

South Africa

Alive with possibility

COUNTRY PROFILE

AREA: 470,462 sq. miles

POPULATION: 42.7 million

MAIN CITIES: Pretoria (administrative center); Cape Town (legislative center); Bloemfontein (judicial center); Durban, Johannesburg

GDP: \$160 billion (2003). Growth Rate: 1.9 percent (2003 est.) Per Capita: purchasing power parity US\$10,700 (2003 est.)

NATURAL RESOURCES: gold, chromium, antimony, coal, iron ore, manganese, nickel, phosphates, tin, uranium, gem diamonds, platinum, copper, salt, natural gas

INDUSTRIES: mining, automobile assembly, metalworking, machinery, textile, iron and steel, chemicals, fertilizer, foodstuffs

MAIN EXPORTS: gold, other minerals and metals, agricultural products, motor vehicles and parts

MAIN DESTINATIONS OF EXPORTS: UK, US, Japan, Germany, China, Italy

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Intercom UK Ltd
12, St James Square, London
SW1Y 4RB, United Kingdom
Tel: +44 20 7629 5870
Fax: +44 20 7629 5337
www.intercom-ltd.com

DIGITAL VERSION:
www.nytimes.com/global/southafrica
Commercial Management:
Virginia Cortavirtate
Editorial Content: Olav Adami

▶▶▶ **ASTABLE, PROSPEROUS DEMOCRACY, SOUTH AFRICA IS THE AFRICAN CONTINENT'S ECONOMIC AND MANUFACTURING POWERHOUSE AND A GATEWAY TO TRADE AND INVESTMENT OPPORTUNITIES**

Growth, development and modernization are at the top of the agenda

As South Africa begins its second decade of democracy, the national mood remains buoyant and positive. There is a continuing sense of optimism, with opinion polls showing that up to 90 percent of the population believe the country is going in the right direction. Business and consumer confidence are reported to be at their highest levels since the 1980s.

Since the end of apartheid in 1994, South Africans have embraced economic, political, and social freedom with enthusiasm. After the huge progress made over the past ten years, the economy is moving toward a higher trajectory of growth and development. Freed from the shackles of a politicized economy designed to benefit only a minority of the population, today's South Africa is firmly focused on inclusion, empowerment, and equity.

Macroeconomic stability, increased competitiveness, and improved production provide a strong foundation for the future. President Thabo Mbeki, who returned to office in April for his second five-year term after the country's successful third round of democratic elections, has promised "even greater advances." Growth, development, and modernization are at the top of the

African National Congress (ANC) administration's agenda, as it works to raise the rate of investment in the country and reduce the cost of doing business.

Particular attention is being paid to encouraging the further growth of small, medium and micro enterprises (SMMEs), and to empowering sectors of the community that have hitherto been marginalized. The government is committed to a vigorous implementation of policies of urban renewal and rural development through an expanded public works program aimed at creating one million jobs and to the expansion of micro-credit.

"Our aim is to involve more and more people in economic activities," says Minister of Trade and Industry Mandisi Mphahla. "That means giving people skills, enabling them to start small and medium enterprises and solving the problems of access to finance. We are growing the size of our economy, opening up more and more opportunities, and in that way we will be able to achieve true empowerment which is inclusive of large numbers of people."

South Africa has the biggest and one of the most diverse economies on the African continent. GDP is forecast to increase gradually over the next few years. In the first half of this year the economy grew by more than 3 percent, with expansion in sectors across the board, from agriculture and manufacturing to services. The second quarter of the



Johannesburg is Africa's most powerful commercial center—almost 75 percent of South African firms have their headquarters there

year marked an increase in real gross domestic product for the twenty-third consecutive quarterly period—the longest period of uninterrupted quarter-to-quarter growth since the data became available in 1960.

According to the South African Reserve Bank, the country's central bank, the trajectory of growth has steepened noticeably since the second quarter of 2003, with each quarter's growth rate being higher than the one preceding it.

Higher economic output has been stimulated by lower interest rates, the government's prudent fiscal policy, and higher international prices for commodities.

Export volumes have risen considerably, with growth in mining exports led by platinum and coal, and increased foreign demand for the country's manufactured products.

Alec Erwin, Minister of Public Enterprises, says, "There are not many nations around with a track record like South Africa's for solving problems, building a nation and reforming an economy. The economy has performed well and will continue to grow. The important thing, as the President has said, is that we focus both on the need to be highly competitive and on the need to eliminate poverty—that we do not lose sight of what the job of the government is, which is to improve the lives of its people."

Foreign investment is virtually unrestricted in South Africa with all business sectors open. Investors benefit from a competitive marketplace, an efficient business climate, low labor costs, excellent infrastructure, and low cost electricity.

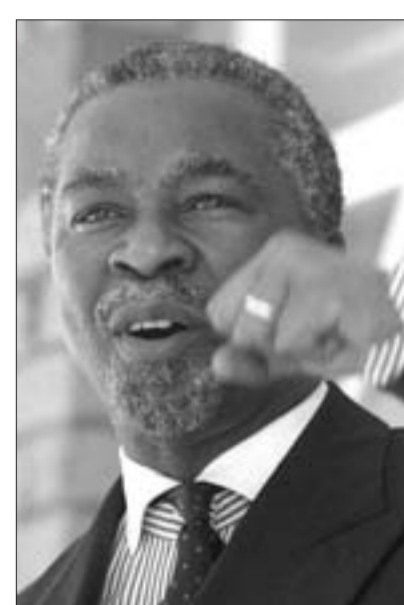
Incentives include zero rating for value added tax (VAT) on exports of goods and services and relief from various customs and excise duties, and there are special tax benefits for investors in strategic industrial projects.

South Africa's infrastructure is modern and efficient and among the best on the African continent, making it an excellent base for accessing regional and international markets. The selection of the country by FIFA as the venue for the 2010 Soccer World Cup is prompting a new look at the transport system.

"This opportunity will help us to pump money into infrastructure development and expand our transport networks," says Minister of Transport Jeff Radebe. The focus is on upgrading the national logistical system by improving the links between rail, road, airports, and seaports.

South Africa has good relations with its regional neighbors and is a key player in conflict resolution and moves to advance African socio-economic development. As President Mbeki says, his country remains committed to "building a peaceful, democratic and prosperous Africa."

