

- 25 May:  
Africa Day

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# E - NEWS

VOLUME 3, ISSUE 4

MAY 2008

## Private Power Producers Want 'Adequate' Returns

THE government and the private sector are likely to differ on what constitutes adequate return on investment, a necessity if SA is to attract private sector investors to the power generation sector, according to an energy specialist.

Government policy makes provision for independent power producers (IPPs) to generate approximately 30% of SA's electricity output. Eskom would generate the other 70%.

Entry of IPPs into the sector has, however, been slow and the relatively low electricity prices were seen as a deterrent to investment.

In her presentation on 21<sup>st</sup> May to the African Utility Week and Power Indaba, Webber Wentzel partner and energy specialist Brigitte Baillie said the determination of adequate return on investment was likely to be controversial "as the government and the private sector investors and participants often have different opinions as to what constitutes an adequate return".

She said failure by potential private investors to get the

return they required because of low tariffs would discourage investment. The level at which tariffs were set affected the bankability of investments. She said tariffs should be set high enough to cover the operating and maintenance costs, interest on the debt, and ensure "satisfactory return" for project sponsors and shareholders.

The cabinet last week approved the electricity pricing policy. The policy creates an investor friendly pricing structure that promotes efficient cost recovery measures and a reasonable return on investment.

In her presentation to the energy summit on Friday, minerals and energy department deputy director-general Nelisiwe Magubane said the move would close the policy gap and create regulatory certainty.

She said private investors wanted certainty about "an adequate" return on investment. "This issue goes to the principles governing the setting of tariffs that can be charged for the sale, transmission or distribution of electricity.

"It will go some way to creating comfort for private investors and participants that the principles applicable to the setting of tariffs are enshrined in legislation and that they state that tariffs must cover the operation and maintenance costs of the project, the debt service in respect of the project, and provide the investors and participants in the project an adequate return".

Baillie said uncertainty about access to the national grid was one of the deterrents to private sector participation. "What guarantee do they have of access to the national grid? In addition to that, there is a need for a change in policy. Private sector needs an open dialogue on policy."

Baillie said the current "single-buyer" model, whereby IPPs have to sell power to Eskom, was a suitable option for SA, "provided Eskom acts appropriately". She said the "multi-buyer" model was complex.

*Article supplied by Business Day*

# SAP Targets Small African Companies

SOFTWARE company SAP believes it can substantially increase its volume of business in SA and the rest of Africa by developing more products for small and medium companies, which form the bulk of Africa's business base.

Small companies account for 70% of SAP's customer base, but in cash value its contracts with giant global enterprises generate the vast majority of its income. But since that market is almost saturated, SAP has been working to sell more software to smaller companies so it can continue to achieve double-digit revenue growth.

Its latest offering is a scaled-down version of its enterprise resource planning software that companies will access over the internet. But once again, a dire shortage of international bandwidth and the high

cost of internet access in Africa make the initiative premature for the continent.

SAP will host its new Business ByDesign software suite in Germany, and companies will connect to their information via international bandwidth. So far, African clients would find it far too expensive and slow.

SAP SA chief operating officer Maphum Nxumalo said undersea telecoms cables being laid around Africa would help the continent reach a position where software can be delivered as an online service. In SA, that should happen more rapidly as Neotel stepped up its services. "It is going to work over time as the infrastructure improves."

SAP does not disclose what fraction of its income it earns in SA or Africa, but for the first quarter to April 30 it posted

global revenue of €2,4bn and net income of €242m.

Nxumalo said its software revenues in SA rose 22% year on year, which was easily sustainable. SAP believed it could grow rapidly in SA even without Business ByDesign, as it was making inroads with its entry-level product, Business One. SAP vice-president Peter Graf said: "Our objective is to get customers to work with SAP when they are very small and have them grow with us."

Once Business ByDesign can be used by small companies over the internet, they can expect the total cost of ownership to be about 10% of the cost of using SAP software.

*Business Day - posted to the web 22 May 2008*

# Public Transport To Have Improved by 2010

South Africans can look forward to experiencing a radically improved public transport service by early 2010. Delivering his Budget Vote on Tuesday 20<sup>th</sup> May, Minister Jeff Radebe said by 2010, South Africa would have a transport system and services that ranked among the best in the world.

