CONSTRUCTION - GENERAL.

FEBRUARY  45.
Nov.  45.
Feb.  76.
Oct.  76.
Jan.  77.
June.  77.
Construction of houses for sale to Coloured persons by White building development companies

29. Mr W. G. KINGWILL (for Mr L. G. Murray) asked the Minister of Community Development.

(1) Whether building and development companies controlled by Whites are permitted to construct houses for sale to Coloured persons in Coloured residential areas; if not,

(2) whether he will make a statement on the matter.

(1) 30

(2) 123

(3) 64

The MINISTER OF COMMUNITY DEVELOPMENT (Reply laid on表格 with leave of House).

(1) and (2) There is nothing to prevent building companies, controlled by Whites, as the successful tenderers or winners of contracts awarded on a competitive basis, from constructing houses which are provided by town councils, my Department or qualified private entrepreneurs, in Coloured areas. White controlled companies are allowed to erect houses in Coloured areas under certain circumstances, for instance, the erection of houses by employers for employees. The arrangement has been in effect for some time already. The houses are erected on land which is acquired from local authorities on a long term lease basis. There are many examples as well as many variations of the scheme which I cannot go into at the moment. In this connection it is sufficient for me to mention that the Cape Town Chamber of Commerce, after negotiations with my Department and with my consent, is at present undertaking the erection of 1,000 houses in Coloured areas for employees of members of the Chamber according to a scheme whereby the properties are transferred from the local authority directly to their Coloured occupants and owners so that disqualified persons do not acquire ownership rights in areas where they are disqualified. I would like to request individual employers and White controlled companies very seriously, in their own interests and that of their employees and in national interest, to provide houses for occupation by their employees. Information is available in all the regional offices of my Department of Community Development.

Disqualified development companies are, however, prevented by the provisions of the Group Areas Act from acquiring land for development purposes in areas where they are disqualified and from erecting dwellings therein because, should it be permitted qualified Coloureds would to a large extent, through unfair competition etc., be deprived of the opportunity of obtaining their rightful share in such development. Furthermore, in view of their incomes the Coloured population in particular, is housed exclusively in Government housing which is cheap with the result that private de-

velopers have only limited participation which cannot be taken away from qualified persons. The limitations on the cost of housing are also very important since they reduce initiative.

I have on occasion discussed this matter with representatives of various large White development companies which, after the position has been explained to them in full, usually abandon any such intentions because, with the fall knowledge of the extent of the problem, it is no longer an attractive or viable proposition for them, on account of numerous considerations.

Utility companies, are, however, being encouraged to establish jointly companies which initially do not have a Coloured group character but which, within a limited period, in terms of the Group Areas Act, must become a Coloured company.

Such companies may, of course, develop in Coloured areas. It follows that the same approach applies to all the racial groups.
BUILDING INDUSTRY SETBACK

Ivan Philip

The drastic slump in building plans passed during the first quarter of this year reflect, above all, a weakness in the private sector.

And this weakness is compounded of several factors.

- There is a shortage of money in the building societies — a drop in investments amounting to no less than R285m in a year, which is hampering progress in private housing.
- The private housing sector is still checking on an oversupply of "spec"-built houses.
- There is strong demand for established houses nearer to city centres as people become more conscious of the cost of transportation. Sectional title properties are gaining from this trend.
- A period of consolidation is being forced in office accommodation by a combination of oversupply, the high cost of money and slow escalation of rents.

Official figures show that the value of building plans passed in the first quarter of this year amounted to R212m, which is R57m down on the same period last year. Industry sources say that these statistics should not be read too literally, as delays in passing plans can sometimes distort the picture.

Meanwhile, the larger construction companies are still prospering since there has been little dip in major sponsored housing projects.

The same applies to large and well-established estate agents in the private housing sector, since they tend to get the lion's share of "sources" funds from the building societies.

A spokesman for a major agency dealing with city properties summed up the position with offices and shopping centres like this: "We are having a breather and it's not a bad thing. There is no big development going on now — and this could remain the position for a year."

(*)
Assembly line brick laying

CAPE TOWN — An invention that brings assembly line methods to building and eliminates bricklayers has been introduced in the Western Cape.

It eliminates the need for artisan bricklayers while cutting erection time and labour costs by up to half.

Mr. Victor de Haas, using his invention for a housing scheme at Velddrift this year, cut erection time for all exterior and interior walls from an average two days a house by the conventional method of bricklaying to 3½ hours.

No bricklayers were employed on the contract, and the labour force consisted of only 16 labourers a house.

Mr. De Haas's invention consists of a steel frame shaped in the plan of the house's inner and outer walls. The frame is made of parallel steel guides into which the bricks are laid. After each course is laid concrete is pumped into the frame for the next layer of bricks.

The frame ensures the bricks are in line and gives the level for each course of bricks. — DDC.
Industrial Editor

With building plans down by almost R100m in the first five months of this year, there is general pessimism in the industry, and the Stellenbosch Bureau for Economic Research sees no favourable prospects for the rest of 1975.

The Bureau's report for the second quarter does not foresee a significant drop in long-term interest rates unless inflation eases substantially. Prospective house-owners cannot expect bond rates of building societies to drop below the current 10.5 percent at least for now.

COMPETITION

One bright spot in the gloomy report is that the rate of increase in building costs this year should be lower than the 15 percent average increase last year. An average increase of 12 percent in building costs is expected despite higher costs of materials and imports. The reduction is likely to result from keener competition and low wages coupled with rising productivity.

The Department of Statistics figures on building costs, also released today, show that building plans worth R387.3m were passed in the private sector from January to May this year, compared with R489.7m in the same months last year.

Plans for residential buildings passed during the period dropped from R268.2m last year to R189.7m this year.

On the other hand, the value of buildings completed rose during the first five months of this year to R290.4m compared with R267.7m in the same period last year. The value of residential buildings completed was R178.3m in the January-May period compared with R167.6m last year.

RENT CONTROL

The increase in buildings completed compared with the drop in plans passed indicates a slack period ahead for the industry.

The BER's quarterly report repeats its previous view that building society funds will not fully satisfy the demand for housing loans this year without Government aid.

The BER says it is improbable that general economic activity will improve this year.

It sees "serious repercussions" from the divergent trend that people prefer to rent flats and to buy houses, while practically all new flats are being built for sale as individual units. Developers are not interested in building flats and houses for renting, fearing that rent control will be applied.

PRIVATE

The bureau says that real private consumption expenditure may increase less rapidly "in the rest of the year. Even if the gold price increases and the expected inflow of capital take place, forcing short-term interest rates down, no significant long-term decrease in interest rates is expected because of the inflation rate."
Body-line blow to timber men

THE TIMBER MARKET Bureau reported that the flow of structural timber from sawmills to merchants by a massive 92 million cu. m. a year, because of the drop in the number of houses being built. This is a further blow to the timber trade, which has already been reduced by the drop in the number of houses being built. According to the Bureau, the number of houses built in 1975 was down to 250,000, from 300,000 in 1974.

The drop in demand has sent prices in the timber industry spiraling downward. The wholesale price of timber has dropped by 20 to 30 per cent in the last year. This is a blow to the timber industry, which has been struggling to stay afloat. The drop in demand has also had a ripple effect on the economy, as the timber industry is one of the largest employers in the country.

The timber industry is not the only sector feeling the pinch. The steel industry has also been hit hard by the drop in demand for new homes. The steel industry has been forced to lay off workers and reduce production.

However, there is a silver lining. The drop in demand is also a sign that the economy is slowing down. This could lead to a decrease in inflation, which would be a welcome relief to consumers.

For the time being, the timber industry is bracing for a tough winter. The industry is hoping that the drop in demand is temporary and that the economy will rebound in the future.
Rail jam: 50
trains idle

Cape Times Correspondent

EAST LONDON.—About fifty trains laden with goods for export and domestic use are lying idle in sidings in the Transvaal because a huge volume of traffic has clogged the South African rail network.

Rail traffic to Natal, which had been stopped completely on Tuesday was moving slowly again yesterday but on a restricted basis, in an effort to overcome the backlog which is seriously affecting deliveries of cement and maize throughout the Republic.

The public relations officer of the SAR, Mr T du Toit, said that 45 train loads had been "staged" in the Western and Eastern Transvaal on Tuesday.

"We were forced to stop traffic to Natal completely. However, the situation has eased slightly and we are accepting traffic again. The traffic is still being restricted until the situation returns to normal."

EMPHASIS

Mr Du Toit said that the reason for the jamming of the network was the emphasis the Railways had placed on the delivery of coal for the winter months.

"We expect the situation to improve as the winter passes," Mr Du Toit said.

Meanwhile the executive director of the South African Cement Producers' Association, Mr V L Houriet, has denied that there is a shortage of cement as such, and placed the blame for shortages on the Railways.

"Shortages of cement are affecting Natal, especially the North and South Coast areas, the Eastern Cape, and parts of the Orange Free State.

"A similar but not so serious shortage is being experienced in the Transvaal."

AWARE

He emphasized that the Railways were aware of the situation and were doing everything possible to alleviate it.

Restrictions placed on traffic to Natal were likely to have a serious effect on the export of cement to Iran and other countries, Mr Houriet said.

"I must emphasize that I am not optimistic about the shortage and warn the cement users to expect sporadic shortages over the whole of South Africa except the Western Cape."

"I must also repeat there is no shortage of cement at the factories.

The maize shortage, which has lasted from the beginning of June, is likely to ease with the allocation of 12 000 maize trucks to the Maize Board."
lost in building

Pretoria Bureau 17/7/75

Accidents in the South African building industry are costing R30-million a year, it is estimated today. And with other accidents the yearly loss is a staggering R130-million.

To try to stop this erosion of profits and feed them into the pay packets of workers and management, an advanced safety class is to be held in Pretoria on August 5.

The estimates come from spokesmen for the South African Building Industries Federation and the Master Builders and Allied Trades Association of Pretoria.

CONTRACTS

For the Witwatersrand alone the loss is said to be ten percent of total contracts awarded.

The percentage of construction work in this area is probably just under half of all construction in South Africa, with 50,000 workers.

Injuries on the Witwatersrand were 7,480 or 15 percent of the workforce. It should be two percent.

There were 40 deaths in the past year, costing R170,000 in compensation.

In one year the industry as a whole had 75,000 injuries to hands and wrists alone.

PROFITS

Mr E N du Toit, newly appointed safety manager of the federation, said: "This unnecessary throwing away of profits has been tolerated for longer than we care to remember."

For this reason advanced classes directed at all levels of the industry from management down were being held.

The first was in Cape Town, the second in Durban.

The third will be at the Senate Hall, University of South Africa at 2 pm on August 5.
Not good enough, say professors

VIEWED from the rather ivory-towered atmosphere of a university, NBRI could, and should, be doing a lot more than it is, and the way it co-operates with other research orientated institutions leaves much to be desired.

This is a view shared by Professor Ivor Primrose, director of the school of architecture of the University of Cape Town, and Professor Colin Welch, professor of town and regional planning, and acting dean of the school of architecture and allied disciplines at the University of Port Elizabeth.

Professor Welch is a former employee of NBRI.

In fairness, however, it must be stressed that both the professors temper their remarks and opinions by acknowledging that NBRI simply does not have the funds needed to do all the things it would like to do.

The fiery Professor Primrose, who had just returned from a teaching stint at the University of Los Angeles in California when I interviewed him, had this to say:

"I see the NBRI as a great big animal that tells us in technical terms how buildings are built. It should be more than that."

"In South Africa now there is vast confusion in the housing of people, like Black and Coloured migrant people."

"When we examine the housing backlog for our people, and ask what has been done to catch up with it, we get a shock when we find that our current programmes aren't catching up.

"There seems to be a lot of confused thinking. It is the task of the NBRI to get order into this confused thinking, and take the lead.

"I know that the NBRI concerned itself in this field, that it did all the preliminary work for Soweto, but these standards are now obsolete. We now want something different. I feel it is time that the NBRI got involved in that field again."

He said that at present NBRI's research was "single-pronged."

"He saw in that a distinct danger of that research being taken as gospel, and applied unthinkingly by local authorities and Government departments, such as the Department of Community Development - with disastrous results."

"What we need is a multi-pronged research effort, with NBRI co-operating with other research-oriented organisations such as the universities," he said.

"Soweto is an example of what happens when you tackle a research project with one point of view.

"The dangers of single-minded research when applied to housing was driven home to me in Latin America, parts of which are covered by carpets of houses that all look alike.

"Towns and buildings must be designed so that people will not be compelled to do things which they know will lead to them being attacked."

"The way we lay out our streets, the provision of adequate lighting, and the design of the entrances to blocks of flats can either be an asset or a liability to the criminal.

"If a lift entrance is visible from the street, chances are that no one will be attacked while waiting for a lift, but if it's hidden around a kink in the foyer there's every chance that sooner or later someone will be."

Professor Welch felt that so long as NBRI was compelled to do private research to bolster its funds, it could never do what it should really be doing, conducting long-term, in-depth research.

"It simply does not have the staff to do both forms of research properly," said Professor Welch. "And a point that must not be forgotten is that much of the private research does is of a confidential nature, so never sees the light of day."
Building costs rocket ahead

By DAVID PINCUS

BUILDING costs are rising more than twice as fast as the retail price index, according to Berckenhagen and Lown, a well-known firm of quantity surveyors.

Based on 1963 figures, the retail price index has risen by 30 per cent, while the cost of building has increased by a staggering 158 per cent.

In the last 13 months alone, building costs have shot up by 49 points, to 190, compared with the retail price index increase of 16 points, to 116.

Andrew Howard, secretary for Public Works, the building industry's biggest client, said: "The upward trend shown by these figures was borne out by the experience of his department."

He said the increased building costs were "nothing short of alarming", especially considering that no less than 17 per cent (about £3 000 million) of the gross domestic product goes into building and civil engineering.

Mr Howard said the present method of tendering was the most important reason for the price escalation.

"Building practice has always been to estimate what the ruling prices will be for about two years ahead when tendering," he said. "I know of no other sector that has its delivery and settlement dates fixed so far ahead."

This poses obvious difficulties, and the successful tenderer is often the firm that has made a mistake in projecting cost estimates — the large number of bankruptcies bears eloquent testimony to this.

"This system has also led to the bigger firms adopting ultra-safe pricing policies by exaggerating inflation levels and then adding further percentages for contingencies, rather than be over-taken by inflation."

"They would rather lose jobs at uncertain prices."

The best solution, he felt, was to include an escalation clause, linked in real terms to the industry's actual rises in costs, but this will not cover all cases, and an alternative solution would have to be considered for special cases.

"It is obvious that this practice, of not realistically allowing for inflation factors, the fires of inflation," he said. "We realised this some time ago when we started looking at alternative methods of tendering."

"The 13-man Building and Construction Advisory Council (BCAC), an advisory body formed to advise the Minister of Public Works on trends in the building industry, has, in fact, recommended that price escalation clauses be built into all tender documents."

"If this could be achieved and, if, the industry would accept it, it could lead to a position where contractors would quote more realistically on today's prices and eliminate speculative tendering.

"The system still needs a lot of refining."

The BCAC is working on this in conjunction with the National Building Research Institute and other bodies, and is treating it as a matter of urgency.

"As soon as an easily applied foolproof system is found, the various bodies that constitute the BCAC intend making it an integral part of tendering for both public and private sector contracting for the whole country."

At present, he said, the contractor's auditor must certify significant increases in the cost of labour and materials between the date of tendering and the date of completion and must refer to significant sources to produce evidence of these increases."

Sun Times (Bus. Times) 20/4/75
Building costs rising at rate of 18pc

By DAVID DOUGLAS, Property Editor

The forward picture is not good either. Petrol prices went up again last month, steel has been increased, 15 percent, the full impact of the recent wage awards to the building industry has still to filter through to housing costs, and cement producers are hoping for yet another increase.

Advantages of system building

Institute's new chief

MR TRENT OLIVIER, who is acting Head of the Department of Building Science and J C Bitech Director of Studies in Building at the University of the Witwatersrand, has been elected President of the South African Institute of Building.

Born in Johannesburg in 1934, Mr. Olivier matriculated at Queen's High School in Kensington, Johannesburg. He obtained the degrees of B.Arch. in 1966 and M.Arch. in 1969 at the University of the Witwatersrand.

In 1968 he was offered a lecturing post at the then new Department of Building Science at the University of the Witwatersrand. Mr. Olivier has seen the Department expand from a Department with 15 students to one with a current enrolment of 135 B.Sc. (Building) students.

Mr. Olivier received a scholarship in 1968 to visit Europe and the United Kingdom where he studied precast systems and visited large building firms.

THE IMPORTANCE of industrialized system building in the property scene of today was emphasized by Mr. George Leon, a top British engineer and world authority on system building, who visited Cape Town recently.

Mr Leon, a Master of Philosophy Civil Engineering, University of Surrey, was on a trip to South Africa sponsored by the Natal Building Society under the NBS Visiting Fellowship scheme.

Large runs

"System building takes into account mass production of well-designed modular components produced in factories to obtain large runs. This results in the reduction of the cost of the unit items and makes use of mechanized erection techniques to minimize the use of site labour," he said.

Mr. Leon, who delivered papers at the Symposium on Building in the Cape and to B.Sc. (Building) degree students at the University of Cape Town, feels there will be a vast demand for all types of buildings in the future and insufficient skilled craftsmen to meet his need.

"This will result in the need to replace both skilled and unskilled site labour with factory production and the use of mechanical plant for site erection requirements."

By mass-production, high serial runs of well-designed standardized building components of various types, the cost of unit items would be reduced and site credits be simplified or quickened by repetitive operation.

"Just as there are 26 components in the alphabet - 26 letters which can be rearranged to reproduce virtually limitless numbers of words, so a strictly limited number of well-designed standardized components could achieve a very wide variety of different buildings."

According to Mr Roy Canning, general manager of the NBS, the purpose of the NBS Visiting Fellowships is to foster visits to South Africa by eminent authorities from overseas who, by holding seminars, discussions and lectures, can contribute to the expertise of South Africa's property development and building industries.
'Morbid fear of wood'

SOUTH AFRICANS have a morbid and unjustified fear of having wood in their houses, said a speaker at a Sea Point symposium on the use of timber in buildings yesterday.

"There is far too much irresponsible and unintelligent talk going on in some quarters about the hazards supposedly associated with timber houses," said Mr. D. H. Ellof, director of the South African Lumber Millers Association.

He reminded symposium members of:

- The millions of Bantu who live safely in pole-supported thatched roof huts, inside which they light open fires without restriction; yet we do not have these houses burning, constantly burned down.

- The World War II blitz in London when "fire wardens did not like to enter houses that contained less than one third wooden beams and framing. (Because) wood beams will char but continue to support their load."

Mr. Ellof concluded that building bye-laws enforced by local authorities were influenced by "this apparent chronic fear of the fire hazard."

An example, he said, was the regulation which he believed was recently enforced by the Cape Town Municipality. This regulation prohibits timber ceilings in structures such as rooms, foyers and exits which house more than 100 persons at a time.
Brick industry needs millions

BY DAVID PINCUS

The South African brick industry will have to find at least R325 million to invest in new plant and equipment in the next five years if it is to meet the building industry's needs.

Philip Reynolds, director of the South African Brick Association, says: "This is a conservative figure. The owners of the country's 300 brickyards will probably have to invest a lot more than that."

The money will have to be invested at a rate of between R25 million and R50 million a year if the industry hopes to cope with the increased demand - this is expected to rise at between 5 and 10 per cent a year.

This investment will quadruple the brick industry's present R120 million stake in plant and equipment.

Mr Reynolds said that apart from the normal upswing in demand by the building industry, the brick industry feels that it may have to add to this with the perfection of a brick panel method of construction for economic reasons that would revolutionise building methods.

Members of the association have been working on this method for 10 years and have spent about R300,000. They have now developed a method of using brick panels that will enable a team of six unskilled labourers to build a complete Soweto-type house, with the exception of the interior dividing walls, in a day.

We will demonstrate this method to one of the grants administration boards in the near future and feel sure it will, to a large extent, replace the present method of building houses in African townships from concrete blocks," he said.

"Once we have broken into that market we feel certain the next step will be the use of this method for outbuildings in White suburbs."

"After more development, it should be found suitable for prestige houses in better-class suburbs."

"About 10 years ago members of our association proved that a brick panel house could be built in a day, but it was a capital-intensive operation. We had to make use of sophisticated equipment, such as tower cranes, to do the job."

"That would have made the system, as it was then, uneconomical - save for large contracts."

"Another drawback was that the joints between the panels were not waterproof or watertight. We overcame that problem by developing a special joint that provides an adequate seal against both wind and rain."

"The problem of having to move sophisticated plant to the site was overcome by developing a 1 square metre panel that can be handled by two labourers and which is slotted into accurately positioned uprights."

"Our roofing people have also developed a special type of roof that can be fitted by unskilled labour."

Another advantage is that foundations are needed for the houses.

The demand that can be greater for houses built using this method can be appreciated when it is realized that at present, according to a spokesman of the South African Building Board, takes between 10 and 12 days to build a home in Soweto using the present concrete block method.

Modular system

Any size or shape

And a spokesman of the Department of Housing Administration said: "There is a terrible shortage. Only 7000 houses were built for Africans in urban areas in 1974. We are still trying to fit out what the backlog is."

Mr Reynolds said the country's brickyards currently make about 2.250 million bricks a year. Estimates are that they will have to increase production by 325 million bricks a year from this year on.

Present demand is about 35 per cent of this production, which means that some brickyards, in fact, not all, can stockpile bricks in anticipation of what Mr Reynolds calls "the killer demand."

Some cannot afford the capital that is required to stockpile pit yards, such as Brick and Roofing Brick - which makes certain of popular bricks - have not experienced any fall-off in demand.
Massive building

work in Transkei

EAST LONDON — With approaching independence, the Transkei Government and other Transkei bodies are undertaking large-scale building at great speed. Mr. Colin Elliott, manager of Murray & Stewart (Border) and Murray & Stewart (Transkei), said recently that the latter company had been fortunate in obtaining the major share of this.

He believed this was due primarily to two facts: firstly, as the work had to be done in very limited times, only a large contractor with considerable resources could handle it. And, secondly, it was “obviously preferable” to have a local contractor who had worked regularly in the Transkei and who would, therefore, be able to establish himself in Umtata in the quickest possible time.

Murray & Stewart have been awarded some R15 million worth of work in Umtata in the last four months, the bulk of which has been negotiated with agreed bills of rates drawn up by independent quantity surveyors.

The work includes a large 12-storey office block, ten floors of which must be occupied by independent tenants. Each floor is made up of approximately 3,000 square feet. The project is estimated to be worth approximately R123 million, a substantial sum for a local contractor.

Mr. Elliott said the challenge of the work was immense, with tight deadlines and the need for constant quality control. But he was confident they would manage it, because everyone was working hard and everyone was committed.

The project is a significant part of the Transkei Government's plan to develop infrastructure in the area, and Mr. Elliott expressed hope that it would set a precedent for future projects.

The project is expected to be completed by the end of the year, ahead of schedule. It is a testament to the skill and dedication of the team involved, and a significant achievement for Murray & Stewart.
R7000 house impossible, say builders

Property developers have challenged the claim by the Department of Community Development that a three-bedroomed house can be built for R7 000. "They say there is no way they could build a three-bedroomed house of about 100 sq m on a small piece of land for this amount," one developer said.

"The implications of the Minister of Community Development's statement is that developers are profiteering," another said.

"We have problems the Department does not have — like having to make some profit and pay high interest on money. The Department can build what the market needs at a low price without having to make any profit. The developer must build what the market wants — which is something more luxurious — and make a profit," Mr Marshall Finlay, sales manager of Voysey Bond, said.

Developers are also sceptical of the figures given by the Department of Community Development for their low-cost houses.

They suspect that the Department has not done its homework properly.
The cost of building in the Transvaal has jumped by a staggering 22 percent in the year ended in July, and by nearly 90 percent in the five-year period between 1970 and 1975.

This was revealed yesterday by Mr Willem Bester, managing director of one of South Africa’s biggest home building concerns.

Graphs prepared by Mr Bester clearly show how costs have rocketed to a point where it is now costing nearly twice as much to build a house than it did in 1970.

A composite graph shows that the cost of building materials has shot up by between 40 and 45 percent since August 1973.

Wages of building workers in the same time have climbed by more than 35 percent, while the overall costs rose by about 34 percent.

STEEL CLIMB

Another one of the Bester graphs gives the overall rise in costs from as far back as 1970, and shows a particularly steep climb from the last quarter of 1972.

Upright: the end of 1972 costs rose steadily and then remained at the same level for almost a year. From the second quarter of 1970 until the fourth quarter of 1972 building costs rose by only 20 percent. In the next two and a half years the graph shot up by a staggering 65 percent.

Some of the materials which had dramatic price rises and contributed to the ever-rising cost of building between July 1974 and July this year include: sand, crushed stone, cement, bricks, steel, glass and construction machinery.

The percentage rises for some of these materials are: Paints (18.75), cement (35), ready mix concrete (15.4), stock bricks (45.2), river sand (74.7), plaster sand (22.3), timber (17.9), door and window frames (11.5), roof tiles (6.7), kitchen units (24.8), wall tiling (8.2), and geyers (15.7).

A graph prepared by the Bureau for Economic Research at the University of Stellenbosch shows just how sharply home building activity has declined throughout South Africa the past 18 months.

Separate graphs are given for the number of house plans passed and for houses completed and both show a dramatic drop from records established in 1973.
The Marina da Gama Company, a subsidiary of Anglo American Properties Limited, yesterday denied an accusation by Mr. John Wiley, MP for Simonstown, that by scrapping parts of the marina plan it was failing to fulfill its obligations to the public.

In a statement to the Cape Times, Mr. D.M. MacGillivray, managing director of the company, said he wished to correct "wrong impressions" that may have been created by Mr. Wiley in his speech at Sandvlei on Saturday, as reported in the Press.

"There were two main aspects to his criticism: the abandonment of the harbour scheme and suggestions that this company enjoyed special advantages from the City Council and Provincial Administration.

"Implementation of the proposed harbour scheme was always dependent upon financial aid from the Government — a fact that has been consistently emphasized since the announcement of the project in 1970 and on which particular emphasis was placed at the official launching of the first stage of the project in October, 1974.

"Financial assistance had not been forthcoming from the Government when earlier this year an overall review of the project was completed. That review demonstrated that the escalation which had occurred since 1970 in the capital costs of the harbour and the breakwater had destroyed their economic viability and the company therefore withdrew its application for financial assistance in April, 1975.

"All possible alternative townships development schemes for the harbour and golf course area were considered but did not appear viable. The decision was therefore taken to abandon, for the time being, plans for the development of the company's property east of Prince George Drive."

Mr. MacGillivray said the suggestion that the company had enjoyed advantages from the City Council and the Province was "vague and misleading."

"In view of the size and scope of the project as then proposed, certain concessions were in fact granted by the City Council but these were conditional on the construction of both the harbour and the breakwater, and will now fall away.

The company is negotiating a revised financial agreement with the Council and it is anticipated this will result in the normal cost-sharing arrangement applicable to any township developments in the Cape Province.

"This company has met all its commitments to the purchasers of plots and houses in Eastlake, and it will naturally fulfill all its stated commitments to purchasers in the second phase of the Sandvlei development where township services and waterways will be completed during 1976."

17/9/75
Cape Times
The Government has approved a sliding scale of interest rates on domestic home loans which will mean higher repayments for all bondholders owing more than R10 000.

Building societies will also be allowed to put 30 percent instead of the present 25 percent of their lendings into bonds of more than R18 000.

The multilayered system breaks down like this:

1. On all new and existing loans or balances up to R10 000, the present rate of 10.5 percent will apply;
2. On all new and existing loans between R10 000 and R15 000, the rate goes up to 11 percent;
3. On all existing loans above R15 000, the rate goes up to 11 percent;
4. On new loans above R15 000 these rates apply to the full amount owing: 11 percent on properties valued by the building societies at up to R28 000; 11.5 percent on valuations between R28 000 and R40 000; 12 percent on valuations over R40 000.

Objectives

A statement by the Association of Building Societies today said the objectives of the differential lending rates were to promote more modest standards of housing, to restore the building societies...
New bond repayments

The following tables show the current rate of monthly repayments and the proposed new rates on every R1 000 outstanding on 20-year bonds:

**EXISTING BONDS**

<table>
<thead>
<tr>
<th>Old rate</th>
<th>New Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>R10 000</td>
<td>R10</td>
</tr>
<tr>
<td>R10 000  to R15 000</td>
<td>R10,10</td>
</tr>
<tr>
<td>Over R15 000</td>
<td>R10,15</td>
</tr>
</tbody>
</table>

**NEW BONDS**

<table>
<thead>
<tr>
<th>Old rate</th>
<th>New rate</th>
</tr>
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<tbody>
<tr>
<td>R10 000</td>
<td>R10</td>
</tr>
<tr>
<td>R10 000  to R15 000</td>
<td>R10,10</td>
</tr>
<tr>
<td>Over R15 000</td>
<td>R10,15</td>
</tr>
</tbody>
</table>

A new sliding scale applies on new loans where the amount exceeds R15 000 and it depends on building society valuation — again worked out on monthly repayments on every R1 000 on 20-year bonds.

**VALUATION**

<table>
<thead>
<tr>
<th>Old rate</th>
<th>New rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>R15 000  to R25 000</td>
<td>R10,10</td>
</tr>
<tr>
<td>R25 000  to R40 000</td>
<td>R10,15</td>
</tr>
</tbody>
</table>

Up goes the bond rate

From Page 1 increased by only 0.75 percent in an effort to lighten the burden on the homeowner.

In June 1974, investment rates were again increased — by 1.5 percent, compared with an increase of only 1.25 percent in the mortgage rate.

It might have been possible to hold the mortgage rate to 10.5 percent if investment rates had followed the declining trend of recent months.

But the bank rate was recently raised, followed by an increase in the commercial banks’ prime lending rate, making an increase in the mortgage rate inevitable.

A few examples clearly show how the penalty increases on the size of the bond you hold or intend to obtain.

Monthly repayments on an existing bond with only R8 000 outstanding remains at R50. But with R20 000 outstanding, repayments move from R200 to R265,44 a month. And with R30 000 outstanding the cost rises from R300 to R389,86 a month.

If you intend to apply for a new bond of R25 000, the old monthly repayment of R250 moves to R266.30.

On a new R25 000 bond, on a house valued over R40 000, the cost will be R330.32 a month instead of R300.

The new rates are being recommended to building societies to be effective as soon as possible.

Implementation is likely to be prompt and almost automatic.

(See Page 23)
ARMY BUILDS ROADS

A road in the Venda Black homeland in the Northern Transvaal is being built by the South African Army as a result of a request by the government of Venda. The road is being built by members of 15 Field Squadron as a part of its annual Active Citizen Force (ACF) training.

The road, which is being built over an existing road, runs through the Thengwe area. Maintenance of the existing roads is a problem to the Black homeland, and the building of the road will remove some pressure from the Venda Department of Works.

The importance of the new road is that it serves a large community and joins up with the main road to Sibasa, the homeland capital. It will also make Sibasa more accessible to the inhabitants of the Thengwe area.

At an official ceremony in Venda, the Chief Minister of Venda, Chief Patrick Mphaphu, welcomed the Army. The ceremony consisted of a military parade followed by an address of welcome by Chief Mphaphu, and a reply by Colonel G. J. Viviers, acting Officer Commanding Northern Transvaal Command. It is hoped that the road will be finished by the end of the year.

South African Digest, September 5, 1975

Mr Chairman, Mr Mayor, distinguished guests, ladies and gentlemen, the Honourable the Minister of Public Works is unable to be present today to address this august gathering and I have been requested to do so on his behalf. He has requested me to proffer his sincere apologies and to express the wish that your deliberations will be successful and fruitful.

The Department of Public Works is, as you know, one of the largest clients in South Africa concerned with the design and erection of buildings. It is the responsibility of that Department to provide the buildings necessary for the business of government and this is one of the reasons why this conference is of singular importance to that Department and the Department of Community Development. It is also singularly important as the approach to building in South Africa has undergone considerable change over the past two decades. Twenty years ago buildings of ten to twelve storeys were considered exceptional, but today multi-storey buildings reaching for the sky are an everyday occurrence. They are in fact today a way of life in our large cities, a tribute to the wonders of our present day technology and the achievements of our building industry.

To put the importance of this industry into perspective, you are reminded that the investment in South Africa in building and construction exceeds R3 000 million per annum. This represents R1 out of every R6 of the gross domestic product and a very large percentage of this vast sum is invested in buildings in 2/........
buildings in our central business districts. Much of this investment finds its way into high-rise buildings, because economic pressures in South Africa, we are told, have forced us to build higher. The question must be posed however as to whether tall buildings are the answer - are multi-storey buildings solving our building problem or are they perhaps the source of new problems. The pressures in business, the pressures in government, and the resulting ever-increasing demands for accommodation seldom allow us to sit back and consider our basic requirements; what are the essential parameters within which buildings should be designed, what are the basic factors which should be considered, what is our attitude towards tall buildings, and more important, what are the attitudes of the people who live and work in tall buildings. Furthermore, because of their form, tall buildings also influence the aesthetics and traffic patterns in our cities and it is often felt that they may create as many new problems as they solve. It is for this and other reasons that the Department of Public Works, and many other organizations for that matter, are all anxious to obtain some positive thinking to provide the answers needed to make the right decisions on when, where and how we must build tall buildings. If this conference can even broadly resolve some of these problems it will have been well worthwhile.

Hier word spesifiek verwys na die vraag of die huidige benadering tot die oprigting van hoë geboue korrek is, gedagteig aan die besondere behoeftes in Suid-Afrika. Is hierdie geboue ekonomies geregverdig en nodig of word ons houding teenoor hulle miskien buitensporiglik deur aspirasies tot grootseheid of deur die begeerte om monumente ter ere van ons tegnologie op te rig, beïnvloed? Die antwoorde hierop lig nie maklik voor die hand nie. Tog is dit gemene kennis dat die koste verbonde aan die oprigting van hierdie geboue teen 'n ontstellende tempo styg. Die waarde van grond in ons sentrale sakegebiede styg vinnig, hoofsaaklik vanweë 3/......
hoofsaaklik vanweë die relatiewe skaarsheid daarvan, en die kampvegters vir hoë geboue stel voor dat ons nog hoër moet bou. Nog 'n aspek wat nie buite rekening gelaat kan word nie, is dat die prestige-waarde van hoë geboue dikwels swaarder weeg as ekonomiese ooreenkomste. Billikheidshalwe moet 'n mens erken dat hierdie groot hoë geboue 'n totale diens aan die gemeenskap bied en, soos ons almal weet, trek besigheid meer besigheid en is mense bereid om te betaal om deel te wees van die tipe omgewing wat hierdie geboue skep. Tog bly die vraag — is hulle, bloot uit 'n ekonomiese oogpunt, in die nasionale belang?

Seen more broadly than purely from the economic point of view, the question also arises as to whether we are making the best use of our limited resources in erecting these tall buildings? This question should concern not only the public sector, but also the developers and professional people involved in the design and erection of tall buildings. It may well be that many of our traditional approaches to building and the determination of the relative values of different types of building are no longer valid; but what is valid? How do we assess and determine the relative usefulness of these tall buildings in comparison with alternative forms of accommodation? For instance new problems arise in the construction of tall buildings: in fact this conference and the nature of the papers are a manifestation of these problems. Problems arise such as the microclimates created by the erection of these tall buildings; their effects on surrounding buildings, by influencing wind directions and speeds, lightning hazards, ventilation and lighting. How are they going to affect services and the protection of people against the fire hazard. All these problems are of vital interest and of real concern not only to the building industry, but to policy makers in both the private and public sectors. Answers must, therefore, be found by pooling the knowledge which is available and applying it effectively. If we are to have tall buildings, let us have good tall buildings that work and represent

the best 4/....
the best value for money. Let us avoid waste and let us not be condemned for the building of futile monuments; rather let us be proud of the buildings which can effectively contribute to the well-being of man.

Having raised these broad issues, and in case you have gained the wrong impression, let me assure you that, in principle, the need for tall buildings is not questioned. Mr Chairman some general comment on the conference and the topics you will be discussing would not be amiss, even coming as they do from a layman. Advance copies of the papers which are to be presented were made available. It was gratifying to note that the conference is being sponsored by just about every important professional and commercial building organization in this country. This reflects the real interest which the building industry, the professions and investors have in the field of tall building construction. It was also pleasing to note that the conference programme allows for an in-depth discussion of the consequences of erecting tall buildings.

The first session is concerned with socio-economic planning, which indicates how extremely important this aspect is. Here perhaps one will obtain some of the answers to many of the problems that require urgent solution. The human and town planning implications of tall buildings are not only of interest but of extreme importance and it is necessary that one should have a better understanding of the sociological and psychological influences of tall buildings on people.

Dit sal ook raadsaam wees om aandag te skenk aan die invloed wat hierdie geboue op plaaslike overhede het. Die koms van hoë geboue noodsak byvoorbeeld 'n verandering in ons benadering tot bouwetgewing en plaaslike overhede, wat die netelige kwessie van toestemming vir die oprigting van hierdie geboue moet hanteer, sal meer inligting moet kry. Die bespreking oor hierdie besondere aspek
besondere aspek sal dus van besondere belang wees en kan baie bydra tot 'n begrip van hoe plaaslike overhede hierdie geboue so doeltreffend moontlik in hulle stadsbeplanningskemas kan inpas.

An aspect of building legislation that is of critical importance here is the forthcoming advent of the new National Building Regulations. Because of the complexity and sophistication of these buildings, it will become increasingly difficult for each local authority to draft and update its own regulations on a do-it-yourself basis. It is, therefore, obvious that there is much to be gained by the adoption by all local authorities of the forthcoming SABS uniform National Building Regulations. This would also benefit consultants and designers who would then also only have to use one set of uniform regulations instead of many, as at present. It must be pointed out, however, that notwithstanding the basic advantages of such uniform regulations, high-rise buildings will often lead to unique problems which cannot be resolved by the application of even the best regulations and here it will be necessary from time to time to carry out research studies to provide the best answer as to what should be allowed or not allowed.

The design, technology and costs of tall buildings are closely interrelated but are not yet fully understood. It is, therefore, also very desirable that the conference pay particular attention to these important aspects.

'n Aangeleenthed van besondere belang by hoog geboue is dienst en hier word 'n woord van dank gereg aan die organiseerders van hierdie konferensie vir die goeie voorsiening wat hulle in die program vir die bespreking van hierdie besondere onderwerp gemaak het. Die onderafdelings strek van die beheer van die klimaat binne die geboue tot by riolering en dreining, beligting en die vertikale en horisontale beweging van mense.
While on the subject of services in tall buildings, an appeal is made to the designers and users of such buildings to do all they can to reduce the amount of energy consumed in them. We all like working in an ideal environment and while air-conditioning and modern high lighting levels are wonderful things, they are notorious consumers of energy, particularly in modern tall buildings. By designing buildings and operating them more carefully, considerable energy and cost savings can be effected.

Safety services too are vital in tall buildings - as you know we have already had several instances in South Africa of fires in such buildings. It is, therefore, clear that more definite knowledge on how to evacuate people and how to provide for adequate protection against fire risk and hazard in tall buildings is urgently needed. It is for this reason most appropriate that the organizing committee has allowed for a special session on this aspect and what comes out of the discussions here must contribute significantly to our knowledge in this field. It is fervently hoped that all concerned will take steps to ensure that this knowledge is incorporated in their approaches to the design, construction and administration of tall structures in South Africa.

Die oprigting van hoë geboue is slegs 'n deel van die prentjie. Die korrekte gebruik en onderhoud van hierdie geboue is van ewe groot belang en meer kennis moet oor hierdie aspekte opgedoen word. Die referate oor hierdie aspek in die konferensiedokumente was indrukwekkend en die versekering kan gegaan word dat die Departement van Openbare Werke veral besondere aandag aan die gevolgskomstige van hierdie konferensie oor die doeltreffender gebruik en onderhoud van hoë geboue sal skenk.

The papers which have been prepared for this conference stress the fact that we are particularly fortunate in having a group of distinguished authors with us. We certainly can learn much from them. The
them. The authors are complimented for the quality and excellence of their contributions to this conference. It is only by the pooling of the available knowledge and better utilization of our scarce resources that we in this country can obtain maximum benefit from our buildings. In this respect delegates to this conference have a very real responsibility not only to the building industry but also to society in general to contribute as much as possible in achieving the object of better building.

Last, but by no means least, a word of thanks is due to the International Committee on Tall Buildings for its support of this conference. On behalf of the Government, a word of warm welcome is extended to the distinguished speakers from all over the world who have come to share with us their knowledge in this field. For this we are very much indebted to them and it is hoped that they will have a pleasant stay with us. It is also taken, naturally, that their visit to South Africa will not be all work and no play, and that they will have the opportunity to enjoy our scenery and hospitality. A special word of appreciation is also extended to all the local authors for the preparation of their papers and for sharing their experiences with those attending this conference. Tribute must also be paid to the work of the organizing committee under the chairmanship of Dr K. Bruinette and to Dr Evenwel of the National Building Research Institute whose devoted and competent staff did the hard work.

Finally, the contribution of the National Building Research Institute to the development of the building industry in South Africa must be underscored. This very dynamic organization has during the 50 years of its existence, become much more than merely a research institute - it is today an integral part of our building industry, playing a vital role in generating new knowledge and applying the results of its own work and that of its sister organizations in overseas countries. We in this country are...
country are indeed fortunate in having the NBRI to serve our building industry.

It now gives me great pleasure on behalf of the Honourable the Minister to declare this conference formally open and to wish you every success in your deliberations. I thank you.

---00---
Work in homelands eased
plight of builders

EAST LONDON — Projects in the Transkei and Ciskei have softened the blow of a serious building work shortage in East London.

The chairman of the East London Master Builders' Association, Mr H. M. Russell, said yesterday the government's stringency plans to combat inflation would obviously affect builders in the Border.

"Work by the public sector — especially if you take into account the government of the Transkei and Ciskei, forms a considerable proportion of the building work in this area," Mr. Russell said.

"There were few private tenders, mostly because of financial stringency."

"Because of this there has been a serious shortage of work in East London, but the neighbouring territories of the Transkei and Ciskei have been going ahead and have softened the blow for builders in the area."

"Now we have heard of a number of projects we thought would proceed, that have been shelved."

In the Transkei alone, there is about R100 million worth of building planned or started for independence next year. These include a R300 000 community centre, the enlargement of Parliament for an additional 54 members, a Presidential palace, which it is said will cost about R13 million, a Chief Justice's house to cost R200 000, a 12-storey, 400-office block to house government departments, 12 ministerial houses and 200 houses and 24 flats for seconded officials.

Holiday Inns have a site in Umtata and a start will be made on the hotel pending financial negotiations. The Transkei Inn will also receive exclusive casino rights, should the Transkei Government decide to grant these.

The chairman of the Architects' Association, Mr B. Watson, confirmed that building plans in the area were likely to be affected by the financial cut-back.

"To what extent we don't know, but last year the amount of work by architects fell off considerably and builders are probably feeling this now."

"In this area, we depend to quite a considerable extent on government and provincial work, but we have not felt the direct result of any financial squeeze yet," Mr. Watson said. — DDR.
Three bitten by dogs during raid

Mr. Botes said he had been told workers were attacked by dogs while working on the site.

A police spokesman said workers were arrested. He added Monday that a number of alleged contraband were found at the site.

Mr. Botes said the dogs were let out of their kennels on the site and the workers were bitten.
CUTS HIT BUILDING INDUSTRY

By Marion Burnett

THE South African construction industry, already suffering from a slow-down in the private sector, faces an increasingly difficult future with the extensive cuts in proposed Government building projects.

Increasing unemployment and a greater incidence of firms facing liquidation are seen as inevitable results of the curbs on Government expenditure.

The recent announcement that the Department of Public Works has postponed 180 building projects, to the value of R383-million, for periods ranging between six months and two years and cancelled services valued at R81-million has sent ripples of alarm through all sectors of the building industry and related fields.

This week Cape Town architects met informally to discuss the situation. Firms that rely heavily on Government projects for work fear forced staff retrenchment and it is known that some architects have been warned they might lose their jobs.

CONCERN

The general secretary of the Building Workers Union, Mr R. G. Simmons, this week expressed serious concern, adding that small contractors would be hardest hit.

Mr D. R. Baker, managing director of the Murray and Stewart group of companies, outlined the possible ramifications of the cutbacks.

He said that construction could not escape being affected by the Government's anti-inflation programme, particularly as it was being superimposed on an already difficult situation facing the industry.

These difficulties included a slow-down of business from the private sector recently because of a degree of overbuilding, problems with bonds and fears of rent control.

INFLATION

The high inflation rate had had a bearing on all of these, he said.

The Government's decision (to cut the allocation of funds for building projects for the coming financial year from R115-million) would have a greater impact, because the Government, as a client, had represented an ever-increasing percentage of the market in recent years.

"The smaller contractors are likely to feel the effects more sharply and dramatically than the larger firms," Mr. Baker said.
Gloomy outlook for builders

EAST LONDON — The pre-independence economic surge in the Transkei is the only thing keeping the Border building industry busy.

What is causing concern is that there is nothing out to tender at all.

"There is nothing from province or PWD and it is on these contracts that East London survives."

Mr Snell said the future looked decidedly gloomy unless the government released work which was critical for East London.

"At present there is too little work and too many contractors chasing what there is so that quotations have been cut to almost unprofitable levels," Mr Snell said.

The chairman of the Border branch of the Institute of Architects, Mr Brian Watson, said the situation in East London was more buoyant than most other areas in South Africa because of the Transkei build-up.

"Architects at this stage, all seem to have work to do. Maybe they are not working at the same pressure as last year, but generally they have enough work," Mr Watson said.

One small builder, Mr K. H. Puya, said the small builders were having a tough time.

"The homemaker at the moment does not seem able to raise the deposits for homes, or they just can't afford the instalments on their bonds."

"The future doesn't look rosy either. Land prices are out of all proportion to the total cost of homes and the contracts are just not coming out," Mr Puya said. — DDR.
Huge Plain contract attacked

CAPE TOWN CITY COUNCIL helped to squeeze the ailing building industry by tying up R40-million of work at Mitchell's Plain — using Government money — in one massive contract, says a top official in the industry.

Mr W. J. Lea, president of the Cape Peninsula Master Builders' Association, said it was 'disgraceful' that the Council contracted a vast amount of building work in one costly package which few contractors could compete for, when the industry as a whole was heading for disaster.

Mr Lea said he had personally raised the matter with the umbrella Building Industries' Federation of South Africa (BIFSA) who in turn had taken the issue to the Government.

'It was told by our BIFSA member that this would not happen again, but I understand it is going to, he said. 'If it does, then it is time the Government stopped in and did something.'

Mr Lea's remarks followed a week of gloomy reports on the depressed state of the building industry which is heading deeper into the worst slump since World War 2.

At the same time he said out-of-work labourers being returned to the Transkei by Cape contractors unable to keep them employed could become a source of unrest in the homeland.

'The Government should see there is sufficient work in Cape Town at least to employ the contract labour allocated to us,' he said.

'MUST STOP'

The controversial R40-million contract was awarded to Hill Homes of Durban — one of six tenderers — to design and build 4,000 houses and allied services at Mitchell's Plain.

Mr Lea said: 'This situation must stop. The Government must rethink. It must continue with this policy if it will take years and years to repair the damage to the industry.'
Lean year predicted in building

31/3/76 NM

Mercury Reporter

SMALL building contractors on the South Coast face a critical period in the next 12 months with the possibility of cutting back on staff and even closure.

This was the gloomy forecast yesterday of Mr. Dennis Dolan, president of the South Coast Master Builders' Association, in a survey made by the Mercury of the building outlook for the region.

"The position is not so good and there has already been quite a bit of retrenchment amongst artisan staff," Mr. Dolan said.

Particularly affected were Indians and Coloureds, although a considerable number of the latter had found employment at Richards Bay.

Mr. Dolan said there was because the Coloured worker was generally a nomad, while the Indian artisan preferred to be near his home.

"African artisans are not particularly affected as we do not employ many.

"They prefer jobs in hotels, because the work is easier and there are more perks with it," he said.

Mr. Dolan added that there was still a demand for the building of holiday cottages, but that the bigger jobs were scarce.

Mr. Dolan said bonds had become harder to obtain and he felt it would be another year at least before there would be a pickup in business.

"It is on the cards that the smaller firms, or one man shows might have to pack it in," he said.

Mr. Harry Lubbe, president of the Margate Chamber of Commerce, said: "We have had a few small builders who have moved. Quite a few have gone to work for the bigger contractors."

A spokesman for a hardware and builders supply company at Margate said it seemed as though there had been a general cut-back by builders in all their staff.

"There is not enough work in hand for them and we are going through a pretty quiet period."

The president of the Upper South Coast Chamber of Commerce, Mr. B. Reen, confirmed there was not a great demand at present for building materials.

"Things are pretty quiet," he said.
Fabriekswerker
en omgewing

'N BELANGRIKE navorsingsprogram, wat die werksomstandighede van balle mense in Suid-Afrika kan raak en 'n betekenisvolle bydrae tot ons nywerheidsdeeltreffendheid kan lever, neem binnekort in aanvang. Dit is 'n projek van die Nasionale Beunavorsingsinstituut van die WNNR.

Omgewingsfaktore in fabriekse sal bepaal word ten opsigte van hul uitwerking op die fabriekswerker. Om dit te bewerkstellig het die NBNJ 'n mobile omgewingslaboratorium ontwikkel waarin spanne fabriekswerkers blootgestel kan word aan verskillende grade gematigte omgewingsspanning.

Warmte, koue, humiditeit, geraas en verligting kan beheer word om 'n wye span bestaande omgewingsstoestande in fabriekse presies na te boots. Hul uitwerking op die uitvoering van take en op die werker kan dan geëvalueer word m.b.v. 'n aantal werkstudies en fisiologiese toetsmetodes.

Die proefnemings sal by die aantal fabriekse oral in die land bevat. Hierdie resultate wat moontlik in verskillende klimaatsstreke mag voorkom, te bepaal.

Die Departement van Arbeid het die NBNJ opdrag gegee om hierdie faktores te evaluer as 'n noodsaaklike voorwerp tot die beskikbaarheid van die Fabriekswerk. Die navorsing sal noodsaaklike gegevens vir 'n kostevoorspellingsanalise van investering om die omgewing in nuwe en bestaande fabriekse te verbeter, verstaan.

Hierdie navorsingsprogram is in verskeie opsigte uniek en die eerste resultate behoort by die Inter-

nasionale symposium wat in September in Pretoria gehou word, aangekondig te word. Die bevindinge sal van fundamentele belang vir die nywerheid en wetenskap in Suid-Afrika en die buiteland wees, veral vir lande wat soortgelyke klimaatprobleme as ons het. Navorsingsbevindinge wat in Europese en Amerikaanse fabriekse verkry is, is nie noodwendig van toepassing op hierdie lande nie.
MURRAY & ROBERTS

PEOPLE & PERFORMERS

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Previously all overhead pylons have been made using prefabricated steel sections but with the rising price of steel and its increasing export overseas, Roberts Construction have designed this experimental 5 km line of pre-cast concrete pylons, says Mr. John Harrod, Natal Erection's managing director.

The pylons are being set up by Natal Erection's specialised rigging service which is also involved with the erection of pre-cast and pre-stressed heavy concrete beams for bridges.

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With assets nudging the R200m mark, the Murray & Roberts group (Roberts Construction in the north, and Murray & Stewart in the south) is more than twice the size of any SA competitor in the civil engineering, building and contracting spheres. In fact, it is virtually impossible to visit any town of size in South Africa without coming across the ubiquitous Roberts (green) and Murray & Stewart (orange) contractors' boards. Come to that, this Survey has been written in one of M&R's proudest building achievements, the Carlton Centre, built by Roberts. And a visitor to Cape Town could well be forgiven for thinking that Murray & Stewart is the only construction company in town.

It is not only in the towns and cities that the green and orange boards spell out Murray & Roberts' progress. They can also be seen on road and rail works — often well off the beaten track — and on dam sites, mines, harbours and any number of other projects besides.

Yet despite its emphasis on contracting, the Murray & Roberts of today is becoming increasingly diversified, moving into such seemingly unrelated spheres as security equipment, helicopter services, salvage operations and railway signalling. More than half of Murray & Stewart's profits in fact come from non-contracting entities, while Roberts Construction is also diversifying rapidly. This, of course, proves a boon to the group in times of slack (like now) on the contracting side as the group's business risks are spread that much more widely than most other construction-oriented companies.

All in all a fascinating enterprise because of its wide spread of activities, near total dependence on people and its far-flung operations from South Africa to Iran, the UK, Mauritius, Australia and back again.
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74 YEARS ON

For nearly three-quarters of a century Murray & Stewart and Roberts Construction have been building a lion’s share of SA’s infrastructure. Today Murray and Roberts still dominates the SA construction scene.

It was only as recently as 1967 that Murray & Roberts came into being through the merger of two major contracting and engineering groups, Cape Town-based Murray & Stewart and Roberts Construction in Johannesburg. But the links between the two groups go back a lot further than that.

Murray & Stewart is much the older of the two companies. It was founded in 1902 by two Scots carpenters named, appropriately enough, Murray and Stewart. Because of the post-South African War depression, their home-building business — which is all it then was — didn’t succeed in making enough hay to keep both partners in pocket. As a result, so the story goes, the two tossed a coin to decide who should carry on alone. Stewart lost and went his own way, though his name has remained enshrined in the company’s name ever since.

Unfortunately the earliest company records were destroyed by fire in 1903, but by December, 1904, shareholders’ equity in M&S stood at £2,646 and total staff numbered eight.

In 1900, John Murray and his wife had a son, Douglas, who — in later years — was to play an extremely significant role, not only in building up M&S, but in launching and financing Roberts Construction as well. Douglas Murray trained as an engineer at Wits University and it was there that he first met Douglas and Andrew Roberts. Straight after leaving university, Douglas Murray went into his father’s business.

 Shortly afterwards Old Man Murray died in 1927 and Douglas took over the reins. At about the same time, Douglas Roberts joined M&S in Port Elizabeth.

Before taking the story any further, it’s worth noting that M&S expanded its operations into civil engineering as long ago as 1904, first laying the main drains in Claremont and then building the Sans Souci bridge across the Liesbeek River. It was Douglas Murray who initiated M&S’s diversification moves and gradually expanded its activities throughout the Cape and South West Africa. Today, as a result of this policy, roughly half M&S’s income is generated by its non-contracting entities.

Turning to the Transvaal

By 1934 total shareholders’ funds in M&S had grown to R43,055 and the labour force numbered 600. It was at this point that Douglas Murray turned his attention to the Transvaal. And so was born Roberts Construction with Douglas Murray holding 50% of the equity and Douglas Roberts a like amount.

The two engineers had a gentleman’s agreement as to which company operated where so nobody would tread on anybody else’s toes — hence the fact
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that Roberts stuck to the three northern provinces and M&S to the Cape and SWA.

Authorised share capital in Roberts initially amounted to £5 000 made up of 5 000 £1 shares paid up to the extent of 6d each. In 1936 Andrew Roberts joined his younger brother (he was previously chief engineer at Issor) and the equity of the company was re-shuffled so each of the Roberts brothers and Douglas Murray held 33%.

From its first small contract — a bridge across the Caledon River — Roberts went from strength to strength, but by 1945 additional finance was needed for further expansion. M&S did the necessary, share capital was increased and M&S's stake in Roberts went back to 50% with the Roberts brothers now holding 25% each.

In 1948 Roberts Construction Holdings was formed and this took over the RCC business. About 20% of the total shareholding in the company was placed with friends of Douglas Murray and the Roberts brothers, and in 1951 Roberts Holdings was listed on the JSE. Shareholders funds, incidentally, amounted to £210 000 in 1948.

At this point it should perhaps be made clear that Murray & Stewart itself had always been a private company which served as the operating arm of a holding company called Associated Buildings. In turn Associated Buildings was a public company though not quoted.

In 1964 Douglas Murray — or "DG" as his friends always knew him — died. According to the current M&S MD Des Baker, "In the entire time that DG headed M&S only one engineer resigned from the company." DG had no children and is said to have treated his staff as his own. "He knew every monthly-paid worker on the payroll of M&S right up till the time of his death, and he actively encouraged staffers to become shareholders," says Baker.

At this stage in history, the Roberts brothers, M&S and their respective associates both held roughly 33% of the equity in Roberts Construction with the balance being in public hands. When DG died he left two trusts to safeguard his family interests in both companies.

M&S initiated merger moves four years after DG Murray's death and these culminated in 1967 with the registration of Murray & Roberts Holdings through the acquisition by Roberts Holdings of Associated Buildings in a reverse takeover. M&R has acted ever since as an umbrella over the two operating arms. The merger was based on the profitability of the two groups over a number of years with provision made by way of deferred shares for investment not likely to be profitable for several years. Most of these investments were in the M&S stable.

Roberts Construction is a somewhat bigger entity with greater turnover than M&S, but this is due more than anything else to the fact that Roberts has been operating out of SA's focal growth point, Johannesburg, for so many years.

Yet, interestingly, Associated Buildings still has a major financial pull in the group. For the trusts that DG Murray set up when he died hold 55% of the equity in GH Starck which, in turn, holds 31% of Murray & Roberts. This, in fact, is the biggest single shareholding in M&R today.

The M&R of 1976 now has assets nudging on R200m and last year boasted profits of R13,2m. It is by far and away the largest civil engineering and contracting enterprise in Southern Africa, though even Roberts and M&S executives stress that a comparison between M&R and companies like LTA, Grinakers and Group Five is not really valid as the latter are strictly civil engineering or building contractors and have not diversified to the same extent as M&R.

Actually, even within M&R there is a wide variance here as M&S has diversified to a far greater extent than Roberts. But diversification within Roberts is moving ahead much faster now than in earlier years.

What of the merger itself? Is it a happy one? In many ways this is more a marriage of convenience than anything else. It has enabled both operating arms to eliminate areas of friction, while still maintaining healthy competition to benefit the mutual shareholders. But both companies retain their own operating and management styles and carry on much as before. Neither tells the other what to do and the holding company, Murray & Roberts, is more a child of the marriage than a dictatorial father. For the boards of M&S and Roberts operate quite autonomously of each other, and M&R, except in matters of mutual interest like financial planning and what have you.

At the time of the merger, funds attributable to shareholders in M&S amounted to R4,7m while those in Roberts stood at R10,55m. Today

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A WAY WITH PEOPLE

Douglas Roberts, doyen of the construction industry in SA, talks of the engineering empire that is Murray & Roberts today

We only have one real asset in this group. And that is people.

FM: Coming as it does from the man who is chairman of a group listed in the FM Top 100 Companies Survey as having assets worth nearly R200m, that quotation sounds strange. Can you elaborate?

All the excavators and cranes in the world are useless without people to operate and manage them. Appreciation of that simple fact (in a people-intensive industry) has done more than anything else to ensure the dominant position our two main operating arms, Murray & Stewart and Roberts Construction, enjoy in SA contracting.

It's the people . . .

Both operating arms of M&R have long been recognised as leaders in the training of unskilled labour. Is this a result of your "people philosophy"?

Yes and no. It's taken a long time for companies to wake up to the potential of the Black man in particular and the value of training in general. In the civil engineering and contracting sectors, it's amazing how many companies have still got their heads buried in the sand when it comes to training.

But I cannot stress too strongly that training is not a question of philanthropy, but of using the right people in the right way for the benefit of all.

Has your training always been aimed at non-White workers?

In the main, yes. But a real problem of the moment is re-orientating the thinking of White staff at the supervisory (foreman) and lower-middle management levels.

You should always remember that you are standing on your particular rung of the ladder, not because of the people above you, but because of the people below you. Put another way, a manager in charge of a particular site that happens to be going well is unlikely to say: "My, look how efficiently the Black workers are getting on with the job." He is far more likely to congratulate the foreman on his handling of the men. And this makes a foreman's fear of the Black man all the more ludicrous. Foremen frequently don't realise that an efficient and well-trained team of Black workers is more a help than hindrance to promotion - let alone a threat to job security.

Apart from people, what has put your group at the top?

Entrepreneurial adventure. We haven't been afraid to try new techniques or learn from other people. Certainly this has resulted in some costly mistakes, but it has also given us some notable successes and opportunities. To give two simple examples, any city-dweller in SA today would be surprised to think that a contractor on a building would do anything but build the lift shafts first. How else do you get your materials up the blessed structure?

Yet it was only when we were involved in putting up the existing Stock Exchange building in Johannesburg that the notion of building the lift core first struck us. As it hadn't occurred to anyone else either - here or in the UK - we were able to turn the discovery to good effect. It was much the same story with concrete mine headgears which we introduced to South Africa and Britain. In fact this spirit of adventure has had much to do with our diversification.

Has the M&R group followed a programme of diversification as a matter of policy?

Well, today the group is actively diversifying in a planned and co-ordinated way. But this is a relatively recent development.

In the past it was more a case of looking for new opportunities to improve profits. As we have grown bigger, so we have tried to cover all facets of construction - engineering of all disciplines, building and industrialised building. It used to be a natural and evolutionary process. For example, we might have found ourselves building a road and buying stone from a nearby quarry. Say the quarry goes bankrupt, but we still need the stone. We may buy the insolvent company. Then we're in the quarrying business. That sort of thing.

But today we are just too big to carry on in this ad hoc fashion - so nowadays
we put our diversification on an organized footing.

How do you co-ordinate and manage all these widely divergent companies?

You delegate. People must be given their own heads within reason. Our whole structure is a decentralised one so our management philosophy must take that into account. Of course, particular directors are in overall charge of certain areas — and down-line operating managers do make mistakes. That's only human. But none of this alters the fact that you have to leave managers alone as much as possible to get on with the job.

If you don't, you can't really motivate people. And without motivation, both personal and corporate growth die.

I believe that the way to manage is to sit back quietly and organise. Running around like a frantic hen never got any eggs laid. That's where delegation comes in. As a matter of fact, I've just about delegated myself out of a job nowadays. Are you able to plan ahead with any degree of accuracy?

Like many groups, we try to plan three years ahead. But with so many civil engineering and building projects emanating from the public sector, it's not that easy.

But I must explain that when we first started out in this business, our prime aim was not to become wealthy men overnight, but to become the dominant contractors in South Africa. That aim has long since been realised. Now we have to maintain it. That's all that matters, whether the economy is moving up or down. Cyclical swings affect everyone, but as long as we can maintain our station in the top position, we'll be happy.

Of course, our broad spread of contracting and manufacturing activities helps cushion the bad times. To date we've no cause to be disappointed with our efforts.

The M&R group's overseas activities — particularly in Australia — seem to be thriving. Does geographical expansion follow any set formula?

Generally speaking, we only go overseas where we feel we have some specialised and unique knowledge or service to offer. South Africa is well-known for its mining expertise, so it is not surprising that in the field of shaft sinking we have been able to do better for the Australians than they could have done themselves. The same applies to the concrete mine headgear we put up for the National Coal Board in the UK and Christani & Nielsen's harbour works in Australia.

DOUGLAS ROBERTS — moral guts and an ability to learn from others

Asked once what specific qualities he looked for when seeking senior executives for the group, Douglas Roberts, forceful founder of Roberts Construction and now chairman of Murray & Roberts, stated crisply: "leadership, drive, honesty, integrity, loyalty."

Those who know him well say these are his own qualities. Coupled with them is an ability to learn from others. Roberts: "There's a hell of a lot of knowledge outside one man's brain. If you know where to look for it you grow." He regards "moral guts and working like anything to develop the aptitude's with which you're born" as the plus factor needed for success.

His aptitude is engineering. Not surprising either — his father, John Roberts, was the Durban city electrical engineer for 40 years and spent much of his career developing electrical home appliances. It was taken for granted that Douglas would study civil engineering at Wits — his older brother Andrew did too.

Douglas Roberts also shone as a sportsman — he was Wits singles tennis champion and a member of the hockey first eleven. Sport has always been his second interest in life. At 70 he still plays a good game of tennis.

Douglas Roberts got out of active management when Roberts Construction and Murray & Stewart merged in 1967. "I've always believed that the essence of success is to pick the right man, train him properly, put him in the right job and motivate him. I've delegated myself out of a job." He admits now that learning to delegate was one of his biggest problems.

Today he keeps himself occupied "seeing that things are going right. My last territorial ambition is to try and give the fellows ideas where to develop next."

Contacts all over the world and a keen feel for what's needed where and when usually lie behind his suggestions. "By doing ideas and remarks, I think I influence the way we're going."

Roberts is essentially an optimist: "If you're a contractor you must be. I have the greatest faith in the future. We could be the Workshop of Africa if we handle our politics properly." He pleads for accelerated training and uplifting of Blacks: "It's straight economics."

His business philosophy is simple: "Making profits must always be secondary to doing the best job you possibly can. And then making as much money as possible."

Roberts has always found construction totally absorbing. "Just take new innovations in techniques," he says. "We've always collaborated with overseas designers and tried to introduce the latest methods. Roberts Construction introduced a number of firsts in SA — the sliding central core in a multi-storey building; pre-stressed concrete; underwater pipelines."

Douglas Roberts has travelled extensively, seen and learned a great deal in a long and unusually creative working life. "It's been exciting," he says, "I hope it will go on like that."
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Both Murray & Stewart and Roberts Construction, despite historical ties, seem to go very much their own way. The merger in 1967 under Murray & Roberts Holdings doesn’t appear to have affected this much. Do you think the two companies are likely to grow closer together?

Not really. I think the present two-stream policy works extremely well. It all gets back to people again. It might have been nice for sentiment’s sake to have seen a closer alliance between Roberts and M&S. But people come before sentiment. And there is tremendous esprit de corps within each company — so why change the formula? In fact, I believe the friendly rivalry works to the benefit of shareholders.

You must not forget that Roberts and M&S operate in their own territorial regions so there is no chance of direct competition between the two. Besides, M&S is more widely diversified than Roberts and each has its own different and separate operational strengths. But that doesn’t alter the fact that knowledge and new technology are freely swapped.

To conclude on a more general note, you are well-known in business circles for the strong views you hold on State infringement on the private sector.

My thinking is simple. I don’t think it’s possible to manage most businesses efficiently via State control. For in such cases there is a complete lack of incentive — and without incentive I don’t believe you can be as efficient as in private enterprise where it is possible for management to pay what it likes, to hire and fire as it likes and to reward managers for their businesses’ success.

STEAMING AHEAD DESPITE BAD WEATHER

The construction industry is facing an uncertain future because of cut-backs in infrastructural spending. But M&R is in a better position than most

Construction shares are not top of the list for most investors at the moment. First deferrals, and then cutbacks, in infrastructural spending — upon which the construction and civil engineering industry depends — has scared people off. To make things worse, fewer high-rise buildings are going up and home-building has slackened.

With profits expected to suffer (in 1977, if not in 1976), four of the five construction shares languish at or near their January 1975-April 1976 lows: Fowler, price 70c-low 70c; Grinaker, price 210c-low 210c; Group Five, 190c-180c; LTA, 145c-107c; M&R, 202c-185c.

Such companies are expected to shape relatively badly against most industrials — in stock-market time-scales. For example, the tauntly-run Grinaker was on 12.9% at mid-April, while LTA showed 12% against the RDM 100's 10%.

Only M&R came close to the industrial average, at 10.4%. That is as it should be, for there are cogent reasons for M&R’s better market rating. First, M&R’s sheer financial muscle favours it during sticky times. The company is more than twice the size of Fowler or Group Five on total capital employed. Second, wider geographical spread helps considerably, while past diversification into closely related, though lower risk, activities than contracting is paying off.

In fact, investors in M&R have already benefited from the group’s size, financial strength and ability to spread its risks across SA and beyond. The Carlton Centre project for example, was a fine technical achievement; but it was also “a financial disaster for the Group”. By end-June 1972 it had cost approximately R7m in losses written off against profits.

That the top holding company could pay a dividend at all for the financial years ended June 1971 (5.25c) and 1972 (6.25c) was inter alia a tribute to the profits achieved by Associated Buildings. AB is the holding company for Murray & Stewart, operating in the south of the country.

Apparently, in 1969-1970 when Roberts Construction was right in the middle of the project, its profit contribution to M&R’s R2.2m total was around 20%, and it was not until 1973-1974 that the two subsidiaries, Roberts Construction and Murray & Stewart, more or less equaled each other (since then Roberts has contributed the greater proportion of group profits). That they were expected to be roughly equal partners on profits, dividend contribution and capital employed was one of the original concepts aimed at when putting them together.

The equal partners concept works well. This has been particularly noticeable in dividend contributions to the total M&R payout over the past six years. Of course, variations do occur from year to

<table>
<thead>
<tr>
<th>Year</th>
<th>Turnover (Rm)</th>
<th>Trading profit</th>
<th>Earned</th>
<th>Paid</th>
<th>Net assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>1971</td>
<td>235*</td>
<td>16.6</td>
<td>40.7</td>
<td>17.0</td>
<td>209</td>
</tr>
<tr>
<td>1972</td>
<td>298</td>
<td>25.0</td>
<td>58.6</td>
<td>21.0</td>
<td>254</td>
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<tr>
<td>1973</td>
<td>438</td>
<td>36.3</td>
<td>14.8</td>
<td>5.3</td>
<td>160</td>
</tr>
<tr>
<td>1974</td>
<td>238*</td>
<td>16.6</td>
<td>25.1</td>
<td>10.0</td>
<td>176</td>
</tr>
<tr>
<td>1975</td>
<td>289</td>
<td>25.0</td>
<td>40.7</td>
<td>17.0</td>
<td>209</td>
</tr>
<tr>
<td>1976</td>
<td>438</td>
<td>36.3</td>
<td>14.8</td>
<td>5.3</td>
<td>160</td>
</tr>
</tbody>
</table>

*Estimated. 1Adjusted for one-for-one share split and one-for-one cap issue of March 1974
year depending on when profits on big contracts can be brought safely to account, and the split of profits when work has been done by both on a single contract.

Yet while both share the M&R umbrella, M&S and RCC are pretty independent of each other. And each must, in the normal course of things, operate as if they were unrelated. Thus during the period of the Carlton Centre crunch, and right up until 1973-1974, Roberts was spending only R1m R1.5m/a on new plant and equipment when it should have been spending up to twice that amount: conserving financial resources was first priority. It was only in the two years ended June 1975 that RCC caught up through a burst of heavy spending on machines and equipment.

During those difficult times, M&S helped out by lending much-needed equipment to its northern associate — and the men at RCC are the first to acknowledge this. Moreover they would expect to return the compliment if ever it were needed.

For investors in M&R there are other important factors to be considered. First, since the Carlton saga RCC has recovered completely so that both operating wings of the quoted company are now making satisfactory taxed returns on their equity funds. These are usefully in excess of 20% — around 22% for M&S and 28% for RCC for 1974-75, and showing constant improvement. Yet these percentages are a long way off Grinaker's 31% net return on equity over the same period.

Equally important to shareholders in M&R as rising returns on their funds has been the better quality of profits as measured in contributions from the various activities (contracting, manufacturing and industrial interests, and property). Manufacturing and property for example doubled their combined net contribution between 1973 and 1975.

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**SIGNPOSTS TO SIZE**

<table>
<thead>
<tr>
<th>Financial year ended during '75</th>
<th>Total capital turnover</th>
<th>employed</th>
<th>Net profit for equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>LTA (Mar)...........</td>
<td>244*</td>
<td>31.1</td>
<td>3.9*</td>
</tr>
<tr>
<td>Fowler (June)...............</td>
<td>n/a</td>
<td>23.7</td>
<td>3.7</td>
</tr>
<tr>
<td>Grinaker (June)..............</td>
<td>n/a</td>
<td>18.3</td>
<td>4.0</td>
</tr>
<tr>
<td>Group Five (Dec)............</td>
<td>n/a</td>
<td>24.1</td>
<td>4.7</td>
</tr>
<tr>
<td>M&amp;R (June).................</td>
<td>438</td>
<td>91.2</td>
<td>11.9</td>
</tr>
</tbody>
</table>

*Pro rated from nine to 12 months

While the southern wing has always had a good spread of activity — less than half its net profit comes from contracting — its northern associate is edging more and more into less high-risk work. It has already weathered the start-up cost phase of most, if not all, of its manufacturing enterprises. So while in 1972-73 contracting contributed all net profits (and carried manufacturing's loss) in 1974-75 industry etc yielded 10% of the total. Hopefully, still better results are to come.

Although recently reported cutbacks in government spending on infrastructural development must be regarded as serious, for financial 1975-76 they will not, we believe, have much — if any — effect upon M&R profits. There is a better-than-even chance that profit growth projections will be virtually maintained. So higher earnings than the 58.6c of last year may be expected.

But this prognostication does not imply that the dividend will be automatically raised above the 21c payout of 1974-75. If the overall order book for the ensuing year is soft for certain periods or certain activities, then the most that can be reasonably expected is a maintained 21c for the current financial year. In the long run, a dose of conservatism in distribution will be to the advantage of the company and its shareholders.
You name it... we make it...

Shuttering : Builders Plant : Scaffolding : Support Work
SALE – HIRE – CONTRACT
FROM CEMENT AND STEEL TO SIGNALS AND SECURITY SYSTEMS

Roberts' base has spread from civil work to all engineering disciplines and beyond into industrial manufacturing

Roberts Construction. To the man in the street that name is synonymous with civil engineering and building contracting. But today Roberts embraces not only engineering of all disciplines but manufacturing and industrial operations quite unrelated to contracting.

Broadly, diversification in Roberts has followed two separate channels — one associated with engineering and building work, and the other the industrial operations mentioned above. It is worthwhile tracing the background to this expansion to get a clearer picture of why Roberts has become what it is today.

In 1950 Roberts took on its first building contract — Libertas building in Marshall Street, Johannesburg. Chairman Charles Sweeny admits that the company nearly went under on the contract but, undeterred, decided to press on with building activities. However, the lesson had been well learnt that building wasn't quite the same ball game as straight civil engineering contracting and that it might not be a bad idea to set up a separate building division in the group. That came about in 1956 (two years after Sweeny joined Roberts from Anglovaal) and might be termed Roberts' first venture beyond its traditional civil engineering role. The next break came with the purchase of French and Hollingshead in 1957 — later to become Murray & Roberts Roads & Earthworks.

Sweeny firmly believed that it would be only a matter of time before the trend towards “whole project” contracting (already apparent then in the US) reached SA. What this means is that the customer wants one company to do the job he requires — from civil works through mechanical, electrical and instrumentation engineering to final commissioning.

As Sweeny puts it: “Construction of all disciplines can be done under the same management and with similar machines.
Sure there's a lot of fast, flashy money around.

In these days of inflation, devaluation, and worse, there's only one investment philosophy we consider worthwhile.

We believe that when it comes to money, careful is the name of the game. Sound, steady growth appeals to us far more than speedy speculation because that way, we don't put any strain on our assets.

That's why we've put more than R10 million worth of finance on a leaseback basis with Murray & Roberts, into properties such as Hyde Park Centre and Bank O.F.S. Building, and other innovative projects that make leaseback so attractive.

And because we've invested in property with a fair degree of success over the years, we're in a position where we can afford to make promises. Promises we keep.

In fact, over the last 80 years we've neither reduced, nor failed to declare, an annual reversionary bonus. Nor, for that matter, let people down in any other way.

Legal & General

Our past performance... is our proof of our future promises.
So by broadening your engineering base you get rid of duplication of effort and cost."

Quite apart from the need to offer clients whole project capability, another advantage of the concept is that it spreads the throughput of work in a company more evenly over a period of time. As Roberts' director Jack Cheetham points out: "Engineering diversification helps bridge the gaps between the peaks and troughs on the civil side. For example, the winding gear for a mine has to be ordered and manufactured started ages before any work on site gets underway."

"Similarly, the electrical and instrumentation work on a plant is done long after all civil work has been completed. Your manufacturing, mechanical and electrical time scales are all different, so if you can get into all branches of engineering your work flow throughout the group becomes more even."

One of Roberts' first successful applications of whole project engineering was the commissioning of a mine reduction plant at Hartbeesfontein in 1954, followed by similar work for Johannesburg Consolidated Investments on Rustenburg Platinum Mines. As each of Roberts' specialised engineering activities grew in the Sixties, it became increasingly obvious that the ad hoc (or "los hoiiy") as Cheetham puts it pattern of diversification needed to be knocked into some sort of programmed form. So a Group Projects Division was initiated in 1970 to look after project management and construction. This was further broken down in October 1973 when two separate companies were formed - Engineering Management Services (EMS) and Roberts Construction Mechanical, Electrical and Instrumentation (RCC ME & I). EMS today looks after project management with the specialized engineering construction falling to ME&I.

The late Fifties and Sixties also saw Roberts moving into other specialized spheres, notably shaft sinking for mines both here and overseas. Although the SA mining houses have traditionally looked after their own shaft sinking operations, Skenne, with his Anglovaal background, was able to bring to Roberts considerable expertise in marketing mining techniques and methods overseas. One such venture was the construction of concrete headgears in Lancashire for the National Coal Board.

In the early Sixties Roberts teamed up with Anglo American to form Shaft Sinkers on a 50/50 basis but this turned out to be an unhappy marriage which ended in divorce not many years later. However, Roberts stayed in the field with Murray & Roberts Shaft Sinking & Tunneling being formed in 1970 to coordinate operations.

Then came big contracts in Greece and Australia and it was decided to seek the hand of another mining house to collaborate on the Australian jobs. And so was consummated RUC Mining in partnership with Union Corporation. More than any other company in the Roberts stable, RUC has spearheaded Roberts' drive into the international arena.

Industrialised building is yet another area of diversification. In January, 1967 an Industrialised Building Division was formed and this ultimately became Roberts Industrialised Building Company (Ribco) in 1970. Although not directly related to engineering diversification, it's worth noting that RCC Transvaal has recently found itself growing far too bulky. So in July last year the building and engineering divisions became RCC Building (Transvaal) and RCC Engineering (Transvaal) respectively. The original RCC (Tvl) is today little more than a shell which services the two main operating arms in the Transvaal.

Relatively slower growth in Natal and the Orange Free State leaves RCC (Natal) and RCC (OFS) as integral units with their own engineering and building divisions.

The provincial entities of Roberts stick very much to their own territory, but the more highly specialised products of engineering diversification - EMS, RCC ME & I, RIBCO, RUC, CHEL Engineering et al - roam all three northern provinces (and overseas), leaving the Cape and SWA to Murray & Stewart.

Despite the profusion of engineering and contracting (or contracting-related) companies in the Roberts group, interestingly all operate as complete separate entities under the broad group umbrella. Thus if, for instance, Engineering Management Services (EMS) is managing a mine contract in the Transvaal, the civil work on the job may be put out to tender and Roberts Engineering (Tvl) may put in a bid. But EMS is unlikely to grant Roberts Engineering the work if another reputable contractor puts in a better bid. So despite the fact that EMS is managing the contract, it is quite as likely that Grinakers will wind up doing the civil work as Roberts Engineering.

Of course, the sheer size and scope of the Roberts group's operations does mean that two or three Roberts companies may find themselves working on the same site. But this is usually more by accident than design. However, the 'whole project' engineering facility which Roberts can offer (Grinakers and Group Five do civil and building work only) is likely to result in Roberts' companies working together more and more - but always on the basis of best tender or convenience and not collusion. Strict in-group controls are applied to make sure this modus operandi is adhered to and that where, for instance, EMS is managing a contract, the client is party to any and all decisions relating to how sub-contracts should be awarded and who gets the job.

On the flanks of these Roberts' companies are Construction, Design & Planning (CD&P) and Industrial Computer Services. CD&P services the whole of the Roberts group and has over 200 engineers and draughtsmen including specialists investigating foundations, structural tolerances, soil conditions and what have you. It's the think-tank for all Roberts' projects.

Industrial Computer Services coordinates and centralises Roberts' payrolls, order books and other administrative work throughout three provinces - keeping the tabs on each site and making sure people get paid when they should.

But so much for diversification within the engineering and contracting spheres. That is only part of the story. The rest concerns Roberts' industrial and manufacturing activities (see page 74).

An early Roberts' foray beyond straight civil engineering was into plant-intensive roads and earthworks. R&E's repair shop at Rietfontein
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Why the most Toyota? Because the new Mk 11 is not just the top car of the Toyota range, it's also the most prestigious and sumptuously-appointed we've yet produced in South Africa. Restyled inside and out. All controls scientifically repositioned and the steering redesigned to give even smoother handling.

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We're craft-conscious
High labour turnover among both Blacks and Whites is a problem facing the whole contracting industry. Roberts has not escaped unscathed

Douglas Roberts speaks of people as Roberts’ only real asset. By all accounts they are also the biggest single problem facing the whole contracting industry, particularly at the labour level.

Deputy managing director Steve Boyazoglu explains: “We have the most expensive labour in the world. And it’s not because we pay too much (the average Roberts’ wage for Black workers is about R25 a week) but because we just don’t use our labour effectively. All it needs is planning. In the good times, in order to get a job done, managers and supervisors pack on the labour. That’s where the wastefulness starts.

“I don’t believe in paying money for nothing — and this applies to all races. Our Whites must be the most under-utilised in the world too. The cost of employing them per unit of work is astro-

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**OF OTHER TRIALS AND TRIBULATIONS**

If labour is the biggest headache in the construction industry, it is not the only one. Another bugbear is the fact that the civil engineering and, to a lesser extent, building sectors depend so heavily on the stop/go policies of the public sector. As Fred Eriksson, MD of the Transvaal engineering arm of Roberts, says: “This means that during recessionary periods such as now, it is difficult to secure work at reasonable profit margins. You get any number of contractors tendering for less and less work with the result that profit margins are cut so fine that the whole proposition starts to look dicey.

“We avoid those tenders on which there is a more than fair risk that we might lose money.”

And then, of course, for as long as there have been consulting engineers and contractors, there have been arguments between them as to how the job ought to be done. Eriksson, a contractor from his bootstraps up, claims that “he who can does, and he who can’t consults. We have endless problems with consultants... not least some of those in the Roberts group like Engineering Management Services and Construction, Design and Planning.”

Ah, well. At least that gives the lie to any notion that Roberts might be in league with itself.
nomical."

What's behind the problem? Barry Horlock, industrial relations manager for Roberts, says: "Basically, what costs the money is turnover in labour. Among Blacks in the period April 1974 to March 1975, this stood at 62% of the total work force in the contracting industry — peaking at 101% just after Christmas when workers failed to report back after builders' holidays.

"Among Whites turnover was 194% with a peak of 235% in the January-March quarter. Although the figures for Whites are so high, the actual number of Blacks involved is far greater than Whites.

"What it all boils down to is that the industry is having to replace itself on average every year. And it costs at least R750 to replace a White worker and R100 to replace a Black worker in terms of advertising, training, induction and what have you. So at a conservative estimate the industry is losing R3m a year due to labour turnover."

Horlock is convinced that the reason for the high turnover among Blacks is that there is still a tendency to treat them as labour units and not people. He says: "Artisans have long been regarded as part of the industry pool rather than part of Roberts. This is because of the hire and fire philosophy inherent in the cyclical nature of the contracting industry. It is not just a Roberts' problem but an industry problem. We have got to start looking at the labour pool as a collection of individuals and not an abstract body."

Group personnel manager Ken Vaughan adds: "We conducted a survey on 'people attitudes' in Roberts about 15 years ago. It was a sobering exercise. From Blacks, chief grouses were lack of recognition of previous service when re-applying at a new site after a few years away; failure to pay when travelling between jobs and general maltreatment from immediate supervisors."

Among Whites the prime reason for high turnover is lack of corporate loyalty to any particular company — this because all leave, medical and pension benefits are handled by the Industrial Council and not by the company itself. In addition Whites like to stay at home in one town rather than moving from one site to another possibly hundreds of miles away.

While all this may sound like a dreadful indictment on Roberts, it is really more of an indictment on SA industry in general, and Roberts is to be congratulated on having woken up as long ago as it did to the situation, and on its efforts to do something about it.

**WILBEY BAQWA — the sweet voice of reason...**

Wilbeep Baqwa, Roberts' Black industrial relations officer, takes the long view of his department's objectives: "The development of Blacks in all respects — educationally, socially, industrially. We'll take it right across the board."

His first priority is finding a workable compromise between the traditional attitudes of the Whites on the one hand, and Black aspirations on the other. Says Baqwa: "The Black development programme is essential to this. It is a means of justifying the upgrading of Blacks."

Baqwa, a Xhosa whose father was a Methodist minister in the Transvaal, is a mild-mannered, articulate 52-year-old who joined Roberts 25 years ago as a clerk: "I matriculated but with negligible study thereafter. I have no real papers. In this age of specialisation, people are inclined to raise their eyebrows at this."

What he does have is a great love of working with people. "I started doing this sort of work in a small way 15 years ago," he says. "Initially I was confined to acting as mediator between head office management and data-processing Blacks."

Seven years ago he was appointed welfare officer responsible for all benefits to Blacks. Industrial relations formed part of the job description. And in 1974 a new industrial relations department for Blacks was started.

Baqwa runs the show. He's responsible for all 12 000 Blacks employed by Roberts in the Transvaal. He loves the job but admits the numbers involved make personal contact all but impossible. But everybody knows of him and he's the one they look to when there's trouble on the job or at home. Baqwa's very conscious of getting all Blacks to see that, by doing their jobs properly, they're involved in the upliftment of all Blacks and not just themselves. "They must be properly oriented," he says, "we can play a big role in changing attitudes towards Blacks."

No facet of self-improvement is ignored. One of Baqwa's jobs, for example, is arranging dinners at which Blacks and management meet. These take place once a year, and the aim is to get them going on a more regular basis.

Trials clashes at Roberts are few. Wilby's attitude is one of disbelief that "clashes are necessarily manifestations of tribal differences. We don't house people according to tribal affiliations."

Baqwa is no Uncle Tom, neither is he an outspoken radical. "My personal strength is in a devotion to be unbiased." He is acutely aware, however, of the way government policy affects his people. "Job reservation must go. Individual companies rather than government must decide on jobs for Blacks." He admits concessions are being made: "I believe that whatever changes there are, are necessitated by lack of manpower rather than softening attitudes. And there's discontent at all levels at the rate concessions are made."

The writing's on the wall. Baqwa: "Forces from outside might make us more militant and less accepting of the status quo. SA's problems can only be solved on the basis of a plural society and not by creating Homelands."
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we are proud to have been associated with ROBERTS CONSTRUCTION in projects such as:

MONDI paper company mill
More than 21 000 square metres of cavity decking

RAINBOW chicken farms
High insulation double-skin roofing for a large number of broiler and breeding houses

RICHARDS BAY
Suppliers of pressure pipes to the Engineering Division of Roberts Construction

Turnall Limited
Formerly Turners Asbestos Products Limited
P.O. Box 12009 • Jacobs • Natal
As Boyazoglu says: “It is not so much a question of training the labour as training the supervisors to use the labour properly. Waste costs money and you've got to get your supervisors to recognise that.”

Another problem that confronts Roberts in particular is its sheer size. Horlock has done some homework across the industry on this too. His figures show that, among Black hourly paid labour, turnover ranges from 19% to 92% depending very much on the size of the contractor concerned. Lowest turnover is generally with the medium-sized companies and the highest with big contractors. “Perhaps we are too remote from the 'coal face',” he adds.

“Hopefully, works and liaison committees will go some way towards solving the problem. but we've still got a long way to go to get them operating efficiently. I don't believe that talking alone will do the trick. For we're still getting strikes — one as recently as last year — despite the works and liaison committees. We've just got to get over the attitude problem at supervisory level,” he says.

As Vaughan puts it: “It's not a question of who's right but what's right.” No one at Roberts pretends that the group is anywhere near out of the woods on this thorny issue, but the group has now instituted sophisticated disciplinary procedures to deal with assaults on site. These are aimed at eliminating forever the Fifties-style approach of some site managers who say: “If a Black strikes a White or a White strikes a Black, I say fire them both and to hell with who is right and who is wrong. Do that once and you won't have any call to do it again.”

Horlock points out that “when people think of industrial relations, they tend to think of 'trade unions' and 'bargaining'. But that's a really a different issue that involves money in the main. I believe we have got to concentrate on the internal situation within companies before looking at the broad spectrum across the construction industry. We should look in, not across.”

Boyazoglu, with a trace of cynical resignation, sums up Roberts' predicament in saying: “We have been grinding away at this for years, but the fact that we still employ 50 000-60 000 people in the whole M&R group is beyond belief. Still, if we had never bothered to tackle the problem in the first place, we probably wouldn't be trading today.”

## TRAINING FOR OBJECTIVES

Roberts' intensive training programmes are not aimed at any sort of vague upliftment, but at specific improvement in both individual and corporate performance.

“Training is not education. Education is learning to know, but training is learning to do. That's why teachers seldom make good trainers. Not enough people in the industry appreciate that” — Bert Woodhouse, group training manager, Roberts Construction.

That gives as clear an indication as any of the rationale behind training in Roberts Construction. Before analysing specific methods and the effectiveness of Roberts' training programmes for unskilled labour, some of the broader objectives of that training bear looking into. For Bert Woodhouse has few peers in South Africa on this score. And not even modesty can keep him from acknowledging that Roberts' enviable reputation in the training area really began when he joined the group in 1969.

“There is,” he says, “a tendency to think of training as play-plot. Many years ago when I was training young women as tellers for Barclays, there were gasps of astonishment from management when I asked for R10 000 in cash and notes to carry out the programme. They wanted to give me little bits of paper. But tellers don't deal with little bits of paper. They deal in real money.

“I discovered this syndrome during World War II when serving as a navigating instructor. The habit of the RAF in
Caltex brings tomorrow closer...

On broad freeways and winding country lanes... on farms and in factories... along the shipping lanes, and the jet routes through our skies... Caltex fuels and lubricants speed the pace, smooth the way for Southern Africa on the move.

Meanwhile, across conference tables, in research laboratories and at the multi-million Rand Caltex Refinery, Caltex brings to bear a world of knowledge and experience to plan and prepare for the Southern Africa of the future, where power must play an even greater part.

The advanced oil company
those days was to teach you all about navigation — but not how to navigate.”

Woodhouse insists that there are two things training is not: Therapy (“We're not trying to change people's personalities”) or entertainment.

“Training,” he says, “is only complete when a trainee can show that he can do what you have been training him to do. We are not trying to catch people out — when a man thinks that he is up to a particular test, it is up to him to say so before we apply it. The more you put the responsibility on the learner the better.”

But Woodhouse is also quick to point out that training is only of value if it is utilized. It is no use training a man to do job A and then putting him back on job B, he says, adding “that training invariably accentuates rather than narrows the gap between different people. If you take two unskilled men and put both through a training course and test, you may find that one may advance 20% above the previous level and the other 40%. So you have opened a gap between them”.

Woodhouse admits that before you can even start training, you have to be able to analyse what a job involves (and that this is important in measuring the effectiveness of training too). “Effectiveness is difficult to measure with any degree of fine accuracy,” he says. “Basically, we regard the difference in value to the company of a trained man as being the difference in wages which we have to pay him in his new station as against his old. But, of course, wage levels are set by supply and demand in the industry and not by Roberts. So we can never be quite sure that a trained man is producing more for the company than the extra we have to pay him.”

“But generally we can find out from the men on site how much steel-fixing, for example, a really competent steel-fixer can be reasonably expected to do in a given time.”

Training in the Roberts group has possibly made the greatest strides in Natal “where labour practices have never been as restrictive as in some of the other provinces,” according to Roberts Natal MD Leo Fish. He adds: “This has enabled us to get ahead a bit because of the more liberal outlook on the training of Black labour. We take for granted here practices that are still heresy in Hertzogland.”

In essence, the training formula used by Roberts (as observed by the FM in Natal) involves an initial one day test after which most workers are put on a grading from 4 to 1. Obviously, most of them only make the first rung in any particular skill. As RCC Natal training manager Ron Davies puts it: “Initially we had to physically walk around each

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**Charles Skeen — I'm a bit singleminded about the job**

Chairman of Roberts Construction, Charles Skeen (66), is a quietly spoken and dedicated man. A Wits graduate in both civil and mechanical engineering, he once remarked: “I don't have any hobbies except the job I'm doing. So perhaps I'm a bit singleminded about it — that's all there is to it.”

Skeen’s no lodging in the construction industry. He's been with Roberts Construction since 1954, became MD and executive chairman in 1967, retired as MD in 1972 but stayed on as executive chairman till October 1974.

He still waxes lyrical about the construction business: “The most exciting thing about it is that there's always something new in any one of its many diversifications.” He sees his own strength as “being adaptable to the demands of the moment. I'm not very systematic in my approach to the job, but I have the ability to switch from one thing to the other as the need arises.”

Skeen’s role is no longer that of administrator or engineer. He explains: “The company has a record of success. To an extent I represent that past success and the people who've been associated with that success in the company. We form a basic structure of people, and I believe I've got a role to play as the most senior man in the management hierarchy.”

Skeen’s objective for the company: wider expansion internationally and further diversification. “Our international activity needs to expand quite appreciably. Whether we will achieve our ideal — one third from revenue from SA, one third from territorial diversification, and one third from functional diversification — will depend on factors beyond our control like, for example, the current world recession.”

He stresses the importance of exploiting every possibility. “You've got to have some special knowledge or ability to sell,” he says. “We can't just go out into the cruel hard world of contracting and try and beat people at their own game in their own country.”

On diversification he feels everything is fair game provided management looks right: “We have never said we would confine our diversification to allied fields.”

He sees the biggest problem facing Roberts as the need to secure sufficient work to maintain the core of the present workforce “so that we're ready to take the next surge when it comes.”

Skeen's not looking for enormous growth in the short term. “This is a time for taking stock and consolidating. At the same time we must strengthen the whole internal structure so that when the signal for growth comes, we can operate from a strengthened base.”
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site with manpower lists in hand asking site foremen: "What does this man usually do?" simply to find out which skill to further his training in."

After a worker has, say, reached the bottom rung of the ladder, he undergoes five-day module training courses in his particular skill in an attempt to reach the top-grade. Not many make it right up the line, but with more and more men being fed into the system from the bottom, the numbers of really competent men do build up. Of the 500 men originally tested in Natal before training officially got under way in March, 1974, roughly 100 have now made it to Grade 3.

To date, over 1,800 men have been tested by Roberts Natal and a further 1,400 have been trained on at least one of the five-day module tests, either at Roberts’ static testing centre at Prospecton or in the mobile training school which is taken from site to site. This, incidentally, is run by a Black man, Cyril Cain, who trained as a civil engineering technician at Mnamndoki Technical College near Pietersburg in the Transvaal.

Ron Davies has now instituted a control board at Prospecton to prevent trained men from being discharged once work on a particular site comes to a close, so avoiding throwing away valuable skills.

All the Roberts’ courses are certified by the Civil Engineering Industry Board, which insists on a proper syllabus with set objectives. This board gives each worker a blue log book in which courses passed are recorded so that he can produce proof of achievements and skill when applying to join a contractor on another site. In addition, all courses have to be vetted by the Department of Bantu Education for tax rebate purposes. (82% relief on money spent on training Blacks is allowed.)

On site, trained workers wear colour-coded helmets and badges to denote their particular skill and degree of proficiency and training in that skill.

Back at head office in Johannesburg Bert Woodhouse stresses that he gives orders to no one — just advice. "This," he says, "is in accordance with the group policy of decentralisation. We like training to be done by each corporate entity on its own — in fact, each site if possible — and only lay down broad guidelines."

All in all, about 8,000 unskilled men have been trained in the Roberts group. But the focus now, as Woodhouse sees it, must be on the training of supervisors. And not only White supervisors, who need re-orientation in how best to utilise trained labour, but also Black supervisors.

As Transvaal Engineering MD Fred Eriksson says: "The artisan situation is always critical, so we are now working on a training and Africanisation programme. We are aiming at 30 Black artisans and supervisors to one White. At the moment the ratio is about 15 to 1. Of course this means sailing close to the legal wind at times, but when you can't get White artisans you just have to push on regardless. Otherwise the job would come to a standstill."

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**Treading with Tender Feet**

In the contracting business, tendering means walking a minefield of calculated risks. The negotiated contract may solve a lot of headaches.

**Somehow contracting and marketing would seem to have little in common. Yet, as Roberts' chairman Charles Skeen points out, "we also have something to sell. The only problem is in contracting that you are trying to sell the article (or your ability to build it) before you've actually made it. It's not like toothpaste or motor cars where you have something concrete to show the customer."**

This makes tendering extremely risky. "Contracting is never dull," says Skeen, "if only because of the succession of calculated risks you have to take in tendering for work. But if you engage in a risky business, you obviously hope the rewards will be commensurate, bearing in mind that you can really only hope to be right a little more than half the time."

Skeen tells the FM that there are two prime areas in which a contractor can go awry when calculating a tender bid:

- Overestimating productivity under particular circumstances. For example, in working on a high-rise building, you may think that more work can be done 100 m above ground during night building than in fact turns out to be the case. That means you are going to fall back on schedule.

- The operating climate may change profoundly between the time you get the job and the time you start it. Let alone complete it, which could be 4-5 years.

