CONSTRUCTIONS — GENERAL

1998

Mixed bag of construction results expected

(32) BD 21/1/98

Lukanyo Mnyanda

SLOWER building and infrastructure activity is likely to combine with high interest rates and restructuring costs to produce a mixed bag of results when some of the major construction companies release interim and final results in coming weeks, analysts say.

The trend has already been reflected in share prices on a downward trend, briefly stopped by a brief run due to optimism about Cape Town's 2004 Olympics bid last year. That was short-lived and the downward trend continued after the bid failed.

Analysts expected uninspiring results and the building, construction and allied index was not expected to go much higher than yesterday's 5 602 close, from more than 8 200 during August.

LTA — described by one Johannesburg Stock Exchange trader as the "Rolls Royce" of the industry — and, to a lesser extent, Basil Read are again expected to be the exception to the rule with healthy earnings growth.

LTA is expected to produce growth in the 20% region in the year to December mainly from its opencast mining operations. Analysts were, however, concerned about what they termed a "growing gap in the civils book" which could reduce earnings for the 1998 financial year. "But for them a bad year means 15% growth as opposed to 20%," one analyst said.

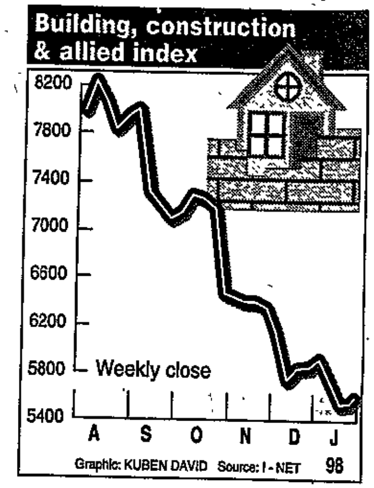
Basil Read — which posted a profit for the first time in five years during 1996 — was expected to continue on a growth path with earnings a share of about 28c (16c) for the year to December. But its growth will be off a low base and earnings growth could be diluted by the resumption of tax payment, as assessed losses should have been used up.

At the end of the last financial year it had work on hand totalling R520m. The upcoming results will not include the massive Maputo Corridor contract, which means it is also well set for next year.

Analysts, puzzled by an attack which has seen Group Five's share price more than halved over the past year, see it as a good recovery stock. They said the attack was overdone and left it one of the cheapest in the sector.

Stocks & Stocks is expected to produce poor results for the six months to October. Most analysts polled placed an "avoid" tag on the share. Concerns — including high debt and the self-generation of work — have been reflected in the share price's slump to 180c from 460c last February.

Analysts are also bearish on Murray & Roberts and have not been encouraged by the share price which has slid to 615c from R14,70 about eight months ago. They expect a slight recovery from last year's big losses, but are waiting for clarity on unbundling plans.



Graphic: KUBEN DAVID Source: I-NET

MURRAY & ROBERTS

(32) FM 6/3/98

M&R SEES THE LIGHT

Chairman Brink concedes past bungles and sets about undoing them

For the past 95 years Murray & Roberts (M&R) has been in the business of building SA. Its name is synonymous with the kind of muscular projects that change the way that countries look. With turnover of R12,1bn last year and a work force of 48 000, it is Africa's biggest construction and engineering combine. In every area it touches — transport, materials, engineering and contracting — it is a heavyweight. There is nothing else like it on the Johannesburg Stock Exchange.

But its modern history has been unhappy. Over the past few years earnings have been in reverse and almost R7bn of shareholder wealth has been destroyed as the price of its shares has fallen. Things came to a head eight months ago when the company reported attributable losses of R272m for the year-end to June 1997. Shareholders demanded change, and the man sent in to make them was Dave Brink, the champion wealth-creator at SA's second-largest financial institution, Sanlam.

Brink has a long history with M&R. As CEO in the Eighties, he pulled the company out of a hole, shifted its focus to core business and led the group to a string of terrific results.

That run ended in the early Nineties when the engineering and construction spend in SA tailed off, and M&R began looking around for new ways to lift earnings. Brink and his team used M&R's cash-generating abilities to buy anything that remotely smelled of fixed investment, thus diversifying risk through a greater product range. That was the theory.

This approach failed because of some inappropriate acquisitions (stand up Union Carriage, which lost a total of R380m in the 1996 and 1997 financial years from train-building contracts) and because management failed to acknowledge the imminence and impact of SA rejoining the international community. The R2bn diversification spree has haunted M&R for most of the decade and has been one of the key factors in its recent poor performance.

After a brief stint running Sanlam's now disbanded investment arm, Sankorp, Brink became executive chairman of M&R in January, charged with the task of rebuilding shareholder value and reducing Sanlam's stake in the company to a minority holding.

In essence, Brink plans to return M&R to its core competencies of engineering and contracting. He says he wants growth and diversification of risk not from a larger product range but through internationalisation. Key to this plan will be the reduction of M&R's holdings in transport (comprising the listed Unitrans) and materials (the previously listed Blue Circle Cement and D&H Piping Systems).

In fact, the process may have already begun of its own accord. "The acquisition by Unitrans of Malbak Motor Holdings lengthens the umbilical cord between M&R and Unitrans because that (motor distributorship) is not the direction that M&R

M&R Break-up

Contractors — Malcolm McCulloch (CE)

Turnover	R5bn	51%*
Earnings†	R117m	23%*

Continuing operations in financial 1997
*As % of total
†Before interest and taxation

Comment:
Core of M&R's operations. Has enjoyed sensational success abroad.

Engineering — Gavin Hardy (CE)

Turnover	R2,1bn	22%*
Earnings†	R101m	20%*

Continuing operations in financial 1997
*As % of total
†Before interest and taxation

Comment:
Has problems, but shows promise as a realigned division

IN?

OUT?

Materials — Carl Grim (CE)

Turnover	R1,9bn	19%*
Earnings†	R163m	32%*

Continuing operations in financial 1997
*As % of total
†Before interest and taxation

Comment:
Dependent on local cement market. Looking for international partner for growth

Transport — Eduardo Gutiérrez-García (CE)

Turnover	R814m	8%*
Earnings†	R124m	25%*

Continuing operations in financial 1997
*As % of total
†Before interest and taxation

Comment:
Recent acquisition of Malbak Motor Holdings should provide synergies and growth

would like to go and it points to the parting of ways," Brink says. "But there is no urgency for that to happen because with the way Unitrans is now positioned they have got good upside."

With Blue Circle, SA's third-largest cement producer, he suggests that the company needs an international alliance which may involve the disposal of M&R's stake.

Brink should be applauded for these courageous positions. They echo the thinking of his generals lower down in M&R and are in line with what analysts and competitors have been suggesting.

It is particularly big of the small man since it is diametrically opposite to the approach he once adopted at M&R and will involve undoing many of his acquisitions.

BOE senior fund manager Chris Logan agrees, and warns there are many other companies that need to concentrate on core competencies and on delivering better returns for shareholders. Specifically, he mentions Anglovaal, Rembrandt and Anglo American "A lot of companies haven't adapted to the reintegration into the world economy and that is why, in the stock market, people are putting money into emerging companies, capitalising on new global trends."

As it is, M&R does not fit together at all well The materials and transport divisions both claim they get no benefit from head office and though there are some obvious synergies — for example in the supply of cement by Blue Circle to contractors and the provision of transport by Unitrans to the group — none of these has ever been properly exploited. In fact, M&R Contracting is not among Blue Circle's largest 30 cement customers and M&R Transport has nothing to do with the rest of the group.

"I have not tried to do transport for M&R because to do business with family is the worst," explains Unitrans CE Eduardo Gutiérrez-García politely. "There is too much proximity and familiarity."

M&R Engineering finance director Willie Crosse describes inter-group trading as an uncoordinated "free-for-all" "There has been this fear of encouraging inefficiencies by giving preferential treatment to group companies."

Materials division, CE Carl Grim says there are limited synergies between D&H's piping business and Blue Circle's cement business. "Their strategic futures must be different. No cement company in the world owns piping businesses, certainly not in plastics and steel."

Engineering and contracting, on the other hand, do benefit from being part of the M&R group They get financial strength, synergies and better perceived security. Says M&R Contractors CE Malcolm McCulloch: "Without M&R we wouldn't have been able to absorb the Union Carriage problem; it would have flattened us."

Both McCulloch and his colleague at M&R Engineering Gavin Hardy regard their divisions as the life blood of the group and, more importantly, believe they have competitive advantage in their markets These two divisions boast impressive track records of international activity.

The contracting division gets half its income from overseas work. It has penetrated markets throughout Africa and most recently in the United Arab Emirates, where it has work on the books valued at about R1bn In Dubai, the group has just completed the flagship Chicago Beach Hotel, which is taller than the Eiffel Tower.

"There is the capacity to create a group double the size we are today within the next three to four years if we want to," says McCulloch. "Internationally the opportunity for maximising margins is more probable than it is locally, where things are overtraded and contractors sacrifice profits in order to win tenders"

McCulloch says the division is reluctant to go into a project unless it can find competent local or international partners that can take some of the risk. In Dubai the company is fortunate to have struck an alliance with a privately owned conglomerate called the Al Habtoor group. This group has considerable influence with Middle East governments and companies and has proved valuable for M&R in reducing risk.

On the engineering side, M&R derives 60% of its income from exports or international operations. But this division has been having problems, notably in the alloy

CORPORATE FRAUD

Managers leave a trail of M&R bullion

Up to R50m of shareholders' money has been diverted from the corporate coffers of Murray & Roberts (M&R) in separate scams by three of its trusted executives.

Bob Bingham, MD of subsidiary Union Carriage & Wagon, went missing on the eve of his retirement after raking up to R30m into his own pocket.

John Ferrier, Union Carriage's financial director, is accused of stealing R2,8m.

And now executive Kenneth Pearce from group head office has fled the country on an Irish passport, with R20m.

M&R has not laid criminal charges against any of the men. The only information made available to shareholders has been two brief sentences in an interim report dated February 27 1997: "Court actions have been instituted against two previous executives to recover misappropriated funds. One case has been successfully concluded and a second is proceeding," said the statement, signed by chairman David Brink and former CE Graham Hardy.

Bingham and Ferrier both used Union Carriage's suspended R500m rapid transit train contract for Taiwan as a vehicle to divert millions to themselves.

British-born Bingham was due to retire at the end of August 1996. But on the Monday morning of August 5 he didn't turn up for work and his company car was found abandoned at Johannesburg International airport.

M&R called in a team of forensic investigators led by Allan Greyling of KPMG. Greyling built up the portfolio of Bingham's retirement nest-egg, paid for by M&R shareholders, including:

- A UK showpiece £750 000 farm at Broadhembury in Devon, described as "an exquisite piece of property";
- A house outside Nottingham that was Bingham's principal UK residence; and
- Three further houses he'd bought for his father, son and daughter

Bingham, it now emerges, used the train contract in a complicated scheme involving fictitious international commissions "You need to employ agents when you're in foreign countries," explains one of the investigators. "Bingham created fictitious documents and fictitious companies. The Taiwanese contract was part of it, but there was a variety of contracts, dating back to 1989."

According to court papers "substantial sums of money" were paid to a now dissolved British-registered company, Fieldhall (UK) Ltd —

Continued on page 34

in turnover, operating profits and interest payments as the group begins to change shape. Operating margins are likely to come down, however, because contracting and engineering have the highest turnover of the four divisions and the lowest profits.

In an ideal scenario, this realignment would be followed by more consistent growth from a lower base, as M&R threw its weight behind the core divisions and countered any declines in the SA economy through its internationalisation.

Brink is certainly confident that the market will warm to his plans. "UBS Securities analyst Pieter Vorster reckons there is 85% upside (that is, the company's market value could be 85% higher than it is now) if we asset-strip the place. My attitude is that there is a hell of a lot more value to be had than that."

Brink predicts that with the kind of growth he will dish up, the share price will double in 18-24 months (to R14,24), triple within three years (R21,36) and quadruple within four years (R28,48). That would return M&R to the heights it reached two years ago at R28,50, on a flurry of RDP-driven spending optimism.

The market has already reacted well to Brink's plans and interim results, which showed a 14% increase in earnings before interest and taxation for continuing operations, after improvements in all four divisions. On February 27, the day after the announcements, the market sent M&R's share price up 7,4% to close at R7,65.

Dave Brink

Brink is so confident of M&R's turnaround that he is on the threshold of putting together a consortium to take control of the group. This is likely to be management-driven and involve a black group. "Any black partners would probably need the expertise of management," he says. The consortium would have to take a 25% stake in M&R to gain control and relieve Sanlam of its majority shareholding. At present market value that equates to about R660m.

This would be the first large black equity investment in any listed contractor, and would probably prove to be valuable in securing government work in the future.

Brink will have to move quickly if he is to secure this stake from Sanlam Analysts suggest it should be fairly easy for Sanlam to find other institutional takers for its stake in M&R, with the restructuring plans and the low share price.

All these developments should bring some post-Christmas cheer to M&R shareholders. Brink has turned the M&R battleship in the right direction and seems intent on making it a blue-blooded share. Many analysts now recommend buying the share for recovery and break-up value.

Brink says pulling M&R out of its hole will be a lot easier than it was in 1986. The 58-year-old chairman certainly has a real interest in M&R's success — he holds a sizeable stake in the company

Stuart Rutherford

8

I used the monies I had stolen to buy my wife a BMW M3 motor vehicle, the registration number I am not sure of at this stage.

9

I admit to being indebted to Union Carriage for the amount of R 168 520-56 and I request a grace period of ten days to acquire the funds. I will pay the amount to Union Carriage within the said 10 days by means of a bank guaranteed cheque

BEDFORDVIEW
28 AUGUST 1996
15H30

JOHN HARLEY FERRIER

diverted R412 800 insurance payout, Ferrier says: "I do not believe that the R412 800 was paid to the widow and children of the late J C Pieton, it being the property of the company and the company's policy being that it belonged to the company and would not be paid to the dependants of the deceased."

Union Carriage denies paying bribes. "These allegations are false and have been made to create a facade behind which the respondent seeks to hide," says director Douglas Campbell in a replying affidavit.

M&R has managed to secure a handwritten affidavit from Bingham, in which the fugitive MD says he never authorised payments of any kind into Ferrier's accounts. "It is not that the events Mr Ferrier describes are too fantastic. It is simply that they did not take place."

Bingham's farm and the other UK properties were handed over to M&R under a secret settlement reached in London's Commercial Court early in 1997. According to the investigators, Bingham made a full confession. "The effective amount involved was about R15m-R18m — he admitted that in the court papers," says the investigator.

"But he never admitted that he stole it; he said he was entitled to it. To this day he still believes that he's had this terrible injustice done to him by Murray & Roberts."

M&R is sensitive about its third and most recently departed executive, Kenneth Pearce, who until Christmas worked in group head office in the finance department. Of the R20m that went missing with him, investigators say that R10m "landed up in Guernsey and the other R10m has disappeared".

Pearce was sequestrated in an urgent application by M&R, freezing all his assets in SA and abroad.

Group finance director Lionel Bird says that in Bingham's case (the total involved swings between R15m and R30m, depending who you're talking to), "we secured the money successfully, within five months. I forget the exact amount, but it was a lot of millions."

With Pearce (R20m), Bird says some has been recovered and the balance of this loss is covered by insurance.

The whereabouts of Bingham and Pearce are unknown, though Trollip says there was talk that Bingham "might have gone to Malaysia". Ferrier remains at his home in Springs.

M&R maintains it will press criminal charges against all three executives — eventually "We deliberately haven't yet laid criminal charges," says Trollip. "The general practice is you try to get the dismissal handled, then the civil matter and then you bring the criminal matter

"It's very important to eventually get these people behind bars. The mood out there is you can do anything and it doesn't matter. A worker steals a tin of paint: he's fired and often prosecuted. The MD steals millions and he's not brought back to stand trial. That just cannot be right."

Jack Lundin

Basil Read's profit soars 160%

Richard Stovin-Bradford
Banking Editor

Johannesburg — Basil Read Holdings, the listed construction group controlled by Bouygues of France, achieved a 160,2 percent increase in profit after tax to R24,2 million from R9,3 million for the year to December 31 despite an increased tax charge, the company said yesterday.

The improved result came from all of its civil engineering, building and opencast mining operations and from a substantial increase in net interest income from R1,7 million to R9,4 million.

Turnover climbed 27,7 percent to R745 million from R583,6 million in a "record operational year". Operating profit, which increased to R22,2 million, was boosted by a R2,1 million realised surplus on a share incentive scheme, providing a dramatic improvement in margin from 1,35 percent to 3 percent. All three divisions exceeded their operating profit budgets.

Basil Read Holdings

FOR THE YEAR ENDED DEC 31 1997

	latest	previous	% change
Turnover (R)	745m	583,6m	27,7
Operating profit (R)	22,2m	7,9m	181,6
Taxation (R)	7,5m	0,3m	
Attributable income (R)	24,2m	9,3m	160,2
Headline eps (c)	40,0	16,9	136,7
Dividend per share (c)	5,4		

CT (BR) 6/3/98 (32)

The tax charge increased from R339 000 to R7,5 million because most of the group's assessed losses had been utilised, the company said. The group returned to profitability in 1996.

Basil Read said it had attracted R1,1 billion of new contracts during the year, while work on hand, excluding long-term opencast mining contracts, rose to an "all time high" of R1 billion.

The rise was a result of the group's 30 percent interest in the N4 Maputo Corridor project. The first phase of the R1,5 billion project has already commenced, a month after the "build operate transfer" agreement was signed.

Headline earnings a share jumped 136,7 percent to 40c a share from 16,9c, justifying a return to dividend payment. A dividend of 5,4c a share was declared.

Basil Read's shares closed 15c up yesterday at R4,65.

M&R in R115m deal with black group

BD 10/3/98 (32)

Lukanyo Mnyanda

MURRAY & Roberts had sold a controlling stake in a group of construction products companies housed in its contractors operating group to a black economic empowerment consortium in a R115m deal, it said yesterday.

M&R Contractors financial director Malcolm Lobban said the sale of six companies to Kgapa Ya Dikgapa Holdings to form KYD Steelwood Africa had followed a year-long selection process.

M&R and FirstCorp Capital Investors, which structured and funded the deal — would each hold a 25% stake in the company with Kgapa holding an effective 30% while management would hold 20%.

The construction and engineering group announced last April that it intended to sell the business in a transaction which would give black people a stake in the manufacturing sector.

It said at the time that the deal would be completed in two months.

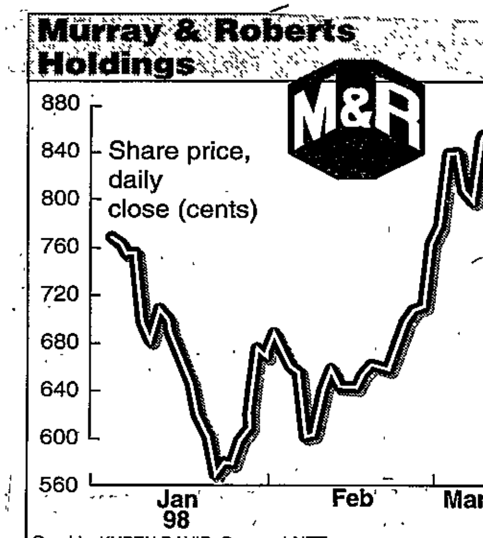
Lobban said the six companies had strong niche markets, generated income of more than R38m on revenue of R350m in the year to June and had a combined net asset value of about R100m.

They had similar customer profiles, strong market positions and ambitious growth plans which included exports and investments into the rest of Africa.

The six companies included guard rails and steel culverts producer Armco, chemical manufacturer Abe Construction Chemicals, building materials distributor D&A Timbers and skylights and atriums provider Vikon. Lobban said the sale was also in line with M&R Holdings' policy of focusing on core businesses.

Kgapa partners, including a Mpumalanga-based women's empowerment group, had a broad knowledge of sub-Saharan Africa and would be valuable to M&R's expansion plans into the region. The new company would be chaired by George Msibi, a retired executive director of Fedics.

Msibi said KYD Steelwood Africa would seek to provide developmental, infrastructure products and form joint ventures with indigenous businesses to transfer skills to its African markets.



Graphic: KUBEN DAVID Source: I-NET

ployers' final offer to the unions was "generous". Increases ranged from 11,5% to 18% for minimum wages, and an increase on actual wages of 10,5%.

The SA Bus Employers Association said a strike might lead to further job losses in an industry already struggling for financial survival.

stock will be popular, and it makes sense for government to issue as much

Continued on Page 2

Bid to resolve builders' registration row

BD 17/3/98 (32)

Robyn Chalmers

GOVERNMENT and the construction industry have come up with a range of proposals to break the protracted deadlock over draft legislation designed to protect home owners against unscrupulous builders.

The proposals follow a meeting between stakeholders in the construction industry and representatives of government and consumer groups. Two sets of proposals are being considered, from the National Homebuilders' Registration Council and from construction industry representatives.

However, there is still a gap between the two camps. Builders favour the introduction of competition rather than a single council to monitor the industry. The council wants to retain its role as regulator and service provider for at least five years.

The controversial legislation seeks to give the state-owned council statutory powers to register all builders and make it a criminal offence to build a house for onsale without being a registered council member. Builders will have to build houses according to set standards and guidelines and provide consumers with a five-year insurance warranty against defects.

When the legislation was tabled last year, the Building Industries' Federation of SA (Bifsa) said it would create a "monopolistic" body which would hamper the delivery of low-cost housing.

The council has proposed that its board register and license service providers, backed by insurance-based warranties, and provide an ombudsman consumer complaints service.

The council's insurance fund should initially be part of its statutory board. After five years, the board should hive off the fund and other nonessential services into an insurance company. It should continue to regulate the industry after the introduction of competition between warranty providers; and should design catastrophic loss cover for consumers should an insurance-backed service provider go insolvent.

Proposals from construction industry representatives favour the introduction of immediate competition in the provision of insurance-type services. These include Bifsa and the SA Residential Developers' Association.

Association executive director Hendrik Kekana said the council's board and its insurance fund should be separate, with a number of insurance-type funds necessary to give consumers more choice.

The board's functions should be restricted to the registration of home builders and future insurance funds.

Building industry harmed by govt nonpayment

(32) BD 18/3/98

Lukanyo Mnyanda

NONPAYMENT of government contracts had led to a severe crisis of confidence in the construction industry, and government should ensure that its budget targets made adequate provision for potential industry losses, the Association of SA Quantity Surveyors said this week.

It said some government projects awarded to black empowerment contractors were being abandoned because the contractors did not have the skills to do the job.

The association's president, Basie Verster, said government should ensure that its budget targets were met and that overspending, eventually resulting in the nonpayment of contractors and professionals, was curbed.

Building and construction professionals were reported to be owed at least R80m by provincial and local authorities late last year, prompting industry experts to warn of possible job losses and "irreparable" damage to the industry.

"We are pleased with the government's good intentions in the budget's commitment to fiscal discipline during the year," he said.

"However, we are concerned about its ability to ensure that budget allocations are adhered to and that overspending is eliminated," Verster said.

He called on the government to examine tender procedures as a means of curbing state expenditure on capital projects.

The stated policy of awarding tenders heavily weighted in favour of black empowerment groups was sound in principle but it was flawed because of the high incidence of state projects being abandoned by building contractors without the necessary skills.

"State officials must pay careful attention to a contractor's skills and experience in awarding tenders if taxpayers' money is not to be wasted," he said.

The association believed that building costs could be contained if government officials followed international norms in the appointment of contractors while also fulfilling its commitment to empowerment. The resulting savings would then release funds for other projects.

Verster was critical of the 24% cut in the housing budget and said it would hit emerging contractors the most.

"The government would have additional funds for infrastructural projects if the high proportion of consumption expenditure was curtailed.

"Spending more on infrastructure would provide a springboard for the desperately needed acceleration in economic growth."

The association urged government to consider spending money on training courses aimed at improving fiscal discipline among its officials at all levels.

presse(lice for assurances that Clinton wou(use the visit to insist on changes to the act. She told them that if Clinton himself did not raise the subject during his visit to SA, Commerce Secretary William Daley would. Daley will be part of the US delegation.

ANC suspends 12 memberships

THE African National Congress (ANC) national working committee suspended the membership of 12 councillors in the Butterworth Local Council yesterday, after they ignored a request by the Eastern Cape provincial government to resign.

The councillors are facing disciplinary charges brought against them by the ANC's Eastern Cape provincial executive committee for bringing the organisation into disrepute and for failing to act in the interest of unity.

The ANC said yesterday the councillors would be suspended with immediate effect pending the outcome of the disciplinary hearing.

The councillors were issued with an ultimatum on Tuesday to relinquish control of the town to the provincial government. The ultimatum was delivered by the police and cited the collapse of Butterworth's administration as the reason.

BMW councillors defended

MPUMALANGA's executive committee should not be publicly crucified for ignoring government regulations and spending R2,3m of unbudgeted tax money to buy 10 luxury BMWs for its MECs, Mpumalanga's portfolio committee on public works said yesterday.

The BMW 528is cost R77 000 more per vehicle than allowed for by ministerial handbook regulations and were bought in defiance of Transport Minister Mac Maharaj's concern about the deal, African Eye News Service reported.

Wool Forum asked for levy

IT WAS incorrectly reported in Business Day yesterday that the National Agricultural Marketing Council (NAMC) had requested a levy on wool. The levy was requested by the Wool Forum and the NAMC, which advises the minister of agriculture, briefed the parliamentary committees of agriculture on the background to the application.

Eugene Brock of the NAMC said yesterday that in fact the majority of the council had voted against the application from the Wool Forum.

He said that it was not possible to tell if the membership of the International Wool Secretariat, which the levy, if approved, will pay for, was a sound investment for wool growers.

REPORTS. Business Day Reporters, Sapa.

Report suggests that AEC be split

BD 19/3/98

Shareen Singh

A GOVERNMENT-appointed research team has recommended the Atomic Energy Corporation (AEC) be split into two separate organisations, with government retaining one part and privatising the other.

Research mandated by the cabinet and overseen by the arts, culture, science and technology department concluded there was no longer a need for the AEC's original nuclear research mandate.

This function should be scrapped and the AEC's remaining core activities — technology development and residual nuclear fuel-related functions — should be separated.

The research report, tabled to an interministerial committee this week, recommended a new public company, AEC Technology, be established to develop and market technology and related products at the Pelindaba and Valindaba sites. This company, to be created with substantial Industrial Development Corporation support, should be privatised.

New management

Interim government funding might be needed for AEC Technology.

The company should be run by a new management team which understood the markets.

The researchers did not believe the mineral and energy department was the appropriate structure to oversee AEC Technology.

"It is not logical or desirable to fund technology development in these areas (such as fluorine chemicals) in a non-transparent manner from the department of minerals and energy.... The department of trade and industry might initially be a more appropriate parent organisation."

Residual nuclear fuel-related functions such as radioactive waste management would continue to exist because of national health and environmental obligations, rather than economic imperatives. The focus would be on "cleaning up the consequences of years of wasteful expenditure".

The Safari reactor, a research reactor producing nuclear isotopes, was of little use and did not justify state financial support.

Evidence pointed to its closure. However, Safari's role in the International Atomic Energy Authority and Afra, a body looking into the peaceful use of nuclear programmes in Africa, might have political implications. A detailed study would be required to determine the impact of its closure, the research team's report said.

Last year the minerals and energy department financed AEC to the amount of R287m for its various divisions.

"It is difficult to understand why an energy ministry should be supporting many of these operations while the AEC does not contribute at all to energy production in SA."

The deputy director-general of arts, culture, science and technology, Rob Adam, said his department would discuss the report with stakeholders in the industry and at some stage a document would be tabled to the cabinet.

The report on AEC is part of a broader investigation of science and technology facilities.

National Union of Metalworkers of SA president Mtutuzeli Tom addresses delegates yesterday, the second day of the union's national bargaining conference held in Johannesburg.

Picture: TREVOR SAMSON

Department 'pulling out all stops' on policy

BD 19/3/98

Shareen Singh

THE minerals and energy department said yesterday it would pull out all the stops to ensure that a new energy policy green paper would be completed by the end of this month.

Deputy director-general Gordon Sibiya said the green paper was long overdue and was affecting progress in the restructuring of certain state assets, such as the Atomic Energy Corporation and the Central Energy Fund, as well as the provision of solar energy systems to communities.

"I have made a commitment to the portfolio committee on minerals and energy to produce the green paper in two weeks' time. If for some reason there is any delay, it will not be longer than 14 days after that."

Sibiya said when he joined the department in March last year the energy division was not fully functional and he had to focus largely on building that section. He had to develop and design new energy projects and a contracts management system.

The department was given the go-ahead last week to appoint three chief directors and three directors. This would more than double the energy division's capacity at a senior level. A chief director in charge of electricity demand and development, Simunda Mokoena, was appointed on Tuesday. The other posts would be advertised next week.

The lack of capacity in the energy division has hamstrung the department's progress in certain areas, including energy policy, said Sibiya.

Industry sources blamed the delay on energy policy on Minerals and Energy Minister Penuel Maduna. "The process of drafting energy policy had begun long before Sibiya joined the department and some key officials left, apparently after disagreements with the minister's approach on issues. There have already been a number of drafts of the green paper, but none officially tabled."

Sibiya said a white paper would follow within two months of the green paper being handed to the portfolio committee. A bill was expected to be tabled by June.

Government loses its status as a 'safe client'

(3a)

Lukanyo Mnyanda

BD 19/3/98

BUILDERS were considering asking for bank guarantees before embarking on government projects following a growing trend of late payment and nonpayment by local and provincial governments, the Building Industries Federation of SA said yesterday.

Executive director Ian Robinson said government had lost its status as a "safe client" and that nonpayment was hitting emerging contractors the hardest, with a number having been forced to close down because of cash-flow problems.

It was difficult to put a figure on the amounts involved as the situation could change drastically depending on particular cases, but nonpayment was a growing problem which had forced the cancellation of some projects.

Building and construction professionals were reported to be owed at least R80m late last year.

Robinson said there was "something immoral" about the lack of payment which had already forced some smaller players to close down their businesses.

Zambian delegation focuses on potential investors in SA

John Dludlu

A ZAMBIAN delegation, headed by Commerce and Industry Minister Enock Kavindele, is targeting SA investors as the Lusaka authorities prepare for the sale of state-owned assets.

Kavindele launched a week-long road show in Johannesburg yesterday by inviting SA companies to put Zambia, one of Africa's most successful privatisation stories, on their agenda.

Soon to be sold will be the country's telecommunications, energy and transport parastatals and other state-owned corporations and properties.

Privatisation of over 200 relatively smaller entities had already taken place.

Florence Mumba, an official of the Zambia Privatisation Agency, said SA was being targeted as SA's investors already had a presence in Zambia.

Officials from the Zambian Investment Centre also told a seminar organised by the SA Chamber of Business (Sacob) yesterday that the protracted talks with multinational consortium, Kafue — which was in the final stages of buying a significant chunk of Zambian Consolidated Copper Mines — would be concluded soon.

Negotiations with Kafue, which included SA mining group Avmin, had dragged on longer than expected partly as a result of differences over the value of the asset, said Bwalya Nga'ndu, director-general at the investment centre.

The privatisation programme was inspired by a realisation that business was not for government, Kavindele said.

Investments in the public sector would be made in a way that supplemented private capital. Kavindele said the 1992 reforms had started showing results. These included the abolition of all foreign exchange controls; positive interest rates (with the main rate at 24%, significantly lower than some 50%); subsidies were scrapped; and consumer inflation was reduced to 18% from over 300% before the reforms kicked in.

Sacob president Humphrey Khoza called on business in the southern Africa region to form clusters to be internationally competitive, saying they should not wait for governments.

Project questioned: Page 13

BD 19/3/98

35% of home contracts go to disadvantaged

CT 24/3/98 (32)

JOVIAL RANTAO

OVER 35% of the lucrative housing contracts issued by the government to developers who have built 469 000 houses in the past four years were those from historically disadvantaged communities, Housing Minister Sankie Mthembi-Mahanyele has disclosed in Parliament.

In a reply to a question from Pan Africanist Congress MP Patricia De Lille, Mthembi-Mahanyele said 655 developers have been involved in the building of close to 500 000 houses. Of these 255 were from communities which could not access Government tenders.

She said a total of 735 375 housing subsidies had been granted countrywide.

Gauteng was leading in delivery of houses, with 140 392 homes built in the past four years, which was 52 000 more than KwaZulu-Natal's 88 546. The Western Cape followed with 64 074 Eastern Cape 42 034, North West 36 730, Free State 35 503, Mpumalanga 26 732, Northern Province 21 183 and the Northern Cape 14 250.

However, Eastern Cape, North West and Western Cape have emerged as the provinces which have allocated more contracts to developers from disadvantaged communities.

In reply to a question from the Freedom Front MP Johanness Groenewald, Mthembi-Mahanyele said R4 billion had been spent on housing subsidies in the past four years.

In an answer to a question from the National Party's Jacobus Albertyn, the Minister outlined major projects undertaken by the Ministry of Housing. These included:

- The R644-million programme to repair, rehabilitate housing and restore services in the Kathorus area in the East Rand. It consists of 300 projects on which R405 million has been spent. Progress on the projects was "very good".
- The R592-million project to provide engineering and social services, housing and employment facilities in an integrated manner to communities in the Cape Flats. "Internal politics of the area" have been blamed for delays in the implementation of some projects. It was expected that R270-million would have been spent by the end of the financial year.

'Municipal' firms under fire

(32) BD 13/2/98

Deborah Fine

A GROWING trend for local authorities to set up their own section 21 companies and compete on the open market for municipal contracts was detrimental to the SA civil engineering construction industry, the SA Federation of Civil Engineering Contractors (Safcec) said yesterday.

This was because the municipal nonprofit companies held "unfair advantages" over private contractors, Safcec said.

Citing the Midrand local council as an example, Safcec said the council's CEO, Hans Jooste, management committee chairman Alan Dawson and councillors Enoch Dlamini and Suzie Naidoo, were all officials on the board of the council's section 21 company, known as Middev.

There was clearly a conflict of interest and lack of impartiality if Middev tendered on the open market for projects because it was these same officials, as council members, who adjudicated tenders.

A case in point was the recent awarding of a sewerage reticulation contract to Middev, even through a Safcec member had submitted a lower tender.

Safcec said the continued formation of such companies could affect employment in the construction industry.

Jooste, confirming that about 30 local authorities countrywide had expressed an interest in Middev's operations, said in response to Safcec's allegations that Middev's structure was "legally above board".

There was no conflict of interest because tenders were adjudicated by numerous council officials other than those on the Middev board, and internal auditors.

Middev had been awarded the sewerage reticulation contract because tender criteria included not only financial elements, but also constitutionally required local economic development components, including the use of local labour and skills transfers to emerging contractors, he said.

Construction groups push profit higher

BD 17/2/98 (32)

Lukanyo Mnyanda

CONSTRUCTION groups LTA and Grinaker Construction (Grinacon) raised earnings more than 20% in the reporting period to December and overcame a lacklustre season for the sector.

LTA's growing international exposure enabled it to overcome the effect of high interest rates, slower gross domestic fixed investment growth and a sluggish housing programme that saw its counterparts deliver a string of sluggish results. It raised net earnings to R60,8m. Grinacon benefited from improved operating margins in the six months to December to record a 30% increase in earnings to R21,1m.

Grinacon MD Bean Bornheimer said the rise was as a result of improvement in overall operating margins. A change in accounting policy added R7m to operating profit.

LTA chairman Hilton Davies said the group's growth allowed it to escape a sluggish local economy.