South Africa is a fully-fledged member of the South African Customs Union (SACU) and the Southern African Development Community (SADC), and during its recent tenure as chair of the African Union, successfully intervened to bring peace in the war-torn Democratic Republic of Congo and Burundi. It is a driving force behind the New Partnership for African Development (NEPAD) and the



PRESIDENT THABO MBEKI says his second term will bring even greater advances

new permanent seat of the Pan African Parliament (PAP).

Wiseman Nkuhlu, Chairman of NEPAD's Steering Committee, says that it is almost inevitable that South Africa plays a leading role in Africa's socio-economic development and that investment by South African companies into neighboring countries has a positive effect.

"South Africa stands to benefit from improved stability on the continent because it has a private sector that can invest in African countries," he says. "South African companies are moving into Africa and acting as a kind of catalyst, showing that you can make money in countries like Malawi, which encourages companies from other parts of the world to come in."

Focus on manufacturing as exports continue to rise

HISTORICALLY, South Africa has relied on primary commodities such as gold, platinum, and diamonds as its major earners of foreign exchange. Today, however, value-added manufactured products are making an increasingly significant contribution to the country's export success.

Expanding the base of the economy by growing the manufacturing base and developing industry is a key government objective. The sector has grown substantially and now accounts for approximately 28 percent of GDP.

Although the resources sector remains important, manufacturing and high tech-

nology manufacturing industries are increasingly seen as offering the greatest opportunities for growth and job creation. In several specialized sectors, such as railway rolling stock, synthetic fuels, and mining equipment, South Africa is now regarded as a world leader.

The automotive industry in particular has come a long way in the last decade. As the leading industry in the manufacturing sector, it contributes 6.6 percent to GDP, and at present South Africa is responsible for approximately 84 percent of Africa's vehicle output. Automotive exports have risen to around 15 percent of total exports by val-

ue, from just 4 percent in 1995, and have overtaken that of South Africa's exports of gold.

"Our exports are much more diverse than they were ten years ago," says Mandisi Mphahla, Minister of Trade and Industry. "Gold now forms a reduced percentage of the total because you are seeing more and more value-added manufactured products getting into the export basket."

The level of exports has risen substantially as South Africa has become increasingly integrated into global markets after decades of isolation under the former

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South Africa

Land reform is a key component in the development of the agricultural sector

WITH a huge diversity of agricultural production made possible by its wide variety of climatic zones, South Africa has a well-developed agricultural sector that provides for most of its domestic food needs and enables it to export corn, wool, sugar, peanuts, tobacco, and other farm products.

Land reform—deracialization and redistribution of wealth in the agricultural sector—is an issue at the heart of South Africa's progress toward a more equitable and inclusive society. The apartheid era left white farmers controlling more than 80 percent of the arable land and restricting almost 80 percent of the population to the remaining 20 percent. The need to broaden land ownership, and at the same time to increase overall agricultural productivity, remains one of the most important challenges the country faces.

The land reform program is run on a fair price, willing-seller-willing-buyer basis, and the government has sought to build a consensus around its implementation. "That is something that has been unique to South Africa," says Angela Thoko Didiza, Minister for Agriculture and Land Affairs. "We wanted to ensure that the majority of South Africans would be behind the government's program."

The program has three components: land restitution, to restore land to the victims of forced removals between 1913 and 1994; land redistribution, to transfer 30 percent of agricultural land to black people; and tenure reform, to address the insecurity of farm workers, labor tenants, and people living on state and communal land.

The government has given its assurance that the free market system will remain the basis of the redistribution program, and initial deadlines set for the transfer of 30 percent of white-owned land have been extended to 2015. In addition to its social aspects,



South Africa's climate diversity favors a great variety of quality agricultural products



GEORGE ORICHO
Acting CEO of
Land Bank

land reform is closely connected to agricultural development. "The impact must translate into equity and economic growth in the agricultural sector," says Ms. Thoko Didiza.

New farmers, including young people and women, are being assisted to enter the sector at a commercial level, either as individuals or as corporate groupings. The government has committed R210 million (\$34.5 million) in the

2004/05 financial year under a Comprehensive Agricultural Support Program (CASP) aimed at improving and increasing support for emerging farmers.

Making an important contribution to the land reform process as a provider of financial services to agriculture and related rural sectors is the Land and Agricultural Development Bank (Land Bank), whose clients include developing farmers, established commercial farmers and agribusiness. The bank supports economic growth through the provision of retail, wholesale, project, and micro-financial services to agriculture and related rural services. Its loan

portfolio represents approximately half the agricultural lending of the country.

Land Bank has developed specific products to help new entrants into the agricultural sector. More than 165,000 clients have benefited from the bank's micro-finance program since its inception in April 1998.

As a 100 percent state-owned institution answerable to the Minister of Agriculture and Land Affairs, Land Bank's programs are closely aligned with the government's key strategic objectives. One of the bank's priorities is to increase its focus on financing black economic empowerment within the sector.

George Oricho, Acting CEO of Land Bank, explains that the bank benchmarks its performance against banks in the private sector. "We generate profits like any other institution, but then we ring-fence a portion for development purposes. Although we are owned by the government, we do not get budgetary transfers. We raise our money from the money markets like anybody else, and therefore we need to continually give an assurance to the market."

The bank recently recorded a net profit of R247 million (\$40.6 million), compared to a R1.4 billion (\$226 million) loss the previous year. The number of loans granted grew by 14 percent.

Land Bank's activities are currently limited to South Africa, however, they are likely to be extended in the future. "We have started to engage with the NEPAD agenda," says Mr. Oricho. "We will start looking to finance across the border to make resources available for the rest of Africa, maybe starting within the SADC environment."

Sense of national pride underlies Brand South Africa



YVONNE JOHNSTON
CEO of
the IMC

PEOPLE who visit South Africa often express their surprise at the gap between the preconceptions that they had before they came and the reality that they experience when they arrive. The South African authorities are so positive about what the country has to offer that they regard everyone who lives there and everyone who visits the country—from tourists to business people—as a potential ambassador.

At the same time, recent research has shown that ten years after the birth of the Rainbow Nation more than 90 percent of South Africans identify strongly with their country and feel proud and enthusiastic about it.

"We are especially excited by the new, more forward-looking approach that South Africans are adopting with which to view themselves, the country and the challenges that we face," says Yvonne Johnston, CEO of the International Marketing Council (IMC), which has the job of spreading a positive and unified image of South Africa across the world.

Established in 2000 at the initiative of President Thabo Mbeki, the IMC is a private-public partnership dedicated to promoting Brand South Africa. Under the slogan "Alive with Possibility," its message is that South Africa is a country to invest in, to do business with, to trade with, and to visit.

