

▶▶▶ NEW TECHNOLOGY AND SOPHISTICATED COMMUNICATIONS INFRASTRUCTURE CAN HELP BRIDGE THE GAP BETWEEN THE NATION'S FIRST AND SECOND ECONOMIES WITH PROFITABLE AND EXPANDING ICT NETWORKS ENABLING GREATER SOCIAL COHESION

Deregulation opens competition for social connection

Complete with some of the latest in wireless, fixed-line, satellite and cellular technology, South Africa boasts a large and developed telecommunications network. Many areas which previously lacked coverage now have wireless technologies available to them as business becomes increasingly competitive among local providers.

The cellular market, for one, is now the fourth fastest growing Global System for Mobile Communications (GSM) market worldwide. International companies are heading to South Africa, including Virgin Mobile, which launched its services in June. Today there are more than 14 million mobile-phone and 5 million fixed-line subscribers nationwide.

Meanwhile, new information and communications technology (ICT) is becoming widely available and user-friendly. From Public Information Terminals (PITs) to Multi-Purpose Community Centres (MPCCs), South African communities are gaining access to ICT. The World Bank is co-funding projects aimed at developing tele-medicine, tele-health, tele-education and tele-agriculture. Another project in the pipeline includes a partnership with Microsoft to produce computerized languages in all of South Africa's 11 languages.

Work remains to be done. The government is looking to reduce high telecoms costs and change its regulatory environment. The African Connection Project, for example, is set to restructure the sector through new policy and regulatory frameworks that facilitate investment. Also, historically the sector had had little competition since Telkom, the largest provider in Africa, had a mo-

nopoly. Now its deregulation is opening up gaps for other wireless broadband and data service providers. Emerging on the scene is Vodacom, a joint venture between Telkom and Vodafone that showcases foreign investment in South Africa and provides GSM service to more than 21.5 million customers on the continent. A successful South African multinational well established in the market is MTN, which has GSM networks in eight African countries and 17 million subscribers.

In the interview that follows, the South African Minister of Communications, Ivy Matsepe-Casaburri, talks about the ministry's goals, the importance of the sector and the challenges that lie ahead.

What do you consider to be the ministry's primary objectives?

We have made a lot of progress, but we still have a long road ahead of us. Right now, costs are too high so our main goal is to achieve affordability. We also hope to connect local and national governments, which means linking more than 200 municipalities. We are also working with the Departments of Labor



IVY MATSEPE-CASABURRI
Minister of Communications



The government is set to restructure the ICT sector to facilitate investment to promote user-friendly telecom access across the nation.

and Education to install internet access in all of South Africa's schools by 2013. We have to work on improving infrastructure and facilitating signal distribution to all of the nation's provinces and ensure that every language station is available in its relevant province.

How important is communications in bringing historically disadvantaged people into the mainstream economy and society?

The ICT sector plays a key role in social cohesion. It is a vital instrument because it promotes a better understanding of democracy, and it makes

a contribution to the process of nation building. Also, the sector is one of the most successful in terms of effective implementation of the Black Economic Empowerment (BEE) Code.

What are the biggest challenges that lie ahead?

Accessibility and bringing down the costs for national and international businesses are probably our greatest tasks. We have to make the sector more competitive to reduce prices. The Independent Communications Authority of South Africa (ICASA) works to promote affordable telecoms services and promote

new players in the industry. Another challenge is digitalization, which is important because it gives us the potential to reach people in a wide range of languages. Then content becomes a challenge. We must decide what content to develop and how, again in all 11 languages. Currently we are working with other governmental departments for content on health, education, culture, science and technology. Broadband will not really work unless you have the proper content and it is key for our development. It not only allows for the liberalization of the market, but also opens up all kinds of opportunities.

LEADING ISP MWEB ADDS VALUE FOR BUSINESS

Putting South Africa online for growth

FOR THE LAST eight years MwebAfrica has been pioneering developments in the communications sector, and has grown into the top internet services provider (ISP) not just in South Africa, but also in all of the sub-Saharan continent.

