DATA STORAGE

Leaving a trail

If Google CEO Eric Schmidt were based in SA, his habit of deleting e-mails as soon as he has finished reading them would soon be illegal.

The new Companies Act, which comes into effect in July, demands that any "documents, accounts, books, writing, records or other information" relating to a company's activities must be kept for up to seven years.

The stipulation on maintaining records in the new legislation is meant to keep a trail of events and detail the operating procedures of an organisation, says COR Concepts MD Paul Mullon.

COMPETITION REVISION

- **The act recognises that** documents can be kept in electronic form
- **It limits the time during which** documents should be held to seven years
- **It leaves it up to companies** to decide how they will store their records

This is good news for companies like JSE-listed Metrofile and Computer Storage Services (CSSI). They specialise in holding records for other businesses.

Mullon, a consultant on data storage, points out that the most important reason to keep records is to provide evidence of what was agreed to in case of a legal dispute.

Google found this out the hard way. The Internet giant was taken to court by media powerhouse Viacom, over its subsidiary YouTube's copyright infringement. Google lost the case. According to State.com, Schmidt testified: "It has been my practice for 30 years not to retain my e-mails unless asked specifically."

If the case had been held in SA under the new act, Schmidt could have spent up to a year in prison and might have had to pay a fine for deleting his e-mails.

In fact, the common practice of companies asking employees to delete e-mails to free up data space on computer systems could also be illegal if the act is interpreted strictly, warns Mullon.

Keeping old e-mails does not only apply to companies.

All organisations — including non-profit ones like churches and sports clubs — have to maintain their records under the act.

"Companies are aware of the new act and are prepared for it," says Bob Eedes, Metrofile's GM of information solutions.

CSSI MD James Grcic says his company is already taking advantage of the new legislation by offering small businesses the chance to store 10 GB of data at R80/month.

Eedes points out that even without the act, the amount of data generated and stored by the modern business is already substantial.

"Data storage will become [a grudge purchase] like medical aid," Grcic says.

Eedes and Grcic agree, though, that the data and document storage sector's prospects are on the up.

Even in a recession Metrofile managed to increase revenue 12,4% to R371m and operating profit 11% to R106m for the year to end June.

With a p:e of 11,15 and operating margin of 28,6%, the group is in a good space regardless of how the new legislation affects it.

The executives have different opinions on whether it is cheaper to store a document electronically or in paper form.

Grcic says storing data electronically is up to 25 times cheaper than storing records on paper, but Eedes insists that the computer system needed to maintain a document in electronic form is more expensive than keeping it in a cardboard box.

If there is a downside of this aspect of the act for CSSI and Metrofile it is that it implies a limit to data-storage outsource contracts by stipulating that records have to be kept for only seven years.

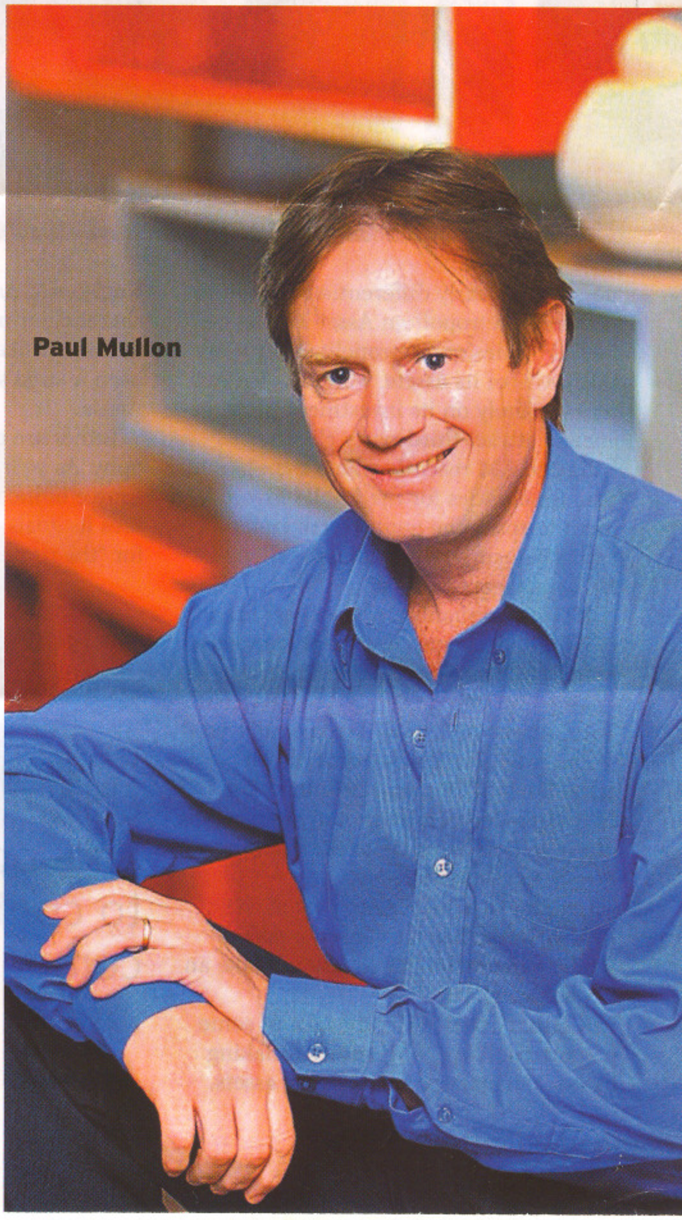
"The previous Companies Act never said how long records should be kept," Mullon says.

At the last count there were about 25 pieces of legislation containing specific requirements regarding information retention and archiving, says Lucien Pierce, a lawyer who specialises in telecom and technology issues at Phukubje Pierce Masithela Attorneys.

Pierce says the King 3 report on corporate governance is one of the most important guides because it says the complexity of IT systems creates significant operational risks for a business.

Pierce says companies must come up with an IT archive strategy that deals with changes in computer hardware and software. "When you outsource data storage, you are not outsourcing responsibility," says Mullon.

Larry Claasen



Paul Mullon