LTA prospers: Page 13

Group's order book is only 'marginally lower' during lull in construction market

Grinacon bemoans delays

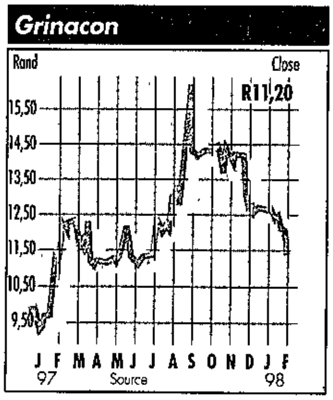
CT (BR) 17/2/98 (32)

JONATHAN ROSENTHAL
INDUSTRIAL EDITOR

Johannesburg — Delays in the implementation of a number of major fixed-investment projects, such as toll roads, casinos and prisons, had led to a weakening in the construction market, Grinacon, the Anglovaal-controlled construction group, said yesterday.

Bean Bornheimer, Grinacon's managing director, said his group's order book was marginally lower at the second half than at the beginning of the group's financial year in July.

Brian Barrow, a Grinacon director, said there had been a virtual freeze in new housing projects for the past few months in the aftermath of the Motheo



housing scandal.

"The award of casino licenses has been delayed over the last six months ... these will go ahead, it's just a matter of when," Barrow said.

Barrow said further weakness in the construction sector was caused by the low gold price, which had impacted on the group's supplies of support-packs to the mining industry. Grinacon had delayed capital spending on a new R16 million support-pack factory, he said.

In spite of the signs of growing short-term weakness in the construction sector, Grinacon reported a 47 percent rise in headline earnings for the six months to December 31. An increase in the number of shares in issue diluted headline earnings a share, which rose 30 percent to 50c a share.

Behind the rise was an increase in Grinacon's gross margin to 2,5 percent, from 1,7 percent for the first half of the past financial year. Barrow said this was in line with the margin achieved by the group for the full year last year.

The group also turned around its precast division, which last year had lost R10,7 million.

"It made a small profit this year as opposed to a large loss," Barrow said.

But the group said that the earnings growth in the first half would not be sustained into the second half.

"It is anticipated that headline earnings for the current financial year will show real growth but, because of uncertainties in the market, may not fully meet previous expectations."

The group declared a dividend of 9c a share, 2c up on the dividend in the first half of last year. Grinacon's share closed yesterday at R11,20.

Building sector players form umbrella body

32 CT (PMR) 2/4/98

ADELE SHEVEL

Johannesburg — The inaugural council meeting of the newly formed umbrella body for the construction contracting industries was held yesterday after three-and-a-half years of negotiation, the Building Industries Federation of South Africa (Bifsa) said yesterday.

The new body is to be known as the Construction Industries Confederation (CIC). Mandla Ndlovu, from the Black Construction Industry, was elected the interim chairman of the new body.

Bifsa's Naude Klopper, the vice-chairman of the CIC, said the building industry wanted to speak with one voice to the government.

Previously black and white interests were presented separately, and this was not looked upon favourably by the government, Klopper said.

This was the first time black and white bodies had joined together in the industry, he said.

Klopper said the objective of the new body — expected to be launched next month — was to collectively build the future of South Africa.

"There is so much to do in terms of building. If white and black bodies work separately we will get nowhere," he said.

Slow demand hits building industry

(32) DD 6/4/98

Stanley Maphologela

SLOWING demand and a dearth of domestic investment are to blame for a disappointing 1997 for the building and construction industries, according to the Cement and Concrete Institute review.

Little pr gress was made in the construction industry, with few initiatives in the public sector, resulting in work shortages for established and emerging civil engineering contractors.

Government's infrastructure programme was slowly getting off the ground, but some capital projects had been postponed over the past year to meet financial targets, particularly at local authority level, the review said.

From a regional construction point of view, th Northern Province was the quietest in the country. The Western Cape benefited from expansion of the Saldanha project, developments associated with Cape Town's Olympic bid and some major road contracts.

KwaZulu-Natal saw the construction of the Hullets Aluminium mill, the Richards Bay quay wall for Portnet, Qedusizi flood control dam and a few medium-sized road projects.

The SA Federation of Civil Engineers reported that the total turnover of the civil construction industry increased by a nominal 10% during the year under review, about 2% growth in real terms.

The building sector showed 4,5% growth in real terms, despite sluggish progress on the construction side, but the Building Industries Federation of SA (Bifsa) figures showed that the nonresidential market was by far the healthier, showing a 10,6% rise in turnover compared to a 1,7% drop on the residential side.

The improvement in the non-residential sector was attributed to the decentralisation of business from central business districts to the suburbs, fuelling the development of office pa ks, retail complexes and multi-use facilities.

The number of residential buildings erected increased 40% compared to 1996, but the shift towards low cost housing had a downward effect on the average value of dwellings completed.

Cement sales rose 1,6% to 9,34-million tons last year, although Gauteng's usage dropped 7% to 2,7-million tons. The review said following the introduction of European cement standards to SA two years ago, and an increasingly competitive market, cement producers had been launching new branded cements, designed to comply with the new specifications and gain market share.

PROPERTY

Umbrella body to transform construction industry

(32) BD 8/4/98

Mzwandile Jacks

THE formation of the Construction Industries' Confederation — the industry's new umbrella organisation — would further the aims of economic empowerment by developing black builders, chairman Mandla Ndlovu said yesterday.

"We see the formation of this organisation as part of a transformation process. We cannot continue to have organisations that are predominantly white.

"Every organisation in the construction industry should reflect the demographics of this country," said Ndlovu.

Asked whether the confederation would create more jobs in a sector believed to be populated by black people who do not have a real stake in the industry, Ndlovu said that while the construction industry had always created jobs, more opportunities would result as the new confederation had won more tenders.

Ndlovu, before his appointment as chairman of the confederation, was chairman of a black construction body.

He said that apart from furthering the aims of black economic empowerment, the confederation aimed to represent the views of all interested parties.

"For those of us in the black construction industry, we view the formation of this body as an important component of black economic empowerment. But the organisation is also going to unite the black and formal construction industries."

The merger between the established and "emerging" construction bodies resulted from government's demand that the industry speak with one voice.

With the formation of an umbrella body, no one in the industry would be able to "cry foul" every time a decision on construction was taken.

The formal launch of the confederation is planned for next month, and now that a national body is in place, the formation of regional bodies is being considered. The idea had to be sold to the regions first, said Ndlovu.

However, all parties in the industry are believed to be happy about the formation of the confederation.

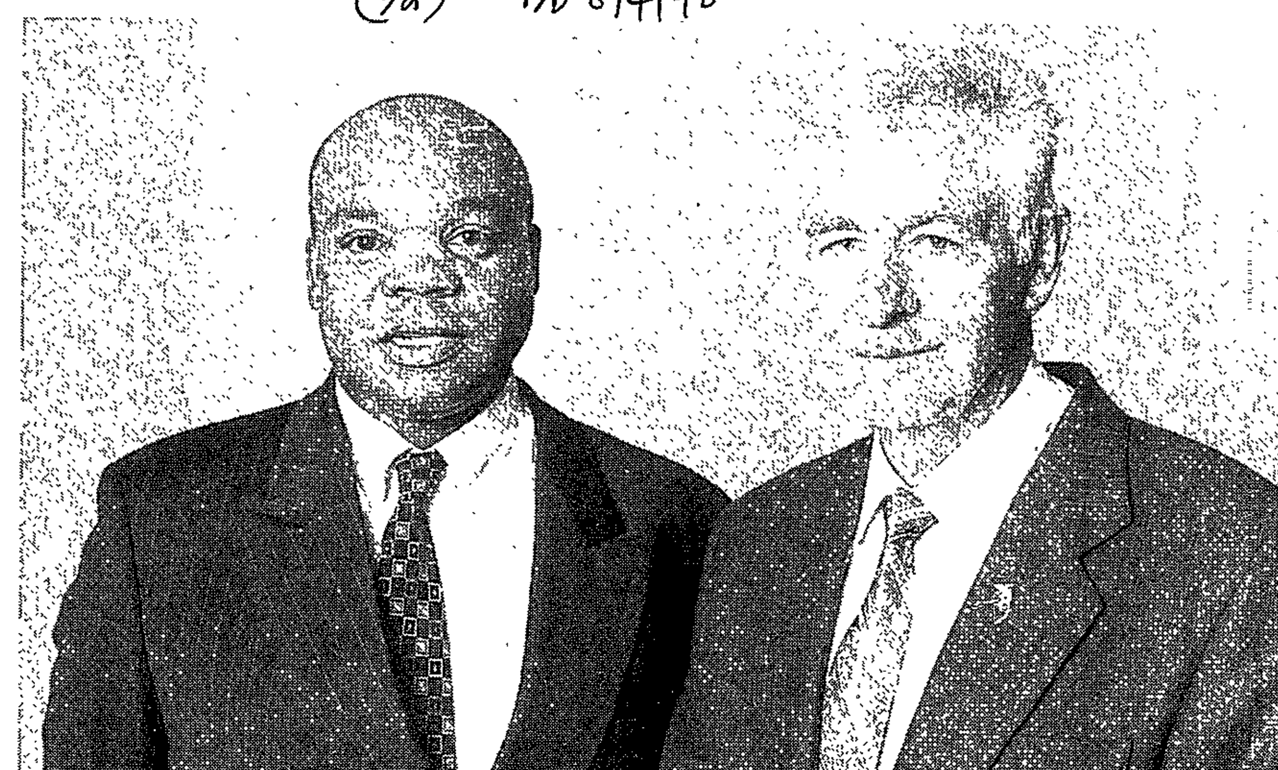
Although member organisations will be assured of their autonomy, "no one should be pushed into this", said vice-chairman Naude Klopper.

"We have gained the confidence of everybody at regional level. There is a rocky road ahead of us, but I do not see problems in overcoming any hurdle," Klopper said.

It was not a problem that the confederation was made up of powerful established construction companies and the not so well-off emerging organisations. All parties trusted each other, he said.

The formation of the confederation was the culmination of more than three years of talks between the founding bodies.

These organisations include the African Builders' Association, Association of General Contractors, Building Industries' Federation of SA, the National African Federation for Building Industry, the National Association of Black Contractors and Allied Trades and SA Federation of Civil Engineering Contractors.



Mandla Ndlovu of the Black Construction Industry is the new chairman of the council of the Construction Industries Confederation. With him is the vice-chairman, Naude Kloppers of Bifsa.

Building sector faces turnaround

(32) BD 8/4/98

Samantha Sharpe

CAPE TOWN — High real mortgage rates, political uncertainty and crime continued to have a negative effect on building activity in the private residential sector, which remained lacklustre in the first quarter, the latest Bureau for Economic Research building and construction survey shows.

The Stellenbosch University research unit said private fixed investment in residential structures suffered from a negative real growth rate of 0,1% last year, with residential building starts reflecting this.

However, it appeared that the downward trend might be flattening out, which corresponded with the improvement reflected in the latest business confidence survey conducted among residential contractors.

"This turnaround can probably be related to the reduction in the mortgage rate during the fourth quarter of last year.

"Given the fact that we foresee a further lowering in the mortgage rate during the course of the year, it is reasonable to expect a further improvement in building activity levels towards year end," the unit said.

While the downward trend in the residential building cycle appeared to have reached a nadir, activity in the nonresidential sector was weakening as a result of the lack of new work.

"The latest survey bears testimony to this trend in that the business confidence of nonresidential building contractors has waned noticeably, work volumes are sharply down on the same period a year ago, whilst tendering competition has increased consistently over the past year.

"We do not anticipate any reversal of this situation over the short term and a turn for the better will in all probability only take place towards the middle of next year.

"Nonresidential contractors and subcontractors should therefore prepare themselves for a period of belt tightening."

The unit said that with contractor and subcontractor profit margins under pressure and more moderate building material prices increases, building cost increases had slowed further during the first quarter.

The unit's building cost index, an analysis of accepted tender prices, increased 4% on a year-on-year basis during the first quarter, compared to increases of 9,8% and 8,7% recorded in the last two quarters of last year.

Building sector turnover grew 4,2% last year

(32) CT(BR) 8/4/98

ADELE SHEVEL

Johannesburg — Turnover in the building industry last year grew 4,2 percent in real terms, the Building Industries Federation of South Africa (Bifsa) said yesterday.

Figures from the Reserve Bank showed that total turnover reached R21,5 billion in nominal terms, an increase of 11,9 percent from 1996.

The building industry and the economy showed similar growth percentages in the fourth quarter of last year. Economic growth remained low, recording 1,7 percent for the year.

"The fact that the building industry showed a higher overall growth rate than that of the economy is most encouraging," said Ian Robinson, the executive director of Bifsa.

He said the residential sector showed no real growth in its R10 billion turnover, but the non-residential sector rose 8 percent in real terms, with a total turnover of just over R11 billion.

Public sector investment improved slightly last year, but there has been no real change over the past six years. The public sector accounts for 18 percent of the total building turnover while the private sector contributes 82 percent.

Since 1980, the construction industry has accounted for almost half of total gross domestic fixed investment. It now stands at 35 percent of the total fixed investment in South Africa. The main reason for this is because of advances in information technology in the machinery and equipment sector.

Robinson did not expect growth for the building industry for the first half of this year, but he did forecast 6 percent growth for the second half. This would lead to an annualised growth of 3 percent.

CT (BR) 9/4/98 (32)

Building sector expects growth

RAVIN MAHARAJ

Durban — The tourism industry would have positive spin-offs for development in the building and construction sector and its allied industries, the Cement and Concrete Institute said in its annual review, published this week.

The report said rising demand for guest houses and hotels and the granting of casino licences should produce a turnover of R6 billion for the building industry over the next three years.

But little growth was predicted in the industry in the first six months of the year. Growth of 6 percent to 7 percent was expected in the second half of the year, the report said.

It said a favourable outlook for exports would have a positive effect on fixed investment in general this year.

Furthermore, the non-cyclical component of fixed investment — the construction of mega projects and government-initiated infrastructure developments — could underpin gross domestic fixed investment during the year.

But the real effect of the anticipated resurgence in the fixed investment cycle was only likely to be felt next year and in 2000.

The report said the state of the macro-economy and the progress of the government's employment and redistribution programme would determine the performance of the building and construction industries this year.

Regarding the cement industry, there was a 1,6 percent growth in cement products sales last year compared to 1996, with volumes in the domestic market reaching 9,34 million tons.

Gauteng — the country's largest market — experienced a 7 percent decline to 2,7 million tons. The Northern Cape was the only other province to show negative growth. The North West Province, Free State and Western Cape achieved double-digit percentage growth. Exports were lower last year compared to the previous year, at 447 000 tons or 4,5 percent of total sales.

Forecast demand for cement products this year represented a further growth of 2 percent over that of last year, the report said.

Building confidence weakening

Lack of new work

ARG 11/4/98 (32)

GRAHAM NORRIS
PROPERTY EDITOR

The business confidence of builders and professionals such as architects and quantity surveyors weakened further during the first quarter of this year.

That's according to the latest business survey conducted by Stellenbosch University's Bureau for Economic Research in the building and construction industry.

The survey found that whereas the downward trend in the residential building cycle appeared to have reached a nadir, building activity in the non-residential sector was progressively weakening as a result of the lack of new work.

'Building activity in the non-residential sector is progressively weakening'

Due to the sluggish business conditions in the building industry, tendering competition remained intense and increased further during the first quarter. With contractor and sub-contractor profit margins under pressure and more moderate building material price increases, building cost increases slowed down further during the first quarter of 1998.

The BER Building Cost Index, which is an analysis of accepted tender prices, increased on a year on year basis by four percent during the first quarter, compared with increases of 9,8% and 8,7% in the first two quarters of 1997.

Meanwhile, the Building Industries Federation South Africa (Bifsa) reports a 4,2% growth in real terms for the building industry during 1997. Figures recently released by the South African Reserve Bank reveal that the total turnover reached R21,5-billion in nominal terms - 11,9% up on 1996 (R19,2-billion).

Ian Robinson, executive director of Bifsa, said in a statement that the residential sector showed no real growth in the R10-billion turnover, whereas the non-residential sector rose by eight percent in real terms, with a total turnover of just over R11-billion.

There was a gradual decline during the four quarters of 1997, with growth in the third and fourth quarter stabilising. A much lower growth rate is evident when compared with the same periods in 1996.

In the fourth quarter, both the building industry and the economy showed similar growth percentages. Economic growth remained at low levels during the entire period of 1997, reaching 1,7% for the year.

"The fact that the building industry showed a higher overall growth rate than that of the economy is most encouraging," he said.

Public sector investment showed a slight upward movement in 1997, but no real change has been evident in the past six years. The public sector accounts for 18% and the private sector 82% of the total building turnover.

The construction industry has since 1980 accounted for nearly half the total gross domestic fixed investment.

However, since the middle of 1991, and particularly during the past six years, there has been a steady decline to where it now stands at 35% of the total fixed investment in South Africa. The main reason for this change has been as a result of significant advances in information technology in the machinery and equipment sector from just above 30% to 50% in 17 years.

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Bill calling for five-year warranty on all new houses to be tabled soon

Robyn Chalmers

RUSTENBURG — A bill which is expected to equip all new houses with a five-year warranty against structural defects will be tabled within weeks.

Poor quality houses, often built by fly-by-night contractors, have been a problem in the industry. Defective homes have been a key reason behind bond boycotts.

The National Home Builders' Registration Council Bill was a key issue during a heated debate at yesterday's SA Residential Developers' Association conference. Council MD Peter Allsopp said the most recent draft of the bill indicated that all houses built would have to be registered with the council. The council would become a statutory body.

Previously, only houses costing less than R250 000 had to be registered, and thus subject to a warranty, which was voluntary. The warranty is funded by a 1,3% levy on all houses built.

A quality workmanship manual would be produced in terms of the bill and inspectors would ensure builders complied with its provisions.

The council could discipline builders by either reregistering or suspending them. All builders were required to register with the council if they wished to access bank mortgages.

Allsopp said 61 contractors had already been deregulated and a further 57 suspended from the council.

The biggest bone of contention for the construction industry was the warranty fund, or funds.

Building Industries Federation of SA (Bifsa) CE Ian Robinson said the organisation broadly backed the council and the objectives. Bifsa had initially opposed the bill, however, as it did not believe there was a need for the council to be a statutory body.

The federation also argued that the council's board and the fund should be separate entities. Robinson said this was necessary so the private sector could compete. However, Allsopp said the bill was likely to implement a single fund entrenched for five years.

National Housing Finance Corporation MD Johan De Ridder told the conference that a system to provide housing credit to low income earners was being explored. This would look at blending government's housing subsidy with credit but would be targeted at employed people.

He said banks had generally not entered the market with loans of less than R50 000, while there had been an explosion of unsecured — generally cash — loans into this market. Retail lenders were making 15 000 loans of about R3 000 each month.

All new homes could have warranties

ET (BR) 22/4/98 (32)

Adele Shevel

Sun City — All new homes may soon be covered by warranties, Peter Allsopp, the managing director of the National Home Builders' Registration Council (NHBRC), said yesterday.

At present, only homes that cost less than R250 000 are covered by warranties. Builders in this niche market are compelled to pay a 1,3 percent levy to the NHBRC to insure against structural defects and developers who do not fulfil contractual obligations.

"All houses will have a deemed warranty," Allsopp said at the South African Residential Developers' Association (Sarda) conference.

This was based on the most recent draft of the NHBRC and Home Owners' Protection Measures Bill.

The first draft of the legislation is expected to be released for public comment within the next two weeks. It will cover the future of the NHBRC.

The five-year structural warranty means homebuilders will have to be registered with the NHBRC. It also implies that the NHBRC will remain as the overseer of the sole warranty fund.

There has been a battle between the council and various other factions, specifically the Building Industry Federation of South Africa (Bifsa), over a call by the government last year to change the NHBRC into a statutory body from its present voluntary format.

Two proposals have been put forward relating to the NHBRC and the forthcoming legislation.

The government, supported by the council, had suggested that the NHBRC and its fund carry on in its present form. The second proposal called for the board and the fund to be separated. It is supported by Bifsa, Sarda and the South African Property Owners' Association.

At the conference yesterday, overwhelming support was expressed through an informal vote for the second proposal, to open the homebuilders market to competition.

Nafcoc to announce merger with contractors

(32)

Sowetan 8/5/98

By Shadrack Mashalaba

HISTORY will be made at the Mpumalanga branch of the National African Federated Chamber of Commerce and Industry's annual general meeting when the organisation announces its merger with the Eastern Transvaal Builders, Contractors and Allied Trade.

Nafcoc, Mpumalanga, president Steve Skhosana said talks had been held with Ebcat and had proved to be fruitful. Skhosana said there was also a possibility that the organisation might change its name.

The AGM will be held at Zithabiseni Holiday Resort in Bronkhorstspruit in Mpumalanga on May 20-21.

Skhosana said central to deliberations at the AGM would be issues such as:

- The report back to members of all issues relating to its operations in 1997.
- The election of a new executive committee for the province.
- Strengthening discussions and inputs on major economic decision such as development of small, medium and micro enterprises (SMMEs), black economic empowerment, major prospects within the Maputo Development Corridor (MDC) development and other infrastructural projects.

'Breakthrough has been made in the MDC'

The report back on last year's operations, said Skhosana, would highlight progress made on the promotion of small business and relationships with the Government and organisations engaged in promotion of small business such as the National Small Business Council.

He said the newly elected 15-member executive, which will serve a two-year term, will take over from the current 12-member executive, whose term ended last month.

"Breakthrough has been made, particularly in the MDC. A tender system has been put in place and some of our members have benefited. However, something still needs to be done to simplify tender procedures which are still biased towards the old guard," he said.

Skhosana said the province's Premier Mathews Phosa and MEC for economic affairs Jacob Mabena are expected to attend the meeting.

For more information on the conference contact June Chauke at (0135) 656-5595 or ring Rahapa Madimabe at (013) 986-0262.

CT (BR) 11/5/98

(32)

Changes to state's tendering policy disappoint Bifsa

Building Industries Federation prefers old system

ROY COKAYNE

Pretoria — The Building Industries Federation (Bifsa) was disappointed with changes to the government's affirmative procurement policy, Ian Robinson, the executive director of Bifsa, said yesterday.

Robinson was commenting on the plan announced last week by Jeff Radebe, the minister of public works, and Sipho Shezi, the director-general of public works, to intensify its affirmative procurement policy (APP).

Robinson said the APP until now had focused on joint ventures, and it was a policy Bifsa had supported.

"That policy, as far we are concerned, has produced some favourable results. As for public works, that policy has only cost the fiscus 1 percent more than it would have cost. On the assumption that those figures are correct, we are disappointed that there is a need to change policy," he said.

Robinson said the reason given for the need to change policy was that some contractors were circumventing the policy.

"If that is true, we deplore it. But we have no evidence of it. We would have liked the old system to have been given more of chance of success."

Radebe said the new policy was a concerted effort to develop and promote sustainable growth of black construction capacity as prime contractors of large public sector contracts.

Shezi said it would entail:

- ☐ Amending the APP specification to create a preference for black contractors wishing to participate on public works contracts as prime contractors;
- ☐ Identifying appropriate projects for inclusion;
- ☐ Developing an appropriate mentorship programme to guide the development of black construction enterprises;
- ☐ Mobilising private sector financial resources for initial capitalisation; and
- ☐ Easing access to plant and materials.

Radebe said the targets set for the policy, which he hoped would be achieved in the next 18 months, would be applied to 90 percent of national and provincial projects; 25 percent of local government projects; and 15 percent of public works projects procured by parastatals.

Robinson said Bifsa would not take a stand on the new system until it had had the opportunity to study its implications properly.

Ian Robinson

However, he said the joint venture principle of the old policy was applied in a transparent way, it involved consultation and it was supported by the established contractors.

"It seems that the new system has been imposed on the industry. There certainly was no consultation with Bifsa on it, and that is irritating," he said.

Robinson said a fundamental consideration was the capacity of emerging contractors. As much as Bifsa supported the need for black empowerment, it did not believe this would happen without a substantial increase in the training component.

"We are doing our best to use our resources to train, but we need support and help from the government, especially in the entrepreneurial disciplines, in bringing contractors up to speed."

Shezi said from August 1996 to October last year, 3 423 contracts were awarded on an APP basis, which had resulted in affirmable business enterprises participation amounting to 28 percent of the total of contracts.

He said the cost premium of applying the APP had been 0,8 percent. The initial prediction was 10 percent to 15 percent.

But he said there had been limited participation of affirmable business enterprises as prime contractors on public sector construction contracts.

Radebe said the public works department was aware of its constitutional obligation to implement a procurement and tendering system that was equitable, transparent, competitive and cost-effective but which permitted categories of preference in the allocation of contracts and ensured protection or advancement of previously disadvantaged people.

Black building firms set to get bigger slice of state tenders

ARG 13/5/98 (32)

ALIDE DASNOIS
BUSINESS EDITOR

The Department of Public Works has moved to stop the use of black construction companies as fronts in bidding for big public works contracts.

The Strategic Projects Initiative, launched in Pretoria last week by Public Works Minister Jeff Radebe, is designed to fill a gap in the Government's affirmative procurement policy, which has now been operating for 18 months.

Sivi Gounden, public works deputy director-general in charge of property development, said that although the policy was working well in giving smaller black firms a bigger chunk of the R900-million annual public works contract market, it had not really succeeded in helping to develop heavyweight black construction companies.

The department was "disappointed" at the way existing construction firms had responded to the programme, he said.

The affirmative procurement policy is a series of measures which gives companies owned by black people, disabled people and women ("affirmable business enterprises") a better chance of winning a tender for a state contract.

Between August 1996 and October 1997, tenders worth R914,5-million were awarded by the Department of Public Works, with 28% of them going to black-owned companies.

But much of the black participation was on smaller projects.

The new initiative hoped to correct this through measures aimed at making sure that control of joint ventures on Government tenders stayed with the black-owned partner. It also aimed at limiting the involvement of speculators and at minimising the use of black companies as fronts, Mr Gounden said.

'Traditional poisoning' feared as three kids die

ARGUS CORRESPONDENT

Durban – Three KwaMashu children have died and a fourth is fighting for her life after what is believed to have been a "traditional poisoning".

Police are awaiting post-mortem results before acting, but there are strong indications that the poisoning follows "advice" from a traditional healer to rid the children of "evil spirits".

Doctors believe Phindile Bhengu, 2, Senzekile Zondo, 3, and Phumla Bhengu, 5, died from ingesting some poisonous substance. A fourth child, Bulelwa Bhengu, 10, is still in a critical condition at Durban's King Edward VIII Hospital. Captain Percy Mthembu of the KwaMashu police said a post mortem would be done later this week.

Construction contractors close ranks

CT(BR) 13/5/98 (32)

ADELE SHEVEL

Johannesburg — The Construction Industries Confederation, a unified body representing the leading players in the construction contracting industry, was officially launched in Cape Town yesterday after four years of negotiation.

Mandla Ndlovu, the chairman, said the confederation would become increasingly meaningful in the industry. He urged the government and other stakeholders to support it.

The confederation would at first focus on promoting and facilitating the merging of the building and civil engineering industries. But other priorities included the formulation of a strategic plan, the merging of training schemes and boards, and the public works department green paper on the transformation of the industry, labour legislation and issues regarding housing, transport and water affairs.

The council consists of eight members from the established industry and eight from the black construction sector.

URGING SUPPORT *Mandla Ndlovu, the chairman of the new Construction Industries Confederation* PHOTO: ANDREW BROWN

Construction unity

(32)

Industry players unite to speak with one voice

ARG 16/5/98

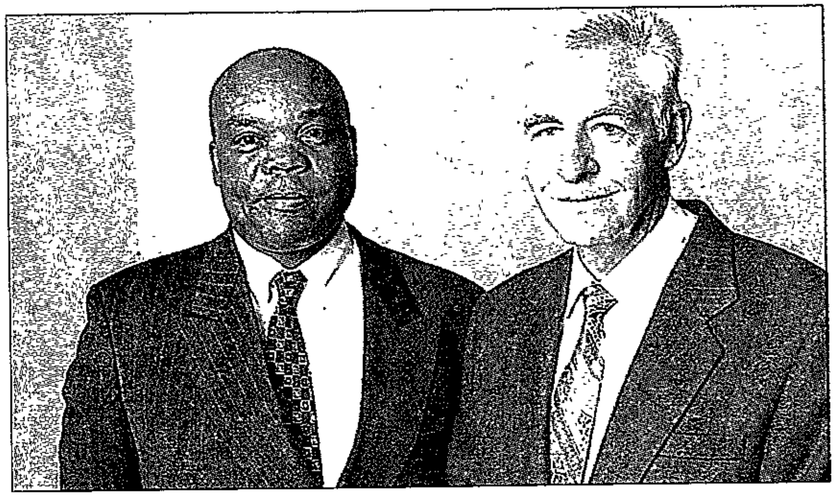
GRAHAM NORRIS
PROPERTY EDITOR

A unified body representing the major players in the construction industry, the Construction Industries Confederation (CIC) was officially launched in Cape Town this week after four years of negotiation.

Guests at the launch included Housing Minister Sankie Mthembi-Mahanyele, Transport Minister Mac Maharaj and newly-elected premier of the Western Cape Gerald Morkel.

Chairman Mandla Ndlovu said the CIC would become increasingly meaningful in the affairs of the construction industry and urged the government and other stakeholders to give it the support and encouragement it needed to succeed.

The CIC will focus initially on promoting and facilitating the merging of the building and civil engineering industries. Among the priorities will be the formulation of a strategic plan, the merging of the training schemes and boards, the PWD green paper on the transformation of the industry, labour legislation and issues with regard to housing, transport and water affairs.



BRIDGE BUILDERS: Mandla Ndlovu, chairman, and Naude Klopper, vice chairman of the Construction Industries Confederation

"An identified priority is to focus on regional structures to take the process further. It is important however, to gain the support of the constituencies we represent. This will enhance our efforts and allow the process to evolve naturally," Mr Ndlovu said.

The creation of the CIC has come about after nearly four years of intensive negotiations between the Association of General Contractors (AGC), the black construction industry (comprising the Africa Builders' Association (Aba), the National African Federation for the Building Industry (Nafbi), the National Association of Black Contractors and Allied Trades (Nabcat)), the Building Industries Federation South Africa (Bifsa) and the South African Federation of Civil Engineering Contractors (Safcec). The council consists of 16 members, eight from the established industry and eight from the black construction industry.

The new organisation will be represented by an executive director – who is still to be appointed – with very limited staff. The infrastructure will be supported by the constituents and their staff.

Mr Maharaj said: "In unity there is strength and the CIC can capitalise on this strength by having one strong credible voice to speak on behalf of the construction industry as well as having the potential to be a united force for improving conditions and promoting development in the whole sector."

Ms Mthembi-Mahanyele said that when she became housing minister in 1995 she had challenged Bifsa and the black construction industry to form a united body to liaise with the government.

The newly-formed CIC could play an important role in supporting the aims of the housing code currently being drafted. The code would set minimum standards for the size and quality of housing that could be built with the R15 000 state subsidy.

Building projects for 1997 passed the R5bn mark

CT (BR) 19/5/98 (32)

Adele Shevel

Johannesburg — Projects put forward last year, as indicated by private-sector building plans passed for non-residential buildings, reached a total of R5,4 billion in nominal terms, according to Erwin Rode's latest office development review.

The amount for 1996 was R5,3 billion. The number of plans passed in January this year was R461 million, up 33,9 percent from January last year. The jump was propelled by a 146 percent increase in plans for shopping space last year. Many of these might be casino buildings, said the property economist.

Plans for new office buildings dwindled to 66 percent of the January 1997 total. Plans passed last year for office space were down 8,2 percent from the previous year, according to Rode's report.

Office construction decreased 25,3 percent from last year. Rode predicts a further 13,7 percent reduction in new office developments this year, based on projects under construction or committed for completion before the end of the year.

After a decline in the fourth quarter of last year, demand for office space picked up again in the first quarter of this year. Quarter-on-quarter demand for grades A & B offices combined increased by 1 percent, or 87 500m^2. Take-up was the strongest in the decentralised nodes of Cape Town and Durban.

A lower level of office construction and an increase in demand affected office vacancies. Nationally, grade A and B office vacancies dropped to 9,7 percent in February this year, compared with 9,8 percent in November last year.

Cape Town bucked the trend in new office construction. Cape Town reported an increase in construction activity of 18,6 percent last year. To date, the total floor area of office space under construction or committed for completion by the end of this year totals 96 572m^2.

Welfare Dept rapped over budget controls

Cape Town – The Welfare Department has come under fire from Auditor-General Henri Kluever for inadequate control over its budget for the 1996/97 financial year.

A report tabled in Parliament yesterday shows that inadequate control resulted in, among other things, unauthorised expenditure of more than R400 000 and problems with donor funds.

However, Kluever praised the department for leading the process of solving serious deficiencies in the control and payment of social pensions countrywide.

Unauthorised expenditure as a result of not complying with tender procedures included payments to a company for conference facilities, and payments to hotels.

Internal control measures for administering foreign funding of more than R2,1-million were found to be inadequate. Funds were received from several donors without the necessary treasury approval. – Sapa

Black contractors get R283-m state tenders

(32)

Affirmative action used to reverse previous discrimination

Star 21/5/98

By Jovial Rantao
Cape Town

Black contractors, previously denied access to lucrative state tenders, have started to access state contracts valued at millions of rands, it has been disclosed in Parliament.

Public Works Minister Jeff Radebe said that as a direct result of the Government's affirmative action procurement policies, black contractors had been awarded prime slices of 11 construction tenders valued at R283,4-million.

Radebe also announced that the Cabinet had approved the amendment of joint venture specifications to ensure that 90% of future national projects, 25% of local government projects and 15% of projects produced by parastatals were awarded to previously marginalised contractors.

The change to the specifications was brought about by the realisation that although participation of black contractors had risen to about 44% of all public works projects, there had been a negligible increase in the participation at prime-contractor level, especially in the project category above R2-million.

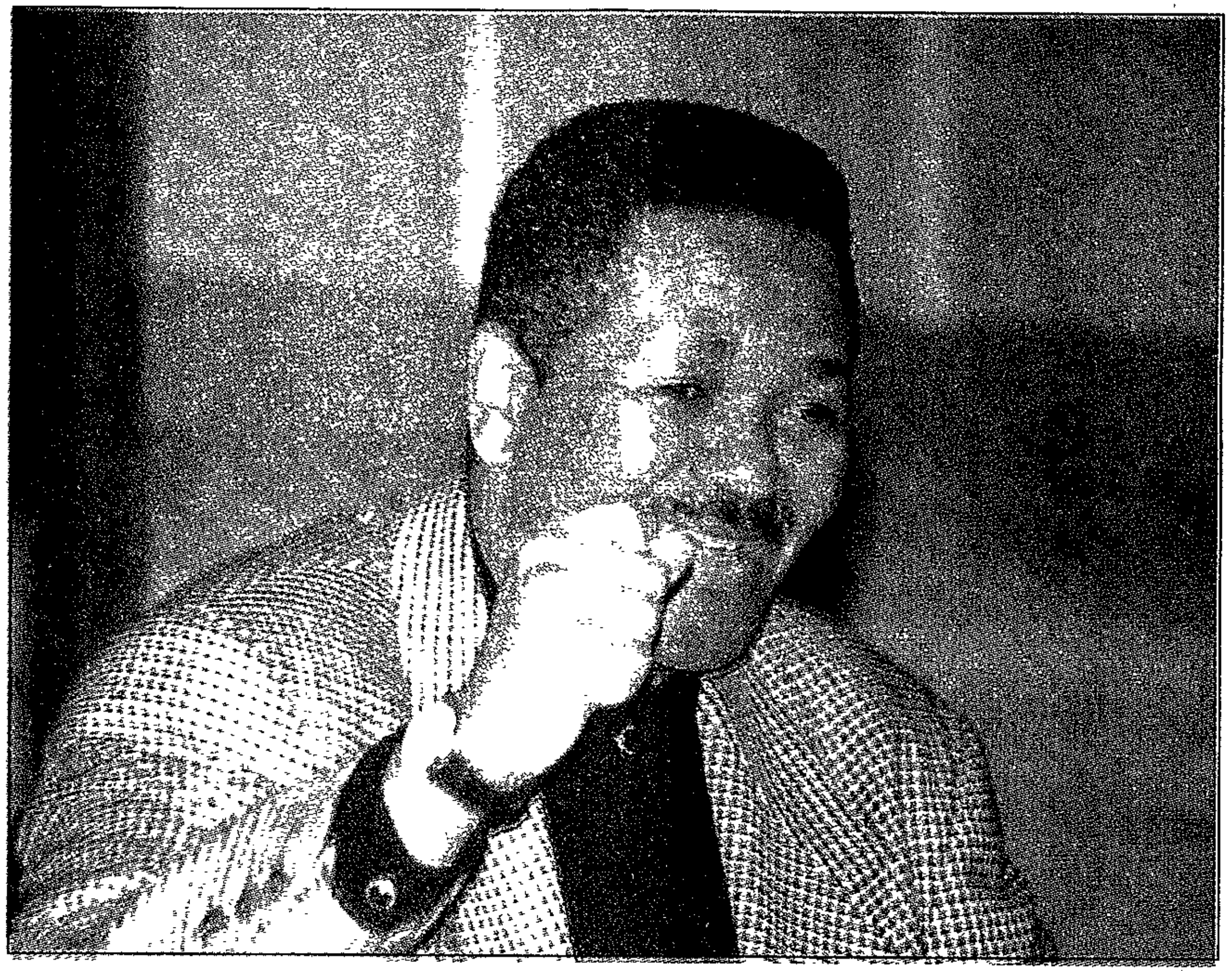
"We're determined to use procurement systems as a mechanism to fulfil the constitutional obligations we have to work for the reversal of previous discrimination," he said.

