19. JOINT REPORT OF THE PORTFOLIO COMMITTEES ON COMMUNICATIONS AND ON TELECOMMUNICATIONS AND POSTAL SERVICES ON THEIR DELIBERATIONS ON BUDGET VOTE 27: COMMUNICATIONS, AND ENTITIES OF THE DEPARTMENT OF COMMUNICATIONS, DATED 11 JULY 2014

The Portfolio Committees on Communications and on Telecommunications and Postal Services, having considered the strategic plan of the Department of Communications and its entities, report as follows:

1. Introduction

Section 55(2) of the Constitution of the Republic of South Africa, Act 108 of 1996, states that the National Assembly must provide for mechanisms (a) to ensure that all executive organs of state in the national sphere of government are accountable to it; and (b) to maintain oversight of (i) the exercise of national executive authority including the implementation of legislation; and (ii) any organ of state. In terms of the Public Finance Management Act (PFMA) the Accounting Officers must provide Parliament or the relevant legislature with their respective institution's medium-term strategic plan and where applicable with its annual performance.

The Money Bills Amendment Procedure and Related Matters Act was promulgated in 2009, and provides Parliament with powers to reject or recommend the approval of departments' budgets. The Act also makes provision for the implementation of recommendations emanating from the committee's oversight.

The Minister of Communications tabled the Medium Term Strategic Plan of the Department of Communications (the Department) and its entities on 27 June 2014. The Committee received briefings from the Department and its entities on 1 July 2014, 4 July 2014 and 8 July 2014, respectively.

In performing its constitutional mandate, the Committee scrutinised the alignment of the Department and its entities' strategic plans for the period 2014-2019 to the following key government objectives:

(i) the 2014 State-of-the-Nation Addresses (SoNAs);

(ii) the 2014/15 Budget Statement;

(iii) government's five priorities i.e. health, education, employment, rural development, and fighting crime and corruption;

(iv) recommendations made in the National Development Plan (NDP); and

(v) the objectives outlined in the New Growth Path (NGP).

1.1 State-of-the-Nation Address

In his first 2014 State of the Nation Address (SoNA) President Zuma dedicated the better part of the evening's address not only to the government's achievements, but he also noted that thousands of kilometres of fibre had been laid by both the state and the private sector, with more to come. President Zuma said "the 37 000km of fibre-optic cable that has been laid by the private and public sectors in the past five years will be "significantly expanded in the years ahead."

In his second 2014 State of the Nation Address (SoNA) President Zuma dedicated his speech on the economy, particularly the successful implementation of National Infrastructure Plan, which the department participates, both in the Infrastructure Development Cluster as well as the Presidential Infrastructure Coordinating Commission (PICC). The PICC launched a Strategic Integrated Project (SIP) 15 which impacts on telecommunication and postal sector: Expanding Access to Communication Technology in 2012. He pronounced "we will expand, modernise and increase the affordability of information and communication infrastructure and electronic communication services including, broadband and digital broadcasting. Further, he stated in "the same vein, Postbank will be supported so that it can play a leading role in the expansion of bank services to the poor and the working class".

The 2014 SoNA also raised other contentious issues in the sector, namely the cost to communicate which remains stubbornly very high.

1.2 National Development Plan (NDP)

The *South Africa Connect*, the national broadband policy gives expression to South Africa's vision in the National Development (NDP) of "a seamless information infrastructure by 2030 that will underpin a dynamic and connected vibrant information society and a knowledge economy that is more inclusive, equitable and prosperous". As envisaged in the NDP, at the core of the policy in responding to the NDP will be "a widespread communication system that will be universally accessible across the country at a cost and quality that meets the communication of citizens, business and the public sector and provides access to the creation and consumption of a wide range of converged applications and services required for effective economic and social participation.

President Zuma's address highlighted strategic objectives of the sector in line with the NDP which noted that 'there should be an ecosystem of digital networks, services, applications, content and devices integrated into the economic and social fabric of the country.' Together, these broadband elements provide a platform for economic enterprise, active citizenship, connect public administration to the active citizen; promote economic growth, development and competitiveness; drive the creation of decent work and support local, national and regional integration.

Nothing sums up the potential of both the current and future impact of technology on Africa better than the insatiable appetite for connectivity. Today it is about the connections between human voices; in future it will increasingly revolve around the data stream that is made possible by these connections.

