Vote 26

Communications

Budget summary

	2010/11				2011/12	2012/13
R million	Total to be appropriated	Current payments	Transfers and subsidies	Payments for capital assets	Total	Total
MTEF allocation						
Administration	151.8	150.7	0.1	1.0	160.1	170.6
ICT International Affairs and Trade	44.6	40.6	3.5	0.5	46.8	46.3
ICT Policy Development	90.1	72.7	16.9	0.6	93.5	93.3
ICT Enterprise Development	1 617.5	12.5	1 604.7	0.2	1 290.4	1 090.4
ICT Infrastructure Development	177.5	174.9	1.5	1.1	188.6	195.3
Presidential National Commission	32.5	31.8	–	0.7	34.7	34.4
Total expenditure estimates	**2 114.0**	**483.2**	**1 626.7**	**4.1**	**1 814.1**	**1 630.4**

Executive authority	Minister of Communications
Accounting officer	Director-General of Communications
Website address	www.doc.gov.za

The Estimates of National Expenditure booklets for individual votes are available on www.treasury.gov.za. They provide more comprehensive coverage of vote specific information, particularly about goods and services, transfers, public entities and lower level institutional information.

Aim

The aim of the Department of Communications is to develop information and communication technology (ICT) policies and legislation that create favourable conditions for accelerated and shared sustainable economic growth that positively impact on the wellbeing of all South Africans.

Programme purposes

Programme 1: Administration

Purpose: Strategic support to the ministry and overall management of the department.

Programme 2: Information and Communication Technology International Affairs and Trade

Purpose: Ensure alignment between South Africa's international activities and agreements in the field of ICT and South Africa's foreign policy.

Programme 3: Information and Communication Technology Policy Development

Purpose: Develop ICT policies and legislation that support the development of an ICT sector that creates favourable conditions for the accelerated and shared growth of the economy. Develop strategies that increase the uptake and usage of ICT by the majority of the South African population, thus bridging the digital divide.

Programme 4: Information Communication Technology Enterprise Development

Purpose: Oversee and manage government's shareholding interest in public entities. Facilitate growth and development of small, medium and micro enterprises (SMMEs) in the ICT sector.

Programme 5: Information Communication Technology Infrastructure Development

Purpose: Promote investment in robust, reliable, secure and affordable ICT infrastructure that supports the provision of a multiplicity of applications and services.

Programme 6: Presidential National Commission

Purpose: Facilitate the development of an inclusive information society by promoting the uptake and usage of ICT for improved socioeconomic development and research.

Strategic overview: 2006/07 – 2012/13

The Department of Communications develops and implements policy interventions that create an enabling ICT environment. Between 2006/07 and 2009/10, the department put considerable resources and effort into implementing the provisions of the Electronic Communications Act (2005) through the development and publication of a number of policy directives and regulations. A policy direction for the provisioning of individual electronic network service licences was issued to the Independent Communications Authority of South Africa in January 2009. A policy direction on the licensing framework for the licensing of Broadband Infraco was published in February 2009, and policy directions on the local loop unbundling and the provision of mobile broadcasting services were issued to the Independent Communications Authority of South Africa in September 2007.

Strategic goals over the medium term

Reform the ICT sector

The department will continue to reform the ICT sector by promulgating legislation and instituting relevant policy interventions. This will include the National Broadband Bill and an integrated ICT strategy, leading to one ICT bill as well as the promulgation and implementation of the Public Service Broadcasting Act (1967), the South African Post Office Act (1995) and the proposed South African Postbank Act (2010), based on the current South African Postbank Bill.

Ensure that ICT infrastructure is accessible, robust, reliable, affordable and secure

In collaboration with the relevant role players, the department has developed a three-year programme of action aimed at reducing the cost to communicate, and improving the quality, availability and usage of ICTs across all sectors. This programme of action contains specific interventions aimed at: reducing telecommunications prices; fostering competition in the market; reducing local and international broadband prices; increasing mobile telephony; improving internet access and usage, particularly in rural and underdeveloped areas; and promoting domestic and foreign investment in the sector. The programme of action will also accelerate the local loop unbundling process with the issuing of a policy direction to the Independent Communications Authority of South Africa to conclude this process by 2011.