These new projects will be carried out in the Western Cape, Gauteng, Free State, KwaZulu Natal and the Eastern Cape.

Projects in Gauteng include the R43-million Constitutional Court building and a R17,5-million project to build magistrates' courts in and around Pretoria. A total of R23-million will be spent on new detention barracks at Thaba-Tshwane and R22-million on a training hangar at the SANDF's Centurion School of Logistics.

Cape Town projects include the construction of new magistrates' buildings in Kuils River and Blue Downs (R15-million), additional buildings for civil courts and judges' chambers (R11-million) and the erection of a magistrates' court building in Khayelitsha (R18,4-million).

In Durban, R19-million will be spent on the SANDF headquarters and R13-million on workshops at the air force base.



STRIVING FOR EMPOWERMENT . . . Public Works Minister Jeff Radebe.

Championing the cause of the small operator

(32) cl 24/5/98

By ZB MOLEFE

PUBLIC Works Minister Jeff Radebe this week became the champion of the small operator in the country's construction industry.

Speaking during the debate on his budget vote in the National Council of Provinces, he told of his department's 17 new construction projects this year – costing more than R10 million each.

Another 11 projects worth R283 million will be undertaken through joint ventures with black contractors.

Recently Radebe told City Press of his vision of creating an enabling environment for growth and development in the construction industry. It has been a gigantic undertaking in which he and his department consulted widely with representatives of the private sector.

These included organisations ranging from Cosatu, Disabled People of South Africa, the Surplus People's Project, the Western Cape NGO Coalition and Traditional and Environmental Affairs in KwaZulu-Natal.

Radebe said since the Department of Public Works (DPW) was established it had always been treated as "a Cinderella department". This meant it was narrowly confined to the duties of a property manager and facility maintenance agent. In other words, the DPW was never served by a minister with a single portfolio "and was always latched to another state department".

Listening to Radebe, it becomes clear that the spectre of poverty is foremost in his thinking. Last year the DPW published a White Paper and a Green Paper which spotlighted the problem and possible solutions in detail.

"The combination of South Africa's unprecedented unemployment problem, high levels of poverty, lack of skills and training and enormous backlog of socially-useful assets for use by the majority citizens requires the DPW to make dramatic contributions in the form of public works programmes," Radebe said in his White Paper last year.

According to the government's Growth, Employment and Redistribution policy, more than 400 000 jobs have to be generated by 2000.

To achieve this, the success of the Public Works Programme will concentrate on five areas:

□ Reducing unemployment by creating productive jobs and opportunities for local (building) contractors using labour-intensive construction methods;

□ Providing education and training (both vocational and generic) to unemployed people – especially women, youth and rural dwellers – "to increase their chances of becoming self-employed or enter the formal economy";

□ Empowering communities through providing job opportunities, transferring skills and creating community assets in a manner which builds communities' capacity to manage their own affairs;

□ Contributing to building and strengthening provincial government, local government and other local institutions; and

□ Providing relief and temporary livelihood support to threatened communities during times of disaster, through maintaining the local economy by bringing funds into the area.

It is because the spectre of poverty has always loomed large in Radebe's thinking that he is promoting the empowerment of the small player in the building industry in general and the DPW in particular.

Last year's draft of the National Small Business Enabling Act was his starting point. The Bill highlighted the development of small, medium and micro-enterprises (SMMEs) as "an important means to tackle the challenges of job creation, economic growth and equity".

Radebe wants a bigger role for black builders

CT (BR) 26/5/98 (32)

LYNDA LOXTON

Cape Town — Jeff Radebe, the public works minister, yesterday called on the private sector not to limit joint ventures with black construction firms to government contracts.

Speaking during the national assembly debate on his budget vote, Radebe said he had received complaints from black construction firms about the refusal of established construction firms to include them in private sector projects. Joint ventures could be used as confidence-building measures, "providing a useful framework in which South African firms from different backgrounds can develop together, using the skills and expertise which they each have.

"I call on all those involved in the private sector to reciprocate this approach and work towards the nation-building we all desire."

He said that although his department's affirmative action programme had increased the use of black contractors in government projects, few had developed into prime contractors in major projects and steps were being taken to correct this situation. "The established construction sector will not be sidelined. But we are operating in an economic and political environment that requires the state to use its muscle to overcome past injustices."

His department's construction industry development programme was aimed at developing the industry as a vital part of the country's overall economic development.

He planned to table the Built Environment Statutory Council Bill before the end of June, paving the way for further legislation to review the role, functions and structure of the councils representing the architectural, engineering, quantity surveying and valuers professions.

The introduction of the medium-term expenditure framework meant that government could now commit funds to projects that would take a number of years to complete.

Building industry 'can expect another year of non-growth'

(32) CT (BR) 4/6/98

RAVIN MAHARAJ

Johannesburg — Conditions in the building industry in the first quarter of 1998 were sluggish across the contracting, distribution and manufacturing sectors, according to the latest Business and Marketing Intelligence survey.

This, along with other economic factors, meant the industry could expect another year of non-growth, thus operating at about 70 percent of the peak investment level seen in 1984. The prognosis for matching this level of activity by 2010 was increasingly pessimistic, the report said.

It said the lack of performance in the affordable housing sector had contributed partly to this sluggishness and continued to be disappointing. The reported curtailment of subsidy allocations did not contribute to confidence in an already fragile market.

Furthermore, there was a lack of access to finance, land and subsidies in the affordable housing segment, and this had a further constraining effect on development.

The report also said the residential sector of the building industry had been slow, owing in particular to punitive interest rates. The 1 percentage point fall in the interest rate recently was too small to attract buyers to any large extent and it would probably take more than a couple of percentage point decreases in the rate to stimulate increased investment, the report said.

In the non-residential sector, the report said the declared intention of major institutions to reduce their exposure to property to the international norm of about 7 percent of total assets had already resulted in an effective divestment of some R1 billion a year. Casino development had also affected building activity, the report said.

Competition in the industry was high, as were the costs of building, land, labour and material.

The outlook for the next six to 12 months was therefore "not exciting". The emerging sector expected conditions to improve by up to 5 percent. However, the established sector expected it to remain about the same as this time last year.

The latest report concluded that growth in the building industry pivoted around business and investor confidence.

Government helps DIY house-builders

ARG 5/6/98

(32)

CHARLES PHAHLANE
PARLIAMENTARY BUREAU

People used to band together and help one another build houses – without the help of contractors.

Recognising this, the Government has devised the Supporting the People's Housing Process, which the housing department explained to legislators this week.

Pilot projects have begun, and progress is being made.

The Victoria Mxenge project, which was visited by United States President Bill Clinton, is one of the department's success stories.

There are about nine pilot projects in total, including the Piesang River one near Durban.

The policy sets up financial, technical, logistical and administrative support to help people build or organise the building of their own homes.

This will be done by making access to housing subsidies easier and promoting the most cost-effective use of resources and skills.

People settled informally on land not belonging to them, living in overcrowded houses or backyard shacks, will have support services available to them to fast track the process of getting a house.

The policy encourages and supports individuals and communities in their efforts to fulfil their own housing needs.

It will help them to get land, secure tenure and services and to find technical aid, which will lead to the empowerment of the community.

Support organisations, to help people get houses, will have to establish themselves as legal entities to secure the houses.

These entities will facilitate acquisition of land on the basis of secure tenure, and provide technical, financial, logistical and administrative support to housing subsidy beneficiaries for the building of houses.

A group of families, or a community-based organisation, may establish itself as a legal entity or contract with legal entities.

In the case where people are living on land to which they do not have any rights, the local government will need to decide if the site is suitable for residential development.

The legal entity will help the community elect a housing support project committee, which will identify families who wish to take part in the project and establish a register of residents.

The legal entity and the community will determine planning criteria for plots, roads and other land uses, the degree to which services are to be upgraded, and formulate service agreements, including costs.

The legal entity will prepare a proposal, including a business plan to be presented to the Provincial Housing Board (PHB), which will approve the project if it meets its required criteria.

The legal entity, using the skills of the community where possible, will peg out plots and roads and install the services needed.

On the hand-over of the serviced sites to the local government, the PHB will pay the legal entity.

The legal entity then will transfer ownership to each family, subject to the sale of the sites.

The legal entity will also establish the housing support project functions facility, where the group of beneficiary families will draw up guidelines and rules, design their own houses and, once approved by local government, the family, supported by the legal entity, will begin building the house.

Three other variations of the model outlined are also possible with the emphasis being on people settled on fully serviced sites, with or without ownership rights, and "landless people".

Building industry takes a severe knock

(32)

Mzwandile Jacks

THE building and construction industry has suffered a "severe knock" this year due to high interest rates and the failure of the housing programme to take off convincingly.

Industry experts say this came despite government plans to open eight new toll roads, including one that is the catalyst for the Maputo development corridor.

The issuing of casino licences had brought hope of improved demand for cement and other building materials. However, only two casinos have been built so far — in Nelspruit and Witbank.

During the opening of Parliament earlier this year President Nelson Mandela said his government would probably not be able to meet the 1-million houses target set for next year, adding to builders' woes.

Building Industries Federation of SA (Bifsa) CE Ian Robertson said at the weekend: "The mood in the first and second quarters of this year has not been bright. Absa's announcement to increase lending rates has made matters worse for the industry.

"We were expecting about R5bn turnover in the next three years from casinos and other projects, but it seems damage has been done to this aim."

Concrete Manufacturers Association director John Cairns said the number of projects under way in the construction industry had slipped 10% compared to the same time last year.

BD 15/6/98

Govt blamed for construction firms' hard times

Madeleine van Niekerk (32)

BD 17/6/98

GOVERNMENT is partly to blame for the 4% increase in the liquidation of construction companies for the first four months of this year, the Building Industries Federation of SA (Bifsa) says.

This increase compared with a decrease of 13% in the overall rate of liquidations in the country and was causing concern in the construction industry, said Bifsa executive director Ian Robinson.

During last year, 285 construction companies were liquidated — of which a third was voluntary — representing a 15% increase compared with the previous year.

Robinson put some of the blame firmly at the door of local and provincial governments. "It has become clear that the increase in liquidations is not due to hard economic times, but rather to delays or failures to make payments on the part of provincial departments for work already completed. At a time when the industry is working hard at unification, job creation and raising standards, it is a travesty that companies are going under due to government's poor financial management.

"The powers that be should be concentrating on encouraging companies to prosper rather than contributing to their demise," he said.

Needless to say, small to medium enterprises that are more likely to encounter cash-flow problems and are financially incapable of carrying the burden of late payments or the failure to make payments, are the hardest hit. Some are even resorting to demanding bank guarantees before taking on any government work.

"The matter has been reported to the national finance minister and the relevant provincial finance ministers to investigate the extent and consequences of delayed payment," Robinson said.

Gordon Taylor, Merrill Lynch construction analyst, said: "One cannot put all the blame on government due to late payments and the failure to make payments. The construction industry expected this year to be tough, just like last year. There isn't much work around. Delayed payments and failure to make payments by government is just the cherry on the top.

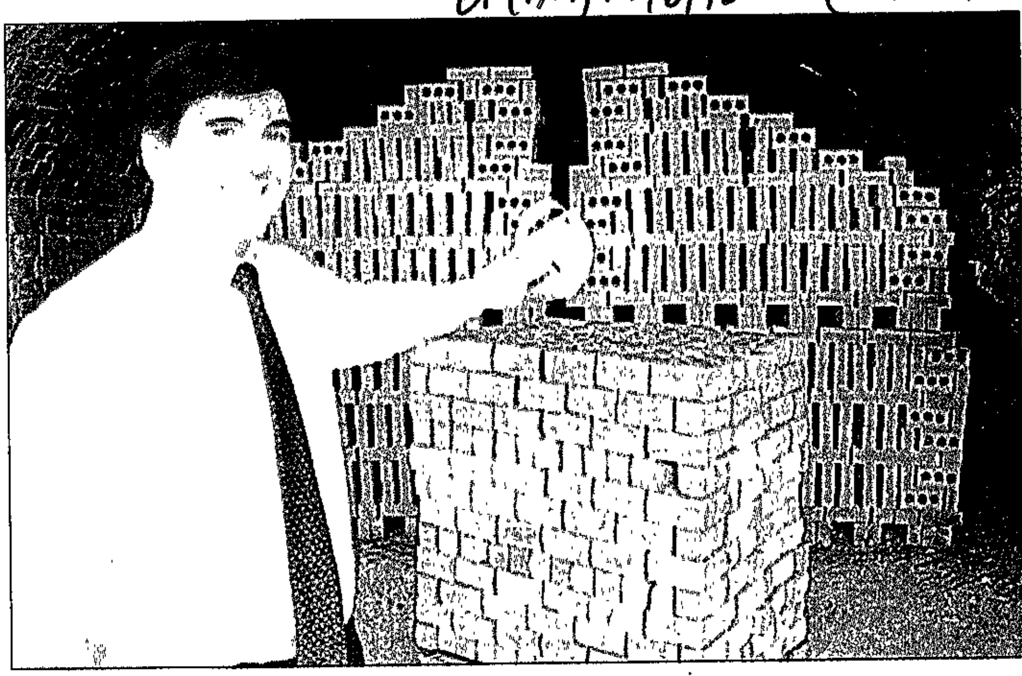
"Construction companies listed on the Johannesburg Stock Exchange are not expected to go under as a result of late and failed payments by government in the foreseeable future. I don't think it will reach that stage. The issue is the small to medium-sized construction companies that are doing projects of up to R20m. They are much harder hit than the bigger firms."

CONSTRUCTION *Widespread layoffs lie ahead, warns association president*

Rates rise knocks builders

ET (MR) 17/6/98 (32)

SHIRLEY JONES
KWAZULU NATAL EDITOR



HOUSE OF CARDS *Peter du Trevou, the president of the Clay Brick Association and the managing director of Corobrik, points to the precarious future facing the building industry* PHOTO BARRY TUCK

Durban — The latest increase in interest rates was a severe blow to the building sector, Peter du Trevou, the president of the Clay Brick Association and managing director of Corobrik, said yesterday.

The increase has taken some mortgage rates to 20,5 percent, and Du Trevou warned that unless it was short lived, widespread layoffs were inevitable as the effect of tighter money hit building contractors and building materials manufacturers.

"The building industry is already slow because of minimal public sector investment. Sustained high interest rates have depressed the private residential sector and the new mortgage rate is likely to slow the tempo of new house starts significantly.

"Home owners are now less likely to borrow money for home improvements, which means the outlook is gloomy for the important residential alterations and additions sector."

Du Trevou warned that if contractors and manufacturers were forced to lay off staff for a prolonged period, vital skills could be lost, leaving the building industry under-resourced to meet future demand upturns.

For Corobrik the 2 percentage point rise ominously mirrors an increase of the same size that pushed interest rates over 20 percent and led to the closure of its Pietermaritzburg and Briardene factories in June 1996.

The difference is that Corobrik, which is part of the Tongaat Hulett group, is probably better positioned to weather the resulting downturn.

Cedric Savage, Tongaat Hulett's group managing director, told analysts two weeks ago the 17,8 percent increase in Corobrik's contribution to group earnings in the year to March 31 were largely due to cost savings from previous rationalisations.

More builders go to the wall

Late payment the reason, says Bifsa

ARG 20/6/98

(32)

GRAHAM NORRIS
PROPERTY EDITOR

The Building Industries Federation South Africa (Bifsa) has blamed the government for an increase in liquidations in the construction industry.

This follows news of a four percent increase in liquidations of construction companies for the first four months of 1998. This, compared with a decrease of 13% in the overall rate of liquidations in the country, is causing concern in the construction industry.

During 1997, 285 construction companies were liquidated of which 95 were voluntary (33%), representing a 15% rise compared to the previous year.

Ian Robinson, executive director of Bifsa, puts some of the blame firmly at the door of local and provincial governments. "It has become clear that the increase in liquidations is not due to hard economic times, but rather to delayed or non-payment on the part of provincial departments for work already completed.

"At a time when the industry is working hard at unification, job creation and raising standards, it is a travesty that companies are going under due to government's poor financial management. The powers-that-be should be concentrating on encouraging companies to prosper rather than contributing to their demise," he said.

Needless to say, most hard hit were the small to medium enterprises that were more likely to encounter cash-flow problems and were invariably financially incapable of carrying the burden of late or non-payments.

Western Cape Finance Minister Lampie Fick denied that there was a problem surrounding non-payment of builders in this province. "We do not withhold any payment when it is contractually due," he said.

Mr Fick said that in order to assist small contractors, five progress payments were made before the completion of a contract.

"We do everything we can to ensure that all contractual payments are done promptly," he said.

Rainbow builds contractors list

(32) CT (BR) 30/6/98

LYNDA LOXTON

Cape Town — Rainbow Construction, the black empowerment construction company, was helping to build up a network of emerging sub-contractors for public and private sector contracts, Chris Jiyane, the chief executive officer, said yesterday.

The company was a joint venture partner in the R75 million refurbishment of Park City. It formed part of the NPP Joint Venture, which recently completed the Baviaanspoort Prison contract worth R121 million.

"Rainbow has endeavoured to empower previously disadvantaged sub-contractors and individuals," Jiyane said.

It was an official policy of the NPP Joint Venture to train and develop emerging sub-contractors on the construction of the prison, Jiyane said. Of the R121 million contract, R40 million was allocated to 80 affirmable business enterprises.

The 80 sub-contractors who were given training and development gained experience which would help them secure work on future projects. It also gave Rainbow Construction a database of sub-contractors that it knew had the skills and infrastructure to deliver on certain projects.

"Some of these sub-contractors have, in fact, already secured work on other projects of ours."

Rainbow Construction is 25 percent owned by Vuna Industrial Holdings and 27 percent by construction firm WBHO, with the balance split between the founder directors, management and the Rainbow Share Trust.

A total of 62 136 motorists in the Western Cape have applied for new licences.

This included more than 32 000 new public phones, which was substantially

SABS to crack down on cement suppliers

(32)

ARG 1/7/98

ARGUS CORRESPONDENT

Johannesburg – In a bid to prevent poor-quality housing construction, the Government has declared it illegal for suppliers to distribute cement without the South African Bureau of Standards stamp of approval.

As from today, the bureau can visit factories unannounced to ensure their cement complies with SABS standards.

If the cement is not up to scratch, the factory could face closure – after being reported to the Department of Trade and Industry's business practices committee, according to SABS divisional head of materials technology Mario Rocha.

The law, part of the Harmful Businesses Practices Act, targets mainly small companies which blend the main cement ingredients with high proportions of other materials such as fly ash or slagment, making the product cheaper, but also less effective, says the Department of Trade and Industry.

South Africa's major cement producers, Blue Circle, Alpha and PPC already adhere to SABS standards.

Colin Jones, sales and marketing director of major producer PPC, said the cheaper, defective product was used a lot for low-cost housing where "unsophisticated builders" were none the wiser.

Mr Rocha, ruled out collusion between cement suppliers and builders in duping unsuspecting consumers.

"Some suppliers take advantage of consumers who are trying to cut costs," said Mr Rocha.

He said some of the cement blends tested by the SABS didn't harden and disintegrated in water.

The consequences of the blending are obvious – rickety buildings and the possible loss of human lives.

Board to be set up to develop construction

(32)

Mzwandile Jacks

BD 8/7/98

CONSTRUCTION industry stakeholders resolved yesterday to establish a board to manage the development of the industry.

The resolution was taken at a meeting at the presidential guest house in Pretoria to launch a business plan to develop the industry. The meeting was attended by Public Works Minister Jeff Radebe.

Stakeholders also resolved to establish a register of contractors which would identify "bona fide" contractors in an industry which has had little or no regulation.

It was also agreed to support the development of emerging contractors and develop public and private sector capacity to achieve "outputs" that could rapidly affect industry performance.

"Today's significance lies further in the fact that we are here as part of a common planning and development process — a process to retool our industry for the challenges of ongoing change," Radebe said at the opening of the meeting.

"This is not ... a 'quick and dirty' process. It is not about quick fixes and minor adjustments to the way we conduct our business. Nor is it grandstanding to assert yesteryear's positions."

Building industry hit by interest rate hikes

(32) BD 13/7/98

Mzwandile Jacks

THE construction industry is retrenching employees "across the board" as a result of recent interest rate increases, says Ian Robinson, CE of the Building Industries Federation of SA.

The loss of jobs among construction workers could have a damaging effect on future low-cost housing delivery, which has gained momentum only recently.

The exodus of building skills could take years to restore as most workers moved into other industries, Robinson said.

He had earlier announced that the recent spate of interest rate rises had dashed hopes of a projected 3%-4% growth in the construction industry.

Robinson said there was a shortage of work in the industry because there was little activity in the formal property market.

Most employees facing retrenchment were long-serving, which meant retrenchment packages would cost the industry a "lot of money", he said.

He could not give the exact number of employees who had been retrenched or faced retrenchment, as he was awaiting feedback from the industry.

In view of the unpredictable nature of the markets, it would be very difficult to estimate how many jobs could be lost, he said.

"We do not know how long these interest rates are going to be with us. Some people are suggesting that by September things will be better.

"If this is true, then some people are going to hang in there. The rand has to stabilise before these retrenchments can stop."

Interest rate hikes had affected family budgets as people had to pay more on their housing bonds than they had budgeted for.

At a workshop organised by BMI-Business Research Consulting Unit to address problems facing the industry in the wake of the interest rates hikes, it was said that if they continued, people would prefer to use their money to pay off debts than buy houses.

However, participants at the workshop agreed that by 2010 the industry would double its activity.

A strategist and consultant, Llewellyn Lewis, said it was "a pity" that people were being retrenched while others might still be awaiting the axe, although he was not aware of this.

"The industry is subcontractor-intensive and subcontractors are nomadic," he said.

Subcontractors employed people only when there was intensive activity in the industry.

Construction industry stakeholders recently attended a development meeting that resolved to establish a board to manage the process of developing the industry. The meeting was addressed by Public Works Minister Jeff Radebe.

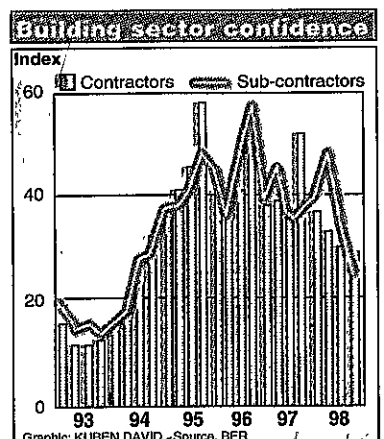
Builders' spirits continue their downward spiral (9a)

BD 15/7/98

Samantha Sharpe

CAPE TOWN — Business conditions in the building industry deteriorated further in the second quarter of the year with confidence levels continuing a decline in evidence since early last year, the latest Bureau for Economic Research (BER) building and construction survey shows.

The research unit said that in the case of contractors, for instance, confidence levels were now on a par with levels that prevailed at the end of the previous recession, a situation borne out by reduced building starts and building plans passed, and company liquidations.



"The recent hike in interest rates will in all probability further depress business conditions, particularly in the residential sector," the BER warned. "Should interest rates remain at present levels for a prolonged period of time, or perhaps increase further, the building industry is indeed heading for torrid times."

Looking more closely at confidence levels among contractors — considered a good leading indicator of the overall business cycle and a close tracer of the level of building activity in the sector — the BER said current conditions and expectations for the third quarter were bleak.

In the case of residential building contractors, building conditions turned out well below expectations during the second quarter of this year, with the business confidence of respondents consequently waning until only 30% of respondents were satisfied with prevailing conditions.

"Work volumes were sharply down compared with the same period a year ago, while the volume of work executed in the second quarter vis-a-vis the first quarter also deteriorated. Tendering competition consequently intensified."

Business conditions experienced by contractors in the nonresidential sector deteriorated further in the second quarter, with work volumes compressed sharply compared with the same time last year.

"The unfavourable tendering environment resulted in competition intensifying and contractor profit margins coming under pressure. The high cost of finance and insufficient demand for building work remain major stumbling blocks hampering business operations."

Business confidence among architects had also taken a marked knock since the group's previous survey, with business conditions during the second quarter turning out much worse than expected.

"Architects indicated that both the number of projects at sketch plan stage and commissions at working drawing stage declined and that they do not expect any improvement in the near term," the BER said.

BUILDING & CONSTRUCTION

THE DEBRIS IS FALLING EVERYWHERE

On site at the ruins

(32)

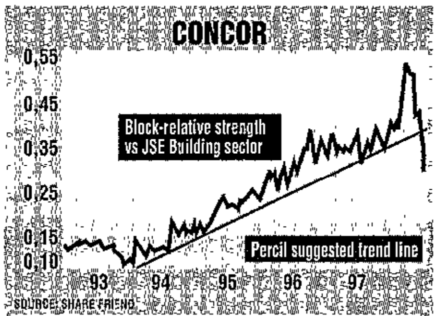
Concor's Mpumalanga bridge collapse is just more bad news for a troubled construction sector The share prices of most high-profile stocks in the building and construction sector have hit the deck as SA economic fundamentals have turned wobbly.

Since May, the already depressed Building & Construction index has shed another 2 000 points to a level of 4 037.

Leading the pack of price losers have been two of SA's finest contractors, Concor and LTA, which have shed half their value over the past three months. Other bombers have been Alpha, PPC, Basil Read, Grinaker, Group Five and Wilson Bayly Holmes-Ovcon.

The sector's average p:e ratio — a measure of the expected earnings power of the companies — is 7,5 times and dividend yield is at 5,8%. Merrill Lynch's top-rated analyst, Gordon Taylor, says that based on an analysis of the p:e relative to the industrial sector, the sector is rated at its lowest level in at least 22 years.

The massacre points to market concern about the record high real interest rates and the general economic instability, and the effect these will have on the building & construction component of gross domestic fixed investment (GDFI). The fact that it has gone all the way down the chain to the cement producers indicates that a long-term downswing is expected.

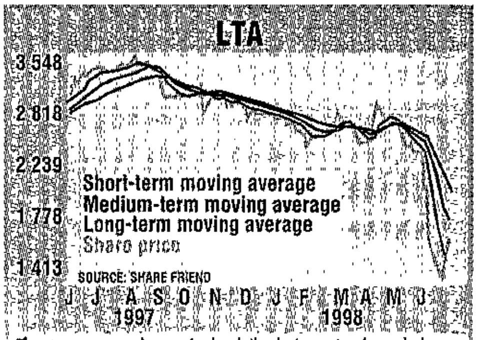


Concor's weekly relative strength against the JSE Building index plotting shows that until March this year, its performance was stronger than the index. Now heavily oversold it has plenty of catching up to do.

Concor's case may be muddied by the fact that its well-regarded MD, Dave Wilson, left on July 10 and a bridge the company was building in Mpumalanga fell down (see *Companies and Markets* July 10). But Wilson says he gave notice in February, a fact confirmed by Concor chairman Neill Davies, and that the company is adequately insured for the bridge.

Wilson is to settle in Australia, where he will be taking up a position with a local associate of Hochtief, which controls 40% of Concor. An announcement on his replacement is expected by month-end

All the other companies concerned seem to be in a sound position. BOE Securities analyst Mike Haworth predicts their results to June will show a reasonable performance.



The strong upward move in the daily closing price through the short-term moving average and accompanied by high volume sparked off a new buy signal in this previously well oversold share

LTA, Grinaker Construction, Concor, Alpha and PPC all confirm that they are on track Many directors voice disbelief at what is happening to the counters in their sector and say the downrating is unjustified

PPC MD John Gomersall says it is "too soon to panic" and that he expects interest rates to drop as stability returns. Alpha MD Mike Doyle says building activity is likely to slow down, but should pick up quickly once interest rates recover "The private sector is increasingly important in the building spend and they tend to be more interest-rate sensitive So the cycles are likely to be quicker but not so violent."

Haworth isn't so sure. "If exchange rates stabilise interest rates could come down, but that is not enough to make people go out and spend. They need to believe that the economy will be humming too. We are, however, still worried about the international markets. There are some big problems and that tells us there are more surprises to come in the exchange rate.

"We are advising people to leave the sector alone for now," he says. "You don't want to sit in a sensitive part of the market with poor tradability in a risky environment."

Taylor says the value in certain stocks in this sector, like LTA, is unlikely to disappear in the next few months while uncertainty prevails. **Stuart Rutherford**

NEW SHARE ISSUES

COMPANY AND TERMS:	Issue price cents	Opening date	Closing date	Share cert posted	Refunds posted	Listing date	Sector
CONVERGENT NETWORK — Listing of 150,542m ord shares of 1c each by way of private placing						9.7 98	Media
CORE HOLDINGS — L'sting of 60m ord shares of 1c each Details to be advised							
INTERTRADING — Listing of 40m ord shares of 10c each. Details to be advised.							

RESULTS AND DIVIDENDS

		Pre-tax profit Rm		%	Earned cents per share		Paid cents per share			Dividends		
		1997	1998	change	1997	1998	1997	1998	Sector	Amount cents	Register by	Payable about
African Media	I	♠7,8	13,5	+74	♠●♥1	●♥2	—	—	Media	—	—	—
Berzack	D	—	—	—	—	—	—	§	Engineering	§	24 7 98	27 7 98
Bivec	D	—	—	—	—	—	—	§	Engineering	§	24 7 98	27 7 98
Crown Consol	P	n/a	★(24,4)	—	n/a	★(36)	—	#	Rand & Others	—	—	—
Iota Financial	P	0,72	♦0,13	—	●5	●♦0,1	—	#	Banks	—	—	—
Lonhro Plc	D	—	—	—	—	—	67,73	■74,32	Ind Hold	■*74,32	28 8 98	6.4.98
Publico Holdings	P	0,18	▼0,82	+355	●♥2	●♥10	—	#	Cash Companies	—	—	—
Voltex	D	—	—	—	—	—	—	§	Electronics	§	24 7 98	27 7 98

P = Preliminary. ● = Weighted earnings per share. ♥ = Headline earnings per share D = Dividend. # = Dividend passed. * = Interim dividend. I = Interim. ▼ = After exceptional items n/a = Not available. ★ = 10 months ♦ = 14 months. ■ = Provisional amount. ♠ = Pro forma. § = Dividend in spec.e

Concrete powers for building watchdog

(32)

CLIVE SAWYER
POLITICAL CORRESPONDENT

ARG 23/7/98

Consumer protection is at the heart of new legislation which will turn the National Home Builders Registration Council into a statutory organisation.

Introduced in the National Council of Provinces this week, the bill will give the council, in operation for three years, clout enforced by law.

The bill provides for setting minimum national quality standards and warranties for newly built homes.

Home-builders will have to rectify any reported defects within three months of occupation, repair any roof leak within a year of occupation, and repair any serious structural defect reported within five years of occupation.

This arrangement will be the minimum level of contractual obligations, the bill says.

One of the aims is to improve and maintain ethical and technical standards in the home-building industry.

Registration will be the main means of regulating the industry, with the council being entitled to refuse to renew or to withdraw registration in certain circumstances, including breach of obligations.

The council will be responsible for producing a home-building manual with guidelines for builders.

Other means of enforcing the legislation will include obligating mortgage lenders, conveyancers and subsidy providers to ensure that homes are to be built by a registered home-builder.

Offenders, including lenders, failing to make this check, and people building homes without being registered, will be liable to jail for a year or a fine of R25 000 or both.

Owner fears collapse of house, page 15

Uproar over R412m housing contract

(32)

BD 27/7/98

Robyn Chalmers

SA's construction industry is in an uproar over a decision by the Gauteng Housing Board to award the country's biggest subsidised housing project to a developer with links to the board's chairman.

The go-ahead for the R412,5m scheme, involving 27 500 low-cost homes, comes at a time when subsidy funds are running low due to budget cuts. In Gauteng alone commitments for 1998/99 total R1,3bn against a budget of R700m.

Subsidised deals contracted to a single private developer normally cover no more than 4 000 units.

The controversy centres on a deal in which private developer Keith Lawrence, director of Felorday Investments and Antelom Investments, and head of the SA Land Development Organisation (Saldo), is to build the houses in two areas — in Hammanskraal, north of Pretoria, and Vlakfontein, near Vereeniging — over eight years.

Lawrence's companies have moved rapidly into low-cost housing in recent years. He secured the services of Gauteng Housing Board chairman Martin van Zyl to facilitate the Vlakfontein and Hammanskraal deal.

Van Zyl said at the weekend he was paid a "facilitation fee" by Saldo, but he recused himself from board meetings where the project was discussed.

Lawrence said he obtained an eight-year loan of R900m from a group of foreign bankers last Monday. He declined to name the lenders for fear that they would be "inundated with requests".

The allocation of 27 500 subsidies was used as a government guarantee and the bankers agreed to waive the normal $10m deposit, Lawrence said.

According to documents, the contract was awarded to Felorday and Antelom — which have subsequently changed their names to the Tshepong Housing Association and Kudube Housing Association respectively. It was subject to a foreign loan of R1,37bn being obtained from a lender described as the "US Federal Reserve Bank" for end-user financing.

Gauteng Housing Board chairman Martin van Zyl facilitated the deals

The Pretoria deeds office indicates that a Vlakfontein farm totalling 432ha was bought on March 12 by Felorday Investments for R2,5m. Under the subsidy agreement, dated June 18, the housing board paid Saldo R14,4m for the same piece of land.

The subsidy agreement acknowledged that the land was significantly overpriced. It stated that this was "not acceptable from an affordability as well as from a moral point of view". The agreement required the developer to provide a R12m bank guarantee "to cover any fruitless expenditure in case he fails to obtain an overseas loan". Lawrence said this was done in "an attempt to move things along".

The Gauteng board has paid out R27m for the two tracts of unserviced land. Both Van Zyl and Lawrence agreed such a move was unusual, but said this procedure had been agreed to by the parties involved.

Payments are normally made in five tranches starting with civil design work and followed by town planning, civil infrastructure, the transfer of properties and the top structure. None of these stages has yet been completed for either project.