To achieve the target of 100 per cent broadband penetration by 2020, as outlined in the plan, the Department has developed the national broadband policy, strategy and implementation plan, which ensures that the roles and responsibilities of key stakeholders in the sector are clearly defined and maps the rollout of broadband infrastructure across the country.

Together with ICASA, the Department has prioritised several initiatives over the medium term in an effort to reduce costs to communications, high demand spectrum, high level ICT competition inquiry, and digital migration. These include finalising a data portal on ICT statistics, such as pricing trends used in the department's economic analysis, and conducting a broadband value chain analysis to promote competition and address market failures.

2. The Department of Communications (DoC)

The DoC is mandated to: ensure that ICT policies are developed to create conditions for the accelerated and sustained growth of the South African economy and the development of robust, reliable, secure and affordable ICT infrastructure; contribute to the development of an inclusive information society that is aimed at establishing South Africa as an advanced, information based society; contribute to building an ICT skills base in the country, ensuring equitable prosperity and global competitiveness; strengthen the capacity of the ICASA to regulate the sector in the public interest and ensure growth and stability; enhance the capacity of, and exercise oversight over state owned enterprises; and fulfil South Africa's continental and international responsibilities in the ICT field.

The Department's strategic goals over the medium term are to:

- Enable maximum investment in the ICT sector and create new, competitive business opportunities for the growth of the ICT industry;
- Ensure that ICT infrastructure is accessible, robust, reliable, affordable and secure;
- Accelerate the socioeconomic development of South Africans
- Facilitate the building of an inclusive information society through partnerships with business, civil society and the three spheres of government; and
- Contribute to the global ICT agenda, prioritising Africa's development.

2.1 Expenditure Trends

The spending focus over the medium term will be on preparing the broadcasting digital migration call centre, implementing the broadcasting digital migration awareness campaign on Digital Terrestrial Television (DTT), expediting the rollout of infrastructure for DTT by providing a subsidy scheme for the Set-Top Boxes (STBs), reviewing the ICT policies, and accelerating access to ICT by coordinating the participation of the government in specialised ICT agencies. Thus the bulk of the Department's budget over the medium term is allocated to the Infrastructure Support programme, which accounts for 43.6 per cent of total expenditure over the medium term and makes transfers to the Department's public entities and state owned companies over which the Department exercises oversight. In this regard, the significant increase in spending on departmental agencies and accounts expected between 2014/15 and 2016/17 is due to the Cabinet approved additional allocations of R700 million to the Universal Service and Access Fund (USAF) for the broadcasting digital migration project.

The broadcasting digital migration project was also the reason for the significant increase in expenditure between 2010/11 and 2013/14 in the Administration programme for the advertising campaign to raise public awareness about the migration process. The advertising campaign is now subject to Special Investigation Unit (SIU) investigations. Over the same period, spending on transfers to public corporations and private enterprises also increased due to the rescheduling of the transfer payment to Sentech, as funding was made available to expedite the digitisation process in support of government's target to switch off the analogue signal in June 2015. Spending on public corporations and private enterprises is expected to decrease over the medium term, mainly because the final allocation to Sentech for digitisation will be transferred in 2014/15.

Through the 2013 adjustments budget, the Department received additional allocations for the school connectivity project, which contributes to the increase in spending on consultants between 2010/11 and 2013/14. Transfers to departmental agencies and accounts increased significantly due to an additional allocation in 2012/13 to fund office equipment and relocation costs for ICASA, and for the adjusted allocation for the 2013 Africa Cup of Nations to the SABC.

Cabinet approved reductions of R15 million over the medium term have been effected on the 112 emergency call centre project, and this is not expected to impact adversely on performance. In 2013/14, the Department finalised its organisational review process, which will result in all critical vacant posts being filled.

R265 million over the medium term has been allocated for the broadcasting digital migration project. Of this, R195.1 million is allocation to the SABC for the digital library and a digital playout centre. Sentech is allocated R69.8 million in 2014/15 to finalise the rollout of DTT infrastructure. These allocations do not include the R1.5 billion allocated to USAF to subsidise STBs, antennas and installation.

3. Expenditure Trends per programme

3.1 Programme 1: Administration

The spending over the medium term will be on providing strategic support to the ministry and overall management for the Department, and supporting the implementation of the broadcasting digital migration through awareness campaigns. This accounts for the significant spending projected over the medium term on advertising and in the Corporate Services subprogramme, which was due to funds being reprioritised in 2013/13 and 2013/14 for the DTT awareness campaign. These funds were reprioritised mostly from allocations to the 112 emergency call centre project, which experienced implementation delays.