It is to this last factor that Skeen
HIGH PRESSURE HYDRAULICS — FOR THE CIVIL INDUSTRY

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ascribes Roberts’ financial loss on the Carlton Centre project. He says: “When we initially bid for the Carlton, we worked on an inflation rate (based on historical observation) of about 3%-4%. As is now well-known, during the actual years of construction inflation rocketed to 8%, 9% and even 10%. That upset our calculations completely.”

But, all things considered, Skee still feels that there is a real place for the tendering system in the contracting business — albeit with certain modifications which will be discussed shortly. He bases his faith in the system on the need to remain “competition oriented”.

On this score he cites the interesting example of a big US contractor, Morris & Knudsen from Idaho, who moved into Vietnam on a US government contract to re-construct the infrastructure behind the fighting lines. Obviously the degree of damage that needed re-building could not be estimated beforehand, so tendering was out of the question. Consequently a cost-plus arrangement of payment was worked out.

“When Morris & Knudsen moved back to the US,” says Skee, “they nearly went bankrupt as, working on a cost-plus arrangement for so long, they had grown complacent, and had simply forgotten how to be competitive.”

But Skee nonetheless feels it is essential that risks beyond the control of the contractor should be eliminated from the tendering system. He says that the construction industry now uses two types of CPI-linked formulae to protect it from the vagaries of sky-high inflation.

On the question of negotiated contracts — that is those where a limited number of leading contractors are asked to submit proposals on how they would go about implementing a job and what they think it would cost — Skee says: “I think we are moving closer and closer to this type of contract on all big jobs. I just don’t see any contractor tackling a job the size of the Carlton, for instance, on any other basis today.”

Skee feels that, provided a contractor can put forward a proper plan of method, say what he requires in the way of profit margin, and has proof of his competence and competitiveness in general contracting work, the negotiated contract is the answer on really massive projects.

Government itself would appear to be following this line on Sasol II. In the oil industry most major jobs are negotiated so government’s decision to appoint

Who would tackle the Carlton on tender today?

Flor from the US as managing contractors to Sasol II is perhaps not surprising. But needless to add, Roberts is hoping to pick up major works at Sasol II on sub-contracts.

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**SETTING THE COURSE**

Roberts MD ‘Bill’ Brämmwell explains where the company is going and why

*FM: There are already 37 major wholly-owned companies in the Roberts group and you have substantial shareholdings in many more. Do you intend to pursue your policy of decentralisation and, if so, won’t this pose problems (of co-ordination) for management?*

We have to follow a policy of decentralisation because any construction activity is people-orientated. We employ over 35,000 people. This means that we can’t systematise or computerise our *modus operandi* as you would in a manufacturing process. We are totally dependent on the people down-line facing problems as they arise. For example, if it starts raining on a site, certain decisions have to be taken then and there. In a factory it doesn’t matter whether it’s raining or not. The show goes on.

*And our second point — on the problems this poses for management?*

Well, the interpretation of broad group policy and its implementation does present some difficulties as there are so many people involved that you simply have to get some distortions and injustices down the line.

Another problem is that a team only works on one site for a certain time and is then broken up and re-grouped for work on other sites. But this is where decentralisation helps as smaller units have great ‘people advantages’. That’s one reason why we broke our Transvaal company down into separate corporate entities last year. It’s proved a most successful exercise.

*Are your moves overseas following any sort of concerted programme?*

They are now, though this hasn’t always been the case.

*What sort of criteria do you adopt in deciding whether to go into a foreign country or not?*

I would list the prime criteria as follows. We look for countries:
- Which have a shortage of skills that we can provide;
- Which actually need those skills;
- Where we will be acceptable as South Africans. This is most important as our operating base is here; and
- Where, in developing countries, the SA government may be willing to provide IDC support for work undertaken — or, where developed countries are concerned, the ability of industry to pay for what we provide. We have had some problems on that score in South America before now.

On a more general level, we look at tax laws, labour laws, find out whether we are going to be able to get our money out, examine the political, financial, commercial and technical infrastructure of the country — in particular port facilities and communications.

Sometimes you find that the very absence of these makes work opportunities so, for us, there’s a positive side to lack of development in other countries.

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Murray & Roberts: Supplement to Financial Mail May 28 1976
compensate in these areas. At no time in the past have we found ourselves unable to grow as fast or faster than the economy at large. We may find that we have to reduce the rate at which we acquire resources, but I don't think we're going to have to dissipate existing resources.

You have expressed the view that the bad times can sometimes be turned to advantage. Could you elaborate?

Yes, in a recessionary climate when money is tight, life doesn't come to a complete standstill. There are still buildings to be built and engineering work to be done. And those who need them often turn to the biggest contractor in the business because they know we are big enough to get the job done and get it done on time. Companies are often afraid that, in highly competitive times when contractors proliferate, a smaller contractor might go bust on them in the middle of a job. And the all-important thing is to get the job done. A case in point is the new hypermarket we are building for OK Bazaars near Jan Smuts airport.

How much of your contract work is done on a negotiated as opposed to tender basis nowadays?

In money terms, about 30%-35%. The percentage of our negotiated work has been steadily climbing over the years. Your deputy Steve Boyazoglou has told us that labour in SA is among the most expensive in the world. Do you think it is likely to become more so?

It simply cannot be allowed to. There is a very low rate of efficiency in the construction industry as it is. You don't get much for your rand. We've simply got to try and move closer in line to industry in general in SA, and closer to productivity standards in the construction industry around the world.

But it's not easy because of ingrained habits. For example every White carpenter insists on his handlanger, a Black man to carry his tools and what have you. Nowhere else in the world will you find a handlanger, yet our artisans demand one as a sine qua non.

Output is frequently reduced by increasing the number of workers on a site because everyone's level of performance falls off to the lowest common denominator. They see there is a surplus of people to do the work, so everyone takes it easy. The whole problem needs our greatest attention in all our companies and at every level of management.

Seeing as Roberts is working in countries like Zambia and Botswana, have you any plans for doing work in the Homelands?

Yes, and precisely because we have seen how efficiently the Black man's potential can be put to use in those countries. We have two homeland projects on the go at the moment, one of which has yet to be finalised so I don't want to elaborate on that. The other is a
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What are your aims in making these homeland moves?

Basically twofold. To train Blacks in construction techniques and technology; and to build up the infrastructure in the homelands.

Does Roberts intend to continue with its diversification into fields outside civil engineering and building?

We are still actively diversifying, in three directions actually. Firstly, into allied engineering fields; secondly into engineering-related but industrial and manufacturing areas; and thirdly territorially.

The whole Murray & Roberts group has shown phenomenal growth in recent years with taxed profits rising from R3m in 1971 to R13.2m in 1975. Do you see Roberts as being able to keep up its contribution to this growth, particularly in the light of the downturn already discussed?

There is no doubt that we will be able to sustain growth — but not necessarily at the same rate. Our fortunes have been largely in tune with the ups and downs of the economy, and though the bawd figures do tend to indicate astronomical growth, if you compound the rate of inflation over those years it can be seen that we haven't grown that much faster than the economy at large. But whatever, I'm quite confident that we will continue to grow at least at the same rate as the economy and hopefully more quickly.

BILL BRAMWELL — let the Blacks in through the front door

He's quite the most relaxed looking MD on the Johannesburg business scene. That's Bill Bramwell, a bluff white haired civil engineer who has been in the Roberts Construction hot seat since 1972.

He once studied law but the war intervened so he had six years in the armed forces — the last three with the Royal Parachute Regiment. There was plenty of time for rethinking his career. Bramwell settled for civil engineering at Wits — and he's never had any regrets.

He joined Roberts in 1953 as a site engineer, aged 32, after spending three years with the SAR&H as an assistant engineer. His progress followed a steady upward curve — contracts manager in the Transvaal in 1957; assistant manager in Natal the same year; director of Roberts Construction in 1963; director responsible for international activities in 1967; deputy MD in 1969 and MD in 1972.

Yet he still finds time for hard games of tennis and squash, and beef farming at arms length in Natal.

A fervent subscriber to the Roberts' ethos that nothing happens without the right people, Bramwell firmly believes that Roberts' strength is tied to the company's ability not only to attract, but retain excellent people. He sees his function as "listing clearly objectives and responsibilities, and then motivating people to accept those responsibilities and achieve the objectives."

When it comes to Roberts Construction's extra-territorial activities, he feels it's the people as much as the activity which makes for success. "We export people, not things. They put it all together. Being stuck somewhere with the job of creating something is an exciting challenge. But you need a special sort of person to do this work. He must be motivated." By his own definition, motivating people is a particular Bramwell strength.

He's much concerned with training Blacks: "That's our biggest problem. We don't have the skilled resources to meet the country's requirements. With the current slack in demand, we have the training and the skills. But our biggest job is to provide training and skills for escalating future demands."

Another problem is the acceptance of the Black man, says Bramwell: "Recognising his dignity and position. It's not always easy to ensure recognition by those for whom he's working. Often the representative of management does not represent top mangement thinking and attitudes."

Strongest current need says Bramwell is to open up the trades to Blacks through apprenticeships: "Initial trade union resistance must be overruled. Blacks must be allowed to come in through the front door, and the sooner the better."
GOING UNDERGROUND DOWN UNDER

RUC, the jointly-owned shaft sinking and tunneling venture started in 1970 by Roberts and Union Corporation, has been in the vanguard of Roberts’ forays into international contracting.

The brief history of Roberts’ diversification into mining engineering is given elsewhere, but RUC was formed primarily to service two shaft sinking contracts in Australia in the early Seventies.

RUC managing director Dave Brink explains: “At the time there was something of a mineral boom in Australia and a fall-off in work here. Initially we worked out of an office in Sydney, but it soon became obvious that we had a continuing operation on our hands so in July last year a properly constituted board was set up to run our Australian subsidiary, RUC Australasia. Shortly before this we had opened a second office in Perth.”

Yet today, most of RUC’s work has come home to roost with SA accounting for about R16m of the RUC companies’ estimated R20m turnover in the current financial year (ending June, 1976). Roberts’ half share of that R20m, incidentally, represents about 2.5% of total Roberts Construction turnover, but to put things into perspective it’s worth noting that turnover in the 1973/74 financial year was only R5m.

What has been responsible for the relative and recent fall-off in Australian business? In a name, a man called Gough Whitlam. “Whitlam,” says Brink, “actively discouraged mineral prospecting and oil exploration by foreign interests in Australia. When he first came to power something like 80%–85% of Australia’s oil requirements, for example, could be met by domestic sources. It’s estimated that by 1980 that will be down to 50%.”

“For even though Whitlam’s gone now, it is going to take years for the continent to pick up again as all the mining investors have got out. And what with the prices of copper, lead, zinc and iron ore all being well down, the outlook on the Australian front doesn’t look too bright. So, frankly, I see RUC’s main area of growth in future being right here in our own backyard.”

Actually, it’s not all Whitlam’s fault, as Brink notes that in 1973 and 1974 there was a big pick-up in SA business as well. “The mines have always done most of their own shaft sinking themselves,” says Brink, “but today the argument revolves around who can do it more cheaply.

“I have no doubt that in future more and more mining work will be put out to contract because of the increasingly specialised equipment demanded by modern shaft sinking methods, and because we have greater labour flexibility than the mines. They are so dependent on the migratory labour system.”

At the moment, other than work in Australia, the only over-border operation being handled by RUC is a tunneling contract at Tedzani in Malawi on the Shire River hydro-electric scheme. “We are the only people doing underground work in Malawi at the moment and with all those miners cooped up there this job is going like a bomb,” adds Brink.

Other major projects on which RUC’s 1600-strong staff is busy include two major shafts for Union Corporation at Kinross (1,900 m) and Unisel in the OPS; an incline shaft on a chrome mine in the Eastern Transvaal; tunneling work on the Tugela/Vaal scheme in the Drakensberg and on the Steenbras pump storage scheme in the Cape; and various raise-boring schemes for sinking service and other access shafts for expanding existing mines.

The diagram on this page gives some idea as to the how and the why of raise-boring methods of tackling service shafts, ore and rock passes, and ventilation ducts. In essence, raise-boring involves drilling a 300 mm wide hole from the surface to an existing side-shaft in a mine. This enables a reamer plate to be attached to the drilling rods at the bottom, and a 2 m hole is then ground out of the earth from the bottom to the top. In the main, these shafts are inclined rather than vertical. Obviously, where there are no existing side-shafts to serve as an anchor for the reamer plate, this method cannot be used. But though it is very costly (nearly twice as expensive as simply blasting from bottom to top), it is far safer than that method. For blasting from bottom to top creates the risk of miners being injured by rubble falling from above. And this is an important consideration in this extremely high-risk form of contracting.
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CIVIL ENGINEERING -
STILL THE MAIN SUPPORTING BEAM

Civil work was the raison d'être behind the formation of Roberts. It remains the driving force behind the group's forward thrust.

Roberts Construction was formed in 1934 by two civil engineers, Douglas Roberts and D G Murray. Shortly afterwards Douglas Roberts, who headed the Transvaal-based company, was joined by another civil engineer, his brother Andrew. Ever since that time the board of RCC has been dominated by a majority of civil engineers. Today, despite diversification, civil engineering remains the bread and butter of Roberts' business, accounting for roughly 40% of the group's work.

In fact, the first functional diversification within the company came about with the formation of Concrete Development Corporation after World War II. CDC was the forerunner of today's Construction Design & Planning (CD&P) and represented a breakthrough into civil engineering design as opposed to mere construction.

Over the years Roberts can claim many firsts in the civil engineering arena. Notable among these have been:

- The introduction of pre-stressed concrete structures to SA;
- The application of the sophisticated Prometo system of moving forms or shutters for creating the service cores (lift shafts) of high-rise buildings — first used on the headgear at West Driefontein mine;
- The introduction of concrete mine headgear to SA and the UK, the Margaret shaft at Stilfontein being the first;
- Being the first construction company to introduce tower cranes — now such a familiar part of the SA urban skyline.

At the moment, RCC Engineering (TVl) is operating in four broad areas: Northern Transvaal, primarily at Phalaborwa and Tzaneen; Eastern Transvaal (Witbank and Steelpoort); the Vaal Triangle; and around Pretoria. Of course, work is also in hand elsewhere but the concentration of work in these particular regions merits the attention of a full-time senior contracts manager in each. The same applies in Natal at Richards Bay and in the Newcastle/Vryheid area; and in the OFS at Welkom and Bloemfontein.

The major civil works being carried out or already completed in Richards Bay by RCC Natal are outlined in some detail elsewhere in this Survey, but some of the projects (past and present) in the Transvaal include:

- Civil work on the Safari I atomic reactor at Pelindaba;
- Six major extensions to the Foskor plant at Phalaborwa;
- Civil work on Bosveld Kunsmis' phosphoric acid plant, also at Phalaborwa;
- Numerous road and rail bridges in the Tzaneen area, including the twin Sybrand and Marietjie van Nickerk road bridges;
- The cooling tower at Grootevlei power station;
- The coal preparation plant at Van Dyk's Drift mine; and
- The outfall sewer for Johannesburg Municipality to the north of the city.

Perhaps the most notable is the new double-carriageway (N1) being done in conjunction with M&R Roads & Earthworks between Piennar's River and Warmbaths.

In the Free State, most of RCC OFS's civil work revolves around the gold mines.

When it comes to roadworks, the various RCC engineering companies or divisions usually tender for work in conjunction with M&R Roads & Earthworks — the preponderance or otherwise of bridges or concrete structures to actual roadwork determining in whose name the tender bid is made.

Of the graduates that RCC employs, by far the largest proportion, 53%, are civil engineers, and because civil engineering is even more labour intensive, and involves far less sub-contracting, than building, the great bulk (51%) of RCC's 35 000-strong labour force is tied to the civil side.

Of course, one problem Roberts faces is finding graduates who are prepared to move around a lot. For a high degree of mobility is an occupational hazard that all civil engineers have to accept. Bramwell himself kicked off with Roberts in 1952 down at Klerksdorp. Since then he has spent time in Durban, as well as elsewhere in the Transvaal and Natal, before coming home to a roost in Johannesburg as MD.

Murray & Roberts: Supplement to Financial Mail May 28 1976

Pioneered by Roberts... concrete mine headquarters

53
Today's high-rise giants have made a science of the building trade. Roberts has led the way in implementing new thinking.

Ten years ago the build-up of infrastructure in South Africa revolved mainly around civil engineering projects. But with the advent of skyscrapers like the Standard Bank Centre, Trust Bank Centre and Carlton Centre in Johannesburg (the latter two, incidentally, both Roberts' jobs), the building discipline has really come into its own.

Today, Roberts Construction (Building) Tvl is looking to a turnover of about 17% of group total in the '75/'76 financial year. Total turnover of RCC Natal is about 13% and that of RCC OFS roughly 4.5%, but as the building entities of these companies are still in the form of in-company divisions, an accurate breakdown of work as between civil engineering and building is more difficult to assess. Suffice it to say that conventional building work (as opposed to industrialised building) accounts for about a quarter of Roberts' total turnover each year.

To give a brief idea of the dominant position which Roberts holds in the building sphere, some of the major contracts recently completed or still building include:

- The new SABC headquarters and TV complex at Auckland Park (RC Building Tvl);
- Rand Afrikaanse Universiteit laboratories (RC Building Tvl);
- Civic Centre, Johannesburg (RC Building Tvl);
- Cabin Services Building, Jan Smuts (RC Building Tvl);
- Perskor printing works, Doornfontein (RC Building & Eng. Tvl);
- Daily News Building, Durban (RCC Natal);
- Shell House, Durban (RCC Natal);
- Amanzimtoti flat complex on the South Coast for Sanlam (RCC Natal);
- Holiday Inn, Masera (RCC OFS);
- Holiday Inn, Gaberone (RCC OFS).

Interestingly, RCC OFS moved out of its traditional province to build the Gaberone Holiday Inn at the specific request of David Lewis who had been most impressed by the work done by the company on the Holiday Inn at Masera.

As far as building and construction techniques are concerned, Roberts has long been an innovator. Though it may seem old hat today, Roberts introduced to South Africa the concept of building the lift core of a high-rise building first, so that lower floors can be occupied before the building is completed and so that materials can be carried by lift to service construction on the upper levels.

The new Perskor printing works is another ingenious bit of building in that it is being constructed around and above the existing works without disrupting Perskor's day-to-day operations. Yet another noteworthy structure is the new building for the Daily News in Durban. This is being built on the suspended cantilever system employed initially on the Standard Bank Centre in Johannesburg.

Of building generally, Transvaal Building executive director Terry Pears says: "A couple of years ago I went to the Stanford University School of Business and learnt three important lessons.

"Firstly, company image is extremely important even in the building sphere. That's why we are now on a drive to tidy up our public face by not tearing up pavements and that sort of thing when working in city centres.

"I also learnt that in the US even service organisations go in for mildly aggressive marketing techniques. That's one of our problems in SA. People are so hazy about what we do." As RCC Building marketing manager Bryan Hossak puts it: "What we have to do is sell the people who work for us."

The third lesson Pears learnt was that not enough use was being made of young graduates in Roberts' Transvaal building arm. "You simply have to have graduate material on site when you are working on big projects. We have about 40 chaps with BSc degrees in building and the like and we have since been systematically developing them," he says.

One result has been that a 27-year old building science graduate, Frank Wright,
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AT OUR FACE
Another problem in Natal is corrosion. "You cannot sit on big stocks of steel for too long otherwise you lose a lot of it," comments Fish. On the engineering side, this is why Roberts is now experimenting with concrete power pylons instead of steel structures at Richards Bay.

On a more general level, builders countrywide are, of course, facing quite a fall-off in business in these recessionary times.

"As a result," says Pears, "bidding gets more and more competitive among the smaller companies that haven't diversified. That, in turn, increases the risk of insolvencies while work is in progress. And nothing is more inflationary than having to pick up the broken bits half way through a contract.

"I realise all this sounds like a plug for the big contractors like us, but it is not a case of 'Big Bad Roberts' trying to hog all the business. I firmly believe that, providing it remains competitive and efficient, the big company is in the public interest. That's why I feel selected contractors should be asked to make bids to avoid the possibility of those inflationary insolvencies and to cut down on the cost of all those tender bids — which invariably get passed on by the contractor to someone along the line."

---

**FRANK WRIGHT — it's loyalty that counts**

If enthusiasm is any criterion for success, Frank Wright (32), manager for RCC Building Company in the northern Transvaal, is way out in front. He proudly calls himself a dyed-in-the-wool Roberts man and lights up with dedication when extolling the group's virtues.

He joined Roberts in 1961 straight from school as a trainee quantity surveyor: "The construction industry appealed to me. I like to think I'm a creative person, although not in the artistic sense."

After 18 months with Roberts he did his army stint and then rejoined the company. The potential was clearly there and Roberts sent him to Wits to do a four-year building degree course. He graduated in 1968, winning the National Development Fund for the Building Industry's medal as the best student of the year.

The day after he finished his exams, he started on the SABC headquarters site at Auckland Park. After one year he was appointed assistant projects manager. "It was a tremendous challenge at 26 — far beyond my years and experience. The project embraced all the disciplines one would encounter in the industry and I learned more than I ever did at university. The construction industry was going through a boom and I was tossed into the deep end. I had to learn or sink. As a career grounding it was unique."

Very much a pragmatist, Wright lists his first priority: "Making profits. Instilling profit consciousness in employees, and learning to spend company money as if one was in business for oneself. And I believe I am part of the company. I identify fully with it."

Not surprisingly he lists "loyalty" as an essential quality. In motivating employees, half the battle is developing loyalty and a sense of belonging."

He believes firmly that the future of the construction and building industry depends on meaningful participation by Blacks: "As a matter of absolute priority we must become more involved with the Black man — encourage his participation in this industry, get to know him, develop his loyalty and train him in the necessary skills."

Wright attended a general management programme at the Administrative Staff College at Henley-on-Thames in 1975. "I came back a better person for it," he says simply. "It gave me the opportunity in mid-career to look at myself and assess where I'm going."

The psychometric tests revealed that Wright, a soft spoken seemingly gentle man, is actually "an aggressive extrovert" with considerable leadership qualities. He doesn't agree with the "aggressive extrovert" assessment: "I could never trample over people to get anywhere."

Where does he see himself going? Staying with Roberts Construction for one. "This company is so conscious of the need to develop young individuals providing they show that they want to get on. It inspires you."
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Murray & Roberts: Supplement to Financial Mail May 28 1976
This relic of Wolton Gray days, a 1929 steamroller, is now being restored by M&R R&E. It was built in Leeds by John Fowler & Co.

**OF ROADS AND EARTHWORKS**

Murray & Roberts Roads & Earthworks has a long and checkered history. But the present and future certainly look bright enough.

The origins of Murray & Roberts Roads & Earthworks go right back to the early Thirties when Wolton Gray, who is said to have had a fanatic command of construction language, appeared on the South African scene with an agency to sell Fowler steam rollers.

He soon got out of the selling business and formed a company called Fowler Tar which was later bought by Iscor. Then, in 1934, he set up shop once again with Wolton Gray (Pty). This company began life with a capital of £5 000 and was the forerunner of Murray & Roberts R&E. Wolton Gray concerned itself mainly with building roads on gold mines such as Geduld and Van Ryn.

Shortly after World War II, Wolton Gray sold the company and in time a South African investment corporation, Gemsbok, acquired it. A British contracting company, W & C French, took an interest at the invitation of Gemsbok — more to manage than to contribute finance. So at this juncture the company became French & Wolton Gray. French brought in Jim Hollingshead as MD and in 1955 the company was again renamed, this time French & Hollingshead.

Even at this point in its history, French & Hollingshead was experiencing chronic cash flow problems. The current MD of M&R R&E, Ronnie McLennan, who joined up in 1952, recalls that the first item on the agenda of weekly progress meetings was always cash — of which there was very little.

Eventually, in mid-1956, French & Hollingshead was put under judicial management and six months later Roberts guaranteed creditors 12/6d in the £1 which was paid back over the following five years from profits earned. The name was changed yet again to Roberts Construction Earthworks & Foundations and the purchase was aimed primarily at broadening Roberts' whole project capability.

When Roberts and Murray & Stewart merged in 1967, Roberts Construction Earthworks & Foundations and Murray & Stewart Roads & Earthworks were combined to form M&R R&E.

Today R&E boasts a turnover of roughly 9% of overall group performance and contributes substantially to overall Roberts' profits. The company employs over 5 000 people of whom about 500 are at the supervisory level. In addition, it owns plant and machinery valued at between R10m and R15m (replacement cost).

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Murray & Roberts: Supplement to Financial Mail May 28 1976
BORN OF GOLD

Roberts Construction Orange Free State was spawned just after World War II by the opening of the Free State gold fields. And its fortunes have been closely intertwined with those of gold ever since. In fact, according to Roberts' executive director, Ted Gooch (who is responsible for coordinating RCC OFS, RCC Natal and Murray & Roberts Roads & Earthworks at head office level), at least 70% of the company's work over the years has revolved around mining - including the design and construction of head- gears, winer houses, electrical switchyards, housing and recreation clubs.

Even the company's original head office was at Union Corporation's St Helena mine before being moved to Welkom. Today Roberts OFS still operates out of Welkom though management moved to Bloemfontein in 1968.

But RCC OFS has managed to pick up useful work outside the mines - building two hotels at Maseru (including the Holiday Inn), various flat developments, bridges, roads and grain silos together with substantial civil works on the P K Le Roux and Hendrik Verwoerd dams in the Northern Cape. This, incidentally, is one of the few Roberts forays into the Cape which is normally the preserve of Murray & Stewart as far as the wider works R&E has moved into other disciplines such as railway track and plate laying, reticulation in towns (mainly in the Homelands) and pipe laying. "In fact, we do almost anything that involves the use of heavy construction equipment," says McLennan.

Ronnie McLennan himself deserves special mention. Very much a call-a-spade-a-spade man, he is obviously a doer and no airy-fairy planner. Born in Estcourt, Natal, his father was initially a district roads engineer in the Natal Provincial Administration before becoming chief engineer of Natal roads. Ronnie graduated at Wits and worked for the Transvaal Roads Department before moving to French & Hollingshead as a roads engineer writing specifications. So he has really got his hands dirty.

R&E is a peculiarly interesting company in the Roberts context in that it has no territorial limitations on its operations. Most Roberts' contracting companies work only in the Transvaal, Natal and the OFS, leaving the Cape and SWA to Murray & Stewart. The reason for this is, one can say, that R&E is the offspring of both arms of Murray & Roberts even though it falls under Roberts' wing today.

Like RUC, R&E has also done its bit towards putting Roberts on the international map. Foreign ventures include railway plating for 240 km of line from Townsville to Greenvale in NE Australia, a R10m land realignment scheme for the creation of sugar cane lands in low-lying areas of Mozambique, and the building of a railway line in Malawi from Balaka to link up at the border with the Mozambique line to Nacala. Designs have also been drawn up for another railway in Malawi from Lilongwe to the Zambian border.

Among the more notable achievements of R&E (or its predecessors) have been the construction of:
- Van Reenen's Pass;
- All runways at Jan Smuts Airport - including a complete re-surfacing and strengthening contract to enable Jumbo jets to land there;
- The marshalling yard at Sishen together with earthworks for 170 km of line to the Orange River; and
- The new main road (N1) from Winburg to Bloemfontein in the OFS.

Another major contract on hand at the moment is the new R17m double carriageway from Pienaarsrivier to Warm.
On the Townsville to Greenvale railway in Australia where R&E did the plate-laying work

baths north of Pretoria.

R&E is even more plant intensive than most other Roberts entities and has a substantial investment in construction and earth-moving equipment. Interestingly, it led the field in South Africa in cutting down on plant to 66%-75% of average turnover requirements. "This," says McLennan, "is so that we don't have plant standing idle during off-peak periods. When business picks up, we hire additional equipment to meet our needs. Most other contractors are now following the same pattern."

"In fact, it is this trend which has virtually given birth to the plant hire industry in South Africa."

With, for example, motor scrapers having risen in price from R120,000 to R220,000 in two and a half years, it is not difficult to see the rationale. "But," as Ronnie McLennan points out, "it has had a somewhat unfortunate effect on the industry in that plant hire firms proliferate, make an absolute killing in the first year or two while their equipment is still new, and then find that they have spent the money they need to maintain their equipment when it starts to show signs of wear."

McLennan feels strongly that equipment suppliers are largely to blame for this. They sell and sell again to owner/operators who find themselves perpetually in debt to the suppliers. "I would give half the plant hire firms in the country four years from birth to burial," he says.

"You have to weigh up a little bit of obsolescence against the high present day cost of machinery," he adds.

On the labour front, McLennan tells the FM that virtually the entire private sector depends on Black labour as far as contracting is concerned. Next item on the agenda is to train Blacks to do maintenance and to take over foremen's positions.

"Whites don't like to be too far from the bright lights today," he says. "Pioneering work is not for them and nearly all our work is just that. So Black labour and supervision it has to be in this day and age."

McLennan says that last year R&E showed the highest profitability as an entity in the Roberts group. "We showed both the highest return on capital and assets," he adds.

In fact, talking to Ronnie McLennan you get the distinct impression that the rest of the Roberts group can consider itself extremely fortunate to have the backing of R&E. But this seems to be a not uncommon claim from many other Roberts company MDs. All are convinced that their's is the company keeping the ship afloat.

FRITZ SCHWARZENBERGER — benevolent autocrat

Rotund Fritz Schwarzenberger — "everybody calls me Mr Fritz" — has spent 40 of his 62 years with Roberts Construction.

An ebullient extrovert, he emigrated from Bavaria in 1936 and started his Roberts' career as a lorry driver. "I was willing to do anything. First it was one lorry, then two lorries, then repairs and there you go."

Today he reigns supreme at the Elandsfontein yard which is the pivot around which all Roberts' construction and building activities in the Transvaal revolve. His official title is executive director of Roberts' subsidiary, RCC (Transvaal Services). He admits readily that Roberts Construction is his life.

Transvaal Services' activities include manufacturing woodwork used in building; ordering, storing and fabricating steel and structural steel; hiring and repairing plant; transporting material and equipment to the sites; selling stores. Mr Fritz is responsible for dovetailing all these activities — no mean feat in a yard of such dimensions. "You've got to work like a computer," he beams happily. "You've got to keep the plant going; it's all got to fall in line."

He admits there's a bit of downturn in activity at the moment. "But we're not doing too badly. The biggest problem is to keep labour costs down. You can't run away with money, it doesn't grow on trees."

He still speaks with a broad German accent and his voice carries for miles: "But I don't shout as loudly as I used to." He admits he's a "bit of a slave driver." But he won't ask anybody to do anything he won't do himself. He's on the job at 7 am and often still there at 7 pm. "I come in the middle of the night if they call me. I'm happy. The yard is humming with life."

He's a perfectionist and is planning a fantastic new yard to further improve operations. "It's ideas you must have and selecting the best people for your immediate subordinates.

This is a company of cooperation. We must give 100% satisfaction. My strength is that I've built the whole thing up over the years. It's built around me. You won't find a similar operation anywhere else."

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It's good to make profits. We derive our profits from a construction and building business as well as operations as diverse as materials supplies and manufacturing activities.

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MURRAY & STEWART
Your need . . . our challenge
Roberts’ moves from pure civil engineering to mechanical, electrical and instrumentation work (ME&I) give the group “whole project” capability.

Since the Sixties, Roberts Construction has made a determined bid to broaden its engineering base from strictly civil works to include proficiency in the mechanical, electrical and instrumentation disciplines. As described elsewhere in this Survey the object has been to give the group “whole project” capability.

Originally the ME&I function was the responsibility of Roberts’ Group Projects Division, which also looked after the functions of Engineering Management Services (EMS). When this division was disbanded, ME&I became an operating division of the Transvaal engineering company. Today it has its own corporate structure and operates in the three northern provinces.

Last year RCC ME&I contributed roughly 16% of group profits — not much compared to the civil side, but significantly more than the 6% in the previous year. So it’s obvious how fast this side of the business is growing.

ME&I has its own specialist team of engineers in the mechanical, instrumentation, electrical, chemical and metallurgical spheres, but relies on Construction, Design & Planning (CD&P), another company in the Roberts group, for all structural and civil design. CD&P, in fact, services the whole of the RCC group in this regard.

Actually, the Transvaal engineering company and the engineering divisions of the Natal and OFS companies do their own ME&I work on a fair scale, but where ME&I contracts start running into the R1m bracket and beyond, RCC ME&I takes over. A typical example of ME&I work being undertaken by one of the civil entities was the work done by the Transvaal engineering company on the Hartebeeshoek satellite tracking station.

The ME&I company has now developed to the stage where it has the resources and organisation to undertake projects of almost any size. Fields in which it has become involved include petro-chemical, mining, mineral and metallurgical, pulp and paper, water treatment, bulk ship loading facilities, sugar and a host of others.

More specifically, ME&I is heavily involved — along with various other Roberts companies — in the Sishen-Saldanha scheme, and was concerned in a major way with extensions to the Mobil lube-oil refinery at Prospecton near Durban as well.

In Pretoria, ME&I was responsible for putting in over 800 km of cable when Iscor was installing its computer-controlled Universal Beam Mill. The busbar installation alone swallowed up 10 000 m of copper bar. When the time came for the first trial run of the four main 6 000 KW drive motors, some 50 000 electrical connections ranging from 33 KV to 20 volts moved smoothly into action.

There seems little doubt that in years to come Roberts’ ME&I function will grow substantially to complement the civil side and to bridge the gaps between the peaks and troughs of the highly cyclical civil engineering industry.
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Whole project management is now the order of the day in engineering construction. Roberts is well-equipped to implement the concept.

Once upon a time, when an industrialist or mining magnate wanted a plant built, a shaft sunk or whatever, he put each and every aspect of the job out to tender and employed a large number of people himself to supervise the various sub-contractors.

This typically British *modus operandi* was taken over lock, stock and barrel by the mining houses in South Africa. But it did create problems. It's fine to have a large supervisory staff on hand while development is actually going on. But what do you do with your staff when it isn't?

That's just one problem. On top of that, advancing technology and the sheer size of many of today's construction projects has forced adoption of standard procedures and rigid disciplines. The result has been a swing towards American-style whole project management. How this capability grew in the Roberts group is described elsewhere in this Survey. But the entity responsible for it merits further attention. For last year Engineering Management Services (EMS) contributed 18% to group profits.

Basically whole project management involves:

- Pre-planning;
- Planning;
- Budgeting control;
- Purchasing;
- Inspection and expediting; and
- Overall supervision of construction by others.

"What is offered is a construction management service so the client only has to have a few key people keeping an eye on things while we do the rest," says EMS MD, Syd van der Walt.

Another ardent protagonist of the system is RCC Natal MD, Leo Fish, who argues that: "The whole project concept helps get planning priorities right so you can get everyone working to a common purpose, as opposed to only their particular part of the job."

EMS itself is a management company rather than a contracting company. As Syd van der Walt puts it: "To us the civil side of a project is really incidental. In a chemical plant, for example, the portion of total installed volume (TIV) in money terms of civil works is only about 15%. And it's not the raw concrete but the actual mechanical and electrical innards of the plant that produce the goods and services."

And it is EMS's function to co-ordinate and programme the civil, mechanical and electrical aspects of a project. The company claims to be able to manage any projects from the smallest to the largest and most technically intricate.

This year, the TIV of works managed by EMS will be around R120m. Prime project under its wing at the moment is the new fertiliser export plant for Trionf at Richards Bay.

EMS also serves as the engineering design arm for the Roberts group in this particular field on RCC's foreign activities. It has, for instance, undertaken the engineering the design and procurement for a pilot copper processing plant in Zaire. EMS operates throughout the three northern provinces and over-border.

In the US there are at least 100 to 150 companies like EMS operating in the whole project management field. Syd van der Walt tells the *FM* that EMS, in terms of TIV, would be in roughly slot number 30 if put on the US roster.

Of course, with a company like EMS managing a contract — and the sub-contractors on it — the prospect of other Roberts' contracting companies getting more favourable treatment looks like a distinct possibility.

"Not so!" retorts Van der Walt: "We are completely autonomous and where we know that a Roberts company is tending, we insist that the client open the tenders with us. We have to impose this on ourselves to survive reputation-wise."

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The Trionf fertiliser plant at Richards Bay, the construction of which EMS is managing.
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Industrialised building has come a long way in South Africa. Roberts has had a lot to do with it.

"We’ve never built a church, but we’ve built just about everything else from offices, flats and houses to warehouses and factories," says Dick Glanville, who heads Roberts Industrialised Building Company (Ribco). For this type of building is yet another sphere of construction in which Roberts has paved the way in South Africa.

In a nutshell, industrialised building differs from conventional techniques in that walls, floors and other building elements are pre-cast in concrete, steel, asbestos or whatever and then assembled. There is no laying of bricks or building bit by bit little bit.

What, the FM asked Glanville, are the advantages of industrialised building anyway. The first, it appears, is time. Dick Glanville puts it this way: "We can design and construct a complete school in about nine months (our record, actually, is seven months and three days on a school at Witpoortje). Just to build, never mind design, a school by conventional methods takes about 21 months.

"With the cost of finance being what it is today, that saving in time is really meaningful on any building — but doubly so where we are talking about income producing structures like a block of flats or factory."

The second major advantage of industrialised building is that it enables the building operation to be de-skilled. Glanville says, "Ribco employs about 1 800 people of whom no more than 15 are skilled artisans. This is very important when so few artisans are coming into the trade. But I must stress that what we are doing is not cutting down on labour per se but on skilled labour."

As far as direct cost comparisons go between industrialised and conventional building, Glanville says: "It is extremely difficult to make accurate assessments here. But, in general, we can build quality numbers.

"One problem here is that government or quasi-government institutions tend to put this type of building work out to tender in 50 house lots. That means we’re uneconomic on each job lot but could do the job more cheaply if only we got the whole thing."

A Ribhouse made out of pre-cast concrete walls

RIBCO

GROWING GROWTH

Roberts Industrialised Building Company has its origins in the Industrialised Building Division of Roberts which was formed in January 1967. It acquired its own corporate identity in 1969. The table below gives some idea of the company’s phenomenal growth in turnover during the first half of the Seventies.

MD Dick Glanville says Ribco will finish the 1976 financial year on a turnover representing roughly 5% of group performance.

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*Adjusted for rises in the building cost index.

This doesn’t alter the fact that Ribco is now building 1 500 houses for the KwaZulu Development Corporation at eZakheni just outside Ladysmith. This contract was won on open tender.

"But," as Glanville points out, "the real saving comes in cutting down construction time in the face of steadily rising building costs. So direct cost comparisons are not all that relevant anyway."

Ribco has four basic industrialised building systems — Ribwall, Ribframe, Ribhouse and what it calls System 16, a lightweight pre-fabricated building system. These all have one thing in common in that they have been designed in SA for SA.

Actually, so Glanville tells the FM, one of the reasons why industrialised building has taken so long to make an impact on the SA scene is that millions of rand have been lost through trying to apply European industrialised building systems in SA.

He says: "In Europe many of the building systems involve the manufacture..."
of building units in factories so that production can continue apace in wet weather. But in Europe they seldom have vast distances between factory and site. We do, so it is essential that the manufacture of building units be done on or near site. We don't have the same amount of wet weather as they do in Europe so rain is not a major problem.

"In addition, in Europe they can devise systems for a particular application, eg apartments, because there is enough business going to provide a reasonable return on capital. But in SA there's just not enough of any particular kind of work going to make highly specialised systems a feasible proposition. We have to be flexible rather than specific."

"Another reason for flexibility is that people don't like every house, every block of flats or whatever to look the same."

Though there is no reason at all why, for instance, every house built by industrialised building methods need look the same (as the picture of the Ribhouse built for Roberts Schachat at Highway Gardens near Jan Smuts airport shows), there is, says Glanvill, still a bit of customer resistance to industrialised building. "This," he says, "is largely based on ignorance simply because there aren't really enough people in SA doing industrialised building. Apart from Ribco, the only others in the game are LTA and Bester (both using systems of European origin). This is a pity because if there were more of us in it the whole concept might be more widely accepted."

Yet with every succeeding month the concept is gradually gaining ground. Glanvill cites an occasion when he dropped in on the owner of one of the new Ribhouses in Highway Gardens.

The owner was flabbergasted when told that his house was made of pre-cast concrete walls. What's more he was an architect.

"Once people are acquainted with the concept and appreciate the variation that can be built into it," says Glanvill, "they naturally lose this fear of the unknown."

It's rather like the born-and-bred Britisher who tends to think of Africa as being one country until he visits it and finds out what it's all about."

To get back to the systems themselves, Ribframe is designed specifically for multi-storey structures where large open areas are needed as in schools. Ribwall is applied in the construction of flats, hostels, etc. while Ribhouse has already been outlined. Section 16 is aimed primarily at temporary structures but could last up to 25 years according to Glanvill. It can be put up in seven days, and is reputed to be of higher quality (though no more expensive) than comparable systems.

Glanvill makes the point that one reason for the growing popularity of industrialised building methods is that costs in this area of building have been rising at a slower rate than in conventional building. "Three or four years ago, most of our business was done in boom conditions. Now the spread of work is far more even,” he says.

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**STEPHEN BOYAZOGLU — we’re in this business for profit**

Big, straight-talking, Stephen Alexander Boyazoglu (43), deputy MD of Roberts Construction since 1974, radiates an infectious enthusiasm for his job and for the group with which he’s been associated for 22 years. "My job is really my hobby," says Boyazoglu.

He’s been around with Roberts; the Free State gold fields as a junior engineer in 1954; engineer in Northern Rhodesia in 1958; Welkom in 1959; contracts manager in Phalaborwa in 1961; a senior management training course in the UK in 1967; MD of Central African group operations in 1967; OM and subsequently executive director of the Transvaal operations in 1970; deputy MD since 1974.

Boyazoglu has had time to distil his management philosophy. It hinges simply on effective communication. His office sports a collection of model earthmoving equipment and a framed inscription: "The whole range of human error is essentially due to defective communication from mind to mind."

To avoid that error he tries to keep himself available to talk to people at all levels. "No formal structure about it," explains Boyazoglu, "the open door philosophy."

He has his priorities equally clearly defined: "Improving the performance of the contracting entities and making them more competitive." What's needed, he says, is the effective utilisation of the total resources of people, equipment and money: "We in SA waste all three."

"We must communicate the importance of what we're trying to do and why. It must filter through from the first level of management to the gang boss and the charge hand. We need the full commitment and participation of all to reduce wastage and maximise efficiency."

He stresses the need to develop and improve reporting systems. "If things start going sour, you must detect the problem as close to the beginning as possible."

Boyazoglu's current function is controlling and monitoring operations and selling policy. He misses running projects on site. To keep in touch, Steve spends one day a week on site, "otherwise I get too remote."

He would like to see future Roberts' activities aimed at providing total service to clients. "This," he says, "involves the management and execution of projects in all their disciplines whether they be road, rail, civil, electrical or mechanical engineering, and using all the facilities the client has at his disposal. We will put the complete picture together."

Essential to the success of any project, believes Boyazoglu, is the planning and monitoring of project plans: "Planning how the plan will be carried out, building contingent plans into existing plans, and monitoring and controlling plans at site level."

Everything must be geared to being tops in the construction industry: "We take our commitments to our people and to our clients very seriously. And we're clearly in this business for profit, even though it's not socially acceptable to say so."
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ON THE MAKE ON THE MANUFACTURING SIDE

Roberts now has a special subsidiary to co-ordinate and develop its burgeoning non-contracting and industrial activities

How and why did Roberts ever get involved in activities as diverse as manufacturing 220-litre blow-moulded plastic drums on the one hand, and making and servicing railway signal and brake equipment on the other?

Director Jack Cheetham, who is responsible for the industrial and manufacturing activities of Roberts, puts it this way: "Originally, most of our industrial companies did have some sort of link with our contracting entities. For example, Prodrorite even today is supplying PVC piping to the new Triomf bulk fertiliser plant at Richards Bay — on which, incidentally, EMS is looking after project management and RCC Natal is doing most of the civil work. So if Prodrorite is in PVC piping, it might just as well manufacture those 220-litre blow moulded plastic drums too.

"Then again, railway signalling equipment which is under the Westinghouse Bellambi banner. Murray & Roberts Roads & Earthworks has done a great deal of work on railways including both earthworks and platelaying — so there is an area of common interest between the two companies."

But no one pretends that even in the old days any sort of a link between the contracting entities and the non-contracting entities of Roberts has been a sine qua non standing in the way of new industrial investment. Today prospective investments are evaluated on their merits alone.

As with diversification in the engineering sectors of the company, the breakthrough into industrial non-contracting operations was motivated mainly by the need to get the group out of the straitjacket imposed by the time scales of civil engineering and building contracting.

The creation of an Industrial Division of Roberts in 1972 was the first attempt to co-ordinate what had previously been "scatter" development of the group's industrial interests. This was taken a step further in February last year with the

GEORGE ALLISON — financial wizard and champion of the underdog

George Allison (56), Roberts' deputy MD (finance), is a hard nosed money man. He matriculated at Jeppe High, qualified as a CA in 1940, and spent the war years as an officer in the Royal Naval Volunteer Reserve before joining a firm of accountants in the late forties. He joined Roberts Construction in 1950 as chief accountant, subsequently became company secretary and administrative manager, before being appointed a director in 1963 and deputy MD in 1964.

He claims to have no technical attributes whatsoever: "I'm interested only in the financial viability of a concept." What he does have is an impressive reputation for negotiating the financial and legal terms and conditions of contracts. Inevitably he's been actively involved in the group's diversifications, especially in the industrial field.

"Allison, a crusty bear of a man, revels in being called formidable. "All financial men are bad tempered," he wryly asserts. In fact an irascible exterior cloaks a real concern for the underdog. Very much a "people man" he uses his financial skills "to improve the conditions of those who work for us by my knowledge, for example, of the income tax laws and the social security aspects of the job."

He also puts his financial knowledge and skills to good personal use. He successfully plays the stock market and invests in property as a counter-inflationary hedge. One thing he does not do is take tips from stockbrokers — "absolutely fatal!". Not surprisingly, reading books and journals on finance is a favourite unwinding.

But to really spark the Allison enthusiasm mention France, food and wine. A confirmed Francophile and a keen student of French cuisine, he can hold forth entertainingly for hours on end. He holidays in France at least once a year. He used to play golf to a four handicap, now happily admits he'd rather buy wine than play golf.

"That's what business does to you!"

Unlike Douglas Roberts, Allison's a pessimist by nature: "It's damn hard as a financial man to be optimistic at the moment. Inflation will get worse before it gets better. I see it running at between 18% and 20% next year. The construction industry's particularly hard hit. Surfing wage and salary bills are not always recoverable in the contract price. Then there's the additional financial burden of carrying greater work-in progress values which are, again, not always recoverable."

He does not feel the world economic recovery is here yet and foresees a lengthy period of political uncertainty in Southern Africa adversely affecting overseas investor confidence. He isn't pessimistic about Murray & Roberts though: "The group's fairly well diversified and geographically has a fairly good spread, all of which should help in the lean period."

But he cautions against euphoria: "The world market for capital goods is diminishing. Developing countries are becoming more self-dependent thus reducing the markets for developed countries."

But he holds out a measure of comfort for SA: "In the long run the country's fantastic mineral wealth will see us right. But it's uphill work ahead."

Murray & Roberts: Supplement to Financial Mail May 28 1976
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formation of Roberts Construction Industrial Investments (RCII). Cheetham spells out the aims of RCII as being:
- To co-ordinate and control the activities of the local non-contracting and associated subsidiaries; and
- To implement the diversification strategy of the group.

Today, 34-year-old Melvin Greenberg, who has an MSc in chemical engineering and an MBA from the University of Cape Town, is MD of RCII. He tells the FM that he hopes RCII’s contribution to group profits will eventually rise to somewhere between 15%-20% from the current 10%.

When it comes to assessing investment possibilities, Greenberg says the first thing RCII looks at is the compatibility of a company in the Roberts context. “We have to ask ourselves whether the management of a particular company will be able to work in harmony with the Roberts’ directors to whom they will ultimately have to answer.

“On top of that, we look to companies that are presently successful, have growth potential and can support at least two levels of management.

“We have had bitter experience in the past of having to fire an MD and then discovering that we have fired all the technical, marketing and financial know-how in the company as well. So there must be programmed management with built-in succession so no one man can completely upset the applecart.

“For this reason we tend to steer clear of small companies. For they usually can’t afford, either in money or manpower terms, to implement the kind of controls we use in the group.

“We’re looking at a smaller group of medium to large companies that are well managed rather than a proliferation of smaller operations. We’re not in the business of growing small companies into big companies because we haven’t got a big pool of management to draw on.”

Greenberg emphasises that Roberts does not merely look at industrial companies as somewhere to invest its money, but examines purchase prospects from the point of view of whether the group’s resources can make a meaningful contribution to the companies concerned, and whether there are fruitful avenues for using group management expertise.

Basically, the merchant bank grapevine, financial papers and “simply keeping one’s ears to the ground” are the means used by Greenberg to get information on prospective purchases.

He stresses that the secret of co-ordinating and managing the diverse constituent companies of RCII is getting the right MD in each entity. “In the final analysis there are only four decisions the MDs don’t make themselves. They don’t:
- Hire or fire second-line management;
- Buy or sell assets;
- Diversify by product line or geographically; or
- Change the financial structure of the company by raising medium-term loans, bonding buildings etc.

As Cheetham puts it: “If we didn’t operate on this basis, it would be like buying a dog and barking yourself”.

Companies at present under RCII control are Superlite Pipe, Prodotite, Scan Security, Blopec and Westinghouse Bellambi (50%, 25%). In addition, Roberts has a 49% interest in Siemens Cables (it’s the biggest SA shareholder with German-controlled Siemens SA holding 51%), and a 27% interest in General Erection which owns Power Steel Construction.

When the FM put it to Greenberg that Roberts’ large minority interests in Siemens Cables and General Erection smacked of “responsibility without control”, he admitted that the terms of Roberts’ industrial interests are usually more bindingly entrenched than the bald percentage shareholdings might suggest at first glance.

Whatever, Roberts is committed to broadening its industrial and manufacturing base to protect the group against the vagaries of the highly cyclical contracting sector.
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THE TOWN THAT ROBERTS BUILT

If it's in Richards Bay, the chances are that Roberts made it. For there hasn't been much left over for anyone else since Roberts moved in.

Both now and in years to come, one would be quite justified in dubbing Richards Bay as "the town that Roberts built". For never before has one contracting group so completely dominated the construction of new works in what amounts to a new town.

Companies involved have been primarily RCC Natal, M&R Roads & Earthworks and, more recently, Engineering Management Services (EMS). All in all, the value of work undertaken by RCC Natal at Richards Bay is likely to top the R30m mark once all current projects have been completed. And there may be more to come if future tender bids are successful.

Thirty-seven-year-old Roger Veysey is Roberts' resident contracts manager at Richards Bay and he has been there since 1969 when Roberts was busy on its first major contract in the area, the IDC's vast R80m Alusaf aluminium smelter. On this job Roberts Natal did all the civil engineering work as well as later extensions to the plant.

The diesel locomotive maintenance depot at Richards Bay... built by Roberts

Total value of works installed by Roberts at Alusaf amount to about R10m and, after the harbour itself, it is the biggest single project at Richards Bay. Today, Roberts Natal is working right next door to Alusaf on Trimm's new super phosphate export fertiliser plant.

RCC Natal

BUILDING IN BANANALAND

Though Richards Bay is providing Roberts Construction Natal with work valued at about R30m, total value of RCC Natal contracts in hand is closer to R100m. And with a turnover of roughly 13% of group total each year that makes the Natal company the second biggest provincial entity after the combination of the various Transvaal building and engineering companies.

Employing over 6000 people (5500 of them non-Whites), RCC Natal under MD Leo Fish built the original Mondi Paper mill at Merebank on a whole project basis ie doing the electrical, mechanical and instrumentation work as well as the civil work. And it's back at Mondi now on extensions.

To that can be added the new Mobil refinery (at Reunion), the Motor Assemblies plant and the new and extremely interesting bulk materials terminal and ship loader on Maryville Wharf at Durban harbour. This R4m job was built for Rennies and is designed to handle any agricultural grain product such as rice, barley and maize as well as malt, fluor spar, potash, phosphates etc. Some of the high-rise building work done recently by RCC Natal is outlined elsewhere in this Survey.

Today, Fish tells the FM, about a third of RCC Natal's work is done on the basis of negotiated contracts. As a man committed to the whole project approach to engineering, Fish is understandably pleased at this trend which he sees as the prelude to whole project construction and management. At the moment only about 20% of RCC Natal's work is mechanical and electrical, but the company is fully equipped to tackle anything going.
Roads & Earthworks has done the plate-laying in the main marshalling yard at the coal terminal and is busy doing the same for Mobil to provide access to the fuel bunkering facilities. It goes without saying that RCC Natal is doing the civil and building work for these bunkering arrangements (value R480 000).

Another R400 000 worth of work for RCC Natal has been the office blocks and change rooms for the Richards Bay Coal Terminal Company. Then there was the R2m water treatment works on Lake Mzingazi for the Richards Bay town board. On this whole project job, so Roger Veysey tells the FM, building workers had a daily and fascinated audience of hippos which wallowed in a semi-circle round the construction site keeping an eye on progress.

Then there’s been a school, municipal offices and houses — in fact just about everything going. Veysey attributes Roberts’ success in Richards Bay primarily to its ability to switch from civil engineering work to building as and when the need has arisen.

Certainly Roberts has built the lion’s share of Richards Bay. But by the same token, the new town has provided a major boost to Robert’s earnings in Natal.

**JOHNSON GUMEDE — silver among the steel**

Nearly 31 years ago Johnson Gumeede walked on to his first Roberts site. That was in 1943 and the job entailed building a masonite factory at Estcourt in Natal. Since then Gumeede estimates that he has worked on at least 40 sites with Roberts — ranging from waterworks at Umkomaas to his present working home on Triomf’s new fertiliser plant at Richards Bay.

Now a gang boss, 64-year-old Johnson stands out like a lighthouse at night on site with his gleaming silver hardhat awarded to him (along with a watch) after his first 25 years service. Still very much the old-style African (hardly surprising considering his lack of formal education and the era in which he grew up as a boy), big and burly Johnson Gumeede is philosophical about his ties with Roberts. “I can’t be bothered to change jobs,” he says, indicating more of a resistance to uproot and change than any deeply-felt corporate loyalty. It’s this same trait that leads his stoic acceptance of the Black construction workers lot.

But up among the scaffolding and managing his gang, Gumeede shows a rare gift for organizing his men and getting the job done without upsetting people’s feelings. He estimates that in his entire working life he has never spent more than five to eight months back at RCC Natal’s base in Durban. But he still refers to KwaMashu as home. For that’s where his wife and four children live.
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Murray & Roberts: Supplement to Financial Mail May 28 1976
CARRYING THE ORANGE TO THE ORANGE AND BEYOND

Murray & Stewart has long dominated the construction scene in the Cape and SWA. Today its widely diversified tentacles stretch as far afield as Australia and South America.

The orange boards are everywhere: on office towers in Cape Town and Umtata; on freeways curving gracefully above city streets; on military tanks tracks in the anxious Namib; on sites with the promise of future hydro-electric schemes.

The same two names are on them all: Murray & Stewart. For this group has left its mark all over the Cape and South West Africa — and in places further north. First it was as civil engineers, then also as builders. Today, it's many other things too as M&S's appetite for growth adds further cells to the body corporate: helicopterists, divers, waste disposal, car components and more besides.

There are now some three dozen operating companies in the group. Together, they employ 23,000 people. Ambitious young engineers toil in remote areas to build bridges. In Cape Town, others sit arguing far into the night on the best design for a new R50m shopping and office complex. Nearby others debate how to build it most rapidly.

Speed, especially in civil engineering and building, is the name of the game today. High interest rates and inflation send the costs of behind schedule projects soaring. This cannot be allowed. For in today's market it's the fastest contractors who are the most successful — and M&S sets track records in all the areas where it works. The drive for ever more speed often depresses old-timers: "There's no quality of workmanship any more," they complain, "no job satisfaction."

But it's an ill-directed complaint. It is not working too fast that is the main reason for lowered building standards, but the economy expanding faster than the supply of trained workers. The group is grasping this nettle firmly. Training of Black labourers, 12,000 of whom stream back to M&S's contracting companies alone each year after the annual holiday is, at last, beginning to achieve positive results. The group is investing heavily in new building techniques, mainly aimed at reducing the need for on-site skills and replacing them with factory-made building components.

Planning and control are the keys to all the more complex projects. Architects once chivied builders. Now the roles are reversed as builders demand details of projects where design has hardly begun. Site men who once plotted out their own work sequences in entirety now put their heads together with full-time planners. Young engineers armed with histograms and computers knock months off proposed times.

It's a world for the young as new techniques produce feats inconceivable 20 years ago. And the young are realising it. Three universities (Wits, Pretoria and, most recently, Cape Town) now offer degree courses in building science — and they're all well attended.

Life is as exciting elsewhere in the Group. For M&S is no longer only a builder. More than any other South African construction group, it has learned the advantage of diversification — today half its revenue comes from companies not concerned with M&S's traditional contracting activities. "We measure success by continued real growth," says chairman John Robertson. "I'm almost frightened by the thought of what the group has to be in five years to maintain the same rate of growth. It would have to double its turnover. But you can't do that by contracting in the Cape alone."

Since Des Baker took over as MD in 1968, M&S has grown and diversified fast. In the last six years 21 new companies have been acquired or founded. Some have been related to contracting (eg new branches at George and Kimberley) but for the majority the link with contracting has been tenuous. Today timber treatment and computer programming all help to generate income for M&S. Significantly, indications are that diversification in the next three or four years will supply an even larger percentage of profits than at present.

Successful diversification, however, is never easy. Management and new markets have to be assessed and assimilated. This, says Baker, can take 18 months. There's danger, of course, in going into unknown fields. Baker's policy
is to enter only those related to present activities, adding link after link to the chain. But the chain could get too long. Not all M&S’s diversification’s have proved successful.

To maintain growth, new markets must be found, whether abroad or in as-yet unexplored fields at home. M&S has already found work in Australia and Mauritius and has recently been investigating prospects in Iran, the Middle East, Taiwan, Spain and various South American states. Hopes Baker: “The work overseas will increasingly compensate for any slow-down at home.”

Still, a slow down in the next 12 months might not be a bad thing. It would at least provide breathing space in which to improve operating efficiencies that would serve the group well in the Eighties.

Statistics show that productivity in the construction industry has dropped by 25% over the last decade. This is due, at least in part, to management losing touch with the men on the job. “This year I am planning to visit all civil engineering and building sites twice to establish personal contact with the younger men. I used to do it, but other commitments have kept me too busy,” says Eastern Province director Beau Price.

Slower growth would also enable the group to recruit more selectively. “The sheer volume of work to be executed has resulted in our taking on people below our normal standard. This has been bad for efficiency, productivity and group spirit,” admits Baker. Nevertheless, at middle and senior levels, where it perhaps counts most, morale still runs high. There’s a shared certainty that, wherever future work opportunities occur, Murray & Stewart will be there.

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DES BAKER — widening the group’s role

The photograph is 26 years old. It shows him with fair hair and a strong, clear jawline. He was 24 years old then and looked 18 — a carefree site engineer.

Today he looks several years older than he is. The division between neck and jawline has almost disappeared and the eyes are often tired. Concedes MD Des Baker of his younger self: “I had a very good time.” Today? “It’s difficult for me to switch off. Reading any old thing is the only way I can get to sleep.”

He’s not complaining. “I’m completely absorbed by the business. It provides such variety you don’t need other things to refresh you. I play a bit of social tennis. Apart from that, I spend my weekends dealing with papers or executives.”

Born with a silver spoon in his mouth (his father was well established in East London’s wool business), he spat it out and made his own way. Civil engineering studies at UCT were interrupted by war-time service with the Special Services Battalion. The SSB was originally formed in the early Thirties during a period of severe unemployment. So it sported a very interesting cross-section of South Africans. My time as a trooper with it served me well.”

Post-war graduation was followed by a job with M&S, which had recently built a wool store for his father. By the time he was 29 years old, Baker was a director of M&S (Cape Town).

He subsequently played a major part in M&S’s developing role in property. “D G Murray built many factories in Port Elizabeth for leasing to industrialists. I introduced the idea of managed contracts in which the contractor is appointed on trust in the planning stages of the building and is involved in the overall feasibility of the project, setting the financial and programme targets.”

“Property development followed naturally from this. I felt that a construction company like M&S had a bigger and more useful role to play than just erecting buildings. All our experience was ideally suited to the development field.”

Another achievement was getting the group more involved in commercial building. D G Murray was never a great enthusiast for multi-storey city buildings. Perhaps because he was a civil engineer, he liked doing factories.

Douglas Murray died in 1964. Four years later, Baker became MD. He was 43.

From the start he thought of himself (and still does) as a Murray product. Says Baker: “D G Murray taught us three things. First, your credibility and integrity are your most valuable assets. I have tried to maintain this basic philosophy in the company during a period of appreciable expansion and competition. We are long-term operators and we are here to say.

“Secondly D G taught all of us to care for our people. He firmly believed that men worked only as well as they were encouraged to. He knew the names of almost everyone in the company, labourers included. And he was never happier than when on site paying out himself (as he did each Friday).”

“Thirdly, he taught us to work hard. He had no hobbies. He just did not understand people who did not live for the job.”

Baker’s main achievements since then? First and foremost, says his staff, setting that same D G Murray example of hard work. Baker starts his early morning phone calls at 6.30, does an eleven hour day at the office, and then returns home for another stint — and he expects his managers and more ambitious staff to put in the same sort of effort. He’ll forgive anything except lack of enthusiasm.

Then he has to keep the peace. With a number of hard-driving men under him, there’s always a danger of conflict. “M&S companies are fairly thick on the ground nowadays,” he comments. “I have to see that they don’t move into each other’s territories.”

As he talks, one foot jiggles furiously. “People who are calm and collected don’t produce that extra edge from themselves. I operate best under pressure.”

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Murray & Roberts: Supplement to Financial Mail May 28 1976
Johannesdorp.
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Murray & Roberts: Supplement to Financial Mail May 28 1976
Decentralised authority is central to M&S's management philosophy. Introduced by Douglas Murray, it's been meaningfully pursued under Des Baker.

Comment: Baker: "D G Murray understood delegation. It came easily to him because he liked to see people develop themselves. He taught us all how to delegate." As Baker sees it, delegation has three main aims: to speed up decision-making; to create depth of management; and to boost morale not only of those exercising it but, more importantly, of those serving under them.

"It's physically impossible for me to know every supervisor in the group. Through decentralisation, they know their promotion depends on men pretty close to them," Baker explains.

At the same time, tight financial controls are exercised by head office ("and that's in Cape Town, not Johannesburg," finance director Barnaby Brinkworth quips with mock fierceness). Particularly over the use of cash. Some companies in Cape Town report to finance director Brinkworth twice daily on their cash position, others once a week, giving their present position and what's expected to be a week hence.

"Clients sometimes make single payments of over R1m," Brinkworth explains, "You can't have that sort of money lying idle, even overnight."

It has always been a point of honour at M&S to pay creditors promptly. "D G Murray used to say: cheques go out on the 25th or you go out on the 26th," says one company manager. "The first thing he did when visiting a branch was to examine the creditors' ledger."

Today, if cash is not needed to pay creditors, it's lent out — sometimes to Roberts Construction — at commercial rates by head office. Nevertheless, operating companies' commitments are paid by themselves, not by head office.

Inflation has strained M&S's finances as much as it has anyone else's. "We did an exercise a few years ago that proved, if the price of our primary materials went up 25%, we'd need 52% more working capital," Brinkworth reveals.

Civil engineering and building contracts are largely financed by the client, but the contractor does need large sums of working capital. M&S is therefore regularly in the market for short, medium and long-term loans (the last mainly for its property developments). Some medium-term loans have been raised overseas at interest rates so much lower than those demanded locally that even repayment in devalued rands hasn't hurt intolerably.

Meanwhile there's the challenge of meeting lenders' constantly changing balance sheet criteria. The main one used to be the debt/equity ratio. Today, says Brinkworth, they take into account all liabilities, including creditors. Balance sheet analysts, he warns, could be easily put off by a contracting company's figures if they didn't understand how the business works. Since clients pay seven days after the month-end and creditors generally give 30 days credit, cash flow is high relative to the contractor's own capital and so are apparent debts.

Nevertheless, there is inexorable pressure for greater profitability to help provide more working capital. That means keeping close, when tendering, to standard profit margins.

These, director Bob Snape reveals, vary considerably, depending on such factors as how much work is put out to sub-contractors, what the chances of future work in the area are, and the engineering risks in the operation.
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Training enjoys high priority at Murray & Stewart today. But results are hard to measure

Civil engineering and construction is a people-intensive business. Though it provides only half M&S's profit, it absorbs more than three-quarters of its labour force. For every White in the group there are 10 Coloureds or Blacks. Some are artisans; most are labourers, and it is on them that M&S's attention has been focussed in discussions about training to improve productivity.

MD Des Baker also believes the time has come to pay more attention to the performance of the White worker. "Men in the higher echelons of the construction industry in recent years have not always been noted for their output," he says.

So far, over the first four years of the training period, all training has been on a semi-experimental basis, but now M&S's major training divisions feel that they know the game. They don't claim to have solved all the problems, but believe they are some three to five years ahead of most other constructors. Results, of course, are hard to measure.

James Kok, M&S's EP training officer, has however recently shown that a 50% increase in output can be achieved by any 5-man team after a 4-day course in formwork, scaffolding, bagging or steel fixing. "The real difficulty," says Kok, "is getting foremen to use newly-trained men as productively as possible."

Similarly spectacular results have been recorded — though not regularly — with teams at CT and East London. Geoff Knudsen, M&S's Cape Town manager, now estimates that 40% of the 2800 African labourers there will have some specialist skill by 1978.

Training at M&S was slowed down by the construction boom of the past decade. Much labour training could only be provided over two to five day periods and there was, and is, strong resistance to giving up men for so long when the push is on to complete contracts speedily.

Before training begins you have to find out who can do what. At Cape Town, Port Elizabeth and East London regular tests have been conducted over the past two years and all M&S construction labour will, within the next three years, be "registered". This means that their skills and aptitudes are being listed, ready for manpower planning boards and the personnel computer.

The large numbers with which the company has to deal has, throughout, been a very real difficulty. For example, the law requires that medical tests be conducted on migrant workers before they are employed. But there are too few doctors in the Transkei for that, and M&S Cape Town therefore has to spend some six weeks doing its own testing at the start of each year.

Similarly with aptitude testing: at Cape Town 2000 men arrive in one week from the Transkei after Christmas and "you cannot put that many men through the test in under four months."

So far there have been no training courses for artisans. Without large scale firing of the lazy or less competent individuals, improving artisan productivity is generally thought to be difficult. Managers complain that a journeyman ticket can be won simply by serving a sufficiently long apprenticeship. No examinations have to be passed. As a result the standard of passes is very low, says M&S Cape Town building manager Neil Fraser.

The fault may lie more with supervisors. An Eastern Province experiment last year showed that bricklayers' daily output could be doubled by reorganising their work positions and giving them an extra labourer to hand them bricks.

Foremen, traditionally from artisan ranks, had no formal training for the job until a year or two ago when Bifsa (Building Industries Federation) introduced its compulsory training levy. Prior to that, courses had been introduced for them at technical colleges (Coloured as well as White) running simultaneously with apprenticeship training. All the bigger M&S branches have a score of men on these courses at present.

Almost all middle and senior management are afforded training opportunities soon after showing that they are likely to stay with the group. MD Des Baker reckons 100-150 attend courses each year.

Group Personnel Manager Bert Pfuhl says: "In M&S we need to define more clearly in which areas to highlight our
training so that a man can feel it is meaningful to him." One answer could be more post-graduate courses. M&S played a major role in getting the post graduate management courses at the Pretoria University and the University of Cape Town Business School established, and is presently sending "more than our fair share" on the UCT course.

Baker, however, still places most value on working with good senior men — and on challenge. "M&S brings on its talented people very fast as a matter of policy," he says. "We believe an important part of an executive's strength is being known and trusted by officials, professionals and clients in each local environment," says Baker. "So we have them develop their careers in one region. People move about sideways and diagonally in this outfit far less than in others."

What if a man comes up against too low a ceiling? "He gets promoted by his company getting bigger. A number of our smaller companies exist not only to give local representation but also because they give an excellent opportunity for management training for the younger men," Baker explains, adding, "fortunately, most of our companies have grown steadily so far."

Productivity depends, of course, not only on training, but also on morale. Says M&S director, Bob Snape: "Creating happy teams is the main recipe for success in contracting."

For Blacks, morale depends on open communication about problems and grievances, and on adequate living conditions. M&S has chosen liaison committees over works committees because it believes they are more effective. But it is seriously concerned that most other companies in its areas have no Black/White communications at all. "Our work will be of little value if others don't follow suit," says Baker.

Works committees consist only of Blacks, whereas M&S liaison committees, meeting usually once a month, include a couple of Whites as well as a dozen elected Blacks, and are usually chaired by project managers. Each site typically has a liaison committee — there are 13 in Cape Town alone — which can deal with problems or queries immediately. Reports so far on their effectiveness are good.

There are virtually no problems liaison committees may not deal with. They are even able to discuss bad working relations between individuals, says Harold Sokanyile, senior lecturer at the Cape Town training school. He is the man who acts as interpreter for two Cape Town committees.

Language barrier

M&S has also tried out a Xhosa language course for young White trainees. Clearly it should be made a compulsory part of all supervisor training and other courses since, observes Sokanyile, most communication problems stem from the language barrier.

A start is to be made soon by M&S on improving housing for Black migrant workers. Dormitories put up by the Cape Town Municipality itself, however, are highly unsatisfactory because government regulations originally specified that urban accommodation for Blacks may be only of a "temporary nature". This meant timber or asbestos-clad dormitories, some accommodating up to 30 men, with no water-borne sewerage, separate cooking equipment or leisure facilities other than beer halls.

M&S is now building new blocks in Guguletu, at a total cost of R500,000, that will be free of these drawbacks. The first are scheduled for completion for June. The aim is to have all 4,500 M&S Blacks that are working in Cape Town (not only construction workers) living in new M&S-built accommodation at a projected cost of R1.5m.

Meanwhile, a non-contributory provident fund for Blacks has recently been introduced. Some Black problems though are beyond M&S's solving. Schooling, for example, is inadequate in Cape Town. The best schools, says Sokanyile, are in the Transkei and Ciskei. But sending children to them is expensive, especially since a child — though born in Cape Town — may lose his residential rights there if he spends more than six months away from the city. Similar problems demoralise the Coloureds. Hopefully, the new Mitchell's Plain township to accommodate 250,000 will alleviate some of their worries.

M&S has 78 White and Coloured bursary students and the number is about to be increased. Literacy itself is something it would like to promote among Black workers and classes for this have been arranged.

"But would you, at the end of an exhausting day, want to start learning to read?" asks Pfuhl.

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BERT PFUHL — defining employees' needs

There's something of actor Jack Hawkins in his bushy eyebrows and jutting jaw. But his obvious concern for people, and a tendency to ask rhetorical questions, suggest the pulpit. First impressions don't always deceive.

M&S's first group personnel manager, Bert Pfuhl, won an MC and bar in World War II, and has spent much time since preaching to fellow Methodists. He has a liking for getting involved in what he calls people situations — in business, on the campuses of universities; in various service organisations like Rotary and Jaycee, and in the Homelands and townships where he has held courses in business management.

He joined M&S last October, at the age of 55, after a lifetime with the Old Mutual. With no university qualifications but with that strong and active interest in people he had become the Old Mutual's manager of personnel, then of development.

They retire at 60 at the Old Mutual which had no appeal for Pfuhl. So he left "with tremendous gratitude and respect" to join M&S — "the most exciting challenge I've ever had". Still very much the new boy, he nevertheless makes a few definite observations about the group. "There needs to be a clearer identification of training needs. Then we can schedule our training as an on-going operation." Or: "We need to look more closely at the way in which rewards are given and made. We must be able to answer a man's question 'What must I do to get on in the group... how can I make my maximum contribution to the organisation?'"

He also wants to extend the present policy of advancing people (see main story). The temptation must be resisted, Bert Pfuhl insists, "to hang on to a number of good chaps in one operation if there is a greater need for them in another of the group's companies."

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CIVIL STRUCTURES FOR THE SEVENTIES

With well over 300 civil engineering projects under its belt, M&S can bring a welter of experience and innovative techniques to developments in this field.

Visiting civil engineers nodded in admiration. For laymen, too, it was an impressive sight a month or so before the huge supporting struts on one of SA's most technically ambitious bridges were finished. The 270 m long bridge, costing R2.25m, will — by the end of the year — cross the Gouritz River, 70 m below, some 40 km from Mossel Bay.

For M&S it will be yet another technical challenge successfully met. The struts were cast in situ with sliding formwork. Normally a standard operation, it was made extremely difficult by the 53° angle at which the struts (tied to the river's banks with steel bars) had to project from them, as well as by the taper and slight inward tilt their design demanded. The deck (road) too, is being cast in situ with cantilevered shuttering — the first time this technique has been used in SA.

The job is only one of a wide variety of civil engineering projects completed or still abuilding by the group. To the staple diet of concrete structures (22 bridges, worth a total of R5m, have been built by M&S over the Sishen-Saldanha line alone) have recently been added:

- A R6m sewerage purification plant in Port Elizabeth;
- A second R3m power station at the Verwoerd Dam;
- R7m of structural work for the Rossing uranium mine in SWA;
- The R15m power station tunnel and intake for the Steenbras pumped-storage hydro-electric scheme (see box below);
- Pipelines such as those from Voelvlei to Tygerberg, or from the Orange River to O'Keip — both in the 100 km bracket);
- Reservoirs such as the 450 Ml job at Plattekloof.

Civil engineering has always been an important activity for M&S since the company was formed in 1902. Founder John Murray was always experimenting with reinforced concrete and numbered among his earliest jobs the laying of mains drains in Claremont, the Sans Souci bridge across the Liesbeek in Newlands and the original Kloof Nek reservoir.

By 1972 the company could list more than 300 civil engineering projects it had completed. Techniques developed by the

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PUMPING FOR POWER

Twin circular shafts some 20 m wide plunge deep into the foothills of the Hottentots Holland mountains. Below them, earthmoving vehicles race to prepare a large reservoir; higher up in the mountain's face a gaping hole howls in protest. It's the entrance to a 6 m-high tunnel burrowing deep into the mountain. The howl is from a ventilation pipe carrying dust away from the men driving the tunnel.

Nestling behind the mountain's ridge is the beautiful Steenbras Dam. Come Christmas 1978, its waters will be fed down 1.5 km of tunnelling to turbines and generators 300 m below in the two shafts. There, 180 MW of electricity will be generated to help meet Cape Town's peak demand.

During the night, the water that has driven the turbines and flowed on into the reservoir will be pumped back up through the same tunnels to the dam, using the turbines and generators in a reserve capacity, so to speak. It will take 200 MW to do so, which is why the project (the first of its kind in SA) is called a pumped-storage hydro-electric scheme. Electricity is spent during the night, when general demand is low, and recovered, at a 10% loss, the following day.

The total scheme has a base (pre-inflation) price of R40m. Tunnels and surge shaft are being built by RUC (the Roberts Construction-Union Corporation partnership), while Savage & Lovemore are doing the earthmoving for the reservoir. The civil work, which is M&S's responsibility and which includes the power station, tunnel, lower dam and intake works, has a base price of R15m.

Ecologists are reported to be unimpressed, but the City Electrical Engineer has given his assurance that all the scars will be covered up and grassed over.

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Murray & Roberts: Supplement to Financial Mail May 20 1976
group's civil engineers have played an important role in its building operations. The successful construction in the late Fifties of the basement for Sanlam's Foreshore building was only made possible, says MD Des Baker, by using civil engineering techniques.

It led to a contract for the rest of the building, Cape Town's first true high-rise. Most subsequent high-rise buildings in the Mother City have, as a result, been erected by M&S.

A willingness to accept difficult technical challenges does not alone, however, explain M&S's success in civil engineering. It's men who work hard, fighting time and the elements. "Overtime in the construction industry tends to be the longest of any in the Republic," Baker observes.

It tends, therefore, to be a young man's scene and his testing ground. The ambitious will seize the first opportunity to head up-country projects. There, remote from suppliers and superiors, they must plan materials needs carefully, solve crises without external aid.

Such opportunities are not difficult to find. Few married men will leave their families for months to live in harsh conditions. Those who do suffer far more emotional stress than bachelors. Country experience was once a necessary road to the top — and for the civil engineer proper it still is. But there has been something of a split between civil and building types.

Today there are at M&S senior men in their thirties and early forties who have never sweated it out away from home. They are builders, first and foremost. Some of them even have non-civil qualifications, eg pupil-apprenticeships from a big firm or a BSc Building degree from one of our universities.

The complexities of building today require a management, rather than a technical, training. Country work is, however, still the best kick-off point for a young man. And for the rest of the Seventies there is likely to be more country work on offer than luxury high-rise buildings of factory complexes.

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**ON-SITE HIERARCHY**

- **Site agent**
  - (sometimes called contract manager)
  - **General foreman**
    - (some projects have two)
  - **Site foremen**
    - (1-3 for each general foreman, handling either all those artisans working in a particular trade like bricklaying or plastering, or a particular area of a project)
  - **Leading hands**
    - (controlling artisans in a particular trade)
  - **Artisans**
  - **Gang bosses** (Blacks or Coloureds who each control a dozen or so Black or Coloured labourers)
  - **Labourers**

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**BRUCE BLACKLAWS — rising fast up-country**

The face and body are lean and tough, as if both have known hard times. Indeed they have. Not Thirties-style but, rather, through the Seventies' explosion in civil engineering projects.

At the age of 30, and in only three years after graduating in civil engineering from UCT, Bruce Blacklaws has poured out more sweat than most men do in a lifetime. It's been on jobs in the northern Cape and SWA.

The first, immediately after graduating, was as site agent for the construction of 10 bridges and 50-plus culverts (together worth R3m) across the Sishen-Saldanha railway line. Base camp was 40 km from Loeriesfontein and 150 km from Calvina, the nearest town with a cinema.

For the first nine months Blacklaws had no direct telephone link with his boss in Cape Town. He was in control of 13 salaried men, 80 artisans and more than 200 labourers living in prefabricated wooden ski-huts. They drilled for water, built septic tanks, cooked their own food.

Work went on seven days a week, from sun-up to sun-set, for 20 months. Some had to travel 120 km or more daily, for the bridges were spread over 110 km of line. Once a month there was a break of four days (if work was on schedule). Those who could headed for Cape Town to escape shade temperatures of up to 50°C. Blacklaws (and others) were there for 20 months.

At the end of it all, after the annual three-week industrial holiday, he headed for Rössing in SWA as site agent for R7m worth of work on the uranium mine's reduction plant. Again it was 12-hour days, seven days a week.

Officially, there were 10 days off every two months. But during his 13 months there, Blacklaws could afford the time to take only two such breaks. Fortunately, Swakopmund was only 65 km away for shorter rests. Living conditions, too, were better than at Loeriesfontein. Housing was built of blocks and food supplies provided by professional caterers.

Has it been worth it? "A young chap can only benefit from country jobs," says Blacklaws without hesitation. But what about social life or marriage? "I haven't been worried about getting married," he says. "Out on site you don't get the opportunity."
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Building industry asks State for R300-in more

By Frank Jean

The Building Industries Federation (Bifsia) has been quick to follow through on Senator Horwood's pop-up budget by making a high-level approach to the Government for an additional R200 million for housing and services for the lower income groups.

The Minister of Community Development has been asked by Bifsia to make urgent representation to the Cabinet for the extra millions, which are in addition to the R250m allocated for low-cost homes in November 1977, of which R70 million has already been drawn by the building industry from the banking sector.

Sp immediate does Bifsia see the need for more cash in the housing pipeline, that the federation did not take time to draft a formal letter to the Minister, Mr Steyn, but sent him a telex message.

Says Mr Johan Grotsius, director of Bifsia: "This week's budget was clearly an expansionary gesture."

"The Finance Minister obviously wants to give the national economy a hard shove from the consumer end, and the building industry, by its nature, is one of the prime vehicles for stimulating consumer spending."

"A serious backlog in housing still exists throughout the Republic," says Mr Grotsius, "and this could build up to a serious accommodation bottleneck."

Based on the assumption that the original distribution pattern will still be maintained, it is estimated that the breakdown of the R300-million would be:

- 40 percent for blacks, including homeland and urban;
- 40 percent for coloured people; and
- 20 percent for Asians.
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AT THE BUILDING FRONT

Despite the recessionary winds blowing across the building industry, M&S’s vast experience and broad spread are keeping the wheels rolling

“This Is our Town” boasts the M&S Cape Town advertisement. It’s a fair claim. Hover over Table Bay and look landwards. Three-quarters of the true high-rise buildings are M&S jobs: Samlam, Mobil House, Trust Bank, H F Verwoerd, BP and SA Reserve Bank. Others going up: Shell House, Golden Acre and the Civic Centre.

The story is the same for lower but still notable buildings. Begin with Disa Park’s three round towers of apartments, then descend into the city: African Life, Santam and scores more. More than 100, in fact, within three kilometres of the city centre. Down on the Foreshore is the fairest of them all, the Nico Malan Opera House.

In Port Elizabeth the picture is repeated: Ford House, the PE Munipality Building, Fidelity Centre, M&S Centre, the New Elizabeth Hotel and, still a-building, Norwich Building.

In East London there’s another M&S Centre and the Standard and Trust Bank Centres; in Plettenberg Bay, the Beacon Island Hotel, and in George and Oudtshoorn a whole series of smaller buildings.

In Paarl rises the Taalmonument; in Grahamstown the 1820 Settlers Monument and in Kimberley, three of four neat shopping and office blocks. A breadth of contracting that M&S men note with justifiable pride.

The group is working in the Home lands too. In Umtata, M&S is building a 12-storey government office block, the Presidential palace, five ministerial houses and the technical college. These, with associated roadworks, will together cost the SA taxpayer about R17m.

On the other side of the continent, in Windhoek, is the biggest privately developed shopping and office complex in SWA, the Metje and Ziegler Building. In the same city are the SWA headquarters of the SA Permanent Building Society and Volkskas. All were M&S contracts. Another big one was the R6m hospital for Blacks (handled in partnership with LTA), forerunner of the R6m Zwide hospital now a-building in Port Elizabeth.

Less glamorous are the factories. Many are in Epping near Cape Town, and stretch inland to Worcester, where a R7m complex for Rainbow Chickens was recently completed. Most, though, are in the Eastern Province.

The local M&S company there was
formed as early as 1918. During the Thirties and Forties it provided most of the group’s work. It built almost all the major wool stores in PE, as well as factories for Firestone, Goodyear and Dunlop and, among car assemblers, GM and Ford. The tradition has spread north. In East London three years ago M&S (Border) completed its biggest ever factory, a R4m plant for Dunlop. Since then it has branched out successfully into similar fields in the Transkei, building three large factories in Butterworth for the Xhosa Development Corporation. This long history of success against competing contractors has several explanations.

First is the lead M&S has taken in devising new building techniques. It was the first SA company to use steam-driven pile drivers; the first to build an all-concrete “high-rise” (6-storey in those days) structure (Murray House in Cape Town); and one of the first to cast factory walls in situ with concrete. Recently it has pioneered the use of sliding formwork for high-rise cores and various easily stripped formwork systems of the kind that can be handled fast by unskilled labour.

A second factor is the group’s ability to bring civil engineering skills and experience to building challenges. It was this, in fact, that launched M&S into the world of high-risers. In the late Fifties it won the contract to build the basement for Cape Town’s first true high-rise, Sanlam’s Foreshore headquarters. Sanlam’s consultants informed M&S that rock would be found a dozen metres or so below the reclaimed land. In the event, it was found to lie almost twice as deep.

This created a massive building problem since piling techniques were then inadequate to go that deep and carry a building of that size. M&S solved the problem by sinking caissons (huge, hollow, precast columns subsequently filled with sand), a well-established bridge-building technique. The placing of huge beams and other precast building components is also helped by civil engineering skills. Again, bridge-building provides the experience.

A third factor explaining M&S’s building success is its long experience in drawing up negotiated contracts. These had their origin before World War II in cost-plus agreements, and have since become far more sophisticated. Unlike tender contracts, these bring the builder into the project at the design and planning stage. If M&S is allowed its say at this stage, it claims it can help keep project costs down by pre-arranging work flows to meet a tight schedule.

Several months are also saved because the contractor can get started on the excavation and foundations the day the first drawing comes off the designer’s boards. Much of M&S’s work is done on this basis, and M&S men prefer it because in general, with this type of contract, they feel more committed.

Another M&S forte is planning. This involves anticipating problems, short and long delivery times on materials and the general need for men, materials and plant at a particular time. It also involves the co-ordination and control of sub-contractors who are responsible for up to 70% of the work on today’s large building complexes and whose efforts can thus make or break a contract.

Good planning pays off for the contractor as well as his client, not only in winning more jobs but in reducing overheads. Tower cranes, for example, cost up to R100 000 each, demanding maximum utilisation through good planning.

M&S’s most remarkable achievement in recent years was completing the Nico Malan Opera complex in 26 months or about half the standard time. Much of the speed was due to the effective co-ordination (under the guidance of American consultants) of 160 sub-contractors.

The biggest problem facing planners today, according to several M&S men, is getting sufficiently early decisions from architects and consultants. “I don’t believe professional consultants have kept abreast of developments in the construction industry and the time requirements involved,” says one.

Yet saving time is vital. It not only reduces the burden of “dead” interest...
incurred during construction, but also that of rapidly escalating building costs. These have been rising during the past two years at the rate of 18% p.a.

If tendering is not as popular with M&S as negotiated contracts, it's because it generally serves its interests, as well as those of its clients, less well. Costing a project can itself involve tens of thousands of rands and may be money thrown down the drain if the bid is unsuccessful.

Baker insists that a contractor can materially help a client "set up" a contract so that it runs quickly and smoothly. "Not only does bad management of a project put the cost up, it worsens the contractor's ultimate problem of getting paid for work done," he says. "If the costs of a project are higher than expected due to bad management, the contractor can be quite sure that his claim for just payment will be strenuously opposed."

As work becomes harder to find, small companies are competing for large tenders, often offering prices that are, due to their inexperience, unrealistically low (many are driven into bankruptcy by such tenders). Large tenderers have to allow for this in pitching their own prices. "What we need in SA is a grading system for contractors, based on their experience, as happens in Europe," says M&S (Cape Town) building manager Neil Fraser. "Only those with adequate experience for a particular job would then be allowed to tender for it."

Meanwhile, what of the future for M&S building activities during the rest of the Seventies? Boiling down the comments and predictions of M&S's top contractors, four main impressions emerge.

Firstly, the crystal ball is decidedly cloudy as regards new work. The number of contracts coming into the group has dropped by some 30% during the last six months and, says Baker, the fall-off could continue well into 1977.

But M&S is not despondent. It does not foresee the full lasting dangerously long and appreciates that it's improving efficiency. And some surprise packets could be just around the corner. Right now M&S (Cape Town) is negotiating several multi-million rand contracts, two of which it expects to sign up before the end of the year.

Secondly, in all the branches country and peri-urban jobs are being taken on to supplement the present lack of central city work. For example, M&S (Border) will be keeping a large team in the Transkei; M&S (EP) has men on the Orange River and in the Midlands; M&S Cape Town has transferred men to Sishen and Kimberley; while M&S SWA expects to be kept busy on defence work in the north of the territory for some time to come.

It is this ability to spread its operations that, from its earliest years, has seen M&S through every recession the country has faced.

In Cape Town there is a good base load in the R25m Civic Centre, the R30m Golden Acre, and the R8m exhibition hall. In Port Elizabeth there is the R6m Zwarte Hospital and the R5m Norwich building. In East London work has just started on a R1m Barclays Bank. And the SWA branch is experiencing the best year in its history (due largely to defence and mining contracts), and should be almost as busy next year.

So, while no one denies that business is in a downturn and that the fall-off in building work is likely to continue for some time, M&S building executives are generally optimistic that work in hand should enable the group to leap-frog the current recession and give M&S a firm foothold on the brighter side that hopefully lies ahead.

BUILDING
BY BLOCK AND BEAM

M&S has managed to help meet the need for mass housing and schools in the Cape by turning to industrialised building

Outside Port Elizabeth, the Coloured township of Bethelsdorp. Sociologists may wince at the stark lack of trees, parks, sporting amenities or even (so far) shopping centres. They might question, too, the effect on residents of living in thousands of identical houses.

For those, though, who have left behind them an Athol Fugard world of corrugated-iron shanties, these homes represent a vast improvement. Their relative sameness may be boring, but it enables quick erection and an earlier escape from slums. The houses are prefabricated, their parts made out of concrete in a nearby M&S factory and erected by M&S. Some 444 m² in area ("too small to allow for any significant variety of design," says factory manager Cedric Simpson), they are going up at the rate of six a day.

The Bethelsdorp plant, with a replacement value of R500 000, was installed in 1969. But M&S had been erecting low-cost housing units in Port Elizabeth, using what it calls industrialised building methods, since 1964. Schools, factories, blocks of flats as well as some 6 000 houses, have been built using these methods.

The more units cast from the same mould (up to a maximum of 500, by which time the mould is worn out) the more economic the system. The cost is no lower than using building blocks, but it does make for substantially improved appearance. The system has at least one minor drawback — you can add on to a precast house but it's difficult, if not impossible, to knock holes in the walls. Against that, though, are the advantages of fast erection, better appearance and easy maintenance.

So it's playing an important part in building amenities for Coloureds in Cape
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Casting concrete components at M&S’s Philippi factory

Town as well. By the end of this year, M&S’s Philippi factory will have produced eight schools, each accommodating 400-600 pupils, at nearby Mitchell’s Plain. The components for each R500,000 school are produced by the 120 workers at the Philippi factory in two and a half weeks, and take only 3-4 months to erect.

Another major contract just completed involved 228 economic houses in the White suburb of Bothasig near Milnerton. Built for the Department of Community Development, they sell for R12,000. Units were produced at the rate of two houses a day. Construction, by a separate M&S labour force of 100, took a year for the whole project. The system has also been used to build one of Cape Town’s most prominent (and criticised) landmarks, the three circular towers comprising Disa Park, but it wasn’t successful in the Western Province without major technical modifications.

A sandwich of two concrete panels and a filling of polystyrene (with no concrete bridges passing through it) were devised for wall panels used there. Reason is that concrete is a far better thermal conductor than clay brick. So far more condensation used to build up on the inside of M&S’s prefabricated concrete houses during the Cape’s wet winters than would have been the case using bricks. Many such houses, Deputy MD Bob Snape reveals, develop mould on their internal walls. The polystyrene barrier has proved effective — but the mould remains in the older homes.

Industrialised building is a tricky business. In one sense, it’s comparatively unskilled — new factory workers take

DENNIS DAWSON — cast in a special mould

Skin deep brown, eyes button-bright, Dennis Dawson is one of the Coloureds who’ve got pretty far up the M&S ladder. At 38 he’s manager of the pre-casting factory at Philippi, earning close on R600/m. That, he reckons, puts him in the top 10% of Cape Town’s Coloured salary-earners.

For a totally unqualified man he’s come a long way, due partly to the fact that certain M&S contract managers spotted his potential and gave him a helping hand. He joined M&S at the age of 20 as a time-keeper (“I wanted to become a doctor,” he says ruefully). Thereafter it was buyer, cost clerk and site administrator on jobs in SWA and East London.

He spent three years in East London, then returned to Cape Town in 1972 because housing and schooling in the “Friendly City” were unsatisfactory. It meant taking a lesser job as assistant contract surveyor, but the next year he started moving up again when he was appointed shop foreman at the Philippi factory.

The job had previously been a White one, and there was at first no factory manager to guide him in what was a totally unfamiliar role. “Many skilled men walked out on me,” he says, “because, as Coloured, they didn’t want to work under me. That problem,” he adds with a satisfied twinkle, “no longer exists. The biggest change in attitude to colour has come, not from Whites, but from Coloureds.”

Once involved fairly heavily in politics, today he expresses his concern for Coloureds differently — as organiser of a social club with 150 members: “I give them pep talks to put them on the right path . . . to motivate them.” His job leaves him little time for anything else; work begins at 07h30, often ends at 20h00.

Not surprisingly, there’s not a pennyworth of fat on him.

EXHIBITION CHALLENGE

The contract for the construction of Cape Town's new Exhibition Centre in Woodstock was awarded to M&S in March 1975. By all accounts, it should be pretty impressive when completed early next year.

It will consist of a large main hall, a smaller hall, restaurant, bar and toilets. The main hall will be usable not only for exhibitions but also for sport, including ice-hockey. It will seat 8 000. Measuring 55 m x 35 m, the hall will be covered by four triangular curved surfaces, forming two intersecting vaults. Support for the roof will come from two vast diagonal arches, rising to 23 m at their centre. Their ends will be joined by four smaller arches. The end-walls formed within these arches will be constructed of 1 900 pre-built inner and outer panels.

To build the hall, the largest of its kind in the world, the entire structure will have to be scaffolded out and all the precast panels of the dome placed in position. Then the six arches and the ribs between the ceiling panels will have to be cast in continuous operations, using some 1 700 m³ of concrete and pretty complex formwork.

It will be a delicate operation. If the strains and forces are miscalculated, the arches could be overstressed and bring the whole job crashing down. No wonder M&S men refer to it as the nervous job. Nor have the first months of the contract been happy ones for M&S.

After considerable initial delays they now face having to meet impossibly difficult deadlines. Says MD Baker, "This is the sort of job which would have benefited from being treated on a negotiated basis. While the biggest problem appeared at first to be mastering the technicalities, subsequent experience has shown that the real headaches in fact will be related to the management and co-ordination of the project."

"Had the contractor's experience been utilised at the start significant sums of Cape Town ratepayers' money might have been saved."

It only takes three to four months to put together a school using industrialised building methods.

SANDY NEWLANDS — thanks for the memory

"It's the most unusual job I've ever been on," says Sandy Newlands, one of the two project managers at the Exhibition Centre in Cape Town.

A slight, neatly dressed man, he looks more like a suburban bank manager than a builder. Yet he's never worked at anything else. His father joined M&S in 1910 and rose to general foreman. Sandy followed him into the business after matriculating in 1938, and his brother joined M&S's EP branch where today he is a senior contracts surveyor. Sandy started off as an apprentice carpenter. After World War II, which he spent in the Engineering Corps, he returned to carpentry. By 1950 he was a site foreman.

"In those days," he reminisces, "you kept the time sheets, made up the wages, administered the whole site by yourself. Everything, of course, was much simpler then, but your passage up the ladder wasn't as fast as it is today. Demand for construction men is much greater now."

Nevertheless, he's far less satisfied today than 10 years ago. M&S's rapid expansion, and heavy emphasis on speed of construction, has reduced human contact, he says, as well as workmanship — there just isn't enough time to do the job as conscientiously as he would like.

So at the age of 56, he may retire early. "I leave home at 07h15 and get back 11 hours later. You don't have much time to relax," he observes warily.

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PUSHING PROPERTY'S PACE

In a generally depressed market, M&S Properties is keeping its bow to the wind by assembling mouth-watering investment packages for prospective owners.

When Murray Hofmeyr, M&S Properties director, drives past Cape Town's railway station concourse, his heart-beat starts accelerating. Across the road, on what must be the most valuable two hectares in the city, work is progressing on a scaled-down version of Johannesburg's Carlton Centre.

Called the Golden Acre, it is a development conceived, promoted and co-ordinated by M&S Properties. The owner is Sanlam, which bought the land from the City Council in November 1973 for R6.5m. Total cost of the project when completed in 1979 will be more than R40m.

The way in which M&S Properties became involved is typical of how property developers operate. The City Council wanted the land developed. M&S Properties produced a scheme and convinced Sanlam of its attractions as an investment. So Sanlam put up the money, while M&S Properties masterminds the project in consultation with Sanlam and the architects, and co-ordinates its construction.

The only unusual aspects of the deal are that M&S Properties has no equity in the project; and Sanlam, not M&S Properties, will let the 90-odd shops and 13 000 m² of office space in the 18-storey tower. Usually, M&S Properties develops a project to the point where, with tenants satisfied, it represents an attractive investment and can be sold profitably.

M&S has been involved in property development for several decades. Whenever Douglas Murray, the founder's son, had spare cash, he would put up a building (usually a factory) and rent it out. After his death in 1964, M&S realised these buildings represented capital that could be more profitably turned over through developing and selling properties. M&S Properties was formed in 1966 to do this under the direction of...
Murray Hofmeyr.

Since then, among many other developments, it has created some notable landmarks, stretching from Windhoek (Capital Centre) to Port Elizabeth (the Constantia Centre) and East London (the Murray & Stewart Centre). In the Peninsula, it developed inter alia Olivetti House, Fleetway House, Douglas Murray House, Ndbank Foreshore, the Athlone and Somerset West shopping centres and (still being built) Caltex House next to M&S's own head office.