Van Zyl said the deal had the backing of the Gauteng government and the national housing department. He cited

Continued on Page 2

(32)

Uproar

Continued from Page 1

BD 27/7/98

a signed memorandum of understanding between the Gauteng housing department, the Eastern Services Council and the Vereeniging-Kopanong local council.

He said the province was protected against defaults as it had committed only R53m, covering the present financial year, out of the total project cost of R412,5m. Future finance depended on the developer's performance, he said.

"The project could revolutionise housing in SA. It is a black economic empowerment project which will be built largely by small contractors. There may be some unhappiness about one developer getting so many subsidies, but this is to be expected."

Other sources in the construction industry said the project raised a host of questions, such as why Lawrence was awarded such a large contract on unserviced land when local authorities with serviced land occupied by squatters were struggling to get subsidies.

Bifsa hails new bill - with reservations

ARG 28/7/98 (32)

Johannesburg – The Building Industries Federation of South Africa (Bifsa) today welcomed changes in the National Home Registration Bill, but was worried that a fund proposed by the bill did not offer recourse to consumers.

"There is now a degree of concurrence between Bifsa and the Department of Housing on certain key issues such as a statutory registration council for home builders and home warranty providers," a Bifsa spokesman said here.

What was particularly pleasing was that the bill recognised that there could and would be warranty insurance schemes in the private sector.

"But Bifsa is very concerned that the fund proposed by the bill once again offers no guarantees of recourse to consumers – but remains what is loosely termed a best-endeavour fund." – Sapa

Amendments ease dispute about building legislation

Robyn Chalmers BD 29/7/98 (32)

A LENGTHY dispute between builders and government over the draft National Home Builders Registration Bill appears to be easing following recent changes incorporated in the revised bill.

The contentious legislation seeks to give the National Home Builders' Registration Council statutory powers to register all builders. The bill will make it a criminal offence to build a house to be sold without being a registered council member.

Ian Robinson, executive director of the Building Industries' Federation of SA (Bifsa), said yesterday the federation was "cautiously optimistic" about the changes.

The revised bill was published in Parliament on Monday.

One of the key changes was that the revised bill recognised there would be competing warranty insurance schemes in the private sector. However, Robinson said Bifsa was concerned that the fund proposed by the bill "offers no guarantees of recourse to consumers, but remains what is loosely termed a best endeavour fund with no guarantee (building) defects will be rectified". Bifsa was also concerned that the housing department proposed reversing government's privatisation trend by absorbing the existing council, a privately owned section 21 company, into a statutory council.

Builders favour introduction of competition rather than having a single council monitor the industry. Yet the council wants to keep its role as regulator and service provider for at least five years.

"The bill also proposes the fund should be a monopoly for at least a five-year period. This means consumers are denied their right to freedom of choice on warranty insurance cover, and effectively precludes any market competition."

The Council of SA Banks had called for an inspection mechanism to be built into the draft bill to bolster municipalities' capacity to inspect new houses for defects.

(130)

WAITING LIST GROWS

Building plans: Red tape chaos

(32) CT 30/7/98

DELAYS IN PASSING building plans are costing developers millions of rands, causing architects to lose contracts and driving builders to the wall. **TROYE LUND** reports.

INEFFICIENCY in local government has pushed the building and development industries in the Western Cape to a "point of crisis". Millions of rands are being wasted every month while building plans waiting for approval languish under red tape, warn city architects, developers and frustrated council officials.

This warning coincides with an investigation by a business efficiency analyst, Wendy Hartshorne.

Fed up with the "depressing and confusing" delays in the approval of building plans, the South African Property Owners' Association commissioned Hartshorne to investigate.

Hartshorne concluded that productivity in approving plans was unacceptable, even in the Cape Town municipality, which has been passing 52% of all applications within five days.

After a meeting to discuss Hartshorne's findings, Cape Town municipality drew up a plan for remedying the situation.

But, the situation in other local councils is far worse, with the simplest application taking up to five months to approve, instead of the maximum of 30 days required by law.

Plans needing special attention because they deviate from building or "archaic" town planning regulations — about 80% of all applications — are waiting up to a year for approval.

The underlying causes for this, said Hartshorne, are senseless methods of office management, coupled with the process of unbundling from the former single Cape Town city council to four local councils.

And, because councils operate on a first come, first served basis, they have no way of differentiating between straightforward and complicated applications.

This means that a simple application for a swimming pool could be held up indefinitely because a complicated rezoning has to be dealt with first.

Hartshorne also found that in addition to the lack of administrative and technical support professionals in understaffed councils, delays are made worse by contested plans or those that require deviations.

Hartshorne said: "This cannot continue. There is too much riding on it. It affects everyone from the biggest developers to the little man trying to add to or build a home."

According to the Cape Institute of Architects, the cost of delays is exorbitant, because clients have to service bonds for an "unknown number of months" without any building progress. Building costs also go up by 1% a month.

"Clients are pulling out left right and centre, especially at present interest rates, and builders are going out of business even faster," said one city architect.

The Master Builders Association said getting plans passed was "traumatic".

Reports by urban and environmental committees to local councils warn of having to "dodge law suits" for taking longer to approve plans than the law requires.

More and more people are taking matters into their own hands and starting to build before their plans are passed, notes a report to the South Peninsula council.

This council's building survey chief, Bill Carter, says he is experiencing "chaos" from both sides.

Carter, who is building a R1,5-million home in Marina Da Gama, is going ahead and completing his building, even though some of it has been only provisionally approved by a building inspector.

"It is quite above board. We realise that applicants cannot wait the time we are taking to pass their plans, so we allow plans to be provisionally passed by building inspectors," said Carter, who is also at the end of his tether because of his working conditions.

"You want my job? You can have it," he told the *Cape Times* while explaining how the council unbundling and lack of funds have left him with no middle management, and one chief plan examiner and several key staff about to resign.

"I have been spending 14 hours a day, seven days a week trying to dig the South (municipality) out of a hole. We are in a major pickle. Staff morale is at an all-time low," said Carter, who added that he would welcome any investigation into the situation.

Loss of R88,9m largely attributable to write-off of US shopping centre

Stocks & Stocks in red

CT(PR) 5/8/98 (32)

ADELE SHEVEL

Johannesburg — Stocks & Stocks, the construction, hotel and leisure company, yesterday went into the red for the first time in its 53-year history, with an attributable loss of R88,9 million for the year to April 30

Reg Edwards, the chairman, said it was "one of the most challenging years in the history of the group".

The loss was primarily the result of the large exceptional write-off of Miracle Center, a shopping development in Miami, Florida, to the tune of R65 million because it was recently refurbished and the future income stream was not yet proven.

Apart from the US write-off, the remaining R20 million loss was from one-off losses incurred by the closure of the company's information technology division; poor trading results from Facts and Fiction, which was sold at a small loss; and expenses from the unsuccessful Gauteng casino bids.

Headline earnings were not included in the results because they had never been included before, said Bart Dorrestein, the chief executive.

He said the company was considering incorporating them in the annual report and they were positive. The annual results equate to a loss of 111c a share, compared with analysts' average forecast of between 32c and 42c a share. The company did not declare a dividend.

A construction analyst said the results were shocking, but it was difficult to get a fair indication because information was flimsy. "There is a lot more to worry about than just the write-off," he said. "I don't believe the one-off story," he said.

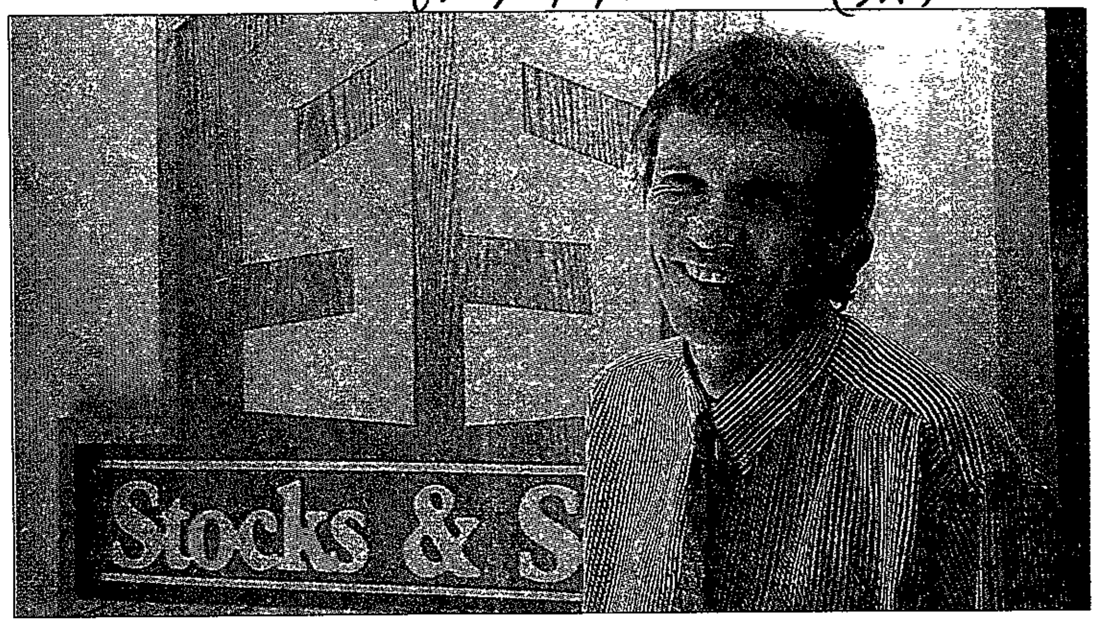
The analyst said there was not enough information in the disclosure but there were enough "warning signals" to cause concern.

Group turnover rose by 16,6 percent to R1,87 billion, while operating profit was down 68,6 percent at R28,39 million.

This decline was mainly ascribed to a drop in earnings from the property division, which contributed R10 million this year compared with R47 million the previous year; the close-down of non-core operations; and lower earnings from the leisure and construction divisions.

Construction was hit by tighter margins on higher turnover, providing only a slightly higher contribution.

Stocks & Stocks lost 5c to R1,05 on the JSE yesterday.



BRAVE FACE *Bart Dorrestein said headline earnings were not mentioned in the company's results but they were positive and may be included in the annual report* PHOTO SELWYN TAIT

□ Business Watch, Page 2

Building sector in favour of men

(32) Sowetan 7/8/98

By Joshua Raboroko

MINISTER of Housing Mrs Sankie Mthembi-Mahanyele challenged women during a Heritage Day address claiming aspirant business-women were forced to play second fiddle to their male counterparts.

Speaking at the opening of the "Women in Housing – Celebrating Our National Heritage" exhibition in Cape Town yesterday, she said her department had heard of tragic stories of investors who turned down contracts presented by women because of the innate gender bias in the market.

Mthembi-Mahanyele said she had also heard of women who had to use men as "ghost" or bogus partners to get contracts.

The lack of awareness of women as potential developers and contractors was clearly evident even though most of them finished their contracts on time and displayed remarkable commitment to their work.

"We need to challenge this perception, shatter stereotypes and break these barriers."

Mthembi-Mahanyele said the National Urban Reconstruction and Housing Agency (Nurcha) – one of her department's housing financial institutions – had played a sterling role in ensuring that emerging contractors, particularly women developers, entered the market and reached their potential.

The institution offered women a chance by running managerial and technical assistance workshops as well as courses on how to run and manage a business.

Women in power had the will and the determination to effect changes but lacked the requisite advantage of research background to give them a solid grounding, she said.

"We need a meaningful intervention in the market to make sure that women's contributions are given a chance," she said.

Her ministry committed itself to:

- Work and promote women through institutions to get financial assistance;
- Promote the emergence of women in decision-making positions in the housing construction fields;
- Maximise the involvement of women in the process of shelter provision; and
- Ensure that house related topics promote gender equality.

The minister announced that another exhibition will be held in Pretoria today.

Women's group lays its own foundations

Mzwandile Jacks

(32) RD 14/8/98

A NATIONAL organisation which aims to intervene and negotiate on behalf of women and emerging contractors, Women in Construction (WiC), was launched in Alberton on the East Rand yesterday.

The organisation said at the launch, attended by major stakeholders in the construction industry, that it would deal with issues such as access to jobs, training and finance. It would also advise women and emerging contractors on where to get support.

Construction industry stakeholders such as suppliers, development organisations, nongovernmental organisations, banks and insurers would provide all the information it needed.

It had the commitment of a diverse group representing government, parastatals and the private sector.

WiC chairman Ingrid Verwey said: "Two Gauteng women belonging to WiC in Soshanguve recently won civil contracts of R204 000 each in the Gauteng department of public works programme. In the Western Cape, some of our members are handling projects of about R2,5m."

WiC meets Development Bank of Southern Africa business units each month to secure opportunities for women on development bank projects.

Membership is free and funds are generated only for workshops or marketing purposes. Financial statements are tabled regularly at monthly meetings. Membership does not preclude women from belonging to any existing contractor associations or councils.

Parties force ANC to compromise on bill hearings

BD 18/8/98

Vuyo Mvoko (32)

CAPE TOWN — Opposition parties forced "a compromise" from the African National Congress (ANC) during yesterday's discussion on the National Home Builders' Registration Council Bill conducted by the parliamentary housing committee.

The bill seeks to protect consumers by providing for the establishment of a registration council to maintain standards within the house-building industry.

The Building Industries Federation SA (Bifsa) opposes government plans to administer a fund to compensate consumers.

At yesterday's committee meeting, the ANC said there was no time for a public hearing on the bill.

However, opposition parties insisted that a hearing be held.

The ANC has also expressed reservations about certain aspects of the legislation.

Bifsa said the bill was "opposed by 100% of the participants in the home-building industry".

When Bifsa requested to address the committee, opposition MPs outnumbered those of the ANC.

Fearing the possibility of losing if Bifsa's request was put to the vote at the time, the ANC held a brief meeting and then agreed to "compromise". ANC MP Mary Turok said interested parties would be called in tomorrow to make representations during a "round-table discussion".

It emerged later there had also been some telephone calls and faxes from interested parties.

Bifsa executive director Ian Robinson said the government was "entrenching monopoly" by insisting that only the registration council be allowed to operate an insurance fund for at least five years. Last year, the registration council spent more than R16m on administration and only R4 275 on rectifying defects, Robinson said.

The ANC study group in the committee felt that start-up and registration fees would make life difficult for emerging builders and instead allow the "fat cats" to thrive.

The ANC also felt that consumers were not adequately protected against builders who might have defaulted and been deregistered and might be continuing to build homes illegally.

Builders registration bill attacked

(32) BD 20/8/98

Vuyo Mvoko

CAPE TOWN — The housing department has come under fire from the ruling African National Congress (ANC), the opposition and stakeholders over the draft National Home Builders' Registration Council Bill.

The overriding purpose of the bill, which is supported by everyone, is the protection of the consumer against bad workmanship in housing delivery.

However, an ANC study group in the National Assembly's housing committee found it "astonishing" that the bill did not cover houses valued under R25 000, a source said yesterday.

The source said ANC members were frustrated by the fact that the beneficiaries of government's housing delivery programme, those getting R15 000 state subsidies, would not be covered by the bill.

"Who then are we helping through this legislation?" the source asked, "the poorest of the poor or the bourgeois?"

The National Home Builders' Registration Council currently registers homes valued between R20 000 and R250 000.

The upper R250 000 limit will be removed once the bill is enacted.

The ANC's housing committee believed that the fees and suretyships that would be required before people could register as builders might bar small builders from entering the industry. The ANC wanted this to be re-examined.

An ANC member of the committee predicted after yesterday's parliamentary hearing on the bill that there was "a fight ahead".

The member criticised the housing department for failing to "properly engage" stakeholders when drafting the bill, saying the department knew that there would be time constraints in the passage of the crucial piece of legislation through Parliament.

The Western Cape Developers' Forum charged that the bill was published in the Government Gazette without public comment, as had been the case with previous bills.

"The bill does not reflect the content of the stakeholders' forums and meetings held after the last bill was referred back for re-drafting," forum representative John Schooling said.

Construction company liquidations rise 9,6%

Mzwandile Jacks (3a) BD 21/8/98

DETERIORATING profit margins had led to a 9,6% increase in construction company liquidations in the first six months, Building Industries' Federation of SA (Bifsa) CE Ian Robinson said yesterday.

Speaking at a media briefing on the state of the construction industry, Robinson said the rate of company liquidations rose 25% in the second quarter compared with the same period last year. About 161 building projects worth R800m had been put on hold in the past two months, while the number postponed last year could be "counted on one hand", he said.

He attributed the surge in liquidations to nonpayment or delayed payments of developers, consulting engineers and medium contractors, resulting in cash flow problems. The market share of the companies that were liquidated had increased from 8% to 9% during the first six months.

"The financial turmoil is reaching all sectors of the economy and not only the construction sector, but our sector remains the hardest hit over a longer period of time," Robinson said.

Industry growth forecasts had been "downscaled" due to recent financial market turbulence and rand depreciation from 3,5% to 1% for this year, although the level of uncertainty made predictions difficult.

However, Robinson was upbeat over prospects next year should stability return to the markets.

On residential investment, which has not shown real growth for the past five years, Robinson said that recent interest rate hikes had dashed hopes of real growth this year. Figures released by the SA Reserve Bank revealed that high interest rates had a serious impact on activities in the private residential market.

Bifsa slates defects warranty bill

CT(MR) 21/8/98 (32)

Adele Shevel

Johannesburg — The Building Industries Federation of South Africa (Bifsa) yesterday condemned the passage and the content of the Building Defects Warranty Scheme.

The scheme's move through the legislative process was delayed after several submissions from key players in the industry this week.

The bill proposes to make the National Home Builders Registration Council a statutory body through which every property developer and contractor will have to register.

At present, only developers building homes valued from R20 000 to R250 000 have to register with the council, and within that ambit only those seeking bond finance. Banks will not grant mortgages without contractors being registered with the council.

Ian Robinson, Bifsa's executive director, said all developers within these parameters had to pay a 1,3 percent levy towards the council fund. He said the cost was passed on to the consumer.

The new bill proposes that the levy be paid irrespective of the price of the housing unit under construction. It also prescribes that this will apply to houses being financed by sources other than banks.

Robinson said Bifsa "violently opposed the bill, and we are joined by most of the industry".

He said there was concern there would be no competition to the council, given it would have a monopoly for five years.

Robinson called the council a "bloated bureaucracy" in which 35 percent of the funds were spent on administration, compared with 10 to 15 percent in the insurance industry.

The council fund had over R36 million in reserves from the accumulation of money from levies.

Robinson said the lack of transparency in the process was worrying and the government had attempted to "bulldoze the bill through parliament".

But Colin de Kock, the executive director of Gauteng Master Builders Association, said the perception that Bifsa was opposed to the building warranty scheme was nonsense.

"We could live with everything if we had to, but not the five-year monopoly."

Safety not a 'priority' in construction industry

Mzwandile Jacks

BD 24/8/98 (32)

THE spate of accidents in the construction industry was a reflection of management's failure to "prioritise" the importance of health and safety, chairman of the Construction Occupational Health-Safety Environment Federation (Cohsef) John Smallwood said last week.

"There is nearly one fatality per day in the SA construction industry," Smallwood said.

Smallwood said design teams and construction management were arrogant in that they had failed to change old practices, claiming "we have been doing this for 25 years".

He attributed this to management's failure to make health and safety an integral part of the job.

"Workers are not trained properly, and most of the environment courses offered at tertiary education institutions do not include health and safety," Smallwood said.

In addition to failing to provide proper leadership on this issue, government lacked public commitment to reducing accidents and had failed to raise public awareness using the national media.

The government should implement a national strategy that would see a 10% to 15% reduction in fatalities a year.

Smallwood said: "Although health and safety is about people and the bottom line is life or death, the irony is that it is the financial benefits that justify making it a priority. Research had shown that the total cost of accidents was equivalent to the value of 6,5% of completed construction."

Large-scale accidents in the last 24 to 30 months represented a trend, he said, citing the recent Bushbuckridge bridge collapse accident.

Grinaker beats building blues

ST(BR) 25/8/98 (30)

Adele Shevel

Johannesburg — Grinaker Construction yesterday reported a 20,8 percent rise in headline earnings a share to 132,9c for the year to June 30 despite a lacklustre construction sector.

Earnings had been diluted by an increase in the number of shares in issue.

Headline earnings increased 28,2 percent over the period under review. Turnover rose 17,8 percent to R2,9 billion.

The increase in headline earnings represents a compound growth of 34,1 percent over the past five years.

Bean Bornheimer, the group managing director of Grinaker Construction, said this excellent performance was based on a 41,5 percent increase in operating profit. This increased the operating margin from 2,5 percent to 3 percent.

The core businesses of building and civil engineering provided most of the group's profit. The civil engineering division had obtained profitable work in Namibia, Botswana, Swaziland and Mozambique.

Other highlights included the successful turnaround of Grinaker Precast, which went from a loss the previous year to a modest profit this year.

The Zimbabwean operations also improved on budgeted profit in rand terms despite the depreciating Zimbabwean currency.

Grinaker shares closed unchanged yesterday at 625c.

Construction groups build on foreign successes

(32)

Offshore operations offset tough local conditions for the big three, writes DON ROBERTSON

ST(BT) 30/8/98

CONDITIONS in the local construction industry remain tough and competitive, but the success of offshore operations allowed the three leading groups to report substantially increased results for the year to June.

Group Five says over-border activities contributed to the bottom line as opportunities outside SA proved more profitable than those in local markets.

Local conditions continue to be difficult and could deteriorate if current high interest rates persist. As a result, the company continues to seek work outside SA.

Murray & Roberts says its territorial diversification has been successful, particularly operations in Africa and the Middle East. Order books in these areas are strong.

"The recent depreciation of the rand should create a competitive advantage for exports and the group is well placed to take advantage of this."

Grinaker Construction confirms these views and says the civil engineering division made significant progress in obtaining profitable work outside South Africa, particularly in Namibia, Botswana, Swaziland and Mozambique.

All three are predicting better results in the current financial year.

Group Five lifted revenue to R2.9-billion in the year to June, from R2.4-billion previously, to produce operating income of R109.1-million against R75-million. With a sharply reduced interest bill, attributable profits rose by 73.5% to R66.4-million from R39.1-million.

Earnings rose by a similar amount to 90.4c a share from 52.1c and the dividend was increased to 24c from 20c, although covered 3.8 times compared with 2.6 times.

The company is forecasting an increase in earnings this year.

Murray & Roberts also increased turnover marginally to R12.5-billion from R12-billion, but operating profits rose significantly to R545-million from R227-million. The company made provisions of R340-million in the previous year for soured overseas train contracts, but received an insurance recovery of R74-million in the past year. This helped push attributable profits to R518-million from a loss of R272-million in 1997.

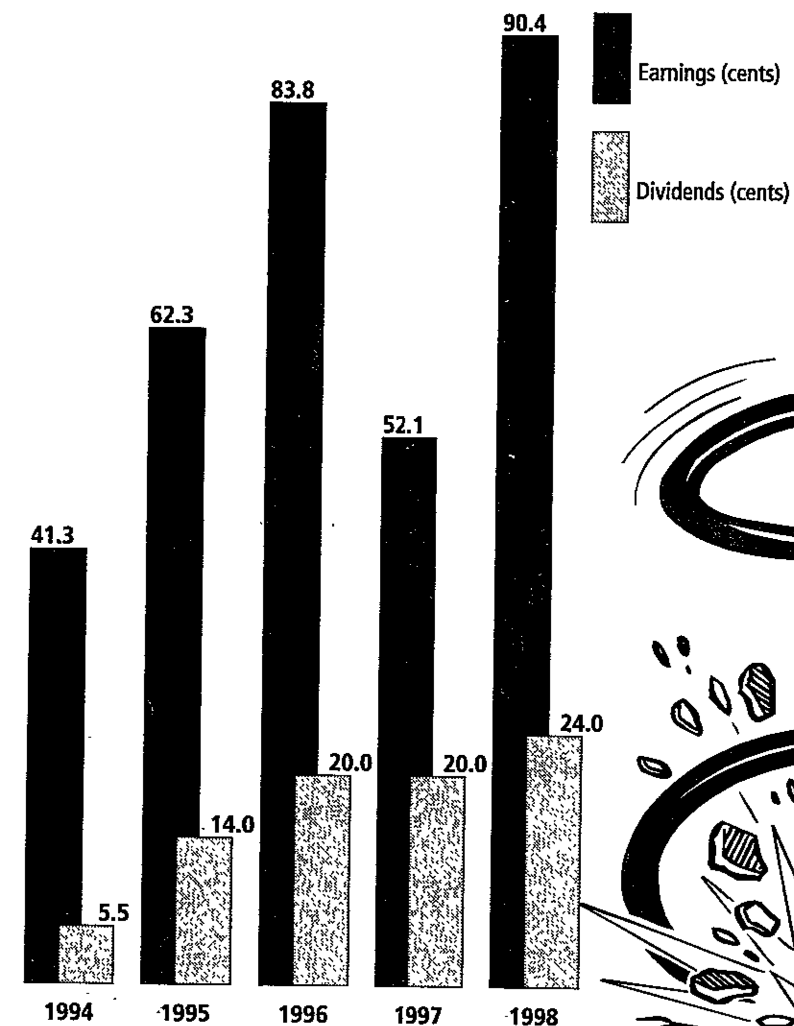
Headline earnings rose to 49c a share from a loss of 44c a share, although the total dividend remains unchanged at 49.5c a share.

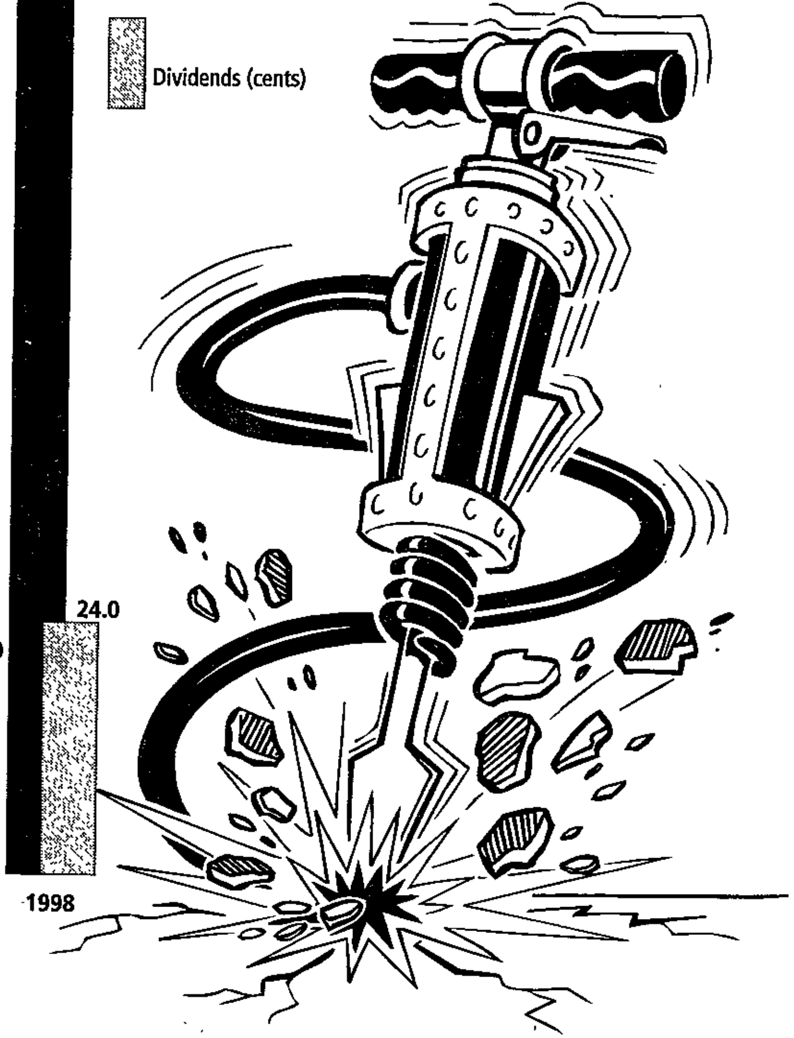
The company is looking for a strong growth in earnings.

Grinaker's turnover rose 17.8% to R2.8-billion from R2.4-billion, with operating profits adding 41.5% to R87-million from R61.4-million. Attributable profits were up at R55-million from R42.6-million to produce headline earnings of 132.9c a share against 110c. The total dividend is higher at 30c a share (23c).

The order book is at a high R4-billion.

GROUP FIVE EARNINGS AND DIVIDENDS PER SHARE





Graphic: FIONA KRISCH
Source: GROUP FIVE LTD

Bifsa fights on against 'bureaucratic' Bill

BUILDING REGULATION

By DON ROBERTSON

THE R21-billion a year building industry has again come out against the proposed National Home Builders Registration Bill, calling the operating council a "blatant bureaucracy".

The Bill will force all builders to register with the National Home Builders Registration Council (NHBRC) and make it illegal for unregistered builders to put up houses.

Ian Robinson, executive director of the Building Industries Federation of SA (Bifsa), listed 21 points of contention against aspects of the Bill.

The revised Bill, published on July 27, omits recommendations made by Bifsa in talks earlier this year with the council. No provision is made for stakeholders to comment or make additional recommendations.

Bifsa was not invited to attend a National Council of Provinces meeting the previous week to discuss the Bill. It did attend, but was asked to leave.

The Bill was presented to Parliament on Wednesday, but opposition from Bifsa has resulted in the postponement of consideration of the Bill until November. Bifsa hopes it will again be consulted and its recommendations be considered.

Registration requires building companies to contribute 1.3% of the value of a project to the council, which will regulate the industry and insist on repairs to building defects.

Robinson says that although the council will insist on repairs, there are no guarantees this will happen. Bifsa suggests reducing the 1.3% fee for companies that have performed satisfactorily.

Robinson says industry growth this year will be down to about 1% from the previously expected 3.5%.

(32) ST(BT) 23/8/98

Builders buckle as projects shelved

Star 1/9/98 (3a)

No funds, so 161 developments including 22 schools and 16 hospitals have been put on ice

By Themba Sepotokele

The building industry, still reeling from high interest rates which have already put projects worth R800-million on ice since January, is preparing to face yet another turbulent year.

Among the 161 projects which had been shelved are 47 commercial enterprises, 22 schools, some 23 housing developments, 16 hospitals and 11 trading facilities including retail shops, according to the Building Industries Federation of SA (Bifsa).

According to Southern Council technical services executive officer Duncan Hunlley, no new projects had been approved due to financial constraints.

He said council was determined to complete projects which had been initiated over the last two years.

Council spokesperson Jameel Chand said the council could not secure loans from the banks and so could not start any new projects.

Bifsa executive director Ian Robinson said by next year housing projects would probably be at an all-time low because foreign investors were not yet confident that crime and violence were declining.

He said the low-cost housing market had performed better than private residential developments such as flats and townhouses last year, but the trend was not expected this year.

"Lack of public funding is a serious hindrance to any further developments.

"In many regions the provincial government has simply resorted to methods of non-payments.

"This has led to the construction of low-cost housing projects being suspended until further notice.

"Ideally, 5% of the national budget should be allocate towards housing but at this stage less than 2% is allocated," Robinson said.

Bifsa hoped the Presidential Job Summit would create more employment in the building sector and anticipated that by the year 2 000 building projects would be in full flow and reach 8% of budget.

Builders' council denies red tape claims

Vuyo Mvoko

BD 2/9/98 (32)

CAPE TOWN — The state-funded National Home Builders' Registration Council denied yesterday claims that it was spending more money on maintaining a "bloated bureaucracy" and less on the protection of home owners.

It was set up to protect housing consumers against bad workmanship.

Council representatives told the parliamentary housing committee yesterday that allegations the council had spent R16,9m on administration were without foundation.

MD Peter Allsopp said the council had spent only R5,6m on administration. It had also spent R9,8m on defect prevention site inspections and R6,7m handling 2 134 claims.

It had also used funds on conciliation services between consumers and defaulting builders, regulating the industry and protecting consumers.

Building standards body defends its role

(32)

STAR 2/9/98

The National Home Builders' Registration Council has defended itself against allegations from other building-industry associations that it is an overpaid and ineffective bureaucracy.

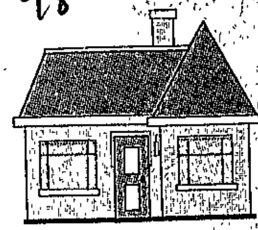
These, and other allegations, were made to Parliament's housing portfolio committee yesterday by the Building Industries Federation of SA, the Master Builders' Association and the Western Cape Developers' Forum.

In a meeting with the portfolio committee, the council said an independent survey had found that 40% of home builders believed that the NHBRC process had increased their construction quality in less than two years.

To the allegation that the NHBRC had spent R16,9-million on administration alone, the council said it had spent R5,6-million on administration since June 1995.

Some R31-million had been saved by NHBRC proposals to cut bureaucracy and administration for the subsidy housing sector through project enrolment, it said.

It confirmed that it had spent only R4 700 on



remedial works in the 1997/98 financial year, but said this figure was misleading if quoted out of context.

The fund expected to pay out for 40 structural defects for every thousand homes built, at an average cost of R10 000 at mid-1995 prices. However, these repairs were expected to be spread out across the full five years of the warranty, with most repairs occurring between three and five years after occupation.

Meanwhile, the council has been the subject of a series of questions tabled in the National Assembly by National Party MP Jac Rabie.

Among other things, he asked Housing Minister Sankie Mthembi-Mahanyele for details of salaries of the council's office-bearers. According to figures tabled at yesterday's committee meeting, the average salary package is R71 000 a year. – Political Correspondent

Building industry is 'virtually under siege'

CT (BR) 9/9/98 (32)

ADELE SHEVEL

Johannesburg — Recent economic upheavals locally and abroad had placed the building industry under siege, Peter Ridl, the incoming president of the Building Industries Federation of South Africa (Bifsa), said yesterday.

"Unless there is an early reduction in interest rates, many of the projects that have been scheduled will be put on the back burner or, at worst, cease to be viable," he told delegates to the organisation's 93rd annual conference in Port Elizabeth.

Ridl said it was important that builders take advantage of the limited opportunities affecting the industry, one of which was the deteriorating rand "which makes property investment opportunities from overseas attractive".

But he said overseas investors were concerned about the high levels of crime and violence, as well as the inflexibility of the labour legislation.

He said it was important to lobby the government to promote additional infrastructural investments that would bring some stability to the domestic markets. "This in turn will prompt a reduction in interest rates."

A rethink on the provision of the labour legislation also needed to take place.

Meetings would be held with the South African Property Owners Association and development professionals to find ways to stimulate activity in the domestic property arena. The building industry's contribution to the job summit on October 30 would position it as the biggest job creator in the country, after tourism.

Ridl urged employers not to be tempted to reduce their level of training. "We will encourage employers rather to increase their training activities, particularly in the emerging contractor sector," he said.

"We also have to face up to the harsh reality that in the present economic climate retrenchments and liquidations will increase. Many people leaving the industry will not return, which is all the more reason for us to step up the momentum of training across the board."

'Overseas investors are concerned by the inflexibility of SA's labour legislation'

He stressed that members of the industry welcomed the new Skills Development Bill and would continue to seek ways of improving the method of collecting training levies that would finance "badly needed training initiatives".

He said Bifsa would continue to seek modifications to the National Home Builders Registration Council (NHBRC) and the accompanying legislation "to expose the problems and inefficiencies of the current NHBRC and to lobby against making this council a statutory body for a period of five years".

KwaZulu Natal's builders in crisis

(32)(BR) CT 17/9/98

RAVIN MAHARAJ

Durban — At least 10 000 workers in KwaZulu Natal's building and construction industries could face retrenchment in the second half of the year, and the next year could be even worse, Pieter Rautenbach, the executive director of the KwaZulu Natal Master Builders' Association, said yesterday.