"We have incredible achievements to showcase," says Ms. Johnston. "We are boundary breakers, we don't let other people set the agenda for us, and we do it all with wonderful African soul, spirit, and energy. Above all else, we are a can-do nation, and our tenacity, determination, and hunger to succeed allows us to take our rightful place in the global village."

The campaign is clearly working. One recent study assesses the value of the South African brand as being equal to those of top international companies such as Coca-Cola, Microsoft, and IBM. According to research by Roger Sinclair, a professor at the University of the Witwatersrand, 16 percent of the country's income is derived as a result of the strength of South Africa as a brand.

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Focus on manufacturing as exports rise

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apartheid regime, reaching 28.2 percent of GDP in 2003, up from 11.5 percent a decade ago.

The European Union is the country's most important trading partner and its leading source of investment. Europe accounts for approximately half of South Africa's total exports, and 90 percent of all trade barriers between the EU and South Africa will be removed over the next decade under a trade, development, and cooperation agreement (TDCA). South African exports to the EU have gone up by 46 percent since the provisional application of the TDCA in 2000.

The United States is another key market, and trade between the two nations has increased steadily in recent years, boosted significantly by the Africa Growth and Opportunity Act (AGOA), which allows duty-free access of South African exports to the U.S. market.

South Africa has been one of the leading beneficiaries since AGOA was implemented in 2000, both in increased exports to the United States and inward AGOA-related investment. Its textile, clothing, vehicle manufacturing, and agricultural sectors will also benefit from a free trade agreement currently being negotiated between the United States and the South Africa Customs Union (SACU).

Regional trade has also increased and a trade protocol agreement between South Africa and its SADC partners aims to provide duty-free treatment for 85 percent of

regional trade by 2008, extending to 100 percent by 2012. "If you take this region alone, you are looking at a market of 180 million people, compared to the 42 million South Africans," says Mr. Mphahla. "Equally, South Africa provides opportunities for investors looking at the wider continent."

At present, manufacturing is concentrated in South Africa's six major cities, which among them account for more than half of GDP, with Johannesburg and Cape Town continuing to enlarge their share. However, moves are being made to extend economic activity to other parts of the country.

Development has started on the first of a planned series of industrial development zones (IDZs)—purpose-built industrial estates specifically designated for new investment in export-driven industries. The 30,000-acre Coega IDZ, South Africa's largest public infrastructure project, will revitalize the Eastern Cape region.

The zone is being developed by the Coega Development Corporation (CDC), a private company, in which the national and provincial governments are the only shareholders. Situated 12 miles east of the city of Port Elizabeth, it is adjacent to a new deep-water port currently under development on

the Coega River, which is forecast to become a hub for sea traffic. The zone is already well served by transportation networks, a skilled labor force, and utility services, and world-class industrial infrastructure, with inter-modal transportation linkages and cost-effective bulk services, is being provided.

"Industrial zones are a serious attempt to decentralize and a good way to marshal resources, typically bringing together both foreign and domestic investors and the government," Mr. Mphahla explains. "The three that we have declared so far will give confidence to the private sector and to foreign investors that IDZs can work and are working."

The Minister urges foreign investors to look at South Africa's consistency of policy and the steady progress it is making as a society. "We have institutions that compare with the best in the world and provide a very stable and predictable environment from which to access large markets," he says.

"We see this country as having the potential to become a hub in many ways: economically, culturally, politically, and socially. This is a country that, given a little time, is really going places. I really believe that. There is so much more that we can do," concludes Mr. Mphahla.



MANDISI MPHLWA
Minister of Trade and
Industry

A leading agricultural financier since its inception in 1912, Land Bank is a hallmark of the country's transformation. As South Africa's only specialized agricultural development bank, it supplies tailor-made financial services to both established and emerging farmers. In 1997 the bank embarked on a new strategic direction to achieve far-reaching innovation. This involved two substantial achievements: developing unique, world-class products at competitive rates and bringing on board farmers from previously marginalized groups to the mainstream of South Africa's agricultural sector. Land Bank now boasts an impressive, diversified staff component and a far broader customer base. South Africa's farming recognize its reliability and its international partners continue to invest in its ongoing development projects day to day.



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BEE

addressing social inequities in a market economy.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT (BEE) is a result of the South African government's commitment to redressing inequities of the past and the creation of an inclusive society. Such social goals are not to be achieved at the expense of business investment. In fact, BEE is an integral part of South Africa's growth strategy.

South Africa



Soul, spirit and energy: South Africans see themselves as a "can do" nation and are optimistic about their country's future

Sense of national pride underlies Brand South Africa

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A crucial part of the campaign has been a drive to encourage South Africans to feel a sense of pride in their nation and the achievements of its first decade of freedom, so that every citizen can act as an ambassador for their country in their contact with the outside world.

"Our challenge is not to convert South Africans into brand-loyal supporters but rather to equip them with information and mobilize them as advocates for the country," says Ms. Johnston. "Marketing South Africa is everybody's business, as

every South African stands to benefit from a well-marketed South Africa."

Joel Netshitenzhe, CEO of the Government Communication and Information System (GCIS), says some of the best potential ambassadors for South Africa are companies that are already doing business there.

"There are many international companies based here that are doing very well in the areas of bio-technology, automotive sector, business processing, mining, and so on," he says. "We want them to act as ambassadors, not by talking about things that do not exist but

on the basis of their own concrete experiences."

Hosting major international events such as the Cricket World Cup, the Rugby World Cup, and the World Summit on Sustainable Development have all added to South Africa's international profile, and even greater worldwide exposure is to come when the country stages the 2010 Soccer World Cup. The event will focus the attention of billions of television viewers on South Africa and can be expected to give a major boost to tourism, exports, and investment.

Safe ships and clean seas a priority for growth of maritime industry

ONE of the leading maritime trading nations, South Africa commands 6 percent of the world's sea trade. Almost half of the country's exports and imports are transported by sea, with an average of 13,000 vessels carrying 500 million tons of cargo passing through its ports annually.

The seven major harbors feature high on the list of Africa's busiest, with Durban, Africa's premier port, heading the list. Container traffic has been forecast to double and double again by 2020, and billions of rands are being spent upgrading port facilities to increase handling capacity.

