANKS are to delay introducing more stringent mortgage lending criteria by more than a year after objections from builders, with the new rules being phased in over eight months from May 1998, the Association of Mortgage Lenders said yesterday.

Housing Minister Sankie Mthembi-Mahanyele confirmed yesterday that a breakthrough had been reached on criteria.

She also released upbeat provincial spending figures, with five provinces having spent more than 100% of their budgets by end-January.

The new mortgage lending criteria mean public servants will qualify for significantly reduced loans, and could affect the low-cost housing market.

The criteria were vehemently opposed by builders when banks put forward proposals last year, forcing Mthembi-Mahanyele to appoint a special task team to investigate. Mthembi-Mahanyele told the Islamic Chamber of Commerce and Industry yesterday the task team had managed to resolve the issue, with all parties agreeing on the need for change.

"It has been agreed that my department ... will convene a monthly meeting of the banks and developers — involving the highest officials from each organisation taking part — to ensure closer co-operation and a better flow of information," she said.

Kevin Gibb, recently appointed new chairman of the Association of Mortgage Lenders, said the purpose of the mortgage lending criteria was to bring public servants in line with other borrowers.

"We have agreement on this issue from the builders upwards, facilitated by government." The new criteria meant an individual earning R2 500 — previously qualifying for a loan of R85 000 over 20 years — would now qualify for a R60 000 loan.

On provincial lending figures, Mthembi-Mahanyele said the Western Cape had spent 203,7% of its budget, Northern Cape 154,3%, Free State 136,3%, Gauteng 125,8% and Mpumalanga 110,7%. This solid performance was offset by relatively poor spending figures from Eastern Cape, North West, Northern Province and KwaZulu-Natal.

"If I had to prioritise the two main obstacles for housing delivery, they would be capacity and land. One of the main items on my agenda for 1997 is to build capacity in provincial housing departments and in local authorities."

Housing Minister Sankie Mthembi-Mahanyele addressing the Islamic Chamber of Commerce and Industry in Johannesburg yesterday on a range of housing issues. Picture: TYRONE ARTHUR

Support group to be formed for novice contractors

(32)

Project runs into trouble

ARGT 18/3/97

NORMAN JOSEPH
STAFF REPORTER

The provincial housing department is to start a support group for contractors involved in the Integrated Services Land Project on the Cape Flats.

Ministry of Housing public relations officer Surita Botes said the department was committed to helping emerging contractors and was establishing a support centre, known as Build Smart, to support the contractors in the project.

This announcement follows allegations by members of the Black Builders' Forum that provincial Housing Minister Cecil Herandien had reneged on promises that project contracts in Delft and Weltevreden Valley would be allocated to contractors from the community.

Forum members Kashief Rossouw of 786 Contractors, Edwin Botha of Pride Homes and Gerald Brown of Brown Builders have taken legal action against the department for allegedly failing to pay them for completed houses.

The three also allege that the department did not pay them bridging or progress payments as agreed in a contract.

But Ms Botes said: "The contractors were all aware of the fact that only one progress payment can be made in terms of the Capital Housing Subsidy Scheme. This was not considered to be a problem."

She said the department helped the three by introducing them to major material suppliers and companies that could provide them with bridging finance.

Ms Botes said 786 contractors were set the task of building 200 houses in Weltevreden Valley and 300 in Delft.

After seven months, only 35 houses were built.

Mr Brown and Mr Botha had been instructed several times to complete the 450 houses in Weltevreden Valley. "But they have each completed only 30 houses."

Mr Rossouw said they could not complete their houses because the department owed them money for houses already finished and had failed to pay progress payments.

The builders said potential buyers had chosen all their show houses but the department had limited their workload.

yesterday in preparation for his performance at

Home builders' council makes its mark

BD 20/3/97 (32)

Robyn Chalmers

THE National Home Builders' Registration Council estimates that between 45 000 and 70 000 houses will be reflected on its records this year, signalling that the consumer protection body is starting to have a major effect on the housing sector.

Council figures released this week showed that a total of 2 516 home builders around the country had registered with the council. Most of those registered are based in Gauteng.

Council MD Peter Allsopp said yesterday that an average of 250 home builders wanted to register with the council each month.

"The council was originally set up by the building industry to regulate the home building sector, to provide a minimum building standard and to provide consumer protection where a contractor will not honour his contractor or warranty obligations," he said.

Council figures indicated that 3 434 home builders had applied to register with the council, but 178 registrations had not been approved and a further 14 home builders had been deregistered.

Allsopp said reasons for the deregistration of the 14 home builders included a company going into liquidation, several cases of incomplete work along with fraudulent use of the council's logo and warranty.

A number of companies had submitted cheques which bounced and did not respond to contacts, while others had taken deposits but had not done the work they had promised to do. The implication of deregistration was that affected home builders would not be able to obtain mortgage bonds for their consumers.

Allsopp said the council would give a registered home builder the opportunity to rectify the problem or provide answers.

"It is only when a home builder refuses to co-operate or provide acceptable redress that the council enters into the deregistration process. A company is also deregistered on closure or liquidation."

There were also a number of reasons why home builders who had applied for registration with the council were not approved. These related largely to proof of poor construction quality and financial irregularities which had not been attended to. Some contractors applying also had no experience.

According to the council's figures, 936 home builders in Gauteng are registered with the council, 433 in the Western Cape, 403 in KwaZulu-Natal, 235 in the Eastern Cape and 167 in Mpumalanga.

TODAY'S WEATHER

GAUTENG | **MPUMALANGA** | **NORTHERN PROVINCE**

Home builders' council makes its mark

BD 20/3/97 (32)

Robyn Chalmers

THE National Home Builders' Registration Council estimates that between 45 000 and 70 000 houses will be reflected on its records this year, signalling that the consumer protection body is starting to have a major effect on the housing sector.

Council figures released this week showed that a total of 2 516 home builders around the country had registered with the council. Most of those registered are based in Gauteng.

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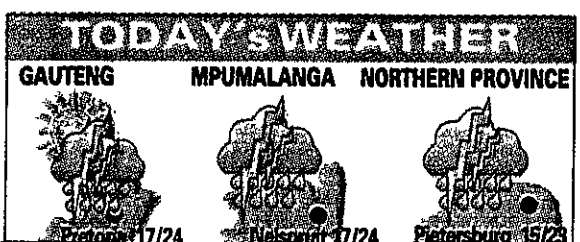


NEWS NATIONAL

Shoddy work threatens delivery

Sowetan 25/3/97 (32)

Builders Council says contractors risk being deregistered for poor work

By Joshua Raboroko

THE GOVERNMENT'S mass low-cost housing delivery might hit snags if shoddy workmanship by unscrupulous property developers is allowed to go unchecked, housing analysts have warned.

The National Home Builders Registration Council announced yesterday that 187 complaints of poor workmanship had been reported, 98 of which were for houses built by unregistered developers.

NHBRC managing director Mr Peter Allsop said 60 legitimate complaints of enrolled developers have been filed and the balance were still being investigated.

The council was formed to monitor the performance of contractors whose newly-built homes had defects.

The Government and the building industry have proclaimed that all contractors have to register with the council to cover warranty on behalf home-owners against contractors.

"If the complaint is structurally related and the contractor is liable for the defect, the council will mediate for the home buyer," Allsop said.

Drastic action, including deregistration, might be taken against contractors who fail to satisfy the council's conditions after investigation.

STOCKS & STOCKS (32)

RESISTING THE NETWORK

FM 4/4/97

Every passerby with a sense of incongruity will have noticed the small townhouse development in West Street, Sandown, directly opposite Stocks & Stocks' Michelangelo Hotel. Down-at-heel Sandown Chalet is flanked to the left by Mercantile Lisbon Bank and to the right by a Tiber Bonvec building site.

The mystery is that it hasn't been replaced by an office block. It's of more than passing interest, too, that number 5 of its 12 sectional-title duplex units has been the Gauteng *pied-à-terre* for more than a year of Sports Minister Steve Tshwete.

Number 5 is one of two owned by Stocks & Stocks. That could constitute additional proof of CEO Bart Dorrestein's cosy relationship with Tshwete, one of many he has cultivated with politicians (see *Cover Story* March 14).

Between September 1993 and April 1994, Tshwete worked for Stocks & Stocks as a political and housing consultant at R5 000 a month. He and Dorrestein have been holding discussions about the construction of a national sports academy at Centurion, outside Pretoria, since 1992.

Number 5 is registered in the name of the Stocks & Stocks nominee company Sandown Offices. The previous owner, Neil T Chandler, paid R185 000 for it in late 1993 and sold it five months later for R395 920.

Number 8 Sandown Chalet is also owned by a company, Sales Imports, but the *FM* was unable to establish the identity of the directors.

Stocks & Stocks group communications manager Suzette Pocock says there is a formal lease between Stocks Properties and Tshwete at a market-related rental. However, the *FM*'s request for details of the rental and a copy of the lease was not granted.

Not everyone has been quick to take a profit at Sandown Chalet. Indeed, one of the stumbling blocks to the wholesale takeover of Sandown Chalet appears to have been number 3 owner Chooky Stevens. For a few years now Stevens, an estate agent with Realty 1 Elk in Hurlingham, Hyde Park and Sandhurst, has made it clear she is not a seller.

"I have repeatedly told representatives of Stocks & Stocks that I will not name my price," she confirms.

"I will not even consider selling if the price does not give me sufficient funds to pay off my existing bond and to buy and move in to an equally pleasant townhouse or cluster development that also provides a garden, allows me to keep pets and is in an equally convenient location. On top of this — a process which I will find extremely inconvenient because I do not wish to move — I want to be able to bank change."

Stevens says Stocks & Stocks has brought market-related offers which she has turned down because, she says, "only sellers are interested in current market prices — and I am not a seller."

She adds that the agent for Stocks & Stocks, Divaris Real Estate's Tim Foster-Greenwood, has "pleaded with me on two occasions to counter offer — which I have done. My counter offers were rejected and have since expired And as far as I'm concerned, the matter is closed."

Pocock confirms that the company developed the Mercantile Lisbon Bank headquarters next door to Sandown Chalet. "We were originally offered the opportunity to buy an assembly of all the sectional title townhouses. We found the price too high and decided to buy only one as a strategic investment in the block.

"From the time we acquired number 5, Foster-Greenwood — as an independent agent — has endeavoured to assemble the properties. We have indicated to him that if the total price of the assembly is offered at a market-related price, we may be interested in acquiring the property."

Pocock states the obvious when she says it is "the prerogative of the owners of the various townhouses to decide whether they wish to sell or not."

However, Stevens's disinclination to sell — and she is not alone in having resisted a site assembly drive — is important in that she may be championing the rights of property owners in many parts of Gauteng who feel browbeaten into selling to would-be commercial developers at *their* so-called market value.

It hardly matters whether or not Tshwete pays a fair rental to Stocks & Stocks. That he occupies the townhouse at all will not sit comfortably with the numerous critics of Dorrestein's "networking" methods.

It will also be the opinion of many that Tshwete — who did not respond to the *FM*'s request for a comment, let alone for confirmation of a rental agreement with Stocks & Stocks — compromises his reputation every time he turns the key in the door to number 5 Sandown Chalet.

Linda Stafford

INTERNATIONAL OFFICE RENTS

LITTLE RISING STAR

SA is becoming just visible in international property surveys. Sandton's are the only prime office rentals that rose significantly in Richard Ellis's December survey of 71 world cities.

A 25% lift in rentals since the June survey, from R40/m² to R50/m², more than offset a plunge of over 20% in the rand. It also raised local rates from 11% to 12% of London's West End R422/m² average (which itself was the second fastest growing rental on the list, rising by 7% since June).

SA prime office rentals also rose sharply — from 47% to 60% — as a proportion of Perth's, where some of the lowest prime office rentals outside Africa are to be found.

In 1991, Sandton rentals were only 25% of Perth's and 7% of London's.

Overdevelopment and stagnant demand continues to pull rents down in high-flying cities such as Mumbai (formerly Bombay) — the costliest at R627/m² — Hong Kong (R480/m²), Moscow (R398/m²), Beijing (R305/m²) and Shanghai (down 18% at R275/m²).

There was little change in Europe or the Americas. *Ian Fife*

MURRAY & ROBERTS (32)

Affirmative restructuring

FM 4/4/97

After a number of disposals to foreign principals, such as Fedstone to Bridgestone and the share in Gypsum to BPB, M&R has decided to do its bit for black empowerment. Several companies in the old suppliers and services group will be spun off into a new black-controlled company, which has been independently valued at R140m, with combined operating profits of R30m.

M&R Holdings CE Graham Hardy says that while most recent empowerment transactions concentrated on financial services and mining, this will give blacks a valuable stake in manufacturing.

M&R Contractors CE Malcolm McCulloch says the new group will hold companies in the portable accommodation business, merchanting and timber.

All the companies are well-established. While McCulloch will not name them they probably include Woodline Timber Industries and Kwikspace

McCulloch says M&R would like to retain a significant stake — 30% to 40% — of the group, and would like to sell the balance to parties already familiar with the building industry who can add value.

This suggests that it will not sell to one of the major black empowerment groups like Nail, Real Africa or Thebe, but would prefer a second-tier entrepreneur. The deal is not imminent but will be completed by M&R's June year-end. Some of the management of the new company will be drawn from M&R.

McCulloch says M&R would have liked to keep some of the underlying companies but they were included to give the new company critical mass to allow it to list one day. The turnover of R400m is small in the context of M&R Contractors' R4,55bn but it is the most significant black empowerment initiative in the construction field so far.

Hardy says reorganisation of M&R into four operating groups has enabled closer focus on core competencies, which for Contractors revolve around multidisciplinary contracting and engineering.

Apart from troubled Union Carriage and Abrasives Corp, Contractors is now focused on areas of core competence in civils, engineering and mining projects, original heart of M&R.

M&R Engineering still needs tidying up. It intends to concentrate on automotive products, which means that Alloy Wheels must be returned to profitability, but still has interests in light engineering such as L&S Locks and Harvey Roofing Products, which don't seem to fit well

The other two operating groups, Materials (Blue Circle) and Transport (Unitrans), are well focused but becoming more autonomous. These businesses, however, are too big to lend themselves easily to an empowerment exercise and look ideal candidates for unbundling.

Unitrans could form the nucleus of a new transport company with Malbak Motor Holdings and Avis, which are also in the Sankorp stable (*Fox* March 28).

The planned disposal is quite small in the context of M&R and won't materially affect EPS. But it is following market requests to tidy up its business and improve its balance sheet, which continue to make the share look more attractive.

At R10,70 it has recovered off its recent low of 960c and the latest initiative is a small step. Until there are clear signs that problems such as Alloy Wheels and Union Carriage are behind it, M&R is a hold rather than a buy. *Stephen Cranston*

PENROSE/CTP

New publishing vehicle

World-weary minority shareholders in Penrose — a company haunted by losses, repeated changes in ownership, suspension on the JSE and liquidation and which has not paid a dividend since 1988 — may manage a smile next week when CTP resurrects Penrose with the acquisition of four regional newspapers and a production house.

The CTP rescue team and the new Penrose board comprises Terry Moolman, Noel Coburn, "Merri" Short and Edwin Jankelowitz, who is also chairman and MD of CTP.

Edwin Jankelowitz

The acquisitions are the *South Coast Herald*, the *Rustenburg Koerante*, the *Newcastle Advertiser*, *The Lowvelder* and RT Sparhams, incorporating Hortors Print, at a total cost of R75,6m.

To March 31 1996, the *South Coast Herald* had a turnover of R6,2m and an operating profit of R1,8m. In the same period the *Rustenburg Koerante* turned over R12,7m with operating profit of R3,5m. The *Newcastle Advertiser* turned over R8,2m, with operating profit of R88 000 (1995: R0,8m); *The Lowvelder* turned over R9,6m with operating profit of R1,3m and Sparhams showed a small profit of R1,6m on a turnover of R37,9m.

The prices of the publishing businesses were calculated on 10 times their after-tax profits and will be settled with new Penrose shares at the issue price of 10c. The *South Coast Herald*, the *Rustenburg Koerante*, the *Newcastle Advertiser* and *The Lowvelder* went for, respectively: R11,7m; R28,8m; R13m, R13m and R9m. Sparham's price was based on its NAV of R9m.

Jankelowitz says prospects for the new Penrose are "excellent . . . as they will be operating in the lucrative field of sold local newspapers." Pro forma accounts for the year to March 1996 — assuming the new businesses were held in Penrose — show turnover of R74,8m, with operating profit of R8,4m.

After adjustments for management and administration fees — payments to the previous partners which will fall away — the operating profit is R11m, giving a margin of 14,8%. Tax is charged at 35,6%; Penrose has a tax loss of R12m.

However, the pro forma balance sheet shows borrowings at R16,8m against shareholders' funds of R16m.

Penrose is increasing its authorised share capital from 30m ordinary shares at 2c to 5bn shares at 2c each. These will be consolidated one-for-five, giving Penrose an authorised and issued share capital of 1bn ordinary shares of 10c each and an issued capital of 175,4m shares at 10c each.

CTP, which has a major interest in each of the acquired businesses, will take up 531m of the new shares. With Penrose shares already held by CTP, and those to be issued in respect of a R9,9m CTP loan to Penrose in 1995 to discharge it from liquidation, CTP will hold 72,75% of the enlarged share capital.

The offer is one CTP share for every 320 Penrose shares held or 10c cash per Penrose share. The cash offer is 54,5% below the last price of 22c at which Penrose was traded before its suspension in May 1995.

Penrose will be reinstated on April 7 under the Media sector. *Peter Schafer*

M&R settles dispute with Siemens

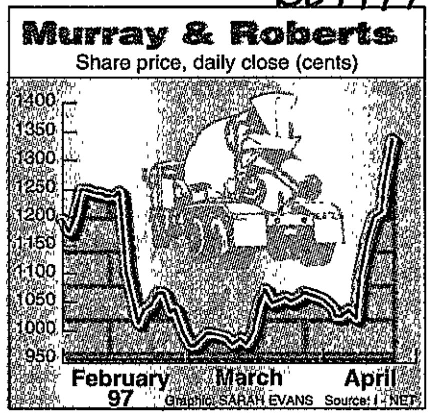
BD 17/4/97 (32)

Lukanyo Mnyanda

SA's largest construction and engineering group, Murray & Roberts, had settled its dispute with German-based project manager Siemens over a R500m Taiwanese train contract with M&R subsidiary Union Carriage & Wagon, the group said yesterday.

This emerged as the M&R share price continued on an upward path which has seen it gain 25% this month. It ended 45c or 3,5% up at R13,40 on the Johannesburg Stock Exchange yesterday. The upward trend was apparently triggered by a large offshore deal involving 600 000 shares last week.

Analysts speculated that M&R was selling transport subsidiary Unitrans or would soon undergo a management shake-up. They said the share price could also have been affected by talk that M&R was planning to unbundle cement producer Blue Circle, or could reflect a delayed reaction to the planned sale of some of its construction products businesses to a black empowerment group.



M&R financial director Lionel Bird said the group was aware of speculation that it would unbundle one or more of its operating groups. "Various ways of improving shareholder value, including unbundling, are routinely reviewed, but unbundling is unlikely to be an option in the medium term."

He confirmed that a settlement had been reached with Siemens but declined to give further details until the group's related insurance claims had been settled. "We have reached a settlement with Siemens but the insurance claim is still outstanding."

The group made a R160m provision for nonrecovery of amounts due to Union Carriage & Wagon in terms of the deal last year. It was not clear how much, if any, money M&R would be able to recover. Bird said the group had

Continued on Page 2

M&R

(32) BD 17/4/97

Continued from Page 1

"taken a view on the financial effect of the dispute", and would not revise the view until the related insurance matter had been settled. Analysts said the provision had been made on the assumption that some of the costs would be covered by insurance and it was difficult to determine the effect on M&R until further details of the settlement had been released.

One analyst said it was likely that M&R and Siemens had agreed there would be no further claims from either side. "That would mean that M&R has bought itself out of further losses. The deal will remove future risk, but M&R, depending on the insurance settlement, could lose more than the R160m (provision)."

Building the supports for a new era in construction

(32)

ST(BT) 20/4/97

Low profit margins and insecurity in view of empowerment rules are shifting the focus, writes GRAEME ADDISON

PRESIDENT Nelson Mandela's outreach to Africa and the Indian Ocean rim countries is spurring a new optimism in the South African construction industry, which is seeking more inter-Africa and international project work, especially in South-East Asia.

Very low profit margins at home — as little as 2-3% on major contracts — and insecurity in the face of the ANC's demands for black empowerment, are prompting a more aggressive sales approach to the rest of the world. The big five or six construction giants see genuine opportunities for growth beyond the borders, and each is developing its own philosophy of global competitiveness.

A promotional book launched last week by Murray and Roberts Contractors, Capacity through Partnership, aimed at its staff and clients, strongly promotes the notion that the company should enter into joint ventures with interests in other countries.

Murray & Roberts is currently engaged in major partnering ventures in Dubai, Hong Kong and Indonesia.

Another example is Grinaker Construction which is operating in Mauritius and Malaysia as well as sub-Saharan Africa. Its international contracting operations accounted for 8% of turnover in the past year, and according to MD Bean Bornheimer, the aim is to increase global contracting to 20% within five years.

One factor driving contractors to seek work abroad is their sense of insecurity in the face of government demands for greater black participation and empowerment at home. Contractors fear that they could be excluded from consideration on political grounds when major tenders are decided.

Although company spokesmen do not say so, some top executives have admitted privately that international contract work is a hedge against the uncertainties, for them, of the new order in South Africa. This emerged from interviews with figures in the industry over the past two months.

The keynote was struck by Theunis Kotzee, CEO of Group 5, who said both sides had to be realistic because small contractors could not handle large infrastructural projects. "I don't believe that if you are not in with the government you are not going to get contracts. You have to adapt to politics and recognise that there are minimum requirements to comply with," Kotzee told me.

"Obviously there has to be black participation, and if you are looking forward to a white-run future you are in for a tough time," he added. "But small entrepreneurs — which is mainly what the black contractors are at the moment — can't produce all the facilities the country needs."

Over the past two years all major construction companies have stated their commitment to black advancement and are making serious efforts to reshape their approach in order to spread the benefits of contract work to poorer communities.

But they are hampered by weak links with the ANC, poor lobbying and political intelligence-gathering skills, and the perception that they were the "builders of apartheid" who participated profitably in a repressive labour system.

Their credibility with government and its allies in the trade union movement is perceived to be low, and sources say this accounts for the preference shown recently for foreign firms bidding on major local contracts.

The Maputo Corridor toll road project has been an object lesson in the new politics of construction, according to many in the industry. Trans African Concessions was named preferred contractor for the R700-million N4 toll road, part of the corridor. This consortium includes a major French company which helped to put together a bid ensuring wide benefits for communities along the route.

Leo Rohrig, director of Concor Holdings' division for new business development, said he was optimistic that the RDP had not yet reached its full potential because much was escaping the public eye, but it did change the way that projects were set up and run.

"We are not going to see mega-projects any more, but lots of smaller projects being put together in a decentralised fashion, and contractors will have to find the finance," said Rohrig.

Bifsa cool on housing subsidies

ARG 21/4/97 (32)

The Building Industries Federation of South Africa has come out strongly against recent media reports suggesting that a 60 sq m house can be built within the R15 000 government subsidy.

Executive director Ian Robinson said that these statements were raising unrealistic expectations and were doing a disservice to the provision of affordable housing in South Africa.

"A serviced site with potable water, water-borne sewerage and electricity cannot be provided for less than R8 000 and normally costs more.

By the time other sundry costs have been taken into account, this leaves little more than R6 000 with which to build a superstructure.

"This R6 000 will only buy materials to construct a floor slab and basic shelter. To suggest that a 60 sq m house can be built for little more than R6 000 is grossly misleading," he said.

Home buyers lose millions

(32) Sowetan 21/4/97

By Joshua Raboroko

ABOUT 14 construction companies, who promised black consumers new homes, have been deregistered by the National Home Builders Registration Council (NHBRC) after being found to have defrauded their customers of millions of rands.

NHBRC chairman Mr Mike Mohohlo said at the weekend that complaints against the companies ranged from fraud, unfinished work, numerous large-scale judgments and bounced cheques to liquidation.

He said Howzit Property Developers (registration 562) was found to have gone into liquidation. There were allegations of receiving bonds drawn without completion of houses.

KK Homes Improvers had several cases of unfinished work, work that did not adhere to building regulations, no supervision of sites and fraudulent use of the NHBRC logo and warranty. About R200 000 was paid.

JJ Viljoen Developers (reg 1083) had bounced cheques and were not available when contacted.

Manuel Construction T/A Alby's Construction (281) had numerous judgments. About R1 million was involved. Another company, Tanas Building Construction (526), had numerous bounced cheques.

Ntsele Property Developers T/A Comfort Properties (1081) had bounced cheques, while ME Moraba Projects' (529) cheques bounced and they were uncooperative.

Pro Builders T/A Rand Construction (reg 122) fraudulently used NHBRC registration certificates, forged to obtain bonds from banks.

Gable Construction (reg 77) had accepted more than 79 deposits and very little work was done. Consumers allegedly paid deposits ranging from R4 000 to R10 000 to the company after being promised homes near the Doornkop Cemetery, Soweto, and in Silumaview on the East Rand.

Montalink Project Management (reg 738) was closed down. H and A Housing T/A Town Housing (reg 181) was liquidated – 17 houses enrolled; Nel Fourie T/A NF Konstruksie (reg 535) are possibly in liquidation.

NHBRC can be contacted at telephone (011) 886-3636.

Local contractors air fears on new prisons

(32) CT (BR) 22/4/97

MAGGIE ROWLEY

PROPERTY EDITOR

Cape Town — While the government's initiative to embrace the private sector in a multibillion-rand partnership to build seven new prisons was to be welcomed, certain protections were needed for the local industry in the face of international competition, Ian Strickland, the president of the South African Association of Consulting Engineers, said yesterday.

Strickland was reacting to last week's announcement by Sipo Mzimela, the correctional services minister, that companies in South Africa and abroad would be invited to tender to finance, design, build and operate new correctional facilities.

He said the local industry had come through an extremely tough time and the government had a social responsibility to protect jobs at all levels.

Ian Robinson, the executive director of the Building Industries Federation of South Africa, said all tenders in South Africa were open to the international market. He did not believe that posed a threat to the local industry.

Basie Verster, the president of the Association of South African Quantity Surveyors, said the government had to ensure that impartial and independent built environment professionals were appointed to protect taxpayers' interests during the construction and lifespan of the prisons.

Verster said the state should negotiate with professional bodies over the appointment of a project controller to safeguard state interests, especially as no infrastructure exists to deal with what would be a complex process.

Lomé access a boon for builders

BD 2/5/97 (32)

John Dludlu

SA CONSTRUCTION and engineering companies are expected to benefit from SA's partial membership of the Lomé convention which entitles them to tender for contracts worth 6,2-billion ecus in the convention's 70 African, Caribbean and Pacific (ACP) member states, analysts say.

Until last Friday, when the joint assembly of the European Union (EU) and the ACP approved SA's membership of the convention, only SA firms based in ACP states were allowed to tender for the contracts financed by the European Development Fund (EDF) — the convention's financing mechanism.

Michael McDonald, an economist at steel and engineering federation Seifsa, said yesterday that SA's integration to the ACP carried exciting opportunities for the country's construction and engineering companies which had the technical expertise needed in infrastructural projects.

Cape Town University academic James Hodge said: "Another area of benefit is because SA professionals cost less than European rivals, there is a chance to enter those (ACP) markets in certain business services."

Hodge, an expert in services trade, said increased trade and investment opportunities resulting from Lomé membership would also bolster the need for SA's financial, advertising, marketing and legal services.

In negotiations with the EU, SA's proposal that its firms be allowed to tender on preferential terms, normally granted to ACP nations, was rejected.

A number of analysts canvassed said the country's firms did not need these concessionary terms laid down in article 303 of the convention.

SA's major construction companies based in the ACP states have already won a significant amount of EDF-funded contracts.

Rashaad Cassim, a director at the Braamfontein-based trade and industry policy secretariat, echoed McDonald's view, saying the membership offered vast opportunities for companies involved in infrastructural projects.