The association has written to Thabo Mbeki, the deputy president, and other ministries, asking that the "full-scale depression" be addressed at the proposed jobs summit next month.

The Building Research Strategy Consulting Unit said in turn it would call for a building industry summit to debate the strategic direction of the industry, and to develop a common vision for growth.

Rautenbach said: "This is the worst scenario I've seen in 20 to 30 years. And it's getting worse." The value of building plans passed in KwaZulu Natal was down 23,5 percent, or R271 million, on last year.

He said companies had indicated some of the main problems were a massive reduction in the amount of public sector work available, the lack of government spending on capital projects and uncertainty surrounding affirmative procurement policies. The credit squeeze clamp by banking institutions, negative cash flow, and high interest and bond rates, had made the situation worse, Rautenbach said.

He said the latest survey into the state of the building and construction industry indicated that 94 percent of respondents said there was a full-scale depression in the province's building industry.

One way to halt increasing liquidations would be to boost tourism. But an important prerequisite was the provision of a "world-class airport" in Durban, and jump-starting development projects which had been on the drawing board for years.

Bill aimed at stopping poor-quality houses

CHARLES PHAHLANE
POLITICAL CORRESPONDENT

ARG 22/9/98 (72)

Consumers who have occupied homes only to find structural design problems and leaking roofs will have their rights protected by a bill passed by the National Assembly.

The Housing Consumers Protection Measures Bill would bring about ethical behaviour in the building industry, set parameters within which home builders and home-owners can interact and, in the long term, lead to the "snuffing out" of fly-by-night developers, said Housing Minister Sankie Mthembi-Mahanyele.

The bill provides for a database comprising home builders and for provincial authorities who grant Government housing subsidies to deal with registered developers.

Ms Mthembi-Mahanyele said: "With this bill, we hope not only to put a halt to the crumbling or gaping walls in newly erected houses, but also to create an environment within which home owners can get a warranty on top structures for at least five years.

"Through this measure, we will ensure that home-owners who take delivery of poor-quality houses will have recourse."

The bill stipulates that standards for building houses that are fit for habitation in accordance with the National Home Builders Registration Council's (NHBRC) technical requirements apply to all houses.

All houses will have a five-year structural warranty. A one-year roof leak and a three-month defect period apply to all homes.

NEWS

CONSTRUCTION *Affirmative procurement the goal*

Public works seeks more black builders

(32) CT (BR) 30/9/98

RAVIN MAHARAJ

Durban — The department of public works had identified projects to the value of R600 million for the 1998-99 financial year as part of its recently launched strategic projects initiative, Jeff Radebe, the minister of public works, said yesterday.

In KwaZulu Natal alone, three public sector construction projects with a value of R298 million had been identified. These were in Kokstad (R231 million), Richards Bay (R37 million) and Pietermaritzburg (R19 million).

Speaking at an affirmative procurement seminar on the construction industry, Radebe said the department's immediate challenge was to build on the achievements of the Affirmative Procurement Policy — launched in August 1996 — and roll it out over the next few months to consolidate empowerment initiatives.

Affirmative procurement in the public construction sector has grown from less than 1 percent in 1994 to more than 28 percent this year.

But Radebe said there were still many inefficiencies. Corruption that characterised the procurement system under apartheid had to change, and new institutional arrangements were needed to ensure good governance.

He said it was disconcerting that genuine empowerment had not really taken off. Most black contractors preferred to enter joint venture agreements with large contractors on mega-projects, but participation in the day-to-day management of construction activities still was minimal.

Radebe said the department's goal, by the turn of the century, was for 90 percent of national and provincial public works projects, 25 percent of local government public works projects and 15 percent of public works projects procured by parastatals to be on affirmative procurement specifications.

But it was important black contractors came forward in their own right and participated in the attaining of a long-term vision, Radebe said.

He said the initiative comprised the amending of specifications to create a preference for black contractors wishing to participate in large-scale public works projects as prime contractors; the mobilisation of private sector financial resources for initial capitalisation; and easier access to plans and materials.

BUILDING FOR THE FUTURE *Jeff Radebe says the public works department has identified projects worth R600m in the next year as part of its new initiative*

Agency fosters emerging builders

(3a)

Robyn Chalmers

06/10/98

THERE has been strong growth recently in the number of emerging contractors receiving loan guarantees from the National Urban Reconstruction and Housing Agency, a facilitator of low-cost housing.

The agency's executive director Nonhlanhla Mjoli-Mncube said yesterday growth in the number of emerging contractors receiving loan guarantees was important as it offered consumers more choice.

The agency encourages private sector involvement in the national housing effort by sharing risk with financial institutions through loan guarantees. One of its goals is to empower emerging contractors through offering bridging finance guarantees. The mandate has been difficult to fulfil due to nonfinancial problems that often limit emerging contractors' participation in housing projects, but this appears to be changing.

Mjoli-Mncube said established contractors had made most use of Nurcha guarantees over the past three years. They did not need help along the business learning curve and could deliver more units in shorter periods. However, by the end of August, 48 established contractors and 56 emerging contractors — including three contracting companies run by women involved in 11 projects — had received the agency's support.

She said established contractors were still the key to supplying houses on scale. For every one home built by a community builder, nine were built by established contractors.

The agency's figures showed emerging contractors were building 3 500 homes for every 30 000 constructed by established builders. Established contractors offered speed of construction and peace of mind on some quality issues, Mjoli-Mncube said.

Emerging contractors built at a slower pace and were often more responsive to input from the community and the owner's family. Closeness to the construction site and lower overheads sometimes meant the emerging contractor could build bigger homes with a government subsidy, she said.

Housing bill offers no guarantees, warns Bifsa

ET (BR) 13/10/98 (32)

ADELE SHEVEL

Johannesburg — The Building Industries Federation of South Africa (Bifsa) was seeking to change the Housing Consumers Protection Measures Bill passed by parliament last week, Ian Robinson, the executive director of Bifsa, said yesterday.

Robinson would not disclose details but said the federation had sought professional advice.

The bill was a "vast improvement over the first bill" but it did not guarantee protection to the consumer and offered "no obligation" for the National Home Builders Registration Council to follow up a complaint.

The bill also set up the council as a monopoly for the next five years.

Robinson said it was "problematic" that all houses would be subject to the same requirements. Though there were benefits through the bill for buyers in the bottom end of the market, many developers in the upper end saw this as another obstacle to providing a product.

The bill, which is expected to be implemented next June, seeks to cover all newly constructed homes through a five-year warranty against unscrupulous builders.

It transforms the council into a statutory body in which all builders would have to register before building a home.

Building firms think twice on govt contracts

(32) BD 13/10/98

Moses Mlangeni

THE Steel and Engineering Industries Federation of SA (Seifsa) says numerous construction companies have stopped tendering for government contracts because of nonpayment or delayed payment by the state.

Seifsa president Colin Campbell said at its 55th annual general meeting yesterday that deep concerns remained with regard to government debt at national, provincial and local levels.

Seifsa said employment levels of its member companies had dropped substantially from more than 450 000 hourly paid workers in 1981 to just under 265 000 this year. The metal and engineering industry represents nearly one-third of all manufacturing in SA, in turnover and employment.

Campbell said Cosatu's complaint about the job situation was legitimate, but the union federation could be looking to the wrong sectors for job creation on any significant scale.

COOPER

Campbell said trade liberalisation, reduced import tariff protection, the tariffs and trade board's inability to deal effectively with dumping, and customs and excise department failure to police imports and levy correct tariffs were issues the metal industry wanted to be urgently addressed.

The perception that SA was an easy dumping ground for surplus products had to be corrected before free trade accords were concluded with the European Union and the Southern Africa Development Community. While more trade liberalisation was an attractive option, it had to be done with necessary safeguards to ensure job creation and job security.

Employers and trade unions in the industry had agreed to form a joint committee to consider the challenges that global competitiveness, new international trade dispensations and globalisation pose to SA industry.

Building sector still in doldrums

MD 21/10/98 (71)

Samantha Sharpe

CAPE TOWN — Short-term prospects for the building and construction industries remain bleak, with employment levels likely to be significantly reduced in line with a fall in building activity, according to the latest Bureau for Economic Research building and construction survey.

The bureau said high interest rates were having a severe constraining effect on the building and construction industries, with latest survey results showing a strong decline in work volumes.

This decline was being felt among all industry participants including architects, quantity surveyors, contractors and subcontractors, all of whom were reporting a sharp decline in the availability of new contracts.

The slowdown in building activity had compelled companies to reduce their overheads and retrench employees, the research unit said.

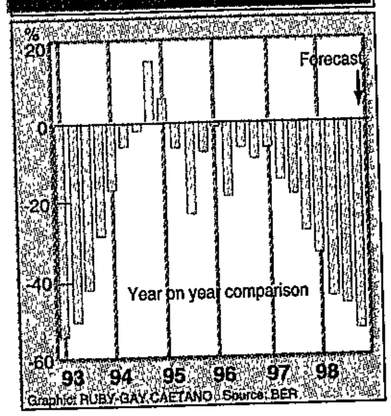
"Notwithstanding the recent marginal decline in interest rates, the short-term outlook for the building industry remains bleak and building activity will in all probability contract sharply over the next 12 months.

"Employment of artisans and general workers is thus likely to be significantly reduced," the bureau said.

The research organisation said because of the sharp contraction in the industry, the competition in tendering had escalated and builders had had to cut profit margins when tendering for new work.

"This is clearly reflected by the rapid slowdown in the increase in building costs. During the third quarter, the (bureau) building cost index increased by only 0,8% compared with the same quarter a year ago. The corresponding rise in the second quarter was 7,6%," the unit said.

Contractors' work on hand



Graphic: RUBY-GAY CAETANO Source: BER

Building industry approves skills bill

(32) BD 28/10/98

Sibonelo Radebe

GOVERNMENT's Skills Development Bill has received the thumbs-up from the Building Industries' Federation of SA (Bifsa).

The bill requires that companies contribute the equivalent of 1,5% of their total wage bill to training and a skills development scheme.

The federation has further suggested a commodity levy as one other way in which government can gather funds for training and skills development.

Within the building industry, government has authorised the Building Industries Training Scheme, placed under trusteeship of Bifsa, to collect training and skills development levies from companies.

Bifsa executive director Ian Robinson said the bill had the potential to have a positive effect on the industry. This could, however, be hindered by the difficulty of reaching companies to make them contribute.

He said there were more than 8 000 employers who should be contributing to the scheme, and their contribution in total should amount to about R60m a year. Only about R25m a year was collected, however, and R5m was used for administration.

He said the scope of collection was further reduced by the use of subcontractors who were difficult to identify and did not contribute to the training levy.

Robinson suggested a commodity levy that he characterised as an easier and efficient system compared to the "cumbersome" payroll percentage system.

He said industry sectors could add a particular percentage to the cost of their products and gather the money accumulated and hand it over to the Sectoral Education and Training Authority.

Robinson said Bifsa, government and other players in the building industry were discussing solutions for levy collection.

Builders will struggle to gather training levy

CT(PM) 29/10/98 (32)

ADELE SHEVEL

Johannesburg — Ian Robinson, the executive director of the Building Industries Federation South Africa (Bifsa), said the industry would battle to collect the R60 million required by the proposed Skills Development Bill and the new requirements of the labour department.

The new bill will authorise the Sectoral Education and Training Authority (Seta), through the labour department, to collect 1 percent, or the equivalent thereof, of wages and salaries. Robinson said he expected the bill ultimately to bolster training in the industry once a solution was found.

Until now, the Building Industries Training Scheme, which is placed under the trusteeship of Bifsa, has been empowered by the government to collect levies based on 1,5 percent of the total industry wagebill. This gives the training scheme the right to collect about R60 million in training funds. In practice, the scheme collects only about R25 million, with the administrative costs for this collection amounting to R5 million.

"The problem becomes more acute in that the labour department requires that only 1 percent of the total funds collected are to be spent on administration," said Robinson.

The easiest way of solving this problem would be to impose a commodity levy, such as adding 3 percent to the cost of cement. The three cement companies would then take the added-on percentage and hand it over to Seta for expenditure on training.

Robinson said an initial approach to cement companies had not met with support, largely because the cement industry believed it would be prejudiced in its competition with other products.

MISGIVINGS *Bifsa's Ian Robinson predicts problems arising from the Skills Development Bill*

Bifsa will tackle procurement policy

BD 9/11/98

(32)

Sibonelo Radebe

THE Building Industries' Federation of SA (Bifsa) is to meet the public works department after the federation asked that the department's affirmative procurement policy be revisited.

Bifsa executive director Ian Robinson said his organisation had requested "that the current process and rules be revisited in consultation with Bifsa and other stakeholders".

Bifsa supported the principle, but saw the "need to provide input to the detail with a view to suggesting modifications.

"The department of public works has agreed to our request and we expect to engage with them shortly," Robinson said. He declined to say what modifications Bifsa was seeking.

Other construction industry players have also complained about a lack of consultation.

Department director-general Sipho Shezi said at the annual convention of the SA Association of Consulting Engineers recently that 90% of all national and provincial public works projects procured by parastatals would be awarded to black prime contractors.

He said 25% of local government public works projects would be awarded to black contractors. It was "pitiful" that almost no black contractors participated in projects exceeding R25m, Shezi said.

He said black contractors had a lot of potential to participate successfully in mainstream projects, but they were blocked by structural obstacles the department was determined to remove.

The strategic projects initiative involved amending the affirmative procurement policy to allow preference for black contractors wanted to participate as prime contractors. The department would mobilise financial resources for emerging contractors and provide easy access to plant and materials.

Shezi said the system of awarding tenders on price and development objectives instead of on price competitiveness alone would not hamper the chances of prime contractors. This was because the department encouraged joint ventures between prime contractors and emerging contractors.

Tenders would be awarded according to a points system similar to that announced in 1996, which applied to contracts of less than R2m.

"We cannot exclude major players because we need their experience and expertise," he said.

NEWS

Special plan approved to tackle cancellation of government contracts and late payment

State to pay its debt to building sector

(32) CT (MR) 13/11/98

LYNDA LOXTON
PARLIAMENTARY CORRESPONDENT

Cape Town — The construction industry, which is owed hundreds of millions of rands by the government, should get some relief early next year as a special plan approved this week starts kicking in, it emerged yesterday.

An inter-ministerial committee of finance minister Trevor Manuel, transport minister Mac Maharaj and public works minister Jeff Radebe announced that it had approved the action plan to deal with the increasingly serious problem of government contracts being cancelled and departments paying their bills late.

The scale of the problem was highlighted yesterday when the South African Association of Consulting Engineers (SAACE) reported that consulting engineers were owed more than R128 million by the government.

The plan involves improving tender procedures and controls, the management of budgets and cash flows, communication between national and provincial governments and staff skills in government departments.

Spencer Hodgson, a director in the public works department, said he was "pushing hard" to get the plan implemented by early next year but "not all problems can be solved overnight".

He said the construction industry would "be within their rights" if they started charging the government interest on outstanding bills if payments did not improve with the action plan.

He said instead of 30 days, many departments took up to four months to pay their bills.

A special task team set up by the ministerial committee found there were "serious difficulties" in all provinces because of inadequate budgeting procedures, structural problems, a lack of capacity and unfamiliar industry contract procedures.

This had led to wasted resources, increased costs to industry and the public sector, the collapse of some businesses, lower industry confidence and a loss of motivation in the public sector.

"A significant ... political outcome of current practice is retarded delivery and economic growth," the task team reported.

It recommended that a focus group of national and provincial officials be established to review existing procedures and develop new ones.

The plan was welcomed by the executive director of the Building Industries Federation of South Africa, Ian Robinson, who hoped it would get results.

Tenders to implement the plan are expected to go out before the end of the year.

PAYING UP *Jeff Radebe, the minister of public works*

3

New Act compels builders to fix up their own mess

ST(MT)22/11/98

All new houses will have to be enrolled under a warranty scheme before mortgage loans may be granted, writes DON ROBERTSON

(32)

SCATHING criticism by the building industry of the Housing Consumer Protection Measures Bill was met with considerable changes to the Bill before it was promulgated earlier this month.

Opposition, largely from the Building Industries Federation of SA (Bifsa), was vociferous and at times acrimonious.

But the Act, promulgated on November 2, now requires all home builders to register with the National Home Builders Registration Council (NHBRC) from June next year and for every new house up to a value of R250 000 to be "enrolled" under the NHBRC's defects warranty scheme.

The aim is to purge the industry of sub-standard constructors and give home buyers a guarantee that poor work will be rectified.

The new legislation will force builders to adhere to a strict set of standards and abide by quality control measures monitored by the NHBRC.

The builder, in turn, will be responsible for design, material and workmanship defects for three months, roof leaks for 12 months and structural integrity for five years.

The Act makes it illegal for a bank to advance a mortgage loan for a home if the builder is not registered or the home not enrolled.

The enrolment cost to the builder is 1.3% of the value of the house or housing project, although this will not be applicable to subsidised houses costing less than R15 000.

Failure to comply with the terms of the Act will be punishable with either one year's imprisonment or a fine of R25 000 for each home built.

The NHBRC was established in June 1995 as a Section 21 company, but has now become a statutory body and will retain this status for five years from next June. To date 5 232 applications from builders have been approved, but NHBRC managing director Peter Allsopp says owing to poor economic conditions, about 45 contractors a week are closing down. This is countered by new applications of only 20 a week.

Nevertheless, the NHBRC has built up a protection fund worth R50-million, part of which is used for administration and inspection costs.

Allsopp says the cost of repairs to homes not undertaken by the original builder between 1995 and February next year is estimated at R1-million. He points out, however, that less than 10% of the homes are two years old and it is normal that any structural deficiencies become noticeable only after four years. During this period, it is possible that some builders will have been forced to close and it will the NHBRC's responsibility, in terms of the Act, to make the repairs.

The NHBRC receives about 500 complaints a month, which are pared down to about 120-150 a month.

Builders to carry can for faults

(32)

New legislation will offer consumers protection from fly-by-night contractors

Star 23/11/98

By Cathy Powers

Gaping cracks in the walls, roofs blown off in a breeze, shaky foundations.

This is the costly nightmare your pristine new home can turn into.

But new legislation, which comes into effect in June next year, will offer consumers a dream in the form of extended protection from fly-by-night builders and will standardise the home-building industry.

Under the Housing Consumer Protection Measures Act builders will be legally obliged to take responsibility for faults caused by structural defects or shoddy workmanship.

All homes built from June next year will have to be registered and will fall under a warranty scheme, the biggest in the world, according to Peter Allssop, managing director of the National Home Builders' Registration Council (NHBRC).

Builders have to rectify any defects related to workmanship, materials and design occurring within three months after the buyer's occupation.

The builder also has to repair any roof leaks that occur within a year of occupation and fix any faults affecting the structural integrity of the house within five years of occupation, said Allssop.

If the builder refuses or is unable to, the NHBRC is obliged to fix the faults using funds from the rectification fund, which currently stands at R50-million. This fund is independently audited and managed, he said.

The act makes it mandatory for all home-builders to register with the NHBRC and to enroll new houses at a fee of 1,3% of the total selling price of the house. This means consumers are afforded extended protection and uniform standards will apply to the building industry.

The warranty covers all newly built permanent residential dwellings, including flats, houses and townhouses, and excludes additions or alterations done to the dwelling.

All homes to fall under warranty scheme

It covers subsidy housing projects right up to mansions worth millions of rands.

Many of the provisions under the act are not new, Allssop said. The NHBRC, a non-government organisation, was established in June 1995 to protect home buyers against unscrupulous builders but registration by builders was voluntary and its warranty only covered houses up to a value of R250 000, excluding subsidised houses. The NHBRC will dissolve and be replaced by a statutory body, with the same name, with increased powers of quality control and protection for the consumer.

The NHBRC plays an invaluable role. It currently does about 900 inspections a week. Since its establishment, the NHBRC has de-registered 119 contractors and suspended a further 127.

"For every R10-million spent by the NHBRC on inspections, it saves R50-million in fixing houses," Allssop said.

Bank inspectors often don't look at the quality of the building and 30% of local authorities are bankrupt and therefore ill-equipped to conduct the level of inspections done by the NHBRC, he added.

What each party should do

Responsibilities of the home builder:

- Register with the National Home Builders' Registration Council (NHBRC).
- Enroll the house with the NHBRC.
- Build the house to the NHBRC's standards.
- Make good any defects related to plans, specifications, workmanship, and materials within 90 days of occupation.
- Repair any roof leaks occurring within 12 months of occupation.
- Provide a five-year warranty on the structural integrity of the new house.

Responsibilities of the home buyer:

- Check the reputation of the home builder.
- Ask to see the home builder's NHBRC registration certificate.
- Confirm with the NHBRC whether the home builder is still registered.
- Ensure the builder gives you a proper contract for the dwelling.
- Ask an attorney for advice about the contract or deed of sale before you sign it.
- Do not pay a deposit unless you have a valid building/purchase contract and you are sure that your deposit is being held in a trust fund.
- Ensure the new house is enrolled with the NHBRC at least three weeks before building commences.
- Ask the builder for a copy of the enrolment certificate.

When you move in to your new house:

- Draw up a list of problems and defects in the house.
- Hand the list to the registered home builder.
- Sign a letter confirming that the house is acceptable for occupation.
- Do not sign for the keys unless you have handed the list of defects to the builder.

Wall canyon ... shoddy workmanship caused a massive crack in this wall, but in future there will be severe consequences for the builder.

SA construction industry at critical stage, says report

Sibonelo Radebe

THE SA construction industry is on a knife's edge, facing either recovery or slippage to greater depression, says a report by the SA Federation of Civil Engineers (Safcec).

The report says that from the late 1980s, the construction industry entered a declining trend mainly because of shrinking government expenditure on infrastructure development and unfavourable economic conditions.

Fixed investment spending, which comprised about 30% of the annual budget during the 1980s, dropped to less than 8% last year.

"A great deal of woes of the industry could be derived from these trends," Safcec executive director Henk Langenhoven said.

The report says inefficient government structures and mismanagement of funds which frequently led to cancellation of contracts and irregularities in payment systems exacerbated the industry crisis.

The cancellation of government tenders increased by about 10% last year and this year.

If the current trends continue the industry crisis could continue until 2005 and, if vigorous economic growth does not resume in the country at that point, the crisis will stretch to 2010 and beyond, the report says.

Langenhoven urged government to move fast in its attempts to introduce proper management of funds in provincial and local government levels.

The report says the construction industry plays a pivotal role in the development of the country and the consequences of a worst-case scenario could have a knock-on effect on the whole economy.

The industry employed about 120 000 people and Langenhoven said that in a worst-case scenario the figure could be dramatically slashed.

An optimistic view of the report was that if bottlenecks in government delivery were removed and good government policies implemented, the industry would recover by 2002 and see vigorous growth by 2003.

Langenhoven said the report covered only local activities of the construction industry. Major companies operating offshore did not feel much pressure.

(32) BD 24/11/98

Gauteng builders to withdraw from bargaining council

Sibonelo Radebe (32)
and Reneé Grawitzky

THE Gauteng Master Builders' Association intends to pull out of the Gauteng Building Industry Bargaining Council from March next year.

The withdrawal of the association, the main employer organisation in the building industry, will lead to the collapse of the council — the third bargaining council to collapse in the past three years.

Construction unions criticised the move yesterday and threatened industrial action in the new year if employers did not withdraw its notice.

Association executive director Colin de Kock said participation in the council had ceased to be a feasible proposition for the majority of Gauteng MBA members.

He said the decision was made mainly because fewer employers were complying with bargaining agreements as a result of the emergence of many subcontractors who were difficult to police.

De Kock said noncompliant contractors were getting a better deal because their labour bill was lower.

The council's agreement set employment costs at a much higher level than those generally paid in the market. "This enabled noncompliant employers to set competitive tender prices and win most of the tenders."

De Kock said the association was prepared to negotiate a new structure that would be more flexible and "cater for the needs of an industry which is extremely sensitive to economic circumstances".

Industry sources said another reason was that a smaller number of employers had to bear the costs of keeping the council going including the cost of dispute resolution in line with the Labour Relations Act.

He said the council had still not been accredited by the Commission for Conciliation, Mediation and Arbitration and therefore had yet to receive subsidies for its dispute resolution functions.

The low level of representivity of unions in this sector also played a part. The council represented about 35 000 employees and between 2 000 and 4 000 employers.

Building, Construction and Allied Workers' Union general secretary Narius Moloto said the collapse of the council would have far-reaching implications for worker benefits administered by the council.

The union had urged the association to withdraw its notice or face industrial action in January, Moloto said.

Employers wanted to "run away from the unions" while calls for an alternative forum was merely a public relations exercise, he said.

BD 7/12/98

Building sector 'to remain depressed'

Sibonelo Radebe

THE outlook for the building industry remains bleak due to harsh economic conditions and other adverse circumstances that are expected to persist next year, according to an opinion survey conducted by the BMI building research strategy consulting unit.

The survey found that business confidence in the building industry reached its worst levels in 10 years during the third quarter this year.

Confidence levels in the industry had remained positive until commercial interest rates were raised seven percentage points over a short period from April.

"The impact on confidence was immediate and profound, slumping to a net 30,6% negative in the second quarter of 1998," the survey said.

Confidence levels were 85% positive in 1995 and gradually declined to 15% positive in the first quarter of this year, before being knocked to negative levels.

The industry's main concerns were low productivity, militant labour unions, affirmative action, the employment equity bill and general economic problems.

The survey found that many industry players were forced to take drastic measures to cope with the harsh conditions, including cost-cutting programmes, restructuring and rationalisation.

Last week the Master Builders' Association announced its intentions to withdraw from the Gauteng Building Bargaining Council, citing high costs related to complying with the agreements of the council and the fact that the industry was so depressed.

The survey found that many smaller businesses in the industry had been unable to take the pain. "These conditions have produced an intense competition which had a disastrous effect on smaller businesses".

As a result, the number of home builders registered with the National Home Builders Registration Council had dropped from 3 500 in February to 1 874 in October, the survey said.

Since the increase in interest rates from April about 160 approved building projects totalling R800m had been postponed indefinitely.

The survey concluded that the current declining trend in interest rates would not make much difference to the industry. A net 30,6% of the survey respondents expected worse conditions next year.

In addition, the decline in confidence was expected to lead to a drop in investment in building materials and machinery, which would have a negative knock-on effect on the overall economy and employment levels.

(32) BD 7/12/98

Lean times for building industry (32)

CAPE TOWN — Overall construction activity was petering out and the availability of new work was decreasing, the Bureau for Economic Research reported yesterday.

The bureau, in a business survey conducted in the last quarter of this year, said business confidence had deteriorated further and reached a level similar to that which prevailed in 1985/86 — a period of deep recession in the building industry.

Architects and quantity surveyors indicated the number of contracts awarded was sharply down compared to the same period a year ago.

The same applied to the number of commissions at sketch plan and working drawing stage.

"It is also evident that tight market conditions have put severe pressure on overheads and an increasing number of respondents indicate that they have had to reduce staff," the bureau said.

In the case of contractors and subcontractors in the building industry, their confidence levels took a further knock in the final quarter of this year.

This was a reflection of the unavailability of new work and a further intensification in tendering competition.

"Apart from the lack of new work, the cost of finance was a severe impediment hampering business activity. No improvement in the business climate was expected in the new year," the bureau said.

Contractors in the civil engineering industry were equally pessimistic. Work volumes were well below a year before and the availability of new work had waned substantially.

The outlook for the construction industry for next year was grim. The overall building cycle was expected to reach a lower turning point by late next year or early 2000. — Sapa.

BD 15/12/98

Construction industry faces a 'grim' outlook for 1999

CT (BR) 15/12/98 (32)

FROM SAPA

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"No improvement in the business climate was expected in the new year," the bureau said.

Contractors in the civil engineering industry were equally pessimistic. Work volumes were well below those of a year before and the availability of new work had waned substantially.

The bureau said the outlook for the construction industry for 1999 was grim.

"Over the short term, the downswing is likely to intensify further, notwithstanding the fact that a gradual decline in interest rates is expected next year," the bureau said.

It added that the overall building cycle was only expected to reach a lower turning point by late 1999 or early 2000.

Builders may have to pull out of low-cost housing

Sibonelo Radebe (32)

ESTABLISHED builders will have to pull out of the low-cost housing market if the housing ministry continues to insist that the state subsidy of R15 000 is sufficient to build a 30m² house, the Building Industries Federation of SA says.

Bifsa executive director Ian Robinson said the subsidy, which rises to a maximum of R16 000 from January 1, is sufficient for only a 15m² house.

Housing Minister Sankie Mthembi-Mahanyele said last week that minimum standards for houses built with government's maximum subsidy would be introduced. While several builders have said the subsidy is sufficient to build only a 10m² home, Mthembi-Mahanyele insisted that it was possible to build a 30m² structure. She said some smaller and more creative builders had produced houses of up to 40m². She accused established construction companies of wanting to make "abnormal profit" out of the low-cost housing market.

Robinson said about R9 000 of the subsidy was consumed by service and infrastructure costs, including sewerage and the provision of water and electricity, leaving less than R6 000 for the structure.

This meant that even if second-hand materials were used it was impossible to build a quality 30m² home. He disputed Mthembi-Mahanyele's assertion that some contractors could build up to 40m² structures with R15 000.

Robinson said the minister had overlooked several factors in her insistence on the minimum house size, including rising labour costs and more expensive building materials. He said government's stance would drive many established builders out of the market.

He expressed regret that Bifsa had not been consulted before the minimum standards announcement was made, saying the organisation had access to the best expertise in the country to determine building costs. The minister's conclusion that 30m² was a fair minimum for the R16 000 subsidy was wrong and misleading, he said.

BD 08/12/98

Gauteng housing MEC Dan Mofokeng said his department had introduced the 30m² minimum in 1996 and several builders, small and established, had managed to provide houses of up to 40m² at R15 000 each. "For the past two years our experiences (have proved) that the national minimum standards are sustainable and viable," he said.

CONSTRUCTION - GENERAL

1999

'SUBSIDY NOT ENOUGH'

Govt, Bifsa clash over RDP homes

(Bo) (32) CT 11/1/99

JOHANNESBURG: Some in the building industry say the subsidy can pay for only $10m^2$, but others say bigger homes are possible, **FIKILE NTSIKELELO MOYA** reports.

THE government and the building industry are at loggerheads over Housing Minister Sankie Mthembi-Mahanyele's insistence on minimum standards and sizes for houses built using the R15 000 subsidy.

The Housing Department's standards require developers to build houses that are at least $30m^2$, while the Building Industry Federation of South Africa (Bifsa) argues that homes of only $10m^2$ can be built for R15 000.

A typical township "matchbox" house is about $40m^2$.

The norms and standards are to be implemented from April.

Mthembi-Mahanyele says the intention is to "promote good practices in the construction of houses for low-income earners and to discourage crooked and greedy tendencies".

At the heart of the controversy is the government's insistence that Bifsa and other developers who say the R15 000 cannot go far want to take advantage of the government's determination to address the massive housing backlog.

Bifsa's chief executive, Ian Robinson, said it did not make business sense for members to build larger houses because of the expenses involved — such as labour, materials and the development of infrastructure.

"It costs about R9 000 to have a serviced site," he said.

"This leaves us with only R6 000 to erect the top structure (actual house).

"If the local council provided serviced sites for free and local communities provided their labour for free, perhaps then it would be possible to build the houses using the money provided," Robinson said.

"But how many councils or communities would be prepared to supply these for free?"

Robinson said the ministry was getting bad advice from people who claimed they could build bigger houses. It was also misleading consumers.

Of Mthembi-Mahanyele's allegation that Bifsa members were looking for a quick buck, Robinson said: "It's just the opposite. Our profit margins are next to nothing."

Mthembi-Mahanyele said some people had found creative ways to build homes that were bigger than the minimum standard.

She also said Bifsa and its members had not told people about the options available to them.

"(Bifsa) buys the most expensive material, as if it is building for the middle- and higher-income groups," she said.

"We are directing our efforts at low-income earners — that is why we are looking at households that earn less than R3 500.

"We sent out a professional team to survey all the projects. Reports showed that it was possible to build houses that were more than the standard $30m^2$. It can be done."

Mthembi-Mahanyele said that where land conditions were bad — as in areas that were rocky or sandy or had clay, dolomite or high water levels — provincial MECs had the power to reduce the size of homes to a minimum of $24m^2$.

Grinaker Housing's general manager, Bonke Mkhonto, said it was possible to build houses that were bigger than the minimum standard.

His company was building houses that were larger than $30m^2$, he said. In Mpumalanga, it had built houses that were up to $54m^2$.

Mkhonto dissociated his company from Bifsa's claims that it did not make business sense to build "RDP houses".

"Bifsa has never canvassed us for our opinion," said Mkhonto.

One of the options Mkhonto's company offered was that it build the exterior walls and roof and allow the owners to subdivide the interior as they wished or when they could afford to do so.

Mkhonto said established companies were queuing for contracts to build homes for people who qualified for the R15 000 subsidy — which showed that money could be made.

However, if homes bigger than the standard were to be built, the contracts would need to be big, he said.

CAPE ARGUS, THURSDAY, JANUARY 28, 1999

New housing law under fire

Bill ignores consumers' welfare, says building watchdog

ARGT 28/1/99 (32)

MAUREEN MARUD
Argus Action

A new law designed to protect consumers effectively ignores their welfare, says the Building Industries Federation of South Africa (Bifsa).

The Housing Consumer Protection Act, which gives the Home Builders' Registration Council "sweeping powers", needs to be re-examined, says Bifsa.

"Like the Liquor Bill and anti-smoking legislation, there is an urgent need for the provisions of this piece of legislation to be re-examined and returned to Parliament for further consideration," says Bifsa executive director Ian Robinson.

But registration council managing director Peter Allsopp told Argus Action his organisation had spent R17-million "handling claims, inspecting homes and protecting consumers".

Mr Robinson said that instead of protecting consumers, the act made them pay what amounted to an additional tax whenever a house was built, he said.

Every registered home builder had to pay a fee of 1,3% of the total value of a project into the Home Builders Registration Council's coffers.

The 1,3% levy was added to the cost of the project finance, leaving the consumer with an additional bill of more than twice the original levy because it was paid over the period of the bond, said Mr Robinson.

Another major problem was that the act allowed only builders registered with the council to build homes.

It compelled banks to approve financing only to builders registered with the council, and also to ensure that the 1,3% fee was paid to the council.

"Penalties for builders or banks ignoring these provisions are R25 000 or a year in jail," said Mr Robinson.

Consumer protection was limited only to structural building faults and did not cover other faults.

"The act ignores the welfare of the consumer by granting the Registration Council the exclusive five-year right to provide this extremely limited warranty service," said Mr Robinson, adding that the minister reserved the right to extend this mandate after the initial period.

Bifsa is asking the minister of housing to submit the act to the National Economi[c] Development and Labour Council (Nedla[c]) for revision.

Mr Allsopp said President Mandela ha[d] signed the Housing Consumer Protectio[n] Measures Act after extensive public deba[te] and evaluation by both Houses of Parli[a]ment.

"Many stakeholders in the home build[]ing industry also supported it."

The 1,3% fee was to build new home[s] costing below R250 000, and was a charg[e] against the builder for cases where he or sh[e] was unwilling, unable or no longer in exi[s]tence to rectify a defect.

The council had received more than 2 50[0] complaints against builders, of which tw[o] thirds were resolved through interventio[n]. "Over R110 000 was spent rectifyin[g] builders' defects in December alone," sai[d] Mr Allsopp.

Of 80 000 homes registered with the coun[]cil, almost 10 000 no longer had a builder le[ft] to stand by the warranty obligations.

"However, each of these consumers ma[y] still feel safe in the knowledge that if the[y] have structural defects in their homes, th[e] council will be there to assist them."