The Department also aims to upgrade its IT systems over the medium term to improve efficiency. Service providers will be appointed over the medium term to perform this task. This explains the expected increase in spending on consultants over the medium term. The number of personnel in the programme is expected to increase from 165 in 2012/13 to 177 in 2016/17, mostly in salary levels 7 to 10 and 11 and 12, as the Department finalises its organisational review.

3.2 Programme 2: ICT International Affairs and Trade

The spending focus over the medium term will be on: ensuring alignment between South Africa’s international activities and agreements in the ICT sector and its foreign policy through funding the country’s participation by paying membership fees to international communications organisation; participating in the global discourse within the United Nations system on telecommunications, postal services, information society and green technology; participating in engagements that result in e-skills development initiatives for young South Africans and employment creation projects and pursuing bilateral engagement with other countries. Thus the bulk of the programme's allocation of the medium term is spent in the ICT Trade Partnerships subprogramme, which is responsible for membership fees. Over the medium term, payments will continue to be made to organisations such as the Universal Postal Union (UPU), the International Telecommunications Union (ITU) and the African Telecommunications Union. The Department also expects to submit five ICT position papers focusing on promoting South Africa's national ICT interests to relevant forums for international engagements each year.

Expenditure on goods and services decreased significantly between 2010/11 and 2013/14, as lower expenditure on travel and subsistence was incurred because the programme undertook fewer international engagements. Expenditure on consultants increased by 86 per cent between 2010/11 and 2013/14 due to the appointment of a service provider for the Southern Africa Developing Countries (SADC) conference that the Department hosted in February 2014. This programme had a staff compliment of 20 posts at the end of November 2013, 18 of which are currently filled.

3.3 Programme 3: Policy, Research and Capacity Development

The spending focus over the medium term will be on providing support to improve the functioning of information society and promoting the development and use of ICTs through the Information Society Development subprogramme. Through the ICT Policy Development programme, policies and legislation will be reviewed. Building on the Department's previous work on the integrated ICT policy review, which resulted in the production of the green paper on South Africa's national integrated ICT policy, over the medium term this subprogramme will develop the white paper, which is set to be released by mid-2014.

Consultants are appointed to support the Department in the plicy and legislative making process. The significant increase in spending on consultants in 2012/13 was mostly due to the appointment of consultants to assist with the proposed transaction between Telkom and Korea Telecom. This also accounts for the significant increase in spending in the ICT Policy Development subprogramme in that year. The decrease in expenditure in the Capacity Development subprogramme between 2010/11 and 2013/14 was due to the high expenditure on consultants in 2010/11, mostly for the e-skills summit, which the Department hosted in July 2010. Expenditure on goods and services also decreased from 2010/11 to 2013/14 as a result of cost cutting measures and reprioritisation towards other programmes in the Department.

Spending on consultants is expected to account for a relatively high propotion of the programme's budget over the medium term to provide support to the Department in finalising outstanding policies and legislation. This programme had a funded staff complement of 125 at the end of November 2013, of which 84 are currently filled.

3.4 Programme 4: ICT Enterprise Development and SOE Oversight

The spending focus over the medium term will be on continuing to strengthen the Department's ability to exercise oversight over the public entities, making transfers to public entities, and facilitating the development of ICT SMMEs. Thus, over the medium term, the Department expects to continue intervention such as establishing ICT hubs in underserved provinces such as Limpopo and Free State. It will also focus on e-commerce, export readiness and the broadcasting digital migration value chain. This also accounts for the increases in the ICT Support and Small Medium and Macro Enterprise Development subprogrammes over the medium term. The Department appointed service providers to assist with the establishment of the ICT hubs, which explains the increase in spending on consultants in 2011/12.

AS such, 93.5 per cent of the programme's allocation over the medium is transferred to the Department's public entities and enterprises, while a significant portion of the balance is spent on consultants who provide critical skills, particularly with regard to ICT research, implementing ICT hubs around the country and the broadcasting digital migration projects in 2016/17.

Expenditure on transfers to public corporation and private enterprises decreased significantly between 2010/11 and 2013/14, due to the final allocation to the SABC for the technology programme in 2010/11 and the South African Post Office in 2012/13 for universal access. Expenditure on transfers to departmental agencies and accounts increased between 2010/11 and 2013/14 due to allocations in 2012/13 to fund office equipment and relocation costs for ICASA and the National Electronic Media Institute of South Africa (NEMISA) implementation of e-skills programmes. The transfer for the e-skills programmes included a once off additional allocation of R15 million, which is why expenditure on transfers to departmental agencies is projected to increase at a slower rate over the medium term.