Major shipping lanes pass along the South African coastline in the south Atlantic and Indian oceans. The government's vision is to develop a world-class maritime industry, which will grow in size, stimulate economic growth and development, facilitate trade, comply with international safety standards, and deliver efficient and quality services. It aims to substantially increase the number of SA-flagged vessels and develop new globally competitive shipping companies.

Central to that vision is the work of the South African Maritime Safety Authority (SAMSA), whose task is to ensure the safety of life and property at sea, prevent pollution, and promote South Africa as a maritime nation.

"We have recognized the possibilities for growth," says Siphos Msikinya, SAMSA's Chief Executive Officer. "Sitting where we are at the southern tip of Africa, we get lots of maritime activity. It may not all call into our ports, but it is always passing round



Fast and efficient transport has won an enthusiastic response from commuters

us. Our objective is to see how we can encourage that traffic into our ports and create business opportunities for growth."

SAMSA's duties also fall under international jurisdiction, in terms of the International Maritime Organization and other international statutory bodies. The organization is meant to be self-financing from charges raised from the services it provides and through levies raised on all vessels calling at South Africa's ports.

"Safety does not come cheap," says Mr. Msikinya. "It's a costly endeavor to undertake, but South Africa has no option but to excel in terms of maritime safety, particularly in the winter, when we have some very tough seas. We are also aware that as a developing nation we have to make sure it is effective and facilitates economic growth and development."

The Port of Durban is the first African port to have implemented the Container Security Initiative (CSI)—a U.S. anti-terrorism initiative designed to prevent the smuggling of terrorists or terrorist weapons into the United States in ocean-transported cargo containers. Around 6 percent of Durban's export container traffic is made up of U.S.-bound containers—approximately 33,000 containers a year.

Creating a business environment in which opportunity flourishes

With the most highly sophisticated, well regulated, and technologically advanced financial market on the continent, South Africa is on the way to becoming the financial capital of Africa. Along with other sectors of the economy, financial services are gradually undergoing a transformation that will both make them more representative of the modern South African economy and open up their potential even more fully.

Nearly half of South Africa's bigger asset management companies already comply with a voluntary financial services empowerment charter, which sets a target of 25 percent black ownership by 2010—of which at least 10 percent has to be direct ownership.

Paolo Cavaliere, Group CEO of Hollard Insurance, South Africa's largest independent insurance and investment group, says the charter is part of an ongoing process that will result in a stronger South Africa and greater opportunities for all. "What we have to do in South Africa and in our industry, and what we are doing in our company, is a combination of the natural evolution of business and trying to bridge the gap and heal the wrongs of the past. In addressing the wrongs of the past we are creating a future for ourselves, a future we all want to be part of and a future that spells opportunity ultimately."

Twenty-five years in the business, Hollard Insurance insures around five million South Africans. It sees itself as one of the companies that are starting to change the service ethic of insurance in South Africa. Says Mr. Cavaliere, "Standards are rising, there is a higher level of transparency and a strong focus on the interest of the consumer. The financial services sector in South Africa is comparable to some of the best in the world. This is a fantastic market for people to come and test new ideas."

The group is expanding to select markets across the globe, with

businesses in Australia, Mozambique, and Namibia, and has plans to add India and New Zealand this year. Mr. Cavaliere elaborates, "We want to develop our business internationally from a South African base. We believe that the South African flavor that we have and the intellectual capital that we have developed in this country has export potential. Our objective is to export our know-how to other markets where we feel it can work for us."

Mr. Cavaliere says there has not been a higher level of confidence in the economy for 40 years. "This is the market that the multinationals should be looking at. The dramatic changes we have seen in the last ten to 14 years is significant and spells real opportunity from an economic growth perspective and therefore from an investment perspective."

A prime example of a South African success story is Suzanne Ravenall, who came to South Africa as a 27-year-old immigrant from the United Kingdom and went on to found the operational outsourcing company IDCS Holdings. "There are a lot of things in this country that are far ahead of what is happening in Europe," says Ms. Ravenall. "People here are open to new ideas, and there's an incredible desire to do better, to get on and make things work. You can do anything you want to in this country, if you put your mind to it."

IDCS has grown dramatically since commencing operations in 1997, increasing its turnover by 515 percent and currently with assets exceeding R20 million (\$3 million). The company, which has global ambitions, is proudly South African.

"Within the next six months we want to open up in New York and the UK and then Asia Pacific and Tokyo thereafter," says Ms. Ravenall. "The product we have created is a South African product and it is going to be sold as a South African product."

the dti

BEE's social and economic goals are closely intertwined. Poverty eradication and the reduction of inequalities are high social priorities, the achievement of which would create an environment characterised by the certainty required for high levels of business investment.

Policies of job creation and economic inclusion help the building of a better society and also provide business with the opportunity to harness the full potential of South Africa's human capital. Likewise, policies of empowerment through, for example, the encouragement of black-owned SMEs, are socially progressive, and also foster entrepreneurship and innovation, improving overall competitiveness.

BEE has been designed with investment in mind. the dti has been and will continue to work in partnership with the private sector to design and implement innovative, business-principled schemes, adding value to economic activity and establishing a path to prosperity for all.



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

Private Bag X84, Pretoria 0001, RSA
the dti Customer Contact Centre, Local: 0861 843 384
International: +27 12 394 9500, <http://www.thedti.gov.za>



PAOLO CAVALIERI
Group CEO of Hollard
Insurance

GAUTENG: The economic powerhouse decides to get smart

Extending over less than 2 percent of South Africa's surface area, Gauteng Province is the smallest of the country's nine provinces. What Gauteng lacks in size, however, it more than makes up for in economic dynamism. Indeed, it is South Africa's economic engine, accounting for 40 percent of the national GDP, and 9 percent of Africa's entire GDP. The financial and industrial sectors are concentrated in the province and around 27 percent of total manufacturing takes place there.

The population enjoys the highest per capita income level in South Africa. Gauteng is the wealthiest and most urbanized province, and the country's premier consumer market. Collective purchasing power is 64 percent above the national average. Seventy percent of South Africa's labor force reside in Gauteng, which has the most cosmopolitan population in the country, with people from all over the world. By the end of this year, the number of people living there is expected to exceed nine million.

In addition to being the most technologically advanced province, Gauteng is a transport hub, well positioned for access to the countries in the Southern African Development Community (SADC). Over the next three years, there are plans to spend R15 billion (\$2.4 billion) on comprehensive development of the province's infrastructure, including housing, schools, healthcare facilities, sports and recreation facilities, and roads.

