Address by the Honourable Minister of Telecommunications and Postal Services, Dr Siyabonga Cwele on the occasion of the Budget Vote speech

16 Jul 2014

Moving South Africa to a Digital Future

Honourable Chair,
Honourable Ministers and Deputy Ministers,
Honourable Members of the House,
Leaders of the ICT industry and State-Owned Companies,
Fellow South Africans,

I am pleased to lead the policy debate for Budget Vote 27: Communications, which was introduced in parliament in February this year. After the renewal of the ANC government mandate in the May 2014 elections, His Excellency President Zuma reorganised the state to implement policy more efficiently and faster to achieve the National Development Plan outcomes we have set for ourselves in the next five years.

The newly formed Department of Telecommunications and Postal Services will draw on this budget until we conclude the new budget processes or adjustment estimates. This transition will enable us to transform current government programmes to be in line with the new Medium Term Expenditure Framework.

Last month, His Excellency President JG Zuma announced in his State of the Nation address that in the next five years "We will expand, modernise and increase the affordability of information and communications infrastructure and electronic communication services, including broadband and digital broadcasting."

This Budget Vote is significant as we are a mere two days from celebrating Mandela Day. Let us continue to honour the memory of our icon Mandela so that the world reverberates with the greatness of his humanity for centuries to come.

In 2009, via videolink, Mandela informed the International Telecommunication Union (ITU) that, "information and communication technologies are the single most powerful tool we have for human progress." He implored the ITU to, "support efforts to connect the world and bridge the digital divide." His words continue to guide us today, to 'Take Action' and 'Inspire Change.' Which is why on Friday we will devote 67 minutes and more to cleaning classrooms and bridging the digital divide by launching an ICT Lab at the Mshadza High School in White River, Mpumalanga.

Honourable Chair,

The telecommunications revenues that were a paltry R2 billion before democracy, grew to approximately R179 billion in 2011 and this is expected to increase to R187 billion by 2016.

The mobile sector was introduced just before 1994 with two operators. Through our regulatory and policy measures, including spectrum allocation and the raising of call termination rates, we supported the incubation and massive growth of these operators. In the last ten years we introduced two additional cellphone providers. It is in this vein we should

collectively continue to support new entrants to the market as we strive to increase competition and decrease costs.

Distinguished guests,

We present to you a Budget Vote signifying a more focused attention on infrastructure roll-out, the creation and acceleration of the expansion of e-government services, the coordination and streamlining of public entities in the sector as a well as a reconfigured department which will ensure policy and regulatory certainty within the Information and Communications Technology (ICT) sector.

The rapid deployment of fast and affordable broadband infrastructure remains a powerful lever to create an internationally competitive knowledge economy, improve productivity and expand access to new markets and social development.

Currently, the backbone of broadband infrastructure, which is fixed line fibre, now reaches 170 000 kilometres, linking cities and small towns. We will focus on closing infrastructure gaps with respect to the urban and rural divide, and access networks which will facilitate fibre to the home.

We must move away from over-reliance on mobile broadband as it will not be sufficient for ensuring effective e-service delivery in schools, health facilities and other government institutions. Our National Broadband Policy, SA Connect, places the department in a position to coordinate and support the roll-out of broadband infrastructure and services across the country, to achieve 100% broadband penetration by 2020.

In the current financial year, R20 milllion has been allocated for the finalisation of the first phase of the broadband plan. By end of this month, the business case will be finalised that seeks funding to connect 580 clinics, 4 444 schools, 182 police stations, and 572 other government offices in the medium term.

In fulfilling its coordination role, the department is engaging industry to establish their broadband roll-out plans in order to avoid infrastructure duplication. There are multiple broadband initiatives by various spheres of government, state-owned entities and the private sector which must be coordinated to maximise efficiency of investment.

As the chairperson of Strategic Integrated Project (SIP)-15, we plan to utilise this platform to coordinate the role of public institutions in the roll-out of broadband infrastructure and services. We will establish and operationalise a platform of engagement to facilitate an alignment of rollout plans. The role of SIP-15, whose focus is on expanding access to communications technology, aims to create new jobs, unlock business opportunities, transform the ICT landscape and support the integration of African economies.