The allocations to USAASA for the broadcasting digital migration project have been shifted to the Infrastructure Support programme. This has been done to create better transparency in reporting by consolidating the funding for the project in a single programme. This programme has a funded staff compliment of 16 posts, 12 of which are projected to be filled at the end of 2013/14.

3.5 Programme 5: ICT Infrastructure Support

The spending focus over the medium term will be on implementing the broadband policy, finalising the broadband implementation plan, and making transfers of the STB subsidy for poor household through USAASA. The transfer to the agency is the reason for the significant spending projected over the medium term in the DTT subprogramme. Between 2011/12 and 2013/14, R690 million was transferred to the agency to cover the subsidies for the STBs. These funds remain unused due to a delay in finalising the criteria to determine qualifying households and the court case around the STB mechanism. The funds have been retained for use over the medium term. An additional R700 million has been made available under the DTT subprogramme to enable the agency to roll out STBs, antennae and installation over the medium term.

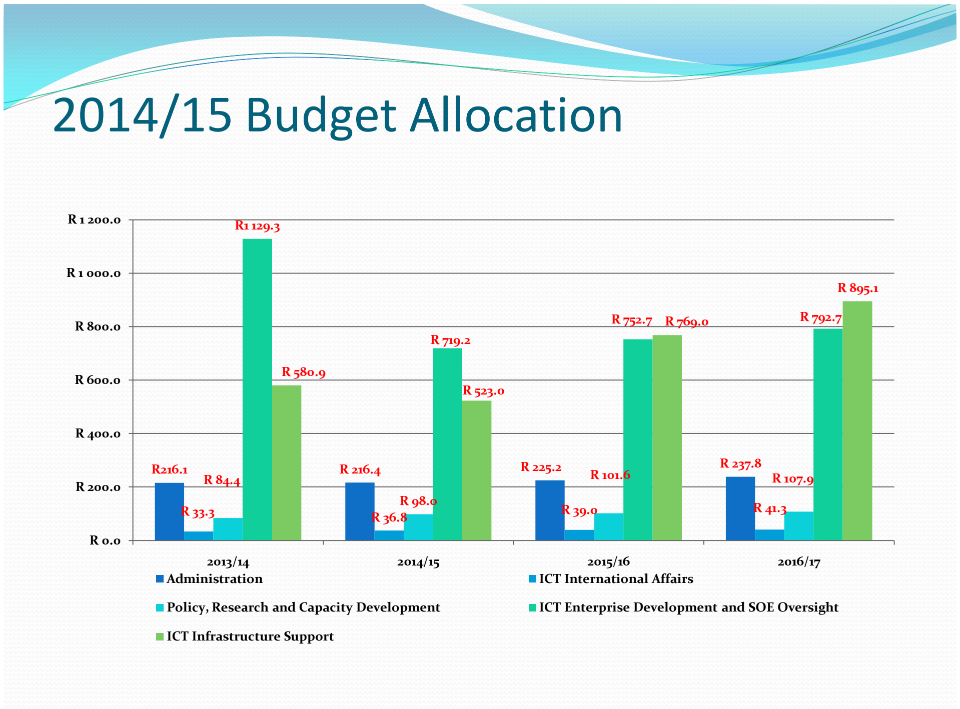
Funds have also been reprioritised towards planning for the broadband rollout, which accounts for the strong growth in the Broadband subprogramme over the medium term. The Department also aims to finalise government’s policy on radio frequency spectrum in the next few months. The release of high demand spectrum has the potential to play an important role in improving access to wireless broadband. The large increase in external audit costs in 2012/13 is due to performance audits carried out on the national frequency spectrum in order to determine if it was used effectively.

Spending on travel and subsistence is expected to increase to R5.7 million in 2016/17 due to increased travelling relating to the implementation of the DTT project. This project also increased spending on transfers to Sentech between 2010/11 and 2013/14, as funding was made available for digitisation in support of government's target to switch off analogue signal in June 2015. Over the medium term, expenditure is projected to decrease significantly due to the final allocation to Sentech for DTT in 2014/15.

