



## **Report of the Portfolio Committee on Communications on its deliberations of Budget Vote 3: Communications, dated 9 May 2018.**

The Portfolio Committee on Communications (the Committee), having considered Budget Vote 3: Communications' Annual Performance Plans (APPs) for 2018/19 – 2020/21 of the Department of Communications (the Department), Government Communication and Information System (GCIS), the South African Broadcasting Corporation (SABC), the Independent Communications Authority of South Africa (ICASA), the Films and Publications Board (FPB), the Media Development and Diversity Agency (MDDA) and Brand South Africa (BSA), reports 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 Framework (MTSF) and where applicable with its Annual Performance Plan (APP).

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 reports.

The Committee met with the Department and GCIS on 17 April 2018; ICASA, BSA and FPB on 18 April 2018; SABC, MDDA on 19 April 2018 for consideration of their

APPs 2018/19 – 2020/21. The Department had a total budget allocation of R1. 520 billion.

## **2. The Department's APP 2018/19 – 2020/21**

### **2.1 Strategic outcome-oriented goals**

The Department derives its mandate from the President's pronouncement when establishing the department, and these are:

- Develop an overarching communications and broadcasting policy and strategy.
- Provide information dissemination and publicity to promote an informed citizenry.
- Brand South Africa abroad to assist the country promote investments, economic growth and job creation.

The Department has set itself the following strategic goals and strategic objectives which will be achieved when implementing the mandates:

- Effective and efficient strategic leadership, governance and administration.
- A responsive communications policy regulatory environment and improved country branding.
- Transformed communications sector.

### **2.2 Situational Analysis per programme**

#### **2.2.1 Situational Analysis (Programme 1)**

The Department remains focused on addressing the human resources capacity challenges through the prioritisation and filling of critical positions and also ensuring that its oversight role on public entities is strengthened and stabilised.

Most of the positions on the departmental approved organisational structure are not funded. The total number of funded posts is 81 and 74 of these posts are filled and seven are vacant, and this translates to a vacancy rate of 8.6%.

In terms of Employment Equity (EE), females at Senior Management Service (SMS) level account for 10 (53%); and males nine (47%). People with disabilities constitute 1% of the entire staff complement.

The development of the 2018/19 and outer years plans come in the midst of a distressed fiscus, largely due to an under-performing economy. This has resulted in the Department not being allocated a baseline budget necessary for the implementation of its plans, hence it had to rely on the GCIS to provide shared services – that include Internal Audit (until May 2018) Information Technology, Facilities, Security Management and Wellness services.

The Department was not able to fully implement its mandate as some of the units on the organisational structure are partially capacitated and others are completely not capacitated.

The Department was not able to meet some of the legislated commitments such as the Skills Development Act, 1998 (Act 97 of 1998), which requires that 1% of the personnel budget be allocated for employee training and development, including the implementation of the internship programme. However, the Department would provide for the WSP through reprioritisation.

Despite the challenges experienced, the Department had by and large ensured that there was better accountability over the allocated limited resources, hence the Department managed to obtain clean audits in the last two years.

The increasing demands for delivery which was not matched to the requisite resources could result in the quality of services being adversely affected, as well as resulting in regression from clean audits

Over the medium term, R436.8 million or 9% of the total budget baseline allocation will be used for operational costs, of which R263.2 million or 60% is to be spent on compensation of employees and R173.7 million or 40% on goods and services. The department will increase its headcount of permanent staff with 13 posts at a cost of R5.5 million, mainly to capacitate the DTT project, Communications Policy, Research and Development and Entity Oversight programmes.

## **2.2.2 Situational Analysis (Programme 2)**

### **2.2.2.1 Audio-Visual and Digital Content Act**

The Broadcasting policy was being reviewed to develop a new policy and regulatory environment that supports the growth and development of the audio visual and digital content industry.

Government announced that there was broad consensus on the need for a new legislative and regulatory review as the broadcasting policy was outdated and not relevant to the emerging digitally converged communications landscape.

During the 2016/17 financial year, the Department commenced with the process of developing the Audio-Visual and Digital Content Act. The process of achieving the Act would follow the development of the Green Paper, White Paper and the Bill, and after various consultations the Act would be submitted to Parliament.

In 2017 the draft White Paper was drafted, it acknowledged and also underlined the central and important role that the all the State Owned Enterprise's (SOE's) would play in order to achieve the goals of the NDP 2030.

### **2.2.2.2 The Media Diversity and Development Amendment Act**

The current Media Diversity and Development Amendment Act had some significant shortcomings as it was no longer appropriate to deal effectively and efficiently with changes underway in the contemporary digital media industry.

The MDDA Amendment Bill would improve the sustainability of the community and small commercial media sector in South Africa given the financial pressures being brought to bear on the community media as a result of audience fragmentation and increasing competition for readers, viewers and audience.

This Bill would also address the issues related to the review, realignment and rationalising of state institutions to ensure that they create an enabling environment for the development and support of community media in pursuit of the objective of media diversity.

It would provide the MDDA with new duties relevant to the fourth industrial revolution and digital developments, and ensure that the MDDA discharges its mandate adequately, and reinvent and reconfigure itself to ensure effective compliance from the sector it supports.

#### **2.2.2.3 South African Local Audio-Visual and Digital Content Industry Strategy**

It was acknowledged that whilst in the recent past significant progress in the increase of local content has been recorded, there was an urgent need to implement a coherent strategy for localising content as an economic and cultural industry.

It therefore becomes clear that South Africa cannot move into the new digital broadcasting environment while being wholly dependent on foreign-produced and sourced content.

The collaborative efforts of government and its institutions also recognised that the existing support mechanisms for the production of music, TV and multimedia content had not been sufficient to encourage the requisite explosion of South African content necessary to ensure that content was easily accessible across the ever-expanding platforms.

This content development strategy would support independent producers, SMMEs, etc and allow for entry by new innovative content providers.

This was also intended to prepare South Africa to be able to create and/or take up regional, continental and global opportunities arising from the introduction of new digital platforms.

#### **2.2.2.4 The Media Transformation and Diversity Charter**

The development of the media transformation and diversity charter was responding to government's call to identify and review ownership patterns that remain largely untransformed.

In the 2017/18 financial year, the Department developed a Media Transformation and Diversity discussion document. The focus for the current MTEF was to develop, approve and implement the Media Transformation and Diversity Charter. Specific focus of the charter will be on ownership; management, control and employment

equity (EE); skills development; preferential procurement and enterprise development as well as socioeconomic development.

The Media Transformation and Diversity discussion paper makes recommendations to address the identified challenges.

The Charter would assist government to explore additional policies to promote media diversity other than through government advertising and support through established agencies, as this had proved to be inadequate.

### **2.2.3 Situational Analysis (Programme 3)**

With its intergovernmental and stakeholder management function the department would provide strategic IGR and Stakeholder Management support and promote collaborations with the sector.

It also aimed to advance South Africa's interest in broadcasting and media policy in regional and international forums.

It would also focus on international engagements and partnerships in promoting investment in media and broadcasting skills development, capacity development and NDP goals. Engagement with the three spheres of government, key partners and stakeholders to promote the mandate of the department. The Department would consider bilateral engagements with stakeholders on matters of mutual interest. Such engagements could happen in different formats and at various levels based on sound cooperative processes.

These engagements would seek to share information on the Department's strategic objectives such as digital migration, media transformation, broad communications policy development and community media development. Furthermore, the engagements would seek to address stakeholders' legitimate concerns, develop relations/collaborations/partnerships and open formal communication channels.

### **2.2.4 Situational Analysis (Programme 4)**

The department has adopted the Policy Framework and Procedure on Oversight and Governance of Public Entities and Statutory Institutions.

The purpose of the policy was to strengthen the oversight on SOE's. It would also assist in regulating the relationship between the Executive Authority and the entities, in particular outlining the principles, structures and the modus operandi of how the Minister exercises oversight over the entities and how the entities complied with governance prescripts.

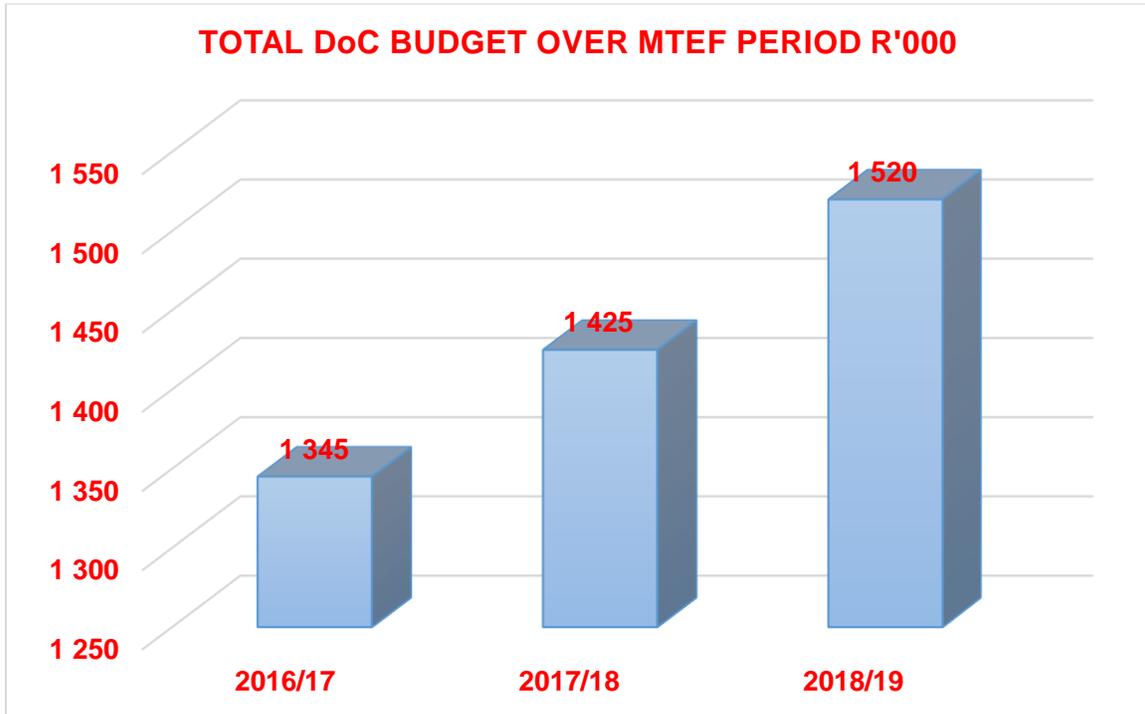
The Department had a duty to ensure that SOE's deliver upon their mandate, adhere to good governance practices and were financially viable. In ensuring an effective entity oversight, the Department would be developing develop tools such as accountability instruments and MOI. More attention to ensure stability of leadership in our SOE's would be prioritized, together with the financial Sustainability.