The EDF contracts, mostly won by EU firms or ACP ones with EU shareholding, comprise works, supplies and technical assistance — a trend which EU development officials hope will change with SA's participation.

While SA firms might have the skills, the awareness level of Lomé opportunities was "worryingly low", one analyst said. McDonald said: "We have to educate them on how to go about doing it". Faxed inquiries to the trade department on whether government will hold information seminars were not answered this week.

An EU official in Brussels said the EDF tender system, available on Internet, was transparent and open. As an ACP member, SA will also be allowed to participate in joint EU-ACP bodies.

Stricter rules set for builders

32

Sowetan 5/8/97

By Joshua Raboroko

THE Gauteng government is set to get tough against builders who rip off government by falsifying subsidy applications for low-cost housing.

The provincial housing department has found that a number of builders flout the rules and steal thousands of rands from the government.

The housing department's executive, Mr Monty Narsoo, said yesterday builders were paid large sums of money to build houses for big projects and they were busy building for individuals and then filling their pockets.

He said that the government would apply stricter rules to root out corruption, bribery and malpractices often associated with the construction industry.

Recently Housing Minister Mrs Sankie Mahanyele warned that she would "do something" to stamp out corruption in the building industry.

Speaking at the launch of the South African Residential Developers Association, she said: "The industry should improve on these unfortunate circumstances. In the public sector we are working out mechanisms to ensure that these practices are stopped.

"I want you to join me in declaring war on corruption."

Mahanyele urged homeowners to report any such instances to her department.

Narsoo said that about 11 000 individual and 56 project-linked subsidies were approved since March last year.

The private sector played a vital role in delivering many homes.

His department appointed contract workers to monitor projects undertaken by the developers.

A full report of the investigation would be released by the end of May.

Builders forced to register in move to protect consumers

(32)

Jacob Dlamini and Robyn Chalmers

BD 7/5/97

CAPE TOWN — Housing Minister Sankie Mthembi-Mahanyele disclosed plans yesterday to protect consumers from unscrupulous developers by making the registration of builders using government subsidies compulsory.

The plans, which have drawn criticism from leading builders, include the granting of statutory recognition to the National Home Builders' Registration Council to help it impose acceptable standards of construction.

In a bid to speed up delivery, Mthembi-Mahanyele also announced measures aimed at giving local authorities first-time powers to administer national housing programmes and subsidy applications.

She said occupational rights would, for the first time, be considered sufficient security of tenure for rural communities seeking housing subsidies.

A bill making the council a statutory body would be published by June and builders seeking to access credit would have to register with the council.

The bill would end self-regulation within the construction industry and builders wishing to qualify for state subsidies would have to comply with the council's regulations.

Mthembi-Mahanyele said the move to end self-regulation followed threats by a minority group of builders to break away from the regulations imposed by the council and go it alone.

Some builders had failed to meet acceptable standards of construction and many had not committed themselves to transformation.

The council, which imposes a 1,3% levy on the total cost of a house as insurance against future defects, had registered 3 586 home builders and deregistered 14 builders who had failed to comply with its regulations.

Building Industries Federation of SA executive director Ian Robinson expressed disappointment at government's move. Bifsa members had expressed strong dissatisfaction with as-

Continued on Page 2

Builders

(32)

Continued from Page 1

BD 7/5/97

pects of the scheme, although the overall concept was supported, he said.

"The council was originally intended to protect buyers of low-cost housing of up to R65 000. This has been extended to houses of less than R250 000 and ... it seems pointless to inflate the housing market further when the inflation factor is already so high."

Robinson said there was also no commitment from the council to rectify defaults, but only to "endeavour" to do so, and it was unfair to charge a levy when consumers might not benefit.

However, SA Residential Developers' Association executive director Hendrick Kekana believed it a step in the right direction as it would ensure consumer protection and help root out dishonest builders.

Council MD Peter Allsopp said Bifsa's objections did not hold water as all consumers had the right to protection against poor workmanship.

Mthembi-Mahanyele said the guidelines, which would be effective immediately and intended giving local authorities powers to administer national housing provision, had been approved by housing MECs.

In terms of the guidelines, local authorities will be given accreditation to plan and administer housing delivery. A two-year training scheme will be introduced to enable provincial and municipal officials to advise people on housing assistance.

New measures to curb shoddy workmanship

Cape Town – New measures to curb cowboy builders and protect consumer rights were announced by Housing Minister Sankie Mthembi-Mahanyele yesterday. (32)

She would also seek to increase delivery of rural housing and give new housing powers to local authorities, she said in a statement. BS AKG 7/5/97

Under the new plans, statutory recognition would be given to the National Home Builders Registration Council – the building industry's self-regulatory body.

Legislation was being prepared to make the council an official body to protect consumers against shoddy workmanship and unscrupulous builders.

For the first time home owners would be able to phone a toll-free housing advice service, thanks to a R1-million grant secured for the Housing Consumer Protection Trust by the Housing Department.

Another bill would be introduced in Parliament to give local authorities powers to administer national housing programmes and give local municipalities powers to plan, budget, manage and maintain housing. – Sapa

New laws will curb 'cowboy builders'

NEW measures to curb "cowboy" builders, protect consumers and boost housing delivery in rural areas were announced yesterday by Housing Minister Ms Sankie Mthembi-Mahanyele.

She also aims to introduce a draft bill which will give local housing authorities powers to administer, plan and budget for national housing programmes.

Under her "cowboy builder curbs", statutory recognition would be given to the National Home Builders' Registration Council, the industry's self-regulatory body, following a threat by a "minority group" to break away.

The legislation is aimed at protecting consumers against shoddy workmanship and unscrupulous builders.

Mthembi-Mahanyele noted that the council had de-registered 14 builders because of non-compliance with its regulations and standards.

The rural housing delivery measures centre on making occupational rights sufficient security of tenure to obtain housing subsidies.

A toll-free housing advice service has been set up by the Housing Consumer Protection Trust. The number is 0800 111 663. — Political Writer

CT 7/5/97 (32)

Reforms will give homeowners more muscle

Star 7/5/97

(32)

By Jovial Rantao
Political Correspondent

Cape Town – Housing Minister Sankie Mthembi-Mahanyele has unveiled a package of housing reforms aimed at protecting consumers against shoddy workmanship and unscrupulous builders, increasing the delivery of rural housing, and giving new housing powers to local authorities.

Introducing a debate on the housing budget vote yesterday, Mthembi-Mahanyele announced that legislation would be tabled in the National Assembly to turn the National Home Builders' Registration Council (NHBRC), the building industry's self-regulatory body, into a statutory organisation.

"It's a matter of concern to me that some builders are not fully committed to transformation and to the upliftment of our people.

"They're not meeting the standards of construction expected of them. This is simply unacceptable. I'm not prepared to take any risks when it comes to the issue of new homeowners and building standards," she said.

Mthembi-Mahanyele also revealed that as a result of the NHBRC's work, 14 builders had already been deregistered due to non-compliance with regulations.

She also announced that a draft bill would be introduced in Parliament to give local authorities powers to administer national housing programmes, to plan, budget, manage, administer and maintain housing provision once capital investment had been made.

"Housing is about fulfilling a basic human need: the availability of land, affordability, basic services, economic growth, social development and environment.

"Municipalities will be obliged to deal with these issues. They will now be able to offer new homeowners best value for money by introducing more competition," Mthembi-Mahanyele said.

She also announced new measures to increase housing delivery in rural areas. Reforms would focus on occupational rights for land formerly administered by the SA Development Trust, former self-governing territories and increased access to rural housing loans.

"New initiatives approved by the Cabinet should see a substantial boost to the delivery of housing in rural areas," she said.

Parliamentary housing portfolio committee chairman Titus Mafolo called for the establishment of minimum standards and a "political decision" on whether a special land price should be determined for low-income housing.

COMPANIES

Prospects for building industry 'looking good'

BD 8/5/97 (32)

Robyn Chalmers

PROSPECTS for the construction industry this year are the best for five years following government's streamlined housing policy and expected higher spending on infrastructure, says the Cement and Concrete Institute's 1996 annual review.

Total gross domestic fixed investment is expected to rise 4,5% this year, which is more pessimistic than earlier forecasts of 6% to 7%, but a solid improvement on 1995. Econometrix forecasts that investment in residential and nonresidential buildings and construction works in 1995 was 0,5%, -4% and 0,5% respectively.

The review said other factors having a positive influence on the construction industry included a large number of road building projects, the provision of water and sanitation in rural areas, the upgrading of harbour facilities and the implementation of the long-awaited municipal infrastructure plan.

There were also a number of planned projects within the tourism industry, such as hotels and casinos, but there was expected to be a fall in investment in nonresidential buildings this year owing to the rationalisation of institutional property.

The civil construction industry was expected to undergo structural change, mainly as a result of the increasing importance of the private sector in terms of relative market share, mostly in roads, bridges and internal services. Brisk tender activity in the early part of this year was expected to boost turnover in this sector in the second half of this year.

Projects in the pipeline included the revamp of the N3 highway from Heidelberg to Durban, the Maputo Corridor, Saldanha Steel and the remainder of the Huletts Aluminium expansion project.

Growth in real terms in the civil sector was expected to be 2% this year, but there was growing uncertainty about next year with concern that unless the public sector accelerated infrastructural work and addressed its skills shortage, conditions would be difficult.

The review said there was still doubt as to whether government's low-cost housing programme would take off this year.

"The sluggishness of the promised reconstruction and development programme projects in 1996 counted heavily against the building sector. There is clear evidence the private residential sector could experience poor business conditions this year, with a real improvement in sight only in 1998."

Sales of cementitious products showed only 0,5% growth domestically last year over 1995, reaching a total of 9,2-million tons and although exports showed a healthy increase, these represented only 5% of the total sales.

Bifsa considers setting up rival insurance scheme

(32)

Robyn Chalmers

THE Building Industries Federation of SA (Bifsa) will consider setting up an alternative insurance scheme to rival the National Home Builders Registration Council following government's decision this week to give the council statutory recognition.

Bifsa executive director Ian Robinson said yesterday that Housing Minister Sankie Mthembi-Mahanyele had to realise there was a "huge wave of unhappiness" in the industry about the rules and administration of the council.

"Government's allegation that the decision to introduce legislation and end self-regulation followed threats by a 'minority group' of builders to break away from regulations imposed by the council and go it alone is misinformed and misleading," he said.

Bifsa — which represents the interests of 5 000 employer members executing 80% of gross industry turnover — had expressed its dissatisfaction with aspects of the scheme recently, he said.

Mthembi-Mahanyele said in her budget speech this week that statutory recognition would be granted to the council to help it impose acceptable construction standards and protect consumers against unscrupulous developers.

A bill to entrench the council as a statutory body would be published by June and it would compel builders using government state subsidies and those applying for credit to join the council.

She said that some builders had failed to meet acceptable standards of construction and many had not yet committed themselves to transformation.

Robinson said that while Bifsa supported the concept of consumer protection in principle, the council needed radical changes before the organisation was prepared to accept it.

Unless Bifsa could significantly influence the modification of the council, it would be forced to look to alternatives. One alternative was to resurrect a homeowners' warranty scheme launched by the industry a number of years ago to cover all aspects of defects.

While the introduction of state legislation was regrettable, Robinson said it did at least give Bifsa the opportunity of motivating its proposals for change.

"We will be making a representation to the minister in the next few days, and we look forward to constructive engagement on aspects of the scheme," he said.

BD 8/5/97

Among the problems that Bifsa members had with the scheme was that it was originally intended to protect buyers of low-cost houses of up to R65 000 but had subsequently been extended to houses of less than R250 000. A levy of 1,3% paid on the total cost of a house as insurance against future defects had the potential to inflate the market.

BASIL READ (32)

Building with tighter controls

FM9/5/97

Losses have ended and financial management is contributing to profits

Less than two years ago, Basil Read's share price troughed out at 65c. Now 365c, it is nearly six times that level after having doubled in the last year alone. The JSE's Building & Construction index is showing a 12-month decline of 20%. Need one say more?

- **ACTIVITIES:** *Civil engineering, road construction, building and housing, and open-cast mining.*
- **CONTROL:** *Bouygues SA (61,5%).*
- **CHAIRMAN:** *R E Bailey. CEO: G M Perceau.*
- **CAPITAL STRUCTURE:** *55,1m ords. Market capitalisation: R201m.*
- **SHARE MARKET:** *Price: 365c. Yields: 4,6% on earnings; p:e ratio, 21,6. 12-month high, 365c; low, 120c. Trading volume last quarter, 4,6m shares.*

Year to December 31	'93	'94*	'95	'96
ST debt (Rm)	61,0	21,2	9,1	0,5
LT debt (Rm)	1,1	1,7	16,7	13,6
Debt:equity ratio	5,70	0,66	(0,75)	(2,87)
Shareholders' interest	0,06	0,15	0,10	0,10
Return on cap (%)	n/a	(15,2)	(9,3)	3,8
Turnover (Rm)	381	414	386	584
Pre-int profit (Rm)	(33,7)	(16,8)	(12,2)	7,9
Pre-int margin (%)	(8,8)	(4,1)	(1,3)	1,3
Earnings (c)	(154,0)	(66,3)	(31,2)	16,9
Tangible NAV (c)	72	39	23	39

*18-month accounting period, annualised

CEO Gérard Perceau describes 1996 as a milestone for the group, which reported a profit for the first time in five years.

But more importantly, the 22 times p:e ratio indicates that the market's confidence that his forecast of a 40% revenue increase for 1997, with further improvement in margins, is achievable.

Perceau says the turnaround last year was all the more notable in that it occurred when the economy was slowing and confidence in the building sector declining. He could have added it also reflected the mess Basil Read was in when Bougues took control in 1993, and that achieving the turnaround was the culmination of two years' hard work to straighten the group out.

This process was basically completed in 1995 when the remaining noncore interests were sold. A total R12,4m in abnormal costs was written off that year, accounting for all but R2m of the R14,5m attributable loss.

It was noted at the time that the Basil Read group was already operating profitably during the second half of that year — this continued and was extended in 1996, which was free of any further abnormal items of any consequence

Stripping out the dead wood on the operational front was matched by a major tightening of financial controls. This is the main reason the group ended 1996 with net cash resources of R62m instead of the net borrowings of R11m in 1994.

These tighter controls are most clearly evident in working capital, which has been cut by over R100m during the two-year period.

The financial structure that has now developed is critical to any assessment of the share, because the liquid state of the balance sheet — there is R2,80 cash for every rand of permanent capital — also tends to hide the fact that earnings are extremely highly geared.

Equity's stake in the total asset base is only 10,5%. The rest, except 7% in borrowings, is financed by creditors (including contract creditors), which have risen from R71m (64% of total assets) to R171m (83%) since 1994. This is primarily responsible for the release of R100m cash from working capital.

For a construction group, there is nothing unusual about this financial structure except, perhaps, the extent to which Basil Read has refined the art of using creditor finance.

But with net interest receipts at 18% of last year's pre-tax profit, it is quite clear that (like most supermarkets) the group financial structure has itself become a profit centre, competing with the four operating divisions which, on average, earned about R2m each last year.

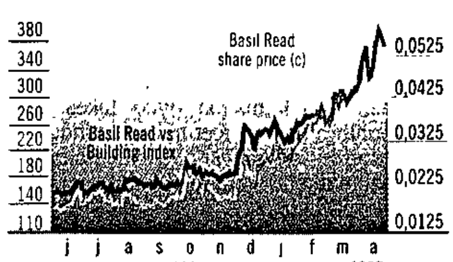
Future profit growth depends at least as much on financial management as on operating results.

This makes the market's current rating of the share all the more interesting. If it's accepted that Basil Read is, relative to alternative investments in the industrial sector, a high-risk proposition because of the extensive leverage in its earnings, then the premium rating is a measure of confidence that management will continue to get its sums right.

Brian Thompson

Basil Read Holdings

Cents — vs Building index



SOURCE I-NET

Board warns banks not to collude on illegal levy

CT 13/5/97

(32)

OWN CORRESPONDENT

JOHANNESBURG: The Competition Board has demanded that banks and the National Home Builders Registration Council (NHBRC) reply to its warning that their collusion had led to an illegal levy of millions of rands.

The board's warning to the Council of South African Bankers and the NHBRC came after 17 of Gauteng's 20 major residential developers complained that they were being forced to act as tax collectors.

They said the banks would only approve loans for clients of developers if the developer was registered with the NHBRC and had paid over a levy that equalled 1,3% of the home's selling price — even if the loans were more than R65 000, the maximum loan amount on which the levy may be charged.

The developers told the board that about R85-million would have been levied unlawfully by the end of this year if the banks and the NHBRC continued to collude and levy clients with home loans over R65 000 and up to R250 000.

After investigating the complaints the board issued a stern warning to Cosab and the NHRBC.

Yesterday however, in defiance of the warning that the practice was in contravention of the 1979 Competition Act, Cosab and the NHBRC said they would continue with the levy system because legislation was about to be passed to enforce it.

The developers said they were seeking legal opinion on "this gentleman's way of extortion".

The board gave Cosab and the NHRBC permission to collude in April 1995 to encourage the financing of small housing loans.

Developers had to be registered with the NHBRC and have paid the levy before the bank approved home loans under R65 000.

Levies, handed over to the NHBRC, would act as a warranty to protect consumers against defectively built homes.

But, without further reference to the board, the colluding partners raised the levy ceiling in February last year to include loans up to R250 000.

Banks warned on home levies

By Troye Lund (32) (58)

The Competition Board has demanded banks and the National Home Builders Registration Council reply to its warning that their collusion had led to millions of rands being illegally levied on homeowners.

The board's warning to the Council of South African Banks (Cosab) and the NHBRC came after 17 of Gauteng's 20 major residential developers complained that they were being forced to act as tax collectors.

They said the banks would approve the loans of developers' clients only if the developer was registered with the NHBRC and had paid over a levy that equalled 1,3% of the home's selling price – even if the loans were more than R65 000, which is the maximum loan amount on which the levy may be charged.

The developers told the board that about R85-million would have been levied on homeowners unlawfully by the end of this year if the banks and the NHBRC continued to collude and levy clients with home loans over R65 000 and up to R250 000.

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Star 13/5/97

Cosab's housing loan agreement is rejected

Lukanyo Mnyanda

BD 14/5/97

(32)

THE Competition Board had ruled against the Council of SA Banks' (Cosab's) agreement to cover housing loans valued at less than R250 000 in terms of the National Home Builders Registration Council, Cosab said yesterday.

The council was formed more than two years ago to deal with consumer complaints about shoddy workmanship, especially in the low-cost housing market. The council was originally intended for houses worth less than R65 000 before the extension to R250 000, which prompted disapproval from the Building Industries Federation of SA (Bifsa).

Bifsa executive director Ian Robinson welcomed the move yesterday, saying there was sufficient consumer protection in the upper-income market through contractual and other agreements.

The council required its members, and ultimately consumers, to pay 1,3% of the house's total value into its insurance fund and extending this to houses in the higher-income bracket would have amounted to an inflationary addition to the cost of housing.

Cosab said the banks had taken note of the board's decision and requested a meeting to discuss the issue. "In the interim it will be up to individual banks whether and to what level they will require cover in terms of the council's scheme."

Cosab also came out in support of Housing Minister Sankie Mthembi-Mahanyele's plans to give statutory powers to the council and make registration and participation in its insurance scheme compulsory for all houses up to a value of R250 000.

"Far too many first-time home buyers have suffered huge financial losses as a result of defective house construction. It is the banking industry's view the only way to satisfactorily protect innocent home owners is through compulsory warranty schemes."

PROP

Procurement system starts to have an effect

BD 14/5/97 (32)

Robyn Chalmers

THE rapid-delivery procurement system developed by the public works department to expedite the construction and upgrading of projects is starting to make an impact on a range of schemes, says the department.

The system's most recent success story is the completion of 53 police stations in the Eastern Cape, first implemented in August last year.

Public Works Minister Jeff Radebe said the system allowed for the quick appointment of contractors on a simplified basis when the precise scope of work to be done was not known.

Workshops

Radebe said he was satisfied with the results of the recently introduced tendering procedure after about 400 tender-inquiry documents were issued in the Eastern Cape.

"Because the new form of contract exposes emerging contractors to new forms of tender and contract execution, six full-day capacity-builder workshops were run in the Eastern Cape and during the tendering process.

"No fewer than 82 tenders were received before closing date on July 3 last year, with 33 from small local emerging contractors, 34 from medium-sized local emerging contractors, eight from local prime contractors and seven from national contractors," he said.

The tenders were adjudicated on a new points system which allocates 70 points to price, 25 to the effectiveness of the execution plan and five for the tenderers' specific experience in the type of work to be done.

Contracts valued at R50m were awarded to four national contractors, three local contractors and eight emerging contractors.

Under the second phase, contracts were awarded to three national contractors for R7m, two local contractors for R10m and two emerging contractors for R10m.

Radebe said the project was an effective economic-empowerment exercise for previously disadvantaged communities and was backed by affirmative-action procurement policies which encouraged the use of local labour and materials suppliers.

"At the completion of the contracts, R80m will have been effectively spent in the rural areas of the Eastern Cape, while an additional R11m in professional fees will have accrued to local firms. The total socioeconomic investment amounts to approximately R30m," he said.

The new national procurement framework, released recently in the form of a green paper, aims to set out uniform tender procedures, policies and control measures for all tenders in SA. It has been broadly welcomed by affected industries.

The Building Industries Federation of SA supported the framework in general, although executive director Ian Robinson has raised some reservations and said there were areas of concern that needed addressing.

Unclear

Robinson said the recommendation that the state tender board be repealed and the suggestion that departments award tenders was not clear as it did not elaborate on the compilation of departmental tender boards.

He believed the establishment of a special tender board for the adjudication of building and construction tenders could be justified as these industries could have a huge effect on the reconstruction and development programme but had not yet been used to their full capacity.

'Bifsa approved increase'

BD 15/5/97 (32)

Lukanyo Mnyanda

THE Building Industries' Federation of SA (Bifsa) had approved the move to increase cover for housing defects to R250 000, National Home Builders Registration Council (NHBRC) CEO Peter Allsopp said yesterday.

"We still have a letter from Bifsa approving the move and they have never formally changed their stance," Allsopp said.

The Competition Board's letter to the Council of SA Banks had created the impression that banks had unilaterally decided to increase the NHBRC cover, while it had been an industry decision supported by Bifsa, he said.

Answering criticism on the ruling that builders pay a 1,3% levy to the NHBRC which did not provide a guarantee to settle claims, Allsopp said the NHBRC was not an insurance company. It was aimed at defending consumers against shoddy work.

The Kwazulu-Natal Master Builders Association accused the housing ministry of muzzling criticism by labelling critics of its moves as a minority unable to adjust to change.

A spokesman said the organisation would continue to oppose the 1,3% levy charged to council members.

Bifsa executive director Ian Robinson resigned as an NHBRC director, citing a conflict of interest resulting from holding both executive positions.

Bifsa members were still considering breaking away from the NHBRC and forming their own warranty scheme. This would be difficult should the housing ministry press on with plans to make NHBRC membership compulsory.

Grinaker pulls in major building contracts

(32)

PROPERTY EDITOR

ARG 17/5/97

This year started off with a bang for Grinaker Building Cape, which has won new contracts totalling almost R100-million and additional work at existing projects of some R20-million.

The largest new contract is a joint venture with Wilson Bayley Homes-Ovcon to build a new Holiday Inn Garden Court hotel on the Foreshore for Southern Sun, at a cost of R120 million.

It has also been awarded the Bellville multi-purpose sports and entertainment facility for the City of Tygerberg according to the Grinaker Gazette, the in-house journal for Grinaker Construction.

The R33-million contract has to be completed by the end of June to host the World Junior Cycling Championships and will become one of the venues for the 2004 Olympics should Cape Town be the successful candidate city.

Previously a cycle track, the new venue will have a 120 million square metre clear span roof, one of the largest of its kind in Africa.

Grinaker Building Cape has also moved on site at Boundary Terraces, a R45-million office park development put together by Grinaker projects and properties.

At Cavendish square, where the refurbishing of the shopping mall and additional parking facilities for Old Mutual Properties adds up to R185-million, the company has been awarded a fifth package, the overall construction management of the works.

On the golfing front, the company's residential arm has been awarded a contract to build a further five homes at Steenberg Golf Estate, bringing the total to 27.

The success at Steenberg has led to the award, along with Grinaker Civil Engineering Cape of all the construction works for roads, housing and clubhouse, at the new Simola Golf and Country Club project in Knysna.

Total work on hand is at R240 million.

HOUSING CT (BR) 20/5/97 (32)

Cosab agrees with registering contractors

The Council of South African Banks (Cosab) said yesterday it supported the National Homebuilders' Registration Council becoming a builders' warranty scheme. The registration council is a public company set up to protect the consumer against unscrupulous contractors. Bob Tucker, the chief executive of Cosab, said the banks admitted there were contractors who had delivered structurally flawed houses into the market.

"There are many examples which banks are currently confronted with as lenders. This view, however, clashes with the Building Industry of South Africa's (Bifsa) firm opposition to the council being legislated." Bifsa protested against it being made compulsory for contractors to join the registration council to get finance. But Cosab said responsible mortgage lenders could not leave the individual exposed to the risk of the house being defective. — *Mpho Mantjiu, Johannesburg*

Building sector low in confidence — survey

BD 4/6/97 (32)

Lukanyo Mnyanda

EMERGING and established building contractors had found trading conditions in the first quarter of the year to be the same as in 1996, but confidence was down to levels last recorded four years ago, says the BMI Building Research Strategy Consulting Unit.

In its latest quarterly survey, consisting of 121 interviews with emerging and established contractors, BMI found industry players saw little prospect for change in the next six months,

"This is in spite of a well received budget and the expectation that interest rates will drop by up to two percentage points before the end of 1997. Somehow, the building industry has not been able to break out of the sideways movement, in spite of the many trend-breaking possibilities."

Concerns about crime had outweighed optimism about increasing reconstruction and development programme (RDP) delivery, tourism and the expected construction of 20 to 25 mega casinos, which could lead to new investment valued at between R7bn and R9bn.

Other positive developments included the prospects of a successful Olympic bid which could result in investments valued at between R5bn and R7bn, the continuing building of corporate office parks in suburban areas and investment in luxury housing, flats, townhouses and cluster homes.

Yet the optimism was being replaced by a new pessimism in the face of increasing violent crime. Emerging contractors were more optimistic about the future than more established firms, expecting trading conditions this year to improve by as much as 5%.

BMI said that although the level of confidence remained positive, with a net 30,6% of respondents expecting conditions to remain the same in the next 12 months, "it must be noted that this level of confidence is the lowest since the third quarter of 1993".

The unit found that the building industry was heading for "more of the same and (hopefully), slightly better" conditions this year.

An encouraging finding in the survey was that both emerging and established contractors believed that building society financing for low cost housing was "fairly easily accessible".

This represented a break from the past when lack of finance was often cited as the main reason for the failure of RDP housing programmes to get off the ground.

In the Cape, signs that the building industry was breaking out of its eight-year slump towards the end of last year had proved unfounded, and most contractors were still short of work, said Mike Loy, director of the Cape Peninsula Master Builders & Allied Trades Association.

The value of contracts which had come to tender in the industrial, commercial and public sectors during the first quarter had declined 31,6% compared to last year. Only R56,93m worth of contracts came out to tender in the first three months, compared with R83,29m last year.

The figures were a disappointment as last year had seen only a modest 6,5% increase in overall tender values which, if adjusted to take account of inflation, had continued on a negative growth pattern.

"One or two of the major companies have been able to report full order books and are negotiating a significant proportion of their work. But at least 90% of our members are still desperately short of contracts. Furthermore, the informal sector appears to be no better off," Loy said.

He said the upturn in activity evident late last year had not been maintained into 1997.

Bifsa chief optimistic about industry

Lukanyo Mnyanda BD 4/6/97 (32)

THE building industry could generate about 15% annual growth by 2000 if government's growth, employment and redistribution (Gear) strategy was implemented successfully, said Building Industries Federation of SA executive director Ian Robinson.