The national cybersecurity policy framework was approved by Cabinet, and mandates the establishment of a cybersecurity hub in terms of the justice, crime prevention and security cluster. The Department entered into a memorandum of understanding with the Council for Scientific and Industrial Research (CSIR) to establish this hub, which further accounts for the large increase in consultants in 2011/12. Expenditure on consultants increased significantly between 2010/11 and 2013/14, due to an additional allocation received through the adjustments budget for school connectivity, and for service providers who assisted the Department to develop the report on baseline data on broadband coverage, penetration, speed and cost, and implementing a testing centre for STBs. In addition, the increase in spending on goods and services over the medium term, particularly on consultants, is as a result of funding from the 112 emergency call centre project being reprioritised to the broadcast digital migration project, which will include a call centre to deal with queries related to the migration process.

To give effect to Cabinet approved budget reductions, R15 million over the medium term has been reduced from spending on consultants. This programme had a staff complement of 47 funded posts at the end of November 2013, of which 38 are envisaged to be filled by 2014/15.

4. Departmental Budget 2012/13 – R1.6 billion



4.1 Programme 1: Governance and Administration – R216. 4 million

The purpose of this programme is to provide strategic support to the ministry and overall management of the Department. In the 2014/15 financial year, programme one has been allocated R 216.4 million compared to R216.1 million in the previous financial year. This programme's amount constitutes about 14 per cent of the overall allocation.

4.2 Programme 2: International Affairs– R36.8 million

The purpose of this programme is to ensure alignment between South Africa's international activities and agreements in the ICT sector and the country's foreign policy.

It has since become a norm for this programme as evident from the previous three financial years and the current financial year, is allocated the least amount, which constitutes an average of 2 per cent of the total budget. In the current financial year programme 2 is allocated R 36.8 million compared to the previous year's adjusted allocation of R33.3 million.

4.3 Programme 3: Policy, Research and Capacity Development – R98 million

The programme develops legislation that supports the development of an ICT sector that creates favourable conditions for accelerated and shared growth of the economy. It also develops strategies that increase the uptake and use of ICTs by the majority of the South African population in order to bridge digital divide.

4.4 Programme 4: This programme known in the outer year as Broadcasting and Communication Regulation Support has been altered to ICT Enterprise Development and SOE Oversight – R719.1 million

The purpose of this programme is to oversee and manage government's shareholding interests in the ICT public entities. This programme also facilitates growth and development of Small Micro Medium Enterprises (SMME).

In the last financial year, the programme was allocated the most funds which constituted 45 per cent of the total Communications budget. During the 2013/14 financial year it was allocated R1. 2 billion compared to the 2014/15 allocation of R719.2 million.

4.5 Programme 5: ICT Infrastructure Support – R523 million

The purpose of this programme is to promote investment in robust secure reliable ICT infrastructure that supports the provision of a multiplicity of applications and services.

This programme has received the second largest allocation which amounts to R523.0 million which translates to 32.82 per cent of the Department's total budget of R1.6 billion.

5. Entities of the Department of Communications

The following entities and agencies report to the Minister of Communications and the ICT regulatory authority.

5.1 South African Post Office – R0

SAPO is a schedule 2 public entity in terms of the PFMA. It is a government business enterprise established to provide postal and related services to the public, and derives its mandate from the South African Post Office SOC LTD Act (Act No 22 of 2011) and the South African Postbank Limited Act (No 9 of 2010). The Postal Services Act (Act 124 of 1998) grants SAPO the exclusive mandate to conduct postal services. This Act further makes provision for the regulation of postal services and the operational functions of the postal company, including Postbank's universal service obligations and associated financial services.

SAPO's strategic goals over the medium term are to:

- maintain good corporate governance principles;
- remain customer centric by providing quality services;
- invest in employees by building capacity and implementing transformation programmes;
- attain financial sustainability while delivering on government's social mandate;
- provide affordable postal and related services that meet the needs of customers;
- remain environmentally conscious by promoting green practices;
- provide a secure, efficient and integrated infrastructure for better responses to its stakeholders; and
- continue the corporatisation of Postbank and the upgrading of its banking system.

In addition, the key focus areas will be on: property evaluation, balance sheet structure, funding solutions, capital adequacy, implementation of turnaround plan, and Postbank Corporatisation.

5.2 Sentech – R69.8 million for digitisation

Sentech Limited is an SOE established in terms of the Sentech Act (Act No 63 of 1996) and is listed as a schedule 3B public entity in terms of the PFMA. Its mandate is to provide broadcasting signal distribution for broadcasting licensees, with a particular focus on accelerating the implementation of government ICT interventions within the framework of the NDP and the strategic integrated project for expanding access to communication technology.