Mweb prides itself on delivering premium, reliable internet products and services to its clients and businesses, especially the small and medium-sized business segment. The company's benefit-driven solutions are aimed at ensuring the internet adds value to business processes and enhances the consumer's ability to communicate, access information and make transactions. The firm's CEO Kim Reid confirms, "As the internet grows in South Africa and in Africa, Mweb will evolve from a company that primarily provides con-

nectivity into one that provides both connectivity and more value-added applications like search engines, e-commerce, instant messaging, etc. We want to become the Yahoo of Africa."

The company has various divisions, which include a joint venture with its sister company Media24, a B2B and e-commerce business called CommerceZone, and a mobile division which delivers content to GSM mobile phones. Mweb is also on the verge of delivering DVB-H service to its clients, a new technology which broadcasts content to a mobile phone. Meanwhile, the business branch is responsible for internet, application and content services, web development, e-commerce, e-procurement and consultancy, and has connected more than 75,000 clients.



KIM REID
CEO of Mweb



SAM GULUBE
CEO of Universal Services Agency

UNIVERSAL SERVICES

Community access points bring ICT to rural doorsteps

IN ITS ONGOING battle to fight poverty and create jobs, the Universal Services Agency (USA) is a vital empowerment tool for disadvantaged communities by promoting an enabling environment to achieve universal service and access to information and communications technology (ICT) services. Sam Gulube, USA's CEO says, "ICTs have brought opportunities to our people's doorsteps in rural areas."

The agency builds telecenters, or ICT community access points in remote areas, and cyberlabs, or school-based computer labs. Both provide e-education, e-health, e-government services, and e-business development of small, medium and microsize enterprises (SMMEs) to facilitate socio-economic development. Likewise, community e-readiness programs prepare people to use the ICT to which now they have access.

The advantages are endless. People no longer have to travel long distances to apply for ID documents, they can develop their own websites and they can get a degree online. Mr. Gulube says, "Through these programs, people advance themselves. We're enabling them to access information about job creation, opportunities, education, health and business development."

Furthermore, in 2004 USA donated more than \$700,000 to four SMMEs to increase their telecom infrastructure in under-served areas. The agency has set aside \$7 million in subsidies and grants aimed at giving black economic empowerment enterprises a kick-start to roll out facilities.

Contributions from national telecommunications operators make USA's programs financially viable; however, the agency also collaborates with other companies. It recently signed an agreement with Microsoft, which is donating software to telecentres, and USA will work with local companies like MTN and Vodacom to create networks nationwide.



WE'RE NOT JUST BROADCASTERS. WE'RE BUILDERS.

When you're tasked with building a winning nation, you take that task very seriously. You do it with pride and vigour. You do it because the building of a winning nation is everybody's duty and you're just honoured to do your bit. That is the stance that we as South Africa's public service broadcaster have taken. We've committed ourselves to bringing the South African dream to life. We want everybody to know that South Africa has the potential and the resources. We want people to see that only through working together can we reach our full potential and become a great nation. A WINNING NATION. Vuka, South Africa. Vuka Sizwe.

SABC



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South Africa

GAUTENG AT THE FOREFRONT OF THE NATIONAL ECONOMY

Powerhouse focuses on digital innovation

Major international ICT companies have identified with Gauteng's spirit of creativity and intelligence to make the province their African base

IT MAY BE the smallest of South Africa's nine provinces, but Gauteng is an economic powerhouse. Having shifted its financial focus to sophisticated sectors like information technology (IT), telecommunications and industrial research and development (R&D), Gauteng is increasingly becoming the nation's technological hub.

Appropriately dubbed the "smart province", it is home to two thirds of the nation's ICT sector. Companies like Microsoft, Hewlett-Packard and IBM all have headquarters there, and others are following suit. Gauteng's Provincial Government maintains that it is especially attractive because it has low operating costs and lower capital investment requirements, allowing the region to adopt new technologies quickly.