Housing consumer protection act 'flawed'

Sibonelo Radebe (1683) (32)

THE Building Industries Federation of SA (Bifsa) has called for the Housing Consumer Protection Act to be re-examined by parliament, saying it was concerned the act was not constitutional.

Bifsa executive director Ian Robinson said his association welcomed the aspect of the bill aimed at protecting consumers, but said there were several sections of the act which were seriously flawed.

The act, effective from June this year, will entrench the National Home Builders Registration Council as a statutory body to safeguard the interests of consumers. All home builders will be required to register with the council. Unregistered builders will face a fine of up to R25 000 or one year imprisonment.

The council will be entitled to levy an inspection fee on every house built in the country. The levy will be an equivalent of 1,3% of the total value of each house built.

Robinson said Bifsa objected to the inclusion of the inspection levy. "This means the consumer pays the fee over the period of the bond, escalating the levy to more than double its original amount."

Robinson said the bill's bottom limit to homes which fell under the act should be scrapped as it excluded dwellings of poor homeowners who were in greater need of consumer protection. Instead, a ceiling should be introduced to exempt luxury homes where services of highly rated professional and experts were employed. This category of home builders did not need the consumer protection bill.

BD 29/1/99

"The absence of a ceiling in the 1,3% levy will only add cost to these projects," Robinson said.

He said council could not be a registration body for homebuilders and be an arbiter for consumers. "The act effectively entrenches a state monopoly although government had good intentions in mind when it promulgated the act. But there is a strong case for review. We therefore call on the president and the minister of housing to return the act to the house," Robinson said.

Padraic Doyle, adviser to both the housing ministry and council said the act went through parliament with majority support. The portfolio committee which dealt with the act accepted that the home building industry required regulation.

Building sector gets grim greeting

(33) BD 29/1/99

Reuter and Business Day Reporter

SA's building and construction sector has had a grim welcome to 1999 and analysts say prospects look bleak until well after this year's national elections and possibly deep into 2000.

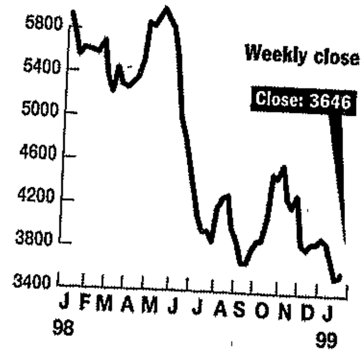
High interest rates, a slide in government spending on public works, rampant crime and a lack of manufacturing expansion have all taken their toll on building work and forced at least two leading companies to issue profit warnings.

Tough conditions are reflected in the decline this month in the Johannesburg Stock Exchange's building and construction index. This has fallen more than 8% in an overall market which has risen more than 5%.

Analysts say the economy, teetering into recession, is partly behind the index's slump, but sector heavyweight Pretoria Portland Cement (PPC), one of the companies that has warned of lower earnings, must share the blame.

"(The fall) is a reaction to what is happening in the real economy and also the sector's response to PPC coming off the boil," said SG Frankel Pollak analyst Mark Ingham. The PPC share held its own last year, supported by speculation of a bid for the cement producer, but has since been depressed by lack of bid news and expectations of weaker half-year earnings.

Building, construction & allied index



KAREN MOOLMAN Source: I-NET BRIDGE

Yesterday construction group Stocks & Stocks reported an attributable loss of R6,1m for the six months to end-September after a R16,7m profit in the previous comparable period, citing "extremely difficult times".

The SA private sector, hampered by labour market inflexibility, has cut construction spending at a time when government spending on building is also falling. Analysts say government fixed spending is likely to take a back seat to political machinations in the run-up and aftermath of the national elections, due to be held by July. And a high crime rate means fewer hotels and tourist facilities are being built, while building work for manufacturers is also becoming scarce.

Construction and engineering group Murray & Roberts warned late last year that it was likely to report a loss for the six months to end-December, and possibly also for the first half of this year.

Analysts say, though, all is not lost because there is work coming in from the country's pension funds, which own many of SA's office blocks and shopping centres.

Call to reconsider act 'was an insult'

Sibonelo Radebe (483) (32)

THE call last week by the Building Industries Federation of SA (Bifsa) for the Housing Consumer Protection Act to be taken back to Parliament was an insult to the office of the president and to efforts that went into producing the act, Housing Minister Sankie Mthembi-Mahanyele said at the weekend. BD 11/2/99

Mthembi-Mahanyele said the process of developing the act started in 1996. Bifsa was given ample time to raise its concerns, but failed to convince the parliamentary portfolio committee and other parties which took part in the development process, she said.

"Bifsa is now whinging for having failed to win support for their arguments."

Bifsa executive director Ian Robinson said last week the act should be re-examined in Parliament because several aspects of it were seriously flawed. "The act effectively entrenches a state monopoly," he said.

The act, which will be in effect from June, will entrench the National Home Builders' Registration Council as a statutory body to safeguard the interests of consumers. All home builders will be required to register with the council or face a fine of up to R25 000 or one year's imprisonment.

Robinson said the body could not be made a registration council for home builders and an arbiter for consumers at the same time. He called for the establishment of an independent arbiter.

He said the inspection levy to be added on costs of every house built should have a ceiling, as luxury home builders did not need its protection.

"These employ services of highly rated experts and the levy would only be an additional expense for them."

Mthembi-Mahanyele said Bifsa had raised these concerns in meetings preceding the passing of the bill, but had received no sympathy. The bill was meant to protect everyone, irrespective of income.

She said Bifsa seemed to want different standards of protection measures for the rich and the poor.

She said Robinson was a member of the registration council's board and it was surprising that he raised these issues through the press and not with the board.

Padriac Doyle, adviser to both the housing ministry and the council, said the act went through Parliament with overwhelming support after it was carefully scrutinised at different meetings attended by representatives of all stakeholders, including Bifsa. He said he saw no need for the act to go back to Parliament.

"After a protracted study it was accepted that the home-building industry required regulation," he said.

Mthembi-Mahanyele said Bifsa was questioning the credibility of the president's office, which signed the act after careful consideration.

Homeowners have a friend

(32) (133)

By Joshua Raboroko

THE National Home Builders Registration Council has spent R17 million on handling claims, inspecting newly-built homes and protecting consumers in a bid to safeguard the interest of homebuyers.

NHBRC managing director Mr Peter Allsop said yesterday more than R110 000 was spent rectifying defects in December alone. This indicates the importance the council attached to fixing shoddy work by contractors, he added.

Presently, he said, the council had received more than 2 500 complaints against homebuilders. About 70 percent of the complaints had been resolved through the council's intervention.

The NHBRC will be given full legal standing in June. In terms of imminent legislation, all homebuilders will be required to register with the council or face a fine of up to R25 000 or one year's imprisonment.

Allsop said the Act was signed by President Nelson Mandela.

Sowetan 2/2/99

Cracks spotted before bridge fell

(BD) (32) BD 4/2/99

Work went on without remedial steps, says engineer who drafted risk assessment after the disaster

Stephané Bothma

PRETORIA — More than a month before the Inyaka River bridge in Mpumalanga collapsed, killing 14 and injuring 12, employees of construction contractor Concor noticed hairline cracks in the structure, but continued work without taking any remedial steps, the Industrial Court heard yesterday.

Concor contract manager for the Inyaka bridge project, Leslie Wardough, told the inquiry into the disaster that after the cracks "no bigger that a millimetre" were noticed on May 27 last year, Concor demanded written instructions from the project engineers, VKE, to continue with the work.

Although VKE had only responded in writing the next day, Concor had in the meantime continued construction "at our own risk", he said.

"No remedial work was done to the cracks. I do not know why.

"VKE asked us to monitor the cracks, but I do not know who did that," said Wardough, whose job in terms of the Occupational Health and Safety Act was to ensure a safe working environment and to carry out risk assessments.

The incremental launching bridge collapsed on July 6 when the soffit was not strong enough to support the bearings.

Wardough said that he had no inkling that "a failure like this might occur".

A risk assessment of the construction of the bridge, which warned of dire consequences should something go wrong, was drafted by Wardough only after the disaster, Wardough admitted in cross-examination by Richard Spoor, representing the families of the victims.

Listing a number of other problems during the construction, Spoor said Wardough and Concor should have been alive to possible design defects.

"But you had an attitude of as long as the bridge was according to specifications, and the engineers said it was on spec, just go ahead," Spoor said.

Wardough agreed.

The court also heard that during a site health and safety meeting held on June 17, no mention was made of the cracks.

"Cracks in structures are regarded as a technical issue, and therefore it would not have been discussed at that meeting," Wardough said.

It was also claimed that during construction, VKE had complained to Concor because workers were not wearing the required protective clothing.

Casual labourers, without any training, were also sent up 27m-high scaffolding used on the bridge on the day of its collapse.

Wardough said he believed the design of the bottom slab and web of the bridge structure, done by VKE, was inadequate, and this caused the collapse.

Spoor countered that Concor, which was responsible for the temporary structures, should have picked up design defects had it done its own calculations or done correct calculations.

The hearing continues today.

Workers' deaths highlight difficulty of enforcing labour laws

(32) (33)

By Raphael Banda

The Government, unionists and employers in the building and construction industry say the building-site accident in Randburg in which two workers were killed this week highlighted the difficulty of enforcing the country's tough labour and safety legislation.

Some construction companies had found loopholes in the Labour Relations Act and were able to subcontract to subvert Bargaining Council agreements reached between workers and employers, industry sources said yesterday.

Speaking generally about the industry and not referring specifically to the Randburg accident, the cause of which is not known, Ian Robinson, executive director of the Building Industries Federation of South Africa, said there was evidence of a lowering of standards as more companies employed subcontractors.

He said this had been encouraged by what he termed inflexible labour legislation.

Two workers died and another was seriously injured when a wall of earth collapsed on them while they were building a retaining wall.

After a preliminary investigation by the Occupational Health and Safety Inspectorate, the Labour Department ordered excavation at the site to be halted.

There were three subcontractors at the site.

Allrand was the main contractor and the company had subcontracted work to Anchor Retaining Walls, which had subcontracted to Valcal International. The fourth company involved was Free State Piling.

Labour Minister Membathisi Mdladlana yesterday said the accident highlighted the need for compliance with occupational health and safety laws, and a commitment to safe working practices.

Star 4/2/99

Cape builders on 'critical' list

ARG 6/2/99

Government action needed now

(32)

GRAHAM NORRIS
PROPERTY EDITOR

The Government needs to take action on several fronts immediately if the Western Cape building industry is to be rescued from disaster.

This warning comes from Don McAlister and Mike Loy, the president and director of the Master Builders and Allied Trade Association, Cape Peninsula.

Mr MacAlister said that although a marginal improvement was evident towards the end of last year, the slight increase in tender activity in the Cape Peninsula was unable to offset the overall catastrophic downturn reported for the whole of 1998 by the MBA.

Mr Loy confirmed the downturn with figures, which he described as "very worrying".

"There was, throughout most of 1998, a massive decline in tender activity in our area. In 1997 we recorded that R849-million worth of work in the commercial and industrial sectors of the market was put out to tender – the lowest level for more than a decade. However, in 1998 the figure decreased a further 45% to R389-million."

Mr Loy said the figures did not take into account residential work and work handled on a negotiated basis, but there were indications that the fall-offs in these sectors were equally significant.

"The situtation is particularly serious," said Mr Loy, "because we now do not expect any sort of upturn for at least the next nine months or possibly a year."

Mr MacAlister, quoting from the latest report of Medium-Term Forecasting and Asssociates, blamed the decline in building activity on the "excessively high" interest rates.

He said four other factors highlighted by MTF had also hurt the industry: negative net migration figures, saturation in the townhouse building market, reduced life insurance and pension fund institutional investment in property and a marked drop in real incomes.

Mr MacAlister urged the Government to tackle the problem by increasing state expenditure on capital projects.

"We simply have to have jobs – and the building industry is acknowledged as the best creator of employment opportunities.

"Furthermore, all money spent on infrastructural improvements directly benefits the communities in which they take place."

Mr MacAlister said that if there was no improvement in the flow of government contracts this year and no boost to investor confidence, the Cape Peninsula building industry would "be approaching a major disaster".

He said a negative result of the overall downturn in building activity had been a reduction in the level of skills training.

"While the industry is technically competent to react at very short notice to any increase in the level of building activity, a worrying factor for the future is the time it takes to train a competent artisan," he said.

For more information phone Mike Loy (021) 21-4757

Cracks at Inyaka bridge were 'ignored'

BD 9/2/99 (32)

Stephané Bothma

PRETORIA — Guests at the launch of the Inyaka River bridge in Mpumalanga last year received no safety briefing, and were allowed to move on the building site without the supervision of contractors Concor Construction, an inquiry into the collapse of the bridge heard yesterday. The inquiry was told the guests were issued only hard hats.

The probe is being conducted by the Labour Court. The bridge, near Bushbuckridge, collapsed on July 6 last year, killing 14 people and injuring 12.

Koos Conradie, an engineer involved in building a similar bridge in Swaziland, told the inquiry he was invited by consulting engineers VKE to attend the launch. He said the entire structure started moving while he was on the deck of the bridge, which was still under construction. The inquiry heard earlier that cracks in the concrete were visible more than a month before the bridge's structure collapsed.

Conradie, who has 14 years' experience as an engineer, said if he had been working on the Inyaka bridge when the cracks were first noticed, he would have contacted the design engineer. He said calculations were needed to determine the cause of the cracks before allowing any work on the bridge to continue.

Conradie said the feeding of the launching pad should have been monitored and the launching process should have been stopped if the pads had been used incorrectly.

The inquiry continues today.

'Concor deviated from safety'

Witness testifies that collapse of the bridge was reasonably foreseeable

Stephané Bothma

PRETORIA — Critical safety aspects specified in the contract for the building of the Inyaka River bridge in Mpumalanga had been deviated from by construction firm Concor and could have contributed to the collapse of the structure, the disaster inquiry heard yesterday.

Fourteen people were killed and 12 injured when the incremental launching bridge near Bushbuck Ridge collapsed on July 6 last year.

The monitoring of movements in one of the pillars of the bridge — a specification in the contract — were not adhered to because Concor's equipment on the building site was not sensitive enough to do so, site agent Peter Price, in charge of supervision of the construction, testified.

Price said the monitoring of deflections was a critical safety issue. "If deflections are not monitored and a problem occurred, the bridge would fail," he testified.

A collapse was therefore "reasonably foreseeable," he admitted. He said the deviation from the contract followed discussions with the designers of the bridge, VKE Engineering.

"Our role in the bridge was to construct, not design," Price said.

A second safety measure — the installation of emergency switches on the bridge to halt launching in case of an emergency — also specified in the contract, had also not been adhered to.

The inquiry, chaired by Larry Kloppenberg, heard that more than a month before the collapse, cracks were noticed in the concrete structure.

However, resident engineer Theo van Deventer, employed by VKE, said he did not have the knowledge to attend to the cracks and that his expertise were in road building, not bridge building.

"If I saw cracks like that in one of my roads, I would break the entire thing up," Van Deventer allegedly said at the time the cracks were noticed.

Price said that several new cracks had appeared on the bridge in the month before the collapse. "Each time we expressed our concern to VKE, but were told by them to continue with work," he testified.

A report submitted by an independent expert, Andre Oosthuizen of the firm AOA consulting civil and structural engineers, stated that if "proper supervision at each work station existed, the soffit cracking would have been observed, leading to stopping of the launch" which could well have prevented the collapse.

Oosthuizen said Concor had failed in many respects — including incorrect assembly and stressing of DW Bars, incorrect levels of temporary bearings, incorrect dimensions and orientation of sliding pads, lack of control of actual pier deflections and lack of appropriate communication on site.

Price said Concor had been aware that medical facilities in the Bushbuck Ridge area were insufficient even before the disaster.

Price, who in terms of the Occupational Health and Safety Act was responsible for supervision of the site, was in his office a distance from the bridge on the day of the collapse. He witnessed the disaster from his office window.

BD 10/2/99

(32) (~~133~~)

Agent failed to carry out duties, bridge probe told

BD 11/2/99

Stephané Bothma (48) (30)

PRETORIA — The Concor Construction site agent responsible for supervising the building of the Inyaka river bridge in Mpumalanga was yesterday accused of "absolutely failing" to carry out his responsibilities as determined by the Occupational Health and Safety Act.

The bridge, under construction near Bushbuck Ridge, collapsed on July 6 last year, killing 14 and seriously injuring 12 others.

Attorney Richard Spoor, representing families of the deceased at an inquiry into the disaster, stopped short of accusing Concor site agent Peter Price of complete incompetence during heated cross-examination, an accusation strongly denied by Price. Listing more than 10 examples of alleged failures by Price to carry out his duties properly on the day of the collapse, Spoor said he was "shocked and appalled" by what he was hearing.

Spoor also accused Price, a qualified engineer, of being evasive and of refusing to answer certain questions.

"I will not let him get away with it. This is a serious matter and it is essential that we get answers," the attorney told inquiry chairman Larry Kloppenberg.

Spoor said Price totally failed to supervise the performance of building work on the day of the collapse, had been unaware that site workers were carrying out some essential tasks incorrectly, had no understanding of the significance of several cracks which had appeared in the structure, did not know whether or not construction supervisors were properly briefed or that some workers on the bridge had not been supplied with safety harnesses and safety boots as required by the act.

Price had not supplied a written plan of action should something go wrong and did not know that at the launch of the bridge, on July 6, a worker spotted a new crack.

Price, who was in his site office when the bridge collapsed, disagreed he had failed to carry out his duties as per the act, saying he had been busy with administrative work which was an equally important part of his duties.

The inquiry also heard Concor had decided not to use stress wires between bridge piers and abutments to monitor deflections of the piers as specified in the contract. An alternative method of measuring the movements had been used.

Spoor said use of stress wire had been a "standard, fundamental" practice by everyone who had been building that type of bridge for 20 years. "I discovered only after the collapse that stress wire systems were readily available," Price said. The inquiry continues today.

SOWETAN Friday February 12 1999

Yet another law to protect the innocent

(32)

Sowetan 12/2/99

By Malcolm Ray

LEGISLATION to tighten up the Government's beleaguered housing delivery programme to protect consumers against fly-by-night contractors was well under way, Housing Minister Ms Sankie Mthembi-Mahanyele announced yesterday.

Speaking at a media briefing, she said her department had received complaints from the communities about the poor workmanship.

"The Housing Consumer Protection Measure Act released last year is a building block towards getting rid of bad elements in the building and construction industry," she said.

Mthembi-Mahanyele said legislation has been mooted to give statutory recognition to the National Home Builders Registration Council (NHBRC).

"In the past there has been little help that consumers could get in their fight against builders. While many builders are good, some have given the industry a bad name," she said.

The loophole in housing legislation was that while it provided for partnerships with the private sector, particularly emerging black contractors, the scope and status of the NHBRC had proved wholly deficient as far as regulating the delivery programme was concerned.

The key objectives of the legislation, Mthembi-Mahanyele said, was to create a national registration board with powers to regulate minimum national quality standards for all home builders.

Another loophole in the legislation "is the tendency of some individuals to use the R15 000 government subsidy per family for other purposes".

"There have also been cases where individuals have been able to access the subsidy more than once," Thembi-Mahanyele said.

"We have a backlog of between two and three million houses. Measured against a limited subsidy budget for low-cost housing, this prejudices other homeless and low-income beneficiaries who qualify for government assistance."

‘Matchsticks could fit into cracks’ in Inyaka river bridge

BD 16/2/99 ~~(33)~~ (32)

Stephané Bothma

PRETORIA — At least 17 more witnesses will be called to give testimony about events leading to last July’s collapse of the Inyaka river bridge in which 14 people were killed and 12 injured.

The inquiry, under the chairmanship of Larry Kloppenberg, has heard evidence mainly from workers who survived the disaster and from employees of Concor Construction, which held the contract to build the 300m prestressed incremental launching bridge for the water affairs and forestry department.

The bridge was designed by Pretoria engineering firm VKE. Four experts will be called to shed light on the matter.

Nelspruit attorney Richard Spoor, representing families of some of the deceased, in cross-examination of Concor engineers alleged that in terms of the Occupational Health and Safety Act, Concor had failed to carry out its duties during the construction of the bridge.

Site agent Peter Price, who held the occupational safety appointment on the building site as required by law, testified earlier that he had delegated some of his duties to bridge section engineer Ricardo de Sa, which, in terms of the act, he had been entitled to do.

However, in testimony delivered late last week, De Sa said he had never received a formal appointment as required.

“But I am aware of the basic conditions of the act,” De Sa testified.

The bridge collapsed during a launching phase while several invited guests looked on. The inquiry heard that the movements of guests were not controlled by Concor on that day and that visitors were supplied only with hard hats.

On May 27, more than a month before the structure failed, problems with the bridge had already begun when cracks “so big one could put a match stick into it” appeared in one section, De Sa said.

However, VKE engineers allegedly insisted that it was safe to continue with construction, while at the same time ordering additional reinforcing for the sections which were still under construction, the inquiry heard.

A junior engineer on site, Marelize Gouws, who died in the disaster, described the cracking as “severe” in a memo at the time.

The inquiry continues today when De Sa will be cross-examined.

Process 'did not comply with contract'

(32)

Stephané Bothma

PRETORIA — An engineer who was part of a team responsible for the construction of the Inyaka River bridge in Mpumalanga, which collapsed last year, told a hearing into the disaster yesterday that he had no knowledge of the provisions of the contract in terms of which the bridge was built.

The bridge collapsed on July 6 last year, while under construction near Bushbuckridge, killing 14 people and injuring 12.

Ricardo De Sa, section engineer for the project, said that with hindsight he now realised the process he used to monitor the deflections of the pillars of the bridge did not comply with the terms of the contract.

"I should have known the provisions of the contract, but I did not," De Sa said during cross-examination by Adv Jan van der Westhuizen, representing the labour department at the inquiry.

De Sa was employed by Concor, the project's construction company. Under the contract, deflections should have been monitored continuously during the launch of the bridge and emergency switches should have been installed to stop the launch if prescribed deflections were exceeded. This was not done, De Sa said.

The probe, chaired by Larry Kloppenberg, heard that on the day of the collapse Concor had used casual labourers to perform crucial tasks without proper training or supervision.

De Sa testified that despite specific requirements in the contract, he had been ordered not to monitor two of the bridge's pillars for deflections.

He also said he did not know what the maximum prescribed deflections had been.

During cross-examination by attorney Richard Spoor, representing families of the deceased, De Sa said he had no previous experience in the building of an incremental launching bridge.

"I was not aware of the significance of continuous monitoring of deflections," he said.

The inquiry heard that weeks before the collapse cracks appeared in three different sections of the bridge. De Sa said it had been Concor's responsibility to monitor these cracks.

The company had been instructed to do so by the designers of the bridge, ZKE Engineers.

The probe continues today.

BD 16/2/99

Bridge foreman says his warnings were ignored

Stephané Bothma

PRETORIA — Only six months after construction started on the Inyaka River bridge in Mpumalanga, did the design engineers realise that steel reinforcement in the original design was inadequate, an inquiry heard yesterday.

It was only after this realisation that the design engineers ordered an additional 48 tons of steel to be used in the structure, the inquiry was told. Three weeks later the 300m bridge, under construction near Bushbuckridge in Mpumalanga, collapsed killing 14 and injuring 12.

"I was worried all the time because right from the start .... I believed the engineers did not design the bridge with enough reinforcement," Concor Construction bridge foreman Tony Jordao told the inquiry.

The bridge was designed by VKE Engineers for the Water and Forestry Department and was being built by Concor when it collapsed in July 6 last year.

Jordao, who has more than 10 years experience in bridge-building, said that "all the other bridges I had built looked strong — not this one. I made it very clear to everyone on site that I was unhappy about the reinforcing."

However, after raising the issue with VKE assistant resident engineer Marelize Gouws at least three times, he had given up discussing his concerns after constantly having been assured that the bridge design was perfect.

"We were ordered to continue with construction. We kept building and VKE kept redesigning the bridge," he said.

In cross-examination by advocate Lucas van der Merwe, for VKE, Jordao said he was not talking with the wisdom of hindsight. "The problems were there all the time," he said. He had believed the reinforcing to be inadequate even before severe cracking was noticed more than a month before the bridge collapsed.

"There were cracks with a width of between 3mm and 4mm all over the place," he said.

Jordao said he had wanted to stop construction on the bridge completely until the problem was solved, but had been ordered by VKE engineers to continue.

"People on the site with more brains told me I should not worry about the cracks," he testified.

He denied that bad workmanship on the part of Concor had contributed to the collapse. "We (Concor) are professionals and knew what we were doing".

Jordao earlier told the inquiry that lives could probably have been saved if the condition of service at the Bushbuckridge hospital had been better.

Although the hospital was only about ten minutes drive from the site of the disaster, it took an ambulance about four hours to get there and Jordao, injured himself, had been forced to transport seriously injured workers to the hospital on the back of his bakkie.

A medical doctor who arrived at the hospital walked straight past the injured people in the back of the bakkie without even looking at them, Jordao said.

"It was chaotic at the hospital. It appeared to me that nobody knew what to do or how to handle the equipment," Jordao said.

The inquiry was postponed to April 28, when the doctor, who has not been unidentified, will be subpoenaed to testify.

BD 19/2/99 (32)

BUILDING & CONSTRUCTION

(32)

A SPOT TEST FOR SA BUILDERS

Some contractors will beat the cycle but others will be roadkill

FM 19/2/99

Hoooweee, it's big bust time in the building industry, with new work becoming scarcer than a talking pig and approved work landing on the wait bench. The effects are already apparent; PPC and other contractors warn of tough times ahead. With no let-up in sight, it's likely that many of SA's finest contractors will slow to a walk in the year and corporate results will read. ". . *as a result of* the difficult market conditions", instead of the now customary ". . . *despite* the difficult market conditions".

That's not to say that all the contractors will be roadkill this year. As in any industry, tough times serve to separate those players who merely caught the breeze from those that used the breeze to catch the trade winds. What this tough period really judges is how effective they have been at tapping into new income streams over the past few years.

Sure, contractors are doing what they can now — cutting costs and queuing for work early. But it's defensive stuff, and simply not enough to sustain the kind of earnings growth shareholders demand. Companies can, of course, make acquisitions, but when ratings are low, that requires cash, and cash requires a history of smart management and profits.

As LTA chairman Colin Campbell says: "If you are putting in plans to offset the decline now, then you've got problems."

The contractors have sought new income streams in two different ways: by diversifying and by increasing their workload outside SA. The company that has billed itself as the leader in the field of diversification is Concor, which has gone into areas like facility management, property development, pre-cast concrete products and open-cast mining, to provide it with protection from the bust times.

How has it worked out? New Concor MD Gavin Hardy, formerly of Murray & Roberts (M&R), says not very well. "At the moment (diversification) is dragging us down. Block making has been particularly bad," he says. "Though we are more diverse than others, we have not gained critical mass in areas like facility management, and we are following the construction cycle."

Hardy says even though his company is relatively small compared to others in the sector, and therefore easier to feed, he expects flat earnings this year. That's way down on earlier forecasts. In the group's annual report management said it looked "forward to future growth for the 1999 financial year". Times have certainly changed from then. Not surprisingly, there appears to be no new interest in diversification by the contractors, despite the downturn.

And what about the groups that have focused on cross-border work? The contractor that is easily top of the class here is Amic's wonderchild, LTA. It describes itself as an "African company", with just cause. Up north, it has secured many long-term mining contracts from international mining houses and good infrastructural jobs.

At the end of December LTA announced it had acquired 63,8% of Australian contractor MDC for R315m. The conditions associated with this purchase should be met by mid-March, and the acquisition should immediately have a positive effect on earnings. LTA's calculations indicate that had the acquisition been effective from January 1 1998, its headline earnings per share in the first six months of last year would have been up 22,0%.

LTA is still exposed to the SA market, particularly in areas like building. But Campbell says he hopes that with this acquisition and the progress made into

HOW THE CONTRACTORS STACK UP

CONCOR
Diversification has delivered mixed results. Flat earnings predicted for 1999.

LTA
Bolstered by foreign acquisition and operations. Expected to maintain strong growth pattern.

M&R
Sensational progress in Middle East obscured by weak performance of some affiliates. Could be acquisition target.

STOCKS & STOCKS
Contracting division has performed well but gains weakened by poor affiliate companies.

GRINAKER
With cash-flush parent company AVI, is hungry for international profile. Is it eyeing M&R?

GROUP 5
Emerging from property-related problems. But reduced half-year results expected due to rationalisation in manufacturing operations.

BASIL READ
Dramatic turnaround since being taken over by Bouygues group in 1994. Interims to June 1998 showed 122% increase in pretax profits.

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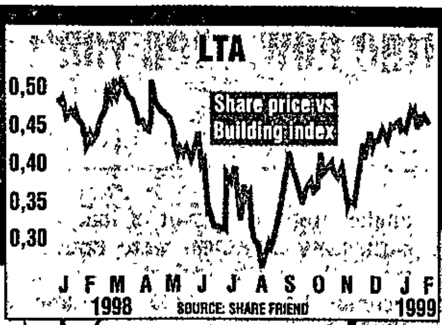
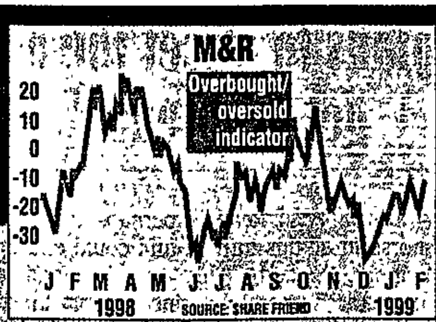
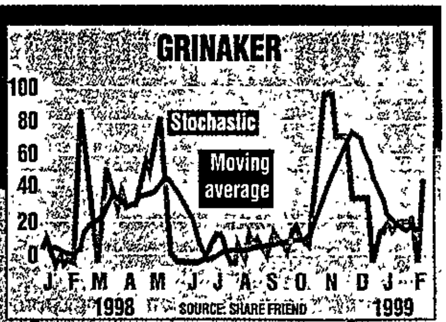


While the share price is stuck in a sideways band, this relative strength plotting of LTA against the JSE Building index shows it to be one of the winners of the sector.



While still very oversold in the long term, this short-term overbought/oversold chart of M&R shows it again attempting to gain some ground.



Grinaker's stochastic indicator has sprung sharply upwards penetrating the moving average. This bodes well for a short-term recovery.

other markets, LTA will beat the cycle and continue to produce the earnings growth it has historically achieved for the rest of the calendar year. Beyond that, he isn't saying.

If anyone is set to come out of this period best, it is likely to be LTA. The success of the others will depend on how well they have internationalised; simple as that. The well-managed Grinaker has been slow to move out of SA and is likely to suffer as a result. Grinaker MD Bean Bornheimer admits the fault and says his company is working to rectify it by acquiring companies outside SA.

The position at many of the other contractors and companies with exposure to contracting is muddied by other factors. M&R and Stocks & Stocks' contracting operations have performed well, but both groups have other bum businesses which

"If you are putting in plans to offset the decline now, then you've got problems" LTA Chairman Colin Campbell

confuse results. M&R, it should be noted, has made sensational progress in its contracting in the Middle East.

Group 5 seems to be emerging from property-related problems and has made some progress internationally (notably with Intertoll, its toll road company). But it has predicted reduced earnings in its first half to December after rationalisation in its manufacturing operations.

Lastly, Basil Read is perhaps the dark horse in all this turmoil and could end up winning the derby. This group has made a dramatic turnaround since being taken over by the Bouygues group in 1994, and has produced three years of solid earnings growth. Its latest interim results to June 1998 showed pre-tax earnings up 122%.

Its success has been due to a mixture of Bouygues management sense and opportunities from being part of that group — particularly in Africa, were Bouygues is active through a variety of companies. Incoming Basil Read CEO Jean Marie Paoli says there is still much the company can do — particularly up north — and he hopes to sustain its momentum.

There are several interesting non-earnings-related consequences of this difficult period. Paoli says his group may look at the possibility of delisting the company — less because of the low share price (though this must be a factor) than because it will allow more flexibility when working across the border. If so, it will mean Basil Read no longer has the burden of shareholder approval.

There is also the question of mergers and buy-outs of some listed contractors. All the company MDs say this is likely and would benefit everyone — if only because it would take some capacity out of the system. Question is: which companies?

One obvious candidate is M&R. Chairman Dave Brink says there is "no doubt that M&R will become an interesting acquisition" target and that he wouldn't be surprised if the "whole (shareholding) scenario will be different a year from now".

With its overseas success and internal skills, M&R must be an interesting proposition. Who would be interested? One likely candidate would be Grinaker. That would give Grinaker the overseas presence it wants, and give its parent company, AVI, something to sink its cash horde into.

Many MDs in this sector argue that the building & construction sector is now undervalued. They say the market has overreacted to the macro factors at work and judged the sector instead of the companies.

With the average multiple in the sector 5,7 times, their arguments are compelling.

Recently published research by Barnard Jacobs Mellet analyst Nolan Menachemson does say, however, that sentiment remains negative even though the sector p:e is at the bottom of its 10-year range relative to the market

The rating of the sector is strongly correlated to changes in interest rates.

"As we are forecasting interest rates to bottom only late in 1999 or early in 2000, an underweight position is advocated with selective buying recommended in price weakness or towards the end of the year," concludes Menachemson. He earmarks Basil Read, Grinaker, and LTA for accumulation.

Stuart Rutherford

Downward cycle takes hold in building industry

Sibonelo Radebe

CONFIDENCE in the building industry declined in the December quarter, the third successive quarter of decline, and is now at the lowest level since the first quarter of 1990, says the BMI Building Research Strategy Unit in its latest survey.

The survey says about 40% of the respondents expect conditions in the current year to be worse than last year. High interest rates are cited as the main cause for the current downturn. "It kills any desire to invest," says BMI MD Llewellyn Lewis.

To break the industry's long downward cycle government must increase expenditure on low-cost housing to about 5% of the budget, and interest rates must drop to about 12%.

Most large contractors and manufacturers have been forced to focus 30% of their activities offshore to bolster earnings, says Lewis.

Figures released by the Building Industries Federation of SA show that only 8 011 houses — a 23% drop — were completed in the Western Cape last year.

People increasingly are opting for rented accommodation, says Lewis.

(32) BD 4/3/99

Radebe opens door for building industry

LYNDA LOXTON

CT (BR) 24/7/99 (30)

Cape Town — Jeff Radebe, the public works minister, yesterday released a plan of action aimed at reviving the flagging construction industry and promoting the development of small and medium-sized enterprises in the sector.

However, the white paper on creating an enabling environment for reconstruction, growth and development in the construction industry, also wants to move the sector away from the labour-only subcontracting that has resulted in low wages and poor working conditions in recent years.

Radebe said that the white paper envisaged the establishment of a construction industry development board that would introduce measures to support improved quality, productivity, safety, health and environmental protection in the industry.

The white paper acknowledged it would take between 10 and 20 years to reorient the industry to meet future demands, but steps had to be taken now to start the process.

Co-operation between the public and private sectors would play a key role in meeting the growing backlog of infrastructural needs in South Africa.

It estimated that output from the sector should increase by up to 100 percent over the next five to 10 years, "signalling a period of profound growth for the South African construction industry".

This would provide a window of opportunity for the development of a more stable industry that would ensure a more secure employment environment. Massive job losses have characterised the industry over the last 30 years.

The white paper suggested that firms that met certain productivity and quality requirements should get a preference of up to 5 percent against non-qualifying competitors when government contracts were awarded. This would reward best-practice firms while not disqualifying non-accredited firms.

Alternatively, certain categories of tenderers could be asked to prequalify in terms of particular best-practice performance criteria.