An estimated R3.098 billion or 63% of the department's budget would be transferred to public entities for the implementation of communications and broadcasting policies.

### **3. Departmental budget allocation and programmes**

The Department was allocated a budget of R1.3 billion for the 2016/17 financial year, and R1.425 billion for the 2017/18 financial years and R1.526 billion for the 2018/19 financial years as illustrated in the Graph 1 below. This represents a steady increase of 6 per cent over the medium term period in allocation.

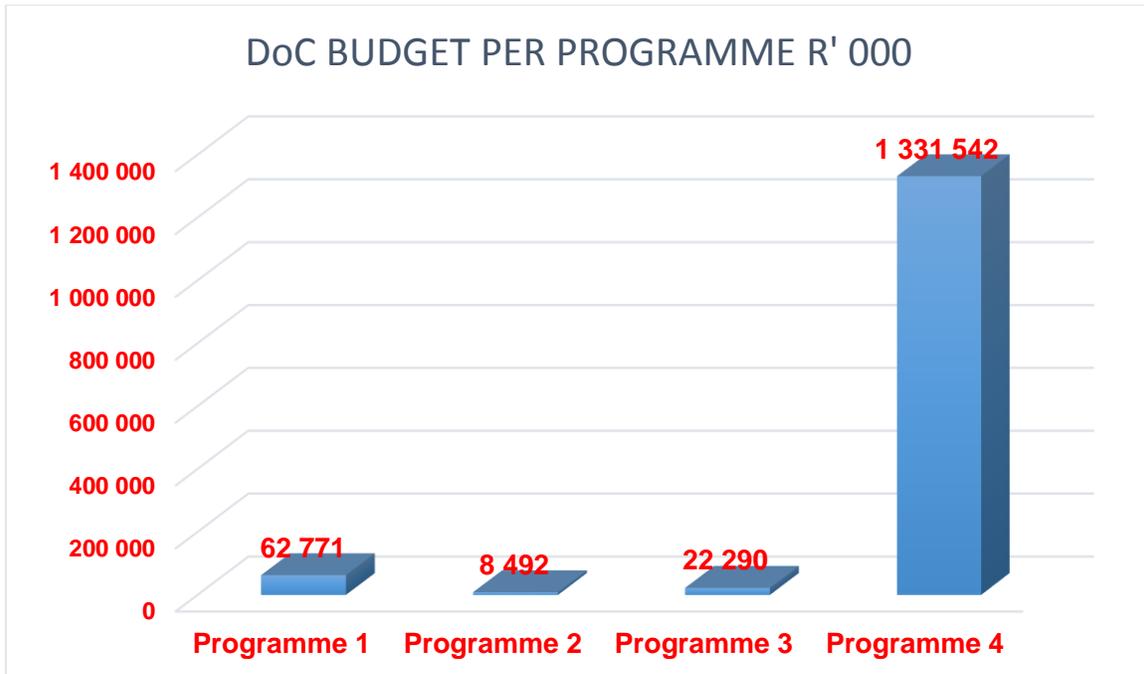
**Graph 1**



It will remain the prerogative of the Committee within the medium term to interrogate and consult (with relevant stakeholders such as DPME, Treasurer, and DPSA) on whether the Budget vote is adequately funded. The Committee, through its oversight mechanisms, has identified that the lack thereof of adequate funding for this budget will result in unintended consequences thereby reversing the positive progress achieved thus far by government. And further derail the Department in meeting its mandate of transforming this critical sector of the new democratic State. Parliament therefore should be in a position to establish whether the budget allocation and the 6 per cent steady increase over the medium term will suffice.

The Department had allocated its budget per programme as illustrated in the graph 2 below:

**Graph 2**



The overall staff complement has seen an increase over the medium term from 55 in 2014/15 to 85 in 2016/17 financial years. The Department's compensation of employee's budget has been reduced by R3.6 million for 2017/18 and 2018/19. After consultation with the Department of Public Service and Administration (DPSA) and National Treasury, the Department will finalise, develop and implement a plan to manage its personnel expenditure within this reduced expenditure ceiling.

It is equally important to make mention that despite the reduced expenditure ceiling, the Department is operating at half the approved staff complement.

### **3.1 Programme 1: Administration**

The purpose of this programme is to provide strategic leadership, management and support services to the department. The strategic objective of the programme is to ensure compliance with statutory requirements and good governance practices by 2019. In order to do this the functions of the department under this programme are organised into ten sub-programmes with annual targets.

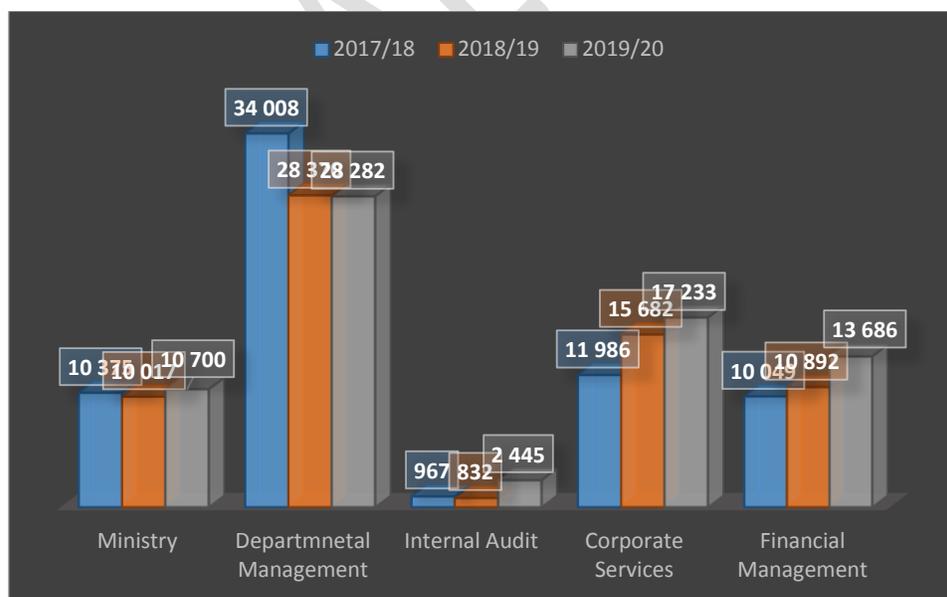
The programme aligns with Outcome 12: An efficient, effective and development-oriented public service (Sufficient technical and specialist professional skills and a public service that is a career of choice).

The sub-programmes are Human Resource Management and Development (HRM&D), Information and Technology management (IMT), Facilities and Security management services; Communications, Legal Services, Strategic planning and Performance Monitoring, Financial management, Accounting and Administration; Supply Chain Management, Risk Management and Internal Audit.

In line with its commitments to efficient service delivery and as a measure to curb slow expenditure, under sub-programme: Financial Management, Accounting and Administration the Department has set as its target to spend 100% of the budget according to the plan and ensure 100% compliance with invoices within 30 days. This was the only major change in terms of performance targets set under programme 1 when comparing to the APP of 2017/18.

The department’s budget was categorised into five broad sub-programmes. The graph below presents the expenditure trends and estimates by sub-programme

**Graph 3: Appropriation: Programme 1: Administration**



A significant portion (R28 370 000) of the appropriation goes to Departmental Management. The graph shows a steady decline over during the medium term particularly when comparing to the 2017/18 financial year.