Sentech's strategic goal over the medium term are to:

- align its strategic roadmap with shareholder programmes to enable the development of open access government participation in the communications industry through infrastructure based investment;
- continue working to support and realise government's ICT vision and goals, including innovation in broadcasting and media services and content management distribution;
- create solutions that enhance the customer experience and are in line with government's mandate of providing all citizens with access to communication services; and
- repackage social responsibility interventions and create community social investment ICT programmes that improve lives, create value and are sustainable.

5.3 Universal Service and Access Agency of South Africa – R62.1 million and USAF R240 million

USAASA was established in terms of section 80 of the Electronic Communications Act (ECA) (2005) as a statutory body and is listed as a schedule 3A public entity in terms of the PFMA (1999). Its sole mandate is to promote universal service and access to electronic communication services, electronic communications network services and broadcasting services.

In order to contribute to the achievement of government priorities and outcomes; USAASA is to pursue the following strategic goals over the medium term:

- facilitate the rollout of broadband infrastructure in the 250 identified underserviced areas;
- ensure that all targeted needy households are subsidised in the switch to digital broadcasting;
- ensure the effective and efficient administration of the USAF;
- enhance the strategic and operational capacity of the agency and maintain good corporate governance;

- facilitate connectivity in primary health care facilities and government institutions; and
- facilitate connectivity in all schools, including schools for people with disabilities.

5.4 Ikamva National e-Skills Institute (INeSI) – R37.8 million

NEMISA was established as a non-profit institute of education by the Department of Communications in terms of the Companies Act (1973) and is listed as a schedule 3A public entity in terms of PFMA (1999). Formed as part of government initiative in 1998 in response to the White Paper on Broadcasting Policy, the institute's main purpose is to train previously disadvantaged individuals, particularly women, to equip them with the necessary skills to play significant roles in the constantly changing broadcasting environment. The institute offers hands-on training in electronic media, including content design and production, technical operations and content transmission.

The institute's ongoing activities included offering national certificates and short courses in the areas of television production, animation and radio production. The institute's programmes are structured to enhance the market readiness of students in a wide range of broadcasting disciplines.

INeSI tabled its strategic plan before Parliament for the first time after the merger and it acts as a national catalyst and change agent for the development of e-skills supported by the following four programmes: Administration; Multi-Stakeholder Collaboration; e-Astuteness Development; Knowledge for Innovation and Aggression.

5.5 South African Broadcasting Corporation – R227.1 million

The SABC was established in terms of the Broadcasting Act (Act No 22 of 1936) as a government enterprise to provide radio and television broadcasting services to South Africa. As per the Broadcasting Amendment Act (Act No 64 of 2002), the SABC has since October 2004 been incorporated into a limited liability company with two operational divisions i.e. public broadcasting, and commercial broadcasting services.

Further, the SABC is listed as a schedule 2 public entity in terms of the PFMA. Its mandate is set out in its charter and in the Broadcasting Act (1999), which requires it to provide radio and television broadcasting services to South Africa.

The SABC has the following strategic goals to be pursued over the medium term:

- Ensure access of its services to all citizens throughout the country;
- Inform, educate and entertain and provide services in all official languages;
- Reflect both the unity and diverse cultural and multilingual nature of South Africa and all of its cultures and regions, to audiences;
- Provide programming for children, women, youth and people living with disabilities, and broadcast national, developmental and minority sports;
- Develop talent and showcase South African content;
- Provide independent news of high quality standards;
- Ensure the financial sustainability of the corporation through the cost effective use of budgets and resources;
- Implement the digital content strategy; and
- Complete the digital migration and multi-channel offering.

5.5.1 Expenditure Trends

The corporation generates revenues from television license fees, advertising and sponsorships, as well as a transfer from Department of Communications. Over the medium term, revenue is expected to increase from R7.3 billion in 2013/14 to R8.4 billion in 2016/17, due to increase in advertising revenue in line with the new multichannel environment created by the expected rollout of Digital Terrestrial Television (DTT).

The spending focus over the medium term will be on realigning the organisation’s operational model with the digital broadcasting requirements, with an emphasis on audiences, editorial integrity, developing local content, and telling authentic South African stories. Expenditure is expected to increase from R7.3 billion in 2013/14 to R8.6 billion in 2016/17, mainly due to activities involving improving the corporation’s services offered around radio, television, news and sports content.