Urban regeneration projects have already triggered a boom in the property market in Johannesburg, Gauteng's capital city. The FNB Stadium, popularly called Soccer City, will be one of the key venues when South Africa hosts the 2010 Soccer World Cup and is being upgraded to make it the biggest and most modern football stadium in Africa. Crime, which once damaged Johannesburg's

reputation, is now far less of a problem, thanks to widespread use of camera surveillance and more effective policing.

"We have seen a resurgence of investments back into the city in a big way," says Paul Mashatile, the Member of the Executive Council for Finance and Economic Affairs in Gauteng's Provincial government. "People are queuing to buy properties here because it is safe, and we are encouraging residential development and renovation. We want Johannesburg to be not just a city of office blocks but a place where people live.

"I am confident that in the next three or four years Johannesburg is going to be one of the most important cities, not only in Africa but in the world," he adds. "Everybody is going to be doing business here."

Mr. Mashatile took up his post, and the running of Gauteng's R30 billion (US\$4.8) budget, in May promising to "consolidate what exists and break new ground" in the development of the province's economy.

The original cornerstone of the economy was the mining industry—Gauteng means Place of Gold—but today the predominant sectors are manufacturing, trade, and financial services. Economic activity is now spearheaded by a burgeoning call center industry, a



The view from the spectacular Nelson Mandela Bridge in Johannesburg, which was officially opened by the former President himself in July



PAUL MASHATILE
MEC for Finance and Economic Affairs in Gauteng's Provincial Government



BONGKI KUNENE
Head of Department of Finance and Economic Affairs in Gauteng's Provincial Government

flourishing film sector, and ever-increasing exports that range from automotive components to processed foods.

The areas of activity Gauteng is developing for the future are smart industries, high value-added manufacturing, business services, and business tourism.

Stimulating growth and creating jobs are at the top of the agenda for Gauteng's premier, Mbhazima

Shilowa. "Our economy continues to show good signs of growth through smart industries, and our people are benefiting from new employment opportunities, while those already employed are gaining better skills," he says.

The promotion of broad based black economic empowerment, local economic development, and the development of small, medium, and micro enterprises (SMMEs), including cooperatives, will all

contribute toward achieving the priority objective of creating long-term employment.

Mr. Mashatile says, "We are refocusing our economy into the service sector. We are branding Gauteng as 'the Smart Province' because of our concentration on high-tech industries, telecommunications, and information technology. Over the next few years we will be looking at investments mainly in these areas."

Mega development projects will promote growth and create jobs in key economic sectors

ATTRACTING foreign direct investment is a priority for Gauteng, which is transforming its prospects for economic and social development through a series of major strategic infrastructure projects.

The provincial government's multi-billion rand Blue IQ initiative is aimed to attract R100 billion (\$16 billion) of inward investment over ten years. Eleven mega development projects have been designed to promote strategic private sector investment in key growth sectors of the economy, such as smart industries, high value-added manufacturing, tourism, and transport.

The Gauteng Economic Development Agency (GEDA) has been working to boost new investments to R1.8 billion (\$300 million) this year. Last year, Gauteng attracted approximately R1.6 billion of inward investment, resulting in the creation of more than 2,500 jobs.

Charles Jonker, GEDA's CEO, says the province is the obvious choice for the investor. "In terms of South Africa, and

Africa as a whole, Gauteng has no real competition. There is a definite critical mass in terms of purchasing power, knowledge and decision making in Gauteng, and it gives the initial foreign investor the first step into the African market."

Neil Devereaux, GEDA's Managing Director, highlights the scale of the economy, the well-developed infrastructure and cheap electricity. "Gauteng's economic base is self-sustaining. It is the biggest in Africa. Here you can come and operate in a very well-established financial and manufacturing system," he says.

At present, foreign direct investment in Gauteng is dominated by China, which accounted for 87 percent of the total generated in the first six months of this year. GEDA has set itself the target of generating 20 percent of foreign direct invest-

ment from the United States and 10 percent from Europe.

Gauteng's gross geographical product (GGP) is expected to receive a significant boost from a major Blue IQ project to build a rapid rail link connecting Johannesburg, Pretoria, Johannesburg International Airport and the corridors between them. The Gautrain project is one of the largest and most ambitious transportation projects in Africa. Work is scheduled to start early next year and the train is due to become operational in 2009, in time for the 2010 Soccer

Multi-billion rand initiative is designed to transform the face of the province and boost growth and jobs

World Cup. Most of the other Blue IQ projects are expected to be completed by the end of this year.

A key initiative is the creation of South Africa's first science and technology park. The Innovation Hub will act as a catalyst

for the growth of knowledge-based businesses and attract leading international high-tech players and start-up companies. "Our vision is to make this province the knowledge hub of the continent," says Mr. Jonker. "Hopefully, one day we will be the Singapore of Africa."

The motor vehicle industry is being boosted by the Gauteng Automotive Cluster, another Blue IQ project. This comprises a new Automotive Industry Development Center (AIDC), offering world-class services for automotive design and testing, and an Automotive Supplier Park that provides a location for small component manufacturers supplying the Gauteng plants for the four main automotive manufacturers—BMW, Fiat, Ford, and Nissan.

Industrial regeneration is under way in the Wadeville-Alrode Industrial Corridor, which has the greatest density of manufacturers in the province. Existing industries are being revitalized and new ones attracted to the corridor, which is strate-

gically located between Johannesburg International Airport and the City Deep Container Depot, an inland port through which around 40 percent of all cargo exported via the Port of Durban originates.

An important contribution to the regeneration process is being made by the Gauteng Manufacturing Advisory Center (GAUMAC), whose mission is to help small, medium, and micro enterprises (SMMEs) to improve their productivity and enhance their competitiveness. The center focuses on SMMEs in the manufacturing sector employing not more than 200 people. "The manufacturing sector is the engine of South Africa's economy and the development of SMMEs is crucial for the country's wealth creation, economic growth, and foreign exchange earnings," says GAUMAC's CEO, Philip Phore.

Other Blue IQ projects include the creation of industrial development zones at Johannesburg International Airport and at the City Deep Container Depot.

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Intercom UK Ltd
12, St James Square, London
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Lights, camera, action! Province seeks lucrative role as the location of choice for movie making

IN THE PAST three years, Gauteng has earned half a billion rand (\$80.5 million) in revenue from film production. The industry is seen as potentially a major contributor to economic growth, and the provincial government is giving it its full backing with moves to turn Gauteng into the location of choice for both local and international filmmakers.