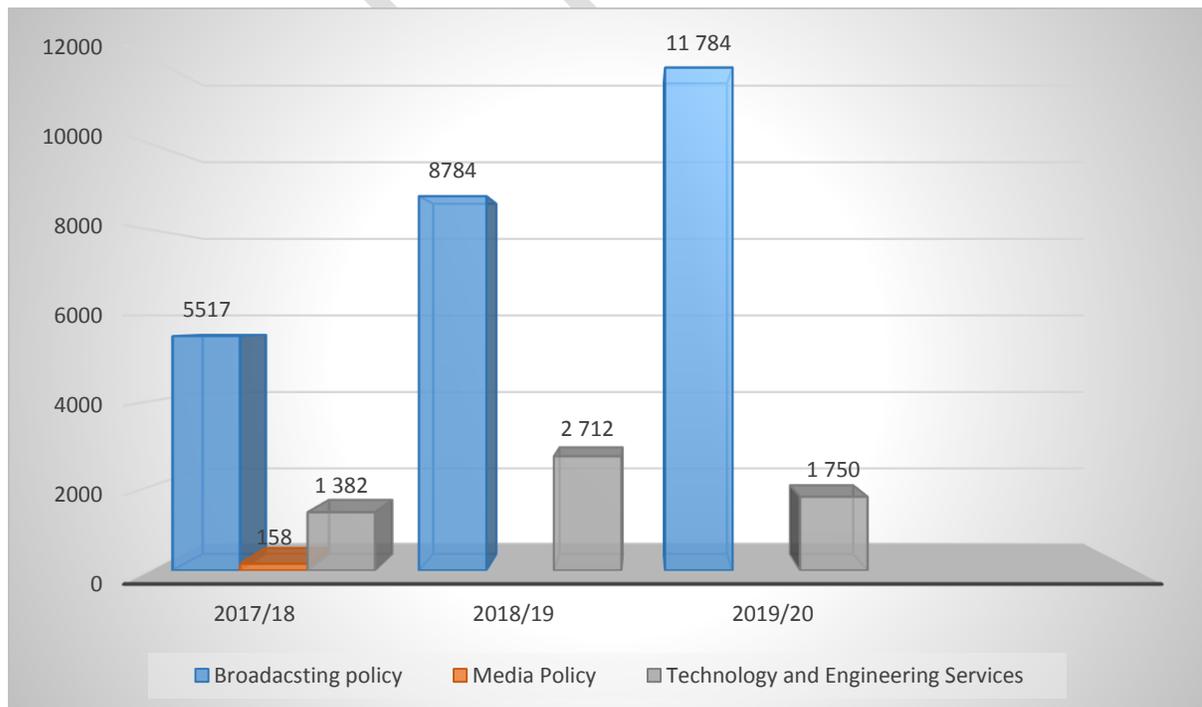
### 3.2 Programme 2: Communications Policy, Research and Development

The purpose of this programme is to conduct research and develop communications and broadcasting policies. The programme is has three sub-programmes with four annual targets. The three sub-programmes are Broadcasting Policy, Media Policy and Technology and Engineering Level.

The number of targets in this programme for the financial year 2018/19 have decreased from ten to four. During the medium term, programme two will focus on legislation and policy overhaul in order for policy and legislation to meet the changing needs of the sector as a result of the convergence and advances in technology.

The department’s budget is presented according to three sub-programmes. The budget is presented in the graph below:

**Graph 4: Appropriation; Programme 2: Communications Policy, Research and Development**



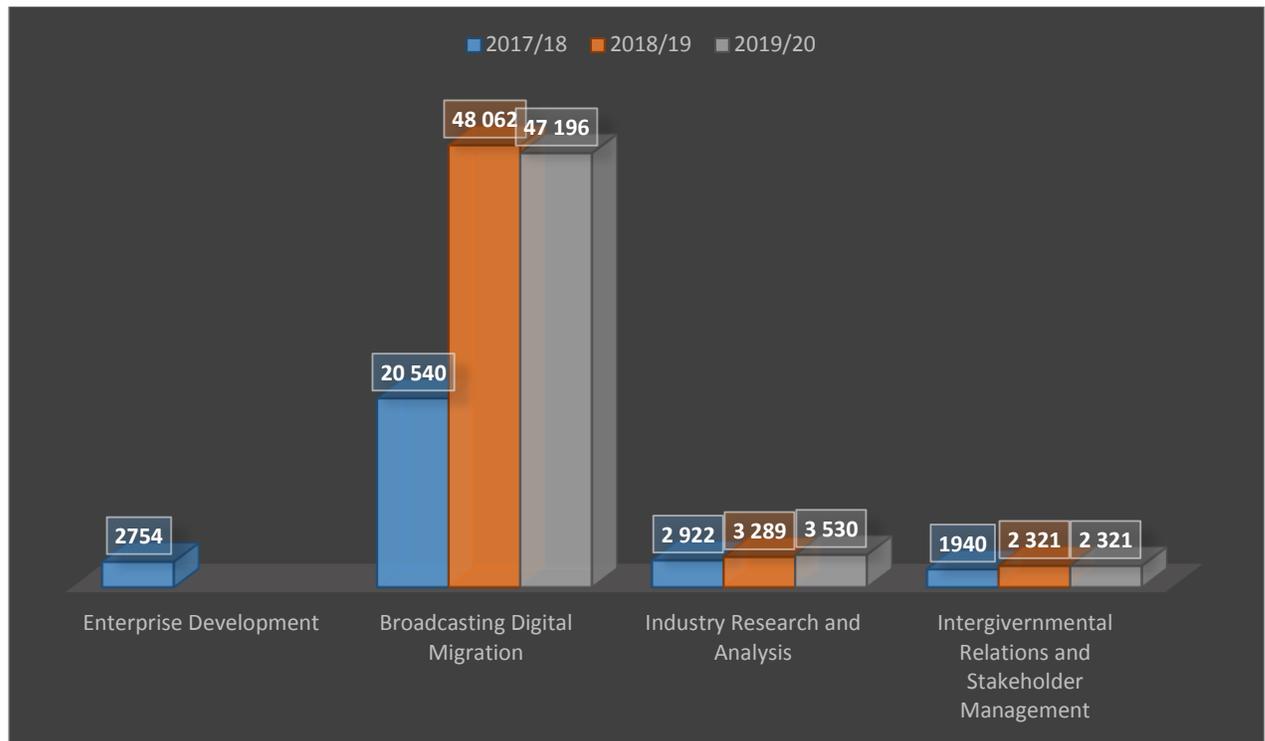
In line with the department's plan to overhaul the country's broadcasting and media policy in order to meet the changing needs of a sector operating in a highly advanced technological environment and meeting the communication needs of citizens; R8 784 000 of the budget is allocated to broadcasting policy for the 2018/19 financial year. The Committee should note that the budget allocated for Media Policy sub-programme is combined with the budget for sub-programme Broadcasting Policy for this financial year. Furthermore, over the medium term the budget under sub-programme one will increase substantially as the Department endeavours changes in policy and legislation.

### **3.3 Programme 3: Industry and Capacity Development**

The purpose of this programme is to manage enterprise development, digital migration, and industry research and analysis. Furthermore, it has to ensure the implementation of a structured programme of engagement with stakeholders in support of the department's programmes and projects. This programme has four sub-programmes with a total of four Annual targets.

The programme's functions are organised into the following sub-programmes; Enterprise Development, Broadcast Digital Migration Industry Research and Analysis and Intergovernmental Relations and Stakeholder Management.

**Graph 5: Appropriation; Programme 3: Industry and Capacity Development**

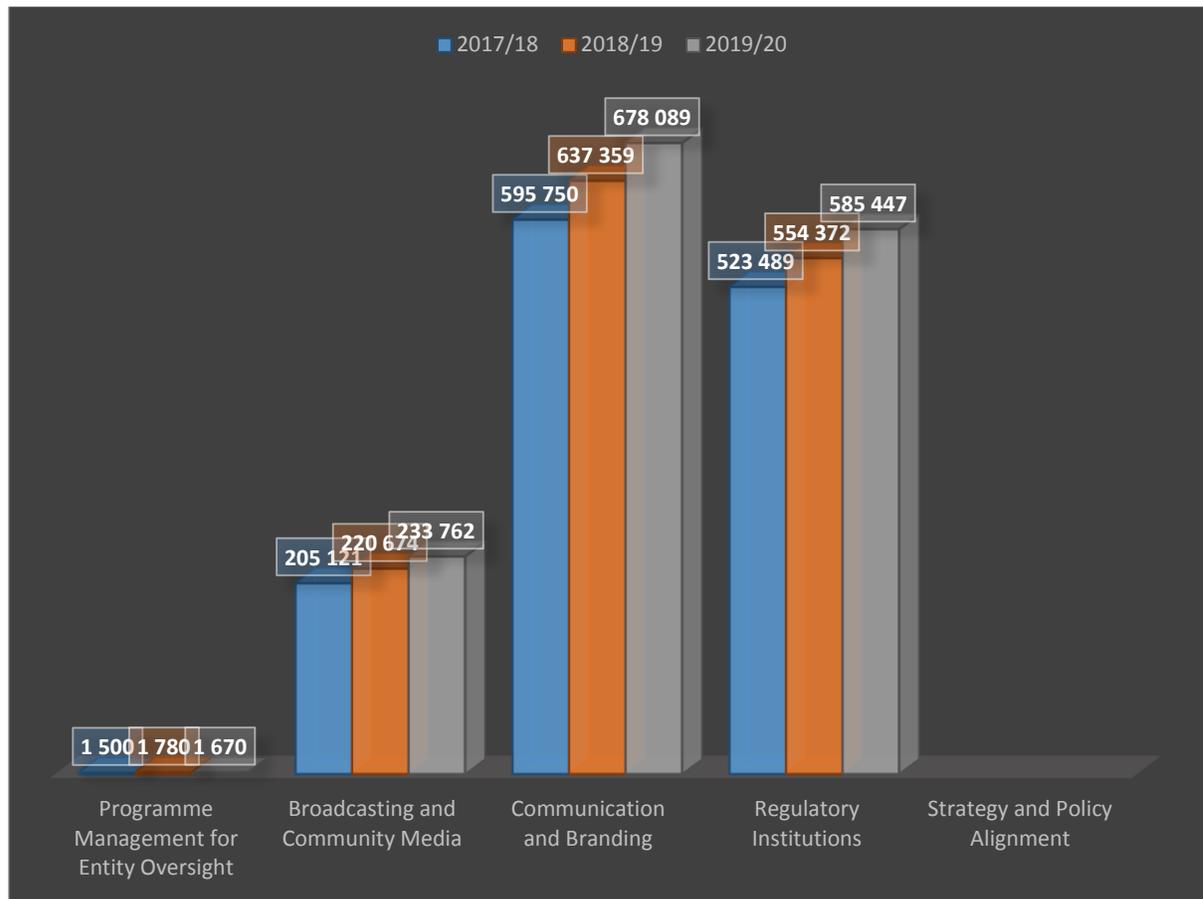


Broadcast Digital Migration is the department's flagship project and the majority of the budget allocated under this programme is allocated to Broadcast Digital Migration. The amount of R48 062 000 has been allocated for the 2018/19 financial year.