The increase in spending between 2010/11 and 2013/14 was due to higher broadcasting costs, signal distribution costs, and the remuneration of freelance artists. Moreover, higher revenue collection also contributed to the increasing costs over the same period as the corporation attempted to improve liquidity. At the end of December 2012, the entity had achieved a positive liquidity ratio of above R1 billion and was further able to settle its bank loan by September 2013, 14 months earlier than the expected loan term. This saved the SABC R17 million in interests.

The corporation had a funded establishment of 3 720 posts, of which 3 621 were filled at the end of November 2013. The number of filled posts is expected to increase to 3 661 over the medium term, which explains the subsequent increase in spending on compensation of employees by 6.4 per cent between 2013/14 and 2016/17. The additional appointments are to meet the requirements for implementing DTT and the organisation's strategy to expand regional content and thus contribute to job creation.

5.6 Independent Communications Authority of South Africa (ICASA) – R376.2 million

ICASA was established in terms of the ICASA Act (2000), as amended, and is listed as a schedule 1 constitutional institution in terms of the PFMA Act (1999). The authority makes regulations and issues communications licences in terms of the Electronic Communications Act (2005) and Postal Services Act (1998). Enabling legislation also empowers the authority to monitor and enforce licensee compliance with licence terms and conditions, and protects consumers from unfair business practices and poor quality services, hears and decides on disputes and complaints brought against licensees, and controls and manages the frequency spectrum.

As part of delivering on the requirements of the NDP, the authority has identified the following five strategic goals over the medium term:

- Promote competition by removing bottlenecks, ensure that South African ICT retail prices fairly reflect costs, ensure effective participation by historically disadvantaged individuals and in terms of Broad-Based-Black Economic Empowerment (BBBEE);

- Facilitate nationwide broadband penetration by 2020, and promote the development of public community and commercial broadcasting services in the context of digital migration;

- Promote the efficient use of spectrum resources by establishing innovative approaches to technology usage, and support the rapid uptake of new ICT technologies;

- Promote consumer rights and ensure universal service and access; and

- Modernise the authority through improved operational processes and performance.

5.6.1 Expenditure Trends

The spending focus over the medium term will be on enhancing regulatory capacity, improving access to broadband services and optimizing the use of the radio frequency spectrum to extend access to affordable ICT services to all South Africans. The increase in expenditure between 2009/10 and 2012/13 was mainly due to funding made available in 2013/13 for projects relating to DTT, the provision of broadband services and additional commercial radio services, and the broadcasting of the 2013 African Cup of Nations soccer tournament. The projected deficits over the medium term are due to major projects that have been delayed in previous years that will now be executed over the medium term.

The allocation and efficient use of broadband spectrum will play an important role in the rollout of broadband services in the country. The authority will acquire core modules to manage customer relations and spectrum management on the use of new spectrum by licence holders. In order to improve spectrum management, core modules of the new spectrum management system will be implemented. Hand held spectrum analysers will be bought and test equipment upgrades will be made in order to support digital technology. These and other projects account for the large pincrease in acquisition of assets in 2014/15, and the deficits over the medium term.

The number of posts decreased from 413 in 2012/13 to 405 in 2013/14 as a result of the decision to place a moratorium on non-core or less significant vacant posts until such time that the authority has finalized the organizational review. Over the medium term, staff numbers are expected to increase to 410, mainly to support the monitoring and enforcement function of the authority.

6. Observations and Recommendations

6.1 Observations

The Committee noted:

(i) the vacant positions at the SABC of the Group Chief Executive Officer, Chief Financial Officer and Chief Operations Officer which were assumed by individuals on acting capacity as this created uncertainty and leadership instability at the Corporation;

(ii) with concern the public broadcaster's inability to effect television programmes that target people with disabilities;

(iii) that despite previous undertaking by task team (Sentech, SABC, DoC) there are still a number of areas that are not able to access SABC's broadcasting despite the fact that universal access obligation mandate of rolling out low power transmitter lies with the SABC. In addition, no entity can say where the low power transmitter mandate resides;

(iv) that the current funding model of the public broadcaster (3%) is insufficient to fulfil its public mandate and to ensure DTT preparations;

(v) with regret that corporate governance at the USAASA had in the past deteriorated to an undesirable stage. The Agency acquires services of one service provider to rollout ICT Hubs and Telecentres across the country. The service provider managed to rollout 10 per cent of the required contractual agreement, but the Agency paid the service provider more than 85 per cent for the service rendered;