With an ideal location, Gauteng has been more than prepared to join the dig-

ital revolution and be molded into a South African Silicon Valley. High tech plants have easy access to the Johannesburg International Airport for imports and exports, there's an abundance of land for construction and factories are used for IT plants. Goolam Ballim, Chief Economist at Standard Bank, says, "Gauteng is knowledge-centric, technology-centric and at the forefront of the South African economy."

Gauteng has forged ahead because it has the ability to innovate and apply knowledge to create new products and services. Local high-tech companies are coming up with competitive software solutions, and the province has strong IT, communications and transport infrastructure, not to mention skilled and well-informed technical people. Information is indeed one of Gauteng's strategic resources, as seen with its Blue IQ program, a multi-million dollar initiative set to develop smart industries, tourism and high value-added manufacturing.

Cultural industries likewise have great potential to encourage or to be sources of innovation and technological development. According to the Gauteng Tourism Authority (GTA), business tourism contributes \$2.9 billion to the South African

economy. To accommodate the influx of people, the province has high-tech telecommunications infrastructures linking the country to the rest of the world, as well as the highest number of internet service providers. Business travelers have world-class access to internet through local providers while hotels offer digital telephone lines capable of data transfer.

As the information, communications and the entertainment industries have all experienced a digitalization of content, the film industry is no different. The Gauteng

Film Office (GFO) markets new productions in the province, which is truly an up-and-coming film site. It offers lower production costs, highly skilled technicians, world-class facilities, well-established and equipped post-production digital facilities and graphics, audio and animation houses.

Gambling is also reaping the rewards of ICT. With a growing income and six casinos open for business, the sector is developing its technology at such a pace it's difficult for regulators to stay abreast.



The province has a reputation for its ability to apply knowledge and new ideas.

BLUE IQ FUSES TALENT WITH OPPORTUNITY

Experts making things happen in the smart province

SOUTH AFRICA'S GAUTENG province boasts the largest regional economy in South Africa and thus plays a vital role in the national economy. An innovational capital, Gauteng is the nation's "smart province". In an effort to validate this label and sustain its prosperity, the region's government partnered up with the private sector and the national government to create a multi-million-dollar investment initiative called Blue IQ.

The initiative calls for the development of economic infrastructure for projects in "smart" industries which include tourism, high value-added manufacturing, logistics, and information and communication technology (ICT). Blue IQ essentially acts as a catalyst to stimulate growth, create jobs and promote strategic private sector investment in these key areas.

Through its various programs, Blue IQ also enhances the province's cultural identity, expertly fuses science and entrepreneurial business talent and provides the necessary resources and support to build sustainable enterprises. Nomhle Canca, CEO of Blue IQ, says, "We are the vehicle through which the province makes things happen. We are the drivers."



Local and regional government in partnership with private industry are stimulating new projects.

With hundreds of projects already under its belt, Blue IQ has several current projects. One is a business tourism proposal called Constitution Hill, which aims to create a world-class heritage tourist attraction to boost the sector.

The Automotive Supplier Park (ASP) and Automotive Industry Development Centre (AIDC) plan is part of the value-added

manufacturing segment and zeros in on increasing global competitiveness in the industry. ASP improves efficiency of the supply chain in an industry with exacting standards of manufacturing, while AIDC offers world-class services for automotive design and testing, human resources, and research and development.

In a similar vein, the Johannesburg In-

ternational Airport Industrial Development Zone is set to provide efficient import and export duty-free zones for high value-added manufactured goods.

In terms of logistics, Blue IQ includes a plan for a City Deep Transport Logistics Hub, a world-class rail and road-based inland logistics hub which will contribute to the growth of the region's manufacturing sector. The hub would optimize the supply chain for export-focused industries while lowering input costs for Gauteng-based manufacturers.