He said the low-cost housing market could produce "more houses than ever before", Cape Town's Olympic bid would stimulate growth and casino licences could generate about R3bn over the next three years. SA's hotel industry was booming already and should continue on a positive growth path, provided the crime rate did not accelerate. The decentralisation trend of the office block market would boost demand for new accommodation.

But, Robinson said, growth could be scuppered by government's failure to respond speedily to the industry's training needs. Bifsa believed that training costs could run up to R100m a year and government had to commit itself to a budget.

Building industry's confidence is battered

(32)

MAGGIE ROWLEY

CT(BR) 5/6/97 PROPERTY EDITOR

Cape Town — Confidence levels in the building industry have fallen to a four-year low as a result of the unacceptably high levels of crime, the BMI Building Strategy Research Unit disclosed yesterday.

Llewellyn Lewis, the managing director of BMI, said a net 30,6 percent of respondents in a survey conducted in the first quarter of this year expected conditions to remain the same over the next 12 months.

This was the lowest level of confidence recorded since the third quarter of 1993. It came in spite of a well-received Budget and expected interest rates cut of up to 2 percentage points before the end of this year, he said.

It was also despite many positive possibilities like the improved delivery of RDP housing, the increased building of schools, clinics and other public sector buildings and rising tourism requiring more hotels, Lewis said.

He said other factors that should have had a positive effect on sentiment were the expected building of 20 to 25 casinos at an investment of about R7 billion to R9 billion.

The prospect of a successful Olympic bid resulting in an investment of about R5 billion to R7 billion, and the continued building of corporate office parks in strategic locations following the decline of the central business districts were additional factors, Lewis pointed out.

He said the main inhibitor of investor confidence was undoubtedly the unacceptably high levels of crime and the apparent inability of the government to deal with it effectively.

BMI monitors the actual prices of building materials, particularly those used in affordable housing.

Alex threatens to shut out white contractors

By Anna Cox
Sandton Bureau

The Alexandra Civic Association has accused Greater Johannesburg's Eastern council of racism in its project allocations, tendering procedures and project management in the "unliberated" township.

The association has threatened to stop any white contractors from entering the township.

ACA chairman Mike Beea said construction projects in Alexandra were being awarded to white outsiders at the expense of emerging local small and medium-sized contractors.

"Eastern council white officials are pursuing their own white agenda to fulfil promises they have made to their white contractor friends at the expense of the jobless Alexandra contractors," he said.

"It goes without saying that this white project supremacy happens right under the noses of our community-elected representatives. Time has now come for us as a community to liberate Alex from this volkstaat project mentality," he said.

Beea said he was told that whites had more experience, proper equipment and did high quality work.

"It must be noted that we, as blacks, were never before given any opportunity to operate any project in white suburbs while the National Party was in power. It is frustrating to experience this white modus operandi transferred to our township," he said.

Keith Peacock, the Eastern council's communications officer, said the council was committed to the use of local labour and the use of local contractors. That was especially true in Alex, he said.

"Where there is specific criticism, this should be taken up by the local democratically elected councillor and we would take any allegation of this nature very seriously indeed," he said.

(32) Star 10/6/97

Building costs rise in line with inflation

(32)

BD 19/6/97

BUILDING costs are expected to rise between 8% and 9% this year, although construction analysts warn this could be higher should there be a significant surge in activity.

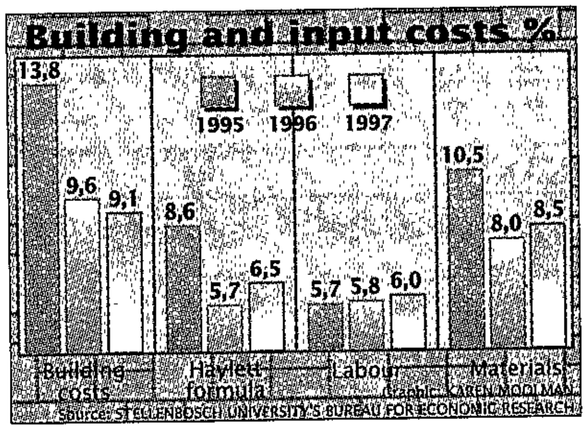
Looking at building material costs, which make up a significant percentage of overall building costs, a survey by the BMI building research strategy consulting unit says the trend in perceived price increases shows that many in the building industry believe that prices have risen above inflation.

Increases

The survey says a net 36,8% of the emerging sector and a net 46,9% of the established sector experienced price increases higher than inflation.

Particular items mentioned in the survey include cement, timber, bricks and sand.

"Obviously, these perceptions are based on experience in a range of building industry market segments, from luxury to low-cost housing and from commercial to industrial buildings. The "building products span from luxury imported items to commodity," says the survey.



The emerging sector expects that conditions this year will be better by up to 5% compared to 1996.

A survey by Stellenbosch University's bureau for economic research says the gradual moderation in building activity during 1996 resulted in a notable increase in tendering competition.

This led, inter alia, to a reduction in contractors' profit margins and a slowdown in the rate of increase in building costs, as measured by the bureau's building cost index based on accepted tender prices.

Forecasts for building and input costs contained in the survey indicate that building costs should rise 9,1% this year against an estimated 9,6% rise in 1996 and an increase in 1995 of 13,8%.

The survey estimates rises in labour costs of 6% this year, compared with 5,8% last year and 5,7% in 1995, while material costs should rise 8,5%, 8% and 10,5% respectively.

Old Mutual Properties head of research Gil da Silva says rentals are expected to recover further in the foreseeable future, especially since rentals are continuing to lag significantly behind building costs.

Da Silva says rentals are still trailing building costs because of an oversupply of office space that developed in the 1990s during the recession.

"There was no rental growth for a number of years before rentals began to recover slowly in 1994."

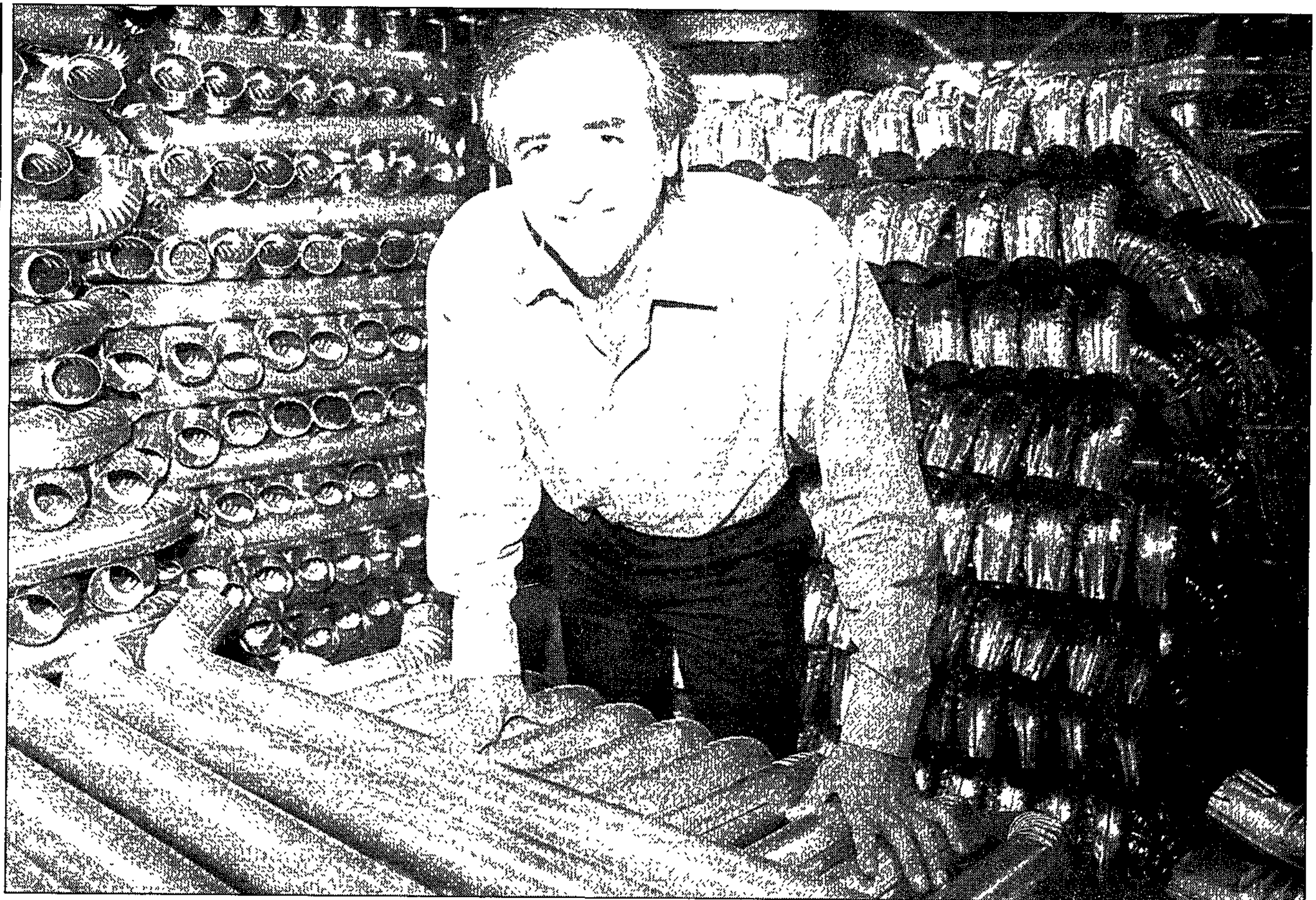
In the meantime, inflation continued to be high and rentals fell in real terms, which depressed returns on property investments.

Lustre

"A recovery in rentals is both necessary and desirable to restore some lustre to property as an investment vehicle, otherwise property will continue to remain out of favour as an asset class.

"It is not simply a question of whether or not rental growth will happen.

"It must happen to encourage investment into office buildings, otherwise tenants will be saddled with the need to fund their own space requirements or settle for poorer quality space," says Da Silva.



CAUTIOUS BUT OPTIMISTIC . . . Buildmax's Martin Smullen, who expects focused acquisitions which complement the Malaysian-controlled group

Buildmax piles on the growth in tough times

(32) ST(BT) 22/6/97

BUILDING INDUSTRY

By ZILLA EFRAT

MALAYSIAN-controlled Buildmax has beaten its forecasts — and tough conditions in the building industry — with a 77% leap in attributable profits to R7.5-million for the 12 months to March.

This growth is 45% higher than that promised in the prospectus when Buildmax, which makes rainwater goods, timber products and concrete roof tiles and blocks, listed in July last year.

Earnings a share grew by the forecast 22% to 23.6c despite a jump in the weighted number of shares in issue from 21-million at the time of listing to 30.4-million because of a rights issue and two acquisitions.

A dividend of 7.9c a share has been declared which can be taken in cash or script.

Unseasonal rains and a slowdown in construction activities did not stop the group from growing its turnover by 51% to R114.4-million.

The improvement was aided by the acquisitions of the Watson Group, which makes concrete roof tiles, and Ticktin Timbers in the Western Cape.

Chief executive Martin Smullen says Buildmax benefited from a satisfactory performance from all divisions, as well as an improved product mix, operating efficiencies and tight cost controls.

Its pre-tax profit more than doubled to R9.8-million but its tax rate leapt from 12% to 27% because of the utilisation of assessed losses.

Malaysian group Mycom bought a 52.5% stake in Buildmax in August. The deal has wiped out its debt — it now has R10-million cash in the bank — and will see Buildmax change its year-end from March to June to fit in with Mycom.

In compliance with the King Report's recommendations and Mycom's global practices — and to enable Smullen to focus on the strategic and operational running of the group — Mycom's managing director Dato Yap Yong Seong has been appointed Buildmax's non-executive chairman.

Smullen is "a little more than cautiously optimistic" about the group's outlook. In addition to organic growth, he expects further focused acquisitions which complement the group's activities.

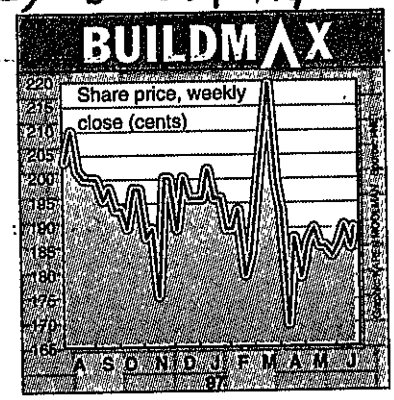
He says Buildmax continues to improve its productivity and synergies between divisions. All product ranges are being expanded into related activities. In the longer term, all divisions should benefit by any acceleration in the delivery of affordable housing.

Developments at Buildmax, however, appear to have been overlooked by the market. Its share price, trading around 190c lately, has been languishing below its pre-listing price of 200c a share.

Buildmax surpasses its prelisting forecast

(32) · BD 23/6/97

Lukanyo Mnyanda



MALAYSIAN-controlled building company Buildmax posted a 77% rise in attributable earnings to R7,16m in the year to March, beating its prelisting forecast by 45% as the company overcome heavy rains and an industry slowdown.

Share earnings were 22% up at 23,6c despite a rights issue and two acquisitions which saw the number of weighted shares increasing to 30,4-million from the 21-million issued at the company's listing last July.

Buildmax, which bought Cape-based roof-tile maker Watson Tile Corporation last year, had forecast earnings growth of 21% at the time of its listing. It paid an initial dividend of 7c, with shareholders being given the option to accept a capitalisation award based on the ratio of 7,9c to the average share price between July 14 and 18.

CE Martin Smullen said all divisions had performed well and that the outlook for the remainder of the 15-month accounting period was positive.

A general expansion of product ranges into related activities was continuing, Smullen said.

"Furthermore, the strong foothold following the acquisition of Cape Town-based Ticktin Timbers has given us a major timber presence in the exciting Western Cape market.

"This will enable us to distribute a large part of the Buildmax product range of sheet metal and some concrete products in this region," Smullen said.

Turnover jumped 51% to R114,42m (R75,74) while an improved product mix, synergies and tight cost control helped pretax profit jump 113% to R9,84m compared with R4,61 in the corresponding period last year.

The group received interest payments of R900 000 in the period under review, after the cash generated by the rights issue which led to Mycom obtaining control wiped out debt. This compared with interest payments of R1,05m in the previous period.

A 352% rise in the tax bill to R2,68m (R556 000), left post-tax profit at R7,16m (R4,05m).

The group said it had changed its year-end to June, to bring it in line with Malaysian parent company Mycom.

It had also appointed Mycom group MD Dato' Yap Yong Seong as nonexecutive chairman to enable Smullen to concentrate on the strategic and operational running of the company.

Buildmax performs for its new owners

CT(PR) 23/6/97 (32)

DUMA GQUBULE

Johannesburg — Buildmax, the recently listed building products group controlled by Mycom of Malaysia, exceeded its prospectus forecasts, reporting a 77 percent jump in attributable income to R7,2 million (R4,1 million) for the year to March 31 1997, Martin Smullen, the group's chief executive, said at the weekend.

Earnings a share were up 22 percent to 23,6c (19,3c), meeting the group's forecast despite a rights issue (which resulted in a change of control to Mycom) and two acquisitions which increased the weighted number of shares in issue to 30,4 million from 21 million.

Headline earnings increased by a similar percentage to 23,6c (19,3c). The directors gave shareholders the option of a dividend payout (of 7,9c a share) or a capitalisation award based on the average share price between July 14 and July 18.

Smullen said all Buildmax's divisions had performed satisfactorily and the outlook for the next year was positive. Buildmax would continue to grow organically and through a focused acquisition strategy, he said.

Buildmax's turnover was up 51 percent to R114,4 million (R75,7 million) and operating income advanced by 59 percent to about R9 million (R5,7 million).

There was a R2 million turnaround on the interest line as proceeds from the rights issue wiped out all debt, resulting in interest received of R851 000 compared with interest paid of R1 million the previous year. Pretax income more than doubled to R9,8 million (R4,6 million).

The tax rate doubled, after assessed losses were exhausted, and net income came to R7,1 million (R4,1 million). Buildmax appointed Dato Yap Yong Seong, the managing director of Mycom in Malaysia, as its new chairman to comply with the King Report on corporate governance.

Skilled workers 'must boost productivity in industry'

BD 25/6/97

(32)

Lukanyo Mnyanda

BUILDERS had to improve productivity among skilled and semiskilled workers if SA was to benefit from government's initiatives to address the shortage of low-income housing, said Multiple Skills Development MD Daan Roelvert.

Roelvert, a former MD of National Association of Home Builders, said a number of surveys had rated SA as one of the least productive countries in the world, with productivity levels lowest among the semiskilled and unskilled sectors of the market.

The training organisation was a nonprofit organisation providing skills training to contractors. It had regional offices in Johannesburg, Nelspruit and Mmabatho.

The first product was ProduProfit which used a business game to teach workers and employers ways of improving productivity through experiential learning.

"This makes the teaching method accessible to literate and illiterate people and also improves their ability to retain the information."

The game showed how planning and teamwork, rather than individual effort, could improve productivity.

"The business game has been developed to create a crucial awareness of the basic factors of any business — productivity, costs and expenses, time, quality and profits. Too often people do not realise the cost of low productivity, which often results in financial loss and lack of growth and job security."

The organisation also had courses on effective supervision, customer support, the National Home Builders Registration Council, crosscultural workshops, quantities and costing, as well as elementary bookkeeping.

Roelvert said the courses, primarily aimed at the emerging sector, were restricted to half-days as many workers could not afford to take more time away from their building sites.

"We believe in government's efforts to remove the housing backlog, especially in the low income sector, but without an improvement in productivity and efficiency of small companies progress, if any, will be slow."

HOUSING *Bifsa claims lack of consultation on builders' bill*

CT (BR) 27/6/97

Hornet's nest over quick gazetting

(32)

MAGGIE ROWLEY

Cape Town — Consultation on the National Home Builders' Registration Council will begin with the gazetting of the draft bill today, Sankie Mthembi-Mahanyele, the housing minister, said yesterday.

The gazetting of the draft bill comes amid cries of foul play for lack of prior consultation and strong opposition from the building industry.

Ian Robinson, the executive director of the Building Industries' Federation (Bifsa), slammed the government for acting in a "Verwoerdian fashion" in gazetting the draft bill "without promised consultation with stakeholders in the industry".

Robinson said the draft bill was even "more draconian" than the current self-regulatory scheme and, if attempts to have it modified through negotiation were unsuccessful, Bifsa would seek legal recourse. "We have sought legal counsel, and it is our opinion many of the principles of the bill offend the constitution and the bill of rights."

It was necessary to give statutory recognition to the council to ensure consumers' needs are taken care of by stakeholders in the housing construction market and to protect home buyers from "fly-by-night" builders and shoddy workmanship, Robinson said.

Mthembi-Mahanyele said: "Now is the time for all interested parties to participate in the consultation process by sending us their comments ... once these have been received and put into the draft bill, it will be taken through the parliamentary consultation process before being promulgated as law."

Peter Allsopp, the council head, denied the claims by Bifsa that it had not been properly consulted. He said he had yet to respond in writing to problems Bifsa had raised with him.

Robinson said the publication of the draft bill, which Bifsa had seen for the first time last weekend, had caught the industry unawares. He said Bifsa was appalled by the government's lack of transparency and consultation. Bifsa was extremely dissatisfied with many aspects of the scheme's administration and rules, he said.

Bill proposes trust fund for builders

Star 28/6/97 (32)

By CRAIG URQUHART

In one of the most sweeping changes yet to the housing industry, the Government yesterday published a draft bill compelling all building companies to pay into a trust fund to assist the victims of shoddy workmanship.

The new bill gives statutory recognition to the National Home Builders' Registration Council (NHBRC) and makes it compulsory for all builders to register with the council and to pay a levy on any structure for human habitation, including hotels and blocks of flats.

Builders will be required to pay 1,3% of the value of the building into the fund to secure compensation payouts to homeowners.

The Government also intends to increase the bill's scope to cover as many houses as possible and hopes to provide additional protection to consumers in lower-income groups.

The Government believes the bill will protect homeowners by curbing poor workmanship and fly-by-night builders. The bill is a response to the flood of complaints from homeowners about half-finished homes and builders who take deposits on low-cost homes that are never built.

Since 1994, about 25 000 complaints have been lodged with the Housing Consumer Protection Trust, but only two successful prosecutions have resulted.

Claiming it was not consulted, the Building Industries Federation of South Africa has reacted angrily to the draft bill. Executive director Ian Robinson said the industry was shocked by the lack of transparency and consultation on the part of the Government.

"We have strongly objected to the lack of any obligation on the part of the NHBRC to intervene financially to protect the consumer who, nevertheless, perceives he has complete protection against structural defects through that body.

"We had anticipated that with our input the new bill would address this and other problems, but instead it is even more draconian than the current self-regulatory scheme," he said.

The NHBRC already administers the defects warranty scheme, where any new bondable home up to the value of R250 000 has to be built by a home builder registered with the NHBRC and who provides a five-year standard home-builders' warranty.

NHBRC managing director Peter Allsopp said the bill would give the council the ability to introduce further measures to protect housing consumers.

TO PAGE 2

♦Trust fund

This would come about through potential additional warranty schemes covering items such as alterations and additions, as well as deposit theft.

"We believe this is a far-sighted bill which has been drafted to enable more comprehensive consumer-protection mechanisms to be developed. This will, in time, engender more protection to a broader scope of our population," he added.

Draft bill takes builders by surprise

Industry 'appalled by lack of consultation by Government'

(32) ARG

28/6/97

CHARLENE CLAYTON
PROPERTY EDITOR

Draft legislation, which will provide the National Home Builders' Registration Council with statutory recognition, has been published in the Government Gazette, catching some industry sources unawares.

Ian Robinson, executive director of the Building Industries Federation of South Africa (Bifsa), said that in spite of assurances from the Housing Department that the matter would be discussed with the building industry, it had gone ahead with the draft bill.

The industry was "appalled by the lack of transparency and consultation on the part of the Government," he said.

"It is common knowledge that we are extremely dissatisfied with many aspects of the council's administration and rules."

Bifsa was waiting for a written response from the council to the problems shared by other industry stakeholders.

One of the objections of the building industry was the lack of obligation on the part of the council to intervene financially to protect the consumer who nevertheless perceives that he has complete protection against structural defects in his house under the Home Builders' Warranty Scheme which is administered by the council.

"The draft bill is even more draconian than the current self-regulatory scheme," said Mr Robinson.

The draft legislation made it compulsory for all builders to register with the council and to pay a levy on any structure for human habitation. By implication this included hotels and blocks of flats, he said.

The bill also removes the limit under which houses up to R250 000 are covered. Mr Robinson said that through Bifsa, the industry already offered sufficient consumer protection and it was therefore unnecessarily inflationary.

Mr Robinson said many of the principles of the bill could offend the constitution and bill of rights.

Bifsa would be mounting strong resistance to the introduction of the bill in its current form and would call on the housing minister at a meeting next week to enter into transparent negotiations.

A spokesman for the ministry of housing said consultation on the draft was now open after the publication of the draft legislation.

"Now is the time for all interested parties to participate in the consultation process by sending us their comments and suggestions".

Minister Sankie Mthembi-Mahanyele said it was necessary to give statutory recognition to the National Home Builders' Registration Council to ensure that the needs of all consumers were taken care of by all the stakeholders in the housing construction market.

Submissions should be sent to Richard Thatcher, Department of Housing, Private Bag X644, Pretoria, 0001 or fax him on (011) 341-8512 by July 28, 1997.

Bill a bid to force builders to pay compensation levy

CRAIG URQUHART ARG 28/6/99 (32)
Own Correspondent

Johannesburg – In one of the most sweeping changes to the housing industry, the Government yesterday published a draft bill compelling all building companies to pay into a trust fund to assist victims of shoddy workmanship.

The bill gives statutory recognition to the National Home Builders Registration Council (NHBRC) and makes it compulsory for all builders to register with the council and to pay a levy on any structure for human habitation.

In terms of the bill builders would have to pay 1,3 percent of the value of a building to secure compensation payouts to home owners. The Government intends to increase the bill's scope to cover as many houses as possible and hopes to provide additional protection to consumers in lower income groups.

The Government believes the bill will protect homeowners by curbing poor workmanship and "fly-by-night" builders. The bill is a response to complaints from homeowners about half-finished homes and builders that take deposits on low-cost homes that are never built.

Since 1994, about 25 000 complaints have been lodged with the Housing Consumer Protection Trust, but only two successful prosecutions have resulted.

Claiming it was not consulted, the Building Industries Federation of SA reacted angrily to the draft bill. Executive Director Ian Robinson said the industry was appalled by the lack of transparency and consultation by Government.

"We have strongly objected to the lack of any obligation on the part of the NHBRC to intervene financially to protect the consumer, who nevertheless perceives that he has complete protection against structural defects through that body. We had anticipated that with our input the new bill would address this and other problems, but instead it is even more draconian than the current self-regulatory scheme," he said.

The builders council administers the Defects Warranty Scheme, where any new bondable home up to R250 000 has to be built by a builder registered with the council and who provides a five-year warranty.

Peter Allsopp, managing director of NHBRC, said the bill would enable the council to introduce further measures to protect housing consumers through additional warranty schemes that deal with alterations, additions and deposit-theft.

Builders' council welcomes bill giving it recognition

(32) CT (PR) 30/6/97

Maggie Rowley

PROPERTY EDITOR

Cape Town — The National Home Builders' Registration Council (NHBRC) has welcomed the publishing for comment of the controversial draft Bill giving statutory recognition to it in the government gazette on Friday.

Peter Allsopp, the managing director of the council, said it had initially been hoped that the home building industry could regulate itself through council's the original Defects Warranty scheme.

"Unfortunately several builders have not been willing to accept such a scheme and have left the minister little option but to enforce legislation," he said.

Allsopp said it was vital that all interested parties made submissions now in order to fully involve themselves in the consultation process.

"The intention of the bill is to make it law that all home builders will have to be registered with the NHBRC and provide a warranty for each new home. It will also be an offence for a bank to offer mortgage finance without ensuring that the Standard Home Builders' Warranty is in place," he said.

Meanwhile, the Building Industries Federation of South Africa (Bifsa), which is opposed to many aspects of the proposed legislation and has strongly objected to the publication of the draft bill "without full participation of all stakeholders", is to meet the housing minister tomorrow in an attempt to modify some of the proposals.

Bifsa has said that if it were unable to have the bill amended, it would seek recourse through the courts.

Housing body to be legislated

(32) Sowetan 20/6/97

By Joshua Raboroko

STRINGENT measures to curb "cowboy builders" and to protect home-owners against shoddy workmanship are to be legislated to increase the delivery of new houses.

According to a draft bill, the National Home Builders Registration Council – the building industry's regulatory body – is to be given statutory recognition.

The new Bill makes it compulsory for all builders to register with the council and to pay a levy on any structure for human habitation including hotels and blocks of flats.

The Bill comes in the wake of rip-offs of consumers by fly-by-night builders who disappear before they complete houses, particularly in the townships.

About 25 000 complaints have been lodged with the housing Consumer Protection Trust since 1994 but only two successful prosecutions have taken place.

In terms of the bill all builders will be required to pay 1,3 percent of the value of the building into a fund to ensure payouts to home-owners in the event of incomplete work or "cracked homes".

Bill puts Bifsa, govt on collision course

BD 30/6/97 (32)

Robyn Chalmers

THE Building Industries' Federation of SA (Bifsa) is set to go head to head with government over last week's gazetting of a draft bill which will give statutory recognition to the National Home Builders' Registration Council.

If implemented, the bill will make it an offence to carry out business as a home builder when not registered with the council, or to build houses costing more than R20 000 without enrolling the houses with the council.

Bifsa executive director Ian Robinson has vowed to seek legal recourse if negotiations to modify the scheme are unsuccessful. He said at the weekend the industry was "appalled" by the lack of transparency and consultation on the part of government.

"It is common knowledge that we are extremely dissatisfied with many aspects of the scheme's administration and rules, and to date we still await a written response from the council to our many problems which are shared by other stakeholders."

Robinson said one concern was the lack of any obligation on the part of the council to intervene financially to protect the consumer, "who nevertheless perceives that he has complete protection against structural defects".

Housing Minister Sankie Mthembi-Mahanyele said consultation on drafting the bill to give the council statutory recognition kicked off on Friday. She said it was necessary to give statutory recognition to the council to ensure that consumers' needs were taken care of by all stakeholders in the housing construction market.