"This confidence has been further strengthened by numerous visits I have undertaken to various sites where work is currently taking place such as our airports, commuter railways, Gautrain Rapid Rail construction sites, road construction, among others.

"It was only in 2005/06 when we presented to Government and various stakeholders the 2010 Transport Agenda. Since then we have also concluded a detailed operational plan which we will be submitting to Cabinet and FIFA next month." The minister said the preparation for the passenger and freight transport for the 2010 World Cup and the Confederations Cup was well advanced. The host cities operational plans for both events had been assessed and high level planning was in place.

He said that almost all of the major physical 2010 projects have started in all host cities

and some have even been completed or were in their final stages of completion.

The major projects that have started so far include, the Phase 1A of the Rea Vaya Bus Rapid Transit (BRT) system in the City of Johannesburg and at the Nelson Mandela Bay.

"It is our stated objective that the current BRT initiatives will be integrated with the Taxi Recapitalisation Programme [TRP].

He said the scrapping of old and unsafe taxi vehicles and their replacement with New Taxi Vehicles (NTVs) with better safety features was on track.

To date, over 13 533 old taxis had been scrapped and R676 million has been paid out to taxi operators as scrapping allowance. Currently demand for scrapping has exceeded expectation.

Other projects include various rail station upgrades countrywide and particularly those linked directly to stadia or training facilities in host cities.

He said that the South African Rail Commuter Corporation (SARCC) had completed the business case for the recapitalisation of Metrorail's fleet. "It is my inten-

tion in the coming weeks to present before Cabinet the fleet replacement programme of the SARCC, for consideration.

"Once approved, the Department of Transport and the SARCC, together with other key Government Departments such as National Treasury and Department of Trade and Industry, will be expected to commence with the process for the implementation of this strategy in the third quarter of this year."

The new rail coaches would put to rest the 3 600 fuel-guzzling, outdated trains on the country's railroads. Minister Radebe said that it was a matter of urgency to get the old coaches off the railroads and new ones on. The minister said that another important area for the department had been to drive the capacity of the aviation sector, adding that Airports Company of South Africa (ACSA) had embarked on a programme to prepare for 2010 and beyond. ACSA has also provided for the expansion of airport infrastructure at the OR Tambo International Airport, Cape Town and Durban and other airports costing over R20 billion.

# 2010 Website To Track World Cup Progress

A new 2010 website aimed at those within government, business and the media who want to track the country's progress and achievements in the build-up to the world cup and beyond, has been launched. The International Marketing Council (IMC) of South Africa, custodian of Brand South Africa, on Wednesday launched MediaClubSouthAfrica.com, a web-based media service with information on the 2010 FIFA World Cup.

MediaClubSouthAfrica.com was launched at the prestigious International Media Forum South Africa (IMFSA) which opened in Bryanston, Johannesburg on Wednesday.

The IMC is co-hosting this year's two-day IMF conference, which has attracted over 200 decision makers from business, government, the communications profession and media from South Africa and other countries.

The IMF is a community of people from media, business, government, the communication industry and those with opinions on media coverage of South Africa and its impact on the economic and social development of the country.

MediaClubSouthAfrica.com is a web-based media service that offers free access to content on the country and its development and includes a comprehensive image library.

General Manager (GM) for Brand South Africa Tyrone Seale on Wednesday said: "MediaClubSouthAfrica.com will provide relevant, mind-opening, up-to-date and verifiable information in the build-up to 2010. "We took this step because we recognise the importance of media - local, African and throughout the world - in shaping perceptions of South Africa and our continent." MediaClubSouthAfrica.com complements the 2010

FIFA World Cup-dedicated media services offered by the 2010 FIFA World Cup Organising Committee (OC), South African Tourism (SAT) and the Government Communication and Information System (GCIS).