Projects under way in the ICT sector include a 120,000 m² Innovation Hub, set to be Africa's first science park. Also in the sector is the Blue Catalyst, designed to promote successful commercialization of sustainable start-up technology and knowledge-based businesses in Gauteng. Blue Catalyst has a portal that matches entrepreneurs with the skills they require and a fund which encourages venture capitalists to co-invest in technological ventures in their early stages. Mr. Canca confirms, "What you will see clearly in our projects is the concept of localization through the creation of harbors that encourage the development of technology."

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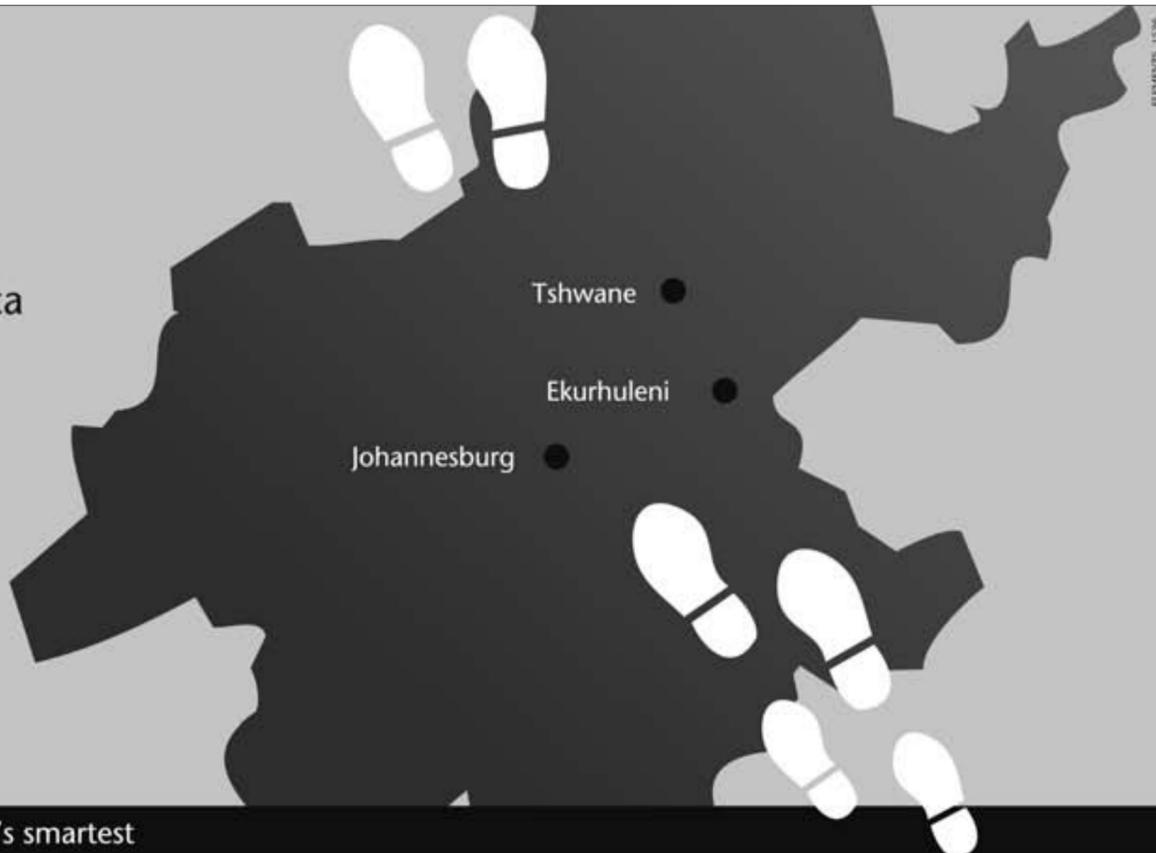
Intercom UK Ltd
Regus - St James's Park
50 Broadway
London, SW1H 0RG
Tel: +44 20 7629 5870
Fax: +44 20 7629 5337
www.intercom-uk.com

Project Directors:
Alexi Fernandez
Justin Bonnett
Project Coordinator:
Mary Blackwell
Project Assistant:
Catherine Louvier



High-tech Gauteng is on its way to becoming a South African Silicon Valley.