### **3.4 Programme 4: Entity Oversight**

The purpose of this programme is to monitor the implementation of policies by SOEs and regulatory institutions, and provide guidance and oversight on their governance matters. There are four sub-programmes under this programme with five annual targets.

**Graph 6: Appropriation; Programme 4: Entity Oversight**



### 3.5 Expenditure Analysis

The NDP envisages an active citizenry that participates in the social, economic and political life of the country. In the main the Department’s work contributes in particular to Outcome 14 (Nation-Building and Social Cohesion) of the 2014 – 2019 MTEF. Over the medium term, the Department would continue to transform the communication sector through the roll out of the DTT project, develop a responsive communications policy and regulatory framework as well as driving effective public entity oversight within the communications sector. The Department will also fund other operational and personnel requirements over the MTEF period.

### **3.5.1 Responsive communications policy and regulation framework**

Over the medium term, the Department will continue to develop policies that will improve government communications and drive the communications sector in the right direction. It is within this context that the Department will be developing the Media Transformation and Diversity Charter, which aims to transform the media.

The Department will continue to develop and implement several policies and regulation over the medium term such as the Audio-Visual and Content Bill, which will address new developments in the sector; digital convergence; media transformation and diversity policy which encourages diversity of content and transformation of media ownership the community broadcasting support strategy, which aims to maintain and strengthen citizen participation and access to the community media sector.

Complete switch-over to the digital mode of transmission will avail HDTV telecast facilities to the viewers in terrestrial modes. Community radio / satellite radio services and FM radio services will be expanded to cover the entire population. The DTT programme aims to promote and develop broadcasting and media services in South Africa, and framing up appropriate policies and strategies for optimum use of South Africa's soft power in the broadcasting sectors and to position South Africa as a global power in these fields. The legislation governing the entities will be reviewed to effect appropriate changes to the broadcasting and media sectors such as the FPB, MDDA and ICASA.

The Department has successfully submitted the White Paper on Audio-Visual and Digital Content Policy for South Africa to Cabinet for approval towards the development of the draft Audio-Visual and Digital Content Bill over the medium term. The policy will provide enabling mechanisms to facilitate ownership of new audio-visual digital content value chain in previously disadvantaged communities and SMMEs. Following the approval of the Audio-Visual and Digital Content act, the Department will commence with the ICASA Amendment Bill during 2020/21. The ICASA Amendment Bill seeks to align the role of ICASA to respond to the digital environment ensuring, for example, online services are adequately regulated.

In promoting the growth and development of the creative industries sector, the Department will develop an Audio-Visual Content Strategy. It will also continue to support the parliamentary processes of finalising and implementing the Films and Publications Amendment Bill and the Broadcasting Amendment Bill. The strategy cost R850 000, comprising gazetting, travelling, consultations in all the provinces and parliamentary processes.

The Department will continue to strengthen and support the South African Broadcast Production Advisory Board (SABPAB), whose responsibility is to advise the Minister on how the development, production and display of local TV and radio content can be supported. For the 2018/19 financial year, the advisory body is to provide at least two reports on policies related to children's content and funding for sport development. The other policy work relates to the regulation of the Over-The-Top (OTT) broadcasting and content services in 2018/19.

The overall expenditure over the medium term is projected to be R2.568 million in 2018/19, R2.651 million in 2019/20 and R3.347 million in 2020/21 within the Broadcasting Policy subprogramme for the Communications Policy, Research and Development programmes.

### **3.5.2 Transforming the communications sector through the roll-out of DTT**

Effective implementation of the DTT project will set our country on a higher growth trajectory and release spectrum for broadband services. The available STBs and other DTT-related devices will be installed and distributed across the provinces situated along the borderline with neighbouring countries, namely Mpumalanga, Limpopo, KwaZulu-Natal and the Eastern Cape in the 2018/19 financial year. The main objective is to migrate all TV-owning households in order to mitigate potential frequency interference with neighbouring countries.

The Department will also coordinate public awareness and registration campaigns in the provinces and target non-subsidised households that rely on retail market to acquire

migration devices (STBs and integrated TV sets as well as commercial satellite decoders). To achieve this objective, a targeted approach will be employed focusing on a transmitter service area. Over the MTEF period, more awareness and registration campaigns will be carried out. Focus will be placed on provinces along the board line areas, Gauteng and Western Cape, where there is potential signal interference followed by the inland areas where there is no frequency potential interference with neighbouring countries.

A baseline budget allocation of R77 million has been over the medium term for the roll-out of the DTT project. These activities are budgeted for under the BDM subprogramme, within the Industry and Capacity Development programme. The Department plans to use these funds mainly for project management, awareness campaigns, media engagement (Radio, TV and print), technology and engineering support, monitoring and evaluation of the programme performance.

### **3.5.3 Driving effective entity oversight**

The Department is required to exercise oversight on planning, budgeting and reporting processes of public entities within its portfolio to enable them to meet government's policy objectives in a financially and sustainable manner. To ensure that the public entities are managed effectively, efficiently and prudently, the Entity Oversight unit will compile 10 annual reviews of their corporate plans or strategic plans; compile 20 quarterly reports annually to assess compliance to the Public Finance Management Act (PFMA), 1999 (Act 1 of 1999), the Companies Act, 2008 (Act 71 of 2008) and National Treasury Regulations of the public entities.

In addition to assessing the entities' alignment with government's priorities and their financial sustainability and soundness of governance, the review aims to identify possible risks and mitigate their possible effects. Similarly, the performance of public entities is evaluated on quarterly and annual basis through the submission of reports. An estimated R3.098 billion or 63 % of the Department's budget will be transferred to public entities for the implementation of communications and broadcasting policies. A total of R1.383 billion or 28 % of the total budget will be transferred to the GCIS to continue focusing on

providing strategic communications, facilitating active citizen participation, including conducting research on government communication strategies and compiling communications products such as the Vuk'uzenzele newspaper.

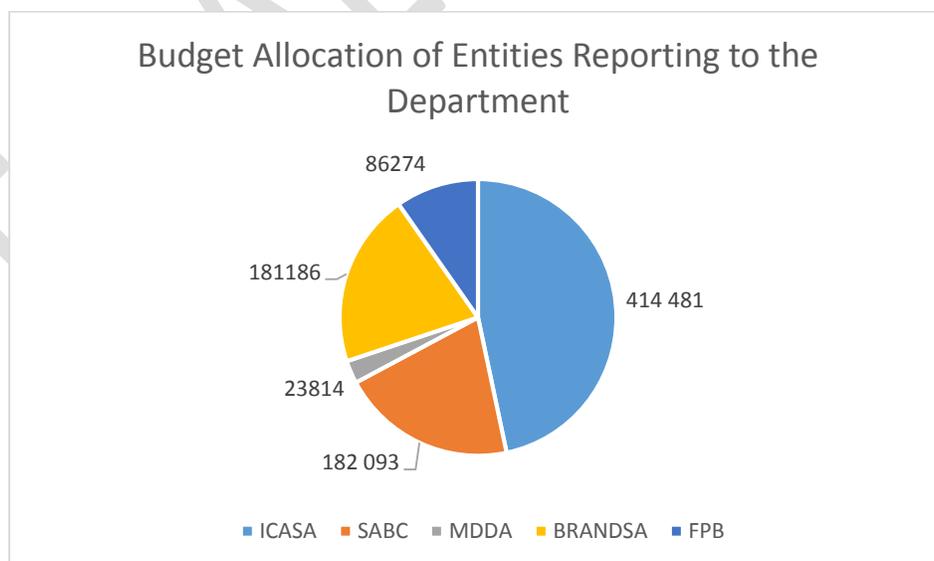
### 3.5.4 Funding of operational and personnel requirements

Over the medium term, R436.8 million or 9 % of the total budget baseline allocation will be used for operations costs, of which R263.2 million or 60 % is to be spent on compensation of employees and R173.7 million or 40 % on goods and services. The Department will increase its headcount of permanent staff with 13 posts at a cost of R5.5 million, mainly to capacitate the DTT project, Communications Policy, Research and Development and Entity Oversight programmes.

## 4. Other Department (GCIS) within the vote and Department's SOEs

The Department has another department within the budget vote, which is the GCIS and also has five other entities reporting to it. Graph 7 below is indicative of budget allocation for 2016/17 per entity reporting to the Department with the exception of the GCIS which is allocated R 382.3 million of the total Departmental budget:

**Graph 7: Budget allocation of entities**



In terms of percentage allocation, and as mentioned previously ICASA received the most allocation of the total allocation to entities from government at (31 per cent) over the medium term.

The Committee will have to engage with relevant stakeholders so as to understand the rationale behind allocation of current budget to the Department versus the rationale for allocation to entities and the hierarchy. There must be a systematic approach to how allocation is made as an extension of the reflection of the relevance of institution to attaining the NDP goals and upholding constitutional values.