Comments and suggestions would be taken into the draft bill, and "it will then be taken through the parliamentary consultation process before being promulgated as law".

Council MD Peter Allsopp said the legislation would ensure consumers were protected against "fly-by-night" contractors and shoddy workmanship.

Draft law 'will have big effect on home builders'

BD 2/7/97 (32)

Robyn Chalmers

DRAFT legislation which is aimed at giving statutory recognition to the National Home Builders Registration Council will, if promulgated, have a huge effect on home builders, say property and construction analysts.

The housing ministry published the draft bill for comment last week, causing an outcry from the Building Industries' Federation of SA (Bifsa), which is vehemently opposed to giving the council statutory recognition.

The ministry said that the bill would ensure consumers were protected against "fly-by-night" builders and poor workmanship.

"These are the principles upon which the council was formed. However, some builders are not willing to accept the council's principles of their own accord and are continually challenging the council. Accordingly, the housing minister has called for legislation to enforce consumer protection," said a ministry spokesman.

If promulgated, the bill would make it an offence to work as a home builder while not being registered with the council. Home builders would not be allowed to construct a home without enrolling that home with the council and home builders would be forced to provide home owners with proof of such enrolment.

It would also be an offence for a bank to lend money to a home buyer to finance the purchase of a newly constructed home without ensuring that the home builder was registered and the house enrolled with the council.

Housing ministry media official Mandy Jean Woods said that the benefits of a single national scheme would be to ensure effective and uniform regulation of the home building industry as well as a level playing field of consumer protection in the industry.

Selective or discriminatory schemes would be prevented, racial disparities within the industry reduced, uniform standards of construction and protection could be applied and economies of scale could promote efficiency and lower costs for all, she said.

Initially, the bill was intended to cover homes from about R20 000 upwards, which implied that some loan finance would be involved, but it was the minister's intention to reduce this figure as soon as possible to cover families building homes with the government subsidy.

The bill would ensure that all home builders were evaluated by the council prior to registration, be subject to council disciplinary procedures, provide a five-year structural warranty to all home builders and that homes would be built according to pre-set national quality standards.

Home builders would also be required to rectify structural defects if they occurred in the five-year warranty period, or face deregistration by the council.

Bifsa has objected to the proposed bill, saying it was appalled at the lack of transparency and consultation on the part of government. It said the proposed 1,3% levy would inflate all house prices. Bifsa also objected to many aspects of the scheme's administration and current rules.

Minister meets Bifsa over bill

CT(BR) 2/7/97 (32)

Maggie Rowley
Property Editor

Cape Town — The Building Industries Federation of South Africa (Bifsa) expressed its concerns yesterday about the recently gazetted and controversial draft bill on the National Home Builders Registration Council to Sankie Mthembu-Mahanyele, the housing minister.

The bill aims to provide legal empowerment to the council and its defects warranty scheme to protect consumers against shoddy building.

Ian Robinson, the executive director of Bifsa, which has threatened to seek legal recourse if its concerns are not addressed before the bill is enacted, said the minister had "been friendly" and receptive to its concerns.

"First prize would have been to have stopped legislation going through, but the minister made it clear the government was determined to provide legal empowerment to the council.

"We did, however, agree to the principles of negotiation to be followed within the 30-day period provided for in the draft bill. We will document our concerns within the next 10 days before scheduling further meetings with the minister and her department," Robinson said.

He said Bifsa was dissatisfied with many aspects of the scheme's administration and rules, and had only recently received a written response from the council to the problems Bifsa, and other stakeholders, had bought to the council's attention.

He said among the areas of concern was the lack of any obligation on the part of the council to intervene financially to protect the consumer "who nevertheless perceives that he has complete protection against structural defects through that body".

Another concern raised by Bifsa was that the bill required all builders to register with the council and to pay a levy on any structure for human habitation which, by implication, would include hotels and blocks of flats.

DE-REGISTERED CONTRACTORS

Name of company	Reason	Province
Howzit Property Developers	Company in liquidation.	Mpumalanga
JJ Viljoen Developers	Bounced Cheque.	Gauteng
Manuels Construction T/A Alby Construction	Numerous judgments.	KwaZulu Natal
Tanas Building Construction	Bounced Cheque.	KwaZulu Natal
Ntsele property developers T/A Comfort Properties	Bounced Cheque.	Gauteng
ME Moraba Projects cc	Bounced Cheque.	Gauteng
Pro Builders T/A Rand Construction	Fraudulent use of NHBRC registration	Gauteng
Gable Construction	79 deposits taken. Very little building	Gauteng
Montalink Project Management	Company closed down.	Western Cape
H&A Housing T/A Town Housing	In liquidation. 17 houses enrolled	KwaZulu Natal
Nel Fourie T/A NF Konstruksie	Possible liquidation or sequestration.	Western Cape
Renos Tiling	Allegations of deposit theft.	Gauteng
DesignorCon cc T/A Built It	Allegations of deposit theft.	Western Cape
Pinnacle Property Developers	Estate insolvent.	Eastern Cape
Africa Homes CC	Provisional liquidation.	Eastern Cape
Lorusland Eiendomme	Company liquidated.	Gauteng
Malandela Homes	Company has ceased trading	Gauteng
MJ Lubbe Builders cc	Company liquidated.	Western Cape

More building contractors struck off

CT(BR) 3/7/97 (32)

MAGGIE ROWLEY
PROPERTY EDITOR

Cape Town — A further six building contractors have been deregistered by the National Home Builders Registration Council, bringing to 18 the number who have been blacklisted since the council was formed in June 1995, Peter Allsopp, the managing director said this week.

He said four other contractors were in the one-month notice period in which they had to respond to the council and furnish explanations for any alleged wrongdoing. If they failed to make contact with the council and furnish a satisfactory explanation, they too would be deregistered, Allsopp said.

Companies have to register with the council to qualify for bond finance from banks, and have to pay a levy to the defects warranty fund, which is administered by the council, on each house they build.

The warranty fund was established in February last year in order to protect consumers against shoddy building.

Draft legislation to give legal empowerment to the council and its defects warranty scheme was published for comment last week. It has met with strong opposition from the Building Industries Federation of South Africa.

Among other things, the proposed legislation will remove the R250 000 ceiling for cover under the defects warranty scheme and extend cover to all houses.

Allsopp said the council had received 4 508 applications for registration from contractors, of which 3 963 have been approved, 177 had been rejected and the rest were still being processed. These contractors had enrolled a total of more than 32 000 houses for cover under the warranty scheme.

Claims against the scheme, Allsopp said, totalled 337, with 84 of these now under conciliation. The balance of the claims related to houses built before the defects warranty scheme came into operation or exceeded the present ceiling.

Shoddy work costs 6 licences

Sowetan 8/7/98

32

By Joshua Raboroko

THE National Home Builder Registration Council (NHBRC) has axed another six contractors for flouting regulations designed for builders, particularly those operating in the low-income bracket.

The deregistration of the six brings to 18 the number of contractors who have been blacklisted for allegedly ripping off millions of rands from home owners since the NHBRC was formed two years ago.

NHBRC managing director Mr Peter Allsopp said four other contractors had been given a month to respond to the council and furnish explanations for alleged misbehaviour.

Failed to meet

If they failed to meet the council's requirements they would also be deregistered. The contractors were allegedly involved in fraudulent transactions amounting to hundreds of thousands of rands and shoddy workmanship.

Building contractors have to register with the council to quality for bond finance from financial institutions. They also have to pay a levy to the Defects Warranty Fund, which is administered by the council, on each house they build.

The warranty fund was established in February last year in order to protect consumers against shoddy building.

The Housing Ministry has released a draft bill to give legal empowerment to the council and its warranty scheme.

Allsopp said the council had received 4 508 applications for registration from contractors and 3 963 had been approved.

Olympics could boost industry

(32) BD 25/7/97

Lukanyo Mnyanda

THE success of Cape Town's bid to host the Olympic Games in 2004 could generate about R6,8bn in construction and building industry expenditure, boosting sector growth in the region by up to 21,1% in the year preceding the games, says stockbroker Smith Borkum Hare.

However, construction activity resulting from the games was expected to be below expectations. Investors were advised to be selective as simple exposure to gross domestic fixed investment stocks would not necessarily provide satisfying returns.

Analyst Gordon Taylor said the bid could generate about R6,8bn — compared to current work totalling about R5bn — in construction-related expenditure over the next six-and-a-half years.

However, the effect on companies' earnings levels was expected to be less — as a result of factors ranging from skills shortage to international competition — and investors had to be selective in their exposure. Taylor said it would not be wise to pay more than a 10%-15% premium on any company to gain general exposure.

Historical ties to the Western Cape, successful relationships with emerging business and alliances with international companies with previous experience in Olympic projects would largely determine specific bidders' chances of success.

Taylor said company size was important as participants needed to be big enough to cope with large projects while still small enough for the contracts to have a meaningful impact on earnings.

"While companies like LTA and Murray & Roberts are undoubtedly going to participate in work for the Olympics , the impact at earnings level is expected to be watered down by the sheer magnitude of the companies."

Pretoria Portland Cement, with its monopoly of the Cape cement market, could see earnings boosted by up to 6% in 2003. Wilson Bayly Holmes-Ovcon was also expected to be a main beneficiary. Basil Read was expected to benefit from its association with French group Bouygues while Grinacon was expected to benefit from a recent contract with the bid company and joint ventures with emerging contractors.

Borrowings hurt Stocks & Stocks

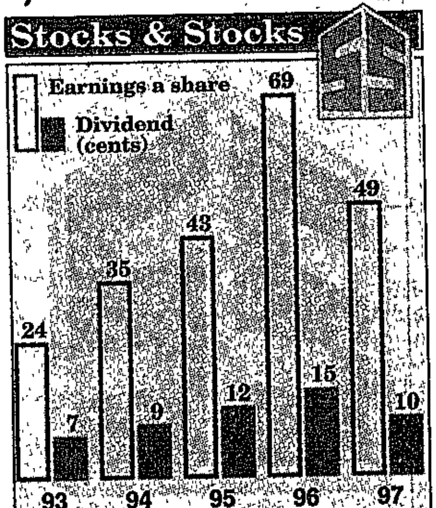
(32) BD 25/7/97

Lukanyo Mnyanda

CONSTRUCTION group Stocks & Stocks posted a 30% decline in attributable earnings to R39,1m (1996: R55,8m) in the year to April as increased borrowings and losses by its information technology and Namibian operations offset strong showings from other divisions.

CEO Bart Dorrestein said yesterday that the group would rationalise its IT division and form joint ventures which would allow it to focus on being an investor and service provider. Stocks would also restructure the funding for its Namibian leisure operation, which had suffered from overtrading in the gaming sector, from short-term to more "cost compatible" long-term debt.

Increased borrowing resulting from the separate listing of the hotels division helped lift total interest-bearing debt to R223,9m, from R191m in the corresponding period last year. The group had cash resources of R113,5m on its balance sheet. Chairman Reg Edwards said the group aimed to reduce gearing, now at 37%, to less than 30% in the coming year.



Graphic: KAREN MOOLMAN Source: STOCKS & STOCKS

Continued on Page 2

Stocks & Stocks (32)

Continued from Page 1

BD 25/7/97 (32)

Turnover increased 3% to R1,6bn (R1,56bn) while operating income dropped to R83,94m (R85,29m). Net interest almost halved to R14,68m (R24,39m), leaving pre-tax profit at R69,26m from last year's R60,9m.

The tax bill rose slightly to R2,45m (R2,34m), which left post-tax income at R66,76m compared to R58,56m in the period last year. Share earnings were 49c (69c) and the group declared a final dividend of 10c (15c) a share.

Dorrestein said although the results were disappointing, Stocks believed that the underlying fundamentals — underpinned by strong performances from its other operations and a R2,2bn order book — looked strong and he was bullish about the coming year.

The construction division had benefited from a number of joint ventures and increased its contribution to segmented group income 48% despite an industry slowdown. Dorrestein said the civils and roads operations, with an order book of about R600m, had continued to show "more than satisfactory" growth. The group was also likely to benefit from the expansion of its activities in other parts of Africa.

Property operations had accounted for 43% of the group's segmented income, while the housing construction and development division had defied high interest rates and the failure of government's low-cost housing programme to get off the ground.

The separately listed Stocks Hotels & Resorts had lived up to expectations despite seasonal pressure on rates and occupancy, he said.

Director forecasts 6,2% growth in construction industry next year

Bifsa upbeat over building prospects

CT (BR) 28/7/97 (32)

JONATHAN ROSENTHAL
INDUSTRIAL EDITOR

Johannesburg — The building industry was expected to reach a growth rate of 6,2 percent in investment in buildings by the end of next year, Ian Robinson, the executive director of the Building Industry Federation of South Africa (Bifsa), said last week.

Robinson said the residential and non-residential markets had grown 5 percent in the first quarter of this year over the comparable period last year.

"The prospects for 1998 should be better, providing less stringent monetary control is applied, resulting in some decline in interest rates. Further external shocks, like the sudden weakening of the rand earlier and the drop in the gold price recently, would of course not be conducive to resumption of growth higher than the population growth. Bifsa is still confident that growth of up to 6,2 percent in investment in buildings can be expected by the end of 1998," Robinson said.

He said the government's low-cost housing initiative seemed to be picking up, but was short of the country's requirements because of insufficient funding in the Budget. Ideally, 5 percent of the total Budget should go to housing, but at this stage only 2,3 percent was being allocated.

"It would appear that in excess of 100 000 houses will be built during 1997, but projecting these figures to the year 2000, it appears to be a forlorn hope that a million houses will be built by the turn of the century as is the department of housing's intention," he said.

He said a lack of training continued to haunt the building industry. "The writing is on the wall that we are not going to cope with even a semi-successful Gear (growth, employment and redistribution strategy) because of a shortage of skills," he said.

South Africa would probably have to start importing skilled managers within the next few years to cope with an upturn in the building industry.

Building contractors "have an unfortunate habit of only training people after they have secured their contracts", he said.

HIGH HOPES *Ian Robinson, the executive director of Bifsa*

HOUSING *Builders campaign to squash registration council*

Bifsa wants end to 'cost juggernaut'

CT(BE) 28/7/97 (32)

JONATHAN ROSENTHAL
INDUSTRIAL EDITOR

Johannesburg — Tension between the building industry and the housing minister over the National Home Builders Registration Council (NHBRC) comes to a head today as the industry makes a submission to the housing department calling for the NHBRC to be scrapped.

The council was established nearly two years ago to encourage banks to lend into the lower-income market through establishing a warrantee scheme to police building standards and repair defective buildings.

Builders are required to register with the council and pay a 1,3 percent levy on the value of buildings completed.

But Ian Robinson, the executive director of the Building Industry Federation of South Africa (Bifsa), told journalists on Friday the council had become "a huge juggernaut of cost and is not addressing the problem for which it was created". He said Bifsa would oppose legislation recognising the council as a statutory body and would call for it to be scrapped.

Several provincial housing ministers, he added, supported Bifsa's call.

He said that by the end of next year the NHBRC would have collected more than R60 million in levies and fees on the industry, but that in the past two years only 6 222 loans had been granted for houses costing less than R65 000.

He said the council had been established, along with the mortgage indemnity scheme, as part of a government record of understanding with the banks. The banks had promised they would grant 50 000 loans in the first year and a similar number in the second. So far banks had only granted 30 000 loans, most of which were for houses worth more than R65 000.

Bifsa had initially supported the council, and still supported some form of quality insurance. "I used to sit on the board of the NHBRC but it got out of control," Robinson said. "It is ... like a government department that just keeps growing like Topsy."

Research bureau expects activity to deteriorate in the third quarter

Bleak outlook for builders

ET (BR) 29/7/97 (32)

Maggie Rowley

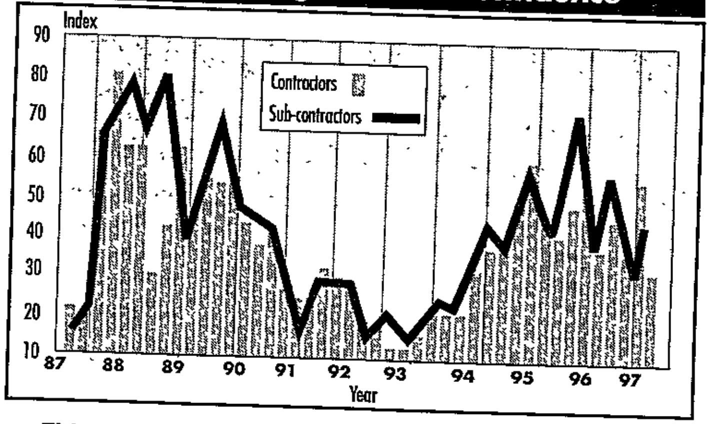
PROPERTY EDITOR

Cape Town — Short-term prospects for the building industry remained bleak, with building activity expected to deteriorate further in the third quarter, the Bureau of Economic Research said today.

In its quarterly survey of the building and construction sector, the bureau said a reversal in the interest rate cycle, as expected by the bureau in the short term, could reduce the downward trend and reverse it in the medium term.

While the residential property market remained sluggish, a marginal upward trend from a relatively low base in the number of real estate transactions had become discernible since late last year, the bureau said.

Residential building business confidence



This was not necessarily a reflection of the underlying strength of the economy or the property industry, but a result of a number of other factors such as an expectation that mortgage rates were set to decline. This could induce prospective and existing home owners to enter the house market or to trade up before house prices escalated substantially, the bureau said.

Residential building activity remained below that of a year ago and the level of building plans passed and housing starts for the first half of 1997 did not augur well for future business conditions in this segment, the report said.

According to the bureau, the majority of those surveyed in this sector were dissatisfied with prevailing business conditions and expected little improvement in the near future.

The non-residential property market, as reflected by nominal and real rental increases, continued to perform well, but the less lively growth performance of the real economy was likely to have a moderating effect on the overall demand for rental space.

Building completions in this sector were increasing at a level above that of a year ago, but the availability of new work appeared to be waning and tendering competition escalating, the bureau said.

Forcing of double medium at Afrikaans universities

*15. Mr R S SCHOEMAN asked the Minister of Education:†

(1) Whether it is his or his Department's policy to force all Afrikaans medium universities to become double medium universities; if so, why;

(2) whether it is his or his Department's policy to force all English medium universities to become double medium universities; if not, why not;

(3) whether there is space for inclusive Afrikaans medium universities in South Africa; if not, why not;

(4) whether he will make a statement on the matter? N1773E

The MINISTER OF EDUCATION:

(1) No

(2) No. It is not the policy of the government to "force" a particular language policy on institutions.

(3) I cannot predict what medium institutions South Africa will have because the legislation that deals with how language policy in Higher Education will be determined, is still going to be debated by Parliament, and the national policy framework within which institutional language policies will be developed, will come out through a process laid down in the White Paper on Higher Education. The hon member is therefore advised to put that question into those processes.

(4) A statement will be made when the processes I have mentioned above have reached a point where it will be necessary to do so.

*16. Dr B L GELDENHUYS – Foreign Affairs.
[Withdrawn.]

Denel's profit-sharing scheme: audit

*17. Mr J A JORDAAN asked the Minister for Public Enterprises:

(1) With reference to the audit commissioned by her into the R25 million set aside by the top management of Denel in 1995 for a profit-sharing scheme, (a) who are the persons found to have received unauthorised payments and (b) what amount did each of these persons receive;

(2) whether action has been taken against any of these persons; if not, what is the position in this regard; if so, what action;

(3) whether any of these persons are no longer in the employ of Denel; if so, (a) which persons and (b) under what circumstances and/or on what conditions did such persons leave? N1778E

The MINISTER FOR PUBLIC ENTERPRISES:

Draft reports on the matter in question were received by the Board Team on Wednesday, 20th of August 1997. This matter will be a subject of discussion on Tuesday, 2nd of September 1997. Therefore I cannot comment thereon at this juncture.

* 18. Dr B L GELDENHUYS – Foreign Affairs.†
[Question standing over.]

Drunken driving on SA roads: harsher measures

*19. Mrs S M CAMERER asked the Minister of Transport:

(1) Whether, with reference to certain statistics relating to the number of deaths caused on South Africa's roads as a result of drunken driving and the sentences imposed for such offences, which have been furnished to his Department for the purpose of his reply, he or his Department intends introducing harsher measures aimed at deterring the incidence of drunken driving on South African roads; if not, why not; if so, what measures;

(2) whether he will consider introducing measures whereby (a) the endorsement of a driver's licence will be obligatory following a conviction on a charge of drunken driving and/or (b) licences will be revoked after a certain number of such convictions; if not, why not; if so, what are the relevant details? N1780E

The MINISTER OF TRANSPORT:

(1) The Department of Transport takes into account that drunken driving causes a major crisis on our roads and has received a considerable number of comments in this regard. Our main response has been to amend the prescribed statutory blood alcohol limit and breath limit as contained in the National Road Traffic Act, 1996 (Act No. 93 of 1996).

In terms of section 65 of the National Road Traffic Act, 1996 (Act No. 93 of 1996), no person shall drive a vehicle while the concentration of alcohol in any specimen of blood taken from any part of his/her body is greater than 0,05 gram per 100 millilitres, or in the case of a professional driver, greater than 0,02 gram per 100 millilitres. The new limits will enter into force once the National Road Traffic Act is implemented, which will take place during 1998. In the meantime a 0,08 level for all drivers is applicable.

Section 89 of the National Road Traffic Act, 1996 (Act No. 93 of 1996) makes provision for harsher penalties in respect of traffic-related offences. However, sentencing is at the discretion of the presiding officer in a court of law.

Section 165 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), makes provision for the independence of the judicial system. Therefore the Magistrates' Commission which is the governing body of all the Magistrates' Courts in South Africa is responsible for giving guidelines to Magistrates for purposes of sentencing. The Minister of Transport has no jurisdiction to prescribe either minimum penalties or sentences.

In the very near future, in conjunction with provincial and local authorities, I will be formally announcing the launch of an intensive law-enforcement programme, to run from October 1997 to January 1998, which will, amongst other things, provide for strict roadside monitoring of drink driving offences and streamlined procedures for the disposal of such offences in the courts. Regular repeat campaigns will follow in the succeeding months and years.

(2)(a) Yes, I intend to take the following steps as disincentives to drunken driving:

- acceptance of breathalysers for evidential purposes, which will enhance law enforcement on drunken driving, and
- the introduction of mobile "booze buses" for speedy and effective testing and processing of offenders

(b) The Administrative Adjudication of Road Traffic Offences (AARTO) System, which is still under discussion between the Departments of Transport, Justice and other role players, makes provision for the endorsement of a driver's licence in providing for a Points Demerit System whereby the offender accumulates negative points for Road Traffic Offences. Upon reaching a predetermined maximum number of points the offender's licence will be suspended.

National Home Builders Registration Council Bill: consultations

*20. Mr J A RABIE asked the Minister of Housing:

(32)

(1) Whether in the drafting of the National Home Builders Registration Council Bill, 1997, any consultations have and/or debate has taken place with the relevant industry and the Building Industries Federation of South Africa (Bifsa); if not, why not; if so, what are the relevant details;

(2) what progress has so far been made in respect of the drafting of this Bill;

(3) whether she will make a statement on the matter? N1781E

The MINISTER OF HOUSING:

(1) The National Home Builders Registration Council (NHBRC) is not anything new It has been in existence since 1995 at my Departments request. The NHBRC is a self-regulatory body which was established only after extensive consultation and debate with all relevant stakeholders.

FM 1/8/97 (32)

STOCKS & STOCKS

Blame it on the IT business

Despite a low tax bill, IT and Namibian losses drag earnings down

There was no surprise that Stocks & Stocks reported lower profit in the year to April. What is surprising is that earnings were down even though the effective tax rate fell from a negligible 3,8% to an even lower 3,6%.

One reason that Stocks sits on a p:e of less than six is that analysts value Stocks on a normal tax rate of 25%-30%, which would cut EPS by 10c to 39c. At that level the p:e ratio increases to 7,5, in line with competitor Group Five.

It also reflects disillusionment with Stocks' vertically integrated structure, which suggests substantial opportunities for profit recognition along the value chain, making it difficult to know what Stocks receives in cash from third parties. The group is now dismantling this structure.

CE Bart Dorrestein says losses in the information technology division reduced the tax bill and there was a capital profit of R38,4m, less the interest cost of the investment, from the realisation of a portion of Stocks Hotels & Resorts (SHR) on its listing in February.

Unlike most other listed companies, Stocks does not report headline earnings, which strip out the effects of capital gains and gives a more accurate picture of trading performance. But Stocks considers the sale of part of SHR as part of its normal profits on property development.

The IT division's sales of SSA software slumped before the introduction of an upgraded range and write-offs on new operations. Stocks plans a partnership with other players in the industry, quitting direct IT operations and becoming an investor.

The preliminary report gives more divisional information than, say, LTA (*Fox* July 25) and shows a strong trading performance from construction, which lifted its contribution to the bottom line by 48% on a 14% increase in turnover. Dorrestein says building operations margins were lower than the previous year, but improved cash management increased their contribution.

Civil engineering is growing and Stocks as a whole has an order book of R2,2bn.

Steel fabrication and trading are doing well with a 66% advance in attributable earnings, which it expects to increase through an international investment.

The property operations had a difficult time with institutions reducing their property portfolios to bring their exposure more in line with international norms.

Dorrestein says once institutions have sold their poor quality buildings they will return to the top end of the market, but perhaps as investors in listed vehicles rather than as direct property owners. The Stocks property portfolio will be put into a vehicle to be held with foreign investors, which might list within five years.

Losses from its 30%-held Namibian hotels increased from R2,78m to R7,33m. Dorrestein says that though its hotel occupancies are 18% higher than the market average, competition from new casinos has led to trading losses.

The funding of the Namibian hotels is being restructured to turn the group's short-term loans into 10-year facilities. Though some profit potential will be lost, the contribution from the operations is expected to stabilise and then turn positive.

The contribution of the timeshare operations and the SA hotels, now listed as SHR, led to a 55% rise in the contribution to operating profit from leisure. SHR made a maiden profit of R13,1m.

Group gearing fell 40% to 36% and chairman Reg Edwards expects it to fall to 30% this year But the disposal of assets has increased the outside shareholders' earnings from almost nil to R20,3m.

Stocks is reshaping itself into a form more acceptable to the market, but counters operating in all its main areas of operation — property, construction and hotels — continue to under-perform Though the share looks cheap at a 42% discount to NAV it is a risky investment **Stephen Cranston**

GOLD QUARTERLIES

When hedging does pay

Many mines are in trouble, but the industry is showing its resilience

While the June quarterly results did not turn out to be the disaster that was widely anticipated, the industry's situation remains grim, as shown by the number of marginal mines now in deep trouble.

Mines that performed well, such as the **Anglo** and **Gengold** producers, did so largely from higher gold prices secured through hedging as well as earlier progress made on labour productivity issues.

Those that performed the worst were marginals that had not hedged such as the **Randgold** producers — **Durban Deep**, **Blyvooruitzicht**, **ERPM** and **Grootvlei** — as well as a few marginals that had sold forward such as **Randfontein Estates** and **Loraine.**

Average gold price received by **Gold Fields** mines, which do not hedge, dropped 4,5% to R49,411/kg in the June quarter (March quarter R51,737) The current gold price is down another 4,5% at R47,165/kg.

Anglogold, by comparison, averaged R52,649/kg for its mines — only 1% down on the March quarter — while Gengold received R50,601/kg (R51,504/kg).

Grootvlei — now merged with **Harmony** — will live or die on a resolution between Randgold and the State on the continuing issue of pumping subsidies.

Randgold chairman Peter Flack points out Grootvlei is R28m out of pocket on pumping operating and capital costs, while government has reneged on its previous agreement to spend R20m on a solids

 (32)

It pays to go to Malmesbury jail

FM 1/8/97

Contractor strains to meet affirmative action targets in State construction

Government's affirmative procurement policy has notched up its first success with the construction of the new Malmesbury Prison. But demanding black empowerment targets have taxed private contractor Armac's resourcefulness to the limit.

At R173m, Armac's was the lowest tender for the Public Works Department's first affirmative procurement project.