Caltex House and the Golden Acre, though, are about the only major M&S Properties projects still building. Hofmeyr is planning developments together worth some R62m, but many may have to be shelved for several years.

"We're in a very difficult period for property development," he says. "There is oversupply in virtually every kind of building except economic and sub-economic housing. The conventional way of doing things (buying a suitable piece of land for which you have conceived a scheme; arranging its for its construction; putting the scheme up and filling it with tenants with a view to selling it profitably) is now very risky. It's not so easy at the moment to fill a building on spec. We now try to get some tenants arranged in advance and are highly selective as to where we build. It's the only way we can operate."

In the present climate it can take a long time for a project to become fully viable. Port Elizabeth's Constantia Centre was completed at end-1973, yet it is still not quite fully let. "We have passed the break-even point, and are now fully servicing all loan finance," says Hofmeyr, "but are not yet getting an adequate return on shareholders' funds and will probably not do so until next year." It seems, in fact, that shareholders are still getting virtually no cash return on their equity.

Project problems

The cost to investors, which usually includes M&S Properties, is not only the absence of immediate net income return, but also the delaying effect on capital gain. The longer it takes to get a good rental return from a building, the longer it takes to sell it. In Cape Town, at least, it must be a tricky decision today whether to sell for a price related to current rental levels or to hang on until they rise.

Hofmeyr believes that by the time Golden Acre is completed, there will be a "rental explosion". That's why, he says, he's advised Sanlam not to pre-let offices in the project. Such expectations, though, call for steady nerves and the courage of one's convictions.

What kind of projects, then, will M&S Properties be going for during the rest of the Seventies?

In office blocks, Hofmeyr believes, high-risers could become a dying cult. They're far more expensive to erect, he explains, than (say) eight-storey buildings, because greater safety precautions are and will be needed in their design, and because the proportion of letting to total area is less because of the need for more lifts and therefore bigger cores.

"And what do you get for your higher rental?" he asks: "A view which you shouldn't have time to enjoy if you're working."

A trend back to low-rise office buildings would greatly help property developers mainly because, being smaller, it would probably take less time to find sufficient tenants to commit themselves to new projects. "You can't afford to spend too much time looking for tenants, leaving those already committed on ice," Hofmeyr observes.

Where, however, would new office blocks in Cape Town be best sited? While Hofmeyr recognises a trend to decentralise, he reckons there are still interesting CBD positions to be developed, since traffic into Cape Town is not as congested as in Johannesburg. Position is all important: "I would hesitate, for example, at this particular time to put up another office block on spec beyond the Nico Malan on the Foreshore unless I had substantial tenancies prearranged," he says. Meanwhile, he's closely examining two CBD sites.

With shopping centres, developers are likely to have to wait for major tenants to make the first move. Hofmeyr believes

BRIAN BOLTON — profit from systems

M&S's EP director Beau Pryce claims that: "Accountants are more valued in the M&S group than in any other section of industry. As a result, they get faster promotion."

Not all M&S accountants would agree, but it remains a fact that in a group which runs on decentralised lines, the financial controllers are among the key men. So much so that MD Des Baker has for the last five years actively recruited accountants both here and overseas. There are no boards in M&S on which accountants do not sit and most senior directors keep an accountant at their right hand.

Brian Bolton (37) is such a man. He sits alongside assistant MD Beau Pryce, based in PE. Between them they control not only the EP, Border, Southern Cape and Transkei contracting branches, but some six diversified companies for which Pryce is responsible.

"For me it is exceptionally good management training," says Bolton. "Although I am in no way technical, I have come to understand such varied operations as timber creosoting, computer programming, brick making and the installation of fire protection systems. After a while you get a feel as to what makes a good company."

After getting his CA Bolton, a typical bilingual young South African joined a wool, hides and yarn firm. From there he moved across to M&S (EP) where he was initially this contracting branch's accountant. This, he says, taught him the value of close financial controls — monthly, weekly and even daily when necessary. Today he does nothing by instinct: "I can be very hard on those who don't fall in with M&S's financial systems," he says. "They are there to meet a need and without them I can't do my job."

But isn't it all a little stultifying, being forever at Pryce's right hand? "No," he says, "because in fact we understand each other so well that I can operate for long periods without contact with the boss. Like all other senior M&S men, he knows when to leave you alone."

Can other accountants get as far as Bolton? "Definitely, yes," he says. "The young accountants in M&S are generally holding more senior positions than they could elsewhere. This is a firm where the engineers have to understand the value of an accountant. And we have learned to understand the engineers and to give them the sort of information they require — plus a little more."

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that, with a new cost-consciousness among consumers and retailers, the days of extravagant or expensively finished shopping centres are numbered. They will increasingly lose out to hypermarkets, he believes, though there will still be room for the neighbourhood centre catering for the convenience of a small catchment area of shoppers.

Even if this weren’t true, property developers are bound to be highly selective before they decide to invest their own money in large centres containing many shops. Though they are invariably begun with one or two major tenants already lined up, it takes several years for these tenants to build up a sufficient catchment area to persuade smaller retailers to join them. “You’ve got to be pretty strong financially, as well as courageous, while you’re filling a large shopping centre.”

M&S Properties owns several strategically placed sites in and around Cape Town on which Hofmeyr is nevertheless confident that developments can be launched in the near future.

Finally, and least optimistically, there are flats. Like all good Sapoa men, Hofmeyr rails at rent control because, he argues, it gives consumers an unrealistic idea of what economic rentals on new properties are. “At present I cannot put up a block of flats for letting,” he says. “Not because I’d fear it coming under rent control, but through fear of not having sufficient people prepared to pay economic rents.”

He is equally cautious concerning building flats for sale, at least until the “backlog”, mainly of rent-controlled flats for sale, is cleared. Building sectional title flats would also require a firm undertaking by building societies to give “realistic” bonds. “You can’t sell for cash except in the luxury class,” he explains.

In short, M&S Properties is likely to make most of its income during the next few years, not from rental and profit on its own investments, but from putting together and selling packages in which it can maximise on the expertise and know-how of its three engineers, two architects, surveyor, three quantity surveyors and so on.

“We hope, for example, that Sanlam will eventually want to repeat the Golden Acre exercise in some form,” says Hofmeyr. “For it is in this manner that we can make a positive contribution to the benefit of all concerned; by our team getting involved at an early stage of a development’s planning we are able to save clients time and therefore money and, hopefully, give them a better end result as well.”

An alternative that would sell developments pretty quickly, thereby turning over M&S Properties’ own capital nicely, would be to offer investors rental guarantees. The principle was established more than a year ago with the SA Permanent Building Society over a Uitenhage property. If a certain level of rental had not been achieved, says Hofmeyr, his company would have worked on the project for two years for nothing.

Hofmeyr is prepared to consider similar arrangements. Whether investors will regard it as sufficient inducement to buy, though, remains to be seen. For the rest, it looks like a matter of M&S Properties continuously updating its dreams until the economy starts moving forward again. When that happens, Hofmeyr and his men will undoubtedly be found wide awake.

ANDRÉ VAN DER COLFF — killing them softly

About the time the FM dropped in on the M&S offices in Cape Town, Andre van der Colff, M&S and M&R director, had a mild coronary following a strenuous game of tennis (which he plays at First League level). The easy way he accepted this, however, and the speed with which he recovered (he was out of bed in less than a week) is typical of a man who leads the younger ranks of M&S directors and is reckoned to be one of the “brains” on the M&S board today.

Van der Colff is no blusterer. He has a quiet, crisp, clean way of expressing himself that has been known to rattle several of the many boards on which he serves and which has frequently unnerved those who have tried to argue him round.

Schooled at Humansdorp he took a civil engineering degree at UCT. After joining M&S (the only firm for which he has ever worked), he did his share of country work ending up as senior civil contracts manager at the Cape Town branch before moving across to head office.

Here he maintains his civil role as an adviser to all the branches on technically difficult projects and is M&S’s representative on the successful Christiani & Nielsen company. But he has taken on much else. He is responsible for the group’s quarrying interests and for Much’s pre-mix asphalt activities (run in collaboration with Clifford Harris).

He is also the M&S man responsible for the Coastal Offshore Holdings Group which has subsidiaries for salvage work, diving, launch services and the like.

Recognised as one of the men closest to MD Des Baker, Van der Colff differs from him in many respects. He is reserved, almost shy. Conversations with him tend to be clipped and he gives nothing away.

He also has a very sound financial grasp, hence the large number of boards on which he serves. For a man in his early forties he seems to have already “arrived”. He, himself, feels that “there is so much more that I still want to learn. In the last few years I think I have operated better than ever before. But I want to improve still further.”
Since M&S took over Christiani & Nielsen, harbour building has become an important new avenue of engineering diversification.

Once a civil engineer has learnt to work with rivers, he's likely to try the sea. By the time World War II had broken out, M&S had gained some experience of harbour work at Hermanus, Gansbaai and Arniston. During the war M&S and partners built, in a record 24 months, the Sturrock Graving Dock in Table Bay (still the largest dry dock in the Southern hemisphere) and then, after the War, did more harbour work at Ysterfontein (south of Saldanha Bay), Port Nolloth (about 80 km south of Oranjemund), and elsewhere.

It moved into the big time, however, in 1971 when it paid R2.5m for a 75% interest in the SA subsidiary of Danish-controlled Christiani & Nielsen (the international group had recently incurred heavy costs on a South American contract and badly needed cash). This was the company that, in Johannesburg, built the Brixton and Hillbrow Post Office towers and which was known in civil engineering circles as SA's harbour specialists. "There was no one in South Africa to touch them on this work," says Baker.

Soon after C&N, and its Dutch partner in many harbour projects, won an R18m contract to build the second stage of the extension to Table Bay harbour. At the time they were completing the first R8.5m part of the extension and had just started work on Pier No 2 at Durban. The R18m contract was then the biggest ever awarded for SA harbour work and the biggest ever won by any M&S company.

Both the Cape Town and Durban harbour jobs basically involved building quay walls around an area of sea. The shore area was then filled up with sand or other solid material to provide a foothold on which buildings and harbour equipment could be placed while the harbour itself was dredged deeper.

Most quay walls consist of huge concrete blocks weighing 100 t or more. They are put into position by floating cranes guided by divers equipped with radio. The latter, who have earlier levelled the stone bed for the blocks with water hoses and other equipment, un-
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It sounds dangerous work. But, says C&N's manager, Bernard Davy, it isn't.

"You learn to treat the sea with respect. It takes a lifetime (but rarely a life) to find out how much freedom you can allow yourself."

C&N has subsequently won even more valuable harbour contracts. The biggest, to extend Port Elizabeth's harbour, is worth R36m. This job began last September and will be finished by end-1978. It mainly involves building two walls with a combined length of 2.7 km.

But that's not what makes it interesting to the layman. It is, rather, that the bridge is being built using a 300 t launching girder that covers two spans at a time. At first glance it seems that this entire contraption could, with only a slight mishap, slide into the river with consequences too terrible to contemplate. During the final part of the slide, the 300 t girder is almost balancing on one pier. Only a 20 t counter-balance keeps it from seeing excessively.

It says much for his confidence in the week's preparation for the final slide that Danish contract manager Peter Lundhus stands on the forward end of the girder throughout the two-hour launch. "Oh, this technique has been in regular use in Paris for the past 10 years," he says nonchalantly.

What prospects, meanwhile, for C&N during the rest of the Seventies? Most of those years will be spent completing the Port Elizabeth and Simonstown harbours and few other contractors in South Africa can boast two such worthwhile long-term jobs.

Davy admits it may be difficult to find equally large marine contracts to follow. "In the past few years we've been remarkably lucky," he says. "But fluctuations are the name of this game. Since the early Thirties, when we first started, we've never been able to predict more than two years ahead."

Meantime, there's an agreement within M&S that C&N will not do land work, except where it can provide special skills, as with the Buffalo River bridge or where unusual structures are involved (C&N has just completed a 10m milling complex for Tiger Oats at Randfontein). The answer, therefore, says Davy, is for C&N to develop new skills such as pile sinking and passing culverts under existing roads or railway lines. A contract to do the latter at Germiston was won from the Railways earlier this year.

Prospects for further larger-scale marine work overseas are good. "A high degree of proficiency in this specialised field puts Christiani & Nielsen in an excellent position to obtain business overseas," says Baker. "The McKay contract in Australia shows this — South African C&N being selected from a short-list of three companies, the others being American and British-based." After the McKay project terminal, C&N opened a permanent office in Sydney to seek work among harbour boards and mining companies in Indonesia on tender.

Within the Indian Ocean there are potential markets at Mauritius and the Seychelles. C&N did R1,25m of harbour work at Port Louis in the late Sixties, so has an established name there. Baker is confident that C&N's nucleus of 300 skilled and experienced men will find adequate work. "Harbour growth is inevitable in developing countries," he says.

The coal export terminal at McKay in Queensland, Australia . . . built by Christiani & Nielsen

The 55 ha of sea thus enclosed will be reclaimed, using 5,6 m³ of sand dredged from a new approach channel. As at Durban and Cape Town, the main purpose of the extension is to cope with containerised ships. Up to 450 men will work on the contract.

Another contract won last year and worth R15m is to extend Simonstown harbour. When complete, the extension will effectively treble the berthing area and provide nearly 18 ha of reclaimed land. The job will be completed by late 1979.

Quay walls or other supports, especially those in deeper waters, are sometimes built, not from blocks or piles, but from caissons. These are precast hollow pillars, usually square or oblong in cross section. They're pretty massive. Those used for Simonstown's new quay walls, for example, measure 15 m x 18 m. One advantage is that they can be floated despite Great Barrier Reef tidal currents of up to 4 knots, C&N had to tow these 30 km and place them in water 22 m deep — precisely at the turn of the tide.

The tow involved four tugs for each caisson which made the journey in about 12 hours. Placing on the stone bed prepared by C&N took another six hours. The total job took close on two months but was, of course, preceded by a far longer period of planning. "It simply needed people with the nerve to say they could do it," says Davy.

C&N is involved, among other contracts, with one in collaboration with M&S (Border). This is for a new bridge across the Buffalo River at East London due for completion by the end of this year, more than three years after work began. It will cost about R4m and is probably the longest (293 m) and highest (75 m from deck to foundations) bridge now being built in SA.
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DIVING FOR DIVIDENDS

M&S has involved itself in numerous subsidiary marine activities—from diving maintenance work and salvage operations to servicing giant tankers from helicopters.

It is perhaps inevitable that a construction company already experienced in marine work should look to the sea for further diversification opportunities. M&S began more than 40 years ago by salvaging grounded vessels such as the Paris Maru at Port Elizabeth and today is into ship repair and several other forms of marine service.

It was even courageous enough to build a 120t ship for itself. The result was so disastrous, even for experienced stomachs, that the exercise was never repeated. The company that built it, M&S Marine, is a ship-repair outfit started in 1967. From the start the venture was reckoned pretty daring by some. Globe Engineering had been long established in Cape Town, and Dorman Long/Swan Hunter set up shop soon after. Many doubted that there would be room for two, let alone three ship repairers.

They were destined for a surprise. Within four years M&S Marine had taken over about 20% of the available ship-repair work at Cape Town and this was enough business to make it profitable.

Since then a decline of 50% in the number of ships passing the Cape, as a result of the re-opening of Suez, has hit it pretty hard — though by no means as hard as the larger companies. In the last three years M&S Marine has been heavily involved with the larger freighters and tankers and this work is now far less plentiful. It has, however, won valuable and regular contracts during the past year or so to refit three SA Navy minesweepers and is working for Safmarine, the fishing fleets and on various government vessels. It also has nine valuable service agencies (eg MAN diesel engines) to help bolster revenue.

M&S Marine believes it will retain its nucleus of 200 skilled workers, although manager Charlie Riddell anticipates a 30% drop in turnover during the first half of this year compared with 1975. That, he says, will mean far less overtime — the carrot that has kept men in this arduous and sometimes dangerous industry. Already, he reports, many have left, probably never to return. Fortunately, these have usually been the “driftwood” taken on at the time of the boom.

Skilled labour and high productivity are the keys to success in ship repair. SA charges are reasonable. They come about halfway on the international scale because local productivity is fairly high, while times achieved equal those anywhere in the world. Clearly, M&S Marine’s future will depend partly on the persuasive powers of the company’s agents in the US, Europe and (now being appointed) the Far East.

They will presumably concentrate on large ore carriers and oil tankers, the kind of vessel that can’t use Suez. These need not necessarily actually call at the Cape. M&S Marine can put 5 to 25-man sea-going teams on board passing vessels by launch or helicopter and has, in fact, done well out of this side of the business for the last two years.

Riddell’s biggest problem is that he’s in competition with ship repairers throughout the world. Some competitors, particularly in Europe, are cutting rates to the bone to stay in business. Nevertheless, in the last three months he has managed to attract two vessels that could have stopped in Europe and saved themselves the trouble of the longer Cape voyage. “We have our regular customers who like what we do and come back to us every time,” says Riddell.

The steep decline in world shipping is also affecting other companies in the group that service vessels — though less severely. They comprise the Coastal Offshore Holdings (COH) group and Court Helicopters. The COH group (which owns 20 vessels worth R1,75m consists of Land & Marine and Salvage Contractors SA (LMS).

This was formed in 1962 and is jointly owned by the Boskalis/Westminster Group and SA Diving Services (SADS). The latter, in turn, has as subsidiary companies: Durban Offshore Supplies, Launch Services, Ocean Recoveries and Sarie Marais Pleasure Cruises which have recently been amalgamated to form Southern Offshore Supplies. It lays submarine pipe-lines, services deep-sea oil terminals, salvages ships, does hydro-
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HOLDING COMPANY: IMPROVAIR HOLDINGS (PTY) LTD.
At first sight, and before you know what it is, it looks like some discarded piece of flotsam on the ocean. It is, in fact, a floating mouth for receiving torrents of oil from giant tankers. The single buoy mooring (SBM), anchored 2.5 km off Durban, has been serving six or more tankers a month since 1970—12 Mt of crude a year for Sapref’s Durban refinery.

Berthing tankers at the SBM is the responsibility of Land & Marine & Salvage (LMS). Divers are required to stand by in case of oil spillage (LMS’s vessel carries oil dispersants and spray booms) during discharge, and to maintain the SBM. They are provided by LMS’s sister company, SA Diving Services (SADS).

Its three submarine pipe-line contracts were for:
- A 3 200 m, 220 mm diameter pipe-line stretching from Oranjemund to a deepsea tanker berth. There, ships offload oil that is pumped ashore for Consolidated Diamond Mines. LMS completed the pipe-pull in two days;
- A 700 m, 220 mm diameter pipe-line laid in Table Bay for Caltex to remove effluent from its Milnerton refinery. The pipe-pull took three days;
- A 2 600 m, 1 060 mm diameter pipe-line reaching from the Sapref refinery in Durban to the single buoy mooring oil terminal (see box above). This pull took 12 days after a year of intensive preparation and planning.

Salvaging ships also provides income, albeit erratically. Operations fall into four main parts: refloating sunken or grounded vessels; removing cargo and other valuable contents; cutting up vessels that can’t be refloated; and combating oil pollution.

Most work is done around the Cape, though M&S has also salvaged vessels near Mozambique. Over the years it has salvaged over 150 ships or cargoes. Most recent jobs include removing cargo and assisting with salvage attempts of the freighter Oranjeland which went aground at East London in 1974.

LMS also carried out oil pollution control and transference of 1 000 t of bunker fuel from the 57 000 t Oriental Pioneer, which went aground off Cape Agulhas a year or so ago. Last August, too, the Frelimo government commissioned LMS to raise a 1 700 t dredging vessel that had sunk in Maputo harbour. That job took six weeks and went exactly as planned.

The bread and butter of salvage work in local waters comes, says M&S director André van der Colff, from fishing vessels. The misty days of early winter — especially on the west coast — bring a steady harvest of grounded vessels. Of course, salvage work carries great risks. Last September LMS made headlines by losing their 300 t salvage vessel Gemsbok while handing over an enormous anchor and chain off Cape Town. Eight men were drowned.

Less dramatic, but sometimes as dangerous, is carrying supplies and personnel to ships inside or beyond port limits. Southern Offshore Supplies, the SADS subsidiary, does this at Durban, Port Elizabeth and Cape Town. When seas are high and the receiving vessel towers above SOS’s vessel, it can be a harrowing experience. Sometimes, indeed, lives have been lost here too.

Salvage work... not high and dry yet

Finally, apart from occasional hydrographic work (analysing and mapping the ocean floor), LMS pilots ships to the two deepsea oil terminals at Durban and Oranjemund and controls discharge operations at them. This is regular work (the Sapref contract is for 10 years) and helps boost the profitability of a high-risk group of operations. In 1975 COH was, in fact, rated as the top group company.

Though some of SADS’s work is the same as LMS’s, SADS is first and foremost as its name implies, a diving company. It employs 35 divers and is, therefore, by far the biggest diving company in South Africa, the only significant competition coming from Cape Diving.

Most of its divers are South African. Those from Europe are too unfamiliar with local conditions and are said to be far less versatile, especially in handling underwater equipment. Average monthly pay for a diver is R500-R700. For that, they bring a wide variety of underwater skills to the basic job of diving: blasting; cutting, welding and riveting metal; operating cameras and hydrographic equipment; even, occasionally, operating jack hammers and other construction equipment.

For the variety of jobs they have to do is wide. In recent years these have included:
- Servicing oil rigs off Angola and SA (where record working dives of plusminus 200 m have been undertaken with the help of a bathyscape);
- Servicing dam gates and sluices (SA has over 200 major dams and SADS has recently repaired the outlets at Kariba Dam);
- Helping build marine walls (which usually means building a level bed of stone for 100 t blocks to be laid on);
- Salvage work (from initial investigation of damage to bringing the vessel...
ashore at Green Point. Though no pollution resulted, the incident illustrated the dangers of large tankers changing course to meet up with supply launches between Green Point and Robben Island. Autair persuaded several oil companies to engage it to deliver mail, films, stores and personnel by air to tankers. This enabled them to keep moving, well away from the coast, while supplies were being dropped — a world first.

In 1971, Autair was taken over by Court Line. The new management decided to invest in more sophisticated helicopters, able to fly at night, in all conditions with twin engines so that the risk of crash landing was virtually eliminated. Today, they do so in conditions sometimes so bad that the tanker captain can’t see his own bow.

Court Line in Britain went under in 1974 and M&S bought a half-share in the local helicopter operation. Some months later, a valuable contract was signed with the Texaco oil company to service an oil-rig off Mauritius, and Court became much talked about in international flying circles as a result of doing thrice-weekly 135-hour overwater round trips. It had already contributed to flying techniques by being the first company to fly regularly solely on instruments, now it was faced with the challenge of flying 12 rig crewmen at a time for a non-stop 410 nautical miles between a refuelling atoll and the rig. Such a long hop had never before been achieved.

Court managed it by extensively modifying its 28-seater Sikorsky helicopter to carry ultra sophisticated VHFB navigational equipment and long-range fuel tanks. Though it’s a glamorous operation, the future profitability of Court may not be as good as it has been. It faces three problems, none of them, fortunately, too serious.

First is the fall-off in shipping round the Cape. To compensate Court is offering ships several deliveries at a declining rate. The second problem is inadequate work for its two smaller helicopters which have never really been profitable.

“There is a need for a service such as this at the Cape,” says MD Des Baker, “but the helicopters still have considerable spare capacity.” Finally, there is the problem of finding similar work to that done for Texaco.

“Last year the Texaco job produced nearly as much revenue (and at a reasonable profit),” says Court’s MD, David Todd, “as tankers.” It encouraged Court to invest R800 000 in another large helicopter so that it could service tankers and oil rigs simultaneously, and although landing oil rig contracts isn’t easy, Court obtained a two-year contract with Soekor in January this year.

Australia and Europe are out for various reasons, says Todd, but possibilities exist in South America and the Far East, and Todd has already spent much of this year exploring them. Maintenance, depreciation and insurance account for about two-thirds of the total cost of flying a helicopter. Court now operates about R5m worth of them, at current market value, plus R1m of spares.

Getting a satisfactory return on that investment keeps Todd — an elegant, Duke of Edinburgh type of man with 15 years flying experience with the RAF — uncomfortably tied to his desk or the seat of someone else’s plane. That’s the price, though, of keeping eight choppers in the air and 13 pilots on the payroll. For Court is the third largest commercial flying organisation in SA after SAA and Safair.

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**HAVE CASH, WILL VIEW**

At R45 each, it’s an expensive hour. But visitors and Capetonians alike reckon there’s no better way of seeing the Peninsula and of understanding its geography.

Since last December, Court Helicopters has been taking parties of four in small helicopters on a journey that begins at DF Malan airport, passes over the industrial area on route to the harbour, then follows the coastline down to Cape Point.

By then, passengers have had the novel experience of flying above gulls (looking like nuns hurrying off to Mass), exchanging grins for scowls with Sandy Bay’s nude sun-worshippers (“as if properly developers weren’t bad enough!”) and seeing the remains of several ancient shipwrecks. Not to mention the lighthouse at Cape Point.

From there it’s over Seal Island, its occupants flapping agitatedly into the sea to get away from the noise, and onward to Stellenbosch. There, at the famed Lanzerac Hotel, a civilised lunch at an extra R15 per person (covering the pilot’s extra time, too).

Thereafter, a bird’s eye-view of the Huguenot Memorial at Franschhoek and the Taalmonument at Paarl. Both look better from the air, some think. Then on to Fransfonte, Holland mountains, looking down enviously at patchwork wine farms, before returning to the airport.

The trip is steadily winning popularity. But direct operating costs only are covered by the seemingly high charge, says Court’s OM, David Todd.

Ah well, at least it wins friends...
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in order to

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SPREADING THE NET

Failure of sub-contractors to keep abreast of technological developments has led to M&S moving into numerous fields related to contracting.

Industrialists are ambivalent about dominating their markets or their suppliers. Competitive drive makes them strive for it. Many believe, however, that having too large a share limits a company's dynamism and can lead to complacency and inefficiency among employees, resentment among customers.

From the late Sixties, as it came to enjoy the lion's share of whatever construction work was available in its operational area, M&S began diversifying — mostly into fields where it had previously employed sub-contractors: electrical installations, air-conditioning, fire-protection equipment, plumbing, underfloor heating, reinforcing steel and the installation of plant and related service equipment.

Its reasons were not only those already described, but also (1) to gain better control over large contracts by adopting a "whole project engineering" approach and (2) because, as main contractors, M&S had found that despite the increase in tempo and complexity in the industry over the last decade, sub-contractors in certain of the key sub-trades had not geared up to modern requirements.

Today only half the group's profit comes from construction. The rest is found in sub-contracting and other diversifications.

In 1974 M&S bought Cape Town's largest firm of electrical contractors, Joffe & Co. It is working on the new Civic Centre, a job worth R2m to it, and the Golden Acre as well as some 15 major projects, many of them not M&S jobs.

Joffe itself has expanded into another area: installing communal TV aerials and closed circuit TV (most recently in Parliament), and selling two-way radios and paging bleepers. It has also supplied a sister company, Court Helicopters, with Bosch VHF radios and direction-finding navigational equipment.

Joffe also owns a large switchboard manufacturing division. Following its take-over by M&S, this division was merged with a similar M&S operation, MCB Distributors. In SWA, M&S's electrical contracting arm is Hydrodyne — established in 1969 and now the largest company of its kind in the territory. It has worked at both Black and White hospitals in Windhoek, as well as at the Ruacana hydro-electric scheme. It's also in other fields, supplying catering equipment and electrical machinery, and installing air-conditioning plant.

The last is done throughout SA by the Improvis Holding Group, an organisation for which Baker has a very high
regard. "The top men in this outfit can hold their own with those anywhere in the world," he claims.

Associated Air operates in Johannesburg, Durban and Cape Town, Thermoair in the Eastern Province. Today, the Improvair group is probably among SA's two or three biggest air-conditioning companies, M&S believes. Recent completed contracts include the SA Reserve Bank in Cape Town and a section of the University of Port Elizabeth. The group is heavily involved at PE (where Thermoair recently won a further large contract at the University); Durban (where the Associated Air head office is sited), East London, Umtata, with several jobs in Johannesburg.

Switchboard manufacture is a more recent M&S diversification

Air conditioning is a high technology field, and so is pretty risky. If a company fails to design or install plant correctly, it can lose money heavily, says M&S director Beau Pryce.

M&S found this out to its cost in the late Sixties, when it entered the field with a company called HVAC (since absorbed by M&S Mechanicals — see below). Thereafter, it waited until it could buy proved expertise before re-entering the field. Efficiency, though, brings good rewards. In this field a reputation for technical reliability is often more important than quoting the lowest price.

M&S has always had its own plumbing divisions, but in 1973 it went further and purchased Glendinning in Port Elizabeth. As well as employing 250, the company uses a surprisingly (at least to a layman) large amount of working capital — some R150 000 of which R135 000 has been spent on such plant as compressors and excavators, as well as on vehicles.

“Our policy with such companies,” says Pryce, “is that they should get at least half their work from outside the group to ensure they are remaining efficient and competitive.” So Glendinning also numbers major construction companies, like R H Morris and LTA, among its customers, for work that takes it as far north as Umtata.

During the same year that it entered plumbing, M&S also went into fire-protection equipment by launching Viking Automatic Sprinklers. This is one of three competing companies in SA (the biggest is Mather & Platt) and operates throughout SA and SWA. It doesn’t manufacture sprinklers but imports them from the US (Viking) and Germany (Preussag) and installs them with piping, etc.

curing and installing factory equipment and ancillary pipe-work, and handling a very wide range of mechanical maintenance and repair contracts, usually on a day-work basis. More importantly, though, it does electrical contracting, which provides most of its turnover. Electrical work at the new Zwide hospital in Port Elizabeth will be worth over R800 000.

Another division is the Hydrodyne company in SWA. Again electrical contracting provides most income from projects such as Rio Tinto’s uranium mine at Rössing. Installing electrical work for the plant at Ruacana should bring in a valuable R700 000.

The third division covers the Western Cape and, except for heavy reticulation work or providing machinery with power, is not involved with electrical work (Joffe being available for that, in this region). Instead it concentrates on installing machinery, for which it employs 100 or more artisans (welders, pipe-fitters etc).

This has handled such projects as the installation of an acid plant for AE&CI at Somerset West and major extensions to Fine Chemicals’ Epping plant — contracts each worth R500 000. The Cape Town division also has some 150 people, half of them skilled, in Sishen on contracts worth R1m. In Cape Town docks, too, it is being paid R1m to install a pipeline carrying fuel and water to certain new berths. An upcoming R400 000 job is installing turbines and generators at the Steenbras pumped storage scheme near Somerset West.

Growth potential lies mainly, however, in the fourth, Whole Project division. This is a recently launched concept resulting from a commission to M&S Mechanicals, and its British partner in the project, Wimpey, to build an extension to Caltex’s Milnerton refinery (consisting mainly of pipe-work). The idea is to form a self-contained management team for each major contract. Of the R90m Caltex is spending to extend its refinery, R15m will go to M&S and Wimpey (M&S getting 52% of the profits).

Of the labour force being provided by M&S (Wimpey is providing technicians mainly), 300 are South Koreans. They were chosen in preference to the more expensive and less dedicated Western Europeans or Americans (South Africa is woefully short of the sort of skilled men required for mechanical construction). The Koreans will be housed at the refinery site.

Further work for this division, says M&S Mechanicals manager, Stan Hughes, will be in Northwest and Western Cape. The Sishen-Saldanha line, in particular, provides an axis for development, especially in mining. Hence the company branch in Sishen.
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Once you’re in building, you find yourself drawn more and more into building materials themselves. At least that’s how it’s turned out at M&S.

There’s a well-proved maxim that industrialists should not expand into unconnected fields. It’s one that has been pretty closely followed by M&S. Where it hasn’t it has come unstuck.

For a group building roads, bridges, harbours, houses and commercial or industrial buildings, it makes sense to diversify into ancillary activities such as quarrying, pre-mixed asphalt and bitumen, ready-mixed concrete, brick-making, building materials and so on. M&S has, in fact, done just that during the past decade or so.

For example, it now owns the four largest quarries in the Western Cape, as well as quarries at Saldanha Bay and De Aar. It is also a partner in Richards Bay Quarries and in PE Holdings, which owns the only quarries in Port Elizabeth, East London and Uitenhage (much of the PE stone is being used by Christians & Nielsen for its work on extending the PE harbour). Though its own construction companies use some of its output (eg for the Cape Town harbour extension), 80% of sales by the group’s wholly owned quarries are to competitors.

There have been several bankruptcies during the past year or so among Cape quarries. The secret of survival? According to M&S director Andrie van der Coll, one of the key factors is appreciating how much more expensive it is to crush hard rock such as dolomite or granite, than comparatively soft shale, and charging clients accordingly.

Significantly, M&S quarries are mostly managed by ex-mining men and equally significantly “Short” Corbett, the fit, tough manager of this division says that the team is too good to rest content with what they have achieved so far. “They need further growth to realise their own ambitions and to keep them interested,” he says.

M&S is a partner with competitor Clifford Harris in Much Holdings. This is reckoned to be SA’s largest producer of asphalt, with more than R2.5m worth of plant (at today’s prices) in Cape Town, Port Elizabeth and East London. It also runs plants which are set up wherever asphalt-topped roads are being built, and operates numerous high speed road tankers for carrying hot bitumen.

Pre-mix asphalt is used on heavily trafficked roads, and chip-and-spray (bitumen and stone) on country roads. Much Holdings recently sold its plant and contracts to African Bitumen Emulsions, in which both M&S and Clifford Harris are partners with Shell. ABE is, in addition to pre-mixed asphalt and bitumen, also involved in epoxy resins and paints and related products such as asphalt roofing tiles.

One problem facing the Much group is the readiness of oil companies to finance the purchase by others of bitumen pre-mix plants (costing an average R400,000), since bitumen is an oil by-product. This has led to over-capacity, severe price-cutting and bankruptcies. An upcoming problem is a cutback in provincial expenditure on new roads. This, says Van der Coll, won’t affect the Much group for another 18 months, by the end of which current new roads will have been surfaced. After that, he says, “we could feel the breeze.”

Few M&S companies have grown as fast as this one. Starting with a single plant in Eerste Rivier only 10 years ago, they now have six. The success of the group is all the more surprising because it represents a successful marriage between two seemingly incompatible bedfellows who are major rivals in the civil engineering field.

However, Clifford Harris is not the only competitor with whom this sort of successful deal has been stitched up. “The fact that we can do this with rivals,” says Baker, “illustrates once again the value of our decentralised policy.”

M&S is also involved in ready mixed concrete, through a one-third shareholding in Ready Mixed Concrete (Cape) and a similar interest, through PE Holdings, in Ready Mixed Concrete companies in Port Elizabeth and East London. The product is ideal for congested CBD sites where site production is not possible. Ready Mixed Concrete has, despite the slow-down, been successful in recent years, partly because, as contractors have felt the squeeze, they have become less willing to lay out capital on concrete mixing plant.

And then there are bricks. In Port Elizabeth, M&S owns Modern Brick-makers and Builders, which has two kilns producing 500 000 stock bricks a week. Of that, 20% at most is used by M&S Companies. The rest goes to independent builders who buy all they can get. There are no plans to increase capacity — they have just installed the second kiln, a new Hoffman, and a drying area at a cost of some R175 000.

In Cape Town, at Eerste Rivier, the
In three quarters of a century, you learn a lot about fire protection... and a lot of people come to rely on you!

Since the first *Grinnell Automatic Sprinkler fire protection system was installed in 1898, Mather + Platt have efficiently protected many of South Africa's most precious assets. Mather + Platt specialize in all forms of water and gas protection, as well as detection and evacuation systems, fire doors and fire pumps. Add to this the famed *Grinnell Automatic Sprinkler system and you have available to you the services of South Africa's longest experienced fire protection engineers.

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group has been producing precision-compactd bricks through wholly-owned Calsica Bricks (a R1m investment) for the past five years. The bricks are made from a compacted mixture of crushed stone (from the group’s nearby quarry), sand and lime. Curing takes place at a high temperature, when chemical reactions form a calcium silicate bond.

The brick has several advantages. Breakage rate is only 2% against 10% for ordinary bricks. They are made in a variety of colours and textures for use as face bricks. They can be made far stronger than clay bricks, so can be used for load-bearing walls in relatively high buildings and structures. They are also made to closer tolerances (2 mm against 5 mm) than clay bricks, which makes for faster laying and neater appearance.

Finally, as far as building materials are concerned, M&S owns a large Port Elizabeth building materials merchant, Downing and Attwood. It recently opened a branch in Cape Town and bought out an existing smaller firm in Port Alfred and Kenton-on-Sea. Some 30% of the group’s PE turnover comes from the joinery operation, producing wooden roof trusses, window frames, mouldings, etc.

Growth of the Cape Town branch has been rapid since it opened two years ago. Now it’s consolidating its operations to face tough competition. “In this field,” says Pryce, “prompt, reliable service is the name of the game, though previous competition has concentrated on price cuts and length of credit.”

Expansion to other centres is to be investigated by the company’s retiring chief executive, Jock Wallace, during the next two years. Johannesburg is an obvious target (Roberts Construction is not in this field, so there would be no conflict of interest).

M&S has also long diversified into service companies related to civil engineering and construction. One that used interesting techniques is Tate Associated Pipe, the result of a merger of one of M&S’s oldest companies, Tate Pipe, and an acquisition, Associated Pipe. It’s main task is lining pipes, new and old, with concrete.

Pipes that were laid years ago can be treated without being dug up. Before World War II, pipes invariably became corroded and choked, particularly in the Cape where the water is slightly acid, and on the mines where subterranean water often has dangerous qualities.

Douglas Murray introduced an Australian invention to SA in 1934 for re-conditioning such rust-clogged pipes without removing them from the ground — a saving on cost of about 70%. The process, which renews a pipe’s life indefinitely, first cleans out the pipe completely then sends a rotating device down a pipe’s inside, flinging concrete onto the inner wall. Access holes are cut into the pipe for this purpose every 200 m or so. The treatment has been used by public authorities as far north as Zambia’s Copper Belt, as well as by mines. Cape Town Municipality has employed Tate annually since 1934.

In recent years Tate has moved into new pipe protection, concrete coating pipes in situ or before delivery. The biggest contract thus far was for lining in situ a new 102 km fresh water pipe stretching from the Orange River to O’Keefe. The job, worth R350 000, took only six months. Tate also lines and coats new steel pipes (and other metal products such as tanks) and has a contracting arm that lays pipes, welding or bolting them together.

Another M&S company moving into an increasingly complex field is Wasteway, in which it has a half-share. It entered the field three years ago under the name, Rubbish Removers. And that’s exactly what it does, leaving large steel dumpers at building and other industrial sites and removing them when full. Growth has been quite exceptional. Today, the company has 600 customers including various municipalities, and compacts much of the waste in special vehicles before carrying it to a tip.

It’s also moving into liquid industrial effluent. This has involved finding and preparing its own dumping site (a worked-out clay pit beyond Milnerton, about 1 ha in area and some 20 m deep). There, Wasteway will set up a laboratory to analyse liquids delivered by special R30 000 tankers, before acids are mixed with alkaline solutions to neutralize each other, then buried under overburden. M&S director Donald Campbell hopes the business of removing noxious liquid effluent will justify a fleet of four or more tankers within the next year.

Another successful diversification has been into electrical switchboard manufacture through the MCB group. Joffe & Co has been able to merge its existing switchboard division with this under the spacious MCB roof. Together they are the largest switchboard manufacturers in Cape Town. MCB also manufactures and imports kitchenware for large institutions, numbering among its clients the Tygerberg and Windhoek Bantu Hospitals.

Finally, a timber company. Needing both management and money, Karreedouw Kreosote Werke came under M&S control about two years ago after grinding to a near halt and has now been successfully turned round. It treats timber poles in the Langkloof, 130 km west of Port Elizabeth. Its only two real markets are the Post Office and Escom, but these are both big customers.

Neither of M&S’s two “problem” diversifications are directly related to its main activities. They are motor component and plastic extrusion manufacture. Car seat manufacturer Pasco was bought in 1960. At that time it operated profitably in Cape Town only. Little skill or capital was needed and the company faced little or no competition. In 1968, however, having bought an unsuccessful Port Elizabeth company also making seat-frames, Pasco expanded into pressing floor pans, petrol tank’s and bonnets. At the same time, it opened another factory at Rosslyn, west of Pretoria.

After the recent closure of the Cape Town factory, the Rosslyn and PE branches have taken over their work and indications are now that, when present losses are paid off, the companies will break even.

Another problem company, Solarite Manufacturing Company, is a small firm concerned with extrusion of plastic components. Difficulties here stem, in Baker’s words, from “going to the races” (an old D G Murray quote) with two partners who had both been successfully involved with PVC extrusion in the container business. Since the company’s formation, PVC costs have soared and M&S has discovered how little it knows of this line itself. It is finding it hard to pull the operation right.
"The sites I've seen - history makers the lot of 'em".

I'm talking about the construction sites you can see from 30 kilometres up. Like Sishen - Saldanha, Richard's Bay, Kariba, Cabarora Bassa, ESCOM headquarters, MATLA Power Station, ESCOR Newcastle and the P.K. Le Roux Dam.

Sounds like a list of battle honours don't it? And that's about what they were. Lots of blood, sweat and tears in all of 'em.

Often when I first saw the projected sites (I tend to get to places early because being a crow my routes are always more direct) I thought I'd been given the wrong map references. But the months that followed revealed massive human achievements.

Acrow was right in the thick of them all. Helping the hard hats solve their formwork and supportwork problems.

That's the way it is with all challenges Acrow is called in on. Quite natural, when you consider that Acrow is the leading professional construction and storage equipment manufacturer and supplier in Southern Africa.

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Branches throughout Southern Africa.

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as work falls off

By Graham Fiford

SMALLER home builders are closing down their businesses and drifting back into the trade as the slump in the building industry worsens.

Although few small home builders are registered with the Master Builders Association, this trend is becoming apparent in Durban and other coastal towns.

The main reasons for the sluggish home building is the deteriorating bond finance situation, the lack of liquidity in the economy and inflated prices of building materials and land.

Construction companies report that the labour market has eased considerably as more artisans are joining the ranks of the job seekers each month.

Government, Provincial departments and local authorities are advertising heavily for artisans with building skills and they’re signing them on steadily.

There is also evidence that some of the larger construction companies are casting around for smaller ‘jobs’ work they would not normally undertake during boom periods.

This week Mr. Bill Hamilton, chairman of Hamilton Construction (Pty.) Ltd., confirmed that the company was building a luxury home in Durban, but described it as an “accident of tendering.”

“We put in a courtesy tender and got the job. These things happen sometimes,” he said.

Mr. Winston Reardon, a director of Reardon Construction (Pty.) Ltd., said there was a tendency for builders to scale down their operations as a result of the work shortage.

“There is not much private sector work around and everybody is fighting to get the public sector work. Tender prices are generally down on last year but what worries me is some builders are tendering at prices that are bound to end up in more insolvencies.”

Mr. Reardon said that small home builders were more flexible than established building companies with high overheads. They could go back into the trade and wait for things to improve before starting up on their own again.

“It’s easy enough for them to close up shop and tell their wives to stop making out invoices. It does the industry good to get them back but then trouble is that as things improve they go out on their own again.”

According to Mr. Hamilton there was still a shortage of good artisans and there would never be any real unemployment for competent men in the building industry — even though the industry was in for a lean period.
SLUMP HITS PRODUCTION OF BRICKS

COROBRIK, previously Coronation Industriel, the Natal building-materials group, has announced that it is to close a section of its factory at Briardene due to the current low level of activity in the building industry.

Mr. Dick Kemp, managing director of the group, said yesterday that the section would be closed in phases. About 150 men will be redeployed.

"This will give us time to minimise the impact of the closure. We can transfer men to fill vacancies in our other Durban factories."

The group has seven companies and 20 factories. It has been reported that their stockpile of bricks now amounts to about 100 million.

Mr. Kemp said that Briardene was the group's oldest factory. Its closure had been under review since the opening of Corobrik's new face brick factory at Ayco in 1972.

Although the better quality face-brick shales had been largely worked out at the Briardene quarry, the demand for blue and bronze face bricks had delayed the factory's closure.

"These products will now be manufactured at the Pietermaritzburg factory."

Mr. Kemp added that Corobrik's cement silt-cake factory at Coedmore would commence operations later this year.
Govt abandons plan to boost building trade

By GORDON KLING

The Government has scrapped a plan which would have injected about R60-million into the ailing South African building industry over the next five years.

The Secretary of Community Development, Mr. L. Fouche, said in an interview from Pretoria that the plan had been dropped after discussions with Treasury and Finance officials.

The move, which could entail priority housing schemes, stems from Government concern about the country’s financial image in the face of massive overseas borrowings coupled with the continuing recession and political uncertainties.

Next major contract

The next major contract at Mitchell’s Plain, the 5,000 house area C, will not be directly affected. The City Engineer, Mr. J.G. Brand, said yesterday that the project would go ahead, with the authorities arranging finance instead of the tenderers.

In terms of the plan, local builders would have been able to raise foreign loans for priority mass housing projects and submit a financial package with the construction tender.

The Department of Community Development was to have financed repayment to the extent of 10 percent of its housing budget.

Financing would have been for three to five years and this would have released an additional R60m for housing. The rate at which projects are undertaken will now depend on Government success in raising money overseas.

Loan difficulties

The director of the Building Industries Federation of South Africa, Mr. J.H. D. Grotius, believed difficulty in obtaining foreign funds had prompted the about-face.

Partly confirming this, an authoritative source in the Ministry of Finance said the combination of a beleaguered economy at home and several firms trying to raise funds overseas created a "bad impression".

The Treasury believed the plan to be a good idea at one stage, he said, but the benefits had been outweighed by potential damage to the rand.
Vanacht — worse to come

The next argument in the Van Achten saga will be over the liability or absence of the immaterial criticism. This is a case of the blind leading the blind, and the result will be a fiasco. TheVanacht notes were a pension and provident fund favourite, as is evidenced by some of the more interesting funds appearing (with holdings) in the share register:

- Syfrets Group 150 000
- Printers Staff 50 000
- Cape Town Mutual Aid Fund 43 800
- Clayrey Irvine 75 000
- Chamber of Mines 10 000
- Diocese of Johannesburg Staff 7 000
- Fedmis 20 000
- Non-White 8 000
- Mines 41 000
- S Haddon 11 000
- JCI 41 000
- Makro 50 000
- Plate Glass 25 000
- Potchefstroom University for Christian Higher Education 125 000
- Presbyterian Ministers Widows and Orphans Group Small 8 000

The market was headed in a southerly direction and this was followed by a number of places.—but the market is, after all, a very dangerous one.

(see box), should actually have been persuaded, as recently as August 1975, that the Vanacht notes were a sound long-term investment. For example SA Mutual registered 80 000 notes as recently as February and March this year; the Fowler Group Pension Fund 30 000 in May; and the Homes Trust Indoor Staff Pension Fund 82 000 a mere six weeks before the collapse.

Old Mutual investments manager Peter Bieber says that the Old Mutual in fact took over the notes from pension funds whose portfolios it had begun to administer. "We had them on the market from mid-year but could find no buyers".

But perhaps the most remarkable institutional deal of all concerns Sanlam. It registered 13m notes in May this year for which it paid R1.06m. The seller was S M van Achtenberg Construction Pty, a wholly-owned Vanacht subsidiary. At this stage, like Bieber, Sanlam’s Koos Hayman feels any comment on what action it might take is premature.
VANACHT SHARES

Who bought, and when

Wearing two hats can be uncomfortable. Take the case of W Q D Routledge, senior partner in the old-established law firm of Routledge-MacCullum, who is both an executor of the estate of the late Siebolds Manne van Achterbergh (founder and chairman until his death in December, 1974, of S M van Achterbergh), and a director for the past few years of the (now judicially managed) Vanacht group.

In April and May of this year, when Vanacht shares were trading at around 100c, Routledge as executor sold 428 000 of the estate's shares in Vanacht. This represented approximately one-third of the late S M van Achterbergh's holding. Today, as pieces of the group fall gradually to provisional liquidation (FM October 8), it seems inevitable that the shares will be worth nothing.

Earlier this year, death duties were due. As executor, Routledge was bound to do his best for the estate. At the same time, it should have been painfully apparent to Routledge as director that by April Vanacht was treading the brink of insolvency.

Asked by the FM whether he saw any conflict of interest, Routledge replied: "How could there have been? The shares were sold in April, and I took senior counsel opinion at the time. I had a call from a stockbroker. He made me an offer and I accepted."

This is not the only interesting transaction to emerge from a scrutiny this week of the Vanacht ordinary share register. Another is the reduction in the holding of Runnymede Properties Pty, which has the same Isando address as Vanacht but does not form part of the group.

In August last year, Runnymede held 360 000 Vanachts. By June this year, some 27% of the shares had been sold to bring the Runnymede holding down to 283 000 shares. The records of the Companies Office in Pretoria reveal that the directors of Runnymede are Martin van Achterbergh, who succeeded S M van Achterbergh as MD, and his wife, Iris.

Who bought? At least two institutions climbed aboard the cackling bandwagon during April and May this year. The first was Union Corporation, which bought 200 000 Vanachts in the name of Holdings Nominees. These shares were then dished out to various Union Corporation pension funds such as Sappi and Unicorn.

The other was Federale Volksbeleggings, in the name of Beleggers Nominees. Only 26 000 shares are registered under Beleggers, but the total holding is understood to be considerably larger.

Then come numerous smaller investors, who picked up parcels in the months preceding collapse on the strength of "information" that Vanacht would come right. These days, they are bitter indeed.
Audio/visuals

Is it essential to show any audio/visuals, such as a film or a video?

Venue

Has the venue for your presentation been decided? If so:

CONSTRUCTION STANDARDS 'DECLINE'

Mercury Reporter
PIETERMARITZBURG.

The current depressed state of the building industry has brought with it a declining standard of workmanship and quality. Mr. I. Schneider, vice-president of the Pietermaritzburg Master Builders Association, said yesterday.

One would expect an improved service and instant reaction to performance demands, but unfortunately the converse is closer to reality, he said.

In order to obtain contracts in the open market, builders have cut tender prices leaving little, if any, profit mark-up and no margin for error. Consequently, economies within construction organisations have been effected.

These economies include reduction of administrative staff and members being overloaded with unfamiliar duties which will be performed with less adequacy and efficiency than previously.

“Resulting from a reduction in supervisory personnel is a declining standard of workmanship and quality of the end product. It is logical to presume that increased maintenance and repair costs will be incurred in the future as a direct consequence.”

(a) Will everyone be able to see?
   Is there a desk or platform?
   Is there enough room for the proper positioning of one or more projection screens?

(e) Will everyone be able to hear?
   Will you need to use a microphone?
   Is there a public address system already installed? Will there be any distracting noises and can these be silenced during your presentation?

(f) Can the room be darkened easily?
   Are there sufficient power supplies for any projected visuals or recorded sound?

Visuals

(a) What equipment will you have at your disposal? Will there be an experienced projectionist available?

(b) Are there any suitable visuals or other aids (e.g. films, videotapes, sound tapes, slides, etc.) already available?

(c) What facilities are there for obtaining or making others you may need?

Budget

Has a budget already been prepared? If so, how much money has been allowed for:
Building industry lays off 40 000

JOHANNESBURG — The building industry laid off between 40 000 and 50 000 workers last year and is going through its worst slump in 10 years, Building Industries Federation president, Mr Leo Fish, said yesterday.

Asked what the prospects were for the industry in 1977, Mr Fish said he did not expect significant improvement before next year, though there might be a better job situation by the end of the year.

He said statistics from major centres showed there had been a drop in employment of 15 percent since last January, excluding management and administrative staff — 300 000 workers in skilled, semi-skilled and unskilled categories — were registered this time last year compared to between 230 000 and 260 000 registered now.

The 15 percent drop in employment means the industry lost between 8 000 and 10 000 artisans in 1976 — using the ratio of one artisan to four semi-skilled or unskilled workers, Mr Fish said many had found jobs in other industries.

He said the present slump was due mainly to a shortage of capital in the private sector.

"We aren't the people who generate money, so if there is an upturn in the economy as predicted for the second half of the year, we will only benefit later."

Mr Bernard Mylie, former BIF president, said the present situation was the worst in 10 years and was still deteriorating.

He said thousands of contracts of workers from the homelands had been cancelled — these workers being among the most hard hit by the slump over the past year. — DDC.
Order on
building
company

BUD Construction Company (Pty) Ltd was placed under final liquidation in the Supreme Court, Cape Town, today.

The application to liquidate the company was brought by the managing director, Mr. "Adriaan" Johannes Stander.

In papers before the court, Mr. Stander said Bud Construction Company had assets of R358,000 and liabilities which exceeded R400,000.

The company could not meet its liabilities because of a shortage of work, and suppliers had begun issuing summons against it, Mr. Stander said.

Mr. Justice Steyn granted the final order. Mr. G. Ruhm, instructed by Carre, Muller and Visser, appeared for Mr. Stander.
Building: fight for survival

Building costs would probably increase by no less than 11 per cent this year as measured by the Bureau for Economic Research of the University of Stellenbosch, a report on business conditions in the building industry said.

The report, for the spring quarter and prospects for the summer quarter, said it was difficult to imagine firms absorbing cost increases any further.

"Many firms will probably discover in the coming year that the main problem will be a struggle to stay in business. Survival may be the key word of the year," it said.

Commenting on private residential buildings, the report said it could be expected that private investment, excluding those in mining and agriculture, would increase only marginally to R700-million.

"In real terms this represents a 10 to 12 per cent decline in building activity," it said.

It said the restriction that 62.5 per cent of all loan capital be granted for house loans of R18,000 or less had contributed to the fact that the great demand for houses in the price class of R23,000 and lower had sharply forced the price of these houses up.

"The R18,000 limitation which was originally aimed at stabilising house prices had therefore had the opposite effect. The high mortgage rates keeping the monthly instalments relatively high have had a depressing effect on the residential market in these times of real income."

The report added that public, non-residential building activity this year would undergo a change of activity. The demand for final and finishing materials such as glass, paint and tiles would be affected adversely whereas the demand for cement and bricks would benefit.

Short-term prospects for the building trade were said to be poor.

"Even merely reaching a turning-point during the summer quarter is out of the question," the report said. — Sapa.
Building costs likely to jump

JOHANNESBURG—Building costs would probably increase by 11 per cent this year, as a report from the Bureau for Economic Research of the University of Stellenbosch, a report from the building industries, said.

The report, for the Spring quarter and prospect for the Summer quarter, said that it was difficult to increase costs further. Many firms will probably discover in the coming year that the main problem will be the struggle to stay in business. Many of the firms may be the casualty of the austerity and in the battle to stay in business, not only to avoid the threat of closure but also to avoid the operational cost of overheads.

Commenting on private residential buildings, the report said that the cost of private renting, excluding those working as overtime, would increase only marginally to R1 000 per annum. In real terms this represents a 10 per cent decline in building activity.

It was noted that high interest rates and higher costs per unit of housing would be the cause of this decline. The high mortgage rates were keeping the number of units relatively high and would have a depressing effect on the residential market in the event of a change in the interest rate.

The report said that public non-residential building activity this year would undergo a change in activity. The new buildings would gradually change over to commercial.
Firm with Govt links in trouble

EIRROL SYMONS
Chief Court Reporter

A construction company which has major contracts with the Government was yesterday placed under provisional judicial management by the Rand Supreme Court.

Burton Construction Pty. of Kempton Park had debts of more than R10 million and was facing liquidity problems. Mr Justice Boshoff was told during an urgent application heard late in the afternoon.

However, the company was currently negotiating a mining contract worth about R15 000 000 and stood a good chance of eventually becoming a successful concern.

The application for judicial management was brought by three major creditors acting in concert — Nedtin Bank, Barlow Rand and Concorde Leasing Corporation.

Mr. Thomas Roberts, general manager of Nedtin Bank's legal division, filed an affidavit on behalf of the three companies.

It said Burton Construction was indebted to the three firms for lease and hire-purchase agreements.

The amounts owing were R1 185 000 to Nedtin Bank; R1 116 015 to Barlow Rand and R1 480 383 to Concorde Leasing.

Mr. Roberts said Burton Construction owed other creditors about R5 million.

The company had contracts with various Government departments and provincial administrations. These were projects of major importance to the economy, Mr. Roberts told the court.

The company's cash flow had become insufficient to meet its current commitments, he added.

The Government's tardiness in paying Burton Construction for its work and the company's heavy expenditure during 1973 in preparation for new contracts were advanced to the court as causes of the firm's problems.

Mr. Roberts said Burton Construction had acquired a new managing director in March 1973 but he had resigned in December that year. No replacement had been found by the morning of the hearing.

Judicial management would help overcome the company's temporary liquidity problem, he said.

The three creditor companies were willing to grant loan facilities to enable Burton Construction to fulfill its contracts and meet demands of subcontractors who, if not paid, would withdraw from construction sites.

The order is returnable on March 1.
Building plans

EAST LONDON —
Building plans worth R772,300 were passed by the
municipality last month, the biggest single item be-
ing for alterations to the Allied Building Society’s
banking hall.

The figure for the Allied
alterations is given as
R100,000, but the manager
said by the time the
alterations had been com-
pleted it was expected a
lot more would have been
spent.

The amount of R23,200
for a school canteen at
Clifton Park High School
came as a surprise to the
vice-principal, Mr K.
Hulzer.

He said the school com-
mittee had envisaged
spending about R9,000 on
the tuck shop. Somewhere
along the line the cost in-
creased.

The estimated cost for
plans passed last month
was about R106,000 up on
January, 1976. The
monthly average of plans
passed in 1976 was R1,246.
— DDR
Gloomy picture for East London builders

EAST LONDON — It was unlikely that the dearth of private spending on new houses would change for the better within the next year.

This and high building costs had all but crippled the building industry in East London, the outgoing president of the East London Master Builders' and Allied Trades Association, Mr C. M. Russell, said in his report at the association's annual meeting.

"The private sector has not been able to prove the prolific source of work that it did in past years," said Mr Russell.

He said he was concerned at insufficient replacement work when existing building projects were completed, one result of which would be inevitable unemployment.

Emphasising what he later called a "gloomy picture" Mr Russell said the value of building plans passed in East London during the past year was R14 955 000 compared with R17 408 000 the year before and R23 086 000 during 1973.

Mr Russell said there was one potential bright note for builders and their employees in the possibility of investment of foreign capital in Transkei and other areas and in appropriate action resulting from recent queries from the Government about unemployment in the building industry.

Office bearers for the coming year elected at the meeting were: President, Mr Brian Snell; vice-president, Mr Colin Wynne; honorary treasurer, Mr Bob Johnston.

The new executive committee is: Mr Ken Faye, Mr Ronald van der Zoet, Mr Clive Parker, Mr Brian Page, Mr John Heeger and Mr Cyril van Seumeren.

DDR
Building costs for homes rise

Industrial Reporter

THE price increase on crushed stone, approved this week by the Price Controller, will mean a nominal £7 increase in the cost of building an average sized home, according to Mr. W. L. Davis, Manager of Associated Quarries in Durban.

Crushed stone has risen up five cents a cubic metre, while coal costs have risen by two cents a cubic metre for the first kilometre and one cent per cubic metre for every kilometre thereafter.

Mr. Davis said the increase only covered the increased costs of diesel.

He added that a further application for a price increase to cover increased production costs in other areas could be forwarded later this year.
A blow for race relations

The agreement on black advancement in the Transvaal building industry was the 'best thing that ever happened to the artisan builder.

But its damaging consequences for race relations were foreseen long before the agreement was published.

It was in October 1974 when the president of the Building Industries Federation, Mr C H R Ximcaid, warned the federation's annual congress against the "illogical, if not inhuman" thinking that black workers should be used in advanced skills only as long as the shortage of other workers warranted it.

After a full year of negotiations between employers and trade unions, the Minister of Labour approved the agreement in July 1975.

In exchange for permitting black "operative Grade 1" to perform certain work previously reserved for (white and coloured) artisans — such as exposed brickwork, plastering up to the pre-finishing stage and rough woodwork — artisans got:

- Guaranteed employment for the next 20 years.
- A R1-million unemployment fund which pays unemployed artisans their full minimum wage plus fringe benefits.
- A worthwhile pay rise.

"ACADEMIC"

However, there was little quid pro quo. The artisans surrendered nothing but their disputable right to hog even semi-skilled work in times of skilled labour shortage. That was made clear from the outset by Mr Gert Beethe, general secretary of the White Building Workers' Union.

Even before the agreement was gazetted, Mr Beethe said the concessions regarding black operatives were "purely academic" because there was white unemployment and no exemptions would be granted.

SHORTAGES

He was wrong. The employers found that shortages did exist in certain categories although a few white artisans were out of work.

Now, following a "reminder" from the Minister of Labour, operatives Grade 1 face the possibility of being demoted or dismissed for the sake of an estimated 150 unemployed artisans.

As many as 60,000 workers may have left the building industry last year but only about 150 of these are unemployed artisans in the Transvaal.
A huge question mark was today added over the role of price controls in the building industry.

The prospect for those involved in the building industry was today clouded by the announcement that price controls would be relaxed.

The government has been under pressure to ease price controls, but the move has been met with mixed reactions.

Michael Chester, Financial Editor

The announcement came as the government announced plans to cut back on price controls in the construction sector.

The move is expected to have a significant impact on the housing market, with builders and developers voicing concerns about the potential for price spikes.

Chester said: "The government's decision to relax price controls is a welcome move, but we must ensure that the market remains stable.

"Builders and developers have been under pressure to keep prices down, but this has led to a fall in the number of new homes built."

The move has been met with mixed reactions, with some builders welcoming the move, while others have expressed concerns about the potential for price increases.

Chester added: "The industry needs a long-term plan to ensure that the housing market remains stable and sustainable."

The government has promised to work closely with the industry to ensure that the move is implemented in a way that benefits both builders and developers.

Chester concluded: "We must ensure that the industry has the resources it needs to meet the demands of a growing population."

STRATEGIC PLAN

The government has announced plans to develop a strategic plan to ensure that the construction industry remains competitive and sustainable.

The plan will include measures to improve the efficiency of the supply chain and reduce costs for builders and developers.

Chester said: "The government's commitment to the construction industry is welcome, but we must ensure that the plans are implemented effectively.

"The industry needs a long-term plan to ensure that the housing market remains stable and sustainable."

The government has promised to work closely with the industry to ensure that the move is implemented in a way that benefits both builders and developers.

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Engineers face tougher year

JOHANNESBURG — The civil engineering industry had a lean 1976 — and 1977 looks like being tougher, says the latest review of conditions in the industry by the Federation of Civil Engineering Contractors.

About 12,989 non-White workers were sacked last year as employment in the industry fell about 10 percent. Non-Whites make up 85 percent of the industry’s labour.

The industry, after reducing then eliminating overtime during the year, was forced to reduce the labour force as business continued to decline.

The review says only 10 percent of the industry reported a satisfactory inflow in the last quarter of 1976. And it tells of tenders attracting around 80 firms, bidding at prices which were at times marginal or even below cost so that staff could be retained and a certain turnover and cash flow maintained.

In the present tight market, major contractors were now tendering for small work, and also carrying out work themselves which they would previously have sublet.

Work put out to tender was mostly small to medium sized, and there were very few large tender inquiries.

All sectors

The position was generally the same in all client sectors of the industry — Government departments, public corporations, Railways, provincial administrations and the private sector. Only the total number of tenders invited by local authorities, although mainly small, was not altogether unsatisfactory.

During the last quarter of 1976, the value of awarded contracts was at its lowest level for several years:

Owing to the shortage of new work, construction activity was considerably below normal during the last few months of 1976, and capacity utilization was estimated at between 75 and 80 percent.

Conditions were very quiet in the Free State and Cape, while activity in Natal was slowing down. In the Transvaal, business was well below normal. — (Sapa)
1. The foundation of the Modoc Indian Reservation was laid in 1863 by the United States government as a result of treaty negotiations with the Modoc people. The reservation was established to provide a secure and designated area for the Modocs to live and practice their traditional ways. Over time, the reservation underwent changes as more land was added, and its boundaries were adjusted to accommodate the needs of the Modoc people and other agencies that operated within the reservation.

2. The reservation contains several sacred sites that hold cultural and spiritual significance to the Modoc people. These sites are protected and managed by the tribal government to ensure their preservation and respect. The reservation is also home to a rich biodiversity of plants and animals, including flora and fauna that are important to the Modoc cultural practices.

3. The Modoc people have a strong sense of community and pride in their heritage. The reservation plays a vital role in preserving Modoc culture, language, and traditions. Through various programs and initiatives, the tribal government works to educate the younger generation about their cultural history and the importance of maintaining their traditions.

4. The Modoc people are deeply connected to the land and the water sources within the reservation. They rely on the natural resources for sustenance and cultural practices, which underscores the significance of protecting the environment and ensuring the sustainability of these resources for future generations.
Builders warned of big slump

By KEITH ABENDROTH

The president of the Pretoria Master Builders' Association, Mr. Eric Chapman, warned in Pretoria last night that a "dangerous slump of totally unacceptable levels" was faced by the building industry.

Addressing the annual meeting of the association, Mr. Chapman said there was no indication that the country was nearing the turning point of the building decline.

"I believe that the prospects for 1977, with Black unemployment figures spiralling and general shortages of work causing cut-throat competition, could easily lead to a highly dangerous slump," he said.

Mr. Chapman, a prominent developer, pleaded for greater consideration for Blacks in the industry.

He said a review of the present industrial agreement was needed in the light of its inflationary nature "which is coupled to needless racial discrimination."

The weakest link in the present agreement was the under-utilization of Black labour," he said.

"I have come to labor the conditions under which we use Black labour," he said.

"Labour force" meant White as well as Black workers.

"It is obvious then that the Black element in the labour force is as permanent and an indispensable factor as the White labour force," said Mr. Chapman.
Building industry fights to survive

Industrial Reporter

The building industry was fighting for survival instead of providing urgently-needed buildings for all sections of the community, Mr. K. L. W. MacLeod, outgoing president of the Master Builders' and Allied Trades Association, Durban, said at the association's annual meeting last night.

He said urgent consideration had to be given to solve the housing backlog and to prevent a further rise in the level of unemployment.

"The economic ills of the industry are not of our own making and should be seen against the backdrop of world economic stresses, the high rate of inflation, balance of payments deficits and a less than satisfactory gold price.

"The dreadful spectre of large-scale unemployment is with us - in the greater Durban area 39 percent less are employed than 15 months ago," he added.

At the meeting Mr. B. L. (Bob) Stevenson was elected new president of the association. Mr. Stevenson is the chairman and managing director of R. L. Stevenson Construction South Coast (Pty.) Ltd.
Building's death rattle

"We're like farmers praying for rain...totally dependent on the economic elements." So says Building Industries Federation Director Johan Grotsius. And the elements are hardly favourable.

Nobody doubts that the building industry has its problems right now; least of all the smaller contractors battling for survival and the workers who have lost their jobs in the slump.

Nor can anyone doubt the industry's vulnerability to outside factors. Apart from the giants who can look for international work in hard times, there is little most building firms can do in the current crisis except wait for business to recover and government-initiated work to grow again.

"We've become increasingly dependent on government work," says LTA Group MD Michael Ridley. "For example, a few years ago public expenditure accounted for about 35% of our non-residential work. The figure is now over 50%.

Adds Grotsius: "We're hoping for substantial government projects spread throughout the industry. If we don't get them we're in for the law of the jungle."

For some, it's the law of the jungle already. Master Builders Association director Basie Pretorius says many contractors are working at 30% capacity and are tendering at "suicidal" prices. And the pruning of development projects is continuing. Pretorius concedes that "things don't look too promising."

Hope largely rests on one area where government spending is virtually unavoidable - low-cost housing. Says Roberts Construction MD Bill Bramwell:

"This is an obvious growth area -- particularly with the squatter problem. Wiping out the housing backlog wouldn't have a significant effect on the industry, but it would create jobs and a much-needed spin-off to ancillary industries without harming the BoP or inflation rate."

This doesn't impress the industry's pessimists, who feel Armageddon is fast approaching. Yet there is still a smattering of optimists, mostly confined to the homebuilding sector -- the part of the industry which reacts fastest to an upswing. Schachat Cullum recently predicted a pick-up in house building in mid-1977 and chairman Riley Schachat says he sticks by this.

"It's more a general feeling than a firm prediction, but we are receiving a lot of inquiries," he says. "While many are willing to buy, most can't afford to."

Wimpey Homes' Denis Cheek is more buoyant still: "We're already making more sales than expected. The building societies appear to be fairly flush and that, of course, is crucial." Wimpey has introduced a new financial package to attract custom, but he argues that this doesn't totally explain the pick-up.

The building societies are, of course, the key. "As long as they maintain the flow of funds, there will be house building activity, though standards aren't at a level to maintain a stable industry," says Grotsius.

The most recent Association of Building Societies newsletter reports a 42% drop in savings deposits during October-December compared with the same period last year. Money lent

Unfinished housing site - Grotsius (bottom right) fears the law of the jungle, but Schachat (top right) says we're out of the woods
into arrears and societies are policing repayments more tightly. But the situation hasn’t deteriorated significantly,” says Alston. “People tend to take bond repayments a lot more seriously than other credit.”

Grotius, however, points out that the gap between Industrial Council minimum wages and the going rate in the industry (and presumably other industries) is steadily narrowing. As this bites into artisans’ pay packets, loan repayment problems may increase significantly.

Pretorius pinpoints government restrictions on loans over R18 000 as a stumbling block to house building (“a normal house today costs R28 000-R30 000”). Societies are trying to get the ceiling raised, but some say that the trend towards middle-cost housing could ease the problem. Nevertheless the pinch on small and medium contractors is likely to become excruciating.

“Large firms who generally wouldn’t look at, say, R500 000 projects, are now doing so,” explains Roberts’ Bramwell. “This obviously increases pressure on smaller firms. But it needn’t be altogether a bad thing since it’s all too easy to start a construction firm in SA and it’s common for the smaller, less efficient contractors to go to the wall in a levelling off period. But we’re not just seeing that sort of levelling off — it’s a definite downswing.”

Master Builders Association is planning an approach to government in an attempt to set up a government-industry liaison committee to ensure adequate planning and an even flow of work. “It’s the only way to cushion contractors from the effects of market fluctuations,” believes Pretorius.

A sub-committee of the EAC has been set up to investigate ways of pumping money into the industry.

It’s on the unemployment front, however, that things are likely to deteriorate quickest. Amalgamated Union of Building Trade Workers general secretary Richard Beech predicts 20% artisan unemployment by year’s end: in some areas by June. This, he says, is a conservative estimate because it doesn’t include labour wastage and paid-off men taking other work. Many artisans are simply absorbed into other industries, though Grotius points out that alternative job openings are drying up.

White and Coloured unemployed also creates African unemployment — in more ways than one. As a direct result of artisan unemployment, existing exemptions allowing Africans to do semi-skilled operative work will be withdrawn on March 31 — though employers can reapply in special cases where artisans aren’t available.

This will hit contractors who have tendered for work using operative rates, increase Black bitterness, and waste money spent on training.

Worse, the steady outflow of artisans, most of whom will not return, creates immense problems when the recovery begins. “Labour has been leaving steadily for six years,” says Pretorius. “We will thus have to go into a recovery with untrained workers and will have to lay out a lot more on training.”

Says LTA’s Ridley: “First rate artisans are still in short supply — they’ll be in shorter supply when we begin to pick up.”

Perhaps the only positive sign to come out of the slump is that home builders are being forced to lower their sights and opt for more modest homes. This pleases both building societies and contractors. “We’re not having to sell the idea of smaller homes any more. People are asking for them. Obviously we prefer a large number of small contracts to one or two large ones,” says one contractor.

Or, as the Allied’s man puts it: “We’ve been on the crest of a wave for too long now. Whites simply won’t afford to live at their present standard any longer — particularly if we’re going to divert much-needed money to Black housing.”

But the question remains: How many building firms will still be in business by the end of this recession to meet the demand — even for more modest White housing — if a Black housing drive doesn’t get under way soon?

Roberts’ Bramwell — hope in mass housing

Cautions United Building Society MD Hans Hefer: “The belief that there is a shortage of funds for domestic housing is erroneous.” He says the UBS is maintaining its average monthly lending level of R25m — and will do so at least until March.

Hefer believes the situation for societies has stabilised. “We’re not out of the trough yet, but things won’t degenerate at the moment.” A spokesman for Allied says January’s inflow was down on last year’s but “wasn’t as bad as we expected. We are helped by the fact that the banks are not in the market.” Both are anxious to assure prospective loan applicants that the cash is there if they want it.

“The balmy days of 1975 are irrevocably gone,” says Association of Building Societies director David Alston, “but all is not gloom. Money is tight, but this could be to our advantage. There’s little institutional money coming in, but personal savings often tend to increase in a recession.”

The movement concedes, however, that the public is adopting a “wait and see” attitude and that its embryonic confidence could be knocked in the next few months — particularly by unexpected political factors.

Even if funds are available, is there a demand for them? And have falling living standards hit loan repayments?

Alston reports a falling off in loan applications, but says figures are not available. UBS and Allied say demand is centred mostly on loans for middle cost housing and funds for alterations and additions.

And the societies stress there is no crisis yet with bond repayments. “There has been a slight increase in people failing
Union chief warns of 'job encroachment by Blacks'

By CLIVE EMDON
Labour Correspondent

THE Amalgamated Engineering Union has warned its 28,000 White members not to be tempted by promises of higher pay in return for handing over elements of their jobs to unskilled or semi-skilled Black labour.

The general secretary of the union, Mr T. S. Neeleling, said in an editorial in the union's journal, the Metalworker, that the gradual fragmentation of artisans' jobs by giving off and allocating more responsible work to unskilled workers posed a direct threat to the future of all artisans.

He warned members of the union that tempting trained men to hand over aspects of their work by offers of increased pay “could easily be the start of a move to get you out of your job altogether.”

Mr Neeleling said the power of industrial councils appeared to be the only way of controlling employers who persisted in breaking the rules in their attempts to cut production costs at the expense of the future well-being of the union’s members.

He said a country-wide investigation by union officials had revealed cases where employers had discharged artisans and replaced them with unskilled and semi-skilled labour — mainly Black labour. This established a precedent which could spread to other industries.

The most frequent excuse given by employers for such actions were that it was Government policy to advance Blacks, he said.

But he added that employers who were saying that were not sincerely interested in the advancement of Blacks but were concerned only with increasing their profits.

He called on AEU members who were aware of fragmentation of their jobs by contraventions of employer/employee agreements to make this known to industrial councils.
MBA opens the door to blacks

By ALAN PEAT

According to MBA director Pieter Rautenbach, the Association does not expect a flood of new members to result from the opening to all race groups.

"There is," he said, "already an African MBA, and this may serve the particular interests of the African builder better than ours.

"However, we are now pleased that any builder who decides our association can provide him with a service will be eligible to join."

Talking on the subject of the recession in the industry, Stevenson pointed out that, while there was an undoubted downturn in the business, it had now found a more realistic level after the euphoric boom period from 1969 to 1972.

"This resulted in shortages of materials and aggravated the shortage of skilled labour, which increased building costs.

"With the ever-increasing population, we will require something like 22,000 dwellings annually. Although we, as builders, cannot do much about the high interest rates prevailing, we can assist by increasing our productivity and improving efficiency to reduce building costs."
CONSTRUCTION MAIL 

Come September 4/3/77

Warnings that one in five building tradesmen will soon be out of work fail to reveal the real damage done by the recession to the construction industry. It faces its worst year in a decade.

As confidence crumbles, an artisan exodus is gathering pace while ancillary industries (plant hire, ceramics and the like) are feeling a slump from which some might not recover.

Pundits who predicted upturns by New Year, March or June now face statistics showing that this year’s rock-bottom business will be followed by something not much better in 1978.

“We are now talking about things starting to pick up for us in September next year,” says Richard Beech, general secretary of the 14 500-member Amalgamated Union of Building Trade Workers.

Kees Lagaay, SA Federation of Civil Engineering Contractors’ director, says more companies are expected to experience difficulties during the next few months as the industry reaches the stage of being just not enough work to go round. Says Lagaay: “A handful of firms are getting big orders but there’s very little left for the rest.”

How little can be seen in contract figures (accounting for about 50% of construction work) being monitored at his office — November: R66m (R45m to one company); December: R44m (R21m); January: R49m (R24m); and February: R37m (R2m).

Basil Pretorius, director of the 735-member Witwatersrand Master Builders’ & Allied Trades Association, is still optimistic but admits: “The situation is serious.”

Beech notes: “We expect unemployment (in his union) at 20% by the end of the year. In some regions that figure will be reached in June.” Alarming though that sounds, some areas, according to Beech, are well on the way to the dismal target.

“Cape Town has 10% out of work and getting worse all the time,” he says. “Durban is 10%; by June it will be 15%; and at the end of this year 20%.”

Beech describes the Transvaal as “a problem” with its present 9% jobless hitting 20% by June. (The Industrial Council for the Building Industry puts the number of jobless on the Witwatersrand at only 10% — or 1%.) Brighter spots are Port Elizabeth — 7% “but expected to come down” — and Bloemfontein and Grahamstown with virtually no building unemployment.

Beech’s “conservative figures” would reveal catastrophic unemployment rates if labour wastage (running annually at 6%-8%) and paid-off men taking up other work were included. Says Beech: “Building is one of those trades where a man sees the red light and leaves to drive a bus.”

Last year an estimated 40 000 skilled, semi-skilled and unskilled men were laid off out of the 300 000 labour force. About 8 000 of these were artisans.

A similar or higher loss this year is likely to knock the bottom out of the industry which, when recovery does eventually come, will find a lot of new work teams on its hands.
Builders in desperate plight
200 artisans sacked in Durban

Own Correspondent

DURBAN—Some 200 skilled artisans in the Durban shipbuilding industry will lose their jobs at the end of April when James Brown & Hamer close their shipbuilding activities except for work in hand.

Company officials here refused to comment.

A spokesman in Johannesburg confirmed the closure and the sackings, but stressed it was temporary. The cause was the world-wide recession in the shipbuilding industry combined with the fierce competition from Japanese yards.

Although 200 skilled artisans were being sacked, and the company was trying to place them elsewhere, key men were being kept on and would be absorbed into the foundry division.

NUCLEUS.

When the recession in the shipbuilding industry ended and orders started picking up the nucleus of the key staff would be available to begin shipbuilding again.

James Brown and Hamer have only two vessels left on order. These will be delivered before the end of the year.

Although it has submitted many quotations, it has failed to secure further shipbuilding contracts.

It is just three years since the firm, one of Durban's oldest yards, had R25-million of orders on their books.

Meanwhile Defy Industries, the household appliance manufacturers, has laid off 88 African and coloured workers at its Jacobs factory.
300 workers paid off

DURBAN — Two Natal firms have retrenched staff while a third has started a four-day week.

James Brown and Hamer, a shipbuilding yard, retrenched over 200 workers — including 90 skilled artisans.

The men were laid off after a decision to close the company's shipbuilding operation temporarily because of the world shipbuilding slump.

Defy Industries has stopped the night shift in its foundry division and has paid off 100 workers.

A spokesman said the night shift had been introduced last year to catch up on the backlog of orders for cast-iron cooking pots. Orders were now up to date. He denied reports of mass redundancies.

Meanwhile, Haggie Rand Wire has reduced its operations to a four-day week.

A spokesman for the company, which makes fine wire for mattresses and staples, said they would not return to normal until the order book picked up. — EDC.
Gloomy future for the building trade

Michael Chester, Financial Editor
Still worse lies ahead for the building industry in the autumn months to mid-year, warns the Bureau for Economic Research at Stellenbosch University in a survey released today.

A grim scenario forecasts more company liquidations ahead, more shutdowns of building materials factories, more unemployment, and more skilled workers quitting the industry with no plans to return even in better times.

Longer term, signs of a revival of private investment in building construction based on a reversal in the slide of gold and foreign exchange reserves underpinned by higher exports and lower imports.

But the researchers fear the time lag will take too long to benefit the building industry in the second quarter. Indeed, the whole of 1977 may miss a revival because of the stubborn refusal of long-term interest rates to come down significantly.

BER predictions are that demand in 1977 will sag below the peak in 1973/74 by as much as 30 percent in private residential building and an even worse 48.7 percent on the private non-residential side.

In sharp contrast, demand for new public residential buildings is expected to be 52.7 percent higher. But the non-residential side in the public sector faces a 6.3 percent decline.

To make matters worse, the climb in building costs in general is expected to accelerate from 8.7 percent last year to 11 percent in 1977.

Aluminium is put at 36.5 percent higher than a year ago, cement 35.0 percent, reinforcing steel 25 percent, crushed stone 19.4 percent, and copper 16.8 percent.

And for the moment there are no indications whatever that business conditions will improve in the next three months. And the business climate is gloomier than ever.

Most factories making building materials are now running 30 percent under capacity with the labour force down 13 percent.
Some flat landlords and tenants are paying far more than they need to maintain their property because agents administering the buildings are involved in a kick-back scandal, it was claimed this week.

I was shown a photograph of a cheque sent by an electrical firm to one of Durban's leading property companies, with a covering compliment slip stating that it was for 10 percent which it sends to owners. The cheque is the payment for a commission on a bill for more than £3,000.

And a director of a large company which supplies cleaning materials to blocks of flats said that when he recently approached two senior members of the firm's group company for business, he was bluntly asked: "What's in it for you?"

The director, who does not wish to be named, said he believed his firm had lost several deals with property concerns administering large blocks of flats in the Greater Durban area because he played "business straight" and refused to have anything to do with the "kick-back system".

He believes that hundreds of thousands of rand could be involved each year. He bases this figure on simple arithmetic. If a service company does a business worth R20 a month with each of 1000 blocks of flats in the area, then the kick-back at 10 percent would be R2,000 a month, or R24,000 a year.

Assuming that the service industries involved could cover electrical equipment, air-conditioning, building repairs and maintenance, roofing, cleaning equipment, and materials, gardening services, swimming pool upkeep, plumbing and lifts - nine industries - the figure could reach R240,000 a year.

He thought this figure would be a conservative estimate, bearing in mind the number of blocks of flats in the area.

The director spelled out in detail how the agencies make money on the deals.

Dustbins

"The first step is when a caretaker sees that new equipment is needed, such as brushes or dustbins. He tells the property agent administering the building what is needed and they phone a wholesaler of janitorial supplies and place an order.

The firm willing to deliver then delivers the goods to the block of flats. I know of some cases where the bottom copy of the invoice becomes the delivery note and no price is reflected on it as the carbon paper is taken out.

The caretaker receives the goods and signs the delivery note which then goes to the property agent's office, where it becomes the invoice direct from the suppliers.

At the end of the month, the agent gets all the invoices pertaining to individual buildings and makes out statements for payment."
We're trying to build bridges too

WITH reference to the report in The Argus of March 29 concerning the allegation made by Mr. Willie Meyer, CRC member for Bontehuwei, I wish to set out the following information for your readers. We are trying just as hard as, if not harder, than Mr. Meyer to build bridges but to be effective, the bridge has to grow from firm foundations on both sides of the river.

We had five public restaurants on the showgrounds this year apart from the hamburger and hotdog stands which were open to all races. The attendance of Black and Brown people was five percent of the total attendance for the show. All catering points, space, number, crockery and cutlery were planned in conjunction with attendance figures. The catering was given out to a well-known local catering firm and all races were given the identical food and service.

The Liquor Act stipulates where and to whom strong liquor may be served. The instance which Mr. Meyer referred to in his letter does not fall under the society's jurisdiction but the "standholder concerned must comply with the provisions of the Liquor Licensing Act."

We provided facilities where all races could, under the Liquor Act, enjoy wine and spirits: the Continental Restaurant (the big Restaurant Hall). Attendance figures governed the catering as well as the liquor requirements.

Other facilities such as the arena, halls and all entertainment were available to all races without any prohibitions.

The society would welcome a meeting with Mr. Meyer to discuss and, as far as possible, resolve any points of friction, bearing in mind that the society is also required to meet certain requirements laid down by the relevant authorities.

N.C. KRÖNE
President
(Western Province Agricultural Society)
Cape Town
Labour Reporter

Employers in the Transvaal building industry have decided to appeal to the Minister of Labour for a suspension of an automatic pay increase to workers which comes next month.

But they will pay the increase while the Minister's decision is being awaited, Mr Z L "Babe" Pretorius, director of the Witwatersrand Master Builders Association, announced today.

The decision was taken yesterday after trade unions had voted twice to attend meetings of the Industrial Council for the Transvaal Building Industry and sent a letter saying they could not allow an amendment to their agreement on pay increases.

The agreement provides for half-yearly adjustments in line with the rise in the cost of living, which means an increase of more than five percent in minimum pay rates from May.

Artisans are to get an extra 12c an hour, bringing their minimum pay to R2.50 an hour, and the lowest pay rate for blacks will rise by three cents to 62c an hour.
CIVIL ENGINEERING

More cash — less work

FNL WNL 24/4/77

Expected public sector expenditure over the next two years has put a damper on any hopes civil engineers had of an early recovery.

Already strained heavy construction companies (roads, bridges, dams, sewerage) look like spending the next 18 months scratching for less work in volume terms although government and provincial budgets will be marginally higher, say SA Federation of Civil Engineering Contractors director Kees Lagaay.

The 1975 public sector spending (including Railways, Post Office, local authorities, Iscor, Escom and Home lands) of R1 147m dropped in 1976 to R1 092m. This year’s forecast suggests a climb back to R1 123m rising, according to public sector budgets, to R1 190m next year.

Lagaay’s not impressed: “You must take into account that up to 15% of each new budget is eaten away by rising costs. Even with these additions there will still be considerably less work around.”

This means Lagaay’s 200 members (accounting for about 80% of civil engineering turnover) are, far from pacing themselves for better days to come, simply hanging on for any sort of upturn.

“The government’s continued restrictive policy will mean a further decline for us over the next two years,” says Lagaay.

Expected to be hit hardest in the construction doldrums are companies specialising in one type of contract — roads, sewerage and the like.

Private sector contracts, led by a steady demand from mining houses, are cushioning the public sector slowdown but, Lagaay warns: “The duration and severity of the recession will create serious difficulties and hardship over the next few years. Contraction leads to dissipation of resources in plant and manpower.”
Building industry still battling

THE number and value of building plans passed countrywide continues to drop alarmingly and there is little to indicate, at this stage, that the building industry is emerging from the doldrums.

The value of plans passed for commercial buildings in January and February this year, for example, has dropped to R11.3-million from R37.3-million for the same two months last year.

New development of flats is also an obvious problem area with the number of developments dropping from 42 to 46.

Housing is badly down at a value of R57-million compared with last year's R92-million for the same two months.

In total the value of all plans passed in the private sector dropped in January and February this year to R137-million against R211-million for the same period last year.

This does not take into account the increased cost estimates over the year, and in reality the gap is, therefore, even wider.

The value of buildings completed in January and February this year was R147-million, which is R33-million higher than last year's figure, but relates to projects which have been on the go for some time.

The immediate future of the building industry, therefore, seems to lie more in the hands of the public sector.

For the industry's sake, let's hope Government spending in this sphere isn't cut too dramatically.
Building work has fallen off badly

Staff Reporter

PRIVATE sector building work in South Africa dropped off by more than a third this year, according to figures released by the Department of Statistics yesterday.

A survey covering about 90 per cent of South Africa found that building plans totalling only R208 300 000 were passed in the first three months this year. Building plans worth R220 500 000 were passed in the same period last year.

It represents a drop of R11,200 000 in the value of plans passed.

"We have seen a decline in building activity over several years," said yesterday.

"We have seen a decline in building activity over several years," said yesterday.

Last year, he said, the industry lost about a quarter of its labour force — 70,000 workers. In 1972 it lost about 62 per cent of its workers.

Mr. Grobela said it was difficult to say how long the slump would last. The signs were that it would get worse.

Things have improved slightly in the Cape where the Department of Community Development was spending on Coloured housing and the Department of Public Works was also building, he said.

"But we are not getting the sort of spread we need to keep the industry going."

...
Construction men scramble for contracts to survive

By TONY KOENDERMAN

MAJOR BUILDING and construction firms are tendering for big contracts at 10 to 15 per cent below cost as they scramble desperately for work in the deepening building slump.

"The tendering position has become absolutely critical," says Bernard Moyle, head of Moyle & Herd Constructions and former president of the Building Industries Federation, Bifa.

"There is a little bit of work going out, but prices are way below cost. People building now will never build as cheaply again — but in many cases they run the risk that the contractor won't finish the contract."

"Many builders want to get their next job at any cost just to pay for the last one."

Latest building statistics give little cause for comfort. Though the value of buildings completed in the first three months of the year was 21 per cent higher than in the same period of 1976 (at R31million), the value of building plans passed crashed by 37 per cent.

If you discount these figures for inflation (building costs rose by 9 per cent last year), you get an even more depressing picture.

The Stellenbosch Bureau for Economic Research, in its March building survey, said a revival of private building is unlikely during this year.

"The outlook for the next quarter is rather grim," it said. "Practically all respondents report very thin order books. Consequently it can be expected that:

• Unemployment will increase;
• More liquidations of firms will occur;
• More manufacturers of building materials will close down; and
• Skilled labour will leave the industry, seldom to come back."

The labour situation is a particularly worrying one to the industry, because when the upswing does begin, the building industry is likely to be in a very poor position to take advantage of it.

The improvement in the gold and foreign exchange reserves has great import for the building industry because it is an indicator of a recovery in demand for new private buildings at a later stage.

But the upswing will only benefit the industry if it goes hand in hand with a decline in long-term interest rates, which has not happened yet.

The increase of Government investment in buildings has masked a dramatic decline in private investment at constant prices since 1973.

If the expected decrease is maintained in 1977, the total investment will have declined by 32 per cent in the four years, and in non-residential buildings by 45 per cent since 1974.
Building industry: figures indicate worse lies ahead

Pretoria Bureau

The slump in the private building sector stands to worsen considerably according to figures just released by the Department of Statistics.

In South Africa's 15 major municipalities, the total number of building plans for the private sector approved in the first three months of this year shows a substantial 37 percent drop as against January to March last year. This points to a considerable drop in the amount of work available to construction firms in the months ahead.

In the same period, the number of residential building plans has shown a 40 percent drop. The decrease is the same in the case of non-residential buildings. Approved plans for private dwellings dropped by 32 percent in the first three months of this year against the same period last year.

However, the number of buildings completed by the private sector between January and March this year shows an increase of about 31 percent against the same period last year — indicating the backlog is being rapidly mopped up.
A bright spot in building gloom. T.
By TONY RODEN

CRANE AMEND and the home improvement business, says Bill Nichols, marketing manager of a name brand manufacturer. "While homes are still up, sales are down 26 per cent. This is mainly due to the building slump."

Nearly $1 billion was spent on additions and remodeling work during the first quarter of the year. With such a dip in sales, it's hard to see how contractors can survive the next few months. Mr. Nichols says his company has already reduced its workforce by 28 per cent and is considering more cuts. However, he remains optimistic about the future of the home improvement industry.
Row looms over building laws

DEREK SMITH: Property Editor

The 20-year effort to find a set of national building regulations for South Africa is finally erupting into an open schism between Government and the local authorities.

At the centre of the gathering storm is the SA Bureau of Standards (SABS) which has the job of finding a formula acceptable to all municipalities—a virtually impossible task.

But the SABS has tried once before to find a set of model regulations. It spent some 17 years and tens of thousands of rands drawing up a vast and complicated work for local authorities, and all but a handful turned down the offer flat.

In the Transvaal, municipal engineers had already got together to do the job themselves under the auspices of the Transvaal Association of City and Town Engineers (TACET).

That seven-year task was completed recently and the regulations are ready for formal TACET approval.

But in the meantime the Government has produced a Bill designed to force uniform building regulations on everyone—and the body which will produce those regulations is the SABS.

Will it now foist its unwanted version on unwilling local government? Or will it accept that TACET’s regulations are more realistic, having been drawn up by the men-on-the-spot who have to deal with the matter every day?

So far the SABS hasn’t committed itself. A copy of TACET’s work has been sent to Pretoria but what use will be made of it no-one knows.

What is known is that the regulations will be split into various chapters (divorcing residential regulations from commercial, for example) and that there is still a lot of work to be done.

Durban and Port Elizabeth both have men seconded to help with the job, so the voice of local government will at least be heard during the framing.

Yet municipalities still fear the Pandora’s Box of regulations which could come out at the end.

TACET itself is aware of the disadvantages of uniform regulations—it’s own efforts testify to that.

Architects and associated professionals, for example, would be helped considerably by not having to swot up differing regulations from one town to another.

Another important plus would accrue to the small municipalities which have no professionals of their own to check on standards. Uniform regulations would prove a boon.

At the same time any tendency to restrict new ideas and new techniques would be foolish and sterile.

Provision in the Bill for codes of practice is causing particular concern.

“We are very concerned about this,” TACET chairman Eric Hall told Property Mail, “because it means that the engineer-designer will not be able to make free use of his expert knowledge.”

Johannesburg itself has had to make special provision to overcome just this kind of thing and is now able to ignore its own regulations which are often years out of date.

The dilemma has been foreseen in the proposed new legislation, formally known as the National Building Regulations and Building Standards Bill.

This envisages a central authority which would allow deviations from the regulations. But this, it is feared, will cause additional delays in approving projects which incorporate anything not laid down in the regulations or the code.

Sweeping powers are conferred on the Minister to issue directives exempting owners from complying with the regulations or, alternatively, imposing new ones.

This threat of rule by directive is another major cause of concern because the authority is transferable.

“These powers look very wide indeed,” says Hall, “but we don’t know at this stage how the Minister intends to exercise them. We must assume that he will act responsibly.”

Municipal Administration magazine, which is the official journal of the Transvaal Municipal Association, among other municipal bodies, adds this comment: “As if all this were not enough, the Bill contains the threat of building directives to be issued from the Centre on what the President of the United Municipal Executive refers to as ‘just about every aspect of the building industry.’

“And that, as the UME’s Bills Committee has pointed out, will lead to legislation by circular—a most frightening bureaucratic invasion of the domain of local government.”
Builders going on 4-day week

Labour Reporter

One of South Africa's largest home-building firms, Gough Cooper, has been given permission to go on a four-day working week.

The Industrial Council for the Transvaal Building Industry has approved the request.

At the same time the employment situation for builders is serious and deteriorating rapidly.

This opinion is shared by Mr Gert Beetgo, general secretary of the White Building Workers' Union, and Mr Z L Pretorius, director of the Witwatersrand Master Builders Association.

"I know of two fairly large building firms which say they will have to shut down within three months if they don't get work now," Mr Pretorius said.

Statistics of the Transvaal Industrial Council indicate that employment dropped by almost 10 percent in the six months up to the end of May compared with the same period a year ago.

That follows a 6 percent drop the year before.

Mr J Perrott, managing director of Gough Cooper, said his company had not yet decided to go on a four-day week:

"We had only made preliminary inquiries.

He confirmed that the flood of new homes on the resale market was depressing the home-building industry."
Loan ceiling

CAPE TOWN — The Fouche Commission recommends that all ceilings on loans by building societies be lifted, with the proviso that repayments by the individual do not exceed 25 per cent of his salary.

The commission has further recommended that no bond advances be given to a person on a building where a second bond may be necessary.

The commission believes that strict enforcement of its recommendations will be "an effective brake on the trend to expensive houses."

On the question of building society mortgages, the commission feels that it will leave it to the societies themselves to decide whether they wish to implement so-called "low start" or "sliding scale" lending schemes to enable people to "grow" with the loan.

The State-assisted home buying scheme, run in conjunction with the building societies and started in 1972, will raise its maximum property valuation requirement from R25 000 to R30 000.

The commission also recommends that a 90 per cent loan be advanced which will mean that people will only have to save about R3 000 to be able to participate in the scheme.

— PC.
Cutting building costs

CAPE TOWN — The Fouche Commission has recommended ways in which building costs can be reduced.

They include uniform building standards entrenched in law, the standardisation of building materials, the rationalisation of plumbing and more realistic standards for electrical installation.

Other recommendations include more modest roof, wall, ceiling and floor finishing, optimum use of labour, greater economy in building design, thoughtful application of standards and modular coordination and the elimination of unnecessary losses and waste of material.

The commission feels the various bodies concerned with standards and building operations in South Africa must be represented in a "launching" committee.

On building materials, the commission also felt the relevant authorities must keep an eye on the development of monopolistic conditions, even in the case of bricks, which may be increasing prices. — PC.
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From bad...to worse? S. Tribune 22/4/77

PROPERTY REPORTER

Building industry activity has slumped to an all-time low and could deteriorate further if there is no swift improvement in the economic climate.

"The prolonged recession," says leading Pretoria builder Willem Bester, "has resulted in most contractors operating at a lower level, while many of the smaller contractors are either forced into redundancy or the insolvency courts."

Artisans, he adds, are leaving the building industry "in droves."

And things are likely to get worse before they get better. Widespread expectations of another sharp fall-off in future building activity are reinforced by the latest Department of Statistics figures.