Film production costs in South Africa are considerably cheaper than in the United States, Australia, or New Zealand, and Gauteng offers a range of diverse and spectacular locations such as the African bush, industrial scenery, and American and European-style settings.

Other attractions for filmmakers include a highly skilled labor force, including technicians; world-class facilities, including well-established and equipped post-production digital facilities, audio, graphics, and animation houses; state-of-the-art rental equipment; a highly developed infrastructure; a compatible time zone with Europe; and all-year-round sunshine.

Gauteng has taken note of the benefits that New Zealand has reaped since the three Lord of the Rings films were made there. "What that did for New Zealand's tourism industry was huge," says Themba Sibeko, CEO of the Gauteng Film Office (GFO). "That's what film can do, and that's what we are aiming toward doing, bringing tourism and film together."

Launched by the Gauteng Economic Development Agency in 2000, the GFO

is a non-profit company that exists to facilitate, promote and market new filmed productions. It assists both local and foreign film productions, and seeks to contribute to the development of the film and television sector through strategic partnerships and linkages.

Around 75 percent of the film and television industry in South Africa is based in Gauteng, mainly in Johannesburg, which is also the base for all of South Africa's television broadcasters for film making in South Africa.

"The film sector can create jobs more instantaneously than any other," ob-

serves Mr. Sibeko. "They may be short-term jobs, but they are jobs nevertheless."



Film production could bring significant benefits to Gauteng, including job creation

three months, from extras to workers in construction, hotels, transportation, telecommunications, security, catering, and dry cleaning.

Plans are being made to develop a Film City complex in Johannesburg, equipped with Hollywood-class sound stages. The project will be a public-private partnership, designed to cater to local and international film producers, providing stage, production, and training facilities.

Local filmmakers will be helped to compete in the international film and television market. "The initiatives we are taking, and the development of the Film City, are not just to benefit the international producers but also our local filmmakers and the immediate community," Mr. Sibeko explains. "We are branding Johannesburg the home of independent film making. As much as we want foreign-based productions to come to South Africa, what we are trying to encourage is an environment where we can create a sustainable film industry—much like Brazil, Venezuela, Argentina and Chile—where we are able to make our own films and are not totally reliant on foreign-based productions."

Ultimately, the objective is to make Gauteng a hub of film making, with 15 to 20 films coming out of the province annually and traveling the world. "We have seen what South American cinema has done internationally," says Mr. Sibeko. "That's where we want to see South African cinema go."

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Gauteng attracts tourists and business travelers with shopping, sport and the Cradle of Humankind

A RECENT South African tourism report showed that more than half of the 5.6 million visitors to the country in 2003 preferred Gauteng as their destination. Gauteng also experienced the highest spending. Of the R53.9 billion (US\$8.7 billion) spent by tourists, R18.7 billion was spent in the province.

Gauteng boasts by far the largest concentration of tourism-related enterprises in South Africa and has been successfully positioning itself as a destination catering to a variety of tourism niche markets. It has built a reputation as a shopping and entertainment hub, a business tourism center, a location of huge cultural and historical significance, and the home of competitive sport.

"Visitors to our province are always pleasantly surprised by what they find, even more so when realizing how inexpensive, by international standards, South Africa is a destination is," says Terry Tselane, CEO of Gauteng Tourism Authority. "The high rate of return of travelers is very encouraging. First time visitors clearly can't get enough, hence our positioning of Gauteng as the Waya Waya province—the proverbial place that never sleeps. You can't help but want to come back."

Gauteng attracts a mix of vacation and business visitors, but receives by far the greatest proportion of business international travelers of all the provinces. The authorities regard business tourism—including meetings, conferences, and exhibitions—as a key area for development.

The province is firmly established as a shopping hub. According to Mr. Tselane, "In recent years, tourism has been boosted by cross-border shopping from regional Africa, which is indeed the single largest generator of revenue for Gauteng, and has undoubtedly benefited from a buoyant domestic economy."

Gauteng is expecting major benefits to flow from international coverage of South Africa's hosting of the 2010 Soccer World Cup in which Johannesburg will play a



Caves containing evidence of early human ancestors are a major visitor attraction

prominent part. Mr. Tselane says the whole of Africa stands to gain from the event. "It puts Africa center stage in a global sporting event that rivals the Olympic Games in scale, scope, and sheer spectacle," he says. "It will present the world with the image of a modern, progressive Africa—with all her aspirations."

High on the list of things to see in Gauteng is the Cradle of Humankind, a World Heritage site in the northwest of the province, which includes the Sterkfontein Caves where evidence of the earliest human ancestors has been found. The site has the potential to become a major international tourism attraction and plans have been made to promote public-private sector partnerships. Up to 500,000 visitors annually are expected once the new interactive museum that has been built there is fully operational.

Trish Hanekom, Head of Gauteng's Department of Agriculture, Conservation, Environment, and Land Affairs (DACEL), says, "The building is on the periphery of the site because the cave system it-

self is quite sensitive. Throughput of the caves can't really be more than 500 people a day, which means there need to be other attractions in the area. For an investor, it's a good place to make money in tourism."

Longer term tourism development project but another potentially major attraction is Dinokeng, "the place of rivers," an unspoiled area in northeastern Gauteng, which is to be developed for game viewing of rhino, elephant, lion, buffalo, and leopard.

For many visitors to South Africa, the first stop will be Johannesburg International Airport, the busiest airport in Southern Africa, which receives 11 million travelers a year. "All tourists, whether they are vacation tourists or business tourists, will come through Johannesburg at some stage or other," says Neil Devenaux, of Gauteng Economic Development Agency. He continues, "Even if they are going to Cape Town, they will come through Johannesburg, and it is a magnet for business people traveling to Southern Africa."



economic engine of South Africa



Geographically the smallest province in South Africa - Gauteng, is the economic powerhouse of the Southern African region and home to some of Africa's greatest cities. From the vibrant city of Soweto, through dynamic Johannesburg, the City of Gold, to the tree-lined diplomacy of Pretoria, Gauteng is a cosmopolitan, multicultural mix of people from all walks of life. Gauteng is the only province in the world that has produced two noble-prize laureates, Nelson Mandela and Archbishop Desmond Tutu living on the same street - Vilakazi Street in Soweto.

The complexity of Gauteng's history and heritage is unavoidable. It is home to the Cradle of Humankind and the place where the Freedom Charter, the cornerstone of our country's Constitution, was drafted. Now recognised as the world's finest, our Constitution is a blueprint for the liberty of all humankind.