The policy aims to involve "affirmable business enterprises" (ABEs) — small, medium and micro enterprises owned and controlled by previously disadvantaged people — in large government contracts alongside established firms.

It sets a 10% minimum participation target for ABEs. Armac's target is to achieve 38,5% — about R58m, excluding Vat.

Armac is a joint venture between Basil Read, Amsa and Atlantis Districts United Contractors (ADUC), a consortium of emerging businesses from the Atlantis area

in the Western Cape.

Project manager Christophe Calmel says Armac fears the department may invoke harsh penalty clauses in the contract unless it hits the 38,5% target bull's-eye. With the completion deadline looming on August 12, Armac is stretched to the utmost to meet the target

It has used 107 ABEs, including professional services, subcontractors and suppliers, with most of its own labour coming from the local community.

Meeting the "demanding" target has been made all the more difficult because of time constraints. Because of prison overcrowding, the construction time set for the prison for 1 000 inmates was a mere 11 months. This forced Armac to assist subcontractors in the daily management of their trades.

The basic construction expertise exists, says Calmel, but ABEs generally lack managerial skills. These were supplemented by free night classes on site, enhancing ABEs' chances of obtaining future contracts and financing.

For example, an ABE brick supplier whose credit limit was extended fourfold by a large brick manufacturer during the project has been earmarked by Saldanha developers for future supplies.

Over 200 people, including many not employed on the project, are said to have benefited from the free training.

***Affirmative sparks** . . . a worker at Malmesbury Prison*

Armac also assisted in providing bridging finance to subcontractors with inadequate cash flows and mediated between ABE suppliers and large manufacturers who were initially reluctant to give them the necessary credit facilities.

Armac has not considered the extra costs of meeting the affirmative action requirements. But Calmel says the biggest cost factor has been the time spent supervising ABEs' work.

The department has hired a consultant to review the policy to take account of some of the lessons learnt One of Calmel's chief concerns is that the contract provides no protection to the chief contractor from ABEs who could club together and charge exorbitant rates. But Armac would do it again.

"I think it is the only way to work in SA," says Calmel. "ABEs must become involved in major contracts or they will never acquire the skills and experience to be able to tender for big jobs."

At the official launch of the prison in April, Public Works Minister Jeff Radebe said nearly 360 construction contracts had been awarded to ABEs in the preceding eight months.

Claire Bisseker

(32)

ARG 2/8/97

Dispute over draft builders' bill hots up

It doesn't meet its objective – Bifsa

THABO MABASO
BUSINESS REPORTER

Comment on the controversial National Homebuilders' Registration Council Bill, designed to protect low-income home buyers from shoddy workmanship, has flooded in to the Department of Housing.

Interested parties were given until the end of last month to comment on the draft bill, which was published in the Government Gazette.

Ministry of Housing spokesperson Brian Leveson said that many of the submissions were detailed.

"A cursory glance at the submissions received indicates that they can be divided into three categories; unqualified support for the bill, qualified support, and opposition," Mr Leveson said.

The submissions were currently being evaluated and a report would be submitted to the Minister of Housing, Sankie Mthembi-Mahanyele, at a later stage.

The draft legislation seeks to provide the National Homebuilders' Registration Council with statutory recognition.

Ms Mthembi-Mahanyele has said this would ensure that the requirements of all were taken care of by all the stakeholders in the housing construction market.

The bill will make it compulsory for all builders to register with the council and to pay a levy on any structure for human habitation.

At present, the system of registration is voluntary, but banks will only grant bonds for houses built by registered builders.

All houses below a value of R250 000 fall under the scheme.

Ian Robinson, executive director of the Building Industry Federation of South Africa (Bifsa) which has voiced strong objections to the bill, told Saturday Business that a 70-page submission on the draft bill had been sent to the Minister before the July 28 deadline.

In its submission, Bifsa said that the draft legislation did not meet its objective, which was to facilitate the granting of housing loans by financial institutions to people with low incomes.

"The draft bill postulates a hopelessly inefficient and unworkable scheme," Bifsa said.

The federation also said that certain definitions in the draft bill were vague and that it was unclear what people's rights and obligations were.

"There was currently confusion on the roles of developers and contractors, as defined in the bill, Bifsa said.

"Certain features of the draft bill are open to constitutional challenge and/or postulate future constitutional challenges," said the submission.

The National Homebuilders' Registration Council, which provided input when the bill was drafted, has come out in support of the stated aims of the draft legislation.

The council's managing director, Peter Allsopp, said the bill would give housing consumers protection against "fly-by-night" building contractors and shoddy workmanship.

"We believe that it is a far-sighted bill which has been drafted to enable more comprehensive consumer protection mechanisms to be developed. This will, in time, engender more protection to a broader scope of our population," Mr Allsopp said.

New building projects bring hope to sector

(32)

Robyn Chalmers

BD 5/8/97

PROJECTS like the Maputo development corridor and the N3 De Beers Pass toll road will provide a significant boost to the building and construction industry, a Société Générale Frankel Pollak report says.

Analyst Mark Ingham said private sector influence over gross domestic fixed investment was likely to become greater than had traditionally been the case.

This was particularly so in light of government encouraging the private sector to take a significantly more active role in building and managing infrastructure projects.

"In the absence of government delivery, or rather an inability to deliver due to resource constraints, we are seeing a more proactive participation by the private sector as opposed to a passive reaction to projects initiated by government and put out to tender," he said.

Ingham said building and construction gross domestic fixed investment had halved since the mid-1970s. As a proportion of gross domestic product, building and construction gross domestic fixed investment had fallen to 7% in the past four years from 15% in the mid-1970s.

He said the Maputo development corridor gave building companies a direct equity participation in the toll road project, construction work over 30 years and management responsibility.

It also gave them the chance to generate a revenue stream which could potentially yield greater returns than were conventionally available.

Ingham said assuming a R1,5bn Witbank-Maputo toll road construction bill, the equity portion would be about R300m — about half funded by Bouygues, Basil Read and Stocks & Stocks — and the debt portion R1,2bn.

Sowetan 7/8/97

RDP to aid builders to develop

32

By Coudjoe Amankwaa

UNDER a successful Reconstruction and Development Programme, the building industry could grow from the current investment level of R17,4 billion a year to R28,3 billion by the year 2000.

Speaking during the official opening of the Afribuild '97 exhibition at the Gallagher Estate in Midrand this week, the exhibition manager, Nigel Walker, said the building industry, if given a chance to grow, could develop into a gigantic sector where the informal sector could expand and create jobs.

The building industry, said Walker, was currently providing about 540 000 jobs to black people. About 203 000 of this number were in the informal sector.

He hailed this achievement as a step in the right direction to minimise the unemployment problems facing South Africa.

"The exhibition is an ideal platform for joint ventures, alliances and skills transfer between the formal building industry and the so-called informal sector", he said.

Walker said the new look Afribuild '97, a business-to-business exhibition for construction, building and related industries, is dedicated to housing in the country.

The five-day TML Reed-organised exhibition, which started on Tuesday and ends today, is attended by 200 industry representatives.

Walker said: "While the building and construction industry in South Africa is currently in turmoil, long-term prospects are highly encouraging."

He attributed the present low level of confidence in the industry to factors such as the general climate of political and economic uncertainty in the country.

Communities are building it for themselves

(32)

M+G (BM) 8-14/8/97

To address the country's basic construction needs the government must facilitate community-driven projects, reports **Aspasia Karras**

Rallying call: Bolpatong puts people-driven development into practice. PHOTOGRAPH: ASPASIA KARRAS

Sixty percent of all construction projects in South Africa are handled by 12% of the industry. "The South African building industry is in a state," says Sam Amod of Development Engineering Consultants. "Serious restructuring is required."

Amod is part of a team working on the Green Paper for Construction due for publication at the end of the year. Entitled "Establishing an Enabling Environment for Construction", the paper will focus on challenging the protectionist and uncompetitive nature of the industry. It will also attempt to break the cycle that makes it extremely difficult for emerging contractors to tender for large operations, because credit extension and surety are very hard to come by.

"Quality and execution are a serious problem; there is hardly any capacity. Large contractors point to the impressive hi-tech work at Richards Bay and Alusaf to show that capacity exists, but that kind of construction is not addressing the country's basic needs."

Amod is managing a project that reflects the Green Paper's transformation objectives. His analogy is: "When you've got children to feed you cannot stop cooking in order to clean the kitchen." The Boipatong-Bophalong integrated pilot project, started up in May, is one of 12 initiated by the Department of Public Works. The aim of the programme is to demonstrate to other government departments how re-orientation may be achieved, and to develop guidelines and technical information for future use

As part of the wider public works portfolio, each province was requested to develop a pilot project to deal with unemployment, poverty and the lack of skills in a particular community. The project entails creating and maintaining physical assets, such as clinics and roads, through the direct involvement and participation of the community. In this respect, the Gauteng project is the only one that has taken the principle of community participation to its logical conclusion. The R15-million project budget is being administered by community project committees, which have been set up in offices in Boipatong and Bophalong. Amod explains: "The community is still emerging from the throes of the massacre, so there was enormous animosity among the members of the project committee, but we found that inclusivity was the right management decision."

Sean Phillips, director of the public works programme in Gauteng, says: "We are trying to interpret people-driven development and put it into practice, but it is a vague concept and you could end up empowering thugs."

This is the very real consequence of the history of a community like Boipatong, and the latent instability has flared up during the course of the project. The four construction projects, the Jet Nteo school, two clinics in both townships, and a library in Bophalong, are being entirely handled by emerging contractors from the region, chosen after an open tender process. Nevertheless, gun-toting members of the African National Congress youth league at one stage prevented building on the site of the school, citing corruption and employment of non-Boipatong residents as reason enough to demand R2 000 to secure their co-operation. They have been subsequently expelled from the ANC, but their actions highlight the risks associated with community-driven projects.

But says Jacob Letsela, a member of the project committee in Boipatong: "The advantages to the community are many. Participation ensures that the community actually receives the services it identified and really needs; it also ensures that the projects will not be vandalised on completion, because the community has bought in to them."

Amod adds: "South African construction moved away from labour-intensive methods during apartheid in fear of unionisation and instability, but the real need in South Africa is job creation. In real cost terms the labour-intensive method used on this and other projects would cost us the same if we had machines in there."

The need is for stronger project-management and more risks by the government. Traditionally, a single contractor would go in and complete the project after it had been assessed by consultants. This ensured that the government ran the smallest risk, for relatively safe returns. A community-centred approach entails far more risk than the government usually likes to take, but has higher long-term returns.

But, says Amod, "to stick a wad of money in front of communities is irresponsible; parameters must be set". These entail balancing the level of power given to communities with internal checks and balances, as well as developing the control in the projects at the level where decision-making is most effective.

"If government is serious about empowering communities it must then give provinces, local government and individual project managers discretion to act beyond hierarchical regulations, to speed up the process."

Phillips sees the process as a series of trade-offs between communities and personal gain; between time constraints and a high level of community participation; and between meeting social needs and actually getting things off the ground. But central to government's fear of this kind of project, he says, is the culture of risk aversion — and this kind of community participation is a potential minefield.

"If the independent auditors who are auditing this project found that the R5-million already spent had been somehow misappropriated, heads would roll."

The trade-off for the government appears to be to take more risks and transform the way development projects are managed or give up the notion of community-driven development.

Builders' regulatory bill brings blame, not solutions

The new bill to regulate home builders comes to Parliament soon. Dominic Tweedie takes issue with its provisions

(32) BD 15/8/97

THE deadline for submissions on the National Home Builders' Registration Council Bill was July 28, a month after the bill was gazetted "for comment". On that day, Brian Leveson of the National Housing Forum Trust was redeployed to the housing department. He is a lawyer specialising in consumer protection and his task is to steer the bill onto the statute book.

The Gauteng Master Builders' Association, a voluntary, democratic and self-funding organisation, and the other regional master builders' associations, have formed a committee to fight the bill, led by builders' association executive director Colin de Kock.

Their submission contains strong objections: the bill will not correct the mischief it was intended to fix; it is "hopelessly inefficient and unworkable"; it is open to constitutional challenge; the price of land and services should not be subject to levy; definitions are vague, preventing the public from knowing their rights and obligations; it duplicates the public works department's registration drive; the composition of the governing body is unsatisfactory; and the bill entrenches the current home builders' registration council, which "provides no substantive protection for those who rely upon it".

Leveson admits that consumers do not have an enforceable right to claim against the builders' registration council under the bill. This would have been prohibitively expensive, he says.

Shawn Cuff, the technical co-ordinator of People's Dialogue for Land and Shelter, which promotes self-building, says the bill will have devastating repercussions on the poorest of the poor and on existing and emerging small contractors. There are also objections from the Free Market Foundation.

These responses suggest the bill may be good for nothing. Even the banks, for whom the whole registration council show was put on the road, appear indifferent.

A record of understanding between the Council of Southern African Banks (Cosab) and government preceded the trumpeted Botshabelo Accord in 1994. The Cosab CE at the time, Piet Liebenberg, wrote of "a massive break-through", but the bank-driven institutions created by the record of understanding (Masakhane, Servcon, the Mortgage Indemnity Fund and the Home Builders' Registration Council) have all been conspicuously unsuccessful.

The record was not followed by the promised release of bank finance into low-cost housing. Yet the banks continued to provide the coercive element behind the registration council. Without registration, money would not be lent.

Because the low-cost market was neglected, the registration council was getting very little response. So the banks and the council unilaterally increased the agreed limit from R65 000 to R250 000. At a stroke, the lame-duckling council turned into a cash-rich swan with a potential income to the order of R10m a month, and few expenses.

But builders and developers were not persuaded that the 1,3% council tax was necessary or beneficial, and they took their complaint of unlawful collusion between banks to the competitions board, which ruled against the banks and the council. The latter body, forgetting its earlier self-regulatory, independent pretensions, ran in haste to government for statutory backing. Hence the council bill, gazetted on June 27 1997, without the usual consultative preliminaries.

The bill is as bad a piece of legislative drafting as can be imagined. Beginning with vague, disempowering definitions, it ends with blanket powers for the housing minister to make regulations without reference to Parliament, plus exemption from the Maintenance and Promotion of Competitions Acts, and the Insurance Act. In between, it sets out to create an impregnable bureaucracy.

No home builder shall construct a home unless registered. Fees, subscriptions, levies, sureties, guarantees, indemnities and securities can be demanded. Developers must use only registered builders. Builders who are struck off the register may appeal to a committee appointed by the council itself, whose decision is final.

All home-building contracts must be in writing. Warranties enforceable in court are deemed part of all such contracts. These include construction in accordance with standards and guidelines prescribed by the council and "any deficiency related to design, workmanship or materials". Each home must be "enrolled". This involves payment of the council tax.

To quote Free Market Foundation director Eustace Davie: "Inspectors are to be employed. Are they to cover the whole country, including lonely rural areas?

"It is an offence to withhold information from inspectors. The courts are given interdict powers to stop a construction project. Penalties of R25 000 and/or one year's imprisonment are set for not registering or 'enrolling', for lending money for a nonregistered or nonenrolled project, or for withholding information.

"The bill is dealing with house-building — not drug-dealing or some other heinous crime. One has visions of an 'illegal house-building squad' working under cover to establish whether some poor soul in Tamboekiesfontein has neglected to register, enrol, provide information or has committed some terrible crime in connection with the house he is building for his family on weekends."

Neither consumers nor producers have any claim on the registration council's mounting fund, unless the latter exercises its discretion to accept such a claim. It is uncertain whether the bill would create new forms of claim and remedy between contracting parties, but, if so, builders and developers will have to insure against such claims, which will be a further cost to the consumer.

Quality arises from all-round ability and efficiency. Nothing in the bill will engender an improvement in quality in the industry. This task will be left, as before, in the hands of voluntary, private-sector initiatives such as the one I work for, the Master Builders' Association Resource Centre.

The master builders' associations, with modest subscriptions, have successfully organised the SA building industry since 1903. Because of this, quality is available in the marketplace.

Occasional failure (a different issue to that of quality) is inevitable in building, because of inherent, irreducible risk. Again the bill fails to assist. Rather, it tends to introduce elements of guilt and blame into circumstances where this is the least helpful thing to do. An approach involving insurance against risk, as advocated by the master builders, is preferable.

☐ *Tweedie is employed by the Gauteng Master Builders' Association as director of its resource centre for emerging contractors. These opinions are not necessarily those of the association.*

Council tries to extend builders' register

BD 15/8/97 (32)

Lukanyo Mnyanda

GOVERNMENT was considering a proposal to make it illegal to build a residential home in SA without registering with the National Home Builders' Registration Council, housing department representative Brian Leveson said yesterday.

In terms of the proposal, the draft bill, which would give statutory powers to the council, would be changed to make it liable for structural defects in new houses irrespective of their value.

The council would need access to a wider pool of finance if it was to fulfil demands that it should provide total protection and security against shoddy workmanship. It was obliged to correct defects depending on the availability of funds, Leveson said.

If adopted, the proposal would make it illegal to build a residential home without registering with the council. The proposal was one of many being considered following public submissions on the draft bill.

Council MD Peter Allsopp said the council had collected about R16m in levies in the past financial year, compared with building activity of about R2bn, meaning that it could not act as an insurance scheme.

The council, formed to protect consumers from bad builders, initially provided a warranty for houses in the low-cost market before the ceiling was increased to units costing up to R250 000. The bill does not have a ceiling but gives the housing minister the right to determine a level.

The Building Industries' Federation of SA (Bifsa), which has threatened legal action if efforts to modify the scheme are unsuccessful, had rejected the proposed legislation. One of its biggest criticisms was that the council was not obliged to repair defects despite collecting a 1,3% levy on new buildings. Bifsa's spokesman could not be contacted for comment last night.

Leveson said compulsory registration for all houses would enable the council to raise enough money to repair defects. Government had received about 65 submissions which could be divided equally between three categories. Consumer groups had largely given it unqualified support while some professional bodies had accepted it in principle, with certain reservations. The third group, mainly Bifsa-aligned developers, had rejected it.

Leveson said the bill would be sent to the cabinet once consultation had ended, and it should be passed during the current session of Parliament.

See Page 11

BUILDERS COMPLAIN (32)

ST (CM) 17/8/97

Brickbats for new housing Bill

THE new housing Bill, which aims to improve building standards and protect the public from fly-by-night builders, is under attack from the Cape Master Builders Association.

The Bill would make it an offence for banks to give home loans for new houses where the builders were not registered and able to give guarantees through the National Home Builders Registration Council (NHBRC).

MBA president Jonathan Mitchell said they did not believe the NHBRC was of any benefit to home owners and was of only limited value to the banks giving home loans.

The NHBRC had built up funds of R14-million from consumers through a 1,3 percent levy on new homes, but not one cent had been paid out to claimants for faulty work, said Mitchell.

The warranty was limited and covered only defects in the foundations, internal walls and roof. Most common problems in new buildings were not covered, such as cracks in interior walls, badly fitted doors and windows, leaks, uneven tiling, poor plumbing or electrical work and collapsed ceilings, he said.

Mitchell complained that the warranty applied only if the foundations had been designed and inspected by a qualified civil engineer, whose costs were beyond the means of the smaller home owner, the person who was most in need of protection from inefficient builders.

Peter Allsopp, director of the NHBRC, said the council had settled 32 claims without spending any money, by seeing that contractors fulfilled their obligations.

The warranty covered the structural integrity of the house, including cracks. Electrical and plumbing work was not covered because it had to be certified by other agencies.

"You can have full protection as is the case overseas and you will pay five percent, but it is a question of making the system affordable," he said. "All houses must have a foundation certificate, and that is a code of conduct and not our rules."

Most contracts favoured the builder, and little protection was available unless the consumer was aware of his rights.

Bifsa seeks changes to building bill

Lukanyo Mnyanda

BD 18/8/97

THE Building Industries' Federation of SA (Bifsa) will meet the parliamentary standing committee on housing tomorrow, in an attempt to get the draft bill giving statutory power to the National Home Builders' Registration Council amended, says executive director Ian Robinson.

Robinson said over the weekend that Bifsa was dissatisfied with proposed amendments to the bill and hoped the committee would either modify it to address industry concerns or delay its passing.

After a briefing with the government representatives studying submissions on the bill, Robinson said the organisation had been encouraged by moves towards making the council a fidelity fund liable for correcting structural defects. But it remained opposed to a proposal to extend its cover to all houses built in SA.

Robinson said that launching a legal challenge against the bill remained an option if attempts to modify the scheme did not succeed.

He renewed his charge of lack of transparency and consultation on the part of government, which he said was reflected by the fact that the building industry had not been represented in the committee overseeing possible legislation changes.

Proposed amendments would make it illegal to build a home in SA without registering with the council.

Comment: Page 11

Victims of shoddy builders support new construction bill

Star 19/8/97 (32)

By Jovial Rantao
Cape Town

The plight of 97 homeowners from Meadowlands, Soweto, who have been cheated by a contractor who built substandard houses, has been heard in Parliament.

Moses Majola, who represented the homeowners from Zone 9, Meadowlands, told Parliament's housing committee yesterday that he and his neighbours had been living in shoddily built houses constructed by a company that had, for the past nine years, refused to correct faults or compensate the owners.

"When we approach him to correct the mistakes, the developer has been arrogant and provocative. We discovered that he had gone to the bank to apply for second mortgage bonds for us without our knowledge. We took the matter up and got a judgment against him.

"Despite many promises, the developer has not repaired our houses. He has changed the name of his company four times and has moved to other parts of the country where he continues to build more houses," Majola said.

Majola was in Parliament to highlight the plight of his neighbourhood and to support the National Home Builders Registration Council (NHBRC) Bill, which is designed to regulate the construction industry.

According to the bill, all builders would be required to register with the council. It would be a criminal offence to provide a mortgage bond for a house not registered with the council. Builders would also have to provide a five-year warranty on a newly built house.

Majola believes that the proposed law would protect consumers from unscrupulous fly-by-night construction companies.

"We don't want what we experienced to happen to other people."

The draft legislation has received the support of the Council of South African Banks. Bob Tucker, Cosab's general manager, said the organisation supported the bill and believed that all builders, except owner builders, should be required to register with the new council.

The bill was, however, rejected by the People's Dialogue/ South African Homeless People's Federation alliance. Ted Balmann, a spokesman for the alliance, expressed concern that the proposed legislation took no cognisance of the role of self-builders in national housing development.

Bill 'open to constitutional challenge'

(32) BD 20/8/97

Jacob Dlamini

CAPE TOWN — Draft legislation intended to protect low-income home-owners from unscrupulous builders had clauses which could be subject to a constitutional challenge, Building Industries Federation of SA (Bifsa) executive director Ian Robinson said yesterday.

Robinson said the National Home-builders Registration Council Bill contained weaknesses such as "confusing definitions" and had been prepared with undue haste.

The bill would create a "monopolistic" body which would hamper the delivery of low-cost housing. Robinson called on the parliamentary housing committee to withdraw the bill, saying there had been no transparency and accountability when it was drawn up by the housing department.

The bill seeks to give the council statutory powers to register all builders and would make it a criminal offence for a person to build a house without being a registered member of the council.

Robinson said Bifsa supported the registration of contractors but wanted the proposed legislation withdrawn in the interests of all stakeholders.

The draft legislation contained provisions which would violate a number of acts dealing with insolvency, insurance and companies.

This, Robinson said, would leave the council vulnerable to costly constitutional court challenges.

Banks had been reluctant to grant loans to the lower income market. He said there had been no significant increase in the number of loans issued despite the existence of the council as a self-regulatory body.

The draft legislation would "perpetuate the belief that bad workmanship was the cause of the reluctance of the financial institutions to advance loans" to low income home-owners.

Robinson said the bill would only benefit banks.

However, Robinson said that builders not registered with the council would have no difficulty in getting finance from banks if the introduction of the bill was delayed.

Scrapping the bill would have no effect on the provision of bonds to home-owners, he said.

Black Construction Industry chairman Mandla Ndlovu said his organisation supported the bill but believed it had many defects.

Ndlovu expressed concern that established and emerging builders would be charged the same levy by the council. He said this would be unfair as the two groups did not enjoy the same level of profit.

However, there was a need for the regulatory mechanism proposed under the new bill in order to restore the integrity of the construction industry, Ndlovu said.

Builders' bill a draconian monster, maintains Bifsa

Star 21/8/97 (32)

Draft legislation was drawn up in indecent haste with no consultation and transparency, says federation's chief

By Jovial Rantao

Government's draft legislation to regulate the construction industry has come under fire from builders and property owners.

The powerful Building Industries Federation of South Africa (Bifsa) has dismissed the National Home Builders Registration Council Bill as a draconian monster, calling for its withdrawal from Parliament.

Bifsa president Ian Robinson told Parliament's housing committee the draft was fatally flawed He asked the national legislature to decline to pass it.

Robinson said it perpetuated the belief bad workmanship was the cause of reluctance of the financial institutions to advance loans and that a warranty scheme would cure the country' s housing crisis.

Robinson said the bill was accompanied by "indecent haste" with no consultation and transparency. "The legislation must be halted in the interest of all stakeholders."

Colin de Kock, of the Gauteng Masterbuilders' Association, proposed a national statutory scheme of registration for contractors across the entire construction industry to ensure minimum standards for each of the tasks and skills.

"Coupled with this should be a partnership between the industry and Government to train and empower the emerging contractor sector, leading to a raising of standards to the benefit of all parties.

"We also propose a warranty scheme on normal insurance principles forming part of the terms and conditions of loan finance granted by financial institutions."

De Kock said, as it was written, the bill would violate the Constitution.

Colin Bird, chairman of SA Property Owners' Association, aligned himself with Bifsa.

The Black Construction Industry said the legislation should be improved and not shot down.

The Free Market Foundation has also called for the bill to be withdrawn for re-writing. The Council of SA Banks supports the bill.

New housing law protects consumers

Nomavenda Mathiane (32) (103)
BD 21/8/97

CONSUMERS stood to gain from proposed legislation aimed at regulating the building construction industry, Meadowlands 97 committee chairman Moses Majola told the parliamentary housing committee on Monday.

Majola, who for the past nine years has had running battles with the developer that built his home, one of 97 houses erected in Meadowlands Zone 9 in Soweto, told the committee that ordinary people had to be protected from unscrupulous "fly-by-night" construction companies.

He said the Meadowlands houses were built in 1988 by Piet Smit, who had since gone into liquidation and could not be found. He said judgements had been served against Smit but there had been no response.

Majola said the houses were defective, had poor workmanship, poor design and were built with inferior materials. "We live in houses we cannot resell or improve because they are devalued due to their low building standards," he said.

Majola proposed that developers be subject to registration and that a compensation fund be established for consumers who fall prey to bad contractors.

The Council of SA Banks (Cosab) had now instructed engineering consultants to conduct a technical assessment of the 97 houses, Cosab spokesman Sharon Trail said.

Trail, who also attended the parliamentary submissions and supports the legislation, said consumers were not protected from developers who exploited the ignorance of the "first home buyer". She commended the work and perseverance of the Meadowlands 97 committee, saying that Johannesburg's western metropolitan substructure had now set aside a budget to assist with the repair of the houses.

She said there was now a task team consisting of the banks, a legal firm, local government representatives and the Meadowlands 97 committee working on resolving the problem.

Building industry board proposed

BD 22/8/97 (32)

Jacob Dlamini

CAPE TOWN — The public works department has proposed the establishment of a construction industry development board as part of plans to transform the country's building industry.

The board would be responsible for exercising leadership and encouraging the co-operation of interested parties in pursuing development objectives. The proposed board would also foster improved industry practices to boost performance and ensure the profitability and long-term survival of the SA construction industry in the international market.

In its annual report, tabled in parliament yesterday, the public works department said experience in both developing and developed countries had confirmed the importance of such boards in enhancing the contribution the construction industry made to economic growth and development.

Public Works Minister Jeff Radebe would appoint a task team to advise him on the establishment of the board shortly after the launch of the department's green paper later this year.

The growth, employment and redistribution strategy (Gear) anticipated that the construction industry would supply 25% of the 400 000 jobs it aimed to create by 2000, the department said.

However, the industry's present structure was not adequate to meet the target and needed to be reorganised.

The department said it had also taken action on two initiatives identified after consultations with the construction industry.