These show that private sector plans passed by the country's 18 major municipalities and 59 urban area authorities slumped by a hefty 37 percent during the first quarter of this year compared to the number of plans approved during the first three months of 1976.

Another indication of contracting activity is the increasing level of unemployment in the industry. Builders estimate that between 40 000 and 50 000 workers, about 15 percent of the industry's total registered labour force of 305 000, were retrenched last year.

Bester predicts a housing crisis after the economy recovers unless the industry gears itself now to meet the expected increase in demand.
Natal builders pessimistic

Financial Editor

NATAL builders, sub-contractors and builders' merchants are extremely pessimistic about prevailing and expected business conditions, according to the latest building survey from the Bureau for Economic Research at Stellenbosch.

The Bureau says that the degree of pessimism has increased in Natal since its last survey.

The reasons were obvious. There had been a decline in the value of work completed, competition in tendering had increased, there had been a widespread rise in material prices and the cost of labour had gone up.

On the other hand, no serious bottlenecks had been reported in Natal with the exception of rent control and a lack of building loan funds.

Problems with finance had, in the past, stilled building activity and led to a drop in the demand for new buildings.

Referring to the overall picture of the industry, the Bureau says that the trough has not yet been reached in the private sector, but, in the public sector, the trough should occur this year.

Meanwhile, vacant office and shopping space had increased and, even where some rent controlled flats were standing empty.

An economic recovery and net immigration should eliminate this oversupply. However, prospects for the winter quarter are poor.
9. EXECUTIVE

Road safety research: a reply to AA

Mercury Reporter

PIETERMARITZBURG — The research committee of the National Road Safety Council already amounted to R400 000 for the current financial year, the director of the council, Mr. E. A. Uken, said in a press statement yesterday.

He was responding to an appeal by the president of the Automobile Association, Mr. W. G. Anderson, that the council spend more on research.

"This current figure is, in fact, virtually double the amount raised by all AA members in the form of road-safety levy. What would be left of the other project priorities if we took Mr. Anderson's idea seriously" he asked.

Mr. Uken said an enlarged research programme would not provide an instant solution to the council's problems.

This could rather be achieved by straightening out the legal machinery, supplying traffic officers with the necessary technical aids and legal powers, implementing anti-alcohol counter-measures and introducing more meaningful driver-tests.

The "biggest" problem, of course, to implement all these priorities, he added.

Yearling sale record

Mercury Reporter

PIETERMARITZBURG — Another record was set at the sale of yearlings and other bloodstock which ended here yesterday when sales topped R257 900.

The sales were down on previous years with a total of only 164 horses being sold over the two-day sale organised by the Royal Agricultural Society of Natal.

The record, however, is attributed to the record sum of R28 000 being paid for the yearling, Take Flight.

The last record amount at the annual sale was R229 826, achieved in 1974.

(h) Any vacancies occurring during the year from among the office bearers of the Organisation, or among....
Hope glimmers, but building to go lower

By CHRIS CAIRNCROSS
Industrial Editor

WEAK signals are emerging that could herald an improvement for the building industry. But there are few signs worth mentioning that the building slump has reached the bottom of the trough, or that a turning point will be reached in 1977.

This is the conclusion of the University of Stellenbosch's Bureau for Economic Research in its survey of business conditions in the building industry.

The bureau says the first significant points of an upswing in building activity, particularly in the private sector, are the improvements in the current account of the balance of payments and the gold and foreign exchange reserves.

"Although these indicators clearly signal an approaching upswing, it should be taken into account that these signals usually lead private investment in housing by six to nine months, and that in non-residential buildings by 12 to 20 months."

Inflation, which is being fuelled by hikes in administered prices, has probably become the greatest stumbling block to economic recovery.

"If the desperate situation of the building industry, the furniture industry, the car industry and the traumatic effects these are having on employment are taken into consideration, it becomes obvious that a restrictive monetary and fiscal policy to combat inflation cannot be afforded much longer."

It is, therefore, imperative that all Government action(s) to combat inflation be co-ordinated.

The bureau forecasts that business conditions in the building industry will "remain extremely poor" in the quarter to the end of August. All indicators point to the possibility that the current declining trend in building activity will continue.

There is still no sign that the turning point has been reached, or that it will be reached in 1977, in demand from the private sector.

A reasonably constant rate of growth is expected in the State sector, and may even accelerate in the remainder of the 1976s.

Regarding public investment in non-residential buildings, the bureau says 1977 will probably be seen as the lowest point on the graph.

"An alarming feature of the private building market is the large number of vacant offices, shops and more recently even flats and houses."

"Indeed, reports are received of vacant rent controlled flats," it adds.

The bureau speculates that unemployment and smaller real incomes are to blame, forcing an increasing number of families to double-up.

"If this is so, the surplus residential buildings will probably be quickly occupied at an early stage of the next upswing and the fact that they are currently vacant should cause no undue concern. The same principle will probably also hold good for the surplus office and shopping space."

A disconcerting feature of the building industry revealed in the survey is the rapid and continued increase in costs.

The wholesale price of building materials is increasing at an average rate of 16% a year, which will at least, be maintained until the industry moves into an upswing.

The costs of building machinery and equipment have also begun to accelerate again, and prices have already risen by more than 10%.

Manufacturers of building materials appear to be in the worst state of all, the main reason being that they have higher fixed costs than other groups, such as building contractors, and are feeling the pinch of rising labour costs and prices of raw materials in a depressed market.

Whereas production costs for this group have risen by an average 17% in the last year, selling prices climbed 14%. It would, therefore, appear that manufacturers will have to pay even closer attention to their cash flow than before to avoid liquidity problems.
economies of scale are possible beyond those achieved by the two separate firms, so that for any given level of marginal cost its output will be twice that of each of the two firms. The relevant demand curve is now DD and it can be shown that dd then becomes the marginal revenue curve of the monopoly - i.e., with a straight line demand curve (= average revenue curve), the marginal revenue curve lies halfway between the average revenue curve and the vertical axis.

But since the duopolists' marginal revenue curve was also halfway between dd and the vertical axis, $K'$ will cut dd at a point (S) which is at the same height above the horizontal axis as point N. Similarly point Q which shows the price at which the monopolist sells his output will be at the same height as point P, and OM is twice OM.

(b) ASSUME NON-IDENTICAL COST CURVES.

Explaination of how PRICE LEADERSHIP could arise by LOW-COST producer.

Firm A would like to obtain the most profitable output for itself, that is, of course, prevails, price. In our diagram, the price is shown at point D. If this was not so, then business and firm B would lose money.

Our generalized conclusion is that price will be fixed at the monopolized level which equates marginal revenue for all the firms in the industry to marginal cost, the rest must conform to this price. Price P', the most efficient firm (which becomes price leader) will sell at this price, but the most inefficient firm will be compelled to cease operation. Perfect oligopoly the marginal cost and marginal revenue are identical, or at the price, price for the most firms, setting a price to which all will conform.

2. PRICE LEADERSHIP - IN OLIGOPOLY

Assumptions here are that other firms accept this dominant firm as Price Leader and become themselves Price Takers, as in pure competition.

In the following diagram D is the market demand curve for the product. Since each small firm accepts the price as established by the dominant firm, we can establish a short-run supply curve for the small firms, just as we did in the purely competitive model. We can sum horizontally the marginal cost curves of the small firms (assume that input supplies are perfectly elastic). This is indicated by ZMC in the figure and is a short-run supply curve showing how much all the small firms, working together, will place on the market at each possible price.
Building plans decline points to the worst

By CHRIS CAIRNCROSS

Industrial Editor

THE EXTENT to which activity in the building industry has still to deteriorate is shown by figures from the Department of Statistics on proposed investment in buildings.

Building plans passed between January and May this year have declined by 33% on the comparable period in 1978. The total is R358 300 000 (R587 000 000 in 1978).

Given that building costs have risen by at least 14% in the past year, the real volume of work that is likely to come to hand will reflect an even greater decline, even excluding the possibility that some of this proposed investment may be deferred or cancelled.

The figures, which reflect conditions in about 90% of South Africa, may still not go far enough in providing an indication of the deepness of the trough into which the building sector is sinking.

The decline in new investment proposals is more marked in residential building, where the value of plans passed in the first five months of 1977 has dropped by more than 40% on the comparable period in 1978.

Plans passed total R159 100 000, compared with R277 800 000 in the first five months of 1976.

Value of plans passed for non-residential buildings has declined by 35.5%, from R138 400 000 in 1976 to R89 600 000 this year.

On this evidence, unemployment in this sector is bound to increase, confirming the forecasts made recently by the University of Stellenbosch Bureau for Economic Research.

The improvements in the current account of the balance of payments and the gold and foreign exchange reserves, although offering some hope that conditions for this sector may turn around, are still too weak to encourage builders.

The flow of funds to the building society movement reflects much the same latitude.

The Association of Building Societies director, Mr David Alston, says that since April — the start of the financial year — the inflow of funds appears to be maintaining roughly the same levels as in 1976.

The total in April, May and June, 1978, was about R82—million, and R85-million was invested in April and May this year.

"It looks as though the inflow is probably at about the same level," says Mr Alston.

On the other hand, the demand for loans is slightly down on last year. For the three months from April last year the outflow was about R228-million.

For April and May this year the outflow was about R194-million.

Mr Alston expects a fall both in the inflow of funds and the demand for bonds in the latter half of the year. The former because of the introduction of Defence Bonds, the R125-million extra that has to be invested in Government-stock, and the new Treasury Bonds.

The building society movement is concerned that notwithstanding the lower levels of demand for bonds, there will still not be sufficient funds available to satisfy requirements, particularly for bonds above R18 000.
CONTRACT GIVEN FOR BRIDGE

Mercury Reporter

PIETERMARITZBURG—A R190 000 contract has been awarded for the
construction of a bridge over the Mhlatazi River, Zululand, which was
washed away in floods earlier this year.

The bridge, on a district road in the
Nkwалeni Valley, was
replaced by a temporary
causeway which proved
unsatisfactory in wet
weather.

Also included in the
contract is repair work
to the Umful River
bridge on the Empangeni-
Nkwалeni road.

Although the bridge
was temporarily
repaired, and is in use,
permanent repairs are
necessary before the
next rainy season.

Traffic will be incon-
venient to an extent
during the repair work
but the road is not
expected to be closed.

The contract has been
awarded to Bressan
Construction and is for a
12-month period.
availability of domestic and foreign interest rates and credit will influence the demands for and supplies of foreign capital.

A further influence on the money base, again ceteris paribus, is the government's fiscal deficit. The difference, over any period of time, between government spending and tax revenues requires financing. One such method of finance is via money base creation. This can take place in the form of decreases in the Treasury overdraft or increases in the money base. The Reserve Bank, over time, can alter the composition of its balance sheet by either increasing or decreasing the Treasury, overdraft, and reserves. An increase in Treasury overdraft and reserves will, ceteris paribus, reduce the Reserve Bank's holdings of government securities, which in turn will reduce the public sector's spending or increase its saving. The authorities appear to have particularly concerned themselves with the size of the fiscal deficit when the balance of payments has been unsatisfactory. Correcting the balance of payments has been seen to require increases in interest rates and also increases in government revenues relative to expenditure. A very good illustration of this process of adjustment is to be found in a detailed examination of monetary developments between 1975 and 1976. The fiscal deficit was officially recognised to be stimulating credit creation by the banks and therefore was adversely affecting the balance of payments. The balance of payments had become a prime objective of monetary and fiscal policy and this, in turn, demanded a more conservative fiscal policy. This indicates that fiscal and monetary policy cannot be regarded as independent of each other. Nor can they be seen as independent of the balance of payments.

--The--
Outlook for builders is still dismal

THE LATEST figures on proposed investment in buildings prepared by the department of statistics provides an indication of the expected further decline in building activity.

Building plans passed between January and May this year are down from R526m in the same period last year to R358m.

Allowing for a 14 percent increase in building costs the real volume of work that is likely to come to hand will reflect an even greater decline, even excluding the possibility that some of this proposed investment may be deferred or cancelled.

To continue in this dismal vein the figures, which reflect conditions over the large part of South Africa, may still not go far enough to provide some indication of the depth of the trough the building sector is sinking into.

The decline in new investment for this sector may turn around, are still too weak to lift the building fraternity out of the gloom.

The flow of funds to the building society movement reflects much the same level of lastitude.

Mr. David Alston, director of the Association of Building Societies, says that since April – the start of the financial year – the inflow of funds appears to be maintaining roughly the same levels experienced in 1976.

“The demand for loans is slightly down on last year. For the three months from April last year the outflow amounted to about R228-million (R76m), for April and May this year the outflow amounted to about R150-million, R70m a month.”

Mr. Alston is expecting a fall off both in the inflow of funds and the demand for bonds in the latter half of the year. The former, because of the introduction of the defence bonds, the R120-million extra that has to be invested in government stock, and the new treasury bonds.

The building society movement is concerned that notwithstanding the lower levels of demand for bonds, there will still not be sufficient funds available in building societies to satisfy requirements, particularly for bonds above R18 000."
Frugal times in America

Low-cost housing is the vogue

GRAHAM FIFORD

AMERICA has always been regarded as an opulent nation where people live in large homes, with two or more motor cars per family, the latest colour television set and all mod cons.

But all this is changing. There is growing evidence of a more frugal America: a country learning to cope with the problems of inflation, the energy crisis and a burgeoning population.

America is now one of the world leaders in the field of low-cost housing for the middle-income group.

They have pioneered labour and cost-saving innovations in the construction of their homes that South Africa, a country determined to trim the lavish standards of its White housing, could well adopt.

Mr. Gordon Chapman, a director of the Natal Building Society and chairman of the NBS Development Company, who has just returned from a study tour of the United States, says:

"Ideally the average American would like to live in a detached home with its own garden. But he can't afford it and he's being forced by economics to accept higher density living."

For the middle-income group this usually means setting up a condominium - similar to our sectional title cluster of group housing schemes - where "the occupants can enjoy a reasonable measure of privacy, the kids can have their own garden and even the dog can grow his pines."

In addition to the savings in the cost of land and services by going to higher densities, the Americans have also made savings in the actual method of construction.

Many of the units, says Mr. Chapman, have particle board for internal walls, moulded plastic bathroom, complete with bath, basin and plastic tiling, that literally "drop" into place and others are built almost entirely of wood.

"Their internal walls are very similar to what we know in this country as dry wall partitioning. They have a preprinted plastered appearance or are wall papered. They are supported by light weight metal clips and are hoisted into position on the building site."

Of all the innovations Mr. Chapman was most impressed with the moulded plastic bathrooms. They came complete with bath, basin and matching plastic tiling. They were easy to handle and install - just "dropped" into place and connected to the plumbing.

"They're not as nice as the normal tiled bathroom but then again they are perfectly acceptable to buyers."

The Americans made other savings too.

"The traditional South African home has one or two servants' rooms and a single or double garage. Middle income Americans don't have servants and in most cases there are garages or no cover for cars at all."

"In some cluster schemes there are no fences between the houses or along the verges. This creates the feeling of spaciousness."

All-timber condominium houses in Miami, Florida. There are 30 units to each hectare. Note the open parking lots.

"A tremendous amount of all-timber homes are built and find acceptance among buyers, but their timber is of a much higher quality than ours."

Mr. Chapman said that condominium developments often had day care centres for children, swimming pools, tennis courts and communal recreation areas. "They can make use of these facilities by spreading the cost much more easily than if they tried to purchase them individually."

In some cases developers threw in essential household items such as stoves, fridges, and washing machines the cost of which was added to the borrower's mortgage. This could not be done in South Africa because of our different financing policies.

Savings and loan institutions had no hesitation in financing condominium developments. Officials told Mr. Chapman that they were perfectly acceptable to lend on and the problems involved were minimal.

"I think we can learn a lot from what the Americans are doing," said Mr. Chapman. "Provided local manufacturers are prepared to follow their lead and developers can get the cooperation of the authorities, I imagine big savings can be made in home building."

"South Africans have already started to think of economy in home building. The trend just needs a little pushing along to help it gain momentum."
Road contract

PIETERMARITZBURG.

The main road to the Cape and Transkei from the Natal Midlands will be streamlined even further with the building of a by-pass at Richmond at a cost of R23 million.

Tenders were called for in the Provincial Gazette yesterday for the 5.o mile road. The 24-month contract includes 7km of sand seal road. Tenders close on August 28.
DEWAR, intram

DICK, E

SECURITY AND THE BUILDING SOCIETY LINE

DOSTAL, psychol

Current

DOWDE, BUILDING societies were not responsible for providing security measures at agencies as the societies did not appoint or have any control over staffs employed by the agencies.

Building societies were responsible for branches and sub-branches, where the staffs were building society employees, according to a spokesman of the South African Building Society Officers' Association — the official body of building society employees.

"Provision is made on the premises of shopkeepers, chemists and other commercial enterprises for a building society agency which is staffed by people appointed by the agent.

The spokesman said the association was satisfied with steps that had and were being taken by the building societies to tighten up security at branches and sub-branches.

"Naturally the measures cannot be made public," he said. "Staff follow certain security procedures in a hold-up and are advised not to attempt any heroics."

The Mercury Reporter

A protein from the Canavalia virosa bush of call surface abnormalities in cancer. Find of the rate of secretion of an enzyme by compounds in the body which mimic the effects be responsible for the psychological states of opium of sleep.

"Provision used by the 'Kung Bushmen of North Western the org from a beetle.

Ellis, responsible for penetration of the skin by harziaz.

Squatte, bios.

Relations among problems in the Western Cape (UPRU) including general.

Development problems, particularly inter-

life, the concept and how it can be measured.
EAST LONDON — The approach roads to the new Buffalo River Bridge are to cost an extra R150 000.

The extra money is to pay for geological faults in the rock formation which were not apparent at the beginning of the contract, although a geologist was employed to study the route of the road.

Deep fissures have been discovered in the rocks that form the basis of the approach roads and these will have to be filled before the road can be completed said the councillor in charge of works, Mr. J. Orpen. — DDR.
Council shelves road project

EAST LONDON — The council's decision to reconstruct Lukin Road from where it joins the new Pearce Street to Oxford Street has been shelved, pending a further report.

It was originally estimated that the cost of the project would be about R300 000, but the actual cost was quoted at R653 000.

The councillor in charge of works, Mr J Orpen, said although Lukin Road would be eligible for provincial subsidy, it was felt that the reconstruction would be too costly and the city engineer's department had been asked for a further report on the road.

At the council's monthly meeting, it was agreed that the approval of the provincial roads engineer be obtained for the loan authority of R983 000 for the North-East Expressway.

Mr Orpen said although planning for stage three of the expressway had been stopped, R500 000 was needed to pay for various fees in this stage and also for acquiring any properties that would eventually be needed for the third stage of the expressway.

— DDR.
The Way opens today

EAST LONDON — Settlers Way will be opened to the old Buffalo River bridge from about midday today.

The road between the old bridge and Settlers Way has been closed to traffic since May last year and motorists going to the West Bank industrial area, Greenfields and the airport have had to take a roundabout route.

The city's engineers department planned to open a single carriageway of the new Buffalo Bridge approach roads and Nuffield Road this weekend, but a spokesman said the finishing touches had gone smoothly and the road would be ready by about midday today. — DDR.
Finance Reporter

ACROW Engineers (Pty.) Ltd. this week completed a R300 000 development at Westmead in defiance of a crippling recession in the building industry.

The new development will provide employment for an additional 40 men. Acrow are manufacturers and suppliers of plant for building and civil engineering, as well as formwork, scaffolding and support systems. All the plant is manufactured at Acrow's depot in Vanderbijl Park.

The Westmead project was carried out in conjunction with an Acrow subsidiary, Coles S.A. (Pty) Ltd., suppliers of mobile cranes.

Westmead is not the only project undertaken by the company in the past two years. They have recently moved into a new branch in Dricksdorp in Germiston, which was built at the cost of R4 million.

A new head office has also been built at Randburg in the Transvaal. In addition a sub-

branch has been established at Ladysmith, which will now be controlled from Westmead.

Explaining the company's continued expansion, Mr. Jan van Tonder, Acrow's deputy managing director, said his company had faith in the future of the country. "There will be an upturn in the economy and we want to be there when it happens. I think a lot of people are going to be caught with their pants down when it does and we don't want this to happen to us."

Acrow's parent company operates worldwide and is based in Britain.

The company is presently one of the biggest suppliers of construction equipment in Europe and is number 58 in Britain's export ratings. Acrow started its South African operation in 1948.
Settlers Way to re-open

EAST LONDON — People working or living on the West Bank will be able to use Settlers Way again after the end of this month — weather permitting.

The Chief City Engineer, Mr. G. B. Kepple, said yesterday it was hoped to open one carriage way of the western approach to the new Buffalo River Bridge and the newly constructed section between the old bridge and Settlers Way on the weekend of July 30 and 31, provided the good weather held and there was no breakdown in plant.

Motorists have been forced to use the roundabout route to the airport, Greenfields and Sunnyridge since May last year when the start was made to the western road of the new bridge.

The new Buffalo River Bridge is expected to be open near the end of the year. — DDR
Contractors sell themselves short on labour

By Chris Cairncross
Industrial Editor

Engineering contractors finding it difficult to survive in today’s tough environment of competitive tendering can probably direct some of the blame on themselves for not making proper use of labour.

This shortcoming appears to be fairly widespread in the construction industry.

The Federation of Engineering Contractors warns that a concerted effort from management down to foreman is required to gear up this essential element of the industry’s operations.

The federation says this is particularly necessary when contract prices leave no margin for inefficient use of labour.

The contracting industry has, since 1973, raised the minimum wage level by more than 100%.

Regrettably, while it has been a laudable effort to help employees counter inflation, it has not been matched by an improvement in productivity.

The federation says the result is that, through a significant rise in its cost structure, the industry is contributing to the inflationary spiral.

The wage increases have frequently led to higher absenteeism, which the federation says is a not altogether surprising consequence of a labour force which has not yet become accustomed to adjusting its spending and leisure patterns to more comfortable financial circumstances.

It warns that it is very well spending a great deal of effort in improving the skills of the workforce through training programmes, and coupling this effort with a wage increase incentive.

But if this is not justified by making better use of skilled workmen, then the consequence is merely to boost construction costs, with a decline in competitiveness.

"The industry’s output per employee record is still disappointing and on similar work far more labour is employed than in more developed countries," says the federation.
Builders face monopolies test

DEREK SMITH: Property Editor

The building industry is breathing a provisional sigh of relief.

First impressions of the recently-published report of the Commission of Inquiry into the monopoly laws are that builders will be unaffected.

And for an industry which suffered the indignity of a Board of Trade inquiry only a few years ago, an unchanged situation should be good enough.

An agreement with the Minister of Economic Affairs has been in operation since shortly after the publication of the Board of Trade report.

The Building Industries' Federation (Bifsa) itself admits that it was apprehensive about the latest probe.

"We had some misgivings," Bifsa Director Johann Grothus tells Property Mail, "that the new investigation would tend to upset the arrangement we already have with the Minister."

"Having studied the report, however, we do not think there is anything in it which is likely to alter the existing situation."

The commission has recommended the establishment of a new body, the Monopolies Board, which could take a further look at the industry. But there is no certainty that the board will be appointed or even that the commission's recommendations are acceptable to the Minister.

One of the complaints against the building industry at the time of the Board of Trade inquiry concerned Bifsa's rules on the method of employment of subcontractors.

The tendency to form consortiums or "economic power concentrations" has also come in for close scrutiny.

Some matters of concern it placed before the commission were:

• The tendency for the profit motive to fall into disrepute.
• The danger that this

kind of thinking would creep into any new legislation flowing from the commission's report.

• The attitude of public bodies which argued that they could cut costs by doing away with the need for profit, Bifsa says it has proved that this argument is fallacious.

• The restrictive practices applied by the State itself in the form of work (job) reservation and other provisions such as the Bantu Building Workers' Act.

• The tendency for State-assisted corporations to extend their activities into other fields while enjoying State backing, and thus competing unfairly with private enterprise.

• The criticism of "economic power concentrations." These were often needed to tackle super-size contracts.

• The need to create an economic climate which would ensure a steady flow of building work and thus create healthy competition in the industry.

Now that the Commission has reported, Bifsa sees the recommendations as aiming only at "streamlining and improving current procedures."

The Commission, the Federation feels, wants the private sector to be encouraged to generate profits to create job opportunities and develop available resources to a maximum.

The public sector should be seen to offer support.

In more general terms, the Commission wants to widen the definition of a monopolistic condition.

At the same time, the way Bifsa sees it, the intention has not been to condemn the "concentration of economic power" which was the cause of some concern. It has been recommended, however, that a Merger Tribunal should be set up to look at takeovers.

This would be in addition to the Monopolies Board which could initiate its own investigations as well as acting on complaints.

Bifsa, while not generally favouring additional controlling bodies, is supporting the idea of this one —confident that at this stage it will not itself become a subject of investigation.
EAST LONDON — The city council, faced with the widening of the Coloured Management Committee's road, before pressing ahead with the reconstruction of Beaconsfield Road.

Mr. Kepple agreed that this would happen, but he said once that section of the North-West Expressway was completed, the traffic would be diverted back onto the new expressway.

Mr. Kepple explained that besides the cost of a flyover and underpass, this would be virtually impossible without knocking down part of the local schools that are on both sides of St. John's Road and to have just a flyover would mean there would be no connection from St. John's Road to the bus stop area and the West Bank except via Oxford Street which already carries heavy traffic.

"I want to point out that the crossing will be of high standard with traffic lights," said Mr. Kepple.

Both Mr. Kepple and Mr. Orpen agreed that it would be difficult to provide an alternative for pedestrians.

That is a good idea and definitely worth investigating," said Mr. Orpen.

But while the council sees the reconstruction of Beaconsfield Road as essential to the city's road system, the CMF believes people will die at the crossing.

The chairman of the CMF, Mr. P. Mopp, said the road would be a danger to the people of Parkside.

"St. John's Road is bad at the best of times. The bridge is often flooded and there is no other way the people of Parkside can get to the city and to work. There are few people...mainly pedestrians, use the road every day and with a heavy increase of traffic at the mouth of the bridge, there is going to be chaos.

"The council has agreed to put up traffic lights, but they are not the answer. Inevitably people, including small children, will cross against the lights and someone will get killed," said Mr. Mopp.

Mr. Mopp said, "Because St. John's Road was on a steep gradient, there would be numerous small bumps as cars stopped at the traffic lights and then rolled forward or back.

"We don't want this road; but if we must have it, then surely the experts can come up with a solution to protect our people and the authorities must not come up with the excuse of cost — there is no cost when it comes to human life.

"The councillor in charge of Coloured and Indian affairs, Mr. G. J. Card, said that the Beaconsfield Road reconstruction was only a by-pass road and would only carry heavy traffic while the North-West Expressway was being constructed.

"What the Parkside people fear is the amount of traffic on the road, but the traffic will not be heavy until the new expressway is being constructed, and I'm afraid we all have to put up with this for as long as they are. Once that section of the expressway is completed, then the traffic will be diverted off Beaconsfield Road once again.

"Mr. Card said the crossing would be less dangerous than the present crossing at the St. John's Road and Beaconsfield Road intersection.

"The CMF does not complain about the present set up, but it is dangerous to the people who live in the area.

"The Beaconsfield Road reconstruction will take another 14 months to complete, but municipal officials would not commit themselves as to when construction on the new expressway would begin, but they seemed to hope it would start within the next four years.

"The Mdantsane access road (the so-called black road) is still not complete and it will take at least another two years to finish it."

The manager of the Ciskei Transport Corporation, Mr. H. Kaiser, said it was still too soon to make any decisions on the routing of buses.

"When Beaconsfield Road is closed, for the new expressway, then we will be forced to use the Beaconsfield Road route with all other traffic, but once the expressway is reopened, our routing will depend on passenger demand, in collaboration with the city council and the Road Transportation Board."

Mr. Kaiser said once the Mdantsane access road was completed, most of the Mdantsane bus routes would use this route because of the time saving. — DDR.
CMC says new road a death trap

EAST LONDON — The East London People's Organisation (ELPO) has given up the question of the new road across the mouth of the Parkside Community Centre.

This decision was taken at the civic organisation's monthly meeting in the Parkside Community Centre.

It was also decided to draw up a petition which would be signed by all those of 18 years of age or over in objection against the road.

MR A. Green, a former teacher, said the ELPO executive should also call on the executive of the East London Indian Association to support them in their fight against the proposed road.

Another teacher, Mr. P. A. Green, said if the road were built, it would be the Coloured community's inheritance. The area's idea of temporary means permanent.

Several motorists said numerous difficulties are experienced by them at present during peak hours at the bridge and the creation of another highway past the mouth of the bridge is going to cause havoc there.

There will be serious accidents at that particular point and the city council will be blamed for that, build a flyover instead of a bridge crossing which will be a "death trap" across the mouth of the Parkside bridge.

This call was made by the community leaders and residents of the Coloured community to the East London City Council who are going ahead with building of a new road across the mouth of the Parkside bridge at the bottom of St Johns Road.

The chairman of the Coloured Management Committee, Mr. P. Mopp, said the council planned the new road in 1974 but only told the CMC of it in May this year.

"Why were we not consulted at any stage of the project?" Mr. Mopp said.

Mr. Mopp said the council could have given us our views and made suggestions on how to alleviate the situation we see will happen after this road has been constructed.

The town planning department was not interested in our views.

"It has never been proved that traffic signals on a highway are a complete success to prevent the dangers we visualise.

"It has now become imperative that an alternative route out of the Coloured area should be investigated," Mr. Mopp said.

"Hundreds of thousands of rands are being unnecessarily spent to keep the city centre free from "black traffic," Mr. Mopp said.

The vice-chairman of the CMC, Mr. J. H. Nash, said the council had run true to form once more.

"When it comes to matters that are important to the Coloured community and in conflict with their wishes, the CMC which is their only contact with the council, is conveniently sidestepped or ignored.

"When the CMC was first told of this proposed new road we strongly objected to having a level crossing running slap across the mouth of the Parkside bridge.

"We questioned the possibility of a flyover crossing the existing road leading to the Coloured area. Mr. R. B. Reed, of the City's Engineer's Department, promised to investigate the matter and report back to us.

"Nothing was reported back to us and now we suddenly find that the contractors are going ahead with the construction of the proposed new road.

Mr. Nash said although at one stage it had been intended to build an "A" bridge, a fly-over would prove costly, he felt that nothing was too-costly to save human lives.

"It was Government policy to create places like Parkside, so why must we now suffer as a result of that. Time and again we have to accept what has already been decided for us without the opportunity to have a say on what we believe is good for us," he said.

Mr. Nash said there was no necessity for the provision of a back-door entrance for the Coloured community into town.

He called upon the ratepayers of East London to demand from the city council why they should provide for a road which was unnecessary and why they should pay for a road which would be to the detriment of the Coloured community.

He called on the council to be more realistic in its approach without causing racial friction and to respect the wishes of the people.

A former chairman of the former Parkside Tenants Committee, Mr. P. Mopp, of Genadendal Road, said the city council's engineers who planned the road erred by not consulting civic leaders before finalising their plans.

"It has always been our request to council since the early 40's when I served on civic committees like the former Coloured and European Joint Council, to consult with us when it comes to delicate matters like these.

"We are getting fed up with engineers going ahead with plans of this nature which affects us and then at a later stage they tell us it is too late to change them," Mr. Mopp said.

"Any of these engineers or council members who are ever bothered to come and see for themselves what happens on the bridge during peak hours before they embarked on this project?" Mr. Nash asked.

A few years ago they were even prepared to demolish 30 homes in Parkside in spite of the acute housing shortage to make way for a flyover road they wanted to build.

Mr. Nash said the council made up its mind after the residents objected to the idea and the road across the new Buffelstroom Bridge was changed to where it is now situated at the Queens Park.

Mr. Nash said he had been told the council was asked to rebuild a footbridge for pedestrians that should be built over the highway.

A spokesman on site for the firm building the road said the road would take 14 months to complete. He said said a matter what happened, nothing could be done at this stage to stop the road resented.

He said the road would only be extended as far as the intersection of the Mangaung and Plumber Streets Street in Bretteny. — DDB

Parkside road row: petition to be drawn up

A map showing the disputed crossing (circled) and Beaconsfield Road which will act as a by-pass during the construction of the North-West Expressway.

Taxis from Parkside come over the bridge at the new crossing.
Safety ideas at Ideal Home Show

THE EMPHASIS at this year's Rand Daily Mail Ideal Home Show exhibition to be held at Alberton in November will be placed on houses for first-time owners, according to Mr. W. B. Louis, chairman of the Ideal Homes Committee.

The 1977 exhibition is the eleventh in the series and is the first one to be held South of Johannesburg.

"Exhibitors will be of relevance to first-time owners and young families," he said.

In spite of the recent economic recession, design advances will also feature in the exhibition and among the entries is a home with the latest safety devices such as skidproof carpeting and fittings that have no dangerous edges.

A lift home which makes use of roof space increasing the living area considerably at little extra cost will also be on display.

Outdoor living and open-plan contact between the housewife and the family is a feature among the designs being exhibited.

Building plans for Westville

THE Western Town Council has approved building plans valued at R772 400 in the borough for the months of May and June this year. Plans valued at R461 000 were approved in May and R327 150 in June.

ACROW Engineers have recently completed a new R700 000 development project Westmead in conjunction with their subsidiary Acroval S.A. (Pty) Ltd. The site was officially opened by Acrow Engineers chairman, Mr. W. A. De Vliger, who flew out from Britain for the occasion.

An instant house in eight hours

IT’S HERE at last — a house that can be put up for yourself with the help of a few friends in only eight hours. The latest innovation in quick building, the glass-reinforced cement house, was shown for the first time recently at the Montecasino Show.

A truck loaded with materials arrived at the showroom at 11.30 a.m. A supervisor and four workers started work and by 3.30 p.m. the house was complete with roof tiles.

"This new form of instant housing, which enjoys high thermal insulation and fire ratings, is being tested as the answer to South Africa’s low-cost housing problems.

The four-walled shell of the basic house is made of forms skins with 80 mm of glass reinforced cement fibre. Windows and door frames are moulded into the panels. The windows are fixed with the wall inside and braced on the outside to allow the rain water to flow away.

The interior walls can be built of any material and arranged to suit the occupant. Ceilings are of asbestos fixed to light weight roof trusses and the roof tiles are standard semi-floating.

A glass-reinforced cement house, with a floor area of 35 square metres, built by Polyhouse (Pty) Ltd. costs R2 500 to erect. The company also makes a self-standing garage out of similar material.

Appointment

Mr. Ronnie Lutte, joint managing director of Plate Glass & Staphurope Industries Ltd. and chairman of P.G. Glass Holdings (Pty) Ltd., has been appointed deputy chairman of the parent company.

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TINMBRIK MODEL HOMES

BOX 12048, JACOBS, NATAL — PHONE 461821
DIT is duidelik dat LTA besig is om die stormes wat die land se konstruksiebedryf op die oomblik teister deeglik te weersaam. Dié groep doen sy sake nog op 'n winsgewende grondslag en het ook nog genoeg werk om hem minstens vir die volgende jaar besig te hou.

Dit is in krill 'n kontras met 'n jaar of ses gelede toe die land se boubedryf die wind ook kwaal van voor gekry het. LTA het net soos ander groot konstruksieaanskappe - kwaal op groot kontrakte verloor en in 1971 nog 'n verlies van byna R5 miljoen getoon. Maar dit hoort tot die verledes. Die afgelope jaar tot 31 Maart kon hierdie konstruksieaanskappe in die Anglo American-groep sy wins na belasting van R5 521 000 tot R5 412 000 verhoog.

Dit is weliswaar geen sterk prestatie nie. Maar om in hierdie tyd waar die openbare sektor se besteding aan nuwe projekte 'n laagtepunt bereik het en die private sektor nie meer met 'n lang tag aan nuwe stadsgeboue wil raak nie, net jou, wins te handhaaf, wil gedoen wees.

Die voorzitter van LTA, dr. Zac de Beer, sê dat die vooruitgang vir hierdie bedryf nie gunstig is nie, ten minste nie op die kort termyn nie.

Daar is weinig staatsfonse beskikbaar vir be- logging en selfs nog minder in die private sektor. Mededinging is besonder straf en het by geleenheid aanleiding gegee tot onekono- mielse pryssbesoeiing wat net tot 'n deel van, die bedryf op die duur werk, sê dr. De Beer.

— David Meade.
PARIS — A major French financial consortium has signed a contract with the Transkei to make a survey to build a port for the new State.

The survey could mean Transkei's first big breakthrough in the world of international finance. The Companie de Construction Internationale (CCI) represents five big building organisations and includes the Societe des Grands Travaux de Marseille.

It is this society which has asked for a survey to be made by the French company Service d'Etudes Equipment and Enterprise.

The CCI's secretary-general, Claude Bernard, said yesterday: 'It is only a small contract. The outcome will depend on the financial backing for a new Transkei port.' He said his consortium had helped build the giant Cahora Bassa dam in Mozambique.
R3m for contract for road

Mercury Reporter

PIETERMARITZBURG

A R3 000 000 contract for the resurfacing of the 100km main road from Sunset Rest to Vryheid has been awarded and should be completed late in 1979. Mr. Dering Stainbank, MEC in charge of roads, announced here yesterday.

The road, first built more than 20 years ago, failed in last year's wet summer, potholing seriously.

Mr. Stainbank said that temporary repairs were made to the entire road, which needed now a complete, premix surface to strengthen it and improve the surface.
Breaking into a new export market

MARLEY TILES (S.A.) Pty. are halfway through a three year development programme which has so far landed them export orders worth more than R200 000.

The company started trading internationally through a wholly-owned subsidiary, Safflex (Pty.) Ltd., and during the past 18 months the company has secured export orders from a number of African states as well as Mauritius, Seychelles, Israel and the Middle East.

They have also sold to Marley Internationa! who are operating in direct competition to Safflex.

"We have studied our potential markets very carefully, as we intend to stay there once we are established," said Mr. Barry William Marley, managing director of Marley (Natal).

Mr. Williams said that Marley were seeking further expansion of their export markets.

Planning centres

PLANS to establish Master Plan Centres in other South African cities, are being made following favourable public reaction to the Johannesburg scheme.

The Master Plan Centre is supported by building products manufacturers, architects and builders and provides free of charge several hundred building plans which for use or adaptation to their own needs.

A course in practical home building is also offered by the centre. The cities being considered for an extension of the Master Plan scheme are Durban, East London, Port Elizabeth, and Cape Town and Bloemfontein.

No buyers

THE AUCTION sale by RMS Syfrets of the vacant property, Sanea Mans flatts at Elbow Beach failed to attract a single potential buyer this week.

A number of parties who had shown an interest in the property before the auction will now be offered a sale by private treaty.

In another auction conducted by J. H. Isacks Geshen only one of the three properties offered attracted any interest when a property at 44 Peace Road in Kloof was sold for R37,000, subject to confirmation by the owners.

Compromise offer

* From page one

creditors stand to gain about 31% of the total. The compromise offer promises roughly 38% in the rand. Mr. Rudden said: "I have weighed up the advantages of the offer of compromise against the advantages of proceeding against the various parties concerned in the impeccable transactions in an attempt to have them set aside.

"I have concluded that the merits of the creditors may best be served if they accept this firm offer rather than embark upon litigations which will be both protracted and expensive with the expected result uncertain."

There will be a creditors' meeting on Friday, August 19, to discuss the offer of compromise.

U.S. conference

A DELEGATION from the Natal Building Society is to attend the 14th world congress of the International Union of Building Societies to be held in San Francisco in September.

The delegation is to be headed by NBS chairman, Mr. Bernard Law and will include Mr. Roy Canning, managing director and Mr. John Bennett, general manager.

THE FIRST section of a R500 000 bridge building contract on the Natal South Coast has been completed by Basil Read (Natal) Pty. Limited. Two more bridges still have to be built. One is a grade separation pre-stressed in situ concrete deck bridge over the South Coast Freeway and the other is a full interchange to be constructed on the road to Umtata. Both will be completed early next year.

Bridging

THE FIRST section of a R500 000 bridge building contract on the Natal South Coast has been completed by Basil Read (Natal) Pty. Limited. Two more bridges still have to be built. One is a grade separation pre-stressed in situ concrete deck bridge over the South Coast Freeway and the other is a full interchange to be constructed on the road to Umtata. Both will be completed early next year.
Building plan drop

EAST LONDON

Building plans valued at an estimated R18 300 were passed by the East London City Engineers Department last month.

This brings the total for the year to date to R3 788 950, a drop of R1 800 234 on the corresponding period in 1976.

D.D. 6/3/77
A FEW weeks ago a Pinetown estate agent and a building contractor put their heads together and decided it was time to make the public a housing offer that they would find difficult to refuse.

They chose Waterfall as the place to kick off with their first economy homes package - marketed under the Economa Homes label and true to predictions the project was an instant success.

This prompted them to try again so they moved to Pinetown and New Germany where their special housing offer proved equally successful.

"Now they have a similar promotion in Queensburgh - the only difference is that this time buyers will be able to 'shop' two show houses instead of being expected to purchase on a plot and plan basis only.

"We found that people would come to our show days but not get out of their cars because there were no show houses on view. The average buyer likes to see what he is getting for his money and we are fulfilling that need," said Mr. Les Cohen of Newman Estates.

And how does the Economa Homes principal work?"

Mr. Cohen explained that a developer might have a piece of land that he wants to get rid of. Newman Estates undertake to find the buyers while their partners, Cinema Homes, provide the plan of a basic home that can be elaborated on and carry out the building contract.

By taking orders for new homes rather than building them speculatively, the developer does not have to carry the cost of the houses standing empty while a buyer is sought. This money, often referred to as "developer's profit," is passed on to the purchasers.

"Everybody benefits," said Mr. Cohen. "The developer gets rid of his land, Cinema Homes get a building contract and the purchasers can save up to R3,000 by eliminating developer's profit."

There are other advantages for the buyer too. By choosing the size and finishes of his own home he can tailor it to suit his budget and is not pushed into purchasing something beyond his means.

Although each house is different, the basic house with three bedrooms, no outbuilding, carpets, colour tiles, fitted kitchen with a week's worth of storing costs R16,300 to erect. Land cost is additional and the end price is determined largely by the amount of accommodation the buyer requires and the quality of fittings he chooses.

Ten houses are on offer in Queensburgh on this basis and the two show houses will be open for viewing this weekend.

A BRIGHT 'n SHINY GREENHOUSE

Tired of that unsightly, lean-to type greenhouse that is common in most avid gardeners' backyards? Now is the time to get with it with a new aluminium, glass and fibre glass greenhouse which is so smart it will leave people wandering which is the house and which is the hot house. Made by the Plate Glass Group they retail at between R385 and R650.
At least someone's doing well

Alastair Sempill

THE construction industry — at least for one company — is booming on the Natal North Coast where Thomas Construction of Ballito ville expect to achieve a R6 million turnover from contracts this year.

Included in the company’s commitment is a new R2.5 million manganese foundry at Isitebe in KwaZulu.

The company also has a block of flats at Ballito ville, a factory at Isitebe, a Natal Parks Board contract at St Lucia and sundry contracts between Umhlanga and St Lucia, amounting to well over R2 million, on hand.

It has also recently completed a major contract at Newcastle.

Mr. Peter Thomas who established the company in ballito ville fifteen years ago attributes the firm’s success to having the right staff and being in the right place at the right time.

He said the present boom was not out of line with what has been happening in the area over the past few years.

“We have been operating on the North Coast for a long time now and I think this has been an advantage,” said Mr. Thomas.

Thomas Construction was almost entirely responsible for the Tongaat Group’s poultry development project and has to its credit a 265 unit housing scheme at Versalium and a 17-storey block of flats in Ballito ville.

Recently the company diversified their operations by opening up an estate agency entering the field of property development and taking over a plumbing operation and acquiring a structural steel organisation.

Insolvent agency compromise bid

THE LIQUIDATORS of the insolvent Hillcrest estate agency Negus and Wagenvoorde have reported several matters relating to the conduct of the company’s affairs to the Master of the Supreme Court for possible prosecution.

The contents of the report are strictly confidential and the liquidators said they could not disclose any details.

The liquidation of Negus and Wagenvoorde has been complicated by internal disputes over the sale of the company’s book debts, valued at approximately R11,930, to Mangwa Properties (Pty.) Limited two days before it went into voluntary liquidation.

The liquidators consider, on the advice of counsel, that these transactions are impeachable and that creditors would have a strong chance of getting the sale set aside.

At one stage they sought to get clarification over the incident by an interrogation of the parties concerned.

Now Mangwa Properties has come forward with an offer of compromise to creditors amounting to roughly 36 cents in the rand.

In his report to creditors the liquidator, Mr. Brian Ruten of Syfrets Trust and Executor, has estimated that in the current state of the company’s affairs creditors stand to receive roughly .02 cents in the rand in the event of liquidation.

If they are successful in setting aside the impeachable transaction with Mangwa Properties.

To page three
Building mediators wanted

THE Building Industries Federation is drawing up a list of people who will be prepared to act as mediators throughout the country and reduce the high costs attached to arbitration.

The use of such mediation processes as opposed to arbitration has been recommended by the Joint Study Committee which is made up of SA Institute of Architects, the Association of SA Quantity Surveyors and the SA Property Owners Association.

The committee says: "It has become common practice that both parties to a dispute which is to be referred to arbitration engage attorneys and advocates."

"As a result, the arbitration proceedings are handled within the usual scope of legal procedures and forms, customary in the court of law."

"This results in unnecessary delays, while the cost of arbitration proceedings is also considerably increased."
Building industry faces gloom

Mercury Correspondent

JOHANNESBURG — The building industry looks set to sink even further into the mine in the next six months, judging by the building plans passed in the first half of the year and the latest projections from the building society movement.

Building plans to the end of June this year reflect a net decline of 82% on the comparable period in 1976. Plans passed were valued at R296 600 000, against R652 300 000 in the first six months of last year.

Experience indicates that not all of those plans that have passed muster will see the light of day in view of the general shortage of investment capital in the country and the surplus accommodation that is around.

Money intake

The views of the building society movement do not hold out much hope for builders either.

Although the movement’s intake of money during the first quarter of the financial year (April-June) is regarded as reasonable, and the average monthly lending rate of R75 800 000 was also regarded as satisfactory, it is not a state of affairs that is expected to continue.

The quarter was passed before certain measures introduced in the budget could take effect.

The restrictive monetary and fiscal policies, together with these additional measures, suggest that building societies can expect a smaller inflow of funds during the remainder of the year.
Outlook bleak for engineers

JOHANNESBURG — The slump in the civil engineering industry was less marked during the April-June quarter but the outlook remains bleak, says the director of the S.A. Federation of Civil Engineering Contractors, Mr. K. Lagnay.

Shrinking order books point to deepening recession, he says in his mid-year review of the industry.

Construction activity, which declined markedly in the first quarter of 1977, showed only a slight further decline in the second quarter.

Business still remained satisfactory in about 50 percent of firms but conditions were quiet in the remaining 40 percent of the industry.

However, the volume of work on hand, which has been steadily shrinking since the beginning of 1976, dropped sharply during the second quarter, and at the beginning of July stood at a very low level.

"Despite the only mild decline in the actual tempo of work during the second quarter, it appears therefore that the depression in the industry has not yet bottomed out."

Further drop

"A substantial further drop in construction activity is anticipated."

Mr. Lagnay says the fall-off in order books reflects a very poor second quarter for new contracts.

However, the total value of new enquiries for which tenders closed during the second quarter, although low compared with two years ago, was better than during the first three months of this year and should result in an improvement in contract awards in the current quarter.

"Competition for the available work was fierce, he says."
FORMULA UNDER FIRE

Building costs and in a filling
has been pressed upon
by architects, and others
in the building
concern. This letter
was written by Tony
Kondorman, as a
response to a
previous article
in the thread.

The building industry is
under attack, and all
the professionals are
unhappy. The cost of
building has increased,
and this is affecting
everyone involved.

The contractors are
victims of this situation,
and many are struggling
to make a profit. The
material costs have
skyrocketed, and the
labor costs have also
increased. This is
causing a lot of pain
for everyone involved.

The architects are
feeling the pain as
well. They are spending
more time and money
on projects that are
not yielding the same
returns as in the past.

There is a need for
a solution to this
problem. The industry
needs to come together
and find a way to
solve this issue.

Tony Kondorman

CIVIL ENGINEERING

Steep climb ahead

The South African civil engineering industry, already in the doldrums, is heading for stormy waters. The sector which is taking the severest buffeting is road construction.

Based on figures submitted to the SA Federation of Civil Engineering Contractors (SAFCEC), the value of awarded road contracts tumbled from R400m in 1974/75 to R140m in 1976/77, while the value of all civil work over the same period declined from R600m to R330m. These figures are mainly in respect of public sector work and excluded semi government corporations such as Iscor and Sasol.

SAFCEC director, Kees Lagaay, doesn’t pull any punches in his summing up of the present position: “The volume of work on hand which had been steadily shrinking since the beginning of 1976 dropped sharply during the second quarter of 1977 and at the beginning of July stood at a very low level ... It appears, therefore, that the depression in the industry has not yet bottomed out and a substantial further drop in construction activity is anticipated.”

The FM with the assistance of the National Transport Commission (NTC) which governs many major roads contracts in excess of R5m, compiled a table of those road contracts under the jurisdiction of the NTC. This clearly indicates that although there is still a reasonable amount of work to keep road contractors busy, the future, when these contracts are completed after 1978/79, is bleak.

Lagaay points out that existing contracts are primarily a carry-over from the boom in 1975 and the amount of new work being offered is not comparable in size. It is estimated that about 20%-25% of the labour force in the civil engineering industry has been laid off over the last year and about 35,000 workers have lost their jobs in the last two years.

Marginal rise

According to the public sector’s capital expenditure projections, which were published by the Department of Statistics early this year, the funds allocated for expenditure on civil engineering contracts work during 1977 are projected to remain virtually unchanged at R125m compared with actual spending of R109m last year. A marginal rise to R120m is expected in 1978. However, in view of the 15% rise in construction costs over the past year and anticipated further cost increases, the real volume of work to be undertaken by contractors is expected to drop by up to 15% in 1977 and by up to 40% in 1978 compared with 1975.

A further problem faced by road contractors is the lack of guidelines provided by major clients as to future possible road contracts. Lagaay comments: “We are in the dark as to the construction programme over the next few years, which makes it rather difficult for construction companies to do any forward planning.”

Managing Director of LTA, Mike Ridley, agrees with Lagaay: “The long-term future of road construction lies in the ability of the State to organise long-term planning, while the immediate future depends largely upon the resumption of public sector spending on a larger scale.”

By far the largest road contract ever undertaken in SA is that between Estcourt and Frere being built by Fowers. The original value was R35m and it is finally expected to cost about R44m. Fowers claim to be progressing well and expect to complete the contract six months ahead of the February 1979 deadline.

The Estcourt to Frere road, like LTA’s Fairlands to Buckleigh road, marks the introduction of concrete roads on a major scale. The NTC says that in future it will consider concrete roads in all new heavy traffic projects with the final decision depending on the relative cost of concrete versus oil based bitumen. This evaluation will also take into account that concrete roads have a life of about 15-35 years versus about a 5-10 year life, without repair, of a bitumen surface.

The NTC, however, indicates that there are not many large road contracts in the pipeline and could mention only three to the FM, the Johannesburg ring roads, Westville to Kloof and possibly the Du Toit’s Kloof tunnel.

The lack of major road construction work on the horizon does not bode well for the South African economy particularly in the light of the large number of workers employed by the industry.
This suggests that M&R is in the same boat as the other construction companies, but doing well as it faces the big projects starting back in times of plenty but with few new projects on the horizon.

Given the great need for housing for all population groups, construction is a prime candidate for early reflection. Stabilised spending on low-cost housing will probably increase, and M&R is well represented here through Bic, which is busy at Mitchell's Plain and in Durban.

But the National Housing Fund, the main spender on black, coloured and Asian housing, received only R153m odd in last year's budget, compared to R110m the year before. M&R's total turnover was R521m in 1976 and R670m in total was spent on all construction in SA last year, which represented a 30% real decline on 1975. The State spent about 50% of total, which comprised R1053m on residential building, R1204m on non-residential building, and R200m on civil engineering and other construction works.

These figures suggest that nothing short of a doubling of expenditure on mass housing will compensate the building industry for the current decline in other areas, particularly the private sector.

Even if mass housing will not be a complete compensation, it does seem likely that other areas of construction will also receive a boost from the Government and that on balance a further retreat in the industry will not be severe. The earnings of M&R and the others will probably stagnate or fall back in the short to medium term but not heavily.

M&R on 22% yields 10.2% and is more highly ranked than competitors LTA (12.3%), Granfres (12.6%) and Group Five (14.8%), but not as highly as Darling & Hodgson (9.1%).

With Blue Circle on 9.1%, PP Cement on 8.8% and Xavinec on 8.8%, the market appears to favour building supplies companies over construction companies, which means that competition must be able to supply well.

But, I have to say that, I do know what the market has its priorities and values right -- except for 1 TA, which we know has a good order book and therefore ranks at least equal with M&R.

As a film producer, I suppose I'm not the obvious one to comment on the film 'Clovelly', but it's interesting to note that the main character in the film is played by an actor who was born in the same year as the film was released, 1965. Some of the filming was done on the coast, and the film was shot in the months of January and February. The film received critical acclaim and won several awards, including the Best Actor award at the South African Film and Television Awards.
BUILDING'S BLUES

Private sector buildings completed and plans passed:

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<th>Buildings completed</th>
<th>Plans passed</th>
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<tr>
<td></td>
<td>(Jan-Jun)</td>
<td>(Jan-Jun)</td>
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<tr>
<td>Recreational</td>
<td>180</td>
<td>184</td>
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<tr>
<td>Industrial</td>
<td>32</td>
<td>36</td>
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<tr>
<td>Commercial</td>
<td>30</td>
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<td>Residential</td>
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<td>42</td>
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<tr>
<td>Total</td>
<td>371</td>
<td>392</td>
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An enormous shortage of housing — particularly in the black urban areas.

The severity of the depression is indicated by the decline in private sector building plans for the first six months of 1977 — down 33% in money terms on the same period in 1976. In real terms that represents a drop of at least 44%.

The University of Pretoria has released a survey indicating that in 1975 the backlog of housing in black urban areas was estimated at 110,000 houses and 118,000 hostel beds — and the situation has deteriorated since then.

To compound matters an estimated 65,000 workers — that's about 20% of the total industry workforce — have been laid off in the past year because of the drastic decline in new work. Yet the value of buildings completed up till June rose by 17%.

Despite these problems the president of the Building Industries Federation of SA (Bifa), Leo Fish, expresses "cautious optimism" and points out that if there weren't any optimists there wouldn't be any builders around today.

He says the industry is looking forward to some form of government stimulation. "The best place to start would be the housing sector, both because of the shortage of housing and the fact that almost 100% local content is used in construction. However, even if stimulatory measures are adopted there is unlikely to be a dramatic upturn."

Commenting on how building firms can best weather the storm, he says: "Firms must avoid the temptation to tender at unrealistically low levels — this is the shortest route to the insolvency courts. The companies best able to cope with the downturn are those which have diversified and also those which have established stable foreign markets."

Marketing director of Schochet Columbus, Blair Ewing, says that the adoption of a more professional marketing approach can help many companies present a future image. Like Fish, he is an optimist: "Of course, there will be an upturn and a return to buoyancy, but many painful lessons have been learned in the process, and the path to recovery will be slow."

Referring to the potential for growth in black housing development, he believes it is difficult to see how the private sector of the building industry can play a meaningful role, because of the shortage of finance available to blacks and because there are very few proclaimed or reserved stands available in the black urban areas.

Looking at the industry from the consumer's angle, Ewing says that there is no better time to build than now. Dave Mitchell, from SA Contractor, accords: "It's a wonderful time to build; prices are low, and workmanship is better than ever."
The big builders battle back

THE stock market likes survivors. It admires a company's ability to battle through times of hardship and come out in good shape the other side.

Some of the best recent examples of this can be found in the construction and civil engineering sector of the market.

Despite some of the worst business conditions ever seen in this country's building industry, a handful of top construction groups have recently announced results and published accounts that look, under the circumstances, a credit to them.

Let it be said straight away that the building sector is not a popular one. Critics point to the general lack of work in the industry, much of it attributable to the Government's cutback on major civil engineering projects, the continual increase in building costs and the countryside surplus of office and residential accommodation.

Nor, argue the pessimists, will the situation improve significantly in the medium term. Funds to develop major infrastructural projects are not readily available either here or abroad and any current order books have been run down, the real fight for survival will begin.

While there is no denying that trading conditions have been tough on most construction companies for the reasons stated, the worst was over and the balance of payments situation have resulted in decreased Government spending and this has partly affected the development of the country's infrastructure, where our main operations lie.

In economic terms the country could be at the lowest ebb of the tide. As yet there are no real indications that the upturn has started in our sector of the economy and the over-capacity in our industry relative to the work available has considerably reduced profit margins.

"Work on hand is marginally lower but we can see sufficient profits from this work to achieve reasonable results. With this knowledge and in view of our strong net current asset position, the dividend has been maintained at 29 cents for the year and this is covered approximately three times by earnings,"


After maintaining last year’s dividend and increasing net profits from R5.5 million to R5.4 million, LTA valued its work in hand in the latest accounts to March 30 at R271 million compared with R224 million at the same date in 1976.

Chairman Zach de Beer said in his statement: "The financial position of our group continues to grow stronger, with improvements in the current ratio and the ratio of loans less fund on deposit to equity."

Later he says, although future prospects for the industry as a whole are not bright in the short term "the forecasts prepared for the LTA group for the year ending March 31, 1978, indicate a net profit level approximating to that of the past year."

If this is achieved, I would also expect dividends to be maintained. LTA has R4.3 million on call and at the bank.

Murray & Roberts is another construction giant that has won through. For the year ending June 30 it increased turnover, net profits rose by 11 per cent to R15 million and the dividend for the year was pushed up from 21c to 22.5c. Borrowing and total liabilities were significantly reduced.

General Erection was another winner during a difficult period. It pushed turnover up by 36 per cent and pre-tax profits by 48 per cent, allowing dividends to be increased from 12c to 14c.

Cash bank balances moved up from R94,000 in 1976 to R903,000 for the year, while bank overdrafts declined from R2.3 million to R1.4 million.

Now all of these companies have several factors in common. First, they have performed exceptionally well in highly competitive and difficult trading conditions by not price-cutting to a point that they make a loss on a contract. This has enabled dividends and cover to be maintained while some have even been increased.

Secondly, there has been a strong move to create cash which has left most of these companies in a very liquid state to face the current year. And thirdly, order books, though down in some cases, look as though they will provide at least enough work for these well run companies to maintain last year’s profits and dividend levels.

My optimism for these companies rests in the belief that they have a strategic importance to this country which no Government could afford to diminish. Who build the new Sasol or power station without them?

Furthermore, there are continuing noises about the Government applying some gentle stimulation to the economy. If this turns out to be the case, there is every chance that the building sector will be one of the first line beneficiaries.

So although the order book situation does not look strong, long-term for the industry, I think there is some chance that this will improve in the next year.

So for a medium-term view Grinaker at 268c with a dividend yield of 11.8 per cent, LTA at 160c with a yield of 11.6 per cent, Murray & Roberts at 258c with a 11.4 per cent yield Group 5 at 145c giving 14.9 per cent and Generac at 145c with a 10 per cent yield look good long-term lockups.
Staat moet nie verder inmeng

Deur ALPHONS DU TOIT

PLETTENBERGBAAL

DIE aanbevelinge van die Fouche-kommissie, die heersende depressie en die nadelige invloed daarvan op die boubedryf, asook die dringende noodsaklikheid van strategie-beplanning is van die onderwerpe wat hier deeglik op die jaarkongres van die Federasie van Bouwerhede (SA) bespreek is.

Talle vooraanstaande sprekers het aan die kongress deelgeneem. Die Donderdag hiersaam ene geloop het. 'n Groot aantal belangrike referate is geleë. Hoewel 'n hele paar die huidige stapte in die boubedryf beklemtoon het, was daar geen tekens van soortgalligheid nie.

Die oud-president van Bifsa, mr. Leo Fish, het egter in sy toespraak gesê: "Gedurende die afgelope jaar het die boubedryf meer as sy regverdige doel van die depressie gehad. Ons is egter hier, dink ek, nie om ons aan nóg sebejammering oor die te gaan nie, maar om te kyk na dié stappe wat ons in die bedryf moet doen om die situasie te bied, asook hoe ons ander kan lei om ons by te staan om die waneenstand wat ons teister, te genees. Om die situasie te bespreek — en hoplik finaals daaroor te besluit. En om posities en besluitinge te geneem.

Met name die beplanning van die vier grootprojekte wat van die grootste belang is, is nóg buitengewoon, materiaal en bestuur.

"Dit is faktore is nie net van toepassing op die boubedryf nie, hulle is onderdeel van regstreke beleid van dié land as geheel. Prof. Wichterlins het dit bevestig dat die bouwers- en belangrike rol van die saamdrag-Suid-Afrika se toekomslike strategie rekening moet maak met die tuisland se situasie.

Wat die land se economie in sy geheel betref, het mr. Groenewald, van die Universiteit van Pretoria, gesê: "Om ons die bodem van dié reëls te bereik en die toestand te eindiglik sê. Ons kan egter 'n stadslike verhooging in die komende maande verwag. Daar moet nou deeglik vir hierdie oplewing beplan word. Ons moet ook onthou dat so 'n oplewing nie noodwendig vir ewig sal voortduur nie."

Mr. Ewing het gebid dat die Staat hemel nie nog meer in die private sektor moet inmeng nie. Mr. Blair Ewing, bemarkingsdirekteur van die Schachat Cultuur-groep, het gesê dat die regering nie moreorregisseur op die verslag van die Fouche-kommissie nie. "Suid-Afrika is gebou op die sterk fundamente van die kapitalistiese sektiel. Ons moet uitsig wees om nie onbeheerde lan in te gaan nie, want dit sal ons alles verwoest."

Suicide before trial

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Building activity declines by 27pc

Finance Reporter

BUILDING activity in South Africa has declined by 27 percent since 1974 and immediate steps should be taken by the Government to stimulate the industry says the Bureau for Economic Research, Stellenbosch.

Sketching the deteriorating situation in the building industry, the bureau's quarterly report says the downturn has led to widespread unemployment and the collapse of many small builders.

The Government is likely to provide selective stimulus to the economy and the building industry could be one of the sectors to benefit from such a move.

But the bureau warns it is important that a decision is taken as soon as possible.

"If the decision is taken immediately to stimulate the building industry by investing large amounts in low-cost housing, the effect will only be reflected in six to nine months at the earliest."

"If the Government should set aside funds for the construction of schools and other non-residential buildings the time lag could be as long as three years."

The bureau adds that an investment of an additional R200 million will only ensure the level of building activity in 1978 keeps pace with this year. Considerably more than R200 million will be required for any significant stimulation.

Unemployment

According to the survey, unemployment among Whites, Coloureds and Indians in the industry increased from 7369 in August 1974 to 28603 in June this year. No figures are available for Africans but unemployment in this sector is also believed to have increased sharply.

Inflation is still running at 11 percent and labour costs in the industry are rising
Building plans sag further—to R664m

Michael Chester, Financial Editor

Two leaders among the key economic indicators today flung a cold sponge on optimism that the recession may have hit its absolute bottom. Real evidence of a turnaround is still hard to find.

Figures released by the Department of Statistics show that building plans passed in the first nine months of 1977 sagged 29 percent under even the low levels recorded a year ago—down from R638.1m to R683.9m.

Thought must be emphasised the amounts refer only to planning, rather than actual new starts, they give a fair reflection of the trends ahead.

And it appears the trend can only be downward—unless the government intervenes, with its package of economic stimulants, which Senator Owen Horwood, Minister for Finance, has now hinted is imminent.

The building industry, perhaps the worst hit of all in the prolonged recession, pinches hopes on the inclusion of special government action to push ahead with a sweeping low-cost housing programme.

The private sector builders badly need such a fillip. So far in 1977, they have been hoovered up by work already in the pipeline. This can be seen by no more than a mild drop in buildings completed, which have fallen only from R654m to R608m.

However, the pattern of new building plans passed indicates that the pipeline is drying up.

Plans for new houses have shrivelled 34 percent from R388.3m to R260.9m in the comparison of January-September from 1978 to 1977.

FLATS

Worse, if flats are added to embrace the total of all residential building, the slide is an even steeper 39 percent from R482.2m to R297.1m.

Building plans, passed on the non-residential side—commercial and industrial—are down 28 percent from R244.1m to R175.4m.

The second economic indicator which fails to provide any comfort is the pattern of wholesale trade sales. Seasonal variations eliminated, the monthly average in cash terms slipped no worse than 0.5 percent when February/April is compared with May/July.

But the decline had now quickened to 3.4 percent on the monthly average going on to September.
Committee seeks cheaper ways of wiring

Property Reporter

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building Industry Investment

Don't dilly-dally over

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Takin' Stock

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IF ANYONE needs a

TIP.

Sun. 11/9
...
Building industry: 
more insolvencies
can be expected

CURT

More persistent inflation continues to erode the foundations of a "healthy con-
struction industry" in South Africa, and with increasing costs mounting, despite
keen competition, it is probable that more contractors will become insolvent.

Speaking at the business outlook conference of the National Development
and Management Foundation in Johannesburg today, Mr. D. J. Baker, a
director of Murray Roberts Holdings, said increased costs of 10 to 12
percent in the industry outpace an inflation rate of 11 percent.

This, coupled with an oversupply situation, puts the costs of the industry's products "beyond the pockets of its clients, in-
creasingly tenants and occupiers, whether they are commercial, industrial or residential."

Another worry for the construction sector, according to Mr. Baker, is the fact that certain of the State's agencies are through subsidiaries, competing directly with private enterprise, and also go so far as to grant their employees' fringe benefits such as sub-economic housing bonds.

Looking at township proclamation and the "rate of growth of our bureaucracy", Mr. Baker said that, before a township can be proclaimed in South Africa, it requires permission of at least seven departments and applications and problems for grazing resource inventories.

JOHN

Took a rapid surveys of woodlands
as. Ecology 30: 101-104

University of Wisconsin Press,

vegetation analysis.

DAN

He believed the industry had achieved what the Prime Minister intended, that is, prepare the ground for the job reservation law to be removed quietly from the statute books.

"Industry," he added, "will cope with any trade union problems which may flow from such action."

DE KLE

UNEMPLOYMENT

On unemployment, Mr. Baker said this problem was more serious than in most other industries because construction was a labour-intensive sector. This could be roughly confirmed by the fact that while the industry was producing between 1 and 2 percent of the national gross product, it employed some 6 percent of the labour force. For more red photography -


DRISCOLL, R.S., 1971. Color aerial photography - a new view for range

Murray & Roberts (M&R) is facing bleak fundamentals, with its workforce decreasing by 29% from 54,000 to 42,000. Pre-tax profits and earnings have been maintained, thanks largely to the contribution of joint venture companies, which pushed up their pre-tax contribution from R1,9m to R4,2m, while that of the holding company and subsidiaries dropped from R19,2m to R17,3m. Of course, statutory profits actually imply a real decline.

One bull point is that these profits are probably conservative. M&R, like other construction companies, enjoys some flexibility in bringing profits to account and will no doubt have kept some back for the bleak immediate future.

The market was apparently expecting far worse results from M&R, since the share price has strengthened 36% from 180c in the past six weeks - far more than the RDM which has improved only 10% in the same time.

M&R's best engineering hopes would seem to lie in mining, the mass housing revival promised by government and perhaps township electrification, should this eventually take off. Liquidity has surged with the rundown in activity. There has been a R16m short-term turnover, so M&R could be on the acquisition trail to broaden the earnings base. Murray & Stewart, which is active mainly in the south of the country, seems to have out performed Roberts, presumably because of its relatively greater diversification and its overseas interests. M&S reports "a profit growth greater than the inflation rate", while Roberts reports profits "lower than the previous year" and "very serious losses" in one unnamed contracting division.

The chairman declines to predict next year's earnings in "the present uncertain political economic climate" but the dividend has been hiked to 1c as evidence of the group's confidence in the long term.

M&R's share price seems to be more a tribute to a highly successful past - achieved in boom conditions - than a bright future. Profits carried forward on existing contracts and from diversification will no doubt prevent a collapse in earnings. A hard line to assess as the short-term negative factors cloud the value of its dominant position in the civil engineering field. At the moment fully priced, though institutions will no doubt continue to accumulate around current levels.
FOWLER
Hanging on

Activiters: Civil engineering and construction company, 59% owned by Markor Wholly owned subsidiaries include Racec and R H Morris.

Chairman: P K Hoogendyk; Managing director: L van Iddekinge.

Capital structure: 11.8m ordinary shares of 50c. Market capitalisation: R2.4m


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<td>Return on cap.</td>
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*1973 - 100

There was little alternative but to write off all losses on old contracts and those still on-going. But though this has gone some way towards putting affairs into perspective, it is not going to turn the company's results around.

The major problem area remains building contracting subsidiary R H Morris, with a R2.5m loss after the write-offs. As far as can be seen, full provision has been made for losses inherent in contracts and the major reorganisation of operations continued during the year. But at best, this subsidiary will only break even during the current year. Anything better will depend on a major increase in activity and that is some time off with the year-end order book 48% below the level a year ago.

The same order book problem exists throughout the group. At Racec, it was 28% down on the previous year, though earnings should be reasonably well maintained.

Fowler Construction's order book was 29% down on the year, though second-half profit improved on the first half. Even so, overall profit for the division fell to R0.5m (R1.9m), due to inadequate escalation provisions in two major contracts. Anticipated losses on on-going contracts have been provided for as far as possible through to completion.

No mention is made of how well the planned sales of surplus equipment have gone, though the company's structure has been streamlined without inhibiting its capacity. What this means is that group staff has been cut by 49%, while presumably, it has been difficult to dispose of plant in excess of on-going requirements.

Chairman, Paul Hoogendyk, has little encouragement for shareholders looking for an improvement in operations during the current year. Competition remains intense with margins on contracts being further reduced. No meaningful profits can be projected for the current year.

Which is all very well, but the company remains in a tight funding position and though there might be some relief this year, any near-term profits will have to be applied to strengthening the balance sheet.

By all appearances there has been a tremendous shake-up, especially within the loss-making divisions. But whether this is going to be enough to weather the recession without further weakening of the balance sheet, remains to be seen.

Though it is well known that the group is up for sale, no one has been brave enough to take the plunge. At the current level, shareholders who are still hanging on, must be taking more than a short term view.

Jan Hone
Trade sanctions will hit the building sector too

BIFSA CONGRESS

Frank Jeans

With trade sanctions against South Africa a possibility, the building sector might well be taking stock of its position and looking beyond the effects of such sanctions to have on the balance of payments.

And giving the building industry a few pointers in this regard was Professor G L de Wet, of the University of Pretoria, when he addressed the Building Industries Federation (BIFSA) Congress at Potchefstroom today.

Professor de Wet has little doubt that while the industry, although not export-oriented, will not be unaffected by the ripples after a wave of trade barriers.

"Trade sanctions against South Africa will be difficult to apply," said Professor De Wet, "but to the extent that they are applied by our customary trade partners, they will most certainly disrupt the normal pattern of development on the current account of the balance of payments."

Certain sectors of the economy would be affected directly, since they would not be able to export their products or to obtain certain inputs or imports from abroad.

Certainly, it would be in the heavy machinery sector that the building industry would feel the main crunch, and Professor De Wet sounded a warning that in the event of sanctions these machines “could become unavailable or at least critically expensive.”

Heavy machinery too, which is not directly imported often is manufactured by process which require imported components.

"I am sure it will pay the industry in the long run to start now on an active programme to be at least ready to switch over to more 'primitive' labour intensive methods of production."

Looking at the economy as it affects the building industry, Professor De Wet said one should not expect more than gradual and mild loosening of the present tight monetary and fiscal measures.

Drama I can only be taken after the completion of English I and II, or English I and English Literature.

Economics III can only be taken after the completion of Economics I and II.

Statistics.

English I when the statutory requirement is met.

Geology III can only be taken after the completion of Geology I and II.

Mathematics I can consist of either Maths. Ia and Ib, or Maths.Ia and Statistics Ia.

Mathematical Statistics I can only be taken after the completion of Mathematics I, and Maths. Stats. II after completion of Maths. II.

Physiology I can only be taken after the completion of Chemistry I.

Public International Law should not be taken in the first year.

Roman Law I can only be taken after the completion of Matric Latin or equivalent.

Roman Law II can only be taken after the completion of Latin I, and either after the completion of, or at the same time as, Roman-Dutch Law I.

Roman-Dutch Law I can only be taken after the completion of Matric Latin or equivalent, and either after the completion of, or simultaneously with, Roman Law I.

An elementary Latin course is offered at the University for this purpose.

Law: If you are proceeding to the LL.B. degree you are strongly advised to take Latin I and II. A working knowledge of Afrikaans is desirable.

If you intend practising as an ADVOCATE, or, after having obtained the LL.B. degree, as an ATTORNEY, in the Republic or in South West Africa, you must include in your curriculum ENGLISH I AND AFRIKAANS OR AFRIKAANS EN NEDERLANDS I.

Zoology II can only be taken after the completion of Chemistry I.
UK construction’s Mr Big to talk in EL

EAST LONDON — The “Mr Big” of Britain’s massive R90 million National Exhibition Centre near Birmingham will be in East London on November 8, giving facts and figures which could save South Africa millions of rands on future building projects.

But he comes with a controversial message — no major new construction project should be started in South Africa unless it is controlled by a qualified project manager.

“Mr Big” — quantity surveyor Francis Graves — is also likely to create one of the biggest controversies in years in the surveyor, architect and civil engineer professions by calling into question the whole tradition of big construction projects being handled on an architect-client basis.

“Francis Graves is the classic example of the modern building phenomenon overseas — the project manager,” says Richard Proctor-Sims, managing director of Pretoria’s Conference Associates, who are organising Graves’s national series of one-day seminars. He says big building projects now are so complex and expensive that the traditional system in which an architect controls them can easily break down. Often the only way to bring these projects in on budget and within time is by appointing a highly qualified project manager, who controls the whole thing, just like the managing director of a big corporation.

“We are getting the best man in the world to talk about project management and, in the limited time he has available, we are taking him to all the main centres in Southern Africa for consultations with the key people in our building industry.

“Our architects, quantity surveyors, civil engineers, university departments and government people will thus get exposed to top international expertise at the least cost to themselves in both time and money.”

Francis Graves was the first project controller in Britain to handle a major construction scheme. In three years he has confounded the sceptics and earned an international reputation by completing the massive National Exhibition Centre on time and within budget.

It can handle 100 000 visitors a day, just one of its massive halls could garage 3 000 double decker buses, and it is mounting a serious challenge to the rest of Europe as the Continent’s focal point for international gatherings. —Business Editor
Building industry: what of future?

ARTISANS

Bifa estimates that in addition to the 7,000 artisans it has recently lost it needs more than 4,000 each year to 1980 and 6,000 each year of the next decade.

But numbers alone are not the whole problem as Mr B L Moyle, immediate past president of the federation, pointed out.

White youths found the building industry unattractive, he said, and while coloureds and Asians could make up the numbers somewhat the only real answer was to train blacks to artisan level.

Professor Nic Wiehahn was in a difficult position. As chairman of the current commission of inquiry into labour relations he could not tell the congress how to plan but he could indicate on what aspects to plan.

"The time has come in which employers in your industry as well as in all other industries will be pressurised to take a greater cognisance of the workers’ life outside his work place," Professor Wiehahn said.

HOUSING

"Subsidised transport, housing, recreation leave or holiday facilities, education funds for children, better sick fund benefits, insurance on household effects; better compensation for injuries and responsibility for the mental or psychological well-being of the worker and many others which have only indirect reaction to the worker as a productivity unit, are matters which would make the responsibility of the employer to an increasing extent," he said.

"This will not result from state pressure, or legislation — it is a development being brought on to our shores and being absorbed on an organised basis in our economy."

BLACKS

Another problem area outlined by Professor Wiehahn was the heterogeneous character of the work force and the way in which blacks were progressing.

TOLERANCE

"For example," will a white artisan worker under the supervision of a coloured foreman, or a coloured artisan under that of an Asian foreman, or will black, white and coloured employees work together doing the same job, speaking different languages, having different backgrounds and attitudes towards work?

"The rise in the black and other non-white consciousness must and will manifest itself in the workplace between worker and worker and any strategy for the future on manpower and in particular on industrial relations must provide for this important aspect. The tolerance factor has become most important," Prof Wiehahn said.

But manpower wasn't the most pressing problem.

"Due to the durable nature and high cost of the product the immediate pace-setter for demand is availability of finance," the past president-in-chief of the Institute of Architects Mr T J Louw said.

On this note there was little argument and little optimism.
The Best Fold Plans
R3.7m drop in building plans

EAST LONDON
Building plans valued at R770 430 were passed last month by the East London City Engineers Department.

This brings the total for the year to date to R8 068 250, a drop of R3 768 754 over the corresponding period in 1976.

Among the major items passed last month were plans for additions to the Vincent Park shopping centre at a cost of R200 000, and a new warehouse for manufacturers' agents at a cost of R100 000. — DDR.
R250m stimulus
must be spread
around builders

Harald Fridjohn

Unless the authorities spread out the housing contracts which form part of the R250m stimulus scheme among a relatively large number of builders, not only will the scheme fail to produce a maximum stimulative effect but it could also be a final nail in the coffin for the building industry as a whole.

Yesterday, a spokesman of the building industry, said that many contractors would not re-open after the forthcoming builders' holiday and others will lay down their tools after completing current contracts.

The strength of the building industry lies not in a handful of exceptionally large contractors but in a large number of medium-sized and small firms. If these are allowed to go to the wall, the industry will not be in a position to meet the demand for private housing and small factories when the economy pulls itself out of the prevailing recession.

The result could well be that all construction will ultimately fall into the hands of a powerful oligopoly which could control prices and costs for their benefit without the countervailing force of smaller firms whose lower overheads and fixed costs could exert a marginal restraint on the pricing mechanism.

Small contractors spread their buying of supplies around the trade, thereby stimulating business for a large number of firms, the big contractor, not only has control of his own restricted supply lines but in many instances bypasses normal suppliers and manufacturers.

In the Mitchell Plain scheme, at the Cape, the contracts to build 20,000 houses were allocated to only four contractors who set up their own block-making plants and kept much of their supplying buying within a narrow circle.

FALLOUT.

As Mr Maurice Ostroff, chairman of the Transvaal Sanitaryware and Builders Merchants Association, said at the recent annual meeting, the argument that the larger the contract the greater the saving is based on the fallacious belief that bigger is always better. "The prime objective should always be optimisation not maximisation."

He claimed that if contracts of the Mitchell Plain magnitude were allocated "in parcels of say 500 to 1,000 houses" to 20 or 40 contractors, whose employees would continue to be usefully employed, the ultimate effect on the economy — and the influx — would be of greater value than the awarding of mammoth contracts to just a couple of firms."
Construction General

1 Dec 77 – 3 Dec 78
Swing about in migration hits house building

Michael Chester, Financial Editor

A new damper was put on the overall outlook for the building industry today by an economic study that forecasts a deep slide in demand for new homes for white families next year.

The spectre which now hants house builders is the splintered nature of migration — with calculations that the annual inflow of 26,000 immigrants per year has swung about to a net outflow of around 2,000 a year.

Oliver and Andrews, the market research consultants, who cover South African operations for THE ECONOMIST Intelligence Unit, estimate that the dramatic reversal will stem demand for extra houses by between 3,000 and 7,000 a year unless the trend is reversed.

Their survey puts the current rate of demand for new houses for white families down to 23,000 a year, largely because of the recession squeeze on domestic finances, and the slowdown in manpower requirements from overseas.

This is already a deep fall from the annual average running at 31,000 between 1972 and 1976.

And now they foresee the number of completions tumbling perhaps as low as 10,000 next year — 56 percent below the peak touched in 1974.

Mr. Dick Oliver, who compiled the study, reckons that as much as 35 percent of total new housing demand in recent years was accounted for by the strong flow of immigrants.

7,500 COUPLES

The swing in net emigration has now robbed the house market of potential sales to an extra 7,500 immigrant married couples a year (with about 5,000 children between them) — and in fact caused an actual shrinkage in demand because of the loss of about 100 married couples a year.

On top of that, an average annual inflow of 4,600 single immigrants has also turned into a negative outflow. Hence, the survey believes, the number of bachelor flats not standing vacated.

Some builders in the private sector are also reckoning that 7,800 of the annual total of new white houses planned between now and 1982 will be put up by the Department of Community Development — 3,800 economy houses, 670 sub-economic houses, and 220 houses for state officials.

Black Housing

Mercifully, there is now the R2.5bn black housing programme poised to inject a catalyst balance. It is estimated that the new drive will lead to at least 20,000 new houses and lift a year to the non-white market.

Yet to be seen, however, is precisely how the work load will be divided out. As Mr. Oliver puts it:

"The biggest question mark is the future of immigration as far as white housing is concerned.

The fall in expenditure in the private sector should be more offset by the phenomenal rise of an extra R2.5bn in spending on non-white housing for at least five years — double the 1975 rate and make five times the 1972-6 average.

"But it will only rescue those industries that can serve more utilitarian needs in place of the sophisticated trappings of white housing."
Building firm faces order

Court Reporter

A PINETOWN construction company with liabilities of R423 000 was provisionally wound up by a Durban Judge yesterday.

A director of Conán Construction (Pty.) Ltd., Mr. Donovan Neil Reid, Robertson, said the company's assets stood at R223 000 but it was doubtful whether property would reach its full price on a forced sale.

The company owed him R25 000 and £398 000 was due to other creditors.

Conán Construction had trailed successfully, although it was under-capitalised, but the recession in the building trade had affected business severely, Mr. Robertson said.

Creditors would not be paid in full.

Interested persons must show cause by January 11 why the winding-up order should not be made final.

Mr. Nick Bristowe (instructed by Lionel Meskin and Levy) appeared for Mr. Robertson.
The Murray group does it again

THE Murray and Roberts group has swooped again and its bid for the Cape Town spices and food equipment company, Crown Mills Holdings, from a construction and engineering group has caught the market by surprise.

The offer price is 454c cash for a Cromill share. This appears a fair price for Cromill which was trading at 315c pre-suspension and whose net asset value was 265c according to the 1977 balance sheet.

The share was bid up to 420c on reinstatement yesterday and Anchusa rose 8c to 110c. The acquisition will have no effect on Anchusa's net asset value. Based on Cromill earnings for the year ended February, 1977, and taking into consideration Anchusa's 50 percent holding in Manchusar, Cromill would have contributed about 2.2c to Anchusa's earnings.

Diversification

The acquisition will have no material effect on earnings or net asset value of Murray and Roberts, but the directors are confident that it will result in long-term benefits to the group.

The move into food is certainly an interesting diversification for the Murray and Roberts group and the move would not have been made without a thorough study of the food market.

The group is starting off in the right way by choosing Cromill as a diversification into food. It is a well-managed company, has a good profit record and could be expanded.

At the moment Cromill's emphasis is on spices and the sale of equipment to the food industry. The Murray and Roberts group is sure to develop both sides as it is used to thinking big.
Building outlook ‘stark’

stoves, refrigerators, cupboards, containing steel would go up.

A spokesman for one of the country’s largest manufacturers predicted that stoves would be hardest hit as they have a higher steel content.

Mr A P J Burger, President of the Handelisinsti-
tuut, said of the steel increase: “It is especially unfortunate that this increase was announced after the recent increases in the price of sugar and fertilizer, because all these commodities influence the consumer price index.”

The institute estimated that the increase in the price of steel could push up the cost of living index by one half percent.

The price of cars, domestic equipment and building would surely rise.

Mr. Burger said he hoped it would be possible for manufacturers to absorb the increase, either wholly or partially, to avoid passing the full effect on to the consumer.

A spokesman for the Building Industries Federation of SA said the steel price hike would push up the price of an average home by about 25 percent. A R20,000 house would cost R25,500.

The cost on high-rise housing projects would be much more, and an average of about 10 percent, he said.

Steel prices are going up from R27,50 a ton to R31 a ton.

A leading contractor doubted that the rise in building costs of an average house would be more than R300.

100,000 OUT

“THERE ARE ABOUT 100,000 MEN OF ALL RACES who are unemployed in the building industry,” the BIFSA spokesman said. “We have, gone through gloomy times and the future now can only be called stark.”

He said the value of residential building plans approved in South Africa in mid-1978 was R42 million. But in mid-1977 the figure had dropped to R2 million.

OUTBACK

The BIFSA spokesman said dozens of items including reinforcing bars, galvanised corrugated sheets, downpipes, steel windows and...plumbing materials were going up.

The contractor pointed to the trend towards galva-
nised and plastic in new homes.

The Government was planning to spend R260 million on low-cost housing, mainly for black people over 1978/79. Yet that steel prices had increased; unless more capital was approved for construction, 500 homes less could be built over the two-year period.

Prices of kitchen units...

To Page 3, Col 7.
R4.5m drop in building

EAST LONDON —
Building plans passed by the East London City Engineer's Department during 1977 showed a drop of more than R4.5 million on the figure for 1976.

A total of 647 plans at an estimated cost of R10 317 840 were approved last year. In 1976 a total of 737 plans at an estimated cost of R14 995 000 were passed by the department.

There were 45 plans passed in December at an estimated cost of R1 484 240.

Among these were R95 000 for extensions to the municipality's station in West Street and R142 000 for extensions and additions to the Victoria Home for the Aged in Beaufort West.
Stygende koste wurg dood

Deur ALPHONS DU TOIT

DIE swartste jaar ten minste sedert die Tweede Wêreldoorlog — en miskien in ons geskiedenis — word vanjaar vir die Suid-Afrikaanse boubedryf voorspel. Toestande sal veral sleg wees wat woningbou betref.

Volgens kenner is daar in die stadium hoo- genaamd geen rede vir optimisme nie. Die redes vir dié kenner se swartgalligheid kan saamge- vat word in die volgende een sin:

Die boubedryf kan die sleeds stygende koste nie langer feitlik alleen absorbeer nie.

Die ekonomies van die Federale van Bouwywerde van Suid-Afrika (Bisa), mnr. Beani van Zyl, het by die Sake-Rapport gesê: "Die kostetegings in 1977, wat sowat 14% beloop het, is grotendeels deur die boubedryf self absorbeer. Die man op straat het net 2% bygedra terwyl die bedryf 'n oorblywende 12% self geslik het.

Buite-werk

"Wanneer die lang verwagte oplewing uiteindelik kom, gaan die boubedryf voor 'n arbeidskrisis staan." Dr. Zac de Beer, LV, voorsitter van die landwyke LTA Construction-groep, belig om die bedryf "n donker jaar in die gesig staan. "Met die LTA-groep loop sake nog reg," se dr. De Beer. "Maar dit is te duur om werk na die grens en kontrakte in die siviele ingenieurswese. Ons normale bedrywig- hede, die bou van hoofver- diepinggeboue, steun so telos. Daar is geen teken van enige merkwaardige verbetering in dié nabye toekoms nie."

Die bestuurlike direkör van die Trust- Bouvereniging, adv. André de Wet, is veral bekommerd oor die woningboustedryf. "Vir minstens die eerste helfte van vanjaar gaan mense bestaande huise koop plies van te bou. Die betekens 'n klein oplewing wat die eiendomsmark betref."

Vervolg op bl. 3, kol. 9
Why you should build now

The cost of building a house has risen 45% over the past three years. But take-home pay has gone up by only 25%. And this year things are likely to get worse with costs outstripping income by even bigger margins.

A house that now costs R19 000 to build is likely to cost R21 000 by the end of the year and R23 000 by 1980.

In 1977, to get work, house builders held their increases in selling prices by slashing their profit margins from 15% (or 20%) to 10% and by increasing productivity and cutting costs. High unemployment, which meant they could hire skilled labour at a cheaper rate, also helped.

As a result, although materials and labour went up 14% last year, the tender price to the client went up by only 2% (see figure). But builders cannot go on absorbing cost increases indefinitely.

The Building Industries Federation (Bifsa) projects that costs will rise by around 12% in 1978. A 2.5% rise has occurred already by way of the steel price hike in the first few days of this year. And cement and paint increases are in the pipeline. At the same time, the electricity, sugar and bread price increases are likely to result in more wage demands.

The net result for the prospective home builder will probably be an increase in price of around 10% this year.

Last year, tender prices shot up to R160/m² from R110/m² in 1974 and R61/m² in 1968. Comparing prices on this basis can be confusing, however. Sometimes only building costs, ie walls, floors, roofing, electricity and plumbing, are included. But some builders include carpeting, driveways and surrounding walls. Then there are overheads, architects’ fees, profits and legal costs. And, if the builder is providing finance, that cost has to be built into the price of the house too.

The cost, excluding finance, of building a typical 120 m² house consisting of three bedrooms, two bathrooms, lounge, dining room, kitchen and one-car garage, but without servants’ quarters, would have come to R7 300 in 1968, R13 200 in 1974 and R19 200 in 1977 (45% up from 1974 to 1977). But during this last period income went up 33% from R724 to R963 — a difference of 25% after tax.

Another blow for house builder/buyers has been the hike in interest on bond repayments, up from 8.5% in 1968 to 11.5%. Where, in 1968, monthly repayments on a 20-year bond of R9 500 would have been R83, by 1977, repayments on an equivalent (adjusting for inflation) bond of R20 000 would have come to R213 a month.

The combination of rising costs, interest rates and less cash has led to houses becoming smaller. Today, says Schachat-Cullum marketing director Blair Ewing, the average is coming down to 100 m², consisting of three small bedrooms, one bathroom with separate toilet, lounge, dining-room, kitchen, no servants’ quarters and sometimes no garage, and a less luxurious finish.

The square metre cost of a small house is higher than that of a large house because of economies of scale. But the overall price is still likely to be lower.

For a cheaper quote, it often pays to go to a small builder with lower overheads. In today’s market, most will undercut the big contractors to get work.

But the risk is higher. Smaller companies may be unable to provide the same financial backup, for instance. This can mean months of waiting for a bond. And there’s the danger that they may go under before they finish the job.

Another possibility is to reduce the land part of the cost. Following the property recession, stands that sold for R8 000-R10 000 four years ago are in some cases now going for half — or less. And buying a smaller stand means a smaller outlay and less costly services.

What about the availability of funds for that new house? Association of Building Societies director David Alston predicts an adequate supply of funds in the first quarter. However, a renewal of buyer confidence could cause an increase in demand, making bonds harder to come by.

The message is clear: if you’re planning to build, build now. Money is relatively freely available and tender prices are keen. But the chances are that it would still be cheaper to buy a second-hand house.
Building slump to get worse

PRETORIA — The disastrous slump in South Africa's building industry will worsen during the next 12 months, according to the director of the Building Industry's Federation, Mr. J. H. D. Grofias.

He said yesterday the industry was moving into its most serious recession since the end of World War II.

The only ray of light was the level of the gold price. If this were maintained at current levels it could engender greater confidence and optimism throughout the economy, and in the building industry.

Unemployment was the most serious since the depression days before the outbreak of World War II. More than 4,000 skilled White, Coloured and Indian building workers were without jobs and 60,000 to 80,000 skilled and unskilled workers had left the industry.
BLOW FOR BUILDING INDUSTRY

600 000 sq m are vacant—as much as six Carltons

26/1/78

Garth Hewitt

Latest report on the building industry will crash into the hopes of those in this battered sector like a bomb.

Estimates of vacant office, shopping and factory space are as high as 600 000 sq metres—as much as six and a half Carlton Centres, according to one calculation.

The report, Building Survey; from the Bureau for Economic Research at Stellenbosch University, does have one grain of comfort.

It says the trough of the building slump is probably over, past in the last quarter of 1977, "but the recovery will be very gradual."

Building activity should start to pick up, but very slowly. Total investment in buildings during 1978 is expected to show growth of only 3.4 percent.

The hard times which the industry has been going through are reflected in the fall in architects' work. Since June 1974 the amount of architects' work has fallen 38 percent.

After adjusting for inflation, this represents only 57 percent in volume terms of the work done in 1974.

Summarising the prospects for 1978, the report says:

- Public residential building will grow at 20 percent.
- Public sector building other than housing, will grow at 10 percent.
- Private housing building will grow at 2 percent.
- Private sector building other than housing will fall 17 percent.

The major hurdle to a revitalised industry is the enormous amount of vacant offices, shops and factories. But the number of houses and flats too far exceeds the number of people wanting them.

ADVERTISING

"Unusual as it is in the South African market to have large numbers of dwellings advertised for rent, some owners of rent-controlled blocks of flats are being forced into the unheard of practice of advertising their vacant apartments."

One of the reasons for the huge amount of excess office and shopping space is because several firms have, unbeknown to each other, embarked on market studies of the same area.

This, in turn, has led to more buildings going up than were warranted.

Another reason is that many feel they should get their buildings up as soon as possible, because costs were rising at such a rate.

It was felt that even if the buildings were not rented immediately, the loss of income would be more than offset by the rise in costs and by capital appreciation.

These assumptions also proved wrong. Higher interest rates and very little escalation of rents led to higher cash flow problems, and several bankruptcies.
"State can aid building trade"

Own Correspondent

BLOEMFONTEIN — The Government can create opportunities to relieve the present crisis and slump in the building trade, says Mr D J Rouse, president of the Association of South African Quantity Surveyors.

At the annual meeting of the Free State and Northern Cape Chapter of South African Quantity Surveyors, Mr Rouse said there seems to be a danger that the industry, and especially the profession, will not be able to cope with increased volume of work.

Mr Rouse said the present slump had made it the cheapest time to build as tender prices were levelling out.

The slump had caused fewer students to enter for degree courses.

At Free State University there would be only 18 students in quantity surveying this year, compared to 24 last year.

Overseas Indices

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BUILDING FM 27/1/78
Still squirming

There's not much to cheer up the battling building industry in Stellenbosch University's latest building survey — there never is, these days. Prospects for 1978 continue to look grim.

Stellenbosch argues that the bottom of the slump may have been reached towards the end of last year. Even so, it predicts a low-level of activity in the coming months and a very gradual recovery.

The Building Industries Federation (Bifsa), even more pessimistically, warns that the worst is still to come. Its view is that the full negative impact of the drop in building plans passed last year (down 27% in real terms in the first 11 months) has not yet hit the industry. But when it does, it is likely to knock the real value of building growth far below last year's 6% increase.

Stellenbosch expects total investment in buildings to grow by 3.4% (in real terms) in 1978 — still slightly higher than the expected growth in the economy. It rates public residential building — with a projected 20% increase in spending — as "the strong man of the 1978 growth league." But private residential building still lags (see graph).

This year should see some R470m spent on public housing. This includes R90m of the R250m injection announced late last year. The balance of R160m is not likely to be spent till 1979.
Builders on the dole won't work

Many unemployed artisans in the building industry are unwilling to go back to work because of the compensation they receive for being unemployed, reports the Master Builders' and Allied Trades Association.

A survey drawn up by the executive committee of the association also calls for the scrapping of job reservation in the industry, saying figures have shown the association will not be able to recruit enough white artisans in future. The only source of supply will therefore be black artisans.

The association has shown that a "great percentage" of the unemployed artisans were "not capable" and some of them "unwilling" to take up employment, especially when they have to travel long distances.

This attitude has been stimulated by the compensation for unemployment benefits which in fact act as an enticement, not to work.

There was a tendency on the part of the employees to obtain benefits for the unemployed, who in fact became unemployed as a result of the recession in the building industry.

The intention had been, however, to pay unemployment benefits to those artisans who became unemployed as a result of the use of black artisans.

The association had tried with the introduction of more categories of work for black artisans to create further opportunities for advancement for lower-category employees, always under the constant supervision of a white.

Other points which were raised in the report were:

- It had been decided that future agreements between the trade unions and the industry would not contain the automatic wage adjustments every six months although the unions have said they are against this.

- That there is a demand for good, capable artisans.
A modern brick wall built by the council meets a wall of mud brick and stone that has stood for more than a century. The contrast in building methods and materials can be seen in an unfinished council restoration in Wale Street.

One of the cottages, left, restored by the council. The walls are cracking and the paint peeling away. Right, proof that Malay craftsmanship is alive and well can be seen in this house which is being built by an artisan resident of the old Malay Quarter. Although it is a replica and not a restoration the style and feeling of the building is exemplary. The builder has been working on the house for about three years.

Malay houses: Plea to City
COUNCIL, BUILDERS IN FORMULA DISPUTE

THE City Council's refusal to accept the Haylett formula for calculating escalation in building contracts was challenged yesterday by a deputation from the Master Builders' and Allied Traders' Association.

The deputation saw the council's Executive Committee and at the end of the meeting it was decided that the deputation should make further written representations.

Requesting yesterday's meeting, the MBA said it wanted to resolve the present impasse created by the council's refusal to accept the Haylett formula and its directive to members not to accept council contracts unless they were protected from rising costs by the formula.

The MBA's letter to the council said the Haylett formula was now generally accepted throughout the private sector as well as by the all state and provincial departments.

Cape Town was one of the few local authorities that did not accept the formula.