Enter Gauteng, Enter Africa



ICT in Gauteng counted among the world's smartest

Gauteng is the economic powerhouse of South Africa and the African continent. The province is home to two thirds of the Information and Communication Technology (ICT) sector. South African ICT is the largest in Africa and the 20th biggest in the world, estimated at US\$3.8 billion. At only 0.6% of the world market, Africa's untapped ICT potential beckons. That's why Microsoft, Hewlett-Packard, IBM, ICL and Unisys and local giant Dimension Data, have all made Gauteng their home. They take advantage of low operating costs and the rapidly growing local ICT market and also utilise the Globally Competitive City Region of Johannesburg, Tshwane and Ekurhuleni, as the perfect entrance to African markets. So if you're in ICT and you are looking for rapid growth, bring it to Gauteng and enter Africa. It's the smart choice.

www.geda.co.za
Telephone : +27 11 833 8750
Facsimile : +27 11 833 8930
Email : info@geda.co.za



South Africa

TELKOM'S SERVICES IN BIG DEMAND

Part and parcel of the new African regeneration

Regarded as the backbone of the ICT sector, South Africa's second-largest listed company has seen its value triple based on its stability, performance and track record

TELKOM MAY HAVE started out as the national telephone carrier in 1991, but it has grown into the largest and most dynamic communications services provider in Africa and garnered a reputation as experts in the field. Boasting world-class infrastructure, it provides innovative solutions to a wide range of customers, staying on top by investing in new technologies and integrated support systems.

After more than a decade in the business, Telkom has a proven track record and leading market position in fixed-line, mobile, international gateway services, broadcasting, satellite, e-commerce, data and VANS (value added network services). The firm currently ranks as one of the top two internet service providers (ISPs) in the country, and its residential ADSL services are considered to be South Africa's top broadband offerings.

Capitalizing on its top position, Telkom is looking to expand into the rest of Africa and abroad by partnering up with companies in Europe, Asia and America. It currently has a joint venture with Vodafone at Vodacom and is looking to introduce Vodacom into other parts of the continent. Papi Molotsane, the company's CEO, says, "We have to look at opportunities in other parts of Africa to

make a footprint for ourselves, and to be part and parcel of the new African regeneration."

Telkom is on the right track, as its successes are anything but few and far between. It was the driving force behind the fiber-optic system SAT-3/WASC/SAFE which improved South Africa's international connectivity and helped to reduce the country's reliance on foreign operators to route international traffic. Data site management, on behalf of corporate and business customers, registered a 55 percent increase from 2003 to 2005, and there was a boom in demand

for Telkom's managed data networking services. Furthermore, since the company's initial listing on the JSE Limited, Africa's largest stock exchange, its share price has skyrocketed 284 percent. Now, as South Africa's second-largest listed public company, its share price since 2003 has more than tripled in value, a numerical testament to the firm's financial stability and track record in its growing market share. With a market capital of \$12.3 billion as of March 2006, it's no surprise that Telkom is considered to be the backbone of the convergence of the ICT sector.

But technology aside, the company also invests heavily in its workforce, highlighting the importance of building a strong skills base by financing training in technical, business, marketing and customer service. In the 2004/5 financial year, Telkom invested \$56 million in South African ICT, the largest investment in the sector to date. Its ultimate goal, however, is to contribute to the development and upgrading of Africa's communications capacity and play a key role in South Africa's economic development. That's why Telkom, a champion for the Broad-Based Black Empowerment Initiative (BEE), is considered to be the top black empowerment company in the country with the most diverse workforce in terms of gender, race and culture in the sector, as rated by Financial Mail and Empowerdex.

The BEE initiative, which incorporates historically displaced or disadvantaged individuals into the workforce through comprehensive training, helps South Africans create a platform for personal financial growth. "For us, BEE will ensure the success of the economy by bringing in more black players," Mr. Molotsane confirms. Over the last few years, the percentage of black and female employees in leadership positions has surpassed 60 percent. As of March 2005, Telkom had 30 small, medium and micro black suppliers (SMMEs) and 49 large black-owned suppliers on its books.