The first was an agreement reached with established contractors in May last year jointly to identify and sponsor short-term action plans to kick-start transformation in the industry.

The second initiative had been the introduction of a 10-point plan to give black emerging contractors access to contracting opportunities.

This had resulted in the department awarding R35m worth of contracting opportunities on government projects to emerging contractors.

There had been increasing demands for support for black contractors and the department said it had begun introducing programmes intended to assist them.

Mixed hopes for construction sector

(32) BD 26/8/97

Lukanyo Mnyanda

CONSTRUCTION companies are expected to produce mixed results this week, with some of the bigger players likely to be hit hard by high interest rates, restructuring costs and slower building activity, analysts said.

At least four companies — Murray & Roberts, Grinaker Construction, Boumat and Group 5 — are releasing final and interim results this week. Wilson Bayly Holmes-Ovcon will report before month-end.

Analysts said construction stocks would continue to face tough trading conditions into next year in the absence of a rates cut and still slow gross domestic fixed investment growth (GDFI), but should be due for a re-rating by 1999.

Analysts said Murray & Roberts was the stock least likely to contain surprises and should report attributable losses of more than R250m for the year to June, mainly as a result of a R300m provision for train contracts and R130m from future losses on property head leases.

Write-offs were expected to weigh heavily on Group 5 earnings following the recent closure of its loss-making property development division, with analysts expecting earnings for the year to slide to between 50c and 58c, compared with 83,8c in the year to last June.

One analyst said the write-offs could be as high as R30m.

Analysts were divided on building materials subsidiary Everite, with some expecting it to come under increased pressure from global competition and the dumping of goods in SA. Its share earnings slumped 95c to 1,8c in the past financial year.

Wilson Bayly Holmes-Ovcon was expected to increase earnings 25%-30%, benefiting from hotel construction work in its Cape Town base and growth from the open-cast division.

Contractors look north for opportunities

(32) BD 27/8/97

Lukanyo Mnyanda

SA's building and construction industry had begun to show renewed strength in anticipation of an interest rate cut and should also benefit from the redevelopment of neighbouring economies, says a report by stock brokers SMK Securities.

Local companies were also expected to benefit from the Southern African Development Community's current development projects, valued at about R9,4bn.

Most of the contracting work is concentrated in infrastructure and energy-related fields.

However, analyst Nolan Menachemson said in his report, Contracting in Africa — Taking Up the Slack, that SA's cement producers were unlikely to benefit significantly from the increasing foreign demand due to high transport costs and existing capacity in many of the neighbouring states.

African countries which were expected to show robust growth — Mozambique, Tanzania and Zambia — were either self-sufficient or geographically "displaced" from SA.

Mozambique was supplied by three plants run by Cimpor of Portugal, while Zambia's national supplier was even considering export opportunities in the Democratic Republic of Congo and Malawi.

Menachemson said the number of SA and international contractors' bids for work in the rest of Africa was increasing as development and investment gains in the continent gathered momentum.

SA companies were also expected to benefit from increased Commonwealth Development Corporation investment in sub-Saharan Africa, also driven by infrastructural projects in roads, water and port revitalisation.

Mozambique had been identified as potentially the largest driver of work in the medium term, with Zimbabwe, Lesotho and Zambia also likely to provide projects for SA companies.

Many local companies were entering into joint ventures with international players in an attempt to secure work and access to skills. An example was the R1,5bn North-South Carrier water project in Botswana where SA construction company LTA had been chosen as one of three installing contractors.

Opencast mining also provided significant growth opportunities for SA companies with LTA dominating contracting outside SA's borders, while Basil Read was also expanding its cross border activities.

Concern over government housing projects

Lukanyo Mnyanda (32)

BD 27/8/97

THE building and construction industry was concerned that as little as 60% of the 248 000 low-cost housing listed as built or under construction in housing department statistics had actually been completed.

SMK Securities construction and property analyst Nolan Menachemson said the 148 860 completed houses implied that contractors, based on estimated margins, had made potential profits of only R134m.

Government set itself a target of 1-million houses by 1999 in terms of 1994 election promises. Almost 600 000 subsidies had been approved, but government had not provided a breakdown of completed houses.

Menachemson said the number of schemes where houses had been built or were under construction had increased by 275 to 345 in the past 10 months, with the average project size estimated at 700 houses.

"Industry participants are of the view that this increase in projects is exaggerated due to delays in the accounting systems." Profits in the low-cost market had been lower than expected, with some projects incurring losses. Bond finance was unaffordable for most of the target market.

SA NEWS DIGEST

CT (BR) 28/8/97

CONSTRUCTION

(32)

Building industry bargaining council breaks new ground

The Building Industry Bargaining Council has become the first bargaining council in South Africa to have a new, fully negotiated agreement between the representatives of the trade unions and employer bodies, the council said yesterday. This comes after two years of negotiations and was made possible by the new Labour Relations Act.

The agreement, restricted to the Cape Peninsula, was signed at the end of June. It was a breakthrough for the building industry, said Jonathan Mitchell, the president of Master Builders & Allied Trade Association. It complied with the new Labour Relations Act and the new document was simple and easy to understand. Mitchell described the agreement as "revolutionary and likely to make for better communication". In addition, he said it was less restrictive regarding the employer/employee relationship. "We believe that the new document will give us a far more stable workforce," Mitchell said. — *Mpho Mantjiu, Johannesburg*

(32)

BUILDING STANDARDS

FM 29/8/97

Casting the net too narrowly

The campaign against shoddy builders should be broadened

Hot debate surrounds a draft Bill that seeks to protect low-income home owners from bad workmanship. Council of SA Banks CEO Bob Tucker admits "some form of warranty or insurance is needed for both the upper and lower ends of the market, because there is, in many cases, a lack of professionalism which verges on fraud."

The Bill would have every builder register a house costing up to R250 000 with the National Home Builders' Registration Council and pay 1,3% of its cost to the council. The proceeds would be used mostly to correct building defects.

Robbie Tshabalala

Bifsa's Robinson . . . *facing the challenge of self-regulation*

More affluent home owners must be wondering why no-one wants to help them. According to Bureau of Economic Research senior economist Charles Martin, up to one quarter of home building activity last year involved extensions or improvements.

Banks' concern focuses on the lower end where borrowers' anger over bad work is most likely to produce bond-repayment boycotts. "When houses devalue, as is happening in the Soweto suburb of Meadowlands where 97 houses erected in 1988 are disintegrating and whose builder has fled, the issue is really over the mechanism for providing insurance," Tucker says.

Absa commercial banks general manager: credit and risk management Piet van der Westhuizen says a building levy would be impractical to apply and too costly for poorer groups. "But it's not our responsibility to accept the consequences of poor building," he says. "The Building Industries Federation of SA (Bifsa) must introduce self-regulatory measures or face new legislation."

Bifsa executive director Ian Robinson says the Bill contains clauses challengeable in the constitutional court. He says only a government-co-ordinated programme of registration and training can ensure properly built houses and availability of finance at the lower end of the market.

Meanwhile, what about middle-class victims? Johan de Ridder, head of the recently created National Housing Finance Corporation, reckons there are thousands of them. "Rampant freemarketing, low entry bases as well as uninformed consumers result in large-scale exploitation. We need a central regulatory scheme to regulate the industry and protect consumers who are vulnerable. The Bill is a compromise."

A different perspective is offered by Malcolm Burnett of home improvements firm M&M Construction. "When a client accepts a tender he should realise it is based on available resources at hand, and that the fee does not include a German cabinet maker or Portuguese tiler. If it did, the estimate would rise from, say, R1 200/m² to R2 000. There are times where we feel the client is splitting hairs, and as a result the small builder usually battles to get final payment and meet his overheads."

In short, the advicefrom the market to those contemplating new legislation is — go back to the drawing board, and widen your perspective on the whole project. **Margot Cohen**

BUSINESS REPORT, FRIDAY, AUGUST 29 1997

Building confidence drops again

CT(BR) 29/8/97 (32)

CHRISTO VOLSCHENK

Cape Town — Confidence in the building industry dropped for the third consecutive quarter to a point that might be unjustifiably low, Llewellyn Lewis of the Bureau for Economic Research at the University of Stellenbosch said yesterday at the release of its third quarter survey of the industry.

He blamed crime and the announcement by financial institutions that they had slashed their property budgets for the unjustifiable drop in confidence.

"The key factor pulling confidence down is the high level of criminal violence, which has the potential to destroy the country."

He said the announcement by Sanlam Properties that it had slashed its investment in property by 20 percent must have had a profound impact on the confidence of potential property investors. Other institutions, except for Norwich Holdings, had followed Sanlam's lead.

Lewis said the industry might be over-pessimistic at this stage.

In the non-residential sector the systematic upgrading and building of new shopping facilities and classrooms in black residential areas would prevail.

"The building of some 25 new mega-casinos countrywide could result in additional building activity of R1 billion to R1,5 billion a year for the next five years and the Olympic bid, if successful, and increased tourism could result in a further R2 billion investment annually to 2004," Lewis said.

Also encouraging was the cooperation to build privately owned jails, which could amount to R10 billion over the next 25 years.

Murray and Roberts in the red

CT (BR) 29/8/97 (32)

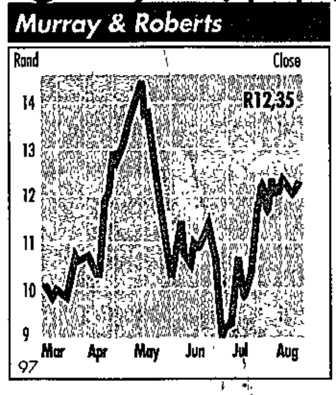
Jonathan Rosenthal
Industrial Editor

Johannesburg — Murray and Roberts, the construction and manufacturing group, yesterday reported a net attributable loss of R272 million for the year ended June 30, from a profit of R375 million in the same period last year.

Several large events lie behind the swing into the red, including a R130 million provision on its commercial properties and a R70 million reduction in the carrying value of the original Standard Engineering activities.

The largest bite taken out of earnings was a further R340 million loss on train contracts, which last year bled R138 million from the income statement. The losses relate to a quality dispute with Siemens over the manufacture of train sets for Taiwan's rapid transport system.

The losses were all expected by analysts, since the company issued a profit warning in July.



But a closer look at the contributions to pretax earnings by Murray and Roberts' various divisions showed that the group's difficulties were deeper than a few big losses, analysts said.

The contracting division's contribution to earnings fell because of losses in the Intershore joint venture, a project to manufacture offshore oil platforms. The materials division slipped because of a more competitive cement market and production problems ~~in its~~ piping businesses, and the automotive division was hit by turbulence in the automotive market.

Compounding the groups' difficulties was an interest charge of R308 million on its higher net borrowings, which increased by close to R200 million to R1,1 billion.

If exceptional profits and losses are stripped out to give the group's headline earnings, the swing into losses was less pronounced. The group reported a headline loss of R154 million compared with headline earnings of R247 million last year. Total losses a share were 79c and headline losses a share fell to 44c from headline earnings of 72c a share last year.

Graham Hardy, the chief executive, said he was confident the group would make a strong return to profitability in the current financial year.

□ Business Watch, Page 20

Accidents in construction industry to be probed

Star 3/9/97 (3a)

By Gasant Abarder

The death of five construction workers in two on-site accidents in Johannesburg in the past week has prompted two investigations and turned the spotlight on one of South Africa's most dangerous industries.

The Labour Department announced yesterday that it would launch an investigation into the death of two men on a construction site in Illovo, northern Johannesburg, on Monday.

Leslie Heaney (49) of Bramley and a co-worker, who may not be identified, fell to their death when the scaffolding they were standing on to install a television antenna collapsed after being knocked over by the wind.

Monday's accident followed the death of three people on a construction site in Sandton last Tuesday. Several other workers were injured when scaffolding collapsed.

According to the compensation commissioner, the building industry ranks among the most dangerous in the country, with 64 workers dying last year. Thousands others were injured.

Jo Bradley, deputy director of occupational health and safety for the Labour Department, said: "We are investigating both the Sandton and Illovo incidents in terms of the acts concerned, whether there was negligence either on the side of management or unsafe actions of employees."

Meanwhile, the Building Industries Federation of South Africa has offered to spend R1-million on training new building contractors.

Building industry gloomy

(32) BD 3/9/97

Lukanyo Mnyanda

CONFIDENCE levels in the building industry had declined for three consecutive quarters and were approaching levels last seen in 1993 as expectations of a boom following SA's first democratic elections in 1994 failed to materialise.

The BMI Building Research Strategy Consulting Unit said in its latest quarterly survey that the industry expected conditions to remain unchanged into next year, despite a number of expected developments which could accelerate activity. These included increased low-cost housing delivery, the construction of between 20 and 25 casinos and the possible impact of a successful Olympic bid.

"High real interest rates are, of course, a major inhibiter to increased building activity, fundamentally affecting affordability and expected returns, and while a reduction is expected ... consumers and investors are battle scarred."

BMI director Llewellyn Lewis said signs of growing confidence would be found in areas which were less sensitive to interest rates movements, such as public sector investment in schools, clinics and jails. Private sector investment in casinos and hotels could also drive industry growth.

Lewis said the survey, conducted among 120 contractors, showed that both emerging and established contractors expected conditions in the next six months to be "about the same" as the corresponding period last year. They had the same view over a 12-month period, although the emerging market expected conditions to improve by as much as 5%.

Lewis said the traditional building sector had not experienced any shortages of "critical resources and key capabilities" in the period under review, which was symptomatic of a subdued market.

"As far as low-income housing is concerned, the availability of capital subsidies, mortgage finance and land is regarded as average. This may be more indicative of a lack of active participation in this market than an indication of real availability," he said.

The lack of work was reflected by the fact that respondents perceived competition to be "very high". Building costs were also perceived to be "very high", despite the stiff competition, which should normally drive costs down.

Respondents also had fairly negative perceptions of the various mechanisms put in place to protect the consumer. They said these added costs and reduced affordability without providing much protection.

There was a "fairly low" level of support for the National Home Builders' Registration Council — to which the housing department wants to give statutory powers.

R3m to train small contractors

(32)

By Joshua Raboroko

THE building industry has set aside R3 million towards the training and safety of emerging contractors following the soaring deaths in the industry in the past weeks.

A further R2 million is to be contributed by the Department of Housing pending discussions with emerging contractor associations to ensure that the programme suits their requirements.

Executive director of Building Industries Federation of South Africa (Bifsa) Mr Ian Robinson said yesterday that they had been calling on the Government to train the informal sector of the industry.

Robinson said: "We have decided to take the initiative to start this programme to address this critical issue. Our offer is based on the assumption that the Housing Department will contribute the balance of R2 million required to fund the programme."

The announcement comes in the wake of several contractors who died tragically in the industry in Sandton, Rivonia and Rosebank in the past few weeks.

It also comes after Labour Minister Tito Mboweni unveiled draft legislation intended to impose a training levy of between one and 1.5 percent on companies' payrolls to finance the development of a competitive and skilled workforce.

Robinson said the training would take place at Bifsa's two training colleges – one in Springs, Gauteng, and the other in Belhar in Cape Town – that were accredited to offer the complete spectrum of building skills training.

The programme would include the building and business skills for smaller contractors working in the low-income housing market.

About 80 contractors will be trained in various building skills at Bifsa. The skills acquisition will also cover safety measures.

Sowetan 6/9/97

Building sector skills levy planned — official

(32)

Lukanyo Mnyanda

WINDHOEK — The SA public works department was considering introducing a training levy for the construction industry which it believed could raise as much as R400m a year to develop the sector's human resources, director-general Sipho Shezi said here yesterday.

He told the Building Industries' Federation SA (Bifsa) annual conference that although many stakeholders had identified a need for skills development, many had been unwilling to recognise that building industry members also had to play a role in its funding.

The proposal follows the department of labour's plans to impose a payroll levy to fund skills development, which has aroused opposition from business groups.

According to the proposed plan, construction companies would be required to pay a 1,5% levy on their annual turnover. Shezi said the industry had an annual turnover of R28bn and the levy could generate as much as R400m.

At the same conference, Business SA vice-chairman Nick Segal said government had to stop characterising the conflict over the Basic Conditions of Employment Bill as being between business and labour when it was really between the ANC and its ally, the Congress of SA Trade Unions.

He said business was comfortable with the broad objectives of economic policy as stated in government's macroeconomic policy, but was disappointed with its stance on labour flexibility.

Shezi released more details on government's asset procurement and operating partnership programme for the provision of infrastructure.

He said tendering companies would have to show 40% of their equity "was targeted" to incorporate black business and 25% of the service was to be sub-contracted to "previously disadvantaged enterprises in SA".

Business Day was awarded the Publication of the Year Award at the Bifsa conference last night.

BD 9/9/97

Building sector prospects 'improving'

BD 10/4/97 (32)

PROSPECTS for the building industry were improving despite high interest rate levels which put a damper on demand and showed little sign of softening, said the annual report of the Building Industries' Federation of SA (Bifsa), released this week.

Several indicators suggested that the workloads of building contractors would rise in coming years, it said. Tourism had increased about 20% last year, relative to 1995. This had necessitated an increased supply of guest houses and hotels.

Manufacturing production rose 2% in the latter part of last year, implying an increase in demand for additional capacity in factories and warehouses. The weak rand would encourage import substitution, which should also enhance industrial growth.

The trend towards the decentralisation of office space continued, Bifsa said. Once gaming licences were granted, work would start on various megaprojects to provide entertainment complexes, conference facilities and casinos.

"At least R4bn of building turnover will be generated from this (gaming) sector over the next three years. Low-income housing is showing signs of accelerated growth," Ian Robinson said in his executive director's report.

"Our industry needs leaders with commitment to ensure we have sufficient capacity and skills to remain first world in construction terms. We are more than ever convinced that building is the key engine for growth." — Sapa.

Public works calls in private experts for building projects

Star 12/9/97

POLITICAL CORRESPONDENT

Cape Town – The Public Works Department is strengthening its investment analysis unit to rationalise its vast property portfolio. And it is expanding its roster of private-sector experts to help it to plan new building projects.

Jeff Radebe, Minister of Public Works, told a parliamentary media briefing yesterday that the investment analysis unit would be beefed up to make strategic investment decisions on building, leasing, selling and buying property.

"Through thorough investment analysis, patterned on international best-practice principles, we could save the state millions of rands and thus contribute substantially to our larger macro-economic objectives," he said.

(32)

This kind of analysis would play a key role in finalising the register of state assets, hopefully by the end of 1998. The register already contained 151 159 properties, including 26 322 which had not previously been registered or were clandestinely owned.

The register contained land and buildings ranging from offices and houses to more unusual items such as restaurants, shops and farm buildings.

Radebe said his department was also reassessing rents paid for government offices to ensure that the state was getting best value for money, and several leases had been terminated. A start had also been made on selling state-owned houses

Building sector urges govt to back training

BD 12/9/97 32

Lukanyo Mnyanda

THE number of liquidations in the building industry increased for the third consecutive year last year, jumping to 247 (1995: 232) while employment declined 7,3%, despite the industry recording a 3% growth rate, says the Building Industries' Federation of SA (Bifsa).

Central Statistical Service figures showed that employment in the formal building industry declined to 178 000 last year compared with 191 000 in 1995.

However, Bifsa executive director Ian Robinson said there was some evidence to show that the figures overstated the drop in employment figures.

"Artisans often leave their posts to become specialist contractors and they are then regarded as employers instead of workers".

Bifsa repeated its call for government — which is considering introducing a turnover levy to fund training in the industry — to support its training programme.

"The government will have to accept that it has joint responsibility in this regard. Bifsa spends more than R25m a year on manpower training, but it is estimated that more than R100m is required to provide a sufficient skilled labour resource," Robinson said.

Labour bottlenecks on sites were becoming a major constraint and highlighted the need to invest more money on training programmes.

"By supporting Bifsa in its training commitments, the state will be contributing directly to the reconstruction and development programme. Productivity improvements are urgently required if the industry, and the country as a whole, are to compete efficiently with other developing countries."

Bifsa president Waldo Deacon said the parties involved in unification talks since 1995 had "grown somewhat closer". The process was spearheaded two years ago, calling for the unification of the construction federations and associations. It is not clear how far the role players are from reaching an agreement as they have consistently declined to provide deadlines or targets for unification.

Deacon said that a "considerable" amount of effort was still required to consolidate and confirm the process.

"A positive outcome is essential if the industry is to speak in one voice on critical issues affecting it, such as housing delivery, the proposed housing bill, the imposition of training levies and the influx of migrant labour."

New law is on its way to help douse the number of fires

Installation will cost R300, but existing homes won't have to comply

Star 15/9/97

(32) (…)

By Lee-Ann Alfreds
City Desk

Tough new legislation to cut the number of fires in Gauteng will have little impact on existing houses and buildings, many of which do not comply to fire safety standards.

The legislation, which will include the compulsory installation of fire detectors, at a cost of about R300 for households, in all new houses and buildings, is expected to be implemented next year.

Local government department spokesman Sakkie Lombaard said yesterday that some of the documentation was ready, but the legislation still needed to be "workshopped".

The legislation will not apply to existing buildings and houses, many of which do not comply with fire standards.

"It is not easy to backdate legislation," Lombaard said.

He said the department was also investigating heavier fines for buildings which fail to comply with fire safety regulations. At the moment, violators can be fined only R500.

The Star reported earlier this year that at least half of Greater Johannesburg's high-rise buildings, defined as above 30m or nine to 10 storeys, have inadequate safety controls.

And across the city, warehouses and office blocks, which serve as housing, and informal settlements are mushrooming, increasing the province's already high risk of fire.

Money lost through fire this year is expected to exceed R15-billion – almost double that of last year, according to Greater Johannesburg's director in charge of management services, Andre Tomlinson.

Renovated blocks seen as a danger

He said the losses, together with the critical shortage of emergency services personnel, were seriously hampering the province's ability to fight fires – and could prove deadly. Johannesburg is said to be operating on less than 66% of its manpower needs.

As a result, Gauteng had launched an awareness programme to educate people about the dangers of fire.

The programme, known as the Emergency Services Awareness Week, will run from today to Friday. It will be held annually.

Activities during the week will include visits to schools, parades, demonstrations, and open days at fire stations.

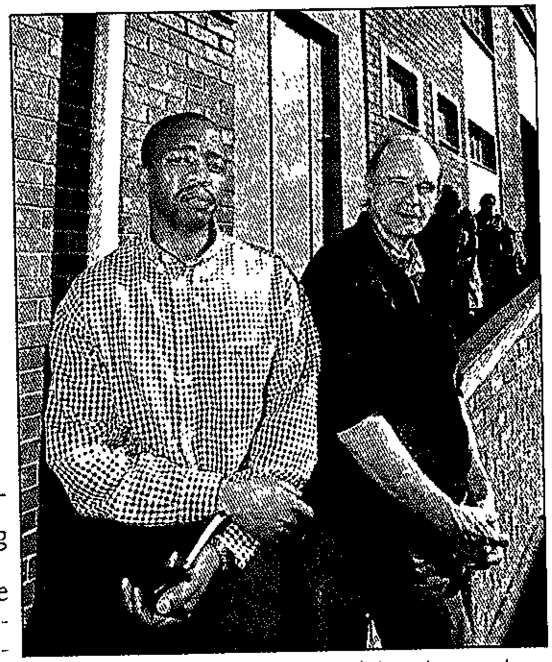
(32)

FM 19/9/97

CONSTRUCTION JOINT VENTURES

Snag in 'affirmative construction'

Gulf of skills and managerial expertise between big and small contractors is main hurdle in empowering black builders



Robbie Tshabalala

***Mendi Kenosi** . . . with frequent joint venture partner Tim Haynes in an unusually "wonderful marriage"*

Government's attempt to uplift small, mostly black-owned building companies by insisting they be drawn into joint ventures with big builders in State construction contracts is running into trouble.

The main problem is the huge difference in management and artisan skills between big and small builders.

Big contractors complain they do most of the project management and provide the skills but have to share as much as half of the profits with their small partners.

Small contractors accuse large builders of using the partnerships simply as window-dressing to win government work and then treating them as mere subcontractors. The industry is rife with stories of small builders being paid to clock in at site and then make themselves scarce.

Big and small builders agree the task of training SA's emerging construction force is too great for the construction industry to bear alone — even though government provides funds for skills training to companies involved in State contracts.

The question is: where does government go from here? The joint venture system alone simply isn't providing a long-term solution to the need for skills training and profit sharing

Few genuine joint ventures have been carried out, but one small contractor who has had successful partnerships is Mendi Kenosi of Johannesburg-based Kenosi Tladinyane Investments CC. Kenosi, an accountant, and his civil engineer partner Neo Tladinyane say they have succeeded mainly because their skills have been equal to those of their contracting partners.

One solution, Kenosi says, could be to absorb small builders into the larger companies, allowing them to learn administrative, computer and other skills from the better-resourced firms. But this is only a regional option, Kenosi acknowledges. State contracts are spread across the country and it would be impractical for big companies to have to hire small, poorly skilled, local contractors every time they undertook a contract.

Robbie Tshabalala

***Stocks' Watters** . . . managers becoming disgruntled about carrying partners but having to share the profits*

Because winning State contracts depends in part on sharing the profit as evenly as possible, both big and small contractors were initially happy to go along with the policy.

But its limits are becoming more apparent Stocks & Stocks Building Gauteng MD Ken Watters says his site management staff are disgruntled about the inequities of the joint venture system — they do most of the skilled and management work but get only half of the profits.

Watters says Stocks trains small companies to become self-sufficient The company's supervisors often "shadow small contractors in terms of procuring supplies, billing and checking site specifications" to ensure they don't make mistakes.

"We're not trying to teach builders to become formal bookkeepers but to be streetwise," Watters says. "We are not trying to usurp the role of educational institutions like colleges."

Buhle Xaba, a former director of the Stocks-originated Homes for Gauteng, says he left the programme because its profit-sharing arrangement was so vague.

Since then, says Watters, Stocks has insisted on a 40-page agreement with each of its joint venture partners The agreement spells out the rights and obligations of the partners, including when the profits should be shared — after completion of the contract — which many smaller builders did not understand, it claims

The Building Industries Federation of SA (Bifsa) calculates it is costing taxpayers 5%-10% more to pay for State construction, because of the added costs of government-sponsored training allowances, lost productivity and unseen inefficiencies.

Bifsa says it would prefer to see government discontinue the contract-based training incentive and divert that money to formal training in colleges Government has long ignored Bifsa's call for training grants

Bifsa favours a proposal by the Labour Department for a 1,5% levy on construction companies' wage bills that would raise about R100m/year for formal training, says Bifsa executive director Ian Robinson.

The big question is whether the Department of Public Works will abandon its training allowances on contracts to stimulate joint ventures and hand the money over to formal colleges instead. The department plans to release a Green Paper on the joint venture issue

The industry will be watching to see if the department will manage to reconcile reality with idealism.

Alison Goldberg and Margot Cohen

Sowetan 22/9/97 (32)

Builders support Bill to protect homeowners

By Joshua Raboroko

EMERGING contractors have thrown their weight behind the draft bill that will protect new home buyers from unscrupulous builders, saying it will help to curb crime and discourage fly-by-night builders who have ripped off millions of rands from poor communities in the past.

The South African Residential Developers Association chief executive Henrick Kekana said at the weekend that in terms of the National Home Builders Registration Council Bill it would be "a criminal offence" to build houses without registering your business.

The bill, tabled in Parliament, makes it an offence to obstruct, hinder or withhold information or to construct houses if the business is not registered with the NHBRC.

In terms of the bill, financial institutions will not grant loans unless the contractor joins NHBRC.

They will also need to provide a five-year defect warranty on houses built.

Meanwhile, the Gauteng Legislature's Standing Committee on Housing and Land Affairs will hold public hearing on the bill, starting tomorrow.

Kekana supported the bill, saying it would protect vulnerable consumers – the majority of whom came from poor communities – against shrewd developers.

Shoddy structures

He claimed that shrewd and fly-by-night developers made "a quick buck" by building shoddy structures that had defects.

Their businesses were found to be either bankrupt or non-existent when asked to repair the defects.

He said local developers focused attention on short-term profit making instead of the long-term benefits that would accrue from providing the poor with houses.