(vi) the original mandate of USAASA, which was relevant during period of voices telephony, needs to be reviewed in line with the modern broadband and data services;

(vii) that for the first time, USAASA presented two Strategic Plans, one for USAASA and one for USAF;

(viii) with concern that USAASA has not shown any sense of urgency regarding its own work towards the Broadcasting Digital Migration through identifying 5 million indigent television-owning households/ beneficiaries;

(ix) in many instances ICASA does not perform partial or full Regulatory Impact Assessment (RIA) when embarking on regulatory processes and therefore the proposed unbundling of the Local Loop Unbundling (LLU) must accompanied by a RIA;

(x) the new proposed reduction in the Mobile Termination Rate (MTR) has not come about as a result of the Court Order;

(xi) that the ICASA, amongst other things, reported that it was constrained by its budget to fulfil its mandate. In addition, the Committee noted that presentation of ICASA included different types of funding models;

(xii) the persistent legal challenges to regulatory processes;

(xiii) with concerns the lack of asset replacement plan of the ICASA which results in the regulatory utilizing redundant equipment leading to poor performance;

(xiv) that despite the undertaking or reassurance by the SABC to present two separate Strategic Plans as per the provisions of the Act which indicates that the public and commercial service divisions must be separately administered and a separate set of financial records and accounts are to be kept, the SABC has still not complied with the Act;

(xv) the underperformance of the SABC 3 Channel which has witnessed a decline in audiences and revenues, as well as brand integrity erosion continues, however, the current strategic plan does not cater for turnaround strategy in place to deal with this;

(xvi) that there was no planned implementation of low power transmitters despite the fact that there are targets which were omitted in the past; and there are still no planned mechanisms or indications by the SABC to redress the target short-fall of the previous financial years;

(xvii) that there was no allocation or subsidy for SAPO for Universal Service Obligation;

(xviii) with regret that the department and all entities still do not have an IT storage or Disaster Recovery Plans as per the Auditor-General of South Africa (AGSA) report;

(xix) that SAPO has projected a net loss of R249 million and this could increase given the licence and mandate obligations, the gradual conversion of contract workers to permanent employees as well as the impact of strikes;

(xx) that additional R3.5 billion is required by SAPO for Postbank Corporatisation as well as SAPO operations;

(xxi) that the process of Postbank Corporatisation is on track; and

(xxii) with concern that INeSI existence is not highly publicised to the general public who stands to benefit from its offerings. Furthermore, the Committee noted that INeSI was not properly funded.

6.2 Recommendations

The Committee recommends that the Minister:

(i) ensure DoC and all its entities fill all funded vacant positions especially those at Senior Management Service (SMS) level;

(ii) ensure the finalisation of new policy directive on Transparency Pricing Policy to an effort to deal with the cost of communications;

(iii) ensure the finalisation of new policy directive National Spectrum Policy that will support the digital dividend;

(iv) ensure that sub-programmes, Research, Market and Economic Analysis are allocated sufficient resources;

(v) submit a detailed report with timelines on how to address negative audit findings by the Auditor-General of South Africa (AGSA) in the past financial years, as well as in both the Budgetary Review and Recommendation Reports (BRRRs) and the fourth Parliament Committee's Legacy Report;

(vi) should ensure that the mandate and funding of SABC, funding model and budget of SAPO and funding of ICASA are reviewed;

(vii) should provide Parliament with a detailed report on the Public Protector's recommendations on SABC once the matter has been finalised and a report submitted to the Public Protector's office;

(viii) should ensure that all entities include timeframes against their targets;

(ix) ensure that the Department and its entities have existing Disaster Recovery Plans;

(x) ensure that USAASA mandate is reviewed to be in line with the modern broadband and data services;

(xi) ensure that INeSI review the ratio of the spending on salaries versus operational costs; and

(xii) ensure that INeSI develops new marketing strategy to ensure that more people are aware of the e-skills initiative.

The Committee is satisfied with the Strategic Plans 2014–2019 and Annual Performance Plans for 2014–2015 of the Department of Communications, USAASA, SABC, ICASA, INeSI and Sentech and accordingly supports its implementation.

The Committee recommends that the 2014-15 budget allocation of the Department of Communications and its entities be approved.

The Democratic Alliance reserved is position on the report.

The Economic Freedom Fighters expressed its dissatisfaction with the Strategic Plans and Budgets of the Department and its entities.

Report to be considered.