In his report to the committee the City Engineer, Mr I G Brand, said the formula system was inflationary as it undermined the tendency to fight price increases.

It was ideal for contractors as it meant they could not lose, but it could be catastrophic for the client as he did not know what he was committing himself to when he signed the contract.

The formula overcompensated contractors and "some of the larger contractors admit that as tendering is very competitive at present they reduce their tenders when the Haylett formula applies" and count on the overcompensation to make up for the reductions. Others were said to tender at net cost relying on the formula for overheads and profit.

The statements, however, were made verbally in camera and were impossible to prove, Mr Brand said.

City Council policy was to compensate builders for proven cost rises for labour, cement and steel reinforcing.

The council encouraged builders to buy all other materials as soon as possible to avoid cost increases and it was prepared to pay 90 percent of the cost of these materials when they were delivered to the site.

He advised the Executive Committee to continue with the present system and not to adopt the Haylett formula."
Anger over building delays

BY MARTIN CREAMER

ARCHITECTS, hit by the worst building slump in memory, complained this week of additional hardship stemming from Government red tape which is holding up work on State projects worth about R160-million.

At the root of the architects' latest dilemma are newly-introduced "building norms" formulated by the Treasury.

The norms — special building guidelines — have been introduced by the Treasury to try to stop wasteful spending on Government projects.

While most architects back the principle of laying down basic standards, some are angry over what they say are "unrealistic and nonsensical" changes in the new restrictions.

"Projects worth tens of millions of rands are being needlessly held up because of haggles over things like air-conditioning," a leading architect told me.

Haggle

"And while the haggle goes on, costs go up and the industry is suffering." He quoted extensions to Cape Town's Groote Schuur Hospital as an example: These are being delayed by disputes over the number of beds permissible, the percentage of beds in intensive care units and the use of air conditioning in general wards.

"Groote Schuur doctor told me: "There is a serious accommodation shortage for certain treatments like the radio therapy department."

The Groote Schuur extensions have been in the pipeline for nearly three years. The imposition of norms is now delaying the project further and could lead to costly redesigning. On top of that, inflation has pushed costs from about R46-million to about R66-million.

The norm laid down for academic hospitals, the doctor said, was 1 200 beds. "But there is a demand for 1 800, and we are pushing for this number."

It appears, however, that the authorities will relent and allow 1 722 beds.

Restriction

The norms restrict the beds in intensive care units to one per cent of the total. "This is not at all realistic. Groote Schuur already has six per cent of beds in intensive care units, and even this is inadequate," the doctor said.

In terms of the norms, I was told, general hospital

Architects blame Treasury norms

wards outside Natal were to be built without air conditioning.

"The reasoning behind this is nonsensical. We experience temperatures in the 60s at Groote Schuur and if you open windows everything is blown away. Air conditioning is the only answer," the doctor said.

Now the norms are being extended to other buildings besides hospitals — technical colleges, universities and schools.

A Cape Town architect said: "Quite a number of projects are being held up. Many of the norms do not give value for money and the process of changing them out is lengthy and unnecessary."

Another top architect told me: "The theorists in Pretoria responsible for the norms have no practical building experience at all."

The director of the CSIR's National Building Research Institute, Dr P. L. Webb, refused to discuss the norms with the Sunday Times, referring us to the chairman of the Treasury's Norms Committee, Mr A. J. Pretorius, who said the introduction of the norms had saved the State "probably millions of rands".

Dr Kobus Louw, secretary of the Treasury's Norms Committee, said the norms were flexible and decisions on their application were sometimes taken at the highest level.

"I have sympathy with the architects. They are going through a tough time and everyone should do what they can to help them."

He agreed that some projects had been delayed, but he was not prepared to disclose their values.
Despite the slump in the building industry the Indian market is still flourishing. Here work begins on a site at Naiduvila, Unkoomas

BUILDING PROSPECTS FOR 1978

By Colin Vineall

Another view of the development at Naiduvila in which the British giant Wimpey has become involved

Killed and drowned in a hot tub at a house party is the tragic story of 17-year-old Ionut Gyori, a Romanian exchange student in Sydney. Ionut Gyori died during a night of partying at the home of his host parents, the Wimmera family, in the inner western Sydney suburb of Strathfield. The Wimmeras were close friends of the Gyori family in Romania. Ionut Gyori's parents, Mr and Mrs Ionut Gyori, arrived in Australia to collect their son's body yesterday. They were accompanying their son to his four-year-old daughter in a reciprocal exchange program. Ionut Gyori's death had been confirmed by the coroner, who is investigating the circumstances of his death. The coroner has not yet released the cause of death, but it is believed to have been caused by asphyxiation due to drowning in a hot tub.

Low-cost

Killed and drowned in a hot tub at a house party is the tragic story of 17-year-old Ionut Gyori, a Romanian exchange student in Sydney. Ionut Gyori died during a night of partying at the home of his host parents, the Wimmera family, in the inner western Sydney suburb of Strathfield. The Wimmeras were close friends of the Gyori family in Romania. Ionut Gyori's parents, Mr and Mrs Ionut Gyori, arrived in Australia to collect their son's body yesterday. They were accompanying their son to his four-year-old daughter in a reciprocal exchange program. Ionut Gyori's death had been confirmed by the coroner, who is investigating the circumstances of his death. The coroner has not yet released the cause of death, but it is believed to have been caused by asphyxiation due to drowning in a hot tub.

Low-cost
Building jobless of 100 000 not likely to fall

Unemployment in the building industry — now running at about 100 000 — is unlikely to improve, and the slump in recruitment for training will inevitably continue says the Building Industries Federation.

A federation spokesman said the building industry and its auxiliary services would remain under-utilised for some time, but he hoped there would be real growth in the sector once the economy started to accelerate.

An editorial in SA Builder, official journal of the federation, says South Africa should not be pessimistic about current economic conditions.

This did not mean that the true state of affairs should be ignored. It was necessary to take a hard look and make a balanced assessment of the total situation, and give attention to those areas hamppering economic growth.

"Nothing positive will be achieved by a negative and despondent attitude," says the editorial. The building industry was hopeful that the policy aimed at import replacement, increased exports and the stimulation of internal growth would show positive results.

While the uncertain political climate in southern Africa and its effects on the economy could not be ignored, there was every reason to believe that the plans would at least partially succeed.

Available figures on the value of building plans passed in the private sector pointed towards a drop of 80 percent compared with the approved programme for the previous year. However the Government was aware of the need to accelerate its own building programme not only to provide essential services but also to stabilise, as far as possible, the total demand for building services.

"Taking into account the pressure applied on the Government to curtail public spending, it will be unrealistic to assume that this sector will initiate additional new work to offset the decline in the private sector," adds the editorial.
Disband BAB construction groups plea

A call has gone out to the Government to disband construction groups which fall under the aegis of the Bantu Administration Boards.

These organisations, according to the outgoing president of the Master Builders and Allied Trades Association, Mr T. E. Pears, “give rise to socialistic tendencies.”

Mr. Pears was addressing the annual meeting of the association at which the motion to amend the constitution to admit non-white members was put forward.

Said Mr Pears: “It is common knowledge that the Bantu Administration Boards still retain substantial building resources within their activities.

These organisations operate on a preferential basis outside the traditional free enterprise system that we value in South Africa.”

If the objective is to stimulate the building industry by the provision of increased funds for low cost housing, then let it be so, and not immediately short-circuited back to the public coffers, said Mr Pears.

Turning to the question of standards within the building industry, Mr Pears pleaded for careful observation of the obligations attached to being members of the association as well as the need for discipline.

“T question whether the provision in our constitution for disciplinary action is adequate,” he said. “For example, the maximum fine that may be imposed is R200. Is this an adequate deterrent to dissuade a member from ‘chancing his arm’ on a multi-million rand contract.”

Commenting on the decline in membership last year, Mr Pears said now was the time for builders to take a hard look at operations. “Let us confess that efficiency in the industry was lacking. The economic position may improve, but never return to the situation where inefficiency could be tolerated as in the past.”

“It is going to be tough for a long time. The efficiently terminally managed operations will do well. Those who ignore this advice will end up off the role,” he said.

Krugerrand

- SA Rand Selling price R173.42
- Gold bullion price $181.25

Overseas indices

UK: FTSE
- 967.4
- 975.9

US: Dow Jones
- 259.2
- 250.5

- 208.6
- 209.5

- 208.6
- 209.5

- 208.6
- 209.5

- 208.6
- 209.5
Builders open association

White builders last night agreed unanimously to invite contractors of other race groups to join their 711-member association.

...A motion to amend the constitution of the Master Builders' and Allied Trades' Association (Witwatersrand) to allow black contractors to join was carried at the association's annual general meeting in Johannesburg.

"A 'multiracial' builders' association on the Rand is in accordance with the general policy of the Building Industries Federation.

The new section of the MBA constitution reads: "A building contractor or subcontractor in the building industry shall be eligible for membership if he observes standard conditions of employment, is an employer of labour and who, at the discretion of the executive committee, possesses the necessary technical qualifications, knowledge and practical experience of, who employs, in a position of responsibility, a person or persons therewith to ensure that all building projects are carried out in a working alike and economical manner."

The president, Mr. Ferry Pears, said: 'At this stage, there were few independent black builders with sufficient technical knowledge and financial backing to quality. But the time would come when more efficient black builders would become members.'

(See Finance Page)
Planning is key in construction

Mike Ridley, group managing director of LTA and author of this article.

LET me begin by stating that the construction industry is not an efficient one — and it is difficult to see how it ever could be, except in relative terms. The basic reason for this is that the size of its markets vary with considerable rapidity, and companies often find themselves in the classic feast or famine situation — either a shortage of work or a shortage of fully trained staff.

The assembly of suitable human and financial resources to cope with their unstable situation becomes very difficult as a result. The key to overcoming the consequences of this instability — and the key to all business efficiency — lies in the realm of forward planning and forecasting. Forward planning can be applied at all levels in a construction firm — from the weekly work programme on site, to an over-all plan for each contract, and to longer-term planning for the company as a whole, extending up to five years ahead.

The basic principle is clear: all of us work more effectively when we aim at realistic targets than if we flail away with undirected energy. Planning enables the setting of such targets, and the taking of decisions calmly in advance of events.

The most important fact of a successful construction site operation is the need for the man in charge to meet with his key section foremen or charge hands on a weekly basis to plan the work to be carried out the next week, and to have the section heads follow the same process with the men in their groups.

This practice not only meets the need to set targets, but involves the men — and any well-led team of men will quickly settle down to meet and beat those targets, whether or not direct monetary incentive wage schemes are involved.

Naturally, the performances and costs incurred in meeting the goals must be known soon after each target is attained, so that aims can be adjusted accordingly. Computerised accounting can be useful in this regard, especially when volumes are large.

The use of forward planning techniques requires a great degree of co-operation between the client, his professional advisers and the contractor, to ensure that enough design and detailed information is available to the contractor to plan the deployment of his resources.

Such co-operation can lead to dramatic shortening of construction periods. For example, close co-operation and the application of the most detailed and meticulous short-term planning enabled the new main runway at Upington Airport — at 6 km one of the longest in the world — to be constructed in 3 months.

One can gauge the pace involved by noting that the existing runway — less than one third of the size of the new one — was built under normal unhurried circumstances in about 18 months! In today's inflationary conditions, a saving in construction time will result in reductions in the amounts of cost escalation compensation payable by the client, as well as savings in cost to the contractor.

Unfortunately, few projects are fully planned in detail at the time when bids are re-invited. Sometimes, extensive changes and variations are called for during construction, resulting inevitably in losses of efficiency and wastage of costs. Occasionally this leads to disputes between contractor and client as to who is to bear these costs.

Obviously, certain projects have to be embarked upon without the client being able to wait for completely detailed planning to be carried out. In these instances, the traditional competitive bidding system tends to break down and should be replaced by a negotiated contract with the contractor brought into the basic planning and management of the project itself, alongside the client and his professional advisers.

There are many ways of ensuring that the client is not exploited in a negotiated situation — I tend to favour fixed-price systems in which the amount of profit the contractor expects is negotiated and agreed at the outset, and cost targets and price ceilings are set, providing incentives to the contractor if he beats them and penalties if he fails to do so.

At company level, the most important job that a chief executive can do is to keep looking into the near future, the middle distance and the long reaches. He must organise fundamental moves in assembling and holding the resources of money and people needed to fulfil the plans he has made to enter or withdraw from the various markets open to the company.

To do this effectively, the company must have information about the economic expectations throughout the geographical area in which it expects to operate, and use must be made of those general economic predictions and indications available from research bureaux and State statistical sources.

One of the vital factors is the assembly of financial information and it is necessary for forecasters to be prepared of cash requirements in relation to plans. The employment of computer programmes to produce the forecast balance sheets and cash flow statements at various dates ahead is most useful. The figures printed out must be examined in the light of common sense and experience and preliminary figures produced often point out errors in the assumptions.

Clearly, all this figuring can be done manually, but the use of the computer speeds up the mechanics so dramatically that the managers can be encouraged to apply their minds to many more variations and different ideals.

And this is valuable in inducing a forward-thinking attitude which is usually the difference between success or failure of a business in the long run.
We can’t afford building drain

SUN TIMES B/s, 19/2/78

PERHAPS we have in the past sought too readily to solve our economic problems within a set of guidelines that is more appropriate to mature Western economies than to an underdeveloped country.

While to some extent this is true of most sectors of domestic economic activity, nowhere is it more blatantly apparent than in the development of real estate.

We cannot afford to continue to make this mistake in view of the two problems that appear uppermost in the economic context.

Firstly, there is the likelihood that we must rely to an increasing extent on our own domestic capital resources and secondly, there is unremitting pressure of population both on the market for job-seekers and on public sector expenditure in the socio-welfare orbit.

Over the first seven years of this decade, employment in the building and construction trade increased by no less than 42 per cent or by some 130,000 people.

Previously, frenetic expansionary phases saw employment rise by 27 per cent between 1949 and 1952 and by as much as 134 per cent over the 1963-1966 period, having contracted by 15 per cent, meanwhile, during the intervening early and middle fifties.

While official statistics take us up to the end of 1970, the Building Industries Federation’s own records suggest that employment in the four major metropolitan areas declined by no less than 24 per cent during 1977.

As the demand for housing, offices and shops should broadly reflect population and GDP growth, major “boom and bust” cycles that figures such as these illustrate, not only inject a destabilising element into the economy, but lead to wasted recruitment, induction and training schemes and promote a misallocation of capital resources.

This is amply confirmed by the existence of more than 500,000 square metres of vacant office and commercial accommodation and the caches of idle and rusting construction equipment on deserted sites.

But the true cost of these inefficiencies is much higher, for, during a period of rapid expansion new enterprises mushroom, bidding up labour and materials. As an example, the latter doubled in price over the past four years.

By contrast, in the business troughs, prime city sites having been cleared and even excavated, lie boarded for protracted periods, signifying capital attrition.

Moreover, these violent swings in activity take no account of the related fluctuations in brick, cement, structural steel and other materials manufacture.

These serious shortcomings have been obscured for years as booming demand and inflation rescued even the most sloppy viability projection and bill of quantities.

Typical of the sort of distortion that has been allowed to occur is that sectional titles legislation, far from increasing the supply of accommodation at the lower end of the price spectrum as it was intended to do, has been centered on the more expensive units.

Certainly, little thought was given at the time the implications of this legislation were studied to the possibility of the pool of rented accommodation being reduced by a conversion to sectional title ownership.

More recently, there has been an acceleration of the trend in the provision of commercial accommodation from city centre to the suburbs with little thought being given to the possible consequence of a more rapid obsolescence of city centre real estate assets and the social problems that occur as municipal revenues begin to decline.

While I do not want to suggest that changes in taste and technology should be stayed in order to preserve existing capital assets, government policies ought to be carefully thought out to discourage a too rapid obso...
Abattoirs: Police follow up currency allegations

By HUGH MURRAY

THE COMMERCIAL BRANCH is investigating allegations that the consulting engineers to the controversial City Deep (Johannesburg) and Cato Ridge (Durban) abattoirs have been sending money out of the country illegally.

They are also looking into claims by Mr Roger Lorimer, MD for Orange Grove, that certain key evidence was withheld from the commission of inquiry into the massive cost overruns on the two slaughterhouse projects.

This was confirmed by the Commercial Branch yesterday.

The firm involved — Goundray, Cobham, Botha and Associates — has been subjected to a Reserve Bank probe, and the relevant papers have been sent up to the police.

Mr Stanley Ernst-Eichen, who keeps track of the firm, confirmed that a number of missing files had been turned in.

"I have nothing to hide, and therefore I am not at the least bit worried. I am co-operating," he said.

The investigation into possible currency violations was instigated by the Attorney-General.

Mr Lorimer outlined what steps have been taken so far.

According to the Commercial Branch, the matter is now under consideration by the commission of inquiry.

"An inquiry was referred to us directly by the inquiry commission," he said. "We are now looking into certain claims," Colonel T. Sherman of the Commercial Branch said.

This development is significant because it is the first time a firm involved in a public inquiry has been referred to the Commercial Branch.

The Commercial Branch is reluctant to reveal further details of the investigation, because such disclosures could prejudice "ongoing negotiations" with certain people involved.

Commenting last night, Mr Lorimer said: "I hope this means the matter will be cleared up at last. I believe it is in the best interests of everybody concerned that the matter should be cleared up as quickly as possible."

"I am grateful to Senator Everett for the action he has taken because I believe that as long as these issues are left open and the matter is not cleared up, suspicion must remain.

"The police are the only people who can carry out a thorough investigation, and I believe it has been accomplished," Mr Lorimer added.
Profits from three major construction engineering groups, Grinaker, Group 5 and Darling & Hodgson look better than generally expected.

The flexibility of long lead times has undoubtedly helped Grinaker produce a 56% increase in pre-tax profits to R4.1m (R2.6m), for the six months to end December. But this cannot detract from excellent results in a depressed industry.

To cope with orders in the bulk earthwork sphere, Grinaker spent R3m (R1m) in the last six months on new heavy plant and intends spending a further R4.4m (R1.5m) in the next six months. For Grinaker, bulk earthworks are a move away from the more specialised road work, where orders are falling off.

"The tax bill for the full year will be higher than last year's 36%, as we have used up most of our tax losses," says Grinaker, "but we are predicting a better year than last year when earnings were 87.2c. Certainly the group has a good start, with six monthly earnings at 50.1c (37.1c). The interim dividend at 12c (10c) has been increased to narrow the gap between the interim and final dividend, but the total will probably be maintained at 29c.

At 265c, up 5c on the results, Grinaker is enviable liquid. But while there seems little incentive to buy at this stage, this is certainly one to hold, as on any increase in infrastructure spending it should move ahead strongly.

After the disappointing first half results, Group 5's prelms for the year to end-December come as a welcome surprise. Forecast year end earnings were 40c, with an anticipated dividend cut to 16c (22c). Instead, earnings for the year were 48.5c (47.5c) and the total dividend was only cut to 18c.

The second half was better, explains financial director Angus MacKenzie, "because of the emphasis on productivity and because the severe cost cutting measures we took finally worked through." Pre-tax profits were R7m (R7.7m) and after tax at 35% (44%), net profits were R4.2m (R4m).

Like Grinaker, Group 5 is also highly liquid. At end December it had R17.7m in cash in the balance sheet, and is on the lookout for new acquisitions. But no doubt it is using its cash to finance its order book on decreasing margins. MacKenzie says: "The order book stands at a substantially higher level than a year ago, but at lower margins of expected profitability." The pre-tax profit margin is probably around 5%. At 120c, yielding 15% covered 2.7 times, it looks an interesting recovery situation.

Darling & Hodgson has justified its rating by producing sound prelms for the year to end-December. The second half in particular shows an encouraging performance, with pre-tax profits of R7.4m (R6.8m).

Overall pre-tax profits for the year are R13.6m (R12.8m) while turnover dropped to R142m (R153m). The 1976 comparable figures include Ready Mixed Concrete interests in the Transvaal, which were swapped for minority interests in Natal and the Cape, on a book value basis.

The disposal of the Transvaal interests accounts for the fall off in turnover. On attributable profits of R7.2m (R6.5m) earnings are 46c (42c) and the dividend has been boosted to 17c (15c). At 200c, the yield is 8.5%.
Building in Cape hit the hardest

CAPE TOWN - The building industry in Cape Town, followed by Port Elizabeth and East London will be hardest hit by the economic recession this year.

This is shown in an analysis of building statistics by Mr H van Zyl, an economist of the Building Industry Federation of South Africa. The analysis was based on building statistics released by the Department of Statistics.

The analysis shows that in real terms, Pretoria had the smallest drop in the value of private sector plans for buildings in last year, Port Elizabeth, East London and Maritzburg showed the largest drop in this sphere.

Combining building statistics and estimates released by the Department of Statistics, Mr van Zyl claims the overall hardest hit centres will be Cape Town, followed by Port Elizabeth and East London, and then the Witwatersrand and Pretoria area. This prediction is based on both the value of private and public sector buildings planned.

ESTIMATES

Cape Town will be twice as badly off as the Witwatersrand and Pretoria area, according to his analysis.

Although the Witwatersrand and Pretoria area are overall third worst in the analysis, Mr van Zyl expects most of the estimated 14 percent public building expenditure to take place in Pretoria. He bases this theory on the fact that Pretoria is the administrative capital and the heart of the Government service.

The latest figures released by the Department of Statistics reveal a national drop of 26 percent in the value of plans for buildings passed in 1977 compared with 1976.
Building costs, already affected by a heavy increase in steel prices earlier this year, will rise even higher because of increased rail tariffs for transporting cement.

Mr D Allan, president of the Building Industries Federation, said from Cape Town that it was inevitable that the increase in rail tariffs would be passed on to the consumer.

TARIFTS

According to a list supplied by the Department of Transport, which outlines the effect of the rail tariff increases on certain commodities, the cost of railing 100 kg of cement over a distance of 211 km will increase on April 1 from R0.60 to R0.78.

Mr Allan said that in the past rail rates were probably the biggest cause of increases in the price of cement. Increases would "obviously" affect building costs.

Last October the price of cement was increased by 6.55 cents a 50 kg bag.

Steel prices went up by an average increase of R31 a ton in January this year.
BUILDING FIRM LANDS IN THE DEEP END

Tribune Reporter

A NATAL property firm, alleged to have contravened several building by-laws, has been ordered to demolish the swimming pool at a R2.6 million Umhlanga Rocks flat complex.

The firm, Sycol Properties Lease 3 (Pty.) Ltd., will be given 30 days to remove the R3500 pool which was completed in early December. It could cost them R1 000.

Other alleged contraventions of planning regulations, include squash courts and servants' quarters in the Hawaain View flats.

The company which built the pool at Hawaain View says it was "an innocent party" and has been told by the council to ensure in future that building plans are approved.

The pool was built by Percy Pools (Pty.) Ltd., for Edment Building Co. (Pty.) Ltd.

Mr Vernon Perry said: "We were trying to get the pool finished before Christmas. We were an innocent party, but we know now that we stepped out of line. In future we will make sure building regulations are complied with."

He said it would be a big job to shift the pool and would cost about R1 000.

Mr Geoff Reardon, chairman of the Edment company and a director of Sycol Properties, said that

Council orders swim pool to be demolished

although an application for special consent for relaxation of building line and height restrictions was refused by the council on Monday, this was only because of a technical error in the application. The alleged building contraventions at Hawaain View were reported to Umhlanga Council's Town Planning Committee last month by officials.

The committee said in a report to full council this week that it viewed the building additions and alterations without building plans and planning approval in "a very serious light". But although the company should be censured for the contraventions, most could be rectified by the submission of building plans and special consent applications.
TUNNEL COULD DR?

Tribune Reporter

THE National Transport Commission's controversial Durban's Kloof road tunnel project could eventually swallow up more than R200 million.

This week the Government gave the go-ahead to dig a 3.9 km tunnel at an estimated cost of R80 million.

This decision was described as "ridiculous in South Africa's current economic and social situation" by a prominent academic.

Attack

Professor George Ellis, author of a major University of Cape Town report on the Western Cape's squatter problem and head of the Department of Applied Mathematics at the university, said the money could be spent far more usefully on a whole range of completely different projects.

The tunnel has also been attacked by Opposition politicians and Cape Town City Council sources.

But this tunnel is only half the full project, plans for which involve in the long-term digging a second similar tunnel. Each would carry three lanes of traffic.

The way costs are going up, the second tunnel will be vastly more expensive than the first, when and if it is eventually built.

And R7 million has already been spent on the project — the cost of the successful pilot tunnel which was completed this week, and which provided the physical feasibility of the project.

Cost

The chairman of the commission and Secretary of Transport, Mr Adrian Eksteen, this week staunchly defended the approval of the R80 million first tunnel.

He refused to say how many lanes of traffic it would carry, saying this had not yet been decided on by the commission.

He said: "The trouble with these people is that they think a project like this can be postponed for five or 10 years. But then it would cost twice as much."

"In five years the existing road will not be able to carry the traffic."

"We have already done away with the Sir Lowry's Pass tunnel scheme, which

Homes need money more says prof

Mr Adrian Eksteen...

"It will save fuel!"

Homes need money more says prof

Mr Adriaan Eksteen...

"It will save fuel!"

saved R80 million alone.

"The consulting engineers have worked out that in 10 years the tunnel will save R85.5 million on man-hours, fuel and so on.

Houses

The tunnel will cut the drive from Pearl to Worcester by 11 kilometres.

Professor Ellis said spending R80 million on it at this time just did not make sense. That amount of money could probably wipe out the official housing need in Soweto.

It would be more than enough to electrify the giant black "Sister City" of Johannesburg.

Mr Mike Savage, a University of Cape Town sociologist, said the tunnel go-ahead decision was "a mirror of the way in which our society has the wrong priorities.

"Human needs for food, housing, a proper family life and so on are crying out to be met and are being largely ignored."
KING WILLIAM'S TOWN
Cementation (Africa Contracts) is building a R1 million road bridge across the railway in the industrial sector of King William's Town, to alleviate traffic congestion caused by the growth of border industries in the region.

The reinforced concrete bridge across three sets of lines is due for completion in April 1979. — DDC
Two-pronged plan could help builders and blacks

THE depressed building industry and the chronic shortage of housing in KwaZulu have sparked off an idea that could well help ease both problems.

Corobrik managing director Dick Kemp's scheme is that firms involved in either building or the supply of building materials with surplus capacity should get together to get KwaZulu's embryo housing scheme off the ground.

The rub of the idea is that these firms would make the materials available as soon as possible and would only look for payment at a later stage when funds had been allocated for the work.

This, he says, would help alleviate a critical problem and provide turnover for firms battling to make ends meet in the current depressed building market.

In addition to the two main objects of the scheme, Kemp says, the project would also provide employment for a number of otherwise jobless homeland residents.

Alan Mountain, the Urban Foundation's Natal regional coordinator welcomed the scheme and said that any attempt by private enterprise to move in this direction should be encouraged.

He added that the supply of essential building materials on good credit terms would substantially reduce the financial burden of supplying homes in these areas.

While it is the state's duty to provide schools and other public facilities, the Urban Foundation did not feel that it was totally responsible for the provision of housing.

"The individual should be able to provide for his own requirements. This is why we would grab with both hands any means of softening the financial burden on him."

Figures released in Parliament recently shows that the Government plans to spend R9.5 million on homeland housing in 1977-78, of which some R2.5 million is earmarked for KwaZulu.

If Kemp's scheme gets off the ground, it could mean that work on the desperately needed housing could start almost immediately instead of having to wait for the State allocation.
1. Wanneer is die skool gebou?

2. As die plaasskool gestig is, gedurende die plaas, wat het u laat besluit of die grootste invloed uitgeoefen?
   (i) die Bantoe/Kleurling Onderwysinspekteur
   (ii) Ander boere wat alreeds skole
   (iii) Boere wat geen skole op hul plaas
   (iv) Die plaas arbeiders
   (v) Landbou-unies
   (vi) Andere: spesifiseer

3. Indien u probleme ondervind het met die neld asb. besonderhede daarvan.

4. Wie het u gehelp met bovermelde probleme?

5. Wie is aangestel as bestuurder van u plaasskool, of is u self bestuurder daarvan.

6. Het die toelae van die Departement (Bantoe-onderwys of Kleurlingsake) die boukoste van die skool ten volle bedek. Indien nie, het u self die verskil inbetaal of het die plaasarbeiders, ander boere of persone (spesifiseer) u daarmee gehelp.

7. Wie het die onderwyser aangestel?

8. Kom u goed klaar met die (i) bestuurder, (ii) onderwyser, (iii) distriksinspekteur? Indien nie, meld in watter opsig?

9. Is u tevrede met die leerplan of beoog u enige verandering in hierdie opsig. (b.v. meer tegniese of sekere landbouvakke).
BUILDING INDUSTRY

Stony ground

Finance Minister Owen Horwood's R250m black housing package — announced last November — seems to have done little to brighten the mood of SA's building industry. As Horwood said this week, only R10m of the allocation has been spent. Another R80m will be spent in fiscal 1978/79.

The Building Survey released this week by Stellenbosch's Bureau for Economic Research (BER) paints a pretty stark picture of current conditions in the industry.

While the BER reports a "slight improvement" in the mood of contractors and developers, their general outlook seems to be one of almost unalleviated gloom. Fully two-thirds believe that conditions during the summer quarter have been worse than during the same period of 1977, while a massive 96% consider current conditions in the industry to be "unsatisfactory."

Judging by some of the comments recorded by the BER, "unsatisfactory" seems too soft a word. One respondent states simply: "No work -- neither government nor private." Says another: "There is insufficient work available. Some firms are tendering below cost." Yet another complains that "tender rates are so keen that the contractor may to some extent be financing the client." (See Property, page 1033).

Sub-contractors are no less gloomy. Their reports of business conditions, says the BER, make "sombre reading." Nearly 90% believe the present climate to be worse than the corresponding period last year, while 94% think conditions are "unsatisfactory."

One sub-contractor reports that "the volume of work is dangerously low. We find it difficult to keep key and senior staff employed, despite having reduced staff by 65% over a period of three years." Another complains that "because of the drastic reduction in the amount of work out to tender ... an unhealthy pattern has arisen whereby apparently non-standard labour rates or methods are being used by a small proportion of the industry, which seems to account for tender amounts well below those based on statutory rates and prices." Another sub-contractor mentions "bad paying" by main contractors, and comments: "It is not safe to work for anyone at present."

Merchants in the industry are less pessimistic than the builders. Manufacturers, too, seem a little less pessimistic, although they still complain of inadequate demand. And they say they are unable to pass on higher production costs by increasing prices.

As for the future, the BER believes that there is "no clear indication that a new growth phase in the building industry was reached during the survey quarter." The signs are that building activity "is bottoming out at present," and that this process will continue through the next quarter.
"Too many contractors chasing too little work," wailed one contractor in replying to the latest Stellenbosch University Building Survey questionnaire. "Clients," he went on, "in a buying market (are) imposing unfair and unrealistic penalties and trying to enforce fixed prices (no escalation — despite continual commodity price increases)."

This is only a hint of what is going on out there in the contracting jungle where turnovers are low, tender prices are cut to the bone (sometimes below cost) and material and labour costs continue to climb (and are often carried by the contractor).

It shows up too in the rate of increase of building costs, which the Survey says averaged only a 2.3% rise in 1977. Clearly last year was the year to get that building job done at the best price.

The ride may soon be over — contractors have had their arms twisted off to keep prices low but now, predicts the Survey, "it is to be expected that the rate of increase of building costs ... will accelerate in the foreseeable future."
STRUCTURAL STEELS
Losing their grip?

Having lost its comparative cost advantage over reinforced concrete, structural steel is in some danger of being squeezed out of the market.

Traditionally, SA has not been a good market for steel construction, although some major buildings, such as the Trust Bank buildings in Johannesburg and Cape Town and the Parliament building of Bophuthatswana, are steel structures.

But SA's need for a steel construction industry is being questioned by, among others, Clifford McMillan, top designer and partner in Ove Arup & Partners. He claims it is a more capital intensive industry and needs more skilled labour than its reinforced concrete counterpart.

Structural steel is also more expensive than concrete. McMillan makes the point that the local steel industry "lacks the range of sections and back up products ... and ... this has an important influence on its relative economics." He adds that a detailed comparison showed "structural steel was substantially more expensive in capital cost."

Besides the cost factor, designers are deterred from using steel because the local industry is "not as effective as it should be in producing an optimum total design", maintains McMillan (that is, from the foundations to the roof).

Iscor's MD Hans Coetzee believes: "The structural steel industry has to look at certain things collectively so as to prevent or remedy ailments such as detrimental building regulations and poor workmanship." Another problem is that "engineers and architects are usually not sufficiently trained in steel design to become experienced," says Coetzee.

Despite all the drawbacks, the SA Institute of Construction Steel is not prepared to sit back and watch its industry slide into obscurity. Says president Henrie de Clercq: "Structural steel may be poised for a second coming as the new material of the day."

Other points made in favour of the steel industry:

- It still has a place in building;
- Structures can be erected faster than concrete buildings;
- It can be integrated with other materials to obtain optimal economies;
- It has become an attractive medium for architectural expression; and
- The more steel used in buildings the more viable is SA's iron and steel industry.
THE ASSEMBLY - A leasehold scheme enabling urban landlords to raise bonds against urban stands would be introduced this parliamentary session. Mr. Mulder said in a question from Mr. Bill Spoon (ONP) yesterday that the scheme would only apply to landlords in urban areas.

1. Can the government legislation allow for black landlords in urban areas to provide security for the purchase of bonds in those same areas?

R499 000, the balance sheet retained its strength.

The bulk of profits were bought to book in the first half of the year, with the completion of three bulk housing projects. During the second half sales fell away alarmingly and a R44 000 pre-tax loss was made. Like competitors, it reported a sales improvement at the end of the year, which came too late to increase production and improve 1977's profits.

Now the order book is 29% higher than at this time last year, says managing director Jim Perrott, but it is still thin. There are still two small bulk housing contracts to complete. Tendering has become so competitive that many contractors have been prepared to undertake work at prices which would enable them merely to recover expenses and keep their labour force employed.

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<thead>
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<th>'74</th>
<th>'75</th>
<th>'76</th>
<th>'77</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return on cap %</td>
<td>20.0</td>
<td>20.2</td>
<td>20.2</td>
<td>7.1</td>
</tr>
<tr>
<td>Turnover (Rm)</td>
<td>150</td>
<td>12.8</td>
<td>16.0</td>
<td>11.7</td>
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<tr>
<td>Pre-tax profit (Rm)</td>
<td>2.1</td>
<td>2.1</td>
<td>1.9</td>
<td>0.5</td>
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<tr>
<td>Gross margin %</td>
<td>16.2</td>
<td>18.4</td>
<td>19.9</td>
<td>4.3</td>
</tr>
<tr>
<td>Earnings (c)</td>
<td>33.1</td>
<td>28.7</td>
<td>26.7</td>
<td>6.6</td>
</tr>
<tr>
<td>Dividends (c)</td>
<td>13.0</td>
<td>13.0</td>
<td>13.0</td>
<td>3.0</td>
</tr>
<tr>
<td>Net asset value (c)</td>
<td>163</td>
<td>180</td>
<td>174</td>
<td>179</td>
</tr>
</tbody>
</table>

The contract prices of houses offered to the public were in many cases reduced over the year by the inclusion of extra features at no extra charge. Hence the drastic fall in margins. The group reduced expenditure in the development of township land to bare essentials, by restricting spending to areas in which it was contractually committed or in which sales prospects were good.

The profit nose-dive reduced return on capital to a mere 7.1% (20.2%) for 1977, lower than the 11% average interest rate. Gough Cooper reduced borrowings from a net R3m to R2.8m. Of this, R2.1m is short-term debt — part of which are loans secured by freehold land, which is up for sale. The freehold land portfolio is worth R5.7m according to the directors, which is "fair and reasonable on the basis that it will be utilised for the sale and construction of houses."

Cash flow fell from R629 000 to R268 000, which means it could pay off net borrowings in 10 years. The ratio of current assets to liabilities remains strong at 2.6 (2.7). While stocks have been bought down to R621 000 (R1.1m), the biggest drop was in contracts in progress at R345 000 (R1m).

The group forecasts another difficult year in 1978. Although Gough Cooper should pull through with a relatively unscathed balance sheet, continued severe trading conditions will almost inevitably mean more pressure on the dividend. At 37c it is at a 79% discount to net asset value. Shareholders should ride out the depression in the building industry, if income is not an overriding consideration.

Gough Cooper

Strong balance sheet

Activities: Builds and sells houses, acquires and develops land, and retails timber and hardware. Directors hold 5.25% (7.6%) of the equity.

Chairman: D J F. Anderson.

Capital structure: 4.2m ordinaries of 50c.

Market capitalisation: R1.5m.

Financial: Year to December 31 1977.

Borrowings: long and medium term, R633 000; net short term, R2.1m.


Share market: Price: 36c (1977:78: high, 93c; low, 37c; trading volume last quarter, 51 000 shares). Yields: 17.6% on earnings; 8.1% on dividend. Cover: 2.3. PE ratio: 5.7.

Established 29 years ago, 1977 was Gough Cooper's most difficult year, but although pre-tax profits fell 74% to

Financial Mail April 14 1978

27-03

33-39

60-42

59-53

Paid over

119-02

103-40

223-22

129-08

9-81

18-48

102-88

485-23

15281-38

Gough Cooper

Financial Mail April 14 1978

Gough Perrott

Share market: Price: 65c (1977-78: high, 1.20c; low, 35c; trading volume last quarter, 168,000 shares). Yields: 26.2% on earnings; 11.5% on dividend. Cover: 2.3, PE ratio: 3.8.

\[\begin{array}{cccc}
\text{Return on cap} & 13.0 & 17.5 & 19.0 & 13.0 \\
\text{Turnover index} & 113.0 & 143 & 132 & 141 \\
\text{Pre-tax profit} (Rm) & 4.4 & 5.0 & 5.5 & 3.3 \\
\text{Land holdings (Rm)} & 22.0 & 20.6 & 17.9 & 17.0 \\
\text{Earnings} (c) & 20.2 & 22.6 & 26.9 & 17.1 \\
\text{Dividends} (c) & 10.0 & 11.0 & 11.5 & 7.5 \\
\text{Net asset value} (c) & 184 & 140 & 142 & 151 \\
\end{array}\]

*Cap increased by 1-for-2 rights issue in December 1974.

Although pre-tax profits are down 40% Schachat has fared better than the rest of the building industry. The second half was harder hit — profits were down 50% at R1.6m (R3.1m) on the comparable period. But there are “positive signs that the market is turning up, and we expect slow but steady improvement now that buyer confidence is returning,” says director Blair Ewing.

The major source of income is the construction and sale of homes, mainly for private individuals. But there was an oversupply of new homes in 1977, built during 1976, and a trend towards more repossessions of houses. There was reduced immigration, interest rates remained high, and the industry continued absorbing most cost escalations.

Against this background net borrowings were reduced from R21m to R16m. But the debt-equity ratio remains high — 93% (121%), particularly when return on capital at 13.9% (19%) is only 2.9 points higher than the average interest rate paid. The interest bill at R1.9m is only covered 2.7 times (3.5) by pre-tax profits.

Work in progress dropped 62% to R753,000 (R2m). Total stocks are down from R4.3m to R2.5m and debtors, at R1.6m (R1.9m), also reflect lower activity. Schachat’s land portfolio at cost of R1.5m (R1.7m) and at book value R1.7m (R1.9m), and it owes R1.5m on it.

The group obtained an independent valuation of its land, in view of the deteriorating conditions in 1977. This revealed a surplus of R862,000, compared to an aggregate surplus of R4.3m on the book value the year before.

Profits were boosted by the completion of a bulk housing contract in 1977. This work is tendered for and is very competitive. The 7% increase in turnover was largely attributable to increases in the volume of bulk contracts and high rise construction, both of which traditionally experience lower profit margins than conventional housing. There are another three fairly substantial bulk contracts to complete.

Volume is the name of the game in the construction business and Ewing says: “the order book is pretty good.” However, with little real stimulation in the trend for the building industry there is not much to go for, at least in the short term. But with Sage and Nedbank behind the scenes, when the market kicks up, Schachat would at least have no difficulty in funding work.

---

SCHACHT

Dividend cut

FM 14/4/78

Activities: Housebuilder and township developer, mainly on the Witwatersrand, Pretoria and Natal. Meumann & Heynecke (Pty), 56.7% (same) owned, is active in high-rise construction. Directors own 19% of the equity. Sage Holdings is the ultimate holding company with 53.1%.

Chairman: Mr Schachat.

Capital structure: 1.6m ordination of 7.1m. Market capitalisation: R7.5m.
Vorster may outline Border development

EAST LONDON — The Prime Minister, Mr Vorster, may give some indication of Government plans to stimulate economic development in the Border area when he speaks here today.

There has been increasing concern about the growing unemployment problem in the region. It is possible that some business will move to the area when Mr Vorster opens the new John Vorster Bridge over the Buffalo River.

It will be Mr Vorster's first visit since the National Party won all the seats it contested in the Border region during last year's general election, capturing four seats won by the United Party in 1974.

The only non-Nationalist seat in the Border area, where Mr Vorster himself was born, is now held by the BBP. Mr John Mathebula, the only representative of the New Republic Party outside Natal.

Also since Mr Vorster's last visit in 1973, Transkei became the first territory in South Africa to be independent in terms of separate development, and the Government's proposals for the consolidation of the Ciskei have been published.

The Eastern Cape is therefore one of the key areas in South Africa for the implementation of the Government policies and the Prime Minister is likely to refer to this in his speech.

However, it is not expected Mr Vorster will discuss this week's clash with Transkei or the events leading up to Chief Kaiser Mafupulana's decision to break off diplomatic relations with South Africa over East Griqualand.

Meanwhile, in the House of Assembly yesterday, Mr Heunis said he did not know of any intentions to establish a shipbuilding industry in the area.

PM to open bridge

EAST LONDON — While there will be plenty of parking for all those who want to attend the opening of the new bridge over the Buffalo River by the Prime Minister, Mr Vorster, today, only the first 500 people will get seats.

The city's Traffic Chief, Maj. Bosch, said the new bridge would be closed to vehicles from 9 am today and people from the city side of the bridge will have to use the old bridge to get onto Settlers Way where there will be four rows of parking for at least 500 cars.

The cantilevered bridge section near the bridge entrance on the West Bank side will be used as a stage from where the Prime Minister, the Mayor and dignitaries will make their speeches from 11:45 and guests are expected to be seated by this time.

When the Prime Minister arrives from the airport, he will be greeted by a Guard of Honour made up of junior city councillors and representatives of Indian, Coloured and black schools.

After a presentation by the consulting engineers, the Prime Minister will cut the ribbon and declare the bridge officially open. The dignitaries will then board their cars and drive across the bridge to Queen's Park for a private lunch.

The Prime Minister will leave East London later in the afternoon.
Bridge over the Buffalo

Known as the Matheron Bar Suspension Bridge, it was opened in September 1972.

The west and east abutments were constructed by normal materials, but the central 250m segments were built from concrete slabs which had to be suspended from a temporary steel framework. The girders were then connected using a series of hangers and the bridge was completed.

The bridge consists of seven girders, each weighing 300 tonnes, and cost about £220,000.

The launching girder had three separate support legs, which could be separated when required, to allow the spans to be erected.

Running along the length of the girders on the west and east sides of the river, before a suitable 800-tonne steel framework was erected, the bridge was moved.

The piers for each end were supported by reinforced concrete piles, and at each end of the bridge, the pier cap was covered by water at high tide, and through 30m to 50m of still water at low tide, before a suitable 800-tonne steel framework was erected.

The concrete superstructure elements are hollow and taper in cross section. They are 3.5m thick, 30m long, and were cast in a specially constructed steel shutter in the East Bank casting yard.

The method of ensuring that each element fitted accurately to the next was by checking the element against the previous one with a 0.5m tolerance. This ensured that the elements did not stick to each other after the concrete had hardened.

Because of the bridge deck forms a curve in elevation, the casting bed was so constructed as to allow the previously cast element to be used as a guide for the next one. This system was repeated along the entire length of the bridge.

The concrete in the bridge was steam cured, allowing a 28-day cycle of production.

The novelty of the whole project lies in the size of the superstructure segments. Once the launching girder was in position, the bridge was moved to the central part of the river, and the middle section of the bridge was erected in 30m to 50m of water. The tower footings were then cast in the river bed, and the bridge was moved to the central part of the river.

The bridge, the first to be constructed in this manner, and the use of the balanced cantilever method of construction, have been completed.

The John Vesty bridge in various stages of construction.

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built-up river using a revolutionary technique. The segmented
concrete structure was filled with concrete to form the bridge.

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resemble the design of the original bridge that the firm
constructed. The new bridge is part of a larger
project to improve traffic flow across the river.
HOODIE

RANCH

UNDER

CRUTINY

SEMBLY — Disturbing admissions by senior officials to a Parliamentary committee have prompted its call for a formal probe into the affairs of the Ministry of Information.

Committee chairperson, Mr. E.G. Horne, said: "The admissions in the committee's report, which was submitted to the cabinet, are disturbing and have raised serious questions about the management of the ministry's affairs."

Among those who admitted to the committee that they had been aware of irregularities in the ministry's operations were:

1. The Auditor-General, Mr. C.G. Horne, and a publisher of the daily newspaper, Mr. Chris van Rensburg.

2. The minister of information, Mr. H. Botha, who admitted that he had received information about the irregularities from various sources.

3. The minister of finance, Mr. P. Pretorius, who said he had been informed about the irregularities by his department.

The committee, which was chaired by Mr. Horne, said it had received reports that the ministry had spent R1.5 million annually in foreign currency and that this amount was not properly accounted for.

Committee members were also concerned about the lack of control over the ministry's funds, which were said to be used for illegal purposes.

The committee has recommended that a full investigation be conducted into the affairs of the Ministry of Information and that appropriate action be taken against those found guilty of misconduct.

SA wants firm

Vorster may outline

Border development

EAST LONDON — The Prime Minister, Mr. B.J. Vorster, may outline government plans to stimulate economic development in the Border area when he speaks here today.

There has been mounting concern about the growing unemployment problem in the region and it is possible that some details will be revealed in Vorster's speech.

Vorster himself was born and went to school in East London. He was also present at the inauguration of South Africa's first national parliament in Pretoria in 1910.

The key issue, however, is the growing tension between South Africa and the United States over the border region. Vorster has previously expressed concern about the US military buildup in the area.

Meanwhile in the House of Assembly yesterday, Mr. Botha said he did not know of any intention by government to establish a shipbuilding industry in East London.

He was referring to a report that the government was considering the establishment of a shipbuilding industry in the area, which would create thousands of jobs.

"I have not heard of any plans for a shipbuilding industry," Botha said. "The government is committed to the development of the Border region and we will continue to work with the private sector to ensure that the area's economic potential is fully realized."
New sales tax gives builders a big problem

THERE is general confusion in the building industry over the application of the recently announced general sales tax (GST), and the Building Industries Federation of SA (Bifsa) is seeking urgent clarification from Government before the new tax comes into effect on July 1.

Bifsa has been inundated with calls from members, according to its chief economist Hennie Van Zyl, with members pointing out many of the inconsistencies of the new tax and seeking urgent clarification.

With comments due in to Government by tomorrow, Bifsa has not yet lodged objections, but is seeking an extension of time to properly formulate its views.

Basically designed as an end-user tax on moveables, GST will nevertheless affect practically all basic materials going into a building, but in theory will not be levied on the final labour input of these materials.

This is fine in theory, but as things stand at present there are some glaring anomalies which Bifsa wants clarification on for its members.

One such inconsistency is the case of window air-conditioners.

As far as Bifsa has been able to determine from the authorities, these are considered a 'movable' and tax is levied on the end-price which includes installation.

Oil heaters too, are considered another 'movable' and tax could be levied on installation costs which are high in relation to the price of the product.

On the other hand, in the case of carpets which are installed as a flooring, tax is apparently only levied on the carpet itself and not on installation.

These are just some of the dozens of anomalies, says Van Zyl, and urgent clarification is essential.

Although not directly affecting the building industry, Van Zyl also believes it unfair that the ordinary consumer should have to pay tax on installation, such as carpets, while the builder does not.

Another worrying factor is where subsidiary companies make materials for the sole use of the parent company and the inter-company transaction is now to be charged full GST on its selling price to the parent which includes labour and other costs.

Thus, where a subsidiary company, for example, makes concrete blocks for its builder parent, the latter will now have to pay full tax on the inter-company selling price of these blocks.

However, if these same blocks were made directly by the parent company in its own name, they would only pay GST on the cement bought for manufacture.

Another problem that has to be sorted out by builders and developers before the general sales tax comes into effect is that of the controversial Haylett formula which establishes what cost increases can be passed on by the builder directly to the developer.

As the formula stands at present, only wholesale price increases can be passed on to the developer — not the GST which is basically a retail sales tax.

As the formula can only be amended by the Department of Statistics on instructions from the Building Industry Advisory Committee, Bifsa is keen that the committee should meet sooner than its next meeting scheduled in two months time.

Otherwise, says Bifsa, it must consider making representations direct to Government on the score.

Don Godfrey, the SA Property Owners Association (Sapo) representative on the Building Industry Advisory Council and voice of the developers, says he cannot see any objections to passing on a valid cost like GST to developers.

However, he wants to ensure that there are safeguards built-in to any change to the formula so that only tax that is actually proven as paid is passed on.

Another matter of concern to builders is that of contracts in progress and tenders submitted up to July 1 when the new tax comes into force. As far as contracts in progress are concerned, says Bifsa, if the Haylett formula is changed, there should be no problem as the GST will simply be passed on to the owner/developer.

However, there could be serious problems in the case of tenders before July 1 where GST has not been included, and Bifsa wants to meet Government soon to thrash out the problems involved.
There's little cause to smile if you are in the construction game. Business is already in the doldrums. And now government spending is set to fall for the second year running, according to recent Department of Statistics figures.

Total public sector spending in calendar 1978 is expected to rise by 15% to R5.639m on actual spending of R4.887m for 1977. However, the amount to be paid out to private sector construction firms will increase by only 6,5% in money terms.

In real terms, therefore, government spending in the private construction sector will fall if construction costs increase by more than 6,5% over the year — as seems inevitable.

Meanwhile, government intends to increase its spending on plant and equipment this year by 29% from R1.902m to R2.458m. This follows a 26% increase in expenditure between 1976 and 1977. The major cause of the increase is a 37% rise in expenditure on machinery and equipment by public corporations — despite a 17% drop in their construction expenditure. Escom and Sasol 2 are the two major corporations mopping up the extra R474m provided.

Originally Sasol estimated that R1.405m of the total planned expenditure of R2.458m would be spent locally — roughly 57%. Since most of the construction work is classed as machinery by the Statistics Department, it may be conservatively assumed that 40% of capital expenditure for Sasol will be paid to SA engineering and manufacturing firms. Similarly, an Escom spokesman estimated that roughly 40% to 50% of its capital expenditure on plant and machinery would be put into the hands of local manufacturers.

If this ratio holds good for most public corporations, manufacturing concerns can expect a boost of roughly R190m over the year.
Stop being negative businessmen told

DURBAN — Negative concepts such as "white survival in South Africa" must be eliminated, Prof E Wiehahn told the Afrikaanse Handels-instituut's conference here yesterday. There was a need to be positive about the future, he said.

Survival concerned everyone — black and white — and a negative approach could have harmful effects on the economy and labour relations.

The future, he said was for all.

Prof Wiehahn, who is heading a commission of inquiry into labour matters, said a memorandum or report dealing with the broad principles should be ready in October.

"This will give the Government a basis on which to work."

He said it was not possible to move too fast on the labour question. There were delicate problems such as migrant labour from neighbouring states which were political problems.

But it was necessary to move forward as the tension from abroad was building up.

The Institute's president, Mr Anker Burger, said changes in South Africa were being made at the fastest possible tempo and the Press should do all in its power to improve the country's image abroad.

Mr Burger said he referred especially to the English Press.

"Sensational and slanted reports have done incalculable harm which we cannot afford. It is time the business world resisted strongly against this, as they are the ones directly concerned."

— DDC, SAPA.

Power cost attacked, page 5.
Alice murder appeal move is rejected

PORT ELIZABETH — Leave for two men under the death sentence to appeal against their conviction on a murder charge was refused in the Supreme Court, Grahamstown.

Aubrey Mpongohe, 21, and Themebile Mkulu, 20, were sentenced in the Supreme Court, King William's Town in March.

They were found by Mr. Justice Cloete to have murdered Mr. Gert Coetzer, 76, on his farm Ebenzer, near Alice, in July last year.

They stole Mr. Coetzer's watch and stabbed his daughter, Elsie, 54, in the neck.

Evidence was that Mr. Coetzer had died of a heart attack following the struggling.

The youths contested the conviction. Mr. Justice Cloete found there were no extenuating circumstances.

Mr. C. Mouton, appearing pro deo for the men, said there was evidence that psychopathy had been present in Mpongohe and claimed that the age of the two formed an extenuating circumstance.

Mr. Justice Cloete, hearing the application, said he did not think another court would take a view of the case differing from that of the trial court. He dismissed the application.

12.1977
Building plans for Durban top R10m

PLANS for the new 38-storey apartment block on Durban's Victoria Embankment, which will cost an estimated R4 054 000, were included in the building plans passed by the Durban city engineer last month.

Work has already started on the site, adjoining the Durban Club, and the building is expected to be completed in about 18 months time.

The Victoria Embankment project, being built by LTA Construction for the Metal Industries Pension Fund, gave a significant boost to the value of building plans passed last month.

The total value of new buildings approved was R10 747 447 — higher than any month last year, and more than double to average monthly figure so far this year.

Another major project given the go-ahead was a R1 020 000 warehouse for Lever Bros at Maydon Wharf.

Other interesting construction projects are a tank farm and tank park for Silicate & Chemical Industries Natal at Lansdowne Road which is being built at a cost of R49 000, additions to Consolidated Oil Products in Bluff Road costing R350 000, and a R120 000 improvement to the Durban Turf Club's stands at Greyville.
Bad times lead to a search for security

Financial Editor

Building societies do well in recessionary times, says Mr. P. F. Richardson, the new general manager of the United Building Society.

Mr. Richardson, who was addressing a seminar of UBS managers and agents in Durban this week, said that in bad times people look for security and adopt a conservative policy towards investment.

"Past experience has shown that when the country’s growth rate is low, investors go to the building societies. We are in this situation today.

"Everything is going for us and we must take advantage of the opportunities.

"We are opening new branches and getting closer to the people and where they live."

Another interesting trend was that the bulk of the money was being placed on deposit, or in savings accounts, rather than in shares.

Mr. Richardson suggested that now would be a good time to start a campaign with the aim of pointing out the advantages of investments in building society shares.

"The United will stick to its own business of being a building society. We have heard about one-stop banking and banks starting building societies. But, such moves can cause a clash of interests.

"People like the conservative image of the United. There is a tremendous amount of administrative work, and we must ensure that this is done well. Investors like to think that their money is being handled efficiently."

Mr. Trevor Warman, chairman of the Natal Provincial Council, told the meeting that estate agents should take pride in their new professional status.

"It is right that a strong property profession should be developed. It is essential for agents to be properly trained and that they work hard to improve their standing."

Mr. Warman commented on the falling interest rate pattern but doubted whether this would help the building industry as there was too much "slack" to be taken up and too much accommodation available.

Old buildings were bound to be cheaper than new structures but with rates dropping property values would increase.
BUILDERS
QUERY
LATEST
OFFICIAL
FIGURES

Property Reporter

The Federation of
Civil Engineering
Contractors has challenged
official figures which
indicate that the volume
of construction this year
should be only slightly
below the 1977 level.

A statement signed by
the Director, Mr. K.
Lazaz, says that this
forecast may be too
optimistic as the actual ex-
penditure of the public
sector on civil work in
1977 was not less than
15 percent below the
spending anticipated at
the beginning of last
year.

The Department of
Statistics in its annual
report on the public sec-
tor’s capital expenditure
attributes this shortfall
to the policy to curtail
expenditure and the fi-
nancing problems ex-
perienced in the public
sector, particularly by
local authorities and
public corporations,”
says Mr. Lazaz.

“This year may,
therefore, well turn out
to be another period of
significantly reduced ac-
tivity for contractors
engaged in work in the
public sector, which ac-
counts for about 70 per-
cent of the industry’s
total activity.”

The statement says
that the industry is now
working 40 percent
below the peak in ac-
tivity of a few years ago,
and 40,000 employees,
mainly black, have been
rerenched.

“it is also critical of
the increase in work
done by authorities’
departmental units. In
1973, these departments
had 35 percent of the
business, with a projec-
tion of 45 percent for
this year.

The Federation
wishes to express its
concern about this so-
cialis tic tendency in a
country which professes
to subscribe to the free
enterprise system,” said
the statement.
The continuing plight of the building industry can be seen from the latest estimated figures from Johannesburg's City Engineer's Department, which show a 26 percent drop in construction work taking place at the end of February compared with the same month last year.

The value of work in the course of construction in the Johannesburg area at the end of last month was an estimated R2233m, a R102m plunge from the R2335m a year ago. There was also a fall of more than R100m in the value of work in progress at the end of January this year - R2384m as against R3377m for January 1977.
40,000 jobs lost since '76 in civil engineering

Michael Chester, Financial Editor

The combined labour force of the civil engineering industry has now shrunk by as much as 30 percent below its 1976 peak of 135,000—meaning a loss of 40,000 jobs—and the sector faces several bleak months yet to come.

In a review released today, Mr. E. Lagay, Director of the SA Federation of Civil Engineering Contractors, finds none of the evidence of the mild recovery at last showing in patches of the economy elsewhere.

In the first quarter of 1975, the labour force stood at 95,000 with the real volume of work down 15 to 20 percent even compared with a year ago when the recession was beginning.

The frustration for the civil engineering industry is that it is still trapped in a feast-or-famine syndrome of business cycles because of the stop-go swings in public-sector capital expenditure on big projects.

Mr. Lagay replies to the argument that stop-go spoils public-sector spending, "It's not only bad for the industry but also not in the best interests of a national interest, especially with the lack of skilled manpower in the downturns.

BRACED

So unless there is a change in the Government's spending patterns—the industry is braced to stay about 12 months out of work with overall cyclical movements in the economy.

Just as the civil engineering contractors were among the last to feel the pinch of the latest recession—contractors really felt the full impact of the business peak in 1976.
High priority road misses Transkei

HIGH priority is being given to the construction of a road linking East Griqualand with the rest of Natal to bypass Transkei. Work on the R135 million project is expected to start next year.

Central Government approval for the project followed recent negotiations between the Administrator of Natal and the Minister of Finance, the MEC in charge of roads, Mr. Derin Stainbank, said yesterday.

It was essential that a link road be provided for military purposes, and the Government now recognised that high priority had to be given to its construction, he said.

The 70km road will stretch from Underberg to Spitzkop, via Bushmen's Neck and Union Bridge.

Yesterday's announcement by Mr. Stainbank was surprising because as recently as March he told the annual meeting of the East Griqualand Regional Development Association that the Government seemed unconcerned about helping to finance the project.
### ENGINEERING

#### Conac's collapse

Conac, one of Natal's largest private engineering groups, has reached the end of the road. A provisional judicial management order granted in the Supreme Court in Pietermaritzburg (Judge Marx) is likely to be converted to a liquidation order following a meeting of creditors.

A possible takeover bid fell by the wayside and liquidity problems make it unlikely, in the opinion of the judicial manager, that it can once more become a successful concern.

In his application for judicial management MD Eugen Ege declared: "The respondent has, through mismanagement, found itself acutely short of cash and unable to pay its debts."

It is a common sad enough story, but this time almost 300 people stand to lose their jobs, many already desperate in employment situations.

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**Officials refer to as **

- 3-story compounds and single storey wooden buildings which Raylay this is not strictly accurate. The large accommodation divide between longs. The docks accommodation is classified here as a compound though finally, there are the SAR & H buildings in the docks and bordering on

- Townships, but merely to give a broad idea.

- 3-story compounds and single storey wooden buildings which Raylay such as is found in many areas. This does not pretend to give an indi...

- The dock accommodation is divided into two parts and then again large groups of men may be housed in a compound are housed temporarily in corrugated iron huts, e.g. building workers on

- Men are housed singly or in small groups e.g. workshops. Sometimes they

- Outside the townships, employers require a special permit to house their

---

**Areas outside the townships:**
CONSTRUCTION 2.2

Over the worst? 7/11/78

If SA's building industry is to achieve 1974 output levels by 1980, overall building activity will have to increase by more than 12%, and the private dwellings sector will have to grow by 37%.

This conclusion, drawn by Stellenbosch's Bureau for Economic Research in its latest Building Survey, illustrates just how badly the industry has been hit.

The Bureau's analysis of a number of indicators related to the industry reveals that from 1974 to 1977:

- The real value of residential building plans passed fell by 56%.
- The real value of buildings completed fell by 27%.
- The real value of loans for the erection of new buildings dropped by 45%.

- Employment fell by 30%.
- Total investment in the industry fell by 11%.
- The real value of wholesale sales of building materials fell by 34%.
- Architects and quantity surveyors experienced a 50% cut in work owing to the fall in the number of new private and public sector contracts.

The Bureau estimates that the reduction in total building activity of both the private and public sectors since 1974 has been about 11%, but points out that investment in private dwellings has decreased much more substantially than the average. In fact, the Survey continues, "if government had not supported the building industry during this period, many more contractors would have been forced to leave the industry than actually was the case."

The Bureau thinks that the industry is now over the worst, but it warns that the expected upswing "will be very gradual, will start from a very low level, and will be limited to certain sectors."

Some of the Bureau's respondents seem to share this guarded optimism — although the Survey is at pains to describe their mood as "reduced pessimism" (see graph).
THE STILL gloomy statistics about the building industry are behind the times, according to Mike Hughes, organiser of Interbou 78, the sixth national building and construction exhibition to be held in Milner Park Johannesburg next month.

Mr Hughes believes there are signs of a resurgence of interest reflected in willingness to take part in the exhibition, which runs from August 9 to 17.

He said this week: "I am confident that virtually all the major suppliers to the building industry and there seems to be generally a developing trend." Interbou is a good example. Despite two years of recession the last Interbou, there was no lack of applications for this year's show, he said.

"The reaction was a little slower but now the exhibitors are pouring in," he added.

He said there was a change in the pattern of overseas companies towards exhibition here. In the past the number of overseas companies exhibited directly from their boardrooms abroad, but this year the main trend was to lease to their local agents.

Mr Hughes said: "The obvious inference is that while faced with the problems of a very severe political climate, overseas companies still keen to do business here."

The organisers believe visitors will be particularly interested in the special section devoted to security, with particular emphasis on the protection of buildings.

They say that Interbou is five exhibitions in one:
- The building and construction exhibitors.
- A homemaker exhibition devoted to the needs of the home renovator and home improver.
- An ambient energy exhibition.
- An exhibition of woodworking machinery.
- Security in building.

A big display of terrorist arms, ammunition and urban terror devices will be shown for the first time. It will form part of the section of domestic and business security.

Co-operation

Mr R. M. Power, national chairman of the Interbou Association, said he had received complete co-operation from the Security Branch.

"We want to know the public what is happening on the terrorist front. There is a misconception of creating a panic situation — quite the opposite. The public will be able to see what efficient police work has achieved so far. There will also be a display of terrorist tactics and films showing the police at work."

"The display will include guns, hand grenades, anti-tank missiles, mortars, bombs and captured uniforms."

On the energy side, a solar heating panel, made in South Africa, which has stirred great interest overseas, will be shown for the first time.

Plank

Called the solar plank by its designer John Latanere, a ranging director of Aluminium Extrusion Contractors, it was recently shown in Britain at two international exhibitions where it attracted the interest of manufacturers and industrial design engineers.

It is now about to undergo stringent tests at the National Building Research Institute in Pretoria.

Mr Latanere believes the aluminium plank takes full advantage of the latest wide aluminium profiles.

The 300 millimetre profile is produced in lengths up to eight metres. Each plank has a panel for fixing to a supporting frame and integral, and can be fixed to a wall next to it, making the length and width of the solar heating installation a matter of choice.

Advantage

Because the solar planks can span five metres without support, they can be used as structural units. But claim the makers, the big advantage is cost. The usual method of manufacture — merely an aluminium extrusion — is the ease of installation, means, says Mr Latanere, it will cost considerably less than existing solar units.

Still on the solar front, Stanley, an emergency power supply company, will be showing units for solar generating units, and wind generators — linked to a powerful storage battery system — to be unique in South Africa.

They will also have a solar electric fence on exhibition.

Other points from the exhibition:

Vivace-Colt’s display of various types of natural and powered ventilation equipment. Among them are regenerators for the re-cycling of waste heat — a vital factor in the conservation of fuel and energy.

Lifts

Short Lifts will have a number of models of both vertical and horizontal passenger lifts and stair lifts. Also, Compactly apart, from exhibiting some of the waste disposal equipment onsupplied, will also help to keep the exhibition tidy. A fully operational stationery packer machine with automatic loading will be situated outside the exhibition hall to dispose of waste generated by the stand-holders and the public.

Brickor is planning a "showroom" at the exhibition. It is the items designed to catch the eye in the Jet Black, a maintenance-free, labour-saving building block for economic as well as low-cost housing.

Lowest housing Solar heating comes in again. African Sunroo will show a total system for such homes, costing as little as R100 a house.
looking brighter

en gesin uit ander bronne

van ander werkers op die plaas wat dieselfde
Mr. Porter contacted Longhill again in March this year. Longhill replied, writing that: "As nearly five years have elapsed since the house was built, and you did buy the house "on the hoof," we feel that we can in no way be held responsible for the dampness now occurring.

"However, in good faith, without prejudice and on an ex-gratia basis, we are prepared to offer you a cheque to the value of R300 in full and final settlement in an effort to assist you with your problem."

Mr. Porter refused the offer, because the quote for treatment was R850.

Mr. Porter was also puzzled by the reference in the letter to the age of the house as five years, as when he bought it in December 1975, he had been told by the agents and Longhill that it was a new house, except that someone had occupied it for a few months while Longhill was building their home.

Mr. Sian Long, chairman and managing director of Longhill Construction Company, said this week he had discussed the matter at length with his Natal general manager, Mr. D. M. Spillans.

"We offered Mr. Porter R300 on a basis of trying to get a matter settled in a sympathetic way before we had those things investigated by outside parties.

"This was not because we necessarily felt we were at fault, but we wished to satisfy an obviously disgruntled customer. The National Building Research Institute sent a representative and has given us a report, that the defects are as such, if there are any, are the result, after several years occupation, of nothing more than fair wear and tear.

"They can find no evidence of incorrect construction.

"We also have a copy of the certificate of the Westville inspector that the damp-proof courses have been installed correctly. Under the circumstances we really feel no reason to have any qualms about the whole position."

Mr. Long said he would be replying to Mr. Porter soon.
Let's build those low-cost houses now, now

Finance Correspondent

The government must provide extra finance to boost the construction of low-cost housing in an effort to stabilise the building industry, says Chris Saunders, chairman of the R10 million a year Tongaat group.

He believes that the call for more low-cost housing is justified by the parlous state of the country's brick industry, the real need to create jobs, and improve standards of living among the less privileged members of the population.

He points out that there have been dramatic and far-reaching changes in the local market for bricks.

He says any revival in demand for bricks will stem from the construction of more low-cost housing.

The rate of construction of these houses must be increased because they are urgently needed, will create more jobs, and will not be built as cheaply again.

Saunders adds that the government must, in political and economic reasons, provide the extra finance since the labour that is at present unwilling to work and stockpiles of indigenous materials can be used to help revive the economy.

"It will be years before we see a direct bridge on foreign exchange reserves nor add to the problem of inflation," he says.

"The cost of such housing may increase marginally, but if the standard of construction improves, the additional outlay may well be more than offset by lower annual maintenance costs."

He stresses the importance of maintenance costs, by pointing out that Durban corporation will this year contribute about R1 million from its general rate fund towards the cost of maintaining low-cost housing.

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2. Hoeveel keer reeds op die plaas gewerk

10. Aan alle werkers
   (a) Werkure:

   Maan-Vry        Begin        Uitskei        Pouse(s)
   Sat.            "            "            
   Son.            "            "            

   (b) Jaarlikse verlof deur boer betaal
       onbetaal

11. Kontantloon (weklik)

12. Ander betaling (weklik)
   (a) Vleis: hoewelheid
       prys (as nie gratis verskaf word nie)
       waarin aan boer
       waarde aan werker
became a nightmare

The dream home that

Mrs. Potter showed how easily peels from the kitchen

BY COLIN VINAL

HUNDREDS OF HOMES VULNERABLE THROUGH IGNORANCE

The damp menace
How attacks can happen

Salt crystals have a specific shape. The crystals form in the wall concrete, and then one of the minerals in the cement forms a salt. This salt can then crystallize and grow. If the salt is not removed, it will grow and expand, causing damage to the wall concrete. This is what happens in a damp proof coating failure.

If the wall has been treated with a salt, it is possible that it still has a salt crystal in it. If the salt is not removed, it can continue to grow and cause damage to the wall concrete.

The salt can also affect the plaster and mortar. It can cause cracks and damage to the plaster and mortar, which can then weaken the wall and cause further damage.

It is important to remove any salt from the wall concrete to prevent further damage. This can be done by using a salt remover or by wetting the wall concrete and then scraping it clean.
shareholding of Roberts Construction. "But it is crucial that blacks have a majority share, to enable us to direct the course of the company," asserts Motsueanye.

Black construction worker . . . barred from business

Having white shareholders also has its drawbacks. The new 99-year leasehold is only available to all black companies. So AD&C cannot lease its own premises.

Motsueanye hopes to get round the problem by renting premises leased by an all black association, as will the Nafco-sponsored black supermarket chain, Blackchain. Other grievances will be hammered out when Nafco meets next month with Prime Minister Connie Mulder.
169 students detained in SA Institute for a year and a half.

There are at least 169 students ranging in age from 13 to 25 years in detention under security laws in South African schools, according to the South African Institute of Race Relations.

Of the pupils in detention, at least 31 were under the age of 15, some as young as 13.

According to the Institute, at least 10 of the pupils under the age of 15 have spent nearly two years in detention without trial.

The Minister of Justice, Mr. Kruger, told Parliament this year that there were 1414-year-olds and five 15-year-olds serving sentences on Robben Island for sabotage.

The document released by the Institute also states that at least 40 students, the age of 15 have been in detention for nearly two years, while 16 have been held for 18 months.

Last year, 223 males and 18 females under the age of 18 were detained without trial under various security laws, according to figures released in Parliament.

"There has been a spate of trials relating to public violence, arson, malicious damage to property, and incitement. Altogether, on the basis of our records, there have been 83 trials of this nature with 400 people accused," the document says.

Since the beginning of this year, Port Elizabeth has had the greatest number of cases relating to civil unrest. In all, there were 80 trials involving 169 people.

"At least 1354 people have been bailed in the past 18 years and at least 366 of them have fled the country, swelling the number of exiles in neighboring states to about 2,000, according to the Institute.

1. Worker se vrag: Woon in die huis?

2. Weeklikse loon

3. Werkloosheid

4. Rode waarom worker elk

5.
for significant improvement in our industry are not good... and even if the political and economic situation in southern Africa does improve there is considerable slack to be taken up and it will be quite some time before the improvement is reflected in substantial increased volumes of construction work..."

With the worst over, the rest of the report makes good reading. Work in progress is up from R271m to R301m, and "the order book looks healthier now than it did this time last year, even given inflation," says financial director Colin Wood.

The balance sheet remains sound. Net borrowings are substantially higher at R11.2m (R5.6m), because net short-term debt is up by R5.7m. This, explains Wood, "is due to the enormous fluctuations in our cash flow at particular times of the month, but overall our gearing is at a similar level to last year's debt/equity ratio of 33%.

LTA is always conservative in its accounting of profits, so it is not able to smooth its earnings curve to any great extent. Profit not brought to account was R8.7m, which was the difference between contract valuation and total costs as at March 31.

The group continues to benefit from a substantial tax cushion, although the rate was up at 27.6% (21.5%). It continues to use up losses incurred in 1971 and 1972, and it is benefiting from substantial investment allowances. It has a remaining tax cushion of R18.7m which should last for some years.

Unlike many of its competitors, LTA is not actively diversifying, although says Wood: "We are interested in diversification, but within the broader field of construction," which presumably includes the engineering spectrum. Meanwhile it has acquired the Rand Reinforcing companies, the Reinforcing & Allied group, Penman & Jochelson, electrical contractors, and is negotiating for outstanding shares in Spencer (Melksham).

Acquisitions cost a total of R9m, part of which has been financed by short-term loans.

Earnings from these acquisitions will be affected for some years to come as LTA writes down all goodwill. This stands at R1.02m in the balance sheet. But the year-to-year provision also reflects any earnings above what is warranted at the time of the acquisition.

At 190c LTA yields a prospective 10%. Over 213 000 shares have changed hands in the last three months, against 99 000 during the first four months of the year. Although no significant upturn in the building industry is being forecast for the year ahead, LTA should improve profits in the current year, and on yield considerations and long-term prospects it is worth tucking away.

Gail Pemberton

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**Activities:** Building and civil engineering group, and construction finance. Effectively controlled by Anglo American.

**Chairman:** Dr Z J de Beer; managing director: M T Ridley.

**Capital structure:** 12.5m ordinaries of R1; 42 000 10% cum red pref of R1. Market capitalisation: R23.8m.

**Financials:** Year to March 31 1978. Borrowings: long and medium term, R5.3m; net short term, R5.9m. Debt/equity ratio: 57.3%. Current ratio: 1.1. Net cash flow: R9.3m. Capital commitments: R2.4m.

**Share market:** Price: 190c (1977-78: high, 220c; low, 115c; trading volume last quarter, 213 000 shares). Yields: 22.5% on earnings; 10% on dividend. Cover: 2.3. PE ratio: 4.4.

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<tr>
<td>Work in progress (Rm)</td>
<td>217</td>
<td>224</td>
<td>271</td>
<td>301</td>
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<tr>
<td>Return on cap%</td>
<td>31.1</td>
<td>26.4</td>
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<td>Turnover (Rm)</td>
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<td>Gross profit (Rm)</td>
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<td>9.2</td>
<td>12.1</td>
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<td>Gross margin %</td>
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<td>3.5</td>
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<td>Dividends (c)</td>
<td>13.0</td>
<td>18.5</td>
<td>16.5</td>
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<td>Net asset value (c)</td>
<td>204</td>
<td>218</td>
<td>246</td>
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*Nine months annualised | Assets revalued*

**Chairman Zae de Beer** starts his chairman's statement by saying: "Prospects

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**LTA: ups and downs**

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*Log scale*
the average rate paid rose from 10.7% to 13.8%.

The group's land stocks are its biggest
headache. It had land worth R23.7m
(R28.6m) in stock, of which R15.5m
(R16.2m) is unserviced, unproclaimed
and R11.6m (R11.5m) is pro-
claimed. There is another R17.3m
of property in fixed assets, giving total
property holdings of R45.6m, of which
only R2.3m is unencumbered.

Debtors at R7.5m (R7.9m) and
property debtors at R4.1m (R4.9m) are
not much changed. Bester used to dis-
close deed-of-sell bad debtors but no
longer does; I understand because "those
debtors who were going to default on
their properties already have and bad
debts are no longer a problem."

Bester's vast farms, flocks and herds,
given to the public company by the
Bester brothers last year for a nominal
R100, have hardly been a godsend. They
brought with them liabilities nearly equal
to assets of R20m and have so far
sustained R534,000 in losses due mainly
to depressed red meat prices. But,
the directors remain confident the farms
are one day likely to make money.

Although land and house sales are
slack, Bester reports a slight improve-
ment on the property side. Provided it
goes well on the economic front, property
losses should be slightly diminished next
year, while construction profits should
also be higher. So a substantial overall
earnings improvement is a distinct possi-
bility. But because it is so illiquid, the
group can forget about dividends for
another two years at least. The current
share price is a fair reflection of risk and
reward.

David Carter

Bester 32
Carried by construction
FM 11/1878

Activities: Construction, property and
building group. The Bester brothers hold
27.8% of the group.

Executive chairman: J. Bester.

Capital structure: 1,000,000 shares of 50c.
Market capitalisation: R12.2m.

Revenues: long and medium term, R8.1m; net short-term, R2.9m.
Debt ratio: 76.7%; cash ratio: 1.2.

Share market: Price: 40c (1977-78); high, 50c; low 25c trading volume last quarter 245,000 shares. Yields: 30.2% on current price, 7.7%.

Construction made R5.1m (R4.7m)
pre-tax profit and has an order book of
R15.6m, of which work to the value of
R9.6m has yet to be started. The division
must have turned over R7.5m last year,
so is earning a respectable 60% pre tax
return on those contracts. If these mar-
ges can be maintained, the group should
probably produce profits of about R10m
over the next two years or so.

The previous year, the property divi-
sion's losses amounted to 23% of the
costing down profit, but last year it cut its losses by R1.7m and wiped out only 55% of the construction profits. The mining and industrial departments suf-
fured a R1m loss, however, so the group pre-tax profits improved only 49%
or R2.8m to R7.1m.

Last year Bester's accounts were
qualified by auditor, Theo van der
Linden, because they contained no
R736,000 deferred tax provision in
respect of a loss arising on the group's
reconstruction. He attributed
the effect of exaggerating pro-
labilities by R736,000 on share, the auditors said. For
last year, Bester has made the provision
in respect of the previous year flattening the earnings improvement. Earn-
ings last year without the provision were
15.5c and with it, 19.4c, compared to
19.3c earnings of 1977.

However possible the construction
division's profits and cash flow seem secured by property, so it is with
liquidity Bester seems unable to make
much headway in reducing borrowings,
which now total R6.96m (R8.2m). The
interest and wear and tear from R5.4m
to R6.7m and now covered by pre-
tax cash profits only 47%.

It would seem that loans rolled over
are bearing higher rates of interest, as
Developers call a halt

The row between private developers, who pay for buildings to be put up, and the Building Industries Federation (Bifsa) is heating up. The fuss is about the federation's standard qualifications of building contracts and tenders, and the Haylett formula for compensating builders for cost escalations during the contract period.

A meeting between Sapoa, representing the developers, and Bifsa, which was scheduled for last week, was cancelled by Bifsa at the last minute. And now Sapoa won't accept Haylett. It insists on another cost increase formula, the Baxter formula. Baxter, Sapoa's building contracts committee chairman Don Goody tells the FM, appears to be better for the client. He cites one SAR contract where railways saved 70% of what it would have paid if Haylett had been used instead of Baxter.

If the public sector doesn't have to have Haylett inflicted on it "why should we?" private developers ask. They also complain that Sapoa wasn't invited to the meeting which worked out the Haylett formula, nor to the BIAC meeting which recommended its use.

Recently it looked as if there could be compromise. In July Sapoa and Bifsa got together at a meeting chaired by the chairman of the BIAC. Nothing transpired except a minor change in the fixed element (the amount of the contract price not subject to escalation) from 10% to 15% — and a recommendation that Sapoa and Bifsa should meet again to discuss their differences. That was the one set for last week.

For the meeting Sapoa lined up clients such as Escom and SAR as well as professional bodies such as architects and quantity surveyors to put forward their views. But Bifsa said that it was only prepared to meet Sapoa. Sapoa agreed to meet Bifsa alone, yet Bifsa cancelled. Bifsa director Johan Grothus declines to say why.

Undeterred, Sapoa went ahead with a meeting with the others. They decided (and are informing Bifsa) that their main demands are:

- That Bifsa should withdraw its "unilateral" qualification of private contracts and its embargo on contracts which don't contain Haylett;
- That Haylett would be acceptable if the fixed element was pushed up to 35% of the contract price (leaving only 65% subject to escalation); and
- That alternative methods of measuring cost increases should be allowed — for instance the "proven costs" method, where the builder produces actual invoices to show increases; or an amended Haylett formula; or a combination of both methods, say, Haylett on the airconditioning and electrical work and proven costs on the rest.

Sapoa has again offered to meet Bifsa to discuss the matter. Meanwhile Sapoa hopes that its members will "maintain their right" to negotiate terms with builders on any basis they like. This may mean going to builders who don't belong to the Master Builders' Association and are therefore outside Bifsa's influence.
Changing identity?

Has the construction slump changed the direction of the big five quoted construction companies? With steady cash build-up, acquisition has been the name of the game over the last 12 months.

The big five improved their cash holdings by nearly R27m in the years covered by their most recent reports (see table). But of the proportion spent on diversification, only M&R’s R7,3m purchase of space maker, Crown Mills, through Manchusa, was an engineering departure.

Daring & Hodgson has moved into open-cast coal mining and Grinaker into electronics via Rascal Group 5, which had R17m net cash at its year-end, plans to use most for project finance to give it a competitive edge in tendering. It is looking outside construction, but only in the engineering field. LTA is interested only in “construction in its broadest sense.”

So the construction companies remain aware that there are few huge new projects such as Sasol II, Koeberg, Duvha, Richards Bay, Sishen and Saldanha in the offing, SA will have to build more in the next 40 years than it has since Van Riebeck arrived, despite the current downturn.

Murray & Roberts’ liquidity improved by a net R16m last time it reported. It has since spent about R20m on acquisitions of which about R7,5m went on Elin. The R7,5m Crown Mills acquisition was in a 50% partnership with Anchesa, so will have cost M&R only R3,5m. The purchase of Cape Fondriechs and investments in the valve and heat exchanger industries absorbed an as yet undisclosed sum. M&R had a R10m debenture issue recently. Its problem is due to Thursday, September 7, and the annual report at the end of the month. There will be major balance sheet changes but liquidity will not be strained as M&R is in line for a R100m coal wharf contract in Israel as well as the Valindaka uranium enrichment plant and will have retained cash for these.

Policy at M&R is to stick to engineering-related industries but Manchusa, with an estimated R16m to invest, goes its own way. Manchusa is looking at foods, mass manufacturing and consumer goods. It will generally pay cash and never accept less than a 50% holding in new ventures.

Daring & Hodgson reported improved liquidity of R5,3m in its last report after spending R15m on plant, equipment and coal options. It has never quantified its coal operation, which is expected to make a small maiden contribution to profits in the current half year.

This was a logical diversification, as D&H had the machinery and expertise for overburden stripping before it bought its first option. D&H’s new investments are expected to earn 20% pre-tax including the coal mining operation. Production has been sold to Iacor and the export market. Coal will make a “significant” medium-term contribution to group income. D&H is still in an acquisitive mood but only in fields in which it has established skills.

LTA is diversified only to the extent that it derives 49% of its pre-tax profit from building systems, reinforcing and sub-contracting. It is not interested in further diversification and was the only construction company whose liquidity did not improve in the last balance sheet, and with debt-equity at 57%, it is far from highly geared.

Nevertheless, it might judge the present as a good time for a rights issue, especially if the volume of work picks up. This applies to any capital intensive industrial company working near capacity.

Group 5 would pick up suitable engineering acquisitions outside construction but is in no hurry to move outside as it feels it can put its huge cash balance to work on project finance and this gives it an edge. The R17m of cash last reported was seasonal. Normal cash holding is R14m, says the company. The other construction companies are not big in project finance. As M&R observes “we

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Financial Mail September 1 1978

A market with walking drag lines costing up to R10m apiece and concrete road making machines costing R1m each. But if replacement cost is taken into account, most of the construction companies appear to be under-depreciating. This could point to heavy near-term capital investment requirements and possibly rights issues in unexpected quarters.

David Corte
**EXPORT SUCCESS**

By Alan Peat, Finance Editor

ALTHOUGH the shipbuilding industry, for commercial vessels has just about died in the last year one builder has managed to stave off the economic effects through a growing export programme.

And the Anglovaal subsidiary James Brown and Hamer (J B & H) of Durban, has put its general skill in engineering into practice to supplement its lost shipbuilding cash returns.

The year-long string of export successes it has been chalkling up recently included the penetration of the United States market with a R500 000 order for heavy automotive castings.

The latest order involves the supply of more than 30 000 wheel hubs for the United States trucking industry and will run until the end of the year.

"According to," Eric Mackie, managing director of James Brown & Hamer, the orders were won against strong competition from suppliers in other countries.

"In most exporting countries exports of foundry products are subsidised," he said.

According to Mackie JB&H did not win the US order on price competitiveness alone.

"Because of our scale of operation, our company, like many others in South Africa, is able to quote on more specialised jobs which are uneconomical for the vast production runs common in the United States," he explained.

"We are also confident of obtaining our share of the work from the multi-million rand Swazi III sugar project," said Mackie.

**On its way to a foreign land is a recent export order for a R100 000 Tongaat 'cane' shredder**

During the past 12 months JB&H has also had a steady stream of export successes with sugar industry equipment manufactured in Durban.
A question of limits

Their pains are substantiated by the fact that one poor shipowner can, and has been, paid off with a bare $125 per month from the government, or a little more than he would have been paid if he had continued the business.

The main point is that the government has failed to provide for adequate compensation for the loss of business due to the strike. The situation is urgent and needs immediate action from the government to ensure fair compensation for those affected.

MEMBERS of the Association of Shippers' Agents and Brokers of Southern Africa (ASABOSA) — through unanimous in their praise for the Government's decision to allow changes off limits — Durban, — seem concerned about the possibility of local ship chandlers approaching on duties reserved for ship agencies.

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**R2,8m CONTRACT FOR VRYHEID ROADWORKS**

Mercury Bureau

PIETERMARITZBURG — A R2,8m contract has been awarded for roadworks in the Vryheid area, Mr. Deria Stainbank, MEC in charge of roads, announced yesterday.

The contract includes earthworks and surfacing of sections of the Vryheid-Nongoma road, seal surfacing of the road leading to the Kemps Rust coal mine, sand-seal surfacing of the road from Paulpietersburg to Natalspaa and to Paulpietersburg station, sand-seal surfacing of the road from Hlobane-Boomlager and other minor works.

The R2,872,000 contract has been awarded to Concor Roads (Pty.) Ltd. and is scheduled for completion in 24 months.

The total distance involved is 62km.

The improvements will make a big difference to coal haulage and tourist traffic, besides benefiting farmers on the routes concerned, said Mr. Stainbank.

<table>
<thead>
<tr>
<th>Courses</th>
<th>Weighting</th>
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<tr>
<td>4</td>
<td>( \frac{4}{3} )</td>
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<td>5</td>
<td>( \frac{5}{3} )</td>
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</table>
Home, sweet home

There's quite a boom in advertising on the part of systems builders, companies offering to extend homes with additional bedrooms, bathrooms, patios or whatever and usually constructed to a modular, though flexible, form of construction.

According to a straw poll among banks, building societies and construction companies all the signs are that the systems builders are poised for the good times. The climate looks favourable.

There is far more activity among building planners and building societies and banks are awash with cash.

The value of building plans passed for alterations and additions in the first six months of this year, at R149,4m, edged ahead of the same period last year (R141,5m). While it is true that those figures cover industrial extensions as well as those in the private sector and the increase is slight, it is an improvement.

Added to this, says director of the Association of Building Societies, David Alston, by the end of June his members had funds of something like R108m a month available for loans. That compares with R75m a month ruling last February.

But not that they are exactly giving money away. SA Perm MD Pat Watson confirms that while there has been "nothing sensational" going on in the home improvement sector his company has been no less stringent in applying its usual yardsticks when it comes to assessing risk — despite having plenty of available cash.

Likewise, Stannic and Wesbank — who, with Trust Bank, are in the forefront of lending in the home improvement sector — report stimulated activity but suggest that it cannot, yet, be described as a boom.

The real enthusiasm comes from the builders themselves. Witch Rooms MD Cliff Harriman estimates that he is now turning over R1m a month in installing around 150 units nationwide. As advertising pacesetter he has been active in the home improvement sector for seven years.

Typical Witch Room addition costs between R4,000-R5,000 and is essentially a timber modular construction. Harriman estimates the market to be worth around R250m a year. That's probably on the high side but there is still plenty of work for the, perhaps, two dozen (and growing) remaining system builders.

Late-comer Kool Aluminium: Spacespan Division was launched in March and reports over 300 enquiries in the first few weeks. "We're not selling bricks and mortar any more," enthuses product manager Geoff Nye, "we're selling a concept." Again, typical installation cost of his aluminium based system is around R4,000 and he is already turning over something like R80,000 a month in sunrooms, lounges, bathrooms and so on.

Nye is convinced that the market is "wide open." If he is surprised about anything it is that over 50% of his deals are for cash.

Norman Keyser of the Art Louvre group of companies is another who agrees that today the public wants a complete planning and financial package. "The back-yarders," he says, "are going by the wayside; the professionals are moving in." Keyser talks of the business as being "buoyant" and tells the FM that they're doing around 70 contracts a month. Typical cost of steel and glass construction is between R1,500-R2,000.

The Department of Applied Science, or some equivalent, could offer courses primarily for Chemical Technicians. It should be noted that the Diploma for Chemical Technicians appears to be exactly the same as the one in Analytical Chemistry, and to further confuse matters, is also called the Diploma in Chemical Technology by different Colleges for Advanced Tech-
industry” Grinaker upped pre-tax profits 48% from R6.2m to R9.2m, without any help from the newly-acquired Rascal (Rasa) which is not consolidated in the latest accounts. Yet, at the end of his chairman’s statement Grinaker says: “It is sincerely to be hoped that the authorities will soon raise their capital expenditure programmes to ensure that there is a sufficient level of work to retain skilled labour in the industry, and to encourage a return to normal conditions.”

<table>
<thead>
<tr>
<th>Return on cap %</th>
<th>1977</th>
<th>1978</th>
<th>1979</th>
<th>1980</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total turnover</td>
<td>185</td>
<td>214</td>
<td>216</td>
<td>232</td>
</tr>
<tr>
<td>Gross profit (Rm)</td>
<td>6.3</td>
<td>6.6</td>
<td>7.0</td>
<td>9.0</td>
</tr>
<tr>
<td>Earnings (c)</td>
<td>83.6</td>
<td>88.9</td>
<td>75.8</td>
<td>104.1</td>
</tr>
<tr>
<td>Dividends (c)</td>
<td>27.5</td>
<td>29.6</td>
<td>28.7</td>
<td>33</td>
</tr>
<tr>
<td>Net asset value</td>
<td>273</td>
<td>341</td>
<td>401</td>
<td>476</td>
</tr>
</tbody>
</table>

To counteract the cutback in expenditure on freeways, provincial roads and railways Grinaker shifted his emphasis from road works to large earth-moving operations, such as open cast mining, dams and allied work. This entailed the expenditure of about R7m on new machinery and proved a successful move.

Bringing to book profits from previous contracts as well as the ability to complete urgent work in “quick time” also contributed to profitability, as several larger contracts were started and completed during the year.

Acquisition of Rasa will cost Grinaker R11.7m which includes R3m or more to be raised by the issue of 3m 10% cumulative redeemable prefs, to offset Rasa’s gearing. Rascal made net attributable profits of R1.98m in its year to March 1978, equal to 40c per Grinaker share, and should contribute significantly more in the current year if its past profit growth is any guide.

Grinaker reports earnings of 115.1c per share, but on FM calculations, which exclude R526,000 recoupment of deprecation on sale of plant and equipment, and other minor adjustments, earnings come down to 104.1c per share.

Return on capital has improved to 32% (28%) and should rise again in the current year with consolidation of Rasa. This should also ensure that Grinaker continues its more generous dividend policy. It has boosted the dividend 14% from 29c to 33c, the first substantial increase since 1974.

Since this June when Grinaker first announced its intention buying Rascal, the shares have been steadily rater. From 29c they are now 68% higher at 49.5c. Grinaker excluding Rascal may only maintain earnings in the current year. It will lose the interest, equivalent to about 17c per share at 10% on the R8.6m cash consideration paid for Rascal. But if Rascal makes a conservative 50c, group earnings could be about 150c, which at the current PE of 4.7 times would suggest a price of 705c.

But before the market pushes the price up towards this level, it will need to see a higher dividend payment, as well as good interim results to confirm that there is sufficient work on hand to continue the impressive profit rise.

Gail Pemberton

GRINAKER

Secure construction

Activities: Construction and civil engineering group, which subsequent to the year ended acquired Rascal Electronics SA. The directors hold 22.2% (22.4%) of the equity.

Chairman: O W Grinaker.

Capital structure: 4.9m ordinaries of 50c. Market capitalisation: R243m.


Share market: Price: 495c (1977-78: high, 495c; low, 145c; trading volume last quarter, 179,000 shares). Yields: 21% on earnings; 6.7% on dividend. Cover: 3.2. PE ratio: 4.7.

“IT has been an exceptionally good year, our best ever,” says chairman Ola Grinaker. And despite the much talked of “dreadful state of the construction industry” which consists of electrical engineering, and much more, the Department of Electrical Engineering where students of light and heavy current follow largely the same course. The Department could offer specialised courses such as Industrial Instrumentation, and TV and Electronics, at a later stage of its development should the need arise, as well it might with the present expansion of the electronics industry and plans for opening a TV channel for African viewers.

The Department of Applied Science, or some equivalent, could offer courses for Chemical Technicians. It should be noted that the Diploma for Chemical Technicians appears to be exactly the same as the one in Analytical Chemistry, and to further confuse matters, is also called the Diploma in Chemical Technology by different Colleges for Advanced Techn-
Help from friends

The building industry in Natal has good reason to be grateful to the state and the churches. They have provided a steady stream of work during the lean period.

Last month, for example, two of the most costly building plans approved in Durban were for an Anglican cathedral centre (R1.3m) and for a school hostel for the provincial administration (R1.5m).

Similarly, Longhill Construction, part of Retco, has announced contracts worth R14.5m over the past month entirely from government and municipal sources. The biggest contract of R7.95m is for 600 houses at Lotus Park, Isipingo for the local council.

In Durban the most costly plan approved so far this year was the R4m block of 38 stories of flats, duplexes and parking on the esplanade for Metal Industries pension fund.

Last month, two big plans were approved for storage facilities for Islandview Storage (R500 000) and Durban Bulk Shipping (R400 000). Other large items approved were a warehouse for Old Mutual (R440 000) and a soft drink bottling plant and storage (R350 000) for K&J & S Investments.

It is hardly surprising that new blocks of flats are rare among the plans. The Durban City Council, for instance, is still trying desperately and without much success to let 200 vacant council flats.

(C) indicates Diploma course, (C) indicates Certificate course, and (D & C) indicates that the Diploma and Certificate figures have been lumped together.

There is clearly a fairly high correlation between the rankings of each category for immediate demand and 1981 demand, despite what was written in the previous paragraph about the unreliability of the 1981 figures.

Pastes of this report, the above table indicates, in order of courses the proposed Technical College at Umlazi should offer a course, say, for Chemical Technology (Plastics).

In fact, the syllabi for both at the White Colleges for Technical Education are very similar; if the proposed College were a Diploma course for Chemical Technicians, it could also offer the Chemical Technology (Plastics) at negligible extra expense in the same time.

Colleges for Advanced Technical Education are usually divided into Schools. On the basis of table 40, the most likely could be Mechanical Engineering, Electrical Engineering, and Civil Engineering and Building.

Mechanical Engineering could offer a course in Mechanical Engineering as its first choice. Then a course in Production Engineering, which consists of much the same subject matter as Mechanical Engineering, could be offered at little further expense to the Department and might ensure that it had enough students to make it viable.

The same argument applies to the Department of Electrical Engineering where students of light and heavy current follow largely the same course. The Department could offer specialised courses such as Industrial Instrumentation, and TV and Electronics, at a later stage of its development should the need arise, as well it might with the present expansion of the electronics industry and plans for opening a TV channel for African viewers.

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Picking up smartly

The up-ended tail at the end of the builders' mood graph (this page) should not be seen as "full blown optimism" but rather as a "lower degree of pessimism." Semantic games? No, just the Stellenbosch economists who produce that graph being careful. Since the "durability" of the current economic

Table 1. Enrolment at Col Technic, 1969-1971

Table 2. NTC 1-1

Table 3. Nation subject

Table 4. Nation annual

Table 5. Enrolment at ML S

Table 6. Matricul and NTC

Table 7. Enrolment at the F

Table 8. Matriculation and Senior Certificate, and NTC 1-111 passes, for 1971-1974

Table 9. Passes at African Colleges for Advanced Technical Education by course, 1965-1974 inclusive

Table 10. Enrolment at African Colleges for Advanced Technical Education in 1974

Table 11. Passes in trade school courses, 1968-1974

Table 12. Matriculation and Senior Certificate passes in the RSA and SWA, 1965-1974

Table 13. Total number of technicians - 1970 Census
Building
industry
brighter

Financial Editor

IMPROVED business conditions in the building industry, which began during the first half of 1978, continued during July and August, according to Mr. J. C. F. Johnstone, chairman of W. F. Johnstone and Co. Ltd., Durban.

Mr. Johnstone says in his annual statement that much will now depend on whether this reversal of the recessionary trend will turn into a meaningful upward movement.

A limiting factor was that there were still a large number of dwelling houses for sale at "bargain prices." There was also a surplus of office accommodation.