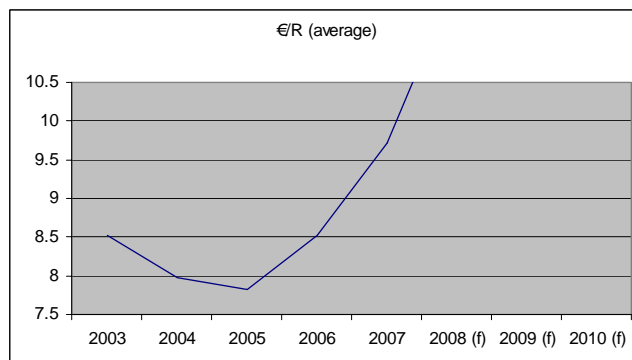
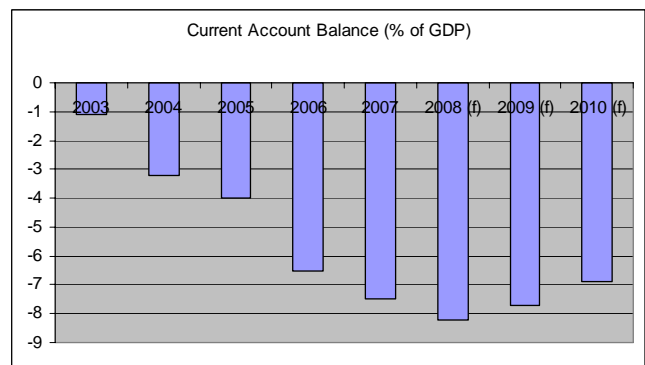
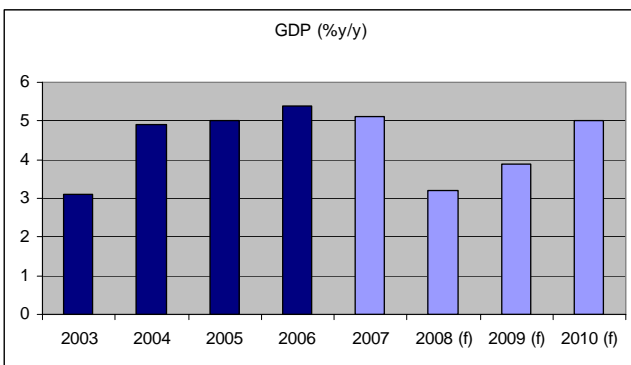
It provides background and current-affairs updates on South Africa's economic performance, socio-economic development and achievements across various sectors.

It also profiles snapshots of significant cultural and social trends as well as phenomena that make South Africa a winning nation.

The new service can be accessed at [www.MediaClubSouthAfrica.com](http://www.MediaClubSouthAfrica.com).

Registration is not required, except for full access to the comprehensive image library.

## Standard Bank Macroeconomic Update



# UPCOMING EVENTS

Africa Day is the annual commemoration of the founding of the Organisation of African Unity, created in 1963 to end colonialism and act as a collective voice for the continent.

It falls on May 25 every year, and is celebrated by Africans around the world - including in Ireland, where a vibrant African community has sprung up in towns and villages across the country.

A range of official events has been planned to showcase various aspects of African culture, including music, film, literature and cuisine. All the events are being supported through Irish Aid at the Department of Foreign Affairs, and most will be free to members of the public.

The flagship event will take place in the gardens of Dublin Castle from 1pm to 7pm, with a main stage lineup, including Mundy, Kila, a special guest appearance from Sinéad O'Connor and Republic of Loose with the Discovery Gospel Choir, Motema, Gardiner Street Gospel Choir, Congomania and traditional dance and fashion shows. There will also be a cultural corner, literary readings, African film and photography, entertainers and a picnic area.

Former Republic of Ireland football manager Brian Kerr will be on hand to oversee soccer games at the event, while other sporting activities will include 'Extreme Trampoline' and netball tournaments.

There will be readings from Irish writers Roisin Ingle and Declan Lynch, as well as the founder of Metro Eireann, Chinedu Onyejelem; South African novelist Thabi Madide; and the artistic director of Arambe Productions, Bisi Adigun.

The storytelling area will feature face painting and fun activities, focusing on different aspects of African culture while, for older children, there will be workshops on bracelet making.

Over in the Irish Film Institute, meanwhile, the day will be marked by the screening of four African films.

These include Daratt (Dry Season), a harrowing drama set against the backdrop of the Chad civil war; and Bunny Chao, a road movie about three stand-up comedians on their way to **South Africa's** biggest annual rock festival.