To this end, we will also focus on local production of content and manufacturing, research and innovation, content and applications development, ICT skills and human resources development, funding for the roll-out of broadband infrastructure, coordination across governments and the private sector as well as broadcasting digital migration.

We recognise that government cannot achieve this alone. The National Broadband Advisory Council is a critical platform of engagement to forge partnership between government,

private sector, academia, and civil society. All role-players must align their plans to meet the SA Connect targets.

Honourable Members,

The duplication of public and private infrastructure poses a challenge as it contributes to high deployment costs, which is ultimately passed on to consumers. To address these bottlenecks we will seek to direct Independent Communications Authority of South Africa (ICASA) to formulate regulations for infrastructure and facility sharing. These regulations will look into how public networks can be offered on a common carrier basis so as to facilitate cost savings and the entry of many players and the enhancement of competition.

Government is committed to the establishment of an Open Access regime that allows those without access to critical public input resources like the spectrum, way leaves, rights of way and high sites, to enter the market on the same conditions as those who own the infrastructure. To this end the department will finalise, by October this year, a study on the Open Access Network that will inform how critical resources can be leveraged to ensure a competitive and open market that will unleash competition to drive down the cost to communicate in South Africa.

We acknowledge the efforts of industry in reducing prepaid mobile costs and the reduction in the mobile termination rates. Our high cost to communicate remains an impediment to ICT uptake and usage by citizens, businesses and government. It contributes a substantial input costs which discourages investment. We therefore appeal to industry to continue on this path. Government seeks to establish an environment in which the cost to communicate is affordable to all South Africans.

Our Cost to Communicate programme has four elements:

Firstly, the department and ICASA have concluded the broadband market value-chain study. The outcome of the study is being used to assist ICASA to develop regulations for broadband pricing.

Secondly, in the course of this financial year, the Department will undertake a national roaming study to determine cost implications, including discriminatory behaviour particularly for new entrants and smaller operators.

Thirdly, in September 2014, I will be directing ICASA to develop regulations on pricing transparency, to insist that companies transform their pricing structure to enable consumers to have a clear understanding of the true costs for the services they pay for. In this manner the true rate for a service will be disclosed upfront to enable the consumers to exercise their choice.

Lastly, we intend to direct ICASA to develop regulations in respect of the premium content which to aims to regulate how different broadcasters will access premium content for their services. This premium content relates to content such as sport rights, films and other content previously accessed through exclusive terms.

For us to have a sustainable and thriving sector, we need to ensure that there is a policy and regulatory environment that is conducive to the entrance and sustainability of new players in

the market. It is in our national interest to grow the sector and promote competition in order to drive down costs and create job opportunities.

Digital migration

There is no doubt that our digital migration process has faced many challenges. The June 2015 deadline looms before us and we dare not let our people down. I have taken the decision to move forward with the Broadcasting Digital Migration (BDM) programme.

By the end of the this month, the final BDM policy, which had been subject to public consultation, will be gazetted. Within three months we will designate the date of the start of the Digital Switch On. This designation will allow the industry, manufacturers and tv-owning households to prepare accordingly in order to purchase and install Set-Top Boxes that will make the digital switchover possible. The benefits of this will include facilitating the release of spectrum, increasing the number of television channels available and stimulating local production. The ring-fenced budget for Broadband Digital Migration is R2.97 billion.

The postal sector

The postal sector can make a larger contribution to the Gross domestic product (GDP), as well as to advance universal services and access goals. The current market structure which consists of the reserved, which refers to packages below 1 kilogram, and the unreserved markets, is not adequately regulated. This results in challenges to enforce policy and regulations.

There is an indication that the reserved market which is a monopoly area for South African Post Office (SAPO) is highly saturated with unlicensed operators. This practice needs urgent attention by the Regulator working closely with other enforcement agencies. The ICT Policy Review process will also make recommendations by the end of this financial year in respect of the market structure and other regulatory measures.