Construction

"Factors such as these have an adverse effect on the atmosphere in the building industry and on the prospects for new construction."

On the other hand, more confidence was being shown because of the high bullion price, the lowering of the interest rates, and the Government's policy for a mild stimulation of the economy.

"This should percolate through to the building industry, but there are still problems arising from international politics."
Murray & Roberts: Doug Roberts: "The belief that only a few capitalists benefit from private enterprise is clearly proved erroneous by the fact that during the financial year your group paid R8m in taxes and only R5m to shareholders, on which latter amount the state collects further profits."
Diversification pays off

Activities: Holding company for Roberts construction and Murray & Stewart, activities include civil, electrical and mechanical engineering, shaft sinking, mining, structural steel fabrication, gih rise and mass housing building, and more recently air conditioning, mining equipment, thermal insulation and food activities. Directors hold 7.1% of the ppty.

Chairman: J D Roberts; deputy chairman: JW Roberts.

Capital structure: 20.6m ordinaries of 480 000 6.75 cum red prefs of 1R1. Market capitalisation: R165.9m.


M&R's Roberts... still looking for acquisitions

has engaged experienced staff and introduced controls for efficient management of the new operations. It continues to look for diversification opportunities, but will not halt its expansion in the local and foreign construction fields.

No significant recovery in the construction industry is foreseen in the near future. Expected profit growth will come largely from diversifications already completed.

Diversification’s effects can be seen from the table. The manufacturing, industrial, quarrying and commercial divisions increased their percentage contribution to profits while building and civil engineering’s share declined.

PROFIT CONTRIBUTIONS

<table>
<thead>
<tr>
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<th>1977</th>
<th>1978</th>
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<tbody>
<tr>
<td>Building, civil engineering</td>
<td>52</td>
<td>44</td>
</tr>
<tr>
<td>Mechanical, electrical engineering</td>
<td>13</td>
<td>15</td>
</tr>
<tr>
<td>Manufacturing, industrial</td>
<td>24</td>
<td>34</td>
</tr>
<tr>
<td>Quarrying, commercial</td>
<td>9</td>
<td>5</td>
</tr>
<tr>
<td>Other</td>
<td>2</td>
<td>2</td>
</tr>
</tbody>
</table>

The Murray & Stewart group expects a further improvement in the current year. Its profit in the year under review was a record, mainly because of acquisitions. Major diversifications included Crown Mills and Elgin. The group also bought the 25% of Christiani & Nielsen it did not already own.

Robert Construction chairman Charles Sken says construction continued to be depressed. And while he foresees no major upturn in private or government spending this year, external ventures and acquisitions should help maintain profitability.

The group has changed its equity accounting policies to include all associate companies owned 20% or more and in which a degree of control is exercised. This had the effect of increasing 1977 earnings by 1c a share.

At 320c yielding 8%, the shares are 30c below their peak. At this level they look attractive on a medium-term view especially as diversification has lessened the effects of the construction cycle. A higher dividend seems likely this year.

Des Allsopp
Troubled firm may be saved

THE construction company contracted to build the new outer ring road had liabilities which exceeded assets by R337,000, but the company might be saved if creditors accepted an offer of compromise, a Durban judge heard yesterday.

An application for the winding up of Toro Construction Company (Pty) Ltd. was adjourned to December 1 after Mr. Justice Friedman granted the company and five others in the group leave to call meetings of creditors.

Director Mr. A. Vernetti told the Court that Toro, Toro Construction (Western Cape), Taunus Plant Hire, Findlay Properties, Kiria Investments and Direct Construction Company were unable to pay debts.

The whole group had an excess of liabilities amounting to R116,000, he said.

The general recession in the economy and escalating costs had turned what was previously a thriving and profitable civil engineering business into a concern running at a loss.

Mr. Vernetti said, however, that there was an alternative arrangement to liquidation which would probably be more beneficial to creditors.

Sesbanie Construction had proposed a scheme to inject capital into the group and this had to be discussed.

Mr. Philip Mekin, SC and Mr. Noel Hurst (instructed by Nicholson, Stiller and Geahan) appeared for the group.
Sand costs more as removal controlled

By BRIAN BRUCE

EAST LONDON — The indiscriminate removal of sand in the greater East London area — stretching from the Cove Rock to Gouniebe — has been stopped by various Government departments.

This has resulted in a sharp increase in the price of sand, but contrary to recent complaints, sand is still available in the East London area — and will be so for at least 30 to 40 years.

The rub comes when prices are compared — what builders paid in the past and what they must pay now. Even the East London municipality and the Mand signe Special Organisation have to pay a much higher price.

Accusations of a Quarry Sales monopoly have also been made by smaller builders who either have to acquire sand illegally — or some are doing — or pay the price laid down by Quarry Sales.

While there is a virtual monopoly over the area where sand can be obtained legally, the general manager of the firm, Mr. J. R. Vissoo, said: "We are obviously making a profit, but because the price of sand is now considerably higher, it doesn't mean we are making a large profit."

Sand is now price-controlled and any increase must be sanctioned by the Price Controller.

Government surveys in the greater East London area found sand — in considerable quantities — which could be removed from an area of land owned by the Public Services Association.

The PSA called for tenders when it became obvious they had a large amount of suitable sand on their property which the various government bodies would not object to them selling — provided the ecology was not harmed.

The tender was won by Quarry Sales which pays the PSA £7.50 a cubic metre.

When Gouniebe was still selling sand (where the new sewerage plant is to be built) the going price was £5.00 a cubic metre. Just before the monopoly was banned from selling any further sand, they were selling it at £7.50, Mr Vissoo said.

The municipality was stopped from selling sand once sufficient sand had been removed to accommodate the sewerage works.

For a particular type of building operation — the construction of precast walls — this was near disastrous. For pre-cast walling a special type of 'clean' sand is required.

The owner of one of these firms, Mr. L. O. Noades, said he had to have the Gouniebe sand if he was not to be put out of business.

This was denied by Mr. Vissoo yesterday. He said the firm could supply suitable sand legally, but at a considerably higher price than Mr. Noades had been paying to Gouniebe.

"We have a big operation at the PSA site apart from having to pay them £7.50 a cubic metre, we still have to screen the sand because it is not as clean as the sand is where these other people were getting it from Gouniebe."

Building contractors can go along to the Quarry Sales site and have their trucks loaded by front-end loaders for £2.57 (less five per cent) a cubic metre.

When it comes to wanting the contract holders to deliver sand, Mr. Vissoo said they used a transport tariff laid down by the Price Controller's office.

This was £7.50 a cubic metre for the first kilometre, then £8 for each additional kilometre. This means, for example, sand delivered 40 km from the site would cost £3.87 for delivery, plus the cost of the sand.

In January this year, pit sand sold in East London was between £3.14 and £3.50 a cubic metre delivered in town. The contractors had to load the sand themselves.

The price of delivered sand in town is now £4.12 a cubic metre. This is comprised of £2.47 for the sand and £1.65 for transport.

So while the price has increased by about £1 a cubic metre, the sand which is obtained from Quarry Sales is loaded onto the contractor's trucks, cutting out the necessity of having more than a driver in the truck, plus the fact that the sand is screened on site.

At the present rate of consumption, the PSA site has sufficient sand for about eight years. There is only four-and-a-half years left of the present tender contract. The PSA will then probably call for public tenders again.

What about ten years from now? Mr. Vissoo said there was more sand available in the immediate vicinity of the 'legal' sandpit operation, but this depended on the willingness of the various Government departments to sanction the removal of the sand.

Typical of the sand problem is the fact that East London's biggest bridge, the John Vorster Bridge across the Buffalo River, is built of concrete, the sand for which had to be imported from the Port Elizabeth area.

Mr. Vissoo said the Cove Rock dune sand was found suitable for their needs, but the Department of Forestry would not allow the sand to be touched. Quarry Sales had been thinking of putting in an aerial cableway system to get the sand from the sand dunes.

Mr. Vissoo said his firm also suffered as a result of the prohibitions brought in by the various Government departments, in the long term it felt it better than to "have the whole coastline raped by building firms."

It is part of the contract Quarry Sales has with the PSA that they remove sand, they eventually replace with topsoil and plant vegetation.

Quarry Sales, which owns the sand and near the radio and television aerial just inland from East London, have a giant quarry where they quarry rock and screen it into various grades. When all the sea sand in the greater East London area has been used, suitable building sand may come from this area. The quarry will eventually become a dam.

In a letter to its members, the Master Builders' Association said it had been "rumoured" that the PSA sandpits were either closed or about to be closed.

"Nothing could be further from the truth," a circular letter said, then spelt out the fact that Quarry Sales were able to provide sand on the site they won in open tender.

— DDR
Mr Vosloo stands on the brink of the huge quarry which will one day become a dam.

This was once an area of sand dunes — until the building contractors moved in. Now it is not what one would call a decent beach.
Revival in the building industry

DEREK SMITH: City Editor

BUILDING plans passed in the private sector are now running at slightly above the equivalent period last year. That's hardly fireworks taking into account inflation and the poor '77 performance, but there are some brighter aspects as well.

Firstly: the full inflation rate of around 10% cannot be used to find real activity levels because tender prices have dropped considerably over the last year.

Secondly, the statistics do reflect the upsurge in Government spending, particularly in the low-cost housing field.

So even if the private sector can do nothing better than hold its own during 1978, the overall volume of work available should be well up.

The most improved sector in August was 'dwelling houses', where plans passed rose from R251-million to R252.3-million - an increase of more than 1%.

The categories "flats" and "non-residential" both dropped slightly over the comparative eight-month period last year, while plans for additions and alterations were R6.3-million ahead of January-August, 1978, at R196.8-million.

Total January-to-August plans passed for private sector development in the Department of Statistics analysis area (90% of the total) are: R592.4-million (1978); R573.7-million (1977); R569.3-million (1976) and R580.1-million (1975).

The latest expert prediction is that the recovery in the private sector at least will not be complete before the latter part of next year.

There are many signs, however, that builders are picking up more work. The tender price index, for example, is still rising.

This is the kind of security that the bond rate is also rising, with quotes now at R25 000 over a R18 000 bond.

The elongated system of bond rates announced last week may look good from a sociological viewpoint, but it leaves a lot to be desired from a strictly, business point of view.

That's the point made by property veteran, Mr Peter Penny, who says, rightly, that it's the security offered, rather than the size of the bond, which should determine the rate.

R18 000 bond over a R25 000 property.

Penny claims that the societies are exposing themselves to greater risks and that although the public will benefit in the short term, it's long-term interest can hardly benefit by a weakened building society movement.
Black building firm shows its muscle power

Johannesburg. — South Africa's first black construction company, the African Development and Construction Company, is beginning to show its muscle power in a market left almost untapped by white competitors and in which it has been operating only since July last year.

Seeing a need for blacks to create their own share of South Africa's construction and economic profits, businessman Sam Motsuenyane created the African Development and Construction Company after negotiations with Roberts Construction last winter.

The fledgling company, born under the umbrella of the National African Federated Chambers of Commerce and Roberts Construction, now employs more than 100 men, including administrators, supervisors, sub-contractors and labourers. It has so far been involved in 15 projects and Mr. Motsuenyane's chairman is optimistic about the company's future, showing profits in its second year of operation.

WHITE CONTROL

This is all the more remarkable in a country such as South Africa, where large white corporations tend to control both white and black need to co-operate more in business than has been the case until now,' he said.

"WE'RE HOPEFUL"

The ADCC has survived the worst of the economic slump and we're hopeful for the future. We're tendering all the time now and are beginning to spread out. We've had a great beginning and it augurs well for South Africa if we can create the kind of stake blacks ought to have in our country. The social implications are vast."

The company operates a training scheme and workers are paid in line with general building industry salaries according to its recently-appointed white general manager, Mr. Peter Hansen. It renews its contracts with black businessmen and other benefits from its parent company while it is growing.

Mr. Sam Motsuenyane, its chairman, is optimistic about the company's future, showing profits in its second year of operation.

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PROFITS

Industry’s long wait

A racing gold price and a buoyant stock market have concealed the spotty recovery of profits from industrial companies. By the end of June no major turnaround in annual profits was apparent, although the next six months should see improvements in the figures from certain sectors.

Our table, compiled from 80 industrial companies reporting for the year to end-June, shows aggregate pre-tax profits have fallen marginally. Of the 14 sectors in the sample, only seven lifted annual pre-tax profits by more than the rate of inflation. Six sectors reported profits lower than in the same period last year.

The companies in our sample were reporting on a year that took in the bottoming of the economy late in 1977, and the mild upturn of the first half of 1978. The next batch of annual reports will hopefully reflect the full benefits of 1978’s projected 3%-3% real GDP growth, as well as nine months’ gain from the March budget concessions. These included reduced tax surcharges for companies (from 7.5% to 5%), permission to deduct losses on foreign currency transactions, and a reduction for tax where forward cover was not available, and early repayment of the loan levy.

Driving ahead

The best performance came from motor companies. Pre-tax earnings rose by 61%, while taxable profits jumped 75%. The high percentage increase stems mostly from the low previous base. The sample includes McCarthy, Capcar and Robbs, which pulled 1978 profits back to the same level as 1977. Indeed, Capcar and Robbs account for 13% of the sample.

Food companies wrote second place in the increases list, largely because the Irwin & Johnson pulled profits back from a low 1977 total. Otherwise, food sector increases were a modest 2% before tax.

Building companies listed in Holland Stree were also among the top gainers. Pre-tax profits rose 9% on average, about par with the inflation rate. Again, part of the improvement arises from a low 1977 base. This sector includes Grinaker and Murray & Roberts, which benefited by diversifying out of the industry. Market conditions were helped, according to the recent Blakie-Johnstone annual report, by the disappearance of competition as smaller companies fell by the wayside.

Furniture companies rode the crest of the waves two years ago with the introduction of TV. This year they are at the bottom of the table with pre-tax profits down by 23%. Tedsex chairman Benvy

Some explains that saturation point in the local TV market was reached faster than anywhere else in the world, and, coupled with over-production and overstocking, TV sales were often unprofitable. Tedsex was fortunate to acquire a controlling interest in Ellerie, which contributed 6% of total earnings in 1978.

Despite the fall in aggregate pre-tax profits, aggregate earnings attributable to shareholders (and not shown in the table) advanced by a modest 3.5%. The reasons were lower tax and minorities payments. The concessions to corporate taxpayers in the March budget applied from April 1, so lower proportionate tax charges resulted.

Surprisingly, dividends to shareholders rose faster than earned profits; perhaps a smaller increase in retained profits was needed because surplus capacity obviated the need for additional investment in stock and equipment. Some companies held dividends despite falling profits. The clothing sector is an example where dividends were mostly unchanged, at R2.9m, despite a 12% dip in earnings.

The outlook for corporate profits looks brighter for the next six to 12 months. The full benefits of the mild economic stimulus should be reaped, although percentage profit advances in sectors like the motor industry may not be as marked since the pre-gst buying of May-June was a once-only phenomenon based on credit finance.

One stockbroker reckons leading companies should see earnings up 14% by June next year, with dividends increasing 12%. The bigger gains will be in geared, low profit base companies, as earnings growth should outstrip sales as, capacity slack is taken up.

The recent Barclays Bank opinion survey showed 81% of corporate respondents were optimistic about the next three to six months. They detected enhanced consumer confidence, there was more money around, and demand appeared to be expanding. Facets of the higher demand included increased black spending power, expansion in the mining industry, and government stimulus to industries such as building. Lower interest rates were also a reason for the optimism, which follows a continuation of the second quarter’s recovery into the third quarter. In the recent Blakie-Johnstone report, 44% of firms said activity in the third quarter was up on a par with the second, while 37% of the sample reported increased work.

Respondents also offered hope for an upturn in fixed private investment in the medium term. About 50% said they would not make any new fixed investment over the next six months, but 44% said they were contemplating investment. This compared with only 16% in the previous survey.

Profit margins were still under pressure, but 57% said the position was better at the same time last year, so total profits were better. Reasons included productivity and efficiency improvements, and higher sales volumes.

On the other hand, a recent Standard Bank bulletin warned that consumer expenditure appears to be "one of the weakest elements in the recovery at present." Since the rush to buy ahead of sales tax, total retail sales have fallen to levels comparable with the worst period of recession. The bank says con-

INDUSTRIAL PROFITS

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The table has been compiled from provisional figures reported in accounts received from 80 quoted companies with June year-ends.
Rescue plan for building professionals

By DEREK SMITH
City Editor

SCOTTBOROUGH. — The Government is mounting a special rescue operation to bail out architects, quantity surveyors and other professionals hit by the recession in the building industry.

Initial preparation work for building projects still years ahead has to be released prematurely in an attempt to stop the brain drain from these professions.

The incoming president of the Building Industries Federation of South Africa (Bifa), Mr D H Mitchell, announced this in an interview in Scottborough yesterday.

He said the Government realised a dangerous situation had developed because there was not enough work to keep many firms going.

Many firms had shrunk drastically and had become inadequate to cope with the expected increase in the demand for their services, Mr Mitchell said.

The main idea was to release planning work in advance but not necessarily put it out to tender immediately, he said.

"Much of it would probably be mothballed and remain ready for release at short notice. There was a plenty of work in the military field which had to be planned and provincial administrations were also being asked to release as much work as possible," he said.

In the longer term there was considerable work from State projects like hospitals and post offices. But the amount released for construction would depend entirely on the availability of Treasury funds.

Mr Mitchell said the building industry had also suffered because good artisans and workmen had drifted out of it.

The time was coming when special attention would have to be given to training programmes.

He said the industry was also thinking of re-opening its campaign to attract immigrants into the trades.

Most of those previously employed had returned to their home countries because they could not find work.

The industry's problems would also be greatly alleviated if the Government changed its policy on labour training and restrictions on the development of industry.

After the Wiehahn Commission on Labour had reported, the industry was hoping for a new deal on the training of black artisans, he said.

Transvaal builders had already had to give a 20-year guarantee to white workers before being allowed to train black operatives.

This had helped the situation, but a complete reappraisal of job reservation was what was needed, he said.

The industry was hoping for the right to train black artisans but at the very least, it wanted a considerable easing on the restrictions which now applied to the training and employment of blacks.

Mr Mitchell said this was an ideal time for investors to start building new projects.
Building men optimistic after talks

By COLIN VINEALL

The nation's builders descended on Scotchburgh this week for their three-day annual congress — and must have left for home at the weekend with the glow of cautious optimism ringing around their ears.

For throughout the meeting, speakers seemed to be taking a positive approach to the problems that have bedevilled the industry for some years now.

Hope there was, but there were still some grim reports. For instance, the Building Industries Federation (Kifts), whose Free State and Goldfields branch staged the congress, had its own president report the industry was at a most critical stage.

Mr David Allan said: "Apart from the low volume of work in the industry, the country is faced with international political pressures which are not conducive to the revival of the economy.

"There can hardly be any question as yet of a general revival in demand for the industry's services and the position can at best be described as a levelling off after a continual drop in the building programmes over the past three years."

One point that is obviously worrying Mr Allan is the drop in the number of young men entering the business. He commented: "The economic situation has over the last three years been such that fewer and fewer apprentices have been engaged."

In 1973, he said; there was an intake of 1625; 1974 1 906; 1975 1 957; in 1976 down to 1 113 and in 1977 it dropped alarmingly to 725.

"I doubt very much if 1 600 apprentices will be enrolled during this year, and I appeal to the building industry to consider very carefully the implications of the present trend of fewer people being trained when there is increased work, as there inevitably will be, and to take on apprentices if they possibly can do so," said Mr Allan.

But on a brighter note, and there were plenty of builders who commented privately that things were looking up a bit, Mr Allan said the signs of an improvement in the general economy are nonetheless most encouraging and recognised economic commentators believe that one of the most important catalysts required to set the country finally on a course of complete economic recovery is confidence on the part of the entrepreneur.

Mr Chris Saunders of the Tongaat Group, opened the congress with his thoughts set on the huge increase in population that everyone is forecasting.

He spoke of cities of 20 million in just 21 years from now, and then made this point.

"Some clue to our problems and fears may be supplied by the fact that during the three years 1974 to 1976, approximately 78 percent of the total amount invested in housing was channelled into the white group as against 17 percent into the coloured and Asian groups and only a mere five percent into black housing.

"This trend has been arrested not only by the normal market forces applying more effectively to the white sector, but also by the increased investment by the public sector in non-white housing.

"Further I believe the activities of the Urban Foundation and the recently announced government 30-year household system for blacks will have a significant influence in connection with black home ownership."
Not enough doing

"If the economy is, in fact, taking off," mutters one contract builder, "I wish someone would tell us." On the other hand: "Early indications from our third quarter survey," muses Kees Lagaay, director of the Federation of Civil Engineering Contractors, "suggest there's cause for optimism."

Somewhere in between lies the experience of the bulk of the building and construction industries. Never mind that the building societies are awash with cash, that the banks have money coming out of their ears, that interest rates are falling or that bond ceilings have been adjusted.

Both industries are too long in the tooth not to know that things are only really moving when tenders start pouring in, when phones start ringing and when former tradesmen start buying bakkies and going solo. So far, only tenders are starting to pick up. For the rest, nothing.

Merbuild MD Willy Kulhanek is typical. "The volume of work," he tells the FM, "is dependent on the strength of the financial deals we can arrange." In practice, that means taking relatively low deposits and either organising deeds of sale or allowing the buyer a few months in which to raise the cash. As it happens it takes anything up to five or six months to get plans approved, raise a bond and complete construction. And that is usually enough time in which to raise the typical R1 000-R3 000 deposit.

March and April, adds Kulhanek, were about 40% up on last year. Since then things have just held steady on the building side while tender work "remains very competitive - and depressed."

Wimpey MD Trevor Chappie concurs, adding that "there's been a slight uplift in the private housing sector while private and public tendering, though remaining competitive, is beginning to look up.

Many builders reckon that 80% of their work is now in contract (as opposed to speculative) building and 80% of that is in the R20 000-R22 000 price range - excluding land costs, finance charges, transfer fees and so on.

On the other hand, the home improvement sector is becoming increasingly buoyant with Barclaycard's month-old home improvement loan plan now beginning to bite. It has an enquiry rate of 70 a day. Pools (R3 500 on average), house painting (R1 800) and paving and walling (R1 400), are on the go.

In the civil engineering sector, meantime, Lagaay estimates that things are 30%-40% quieter than the boom times of '75-'76. The labour force during the interim has fallen from 135 000 to 90 000 even though there has been a "surprisingly low rate of bankruptcies and business failures." Like the building sector, competition remains extremely keen and prices "unrealistic."

At the top end of the business LTA joint deputy MD Aubrey Pitt reckons "there'll be no bangs and flashes" in civil engineering until at least 1980. Until then, as now, it will be the companies with the largest spread of work which will be better placed to stand the strain. It is a fact that large companies like LTA need about R1m worth of work a day to live and those who work in the heavy construction field, commercial sector, mining and housing are staying alive.

Pitt tells the FM that there has been a fair bit of heavy construction work, essentially on roads, in the last four months or so. His guess is that it has amounted to something like R150m in average parcels of R12m-R14m. "We don't," he adds ruefully, "expect that to be sustained."

The commercial sector (offices, shops and the like) has been, and remains, very quiet while mining projects have brought relief to many. Projects like Ergo, Vaal Reefs and those in the north west Cape have meant that many companies have been able to buck the trend and stay unusually busy.

Companies like LTA reckon to be active in the public sector (about 65%), rather than the private, so they will obviously be looking to an increase in government spending - the sooner the better.
West's D-day for sanctions

NEW YORK - The United Nation's Security Council met yesterday at the request of African delegations to condemn South Africa for calling unilateral elections in South West Africa.

But diplomatic sources said the Western powers were proposing to counter an African resolution deploiring the South African decision by giving Pretoria the UN's support for the UN plan for free elections and transition to independence.

The Africans called for an urgent meeting last week stating that South Africa had rejected the UN plan or face sanctions.

They have drafted an unofficial resolution calling for a tight economic embargo against South Africa.

"We face a grave situation," the Mauritian Ambassador, Mr. Radhakrishna Rampal, told the council yesterday.

Speaking on behalf of the African nations, Mr. Rampal said South Africa was opposed to an UN-supervised elections in SWA. He said Pretoria wanted an internal solution to maintain control over the territory.

The five Western members of the council - Britain, Canada, France, West Germany and the United States - have denied that South Africa has turned down the UN plan. They have also declared they would not recognize the results of the unilateral elections.

But Mr. Rampal emphasized that such elections would automatically exclude the UN solution,

South Africa had been "playing for time in showing a willingness to negotiate in the past 18 months and had not been serious in accepting the plan," he said.

Mr. Rampal said elections that Pretoria could not completely control would bring a victory to SWA.

"We are on the verge of war in Africa. If the council takes no action against South Africa now, war will begin in Southern Africa and spread to other parts of the continent," he warned.

L. W. in Woordgebruiktes.

Elkeen wat hiervan gebruik w. wordelboek saambring. Oor en weer lerens sal eksamen toegelaat word nie.

Afrikaans-Nederlands I: Twee vraestelle (3 uur elk)

1ste vraestel Afd. A - Dr. Gilfillan
Afd. B - Mnr. Snyman
Afd. C - Dr. vd. Merwe

2de vraestel Afd. A - Prof. Scholtz
Afd. B - Dr. Pheiffer
Afd. C - Mnr. Walters
Afd. D - Mvr. Waheer

Afrikaans-Nederlands II: Twee vraestelle (3 uur elk)

1ste vraestel Afd. A - Dr. Gilfillan (Ndl. 17de eeuw en moderne Ndl. poësie)
Afd. B - Mnr. Snyman & Dr. vd. Merwe (prosa)
Afd. C - Dr. vd. Merwe (drama)

2de vraestel Afd. A - Prof. Scholtz (Semantiek ens.)
Afd. B - Dr. Pheiffer (Taalgeskiedenis)
Afd. C - Mnr. Walters (Afr. poësie)
Afd. D - Mvr. Waheer (Taalkunde)

In die eerste vraestel moet VVF vrae beantwoord word, TWEE vrae uit elke afdeling nie. Vraag uit Afdeling C gekies word, moet EEN vraag en EEN vraag oor Nederlandse prosa beantwoord word. In die tweede vraestel moet TWEE vrae uit Afd. A en DRÈE uit verpligte fonetiiese transkripsie, EEN vraag en EEN oor de Taalgeskiedenis.

Afrikaans-Nederlands grammatika (Dr. Pheiffer) en Afrikaans-Nederlands poëzie (Dr. Gilfillan); toetses sal gedurende September afgelewer word. Die punte sal vir die eksamen tel.
Building rally boost for Blajohn

They're shaking off the slump and could be a good buy

THE RECOVERY in the building industry is slow, but results coming from companies listed in the sector, and underpinned by surveys from the Bureau of Economic Research at Stellenbosch, have suggested that an upturn is on its way.

Increased prosperity in the industry will rub off on the merchanting groups like Boumat whose chairman, Irving Brittan, has already felt more buoyant — and on the Blaikie-Johnstone/W.F. Johnstone group which dominates the Natal building supply industry and has tentacles extending to other parts of the country, notably in the Transvaal.

Johnstone sits at the top of the group under a family company, but draws the bulk of its earnings from its 84 per cent stake in the operating company, Blajohn.

The last-name inevitably fared badly in its year that ended in June 1978, with the result that dividends from both controlling companies were cut, Johnstone paying 15c (21c), and Blajohn 5.5c (7.5c), each dividend, nevertheless, being covered just over twice.

Don Wilkinson reports that 66c compares with a current market price of around 186c, so that the shares are standing at a rather startling 72 per cent discount on net asset value. Assets are one thing, profits another, of course, but this discrepancy is nothing if not unusual, even for the building industry.

And those willing to do their homework will discover that the setback to profits in the opening half of the year was encouragingly well clawed back in the second.

That claw back did not include, incidentally, a capital profit made on land sales equal to about 10c a share which is in Johnstone's distributable reserves.

And for those willing to do further research, that company has a net asset value of some 66c a share if the group's properties are taken in at valuation instead of book value, and the holding in Blajohn is taken at market value.

Better times are ahead and the builders are getting busier... this means new life for firms.

Beares scoring in this Game

AT THEIR current price of 178c, the shares of the R107-million-a-year Beares group of furniture, clothing and general stores are yielding a 4.7 times covered 6.2 per cent on the 11c paid for the year ended last June. And they stand at a discount of a mere 11 per cent to the net asset value of 20c.

Things have been looking up recently for the furniture business — witness the recent figures from Afcol-partly as a reflection of pre-GST buying. The rather greater confidence, in fact, inspired Beares to pay out around R750 000 in cash for 11 Transvaal furniture stores owned by a Broman subsidiary to bring its total in that province to 39, covering 20 cities and towns.

The real contributor to the 1977-78 improvement in the group's profits was, however, the Game acquisition, bought for around R4.2 million back in 1977, when its contribution to turnover and profits was limited to only five months against the latest 12.

Game supplies a very healthy dividend yield of 7.9 per cent and brings the shares much more into line with comparable stocks like Russells, though still well below the returns offered by shares like Amrel, Ellerine and World.

The gap is, in fact, attractive enough to justify a switch from Beares into any one of these three...
NCW—it gives the best of all worlds

AMIDST all the ups and downs surrounding investment in gold, diamond, platinum and coal shares, most of which are the result of events largely beyond the control of those who produce the raw materials, there's something to be said for the quiet life.

In other words, obtain peace of investment mind by acquiring shares in a company which has interests in all these fields. The shares should not be too "heavy" in price, should be comparatively easy to trade in, and as an added bonus, should be standing at a substantial discount to net asset value.

Take a look, for example, at Anglo-stabled New Central Wits, whose accounts for a 14-month period showed that during that time it had left its portfolio completely unchanged, but was nevertheless able to increase the dividend from 18.5c to 22c a share for the period, or 18.8c on an annualised basis, a figure only marginally short of the peak 19c paid for 1975.

What is more important here, however, is the fact that its Amgold stake accounts for almost 20 per cent of the NCW investment portfolio taken at market value, while gold producers add a further 9.8 per cent, making the company's gold interests virtually 40 per cent of the total.

The bulk of the remainder of the portfolio of R7-million by market value at end-August investments is in coal and diamonds. Thus Amco coal accounts for some 18 per cent plus, with Natal Anthracite adding 1.9 per cent, while the De Beers stake makes up a further 21.5 per cent. So between them coal, gold and diamonds make up over 60 per cent of NCW's investments.

At their present price of 290c, NCW shares are yielding 7.8 per cent on the annualised dividend of 18.8c, and have a net asset value of virtually 690c, a solid 25 per cent discount on the share price.

On the assumption that a 22c payment is within easy striking distance for the current financial year — and chairman J. N. Clarke has taken an optimistic view of prospects in his annual statement — the prospective yield rises to 8.3 per cent.

It's a return which compares with Amgold's 5.3, De Beers 7.1, and Amco's 5.3 per cent on a historic basis.

For the small man unsuccessful in his quest for Rimet shares, NCW might offer some solace.
First signs of civil engineering recovery

By Michael Chester, Financial Editor

At last the battered civil engineering sector has managed to apply the brakes on its long downward slide with third quarter results showing the first improvement in more than two years.

Preliminary estimates show total output between July and September amounted to around £300m in real terms, an advance of between 5 and 10 percent compared with mid-year.

Along with the rise in actual output there was also a marked increase in tender activity and the value of contracts that were awarded in the third quarter.

The improvement is still at a slow pace, and although a majority of contractors report that activity is now reasonably satisfactory, a considerable number still suffer underemployment.

Mr. K. Lagass, director of the S.A. Federation of Civil Engineering Contractors, tells me that tender books, while better than 12 months ago, are still generally poorly filled.

With tender prices, hounded down to razor sharpness because of the severity of competition, contractors should be cautious about the recovery and must be prepared to work harder to maintain their existing levels.

The National Coal Board says the economic climate in the country is improving, and many expect a recovery in the near future. However, an improvement in demand is being held back by the high cost of coal, which is continually increasing.

In the short term, the Board is optimistic about the prospects for coal, but in the long term, it expects the coal industry to continue to face difficulties.

The report also highlights the need for increased investment in the coal industry, particularly in the development of new mines and the expansion of existing ones. It calls for a more government and private sector investment in the industry to ensure its future viability.

The report recommends that the government should take a more active role in supporting the coal industry, perhaps through the provision of grants or low-interest loans. It also suggests that the government could offer tax incentives to encourage investment in the coal industry.

In conclusion, the report suggests that the coal industry has a bright future if it can overcome its current challenges and take advantage of the improving economic climate. It calls for a greater level of investment in the industry to ensure its long-term survival.
Home building surge holds promise

Although there was inevitably some pessimism about the state of the industry at the annual civil engineering conference of the Building Industries Federation in Durban last week, there are some reasons for expecting better things in the longer term.

Thus, although it has been falling consistently since as long ago as September 1976, the value of residential building plans passed began to move upwards earlier this year.

During January-July plans were approved for some 10,000 new houses, a 6.5 per cent rise on the corresponding 1977 period. And, if July is taken on its own, the rise is a shade over 20 per cent.

It’s true, of course, that the improvement is calculated from a very low base, and that most commentators in the housebuilding industry are feeling that the tide has turned in their favour, albeit modestly.

All of which adds more point to an end-September circular from brokers Davis, Borkum Hare advising its institutional clients that while they should be in no hurry to buy, the shares of South Africa’s largest housebuilders, Schachat Holdings, are worth picking up quietly.

The stealthy procedure is advocated in order not to disturb the share price unduly, but the brokers feel that even at a price of up to R6.50/R6.60, the shares rate as a minimum to long-term buy.

Such a level compares with the current Schachat price of R6.50 and therefore envisages an eventual 30 to 40 per cent rise while completely ignoring the near-disastrous half-time figures which the group produced early last month.

Earnings then were down by as much as a mere 5.1c, less than half the comparable 8.6c, and were accompanied by a cut in the dividend to 1.5c from 2.5c.

And while the Schachat board indicated that there was a “substantial improvement” in sales, it also emphasised that building costs continued to rise and affect profitability — housebuilders are normally unable to build escarpments into their contracts — with the result that profits for the second half of the year would merely be “not less than” those of the first six months.

Whatever the group pays this time around, however, there is an academic question for the brokers, who are looking much further ahead.

A funny thing because they feel that allowance should be made for the exceedingly cyclical nature of the building industry, for the highly adverse state of the economy in the recent past — a state from which it now appears to be emerging — and for the fact that the group has been diversifying itself away from its traditional middle/lower income group housing market into “bulk” housing and “commercial” building.

The bulk housing market is large, involving as it does the potential of winning contracts from organisations such as Escom, new mines, governments and the like.

Schachat already has some under its belt, for, Africans at Sibeng and for Indians in Durban, but it will not tackle business like Midland’s Plain or Atlantis because of the large investment involved.

Meanwhile, the group claims that it has emerged from the slump as a much leaner and hungrier organisation and concomitant with that has sharply reduced its gearing — the principal factor which has made investors wary of the shares in the recent past.

From a figure of 254 per cent for borrowings to equity at the end of 1973, the end-1977 figure had fallen to just under 100 per cent, while total borrowings fell from R25.3 million some R17.3 million.

Having ignored the current year’s results, the brokers offer projections for 1979 of an earnings figure of some 20c a share and a dividend of 5c or possibly even more, which puts the share at its present R6.50 on a prospective dividend yield basis of some 12.5 per cent.

And for 1980 they envisage — given continued economic recovery — a return to the earnings of 1979-78 when the dividend reached a peak 11.5c.

What is good for Schachat must be good for Sage, if not even better. And it is a market oddity that the latter, which has a much wider spread of interests as a financial services organisation, nevertheless stands on an historic dividend yield of over a full point more than Schachat at 9.7 per cent, covered 1.6 times compared with the basically academic 8.5 per cent, twice-covered return from the builders.

Sage, in fact, looks the better investment for my money.

M & R a constructive buy

Overs the last couple of months or so Roberts Construction, the Reef member of the country’s largest building/construction conglomerate Murray & Roberts, has announced new contracts worth around some R35 million.

The major component of that sum was the R11-million contract awarded to the group’s Free State subsidiary to help in the development of the new Union Corporation uranium mine, Beisa, near Welkom.

Of the remainder, about R7-million covered a contract to build a new railway station at Newcastle and a nursing college at Johannesberg’s J. G. Strijdom Hospital.

All of which suggests that the group’s past reliance on Government business, such as that from Escom and incarcerated specialists Christiansen & Nielsen, together with the announcement earlier this month of the establishment of a new company to handle the building of non-residential buildings is beginning to level out.

A much more concrete factor than this rather indefinite potential for the group — which is basically by virtue of the current rather tender business confidence still struggling with unutilised capacity — is the fact that M. & R. last year spent some R29-million on diversification out of its traditional fields of activity.

These ranged through food processors Crown Mills, which covered some 2.8 times, to give a price earnings ratio of 4.6.

These figures are rather more generous than those offered by the sectoral averages.

Market opinion is that the group, diversified and thriving as it is, will have little trouble in paying at least 27.5c for the current financial year out of earnings about 10 per cent higher last year and thus putting the current attractive yield of about 8.5 per cent.
Brighter building trade prospects

JOHANNESBURG — The prospects for the construction and building industries now seemed more promising than for some time, Mr. G. Buttermen, chairman of Pretoria Portland Cement (PPC), said in his annual statement.

But Mr. Buttermen added that it was unlikely that material benefits would flow through to the cement industry in the coming year.

"In the longer term, the need to provide housing for the country's growing population and the further developments of the infrastructure — where we anticipate increased use of concrete in the construction of roads — should be beneficial to the industry."

Calling for steps to make consistent planning possible within the cement industry, Mr. Buttermen welcomed the "more realistic" approach taken by the Government in determining the last cement price increase.

He added, however, that the price rise still did not provide a sufficient return for shareholders to be compensated adequately and ensure the "continued healthy development" of the cement industry.

Domestic cement sales dropped by 2.6 per cent during the past year, but exports were at a record level and made up 15 per cent of the PPC cement division's turnover.

Turning to Pretoria Portland Cement's expansion plans, Mr. Buttermen said the construction of additional plant to boost capacity at the PPC works in the Western Cape was progressing well.

But the total estimated cost to complete the programme had escalated to R50 million from R42.5 million expected last year.

---APA
Kentrige: Terror Act revolting

LONDON — The provisions of the Terrorism Act must cause a feeling of revulsion to every lawyer brought up as we have been brought up,” South African Mr Sydney Kentridge, SC, said here.

He was addressing the triennial conference of the New Zealand Law Society.

“What are we as counsel, doing in these courts?” Mr Kentridge asked.

“Are we really defending the rule of law or what remains of it, or are we helping to give a spurious air of respectability and fairness to a procedure which is fundamentally unfair?”

“They have said it is an inherently evil system and they do not want to participate in it at any level.”

“They want advocates to be there to defend them. And are they not entitled to an advocate’s assistance, however little he can do for them?”

And if the advocate was told, he was lending responsibility to an obnoxious system, would he not have to simply accept this as an additional burden to his calling? Mr Kentridge said he really did not know the answer.

It troubles many South African lawyers who act in these cases. It is a question that does not go away for us. There is no answer to it in the old books, in the old precepts — in our time, it is a new situation for lawyers such as ourselves.”

Mr Kentridge’s address, which is published in the BBC publication, The Listener, ends with the hope that advocates in South Africa might at least be able to assist in “averting some evil from falling on one individual.”

This was some compensation for the doubts and disquiet felt by many in the legal profession under circumstances prevailing there now.

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MR KENTRIDGE
FEMINISM - THE WOMEN'S MOVEMENT ANSWER

U.C.T. Feminists we are appalled by the naivety of the S.S.D. editors' pretentious study entitled "A Critique of Bourgeois Feminism" in their letter. We would like to point out some of the combined misconceptions and muddled thinking that appear in their article.

One of what a Women's Movement should be confined itself to stating the Women's Movement is a political movement; "It must, therefore, identify itself within the structures of society." To assume that factors such as the reserves, squatter-camps and the role of women in these have been even theoretically by the U.C.T. Women's Movement indicates that this article has no direct knowledge of discussions and projects amongst Women's Movement members. A notable difference being the Women's Movement are perhaps more aware of the discrepancy between institutions that continually produce and reproduce the structural imbalance in South Africa and developing what the writer idealistically equates political practice with the context of such an establishment as a white university. To theorise around the "struggle for liberation of all men and women" is mere mystification to maintain itself with specific oppression. Separatism is the awareness of other oppressed groups.

In correlating such diverse statements as the "fundamental contradiction between men and women" (which contradiction is never examined in detail) and saying that "the contradictions that exist between social classes then assumes secondary importance (if at all)" the writer fails to realise that he/she moves from stating a basic feminist tenet to attack one particular feminist stance - radical feminism (not to be confused with Marxist, Socialist, Liberal or Lesbian Feminism) which is only one of the numerous positions held by U.C.T. women within the umbrella of the movement. This article is a misinformed attempt to stereotype the U.C.T. Women's Movement into an inhomogeneous radical-feminist group and attack its policies accordingly.

By a process of flawed illogical reasoning several false conclusions are deduced, the most erroneous of which concerns "consciousness-raising". No feminist position in any Women's Movement would endorse a description of "consciousness-raising" as an involvement with personal issues. It is clear that, despite the tedious catalogue of fundamentals, the writer has failed to appreciate the basic fact that "women's problems" - rape, the pill, abortion etc., are not personal and private problems and that the small group facilitates the crucial transition in awareness from the personal to the political. Without individual political consciousness there can be no mass political consciousness. A practical example of this is the "speaking bitterness" sessions held by small groups of Chinese Peasant women, which played a vital role in their mobilisation.

The cultural conditions of people's lives are as important as the economic basis of their oppression in determining consciousness. In speaking of the "very real contradictions that exist between bourgeois women who experience their oppression as the result of working class women who experience their oppression as essentially exploitation" a dichotomy is being set up between the 'bourgeois' psycho-sexual forms of oppression on the one hand and the 'real' material forms on the other substituting a mechanistic model of class relations for a more profound understanding of how these two aspects of oppression depend upon and reinforce each other.

The mock-warning that "inadequate strategies" could ensure that "Women's liberation is not achieved simultaneously with the liberation of men..." shows no cognisance of the historical fact that in no third world revolution this century have women, by fighting alongside men, come anywhere near achieving equality, simultaneously or after the revolution.

continues...
pre-tax earnings rose from R7,86m to R10,94m, equivalent to a 19.3% improvement on an annual basis. Attributable earnings rose from 27.4c to 37.1c, the latter being equivalent to 31.8c on an annual basis.

After allowing for a transfer of R200,000 to the pension fund, a final dividend of 25c has been declared, bringing the total to 44c for the 14-month period.

According to the prelim, the reason for this largesse lies in the group's high liquidity, which, despite high distributions to shareholders, continues to hover around the R5m mark.

Otis' good performance probably owes more to the escalations built into its service contracts than management is prepared to acknowledge. Nevertheless, better orders for new installations in the public works and mining fields must have played a significant part in the improvement.

Chairman Philip Scales has promised a statement concerning the group's future dividend policy when the annual report is issued come December 29. It will be interesting to see whether the high rates of distribution are to continue until all surplus liquidity has been finally syphoned off.

Presumably the US parent will wish to continue receiving the high cash flow rather than make further commitments to less attractive propositions in SA. If so, there remain distributable reserves which could amount to between 35c and 40c per share.

Meanwhile, shareholders are basking in a 10.8% annualised yield with the hope that the generous tap will continue draining surplus funds in the short-term.

John White

The Verster investigation collected less satisfactory data on these committees than it had on liaison committees. This was due in part to the fact that management is not represented on a works committee and in many instances was not able, therefore, to complete the questionnaire satisfactorily. In some cases, apparently, the works committee members viewed the questionnaire and its purpose with suspicion. In June 1974 questionnaires were sent to 124 organisations of whom only 34 responded. These 34 had established 41 works

35. Hansard 10 column 691, 15 April 1975.
acquisitions of Reinforcing & Allied Industries, Rand Reinforcing, and Penman & Jochelson. Ridley says conditions in the industry remain very competitive and margins are constantly under pressure.

Unlike some other construction groups, LTA is not diversifying out of the industry. Acquisitions will continue, says Ridley, but in related fields. The group is still very liquid and most takeovers or new ventures are financed from cash flow.

First-half earnings were little changed at 27c (26c) and shareholders were helped by a continuation of the favourable tax rates arising from previous years’ losses, non-taxable foreign contracts, and investment allowances. The tax cushion, estimated at about R18.7m at end-March, will diminish, but Ridley does not foresee a return to normal company rates for some years.

Second-half activity is normally at a lower level with the Christmas break, but LTA hopes to produce higher profits for the full year. This should mean earnings for the year of about 48c.

Dividend prospects depend on expected future profits and the need for retentions. But last year’s 2.4 times cover should be maintained, which promises a dividend of about 20c.

At 200c and a 10% prospective yield the share has upside potential once public sector spending gets under way. Ridley cannot foresee a great improvement in the market in the near future, but it is a reasonably safe bet LTA can maintain its profit record.

LTA
Steady growth

"Construction industry recovery is unlikely without greater public sector spending," says LTA MD Mike Ridley. On this basis, the company’s first-half performance is creditable.

Pre-tax profits increased 10.1% to R6.4m (R5.8m) as activity built up and new techniques and cost controls maintained margins. Turnover in the six months to September 30 increased 7.6% to R197m (R183m), with all divisions meeting targets.

Ridley avers that no division really performed exceptionally. Work on hand is still at a satisfactory level, although capacity is “certainly not stretched.” The value of uncompleted work on hand at end-September amounted to R400m compared with R301m at end-March.

Turnover increased in line with inflation, new contracts brought in and the financial Mail December 8 1978

dividends.

The organisations which participated in the investigation allowing industrial sectors:

<table>
<thead>
<tr>
<th>Sector</th>
<th>Number of Organisations</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>257</td>
<td>79.0</td>
</tr>
<tr>
<td>Mining</td>
<td>9</td>
<td>3.0</td>
</tr>
<tr>
<td>Construction</td>
<td>9</td>
<td>3.0</td>
</tr>
<tr>
<td>Commerce</td>
<td>13</td>
<td>4.0</td>
</tr>
<tr>
<td>Services</td>
<td>27</td>
<td>8.0</td>
</tr>
<tr>
<td>Local authorities</td>
<td>11</td>
<td>3.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>326</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

CONSTRUCTION GENERAL

8.1.79 - 30.12.79
No growth year for builders

Own Correspondent

PRETORIA — Thousands of building workers returned to work today to face a year of no growth or low growth in the industry.

Mr Hennie van Zyl, the Building Industries Federation of South Africa (BIFSA) economist, said today his organisation was considering approaching the State for additional stimulation of the industry.

"There are indications that we face a low or no growth year. This is unfortunate because the industry has access to the men, material and money it needs to prosper."

OWN SOURCE

He said he believed the State should allow private enterprise to finance Government buildings from its own sources. This would mobilise some of the finance available to the industry and preclude the need to finance State buildings from taxes.

Although the industry appeared to be out of the doldrums of the last two or three years Mr van Zyl said there was no significant indication it would employ more men this year.

"I think the increasing unemployment has been halted, but very few contractors expect to employ additional labour this year."

Contractors who could look forward to a reasonably busy year were those building residential and non-residential buildings for the State.

Those who concentrated on work for private enterprise would not be so well off.

He said the stimulatory measures adopted by the State last year had been disappointing and "more stimulus was needed."
Builders back, but outlook is grim

Finance Reporter

BUILDERS went back to work yesterday after their annual holiday to face a year which appears destined to be another long and difficult one for the construction industry.

Building activity across the country started to decline when the country entered a recessionary phase in the early 70s. Since then there has been a levelling out in the work put out to tender but construction activity is still a long way off the earlier volume.

Unemployment, endemic in the industry a few years ago, is still rife and employers are worried about what they call the “brain drain” of qualified artisans and building foremen to other fields of employment.

State

The private sector, which not so long ago provided the bulk of new building work, has just about dropped out of the scene and the public sector with its massive and ongoing Government contracts has become the builder’s major client.

Mr. Bob Stevenson, vice-president of the Building Industries Federation and president of the Master Builders’ Association in Natal, has predicted that building firms geared up to handle State contracts will be able to weather the storm but smaller operators will find the business climate increasingly difficult during 1979.

Not making things any easier has been the current round of price increases announced on major building components and the others expected to follow soon in the wake of the petrol price increases.

Wary

All these extra costs will serve to make an already shy building public even more wary before they are prepared to commit themselves to long-term capital projects.

Probably the most problematic area is the home building market where, more than anywhere, builders find their clients lack the capacity to absorb the increase in costs.

Less

Mr. Alex Montgomery, sales director of Derreg Construction, predicted people would still be building new homes this year because it was the only way they could “get exactly what they want” but they would get less for their money.

“We are going to have to pass these increases — at least, some — on to the consumer.”

is that it grants only access to land. In order to exercise the traditional right a person must have cattle or smallstock. If he/she has no livestock, or indeed if he has far less than the norm for herds in his community, he has essentially foregone a basic right conferred by the community. By foregoing the right he confers upon others benefits at no cost to themselves and with no return to himself.

Botswana represents a clear case of the need to evolve traditional forms to accommodate the commercial world. One of the forcing houses of the modern world is the company concept: essentially simple yet radical. A parallel development would be to up-grade the right to graze (that is, the right of access to land) into shares over communal land controlled equally by member households. The shares would refer to grazing units according to the grazing capacity of the communal land. In other words, the community would become a company in the modern sense, the asset base of the company being the land it controlled. In this way the right to grazing would be converted to a right over an asset i.e. land which has a certain grazing capacity. At annual general meetings of the company (the equivalent of the community) it would be decided what the carrying capacity
It's goodbye to Brickor and welcome Corobrick

BRICKOR, the Transvaal's largest brick-making concern, will change its name to Corobrick, Transvaal tomorrow. The idea behind this move is to bring Brickor, now in the Tongaat stable, into line with the rest of its brick operations. It will be recalled that Tongaat gained control of Brickor in October, after its fairly well-publicised battle for control of Primrose, and set out to rationalise its 33 brickmaking factories throughout South Africa under a common name and corporate identity.

Corogroup, the brickmaking arm of Tongaat, has its head office in Durban and operates companies in Natal, the Cape, the Free State and the Western Transvaal. The acquisition of the Primrose and Brickor operations increases the group's share of the powerful Transvaal market, which is estimated to be 40% of the national total.

Corobrick's 33 factories around the country have a total production of 1,000m bricks a year, with a range of 160 different face bricks.

Errol Rutherford, managing director of Corobrick (Tvl), said this week: "The brick industry has yet to feel any benefit from the expected upturn in the economy: However, we are well placed to provide for any renewal in building activity. ‘South African bricks are still the cheapest in the world and have significant advantages over most other construction materials.'"

The country has consciously attempted to create manpower of that type. It may also reflect the present paucity of entrance points to rural management, a too formal approach to selection for government service and, as discussed below, an inappropriate search for precision which discounts local knowledge and local capacities.

Once a clearer approach to the problems of the countryside is gained it should be possible to simplify in the Central Government arrangements for policy making and for supervision and to devolve much of the daily management to local government and other semi-autonomous units. The number of current ad hoc proposals should all be reviewed in this light.

Botswana does appear to have successfully separated the traditional roles of the Tribal Authorities from the newer concerns of the District Councils, especially over land use and infrastructure development and management. Some overlapping of representation remains that should prove amenable to reform. The present balance struck between popular and traditional representation remains delicate and its evolution could be upset should the more economically stronger rural families seek to protect their interests by alliance with the Tribal Authorities. Careful attention must be given to programme formulation if that stultifying development is to be avoided.

The Task Before Botswana

Rural development in Botswana, particularly the reduction of rural income disparities and the provision of increasing levels of productive employment to her young and fast growing population, may be looked at in two ways.

Since 1972/73 Botswana has had a surplus of recurrent revenues over expenditures. In 1975/76 revenue was P72 million and expenditure P47 million,
Company booms as construction industry sags

Bomag baffles the builders

DESPITE one of the most difficult years the economy has ever experienced, Bomag South Africa, a subsidiary of the giant US Koehring company, enjoyed its "best year ever", according to managing director, Heiner Thorborg.

At a time when the construction industry suffered its third consecutive year of decline due to a steep downturn in public and private expenditure which forced many companies to the wall, Bomag, one of the country's leading suppliers of compactors, excavators and mobile cranes, managed to improve its performance by, according to Thorborg:

- Expanding local manufacturing programme;
- Pinning the cost structure carefully; and
- Increasing staff efficiency and productivity.

"This resulted in better profit margins, and more competitive prices for our compaction machinery, which we would not have been able to maintain had we continued to import our requirements," said Thorborg.

Being a private company, Bomag is not obliged to reveal its turnover and profit figures, but the managing director did admit with a degree of pride that Bomag's profits amounted to nearly 10 percent of turnover, a margin most competitors would envy.

Furthermore, these profits represented five percent of parent company Koehring's which implies that Bomag South Africa manages to operate on a more profitable basis than other companies within the group.

Looking to the current year the managing director forecasts that demand should increase slightly during 1979 as confidence in the construction industry returns.

"This much I anticipate, just as I anticipate that the Government will spend more due to the more favourable balance of payments situation.

"While our return on capital employed is still not what we would like it to be, I foresee a vast improvement during 1979 as we expect a far better turnover to assets ratio."

Looking at conditions in the construction equipment industry, Thorborg considers special deals for buyers in this sector were a thing of the past.

"We as suppliers can only survive without signing out risky deals — and that applies to all suppliers. Those who have not yet turned to local manufacture are in for a difficult period as their machinery cannot possibly be competitively priced," he said.
11. Attendance at conferences is essential to maintain contact with other workers who will benefit from considering, but a PHAL (Private Health Care Research Society) is not.

12. Duplicating and additional secretarial staff is considered to be the future building managers.

By Frank J. Banks

While the light at the end of the tunnel is in sight, the building industry has a new problem — a sharp drop in the number of travel expenses, booking, catering, and other costs. Travel expenses, booking, catering, and other costs are significant.

Since 1978 the industry has absorbed every graduate — clear proof of these specialists' value. Says Mr. Johan Groots, director of the Building Industries Federation (RFIC): "There were fears over the employment prospects of expensively qualified people coming on to the market after four years of depression. Yet every 1978 graduate found a job to match his qualification.

Even in the current situation, the industry cannot get enough of these building specialists, which underlines the fact that when the recovery is in full swing, their services will be at a premium.

Mr. Groots adds, "While much has been done by way of training to boost productivity, in the end rising productivity must begin with the management cadre and this is where the BSc degree in building management comes into its own."

Since 1974, there has been a steady falling-off in the number of university enrolments in building management. Following this trend, we can expect the total of new registrations in 1979 to be even smaller."
By JEREMY BROOKS
Staff Reporter

COAL and anthracite prices go up from Monday, the chairman of the Transvaal Coal Merchant's Association, Mr. Wilfred Stoloff, announced yesterday.

The public face an 16c increase, to R2.32, for a 90kg bag of coal and the same weight in anthracite has been increased by 33c to R4.80.

Mr. Stoloff said that following the hike in the producer, or pithead, price for coal, the Price Controller had authorised merchants to increase their prices with immediate effect.

He said that nine cents of the coal increase was accounted for by the increased producer's price, compensating coal merchants for higher transportation costs over the past two years.

The association was notified yesterday that the producer's price of anthracite had jumped with immediate effect.

As a result, the association was authorised to increase the maximum retail selling price of a bag of anthracite.

Within hours of the announcement, the City of Johannesburg increased the price citizens were charged for the commodity.

The city said it would increase the price of coal by 10%.

The price increase is as follows:

<table>
<thead>
<tr>
<th>Product</th>
<th>Old Price</th>
<th>New Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coal</td>
<td>R2.16</td>
<td>R2.32</td>
</tr>
<tr>
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An answer to the problem lies in the Employment Guarantee Scheme as evolved in Maharashtra State in India in the last four years. Without a regular programme whereby citizens can seek and obtain work it is unlikely that government would be organised to quickly open a large number of productive small works. The guarantee of work, it appears, can only be implemented if it is a regular part of the management of rural development.

The guarantee of work in the countryside as a regular programme necessitates a move from the consideration of the most efficient form of drought relief management to a programme that, while operating as an automatic standby machinery for drought relief, is a major instrument of income redistribution.

It is also, since income is redistributed by wages earned on work sites, a programme that can build much of the physical infrastructure required in the countryside.

In Table 1 there is an estimate of the amount required to raise all families up to the poverty datum line: R9 million annually. In the previous section a company concept to manage grazing lands is proposed which, through the sale
New homes to cost 15 pc more

Own Correspondent
The building industry expects the price of average family homes to rise by 15 percent this year. It has been confirmed in Pretoria.

This is considerably more than the anticipated inflation rate, but contractors say they cannot continue to bear the burden of increased brick, cement, transport, labour, steel and other costs without passing them on to the consumer.

A leading home construction company says it estimates a home which would cost R30,000 today, will be sold for R35,000 by the end of the year.

SUPPORTED
These estimates were supported today by Mr J H D Grime, director of the Building Industry Federation of South Africa.

He said they were roughly in line with Bifsa expectations.

Contractors have not increased their prices significantly for more than two years. But, in that time, increases in costs brought about by higher labour, transport and materials costs, have carried inflation into their prices, he said.

BURDEN
"The point has been reached at which they can no longer bear the burden and increases are now inevitable, according to Bifsa, representatives of civil engineering concerns and cement producers met the Price Controller yesterday for discussions on recent and anticipated price increases.

It is understood there is concern about the fact that many cases, administered prices have risen more sharply than others in recent years."

Expenditure and Revenue (R)

CASA (R) : FINANCIAL STATEMENT FOR YEAR SEP 1977 - SEP 1978
A home of your own may beat your salary

Property Editor

The rising cost of building materials is reaching critical proportions and at least one major home builder is predicting that average income earners will not be able to afford even a standard-sized house by the end of the year.

According to the company's calculations, a house costing R20,000 today will cost R25,000 by December at the rate prices are rising.

"Looking at the current trends it would appear as if the next 18 months or so could be the last chance people have of acquiring the traditional South African standard housing of three bedrooms, two bathrooms and a double garage," a senior executive of Gough Cooper said yesterday.

"Timber went up by 15 percent late last year, brick prices increased by up to 8 percent last week, roof tiles are going up in price towards the end of the month and artisan and labourers' wages increased by varying amounts in November and January.

Increases

In addition, price increases are awaited on steel, cement, paint, glass and asbestos products as a result of rising transport and production costs.

"It's got to the stage where each week we wonder which material will be the next to increase," said Mr. Michael Hilton, managing director of Corona Homes.

He said that in spite of the fact that suppliers absorbed increases last year, house prices went up by at least 10 percent. But as suppliers could no longer hold prices the percentage increase was expected to be far greater this year.

If Gough Cooper's forecasts are correct, it will mean that the cost of a new house will increase by R250 a month for the next 12 months.

Losing

"Unless the prospective home owner's salary increases by a quarter of the amount by R65 a month, he is losing ground against price rises and the type of house that he aspires to just won't be obtainable.

This means that he will have to abandon his ideas of owning his own home or he will have to accept far less house - which in turn means lower housing standards."

It seems as if the trend towards lower housing standards is already gaining ground as builders shrink accommodation in order to provide houses for their clients.

"A few years ago we thought that a 100 sq m house was the absolute minimum we could provide, but now it is quite common to see houses of 80 sq m," said Mr. Hilton.
Pressure mounting against new freeway

By DEREK SMITH
City Editor

A MASSIVE campaign was launched yesterday to mobilise public opinion against the planned PWV 10 freeway and its inevitable extension through Johannesburg’s northern suburbs, the MS.

Architects have plotted the route carefully by working on a detailed report by the planning engineer estimated to have cost R1 million and have come up with a horrifying picture of urban destruction stretching from Weltevrede in Roodepoort on the west to the open spaces of Beaulieu and Cyrildene on the east.

The route of the two highways shows clearly that many well-known landmarks and institutions will be destroyed or affected by the road plan. They include:

- The famous King Edward School in Houghton (probably affected but not destroyed);
- The equally well-known private school, St John College, nearby (probably playing fields only);
- A large slice of the Johannesburg Country Club in Auckland Park.

An action group which plans to alert all established ratepayers’ associations will distribute maps among interested people.

While this campaign gets underway, the historic Maritzburg building in the centre of town has now been saved thanks to public pressure.

See Page 2
Moss poses range of questions on freeway

Mr Tim Jackson, who started the Westend-Auckland Park-Richmond-Melville association, has condemned the plan as “crazy”. It is geared to destroy all good town planning, he said.

Current chairman of this association, Mr Dave Pettit, said the biggest problem facing ratepayers was that the authorities denied the Johannesburg motorway (MN) plan existed.

We believe they are being devious and are working in secret plans which they dare not show the public.

Professor R P Plewman, of Westend-Auckland Park-Richmond-Melville, quoted comparative figures given by the city council eight years ago, showing that Johannesburg already has a low percentage (eight) of open space.

London has 15%, Pretoria 10%, and Moscow 15.7%, he said.

If the PWV 10/M6 plan went ahead the percentage of open land would be reduced even more — “and this seems inequitable.”

Mr Moss, who put his 17 questions to the administrator yesterday, wants to know from the administrator:

- Why the province undertook the PWV 10 design when it was provided for in terms of the Urban Transport Act from central Government funds?
- Why the consultants were instructed to proceed with full working drawings for the road when no final decision had been reached and no comment requested from property owners.
- Whether the province would construct the PWV 10 if the Johannesburg council did not build an east-west link of motorway standard or not.
- Whether or not an environmental impact assessment for the route was done, since the route crossed the ridge system with huge embankments and cuttings — and whether a consultant was employed to advise on environmental effects of the route or not. And if not, why not?
- What consideration objections, received when the route determination study was made, were given, and whether these were answered or not.
- What the status of the plan of the PWV 10 issued to owners along the route is.
- Why the province commissioned consultants Van Wyk and Louw to design the PWV, considering the PWV consortium's brief ended at the national ring road and did not cross the municipal boundary, and it falls within the Johannesburg metropolitan area.
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**Examination Schedule, October-November 1978**

**Table 3: Output, Exploration Mining Industries on the Diamond Mines**

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**Notes:**
- The number of students in each examination is indicated above each applicable time.
- Questions that arise during the examination may be collected at the end of the examination.
- All questions are marked and checked by the invigilators.
Fear that more freeways will slice up suburbs

More freeways, cutting through Johannesburg and Sandton, are being planned, the anti-freeway action committee believes.

These are in addition to the PWV 10 and its extension, the M6, being planned to run east-west through Johannesburg's northern suburbs.

The additional freeways, allegedly being planned are:

- The M3, due to run north from the M6 at the Fordsed site in Auckland Park through the Parkview Golf Course to Sandton.
- The extension of the PWV 9 motorway, which is part of the provincial grid plan, planned to connect the M2 with the existing Eastern Bypass (M3).

The action committee discussed the possibility of these additional freeways at its meeting today.

Mrs Flo Bird, a committee member, said the committee would ask the National Transport Commission why freeways were being built without consulting the people affected.

She said freeways were against the spirit of the Government's Driessen Committee report, which opted for public transport.
Building hopes Cement future looks brighter

By TONY HUDSON Finance Editor

THE LIGHT at the end of the tunnel is slowly getting brighter and the indications are that the cement industry may well show a positive growth rate for the first time for many years.

Business in the industry has been bad during the last few years, and, says the Cement Market Research Organisation, despite a growth in real terms in the economy of two percent in 1973, cement sales fell by three percent for the 12 months to December 1973.

There was, says the organisation, a small upturn in September and October of last year, but this fell away without having much effect on the industry.

The forecast for real growth in the gross domestic product for this year is about 3.5 percent.

However, the outlook for the building and construction industry is a low growth of around one percent because of the political situation in South Africa.

It is not possible to consider the current state of the cement industry without taking into account the political situation in the country.

The organisation sees the coming changes in the regulations governing the ownership as another bull point as it feels that banks and building societies have the liquidity to meet any demand from this sector.

The industry has the capacity to meet an even greater rate of growth and that the utilisation of the domestic cement market stands at about 80 percent.

The organisation sees another light on the horizon in the indications that South African Railways and the Defence Department are seeking new contracts to meet a budget surplus of £300 million.

The annual report of the organisation shows that the company is making progress.
EL building plans down by half

EAST LONDON — The value of building plans passed in East London last year was less than half that of the 1973 total.

This was revealed by the outgoing president of the East London Master Builders and Allied Traders Association, Mr Brian Snell, at the association's annual meeting last night.

Mr Snell referred to the "alarming" figure of R30 000,000 for building plans passed in 1978. The figure for 1973 was R22 million.

The drop in the value of plans passed should also be seen in the light of the vast increase in costs during the period, Mr Snell said after the meeting.

The number of employers and employees in the building trade dropped dramatically in recent years.

During 1975, 369 employers employed 4,369 employees. Mr Snell said in 1977 this figure had fallen to 112 employers employing 2,433 employees.

"The latest census figures are not yet available but as you can all appreciate, a further dramatic drop-off in the industry is to be expected," Mr Snell said.

Due to the decline in building activities here, the East London branch of the association has lost four member firms during the past year. Membership now stands at 69.

Mr Snell warned that the prospects for 1979 were bleak, but assured members the association had again appealed to the relevant minister for work to be released in this area.

Mr Colin Wynne, manager of the Border branch of Murray and Stewart, was elected as the MBA's new president. Mr Graham Dodd was elected vice-president.

—DDR
More work on hand for civil engineers

Although civil engineering contracts awarded in the final quarter of last year were valued at about R400m, the order position in general is far from satisfactory.

This is disclosed today in the SA Federation of Civil Engineering Contractors review of conditions in the fourth quarter of 1978. These latest figures compare with an order intake of some R550m and does not show a continued upward trend since the middle of last year.

According to the review, order books which fell to a level in the depressed conditions of the past few years are looking healthier and contractors, entered 1979 with more work on hand than for some time.

However, despite the increased work load, over all construction activity was not of material benefit during the last few months of 1978.

One encouraging point, however, is that the total labour force of the industry — which dropped by 45,000 employees over the past two years — has stabilised at a figure of about 90,000 workers of all races.

Taking into account the slight upturn in the order position, there is more optimism in the current outlook.

Competition for available work remains keen. The review states that there are not enough small to medium sized contracts, and much of the recent improvement

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La soumission de la loi est une nécessité absolue.
Engineering in need of incentives

SOME incentive should be granted to the civil engineering and contracting industry, which could be a significant earner of foreign exchange, says the chairman of Group Five Engineering, Mr. J. A. McLaren, in the annual report. The industry has many unique skills which could be exploited overseas. The offering of worthwhile incentives could compensate for the additional risks involved in such projects.

The State, however, has not offered much incentive, either by way of tax relief, where the export allowances are geared to manufacturing and marketing communications, or by provision of finance where contractors have difficulty in meeting the local content requirements, says Mr. McLaren.

With the decline in the amount of work on offer in South Africa, the civil engineering and construction industry has had to look further afield for its revenue.

A fair proportion of Group Five's work is now being carried out in adjacent territories and in Malawi. Because of the distances involved and the delays in communication, these contracts have had to be mechanically self-sufficient and fully equipped with new plant.

This, together with the increase in turnover, acquisitions of subsidiaries, and, in certain instances, the providing of finance, in order to obtain work, has had its effect on the group's cash balances, which now stand at R7 m.

Mr. McLaren is concerned about the sharp rise in the cost of new plant. The situation has been worsened by the fiscal authorities deciding to remove the new plant and machinery allowance previously granted to the industry.

Unless the decision is reversed in the forthcoming budget, the reduction by way of tax relief of 14.4 percent of the cost of new plant will fall away after July 1, 1979.

The chairman is not particularly optimistic about prospects for 1979. He says Group Five will have to make a strenuous effort to increase its profits because of the long-term nature of contracts obtained in a highly competitive climate.

However, the group should maintain profit at the 1978 level, at least. A larger volume of work was on offer in the last quarter of 1978, a trend which should be maintained.

Mr. McLaren warns that the low level of economic activity has continued for so long now that the ameliorating effect of long-term contracts obtained at better prices has fallen away.

Group Five's operating profits declined in spite of an increase in turnover of 12 percent. Tax allowances accounted for the slight eight percent rise in net profits.

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Bifsa, aged 75, looks to year 2000 with every confidence

By Frank Jeans

South African build-industry, battered by years of recession, is past worrying sorry for itself, and instead is looking to future with growing confidence.

And well it might. For builders face arocking population that has yet to be housed.

Economists predict that by the turn of the century the industry will have to build 10m houses, flats, and other dwellings — or 500 000 homes a year — compared with 100 000 built last year.

Added to this vast buildup are the servicing centres for the 40 to 50 million people in South Africa by the year 2000 — the hotels, schools, universities, hospitals, Government buildings and still more shopping complexes.

It’s a massive task, but heartening news for the builders who have been so long in the doldrums — and it’s the message that comes through today — the 75th birthday of the British Industries Federation of South Africa (Bifsa).

Says the president, Mr. David Mitchell: "Organised building is bracing itself to meet all its obligations to the South African community.

"From this year onwards, the accent will continue to fall on the positive." He believes the best way the industry can solve current problems is to take up squarely all the challenges facing it.

This year, builders will start laying plans to carry out the mammoth building job that has to be done — and they must now show greater initiative in mobilising capital, labour and entrepreneurial skills, he said.

INDUCMENTS

The building programme, ahead, will cost an enormous amount of money, and organised building will have to develop new inducements and stimuli of its own to draw the funds required," says Mr. Mitchell.

"We can no longer leave this to decision-makers of the public and financial sectors."

Bifsa, which was established in Durban in 1918, has grown to become the co-ordinating body of building and affiliated industries which control about 80 percent of all construction in South Africa.
Building industry asks State for R300-million more

By Frank Jean

The Building Industries Federation (Bifsia) has been quick to follow through on Senator Horwood's pop-up budget by making a high-level approach to the Government for an additional R300 million for housing and services for the lower income groups.

The Minister of Community Development has been asked by Bifsia to make urgent representation to the Cabinet for the extra millions, which are in addition to the R250m allocated for low-cost homes in November 1977, of which R70 million has already been drawn by the building industry from the banking sector.

Sp immediate does Bifsia see the need for more cash in the housing pipeline, that the federation did not take time to draft a formal letter to the Minister, Mr Steyn, but sent him a telex message.

Says Mr Johan Grotsius, director of Bifsia: "This week's budget was clearly an expansionary gesture.

"The Finance Minister obviously wants to give the national economy a hard shove from the consumer end, and the building industry, by its nature, is one of the prime vehicles for stimulating consumer spending.

"A serious backlog in housing still exists throughout the Republic," says Mr Grotsius, "and this could build up to a serious accommodation bottleneck."

Based on the assumption that the original distribution pattern will be maintained, it is estimated that the breakdown of the R300-million would be:

- 40 percent for blacks, including homeland and urban;
- 40 percent for coloured people; and
- 20 percent for Asians.
Better days ahead

Latest figures from the Department of Statistics confirm that better days for the building industry are on the way. They also go some way to explaining why flat letting has been a more dismal proposition in Durban than in other major areas.

Building plans passed in January for all types of residential buildings were up 32.3% on a year ago, and the value of non-residential building plans rose by 24.4%.

The statistics for buildings completed show that Durban was the exception to the national trend. In the Witwatersrand 522 flats were completed in 1978 compared with 1,284 the previous year. In Durban 1,093 flats (436) came on stream, while in East London not a single flat was completed.
CIVIL ENGINEERING

Still tender

An upturn in tender activity at end-1978 put R400m worth of contracts into the civil engineering business. Despite this, and the fact that contractors entered 1979 with more work on hand than for some time, for this year’s outlook is still uncertain.

The R165m increase in State spending announced in the budget hasn’t clarified matters. “It didn’t indicate what civil engineering can expect as far as infrastructure spending is concerned,” says Kees Lagaay of the SA Federation of Civil Engineering Contractors. Also, while the expansion of the Sasol 2 project is good news, the re-assessment of priorities and possible postponing of other jobs to accommodate it has tended to put a damper on the outlook.

Adding Lagaay: “Whether things pick up on 1978, or continue moving sideways, remains to be seen.” In employment terms, the industry seems to be holding its own, and the workforce has stabilised at around 90 000 — 66% of 1976’s figures.

It is, however, debatable whether an upturn in construction activity will mean greater employment. Profit margins have been slashed for firms to remain competitive, and get what little work is around, and methods and workers have had to become more productive. This trend is likely to continue, thinks Lagaay, who is also surprised that liquidations were not higher during the lean years when there were few medium and small contracts around.

This was mainly due to companies phasing out, and diversification by the larger groups. Grinaker, which notes a drop in activity of about 35% since the peak of 1975, and 15%—20% for 1978 over 1977, is one. The company moved into the communications field through

the acquisition of Pail Electronics, and through Lepaleng it will have a stake in the FRC’s conversion to a consulting firm.

Morgan & Roberts hope P29 million

Morgan & Roberts hope P29 million job won this year by Morgan & Roberts and the Power Section of the Engineering Division of the Department of Power, will give its business a boost. “It is a welcome job which can give our company a good lead,” said a company official.

As one of the major contractors to the electricity industry has been hit by power cuts, and is looking at ways to improve the efficiency of some applications. This has also given rise to cost-cutting programmes, as cost-saving measures have been found to be effective.
Another listing ahead?

Is Murray & Roberts looking for yet another listing for a group company? Already it has two, Murray & Roberts and Anchusa, and market talk has it that it is looking for a listed company for a reverse take-over of its non-construction, particularly engineering, interests.

This is purported to be part of the rationalisation programme that will bring the autonomous Transvaal operation of Roberts Construction together with that of Cape-based Murray & Stewart.

The rationale behind such a listing would be to facilitate further diversification out of construction, without eating into funds and resources required by the construction division to capitalise on an upturn in the construction industry, if and when it comes.

The consolidation of group activities was initiated by new chairman Des Baker and MD Bill Brumwell to improve efficiencies and curb duplication of activities. Baker has in the past mentioned that Roberts Construction and M&R executives were too often rubbing shoulders overseas on different contracts that should have been tackled jointly. Obviously, the activities of the provincially managed subsidiaries have expanded far beyond their respective borders and something has to be done.

However, this rationalisation will leave some grey areas in the non-construction operations. But the duplication prevalent in the construction division is not necessarily so in M&R's other fields of endeavour. Yet Baker has said that a separate pyramid should be built up to control the non-construction interests.

Diversification has been into widely disparate areas, including food, quarrying, electrical contracting, catering equipment, engineering and brick making. M&S went largely into the food and mass manufacturing markets. For example, it took over Egon Fireclay Holdings and, together with Anchusa, formed Manchasar to acquire Crown Mills and KSH, both food companies. On the other hand, Roberts diversified largely into engineering and engineering products through its subsidiary, Roberts Construction Industrial Investments.

So it is possible that these interests will continue to be separately controlled, but no longer maintain their provincial flavours. A spokesman for the company tells me that it is unlikely that Manchasar would go for a listing, but was unable to speak for RCH. Rumour is that it is the subsidiary which is keen to get a listing.

It might be argued that a third listing is unnecessary, but the thinking behind it

Financial Mail Apr 20 1978
Set for recovery

Activities: House builder and township developer, Northwest Timber & Hardware Supplies is a retailing subsidiary.

Chairman: D I E Anderson; deputy chairman: L A Lucas-Bull.

Capital structure: 4.2m ordinaries of 50c each. Market capitalisation: R2.4m.

Financial: Year to December 31 1978.

Borrowings: long and medium term, R474 000; net short term, R3.3m.

Net cash outflow: R27 000.

Share market: Price: 59c (1978-79: high, 65c; low, 37c; trading volume last quarter; 59 000 shares).

Return on cap %... 7.1
Turnover (Rm)........ 12.8
Pre-tax profit (loss) (Rm)......... 2.1
Gross margin %...... 16.4
Earnings (c)........ 28.7
Dividends (c)....... 13
Net asset value (c) 189

Gough Cooper has been sliding downhill steadily since 1974. The severity and duration of the building recession, perhaps the worst in 50 years, is illustrated by the decline in earnings from 33c a share in 1974 to a loss this year of R105 000 after tax and the passing of the dividend.

But there are distinct signs that house builders in general, and Gough Cooper in particular, are set for a modest recovery. The trouble is that although sales are increasing and mortgage money is both plentiful and cheap, production costs are rising fast over a broad front. As such, profit margins will remain thin even though house prices are expected to increase considerably this year.

Gough Cooper's order book is twice as large this year as last, and chairman Douglas Anderson expects activity to accelerate further. There should, for example, be some action at Sasol 3.

One avenue being actively pursued is housing for coloured people. Anderson says this is in urgent need of special attention. The problem is one familiar to township developers. Proclamation delays and obstacles to servicing have led to very little progress. He does, however, expect serviced stands to become available for building this year.

Another trend Gough Cooper is exploiting is that of high density residential development. High rates, increased maintenance costs, domestic labour shortages, and security are the motivating factors. To satisfy demand, a group housing project has started in Randpark, Randburg, and land has been purchased in Bedfordview for a similar project. Anderson expects both to be "highly successful."

One aspect which should ease the financial burdens imposed on developers is the dropping by the Registrar of Building Societies of the onerous provision of having to lodge a 50% cash support for guarantees given on behalf of home purchasers. Instead, a simple guarantee from an insurance company or other institution will suffice in future. As such, working capital will get a useful boost.

Despite the recession, the company is still financially sound. The debt:equity ratio is only 31.8% (37%), having risen, to support the larger volume of work on hand, and the current ratio is strong at 2.

On the operating side, the main problem area was the housing division, which lost R131 000 compared to a profit of R346 000 in the previous period. Sales of stands was lightly less depressing, losing R132 000 compared to R186 000 previously as land holding costs continued to exceed revenue.

Gough Cooper plans to continue its policy of not acquiring new township land — at least until current stocks have been whittled down considerably. It still has R5.1m (R5.7m) of freehold land for sale. While the value in a break-up situation is debatable, the group's nav of R7.4m (or 176c a share) is solid. By contrast, the group has a market capitalisation of a mere R2.4m.

Given the low level of borrowings there is little pressure to retain earnings. A return to profitability this year could be accompanied by the resumption of a token dividend. And even 3c yields a prospective 5%.

John White

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**Question 1 - Suggested Solution**

**Mix and Yield Variance:**

**Work:**

**Mix and Yield Variance:**

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CEMENT PRICE
Told you so

While the latest R20c/50 kg (6%) increase in the cement price has been accepted with resignation, users are nevertheless uneasy about small increases that are continually slipping through. Since October 1977 these have amounted to 25%, adding to the woes of the building industry.

Building Industries Federation director Johan Grotjsius points out that with the cement content of buildings running at about 5%, the increases since 1977 have pushed costs of a R20 000 house up by about R250. "Profit margins in the industry are so low that the increased costs cannot be absorbed and will have to be passed on," he says, voicing the fear that this, coupled with other material cost increases, will reduce demand.

For cement producers, it will mean that sagging returns on the R30m invested in the industry will be pushed up towards 10%. Hennie du Toit of the Cement Producers' Association says the increase is unavoidable in view of rising costs of fuel, coal, and raw materials. "Luckily there was no increase in rail rates, so the rise could be kept as small as possible."

Kees Lagaay, of the Federation of Civil Engineering Contractors, reckons contractors on cement-intensive projects will be hard hit. "With cement price hikes generally running ahead of costs of most other construction materials, contractors don't really recover these through escalation formulae," says Lagaay, who adds that the increases will for the most part have to come out of contractors' pockets.

He also says that the civil engineering industry gets the impression that price control is somewhat liberal as far as cement is concerned. "It must be great to be in an industry where return on capital employed is protected."

Will the rise provide greater impetus for using pulverised fuel ash in cement mixes? "Alternates are certainly not being overlooked, although pfa still seems to be in the early stages," says Lagaay.

Meanwhile, the cement industry which last year sold 6.8 Mt out of a total production capacity of about 9 Mt, is battling to find a replacement market for Iran, which took up the bulk of the 949 948 t (worth R30m) exported in 1978.

While there have been a lot of enquiries, no significant firm orders have been written up, mainly because the enquiries have come from countries where SA goods are politically unacceptable. Blue Circle's Angus Morrison (also chairman of Cem-Afrique, the industry's export arm), says a lot of small parcels are being sold "all over the place," especially to Indian Ocean islands. But: "We're certainly not as optimistic as we were this time last year."

Since Iran (which consumes a total of about 6 Mt a year) dried up, there's a lot of excess cement in world markets. SA battles to compete with major suppliers like France, Spain, Japan, and Korea who command a large slice of the 25 Mt annual world trade. "With 1 000 km of rail between our northern factories and the coast, we're virtually exporting transport costs," says Morrison.

While the cement industry sees the importance of containing prices, it nevertheless feels that as a capital intensive industry, it is vital that return on investment should ensure continued growth. With three to four years lead time required for planning and construction of additional production capacity, the industry sees itself as exposed to considerable financial risk.

It also calculates that to replace plant currently in production would cost around R720m — the equivalent to a capital outlay of R4 to produce one sack of cement a year.

While new plant capable of producing 660 000 t/year and costing R53m was commissioned last year, the only other expansion planned is another R54m to increase capacity by 600 000 t/year by 1980.
Zululand dam nearly triple price

ORMANDE POLLOK

CAPE TOWN — A shock report has revealed that the estimated cost of the Goedertrouw Dam on the Mhlutiwe River, which is to supply the Richards Bay-Emnangeni area, has rocketed from R12.5 million to R35 million.

Mr. J. P. Kriel, Secretary for Water Affairs, says in the report that the massive rise is due to "a general increase in construction costs, an extended construction period and site conditions which differed from those originally expected."

Parliament approved R12.5 million for the dam in 1973. Construction started during the 1978/79 financial year and by March 31st last year R5 700 000 had been spent.

In detailing the reasons for the extra costs Mr. Kriel has outlined that not only were estimates of costs wrong, but that assessments of working conditions, construction, earth works and other items were also out.

Costs

Cost estimates had been made in 1972 but from then until 1977/78 construction costs had increased by 96 percent. Only 10 percent had been foreseen.

In the original, White Paper it had been estimated that construction would start in 1975 and that storage would begin in 1977/78. However, detailed studies had shown that 90 percent of the work would have to be completed before storage started and that this could not be done in two years.

Rain

It had also become evident, because of the high rainfall in the area, that the number of days on which "earth could be placed would be less than originally expected. Therefore the organisation and residential area had had to be increased.

"Borrow areas" were also further from the dam than originally planned and the cost of roads as well as their maintenance had therefore increased.

Mr. Kriel says also that the extent of work necessary for river diversion was greater than originally expected and clearing of bush had proved to be more expensive than anticipated.

Because of vast differences in the type of excavations that would be needed and what were originally expected, costs had risen from R1,60 a cubic metre to R2.30.

(Report by Ormande Pollock, Press Gallery, House of Assembly, Cape Town)
OUTLOOK BRIGHTENS FOR BUILDERS

Financial Editor

The depressed building industry can look forward to a substantial increase in the volume of work offered, figures issued by the Department of Statistics indicated.

The figures show that South African municipalities and other authorities gave the go-ahead to R291-million worth of new buildings in the first quarter of this year, which is 33.9 percent on last year's corresponding figure of R218.1-million.

The biggest increase in planned new construction is in houses. Plans for 8,197 houses estimated to cost R108.2-million were approved in the first quarter. In the same period last year the authorities approved plans for 4,748 houses estimated to cost R69.3-million.

It is interesting to note that the estimated average cost of this year's houses is R227,794 which is 19.3 percent higher than last year's corresponding figure of R19,065.

ENCOURAGING

It is encouraging to note that there was a large increase in the value of non-residential buildings approved in the first quarter.

Plans for buildings estimated to cost R73.1-million were passed which was an increase of 51.3 percent on last year's figure.

This suggests that commerce and industry are at last taking a less gloomy view about the future.

Additions and alterations planned were worth R18.4-million in the first quarter of 36.1 percent on last year's R59.8-million.

In contrast, the value of new flats planned remained low at R18.4-million in the first quarter. This, though, was a significant increase on last year's first quarter figure of R14.6-million.
THEME OF BUILDING CONGRESS WAS FACING UP TO REALITY

Property Reporter

THE objective of the national building research congress in Cape Town was to provide a three-day forum for the constructive discussion of the critical issues facing the whole building community, the director of the National Building Institute, Dr. T. L. Webb, said as the 300 plus delegates prepared to leave. They were of the view the event was a successful series of meetings and lectures.

In an interview Dr Webb said the congress also applied itself to finding and applying solutions to those problems. "Its theme was realism, research and resources. There were all told five sessions. The first dealt with urban development and housing; the second with energy conservation in buildings; the third with communication between all persons and bodies in the building community; the fourth, with materials; and the last with the very vexed but critically important question of stagnation in the building industry.

"In other words we were trying to find out how we can do to straighten out the peaks and troughs that occur, reduce the efficiency of the industry and virtually hamstring it and prevent it from operating effectively."

"When I say the industry I also include the profession."

"The cardinal point that emerged were first the need for recognition and the need for only a few highly productive and creative people in the building community."

"Secondly, the need for uniform national and perhaps rational technical criteria for town planning. The need for consultation with the community when housing is being planned for them and, incredibly important, the need for energy conservation — it can and it must be practised."

Dr Webb said that the low energy experimental house project (Leepa) in Pretoria is going according to plan.

"The building is using two houses built to the same floor plan in the energy experiment."

Dr Webb said that the house project was planned for about two years. Two houses were constructed during January this year, and Leepa was formally launched in September. The basic idea is to carry out objective measurement on two comparable houses.

"House A contains many energy conserving devices we feel are economically and technically feasible at this stage of the game."

"House B is virtually identical, but serves as a control to enable us to measure differences on how cost effective and how effective technically various energy conservation measures are. This is perfectly conventional house."

"The features in the energy-conserving house are about 12 square metres of solar energy absorbing units to be used to provide hot water for the house, to provide space heating in the house. The heat collected during the daytime will be stored up by circulating air through a bed of about six cubic metres of crushed stone which will retain that heat and release it during the night."

"In the Transvaal climate it works perfectly in winter when you need heating during the night. One has almost continuous sunshine; that energy is absorbed stored as heat in the rockbed and made use of during the cold period."
Where were the women on the building scene?

IN THE midst of all the admiration for the excellent co-ordination that went to make the national building congress in Cape Town a success it evidently was, I was disappointed that once again there were no women speakers.

There were women among the delegations but it seems that the building industry remains closed to the female of the species, although I understand Dunbar might be in for a surprise appointment with women architects.

Is it male chauvinism that keeps women out of buildings? Is it that women themselves are not really interested in construction or contributing in any way to the development of the built environment?

One accepts that there are women who have been involved in the building and construction industries. But they are few and far between.

One accepts too that the physical aspect of the work would put off many women from trying and discourage many more from ever even attempting to employ them. But then again there are the exceptions who have successfully tackled all sorts of jobs from being a carpenter to plasterer — the lot.

But, one would think that more women would join the more suitable disciplines such as architecture. As it is they condemn their own sex to live and work in buildings designed by men, more often than not with male comforts in mind. I wonder how many women would go about planning an office for women? Would there be much difference from a male-designed scheme? Anything, indeed?

CAPE TOWN was looking at its best during my visit there last week for the congress. There is some evidence of building going on although much of the industry’s efforts must be concentrated on the relatively flat, plain and A-framed style.

While one admires the fact that the housing problem for the Western Cape, which, according to some experts is the most serious in the country, still feels better than in other areas.

THE WEHRAN report is, at this stage, purely academic, says the president of the Durban Master Builders’ Association, Doug Robertson.

He told journalists this week at a function: “What we would like to be able to do is appoint black employees and employ them until they become artisans. Thereafter they can work in the building industry.”

“This means the repeal of the Black Building Workers Act which we hope will come about in the near future. Before this takes place, we can only make little or no progress on the labour front,” he said.

“The building industry needs apprentices urgently and we would ask the Government for immediate action. We must start training apprentices in our own30 training centres so that when they come out of their training in three to four years, the industry can make use of this available labour.”

By that time we anticipate an upsurge in the building industry will have taken place and industry will need more skilled artisans,” he said.

Mr Robertson also reported that at the request of some of the members of the MRA operating in the home building field, the association is in the process of forming a home builders section. He said that the home builders were complaining of the different building regulations applying in various authority areas.

He quoted the following minimum ceiling heights for some authorities as: Dunbar - 2.5 metres; Emberton - 2.75 metres; Pietermaritzburg - 2.4 metres; Edendale - 3.0 metres.

The difference between the lowest, and highest allowable ceiling heights is therefore 0.5 metres.

“Our home building section has calculated that this can result in a cost variation for a typical house — three bedrooms, one bathroom and one garage — and all other things being equal — of R5 000.”

THESE are the facts, any justification in these different standards and how can only spring up in some areas; the highlands are far, far higher than other areas.”

THERE is an important farm sale coming up towards the end of the month when the De Jong farm near Howick goes under the Black Owners’ Agencies hammer.

The agents say the farm is considered to be one of the most beautiful and best planned in the country with unlimited potential as a cattle, dairy or sheep farm.

There are 18 dams and streams, 120 hectares of pine gum and wattle, an office block, two managers’ houses and two cottages. The main house is a double storey residence with pool and magnificent views of the Karkloof and Albert Falls Dam.
Transkei dam project

JOHANNESBURG — A R3.5 million driling contract for the Zulu Dam in Transkei has been awarded to the Cape Town office of Ground Engineering and Piling, the geotechnical arm of the LTA Group.

The dam is part of the second phase of the R15.7 million Lusikisiki district water supply scheme for the town of Lusikisiki and rural villages in the surrounding 1100 square kilometres.

The first stage of the scheme consists of purification works, a pipeline and a reservoir.

A spokesman for the consulting engineers, Hill, Kaplan, Scott and Partners, said construction of the dam could start within the next two years.

— DDC
In the context of industry needs for additional
infrastructure development for additional
infrastructure development, Dordoy has added the
Dordoy Chapman Group has a turnover of about
50% of the total business turnover. The Group has
been expanding into new markets and has
acquired new products and services. The Group
is planning to concentrate on four key
areas: infrastructure, construction, energy, and
environment. The Group is also looking into
opportunities in the renewable energy sector.

The annual report for the year ending
30th September 2023, shows a significant
growth in revenue and profit margins.

Looking ahead, Dordoy Chapman
Group is planning to expand its operations
into new regions and markets. The Group
is also exploring opportunities in new
technologies and innovations in the
infrastructure sector.

Chairman's Statement

The Chairman of Dordoy Chapman
Group, Mr. John Doe, said that the
Group is looking forward to
further growth and success in
the coming years. The Group
will continue to invest in new
projects and technologies to
remain competitive and
revenue-generating.

Dordoy Chapman
Group

Annual Report 2023
Building industry needs 3 100 men

By Frank Jeans

As the building industry gears up to meet an increase in demand after years "in the cold," there is one vital area which needs urgent attention to prevent any further drag — recruitment.

If the industry fails to sustain its workforce through a step-up in training programmes, the current surplus in labour will soon be converted into a shortage.

This warning comes from the Building Industries Federation (BIFSA) which points out that a review of training, particularly with regard to apprenticeship is essential if the industry is to check the "serious decline in the number of job registrations."

Says BIFSA: "There is no doubt that the 399 new registrations in 1978 and the 2 135 apprentices who were under contract at the end of last year were totally inadequate to satisfy the needs of the industry even under current conditions."

At present, it is estimated that about 3 100 artisans must be trained if the skilled labour force is to be maintained at a satisfactory level.
PIETERMARITZBURG — The Department of Transport has awarded a R10 million contract for the building of a six-lane section of road between Farningham Ridge and Mariamhill, it was announced here yesterday.

The contract had been awarded to the Savage and Lovemore Group, and construction was expected to take about three years a spokesman said yesterday.

It had not yet been decided when the section to Cato Ridge would go to tender, he said.
Shipbuilding industry is coming to a standstill

Lack of raw materials and the devaluation of the escudo is forcing the shipbuilding industry to a standstill in Portugal.

A spokesman said that if shipyards continued to import steel and engines, most would be reduced to a dumping site of international markets.

The crisis has arisen because the State and banks failed to provide aid over a lean period.

* * *

Portuguese railways have appealed to the Government for a subsidy that will give the system a facelift and provide the country with a modern railway comparable to those in the rest of Europe.

* * *

Portugal intends to improve its tomato canning industry to enable it to compete in foreign markets.

At present the country exports about 875 million worth of tomatoes annually and wants to double the figure.

* * *

The Islamic community in Portugal has been allowed to build its own mosque in Lisbon.

* * *

NEWS IN BRIEF

- Importers from Europe exhibited the latest footwear at an international fair in Lisbon.
- The president of a Portuguese football club has confirmed that he will reveal the "Mafia" elements that he claims control sport in the country.
582 homes will claim 582 homes

Mercury Reporter

ABOUT 2,000 people and 582 Durban homes face demolition after Exco's approval yesterday for the construction of the final section of the controversial Umbilo-Umgeni arterial road.

Expropriation costs are expected to run into R3 000 000.

Seventy-five of the 582 homes affected are houses and the rest flats.

Umbilo councillor Mr. Barry Clark, said last night: "This was an old settled area. Some of the people have lived there all their lives. It is a pity areas like this are affected by road works."

Mr. D. C. Macleod, the Durban City Engineer, said construction work was scheduled to start in 1981 with the first phase completed in 1984.

The project could last 15 years, since additional traffic lanes would be built according to need.

Bridge

The arterial road will connect with Edwin Swales Drive at the southern end by means of a new bridge to be built over the Umbilo River.

It will follow Bartle Road, Stellawood Road and Umbilo Road to Berea Road, where it will form part of the inner ring road before branching into Dartnell Road, which will carry north-bound traffic.

Umgeni Road at this point will carry south-bound traffic.

At Goble Road, enough leeway exists in reserve to allow Umgeni Road to be expanded to carry two-way traffic.

The route approved by Exco was substantially downgraded from the original plan submitted by planning consultants in 1968. This envisaged the expropriation of 1,896 dwelling units.

The route, revised by the City Engineer's Department, would have meant expropriating 1,500 units according to a 1970 design.

The City Council's Planning Committee finally approved the present route in January, 1977 and soon afterwards the project was submitted to the Province.

Mr. Macleod said Exco had approved the final section of the route - from Stellawood Road to the Umbilo River - at yesterday's meeting after nine months of investigation.

This last section involved the expropriation of about 150 units of the total number of 582.

Mr. Macleod said no present estimates of the final project costs were available. Latest estimate of R32 000 000 was made in 1975.

The person who organised a petition in 1972 against the Council, proposals for an Umbilo-Umgeni freeway, Professor Dudley Norman, supported the arterial route.

A former city councillor and chairman of the Planning Committee until October last year, Professor Norman said the announcement of the Province's approval would enable property-owners to go ahead and develop their properties.

"It will also release properties frozen by the long-term plan. People could not sell their properties because nobody wants to buy a house that is going to be expropriated."
DEVELOPMENTS

UK engineers and the Dominican affair

On December 18 last year Tom Adams, prime minister of Barbados, went on television to tell a startled population that the Caribbean island had been the subject of an invasion plot. The Barbadian Government had been warned and, with the assistance of French, British and American intelligence services, had managed to have the invasion stopped. The key plotter in this bizarre scheme was a Barbadian, Sydney Burnett-Alleyne, whose intention had been to use mercenaries recruited by Englishman John Banks. Most of the planning for the invasion was done in London in the autumn of last year. At that time Burnett-Alleyne was working with two professional engineers who were acting as consultants for a proposed $12 000M development plan for the nearby island of Dominica. Unravelling the threads of the story, the Leveler magazine and subsequently BBC TV’s Panorama have suggested that the grand development scheme was inextricably linked with the invasion, and that large sums of South African money were involved in both. NCE looks at how civil engineer Alan Grant and chemical engineer John Spottiswoode became involved, and the fate of the scheme once its promoter’s other plans were thwarted.

An opportunity to develop an impoverished island with almost $12 000M worth of infrastructure does not often come to civil engineers. In fact faced with such a proposal most consulting engineers would blink, wake up, and get on with the reality of commissions measured in thousands rather than thousands of millions.

Alan Grant, well known for his award winning Massina straits crossing design, was the consulting engineer approached with this fabulous project. He was, he tells NCE, slightly sceptical, which is hardly surprising — that $12 000M represents approximately eight years’ turnover for Wimpey, one of the world’s largest contractors, and about £75 000 per head of the Dominican population. "There was a chance in a thousand that it might materialise. What should I do? Say no and let someone else get it if it did come off?"

Grant thought not. But, he says, he did proceed with caution, particularly financially. Appointed project manager to the Dominican Development Corporation in September last year, he decided that only with cash in hand would he commit any of his own resources to the plan.

His caution was based in part on an earlier experience with the chairman of the development corporation, a Barbadian called Sydney Burnett-Alleyne. Burnett-Alleyne had approached him in 1978 with plans for an oil refinery on another Caribbean island, St Kitts. Both Grant and petrochemical specialist Hamphries & Glasgow lost money when, after some months planning the deal finally fell through.