However, there has been some angry reaction to the bill by white developers' organisations who opposed it by saying it protected black consumers from white builders.

Sowetan (Bus.) 26/9/97 (32)

Growth possible in building industry

By Abdul Milazi

THE building industry could expect better growth by the turn of the century if the implementation of the Government's Growth, Employment and Redistribution (Gear) succeeds in getting six percent macro-economic growth by 2000.

Building Industries Federation South Africa (Bifsa) executive director Ian Robinson says in his annual report that the industry's expectations for 1996 has been scaled down largely because of the increase in interest rates.

"Consequently we were more cautious with our predictions at the beginning of 1997 and predicted zero real growth for this year," says Robinson. "However, there are signs that interest rates cuts are imminent and it seems likely that our industry can look forward to a gradual improvement in our expectations as the year progresses."

He argues that job creation should nevertheless form the cornerstone of Gear's success and "current reality presents sobering statistics that give ammunition to trade union aggression".

"The building industry, in presenting itself as the engine for growth, needs to measure itself against Gear's ambitions," Robinson says.

He says while the industry's continued dependence on subcontractors and the use of illegal immigrants improved thin margins, it could not be a medium to long-term solution.

"As our fortunes improve we need to look beyond tomorrow and invest in substantially more training immediately if we are to avoid severe skills shortages which already hamper our progress," says Robinson.

The building industry produced a better performance during 1996 than in the previous two years. Low-income housing grew by seven percent despite a 20 percent decline in small housing investment by business.

The private residential sector grew by a mere two percent in 1996, while the hotel building segment of the market put in a splendid growth performance of close to 100 percent.

Robinson says there are signs that the entertainment complexes and casinos will become the new growth sector once gaming licences are granted.

Despite improvement in trading conditions in the building industry, 247 construction firms were liquidated in 1996, This follows the liquidation of more than 600 firms since 1993.

"At a time when greater demands are to be put on labour resources in the industry, it cannot be left to the industry alone to finance training programmes," says Robinson.

(32)

BUILDING AND CONSTRUCTION

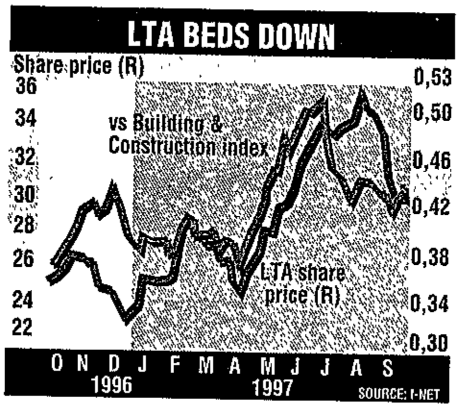
Building on the Olympic loss

FM 3/10/97

Despite the 2004 disappointment the outlook for building and construction is bright, particularly for quick-thinking contractors

After outpacing the JSE All Share index recently, the Building & Construction index has fallen by about 700 points, or 10%, to 7 322 in the last month. The knock was purely a result of the failure of SA's Olympic bid, which battered prices of leading stocks, such as the sector giant PPC.

But as the latest financials for the period to June indicate, there is still a lot of money to be made in this sector, despite a particularly patchy market. Good results have



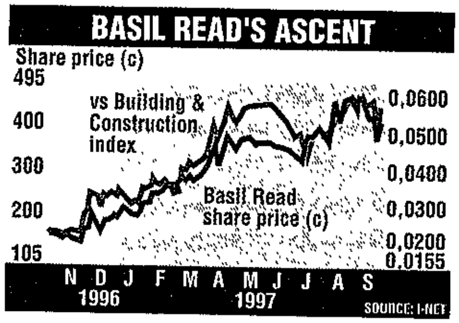
been released by contractors like **LTA, Basil Read, Grinaker Construction, Wilson Bayly** and **Concor**.

Chief among the problems during the period was property, which hobbled both **Murray & Roberts** and **Group Five**. Group Five announced before its year-end that it had decided to wind down its property division. It cost the company R29m and shareholders 26c/share.

The civils and road side showed evidence of recovery, with all contractors exposed to these sectors reporting improved earnings in these divisions.

Building markets were mixed, with coastal regions showing better results than expected and the tender-driven Gauteng market indicating continuing margin pressure.

Building material and product players continued to experience depressed trading conditions, though production improvements resulted in earnings recovery in some businesses, such as Group Five's **Everite** subsidiary and Concor.



Cement producers **PPC** and **Alpha** remain embroiled in a three-way battle for market share with Murray & Roberts' **Blue Circle** after the break-up of the cartel More attractive margins still seem some way off.

One important trend that emerges from the results is the growing importance of work being done outside SA, in such areas as opencast mining. This higher-margin work helps to counteract the fluctuations of the local Gross Domestic Fixed Investments (GDFI) cycle, which is back in a trough — though fixed investment is expected to resume more rapid growth over the next two years.

Against this background, SMK Securities analyst Nolan Menachemson suggests that companies which have done well have diversified across the border, expanded their operations into related areas such as building materials and ensured good cash management. Typically, smaller companies have outperformed the giants, because they have been working off a lower base and are more nimble.

"In tendering, Basil Read has had the advantage of international experience through French company Bouygues This will continue until their competitors can come up to speed," he says.

Société Générale Frankel Pollak analyst Mark Ingham says more international contractors are likely to appear in SA, either by buying stakes in listed companies or by directly bidding for larger contracts.

All the analysts canvassed are confident the sector will out-perform the JSE All Share index over the next year, with capital appreciation of about 20% on the contracting side, fuelled by a recovery and a rerating. They point to the expected decline in interest rates, increased business activity north of SA, big domestic civil projects and the impact of the casino licences.

One analyst estimates the related spend on casinos could total R4bn-R5bn over the next three to four years This sort of expenditure and other large jobs, such as the Build Operate and Transfer projects, may put strain on the streamlined companies in the coming years, but with strengthened balance sheets all round they will be in a position to cope.

Analysts advise a weighted investment in this sector towards contracting companies, particularly Group Five, LTA, Basil Read and Concor. Alpha and PPC seem to be discounting much of the growth, though they too may be caught up in a bull run should sentiment turn more positive.

Stuart Rutherford

Training in construction to merge

CT(BR)6/10/97 (32) ~~(179)~~ ~~33~~

The ITBs in the building and civil engineering sectors are in the process of merging, and a draft constitution for a single training body will be tabled at the next round of unification talks on October 17, says Erwin Sonnendecker, the director of the Building Industries Training Board.

Present will be representatives of the formal building and civil engineering sectors including the Building Industry Federation of South Africa and the South African Federation of Civil Engineering Contractors, the emergent sector in the form of the Black Construction Industry (BCI), and trade unions.

The intention, says Sonnendecker, is to have the new body act as both the Sector Education and Training Authority (SETA) and Education and Training Board (ETB) for the construction industry, being tasked with research into training and human resources needs of the industry, curriculum design, standards setting, accreditation of training providers, quality assurance, assessment and certification.

"We will not be involved in actual delivery of training," he says. "We'll leave this to accredited training providers who are able to meet the requirements in terms of the South African Qualifications Authority Act (SAQA) and who have the necessary infrastructure."

Sonnendecker says unification makes sense as there is an enormous overlap in the two sectors in terms of skills and contractors involved.

Mike Dutton, the training manager for the Civil Engineering Industry Training Board (CEITB), echoes this, saying that he believes it will result in more cost-effective operations, leading to better and more standardised training. Sonnendecker says the industry faces two main challenges:

- To further develop the skills base, training more people and providing further training for existing employees.
- To facilitate the formalisation of the emergent sector through proper entrepreneurial training and by promoting their participation in joint ventures with established contractors. It will also promote the participation and advancement of women in industry.

The training needs of emerging contractors is a major challenge, agrees Richard Saxby, the chairman of the CEITB.

"Emerging contractors require training embracing all aspects from skills training through to management and entrepreneurial training," he says. "However it is difficult for emerging contractors and other small companies to spare key people for training while coping with the job at hand."

There is therefore a great need to develop on-site training programmes, says Saxby. "Training has to be taken to them and developed to their requirements."

Saxby says it is hoped to increase efficiencies and create a higher degree of training by pooling training resources in the construction industry.

Construction bodies cautious about clause

BD 27/10/97 (32)

Robyn Chalmers

CONSTRUCTION bodies have reacted cautiously to the insertion of a clause into the housing bill giving the housing minister powers to determine a national policy and standards for housing development.

SA Residential Developers' Association executive director Hendrick Kekana said he was concerned about the clause and its "sudden and unannounced" insertion.

Housing Minister Sankie Mthembi-Mahanyele said during a parliamentary debate on the bill earlier this week that government could not allow the poor to be victims of unscrupulous developers.

Her department had produced a document detailing the average costs for land and infrastructure which should be paid out of the maximum R15 000 subsidy for the building of a minimum of 1 000 sites.

Kekana said the association would like to have been informed about the content and intention of the clause beforehand to allow the organisation to study and comment intelligently on it.

"That way we would have been able to buy into it, or at the very least debated and perhaps resolved any reservations we had."

Building Industries Federation of SA executive director Ian Robinson said the organisation had generally applauded the housing bill, but was more cautious about the new clause.

Robinson said it had to be ensured that the powers conferred to the minister by the clause were used wisely after consultation with the construction industry. "The minister is not doing this (consulting) enough at the moment," he said.

On a mass production basis of 1 000 houses, Robinson said it was possible in ideal conditions to produce a serviced site for about R7 000 — as outlined in the housing department document.

"But this depends on soil conditions and the topography of the area." Robinson said meeting government's target of 1-million houses by 1999 was becoming increasingly impossible.

Kekana said his association still reserved the right to comment once it was in full possession of the facts, which the membership would want to debate and analyse.

Picture: TYRONE ARTHUR

Fears building turnover will weaken further

BD 28/10/97

(32)

Ingrid Salgado

TURNOVER levels in the building industry were likely to weaken further towards the end of the year and early next year, tempered, however, by the reduction in Bank and mortgage rates, the Bureau for Economic Research said yesterday.

Despite the probability of a further decline in building activity over the short term, a recession similar to that of 1990-92 was unlikely, the bureau said in its quarterly building and construction survey report.

Building completions in the nonresidential sector for the first seven months of the year grew 34% to 1,65-million square metres against the same period last year. The office sector had shown strong growth, but an analysis of building starts and plans passed indicated work volumes were starting to wind down.

Building activity in the residential sector was down 13,6%, with most sectors of the market performing poorly.

There was growth in additions and alterations, possibly because "in a high real interest rate environment, those home owners wishing to trade up improved their dwellings rather than opting to have a new house constructed."

Residential turnover levels were "bound to remain unsatisfactory" over the short term, although the lowering of bond rates could trigger an upturn in activity levels next year. The bureau cautioned that the mortgage rate was unlikely to fall below 8% or 9% in real terms, so boom conditions were unlikely to prevail.

NEWS

BER expects no repeat of 1990-92 slump

Weaker forecast, but no recession seen for building

CT (BE) 28/10/97 (32)

MARC HASENFUSS
CAPE EDITOR

Cape Town — Turnover levels in the building industry would weaken further towards the end of this year and into the early part of next year, the Bureau for Economic Research (BER) in Stellenbosch says in its latest building and construction survey.

The BER, however, believed the downward trend, particularly in the residential market, would be slowed by the recent reduction in the bank and mortgage rates. "Given the probability of a further decline in building activity over the short term, a typical recession similar to the 1990-92 period is unlikely to occur," it said.

The BER said builders and merchants should take note of the fact that the mortgage rate was unlikely to decline below 8 to 9 percent in real terms.

"The implication is an upturn can be expected in line with a decline in nominal mortgage rates, but that boom conditions are unlikely to prevail."

The BER noted the office sector, which had displayed strong growth in the first seven months of this year, now showed signs that work in the non-residential sector was winding down.

"While development in the construction of shopping space is likely to remain relatively buoyant over the short term, lower activity levels are expected in the office and industrial market."

Referring to building and input costs, the BER's cost index increased by almost 13 percent in the third quarter of this year — well ahead of the 10,6 percent and 8 percent increases in the first and second quarters respectively.

The BER said the slowdown in building activity and competitive tendering suggested that the higher third-quarter figure might not be a permanent upward reversal in building costs.

It expected an average increase of 9 percent for building costs this year.

Group Five in R700m Congo deal

(32) BD 3/11/97

Claire Pickard-Cambridge

THE contract won by Group Five Goodwin to upgrade and manage a transport corridor from Kinshasa to the port of Matadi will put the last piece of a puzzle into place which is needed to link up the Democratic Republic of Congo's basic infrastructure network.

The chairman of the Group Five subsidiary, Peter Goodwin, says the 350km corridor is not just a route between two towns, but provides the missing link needed to take the infrastructure "one big stride forward".

Most of the Congo River — which is the second-biggest river after the Amazon and 10km wide in most places — is navigable and curves around the country with key tributaries like the Kasai River allowing traffic into the central areas. However, the vital link for Kinshasa's imports and exports is the rapid-strewn stretch to Matadi, a port on the Congo River which is about 200km from the Atlantic Ocean, but can be reached by ocean-going ships.

Once the magic wand has been waved by bypassing this stretch with proper rail and road links, cargo can then be transported around the key areas of the country via the Congo and Kasai Rivers.

The upgraded system will provide a practical link with Kisangani and Kindu — on the Congo River in the east of the country — and Ilebo in the central region on the Kasai River. From there existing rail networks running south from Ilebo and Kindu to Lubumbashi provide routes on to Zambia.

Goodwin says his company moved into the country about a year ago with a feasibility study for a large timber factory in Kinsasha. The project was delayed by the civil war, but the company became aware that poor infrastructure made it uneconomical to import or export goods.

"It became apparent that the economy was largely being stifled by the failings of a small link."

Phase one, which will cost about R700m and take two to three years to complete, requires an emergency programme to restore infrastructure to its former state.

The once-tarred N1 road has to be made passable and the rail and port equipment operational. The upgrading of the harbour, road and rail network will take place simultaneously and hired Spoornet rolling stock will be moved into place to provide an income.

The railway line is in fair condition, but the company needs to restore the signalling system and upgrade derelict railway workshops. "We have to hire and repair some Congolese rolling stock, but will rely on five locomotives and 200 trucks hired from Spoornet to get things running."

The ports have to be upgraded by repairing the quays, forklifts and cranes. About 1-million tons of cargo is being moved between the two cities each year, a drop of 2-million tons from 10 years ago. The speed with which cargo traffic picks up again will determine when the next phase can be implemented because the project has to be self-financing. Proceeds obtained from each phase will help to finance the next, which in turn will meet new traffic demands.

Goodwin says President Laurent Kabila has emphasised that the project was his government's key priority because it will provide the vital link for imports and exports. Reduced transport costs will stimulate the economy and attract more investors.

Group Five Goodwin will form a joint company with Congolese transport parastatal Onatro and other parastatals, but will control the company and manage the operation.

European Bulk Services, a Rotterdam-based stevedoring company which owns several harbour terminals around the world, will assist Group Five with operations. Dutch company Tebodin, which has expertise in harbour design, will be a consultant.

Group Five will bring in about 45 expatriates and employ about 1 000 Congolese workers.

Goodwin says his company will also be tendering for a stake in the next phase involving the upgrading of Maputo's harbour and infrastructure.

The company is also involved in development and design of the second coal terminal at Richards Bay.

Local firm lands R2,5bn Congo deal

(32) BD 3/11/97

Claire Pickard-Cambridge

GROUP Five Goodwin, a subsidiary of construction company Group Five, has won a contract to manage, operate, upgrade and maintain a 350km transport corridor linking the Democratic Republic of Congo's capital, Kinshasa, with the port of Matadi near the west coast.

Group Five Goodwin chairman Peter Goodwin said the complete project budget was R2,5bn. It would be carried out in phases over many years. Phase one would cost about R700m.

The contract would involve repairing and upgrading the two ports — both are on the Congo River — and the railway and roads connecting them. Although most of the river's 3 000km was navigable, the main supply route from Matadi to the 6-million inhabitants of Kinshasa was strewn with rapids and had to be bypassed by rail and road.

"The distance is only 350km, but it takes heavy trucks about five days to make the journey in the dry season. The road becomes impassable during the rainy season, and is littered with broken vehicles," Goodwin said.

Banking group HSBC Equator, owned by HSBC and Nedbank, would be the financial adviser to the project and was putting together a financing package with SA and international funders.

Goodwin declined to provide further financing details, but banking sources confirmed financing was on track and that the bank was satisfied the project would be successful.

Goodwin emphasised it was an "economically driven project which will pay for itself. We knew we could not rely on payment from government, so it was agreed that if government allowed us to upgrade and manage the system we would make it pay for itself. The company has been guaranteed that it can run the system for a sufficient period to repay all the loans."

He declined to provide further details on how the project would pay for itself — other than via management, shipping and handling fees — saying the company did not want to disclose details it had taken a great deal of time and money to research.

See Page 13

HILTON HOTEL

CONSTRUCTION *Growing trend in projects accounts for 50 percent of construction in the UK and US*

Hilton sets precedent with new contracting method

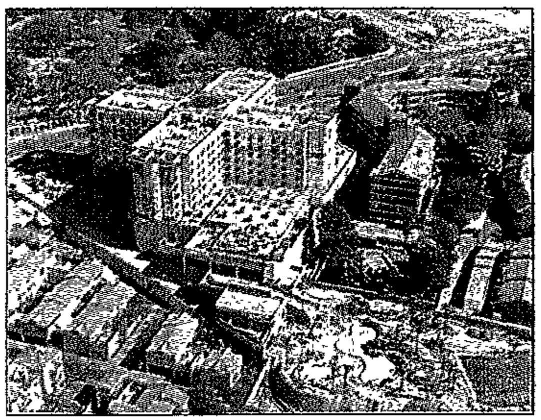
CT(BR) 3/11/97 (32)

The Sandton Hilton set a precedent in that it is the first major commercial design and construct project to be undertaken in South Africa.

This form of contracting is a growing trend, accounting for almost half of non-residential building projects in the US and Europe and about 70 percent of construction work in the East. In South Africa it had been limited to a few construction jobs.

"The Sandton Hilton is a R155 million construction project, and for a project of this size — 40 000m^2 — to be carried out on a design and construct basis is a definite first in this country," says Paul le Seuer, managing director of Group Five Goldstein Building, the main contractor.

Le Seuer explains that design and construct offers the developer the advantage of 'one-stop shopping', because the contract encompasses the entire process of designing and constructing a project for which he pays a fixed lump sum. The consultants and subcontractors report through the contractor who is responsible for ensuring they deliver.



The construction of the hotel was a mammoth and complex task. It required close coordination and effort

The main difference between this and the traditional tender method is that the risk is transferred from the developer to the main contractor. The developer knows exactly what he is in for financially and is freed of the hassles of dealing with consultants and sub-contractors.

In the case of the Sandton Hilton, the developer, Crestalia Investments, received a design and construct package inclusive of all professional fees from Group Five Goldstein Building, which effectively became the internal project manager as well as the contractor.

Goldstein's responsibility encompassed budgeting and costing, quality control, the appointment, co-ordination and management of consultants and sub-contractors and the day-to-day management of the construction site.

With the design and construct concept, responsibility for accurate costing passes down the line to sub-contractors, who in turn commit themselves to deliver a certain job at a certain price. This is naturally open to modification if the client changes his mind on any aspect. With this form of contracting every one concerned has to be proactive.

"We started developing expertise in the area of design and construct in response to the requirements of overseas clientele about eight years ago," says Le Seuer. "It required a considerable amount of training in estimating costs and has involved a radical change of approach because of the transfer of risk.

"What has been pleasing is that there has been a harmonious relationship amongst the team. There has been no disagreement in terms of the client's requirements. In the case of the Hilton there hasn't been a single contractual disputes.

"This is due to a large extent to the way the contract was constructed, but equally to the team spirit and the fact that every problem was approached with the attitude that 'this is our problem' and we found solutions together. And the project has been completed within budget, which is very unusual for a project of this size."

The team comprised Crestalia Investments, the property development company set up jointly by Team Development Concepts and Business Focus; Group Five Goldstein Building, the principal contractor; architectural consortium Koseff Van der Walt and Bentel Abrahamson; and structural engineers, Kampel Abramowitz, Yawitch and Partners.

The main design and supply sub-contractors were the Stantronic Group for electrical installations in conjunction with consultant Denis Goldman. The heating, ventilation and air conditioning was installed by QD Fire and Air. The plumbing was done by Plumbgold, a Group Five Goldstein Building subsidiary, and Pipe Design.

The hand-over took place in stages. The first area to be handed over was the kitchen where months of training and experimentation had to take place to ensure things operated as they should when the restaurant opened for business. The next hand-over stage was of blocks of bedrooms.

This was the 'guinea-pigging' stage where non-paying guests gave the staff a chance to receive training and get all systems running like clockwork so that from day one the Sandton Hilton would be functioning like a world class hotel.

PROPERTY

Unified construction body will be announced 'soon'

(32) BD 19/11/97

Lukanyo Mnyanda

THE proposed unification of the construction industry — which has been bogged down for more than two years — was at an advanced stage and the parties should be able to announce the launch of a new federation "soon".

Building Industries Federation of SA (Bifsa) executive director Ian Robinson said significant progress had been made, and the different parties were hopeful of producing a new constitution in the near future.

The bodies — including Bifsa, the SA Federation of Civil Engineering Contractors, the African Builders Association, the Association of General Contractors, the National African Federation for the Building Industry and the National Association of Black Contractors and Allied Traders — are scheduled to meet again on Friday.

Robinson said the new body would enable the industry to speak with one voice and enhance its ability to negotiate with government and other stakeholders.

The unification was first mooted about two years ago, but has been delayed amid talk of infighting and mistrust among the representative bodies, with some of them apparently not willing to relinquish their individual profiles.

Robinson said the federation would have to revise its 6% growth forecast for next year because of recent events in the international and local economy.

It now expected the industry to "move sideways" during the first half of next year.

Cape Town's failed bid for the 2004 Olympic Games would have a negative effect, while turnover from the construction of casinos — expected to be at around R5bn — would be set back by delays in the issuing of licences.

Government's housing policy was still a "bit hazy" and was not delivering enough houses, though there was hope that delivery could accelerate during the second half of next year.

The industry would also be set back by the oversupply of hotels in Gauteng, with some major five-star hotels like the Park Hyatt already reported to be recording disappointing occupancy rates.

However, SA had achieved some success in the fight against crime and violence, and the industry would benefit if more progress was made as this would boost tourism and related businesses.

Robinson said Bifsa was pleased with negotiations on the new skills development bill.

SAT

NOVEMBER 22/23 1997

Building faults put right by NHBRC

Cases resolved successfully

ARLS 22/11/97 (32)

GRAHAM NORRIS
PROPERTY EDITOR

House owners can now get assistance with structural problems, where previously complaints involved endless legal procedures.

The National Home Builders' Registration Council (NHBRC) has successfully resolved two cases of structural defects in houses under the NHBRC's Defects Warranty Scheme – in the face of suggestions by some role players in the building industry that the NHBRC does not have the clout to drive a process of consumer protection.

Two Western Cape house owners, David Roberts and Louis van Tonder, are the first to benefit directly from the NHBRC's conciliation process. Both had complaints about structural defects in their houses and these were subsequently rectified through NHBRC intervention.

"These are the first two rectification cases that we have completed successfully through our conciliation service," said Peter Allsopp, managing director of the NHBRC.

"In the first case, David Roberts reported problems with his house to the Peninsula branch of the Master Builders' Association (MBA). Mr Roberts paid for a report on the many structural problems in his house, but no further help was offered."

Mr Roberts approached his attorney, who tried to get the developer to help.

"But nobody was prepared to help," said Mr Roberts. "My lawyer suggested that that we approach the NHBRC for help. We contacted them and were delighted to find that my house had been built by a builder registered with the NHBRC, and that it was enrolled under the Defects Warranty Scheme of the NHBRC.

'The developer has honoured his obligations after NHBRC intervention'

"The NHBRC's technical services manager, Fred Wagenaar, inspected the house and called a meeting on site between the developer, Bill Rawson Estates, and the sub-contractor, Somerset Builders. There and then it was agreed who was responsible for what, and today the repairs to my house are almost completed.

"Without the NHBRC this never would have happended," said Mr Roberts.

Mr Allsopp said Mr Roberts' case was a good example.

"In spite of his original reluctance to help, the developer has honoured his warranty obligations after NHBRC intervention."

Most of the builders registered with the NHBRC did in fact honour their warranty obligations when these were broght to their attention.

A total of 110 complaints had been resolved in this way. He said any builder registered with the NHBRC who did not play his part faced de-registration, which had occurred with 40 builders.

Another consumer, Louis van Tonder, of Protea Heights, noticed sagging lintels, but his builder had gone into liquidation. He approached the NHBRC, which paid another contractor to fix the problem.

Readers wanting more information on home owner protection can contact the NHBRC's head office at (011) 886-3636.

PROPERTY

slate govt for nondelivery and nonpayment

(38) BD 26/11/97

with the contracts, with the incentives that sufficient funds might be made available to remedy the situation in the next budgetary cycle ... in a marginal industry, this situation is unacceptable."

A recent survey of 53 respondents in the consulting engineering sector had indicated that government departments had outstanding accounts amounting to at least R80m, with some of the fees outstanding for more than a year.

The situation meant the construction industry, which employed more than 519 000 people and undertook work valued at R32,2bn annually, was acting as a bank to government departments, which was unacceptable. Politicians, government officials and tax payers had to be made aware of the crisis.

"SAACE calls on all stakeholders to play their part in arresting the situation and offer available expertise within the private sector to help government unblock the delivery process to ensure effective management." Effective management included adequate budgetary control and financial management.

The association said the transformation of the public sector had resulted in a "serious erosion" of its capacity to deliver, which had resulted in less work for the industry. In the past it had relied on the public sector for 70% of its work and this had dropped to 60% and was declining further. This meant that infrastructure was being delivered at a much slower pace, while existing infrastructure was beginning to show signs of inadequate maintenance.

The association said government's intentions to implement multiyear budgeting would help stabilise the cyclical nature of the construction industry, though the slowdown in infrastructure delivery would remain a threat to the retention of capacity.

The problem of spare capacity could be addressed by the industry deploying professional and technical staff to assist government and ensure continuing delivery during the transition period.

"This will ultimately lead to growth and enhanced employment levels as targets set in government's Gear (growth employment and redistribution) strategy are met," the association said.

Govt to wield power to aid emerging builders

(32)

Jacob Dlamini BD 28/11/97

CAPE TOWN — Government would use its bargaining power as a major client of the construction industry to encourage the emergence of black contractors, Public Works Minister Jeff Radebe announced yesterday.

The public works department had introduced procurement measures intended to transform the industry and to create an environment conducive to the growth of previously disadvantaged enterprises.

Speaking at the launch in Johannesburg of a green paper on the regeneration and growth of the construction industry, Radebe said the industry contributed only 2,79% to the country's gross domestic product.

This reflected a serious weakness rooted in structural and operational distortions which hampered SA's ability to meet new demands.

Radebe said apartheid measures such as job reservation had shaped the construction industry to the benefit of white workers, contractors, professionals and the materials supply sector.

The government had identified infrastructure development as a key feature of its policy for economic growth and an improved quality of life.

The construction industry provided the infrastructure that remained essential for the development of SA.

The green paper was devised by a number of government departments, including housing, labour and transport, and various stakeholders in an attempt to create an enabling environment for the reconstruction of the industry.

Radebe also announced that he had established a 12-member task team to spearhead efforts to reform the industry. The team would serve as a focal point for consultation and see to the establishment of a construction industry development board.

Radebe said the green paper provided for a comprehensive strategy, the central goal of which was enhanced delivery to meet the country's needs. The strategy would also seek to maximise the potential of the construction industry as an engine for economic growth and job creation.

Robyn Chalmers reports that the Building Industries Federation of SA (Bifsa) executive director Ian Robinson said yesterday the organisation was gravely concerned about the composition of the task team.

"Not one of the five Bifsa nomination to the task team has found favour," he said. This meant the construction industry as represented by Bifsa had no official standing on the task team whereas other constituencies did.

Robinson said the spirit of goodwill and co-operation that had hitherto existed between Bifsa and the department was now in jeopardy.