Body 'will help fuel construction boom'

BD 24/3/99 (32)

Robyn Chalmers

GOVERNMENT spending on construction projects is to be co-ordinated through a statutory body outlined in a new policy on the construction industry.

Releasing the white paper on construction industry development yesterday, Public Works Minister Jeff Radebe said the new policy set an agenda for transformation of public sector fixed investment spending in SA.

There were big backlogs in infrastructure delivery. Improved co-ordination of government spending, coupled with private sector investment, would unleash substantial funds to help eradicate these backlogs. This in turn would lead to a boom in the construction sector, he said.

"The vision is of a construction industry policy that promotes stability, fosters economic growth and international competitiveness, creates sustainable employment and addresses historical imbalances," he said.

Construction industry bodies, many of which submitted comments on the green paper, were still examining the white paper yesterday. Most broadly supported it.

The most far-reaching proposal is establishment of a construction industry development board to oversee the industry's transformation, register construction firms seeking government work, regulate the sector and advise government.

Board chief director Spencer Hodgson said the new body should be established by August, with nine to 13 members appointed by the public works minister and an interministerial committee.

Pepi Silinga, deputy board chairman, said the short and medium-term benefits of the body included standardisation and simplification of tendering documentation, promoting export of services and providing a forum for role players.

The policy also provides for streamlining regulatory and tendering procedures, developing capacity and unblocking public sector payment procedures.

The policy seeks to improve the emerging contractor sector's capacity. Research showed ownership of the big construction firms remained concentrated in a few hands. Between 20% and 30% of firms in the construction sector accounted for about 80% of output in 1991 and the situation was largely unchanged.

Construction Industries' Confederation chairman Mandla Ndlovu said the white paper laid the foundation for development of the black construction sector.

Ian Robinson, executive director of the Building Industries' Federation of SA, said the industry broadly supported the transformation process. "One of the main issues will be establishment of the construction industry development board, which we support in principle, but we are still examining the details," he said.

Analysts said the white paper would help regulate the construction industry and, with other legislation, help weed out fly-by-night contractors.

ST (BT) 28/3/99

(132)

Shaky times for building industry

BUSINESS CONDITIONS

By DON ROBERTSON

THE building industry is in an official recession and is unlikely to show any signs of recovery for well over a year, according to Ian Robinson, executive director of the Building Industries Federation of SA (Bifsa).

At the annual conference of property group Rode & Associates in Johannesburg this week, Robinson said the industry was likely to show a negative growth rate of about 5% this year.

Conditions in the Eastern and Northern Cape and KwaZulu-Natal are particularly bad and it is likely that a further 20 000 employees — the same as last year — will lose their jobs in 1999. It is also possible that about 400 companies will be forced to close or be liquidated.

"In spite of this, the outlook is better than it was six months ago. We can now see the decline bottoming out and it should have reached its nadir by the end of the year and some growth can be expected in the about the middle of next year," he says.

With interest rates forecast to drop to about 16%, it is possible that the industry could grow by about 4% in 2000 and by about 6% in 2001.

Erwin Rode, discussing prospects for the property market, says that average house prices have been declining since 1990 in real terms and last year improved by only 4.3%. In Johannesburg and Pretoria prices are at their lowest level ever. In Cape Town, house prices put in a poorer showing in the second quarter of 1998, correcting from the sharp upward trend which began in the late 1970s.

In contrast, upmarket house prices put in a surprisingly strong showing in the third quarter of last year compared with the middle and lower-priced house market which bore the brunt of high interest rates.

"The upside potential for upmarket house prices must surely be great at present. This may turn out to be the buying opportunity for the decade in greater Johannesburg," says Rode.

Rode forecasts that the industrial rental peaks of the early 1980s will not be repeated in the future with rentals in central Witwatersrand currently 35% below their peak of 1982, about 42% lower in Pretoria and 18% down in Cape Town.

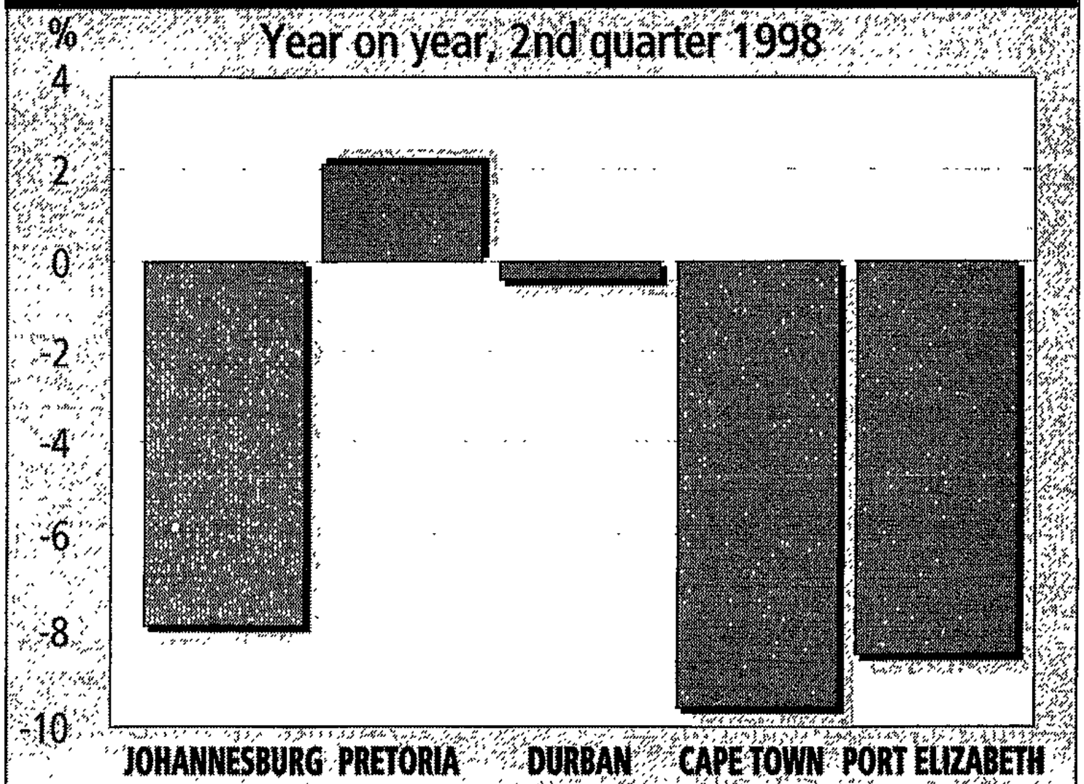
Although manufacturing production declined last year, there should be some improvement in the medium to long term with the potential to export being the major lure for the industry. This will affect the industrial property market, although any upturn is difficult to predict because of the current turbulent international economic environment.

In spite of the surprisingly high number of new office developments last year, a 58% decline in new developments this year is expected.

"Over the short term, office rentals in decentralised nodes will be dampened by the current poor economic climate, but will recover as soon as the economy picks up speed again — albeit with short lag," adds Rode.

Rode believes that the outlook for retail sales, and hence the retail property market, will remain subdued.

REAL HOUSE GROWTH BY CITY



Graphic: RUBY-GAY CAETANO

Source: RODE'S REPORT ON THE SA PROPERTY MARKET

Construction sector buckles under high interest rates burden

BD 6/4/99

(32)

Sibonelo Radebe
and Sapa

THE construction industry continues to feel the pinch of high interest rates as company and close corporations liquidations reached a record high in January.

Figures supplied by Statistics SA in Pretoria show that in the three months to end February 1 005 companies went out of business. This was 58% more than the corresponding period last year when there were only 636 liquidations.

Statistics SA said: "The total number of liquidations continued to reflect an upward trend throughout 1998." During the period, compulsory liquidations of companies rose 72,7%, and voluntary liquidations increased 96,1%. Liquidation, both compulsory and voluntary, of close corporations were also sharply up.

The total number of insolvencies in the three months to end January increased 44,9%, from 732 to 1 061 compared to the same period a year ago.

Statistics SA figures showed that construction industry liquidations increased 50% in January, compared with 35% increases in January 1996, 1997 and 1998.

Credit Guarantee senior economist Luke Doig said: "Clearly the construction industry is starting to feel the effects of high interest rates during 1998 and subsequent pressure on the gross domestic fixed investment."

Despite the 3% decline in interest rates in the first three months of this year, it was unlikely that there would be a recovery in the short term, both in the general economic cycle and in the building industry because of the lag effect, said Doig.

He said the decline in interest rates would be factored into the industry in about nine months.

Doig said major construction companies such as LTA and Grinaker would somehow cope with prevailing harsh conditions, and suggested that the Statistics SA figures of liquidation excluded such companies. These companies had infrastructures that enabled them to tender at cost or even below cost prices.

Small and medium companies suffered most, and were the ones being liquidated.

Given the labour intensive nature of the industry, liquidations would have a negative effect on the already depressed employment figures, Doig said: "This is going to be a tough year for the industry as a whole, given the fact that we expect to see a further economic slowdown in 1999."

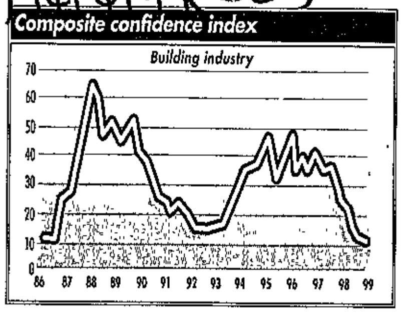
However, he said that the granting of casino licences, particularly in the Western Cape, would soften the effects of economic conditions.

"Clearly the construction of casinos will be a boost for the poorly performing industry," Doig said.

Building sector heads for rock bottom

CT (BR) 14/4/99 (32)

VERA VON LIERES



Cape Town – Confidence levels in the troubled construction industry fell further during the first quarter of the year to levels in line with the 1985-86 downswing, the Bureau for Economic Research (BER) said yesterday.

However, in its latest survey on the building and civil engineering industries, the Stellenbosch-based bureau said the rate of decline appeared to have slowed during the period.

While business conditions were expected to remain unfavourable for at least the next six months, the outlook for next year was rosier.

"The overall construction cycle should reach a nadir by the last quarter of 1999, and activity levels will gradually improve during the course of 2000," BER said.

The survey indicated that work volume had declined, and the lack of work had resulted in an intensification in tendering competition.

As a result of sluggish business conditions, professions allied to the industry, such as quantity surveying and architecture, were forced to reduce the number of people they employed. BER said contractors and subcontractors were also compelled to retrench workers as contracts came to an end and prospects of new work were limited. Building costs were expected to rise by 2 percent for the year, the bureau said.

Cape construction hit hard

(32)

Business Day Reporter

BD 5/5/99

CAPE TOWN — Conditions in the Cape construction industry are now so tough that well resourced, financially sound clients can negotiate competitive prices, says Lionel Saachs, financial director of Granbuild.

In addition, Saachs says, the letting of industrial premises in the region is going well at the moment, implying that now might be a good time for companies to get new projects off the ground.

After interest rates jumped 6% last year, enquiries for new construction work dropped off dramatically and many projects were shelved.

Saachs said that while Granbuild was able to meet its budgeted turnover for the year, the company had not broken any new records.

It was likely that Granbuild's turnover would drop by a small percentage this year.

NEWS

Construction data show safe industry is now job shedder

CT (BR) 6/5/99 (32)

LUKANYO MNYANDA
ECONOMICS EDITOR

Johannesburg – The costs of South Africa's high interest rates have continued to mount, with figures released by Statistics South Africa (SSA) yesterday showing a massive 7,6 percent decline in construction work during the last quarter of last year, setting the scene for further job losses in the beleaguered industry.

SSA also released figures showing a marginal improvement in retail sales to R13,17 billion in February, a figure unlikely to lift the gloom.

Though not coming as a surprise, the decline in construction activity is a big blow to the economy, which is in desperate need to create employment. It confirms that the country has paid a high price for its attempts to protect the rand through tight monetary policy.

The slowdown in building activity, owing to interest rates reaching record highs and remaining high in the wake of last year's emerging market crises, has turned one of South Africa's traditional and reliable sources of employment into a major job shedder, surpassed only by the mining industry.

SSA said the value of work at hand during the fourth quarter amounted to R14,6 billion, which was R1,2 billion less than in the previous quarter. Industry analysts were not optimistic and pointed out that the industry was already struggling with interest rates of around 18 percent before last year's crisis pushed them to 25,5 percent by October.

SSA said retail trade sales improved by a seasonally adjusted 0,6 percent month on month to R13,17 billion in February, compared with January's R12,54 billion. On an annual basis, the seasonally adjusted improvement was more impressive at 5 percent, indicating some consumer resilience despite the high interest and debt levels.

On an actual basis, it was less appealing with retail trade sales shrinking by 3,4 percent month on month. It managed to remain in positive territory year on year with a 4,8 percent rise.

Slump foils black empowerment

BD 10/5/99 (32)

The building industry is a hard nut to crack, writes Sibonelo Radebe

SMALL and medium-sized companies in the construction industry have been dealt a blow by last year's economic downturn, further delaying the entrance of black subcontractors into the industry's mainstream economy.

High interest rates and lacklustre economic growth led to reduced work for all contractors across the board and only those companies with sound bank balances survived the difficult times.

Liquidation figures released by Statistics SA showed a 50% increase in liquidation in the industry, mostly in smaller companies.

Despite a 3% decline in interest rates since the beginning of the year, the industry is expected to recover only later in the year and pick up reasonably in the second quarter of 2000, with the hope that history does not repeat itself.

By this time many more small companies will have been liquidated and government's procurement policy could be rendered ineffective.

Government's attempt at redressing the racial imbalance in the industry is reflected in its broader labour legislation, including the employment equity bill and the skills training and development bill.

The public works ministry has also put in place measures to ensure that companies which win government tenders show commitment to empowerment.

The public works affirmative procurement policy also gives preference to black contractors wanting to participate as prime contractors.

The department plans to allocate 90% of all national and provincial public works projects procured by parastatals to black prime contractors and the same applies to 25% of local government public works.

But government policy could fall short as a result of fronting used by main contractors to win government contracts.

Black contractors themselves say there seem to be a few black-owned companies which have monopolised the benefits of the procurement policy by featuring in numerous partnerships, while others get nothing.

There have been several initiatives among black contractors to enter into the mainstream economy.

The establishment of Nabcat Empowerment Holdings (NEH) by the National Association of Black Contractors and Allied Trades (Nabcat) is one of these.

NEH bids for major contracts on behalf of Nabcat's membership of about 20 000.

The company gathers subcontractors in particular areas to do the actual tender job and provides financial guarantees needed for tenders, material, administrative assistance and training.

"This is the best a contractors' organisation can do for its members who need work more than anything else," says Nabcat chairman Linda Nyembe.

NEH recently announced the acquisition of 31 Federated Timbers building materials branches. Nyembe said this would improve members' access to building materials.

Nabcat's approach has been criticised by those who believe that empowerment can only be achieved by merging with major, predominantly white-owned companies whose resources can be used to speed up empowerment.

Nyembe believes his approach is most effective but says he appreciates differences of opinion.

SA BUSINESS DIGEST (32)

Building industry 'bleeding', says Bifsa, warning of further job losses this year

The building industry is shedding jobs faster than it has ever done. Over 20 000 jobs were lost in 1998 and a further 30 000 job losses are expected this year. ET (BR) 18/5/99

Ian Robinson, executive director of Bifsa, said that the industry is bleeding. Over 450 company liquidations are expected this year compared with 350 in 1998. "A massive retrenchment cost burden is being imposed on the industry," he said.

KwaZulu Natal and the eastern and northern Cape are in crisis. Larger companies are surviving by securing work Africa, Europe and the Middle East. – *Staff Reporter, Johannesburg*

Emerging builders create jobs

ARG 29/5/99
(32)

Call for access to credit

PROPERTY EDITOR

Government policy of encouraging emerging contractors to take increasing responsibility for low-cost housing development is not only creating township jobs but fostering micro economies linked to building projects.

Insight into the impact of successful emerging contractors was provided at the Economic Empowerment Conference in Sandton in a joint paper by Nonhlanhla Mjoli-Mncube and Sabi Mthwecu, senior executives with the National Urban Reconstruction & Housing Agency (Nurcha).

Nurcha provides bridging finance guarantees to contractors and end-user finance guarantees that enable new home owners to buy a better house or join rental and rent-to-buy schemes.

Since 1995, 148 projects nationwide have been supported through Nurcha's bridging finance programme, with emerging contractors involved on more than half the projects at project values ranging from R75 000 to R27-million.

Early in its programme Nurcha discovered the difficulty of financing the very small contractors through banks, the paper says. Most of these contractors usually have very urgent needs for loans and have tight deadlines for starting the project. Within this framework it is almost impossible to negotiate successfully for a loan, since the banks need a significant amount of time for project assessment and credit committee approval before making the loan facility available. This has necessitated relationships with other financing institutions like Entrepreneurial Development South Africa and King Finance.

According to the Nurcha paper, an emerging contractor typically employs at least five workers, with numbers increasing to 15 or 25 at construction peak. In addition, building activity sustains various entrepreneurial ventures, including the sale of cooked meats to workers by women vendors and the on-site hawking of clothing and household items. Most of these informal businesses extend credit to the workers until pay day.

'Emerging builders employ up to 25 workers each

This is more than many banks and alternative lenders are prepared to do, says the section of the paper dedicated to credit extension to low-income groups.

The paper points out that people who are considered "unbankable" or who cannot arrange payroll deductions through a formal sector employer have little chance of credit for housing purposes from anyone except loan sharks, who take up to 350% profit since they charge interest on a cycle.

Yet those earning between R800 and R1 500 a month are "the bread and butter of furniture and clothing retailers who offer them credit and manage well the loan default rate".

The paper calls for Government, developers, financial institutions and the private sector to join hands to ensure access to housing-related credit for low-income earners.

Jobs fall as cracks widen in building industry

(32)

The faltering building and construction industry desperately needs some renovation, writes SHERILEE BRIDGE

ST (BT) 30/5/99

SOUTH Africa's haemorrhaging R20-billion-a-year building and construction industry expects to shed 30 000 jobs this year, bringing the number of industry job losses to 50 000 over two years.

Combined job losses over a two-year period are equivalent to 25% of the industry's workforce.

The economic downturn and tensions ahead of the elections have been blamed for the dramatic job shedding in the industry, one of the country's biggest employer sectors.

The Building Industries Federation (Bifsa) said last week it foresaw the liquidation of over 450 companies this year compared with last year's 350 liquidations.

It is predicted that the overall construction industry could reach its worst by the last quarter of this year, with conditions improving gradually during 2000. A growth of 4% is possible in 2000 and 6% in 2001.

Bifsa executive director Ian Robinson said the industry, likely to shrink by 5% this year, was bleeding.

"It's probably the worst we have seen. We have not seen a depression like this in the past 30 years," he said.

High interest rates and a sluggish economy have been the major reasons behind large companies in the sector reporting weak financial results. But nervousness over the outcome of this week's elections was also said to be forcing investors to shelve projects.

Robinson said companies with offshore interests would survive but it would be more difficult for those companies which relied solely on the local market as they wait for the benefits of recent rate cuts to filter down.

"The success of the building industry is the single most important reflection of the economic well-being of any country," said Robinson.

Reserve Bank figures show building and construction contributed only 2.87% in 1997 to gross domestic product against a peak of 5.37% in 1975.

Contributing to the industry decline is the slow payment of government contracts, which make up a fifth of the industry's annual turnover.

Chances are slim of a surge in government spending on roads, dams and infrastructure

Given the demands on government's budget, chances of a surge in spending on roads, dams and infrastructural projects are slim.

Added to this, investments in residential property fell 2% in real terms to R5-billion in the last two quarters of 1998 and investments in commercial property dropped 5% to about R5.5-billion over the same period.

A quarter of the projects with a total value of R1.6-billion planned for the 1998/99 year were postponed. Provinces in crisis are KwaZulu-Natal, the Eastern and Northern Cape.

The March release of the White Paper on the construction industry outlined a plan of action for reviving the flagging industry. It suggested that public and private sectors play a key role in meeting the backlog of infrastructural needs. It acknowledged it would take 10 to 20 years to reorient the industry to meet future demands.

A DECLINING TREND ... the economic downturn has led to fewer construction projects

Tough law to curb shoddy building

BD 11/6/99

Robyn Chalmers (32)

ABOUT 6 600 home builders are expected to register with the National Home Builders Registration Council by October to comply with a new law protecting consumers from shoddy builders that comes into effect this month.

The Housing Consumers Protection Measures Act will make it an offence not to be registered. Penalties are up to a year's imprisonment or a R25 000 fine.

A key problem in the past was defective workmanship and shoddy building, one of the causes of the bond boycotts in the 1980s and 1990s. Council communications officer Annerine Riga said the council had so far received 3 600 complaints from home owners, of which 2 609 had been finalised. Of the total 5 682 registered home builders, 174 had been deregistered and 263 suspended as they had failed to comply with the council's rules. Council MD Peter Allsopp said the act would create significant changes in housing consumer protection.

All new homes built would have to be enrolled under the council's defects warranty scheme. The home builder would be responsible for design, materials and workmanship defects for a three-month period, roof leak defects for 12 months and a five-year structural integrity warranty.

Riga said the new act would be implemented in three phases. The first would make the council a statutory body this month.

The second phase would make it an obligation for builders who construct mortgaged houses to be registered by October 1.

"It will also be law for banks to insist on home builder registration and enrolment, whilst conveyancers will also have to ensure that builders are registered and houses are enrolled.

The final implementation of the act will apply to builders in the subsidy-only category of the home building industry.

Home builders in this sector will have to be registered with the council before provincial housing boards may award any housing projects to such builders.

Builders struck from register

By Joshua Raboroko

MORE than 170 home builders have been struck from the National Home Builders Registration Council which becomes a statutory body from today.

More than 263 contractors have been suspended for failing to comply with the NHBRC's rules after the council received 3 600 complaints of structural defects on newly-built homes.

The council's communications officer, Mrs Annerine Riga, said yesterday that builders were suspended for the following reasons: failing to register; enrol contracts; pay 1,3 percent contract levy; fix structural defects and financial constraints.

Riga said the implementation of the recently promulgated Housing Protection Measures (Act 95 of 1998) would take place this month. The Act's first phase Act made the NHBRC a statutory body.

The second phase would make it compulsory for builders to register. Registered builders will be obliged to enrol new homes under the council's Defect Warranty Scheme. It will also be law for banks to insist on home builders' registration and enrolment.

Riga said lawyers would have to ensure that builders were registered and houses are enrolled.

The introduction of the Act will apply to builders in the subsidy-only category, said Riga, who added that contractors will have to be registered with the council before Provincial Housing Boards could approve their projects.

Home builders will have until October 1 to register. Non-registration would carry one year's imprisonment or a fine of up to R25 000.

Riga said 10 cases of structural defects were being rectified and nine have been fixed. Of the 3 600 complaints received from home owners, 2 609 have been finalised.

When the new law was introduced in Parliament by the Minister of Housing, Mrs Sankie Mthembi-Mahanyele, it was widely criticised by contractors and the Building Industries Federation of South Africa (Bifsa) who demanded *inter alia* that the 1,3 percent levy be scrapped.

After several meetings with the minister Bifsa wanted changes implemented to make the lives of the builders easier.

However, the Government argued that consumers needed protection from unscrupulous property developers who rip off potential home buyers. Many township residents boycott bond repayments because of structural defects on their homes.

BD 10/6/99

Unglamorous construction industry needs young blood

(32)

Primarashni Pillay

SA MAY be forced to employ overseas construction-site managers to make up a shortage of construction management graduates, says Ian Robinson, executive director of the Building Industries Federation SA.

Robinson says there is a shortage of university and technikon graduates with qualifications in building management and quantity surveying.

Graduates are usually employed as trainee or assistant site managers before moving on to become contract managers or managers of building firms.

There is a shortage as some graduates "seek overseas experience because they are disillusioned with the crime here," says Robinson. "Some go for the experience of working overseas and don't come back."

The increasing cost of tertiary education is contributing to the problem, he says.

First year enrolments for a Bachelor of Science degree in Building/Construction Management at government tertiary institutions dropped from 203 in 1991 to 145 in last year.

Robinson says that as the building industry is "cyclical in terms of feast and famine", there is a perception among school leavers that a career in construction is too risky.

However, he says that there is a demand for graduates in construction management "whether there is a boom or recession".

Robinson claims that many aspirant black graduates view the industry as unglamorous.

He also says that for all the shortage of construction managers, there is an adequate supply of artisans such as plumbers, joiners and bricklayers.

The federation intends changing the construction industry's image. To spark an interest among scholars, it is looking into organising construction site visits. The aim is to help children have a better understanding of the roles that quantity surveying, engineering and construction play in the design and construction of a building.

Robinson says the federation is also considering starting an educational programme for career guidance counsellors.

Grinaker and Fraser Alexander to merge

Construction companies to cement ties

CT (BR) 10/6/99 (32)

ADELE SHEVEL

Johannesburg – Grinaker, the construction company, and Fraser Alexander, the mining and construction group, said yesterday they would merge their businesses to create a company with a market capitalisation of R500 million.

Fraser Alexander would be delisted from the JSE and its shareholders offered one Grinaker ordinary share for every Alexander share, or a cash option of R5,25 a share.

Aveng, the fixed investment arm of Anglovaal Industries which is also Grinaker's holding company, would provide a cash alternative by offering to acquire the consideration shares at R5,25 each. The deal was expected to be effective from July 1.

The companies said they were investigating alternative structures but expected Alexander to become a subsidiary of Grinaker.

Full terms of the merger will be put forward by July 2. The deal is subject to a due diligence by both companies.

Bean Bornheimer, the managing director of Grinaker, said the merger would maximise the synergies between both companies and would add critical mass to Grinaker, "enabling it to broaden its construction footprint in southern Africa".

The name Grinaker would be retained, as would the brand names within Alexander.

"It is more of a merger than a takeover and a broadening of exposure rather than a deepening," he said.

The two groups have the production of concrete products in common. Two new businesses Grinaker would be exposed to through the transaction are mine tailings and bulk materials.

Bornheimer said the group would seek out rationalisation opportunities.

The market capitalisation of Grinaker stands at about R350 million and that of Alexander at R150 million. Anglovaal Industries holds 10 percent of the voting shares of Alexander. These were bought to fend off Brait Capital Partners, which was interested in buying Alexander.

An analyst said the merger was clearly a strategy undertaken by Anglovaal when it bought into Alexander.

Thane Duff, an analyst at Barnard Jacobs Mellet, said: "On the face of it, the merger will initially raise the risk profile of Grinaker, given Alexander's exposure to mining".

Aveng would list on July 5 on the Building sector, as construction was a core focus, said Carl Grim, the managing director. The company holds 58 percent of Grinaker.

Grinaker shares closed at R4,50 after no trade; Alexander rose 10,26 percent to close at R4,30.

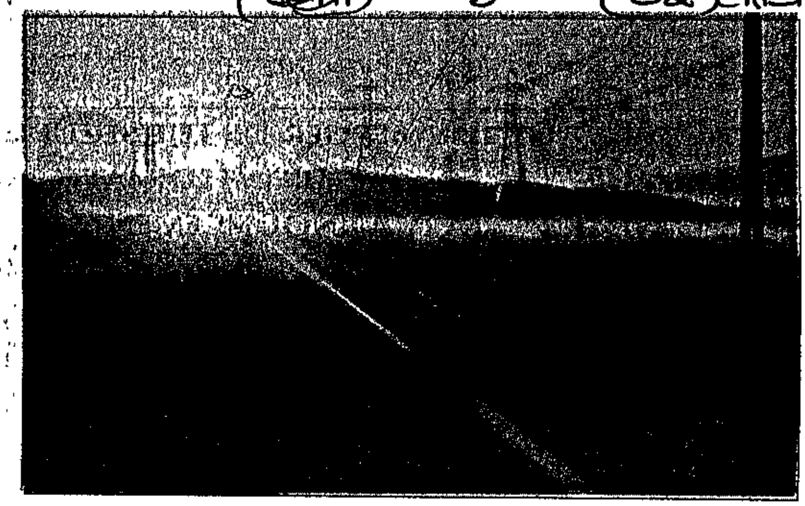
RICAN BUSINESS

CONSTRUCTION *More spending speeds up road, luring R6bn in investment pledges*

Maputo Corridor is far ahead of schedule

(32)(T)(BR) 22/6/99

COLIN MCCLELLAND



Johannesburg - The construction of a road that will cut more than a quarter of the current travelling distance between the South African border and Maputo is six months ahead of schedule following increased budget spending.

The road, sometimes called the Maputo Corridor, is set to attract more development to the region. Already R6 billion of investment has been pledged in the catchment area of the project that is set to revolutionise both Mpumalanga province and Mozambique.

If a deal to accelerate the construction schedule goes ahead, the R1,5 billion, 500 km toll road from Witbank to Maputo would be completed by early 2001 instead of August that year, says Luc Messier of Stocks & Stocks Basil Read Bouygues (SBB), the road construction company.

SBB will turn the completed road over to Trans African Concessions (Trac), a company of 12, mostly South African and Mozambican shareholders. Trac will operate and maintain the road for 30 years.

SBB partners have a 40 percent holding in Trac, and 50 percent is held by South African institutions.

"We are looking to accelerate further, and hope by early 2001 we would be able to complete the road," says Messier.

SBB stands to gain a maximum bonus of R5 million for early completion of the road as opposed to penalties for delays.

Trevor Jackson, the chief executive officer of Trac, is more optimistic about the completion date. He says: "We hope to finish six to eight months ahead of schedule. We're hoping for the end of 2000."

SBB is currently laying the final pavement on a 32 km virgin section between Maputo and Moamba, the midway point to the border.

Similar work will begin on the section to the frontier with South Africa by month-end.

Messier says the road is 38 percent completed overall, with 42 percent done in South Africa and 27 percent in Mozambique.

The presence of efficient transport access is a major component of the Maputo Corridor project as this will facilitate exports from South Africa through the port of Maputo as well as foreign investment projects in the area.

One of the chief users of the road will be the $1,3 billion Mozal aluminum smelter near Matola. Mozal is building a special access road.

Projects such as the $2,5 billion Maputo iron and steel project led by South Africa's Industrial Development Corporation (which also has a 24 percent stake in Mozal) will undoubtedly also benefit from the new road.

But over the entire road, only 16 applications for access have been submitted so far to Trac or the Mozambique government's road department.

"I think most people are taking a wait-and-see approach," says Jackson. "Travellers are particularly well serviced already on the South African side. There's not much activity in Mozambique."

He says the problem is a lack of communication so far from the Mozambique government to explain the toll road policy, concept and benefits. A campaign is expected soon.

Trac is already charging tolls at two areas of the road open in South Africa.

Depending on the type of vehicle, tolls fees for cars are R20 at Middelburg and R30 at Machadodorp and up to R80 and R170 respectively for 30-ton trucks.

Jackson says motorists have complained about paying tolls for an incomplete road that was largely already existing where they are paying.

"It's a grudge purchase, like buying tyres," he says. "But if we had to build an entirely new road it would cost infinitely more," Jackson says.

Toll amounts have not been set for Mozambique, says Jackson, but the Maputo area toll should be quite low because it is classed as a commuter zone.

The 90 km Mozambican section, which is to cost Trac a third of the project's total cost, cuts 30 km off the current road that winds through Boane.

"When I look at the current condition through Boane, where it is extremely slow and extremely dangerous, I believe the greatest improvement will be safety with wide, well-marked lanes," says Messier.

The road's capacity is to vary along the route. It is geared for 500 vehicles a day at Moamba, 12 000 at Middelburg and 20 000 at Maputo.

The road will be fenced off from pedestrian traffic, but there will be a pedestrian overpass at the intersection of the EN1 and ENS road in Maputo and wide culverts under the road for people and livestock in rural areas.

SBB has also built three schools along the route at Matsulu, Machadodorp and Moamba for local communities and to educate SBB employees in construction skills.

The SBB contract also aims to help small, medium and micro-enterprises to bid on subcontractor projects.

Under the scheme some 520 contracts in South Africa are to be awarded to previously disadvantaged individuals and companies.

In Mozambique 250 contracts are open to companies owned by Mozambicans

"It's very encouraging. It's a very special project," says Messier. - Independent Foreign Service

Survey sees hope for SA construction

(32)

BUSINESS conditions in the building and construction industry remained depressed during the second quarter of this year, the Bureau for Economic Research at Stellenbosch University said yesterday.

The bureau said work volumes in the residential sector had shown signs of stabilising, but that a survey revealed that building activity in the nonresidential sector deteriorated further in the second quarter.

However the survey provided pointers on prospects for the building industry.

"Firstly, the overall index of business confidence has exhibited a marginal upward trend and increased from a level of 12 in the first quarter to 15 in the second quarter," the bureau said.

"Secondly, the expectations of architects and quantity surveyors regarding future business conditions have shown a decrease in pessimism."

The bureau forecast that the building cycle would reach a turning point early next year. — Sapa.

BD 6/7/99

Huge boost for building industry

TOM HOOD (32)

ST (cm) 1/8/99

THE beleaguered Cape building industry can expect a huge boost and an estimated 28 000 new jobs next year as R3-billion in major projects get the go-ahead.

And for every building job, seven more are created indirectly for suppliers of building materials, say building economists.

The three biggest developments are at Century City, Milnerton, the Goodwood gambling casino and the V & A Waterfront.

In addition, tenders are due to be awarded next month for big jobs at Cape Town harbour for a passenger terminal, additions to the Southern Life building at Rondebosch, a new sports stand at Rondebosch High School, a clubhouse for Stellenbosch University and a cancer research centre at UCT.

"The increase in business is marvellous news," said Mike Loy, director of the Cape Master Builders Association. "The present downturn has been the industry's worst in living memory and the Cape lost thousands of jobs through retrenchments."

However, building companies can expect lean pickings because of intense competition. Some are likely to submit "suicide tenders" that will show little profit but merely secure work to keep building teams intact until the economy recovers.

The biggest job-spinner will be the casino at Goodwood and the international convention centre on the Foreshore, providing 20 000 building jobs. After the third year, the casino aims to provide 15 000 sustainable jobs.

The giant shopping centre at Century City expects to have 4 500 workers on site by October.

The R850-million Clock Tower project will add 40 percent to the R1,2-billion already invested in the Waterfront, provid-

an organisational machinery to drive
ınce-wide economic delivery agenda
is) mutually supportive of each oth-
›rts," he said.
›uyakhulu said he had set the target
; in the province against the advice of
ues. "I have decided to put my neck

ficiently to realise job creation.

The project, intended to create 40 000 new jobs, includes towns such as Mooi River, Ulundi, Dundee, Vryheid, Pongola and Ladysmith. Some of these towns, wholly dependent on industrial activity, face difficulties as companies close shop and relocate.

Residential builders will be aim of registration campaign

BD 4/8/99

Robyn Chalmers (32)

ALL residential builders will have to register with the National Home Builders' Registration Council from October this year as government moves to protect consumers from unscrupulous builders.

This follows the publication last week of regulations for the home building industry in terms of the Housing Consumers Protection Measures Act of 1998. Interested parties have until August 31 to comment on the proposed regulations.

In terms of the act, all builders operating in the mortgageable category of the home building industry have to be registered with the council. They will also have to enrol all new homes to be built before construction begins.

The act makes it an offence not to be registered with the council, with penalties of up to a year's imprisonment or a R25 000 fine.

Banks and conveyancers will be obliged, through legislation, to insist on home builder registration and home enrolment before approving funds.

The recently published regulations outline a range of technical requirements for builders and payments to be made should structural defects be found in a home within five years.

Should a home builder fail to rectify defects or meet other obligations outlined in the act, the council can pay out funds totalling the selling price of the home up to a maximum of R500 000.