The Gauteng economy is on a sustainable growth and development path. It grew by an average of 3.3% per annum between 1995 and 2003, well above the national average. Gauteng has the highest per capita income level with collective consumer purchasing power that is higher than the national average. It is the most urbanised province in South Africa and has a highly developed transport, financial and communication infrastructure.

Gauteng's clear and consistent economic policies give it an investor friendly climate. It has all the facilities and services to suit modern businesses' requirements. Furthermore, Gauteng

offers the third cheapest electricity in the world while office rentals per square metre are among the lowest in the world. The province has the highest adult literacy rate in the country and is home to 70% of the South African high-tech work force. Another groundbreaking initiative, preparing the citizens of Gauteng for the global economy and digital age, is its plan to give every schoolchild in Gauteng access to the internet by 2005.

After thorough research, Gauteng's Trade and Industry Strategy was reshaped to take into account emerging global trends and turn Gauteng into a smart province with the emphasis on information technology, telecommunication, film and media, research and development and biomedical industries.

This gave rise to a multi-billion rand initiative called Blue IQ, the purpose of which was to invest in economic infrastructure in sectors such as tourism, technology, transport and high value-added manufacturing. The Innovation Hub, Gautrain Rapid Rail Link, Cradle of Humankind Interpretation Centre are some of the projects that make Gauteng unique.

Gauteng is where the creative spirit of a nation converges in a dense cultural heartland. It is also the intersection of African and global trade. With the favourable climate in Gauteng, it is only natural that you can enjoy the best of both worlds. You can go from doing business in a five star hotel to seeing Africa's 'big five' just a few hours away from Gauteng's major cities.

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South Africa (Part three)

Drive to bridge the digital gap and bring benefits of ICT to the whole community

Already the telecommunications hub of Africa, South Africa has moved a step closer to having a fully competitive market with the recent granting of a license to a second fixed-line operator. The country has approximately 5 million fixed-line subscribers and the fourth-fastest growing mobile phone market in the world.

Minister of Communications Ivy Matsepe-Casaburri granted the license to a consortium consisting of black empowerment group Nexus Connexion, Transtel, Esitel, WIP Investments Nine (trading as Communitel), and Two Telecom Consortium in September. The move creates direct competition for Telkom, South Africa's second largest public company, which has held a monopoly over fixed-line services, but Sizwe Nxasana, Telkom's CEO, declares that the company is well prepared for an increasingly more competitive environment.

"Over the last couple of years we have improved the company's efficiency and productivity, and are now well positioned to offer customers flexibility as well as affordable products," says Mr. Nxasana. "We look at how we package our products, how we sell, where we sell, and what kind of quality and level of service we deliver to our customers."

Telkom has expanded its range of activities. Traditionally, the company provided basic connectivity, but it has been moving up the value chain. "We are no longer just a traditional telecommunications company, we are also a communications company," says Mr. Nxasana. "We are moving into areas traditionally served by IT companies and competing in every aspect of communications."

Extending access to information and communications technology (ICT) to ordinary South Africans is a vital component in



Telkom has expanded its activities to compete in every aspect of communications

the government's drive toward economic growth and social development. Many people living in rural areas have no access to a telephone.

Access to telephones, computers, and the Internet for underserved areas and disadvantaged communities is promoted by the Universal Service Agency, which is part of the Ministry of Communications. "ICT will play a major role in empowering the next generation and improving the quality of life in South Africa," says Sam Gulube, the agency's CEO.

The agency is focusing particularly on the Internet as the chief means of bridging the digital divide, and is building community access points, known as telecenters, equipped with computers, Internet access, telephones, fax, and photocopying facilities.

"We don't see these facilities as an end in themselves," Dr. Gulube says. "They are to be used by the community to deliver whatever service they need, such as education and health. "We are look-

ing beyond simply deploying these technologies to the ways that communities can make the most of using them to benefit in terms of social and economic development."

The agency is currently limited to funding raised from a compulsory levy on all telecommunications companies in South Africa, but hopes to form partnerships with the private sector and international funding and donor organizations in the future.



IVY MATSEPE-CASABURRI
Minister of
Communications



SAM GULUBE
CEO of the
Universal
Service Agency

Rejuvenated Post Office delivers profits turnaround

ONE of South Africa's most remarkable success stories of recent years has been the astonishing turnaround of the Post Office, which in just three years moved from being a loss maker hemorrhaging business to a profit maker, investing in new technology and confident of its role in the country's future.

The most recently declared results for the organization show a profit of R27 million (\$4.3 million) for the 2003/04 financial year, with significant increases in turnover and operating profits. By the end of the current financial year, it is estimated the profit level could rise to R100 million (\$16 million). In November, the Post Office was voted the most progressive ICT company in South Africa at the African ICT Achievers Awards.

Yet just three years ago, things were very different. The company was in dire straits, losing hundreds of millions of rand a year and with staff morale very low.

The catalyst for change was the appointment in 2000 of Maanda Manyatshe as CEO. Under the banner "We will deliver, whatever it takes," Mr. Manyatshe refocused the organization on profitability, controlling operational expenses and improving customer service.

"The biggest thing we did was to change the culture of the organization," he says,

"to become business oriented, to have performance management and clear goals defined for everybody, and for everybody to understand what we wanted to do."

The decline in mail was arrested, and new technologies and new products introduced. "We also started attracting younger people to join the organization and in general to get rid of the negative image that the Post Office had."

The company was divided into separate areas dealing with the mail business, the retail business, financial services and the courier business to enhance service delivery. The brief for all of them was to meet and exceed customer expectations.

The profile of the Post Office management itself has altered noticeably. "When I arrived, the Post Office management was 100 percent white male Afrikaans," Mr. Manyatshe recalls. "Now it is 60 percent male and 40 percent female, and I think we have got only two Afrikaans in the management of the company at present. The same thing has happened with the Board. It was 100 percent male. Now it is about 60 percent women and 40 percent men."

There is a strong focus on using technology to improve the core business. "Most of our capital investment in the coming years will be focused on technology to really take this organization forward," says Mr. Manyatshe.

He believes that IT provides an opportunity rather than a threat. "There will always be room for mail and I really believe that the Post Office will not be threatened by the development of IT. The Post Office must find its niche in that development and position itself appropriately, and I think we have done that," he says. With more than 2,700 outlets and 5,500 service points, the Post Office is one of the country's largest businesses. Eight million items are delivered to 6.5 million addresses every day. There are plans to establish new outlets bringing the total to 2,940 by March 2008.