#### **4.1 GCIS**

The mandate of GCIS is derived from section 195(g) of the Constitution, which stipulated that the public should be provided with information that is timely, accurate and accessible. This is in support of the constitutional principles of freedom of expression, transparency and openness of government. GCIS is responsible for providing strategic leadership and coordinating government communication to ensure that the public is informed and has access to government programmes and policies that benefit them.

GCIS has the following strategic goals

- (i) A responsive, cost-effective, compliant and business-focused organisation;
- (ii) Professionalise the communication system by building a reliable knowledge base and through communication products;
- (iii) Enhance the image of government; and
- (iv) Maintain and strengthen a well-functioning communication system that proactively informs and engages the public.

GCIS has the following strategic objectives:

- (i) Provide adequate and effective Corporate Services functions in pursuit of good governance;
- (ii) Produce government's communication products and services to grow share of voice of government messages in the public arena;

- (iii) Provide strategic leadership and support in government communication through public opinion research and analysis of media coverage to understand the communication environment and inform government messages;
- (iv) Provide efficient and effective communication services;
- (v) Manage the corporate identity for national government;
- (vi) Implement a proactive and reactive media engagement system by building, maintain and improving relations with the media and drive the government communication agenda;
- (vii) Improve interdepartmental coordination by joint planning and sharing of messages across the three spheres of government to ensure coherence and alignment of government messages; and
- (viii) An informed and empowered citizenry on government's policies, plans, programmes and achievements to increase public participation in government.

#### **4.1.1 Situational Analysis**

Government's mandate requires that its communication be expanded to enhance access to information that enables the public to participate in the country's transformation and in bettering their own lives; that it should bring the realities of our emergent and thriving democracy to the attention of the international community, promote the African Renaissance, including regional integration and implementation of people-centred development programmes.

The media and communication environment forms a critical part of the service-delivery environment of the GCIS and has over the financial year been volatile with activity. Issues in the environment are focused on an upsurge in political activity and increased activism by civil-society organisations over a range of issues. This leads to a fast-moving and complex communication environment, with rapidly changing media reporting on new and developing issues. Through this heightened political activity, government communicators have to work much harder to ensure that government's voice is prominent in the media and its campaigns are effectively implemented.

Together with Media24, the GCIS facilitated an Apex leadership and the Digital Publishing training programmes. These year-long programmes were meant to enhance the GCIS communicators' communication and leadership skills.

In order to maximise the reach of government, Information was delivered through channels such as community radio talk shows, taxi ranks and malls activations and blitzes on commuter trains in partnership with the Passenger Rail Agency of South Africa; talk shows at local community radio and television stations; open days, especially at Thusong Service Centres; dialogues; door-to-door/household visits, and project walkabouts and inspections.

The GCIS's in-house media bulk-buying service is designed to save advertising costs for government while maintaining the visibility of government's communication campaigns. During the 2016/17 financial year, 332 media-buying campaigns were approved and implemented for various programmes and services. The cost of the advertising was R227 million. Over the medium term, the department expects to handle 1 690 requests each year for media production services such as photographic, video and graphic-design services for client departments. It aims to provide more than 1 713 communication services.

Going forward, the GCIS will have to ensure that its reach and impact is not interrupted by its ability or inability to retain talented and skilled staff. The GCIS comprises mostly of employees between the ages of 20 and 39 years, who constitute 54.75 percent of the total establishment. Since employees in the aforesaid age-group still aspire for career mobility, growth and development, intervention strategies in the form of retention, succession planning and career management have been developed to ensure that competent and talented staff are retained in the organisation.

#### **4.1.2 Programmes and strategic objectives**

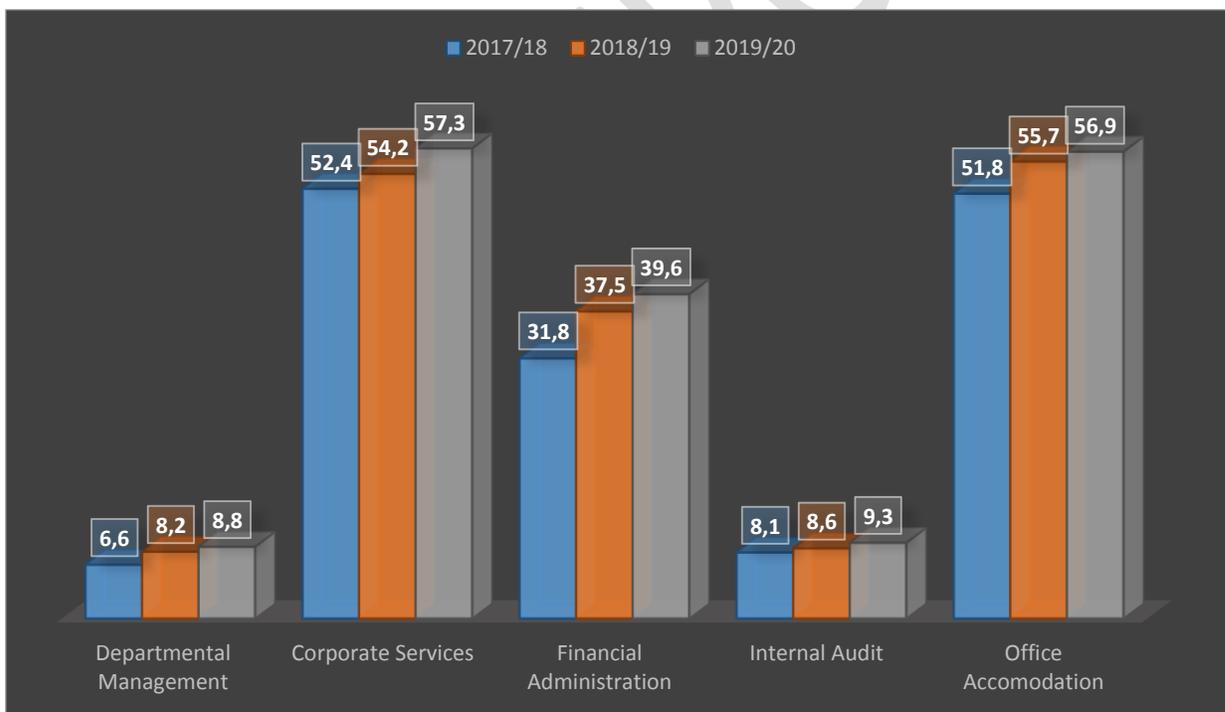
The mandate of the GCIS is derived from section 195(g) of the Constitution, which stipulates that the public should be provided with information that is timely, accurate and accessible. This is in support of the constitutional principles of freedom of expression, transparency and openness of government. The Department is responsible for providing strategic leadership and coordinating government communication to ensure that the public is informed and have access to government programmes and policies that benefit them.

#### 4.1.2.1 Programme 1: Administration

The purpose of the programme is to provide strategic leadership, management and support services to the department. There are six sub-programmes under this programme; they are departmental management, strategic management, human resources, information management and technology, financial administration and internal audit. Furthermore, the programme has nine performance indicators and ten performance targets. There were no significant shifts in this programme with regard to targets set when compared to the APP of 2017/18.

The programme's budget is broadly presented according to five sub-programmes. The budget is presented in the graph below:

**Graph 8 Appropriation; Programme 1 Administration**



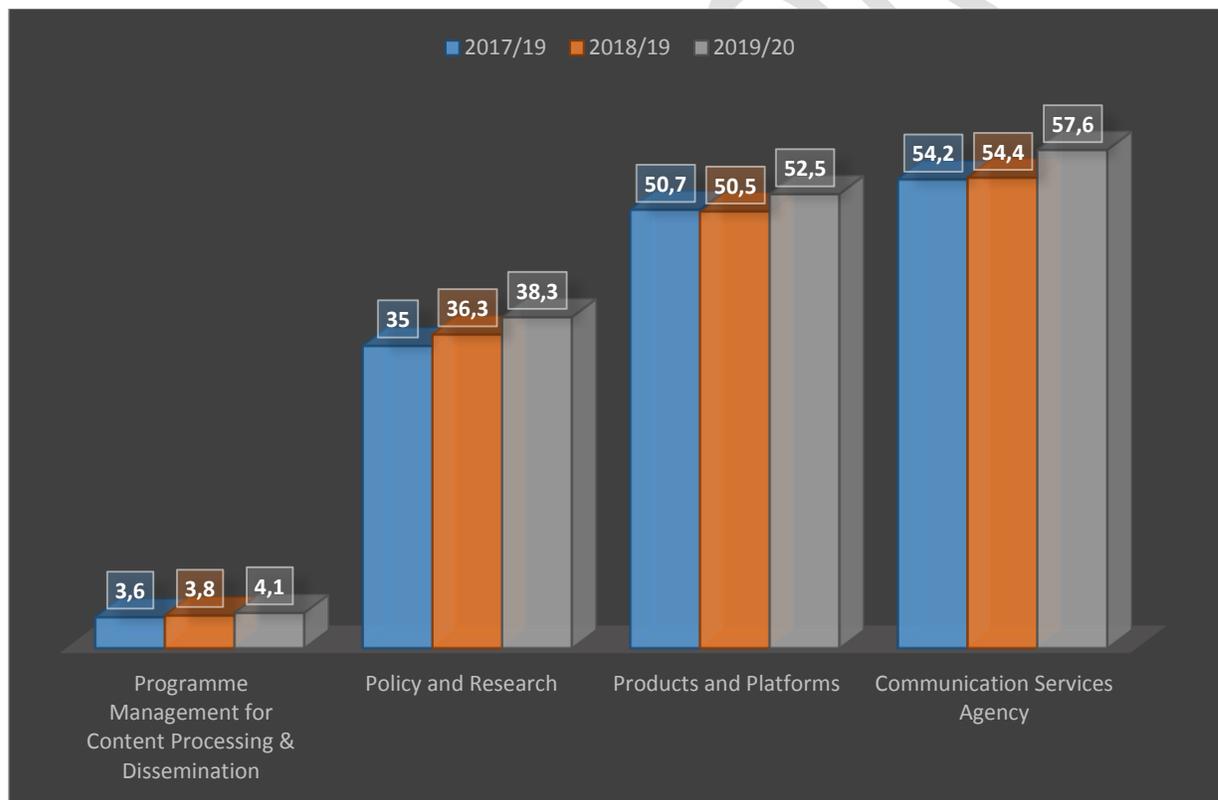
The majority of the budget under this programme is spread between Corporate services (R54 million) and office accommodation (R56 million) respectively for the 2018/19 financial year.