Grant signed the contract between Burnett-Alleyne’s funding organisation and the Dominican Government incorporating his proviso that nothing would happen without an advance payment for fees. A further clause in the contract confirmed the account would be kept permanently in credit.

A provisional schedule of projects included immediate priorities like the international airport and roads, and later stages like industrial development, a refinery and a petrochemical complex. Within a 10 year period the island was to have a deepwater harbour, housing for 250 000 (three times the current population) and thriving tourist and petrochemical industries.

'It sounds incredible’ Grant tells NCE ‘but if you think of Abu Dhabi... I was the first British consultant out there in the mid 60s. At that time there were 5 000 inhabitants with a few thousand Bedouins. Six years later the population had grown to 50 000. Now it’s nearer 200 000.’

But of course Abu Dhabi had its own wealth and could translate dreams, even fantastic ones, into reality. Dominica did not.

Grant says where the money was coming from was not his business any more than were the investors’ motives. Initial sources seem to have been Portuguese Africa he says. Jorge Jardim, ex-governor of Mozambique, was mentioned and much later on the South African Government was a possible source.

Why should either Portuguese ex-colonialists or South Africa want to invest such enormous amounts in Dominica? Even if Grant had asked, he is unlikely to have come up with the explanation that it was an elaborate front for an invasion of Burnett-Alleyne’s native Barbados. ‘It was not’ he repeats ‘my concern.’

Burnett-Alleyne’s constant assurances that there was money available for the project to start any day were given substance by the early involvement of senior Dominican ministers and the prime minister himself, Patrick John.

“I always had big reservations about the whole thing’ Grant tells NCE. Burnett-Alleyne was an extravagant talker, but he had the right connections. Within two weeks of his approaching me he brought Government ministers here. I knew it’s a Mickey Mouse country but there was the prime minister sitting in my office.’

Grant started to get a team together. Sticking to the principle of spending nothing until he was paid he chose, he says, people from connected consultancies and firms with whom he could make secondment arrangements. One of the team was John Spottiswoode, introduced by Burnett-Alleyne himself, and a petrochemicals expert.

New Civil Engineer, 28 June, 1979.
Sights set too high on grandiose schemes

The miniscule Caribbean island of Dominica has been paralysed by a general strike for over a month. Prime minister Patrick John finally resigned last week after his ministers one by one had abandoned his sinking ship.

Dominica has a total population of 80,000 — the same, for comparison, as Hastings. For more than 200 years it was a neglected part of the British Empire, the most impoverished of the West Indian colonies.

In November 1978 it was finally granted independence from the UK, a fully fledged nation entitled to a seat at the United Nations, a voice in the councils of the world. Yet independence saw it with a population whose 70% illiteracy barely prepared it for the realities of the modern world. The island has few natural resources and an indifferent soil. Even its black sand beaches make it less attractive to tourists. Its main economic base, the banana crop, is losing its diminutive market share and has been attacked this year by a rotting fungal disease.

Hardly, one would have thought, the place for a $12,000M development plan complete with schemes for an oil refinery, factories, housing for 250,000, a deep water harbour and an international airport. Things like that need a larger population base, a more sophisticated economy; above all they need money.

After independence the departing British Government gave the Dominicans £5M in grants and promised another £5M in extended loans. It was the sort of money which might have ‘seeded’ a handful of local level projects in agriculture, fisheries or education.

But John and minister of external affairs Leo Austin had their sights set much higher and surrounded themselves with people who convinced them that the Imposible was attainable.

One of these was Sydney Burnett-Alleyne, a barely-credible gun runner, conman and sometime financier who signed a remarkable deal with John in 1975. In return for tax holidays and carte blanche in Dominica, Burnett-Alleyne was to head up the Dominican Development Corporation and attract investment to the impoverished island.

Even Burnett-Alleyne’s imprisonment in Martinique in 1976 after staging an abortive coup against his native Barbados did not shake the Dominicans’ faith in him; released from jail he and his grandiose schemes were more than welcome as the island headed for independence.

He brought the Dominicans powerful friends like Professor Jacques Tremont, former finance minister of a Belgian multinational armaments group and a contact from Burnett-Alleyne’s gun running days. Tremont was appointed Dominican ambassador to Europe.

Burnett-Alleyne also managed to convince the Dominicans that finance was available for the project. He mentioned Jorge Jardim, a wealthy Portuguese financier and former governor of the colony of Mozambique, who he had met during some earlier political chicanery. Following revolutions in Mozambique and Angola there was lots of money available in Southern Africa looking for a home, he told anyone who would care to listen, and Jardim was the channel for much of it.

And South Africa itself, a real political hot potato in the Caribbean, was interested in putting money into Dominica in return for oil storage facilities. The official agreement was signed on 6 February by Austin: but it was Burnett-Alleyne who did the spadework and set up the deal.

It may have seemed the essence of fantasy but it did not simply convince the Dominican Government. It ensnared two British engineers as well like a prime minister. He’d carry on one meeting in the kitchen, one in the bathroom and one in the living room. You would never know what the other deals were about."

Like Grant he did not feel that the source of the financing was a good reason to question the project as a whole. "If South Africa was financing it so what? If they need somewhere to refine their oil good luck to them."

He was, he says, astounded by the amount of money. "It’s a hell of a lot even for South Africa" he says ‘but it could make commercial sense. A refinery could cost 25% less to build there. America is looking for places to build refineries because environmental pollution standards and safety precautions are so stringent in the US. It would also cut down the cost of labour to build in Dominica. So on my side it made sense.’

Though Spottiswoode and Grant may not have known that Burnett-Alleyne was plotting an invasion with Banks, others

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DEVELOPMENTS

did. The Barbadian authorities already knew of the plans by the end of November and on 11 December UK's Special Branch hauled in Burnett-Alleyn.

Just how deeply he was into something more than oil refinery construction hit Spottiswoode when he went with Burnett-Alleyn to the Regent Centre Hotel later that evening.

'The telegraph after Sydney had been questioned by Special Branch he was upset and, unusually for him, drank quite a bit' recalls Spottiswoode. 'Banks' colleague, Suzanne Kitty, asked him outright 'Are you missing us about — what about this shopping list?'

Spottiswoode says he thought they were talking about a list of construction equipment. The list in question, however, was not picks and shovels but hand grenades and rifles, part of a detailed plan to invade Barbados drawn up by Banks. According to Spottiswoode, Kitty then asked Burnett-Alleyn whether or not he intended to invade Barbados. 'Sydney said yes' Spottiswoode tells NCE. At this point, he says, he tried to slide out of the situation. 'I don't know how to plot invasions. I know how to build refiners.'

But he was worried on two counts — firstly over his professional reputation and secondly 'I was worried that my wife would be wearing black' he says. These people were not the sort who would question your guilt or innocence.'

Spottiswoode told Kitty soon after that he had lodged a letter with his lawyer, his bank and an unnamed friend outlining events. By telling her, he says, he assumed that the message would get through.

Meanwhile Grant, apparently unaware that there was so much dirty business going on in the background, remained enthusiastic about the project. Spottiswoode did not tell him of his suspicions. On 16 December prime minister Adams went on national TV in Barbados to denounce the mercenary invasion plot and warn the public about Banks. The speech received some publicity in the UK but Burnett-Alleyn's explanation — that he had in fact bought off Banks and prevented the invasion — satisfied Grant.

Grant continued to work for the Dominican Development Corporation and by January was chivvying the Dominican Government for the go head. A telex from Grant to the prime minister and attorney general on 2 January informed the Government that a team of 150 engineers, planners, architects and specialists were on standby for departure from UK and that he had received bankers' drafts 'sufficient to cover one year's salaries and public relations'.

This was not strictly true says Grant. 'The telex was worded by Burnett-Alleyn, who was with me when I sent it, and its function was to get things moving. The money was only payable in dominica and I still wasn't prepared to go until I had cash in the UK.'

At about this time, says Grant, the possibility arose of South African finance for some of the projects — at least that was the first he says he heard of it.

Agreement was reached on 6 February between the Governments of Dominica and South Africa for finance and aid in the form of construction materials in exchange for the stockpiling, resale and refining of crude oil and petrochemical products. 'An advance sum in an amount agreed will be made available to my Government in order to enable it to meet outstanding and pressing commitments. The International airport and harbour facilities will be of service to your country's carriers in their commercial voyages' reads a letter signed Leo Austin, minister of external affairs to G J Coetzee at the South African embassy in London.

A meeting between Dominican government officials, Burnett-Alleyn, Grant and the UK representative of Roberts Construction, the giant South African contractor, was held to discuss construction of the international airport.

'The Government wanted an airport within a year as a showpiece for the elections. We told them the timescale was impossible' says Grant.

Ironically, with a line of finance more assured now than at any earlier stage, John and Austin had over reached themselves. Trade with South Africa was not acceptable to cabinet colleagues, let alone the opposition, and, despite consistent denials, publicity about the deals brought calls for the resignation of both.

Though Grant remains firmly convinced that the Government, like him, knew nothing of the invasion plot, publicity surrounding that has not helped. Austin conceded to the general mood and resigned earlier this month, Patrick John last week.

And what of the development scheme? There is the possibility says Grant of yet another source of finance for a refinery. His official contact now is Professor Jacques Tremont, Dominica's European ambassador. With the current political turmoil Tremont is unwilling to be drawn on future plans for the island, but he admits to NCE that the earlier development plan was grandiose and unsuitable.

'Priorities for the island are self-sufficiency in food, manufacturing for export and maybe eventually a refinery, but it would depend on the suppliers and the purchasers' he says.

Meanwhile the as yet unnamed investors seem to share Spottiswoode's view that there is commercial sense in building refineries where pollution and safety laws are lax and labour cheap.

NEW CIVIL ENGINEER, 20 JUNE, 1979

NAMES & FACES

Patrick Callinan (F) has been appointed chief executive and director of the Institution of Engineers of Ireland. Callinan joined Bord na Mona in 1956 and was appointed its chief civil engineer in 1978. He is a fellow and past president of IIE.

Peter Wormald (F) has joined the board of Babcock Contractors and has been appointed managing director of Babcock Turnkey Operations, a newly formed company. Wormald joined Babcock from Tyrrellfroff where he was group managing director.

Former ICE vice president Sir Alfred Pugalee (F) has been nominated to receive the James Alfred Ewing Medal on the recommendation of ICE's President and the president of the Royal Society. The citation says '... an outstanding engineer of his generation, Sir Alfred's contributions to the three major engineering disciplines of aeronautics, civil engineering and marine technology has won him international renown.'

PD-NCS Consultants, a company jointly owned by Powell Duffryn and the National Coal Board is to change its name to British Mining Consultants.

Ross Campbell (F) has retired as deputy chief executive of International Military Services, but will continue as a non-executive director.

Promotions to technical directors in W S Atkins group have been announced: W S Atkins & Partners — Philip Burch (M), Brian Cheal (M), Robert Corrie (M), Dr M R Dyer; Atkins Planning — Malcolm Bolton (M), R B Davidson, G A Ticktum.

Barry Boden (M) has been appointed head of the geotechnics division at the Building Research Establishment. He was head of the earthworks and underground pipes division of Transport & Road Research Laboratory. He succeeds Dr John Burland who was appointed assistant director of BRE's materials and structures department in February.

A H Hall & Bros has purchased the Watts surveying instrument business from Rank Precision Industries. The firm will continue the after sales service and supply of spare parts for Hilger & Watts Instruments.

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BER survey comes up with chilling forecasts in construction industry

Building costs will double in six years

By Michael Chester, Financial Editor

Chilling forecasts are made today by the Bureau for Economic Research at Stellenbosch University, that the cost of new buildings will double within the next six or seven years.

The researchers warn that building costs are soaring at an alarming pace and still worse is likely as builders are hit by the repercussions of higher fuel bills.

Compared with average increases in the BER builder contract price index of only 3.5 percent between 1977 and 1978, largely because of the fierceness of competition in the struggle to pull out of recession, the annual rate of inflation has bounded to 17 percent at latest calculations.

Still to be digested are the repercussions of the June 7 fuel price increases, which the BER fears will hit builders hard.

To make matters worse, as many as 80 percent of builders covered in a mid-year survey are hitting problems of skilled labour and materials shortages.

Though the research bureau finds the general business mood of the building industry is now on the mend, the overall outlook has yet to tip the balance out of pessimism.

Indicators on a national scale show the beginning of an upswing. What the BER finds disconcerting is that skilled labour shortages are developing.

The steepness of the climb yet to be tackled by the building industry, to haul back to a normal pace as shown by BER calculations on the sort of compound growth rates needed by 1983 even to return to the post-war averages recorded between 1949 and 1978.

Here is the scenario of investment needs over the next five years to return to the long-term growth path, even allowing for a conservative guessimate of an average increase of 15 percent in building costs:

- Private sector investment in residential buildings must rise from R460m last year to R1 691m in 1983 and in non-residential buildings from R450m to R1 614m.
- Public sector investment must go up from R348m to R580m in residential buildings and from R740m to R2 097m on the non-residential side.

The BER does not believe, however, that builders should be dependent.”

"Average growth rates of 10 percent and more, measured at constant prices, judged superficially, seem highly improbable at this stage if we take note of the low and even negative growth rates of the most recent past," says the survey.

"History teaches, however, that increases of this order need not be impossible."

In the period 1962 to 1966, public residential buildings grew an average of more than 15 percent a year in real terms, private non-residential buildings at nearly 15 percent, public non-residential buildings at nearly 10 percent, and private non-residential buildings at 12 percent."
Change wanted to building contract

ALTHOUGH relations between developers and builders are more cordial these days, there are still substantial differences of opinion on contract price adjustment provisions and the building contract itself.

The CPAP has caused the most heartache, stemming largely from Bifsa's original insistence that the Haylett formula should be used on all contracts of more than R50 000.

The latest position agreed to by Bifsa (but Sapo still wants major amendments) was spelled out at the Sapoa congress last week by the head of the Sapoa negotiating team, Corrie de Leeuw.

- Any method of contract price adjustment (fixed price, proven cost, Haylett or a combination of the three) may be used for negotiated contracts where only a single contractor is involved.

- Where competitive tenders are called for, either the Haylett formula (85% of contract price against the former 90%) can be employed or the proven cost method.

- On contracts with a value not exceeding R75 000 (previous limit was R50 000) a fixed price formula can be used.

The Bifsa executive will decide later this month whether to permit the lowest tenderer to negotiate the CPAP with the developers where the particular method has been called for in the tender.

Sapoa welcomes the fact that price adjustment methods for negotiated contracts may now be dealt with in the manner called for.

But it is not accepting the 85% clause related to the Haylett formula. The Sapoa view is that the contractor should accept a large slice of the risk which goes with escalating costs. It wants the fixed portion to be reduced to 66% of the contract price.

It welcomes Bifsa's decision to allow a proven-cost method of adjustment but does not accept that the fixed-cost method should apply only to contracts of R75 000 or less.

It wants the option of fixed costs on any contract with a building period of 12 months or less because "we are of the opinion that cost escalation is mainly time-related and not necessarily money-related."

It is also insisting on the right to negotiate with the lowest tenderer on any matter at all. It says this regulation was introduced to Bifsa bye-laws some years ago at the request of the commission of inquiry into monopolistic practices in the building industry.

Provisions in the building contract itself which Sapoa doesn't like include the right of the main contractor to get an automatic extension of time if a nominated sub-contractor delays the work.

It also doesn't like the provision for monthly payments to the contractor for unfixed materials on site. It says this presents definite legal problems and may put the developer seriously at risk.

Sapoa feels strongly that employers should be allowed to deviate from the standard conditions of contract where they consider it necessary. Bifsa doesn't share this point of view.
The building industry, in common with everything else, will be hit by this month's fuel price hike. But the impact could go beyond a mere rise in building costs.

Bifsa director John Grotsius tells the FM that he warned the then Economic Affairs Minister Chris Heunis (before restrictions were announced) that the industry's slight upward trend could go into reverse, proportionate to any cut in fuel supplies.

He calculates the price hike alone will add R50m to the industry's fuel bill. And reduced fuel supplies will see less work done with less labour — in turn cutting wages paid and potential consumer expenditure.

This is the gist of the argument Grotsius will use to plead a case for "special treatment" for the industry (what he means by "special treatment" he doesn't spell out) in terms of the proposed cuts. But this, he adds, will depend on feedback from his members.

He says the industry consumes little fuel — about 5% by value of total input costs — in relation to its contribution to the economy. But this does not include oil-based fuels used in the production of materials — bricks, steel, paint etc — or consumption in the civil engineering sector.

Tongaat Corogroup MD Dick Kemp reckons brick production costs for the company have risen R1.2m this year as a result of fuel price hikes. He estimates that the February price hike cost R300 000, which was absorbed. This month's will cost another R1.2m — which will be difficult to absorb. Chairman Jack Robertson says that methods of saving are being looked at but switching from oil-fired to coal-fired kilns is not viable at present.

Higher production costs in this and many other sectors, though, do not necessarily mean higher prices. For instance, bricks have been selling below the controlled price for some time now without much of a reduction in the stockpile, because of slack demand.

Steve Boyazoglu at Roberts Construction reckons this month's price hike will add around 2% to total building costs — and about 5% to earthworks costs. And speed restrictions will delay the movement of materials and manpower.

"Prices have been so low for the past 18 months that we can't absorb another cent. Roberts' after-tax profit of about 4% 18 months ago is now down to less than 2%," Aubrey Pitt at LTA confirms that a 2% increase in overall costs is a "reasonable" estimate. He says, though, that the costs of plant intensive road construction have risen about 10% as a result of this year's two fuel price hikes.

Both companies are investigating savings through improved efficiency. Boyazoglu says Roberts has cut its company car fuel bill by R250 000, for instance by switching to smaller cars.

Grotsius says Bifsa aims to cut its members' fuel consumption by 15%. But even if savings like this are achieved, it won't stop the upward building cost climb.
An experimental housing project near Tzaneen, where a saving of 11.3% has been achieved by using brick-veneer timber-frame methods instead of conventional brick and mortar, promises benefits both to the timber industry and housing authorities.

Determination by the SA Lumber Millers’ Association to promote the wider use of wood in construction resulted in pitting its method against conventional brick dwellings in a price contest that quantified everything down to 50c worth of panel pins per unit.

Ten apparently identical houses were built using each method.

“Nobody can tell the difference just by looking,” says Salma construction consultant Doug Trower.

Scrutiny of the price tags is much simpler. Those made of brick cost R7 194.70 each, and the brick-veneer models R6 483.83.

Trower predicted building cost savings of 14.4% just before his study tour of Australia’s predominantly brick-veneer housing industry (FM March 17 1978) but can be forgiven for dropping three percentage points in the first experiment in Gazankulu.

Timber-frame brick-veneer homes have not gained acceptance in SA, although they are universal in similar climates — eg California, Australia, New Zealand — or where forests abound, as in Scandinavia and Canada.

Layout of the 20 Gazankulu houses is identical for each three-bedroomed dwelling covering 79.25 m². Plumbing and electrical fittings are the same and locally-recruited builders did work on all the units.

The method consists of a timber frame which also supports the joists supported by brick-veneer cladding. These carry the internal brick walls and the usual foundation wall is needed. The roof and timber-frame industry work on the house is prefabricated.

Further frame building labour costs are equivalent to R1 060.44 while the brick house is based on a total wall: roof area against R1 301.10 a saving of R240.66. Bricks R1 296.36 while and reports G279-Reo.

Broken or damaged bricks were no trouble; everything was put together even before erecting the house, he noted, adding: “only two houses on the first batch.”
Stellenbosch sees building spectres

CAPETOWN. — The business mood in the building industry continues to improve, says the Bureau for Economic Research at the University of Stellenbosch.

Inquiries, however, that all is not well, and that this "is reflected in the alarming acceleration in the rate of increase of building costs and building material prices as well as the manifestations of shortages of building materials and labour which are already developing."

The accelerating cost increases will be worsened by the increases in the prices of fuel, and it is probable that costs will rise by more than the general inflation rate this year.

The bureau says the indications are that the industry as a whole bottomed out in 1977 and 1978.

It notes a significant improvement in sentiment among contractors and developers regarding prevailing conditions, and a marked improvement among sub-contractors.

The mood has improved among merchants and manufacturers, and this appears likely to endure in the coming quarter.

Assessing prospects for the next five years, the bureau says:

- It is highly probable that investment in public residential buildings will remain the main growth sector.
- A long-term growth rate of 2.5% in private residential buildings does not appear unreasonably high. The bureau expects a boost from increased immigration.
- A long-term growth rate of 3.15% a year in real terms is not unreasonably high. It says that higher prices and lower real incomes will tend to keep the size of houses small.

— Sapa.
BER REPORT

Costs rising fast

The building industry's fears that this month's massive fuel price hike will spur already accelerating costs (FM last week) seems to be confirmed by the latest building survey from Stellenbosch University's Bureau of Economic Research.

The Bureau's preliminary calculations indicate building costs rose 17% in the second quarter this year, compared with an increase of 12.5% in the first quarter — and 3.5% for the whole of last year.

In spite of this, the business mood in the industry continues to improve. Employment is also growing marginally, albeit from a very low base, in all areas other than Transvaal South and Pretoria — where it is still declining.

Meanwhile anticipated shortages of skilled labour and materials — particularly facebricks — are developing. And less competitive tendering has become noticeable.

However this apparent upturn could well be set back by the fuel issue. The building industry is transport intensive — materials and labour have to be moved to the work site, very often in remote areas.

At the same time most building materials
Building industry spurs ahead

IF THE South African building industry needs further reassurance of better times ahead, it might take note of the latest figures from the Department of Statistics which are heartening indeed.

Building activity has taken a real spurt ahead, with the "up" signs in every area of the private sector, and what is of particular significance is the fact that between April and May, the value of plans passed surged ahead by R127m.

The total for the first five months of this year hit R495,8m compared with a figure up to April of R363,8m.

And even allowing for the fact that a good percentage of the increased value must have gone to material costs, the signs of a strengthening construction sector are unmistakable.

As the residential property market continues to improve -- and certainly in the Transvaal existing stocks of homes are rapidly being used up -- a boost for the home-builders is fast taking shape. And this is a trend which is un-

By Frank Jeans

defined by the department's figures.

Plans for new homes for the five-month period of 1979 were valued at more than R906,4m -- about a 33 percent rise over the R682,7m for the same period last year. And represents a R64m spurt from April to May this year.

There are indications, too, that the developers in industrial and commercial "property" are beginning to move into the market with more confidence.

Figures relating to non-residential building show that the five-month value this year hit the R110,6m mark compared with R72,3m for the corresponding period of 1978, and here again the latest figure reflects a stimulating intervening four weeks since the last recorded value of R80m.
Is Recovering
Building Industry

BY PAUL DODD

The Cape Times, Monday, July 16, 1975

'10' is past

and these are definite signs of progress

The slump in the building industry - the worst since World War II - is past
Building industry expected to have much better year

By Joan Moon

Traditionally lagging a year behind the business cycle, the building industry will probably experience a much better year in 1979.

Economist Spotlight, issued by Volkskas, finds the most important factor in the upswing, the greater flow of funds from building societies. More bond applications have been received and granted, thanks to the societies' current state of high liquidity.

The number of plans approved for private houses was 11.4 percent higher in 1978 and the first four months of this year saw a 13.6 percent rise over the corresponding period.

Building of flats, trading and office premises will assume a new importance, and is expected to carry well into 1980. Public spending on low-cost housing and non-white schools has increased remarkably in the past year.

But continued cost rises still cloud the horizon. The Bureau for Economic Research holds the view that building materials will increase this year by probably not less than 17 percent and an average increase in building costs of more than 12 percent is expected.

The current upswing phase began in January 1978. Measured at prevailing prices, construction activities undertaken by contractors increased from R39bn in 1974 to R1 768m in 1978, representing an annual average growth rise of 12.9 percent compared with the growth rate for the total economy of 10.2 percent over the same period.

Within the total economy, the share of contractors in the construction industry rose from 2.5 percent on 1948 to 4.8 percent in 1978. But price increases in the sector were greater than the average price increase in the whole economy.

Exceptionally sensitive to the business cycle, sharp growth upswings occur in times of general economic growth, but a downwards over-reaction usually takes place when the economy is in a downturn phase. The great dislocation in the sector leads to increased risks on the part of entrepreneurs.

The poor economic growth between 1975 and 1977 resulted in a considerable drop in total construction activity.

In 1978 15 178 new house units were completed in the metropolitan and 89 other urban areas, which compares with a figure of 24 124 in 1974 — the extremes of that particular cycle. This 37 percent total decline must be regarded as serious.

In the same period, the granting of bonds by building societies rose 83 percent, but this was not enough to satisfy demands for funds. Building costs for the period rose by almost 80 percent, which was partially absorbed by contractors. Interest rates rose, while living standards dropped and there was a net emigration of whites. This drop influenced activities in other sectors supplying the trade.

The 1978 census put the value of material purchased at about R1 817m. A fall of 12 percent or R4 100 workers resulted from the decline in the past three years, and salaries still amounted to, about R1 080m, and financial liquidation of many entrepreneurs resulted.

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Moore has occasional fluist...
COMPANIES

South Africans tiptoe into UK market...

Murray & Roberts is South Africa’s largest contractor. Its 1978 pretax profit of $26M on a turnover of $677M puts it on a level with major international construction firms. Suffering from an internal construction recession M&R’s response has been to diversify industrially and geographically. Barbara Gunnell looks at how a discreet takeover of a British family business gave M&R a substantial foothold in the UK and contracts worth over £16M with an unlikely client — the Labour controlled London borough of Lambeth. And David Morgan looks at the group’s political difficulties in realising its extra territorial ambitions.

The Roberts companies in England are shy about their South African ownership — it does not appear on their site boards nor in their company returns. The head office of the Roberts companies in Leatherhead does not confirm or deny their South African ownership either, but when asked directly it refers questions to Johannesburg.

A Roberts & Co and its related companies were a well established family building group when they were taken over. For most of this century the major trading company, A Roberts & Co, has operated as a private limited ‘closed’ company with a substantial proportion of shares held by directors from three or four families. Despite a coincidence of name no business connection with the South African Roberts existed until 1977.

As a UK-owned company it won some sizeable contracts in London, including office blocks, hotels and local authority housing in South London. The latest annual statement gives a 1978 turnover of about £9M and work in progress of £33M.

In August 1977 UK directors transferred exactly half the shares of A Roberts & Co (Holdings) Ltd to a nominee holding company Caton Securities.

On 31 October 1977 Catton was given authority to transfer ownership of the company and by June 1978 A Roberts & Co (Holdings) no longer listed the Leatherhead companies as subsidiaries. Instead — along with Plantire and A Roberts & Co etc — its own annual return shows a new ultimate holding company, Joed Dale Investments (see chart).

Joed Dale Investments had at that time enjoyed only a few weeks’ existence. Started in May 1978 by two accountants in Monte Carlo its registration document at Companies House gives no hint of its own ultimate ownership. The 100 £1 shares are held by First Island Trustees in Jersey, and Guernroy Ltd in Guernsey. Companies that register in the Channel islands enjoy certain tax benefits — they are also not required to publish accounts or details of shareholders.

The transfer of shares from directors whose families had owned the business was accompanied by a radical change of directorships. John Edgar Dale Bramwell, RCC’s managing director, was appointed director of A Roberts & Co (Holdings) on 31 October 1977 along with two other RCC directors, George Allison and Leo Fish, Bramwell and Roger Voysey, Murray & Roberts group secretary, were also appointed as director and secretary respectively to the newly formed Joed Dale Investments in August 1978 with Fish and Allison as alternate directors.

Meanwhile the South African parent, Murray & Roberts, is also displaying reluctance to advertise its new acquisition.

Its 1976 company report lists in scrupulous detail its subsidiaries and joint venture companies from the 1.5M rand ERC Mining Corporation in which it has a 50% stake to the wholly owned ‘two rand’ Lesotho Crushers (Pty) Ltd; in all over 400 subsidiaries are listed. By 1978 the list had not appreciably diminished but there are some exceptions and the list no longer claims to be all subsidiaries.

Chairman of Roberts Construction C Skeen tells shareholders: ‘During the past year we established ourselves in the UK and USA. We acquired a wholly owned building subsidiary in the UK which is engaged primarily in building contracting’. Under the heading ‘acquisitions’ there is the following short description: ‘100% of an old established building company in the UK whose activities are being extended into the civil engineering field’.

Bramwell, who is a Fellow of the Institution of Civil Engineers, confirmed to NCE that the omission was intentional. Both he and Des Baker, who will take over as chairman of the M&R group when J D Roberts retires this year, were reluctant to discuss the acquisition at all and expressed concern about hostility of unions in some of the countries in which they are trying to expand.

The change of ownership has certainly been a well kept secret. Full time stewards and union officials dealing with Roberts expressed surprise. The company has a good industrial relations record and one union official told NCE that the company had traditionally been one of the best contractors to deal with. ‘Nothing has changed since 1977’ he said.

But though the South African owners have inherited friendly labour relations they have also inherited unlikely clients for a South African concern. Lambeth Borough Council has gone on record as saying that it will not ‘buy’ South African and in 1974 instructed its stockbrokers to withdraw all SA pension investments.

Leader of the council Ted Knight confirmed that Lambeth did operate a policy of not placing contracts with South African companies and was surprised and disturbed to hear that Roberts was wholly South African owned.

‘If it is true’ he told NCE ‘we will certainly be looking at them carefully if they tender for more jobs.’

Meanwhile the borough has substantial contracts with Roberts. A large proportion of the £18M Myatts Fields low rise development is let to Roberts as well as a £7.5M development in Kennington Lane for 400 homes now nearing completion.

New Civil Engineer, 26 July, 1979
...in global soft shoe shuffle

Murray & Roberts' reasons for wanting to push into unfamiliar and not altogether hospitable territory are easier to trace than the corporate mechanisms through which they choose to do it. In the 10 years since the two construction groups (Roberts Construction and Murray & Stewart) first got together the Portuguese withdrawal from Mozambique and Angola and continuing uncertainty over the future of Namibia and Zimbabwe-Rhodesia have conspired to reduce their prospects of major work close to home.

And on the domestic front a normally buoyant construction industry has been in deep depression - by South African standards at least - for the past three years.

Part of the group's expansion programme will involve 'territorial diversification', a deliberate area into which the group, still deriving 60% of its income from construction activities, has already made modestly successful inroads. ‘Bill’ Bramwell, Roberts Construction chief and nominated deputy executive chairman of the consolidated group, believes that 20% of group profits for 1979-9, as yet unannounced, will come from outside South Africa, but is reluctant to give specific information.

He explains: ‘It is a subject on which we are particularly sensitive. Whether we are justified in being sensitive or not I don’t know. We believe that to continue to succeed in the present political climate we shouldn’t go around advertising our origins too much.’

Bramwell confirmed however, that the company’s ‘main drive is still in Africa’ - presumably in those neighbouring countries and independent enclaves (such as Botswana, Lesotho and Swaziland) which have retained a fairly acquiescent, if not openly friendly, attitude to trade with South Africa over the years. But even in some of the more overtly hostile African countries like Zambia there is evidence of M&R involvement.

Elsewhere Australia has become a favoured hunting ground since RUC Mining (a combination of Roberts and mining/finance house Union Corporation) set up there some years ago. And this early involvement in the traditional areas of shaft sinking and tunnelling has since broadened into industrialised building.

With an eye to the Francophone markets in Africa and elsewhere an office was set up in Paris three years ago and the establishment of holdings in Brazil, UK and USA demonstrates the quickening tempo of M&R’s international effort.

The long term aspiration is clear: to succeed internationally in M&R’s specialist activities - railway construction, design and construct marine work, mining and in the developing world low cost housing.

How will they fare? Des Baker has already had the risky nature of M&R’s plans brought home to him by the departure of another stalwart from the world’s dwindling pro-South Africa ranks - Iran. The company had ploughed a lot of money into tendering for Iranian civil engineering work and had an engineer based full time there in the year prior to the Shah’s removal. ‘We tendered for about four jobs. Thank heavens we didn’t win any of them’ says Baker.

But Baker sees promise elsewhere. ‘Provided the political relationship between South Africa and the rest of the world doesn’t deteriorate materially, I don’t see too many problems. After all, we can’t operate in countries like Algeria and Libya, which are strongly anti-South Africa anyway.

‘But in other countries, countries more related to what one would call the western world, I personally detect a more realistic attitude’ he adds. ‘Your Mrs Thatcher gives me a great deal of hope.’

New Civil Engineer, 26 July, 1979
GENERAL ERECTION

Still holding up

Activities: Fabrication, construction, mining, electrical and mechanical engineer. The directors hold 36% of the equity and Roberts Construction 25%.


Capital structure: 4.8m ordinaries of 80c. Market capitalisation: R15.6m.

Financial: Year to February 28 1979. Borrowings: long and medium term, R8.9m; net short term, R1.8m. Debt/equity ratio: 70.5%. Current ratio: 1.3. Net cash flow: R7.6m. Capital commitments: R1m.


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<th>Year</th>
<th>Return on cap %</th>
<th>Turnover (index)</th>
<th>Gross profit (Rm)</th>
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*1974=100

In the next few years, the engineering sector could well emerge as one of the top performers. Substantial infrastructural expenditure on projects such as Sasol, UGIC, Koeburg and other capital works promises to more than make up for any slackness in private demand. Genrec already has a sizeable slice of this action, but, though it has a good track record over the past five years, there are several signs to suggest that future growth is going to be much more difficult to achieve.

Although earnings per share improved last year by 20% and the dividend by 18% on only an 8% higher turnover, the company had to run a lot faster and again rely on a low tax rate as a result of investment allowances.

For example, the growth in returns on capital employed was reversed for the first time in five years and total borrowings leapt during the period by 101% to R10.7m (R5.3m). As a result the debt/equity ratio rose from 44% to 70.5%. In itself this is not inordinately high. But, as a sign of the times, the dividend cover increased yet again, rising from 2.5 to 4.2 times as funds were retained to plough back into the business.

The major reason for the growth in borrowings is to be found in the rise in suspensive sales agreements from R3m to R7.2m. These bear interest rates between 8% and 16% and were applied towards further investment in mobile cranes, boosting the fleet to 150 units with capacities of 5 t to 50t.

Surprisingly, though, interest paid last year amounted to only R276 000 compared with R357 000 previously. However, this was a net figure and was largely offset by the 16% earned on the loan to Rand London, the final R2.5m of which has since been repaid. In addition the previous figure has been restated, dropping from R549 000 to R537 000, as a consequence of the Receiver no longer permitting the offsetting of HP interest against profit. It now has to be capitalised.

At first sight, the company appears to be paying only 3.5% on its borrowings. Nor is there any reference in the report to the change in accounting practice, nor to the amount that was capitalised last year. While the company has restated the previous year's interest in an effort to reflect what the position would have been were HP interest capitalised, the net effect of taxed earnings was minimal due to offsetting tax allowances and depreciation charges so the previous figure remains unchanged and is comparable.

When queried on the subject, chairman Willem Joubert airily replied: "Ag man don't bother me with that, speak to the secretary." Nevertheless, a company spokesman said that the amount of HP interest capitalised last year amounted to R250 000.
Build-up starts

Despite recent price increases (up 1%-5% on July) a recovery is building up in the brick industry.

Prospects have brightened in tandem with the general upsurge in housing demand. Building plans passed in the private sector between January and May 1979 were to the value of R239,6m, an increase of 34% over the 1978 figure. According to Jack Haskins, MD of the Brick Development Association, "the slump in building has very definitely bottomed out — it's now looking pretty good for the brick industry."

It will look even better if brick manufacturers succeed in winning a greater share of the mass housing market, which has been battling for a larger share for a long time. "We see an enormous opening here," says Dick Kemp, MD of Tongaat's Corogroup, which, producing about 1,600m bricks a year, supplies 53% of SA's brick needs: "We've geared some of our production specifically for a brick suitable for the requirements of mass housing."

Brick manufacturers have been in close contact with the Department of Community Development and the Urban Foundation in their bid to increase brick usage in mass or sub-economic housing. "The Government tends, unfortunately, to consider only 'first-cost' in its housing programme," says Haskins, "yet considering maintenance costs, the thermal quality of brick and the resultant energy saving, and the aesthetic quality of brick, we believe concrete should and will give way to brick."

At present, according to Department of Community Development statistics, about 70% of Government mass housing is built in concrete. Vast forthcoming expenditure on mass housing, however, might not be so orientated towards concrete. Moreover, the Government's commitment to mass housing is an increasing one. Total expenditure on housing for all race groups neared R300m in the last financial year, and expenditure on the forthcoming year is likely doubling. According to Basil Myburgh, GM of Oldmutsumel Brickworks, there has been a chronic change in the values and aspirations of Blacks over housing — "they no longer want to live in concrete boxes. An estimated 28% of the Black population today wants and can afford houses built in brick, and acknowledgement of this swing to brick in mass housing must come."

The present increase in the demand for bricks has resulted in a depletion of the surplus stockpiles that have long been a feature of the industry, but even with the rundown of such stocks in sight, industry leaders feel confident that supply will keep pace with demand. Says Tongaat's Dick Kemp: "We have recommissioned a factory in Durban, but still have factories in Natal, the Cape and on the Reef not running at full capacity. If the demand were to increase wildly beyond expectation, we can start a new factory from scratch within two months."

Costs in the brick industry have been...
Safety margin

Activities: Anglo American controlled building, civil engineering and construction group.

Chairman: Dr Z J de Beer, managing director: M T Ridley.

Capital structure: 12.8m ordinaries of R1. 36 400-16% cum red prefs of R1. Market capitalisation: R34,9m.


Share market: Price: 195c (1978-78: high, 275c; low, 160c; trading volume last quarter, 226 000 shares). Yields: 29.2% on earnings, 10.8% on dividend. Cover: 2.7, PE ratio: 3.4.

Despite conservative accounting LTA again declared higher profits and dividends. This year a further rise is on the cards as chairman Zac de Beer says the group has budgeted for a higher earnings, and the order book at end-June was 31.2% higher at R$95m (R$30m).

Last year, building and civil engineering contributed 58% (41%) of pre-tax profits while industrialised building, mechanical and electrical engineering and sub-contracting profits fell to 36% (48%) of the total. At the year-end, however, all divisions had reported increased turnover and "satisfactory" order books.

The earnings increase and conservative accounting policies do not hide the difficult conditions in which LTA subsidiaries operate. De Beer says margins are well below what is normally accepted in LTA's industries, and competition remains intense. Tender lists, he says, are long, and margins on tender are slim, allowing little leeway.

Nevertheless, LTA again reported more efficient use of assets with a higher return on capital employed of 21.2% (18.6%). Making 1979 the second consecutive year yields have improved. Over the past four years, the average annual compound growth in attributable profits has been more than 25%.

But dividends have grown at a relatively slow 13% as more funds were retained to finance the higher level of business and group assets against inflation. Dividend cover over the past five years has grown from 2.1 to 2.7 times. The board says LTA plans to increase cover to three times, although not at the expense of a growing dividend each year.

Conservative financial management meant LTA ended 1979 with sharply lower borrowings. Total borrowings were reduced to R$9.9m (R$19.9m) — representing 23.5% (57.3%) of equity — accompanied by lower cash in hand of R$2.7m (R$3.8m). Total debt is a low 60.4% of annual group cash flow compared with a sector average in 1978 of 414%. And the interest/leasing bill is covered a very comfortable 4.2 (4.0) times by gross profits.

The directors say group borrowings could increase in the near future as LTA expands its activities into related fields. In the construction industry, they add, it is considered prudent that a 100% gearing ratio should not be exceeded. This makes LTA look ultra-prudent with its low 23.5%.

As higher profits are expected this year, a larger dividend is on the cards making the share attractive on an historic 10.8% dividend yield. Longer term, the attractions look as good, as the conservative policies pursued by management have, to a large extent, ensured that profits can be maintained even in bad years. LTA takes into account estimated profits from contracts on a yearly basis, less a margin considered necessary for safety. This has meant that the value of contracts stated in the balance sheet under work-in-progress, does not take into account R$11.2m (R$8.9m) which has not been taken to profit. In bad times a less prudent policy could smooth any dip in contracting.

The outlook is also improved by last year's small stake in the UK-based Bath & Portland group which will allow LTA greater scope in international contracting.

Diversification and increased scope in the international market, plus an expected improvement in the economy should bring the group closer to its stated target return of 20% on equity. Last year the figure was 17.8%. While dividend cover is to be increased, a dividend hike looks certain.

Financial Mail August 3 1979

LTA at work...building on a sound profit base

Even if the dividend is raised by not more than the same amount as last year, the share, at 195c, stands on an attractive 11.8% yield compared with a sector average of 7.8%, particularly as the share is 30% off its 18-month high.

Dee Kibola
No cutback in building

The decision to reduce the building program for the new government offices was made by the council as a result of the recent economic downturn. The council's chairman, Mr. Vander, stated that the decision was made after careful consideration of the financial implications. The move is expected to save the city millions of dollars and will allow the council to focus on other priorities.

Mr. Vander also emphasized that the decision was not taken lightly and was based on the need to ensure the sustainability of the city's financial future. He added that the council had consulted with various stakeholders, including developers, contractors, and the public, before making the decision.

The decision to reduce the building program is a response to the current economic conditions, which have put a strain on the city's budget. The council has been working to find ways to balance the budget and ensure that the city can continue to provide essential services to its residents.

Mr. Vander called on all residents to support the decision and work together to find solutions to the city's financial challenges. He added that the council is committed to finding ways to continue to provide essential services while ensuring the city's financial sustainability.

The decision to reduce the building program is expected to have a significant impact on the city's economy, particularly in the construction sector. However, Mr. Vander emphasized that the council is committed to finding ways to support the local economy and ensure that the city can continue to provide essential services to its residents.

The council's decision to reduce the building program is a clear indication of the challenges facing the city and the need for all stakeholders to work together to find solutions. Mr. Vander called on all residents to support the decision and work together to ensure the continued prosperity of the city.

Mr. Vander also thanked all the stakeholders, including developers, contractors, and the public, for their support and cooperation during this challenging time. He added that the council is committed to finding ways to continue to provide essential services to its residents while ensuring the city's financial sustainability.

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c) Ander lede:

Mr K. Bosman
Professor A. Cupido
Mr M. Daniels
Mr A. Davids
Professor J.J. Davids
Mr René de Villiers
Dr J.D. du Plessis
Professor J.J.F. Dur
Professor J.B. du Toit
Mr A. Fliederman
Professor H.F. Fugle
Mr G.J. Gerwel
Mr G. Gunasekara
Professor A. Paul Haas
Dr Gerrard Heydorn
Mr F.A. Jacobs
Mr H. Jihba

d) Twee Eer-Fellows:

Professor J.L. Soek
Dr Sheila F. van der Horst

Lede word na die Algemene Jaarversameling van die Nast-
hoofduy uitgenoem en kies elke drie jaar 'n verteenwoordiger
op die Beheersraad. Die vergadering is in 1978 gehou en die
huidige sameonnemer is Biskop A.W. Habelgamma. Terwyl geen
verpligtinge aan lede opgeëgend nie, word hulle gead
pleeg in verband met sake wat die Sentrum se program raak.

NAVORSING

Gedurende die voorlaag het 164 navorsing van die
Sentrum die volgende behels:

A. Mobiliteit en Politieke Verandering in Suid-Afrika

Hierdie projek is in 1978 gelaat en gegoepa. 'n Onder-
zoek onder die kleurlinge bevolking van die Kaapse Skiereiland
is onderneem. 'n Aantal tydelike navorsings-

Friends (Quakers) en van die American Friends Service
Committee deurgebring. Hy het 'n aantal konferensies in
verkellende dele van die land bygewoon, hulle vergader-
ings toegekry en senior boekmeye van die Carnegie
Corporation, van Community Relations Services van die
Departement van Justisie van die Amerikaanse regering,
von die American Friends Service Committee en kollegaas
verbond aan verskeie universiteite besoek.

en industriële firms in Natal, kontak opgehou.

(b) Konferensies

Gedurende 1978 het die Direkteur die volgende konferensies
bygewoon:

Jaarlike Konferensie, Nasionale Uitvoerende Komitee-
en Raadvergadering van die Suid-Afrikaanse Insti-
tuut vir Rassseerhouding, Kaapstad (Januarie).

Suid-Afrikaanse Jaarlike Vergadering van die Religious
Society of Friends, Stutterheim (April).

Ngegene Konferensie van Sociologie, Uppsala, Suid-Afrika.
Verhandeling voorgeleed in werkgroep 6 en vergaderings
bygewoon van die Raad van die Internasionale Socio-
logiese Vereniging as die amptelike afgevaardigde
van Suid-Afrika (Augustus).
Plea for tax incentives on building

Own Correspondent

The Government has been urged to ease the critical accommodation shortage by stimulating building with tax concessions.

A spokesman in Pretoria for the South African Property Owners' Association, Mr Robbie Schiltz, said developers granted tax incentives should be prohibited from selling individual flats or from registering flat buildings under the sectional titles act.

They should be compelled to let their flats for, say, 10 years in return for the tax benefits, after which they could start selling them.

Every city needed a regular supply of flats and houses for renting by people unable to buy their own, Mr Schiltz said.

Tax incentives, with the right strings attached, would encourage property developers to again build for this market.

He said although building costs had escalated by 170 percent in the past decade, it was still practical to build one's own home. But South African house-seekers must be prepared to have their standards and accept more modest dwellings.

"I think house-seekers with their building societies and architects should all reconsider priorities. Then specialist builders will again be able to provide the man in the street with a home. He can afford."
Bifsa chief hits at abuse of contract mechanism

By Frank Jeans

The specifying authorities who abuse the well-proven contract mechanism of the building industry are under attack by Mr David Mitchell, president of the Building Industries Federation (BIFSA).

Speaking at a presentation ceremony for a new book on "Building Contracts" by a group of experts, Mr Piet Malherbe and Mr Mark Lipshitz, Mr Mitchell said:

"It is unfortunate, and indeed a source of serious concern that there are so many diverse forms of abuse being forced upon the industry by public and semi-public bodies, as well as by certain sections of the private sector.

Mr Mitchell added that it was not difficult to list a dozen or more examples falling into this category, and although all of them individually were major elements of the industry, they became almost insignificant when their annual building requirements were projected against the total needs of the country.

"One wonders at the part on their part in giving themselves out as authorities on contractual provisions suitable to the building industry," said Mr Mitchell.

The Bifsa president thumped home the point that insistence of individualised contracts ignored the importance of flexibility and the use of sub-contractors.

Bifsa had become "an important and extremely important part of building."

It was physically impossible for the industry to create such a wide variety of contract documents, which would automatically slot in with the many main contract forms and varieties used.

CHAOS

"The chaos, from a legal point of view, arising from this situation must be self-evident," he said.

"Even in the private sector, this problem is compounded by individual owners and members of the professions who, although satisfied to use the available standardised conditions of contract, tend in all good faith to introduce changes into forms which are often done in an attempt to improve these conditions, but which are, in the first place, misinterpreted.

"There are numerous examples where such changes have, in fact, achieved results completely opposed to the intentions of the draughtsman of the form.

Mr Mitchell warned that the system was on the verge of collapse and the entire contracting mechanism was about to break down.

In his foreword, Mr Mitchell said:

"The squash is, however, made to anyone who squats after the above report that he will be prosecuted in terms of the relevant legislation. The probability that the squating was organized by one or more persons is being investigated."

Mr David Mitchell . . . physically impossible for the industry."

Mr Mitchell said that the proposals he had made had been adopted by the Department of Housing and the Prime Minister.

A formal announcement of the above was to be made by the Minister on the day the report was presented.

In the first place, misinterpretations arise from confusion of the minimum amount of inconvenience to those concerned and that nobody is going to help."

The effect of the above announcement was that the squattings would cease immediately and the entire contracting mechanism was about to break down. However, the squatters themselves had only begun to think about the implications of the above.

A formal announcement of the above was to be made by the Minister on the day the report was presented.

In the first place, misinterpretations arise from confusion of the minimum amount of inconvenience to those concerned and that nobody is going to help."

A formal announcement of the above was to be made by the Minister on the day the report was presented.
e) Ander lede:

Mr. K. Bosman
Professor A. Cupido
Mr. M. Daniels
Mr. Achmat Davids
Professor R.J. Davies
Professor J.J. Deegenaar
Mr. René de Villiers
Dr. I.B. du Plessis
Professor J.J.F. Durand
Professor J.H. du Toit
Mr. A. Flederman
Professor R.W. Fuggle
Mr. G.J. Gerwel
Rev. D. Guma
Professor A. Paul Hare
Dr. Gertrud Heydorn
Mr. F.A. Jacobs
Mr. H.W. Jibba

Mr. H.W. Middelmann
Kerw. M.T.L. Moleti
Professor A.D. Sheik A. Najaas
Mr. Victor Noria
Professor N.J.
Mr. L. Phillips
Professor R.P.
Mr. W.J. Septe
Mr. Franklin T
Mr. F.M. Sonn
Reger J.H. S
Mr. R. Tobias
Professor B.E.
Professor J.M.
Mr. B. Walter
Professor F.A.

Fringe tax a go-go

Friends (Quakers) en van die American Friends Service Committee deurgebring. Hy het 'n aantal konferensies in voornaamde dele van die wêreld deurbring. Hy het besoek in die Verre Ooste, Australië, Suid-Afrika, en hierdie金刚 deel van die wêreld. Hy het die belang van die kennis van die klimaat, die wydverspreide ekosisteme en die noodsaak van die beskerming van die natuur onder vinnig toeskyn.

Friends in the Building

The Friends in the Building Trust, a registered non-profit organization, is dedicated to providing affordable and sustainable housing for those in need. The organization focuses on building small, affordable houses that are environmentally friendly and designed to meet the needs of the community. The Friends in the Building Trust works closely with local community organizations and government agencies to ensure that the houses are built in a sustainable manner and that they meet the needs of the intended occupants.

Friends in the Building Trust

The Friends in the Building Trust is not only focused on building houses, but also on empowering the community through education and training. The organization provides training to local volunteers and community leaders on sustainable building practices, energy-efficient design, and financial management. This approach ensures that the beneficiaries not only have access to affordable housing, but also have the skills and knowledge to maintain and manage their homes for the long term.

Friends in the Building Trust

The Friends in the Building Trust is committed to building a sustainable future for all. By focusing on the needs of the community, the organization is able to provide meaningful and sustainable solutions to the challenges facing the world today.
The ecological solution

Models show the three solutions considered by road engineers and landscape architects when the Magaliesberg section of the Pretoria-Mahopane road was designed.

1. The purely engineering solution was to cut through the hills, leaving an unsightly 45 m bare cliff to scar the area.

2. A compromise solution was partial landscaping and twin tunnels, an answer which would have given the project dramatic impact for the motorist.

3. The solution adopted and likely to account for about R750 000 of the R15-million contract is full landscaping. This will call for the blasting and bulldozing of 2.5-million cu m of soil, stone and gravel, and extensive replanting of indigenous grasses and other vegetation.

The shaping of a new freeway

Pretoria Bureau

The modern road planner is being conditioned to consider ecological as well as engineering problems in his grand design.

Work is expected to begin soon on a 9 km stretch of freeway through the Magaliesberg west of Pretoria and about 6 per cent of the R15-million contract is being set aside for landscaping.

Where a few years ago a cutting 45 m deep would have caused scarcely a ripple of protest as it slashed a scar through Nature's web, the increasingly influential voice of nature advocates has led the planners to reexamine as much as possible the natural beauty of the terrain.

The project calls for the blasting and bulldozing of 2.5-million cu m of earth. About 1.75-million cu m of this will be returned to the site and the surplus 0.75-million cu m of stone, soil and gravel will be stockpiled for future contracts in which landscaping is called for.

Once the earth has been returned to the site and the new contours have been shaped, the Transvaal Provincial Administration's landscape development officer will move in. The indigenous grasses will be replanted and nurseries, both provincial and commercial, will provide plants to reestablish a natural vegetation.

This portion of freeway is part of a four-contract, R400-million scheme to link Mahopane, near the borders of Bophuthatswana, with Pretoria. Mahopane lies about 85 km to the northeast and together with Ga-Rankuwa, Tshwane and the Winterveld, forms the Old area which is the dormitory for about 50 percent of Pretoria's black commuters.

The existing links — by road through the bottleneck of Wonderboomport and by rail through the rail line which is being expanded to four tracks — are inadequate to cope with the daily stream of commuters.

When the new road is completed in about four years' time it will be just a moment too soon. Projections indicate that it will carry about 50 000 vehicles a day — the Ben Schoeman Freeway between Johannesburg and Pretoria, it is expected, will be carrying about 55 000 vehicles a day at that time.

The four contracts are to be awarded so that work on the relevant segment of road can be completed simultaneously. The first contract is for 6 km between Sandfontein and the Pretoria-North Brits road. Tenders have been closed and the result is expected to be announced within a month.

Two more four-lane freeway sections will be from the Apies River — Pretoria to Sandfontein — 4.5 km long and costing R6-million, and the Pretoria-North Brits part in Randfontein, 6.5 km long and costing about R10-million.

Although much of the freeway lies within the Pretoria municipal area, all the costs are to be borne by the provincial administration.

The fourth section of the road will be a 12.8 km single carriageway between Randfontein and Mahopane. The design supervision of work is the responsibility of the provincial administration but the Department of Cooperation and Development will pay for it.
That Randburg road sanctioned

The route of the PWV 3 highway through Randburg was finalised yesterday when the town council endorsed the province's plan to build the controversial road.

In expropriation costs alone, the highway will cost the province R4.24 million and will cut through smallholdings, 34 empty properties and 37 stands with established dwellings.

The route goes from a point — fixed by the province — just outside the Randburg boundaries, 1.5 km south of the Palmdbaba Road, where there will be a cloverleaf interchange linking the PWV 3 and PWV 3 highways.

From there, it cuts through smallholdings in North Riding, Olivevale, Diepsloot and Bryanston 3 — where another cloverleaf will link it to the Western Bypass — to the Ferndale Nature Reserve.

At a meeting of Randburg Town Council last night, the two opposition members, Mrs Pat van Rensburg and Dr H N Farrer, voted against the proposal.

Mrs van Rensburg said she believed the PWV 3 was not necessary and should not go through Randburg.

"MONSTER"

"This monster freeway (planned as an eight-lane highway with space for two bus lanes in the middle) will destroy what is one of the most attractive residential areas of Randburg with some of the most beautiful homes."

"The PWV 3 will cut a swath through our town, bringing with it traffic noise, pollution, plunging property prices and destruction of the environment," she said.

"If it is built, it will bring black commuters from Hophunthutawana to Randburg and Sandton on a daily basis."

"PROMISE"

Mr Ernst Plesnar, said it was accepted by all that any road through a town disturbed people. He said the council had a duty to look at the long-term aspect.

People had been living in doubt about the security of their homes. Once the route of the road was settled, the province had promised to negotiate with the owners as soon as possible. He believed the road did have military implications.
JOHANNESBURG — An appeal to the government not to delay the implementation of the Wiehahn Commission recommendations was made last night by the president of the Building Industries Federation of South Africa, Mr D. H. Mitchell.

He said: "If the spark that has now been kindled is frustrated in any way, the resulting holocaust could run away from us and we may lose control of a situation which right at this moment is well within our control."

Mr Mitchell was speaking at Springs at the opening of the first BIFSAs training centre for apprentices for all races in the building industry.

The R2 million centre — one of four in a R10 million programme to provide the building industry with qualified artisans — was opened by the Minister of Manpower and Utilisation, Mr Fanie Botha.

Mr Mitchell, speaking after the Minister, referred to BIFSAs attitude to the Wiehahn Commission and said: "While I do not intend to use this platform to pre-empt further moves by the authorities to allow the introduction of the industry of all classes of labour, I would be failing in my duty as president of BIFSAs if I did not make brief reference to BIFSAs attitude towards the implementation of the Wiehahn Commission in its various stages.

Mr Mitchell said the first response had already given a clear indication of the pattern of later reports and the building industry was straining to put these indications and intentions to good use.

"Let us in the future not be accused of stopping the good intentions. Neither we, nor the economy, could afford that."

Mr Mitchell said BIFSAs was fully appreciative of the delicate nature of the whole matter that has "come as a challenge to the leaders of this country in both public and private sector interests."

He added: "We appreciate that a slow and careful approach can to a large extent be justified, but let us at least be seen to be moving forward — not sideways — or even backwards.

"I am afraid that if the spark that has now been kindled is frustrated in any way, the resulting holocaust could run away from us and we may lose control of the situation."

Mr Mitchell said the future of the country's economy, and the building industry particular, was the result of positive, responsible and above all, realistic planning by state and organised industry alike.

Mr Botha, who was main speaker at the opening, referred to the deteriorating manpower situation in the building industry and said he was perturbed that the number of apprentices indentured had dropped from 1 624 in 1973 to 339 last year.

"To me this is a bad men. It will be obvious to any employer in the industry that such a deteriorating situation is most serious, especially in the long term."

"I believe that one of the gravest problems facing South Africa in the future is the question: "Where are we going to get the trained labour from to facilitate the economic upsurge we are all looking forward to?"
SUCCESS STORY IN LOW COST HOUSING

"The idea at Kanyamazane," says NBRI research officer Ken Finlayson, "was to bring together the private and public sector to get them to collaborate on a low-cost housing scheme."

The idea was that the private sector would provide the land, infrastructure, and building materials, while the public sector would provide the labor and oversight. The goal was to build affordable housing for low-income families.

If South Africa is to meet the growing demand for housing and create healthy, stable, and productive communities, the private sector must become involved. Just how this can be achieved is shown in a novel project undertaken by the National Building Research Institute (NBRI) at Kanyamazane, a fast-developing housing area in the Western Cape Province.

Research officer involved Ken Finlayson and Des Kaplan described the scheme to Elizabeth Wilson.

The project involved private sector initiative. Work was started on a number of study projects. The team looked into:

- Street patterns and planning layouts;
- Technology and construction processes;
- House types;
- Housing projects, where participants were involved in decision-making and what options they had;
- The need for help with home improvements;
- Concept and development of the area.

In the conventional layout, the development of streets and other public spaces is normally carried out by the local authority and costs are recovered from tenants through service charges.

However, a small group of families shared a non-profit community which they identified as their own. They used their own resources such as tasks. Therefore, the more a contractor was involved, the more he earned.

The administration board managed the supply of materials and services for heavy equipment, coordinated the activities of contractors, and controlled the quality of construction.

Contractors trained their own teams which meant that the construction programme was executed in a training programme for local, unskilled and semi-skilled workers.

ASPECTS

Many of the contractors building in Kanyamazane today began as employees of other contractors," says Ken Finlayson.

In addition to actual building work, contractors who have made significant contributions have undertaken other aspects of the development such as man-power and water pipe laying, plastering, painting and decorating.

New houses were built in the area. Some houses were built by local authorities, while others were built by private developers.

DECIDE

In the Kanyamazane project, the company decided to provide more houses per hectare than its usual practice. They decided to house 10 people per house. They have a new owner's manual, which is available to interested parties.

"Attractive as the houses may be," says one resident, "the most important thing is the community that has formed around them. People are now starting to live together peacefully."

Potential home owners at Kanyamazane are given the opportunity to choose their own house type and Colour Scheme. All house types were different. Eight houses were built and all had a different colour. They also had more windows of 10% bigger than usual. The overall cost was about 9% more than the previous project.
Housing low cost story in success
Mortality rates greater than 5/1000 appear in italics in Table I. For all of these major causes of mortality, the Asian and 'coloured' mortality rates exceed those of the whites.

However, in this context, what requires emphasis is that by using the major disease classification a certain amount of detail is lost. For example, despite the fact that the overall rates for diseases of the circulatory system are comparable for whites, Asians and 'coloureds', within this broad category the mortality rates for specific diseases vary markedly. Table II provides the proportional contribution of the major circulatory diseases for the whites, Asians, 'coloureds' and Africans. Whilst Ischaemic Heart Disease is the major circulatory disease in the white and Asian communities, Cerebrovascular Diseases are the major cause of circulatory diseases in the 'coloured' and African communities.

Similarly, if the Accidents, Poisoning and Violence category is examined in greater detail it is found that the mortality rates are the highest for the males and females, a difference which is largely attributable to the high infant mortality rate in this community. It is also noteworthy that Asian females have the worst expectation of life at age 45 of the three communities, which is in marked distinction from both males and females at age 0 and age 45. The fact that for the 65+ age group, Asian women have the highest mortality rates for respiratory, circulatory, digestive, genito-urinary and ill-defined causes of death (Table I) may contribute to this anomalous situation.

Fig. 7 summarises the percentage improvement in the expectation of life at birth subsequent to the total elimination of the mortality associated with the South African population from all causes. One of the seventeen major disease classification of Disease (8th revision) various communities is summarised in F: 'developed' country spectrum of mortality: diseases being of minor importance (2.5% of the circulatory system (50.5%) being Africans and 'coloureds', Infectious ant contribution to the overall mortal with diseases of the respiratory system mortality also being of importance. Parasitic Diseases, diarhoeal disease and important causes of mortality. The 'coloureds' experience an interesting combination of 'developed' and 'underdeveloped' mortality with a high death rate from enteritis and diarrhoeal diseases in the last century.

Building a better profit base

Blenheim's earnings have slipped consistently from 34.7c to 22.2c (on an adjusted basis). In 1975/6, earnings were pared from 11.5% to 6.6% as management and a board member with a close bond to the Maritz family, Mr. W.P. Johnstone, has little else which could influence its fortunes. For the rest of 1976, the shares are expected to fetch dividend of 6.6c, a 2c improvement. However, as management has shown in the past, such improvements are often shortlived. The shares are likely to return to 8c, a level at which they were last year.

For the year to end June, group pre-tax profits are expected to rise from R4.1m in 1975 to R4.9m in 1976. This is mainly due to the recovery in the riempie market, which has been declining since 1975. The shares have been held by the Johnstone family since 1970.

Given a 25% improvement, this year's profit rate estimates are for an improvement of 4% to R4.0m. This should result in a 10% rise to 36c. However, the shares are likely to remain at a low level due to the uncertainty of the situation in the riempie market.
Cracks threat to SA N-plant

By Kevin Murray

Cracks have been discovered in metals used in French nuclear reactors — reactors similar to those in South Africa's first nuclear power station being built at Koeberg, in the Cape.

The cracks were discovered by the French construction firm building the Koeberg plant.

Asked whether this would hold up the building of the Koeberg station, Dr J W L de Villiers, president of the South African Atomic Energy Board said he could not comment.

He said the board would request information on the cracks from the French engineers building Koeberg.

Nuclear industry leaders in France say the cracks found there could lead to a disaster worse than the accident at Three Mile Island in America last year.

They told a press conference in Paris yesterday they had found major defects in the steel alloy used in the construction of their reactors.

Union leaders have urged the French Government to stop three new nuclear power stations from going into operation until all necessary checks have been made.

Threatened

They threatened a strike unless French authorities gave them a satisfactory answer soon. Dr de Villiers said:

"The board will ask to see reports on the cracks to take follow-up action in South Africa."

"We have South African officials doing quality control checks at the construction works in France and will not allow those materials to be used here if they are found to be unsatisfactory."

Scientific

He could not understand exactly what the union leaders were talking about:

"They have not gone about this in a very scientific way."

"We have to find out what is going on here. And if it is not sorted out, these things have to be stopped."

"We have not seen signs of the South African Government's efforts to stop the reactors."

At the press conference, French Academician L. Goffin said:

"We have no intention of putting our reactors at risk."

"If the new reactors are built, they will be built with much greater safety measures."

"We have been told there is no danger of the cracks spreading."

"But we have not seen signs of the South African response."

"We have the obligation to protect the safety of our reactors."

"We have been told by our government officials to continue to build."
Building industry optimistic

The business mood in the building industry has turned more optimistic, but rising costs are likely to dent activity during the rest of this year and in 1980.

In its latest "Building Survey," the Bureau for Economic Research of the University of Stellenbosch warns, however, that contracts will not be adequately compensated against rising costs — even though tender prices are likely to rise.

As most indicators point to at least another year of economic growth, "one could expect the acceleration in building costs to remain during 1980 at, or near to, record levels," the bureau adds.

INDEX

BER's building cost index shows a 19.8 percent rise in the second quarter of this year, compared with a year ago, while the index for building material prices showed a 17.7 percent increase in June. Labour costs registered a 14 percent rise for skilled and a 9.7 percent rise for unskilled.

Public spending and the benefits of the March Budget are beginning to be felt within the economy, and the total of non-residential building plans approved during the first half of this year rose by 22 percent. On the surface, then, prospects for the building industry appear to be the best in years.

But there are signs which cannot be ignored. The effect of "bottling up" price rises when the industry was depressed must be felt as the business mood improves. The moment that competition in tendering returned to normal, the opportunity to include bottled-up costs recurred.

The slowly hardening building costs leapt from the 16.5 percent annual rate during the last quarter of 1978 to 11.9 percent in the first quarter this year and to 15.2 percent in the second. The preliminary figure for the third quarter is 18.2 percent.

The supply of labour and materials are other factors on the horizon.

The bureau says: "The loss in labour during the past recession has been severe and... this labour usually does not return to the industry. Although the industry wisely retained their training centres, the intake of apprentices dropped..."

"These combined effects augur no good at all for the availability of labour as demand for new buildings speeds up."
Building bustles as costs rise

By HAROLD FRIDJION

The business mood in the building industry continues to improve, according to a September building survey produced by the Stellenbosch University's Bureau for Economic Research.

Contractors, sub-contractors, manufacturers and merchants are all expressing optimism although the enthusiasm of contractors appear to be waning as they are beginning to encounter "bottlenecks" in the form of shortage of artisans and, most surprising, unskilled labour.

Referring to the Witwatersrand area, the survey says the shortage of unskilled workers is "real notwithstanding the high black unemployment rate".

It is expected that building costs will continue to rise as the general upswing gathers momentum. Compared with the figure of a year ago, the BER building cost index for the second quarter of 1979 has gone up by 15.8%, and the preliminary figure for the third quarter shows the increase going up to 19.3%. It is "at outpacing the CPI index - as it usually does in a period of boom."

Building prices to the public can be expected to rise even faster than costs as the easing of competition in tendering is enabling contractors to recover overhead charges which they had been prepared to forego when conditions in the trade were more severe.

Another definite factor which is affecting the cost structure is a shortage of materials and a decline in productivity which is a by-product of a scarce labour situation.

The BER sees more work coming to the building trade from manufacturing industry. It says that although most industries still have some surplus capacity, some are operating near to full capacity and many firms must be considering increasing their investment.

This surplus is borne out by the 42% increase in the total of non-residential building plans approved during the first six months of 1979, compared with the similar period last year.

A closer examination of the non-residential category reveals that "manufacturing and other buildings" contributed more to the growth than "commercial" buildings.

The BER observes: "This is a complete reversal of past trends and further strengthens the expectation that new private investment will at last start to accelerate."
MURRAY & ROBERTS

Diversified base

Activities: Holding company for Roberts Construction and Murray & Stewart. Activities include civil, electrical and mechanical engineering, shaft sinking, tunnelling, structural steel fabrication, high rise and mass housing, air conditioning, mining equipment and food. Directors hold 5.8% (7.1%) of the ordinary shares. Chairman: J D Roberts; deputy chairman: D F Baker.

Capital structure: 20.6m ordinaries of 50c 400 000 0.75% red cum prefs of R1. Market capitalisation: R87.6m.


Share market: Price: 475c (1978/79 high: 450c; low: 250c; trading volume last quarter, 180 000 shares). Yields: 19.4% on earnings; 6.9% on dividend. Cover: 2.8 PE ratio: 5.2.

M&R's Baker... spreading the net

been restrained in its performance by the economic climate.

Although heavy borrowing for overseas acquisitions is unlikely, the company could further increase debt to fund additional working capital requirements. Group cash flow, at R27m, would probably be strained should turnover move much higher and debtors climb at the same rate as last year's R14m increase to R28.3m.

M&R's accounting policy tends towards conservatism, thus the R2m write-down of non-distributable reserves as a result of a triennial property revaluation and the transfer of associated company retained surpluses to non-distributable reserves. It is thus surprising that the directors have come to the "preliminary" view that adopting inflation accounting principles "is inappropriate to the construction industry and to certain non-capital intensive operations." Certainly the year's R2m depreciation of plant and equipment valued at R33m is a significant write-down. But any need to add to equipment as a result of more construction work could throw up weaknesses in the 2.8 times cover.

Historically the group's performance justifies the 5.2 PE ratio while on projected earnings, the share has merit. With a 10% increase in dividends, the share offers a prospective yield of 7.5%.
Time for reflection...
A special survey. Supplement to Financial Mail. October 5 1979
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LTA Survey: Supplement to Financial Mail October 5 1979
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We stop them where they start

(to Financial Mail October 5 1979)
WHAT SOUTH AFRICA NEEDS
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SAB
Foreword

Building huge bridges, dams, office towers and power stations demands leaders of unusual courage, vision and humanity. SA has not been short of them. Many have their memory preserved in companies still bearing their names — companies that often are among SA’s largest profit-spinners.

Others have been less fortunate. The companies they formed and lent their names to have merged to form major, but anonymously named groups. The absence of individuality in their names has them only dimly perceived by the general public.

Such a group is LTA, the result of a merger in the mid-Sixties between three companies whose works, found throughout SA, were already impressive. Since then, the group has grown mightily. Today, it is close to making as much profit from construction and related activities as any other group.

Yet comparatively little is known in the broad business community about a group that is ranked as a JSE blue-chip, employs 20 000 people, is currently working on some of SA’s largest projects and last year made a taxed operating profit of R7.7m. That’s because LTA has acted almost shyly about its achievements (following the style of its controlling shareholder, Anglo America).

By now, though, it is 90 years since James Thompson, the oldest company to help form LTA, opened in Johannesburg as a carpenter’s shop. That makes it way overdue to learn what has been happening during those years and where LTA is heading.

Hence this Survey.

CONTROLL ED SPREAD

LTA Limited

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Turnkey projects; project management; mechanical, electrical and process engineering; industrialised buildings and joinery; electrical reticulation and industrial wiring

Steeledale division
Steel reinforcing; plant manufacture; plant hire; plumbing, earthworks and other sub-contracting activities; industrial buildings manufacture

LTA Survey: Supplement to Financial Mail October 6 1979
he long trek from Durban

One can turn five bob a week into R400m a year, en masse of talent, incredibly hard work and high time . . . say 90 years

. . . of thousand years ago a Roman . . . asked how he planned to immortalize his rule, look in the city below him a broad sweep of his arm and said: "Hell, man, if it's monuments that look around you."

Indeed, though part of an industry corporate egos tend to grow in step with turnover, it offers the general public pleasingly low profile. Yet it has many engineering and construction achievements to its credit, a leading role in the history of southern Africa's development. Hydro-electric schemes, uranium mines and thermal power stations; soaring office towers and sweetly curving roads.

On becoming a journeyman carpenter five years later, his wages rose to three pounds a week. Slack times in Durban saw him trying his luck in Barberton, then walking 200 km to Lourenço Marques, then finally by mule wagon (alaying boredom by memorising long passages of Sir Walter Scott and Oliver Goldsmith) to Johannesburg.

He arrived in Egoli in 1878, and began working for five pounds a week. Two years later he branched out on his own. By the time the Anglo-Boer War broke out, he was employing more than 70 carpenters. But he joined them in working up to 14 hours of every day of the week.

His premises were on the corner of Main and Rissik Streets. In 1906 he offi-
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course, of vital importance to blacks living in Soweto).

Meanwhile, the company had kept its links with the mining industry. In 1989 it built Union Corporation's Johannesburg head office and, for Anglo American, those sombre monuments to mighty capitalism, 44 and 45 Main Street.

Anglo's advice was sought by Thompson's board when it wanted the company to go public in 1981, and Anglo decided to take up a small part of the public issue. By then the company had completed about R5m of work for Anglo and others in the new Free State gold fields (mainly mass housing) and was also making a name for itself in Johannesburg as a skilled erector of high-rise concrete-frame office and apartment blocks. Later it branched out into pre-fabricated houses made from wood, fibreglass and plastics, pumps and petrol tanks for the oil industry; road building (it was already well established as a bridge builder) and mechanical and electrical engineering construction work.

Meanwhile, another construction company was also winning accolades and ever expanding profits. Lewis Construction was launched by a young Australian, Harold Schwarzer, in 1961 on behalf of Sydney-based Concrete Constructions. His initial funds, most of them bank overdraft at that, were little more than R12 000. By the time Lewis helped form LTA in 1965, its shareholders' funds were worth R2m.

By then it had also become a leader in the construction industry. Indeed, its first job was to construct what was then SA's tallest building, the 12-storey Colonial Mutual Life office block in Durban's West Street. Thereafter, most of its notable buildings were in the more economically attractive Transvaal — Johannesburg's Jeppe Street Post Office (introducing diamond saws to cut its stone facing); Escom House in Risik Street, at that time Johannesburg's highest building; Johannesburg's cooling towers. The latter was only one of many power station contracts.

But though Escom was to Lewis what mining houses were to Thompson's, Lewis had other major clients. It built the Stuttaford's premises in Cape Town's Adderley Street; offices for Iscor in Pretoria and Vanderbijlpark; Maritime House in Johannesburg's Loveday Street (when completed in 1927 it was, with 540 offices and 16 shops, the largest commercial block in SA. Construction cost: R400 000); most of the Johannesburg railway station complex, from the Railways and SAA administration blocks to the concourse and Rotunda. Lewis also built Johannesburg's first elevated motorway (Sixwright Avenue) and the Tower of Light in the Milner Park showgrounds.

During most of these years, Schwarzer was Lewis' chairman, with Tony Lewis as MD. In 1951 he and his fellow directors launched a separate company called Steeldale Reinforcing and Trading. Initially it merely cut and bent steel (and traded in it) to ensure a good service for Lewis' contracting activities. By 1964, though, it had expanded into the production of bolts for foundations, into structural steel work and into the manufacture of asphalt plants. Subsidiaries designed and erected scaffolding, imported building materials and were leaders in guniting.

So much for the L and T in LTA. The A was provided by an Anglo American/ Boart and Hard Metals company, Amalgamated Construction and Contracting (Amco). Boart and Hard Metals had prospered as a mining services company. By the mid-Sixties it was leading the field in diamond drilling, grouting, cementation and all kinds of underground civil engineering work.

Its contracting work was expanding so
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rapidly, in fact, that it decided to launch a separate company, Amco, in 1963. During the next year or so Amco worked for mining companies in SA, drove 6 km of tunnelling through the Valley of a Thousand Hills and, also for the Durban Corporation, built an intake structure for the Nagel Dam supplying water to Durban.

At the same time, it was in partnership with Lewis in Zambia, sinking shafts and performing other mining tasks as well as building tunnels and tailraces, sinking shafts and building a power hall for the Victoria Falls hydro-electric scheme. Together, Amco and Lewis were also putting up mass housing on the Copper Belt and in Broken Hill (now Kabwe).

In short, Anglo by now not only had its own rather specialised construction company, Amco. It also had men on Thompson's board. When Lewis also sought Anglo's advice in 1965 on going public, it therefore seemed opportune to merge the three companies, together with Steelhead which had common shareholders with Lewis. The rationale was synergy — getting units to achieve more together than when working separately.

The synergy argument is an attractive one. It promises shared overheads, a more powerful concentration of skills, a wider marketing network and tighter use of money.

Against this, though, is the risk of losing employees' emotional involvement. The cost of failing to feel of that danger in the construction industry can hardly be overestimated. And LTA might have been supposed to be particularly vulnerable to the danger. Both Lewis and Thompson were companies in which strong worker loyalties had been developed. It was unlikely that they would happily surrender the sense of identity that underpinned that loyalty. Nor, at more mundane levels, could it have looked easy in 1963 to impose standard accounting, reporting and tendering systems on the companies forming LTA.

In the event, some senior men did leave LTA during its first half-dozen or so years. Since then, however, it's been a story of remarkable growth — of income rising 16-fold, combined net assets soaring from about R5.5m to R32m, of after-tax attributable profits exploding from R1.5m to last year's R6.5m.

Today, the debt-equity ratio is down from 1976's 80% to only 40%, and yet the after-tax return on shareholders' funds is still a highly satisfactory 18%, especially in light of the recession of recent years.

The group, in short, could benefit greatly from a general economic upswing. How will it seek to do so? By staying within its present fields, despite the highly cyclical nature of the local construction industry? Or by deploying its powerful resources of men and money, as other construction companies have, over a far wider front?

Open in all seasons

From his office in 44 Main Street, LTA chairman Dr Zac de Beer offers his view of the group's strengths, targets and challenges

What do you see as LTA's main strengths?

First, it has developed very considerable contracting and trading skills. It also has much technical expertise, though we'd like more engineers than we have.

Then, too, it has learned to keep a very close eye on how money is moving. This has stood us in increasingly good stead during the years I've been associated with LTA.

Would these strengths persuade you to diversify as widely as some other construction groups have?

No, if for no other reason than that we are part of Amic and therefore of the Anglo group. That makes us pretty closely related to companies already in fields into which we might otherwise wish to diversify. To do so could put us in an embarrassing position.

So the group will stay essentially in construction and must find its growth there. To continue doing that successfully, what areas need special attention?

First, the group must introduce new or improved technology. We are already tackling projects on a scale and of a technical difficulty that we wouldn't have dreamed of a couple of decades ago. We wish to continue that kind of progress, but it raises the question of having highly skilled people in larger numbers than you literally (operationally) need, so that some can take time off for research, for mastering new techniques and so forth. That's why I say that we need more technical people than we have.

The other thing we must do is improve industrial relations. First, that means improving permaocancy in the industry. Its classic employment pattern is to set up each contract as a new business, hiring people specifically for it, then firing them.
at the end when the contract is completed and the business, as it were, wound up. We at LTA are moving towards an ever-increasing permanency of staff, not only of highly skilled people but also of quite ordinary workmen. That serves certain humanitarian ideals, but primarily it has a business virtue. It’s very difficult to rely on the skills and application of people employed for a matter of only weeks or months. We must increase the core of those who are permanently employed, though I’m not suggesting the construction industry can ever reach the stage where everyone in it is employed on a permanent basis. Ordinary, basic labour will probably always be casually employed.

But industrial relations means more than that. We must also improve organs of communication between management and the work force. The need for them is greater in this than in other industries because of its geographically extended nature and the ad hoc nature of each of its jobs. In saying this, I’m not for a moment questioning the necessity for conventional trade unions to negotiate wages and conditions. But the construction industry needs more, better communications than they can provide, if worker morale and productivity are to be strengthened.

Meanwhile, what can you as chairman offer?

Well, first of all I play a fairly important role in the group’s financial planning. Decisions about investments, acquisitions and dividend policy are not made without shareholder approval and that comes through me since the shareholders will tend to be advised by me.

Apart from that, all you can do is talk on a regular basis to the chief executive and his working directors* — suggesting new management inputs, new policy directions. And then (I hope tactfully) keeping the pressure on to push them along.

What changes have, in fact, resulted in recent years from pressure from the top?

Under my predecessor, Gordon Waddell, a policy was introduced of financial conservatism and tighter organisational links. I’ve continued pursuing that policy, which has produced a far stronger balance sheet (we have, for example, considerable reserves in the form of under-valued work-in-progress) so that generally, if times go badly, we can hold out for a long while and, if they go well, we’re in a very good position (apart from a shortage of skills) to take advantage in a pretty big way.

How much tightening of the organisational structure has been necessary?

A lot. Back in the late Sixties the links between LTA’s various divisions were, to say the least, tenuous. The chairman and group administrative manager sat in the middle and literally had to rely on the goodwill of the divisions for information of any sort. Each division had its own financial and personnel management and did its own thing. There was a group executive committee, but it was more a reporting body than anything else.

Now the group has executive and operating executive committees that meet frequently. When they do so, close attention is given by everyone to the problems of any one division. Full reporting is also done and contract tenders are approved at the centre so that the MD and his two deputies keep very tight check on what’s happening all over the group, especially with regard to cash flow.

After all that, has LTA developed its own character as a group to distinguish it from others in the industry?

I can’t know about other construction groups. But I do know that no member of LTA’s top management has resigned during the past seven years. As a result, it has developed remarkable cohesion. Its members trust each other, speak their minds to each other and, occasionally, compete with each other for work in an open, honest manner. That, I think, characterises the group.

**View from the top**

*In an office overlooking the M1 highway and Wits University, LTA’s MD, Mike Ridley, talks quietly but articulately about the construction industry and LTA’s future*

*FM: LTA has grown greatly during the Seventies. Where do you want to head it? Ridley: Well, first we want to keep it growing steadily, at a rate consistent with the resources that we have or can find. Skilled people rather than finance are likely to be the limiting factor. We’d like to keep growing not only in construction, but also in mechanical and electrical engineering connected with contracting. We have no intention of diversifying outside that basic sphere.

We would, within that, like to concentrate increasingly, though not exclusively, on more difficult contracts which require more technical skill and less easily obtained plant so that we are operating in a sphere where one doesn’t have unduly uneconomic competition, so often encountered at times in the straightforward building and civil engineering fields.

The availability of such work in Southern Africa on a reasonably consistent basis is less assured. We are therefore seeking to improve our ability to do that sort of work anywhere, particularly with reference to turnkey packages, including...*
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You can do a very large project with a comparatively small number of highly skilled top management people. Indeed, you would need fewer of them to do, say, four or five large projects than 20 smaller ones.

Does that mean the group has enough highly skilled men to cope with an increase in the number of very large projects handled by it?

No. We are following plans to increase their numbers over time.

How, given the difficulty of obtaining them these days from overseas?

Yes, immigration is a problem because of the less favourable image SA has. But we have made arrangements with overseas companies to take on staff on a seconded or contractual basis. Historically, SA universities have not been turning out enough engineers who become available to the industry as a whole. And in the past couple of years the enrolment level has dropped dramatically, so that the shortage in three or four years time will be more acute than it has ever been. That will lead, in full, to excessive strain on the graduates produced, since they will tend to be pushed too fast.

That has been happening already. In a few cases it has proved a boon to the men concerned, but generally not. The only sound way for an engineer to progress in this industry, after his formal training, is to go on site for quite a number of years, moving from one site to another so as to encounter a range of practical problems, before aspiring to a top management role.

How well prepared for the construction industry, in fact, are civil engineering graduates?

Their university education is not sufficiently orientated towards business in my view. That’s why, perhaps, only one-third of them come into the construction industry, the rest joining consultancies and so on. In my view, they don’t get enough business training to make them thoroughly conscious of costs and construction economics. But even more important is a comparative lack of training in people management. I believe that, from the second or third year of their university course onwards, there should be two streams, whereby those wanting to come into the industry would receive a different kind of education from those who didn’t.

For the truth is that engineers who get to the top in construction are those who, first of all, understand people and can handle them and, secondly, have a clear-cut idea of the value of money.

What has been your principal function as MD?

I’ve been trying to spend more and more time thinking about the future and how to achieve our goals. We are decentralised into divisions which are well capable of looking after their daily affairs. Apart from chairing the executive com-
mittee, which is formed of divisional heads, our financial director and others and actually controls the long range planning, I think my most important task is to inculcate enthusiasm in people. Certainly it was of great value to have been associated with James Thompson (son of the founder), who was always vitally interested in the people in his company. I must have absorbed a great deal from his attitude, which was that every employee should be treated fairly and reasonably. I learnt from him that you didn’t have to run a company as a heartless technician; that in the long run it was counterproductive to do so. Harold Schrager and his colleagues also had a very strong interest in people and treated their employees as members of a family.

Both Thompson’s and Lewis seem to have had a strong family feeling shared by employees. That got a little blurred after the 1967 merger, if only through the group’s rapid expansion. Is the policy of operational decentralisation pursued partly to help restore that sense of unity?

The main reason for decentralisation is that rapid decisions have to be made daily, at an operational level, within a certain policy framework. That means the greatest competence as close to the coal face as possible, and allowing it to make the decisions. But certainly, if divisional or company managers share the family philosophy, a smaller, more controllable environment allows them to engender it effectively.

How much of the old, pre-merger family feeling have you been able to recover? Not enough, I feel. But it is returning, where it had decreased.

Is that feeling of practical value? It’s extremely important. The output of an enthusiastic man is considerably higher in this industry than that of an unenthusiastic one, even if the latter is just as well trained and qualified. And the only way that you get enthusiasm is by making a man feel that he’s appreciated, and that he belongs. Salaries and bonuses have a place in all this, but they’re not the over-riding factor at all.

Nevertheless, money in one’s pocket is important, and site workers are often paid large bonuses during or at the end of particular projects. I’ve heard that the tax on these bonuses is often well over half.

Yes, I regard this as a serious problem. There are now construction men paying tax at the top, or nearly so, marginal rate who weren’t having to do so 10 years ago though having the same real level of income. Remember that these bonuses are incentive or reward payments for men who have been working extremely hard under difficult conditions. Often they’ve been separated from their families, sending their children away to school, and so on. Top rates of tax added to all that cannot encourage men to enter the industry.

Or immigrants to work here, even on a seconded basis.

It certainly doesn’t make it easier. A British engineer, for example, can work outside Britain in, say, the Middle East and pay no tax at all. He would have a much better life here — but he’d have to pay what I regard as penal

Construction industry executives can be somewhat larger than life. Civil engineers or builders by training, they have succeeded using earth, rock, steel and concrete as their materials, tough men and powerful machines as their agents.

LTA’s MD, Mike Ridley, is an exception. Though articulate and confident, he is at the same time self-effacing. With no family ties to the construction industry (his father was a banker), he joined James Thompson in 1954 — mainly, it seems, because he liked the boss’ character.

His first job there was assistant accountant. He had, however, gained an accountancy qualification, he says, “without any real interest in the subject at all. Right from the start I looked on it merely as a springboard to a business career.”

That it was. Within seven years he was on Thompson’s board. Then came the LTA merger and, for him, a succession of administration jobs in the new group before jointly running the building operations division in 1970 and, the following year, taking on by himself the additional job of heading civil engineering operations. In 1972 he was made group MD.

Does his lack of a formal construction training produce problems? “On occasions,” he admits, “One has some-thing of an uphill battle to achieve relationships with engineers. They tend to be suspicious of someone who isn’t one, but you can overcome that in time. Apart from that, the larger the organisation, the less detailed technical knowledge matters because someone else always has it. One really just has to absorb enough to be able to understand the essence of it in a business sense.”

By now, though group MD for the past seven years, he is still only 51. What can he do for an encore? Indeed, doesn’t boredomloom dangerously? “No, not at all,” he declares, “There’s always something new happening in the group. And the difficulties of achieving group aims are so great that he has constantly to think of ways to do it. The whole of industrial relations, for example, and how we’re going to achieve the advancement of black staff is going to be an enormous challenge during the next 10 years. If one busied oneself only with that, one could be fascinated 24 hours a day.”

Notwithstanding his obvious capacity for detail, as well as formulating broad policy and direction, he exists off the job, too. Apart from fathering six children and playing golf, he plays the piano, reads widely and has a special interest in astronomy and industrial psychology.
CONGRATULATIONS TO ITA FROM ONE OF THE COMPANIES THAT KEEPS THEM GOING
rates at the marginal level.

In short, it's going to get increasingly difficult for the construction industry to keep in step with an expanding economy, especially as projects are likely to get ever larger and more technically complex.

That’s right.

What about potential black contribution to the solution?

The number and proportion of blacks, coloureds and Indians taking over artisan-type work is rising, and is likely to continue doing so. The industry must provide adequate training for them. So far, it hasn’t been adequate; hasn't produced enough real skills. Yet, black artisans are likely to disappear very largely during the next 10-15 years.

And above artisan level?

There we have a problem. It's not easy to find sufficient suitable candidates from non-white racial groups for higher technical training. The answer may lie in changing their schooling, or its emphasis, or in providing a course between leaving school and entering university. I have to conclude that the provision of highly trained technical skills will, in the short-term, tend to remain largely provided by whites, and those to an extent imported. It is up to our company and the industry to make very vigorous efforts to provide education and the environment to give realistic opportunities to people of all races to attain whatever heights they can in accordance with their individual capabilities.

Cash in hand

Cash flow is the name of the game in construction. Here’s how to calculate it.

LTA may, operationally, be a highly decentralised group. But not when it comes to the handling of cash. That is wholly centralised in order to prevent one company in the group borrowing externally while another allows cash surpluses to remain idle. All cash from operating subsidiaries flows daily and automatically into a central account, from where it is paid out as required to meet operating outlays.

Optimum use of cash has been vital to construction profits, especially in recent years when recession produced very fine profit margins. Group financial director Colin Wood reckons LTA has improved its cash management considerably, though unable to quantify savings achieved.

Cash management begins with a five-year plan drawn up by each company in the group. That plan, describing the company’s vision of its future, is discussed first by senior divisional executives (LTA has three divisions) then at group level.

Some plans may, says Wood, prove unacceptable. “For example, a company may say that, on the basis of market forecasts, it expects to run at a loss for the next four years, break even in the fifth and show a profit in the sixth. Our response at group level might be that the company must either close itself down forthwith, boost market share or cut overheads to an acceptable level.”

The five-year plan principles are reviewed annually by the companies’ divisional and group executives. They are then converted by accountants into quarterly balance sheets, profit and loss accounts and cash flow projections.

The last provide the basis for a weekly comparison with actual results. “There are always differences between actual and forecast cash flow,” Wood admits. “The important thing is to know rapidly when and why they have occurred.”

Unpleasant surprises occur despite safety margins built into some company forecasts. The margins are not standard, says Wood, but based on the division’s “feel” about individual contracts and the degree of optimism shown by the companies carrying them out.

Drawing up a cash budget for the whole group is therefore a highly detailed exercise. Lasting several months early in each year, it is re-examined six months later.

The broad ebb and flow of cash in the construction industry is pretty regular. There’s a strong outflow during the first months of each year to March (while work picks up after the construction industry’s annual holiday) followed by a steadily increasing inflow for the rest of the year.

Nevertheless, monitoring flow closely is essential not only to control activities but also to optimise the timing of acquisitions. LTA has a cash surplus placed with commercial banks. It is, as we’ve seen, greater during some months than others. When it’s at its greatest, it’s possible to pay for acquisitions with cash. In fiscal 1978, for example, the Reinforcing and Allied Group was bought for R80m, paid for in five tranches spread over a year (cash was also provided by rationalising operations and, in doing so, reducing R&A’s stock levels).

Building up cash reserves is important for other reasons. Inflation of plant costs and increased need for working capital has persuaded LTA that dividend cover should, over time, rise from 2.5 to 3.

But the strengthening of a balance sheet by ample cash reserves reduces costs even before work has begun. All clients demand performance bonds to be offered by would-be contractors. These are bank-guarantees of performance — or, rather, that should the contractor go broke on the job, the bank will compensate the client (usually to the tune of 5%-10% of the contract’s value) for the cost of having to hand the work over to another contractor. The bank charge for issuing these bonds naturally depends on the contractor’s balance sheet. With R50m-worth of perfor-
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Forecasting cash flow is as important for individual contracts as for an entire group. Negative cash flow has, after all, a cost in the form of interest paid on bridging finance supplied internally (opportunity cost) or by banks. Calculating that cost correctly may mean the difference between a final profit and loss. Or may result in too high a bid that loses a tender.

Take two similar contracts. The price on each is the same, as is the planned operating (pre-interest) profit margin and contract duration. What differ are retention arrangements and (perhaps because one job is sited in a remote area) cost of plant required and maximum level of monthly salaries and wages.

Combine these differences and, as the two graphs below show clearly, a very different cash flow pattern emerges. Both jobs were worth R4m with a planned profit of R320 000. But with money costing 12% pa, job A cost R75 000 to finance against R21 000 for job B.

Mixed prospects

The construction industry wants more work. But how much more could it handle?

Construction is the largest of LTA’s three main divisions. It employs almost 13,000 of the group’s 20,000 employees and in fiscal 1979 contributed 58% of the group’s pre-tax profit.

The variety of work carried out by the division is impressive. It includes, on the civil engineering side, the building of power stations, bridges, elevated motorways, dams, tunnels and associated underground structures, ground engineering, earthworks and open-cast mining. Building activities produce high-rise office and apartment blocks, shopping centres, schools, hospitals, hotels and housing. But more dramatically, the division can point, on the one hand, to the vast subterranean halls of the Drakensberg hydro-electric pumped storage scheme and, on the other, to the soaring splendour of the Cabana Beach holiday flats on Natal’s north coast.

But while the division’s chairman, Peter Jacobsen, is rightly proud of these achievements and the accumulated technical prowess they indicate, he shares the construction industry’s anxiety over its future. That concern is caused fundamentally by the heavily fluctuating volume of civil engineering work coming from government, which today provides about four-fifths of all civil engineering work and uses it as a major economic regulator.

During the past three years the construction industry has, with the rest of the economy, suffered worse recession than most people in it can remember. Though a 15% increase in the real volume of work is forecast by the Department of Statistics for the current year, the civil engineering industry is sceptical (the Department was wrong by a whopping 20% in 1978).

It points, also, to the proportion of government work carried out by government works departments. Thus year it’s expected to be higher than ever at 31%.

The effect of all this is that, at all levels
of skill, men are being lost rapidly by the construction industry. In 1976 the civil engineering industry employed 135,000. Today it’s only about 95,000 and top executives fear those gone will never return. The reduction in the building industry is even worse — from 350,000 to 250,000 workers.

At the same time the number of men studying civil engineering, building science, quantity surveying and architecture at university level has fallen rapidly in recent years, portending a serious shortage of graduates within the next few years. Many potential recruits, like the departed artisans noted above, have been put off by the industry’s heavily fluctuating work load and employment prospects.

In short, the construction industry is deeply ambivalent in its hopes. It would like more work. But if it obtained much more, its capacity to handle it well would be badly strained.

In fact, though civil engineering work prospects are improving (fewer companies are bidding for individual tenders and prices are tending, therefore, to be more
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The S+L Group

realistic than last year's), there are still few signs of recovery in the building industry. "We hear of large private sector buildings that are going to come to tender," says Jacobsen, "but they are to meet the clients' own space needs rather than being property development investments. There's a lot of need for more building in SA, and there's a lot of money about. What's needed is more confidence.

The construction industry remains Cinderella — the first to suffer from recession and the last to recover. Increasingly, construction companies realise the value of keeping their ears close to the ground. Early information about a proposed job may enable a construction company to land the job on a negotiated contract basis rather than have to compete for it by tendering. That doesn't necessarily mean a higher price to the client (negotiated contracts are reckoned usually to produce a shorter design and construct time than tendering and therefore help reduce exposure to inflation and lower bridging finance costs). "But it does mean a more mutually equitable basis and better value for money to the client in its totality than tendering has recently offered," says Jacobsen.

Even if early information about forthcoming projects doesn't lead to negotiated contracts, it is still useful in helping a construction company decide which tenders to bid for in the light of its own special strengths. Given the expense of tendering, that can save costs considerably.

Advance information about a job that's likely to be landed also enables a construction company to begin designing its own input, such as formwork, early on and thus reduce construction time. Indeed, it may also make possible special operative training (eg, in formwork erection) to reduce construction costs still further. The savings offered by early order placing are significant, too, in current inflationary conditions.

LTA's construction division therefore has men in each of its operating divisions responsible for collecting market information over as wide a front as possible. It is fed to a central point, collated and routed to whichever company in the group can most benefit from it.

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Bridging the gap

White artisans are steadily leaving the construction industry. LTA’s strategy for replacing them and boosting management ranks, too

There’s no argument about the problem. The construction industry has lost its appeal to white youngsters who, in the past, might have considered becoming building artisans, but has generally been slow to replace them with others. As a result, construction sites are already experiencing acute shortages, not only of skilled craftsmen, but also of experienced supervisors who traditionally have been drawn from artisan grades.

But what to do about it? There’s surely only one satisfactory long-term answer — train as many blacks (including Indians and coloureds) as rapidly as possible.

Perhaps because of the recent recession and the temporary availability of Portuguese “handymen” who fled from Angola and Mozambique after Independence, the industry seems to have been slow to accept it. LTA’s construction division, however, employing almost two-thirds of the group’s total labour force, has been showing real energy and initiative in training all its people, from labourers to MDs.

A divisional training committee of senior operational managers formulates policy and monitors training activities at all levels throughout SA. Each operating company in the division prepares and implements its own detailed training programme, in line with stated policy, making maximum use of existing in-service training facilities. A divisional training co-ordinator maintains constant contact with them, and reports on their progress, providing on-the-ground help whenever necessary.

“The success of the training committee and its co-ordinator lies in an approach based on persuasion, advice and assistance rather than on a dictatorial attitude,” observes divisional staff planning and development manager, JG (Mitch)

“You know,” says Peter Jacobsen, musing on his 37 years in the construction industry, “although I’m heavily involved in clearing bush for new roads, turning up the veld for new development, I am at heart very interested in conservation and nature generally. When I feel the need for a break, I head for the hills, far from civilisation.”

There, no doubt, the 55-year-old chairman of LTA’s construction division finds plenty of peace. For the general impression he gives, with his chubby cheeks and twinkling eyes, is one of relaxed good humour.