The organization is contributing to the development of rural communities and serving as an interface between government and the community by establishing Citizens' Post Offices and setting up public Internet terminals.



MAANDA MANYATSHE
CEO of the
Post Office



Promoting universal access to ICT services in South Africa

The Universal Services Agency (USA) seeks to promote universal service and universal access to information communications technology (ICT) in underserved areas through the development and deployment of telecenters and school cyber labs, thus delivering e-education, e-health, e-business development, and e-government services. Providing a reliable connection to an accessible and affordable communications network that provides relevant information is vital in:

- Promoting socio-economic growth and development
- Consolidating democracy and human rights
- Increasing the capacity of ordinary people to participate in governance
- Serving as a catalyst and support to local economic development projects

Universal Service Agency
Everite House, 2nd Floor, Braamfontein, 2017
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Black empowerment is proving a winner for giant hotels and casino group Tsogo Sun

THE ECONOMIC empowerment of previously disadvantaged communities and individuals is an integral part of South Africa's ongoing progress towards a more equal society. It is also seen as having a crucial role to play in the country's economic development, utilizing the vast amount of talent and ability that was suppressed during the apartheid years.

Progress has been gradual but steady. Black Economic Empowerment (BEE) companies have shown tremendous growth over the past decade, and are increasingly being sought for joint ventures with local and foreign companies. The numbers of black personnel in top and senior management positions are rising, as is black equity in public companies.

One of the prime examples of black empowerment in the private sector is Tsogo Sun Holdings, the largest hotel and gaming group in the country, in which black South Africans hold a 51 percent stake.

Formed in April 2003 as a result of a deal between global brewing giant SABMiller and empowerment group Tsogo Investments, the company incorporates Southern Sun Hotels, South Africa's single largest hotel business, Tsogo Sun Gaming, the second largest casino operator, and the Sandton Convention Center in Johannesburg, the most technically advanced conference facility in Southern Africa.

Ron Stringfellow, CEO of Tsogo Sun Holdings, says that being the largest empowered company in the leisure industry has proved highly beneficial. "There has been a good response as far as our customers are concerned, and it stands us in good stead in other parts of Africa. We are very proud of what we have achieved."

Jabu Mabuza, Managing Director of Tsogo Sun Casinos, agrees that empowerment makes sense from a business point of view. "Business has to operate in a sustainable way. Empowerment opportunities have to be about making an impact on the communities and the environment in which



RON STRINGFELLOW
Chief Executive Officer
of Tsogo Sun Group



JABU MABUZA
Managing Director of
Tsogo Sun Gaming



HELDER PEREIRA
Managing Director of
Southern Sun Hotels

we are doing business."

According to Mr. Stringfellow, the group has reached a crossroads where it is considering strategies for expanding its hotel and casino businesses either in South Africa or internationally. "We see a number of exciting possibilities," he says.

Earlier this year Southern Sun

Hotels expanded into Central Africa. Recently, it launched a new venture to create deluxe properties in pristine locations in South Africa and beyond for elite travelers. Helder Pereira, the company's Managing Director, says South Africa is attracting an increasingly affluent class of tourists. "This is a five-star deluxe product that will

appeal to high-end tourists looking for spa, golf, etc. vacations in top-quality destinations."

Meanwhile, as South Africa's potential as a business tourist destination is increasingly recognized by the global business community, Sandton Convention Center has gained a reputation as a world class facility. Major events it has hosted include the 2002 World Summit on Sustainable Development, and it will be the headquarters for FIFA when South Africa hosts the 2010 World Soccer Cup.

"The World Summit on Sustainable Development stamped South Africa, Johannesburg, and Sandton Convention Center as being amongst the top global venues providing value for money," says Nomaxabiso Majokweni, the center's Executive Director. "And we will continue to do so for international events and all our national events."



The Palazzo Intercontinental Hotel in Johannesburg, one of the more than 80 hotels in the Southern Sun chain

Public service broadcaster SABC educates, informs, and entertains in 11 languages

EIGHTEEN million South African adults tune in every day to the three free-to-air television channels run by the South African Broadcasting Corporation, the country's national public service broadcaster. Almost 19 million adults listen to the corporation's 18 radio stations.

It's quite a challenge in a multi-cultural nation with eleven official languages. "You need to prioritize in order to try to have something that runs in a logical, sustainable, and systematic way," says Peter Matlare, Group Chief Executive.

Mr. Matlare is strongly aware of the influence the corporation has within South African society and the responsibility it bears. "Every single day, we go into people's homes and we influence what they think, what they talk about, and how they prioritize. We reach more than 90 percent of the population. With that influence comes enormous re-



SABC's radio stations and television channels reach millions of South Africans every day

sponsibility.

"We have to give people a range of content that is—in the classic phrase—educational and informative as well as entertaining. We have to give them a window on what happens in the world, but also a panoram-

ic view of what happens within their own society."

The corporation is Africa's leading provider of innovative and interactive educational broadcast content and has won numerous awards for programming, both locally and internationally.

Under regulations laid down by the Independent Communications Authority of South Africa, the SABC is required to carry a minimum of 55 percent local content. At least 60 percent of educational programming must be South African, 55 percent of children's programming, and 50 percent of knowledge-building programming.

Planning for coverage of South Africa's hosting of the 2010 World Soccer Cup is already well under way. "We are preparing for that now, not in six years' time, and have committed to investing significantly in our technology planning," says Mr. Matlare. "We

delivered the Cricket World Cup last year and it was broadcast everywhere in the world. As big as 2010 is going to be, we have learned some lessons along the way."

Although state-owned, the SABC depends on advertising for most of its funding. In the financial year 2003/04 it posted a net profit of R3.4 million (\$24.2 million), a turnaround from a loss of R148 million (\$557 million) the previous year.

Looking to the wider world and the success achieved by global brands in the industry such as CNN and the BBC, Mr. Matlare comments, "We try to create best practice here so that we can compete with anybody in the world. If we are able to produce a quality product that is of interest to audiences in Europe, Latin America, North America or Asia, it is absolutely right that we aim for those markets."

At the same time, Mr. Matlare acknowl-

edges the importance of presenting a positive image of South Africa. "In the images that we beam to South Africans, and beyond our borders, we have got to give people a better and a truer reflection of what we are and what we do."

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