#### 4.1.2.2 Programme 2: Content Processing and Dissemination

The purpose of this programme is to provide strategic leadership in government communication to ensure coherence, coordination, consistency, quality, impact and responsiveness of government communication. There are three sub-programmes which are products and platforms, policy and research and communications services agency. There is a total of 19 performance indicators and 19 performance targets under the programme

The programme's budget is broadly presented according to four sub-programmes. The budget is presented in the graph below:

**Graph 9: Appropriation; Programme 2 Content Processing and Dissemination**



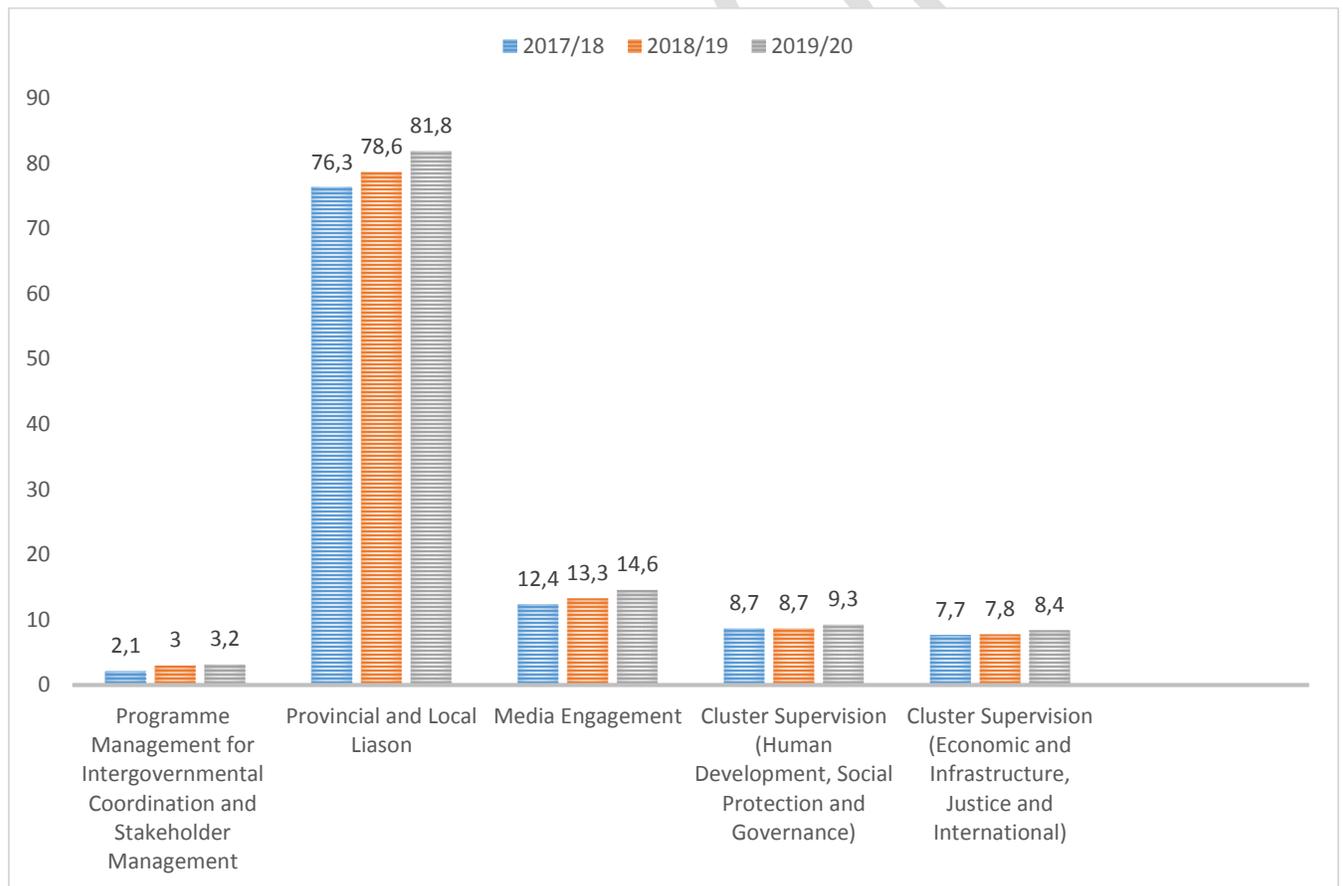
In line with its strategic objective of sharing government messages; Communication Service Agency received the most funding; R58 million for the 2018/19 financial year and set to increase in the medium term.

### 4.1.2.3 Programme 3: Intergovernmental Coordination and Stakeholder Management

Purpose of this programme is to implement development communication through mediated and unmediated communication channels and foster sound stakeholder relations and partnerships.

There are three sub-programmes under this programme there are 14 programme indicators and 14 annual performance targets. The three sub-programmes are media engagement, cluster communications and provincial and local liaison.

**Graph 10: Appropriation; Programme 3: Intergovernmental Coordination and Stakeholder Management**



The amount of R78,6 million was allocated for the function of provincial and Local Liaison for the 2018/19 financial year.

### **4.1.3 Expenditure Analysis**

The National Development Plan emphasises the need to unite all South Africans around a common goal, ensure citizens are active in their own development, and build a capable and developmental state. This goal is expressed in outcome 12 (an efficient, effective and development-oriented public service) and outcome 14 (a diverse, socially cohesive society with a common national identity) of government's 2014-2019 medium-term strategic framework. To support the realisation of these outcomes, the Government Communication and Information System will continue to focus on providing strategic communications, and facilitating active citizen participation over the medium term. The bulk of these activities, which include conducting research on government communication strategies and compiling communications products, such as the Vuk'uzenzele newspaper, are to be performed by the department's personnel. The department will spend 58.9 per cent of its total budget on compensation of employees towards 418 funded posts and projects over the medium term.

#### **4.1.3.1 Providing strategic communications**

The department provides information about government policies, plans, programmes and activities to the public. Over the medium term, the department plans to conduct 10 458 outreach programmes and publish 111 editions of communication products. This includes the production and distribution of 18.7 million copies of the Vuk'uzenzele newspaper in 11 official languages and 9 600 Braille copies each year over the medium term. Information published in Vuk'uzenzele focuses on key government priorities, such as issues affecting the youth, service delivery, rural development, and includes advertisements for government vacancies.

The production and distribution of Vuk'uzenzele is funded in the *Products and Platforms* subprogramme, with a budget allocation of R80.9 million over the medium term. The department aims to collect public opinion, research and analysis, and media coverage to understand the communications environment and to inform government messages. In 2015/16, the department produced 83 research advisory reports for various national departments and premiers' offices. These reports provide information that helps

government communicators to develop communication strategies. In addition, 30 cluster reports will be produced over the medium term.

The Department also plans to hold 14 strategic engagements with government communicators every year, to improve the coherence and alignment of government messages. These include four engagements with national government department heads of communication and 10 internal communicator forums to share best practices and content on government programmes. An amount of R287.1 million is allocated to compensation of employees in the *Intergovernmental Coordination and Stakeholder Management* programme over the medium term for this work, and R69 million is allocated for operational expenditure.

In addition, the department will provide media bulk-buying services, which are designed to reduce the cost to government on advertising; facilitate a rapid response mechanism to hasten government's response to issues arising in the media; and provide media production services to support other government departments. Over the medium term, the department expects to handle 1 820 requests each year for media production services, such as photographic, video and graphic design services. It aims to provide more than 2 000 communication services.

These include advertisements, hosting of talk shows, compilation of voice-overs, and video and photographic services to client departments and public entities. These activities are budgeted for in the *Content Processing and Dissemination* programme, which has a total budget allocation of R449.5 million over the medium term.

#### **4.1.3.2 Facilitating active citizen participation**

The department plans to conduct 1 200 communication development projects and 1 800 community and stakeholder liaison visits per year. These initiatives will deliver information to more than 1 million people per month through community radio talk shows, community newspapers, and awareness campaigns at taxi ranks *Vote 3: Communications* 23 and malls. An amount of R5.8 million is allocated mainly for communication development projects, R3.5 million for community and stakeholder liaison visits, and R2.1

million for Thusong service centres each year through the *Provincial and Local Liaison* subprogramme.

The department expects to spend a further R1.6 million per year over the medium term in this subprogramme on the imbizos, which facilitates interactions between political principals and the public, and develops content for print and electronic communication products.

## **4.2 ICASA**

The Independent Communications Authority of South Africa was established by the Independent Communications Authority of South Africa Act (2000) to regulate the South African communications, broadcasting and postal services sectors. The regulator's mandate is defined in the Electronic Communications Act (2005) as licensing and regulating electronic communications and broadcasting services, and in the Postal Services Act (1998) as regulating the postal services sector. Enabling legislation also empowers the regulator to monitor licensee compliance with licence terms and conditions, develop regulations for the three sectors, plan and manage the radio frequency spectrum, and protect consumers in relation to these services.