The department will continue with the implementation of the broadcasting digital migration policy to ensure a smooth transition from analogue to digital broadcasting by November 2011. Specific emphasis will be placed on the rollout of digital terrestrial television transmission infrastructure to achieve the estimated 95 per cent national coverage of the digital broadcasting signal by 2011, thus meeting the target date for the analogue switch-off (1 November 2011). The strategy for the set top box manufacturing sector development aimed at developing the local electronics industry and promoting the local manufacturing of set top boxes, will be finalised during 2010/11. This strategy will create opportunities for participation by small, micro, medium enterprises and black economic empowered enterprises as well as opportunities to export South African manufactured set top boxes. The set top box specifications will ensure that households will continue to have access to television services using their current analogue television sets and promote widespread access to government information and services. A scheme will be developed for ownership support of set top boxes that will allow for approximately 4.5 million (62 per cent of free to air television viewing households) poor television owning households to afford a set top box by accessing a government subsidy that will cover 70 per cent of the cost of the box.

Improve the efficiency of radio spectrum usage

National radio frequency spectrum is a national asset, and it is therefore government's responsibility to ensure that this asset is used in the best interest of the public. The department will promote the efficient use of the radio frequency spectrum through the adoption of the national radio frequency spectrum policy. In terms of the policy, when there are competing applications or the demand for radio frequency spectrum exceeds the amount of spectrum available, competitive market principles to spectrum pricing may be applied. Relevant policy directions will be issued to the authority to do what is necessary to improve the efficiency of spectrum usage in South Africa. Cabinet is expected to approve the policy by March 2010.

Strengthen oversight of public entities

In its effort to strengthen its oversight responsibilities over public entities, the department will implement specific interventions aimed at improving the performance of public entities in the ICT sector to effectively deliver on relevant assigned mandates.

Due to the corporate governance and financial challenges experienced by the South African Broadcasting Corporation and Sentech in June 2009, the minister established a task team to identify the root causes of these problems and make appropriate recommendations on the public broadcaster and Sentech's corporate governance issues and funding models. A joint monitoring team comprising of representatives from the department, National Treasury and the South African Broadcasting Corporation will be set up to monitor the corporation's progress in attaining specific targets for the cost cutting measures, revenue enhancements and other austerity measures. The minister has also committed himself to periodically engage with the corporation's board on issues of corporate governance and financial management.

Contribute to the global ICT agenda

The department will continue to support the African ICT agenda by actively participating in the Southern African Development Community and African Union structures, and by contributing effectively to the implementation of the African multilateral and bilateral ICT programmes. Greater emphasis will be placed on strengthening South-South and North-South cooperation as well as participating in global ICT governance structures such as the International Telecommunications Union, the Universal Postal Union and other relevant United Nations bodies.

Facilitate the building of an inclusive information society

The department will coordinate the implementation of the national information society and development programme by capturing the provincial heritage content into the national digital repository, publishing the annual e-barometer and contributing to the provisioning of e-government services.

Savings and cost effective service delivery

The department has identified efficiency savings including transfers over the MTEF period amounting to R949 million spread as R155.5 million in 2010/11, R314.7 million in 2011/12 and R479.0 million in 2012/13 across all programmes. Goods and services items targeted for cost reduction include: consultancy services, travel and subsistence, agency support, catering, venues and facilities, and other operating expenditure. Savings will be achieved by reducing the department's reliance on consultants.

South African Post Office subsidy allocations are reduced by R100 million in 2010/11, R250 million in 2011/12 and R400 million in 2012/13, and the Independent Communications Authority of South Africa's baseline is reduced by R45 million over the MTEF period, comprising R10 million in 2010/11, R15 million in 2011/12 and R20 million in 2012/13.

Selected performance indicators

Table 26.1 Communications

Indicator	Programme	Past			Current	Projections		
		2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Number of stadiums for 2009 FIFA Confederations Cup and 2010 FIFA World Cup linked to Telkom core network	Information and Communication Technology Infrastructure Development	–	–	–	4	10	–	–
Number of infrastructure related policies developed per year	Information and Communication Technology Infrastructure Development	–	–	–	3	2	1	1
Percentage reduction of per minute cost of mobile (wholesale)*	Information and Communication Technology Policy Development	–	–	–	–	10%	10%	10%
Percentage reduction of per minute cost of fixed line (public access)*	Information and Communication Technology Policy Development	–	–	–	–	10%	10%	10%
Total number of community radio stations provided with broadcasting infrastructure	Information and Communication Technology Policy Development	–	45	35	39	45	50	55
Number of ICT position papers developed for international engagement per year	Information and Communication Technology International Affairs and Trade	–	–	8	5	5	5	5
Number of young people who participated in the national youth information society and development programme per year**	Presidential National Commission	–	830	2 120	502	1 100	1 100	1 500
Number of e-cooperatives established to increase entry of youth owned small enterprises into the ICT sector per year***	Presidential National Commission	–	46	96	71	40	40	20
Number of provinces for which provincial cultural heritage content is captured in the national digital repository per year	Presidential National Commission	–	–	–	–	4	3	2
Number of ICT SMME hubs created in each province	Information and Communication Technology Enterprise Development	–	–	–	–	2	2	2