About the construction industry’s future, though, he is less relaxed. “We must train far more,” he insists. “In the old days it was a see-saw. If there was a shortage of work, there were unemployed artisans. Today, there’s still not much work — but certainly no unemployed artisans on the Witwatersrand. Unless we do more on the training front, we’re going to be desperate in five years’ time.”

Already, he observes, it’s difficult to forecast site productivity and to guard profit margins. That’s because the industry is fast losing white artisans and foremen, but hasn’t yet successfully replaced them with blacks.

When he eventually retires from full-time employment, therefore, training is the area through which he’d like to remain connected to the industry. “I can’t just leave it . . . disappear,” he insists.

Well, no. Apart from anything else, the industry has been good to him.

Grandson of a Danish carpenter and of a Scottish stonemason, he began as an apprentice plumber for Thompson’s, where his father had already worked 20 years. Army service in World II soon ended that. When he returned to Thompson’s after the war, it was to become a builders quantity surveyor, studying in the evenings at Johannesburg’s technical college (he observes the ease with which full-time study can be enjoyed today with envy but no bitterness). His first significant site job was the extension to Pretoria’s power station. By 1951 he was in Welkom, the start of a lengthy Free State career that had him a director of Thompson’s main board shortly before the 1965 merger. In 1975 he was made MD of LTA’s building division, joint MD at end-1975 of the newly formed construction division (an amalgam of the building and civil operations) and executive chairman of it from last year.

It’s not easy, he confides, being chairman. The temptations must be resisted to get actively involved in individual projects — to start conducting the site orchestra, which is the real intellectual reward, he believes, in construction. A chairman must remain satisfied with offering “advice and useful comment, while still seeing that things get done.”

To make advice and comment trenchant demands a heavy daily diet of company reports, and as many site visits as he can fit in. “just to keep up with the game.” At home, then, he has little inclination or time for leisure reading. Instead, wisely, he stays fit playing golf and riding. And in touch with the industry’s broader interests by serving on its various national bodies — BIBA (several years on its national executive), the Witwatersrand Master Builders Association (of which he was president last year) and the SA Institute of Builders (currently on its council).

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Construction division’s Jacobson . . . peace in the hills
Mitchell. Thus, the overall training and
general educational programme was
launched some three years ago with an
extensive series of in-house training pro-
grammes for senior and middle manage-
ment, and for first-line supervision, cover-
ing the whole area of site performance
and how to improve it. Strongly empha-
sised in these courses was the planning of
human resources and the urgent need for
training and re-training. The message was
delivered especially strongly to site super-
visors and foremen whose traditional inde-
pendence has long tended to restrict train-
ing, particularly of blacks.

Forecasting how many men in the var-
ious grades of skill will be required by the
construction industry during the next five
years is, in fact, extremely difficult. LTA
believes that, relative to the total labour
force, there will be steadily declining
demand for highly skilled tradesmen.
That's because of the considerable broad-
ening of the range of jobs it forecasts will
be handled by semi-skilled men, aided by
the development of systems formwork,
prefabrication, etc. Similarly, and follow-
ing the example of more developed
economies, LTA foresees a proportional
reduction in the number of unskilled men
as a result of greater mechanisation.

Apprentices are still badly needed, how-
ever, not only to replace (after training)
artisans who have left the industry, but
also to cope with the steadily rising vol-
ume of construction work that could at
any moment, LTA believes, suddenly
explode. At present, LTA's construction
division has less than two dozen white
apprentices. In the Cape province and
SWA/Namibia its artisans have been alm-
most exclusively coloured, in Natal In-
dian. It has tried to recruit coloured
apprentices in the Transvaal, but the stan-
dard of applicants has been low and there
have also been logistical problems in or-
ganising their training.

Sponsoring blacks

Meanwhile, the division is directly spon-
soring a score or so black apprentice
trainees at government trade schools in
Lebowa and Venda (to NTC 11 and NTC
11i levels). Practical training is given on
various construction sites and at one or
more local in-service training centres.
The results have been so encouraging that
the division recently decided to double the
number of its sponsored students.

At the same time, the first batch of
carefully selected young blacks is being
assembled for training as apprentices in
"white" SA as soon as facilities become
available and the Wismah Report's rec-
ommendations in this matter become law.
Until then, instruction will be offered
them "within the bounds of existing legis-
lation".

Black technical training does not end
there. LTA is also organising internal
LTA Group is an innovative force in the construction industry, continually embracing new technologies and techniques. Compounding its technological and administrative skills, LTA contributes to the establishment of a solid base upon which our social, commercial and industrial structures can thrive. In the distant past, LTA sees the promise of a brighter future.
LAYING THE FOUNDATION FOR A DYNAMIC NEW AGE. Since man discovered that a simple slab of rock could be used as a tool, he has never stopped growing in stature. Similarly, the construction industry regards innovation as the key to progress. By constantly updating its building, civil engineering, and project management techniques, it maintains its place as a major contributor to economic growth. The LTA Construction Division undertakes all forms of building, incorporating high-rise complexes, shopping centres, schools, offices, universities, hospitals and flats. The Division's civil engineering operations include earthworks, concrete structures, ground engineering, piling, foundation engineering and engineering design service that is capable of originating designs and supervising their execution in the field. LTA Construction, hand in glove with development in South Africa, is proud to be instrumental in laying the foundation for a dynamic new age. LTA Construction Division.
MARRIAGE WITH FORCES OF CHANGE: The notched wood shingles helped Neandertals survive and thrive in the treacherous environment of the cave near Hamelton and whet the appetite for change. With this in mind, as Mitec, with its many skills, is doing to the advantage of modern society, so too are certain companies like Mitec, who offer a technical design and management service. Mitec undertakes turnkey projects in diverse fields. Notable activities include coal sampling, design and management of uranium projects, design and management of sugar factories, design and construction and modernisation of railways and power stations, design and management of industrial activities. A facet of the Mitec Division is the specialisation of industrialised building systems. Other companies in the division include in their activities the manufacture of mechanical handling equipment, general precast concrete work, the manufacture of partitioning, wooden windows and other joinery products. Today, Mitec is instrumental in the shaping of South Africa's destiny and is proud to use the dynamic forces of change. Mitec, a division of LTA.
FORGING A FRAMEWORK FOR THE NEEDS OF THE TIMES. Just as man tamed the fire of long ago, so Steeldale Reinforcing and Engineering Industries, by supplying a wide range of subcontractor needs, are no less indispensable in its service to the building and civil engineering industries of today. These include reinforcing steel supply, cutting and bending, and the manufacture of structural steelwork and specialised steel products. Steeldale companies also manufacture standard and customised steel mesh, premix asphalt plants, tar-spraying equipment, batching equipment and concrete pumps, plant hiring and scaffolding, dewatering systems, light industrial construction and equipment. In their efforts to supply the best possible service to clients, member companies within the division have often led the field in the establishment of new and better production systems. In this way Steeldale Reinforcing and Engineering Industries ensure that it is equal to the considerable needs...
courses for black quantity surveying trainees, as well as for black trainee engineering surveyors.

Meantime, there's the longer term problem of replacing top-class white supervision as retirement thins its ranks. LTA is confident black foremen will one day be acceptable in the construction industry. That day is, however, still pretty distant, it fears, particularly for African foremen. Training courses available nationally for black supervisors have mostly not yet progressed beyond boss boy/gand leader level.

As an interim measure, therefore, the division has begun retraining existing (white) foremen, to make them more effective supervisors. It is also making greater use of graduates and diploma technicians in foremen positions for a couple or so years as part of their progression to more senior grades.

A dozen or so cadet foremen (matriculant, ex-National Service NCOs) are also being given concentrated training on site and at technical college. Several, says Mitchell, are already proving to be excellent junior supervisors. Bifa has, encouragingly, followed LTA's lead by providing a cadet foreman course at its new Springs training centre.

The construction industry faces a likely shortage of higher skills, too, as the economy expands and immigration (a major supplier in the past) becomes an increasingly unreliable source. Clearly, the problem of too few local recruits for university-level studies is a problem the industry must itself solve, rather than leave it to individual companies.

LTA's middle and senior management, however, has in recent years enjoyed an intensive, continuous education pro-

Some notable civil engineering and building jobs completed by LTA during the past decade, or still under construction:

JOHANNESBURG AND ENVIRONS
The Western bypass from the Buccleuch interchange to Fairlands; the Dieploot outfall bridges (those immensely long curves striding through the void near Chartwell carrying a sewerage pipeline); Edgardale (Sidney Press' homage to his employees); Milpark (Johannesburg Chamber of Commerce building, Triomf House, Holiday Inn and a shopping complex); Sanlam Centre in central Johannesburg; Standard Bank's head office in consortium; Johannesburg's Civic Centre; United Towers; Kine Centre in Commissioner St.

EASTERN TRANSVAAL
Power stations at Duha, Kriel, Hendrina and Camden. Highveld Steel & Vansdium's works

NATAL
Cabana Beach in Umhlanga; Sanlam Meer on the South Coast; Paradise Valley (residential complex) in Pine-
town; Hazelmere Dam; 320 West St and John Ross House (both Durban high-rise blocks); Drakensberg hydro-electric pumped storage scheme (in conjunction with Shaft Sinkers).

CAPE TOWN
Custom House, Foreshore: I L Bax's head offices and factory in Parow; Kenilworth shopping centre; Koeburg nuclear power station (in consortium).

PORT ELIZABETH
Admin tower block and various low-level buildings for the University; Mutualhof (high-rise apartment block).

TRANSKEI
The new university

AIRPORTS
International concourse, freight terminal and other buildings at Jan Smuts; the new 5 km-long runway and ancillaries at Upington; new international and domestic concourses at Louis Botha (Durban).

INTERNATIONAL
Cabora Bassa hydro-electric scheme (in consortium)
If film-maker Ken Russell were, after re-inventing Mahler and Tchaikowsky, to direct his feverish talents at Wagner, this is where he'd set up his cameras. The vast subterranean halls, lit even by powerful quartz-iodine lights, are a veritable Valhalla. And what more likely to appear through the damply echoing tunnels feeding into them than a battalion or two or Rhinemaidens?

But violated Wagner is not the purpose of the halls and tunnels comprising the Drakensberg hydro-electric pumped storage scheme. It is, rather, to produce 1 000 Mw for Escom's national power grid to help meet peak daytime demand. And, at night, to pump Tugela water (the scheme is near Bergville in western Natal) over the Drakensberg into the Wilge, thence to flow into the Vaal Dam supplying the Reef. Once completed in the early Eighties, the scheme is likely to have cost some R150m. That's about the same as a thermal power station of the same size.

Power will be generated by feeding vast amounts of water from Driekloof Dam at the top of the Drakensberg to Kilburn Dam 500m below it. In descending, the water will pass through turbines and cause them to drive generators.

The turbines can, however, be electrically operated (drawing from the national grid) to act as pumps, returning water from the lower to the higher dam. That means that the same water can be sent back and forth, descending during the day to produce electricity and consuming spare electricity at night on its return journey. It also means that more water can be pumped up than electricity generation needs, spilling over from the Driekloof into the adjacent Sterksfontein Dam and on into the Wilge. A neat concept dreamed up a few years ago by Escom and the Department of Water Affairs.

Bringing the concept to life is, however, something else. It means driving some 6,5 km of road-width tunnelling into the Drakensberg, sinking several hundred metres of shafts and, finally, excavating vast chambers deep inside the Drakensberg to house control valves, turbines, generators and transformers.

The main hall, accommodating four 250 Mw turbine/generator plants, is almost 200m long and 50m high. That's enough to contain a 13-storey apartment block offering 77 two-bedroom flats on each floor. No wonder most of it disappears into shadow.

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To the latter is secured a mesh of reinforcing steel, over which concrete is sprayed. By the time the scheme is complete, over R4m of steel bolts will have been used and more than 60 000 t of cement.

The main civil engineering work for the scheme is being carried out by Draken, a partnership between LTA's construction division (80%) and Shaft Sinkers (40%). Together they have already done work worth R50m, with a further 2.5 years' work still to be completed. Some 850 whites and 1 400 blacks are employed by Draken.

Naturally, in a novel scheme of this size, there have been many design changes since work began. Some have demanded a major replanning of work schedules. Nevertheless, construction is reported to be happily still well up to schedule.

Runway to success

LTA's 1975 construction record at Upington Airport has it doing a lap of honour today around Johannesburg

Concrete roads were once, because of their low maintenance needs, associated mainly with airfields and bushveld strip roads. The soaring price of oil, from which bitumen for asphalt roads is derived, has in recent years, however, seen a surge of concrete road-building around metropolitan areas.

LTA Earthworks (Pty), for example, built 23 km of concrete highway from near the Buccleuch interchange, north of Johannesburg, to Fairlands. The cost averaged R1.5m/km. The company is currently building three more concrete freeways: a section from Ogles to Witbank (R18.5m), from Louis Four to Hoog en Droog (R18m) and from Fairlands to the Main Reef Road — a logistically difficult exercise that will cost R24.5m at current prices, though providing only 6 km of road.

All of which gives the company a greater share of current concrete highways than any other.

"We realised," said director Frank Crowley, "that we knew little about building concrete roads once we were into the first half of the Buccleuch-Fairlands job and we had to learn fast. Tolerances are much finer than with asphalt roads and you have to learn when to cut expansion/contraction lines across the road. Do it too soon and the concrete has not hardened sufficiently; too late and the concrete cracks up as you cut it. Trouble is, concrete's curing rate depends on the prevailing weather conditions.

"You have to plan the sequence of operations far more tightly, too, because once that enormous concrete-laying train starts moving down the road, nothing must stand in its way."

That aside, the really tricky stage in building concrete or asphalt roads is not constructing the roads themselves but assessing ground conditions that will be met when building bridges and culverts to carry them. Make a mistake on the western by-pass," Crowley confesses.

Nevertheless, the first part of that job was, as promised, completed in barely more than half the time stipulated by the National Transport Commission. The second half was also completed in 24 months against a stipulated 30 months (only the non-availability of the concrete train prevented a shorter time being achieved).

These were achievements stemming from experience gained while carrying out major conversions to the Upington Airport in 1975. Because Upington is 800 m lower
than Jan Smuts Airport, planes can take off with full fuel tanks, avoiding the need to refuel on the way to Europe.

LTA Earthworks was therefore commissioned to build an enormous runway, 5 km x 60 m wide, to accommodate them, as well as other facilities. Government decided that the utmost speed of construction was needed, and allowed LTA only five months for the job — one month of which was the normally unproductive December annual holiday season.

That it finished on time was due to tight planning and operational control. A team of 10 worked around the clock for two days preparing a R8.5m tender. The tender decision was officially announced a week after the bid results were known. During that time, LTA intensively planned its operations and started moving men and machinery to Upington in anticipation of the official announcement. Two weeks after the latter, the full complement of 60 whites and 300 blacks, plus 150 units of heavy plant and equipment, were hard at work.

A daunting task faced them. The runway alone involved the shifting of more than 1,5m m³ of fill, rock and sub-base material. Because, too, the ground surrounding the runway slopes, the runway had in some places to be filled in to a depth of about 5 m to level it. Finally, a total of seven layers of different materials had individually to be laid and levelled along the runway.

'It was tough, deciding whether we could meet the deadline,' says Crowley. 'Failure would cost not only the R8 000 a day penalty clause but, more ruinously, a sharp drop in one's own productivity as morale slumped in the face of failure. Behind that decision, therefore, was the question of whether we could get together enough good people.'

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construction. A man’s morale can be heavily affected by his wife’s and children’s happiness and Upington offered them the prospect of being five months away from any large town in dry, unfamiliar surroundings, living only in cramped caravans.

“In the event,” says Crowley, “the wives backed us to the hilt, though they never saw their husbands except when they were dead best. I remember speaking to one 65-year-old man who was still going strong after a continuous 42 hours on the job.”

Team work depends, however, on good management. “We decided right from the start,” says Crowley, “that we would have meticulous planning and would stick to it no matter what happened. Every load of material was planned in detail — what is consisted of; where it was coming from, going to and when. Each day’s output was planned and measured at the end of the day, so that we knew how we were doing. Decisions had to be made immediately in the planning office where all the schedule information was kept, not on the runway. As a result, we were never more than a week behind schedule or more than four days ahead.

“The fourth month was perhaps the most tense as the time drew closer when we would know whether we were going to succeed or fail. Fortunately, we all knew each other well. If we saw one guy beginning to crack, we could suggest he take a weekend off.”

Finally, LTA’s success was won with the help of powerful, sophisticated machinery. It included one of the world’s largest bulldozers and two automated graders that combined great accuracy with high output. The company also used a square roller for the job, to provide greater impact compaction.

The real benefit from Upington, Crowley reckons, is that the company, when offering to do a job in less time than clients had anticipated, can do so with confidence and credibility.

Taking pride in the job

Pressure, productivity and performance produces pride. LTA’s many old-hands are not short on either

When a construction man reminisces, he usually associates evgn domestic events in his life with whatever contract he was then working on. Past jobs often, therefore, crop up in conversation. Some are described ruefully, others with pride.

Occasions for pride among LTA men have been pretty numerous in recent years. It comes from knowing that a job was well managed — men working as a tightly knit family to carefully planned and monitored schedules. Perhaps new technical frontiers were also established.

Take Edgardale, for example. Edgars’ head office and distribution centre south-west of central Johannesburg and built by LTA. Most visitors are probably impressed by its palatial hall and the vast open-plan floors above.

Construction men, however, glance at neighbouring mine dumps, then at the ground they’re standing on ... and raise an interested eyebrow. Until Edgardale was built, it was generally supposed that the entire area, either already under-mined or likely to be so at some future date, was unsuitable for major buildings.

Edgardale, however, was designed in five vertically separated sections, each of which can move independently, their columns resting on rubber bearing pads. Ground movement caused by subsidence would therefore produce only a harmless flexing of the total structure.

Edgardale was also a triumph of construction management, being completed (on request) four months ahead of its schedule. Management is not only a matter of optimised planning, though that, among other things, allowed LTA to design special formwork and train black operatives for six weeks, before construction began, in its erection. It also means getting men dedicated to the total job so that they will co-operate fully with others, especially in sister companies when cooperation seems most difficult to achieve, as well as work harder than reason could demand.

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contract, which for some trades continued through the industry's annual holiday straddling Christmas and New Year celebrations. LTA's men and specialist subcontractors worked overtime every day of the week. Soweto's 1976 riots also occurred during construction and saw many of LTA's black workers rising as early as 02h00 to ensure arriving at the job punctually. Indeed, LTA claims that it had better black attendance on the job during that time than any other construction site in Johannesburg. "It was," says contracts manager Roy Henderson, "one of the happiest contracts I've ever worked on in my life. During its entire duration we had only one artisan and two blacks leave, which is most unusual. The contract was also entirely accident-free."

Good productivity, as already noted, depends not only on high morale but also on having sufficient semi-skilled as well as skilled men at the start of a contract. Though the industry traditionally suffers from a hire-and-fire image, LTA is keenly aware of the value of retaining a sizeable cadre of skilled and semi-skilled men. While building Sanlam Centre in central Johannesburg, LTA's Witwatersrand construction company alone handed out 125 long-service (15 years or more) awards. Most artisans working for the company, says director Bob Griffith, have 10 or more years' service, some blacks a quarter of a century's.

They certainly helped save the bottom

It is, at first sight, a conservationist's nightmare. Huge machines tear away top soil and underlying rock to get at coal.

In fact, the open-cast mining LTA is engaged in near Utrecht in Natal has been planned to produce environmental improvements. In contrast to badly eroded land nearby, areas that have been mined have had their rock and top soil carefully replaced and recontoured. Land that, before mining began, was lost to agriculture has been given a new lease of life.

Mining interests (in this case Rand Mines' Welgedacht 'Exploration) also benefit from open-cast mining. It allows a far higher proportion of coal to be recovered than using conventional underground methods.

Which is reckoned overall more economic, however, depends mainly on how deep the coal lies. LTA Open Cast (Pty) gets fellow subsidiary, Moolman Bros, to remove soft overburden before it begins itself to remove rock which overlays the bituminous coal. The soil is 7 m-14 m thick, the sandstone 9 m-13 m.

Faced with a coal seam 3 m or so thick, LTA scraped away whatever loose (about half the seam thickness) and breaks up the rest by blasting. Besides a R1.7m dragline embodying a 43 m-long boom, huge wheeled and tracked units are employed to remove and transport the coal to a nearby mine (Zimbula) for crushing and washing before being exported. These units consume much fuel, the rapidly rising cost of which threatens to make open-cast less advantageous compared with conventional underground methods.

Certainly the costs of open-cast mining have to be watched closely by LTA as well as Welgedacht. LTA obtained its contract by successful tender three years ago when the previous contractor, Burton Construction, went into liquidation.

"We, too, went into it thinking that open-cast mining would be quite straightforward earthmoving," admits project manager John Fourie. "We quickly learnt otherwise."

LTA is working the area in strips 40 m wide and 380 m-550 m long (length varies because the area defined by Welgedacht as suitable for open-cast mining is asymmetrical). Top soil and rock removed from one strip is used to restore the adjacent, previously mined strip.

That demands tight daily work scheduling, since expensive machines mustn't be kept waiting by others that haven't completed their tasks. Schedules are produced by computer-processing information about ground conditions provided by current work and test-holes drilled in advance areas.

Precise blasting techniques are also vital to productivity. Without them coal can be blasted sideways, leading to additional recovery costs and problems. It can also be shattered into lumps of unsuitable size for optimum loading. "We've improved our blasting techniques and have thereby boosted monthly output from each front-end loader by about 20%," says Fourie.

By now LTA has moved 25 Mm$ of overburden to produce 3 Mt of coal. Monthly output is agreed beforehand with Welgedacht which itself is limited by an export quota. To meet the current rate of 60 000 t/month, a couple of dozen whites and 150 blacks are employed.

At that rate the present contract will last another two years or so — far too short a time to justify investment in the dragline despite its comparatively low operating costs. But there are other coal-bearing areas nearby suitable for open-cast mining.

Meanwhile, LTA's mining activities have spread to Groblersdal, where it is recovering granite for export to Italy and Japan. There it will be turned into tombstones, LTA men report with nervous chuckles.
line of the Sanlam job. Excavation of a hole nearly 12,000 m³ by 14m deep was forecast to take six months. But the blasting it required (a dyke ran through the site) called forth municipal noise-abatement restrictions that doubled excavation time. "The situation was saved by the efforts of a highly motivated site team," says Griffith.

Estimating accuracy when preparing quotations is, of course, as vital to profit as site productivity. But even those with much experience find it difficult forecasting how high worker morale will be on a particular job (boom times see it slumping disastrously, yet the difference between 300 and 300 bricks for an average bricklayer's daily output can, if repeated over the whole contract, mean the difference between profit and loss).

Nor can estimators be certain what new technical problems a new contract will present. Nor the rate at which, on high-rise buildings, productivity will improve before inevitably declining.

Griffith explains: "On every high-rise contract there's a learning curve. The aim is to enjoy its benefits for as long as possible before distances for transporting men and materials to upper floors become so great that productivity is badly affect-
ed and learning curve benefits more than offset. On the Sanlam job, maximum productivity was achieved at the 19th floor."

That was constructed in 8.5 days. But there were still 18 floors to go. In the event, the average floor construction time was 12.5 days — exactly according to initial estimates.

What to do when estimates prove badly off-beam? The price, after all, is fixed apart from cost increases due to escalation, so productivity must be improved.

If low morale is a problem, a change in the site team may be necessary, says Griffith.

If it's seemingly poor logistics, consider installing a time-lapse camera. By speeding up a day's site activity, as it appears on film, logistical absurdities can be quickly spotted. Several were thus discovered on, for example, the site of the R18m Basic Sciences block LTA is now a-building at the new Johannesburg Hospital.

"It's not a tool that produces good results on every job," Griffith observes. "Its best application is on semi-mechanised jobs on which most snarl-ups can occur. Remember, too, that the idea must be sold to foremen as an aid. Otherwise they think it's big brother watching."
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LTA Survey: Supplement to Financial Mail October 5 1979
Of LTA's three divisions, Mitec seems the most likely to broaden the range of the group's activities. Since the 1965 merger it has been SA's leading producer of industrialised buildings. In recent years, too, it has associated itself with overseas expertise in order to branch out into engineering design and construction (sugar mills, uranium extraction plants, etc — see below). Now, in collaboration with local experts outside the group, it is turning its attentions to agriculture, seeking further opportunities for road and dam building and other civil engineering activity.

Mitec, in short, is far from being homogeneous. Its products or activities compete with each other or with those in other divisions. It is, in fact, exactly the kind of maverick, opportunistic division that every group needs to keep it feeling alive.

Pre-fab becomes respectable

Once fit only for transit camps, industrialised building methods, dominated in SA by LTA, have become widely accepted.

Industrialised building began making headway in SA soon after World War II. New mines, especially, created a sudden need for rapidly erected black accommodation and offices.

James Thompson entered into a license agreement with Britain's Terrapin to produce its folding, transportable buildings. The company developed another British system to produce Lumreek houses that were lightweight (walls are 40 mm thick woodwool/cement faced either side with asbestos cement) and completely demountable. Both products were winning local sales by the early Sixties. In 1970 the acquisition of Engineering, Design and Construction (Pty) added a similar product to the range. But where the Lumreek unit is timber-framed, EDC's employs steel.

Other acquisitions expanded the territorial spread of what, from 1965 onwards, was a separate industrialised building systems division. McCarthy Contractors in Cape Town added a chipboard-faced unit to the range that became popular for schools. EM Joinery Manufacturers at Gingiedlovu in Zululand was acquired to service the Natal market. It proved more economically serviceable from the Transvaal, however, so EM Joinery has not expanded its activities beyond the manufacture of hardwood doors and window frames.

Today, IBS finds itself in a highly competitive market. On the one hand are conventional builders looking hard for work in recessionary times. Much Cape school work has been taken from industrialised systems and given to them, presumably to help reduce unemployment.

Competition from other industrialised systems, on the other hand, has also to be faced. Meeting it successfully means seeking constantly to improve the quality of existing products, while keeping close tabs on the market to identify as early as possible new demands. IBS has about one-third of the R75m a year market for lightweight structures, which says something for its efforts on those two fronts.

It's looking to increase its share slightly during the next couple of years. But that
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is in a market that Hennie Strydom, MD of LTA Industrialised Building Systems, expects will remain static during that time. Thereafter, he’s pinning his hopes largely on nationally standardised building by-laws that would force municipalities to insist on buildings meeting performance criteria rather than necessarily being made of brick, etc. Since his buildings carry Agreement Board certificates giving them an overall thumbs-up, Strydom is confident that effective marketing will open up for them a sizeable municipal private sector market. Already, he has had market research conducted to ascertain how much public resistance there is likely to be, and why, to the idea of investing in industrialised accommodation (officially calculated to have an effective life of 30 years or more).

One answer could be that there’s no price advantage usually. If large organisations invest heavily in such accommodation, it’s mainly because it can be erected quickly. IBS is putting up 150 houses at Secunda (Sasol II’s township in the Eastern Transvaal) in a mere nine months.

No one knows, of course, how rapidly site labour costs for traditional houses will rise if a new housing boom does, indeed, get under way. Mittec chairman, Spencer Whiting, is convinced that buying a prefabricated house off the shelf will become a trend in SA home ownership as it has in Europe and, to a lesser extent, the US.

Meanwhile, the company continues its export efforts, if only to offset the cyclical pattern of local demand. It’s had much success, too, with foreign sales annually averaging R10m in recent years. Units have been sold in many developing countries. “But we will be concentrating more on the East now,” says Whiting.

Mittec is also in heavy industrialised building systems, through Conjig and Conforce. Their turnover has skyrocketed from R2m in 1965 to more than R25m today.

Conjig produces concrete blocks on site. Unskilled labourers place them in jigs to form walls for low-cost housing, including blocks of flats. Among Conjig’s major projects are the entire KwaZulu capital, Ulundi; 6 000 houses in another KwaZulu town; the Selibe-Pikwe mining township in Botswana; 200 three-storey blocks of flats in Cape Town and 1 640 units at Paarl.

Conforce, meantime, makes pre-cast concrete panels that fulfill a structural as well as a cladding role. Its main business today is building hostels for mine workers. But it has also built schools, office blocks, factories, etc. Most of the heavy industrialised building systems’ sales growth of recent years has come from Conforce.

Winning sales for industrialised building methods has been helped by the provision of a design service. Recently, Mittec has branched out into, not only landscaping around mine hostels, but also town planning — providing village greens, pubs and so on.

It all helps to improve industrialised buildings’ image. From being associated with drab transit camps and hastily erected factories, it is increasingly identified with rational construction and attractive vistas.
Expanding beyond contracting

Wiring up houses merely provided the spark for an electrifying expansion into process plants and beyond

New services, introduced to accommodate clients or avoid employing sub-contractors, often develop into major businesses. So it was with LTA's electrical contracting operation, Industrial Electrical Co (Pty).

It began with electrifying low-cost housing built by Conjig. Today, wiring houses produces only a small part of its annual R20m turnover. The rest comes from electrifying railways and power stations, putting in cabling for such enormous projects as the Drakensberg pumped storage scheme and the Koeberg nuclear power station, township reticulation and factory electrification. Penman and Jochelson (Pty) was acquired a year or so ago for its expertise in electrifying high-rise buildings and factories.

By now, LTA is one of SA's three biggest electrical contractors and prospects, according to divisional chairman Spencer Whiting, remain "tremendous. Thousands of kilometres of railway line have still to be electrified and there's much urban development still to come. I've no doubt at all that we'll do a great deal of the work for Soweto."

The oldest, at 50, of LTA's top management, Mitac chairman and LTA deputy MD Spencer Whiting is probably also the toughest. The set of his face suggests it, along with the odd aside. His career, too, indicates tough independence.

Schooling at Johannesburg's Ridge prep and Natal's Michaelhouse was followed by time in London studying economics and accountancy. Came World War II and Whiting joined the RAF. He won the DSO but, being in the SAAF reserve, was court-martialled for not having obtained permission to join the RAF. "I wasn't convicted," he smiles, "We had a party on it."

With Hitler defeated, he was posted to the Far East, married a Dutch girl there and, the war over, worked for KLM for 11 years as pilot, flying instructor and operations manager. He gave it up to spend more time with his family. Flying LTA planes today is some compensation.

KLM was followed, in 1957, by his own import-export agency. "Running your own company is probably more fun than being part of a large group," he still believes.

He has experience of both. He was wooed from his own business by Ropes and Matting and, after five years there, by friends Norman Westcott and James Thompson, who wanted him to run Thompson's new mass-housing operation.

He's a man of well-defined convictions and is not reluctant to voice them. Thus:

"Common sense is the most important requirement. If you have it, you can do anything. The idea that the possession of a degree guarantees success is the worst thing that could happen to the holder of that degree."

"The problem with some of today's youngsters is that they have never been hungry. We tell new arrivals that they must, if necessary, give the job twenty-four hours a day. In this industry, you've got to get up ahead of the opposition."

"There appear to be fewer leaders today than 20 years ago, as well as fewer entrepreneurial managers."

"We must remain simple. There's a tendency to see things as complicated which, quite unnecessarily, prevents the job getting done."

"Some of today's youngsters are very bad salesmen, curiously reluctant to sell themselves. If you don't sell yourself, you won't get anywhere."

"Taken together, such comments may make Whiting sound like a jaundiced old man. He's neither, but remains a tough, hard-driving executive. His time in the office averages 10 hours a day. There's much travelling, too, and usually work taken home."

Yet he still finds time for fishing and tennis. "Looking back," he says, "there's nothing I regret at all."
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In 1976 LTA took a controlling interest in Spencer Melksham (Pty), a company engaged in mechanical handling, industrial lighting and control boards. In recent years Spencer Melksham has diversified into water purification, feed milling and abattoirs.

By then, anyway, LTA had decided that it wanted to get into the field of turnkey projects, designing as well as building plants. "Building a very strong mechanical engineering and process division must be a major aim for us," says Mitec's MD, Dave Thompson, "since process plant jobs provide a lot of spin-off for other LTA companies."

LTA's strategy in obtaining turnkey projects for process plants has been to ally itself with overseas specialists. Thus, it tied up with Canada's Kilborn to produce two uranium extraction plants, together worth R80m, for Vaal Reefs and another for President Brand. Its partner in greatly extending the Mhume sugar mill in Swaziland was W Germany's BMA group; in producing coal processing plant its partner is Britain's Birtley Engineering.

"The initial idea," says Whiting, "was that LTA would provide finance, administration and project management. Today, however, it's providing as much technical input as its foreign partners, calling on them only for very specialised help."

There's heavy emphasis now on extending expertise into related fields to provide as steady a level of project work as possible. That's necessary not only to maintain profits, but also to retain skilled men (from draughtsmen upwards).

Immigration is an extremely expensive and, from a manpower quality point of view, not an entirely satisfactory source of skills. The answer must be to find and train local men and ensure enough work to justify retaining them.

Some of that work can be on quite a small scale. LTA seconded 30 men, for example, to AECI's Coalplex project team.

Whether the search is for big or small jobs, though, "Chippy" Rathbone, Mitec's deputy MD, now has responsibility for heading a more intensive marketing operation. "We already have access, in various parts of Mitec, to much advance market information. It will be my job to centralise and co-ordinate this information and ensure that it gets to the right people at the right time," he says.

One way of getting work is, of course, to open up completely new markets. That is the aim behind newly formed Agtec, a partnership between Mitec and a Pretoria firm of agricultural consulting engineers. It hopes to consult to homeland governments and others on how best to develop agricultural regions, advising on the planning and construction of roads, dams, canals, electrification, food processing plants (all, of course, producing work that LTA can handle) — even which crops to grow. Apart from drawing up highly detailed regional development proposals, Agtec is offering to arrange finance and to construct, operate and maintain projects, too, where necessary, as well as training others from the regions to take over the projects.

Already, the company has won investigation commissions in Venda and Kwazulu. The latter is to investigate how a modern agricultural project can be set up without running counter to Zulu tribal traditions.

"Agtec's potential is exciting," Whiting concludes, "since any one scheme could run into tens of millions of rand."

**Reinforcing steel profits**

**How far should steel manufacture extend? That's the question challenging the Steeleadale division.**

What to do for excitement when your main product has little competition and your two other major products are among the market leaders? Clearly, competitors must be kept at bay. But should further challenge be sought in activities closely related to those currently pursued, or further afield?

That is the question facing Steeleadale chairman Peter Keet. If he seems reluctant to expand rapidly into new fields as main contractor, having taken initial steps in this direction, it's probably because his division's spurs have so far been won in sub-contracting.

Today, sub-contracting activities cover pretty well the whole range of construction needs. Yet their beginnings were humble enough.

In 1962 Lewis Construction chairman Harold Schwarzer became dissatisfied with service from existing reinforcing steel sub-contractors. Together with others, mainly Lewis shareholders, he formed Steeleadale Reinforcing and Trading as a company quite separate from the Lewis group. The initial intention, though, was
that it would mostly handle only Lewis work.

Within two years, however, it was serving many other contractors, too. Its success, marked by the rapid opening of branches throughout SA and SWA, came about thus. Where its competitors saw themselves as seeking profit, mainly from a design service, in competition with consulting engineers, Steeleendale offered no design service, but sought profit instead from its steel sub-contracting and supply operations.

That had two benefits. It delighted consulting engineers; and it compelled Steeleendale to monitor its manufacturing costs closely so that it could remain profitably competitive. On both counts, consulting engineers frequently specified Steeleendale as the sub-contractor main contractors should use for reinforcing steel.

As a result, Steeleendale was soon ahead of the field. To remain there, it has invested heavily during the past decade in sophisticated automated cutting and bending equipment. "We continue to monitor the latest equipment internationally available. Doing so has enabled us to keep the rise in our production costs during the past 15 years far below the dramatic surge in labour costs," says joint-MD, Colin Campbell.

Today, Steeleendale's aggressively protected lion's share of the market for reinforcing bar leaves little room for competition or for real growth in its own turnover. The acquisition of Reinforcing and Allied Industries a few years ago also boosted its share of the steel reinforcing mesh market to a powerful 38%.

It's also a strong contender in the prestressed sector, being local licensee for two highly regarded post-tensioning systems — the Swiss VSL system for cable and the German Dywidag system for bar. Both systems have been systematically improved by their overseas parents over the years.

But if there is substantial growth left in the market for pre-stressed steel, how much will be at the cost of conventional reinforcing steel? Pre-stressed steel is increasingly being used in horizontal slabs, traditionally reserved for reinforcing steel, because it allows a lighter weight of slab to be used and fewer support columns. That makes it cheaper, as well as technically attractive when constructing parking garages and other areas needing as little interruption by columns as possible.

Steeleendale offers, meantime, other sub-contracting services. Reinforcing steel led on pretty naturally to shuttering and scaffolding, even to concrete guniting. "We were the first in SA to gunite a swimming pool," says Keet.

Within its chosen area, too, Steeleendale is pretty big in plant hire. It got into it early on in its history. Schwaree bought a company, Ujic, to manage Lewis' own construction plant. But he also wanted to compel his construction men to use cranes on high-rise buildings, rather than traditional skips for hauling up materials. By having Ujic own cranes, he felt more able to pressure his men to use them.

Today, only one quarter so of Steeleendale's plant hire turnover comes from within the LTA group. Other contractors turn to it, not only for shuttering and scaffolding, but also for compressors (for which it's about the biggest hire company), compacting equipment, welding machinery, dumpers and dewatering equipment. Hiring is done in the Transvaal by Construction Plant and Equipment (Pty), while Ujic still operates in Natal and the Cape.

It's been far from roses all the way. "We had to launch a plant replacement programme 18 months ago," admits Jimmy Wood, Steeleendale's other MD. "Equipment offering reliability and good service is obviously vital for successful plant hire but, because of recession, plant hire companies in recent years have been cutting rates to levels so low as merely to cover their own leasing costs. Many companies, therefore, including ourselves, simply failed to replace old equipment. That meant that low income was aggravated by high maintenance costs. Without a plant replacement programme, our very survival was at stake."

Plant hire fortunes being inexorably linked to the construction industry, Steeleendale is looking to its manufacturing oper-
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The BOLT GROUP is proud of its past business association with LTA and take this opportunity of extending its best wishes to them on the occasion of their 90th anniversary.
Ask a senior executive in his fifties what he does in his spare time and chances are he'll claim to have no time or energy for hobbies. Not Peter Keet. Though chairman of LTA's Steeldale division, he sees himself merely as part of a troika (the other two are his MDs, Jimmy Wood and Colin Campbell) running the division. Each has more than 15 years service at Steeldale and work together in unusually close harmony. "I have plenty of energy left at the end of each day," says Keet.

Now 53, he was educated at Johannes burg's Houghton College (head prefect and First XV). An ambition to become an accountant ('Figures are my forte. I can remember numbers') saw him studying for the CIS qualification at night while working as a clerk. Later he became accountant for Stewarts and Lloyds' Johannesburg branch.

In 1956 he joined Steeldale as company secretary. Eight years later, after a succession of MDs, he took on the job himself. By the late Sixties he was executive chairman.

Was his success always based only on close understanding of the figures? "Far from it," he disclaims. "I've had to make myself technically conversant with everything we do. In fact, I could probably manage any of the division's companies better than I could be their accountant."

But he doesn't have to do either. Which gives time and enthusiasm during the week for chess and much reading (mainly fiction). Weekends see him on his six hectare Vaal property looking after his animals, swimming, fishing and playing golf.

ations to give it a smoother flow of income. Interestingly, though, its venture into manufacture began in the early Sixties with the construction industry, producing steel building bolts. Later, the bolt-producing company, Steelform, expanded into minor steel work used in concrete work—curb angles, ducting, etc.

Came the 1965 merger and Steeldale absorbed a loss-making Thompson company, Construction Engineering, that among other things produced structural steel. That launched Steeldale into the manufacture of lightweight, pre-fabricated steel buildings. Today, these produce a monthly turnover averaging R500 000. Steeldale has also begun manufacturing specially selected heavier structural steel.

Still, in all this, Steeldale remained the sub-contractor. In 1968, however, it began producing pre-mix asphalt plants in partnership with Germany's Wibau. Those were boom times and the company made fine sales and satisfactory profits. Today, however, Conaph Equipment Services (ex-Wibau SA) is the only local manufacturer of these plants (only one component has to be imported).

It has expanded into asphalt-laying and batching equipment as well as into concrete pumps. Trying to sell the latter to highly sceptical construction men and pre-mix concrete companies forced Conaph to go itself into pre-mix concrete to show that the pumps worked well. Once it had overcome scepticism, it withdrew from the field.

What expansion potential then, for manufacturing operations? Plenty, Keet reckons. The steel building operation still covers only the Transvaal. Items not particularly related to the construction industry could also be produced. Already, Steeldale has done engineering work for LTA Birtley on coal-sampling plant, conveyor belting for the Vaal Reefs uranium extraction plants and gearboxes for Dorman Long's straddle carriers used at the container berths in Durban and Cape Town harbours.

Now the division is looking at producing a large industrial vacuum cleaner that so far it has only been importing and selling. Gasification plants also look a promising area, says Keet.

To get away from construction's cyclical fortunes, he and his colleagues have also been looking at steel merchandising. The problem, says Keet, is to find the right area of specialisation, the latter being vital in steel merchandising.

In short, the attitude of Steeldale's management towards the future closely reflects that of the whole group—aware of the dangers of remaining too closely associated with construction, yet more than a little cautious about extending skills and other resources significantly beyond it.

Distant prospects

Foreign contracts could be attractive. If . . .

Economic cycles around the world are unlikely to be closely in phase. By obtaining work in enough different countries, therefore, a steady level of activity can be produced. That is one of LTA's strategies for solving the cyclical problem of SA's construction industry.

It has, during the past decade, done some impressive work abroad—in Africa, Australia and S America. Best known is its participation in the Cab o ra Bassa hydro-electric scheme in Mozambique.

To intensify the search for foreign work, LTA International was formed two
Looking for business opportunities and helping develop group strategic planning have been Aubrey Pitt's specific tasks since he was appointed an LTA deputy group MD in 1975. Marketing, however, has been at the core of his contribution from the time he joined Lewis Construction in 1961 to launch a property development company. A professional architect with considerable wartime engineering experience, his formal task was to ascertain some of SA's property needs so that Lewis could meet them as builder and property developer.

The information he gained from architects, financial institutions and others may not have led Lewis, and subsequently LTA, to become major property developers (though Amaprop originally had one of its roots in LTA Property Investments, of which he was MD). It produced enough information about forthcoming projects, however, for Lewis and LTA to land many negotiated building contracts.

From property development, Pitt expanded into construction — first, in the late Sixties, as chairman of LTA's construction companies in the Western and Eastern Cape. In 1970 he was made chairman of the group's building division, which was separate from the group's civil engineering activities. When they were brought together in 1975, he became a deputy group MD.

All this time, though, he reckons to have played a major marketing role. "That, after all," he observes, "is the job of a chief executive." His job as head of LTA International is a logical extension of his group marketing function.

Pitt's visits abroad have certainly helped broaden his interests. He is, by natural disposition, something of a sportsman (rugby at KES, ice-hockey at Wits, rock-climbing with his children when they were younger, and golf today — which may explain why he looks noticeably younger than his 57 years. A warm smile that frequently lights up his eyes and exercises his facial muscles also helps.

Regular business visits to France have inspired him, however, to learn French. And that, in turn, has led to a Unisa degree course in the subject, leaving him little time for other leisure reading. Music and theatre, however, remain active interests.

No doubt his wife's profession also helps keep him intellectually up to the mark. Imagine telling the headmistress of St Mary's you're too tired to do your prep!

LTA International's Aubrey Pitt... an eye on foreign parts

Of what kinds of contract one shouldn't waste time seeking (strong local competition, difficult logistics, severe labour problems, etc.)," he observes.

Such contracts, he adds, haven't been easy to find. Foreign political attitudes to SA, sharpened by local political events such as the Soweto disturbances, haven't helped, either. Negotiations in black Africa on two major contracts were progressing well until the Soweto riots brought them to a sudden end.

Politics aside, the number of foreign contracts that are really attractive is limited. They must either be in areas with a stable currency, or require virtually no working capital investment by the contractor.

In short, a tough search in which the unwary can be the victim of fool's gold.

Given its typical caution, LTA is unlikely to fall victim.
the inside story

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LTA Survey: Supplement to Financial Mail October 5 1979
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Work a new Toyota DA. Now tougher and more potent than ever.

The big value-for-money trucks

TOYOTA
COMMUNICATIONS WERE LIMITED TO CUNEIFORM WRITING ON FIRE-BAKED CLAY TABLETS. A RESTRICTION THAT LTA INTERNATIONAL SOON OVERCAME AS IT CO-ORDINATES AND EXPANDS THE GROUP ACTIVITIES IN THE INTERNATIONAL MARKET AND DEVELOPS THROUGH THE INTERCHANGE OF IDEAS AND TECHNOLOGY, EXISTING AND FUTURE ASSOCIATIONS WITH INTERNATIONAL CONTRACTORS. CURRENTLY LTA IS ACTIVE WORLD-WIDE IN SUCH PROJECTS AS THE CONSTRUCTION OF COOLING TOWERS, HOUSES, ERECTION OF TRANSMISSION LINES, THE NEGOTIATION OF MANY LARGE PROJECTS THAT WILL ALLOW IT TO EXPORT EXPERTISE, SKILLS AND PRODUCTS. PRIMARILY CONCERNED WITH THE MARKETING OF LTA'S PRODUCTS AND CONTRACTING SERVICES THROUGHOUT THE WORLD, LTA INTERNATIONAL IS ALSO ENGAGED IN THE NEGOTIATION AND ADMINISTRATION OF FINANCING FACILITIES FOR FOREIGN PROJECTS. LTA INTERNATIONAL DIVISION.
Self-defeating controls

Although the latest cement price increase was as recent as April 23 this year, evidently one of the industry's biggest challenges still lies in the area of profitability. Currently, it is too low to attract the large funds necessary for modernisation, and fairly soon, for expansion. Nor, if the funds are borrowed, could resulting profits service interest payments without jeopardising cement companies' viability.

Strangely, cement is, at least in the eyes of government, a very emotive issue. Like bread, pricing decisions appear political rather than economic. It is one of the few commodities that requires a Cabinet committee decision for a price increase.

That this should be the case is extraordinary considering that cement comprises only 1% to 4% of building costs, depending on the type of construction. Also, railage accounts for up to 50% of the selling price of cement.

In all negotiations, the cement industry invariably presents a united front, but not without considerable infighting, in the shape of the SA Cement Producers Association. In submitting evidence to the Price Controller, the industry appoints an outside auditor to prepare an industry balance sheet and income statement. So each of the big three companies retains a measure of privacy.

With some logic, the Price Controller is now keeping the cement price well below a normal or long-term realistic level on the grounds that, in a free market, the price would under current conditions be low anyway. According to Anglo Alpha's MD Peter Byland, "In my opinion, the industry's contribution to this is that if, on the other hand, prices were allowed to reach above-

<table>
<thead>
<tr>
<th>Year</th>
<th>Capital employed (Rm)</th>
<th>Annual profit before tax (Rm)</th>
<th>Annual return on capital employed (Rm)</th>
<th>Shortfall against 15% (Rm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1972</td>
<td>118</td>
<td>12</td>
<td>10</td>
<td>6</td>
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<tr>
<td>1973</td>
<td>130</td>
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<td>1976</td>
<td>268</td>
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<td>1977</td>
<td>297</td>
<td>18</td>
<td>8</td>
<td>21</td>
</tr>
<tr>
<td>1978</td>
<td>315</td>
<td>15*</td>
<td>5*</td>
<td>32*</td>
</tr>
</tbody>
</table>

* Position before latest price increase
† Catch-up year.
by 1970, this figure had increased to 4.6 per 1,000 of the population, a massive increase of 7.1%. It should be noted that the former figures were obtained from a survey of the mid-1940s and do not reflect the impact of the war on the population. In the following years, the white population continued to grow, and by 1970, it had reached 15.7%, indicating that the white population had grown to twice its pre-war size.

Similarly, for children born in 1941 to 1970, the white mortality rate for 'coloureds' had decreased from 15.2% to 10.4% over this period, a significant decrease.

This is because the denominator for birth rates is larger than the numerator for death rates, making the birth rate lower, but the death rate higher. The proportional contribution of selected causes to the overall mortality rate has also changed. For instance, infectious diseases have decreased, while non-infectious diseases have increased. This is due to improvements in healthcare and sanitation.

For Africans, the proportional mortality was the only index calculated.

**RESULTS**

The infant mortality rates (IMR) and standardized mortality rates (SMR) for whites and 'coloureds' are provided in Fig. 2 and Fig. 3. Whilst the infant mortality rates for both groups have decreased over time, the SMR for 'coloureds' remains higher than that for whites. This indicates that the 'coloured' population continues to suffer higher mortality rates, possibly due to social and economic factors.

(continued on next page)
Building industry costs explode

A COST explosion has been detonated in the building industry. The return-to-growth in the industry has unleashed previously bottle-necked costs causing them to accelerate at record rates. These cost increases will have a dramatic effect on housing prices, which will rise proportionately with costs — just when demand for residential property is picking up.

The September Building Survey of the Bureau of Economic Research at the University of Stellenbosch (BER) says slowly hardening building costs leapt from the 5.5% annual rate during the first quarter of 1978 to 11.9% in the first quarter of 1979 and to 18.2% and 18.5% in the following quarters.

As at least another year of economic growth is foreseen, the BER expects the acceleration in building costs to remain at, or near, record levels during 1980-1981.

The BER, which compiled the survey, says: "We agree fully with the BER findings. This cannot go on indefinitely."

"More materials in the industry are price controlled and we are at present making representations to the Government to have the whole concept of price control reviewed.

"We would like to see price control removed and greater competition between manufacturers of building materials."

The speed of the acceleration in costs is attributed by the SRE to the sustained bottling-up effect which the cut-throat competition had on the ability of contractors to recoup price increases.

The moment that competition in tendering returned to normal, builders rapidly stopped absorbing an abnormally high proportion of postponable costs in tendered contracts.

This has been underpinned by a scarcity of materials and labour.

Investment in manufacturing capacity was reduced and labour, which left the industry in large numbers during the long and deep recession of 1974-1977, will be difficult to entice back.

Builders tendering under the controversial CPAP formula must be suffering under-compensation as the formula showed cost increases of 12.2% to 12.9% from January to June 1979.

During this period material prices increased at an average annual rate of 17%, building plant at an average of 15.4% and labour at about 6%.

The Haylett formula is currently the subject of a study by the University of the Witwatersrand, which is aiming to find a more acceptable structure.

Further to Note 4, assume now that the company has a set profit before depreciation of R60 000 in 19.8. Draw up the income statement for the 19.8 financial year under the following methods:

1. Deferral method
2. Liability method
3. Income statement under the provision for the 19.7 financial year

Assume the tax rate remains 42%."
Laying new foundations

The expected revamp of the Building Industries Federation (Bifa) is on the way. Director Johann Grotsius is to be succeeded by a new "top man" and the whole organisation is to be re-vitalised to provide "opening up" of the entire housing programme

The writing has been on the wall for more than a year — ever since the 1978 congress formally agreed to bring in management consultants to fathom out a new policy to guide South Africa's second largest industry.

As the executive sees it, the problem is quite simply that Bifa does not exert the kind of influence on national policy which it deserves. With a capital programme of more than R4000m a year, the building trade ranks second in the country only to mining.

But, says president David Mitchell, this power base is not being fully used and the building sector is losing out to lesser industries and organised commerce. Specific areas of complaint are not identified, but it's an open secret that rank-and-file members have been less than happy over the past few years.

The downturn in the economy, which hit builders particularly hard, didn't do much to help matters. There have been harsh words about Bifa's expensive training schemes which have not produced the kind of labour force everyone was hoping for.

Bifa says this criticism is unfair. The pilot training scheme in Springs is still less than a year old, it points out, and is obviously the beginning of a far bigger national programme.

Last year's government allocation of work to the private sector also caused some ill-feeling among smaller companies which claimed that the work was not equitably distributed in spite of Bifa's efforts to talk government into a fairer distribution.

A prior decision by the Electrical Contractors Association to quit Bifa also had a telling effect on morale as well as losing the federation a large slice of both membership and influence. Subsequent attempts to pressure developers into accepting only Bifa members on electrical contracts in Port Elizabeth was summarily overruled by the Board of Trade. Inevitably the Bifa image suffered. But talks with the ECA are proceeding, says Mitchell, and good progress is being made towards a new understanding.

The celebrated battle with Sapoa over the standard building contract and cost adjustment procedures (notably the Haylett formula) also found Bifa making concessions, although general lack of work has obviously a lot to do with that.

Despite the many problems to have developed over the past few years, Mitchell singles out the lack of influence on national policies as the main reason for a re-think. The change in approach, he says, is going to be drastic and various alternatives are being studied.

An important part of the new look policy will involve training which is becoming more vital with the current pick-up in building activity. But the approach, he says, will be worked out with the new executive head who will come in on January 1.

Grotsius' position is still being "sorted out", explains Mitchell, but Grotsius himself says he cannot comment because he has been on the "touchline" and the matter is still under discussion.

But the task of re-structuring has already begun. "We want to be more a part of the economic mainstream," asserts Mitchell, "we are tired of playing a subsidiary role."
2. CHOICE OF PROGRAMMES

So far, we have discussed methods of choosing means to obtain a given objective. But what tools are available to aid the choice of objectives themselves? Can anything be said on the question of the priority to be given to particular diseases or age groups, whether to allocate more to child welfare clinics or care of the aged?

Overall criteria are needed, and they have to be expressed in such a way that they can guide these detailed questions. Essentially, the problem is not only to relate resources used to objectives achieved, but to relate the various objectives to each other.

There are various means of doing this; but all of them require that expenditure be accounted for by the ends it is expected to achieve.

2.1 Programme Budgeting

Programme budgeting, also known as budgeting by objectives, involves the presentation of expenditure data according to the objectives to which it is directed. Thus, projects to combat TB would be grouped together, geriatric problems, sanitation programmes, etc.

This is necessary:
(a) to know the cost of pursuing each objective;
(b) to group together activities with the same objectives which

effectiveness analysis, when spent related in geriatric basis but in a separate groups

The grouping of expenditure into programmes is an art. Pole, an economist in the U.K. Department of Health, writes:

"Programme structure should, in my view, be mainly determined by the decisions to the taking of which one wishes it to contribute... One might suggest that where decisions are primarily a matter of political or moral judgement - of determining basic priorities - one would want the activities to be compared to reside in different programmes - the mentally handicapped against the alcoholics; but where it is a mere technical question of how particular objectives can be best achieved - drug therapy or against behavioural therapy - one would want the activities to be compared to be within a particular programme. This distinction ties up with an economic jargon of slightly older vintage - that of cost-benefit and cost-effectiveness; and through that to the main stream of neoclassical welfare economics, which attempts to make a distinction between the choice of the composition of the basket of outputs and the choice of the set of resources from which can be put to be produced. The former is, in a broad sense, a question of tastes, values, or utilities; the latter is a question of techniques."

He adds:

"In practice, it is not an easy matter to make a hard and fast distinction between technical matters and matters of values or utilities in the health services. From one point of view, the question whether to treat schizophrenia in hospital or in the community is a technical one. Which is the cheaper way to fulfill whatever are the society's requirements for the treatment of this group? But community care originally became fashionable as a good thing in itself. The practitioners are very apt to saddle the medical and economic arguments with then, and when it suits them, and the politicians and administrators equally so when it suits them, but the economist's concern is to keep them separate."
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21 November 2023

Dear [Client’s Name],

We are pleased to inform you of the recent settlement of the claim brought against [Your Company]. The settlement agreement has been reached and the matter is now closed.

The settlement amount of R12,500 includes all damages and costs incurred in the course of the claim. This settlement is final and conclusive and releases [Your Company] from any further liability.

Please find attached the formal settlement agreement for your review. If you have any questions or need further clarification, please do not hesitate to contact us.

Sincerely,

[Your Name]
[Your Position]
[Your Company]
Brick shortage in Transvaal critical

BY TERRY MEYER
Property Editor

MASSIVE brick shortages are being experienced by builders in the Transvaal as a building explosion has hit the main Witwatersrand/Pretoria complex in recent weeks.

In a Homefinder survey this week of leading builders as well as the brick-making industry, homebuilders complained bitterly about the current delays in getting bricks. These delays are causing building delays — and ultimately lead to higher costs.

Merbuild managing director, Dr Willi Kulhanek tells the Sunday Express that there are delays of between 14 to 16 weeks in the delivery of certain types of bricks — which is costing builders extra in those cases where they are unable to pass on the costs.

His own company, however, is fortunate in having access to its own brickyard (owned by the Mercabank group), but at the current rate of expansion, even he will soon have to look outside his own brickyard.

Omega Homes chief buyer, Steve van Rensburg, says that the situation at present is "critical" in the Transvaal. Builders are having to wait up to six to seven weeks in many instances for bricks and he expects the situation to get worse before it gets better.

Wimpey marketing manager, Jonathan Fair, also complains about delays in getting materials from the larger brickyards.

The lion's share of bricks in the Transvaal and Natal today is supplied by the Tongaat-Corobrik group — with all other brickyards small in comparison.

Some builders feel that this very lack of competition in the industry has led to these long delays, but this is denied by the brickmakers themselves.

"The sudden increase in demand for bricks which far outstripped even the optimistic forecasts of Bureau of Economic Research of Stellenbosch University, caught us completely unawares," says Tongaat-Corobrik MD Dick Kemp.

Kemp, however, reassures Homefinder that the position will improve. As from November 1, he says, Corobrik Transvaal will be manufacturing an extra 3½ million bricks a month.
EVERITE

Reinforced prospects

Activities: Manufacturer and supplier of fibre-reinforced cement, pitch fibre and plastic products for the building and construction industries. Has a 40.5% stake in Asbestos Industries, which operates an asbestos mine in the northern Cape. The Swiss Eternit group has 45% of the shares.


Capital structure: 16.2m ordinaries of R1. Market capitalisation: R40.5m.


Cover: 2.0. PE ratio: 7.6.

Return on cap % 19.0 13.1 13.2 14.2
Turnover (Rm) 49.9 64.5 80.4
Pre-tax profit (Rm) 10.6 7.9 8.8 10.6
Gross margin % 22.3 17.9 13.4 15.4
Earnings (c) 34.2 28.0 26.5 32.7
Dividends (c) 19.0 18.0 18.6
Net asset value (c) 343 369 405 433

Everite's strategy of diversifying within the pipe market has allowed the company to improve profitability on higher turnover. Although plant utilisation in many divisions is still below optimum, the company's wide product spread ensured an overall improved profit margin on sales boosted to R80.4m. Operating income was 24.7% up at R9.5m — exactly the same percentage gain as for turnover.

Chairman Hans Thoemi says profits are expected to increase this year as the company is geared to meet any upturn in the building industry. Although demand for the group's building and construction products started picking up towards the latter part of 1978, the major portion of increased turnover stemmed from the acquisition of subsidiaries such as Pipekor and Structural Concrete Products.

This year, the company could feel the impact of the R200m low-cost housing project announced by government in late 1977 and the recent allocation of another R100m to State housing and construction projects. Private sector building plans passed are 30% up on the comparable 1978 period; so with production levels "well below optimum capacity", demand rising, and costs contained, building and construction products should contribute substantially more in the fibre cement division. Although the pipes side of this division could restrain gains, a small increase has a large effect on profits as fibre cement contributes 78.5% of trading profits.

Profits in the concrete pipes division are below management's target because of substantial under-utilisation of capacity in the industry and consequent price-cutting. In plastics the company has bought it off into second place as a PVC producer, with the acquisition of Pipekor, which has helped in reversing the R579 000 loss suffered in plastics last year into a R491 000 profit.

Pitch-fibre pipes, enlarged by the Pipekor pitch-fibre plant, improved profits only marginally due to "technical problems" which have now been sorted out.

Financially the group has come through a severe building/construction industry recession with flying colours although management has not been able to halt the erosion on return on equity. At 14.2% (1979 five years back) the return is unacceptable. Over the past five years turnover has increased 91.1% while pre-tax profit is up only 18.2% over the same period.

Retentions have stuck at about half of profits for some time, with capex never more than R5m in any single year. While the balance sheet is strong, and the company is under-borrowed at the right time, the previously healthy current ratio is thrown out by R6m increase to R17m in accounts receivable.

Cash flow is strong and covers leasing and interest charges a comfortable 5.3 times. For the past three years, however, investors have been getting a return of only 7% on shareholders' funds. Given that no funds are likely to be required for major expansion in the next few years, a case could be made out for reducing the dividend cover.

Although the share seems fully priced at the moment, increased construction industry activity makes the counter attractive at its current 250c.

Hans Thoemi... buying position in plastic pipes

EYERITE: off base

Proportional mortality, accounted for by specific conditions.

Exposure of life, for both males and females: It expresses the number of additional years an individual would be expected to live at birth and 15 years.

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PROPERTY MAIL

A SHARP fall in the rate of increase in building costs was forecast at the renting and distributing conference in Johannesberg organized by the National Development and Management Foundation.

The forecast came from Quantity Surveyor Mr C P de Leeuw.

But Mr de Leeuw said costs in the year to March 1983 could be up by 25%.

He told the conference: “I am of the opinion that the escalation in building costs which has been running at 2% to 3% per month over the last few months will now flatten out to an average of probably 1.5% per month for the next few months and will then hopefully drop to an average of 1.0% a month for a few months and thereafter fall back to the average 1% per month which we became accustomed to before the recession.”

Mr de Leeuw said: “The massive increase in building costs of 19.8% over the last nine months may be attributed to an adjustment back to normality after the severe recession of the past four or more years during which profit margins were slashed, causing lower building costs and during which the productivity of the workforce was higher than usual, causing a further lowering in building costs, at a time when inflation was nevertheless high.”

He said: “It is not only the main contractors who have adjusted their profits but also the sub-contractors.

“Add to this the fact that the productivity of the workforce has now again reduced somewhat due to more jobs being available.

“Add also inflation and the effect of the fuel increase and the 19.5% increase in building costs over the past nine months becomes understandable.

“During the period January 1980 to December 1980 building costs in Johannesberg escalated at an average annual compounded rate of 4.77%.

“During the period January 1979 to September 1979 this percentage increased to 7.2%.

“During the period January 1979 to September 1979 building costs have escalated at an average annual compounded rate of 8.5% — higher than the escalation of the consumer price index.”

Mr de Leeuw said: “The increase in building costs in Johannesberg over the past five years has been as follows:

- During 1976, 10.1%.
- During 1977, 6.7%.
- During 1978, 9.3%.
- From January to September 1979, 18.5%.

But what will happen to building and property now?

Cautionary voices have rightly and sensibly been heard urging that the property upturn is still not a national ‘boom’.

There is clear evidence of a big surge in residential demand in select areas — the northern suburbs of Johannesberg, for example — but the ripple effects have yet to be felt across the board.

Building costs are still rising even if there is hope that the escalation will slow.

But with no investment experts expecting a bigger economic growth rate next year than this 1980 could be another good year for property.

An excellent investment

PROPERTY and building shares on the Johannesburg Stock Exchange generally have proved an excellent investment for those who had the foresight earlier this year to see the first signs of the long-awaited recovery.

The Rand Daily Mail index of property shares rose from 37.9 at the beginning of this year to 91.2 at the end of October — a rise of more than 100%.

The shares comprising the index are Amaprop, GP Props, RM Props, Retco, Sorec and Tuckers.

Although GP Props and RM Props are often speculative targets because of their mining links the six shares give a fair spectrum of the main property groups.

Building shares have shown less dramatic growth but useful investment opportunities have been there.

The RDM index of building and construction shares increased from 692.3 at the start of 1980 to 2395.8 by the end of October.

Shares in this index are Anglo Alpha, Grinaker, Group 5, LTA, Murray and Roberts, Otis, Placer, Plate Glass and PP Cement.

By way of comparison that is less than the overall rise in the industrial share market.

The RDM 100 industrial index rose from 257.6 to 408.1 over the same period.

However, some share sectors which might have been expected to move ahead quickly — such as engineering and stores, for example — have shown a similar pattern to building.

The RDM stores index increased from 224.1 to 417.4 and engineering from 127.7 to 197.8.

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HOME CHEAP HOME

BUILDING costs have been increasing steadily in recent years, and some experts say they are expected to rise by 20-25 percent this year. This week Mr Reg van Rij, managing director of Derreg Construction of Pinetown, put the homebuilder's point of view concerning the increases in an interview with Property Editor Colin Vineall.

"In the course of the climate we have been through, all the parties who represent input to the builder as well as the builders themselves have been cutting their cloth. "Builders' merchants have had their volumes declining but they still have the same mills and factories, the same delivery vans, except they have been thumped by bad debts. The workmen have found employers in a more dominant position in negotiations on labour rates. "Now the industry is coming back, so everyone involved — not just the builder — but the guy who is growing the trees, the manufacturers and the labourers who have been forced to hold back over a five-year period are now saying: 'Let's get back some of yesterday's bad results.'"

Mr van Rij said that one must not look at the increase in building costs in the same way as the rates in consumer product costs, but rather view-as the past five years in the building industry.

"The cost of building a home today is, give or take a few cents, double what it was 10 years ago. But it must be remembered that building is a visible industry. One sees skyscrapers going up or homes being built, and the cost of a home is also the highest single monthly expense in a normal house.

"We get a monthly bulletin from America which shows home ownership costs. The cost of literally an 80 square metre box is anything up to R40 000. For a Westville, typical, three-bedroom, two-garage home, according to the area, it would be R80 000 to R125 000. "The cost of any commodity must be seen relative to incomes. So the valid test is to see whether people can afford to own a home or not is what the consumer's rand bought 10 years ago, and what it buys today.

"The human condition is such that we tend to look at the cost of an item compared with the day before without looking at our salaries. In general, salaries have more or less kept up with inflation. Black wages have gone much higher. "Much more important, one must have a look at the same relationship on buying power in developed, overseas countries. You will discover without any shadow of doubt that South Africans still have the cheapest homes in the world — literally. And why? The main reason is that into our home-building operations today goes a tremendous amount of black labour, and this is still cheap."

Reg van Rij
Builders to put their industry under microscope

Property Editor

THE Prime Minister, Mr P. W. Botha, will perform the official opening of the Building Industries Federation (Bifs) congress in Johannesburg on October 22. A member of his Cabinet, Dr Piet Koornhof, Minister of Co-operation and Development, will be guest speaker at the official banquet the same evening.

Before Mr Botha makes his opening address there will be an introductory speech to the delegates by the president of the host Witwatersrand Master Builders' and Allied Traders' Association, Mr C. A. Robinson, and the Mayor of Johannesburg Councillor J. B. Opperman.

The retiring president of Bifs, Mr D. H. Mitchell, will speak after the Prime Minister, and the congress will get down to work in the afternoon.

The working sessions begin with a review of the energy requirements of South Africa, and potential supplies until the year 2000, by Dr D. J. Kotze, director of the Institute for Energy Studies at the Rand Afrikaans University.

This will be followed by an address by Professor E. Givoni, head of the building climatology division of the Institute of Desert Research, Ben Gurion University of the Negev, and chairman of the advisory committee to the Israeli Ministry of Housing for research on energy conservation and the use of natural energies in buildings.

He will speak on the "consequential effects of the energy crisis on the design and construction of buildings." On the following day focus will be on housing in the 1980s in South Africa, with talks on lessons to be learned on overseas experience by the Secretary for Community Development, Mr Louis Fouche; housing for the lower income group by Mr R. N. Granelli, regional manager for the Transvaal for the Urban Foundation, and housing for the middle and higher income group by Mr Blair Ewing, corporate communications director, Schachter Cullum Group.

Mr D. W. Vifjoen, president of the Institute of Town and Regional Planners, will speak about Atlantis, the huge planned town for coloured people in the Western Cape, while in the afternoon Mr G. H. Beete, general secretary of the white Building Workers' Union, will speak on the preservation of buildings as part of our national heritage.

In the afternoon the congress will take on an international flavour with addresses by speakers from Canada, Britain, America and Australia.

At the conclusion of the congress Mr Bob Stevenson of Durban will be installed as president for the coming year. National vice-presidents will be Mr L. E. Davis (Pretoria) and Mr J. A. Barrow (Witwatersrand).

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Gough Cooper, the only home builder left on the JSE's boards, is painfully caught in the vice of fast-rising building costs and finance-restricted buyers. The company's anticipated profit turnaround from 1978's R220 000 loss is now unlikely before 1980.

Signs at the half-way stage, to June 30, point to the company suffering a greater loss this year, new chief executive Roy Mawson tells me: "In the next 12 months I expect the cost of houses to rise by 20% and although salaries will ultimately rise to cover these increases, the gap between costs and what the public can afford will widen, meaning fewer contracts over the next year," he says.

Results for the half year are expected to be announced in mid-September but, says Mawson, current indications are that inflation has caught up with the company's order book and a loss for the first half is likely. This, it seems, will probably include losses projected into the second half, with the company budgeting for turnaround in 1980.

Without adjusting its target market, which remain as the middle- and lower-income groups, the company is now aiming at providing American-style option housing. "So apart from reducing the time spent on a house, now about five months compared with the previous average of seven to eight months, we will be building the frame with the buyer getting the option to add his own frills or extension later," says Mawson.

What the company must now achieve, he emphasises, is to stabilise costs. The costly effect of time is highlighted by political obstacles encountered in signing up contracts in Coloured and Indian townships. "We are now on the point of signing up five contracts, but because of delays in formalising ownership and bonds we lost almost 30 clients who could not afford the increased costs," says Mawson.

Although the company remains active in township development, completing over 40 houses a month in the Transvaal, no additions are to be made to the current land portfolio, valued at over R8m at December 31, 1978. Holding costs, says Mawson, are now being written off rather than capitalised.

Mawson tells me that two profit centres in the group this year could be the timber and hardware subsidiary Northwest Timber, and contract housing. A contract housing scheme in Uitenhage has been tendered for and, at under R2m, Mawson believes Gough Cooper to be the lowest tender.

At 58c the current share price reflects some confidence in the group's ability to ride out the worst. Whether the price accurately reflects the continuing cash haemorrhage, exacerbated by the 52% debt/equity ratio, will probably only be seen once the interim is announced.

Of more immediate concern to the directors, however, is the company's under-capitalisation and the imbalance of R474 000 long- and medium-term debt compared with R33m short-term loans. Unless the directors are able to shore up the balance sheet with some longer-term financing, a projection of future cash inflow weakness could leave Gough Cooper wide open to a corporate raid. The price already discounts may by 67%.
GROWTH RATE NOW
Civil Engineers in
Head for clash

THE 10,000-MILLION

CIVIL ENGINEERS

BY JOHN SMITH

By the end of the year, the number of civil engineers is expected to exceed 10,000. This is a significant increase from last year's figure of 7,500. The growth is attributed to several factors, including an increase in construction projects and a rise in the demand for engineering services. The number of civil engineering graduates has also contributed to the growth, with a record number of students graduating from civil engineering programs in the past year. The increase in the number of civil engineers is expected to have a positive impact on the industry, leading to increased innovation and progress.
Workers 'need assurance'  

By Frank Jeans

While welcoming the recommendations of the Wiehahn and Riekerl reports, while, coloured and Asian building workers will have to be reassured that their interests will be looked after.

**Bifsa 75**  
**Building plans hit a new high mark**

Bifsa's 70th anniversary congress opening could not have had a better windfall than the latest figures on building activity from the Department of Statistics.

These show, that for the eight-month period of January to August, the value of new buildings passed the R837m mark — R105m up on the same period last year.

**And with the big Government-backed boost in sub-economic housing announced recently — a R42m programme is earmarked for the Johannesburg area alone — the value of new work for the building industry in coming months is certain to break the R1000m target.**

Again, the latest figures reveal the plan factor in all main sectors of the industry, and the improving trend in new home-building is being maintained.

This was one of three main points which Mr. David Mitchell touched on in his presidential address at the opening of the 70th anniversary congress of the Building Industries Federation (Bifsa) in Johannesburg today.

"It is apparent there is a noticeable degree of uncertainty among the white, coloured and Asian workers," said Mr. Mitchell. "The industry must take a lead in reassuring these people that it is not the intention to flood the industry with a surplus of unskilled labour, an effective way to be made of the Wiehahn principle concerning the training of apprentices."

**ONE BODY**

Mr. Mitchell said that with the advent of black trade unions, it would be necessary to develop and maintain a healthy negotiating mechanism.

He called for an end to "fragmentation industrial boards" and in the setting up of one national body for all the industry's workers.

"The creation and development of black trade unions cannot be seen in isolation," said Mr. Mitchell.

Mr. Mitchell believes the most encouraging feature for the industry is the investment in private enterprise was "very strong, and towards returning to the normal levels."

Hopefully, this particular investment would soon reach the stage where it would represent the bulk of the national building programme.

**LEASEHOLD**

"Utens this be achieved," said Mr. Mitchell, "the declared policy of Government to foster and stimulate private enterprise will continue to be in jeopardy."

"The matter will receive serious attention if one of the main branches of private enterprise is not to be allowed to die off to the detriment of the whole system."

Referring to the controversial issue of 99-year leasehold, Mr. Mitchell said it did not seem to be making much headway.

"The industry is permitted by the apparent lack of progress in this regard," he said.
Local opinion

Accurate forecasting is one of the building industry’s most urgent needs. Too often
has it been claimed that housing is the wrong foot as new building activity
predicts. This is not surprising, but the building
industry’s Federation (Bifsa) has enlisted
the aid of powerful new friends of its own.

The Bifsa annual report, presented
at the annual congress in Johannesburg
this week, includes, for the first time, the
opinions of scores of local authorities on
the state of the building market.

Bifsa sees the municipalities as significant
barometers of the building mood and, hopefully, the survey will come out on a
regular basis. Right now, municipal opin-
ion is marginally bullish.

Taken collectively," says Bifsa, "one can say that the analysis is indicative of a
moderate improvement in the fortunes of the building industry over the next year or
so." But that view is by no means unani-
mous.

Only 24% of respondents believe that
prospects for the next 12 months are better. That’s certainly a good deal more
than the 4% who expect things to get
worse, but the majority of councils (72% of respondents) foresee "no change" in
activity. Predictably, the biggest worry is
housing, with 45% of local authorities
reporting shortages.

Mortality rates greater than 5.7/1,000 appear in Table 1. The Asian and Coloured
mortality rates are higher than those of the whites, while the mortality rate for
the black population is significantly lower.

The underdeveloped country mortality rates are summarized in Table E. The
whites show a typical mortality profile, with mortality rates for respiratory diseases
being relatively low. The mortality rate for infectious diseases is also low, while
the mortality rate for accidents is relatively high.

The presentation of cause-specific mortality data in Table 1 provides a more detailed analysis of the data in the form of relative risk.

The importance of the role of Circulatory Diseases in the total mortality is highlighted.

In the underdeveloped country, the mortality rate for infectious diseases is high, while the mortality rate for accidents is relatively low. In general, the mortality rate for infectious diseases is higher than that of the Circulatory Diseases. The reason for this may be due to the fact that the urban population is more likely to suffer from infectious diseases due to the lack of medical services.

The mortality rates for the white population are lower than those of the underdeveloped country, with the mortality rate for infectious diseases being significantly lower. The mortality rate for accidents is also lower, while the mortality rate for respiratory diseases is relatively high.

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Nuwe rekrute vir boubedryf

DIE SYD-Afrikaanse Boubedryf

Outs van Potentieel

Een van die belangrikste uitdaginge van die boubedryf is die aanbieding van nuwe werkgeleenthede. Daar is 'n dringende behoefte aan nuwe rekrute om die bronne te vul vir die toenemende vraag na bouwerk万平方米. Met die toename in die bouactiviteit en die behoefte aan nuwe hulpmiddels en teknologie, sowel as die noodzaak om die vloei van werkgeleenthede te bevorder, is dit belangrik om nuwe rekrute aan te bied.

Die boek om 'n rekruteringstraject te probeer begin met vanouds. Dit begin met die identifisering van behoeftes en noodsaaklike kragtige waardeë wat die bedryf nodig het.지고 Diskusie en sinonome met potensiële kandidate is nodig om 'n beter begrip te verkry van hulle interesses en kwalifikasies.

Verder is dit belangrik om 'n solide en strukturele plan te ontwerp wat die rekruteringstrajecte regmateer. Hierdie plan moet insluit hoe die rekruteerproses en -assessering verloop, asook hoe die kandidate se beoordeling en eindkeuse gemaak word.

Nuwe rekrute vir boubedryf word in die boek bespreek en die belangrikheid van 'n effikasieke rekruteringstraject om die behoeftes van die boubedryf so goed as moontlik te deurvoer.
The expansion of the building industry, which continues to be a major sector of the economy, has led to an increased demand for building materials and services. This has resulted in a significant growth in the number of construction projects being undertaken across the country. As a result, there is a high demand for skilled workers in the building industry, particularly in the fields of carpentry, masonry, and electrical work.

Despite the challenges, the building industry remains a vital sector of the economy, providing employment opportunities and contributing to the overall growth of the country. The sector is expected to continue to experience growth in the coming years, driven by the need for infrastructure development and the expansion of the residential sector.

In conclusion, the building industry plays a crucial role in the development of the economy, providing employment opportunities and contributing to the overall growth of the country. As the sector continues to expand, it is important to ensure that there is a sufficient supply of skilled workers to meet the demand.

Reference:
- Building Industry: Key Statistics (2020) - National Building Council
- Economic Impact of the Building Industry (2021) - Construction Industry Association
come relief from the depressed state of affairs that had persisted for so long, he does not comment on the actual level of business. That sales have, however, improved is seen in BlaJohn's turnover which has risen 20% to $486m and is now at a five-year high.

On this higher turnover the company was able to return improved profits because, says Johnstone, "the busier conditions resulted in a more orderly market and the severe price competition at an economic levels lessened". In addition, the contraction of BlaJohn's balance sheet, to cope with the recession in the industry over the past few years, has stood the company in good stead. Some competitors had insufficient reserves to ride out the reduced level of activity and, as Johnstone says, "the discontinuance of operations by a number of our competitors helped to stabilise the market". To ride out the storm the company reduced its debt: equity ratio from 22% to 24.3% in 1978 and then geared up to 32.3% in 1979 to take advantage of the upswing. Debtors, for example, were extended from 90 days in 1977 to 80 days in 1978 and 81 days in the year under review. This measure would have cost the company a small amount in interest on cash tied up in debtors but would have ensured a continuation, and possible expansion, of market penetration at the expense of competitors.

Now, with business improving and margins no longer under pressure, the company is well placed to finance any expansion necessary to increase turnover and entrench itself in new market segments.

Johnstone hints at possible expansion through loan-financing but he is chary of forecasting this year's growth other than warning that it will not be at the same rate as achieved in 1979.

Although the past five years have seen dividends slide to a low of 5.5c, retentions have been held at a sound level and net worth has grown.

The share price has discounted much of this, and it is probable that the share price may well increase this year.

The share price is relatively tightly held, with 183,000 traded in the last quarter, so buyers could push the price up to an uneconomic level

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**Definition**

- **Gross profit**: Pre-tax profit plus all interest paid.
- **Net debt ratio**: All interest-bearing debt as a percentage of total shareholders funds.
- **Total shareholders' funds**: The total of ordinary, minority and preference shareholders' funds adjusted for the market and/or directors' valuations of investments less intangibles (eg goodwill).
- **Return on capital**: Gross profit as a percentage of capital employed.
- **Capital employed**: Total shareholders' funds plus deferred taxes and interest-bearing debt.
- **Gearing**: Total interest bearing debt plus preference share capital as a percentage of net assets.
- **Net asset value**: Net assets attributable to ordinary shareholders after adjustment for market and/or directors' valuation of investments less intangibles.
- **Return on equity**: Pre-tax profits less preference dividends as a percentage of total shareholders' funds less preference.
- **Current ratio**: Current assets divided by current liabilities.
- **Cash flow group**: Net profit plus depreciation; net retained earnings plus depreciation.
- **Capital commitments**: Contracted and authorised commitments.
- **Gross margin**: Gross profit as a percentage of turnover.
- **Stock turnover**: Turnover divided by the year-end stock figure.
- **Market capitalisation**: Number of ordinary shares multiplied by market price.
- **Earnings per share**: Net profit after tax, minority interests and preference dividends, and after adjusting for non-recurring items, divided by the weighted number of ordinary shares in issue.
- **PE ratio**: The number of years' purchase of latest earnings per share represented by the current share price.
- **Cover**: Earnings divided by ordinary dividends paid.
MORE and more blacks are taking up amateur bricklaying in the townships. The reason? So they can help themselves cut costs, says the Brick Development Association.

The association is setting up more schools in the black townships to meet the demand from people who want to learn the trade and build in their spare time. In Soweto alone over the last two years the centre have been running two-month crash courses in bricklaying. These classes are conducted in Molapo and Orlando.

Another busy centre has been in Kelohe, Natal, where several groups have already qualified as competent amateur bricklayers.

The aim of these lectures is to teach basic skills to a level where the amateur can handle small jobs very skillfully.

Additional centres will be opened in Dobsonville, KwaThema, Mamelodi, Soweto, Tembisa and Atteridgeville. The association will provide instructors and the necessary essential tools for laying bricks.

The ten-week course costs R50 and classes are held in the evenings or on Saturday mornings.

A bricklaying school in action. More and more people are learning to lay bricks so they can improve their homes.

Building societies want guarantees

ALTHOUGH in principle desires of lending directly to more owners in non-independent black states, building societies are mindful of their position of trust, are looking to the fulfillment of certain pre-conditions before they feel free to invest in the areas concerned.

This is stated in a letter released to the Association of Chambers of Commerce from Mr. Wyman Louw, registrar of financial institutions.

In the letter, Mr. Louw said he had recently discussed the matter of black housing finance with the Association of Building Societies.

"Since they accept that the non-independent homelands may develop towards full independence, they require an assurance of central government level in respect of the following matters:

- That the homelands will not, after independence, nationalize land without compensating bondholders.
- That the building societies will remain registered to carry on business in the ordinary manner, that is, as regards both the accepting of investments and the granting of loans.
- That legal processes for recovery of a debt in the event of the default of the borrower will be efficient, and
- That there will be no possible loss as a result of currency changes."

Mr. Louw says building societies are prepared to accept the commercial risk but feel that in respect of the risk mentioned, they need a satisfactory assurance or guarantee from the central government.

"Furthermore, they need satisfactory arrangements in regard to the following matters in order to carry on their business: That owners will have proper title, that the owners will have security of title, that there is in operation an efficient system of title registration, including registration of mortgage bonds, and that there is a free property market."

He added that it had also been emphasized that building societies would only lend on solidly constructed houses in good conditions in recognized townships to borrowers who have an adequate income.—Saps.
Building industry all set to enjoy a lively period

The building industry seems set to enjoy a huge increase in activity in the next year or so. This is based on the latest figures from the Department of Statistics on building plans passed and buildings completed.

Plans passed between January and September this year were 30% higher than in the same period last year.

Rises were from R72.7 million to R95.0 million. And the trend appears to be accelerating.

For September (November’s figures are not yet available) the rise alone was from R81.6 million to R103 million.

All this, however, is in stark contrast to the sluggish level of building completed this year.

The Department of Statistics reports between January and September this year completions totalled R966.0 million.

That was actually down on the 1978 and September figures which reached nearly R971.7 million.

In unit terms the position is, of course, even more depressed because of the increase in costs and building prices during the past year.

So there are signs that the industry is seeing an upturn in activity.

At the 7th annual congress of the Building Industry Federation last month the president, Mr D H Mitchell, said:

"When my predecessor, Mr David Allen, delivered his address to congress a year ago he came to the conclusion and rightly so that the industry had reached the most critical stage in its history."

This pessimistic tone was not only influenced by the low level of activity but also by other problems which beset the industry in that internal and external pressures resulted in construction costs and building prices during the past year.

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4-million house plan for black areas

More than four million houses will be built in black residential areas throughout the country in the next 20 years, according to Mr J H Grotsius, director of the Building Industries Federation of South Africa.

Announcing the scheme that will involve about $320 million, Mr Grotsius said the houses will be built mainly at black residential areas where there is a housing backlog. He said his organisation was willing to take the initiative and implement a proposal by Dr Piet Koornhof, Minister of Co-operation and Development, and built about 4.1 million "better-quality" houses by the end of the century.

Mr Grotsius pointed out that his organisation saw better housing for blacks as a basic must, but the plan to change the face of the country as the scheme was underway.

250 000 job opportunities would be created. He said this will rise as the programme continued.

He added that his executive will meet Dr Koornhof to discuss and finalise plans of starting with the project. The project will also be discussed at Bifa's conference in Johannesburg on November 22.
Bifsa’s brainwave

Prime Minister PW Botha is certainly aware of the magnitude of SA’s black housing problem. At an international conference on housing, in Cape Town last month, he announced that 4,1m houses would be required by the end of the century. This was such a mammoth task that private enterprise had to become involved.

The Building Industries Federation of SA (Bifsa) announced last week that it had written to Minister of Co-operation and Development, Piet Koenholt, asking for clarification. Putting its cards on the table, Bifsa has also announced that it will call a national conference next year to plan the launching of a grandiose scheme to build the equivalent of 40 new cities the size of Johannesburg.

According to Bifsa director Johan Grot-
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**Signs of growth, Bifisa says.**
Bifsa seeks Govt talks on planning

Own Correspondent
DURBAN — The Building Industries Federation has asked for a discussion with the Government to map out specific short- and long-term plans for housing development.

This was revealed by Mr Bob Stevenson, President of the Building Industries Federation of South Africa (Bifsa).

Mr Stevenson, who was reacting to the call by the Prime Minister, Mr P W Botha, for greater economic growth in the rural areas of Southern Africa, said his federation could make a substantial contribution in the housing field.

"The industry has just come out of the worst recession in its history and in order to expand its factors of production many times over, it will require some definite action plans and firm financial commitments measured against a practical timetable that any businessman would understand," he urged.

Mr Stevenson said that in outlining a possible economic strategy, Mr Botha acknowledged that certain obstacles existed. Bifsa, he said, intends informing the Government of these obstacles.

Mr Stevenson added that Bifsa realised that a huge training programme was necessary if any benefits were to be gained from the proposed closer economic co-operation which the Prime Minister was advocating.

"Training will not only ensure a wider distribution of wealth, but will also directly contribute towards overall wealth and will combat unemployment.

"The question of labour-intensive building operations in preference to mechanisation is also receiving the attention of the industry," he said.

Venezuela oil
the market need for information exchange and to generate an effective direction. The presence of economic factors such as competition, the expectation of a price increase, and the need for market strategies, may also influence these decisions. If these factors are present, the exchange of information may occur in an effective manner. However, if there is no perception of market factors, the exchange of information may be ineffective.

The exchange of information can lead to a better understanding of the market, thereby reducing transaction costs and improving the efficiency of the market. If the exchange of information is effective, it can lead to better decision-making. If the exchange is not effective, it may result in inefficient decision-making, leading to suboptimal outcomes.

The presence of effective information exchange is not always guaranteed. In many cases, the exchange of information is not effective due to various factors such as the lack of trust, the lack of understanding, or the lack of communication. If the exchange of information is not effective, it may lead to poor decision-making, resulting in suboptimal outcomes.

2.2. Purpose of Practice: The Options

Profit margins are a critical factor in determining the success of a business. In the healthcare industry, profit margins are particularly important due to the high cost of healthcare services. Profit margins are calculated by subtracting the cost of goods sold (COGS) from the revenue generated by the business. The resulting profit margin is then used to determine the profitability of the business.

Profit margins can be calculated in several ways, including the percentage of revenue, the percentage of gross profit, and the percentage of net profit. Each method provides a different perspective on the profitability of the business. The percentage of revenue method is the most straightforward and is often used in the healthcare industry, as it provides a clear indication of the profitability of the business.

Profit margins are important for several reasons. First, they provide a measure of the profitability of the business. If the profit margins are low, it may indicate that the business is not generating enough revenue to cover its costs. Second, profit margins are used to make decisions about pricing. If the profit margins are low, it may indicate that the prices are too low, and the business may need to increase prices to improve profitability.

Profit margins are also important for investors. Investors use profit margins to evaluate the potential for future growth and profitability. If the profit margins are high, it may indicate that the business has the potential for future growth and profitability. However, investors should also consider other factors, such as the company's financial health and the economic environment, when evaluating profit margins.

In conclusion, profit margins are a critical factor in determining the success of a business. In the healthcare industry, profit margins are particularly important due to the high cost of healthcare services. Profit margins are calculated in several ways, and they provide a measure of the profitability of the business. Profit margins are important for decision-making and for investors, and they should be considered in conjunction with other factors when evaluating the potential for future growth and profitability.
Orders start strong, better, Seifsa reports

Metal and engineering industries continue to show further improvements in order intakes and output levels, Seifsa says in its October business conditions report.

Producers of electrical equipment and domestic appliances are experiencing an accelerated demand for their products which should, the report says, continue through the final quarter.

The building industries supply sector, light metal engineering and sheet metal manufacture are benefiting from the increase in building and construction activity.

The report says the current upswing in the majority of industries which fall under the Seifsa umbrella is also reflected in a 12.7 per cent increase in steel production for the first 10 months of the year compared with the same period last year.

Both producers of pig iron and ferro alloy report satisfactory output levels with export earnings from ferro-chrome expected to reach R300m this year.

On the ferro alloy side producers believe that rapidly rising costs of energy worldwide will enhance the country's competitiveness in world markets.

Seifsa says there has also been some consolidation of recovery trends in the general engineering sector, but that the heavy engineering sector and structural steelwork still remain sluggish.
Building costs expected to rise by 15%

BUILDING costs in 1980 are expected to rise by 15 per cent, Mr Bob Stevenson, president of the Building Industries Federation (BIFSA) has said in a review of the industry.

Prospects for the industry in 1980 were excellent. The economic expansion that showed this year should accelerate. The 1979 figure, which played a paramount role in the economy should remain firm and could advance further. Even increased prices could only strengthen the inherent confidence of the world in gold.

The policy of the government of promoting gold exports as far as possible was a strong factor in the belief that prosperity was coming. At the same time, the recognition of the need to reduce unemployment by encouraging economic growth made for more work in the industry.

“For four years the economy has been almost static and much leeway must be made up, if only to keep pace with natural population growth. Consumer demand is also clearly reviving. The government is committed to the possibility of fulfilling the economic and social aspirations of the black population.”

“Immigration has swung from a positive gain in population over the last couple of months”, he said.

A dramatic symbol of renewed building activity was the reappearance against city skylines of tower cranes used by builders on large projects. For four years this kind of equipment was conspicuous by its absence.

“Demand for building in 1980 can be expected to exceed the 1979 figure by as much as seven per cent. This year should lead to a resurgence in flat building as the economy sets about making up the backlog. The implications are that the authorities should apply more positive stimuli to the flat building situation.”

Saying that labour which left the building industry seldom returned, it was to be expected that 1980 would see the reappearance of skilled labour shortages, which must lead to the payment of premium wages.

“Coupled with other factors this will push up labour costs by 12 per cent next year. Because manufacturers have been able to expand capacity because of considerable increases in the profit margins, which could now be expected to become normal again.

“This fact plus the usual cost components should result in a 15 per cent increase in building costs during 1980.”

Mr Stevenson said that BIFSA’s chief aim was a more efficient labour force leading to a productivity more equal to that of any other industrial sector.

Reviewing 1979, Mr Stevenson said that probably the most significant single development was the announcement of the employment program by the government planned to build 4.2 million houses by the year 2,000.

This would inject at least R20 billion into the economy over the next 20 years.

On the social front the most important events were the publication of the Wishment and Riebert reports which added promise of a new mobility and dynamism in South African labour.

During 1979 building plans were passed by about 20 per cent. Actual building activity was about five per cent higher than in 1978.

Flat building had consistently declined year by year since 1970. “Indications are that serious building is already in a buoyant phase which is surprising if one considers that building costs increased at an average 1.5 per cent a month. Commercial building activity showed a marked revival in the latter half of 1979 and the employment graph showed a rise of about two to three percent.

“Shortages of skilled labour were already developing. Wholesale and administered prices increased during 1979 by more than 13 per cent but labour costs only by eight per cent.”
More work for builders ahead

The Cape building industry has more than R109-million worth of building ahead according to plans passed — R8-million more than last year.

Figures released by the Department of Statistics show the healthy growth in the Cape in the first ten months of this year compared to the first ten months of last year.

Plans passed totalled R109 353 000 this year compared to R101 214 000 last year.

While plans for houses were fewer than last year — 2 785 to 2 971 rising costs forced this year's plans to R52 058 000 as against R44 333 000 last year.

Significantly, plans for flats this year were reduced by half — from 31 to 15.

Alterations and additions to buildings represented a large part of this year's increase in plans passed — R46.5m compared to R35m last year.

Figures for value of buildings completed show a relative marking time with the good times ahead for builders.

The value of buildings completed during the first 10 months of this year compared to the same period last year was the same — R 75m.

The number of houses completed in the Cape metropolitan area was almost the same — 2 232 to 2 309. However the number of flats dropped sharply from 478 to 108.
Sales flying high in brick industry

SOUTH AFRICA'S R200-million brick industry is recovering smartly from the doldrums of the past few years — a sure sign that building is heading towards a prosperous period following one of its worst depressions since the 1930s.

And since the building industry is widely regarded as among the most reliable barometers of economic activity, the encouraging brick sales pointers confirm that the country's economic recovery is gaining momentum.

Cedric Savage, managing director of Tuncor, South Africa's largest brick manufacturer, says that the group's sales in the Transvaal have reached a level 25% higher than a year ago. Turnovers in Natal and the Western Cape are around 10% up.

Tuncor's stocks in the Transvaal (at all types of bricks are at present only 30-million — equivalent to three weeks' production at current rates — compared with a figure of 61-million at the beginning of the year.

"The industry's recovery is being led by the Transvaal," says Mr. Savage. "But there are distinct signs that the rest of the country is following suit.

History has shown that the Transvaal leads the other provinces by around four months and we accordingly expect the industry to be enjoying a country-wide boom early in 1960."

He adds that the order position for the first couple of months of next year confirms these observations.

The supply situation in the Transvaal has reached crisis proportions, with demand now outstripping supply.

As a result, Tuncor is making strenuous efforts to increase supply by expanding its existing production facilities, and taking previously closed-down factories out of mothballs.

Mr. Savage believes that once these steps are implemented, Tuncor's production capacity will be capable of coping with the present level of demand. But he adds the rider that if demand continues to expand at anything like its present rate, an undersupply situation will unquestionably recur.

We are therefore seriously considering the establishment of new factories in the Transvaal — a step which we cannot take lightly in view of the high capital cost of such units (some R4-million to R5-million apiece), and the fact that our industry tends to go from one extreme to the other.

A new plant would be capable of producing 48-million bricks a year. This is a relatively small volume and is seen against the background of Tuncor's annual production of 1,400-million bricks.

Yet viewed in the context of the present deplorable balance between supply and demand, two or three of such plants could well close the gap and produce a salutary effect on Tuncor's earnings.

The higher demand for bricks has emerged largely as a result of block housing developments being undertaken by the public sector and the gold mines.

Of total current demand, 50% emanates from the Transvaal, 8% from the UFS, 17% from Natal and 25% from the Cape.

Bruce Ann, chairman of Brick & Clay Holdings which owns a number of brick factories, said that during the course of 1969 his company had reduced its brick stockpiles by 40% and had increased production by 10%.

On the other hand, he stressed, 1959 was not a good year for his group's brick interests since it was only in the past two to three months that demand picked up to any marked degree.

He, too, expects more buoyant conditions in 1969. Brick & Clay is gradually taking up excess capacity. It has "some way to go" before reaching its physical production limits.
Construction costs set to rise 15 percent

DESPITE the many expressions of confidence and revival in the building industry, the Building Industries Federation believes that actual building activity was up by only five percent on 1978.

This is disclosed in a year-end statement by Bob Stevenson, president of Bifa this week.

Stevenson says 1979 saw the emergence of various trends which had a positive bearing on the state of the industry.

The pattern of demand for building showed a significant increase and building plans passed increased by about 30 percent.

But Stevenson warned that this figure must be seen as the intention to build and not actual building activity. Some projects could be abandoned and there is also the time lag as plans work themselves through into bricks and mortar.

Although the employment graph showed a rise of only between two and three percent during the year, Bifa members reported that shortages of skilled labour were already developing.

Stevenson said building costs increased by about 15 percent a month, and yet labour costs rose by only eight percent.

He believes the most significant single development for the building industry in 1979 was the announcement that the Government planned to build 41 million homes for blacks by the year 2000.

Stevenson remains optimistic about 1980 and said the demand for building could be expected to exceed the 1979 figure by as much as seven percent. This year should lead to a resurgence of flat building as the economy sets about making up the backlog.

The reappearance of skilled-labour shortages would lead to the payment of premium wages and coupled with other factors this could push up labour costs in 1980 by 12 percent.

As with all other industries, cost increases will continue to be a yearly feature of the building industry, he says, and next year's increases should add up to no less than 15 percent.

Bifa's "positive answer" to the inflating labour costs is planned intensive training for every level of its labour force in a programme scheduled over the next 20 years.