### **4.2.1 Expenditure trends**

Over the medium term, the Independent Communications Authority of South Africa will continue to focus on increasing access to meet the high demand for wireless broadband services; protecting consumers against harmful practices employed by operators in the use of premium rated services; increasing competition in the broadcasting sector; and developing a regulatory framework for dynamic spectrum management. The authority contributes to outcome 14 (a diverse, socially cohesive society with a common national identity) of government's 2014-2019 medium-term strategic framework, and indirectly to outcome 6 (an efficient, competitive and responsive economic infrastructure network) and outcome 12 (an efficient, effective and development-oriented public service).

The authority seeks to increase access to high-demand spectrum from the current 566.69MHz to 958MHz in 2019/20. Access to this spectrum will enable the rollout of wireless broadband infrastructure by licensees. In 2017/18, the authority will make an additional 240MHz of broadband spectrum available to licensees for the provision of broadband services. The authority seeks to protect consumers from harmful practices employed by the operators in the use of premium-rated information and entertainment services. This will be achieved by finalising regulations on premium-rated services in 2017/18.

The authority, in a bid to increase competition in the telecommunications sector, plans to review the number of portability regulations available over the medium term, which allow cell phone number porting for all telecommunication service users. These activities are funded through the policy research and analysis programme, which has an allocation of R53.5 million over the medium term. The authority also plans to license an additional radio broadcaster in Northern Cape in 2017/18 and establish offices in North West and Northern Cape to expand its national footprint and increase competition in the commercial broadcasting sector, at a cost of R801.2 million over the medium term. Priority will also be given to finalising plans for relocation of the authority head office when the current lease expires in October 2017. As these processes are administered and managed by the authority's personnel, compensation of employees is expected to be the main driver of expenditure, accounting for an estimated 58.8 per cent of the total budget. These activities are funded through the licensing programme, which is allocated R162.3 million over the medium term.

The authority aims to increase the range of mobile network coverage by 15 per cent and to extend network measurements to include data, and not just voice calls. This will contribute to improving the quality of communications in South Africa and facilitate effective competition in the ICT sector by the end of 2019/20. The authority will receive inputs from the 5G Forum global network for making contributions to the International Telecommunications Union by the end of 2019/20 and update the national radio frequency plan and the radio frequency migration strategy through the engineering and technology programme, which has an allocation of R51.8 million over the medium term.

In 2016, the authority issued service licences to monitor the equitable coverage of political parties during the local government elections. Over the medium term, the authority will develop several regulatory frameworks aimed at regulating dynamic and opportunistic spectrum management, V-band and E-band spectrums, and exemptions for resellers of electronic communications network services. These activities will be funded through the compliance and consumer affairs programme, which has an allocation of R83.3 million over the medium term.

The authority intends to manage the cost of living adjustments for spending on compensation of employees and to keep it below 10 per cent over the medium term, to bring salaries in line with other entities within the department and the ICT sector at large. As a result, expenditure on compensation of employees is set to increase at an average annual rate of 4 per cent from R257.3 million in 2017/18 to R287.8 million in 2019/20. The authority's main source of funding is through transfers of R1.4 billion over the medium term from the Department of Communications. Revenue is expected to increase from R441.4 million in 2017/18 to R493.1 million in 2019/20.

### **4.3 SABC**

The South African Broadcasting Corporation is listed as a schedule 2 public entity in terms of the Public Finance Management Act (1999). Its mandate is set out in its charter and in the Broadcasting Act (1999) and requires it to provide radio and television broadcasting services to South Africa.

#### **4.3.1 Expenditure Trends**

The South African Broadcasting Corporation's spending focus over the medium term will be on improving the quality, diversity and accessibility of content; supporting digital migration; and retaining sports broadcasting rights for production. The work of the corporation contributes to outcome 12 (an efficient, effective and development-oriented public service) and outcome 14 (a diverse, socially cohesive society with a common national identity) of government's 2014-2019 medium-term strategic framework.

The corporation will continue to produce news and current affairs content that is editorially independent, credible, relevant and informative. The corporation will fund this activity from transfers from the department of R560 million over the medium term. The corporation projects to spend R174 million on Channel Africa's operations and broadcasts in Southern Africa, East Africa and West Africa in English, French, Chinyanja, Portuguese, Silozi and Swahili, and R345 million over the same period to produce educational programmes on all channels.

Digital migration is a way of increasing the volume and quality of content. The corporation will source new content from new producers and producers who operate outside of major urban areas. Expenditure is projected to increase at an average annual rate of 5.4 per cent over the medium term, from R9.9 billion to R11.5 billion.

This is mainly driven by spending on compensation of employees increasing at an average rate of 7.8 per cent or R701.1 million, to improve capacity in the technology departments; and spending on goods and services increasing at an average rate of 8.5 per cent or R1.5 billion, for broadcasting sports of national interest, digital terrestrial migration and technology upgrades. The corporation expects to make its content freely accessible on the internet, as part of the preparations for digital migration, with the goal of maintaining audience share for all five television channels at 50 per cent. The corporation also aims to maintain its radio audience share at 70 per cent over the medium term.

The corporation is planning to implement strategies that lay the groundwork for the launch of new channels on digital terrestrial television. Implementing the strategies is expected to increase capital expenditure from R321 million in 2015/16 to R958 million in 2018/19. Replacing and upgrading studios to become compatible, ahead of the launch of digital terrestrial television, is expected to increase spending on television outside broadcasting to R155 million, Henley Broadcasting Studios to R387 million, radio broadcast facilities to R174 million, and information technology to R243 million.

Spending on sports broadcasting rights is projected at R1.7 billion over the medium term to focus on ensuring the development and maintenance of an innovative, sustainable content portfolio; entrance into long term rights contracts with federations; and maximisation of revenue. Developing, maintaining and prioritising relationships with sporting federations are essential to building sustainability in content delivery. In addition, the corporation has committed to developing an appealing cross platform brand strategy over the medium term to enhance the brand, increase revenue and generate new audiences for sporting events. The corporation expects to generate 96 per cent of its revenue over the medium term from license fees, commercial revenue from advertising, programme and sports sponsorships across television, radio and online platforms; 1.8 per cent from transfers from the department; and 2.2 per cent from other sources, such as interest, dividends and rent on land. Revenue is expected to grow steadily from R9.3 billion in 2016/17 to R11.4 billion in 2019/20.

#### **4.4 MDDA**

The MDDA was set up in terms of the Media Development and Diversity Agency Act (2002) to enable historically disadvantaged communities and individuals to gain access to the media. The mandate of the agency is to: create an enabling environment for media development and diversity which reflects the needs and aspirations of all South Africans; redress the exclusion and marginalisation of disadvantaged communities and people from access to the media and the media industry; and promote media development and diversity by providing support primarily to community and small commercial media projects. The overall objective of the Agency is to ensure that all citizens can access information in a language of their choice, and to transform media access, ownership and control patterns in South Africa.

##### **4.4.1 Expenditure trends**

The NDP informs MTSF priorities. The latter is government's three-year implementation phase of the NDP and is structured around 14 priority outcomes. Outcome 6 (an efficient, competitive and responsive economic infrastructure network), Outcome 12 (an efficient, responsive and development-oriented public service) and outcome 14 (a diverse, socially cohesive society with a common national

identity) speak to MDDA's approach to developing a robust and sustainable community media sector in pursuance of its mandate.

Over the medium term, MDDA's service delivery priority will be on encouraging media diversity in a rapidly changing telecommunications environment. Its core activities will continue to be financial and non-financial support of community broadcast and community and small commercial print projects. This will cover grant funding to strengthen existing projects and enhance their sustainability, and to fund new projects, with an emphasis on the promotion of indigenous languages and making a contribution to community development and the alleviation of poverty and inequality. Financial support through grant funding initiatives will be R133 million over the medium term. The MDDA is actively trying to build relationships with key stakeholders to enable it to increase the financial resources available to the community media sector. The positive impact will add to the funds set aside over the MTEF for community media. MDDA aims to support around 120 projects over the medium term.

The MDDA will focus its capacity building initiatives on supporting content generation by community media, as well as addressing other urgent needs of the sector, such as governance training, in a effort to further ensure its sustainability. Over the medium term, some 120 projects will be capacitated to assist in closing the skills gap in these various areas.

Community broadcast grants account for 47 % of MDDA's total budget over the medium term, while overall spending on print and digital and community broadcast projects is expected to decrease by an average of 5.4 % over the medium term as a result of no funding from print media.

Total funding to the MDDA by the Department is expected to be R99 million over the medium term. The MDDA no longer receives funding from the print media but is engaging the sector in order to revive this revenue stream. Broadcast funders will provide an average of R97 million over the medium term. Continued stakeholder engagement and lobbying initiatives are being carried out to ensure the MDDA is

financially empowered to achieve and make significant impact in line with its mandate.

#### **4.5 Brand SA**

Brand South Africa was established as a trust in 2002 and gazetted as a schedule 3A public entity in accordance with the Public Finance Management Act (1999) in 2006. Its purpose is to: (i) develop and implement a proactive and coordinated international marketing and communications strategy for South Africa; (ii) contribute to job creation and poverty reduction; and (iii) attract inward investment, trade and tourism.

#### **4.6 The FPB**

FPB was established as a schedule 3A public entity in accordance with the PFMA. The FPB regulated and controlled the creation, production, possession, exhibition and distribution of films, interactive computer games and certain publications in terms of the Film and Publications Act (1996). The Board is also responsible for monitoring age restricted business premises for compliance with their licence and registration terms.