Telkom is considered to be the top black empowerment company in the country.



'The pulse of Africa's spirit' fulfills its mandate to inform, educate and entertain.

SABC COMMITTED TO TRANSFORMATION

The benchmark for equity in the workplace

AS THE NATIONAL public broadcaster, South Africa Broadcasting Corporation (SABC) is the continent's largest media company. Its 20 million listeners can tune into 11 national languages, even in areas with limited access. Comprising public service, commercial and pay-TV channels, radio stations and various multimedia operations, SABC weighs in as one of the world's largest broadcasting organizations.

SABC's programming aims to reflect national opinions, values and artistic creativity. From children's shows to religious programs and from international to national events, its broadcasting serves diverse language and cultural groups and offers a plurality of views and a variety of news, information and analyses. It plays a vital role in promoting South Africa as a world-class tourist destination and attracting investors. Dali Mpofo, the company's CEO, confirms, "In educating the public, we have the important role of ensuring that we reflect the world to the nation and the nation to itself."

The company is considered a benchmark for others in South Africa, especially for its "corrective action" policies which advance the historically disenfranchised and disadvantaged, such as blacks, women and the disabled, and promote them to managerial positions through comprehensive training programs. While investing in human capital, the corporation looks to promote Black Economic Empowerment opportunities (BEE) and employment equity. SABC has grown tremendously over the years because of its resources, capital and training, posting the largest profits in its 70-year history in 2005.



LEAPEETSWE PAPI MOLOTSANE
CEO of Telkom



DALI MPOFO
CEO of SABC

Africa's largest communications services provider

Operating as a commercial company since October 1991, Telkom has grown into the largest communications services provider in Africa based on operating revenue and assets. The Group, consisting of the fixed-line company Telkom and a 50 percent shareholding in mobile operator Vodacom, was listed on the JSE Limited (JSE) and the New York Stock Exchange (NYSE) in March 2003.

Since then, the performance of Telkom's share price, which has grown some 475% in value since listing in 2003, reflects Telkom's financial stability, track record in growing market share, and ability to balance the pursuit of growth opportunities with the interests of employees, customers and communities.

Telkom is one of the top 185 companies listed on the JSE Limited, which is the largest of Africa's approximately 22 stock exchanges and ranks 15th in the world in market capitalisation.

The Group's market capitalisation as of 30 September 2005 stood at R68.7 billion placing Telkom in the top 10 of JSE-listed companies.

Telkom is also included in the JSE's Socially Responsible Investment (SRI) index, which measures companies' triple bottom lines of environmental, economic and social sustainability.

Across the spectrum of Telkom's markets, customers are recognising the value of doing business with a services provider that manages its own business well, is financially sound, has the resources to invest in new technologies and infrastructure, and offers a full range of fixed and mobile communications solutions.

We offer business, residential and payphone customers a wide range of services and products, including

- Fixed-line voice services, including subscriptions and connections services, local, long distance, fixed-to-mobile and international voice services, interconnection and hubbing communications services, international voice and Internet protocol services, subscription based value-added voice services and customer premises equipment sales;
- Fixed-line data services, including domestic and international data transmission services, such as point-to-point leased lines, ADSL services and packet-based services, managed data networking services and Internet access and related information technology services;
- Directory and wireless data services through our Telkom Directory Services and Swiftnet subsidiaries; and
- Mobile communications services, including voice services, data services and value-added services and handset sales through Vodacom.

The Telkom Group continues to invest intensively in new technologies and network infrastructure. The focus is on investments that drive business growth and support customer service improvements and operational efficiency.

Convergence is a dominant force in the ICT sector. Telkom is making the transition to an IP-dominant Next Generation Network (NGN) that will support voice, data, video and television services.

Telkom's future focus is on being a leading customer and employee centred ICT solutions service provider.