"We have requested an urgent meeting with the minister to reiterate our concerns," he said.

However, Robinson said Bifsa supported the establishment of an interministerial task team to drive the institutional development.

Change coming in building industry

Sowetan · 28/11/97

(32)

Document sets out policy and strategy vision for sector

By Isaac Moledi

THE reshaping of the construction industry to meet the basic needs of South Africans is at the heart of the Goverment's policy, Public Works Minister Jeff Radebe said yesterday.

Unveiling the green paper titled *Creating an enabling environment for reconstruction, growth and development in the construction industry*, Radebe said the fact that the construction industry contributed only 2,79 percent of the country's gross domestic product reflected a serious weakness rooted in structural and operational distortions.

This situation, he said, inhibited the country's ability to meet new demands.

The green paper, according to Radebe, sets out "Government's distilled vision for an enabling strategy aimed at enhanced delivery, greater stability, improved industry performance, value for money and the growth of the emerging sector".

The document was produced by the ministry in collaboration with the ministries of trade and industry, water affairs, housing, transport, education and state expenditure.

Long-tern project

Radebe said the creation of an environment in which the construction industry could flourish was a long-term project, and an inter-ministerial Cabinet committee had been set up to ensure the policy is properly coordinated.

The policy document sets out the vision for the construction industry policy and strategy that "promotes stability, fosters economic growth and international competitiveness, create sustainable employment and addresses historic imbalances as it generates new industry capacity".

Among the green paper's recommendations are that a "common development and operating environment" be established for the sector, and that an agreement be negotiated between the different regional governments as to what its form and substance should be.

It also suggests that legislation be promulgated to ensure that construction takes place within this framework.

"Stakeholders now have a reference centre on the policies, ideas and strategies for change. The launch will ensure that the initiatives of Government since 1994 are deepened and put to new heights," said Radebe.

He said the policy initiatives in the green paper provided for a comprehensive strategy and programmes to uplift and transform the construction industry well into the 21st century.

"A central goal of this strategy is enhanced delivery to meet the needs of the South Africa's majority and to ensure that the role of the construction industry is maximised in the development of the economy, the development of the country's human resources and in the democratisation of society," Radebe said.

Public Works Minister Jeff Radebe.

INFRASTRUCTURE *Public works minister puts forward long-term plan to boost job creation*

R232bn construction fillip

CT (PR) 28/11/98 (32)

LYNDA LOXTON AND NCABA HLOPE

Cape Town — The government plans to spend between R170 billion and R232 billion on infrastructure over the next five to 10 years while introducing a range of measures aimed at boosting the strength and job-creating potential of the construction industry, according to a green paper released yesterday.

The paper was made public by Jeff Radebe, the public works minister, after a comprehensive two-year study involving the private sector and several other government departments.

"Even if this target is only partially realised, the influence of public-sector spending in gross domestic fixed investment is likely to be at least three times that of the private-sector investment unless private-sector fixed investment expanded at a similar rate," the paper said.

"A recent study indicated that capital expenditure has already begun to increase, largely in an attempt to expand the international trading component of the economy."

But the policy paper admits that achieving these goals will require much work to restructure the flagging construction industry. It said growth in the building and civil engineering sectors had been slowing down, with a greater volatility in demand forcing firms to emphasise flexibility at the expense of efficiency.

Radebe said the paper aimed to restructure the R14 billion-a-year construction industry to boost its competitive edge and increase entry points for emerging contractors.

The transformation process would involve policy and structural changes and would be driven by a 12-member task team led by Brian Bruce, a fellow past president of the South African Institute of Civil Engineers and the double recipient of the institute's Gold Medal for Outstanding Construction Achievement.

The restructuring would result in the formation of a Construction Industry Development Board to advise on legislation and policies and champion the final integration of the industry.

Its priority is to form a register of accredited contractors to help the government in prequalifying firms for potential work opportunities.

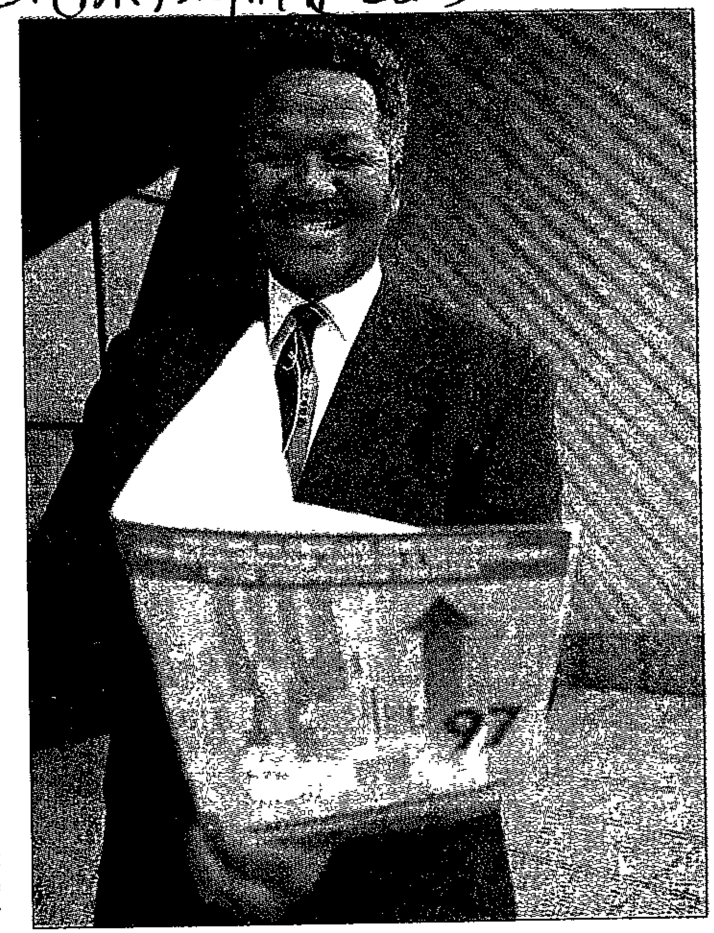
"There is a need to establish an Emerging Contractor Development Programme to ensure the development of emerging contractors and advance their interests in the industry," said Radebe.

The green paper has proposed a series of steps to be taken, including the need to develop a stable delivery environment, enhancing the performance, restructuring training and human resources, boosting institutional capacity and promoting previously disadvantaged groups.

"Transformation is a necessity due to the urgent challenge to increase output above current levels, declining efficiency, output quality and gross inequalities that have seen a disproportionate few dominate the market at the expense of the majority," said Radebe.

He said it was disturbing that the industry's contribution to gross domestic product had declined from 5,3 percent in the 1970s to 2,8 percent last year.

The number of registered firms in the industry had fallen by between 25 and 50 percent over the past eight years while employment levels in the sector had fallen, with firms increasingly subcontracting labour to cut costs.



NATION BUILDING *Jeff Radebe, the public works minister, aims to boost the industry's competitive edge* PHOTO JOHN WOODROOF

Industry image poor – construction boss

(32)

Dismal perception by public

ARG 29/11/97

GRAHAM NORRIS
PROPERTY EDITOR

The image of the construction industry in this country and the way it goes about its business, needs to change, says a director of Bovis Southern Africa.

"The general public image of construction is dismal – and that's a fact we must face up to," says Nigel Davie, who heads the Bovis office in Cape Town.

This perception, he says, reflects the reality of frequently poor site conditions, an unacceptably high accident rate and a recruitment policy which has traditionally focused on low academic achievers.

Ask any careers officer how his pupils view the construction industry, and the chances are he will reply that it's "a dirty, dangerous job for non-achievers."

The construction industry needs to realise, Mr Davie warns, that interest groups, including potential clients, are disenchanted with its adversarial relationships, its insensitivity to environmental considerations and its poor working practices. To these must be added a reputation for under-performance and cost overruns.

Of course, he says, not all companies are guilty of these failings. But far too many are – and the industry needs to do something about it. At present it is not making any positive move to address these failings.

Nigel Davie: 'It's time to address failings'

Any initiative to improve the industry's image, however, must be more than just a cosmetic exercise, says Mr Davie. The industry must improve its productivity and its practices, or it will be caught out as more international investment, with its own high level of expectations, comes to South Africa.

Construction is a service industry and too few building companies understand their priorities in business. In the traditional construction industry, the average individual is more concerned about what the boss wants than what his client wants.

"But in an innovative organisation, people are more interested in what the client needs – and that, surely, is what the boss will want!"

In other sectors, it is widely accepted that business can be improved by ensuring that accurate information is openly shared. But this approach goes against the grain in the South African construction industry, as it would undermine the traditional adversarial culture.

"In general contracting, it would appear that undercutting and 'screwing' the subcontractor's cash flow are the accepted tools of contractors to beat the competition. But quality problems and a call for greater innovation will change the way construction companies do business. A cultural revolution in construction is on the way," he says.

Mr Davie believes that clients will be the catalysts for change in the industry. They will begin to demand more innovative products and services – a change which herald more effective communication between suppliers, subcontractors, contractors and designers.

its 82% of the equity — this will be diluted to 36% through a rights offer next month — on a low forward p:e ratio of 1,9. Vendors of the businesses were issued their 39% stake at 40c/share, a forward p:e of 12,1.

In the entertainment business the publishers or owners of content — film, for example — take the biggest profits. AME's production businesses own about half the films or TV sitcoms they make. The other half will be paid for by whoever orders the project. AME is sure to try to acquire copyrights to more of its own content.

Dison's role entails a leap from legal adviser to group director. That won't be easy. But, he says, operational management skills won't be necessary. Operational managers will retain autonomy.

He will continue to consult as media lawyer. Inevitably, he acknowledges, conflicts of interest will arise between his responsibilities towards AME and clients whose interests he represents. This problem, he says, is eliminated by openly declaring conflicts of interest. It would rarely be necessary to refuse a case.

For what it's worth, Primedia's forward p:e is 22,6. To some investors this could make AME look cheap. Punters may want to take a speculative stake. Michelle Joubert

BUILDING & CONSTRUCTION (32)

No rush for empowerment

fm 19/12/97

But equity deals may soon succeed joint venture arrangements

The building & construction sector has become conspicuous for the lack of black empowerment deals being done by its constituent companies.

None of the listed companies has yet secured any sizeable black shareholder, though the liquidated Shoredits has come close The approach instead, has been to form joint ventures (JVs) with emerging contractors, which have the benefits of skills transfers and profit sharing.

However, with demand for black contractors starting to outstrip supply, and pressure from customers to become more representative, many of the majors are beginning to look for black investors to add diversity to their companies.

One analyst believes the first major empowerment equity deal will happen in 1998, and it will involve a controlling stake in a contracting & materials company.

"The obvious one is Natal Portland Cement (NPC)," he says. "I think the Competition Board will have another bite at the cement industry, and that pressure will be put on the shareholders to sell."

NPC is owned equally by SA's big three cement producers — PPC, Alpha and Blue Circle (part of Murray & Roberts) and is a child of the cartel days.

Two contractors that have said they are looking at the question of black shareholding are Basil Read and Concor.

Concor's incoming non-executive chairman Neill Davies says: "I think the first company to get a black (equity) partner will be at such an advantage that it will force the other companies to find partners."

Concor, a diversified construction company, has yet to decide whether to bring in a black shareholder at the holding company or subsidiary level, but hopes to conclude a deal in the next calendar year.

The obvious benefit for the pioneers will be greater ability to secure work from government and the large corporates. Government is still the largest client on the civil side, and contributes about 40% of the building spend.

Building Industries Federation SA executive director Ian Robinson agrees that equity deals will succeed joint ventures given time.

"Only in the past 18 months have JVs taken off, and we are still making that work," he says "There is already a shortage of previously disadvantaged contractors to form joint ventures with. If the industry shows any real growth, which we hope it will do in the second half of next year, we will encounter problems which only intensive training can address."

He says it is unlikely that government will demand equity stakes in its tender requirements, and it is encouraging the JV approach to get skills transfer

The government-championed Asset Procurement and Operating Partnership Programme, aimed at facilitating public/private partnerships for the provision of specialised public infrastructure, recently supported this view.

Its latest document suggests "a requirement of the projects that a minimum of 40% of the equity of the responding entity be targeted to incorporate PDEs (previously disadvantaged enterprises) and furthermore that 25% of the value of the services must be subcontracted to PDEs in SA."

Industry experts suggest that finding an interested and suitable black investor will be the major problem. Robinson says the black construction industry lacks the capital and the more established groups view the industry as high risk, low return

"The established black groups like cash-generating businesses," says an analyst "Companies in this sector can soak up large amounts of cash, and I don't see many empowerment groups investing in their businesses."

Black empowerment group Dynamo Investments chairman Oscar Dhlomo says his group would be prepared to look at something in this sector, especially if it was involved with NPC, because of its location in KwaZulu-Natal.

In terms of ratings, now is a particularly cheap time to buy into the sector, with earnings yields at 9,3% and dividend yields at 3,4%. This follows a mixed set of results and price drops in companies such as Group Five, Buildmax, Boumat, Stocks and Masonite, all pushing new yearly lows.

A challenge for these companies in the year ahead will be to produce good results not only for shareholders but for potential shareholders. Those involved in the industry will also have to work overtime to improve the market image of the sector.

Stuart Rutherford

Emerging business doubles its construction tenders

ET (BR) 2/12/97 (32)

Adele Shevel

Johannesburg — Participation by affirmative business enterprises (ABEs) in the construction industry had more than doubled from 16,5 percent of total value of public awards since 1994-95 to 37 percent this year, said Deen Letchmiah, the leader of the public sector procurement reform task team.

Discussing progress on the initiatives at a meeting of the Kwazulu Natal chapter of the Association of South African Quantity Surveyors in Durban, Letchmiah said the increased participation was pleasing and that more construction contractors "were playing the game by genuinely involving ABEs".

A 38 percent participation by emerging business in a recently completed R180 million prison project near Cape Town was gratifying, he said. The figure would normally have been 5 percent.

The reforms stem from recommendations drawn up by the task team to restructure the tendering system to empower previously disadvantaged communities. The measures are designed to drive affirmative action policies and spearhead good governance in applying accepted international procurement standards.

The reforms were motivated after the departments of finance and public works classified the former tendering system unacceptable because it benefited only a small group of established businesses and laid itself open to corrupt practices.

The green paper on public sector procurement reform is being formalised by the Office of the State Tender Board and is expected to be gazetted by next September.

Letchmiah said that before the reforms the involvement of black contractors in major contracts awarded to large contractors had been based on a handshake and goodwill.

Results had been poor and fell short of government's affirmative objectives. The new process ensured development of black people and black-owned companies through their participation in managing their input in contracts. This was achieved by all public works contracts above the value of R2 million being awarded on a points system.

Call for building industry summit

BD 3/12/97 (32)

Lukanyo Mnyanda

THE building industry has been on a declining trend for at least 14 years and a conference was needed to evaluate how it could reverse this, instead of resigning itself to gloomy prospects, says BMI's building research strategy consulting unit.

"This must not be the usual conference, with the usual platitudes, shifting of blame, whining and complaining, but the application of the top strategic brains in the industry, to facilitate the industry living up to the claim that building is the engine for growth," the unit said.

Unit head Llewellyn Lewis said an industry summit would have to involve all stakeholders and investigate ways to take it out of the slump and take advantage of opportunities presented by the developing nature of SA's economy.

The continuing decline begged the question of whether the industry was "dying".

It also raised the need for leaders to be more proactive and look at ways to boost gross domestic fixed investment.

Industry leaders had to "stand up and be counted", and stop viewing gross domestic product (GDP) growth as the sole indicator of what would happen to the industry instead of investigating how the industry could aid growth.

"This paradigm presumes that building industry growth is somehow derived from GDP growth and ignores the fact that growth in the building and construction industries — as a large percentage of fixed investment — influences GDP growth and is in turn affected by it."

Lewis said a 14-year-long slump was not acceptable in a developing economy and questioned whether industry leaders had accepted the situation as inevitable.

"Where is the leadership?" Lewis asked.

SA's building industry was operating at levels less than 70% of those experienced in 1984 and was unlikely to meet pre-1984 levels before 2010.

The unit also released its quarterly monitor of confidence levels, which found that both emerging and established contractors were not expecting their prospects to change much in the course of the next six months.

However, the emerging sector was more optimistic about conditions for the next 12 months and expected an improvement of up to 5%, while the established sector expected that conditions would remain the same.

High interest rates, crime, the slow delivery of reconstruction and development programme houses, and perceptions of high corruption levels in government had remained among the main factors which were inhibiting confidence.

CONSTRUCTION

At the heart of building the new SA

CT(BR) 4/12/97 (32)

NCABA HLOPHE

Johannesburg — The launch of the green paper on the R14 billion-a-year construction industry marks the beginning of a multi-pronged transformation process to boost its competitive edge and increase entry points for emerging contractors.

This would be supported by the government's commitment to spend between R170 billion and R232 billion on infrastructure over the next five years, thus boosting the flagging industry's job creation potential.

The construction industry provides the physical infrastructure fundamental to the economic development of the country. It currently employs more than 450 000 people and has been identified as the premier creator of employment to the teeming underclass.

The sector contributes about 35 percent of the country's gross domestic fixed investment, which the green paper aims to double in the next five to 10 years.

The green paper was preceded by a comprehensive, two-year study driven by the public works department and a steering committee comprising representatives from eight departments with interlocking interests: transport, water affairs and forestry, housing, labour, state expenditure, trade and industry, education and of course, construction.

"The formulation of policy on construction industry development proceeded in tandem with ... a range of related issues such as public sector procurement reform, new national education and skills training policy, labour policy, public service transformation, budgetary reform and macroeconomic policy," said Jeff Radebe, the public works minister.

Central to these initiatives is the vision to deliver quality assets to the public along with jobs, affirmation of small and medium contractors, stable labour relations, human resource development and global competitiveness.

This transformation would deliver the construction industry from apartheid's social and economic engineering, which protected white employers, contractors, professionals and material suppliers and stifled the growth of black people.

The combined effect of both this nefarious legacy and current market forces has bludgeoned the industry to such an extent that, according to Reserve Bank statistics, its contribution to gross domestic product declined from 5,3 percent in the 1970s to 2,8 percent last year.

"The industry has been characterised by an unstable and frequently insecure employment environment, jittery periods of financial assurance and inbuilt bias towards urban centres of development and an erratic approach to integrate to the objectives of the reconstruction and development programme," said Radebe.

In its efforts to juggle demand fluctuations, the industry adopted flexible labour practices and used unregulated "labour-only" subcontracting (LOSC), which affected performance factors such as human resources and output quality.

"This distorted reliance of unregulated LOSC in South Africa has resulted in a dramatic decline in health, safety, productivity and quality, and today the bulk of the workforce is located in LOSCs and is predominantly black," said Sipho Shezi, the director-general of the public works department.

As a result of this ad hoc employment culture, artisan skills, supervisory skills and management capacity diminished significantly and were worsened by the divide between civil engineering and the building industry.

Statistics of the National Productivity Institute have indicated that labour productivity has declined 20 percent since 1970, while fixed capital productivity is almost 60 percent lower.

Emerging contractors are also frustrated by the inability to gain access to finance, credit, artisan skills and management skills.

"The small and medium sector face difficulty in gaining work opportunities in a highly concentrated industry where between 20 and 30 percent of the total number of firms accounted for more than 80 percent of the output in 1991," said Shezi.

The emerging sector's plight has been exacerbated by procurement delivery bottlenecks, which escalate development costs.

Furthermore, the regulatory framework has been found to inhibit innovation and initiative, and consequently disempowers the emerging sector and impedes industry growth.

"Industry fragmentation and the fragmented interaction of the industry with various government departments in their capacity as both regulators and clients is perhaps the most fundamental impediment to the joint prosecution of the industry development programmes" said Shezi.

To help address these problems, the green paper calls for the establishment of a statutory Construction Industry Development Board to advise on legislation and policies and to champion the industry's final integration.

The board's priority would be to form a register of accredited contractors to help the government prequalify firms for potential work opportunities.

The green paper has also identified the need for an Emerging Contractor Development Programme, to advance the interests of new small and medium entrants to the industry.

It has proposed a series of steps including developing a stable delivery environment, restructuring training and human resources and boosting the government's institutional capacity.

The urgency of the proposed transformation is evidenced by the nomination of a 12-member task team to be led by Brian Bruce, a fellow past president of the South African Institute of Civil Engineers and a double recipient of the Institute's Gold Medal for Outstanding Construction Achievement.

As a launching pad for the industry's growth, the green paper requires support and input from all interested parties to give birth to a white paper policy that would represent everyone.

Ministry backs conference drive

(32)

Lukanyo Mnyanda

THE housing department has come out in support of calls for a building industry conference to tackle a 14-year declining trend. It says such a conference should be followed by a formation of a building industry cluster.

"The industry must not wait for it to be dictated to by external market forces, but rather manage these forces to the advantage of the industry," the department said.

BD 10/12/97

It said this would help industry leaders to take positive action and boost gross domestic fixed investment.

It was responding to a call by the BMI business research strategy consulting unit for an industry summit.

The department said the call was in line with the cluster initiative being promoted by the trade and industry department and aimed at getting role players together to identify challenges and opportunities they faced.

Clusters had yielded positive results internationally while local sectors, including the capital equipment, jewellery, wheat, milling and baking industries, were already reaping the benefits of similar schemes.

A building industry cluster would benefit the low-income housing market as greater efficiency should help improve the delivery and quality of houses.

The Botshabelo accord signed by stakeholders in the low-cost housing market in 1994 represented the first attempt at a building industry "cluster initiative", the department said, and called for a continuation of an accord which involved small and large companies, industry associations, labour, government and related institutions.

The Building Industries' Federation of SA recently revised its growth forecast for next year to between 3% and 3,5% from 6%, citing the likely effects of market turmoil, a lower gold price and the El Niño weather phenomenon on gross domestic product growth.

Jeff Radebe calls for construction role for developing world

BD 10/12/97 (32)

Robyn Chalmers

PUBLIC Works Minister Jeff Radebe has called for the developing world, including SA, to be integrated into global construction initiatives.

Via satellite at the first international conference on construction development in Singapore, Radebe said greater commitment was needed to building international networks and co-operation in developing better industry performance.

"The construction industry the world over, but particularly in developing countries, has a pivotal role to play in infrastructure development.

"The key lies in innovation and in unlocking the many impediments which curtail its tremendous potential," Radebe said.

Radebe said the local construction industry, which plays a pivotal role in infrastructure provision, had contributed only 2,79% of SA's national gross domestic product in recent years.

This reflected a gross distortion rooted in the apartheid government's preoccupation with the policies of domination rather than with those of development, he said.

As a result, government had worked over the past year at obtaining support across the construction industry for the creation of a framework for the reconstruction, growth and development sector.

This had culminated in the launch last month of the green paper on the construction industry, setting out a vision for its development.

Parallel to this initiative, government over the past two years had championed public sector procurement reform in a bid to unlock the antiquated systems geared primarily to entrench the status quo. Radebe said alternative infrastructure delivery models had been created aimed at cutting through impediments such as long time lags in the procurement and design phase and addressing skewed tender procedures.

The models aimed to direct public procurement to attaining government's broader socioeconomic objectives such as the creation of sustainable productive employment, he said.

Another fundamental shift had been the fostering of public-private sector partnerships in infrastructure delivery.

Bifsa hits back at claims made by minister

(32)

Robyn Chalmers

BD 12/12/97

THE building industry has reacted strongly to a number of issues raised recently on the sector by Public Works Minister Jeff Radebe.

Building Industries' Federation of SA (Bifsa) executive director Ian Robinson said yesterday that the construction industry contributed close to 6% of gross domestic product and not less than 3% — as stated by the minister.

Radebe was speaking at the first international conference on construction development in Singapore and, among other things, he called for the developing world to be integrated into global construction initiatives.

Robinson said the SA construction industry compared favourably with international standards set by first world economies. "SA companies, including main contractors, subcontractors and suppliers, continue to demonstrate their global competitiveness. (This is) evidenced by the fact that they operate successfully in America, Europe and the Pacific Rim countries and throughout the rest of Africa."

Radebe also said greater commitment was needed to build international networks and co-operation to develop better industry performances.

Robinson said that Bifsa representatives were constantly networking with the equivalent federations in other countries. "We remain at the forefront of modern technology," he said.

Radebe said the inward looking policies of the apartheid government had negatively affected the structural and operational nature of the domestic construction industry. This had impeded its development and ability to meet and keep abreast of demands.

As a result, government had worked over the past year at obtaining support across the industry for the creation of a framework for the reconstruction, growth and development of the sector, he said.

DECEMBER 13/14, 1997

Home Builders Council challenged

ARCG 13/1/98

Anger at claims over defects

(32)

GRAHAM NORRIS
PROPERTY EDITOR

The Master Builders & Allied Trades Association, Cape Peninsula, has denied recent claims made to the media by the National Home Builders' Registration Council.

Recently the NHBRC published a statement in which they claimed that they had successfully resolved two cases of major structural defects in homes that were enrolled under their Defects Warranty Scheme.

Mike Loy, the director of the MBA, has challenged these claims - and has expressed anger about statements made concerning the MBA.

"The first case quoted", he said, "involves a Mr David Roberts of Chelsea Village, Kirstenhof. The NHBRC claims that "after a fee was paid to the MBA", the MBA's past president, Jonathan Mitchell, drew up a report on Mr Roberts's problems but "no further assistance was offered".

"The MBA categorically denies ever having been involved in the complaint or taking such a fee. A fee was paid to Mr Mitchell in his capacity as an independent consultant, a role in which he has functioned for many years and for which he is well-known. This was after Mr Roberts had personally contacted Mr Mitchell and asked him to prepare a report on the condition of his house.

"Mr Mitchell diagnosed the main problem, among others, as being rising damp (ie not a structural problem by any stretch of the imagination) and recommended that Mr Roberts use a specialist contractor, who then quoted for curing the problem - but whose quote Mr Roberts declined to accept.

"Instead, Mr Roberts took the Mitchell report to his attorney, who convened a site meeting with the developers, Bill Rawson, including Mr Mitchell. Rawsons then immediately instructed their builders to put the matter right. It should be noted that at the time of the complaint, Rawson was not registered with the NHBRC, although their builders were.

'MBA categorically denies ever being involved in the complaint or taking such a fee'

"The NHBRC, apart from being present at one other site meeting, played almost no part in getting the problem resolved and we understand from a telephone call from Mr Roberts that he is now querying what benefit he got from the 1,3% NHBRC levy on his bond, which he will be paying for the next 20 years. Further, Bill Rawson Projects are highly annoyed at any suggestion that they would not look after a buyer who had a problem.

"It should be noted, too, that Mr Roberts has expressed his total satisfaction with the services of both Mr Mitchell and the reaction from Rawsons."

The second case, said Mr Loy, involves the home of Mr Louis van Tonder of Protea Heights, Brackenfell. In this case, a roller course brick above a window had not been reinforced in the recognised fashion, with the result that it sagged - and before Mr van Tonder could get his builder (again not an MBA member) to fix it, the builder was liquidated.

The NHBRC then paid a contractor to rectify the problem. However, the cost of this was in the region of R4 000 which, Mr Loy points out, can hardly be called a major structural repair.

The impression being given by the NHBRC statements, said Mr Loy, is that "at last" they are really doing some good.

"We at the MBA question whether this is the truth. The impression we have is that the NHBRC, having in less than 18 months collected well over R30-million worth of warranty funds, is now desperate to find ways to justify its existence.

"Their constitution makes it clear that they are not there to be involved with minor snags, only with major structural problems. However, neither of the cases quoted here can be called a major structural problem - and our experience is that such problems are so few and far between as to be almost negligible.

Mr Loy then repeated some of the reasons, already published by himself, the MBA executive and the Bifsa executive, for not supporting the NHBRC.

"Firstly", he said, "we object to the fact that the public have no choice as to whether they will insure or where they will insure. Even if some form of major defects insurance is really necessary, is it really essential for the banks now to insist that all insurance has to be taken out with the NHBRC?

"Secondly, supposing such a levy is necessary, does it have to be as high as 1,3%? On a R200 000 house and plot, this would amount to more than R10 000 over the normal bond repayment of 20 years."