South African Post Office

Ladies and Gentlemen,

A massive Post Office network has been rolled out reaching more than 2 433 outlets of which 1 763 are located in rural areas thus providing a multiplicity of services to the marginalised communities. SAPO is currently facing financial and sustainability challenges with a number of its subsidiaries incurring financial losses coupled with numerous labour strikes.

I have directed SAPO to develop an overall turnaround strategy which will be finalised by the end of November 2014. The department will oversee the development of this overall turnaround strategy.

Postbank

It is critical that we utilise SAPO's infrastructure footprint to provide affordable financial services to the underserved and unbanked, especially in the rural areas. Therefore the

successful turnaround of SAPO is critical to the corporatisation of the Postbank, taking into account the role that SAPO has as the bank's holding company. The department will facilitate the registration of the Postbank Company, as a bank in terms of the Banks Act, by December 2014.

Improving service delivery/e-Government

Government is moving towards rendering its services and information to the public using electronic means to optimise service delivery. Our objective is to provide and maintain transversal information systems and develop e-Government platforms, for use by departments to deliver services online to citizens. In this regard, the department will coordinate work with other frontline government departments that provide services to the public. Through SITA, over the next five years, a significant number of government services will be available online. Of course, the success of this is depedent on the massive deployment of e-skills. The Deputy Minister will deal with this in more detail.

Cybersecurity

In ensuring that our network infrastructure is safe, secure and robust and that individuals and businesses have confidence in using ICT infrastructure, we will finalise the establishment of the Cybersecurity Hub. This Cybersecurity Hub will be established by the end of this year. The function of the hub is to promote best practice, compliance with standards, procedures and develop related cyber security policies that affect the public and private sectors.

SA competitiveness

We have taken note of the drop in international rankings in respect of the country's global competitiveness. Certainly, we will work more cohesively to ensure that information on ICT is collected, collated and reported timeously. This will be the first step in raising our rankings. Other measures include identifying areas for improvement and ensuring that we take steps to remedy our shortcomings.

Oversight

Government will continue to extend its oversight on state-owned entities to improve service delivery to our people. We have completed a process of reviewing and enacting new Memoranda of Incorporation for Sentech, SAPO and Nemisa to improve corporate governance. We will also enter into performance agreements with Boards to improve accountability.

International

ICTs are a force for globalisation, increasingly connecting people and organisations across the world. It follows, increasingly we must seek global solutions and share best practices in order to realise a people centred, development orientated, inclusive Information Society. For this reason, South Africa will remain active in the International Telecommunications Union, and the Universal Postal Union. Our focus will be two-fold. We will seek to harness the expertise residing in these organisations to address the socio-economic challenges we face, including capacity building, rural development and inequality, and bridging the digital divide. At the same time we will work closely with the rest of Africa and other developing countries

to ensure that these global organisations continue to respond to the needs of developing countries. We will be engaging on the issue of internet governance and will adopt a multi-lateral approach in this matter.

Honourable Members,

We will continue to build on the foundation laid by former Minister Carrim and his predecessors. I will exercise effective oversight over the department so as to ensure delivery of our key priorities and a clean audit. We will do things differently. The management of the department will be held to account within our legal framework. I appeal for a speedy finalisation of the outstanding investigations led by the Special Investigating Unit. I assure the House that where necessary, action will be taken.

Conclusion

Members of the House,

I would like to thank the Portfolio Committees on Telecommunications and Postal Services and the Portfolio Committee on Communications for providing us with direction on how to move the sector forward.

I also thank the Deputy Minister, Professor Hlengiwe Mkhize.

I also look forward to fostering partnerhips with the the Chairpersons and CEOs of the various entities and the ICT industry leaders.

My gratitude also goes to the Director-General and staff of the department and Ministry. The hard work now lies ahead.

I urge the House to approve this Budget Vote of the Department of Communications of R1,59 billion.

Let's Move South Africa Forward.

I thank you.

Issued by: [Department of Teleommunications and Postal Services](#)