The National Home Builders' Registration Council indicated recently that it expected about 6 600 home builders to register with the council by October.

CEO Peter Allsopp said the first phase in implementing the act was setting up the council as a statutory body, and the second was the publication of regulations making it obligatory for all home builders to register. This was under way. The implementation phase of the act will apply to builders in the subsidy-only category of the industry.

Building sector still in doldrums

BD 10/8/99 (32)

Government's allocation of hundreds of millions has not lifted the construction industry's gloom

Sibonelo Radebe and Reuter

THE construction industry expressed little excitement over government's weekend announcement that a large portion of the R1bn in job creation funds will be allocated to the public works department.

The unenthusiastic response shows just how hard the industry has been hit by last year's market turmoil.

At the weekend, Trade and Industry Minister Alec Erwin announced the projects that will benefit from the R1bn set aside by government for poverty relief schemes. The fund allocations form part of government's strategy to create more jobs.

The public works ministry was allocated R377m, of which R103m will be used for agricultural and tourism projects. R100m has been allocated to the transport department for road construction projects, while the housing department got R75m. The Eastern Cape, KwaZulu-Natal and Northern Province will be the main benefactors of these funds.

Several associations representing major players in the construction industry welcomed the announcement, but said the figure was too low to revive the troubled industry.

Ian Robinson, executive director of the Building Industries Federation of SA (Bifsa), said the figure was small but it could make a difference if spent effectively. Henk Langenhoven, executive director of the SA Federation of Civil Engineers (Safcec), said the government initiative was appreciated but that its impact would be minimal.

Safcec and Bifsa pointed out the construction sector has an annual turnover of about R25bn, and an investment worth up to R500m is not significant given the extent of the industry's woes. It has in the past two years shed about 50 000 jobs and the allocation is expected to create about 4 000 new jobs.

Robinson said a long-standing industry concern was government's tendency to spend more than reasonable amounts of money on administration, rather than on the actual projects, and it was hoped government would address this problem.

SA's engineering sector, which has been engulfed by its worst recession in six years, purged more than 29 000 jobs in the first half as order books plunged.

Langenhoven said members' order books dropped 63,7% to R3,9bn in the six months to June 30, from R11bn for the same period last year. This sharp decline resulted in 29 795 lost jobs, and more jobs are expected to be lost with turnover levels expected to drop 10% by year-end.

"The severe downward trends measured during the last half of last year and the beginning of this year have deepened, making possible a recession as equally harsh as experienced during 1991-93," Langenhoven said.

During the first six months of this year, turnover levels from SA projects dipped to R3,5bn from R4,5bn in the same period last year.

The downturn in the sector is, however, unlikely to weigh heavily on the results of the major listed engineering companies as the reporting season swings into gear. A large number of companies have expanded offshore operations to boost their order books. Turnover from offshore operations rose to R747,4m in the first half of this year from R251,4m last year.

"Safcec members are entering the international market aggressively because of the lack of domestic activity," Langenhoven said. The industry, largely dependent on state contracts, was also taking a knock from inefficiency.

Safcec said only 50% of capital budgets were spent on capital projects. Many projects, recently put out on tender, were reworking of failed projects.

"We know that between 20% and 30% of payment for design and supervisory work is outstanding for consulting engineers," said Langenhoven. Prospects for the sector were bleak, with most indicators — tender awards, employment, new contracts and turnover — showing no signs of bottoming out.

... comment yesterday.

Building industry goes down before going up

Sibonelo Radebe and Moses Mlangeni

BUSINESS confidence in the building industry as measured by the BMI Building Research Strategy Consulting Unit is expected to continue declining in the second half of this year, but will rise in the 12 months to end June next year.

BMI's survey showed that conditions in the first 6 months of 1999 were worse by 5% compared to the first 6 months of last year.

A net 30% of the respondents expected the conditions in the six months to December to be worse by up to 5% compared to the similar period last year.

BMI expected the trend of declining confidence to bottom at the end of the year with gradually improving conditions thereafter.

About 34% of the BMI survey respondents expected conditions to be better in the next 12 months to June next year which was a significant turn-around compared with the negative expectations of the previous four quarters.

BMI had reported that business confidence in the building industry reached its worst levels in 10 years during the third quarter of last year.

Confidence levels in the industry had remained positive until commercial interest rates were raised seven percentage points over a short period from April last year. BMI said the main contributor to the increased confidence for the 12 months period to June next year was reduced interest rates and expectations that they will fall further in the coming months to reach levels of about 15% by year end.

However the survey also found that a large number of property investors including potential homeowners were still wary of the sustainability of the lower interest rates regime.

The turnaround in sales volume growth and business conditions last year did not meet earlier expectations says Stellenbosch University's Bureau for Economic Research in its second quarter retail survey released recently.

BD 30/8/99 (32)

'Building costs have never been as low'

Bifsa optimistic despite fears of 5% contraction

UT (MR) 1/9/99 (32)

ADELE SHEVEL

Johannesburg – The building industry was expected to contract by 5 percent in turnover this year from its decline of 1 percent last year, Ian Robinson, the executive director of the Building Industries Federation of South Africa (Bifsa) said yesterday.

But he expected the industry to head for the high road. "We have every reason to be optimistic about the future of the industry," he said.

He attributed this to a low inflation rate, success with the government's fiscal policy, a stable rand over the past few months and net inflow of foreign capital, among other variables. Interest rates were also falling steadily and the number of contractors being liquidated was slowing down.

According to Bifsa statistics, office plans increased by 27 percent in coverage terms during the first six months of this year from a decline of 16 percent of offices built.

Building plans for shopping space declined 1 percent from a drop of 25 percent of retailing outlets built and industrial plans passed dropped 32 percent from a decline of 6 percent of newly built premises during the period.

Non-residential plans passed also declined less than the actual drop in building of such premises.

Other indicators that confidence was improving were a reduction in the number and value of projects postponed and the fact that "building costs have never been as attractive".

He said the country's poor savings rate and subsequent dependence on foreign capital for fixed investment was still cause for concern. Robinson added that casinos had been the industry's saving grace. The estimated level of investment in casinos was R14 billion of which R7 billion benefited the building industry.

The role of the building industry had also reduced to about 3 percent contribution to the gross domestic product from 7 percent seen as the "ideal level" several years ago. Government work is only 20 percent of the total, which Robinson said was at "an all-time low".

The building industry had been hit hard over the past 18 months, which Robinson described as probably the worst period that could be recalled. The building industry expected to shed 30 000 jobs this year while 50 000 were lost last year.

"Profit margins are almost non-existent," he said.

Building industry set for steady comeback

BD 1/9/99 (32)

Next year should see the end of two years of recession, with the construction sector looking to a slow but sustainable recovery

Sibonelo Radebe

FOR the first time in two years of recession, the building industry looked set to experience a gradual and sustainable recovery beginning next year, said Building Industries Federation of SA (Bifsa) executive director Ian Robinson.

Yesterday, Robinson presented Bifsa's annual review of the building industry in which he forecast a 5% decline in the industry's turnover this year, 4,5% recovery next year and 6% by 2001.

"In the past two years the industry has seen worse conditions than anyone can remember," he said.

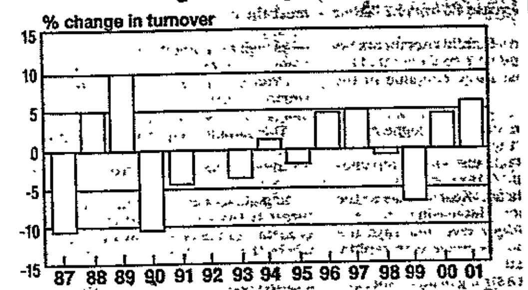
The extent of the industry's problems were reflected in the high number of job losses and business liquidations.

According to Bifsa figures, the industry was expected to shed up to 30 000 jobs this year after it had lost about 20 000 last year.

The number of liquidated companies last year came to 334, of which 65% were compulsory.

Last year's liquidation figure was 17% higher than in 1997. In the first half of this year, liquidations were already 22% higher when compared with the same period last year.

SA building industry: 1987—2001



Graphic: KUBEN DAVID Source: SARB, BIFSA

Robinson attributed this to last year's high interest rates and the economic downturn. However, in the medium to long term, prospects were looking good with the turnaround expected next year. Most economic and political indicators were pointing to that.

Robinson saw interest rates declining to a low of 14% next year, and the gross domestic product growing by 3%.

This should boost demand for shopping, industrial and new office space, as investors regain confidence, said Robinson.

"All leading indicators for the industry have turned the corner, but from a low investment base. It will take some time to return to levels recorded during the 1984 peak," he said.

CONSTRUCTION

It's back to basic building blocks

CT (BR) 2/9/99 (38)

ADELE SHEVEL

South African construction companies have their sights firmly levelled on opportunities outside of the country A flat local building market has unsettled them, and they have taken up projects in the rest of Africa, the Middle East and Australia.

But while they are busy looking out, their international counterparts may be looking in. Weak share prices are making certain companies in this sector ready targets for takeovers.

Suffering from a depression in the local building market, construction companies and contractors are targeting offshore business opportunities to counter a draining local environment.

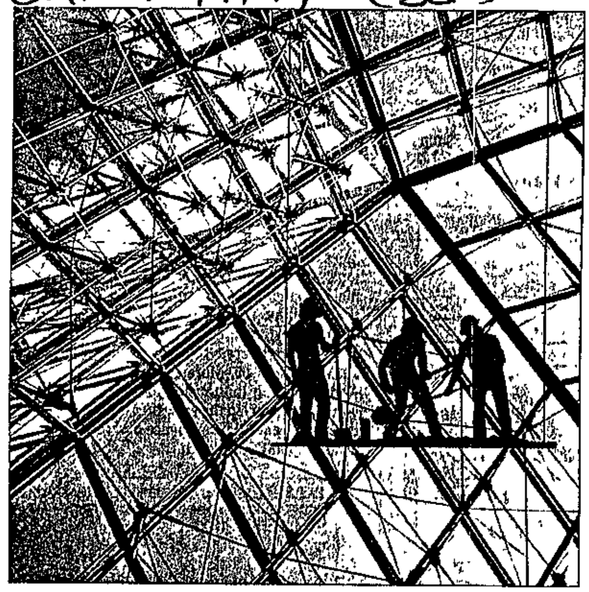
Government infrastructural spend is almost at its lowest ever; interest rates have been at record highs and business confidence has been flagging The larger listed construction companies have learnt that offshore exposure is vital for growth and sustainability.

Local projects are increasingly tough and difficult to come by and consolidation in the industry is vital, given the level of over-trading of these companies coupled with an uninspired local industry.

Smaller contractors do not have the option of moving into overseas markets to grasp hard currency and dilute reliance on tough local conditions. Liquidations have been rampant.

Market commentators, however, expect an increase in building demand. The Building Industries Federation of South Africa and the Bureau for Economic Research expect an uptick in the building industry to kick in over the next year or two. Interest rates have returned to pre-crisis levels with the prime lending rate of most commercial banks at 16,5 percent.

The building industry lags changes in interest rates by about 12 to 18 months, which means a real boost will be felt in about a year's time. Industry needs to sustain itself until this. Which means consolidation is a requirement for companies fighting through



overtrading and tight profit margins. Consolidation and economies of scale are attractive ingredients for listed companies to be able to flex financial muscle overseas, as the rand does not stretch too far.

Among the variables expected to determine which companies will last the course are the amount of offshore exposure that provides access to hard currency; whether the company chased volume at the expense of margins; and whether the projects are build-operate-transfer projects, which supply good margins.

Analysts point to LTA as the blue-chip of the construction companies and the company ahead of the pack It entered offshore turf before the others. The company has delivered earnings growth for 13 consecutive years.

Fundamental changes, however, are under way in this industry. Murray & Roberts, the country's largest construction and civil engineering company, intends to list its construction entities separately. Over the past year, it has gone through a series of non-core disposals and core acquisitions, fighting with a low share price and earnings leakages. It has not had much luck with the sale of its biggest earnings draining entity, Alloy Wheels International

Its low share price, compared with the net asset value of the company, has also made the group vulnerable to takeover. But the fact that the net asset value of the group has been revised downwards while its share price has been propped up of late (in anticipation of a possible takeover) – makes the prospect of an asset strip less enticing

Stocks & Stocks, the debt-ridden construction company that has suffered through exposure to low-cost housing market and property development – is now doing an about-turn on its previously stated policy of leaving property to focus on construction Stocks & Stocks' construction arm is now out for tender.

Aveng, the recently listed construction, engineering and building company, aims to add weight locally and internationally to its construction arm It intends to take out that part of Grinaker it does not own Talks are under way with local and overseas companies for further acquisitions

Group 5 exceeded analysts expectations in its latest results Sustainable earnings need to be the order of the day before a turnaround can be applied to a group that has whittled itself away from property

Basil Read and Wilson Bayly Holmes (WBHO) are both highly regarded construction companies Basil Read has a large overseas stakeholder – Bouygues – but it is fairly illiquid The company is expected to be Bouygues' starting point for expansion in Africa WBHO, the low-profile company that quietly delivers the goods, is said to be a prime takeover target Management is entrenched, though the right price might entice them

Those companies that have maintained ratings and have moved forward have been those focused on core activities, have relatively low debt and have offshore earnings

The building, construction and engineering sector has been the third best performing sector since the beginning of the year And indications are that the local market conditions are expected to pick up

Whether a number of the construction companies will survive in their current corporate colours until then remains to be seen The discrepancy between the net asset value of a number of businesses and weak share prices in a vulnerable industry, coupled with indications for a turnaround, could lead to overseas companies moving in over the next few months for local opportunities That is unless local companies make some decisions fast.

Ground shifts for civil engineers in new SA

ST(BT) 5/9/99 (32)

The government is no longer a Big Daddy providing flashy projects, writes JANETTE BENNETT

THE apartheid government built big dams, but more than half the people of SA lacked drinking water. It built major highways between cities, but ignored small farmers' needs to transport their goods to markets. The flashy, expensive claims to being part of the first world were important to an isolated, scorned country.

Today the emphasis has shifted dramatically to meeting the basic needs of all South Africans, which has meant much less conspicuous projects which hold far more long-term benefits. "You don't just see a handful of big projects anymore — instead there are numerous small sites in rural towns," says Peter Erasmus, chief executive of engineering firm Stewart Scott. SA needs this shift, but it has meant a radical change for the civil engineering industry, first in the chain of professionals when it comes to building infrastructure.

Stewart Scott chairman Makgabo Maruma says the industry has in the past been heavily dependent on government contracts contributing up to 70% of turnover.

The state, however, can no longer afford to be the sole funder of infrastructure provision, and the private sector also has to carry the burden. For civil engineers, this has meant a much higher risk profile and a vast difference in the way they do business. Although it has put the industry on the brink, there is a recognition that the private sector must take more responsibility for creating infrastructure — as a matter of necessity.

"Governments will still have a role to play in third world issues and financing, but globally they are increasingly sticking to their core business, namely governing," Erasmus says.

The shift has ignited a shakeout in the industry, and Erasmus predicts we'll see a spate a failures, mergers and buy-outs by international players. "The industry is bleeding; it will not survive in its current form."

Stewart Scott is facing the challenge on several strategic levels. Maruma says the company made a good decision to diversify internationally. "That has balanced the fall-off of government contracts to some extent. The company is active in SADC and in Ethiopia, Malawi, Angola and Burkina Faso."

Its international associate is DHV, a Dutch group which has steadily increased its stake in Stewart Scott from 6% in 1992 to 33% today. "We had good synergies," Erasmus says. "We focus mainly on water, transport, industry and management consultancy, and DHV is well-positioned in all those areas."

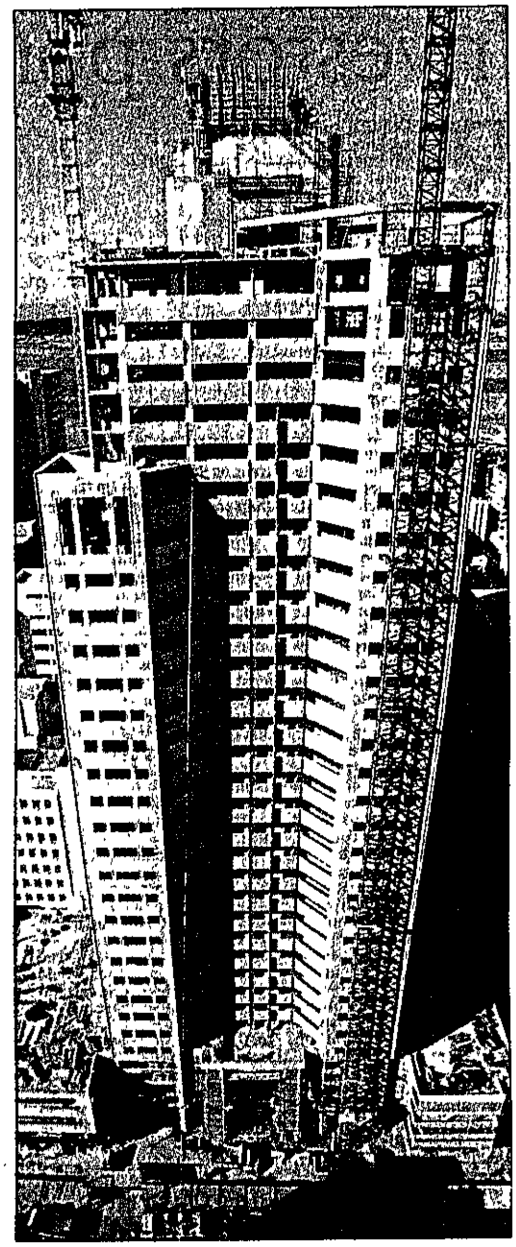
He adds: "As South Africans, we felt we understood Africa, but the Dutch actually showed us around. We had been isolated for so long ...."

'The emphasis has shifted to meeting the basic needs of all South Africans, which has meant less conspicuous projects'

Just as the client and the economic climate is changing, so is the company's internal structure. In the past financial year, the company took a "difficult", soul-searching decision to sell a third of the company to black partners. These details are still being finalised, and Maruma is hesitant to disclose the partners' names.

"This is a very brave move — like selling the family silver," he says. "But we realise that we must do it now or perish."

And this must be done in a context in which barely 3.5% of professional engineers in SA are black, which means black engineers are in huge demand. This creates a problem for bigger engineering companies like Stewart Scott. "We have a very artificial situation now," Erasmus says. "Established firms make a huge investment in intellectual property. We can, because we have critical mass, but many smaller firms can't. Yet young black engineers — because of they are in such demand — find it more immediately attractive to go to small, emerging black firms, missing out on the breadth of experience they can build up in the older firms."



SMASH AND GRAB: In the old SA, civil engineers could rely on flashy, high-rise projects to see them through

Structural changes go deeper still. Erasmus adds that traditionally, civil engineering firms were fairly loose groupings of partners offering a professional skill, closed and secretive. The challenge is to change, rapidly, to professional businesses offering a holistic set of services. Risk management has been introduced as a job criterion in the company's staff assessment system. And the company believes it is one of the first to be awarded ISO 9001 certification, which encompasses a set of international quality standards.

"The look of the traditional consulting engineering company of the past 20 years, which dealt with city engineers and other technocrats, will change to a service company that manages infrastructure in cooperation with other private sector firms," he says.

Instead of just designing infrastructure, engineers are becoming involved in conceptualising, financing, building, operating and maintaining infrastructure. We are becoming more user-focused. We are now at the forefront of project delivery; previously the state was the only major player."

What he is describing is what the industry calls BOT, or build-operate-transfer.

"Increasingly," Maruma says, "we are becoming equity shareholders in our projects, involved in both design and ownership of infrastructure. Traditionally, engineers have not been trained to do that."

Fears for 52 000 more construction sector jobs

CT (MR) 7/9/99 (32)

Frank Nxumalo
Labour Editor

Johannesburg – Up to 52 000 jobs in the building and civil engineering industries could be lost by the end of the year, the Building Industry Federation of South Africa (Bifsa) and the South African Federation of Civil Engineering Contractors (Safcec), the industry employers' organisation, said yesterday.

Ian Robinson, the chief executive officer of Bifsa, said 30 000 of these jobs would be lost in the building industry and the rest in the civil engineering industry.

Muller Uys, the Safcec human resources director, said that last year the industry's turnover had declined by R400 million to R8,76 billion.

Uys said the industry's major source of business had been the government's development of roads, bridges, dams and other infrastructural, which had suffered a decline of up to 10 percent as the government "diverted capital expenditure to current expenditure" especially in the form of salaries to public servants.

He said that over the past five years, employment in the industry had fallen from 120 000 to the present 70 000 and was expected to go to 65 000 by the end of the year.

"The outlook is very bleak and we are doing a study that is already showing that our problems are not seasonal but that the industry is in a permanent state of structural adjustment.

"We are going to be a very small industry compared to what we were just five years and everybody is going to be affected," Uys said.

Uys slammed strike threats by the Building Construction and Allied Workers' Union and the Cosatu-allied Construction and Allied Workers' Union following a wage deadlock.

The unions were demanding a minimum wage of R1 200 a month or a total remuneration package increase of 30 percent on the present average of R700 a month against Safcec's offer of 6 percent across the board.

Home builders' body loses 40 contractors a week

BD 7/9/99 (32)

Council looks at additional protection for consumers when builders go bankrupt

Robyn Chalmers

THE National Homebuilders Registration Council, set up to protect consumers from unscrupulous home builders, is losing about 40 contractors a week from its books due largely to poor economic conditions.

Council MD Peter Allsopp said yesterday there were currently about 3 300 contractors registered with the council from 6 600 a few years ago. "This is the highest dropout rate in the world when compared with similar schemes," he said.

He said the key reason was the tough conditions in the building industry, with many medium and small companies going bankrupt. The Building Industries' Federation of SA (Bifsa) expects the sector, one of SA's largest employers, to shed 30 000 jobs this year after losing 20 000 last year.

The council was investigating the introduction of three funds in the next few years to give further cover to consumers. If accepted, these will provide cover for consumers affected when a builder goes bankrupt in the middle of a project, deposit theft and rectifying roof leaks for up to a year.

The council currently issues a warranty to consumers on the completion of a house. This means home builders are responsible for design, materials and workmanship defects for three months after the house is completed, roof leak defects for a year and a five-year structural integrity warranty.

In terms of the Housing Consumers Protection Measures Act of 1998, it is an offence for contractors to build a new home without registering with the council and enrolling the number of houses to be built. Individuals may face one year imprisonment or a R25 000 fine for every home built without home builder registration and enrolment.

Banks and conveyancers will be obliged, through legislation, to insist on home builder registration and home enrolment before approving funds or transferring new properties. The law is designed to offer protection to all home-owning consumers, including those with the lowest incomes.

The council provides cover by levying a charge on all homes enrolled totalling 1,3% of the value of the house. Allsopp said the warranty fund had now reached a total of R53m and was expected to level off as the number of new houses enrolled had fallen to 1 500 a month from 3 000 previously. This is in line with the poor economic conditions.

The council handles about 500 consumer complaints each month of which between 160 and 200 fell within its parameters.

"We have been encouraged by the reaction of our registered home builders to this act, as they see that through our mechanisms that unscrupulous and so-called fly-by-night builders will be excluded from the home building industry," he said.

(32) ST(BT) 12/9/99

Building industry up the wall

DRAFT LEGISLATION

By DON ROBERTSON

THE building industry has slammed the Department of Housing for giving it insufficient time to respond to the draft regulations contained in the Housing Consumers' Protection Measures Act, which was gazetted on July 30.

The Act, when promulgated, will require all residential home builders to register with the National Home Builders Registration Council by October and to enrol all new homes to be built with the council's defect warranty scheme. It will also make it compulsory for banks or financial institutions to insist that a builder is registered before a loan can be advanced.

Ian Robinson, executive director of the Building Industries Federation of SA, says copies of the regulations were received only on August 17, which left little time to properly peruse the document before the final date for comments at end-August.

Bifsa, which was granted only three days when it asked for an extension, says it is "unreasonable" that such a high-handed attitude should be taken.

PROPERTY

Construction industry still built on sand

BD 22/9/99 (32)

Despite falling interest rates, the number of companies going into liquidation is increasing

Justin Palmer

DESPITE falling interest rates, the high number of construction company liquidations is expected to continue into next year.

Senior Credit Guarantee economist Luke Doig predicts that liquidations for 1999 will be close on 400, while the number for next year will exceed 400 before it falls to just more than 300 in 2001. Credit Guarantee insures its clients against bad debt and is affected by the number of companies going into liquidation.

"There is still going to be a lot of pain," Doig says.

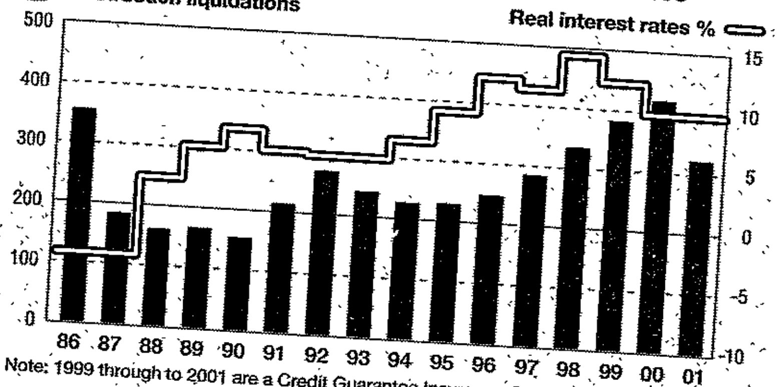
Recent figures released by Statistics SA show that the number of liquidations has been increasing steadily since 1995, in line with interest rate movements.

Despite a drop in real interest rates this year — interest rates that have been adjusted to take inflation into account — there has been a 14,5% rise in construction liquidations for the first seven months of the year compared with the corresponding period last year.

"The construction industry has been hurting for some time now, especially given the difficult trading conditions in the aftermath of high interest rates during 1998," Doig says.

He says interest rates have come down 9% since their peak, with further relief imminent.

Construction liquidations vs real interest rates



Note: 1999 through to 2001 are a Credit Guarantee Insurance Corporation (CGIC) estimate
Graphic: RUBY-GAY CAETANO Source: STATISTICS SOUTH AFRICA (SSA)

"Real rates of 17% at the peak of the crisis last year have given way to levels of 12%, but little respite is expected over the next 24 months.

"Inflation is headed into sustainable sub-5% territory while nominal interest rates may bottom out early next year after two further 1% cuts. In other words, real rates will be in double-digit territory which will make it difficult for the industry to grow rapidly despite enormous infrastructural backlogs," he says.

Doig says the effects of this trend are evident in the marketplace. Concrete and cement sales were down 8,5% this year to July when compared with the same period last year.

When the figures were released by the Cement and Concrete Institute (CCI), a market analyst said the outlook for the rest of 1999 remained bleak, despite the expected economic recovery and the continued lowering of interest rates. The reason given was the lag effect that exists in the construction industry.

Analysts agree that the only positive thing in this "bleak environment" is the granting of casino licenses. Construction on many casinos has already begun. But Doig says Bureau of Economic Research (BER) figures still display weak confidence levels and poor growth in work on hand.

Despite the weak confidence levels, the figures also show that tendering keenness is on the increase for both building contractors and subcontractors.

"We may actually witness a strengthening of the structural change and move towards smaller, leaner construction firms as many of the larger concerns operating in the domestic market battle with large overheads.

"All of these factors have and will force a focus on cost-cutting. Clearly this may involve further rationalisation and retrenchments in an already troubled industry," Doig says.

The Building Industries' Federation of SA (Bifsa) has said it expects the industry to shed about 30 000 jobs in 1999. Added to the 20 000 jobs lost last year, this represents about 25% of the industry labour force.

Doig says the way forward for SA construction companies is to look outside of the limited domestic market for contracts.

'No recovery signs' in building sector

(32) CT(PR) 6/10/99

VERA VON LIERES

Cape Town – Building and construction companies were still battling, feeling the lag effects of last year's interest rate shock, and there were no signs of a recovery in the demand for new work, the Bureau for Economic Research said yesterday in its third-quarter survey of the sector.

Architects and quantity surveyors questioned said the number of projects at sketch plan stage and commissions at working drawing stage were still well below those of a year ago and they had to retrench staff.

"Contractor and subcontractor respondents reported that work volumes were low and new work very scarce," the survey showed.

But tendering competition had shown signs of abating, which could indicate a gradual improvement in the availability of new work.

Similar to the environment sketched by architects and quantity surveyors, the survey found that civil engineering contractors had experienced unfavourable business conditions and a hostile tendering environment.

The Bureau for Economic Research says the outlook might change by 2000

Despite continued harsh conditions, the business confidence index for the building industry, although still at a very low level, had ticked higher for the third consecutive quarter, the survey found.

The general mood among respondents pointed to improved business conditions during the last quarter of 1999.

"Bearing in mind the declining trend in interest rates, it is fair to state that the worst is now behind the industry and the prospects of a sustained recovery in 2000 look promising," the bureau's report said.

'Construction still battling for work' (32)

By Mongwadi Madiseng and ECN Business

DESPITE the decrease in the interest rates over the past few months, the South African construction industry is still battling to recover and halt continuing job losses.

According to Andreas Krafft, construction director of the black economic empowerment company, Nare Construction, the drop in interest rates would only have positive short term effects on future prospects of the industry.

He said more foreign funding was needed to pick up building and construction activity to create new job opportunities.

With regard to the development and construction of casinos in South Africa, Krafft added that the casino development would be shortlived and small construction companies would find it difficult to survive while at the same time more jobs would be lost.

The Stellenbosch-based Bureau for Economic Research (BER) said despite the interest rates having dropped by nine percent in recent months, their recent survey of the building, civil engineering and construction industries still showed no clear signs of a broad-based recovery in the demand for new work.

The BER said the construction industry generally felt business conditions would improve in the last quarter of 1999.

"It is fair to say the worst is now behind the industry and the prospects for sustained recovery in 2000 looks promising," said BER.

Sowetan 6/10/99

Cover for homeowners

(32)

Residential builders required to register with new council

Robyn Chalmers

ALL residential builders will have to register with a new, streamlined National Home Builders Registration Council by November 1 as government moves to protect consumers against unscrupulous builders.

The Housing Consumers Protection Measures Act will make it an offence not to be registered. Penalties are up to a year's imprisonment or a R25 000 fine.

Mike Mohohlo, chairman of the existing council, said yesterday that the act was now in place and the council was getting ready to hand over its implementation to a new body.

The body, which will also be called the National Home Builders Registration Council, will h[illegible] [illegible]aller board of 15 peopl[illegible] [illegible]y the housing m[illegible] [illegible]e current 24.

The number of directors will be reduced to four from 13.

Mohohlo said the minister would appoint a new board as soon as possible which would in turn recommend a new CEO. "The new board has to be in place by June 3 next year."

Council CEO Peter Allsopp, who will become the new body's operations director, said the act would be enforced from November 1, when all home builders must be registered with the council.

Currently, only houses valued at up to R250 000 must be enrolled.

All houses built after November 1 will have to be enrolled with the council, banks must ensure builders are registered with the council before giving them finance and the same applies to conveyancers.

In terms of fees to underpin the council's warranty scheme, 1,3% of the house value is payable on properties up to R500 000.

The fee then rises on a sliding scale, with a maximum ceiling for homes of R5m.

The warranty scheme kicks in when a consumer has a verified complaint on a defective house and the builder either refuses to rectify the problem or has gone bankrupt. The council will then fix the defect.

Allsopp said the council had enrolled more than 88 500 houses to date and undertaken over 132 800 inspections.

A total of 4 281 complaints from customers have been received and 29 repairs valued at R467 000 completed.

A problem facing the council was the number of builders leaving the industry, with up to 40 builders exiting each week.

Sunday Times Business Times
October 31 1999

Homeowners to benefit from stricter building laws

(32) CONSTRUCTION INDUSTRY

ST (BT) By DON ROBERTSON 31/10/99

THE Housing Consumers Protection Measures Act comes into full force tomorrow and requires that all homebuilders be registered with the National Home Builders Registration Council and all new homes be enrolled with the council.

The first phase of the Act came into effect on June 4, making the NHBRC a statutory body.

The aim of the Act is to protect homeowners from shoddy workmanship. Builders will be responsible for design and material defects for three months, roof leaks for a year and structural defects for five years. NHBRC inspectors will be able to assess workmanship during the building process and after completion.

In terms of the Act, banks offering finance for a home must ensure that the builder is registered with the council and that the house has been enrolled under the defects warranty scheme. In addition, conveyancers must also ensure that builders are registered and the home enrolled before transfer can take place. Builders failing to register can be sentenced for up to a year in prison or fined R25 000.

Builders will be forced to pay an enrolment fee ranging from 1.3% of the value of the house up to R500 000, then reducing on a sliding scale and reaching a maximum of R34 000 for a house costing more than R5-million.

Homeowners can now turn to the NHBRC if a builder refuses to repair defects or goes insolvent, and can make a claim against the warranty fund.

The passage of the Act has not all been plain sailing, with the Building Industries Federation of SA claiming that the NHBRC will have sole authority over the building process for a period of five years. It suggested that companies associated with the insurance industry be granted similar authority. It also claimed that homeowners would not have an automatic right to claim from the warranty fund.

The NHBRC has been in operation for several years but on a voluntary basis. During this time, a total of 88 530 houses were enrolled and 132 860 inspections were undertaken; 4 280 complaints were received and 29 repairs were undertaken amounting to R467 267. A further 62 were in the pipeline and could cost R1.8-million. To date, 6 605 builders have registered with the council.

Unity is strength for construction industry

By MALOSE MONAMA (32)

CP 5/12/99

THE chairperson of the newly established Black Construction Council (BCC), Mandla Ndlovu, is assured the depressed construction industry is about to emerge from its current lull.

His optimism, he says, is derived from positive economic indicators and the fact that for the first time the black construction industry is able to speak with one voice.

Ndlovu says the emerging contractor should especially do better given the support it enjoys from government's affirmative procurement policies (APP).

The department of works, which played a pivotal role in bringing about the merger of three black organisations to form the BCC, has through projects and programmes such as APP seen the participation of emerging contractors increase from a mere 4 percent to about 30 percent.

An analyst approached by City Press Business concurred with Ndlovu.

He said given the economic upswing and a rise in gross domestic fixed investment (GDFI), "the construction industry should pick up in the new year."

Ian Robinson, the chief executive officer of the Building Industries Federation of South Africa (Bifsa), said: "Things should begin to pick up in the second half of next year, when we expect interest rates to go as low as 14 percent.

"There is also a general feeling of confidence about the South African economy and investments should begin to flow in from overseas."

The organisations that merged to form the BCC are: the National African Federation of the Building Industry (Nafbi), the African Builders Association (Aba) and the National Association of Black Contractors and Allied Trades (Nabcat).

Ndlovu is a civil engineer who heads his own construction company, Fikile Projects, and is also the chairperson of the Construction Industries Confederation.

He says the BCC accords black contractors an opportunity to speak with one voice. "Unity as espoused by the BCC leadership and membership of its constituent organisations has been achieved mainly to provide a platform for its future development and growth," he said.

LOOKING UP ... BCC chair, Mandla Ndlovu predicts an industry upswing

The BCC has representation on the Construction Industries Confederation (CIC), which Ndlovu also chairs.

The CIC is a confederation of all construction organisations, transcending the colour bar.

Through its participation in the CIC, the BCC hopes to be in position to reform and help establish an environment appropriate for the growth and development of the emerging sector.

"We will vigorously campaign to promote the empowerment of our members so that they become meaningful players in the economic mainstream," Ndlovu said.

"We will also provide tangible services to members by prioritising and identifying projects and methods of accessing funds."

The BCC can be visited at the corner of Schoeman and Andries streets, Pretoria, or they may be contacted telephonically on (012) 332-5590.