##### **4.6.1 Expenditure trends**

The FPB's main source of revenue is a transfer from the Department. Other revenue sources include fees for classifying films and publications, registrations fees for new distributors, and annual renewal of distribution licences.

The spending focus over the medium term will be on expanding activities aimed at preventing child pornography on the internet. These activities include: working closely with international organisations; researching human trafficking trends classifying films and ensuring that internet users, especially children, are warned of sites containing sensitive pornographic material; monitoring distributors and traders for compliance; and establishing working relationships with international organisations such as the International Association of Internet Hotlines.

## **5. Committee observations**

### **5.1 The Department**

The Committee noted:

- (i) that the Department could not provide training to officials due to budgetary constraints;
- (ii) with concern that the Department only employed one per cent of persons living with disabilities;
- (iii) that most approved vacancies in the structure are not funded;
- (iv) that the Department was not able to fully implement its mandate as some of the units on the organizational structure are partially capacitated and others are not;
- (v) with concern that the Department was not able to meet some of the legislated commitments such as the Skills Development Act, 1998 (Act 97 of 1998), which required that one per cent of the personnel budget be allocated for employee training and development, including the implementation of an internship programme;
- (vi) the Department would also coordinate public awareness and registration campaigns in the provinces and target non-subsidized households that rely on retail market to acquire migration devices (STBs and integrated TV sets as well as commercial satellite decoders); and
- (vii) with concern that the Director-General posts has been that of revolving acting persons since inception of the Department.

The Committee further noted and commended the Department, that despite the challenges experienced, it had by and large ensured that there was better accountability over the allocated limited resources, hence the Department managed to obtain clean audits in the last two years.

Lastly, the Committee noted with great concern that only R77 million was allocated to the Department for Broadcast Digital Migration (BDM) rollout; whereas the estimated budget required is R6.6 billion.

## **5.2 GCIS**

The Committee noted:

- (i) with concern that GCIS does not seem to have any programme for Digital Terrestrial Television awareness campaign;
- (ii) that GCIS does not have strategy on fake news;
- (iii) that due to budgetary constraints, GCIS was unable to print hard copies of the SA Yearbook but was available online; and
- (iv) the Imbizo's strategy of the Department was not well planned as it allowed skewed rollout to provinces, for an example for the months reported, some provinces were visited eleven times while other such as Eastern Cape and Northern Cape had no Imbizo's for the months reported.

## **5.3 SABC**

The Committee commended the Board and the Executive for its continuous engagements with staff members. The Committee encouraged the SABC to strengthen communication between the Board and the Executive Committee. The Committee was of the view that the SABC was moving towards the right direction, as all the current challenges were being addressed.

The Committee expressed its disappointment on the current changes at SAFM and encouraged the SABC to communicate effectively, internally and externally on decisions with an impact on the public.

The Chairperson of the Board had engaged with Mr Mohuba on the allegations that he plagiarized his doctoral thesis. There was currently an investigation taking place and until the investigation was complete, there was nothing that the SABC could do.

The Committee further noted that:

- (i) the SABC was dealing with the matter of the Mjayeli security tender through the SIU and that the Court bid will await finalization of the SIU investigations;
- (ii) the SABC had appointed a Group Executive: Legal;
- (iii) internal control environment remained a huge challenge for the SABC;

- (iv) with great concern that SABC does not have a disaster recovery plan or structure;
- (v) Mr Motsoeneng and Mr Aguma payout had been frozen. Mr Motsoeneng took the SABC to court and CCMA complaining that his removal was unlawful and that matter was still before the courts;
- (vi) Mr Aguma had not challenge the freezing of his pension;
- (vii) the review of the breakfast show was done to increase audience in order to generate more revenue in line with the footprint of the station as well as the resources allocated to the station;
- (viii) SABC continues to deliver on its mandate including unfunded mandates; and
- (ix) staff were vetted as part of the HR policy.

#### **5.4 FPB**

The Committee noted with concern the allegations against Facebook which had an impact on the personal information of South Africans.

#### **5.5 ICASA**

The Committee noted:

- (i) the commitment by ICASA to address the issue of high cost of communication;
- (ii) significant decline in mail volumes at the Post Office;
- (iii) the improvement in the vacancy rate;
- (iv) that ICASA would be relocating to a new office during the year under review;
- (v) that the presentation did not speak on allocations for 2019 Elections;
- (vi) that ICASA HR Development Programme follows the normal recruitment processes, except that it was focusing on young people;
- (vii) that the matter of the moratorium would be finalised during the current financial year;

- (viii) the positive update as presented by the regulator;
- (ix) the minimal effort by ICASA to recruit Persons Living With Disabilities (PLWD);
- (x) there is lack of coordination between the MDDA and ICASA in support of community media;
- (xi) that ICASA has been handling the MultiChoice debacle in accordance with its Constitutional mandate;
- (xii) that ICASA has also initiated processes to resolve the Sentech and community radio station's impasse; and
- (xiii) the lack of structured programmes aimed at capacitating Council.

## **5.6 MDDA**

The Committee noted:

- (i) with concern that out of 9 vacancies, 7 were management positions;
- (ii) that the MDDA had no research and development capacity and yet it is a critical function for the organisation; and
- (iii) that MDDA had no monitoring and evaluation plan nor any innovation directorate;

The Committee further noted that the Ministry was in consultation with Sentech and MDDA regarding the community radio stations that had been switched off and the matter would be amicably resolved.

## **5.7 BSA**

The Committee commended BSA for having 60 per cent of its vacancies filled by women. The Committee noted the reduction on domestic and international travels.

## **6. Committee Recommendations**

The Committee recommended to the Minister and entities reporting to her on the following:

### **6.1 The Department**

The Committee recommends that the Minister should ensure:

- (i) that the Department should provide an updated comprehensive plan for DTT rollout towards the international switch-off deadline (for analogue signal) of June 2019; and that the Minister should present a progress implementation report.
- (ii) that the Department should provide a comprehensive report on its engagement with Sentech in relation to the switching off of signal for community radio stations as a result of non-payment for signal distribution;
- (iii) the Entity Oversight is capacitated in order for it to execute its mandate of overseeing the entities; and
- (iv) that while coordinating public awareness and registration campaigns in the provinces, the Department should also include a plan of action to integrate Members of Parliament and their constituencies into the campaign.

### **6.2 GCIS**

The Committee recommends that the Minister should ensure:

- (i) that GCIS submit a comprehensive report on media houses used for advertising;
- (ii) that GCIS strengthen its strategy on dealing with fake news and endeavor to develop; a comprehensive plan to counter and or fake news websites; and
- (iii) that GCIS provide a breakdown of government adspend for community media.

### **6.3 SABC**

The Committee recommends that the Minister should ensure:

- (i) that SABC table a complete proposal on the ability to attract advertisers and to look at an alternative way of funding;
- (ii) that SABC provide a detailed breakdown of projections for unfunded mandates such as State funerals;
- (iii) that SABC management not abdicate its duties of engaging with staff by relegating all staff matters to the unions forums;
- (iv) that SABC prioritise coverage of rural areas and report back to the Committee on all areas that do not receive the broadcast signal of the public broadcaster;
- (v) that SABC must report back to the Committee on the matter relating to the Board member Mr Mohuba;
- (vi) that SABC develops a contingency proposal which it shall table before the Committee on how to cater for unfunded mandates; and
- (vii) that the Board continues with the momentum of good work carried over by the Interim Board to resolve the challenges of the SABC by among others ensuring clear communication to staff and the public in general.

### **6.4 FPB**

The Committee recommends that the Minister should ensure:

- (i) that FPB investigates allegations against Facebook which had an impact on the personal information of South Africans.; and
- (ii) that management not abdicate its duties of engaging with staff by relegating all staff matters to the unions forums.

The Committee committed to deal with other matters relating to FPB during the planned oversight visit in May 2018 and a report thereof will be tabled to the National Assembly.

## **6.5 ICASA**

The Committee recommends that the Minister should ensure that:

- (i) ICASA appears before the Committee to report on their preparations for 2019 Elections including issues of regulations relating to political parties' airtime;
- (ii) ICASA provides a comprehensive report on the rationale for issuing licences to community media projects located within the same area;
- (iii) ICASA provides a comprehensive report on its quarterly provincial engagements with relevant stakeholders; and
- (iv) ICASA management does not abdicate its duties of engaging with staff by relegating all staff matters to the unions forums.

## **6.6 MDDA**

The Committee recommends that the Minister should ensure that:

- (i) MDDA establishes and provides a report on shared services strategy;
- (ii) ensure that the Department and MDDA submit an audited report on the support provided to community media by relevant local municipalities; and
- (iii) MDDA management does not abdicate its duties of engaging with staff by relegating all staff matters to the unions forums.

## **6.7 BSA**

The Committee recommends that the Minister should ensure:

- (i) that BSA presents a comprehensive report on its existence abroad and how it plans to leverage from the embassies; and
- (ii) that BSA seek to create more linkages between their programmes and the DTT programme.

Furthermore, the Committee recommends to the Minister that she should ensure that all critical funded positions are filled in the Department and across entities.

The Committee will continue engaging counterpart Committees in order to find an amicable solution to the budgetary challenges of the Department, beginning with

consultations with the Parliament Budget office (PBO) Director, Prof Mohammed Jahed.

The Committee conducted an oversight visit to the MDDA and FPB in May 2018 relating to the entity's governance challenges and would table a report to the National Assembly before 30 June 2018.

Lastly, the Committee recommends that the Minister should provide all the reports contained in the recommendations to the Department and entities on or before 30 September 2018.

**Report to be considered.**

FINAL REPORT