**At present the mobile termination rate is R1.25, with no reductions realised in the current financial year.*

***The targets for the participation of young people in the youth information society and development programme have been reduced due to a change in policy. No further training of new participants will take place and previously trained young people will be used for collecting content.*

****The targets for the establishment of e-cooperatives have been reduced due to a change in strategy. No further e-cooperatives will be established, and those already established will be supported through a sustainability strategy.*

Expenditure estimates

Table 26.2 Communications

Programme	Audited outcome			Adjusted appropriation	Revised estimate	Medium-term expenditure estimate		
R million	2006/07	2007/08	2008/09	2009/10		2010/11	2011/12	2012/13
1. Administration	160.9	143.5	147.4	147.9	147.9	151.8	160.1	170.6
2. ICT International Affairs and Trade	39.6	37.4	53.5	45.6	45.6	44.6	46.8	46.3
3. ICT Policy Development	77.3	60.6	71.5	97.8	97.8	90.1	93.5	93.3
4. ICT Enterprise Development	960.8	1 573.9	1 918.4	1 967.1	1 851.1	1 617.5	1 290.4	1 090.4
5. ICT Infrastructure Development	57.6	69.1	94.8	178.1	178.1	177.5	188.6	195.3
6. Presidential National Commission	23.3	27.3	42.9	34.0	34.0	32.5	34.7	34.4
Total	**1 319.6**	**1 911.8**	**2 328.6**	**2 470.5**	**2 354.5**	**2 114.0**	**1 814.1**	**1 630.4**
Change to 2009 Budget estimate				203.6	87.6	(150.4)	(308.7)	–

Table 26.2 Communications (continued)

Programme	Audited outcome			Adjusted appropriation	Revised estimate	Medium-term expenditure estimate		
R million	2006/07	2007/08	2008/09	2009/10		2010/11	2011/12	2012/13
Economic classification								
Current payments	**296.2**	**310.9**	**377.2**	**383.4**	**383.4**	**483.2**	**509.2**	**530.0**
Compensation of employees	99.0	97.7	108.0	147.4	147.4	160.4	169.2	177.9
Goods and services	197.2	213.2	269.3	235.9	235.9	322.8	340.0	352.1
of which:								
Consultants and professional services: Business and advisory services	*11.8*	*18.7*	*51.8*	*61.6*	*61.6*	*142.2*	*145.9*	*149.3*
Lease payments	*19.8*	*38.3*	*25.0*	*31.3*	*31.3*	*33.1*	*35.1*	*36.4*
Operating expenditure	*49.4*	*13.3*	*2.1*	*12.8*	*12.8*	*21.2*	*27.6*	*33.9*
Venues and facilities	*7.3*	*12.7*	*19.9*	*11.8*	*11.8*	*25.8*	*27.0*	*27.2*
Transfers and subsidies	**1 006.5**	**1 592.3**	**1 938.5**	**2 077.7**	**1 961.7**	**1 626.7**	**1 300.6**	**1 095.5**
Provinces and municipalities	0.1	0.1	0.0	–	–	–	–	–
Departmental agencies and accounts	273.5	319.6	339.0	375.7	375.7	610.5	693.6	721.9
Universities and technikons	–	–	0.1	–	–	–	–	–
Foreign governments and international organisations	1.4	1.2	0.0	–	–	–	–	–
Public corporations and private enterprises	728.9	1 269.4	1 596.5	1 697.5	1 581.5	1 012.7	603.2	369.7
Non-profit institutions	2.5	2.1	2.8	3.0	3.0	3.5	3.7	3.9
Households	0.2	0.1	0.1	1.5	1.5	–	–	–
Payments for capital assets	**8.5**	**8.5**	**12.8**	**9.4**	**9.4**	**4.1**	**4.3**	**4.9**
Buildings and other fixed structures	–	0.0	–	–	–	–	–	–
Machinery and equipment	8.3	8.1	6.7	9.4	9.4	4.1	4.3	4.9
Software and other intangible assets	0.2	0.4	6.1	–	–	–	–	–
Payments for financial assets	**8.4**	**0.1**	**0.1**	**–**	**–**	**–**	**–**	**–**
Total	**1 319.6**	**1 911.8**	**2 328.6**	**2 470.5**	**2 354.5**	**2 114.0**	**1 814.1**	**1 630.4**

Expenditure trends

Expenditure grew significantly from R1.3 billion in 2006/07 to R2.5 billion in 2009/10, at an average annual rate of 23.2 per cent. This was due to the following additional allocations: R500 million in 2007/08 to Sentech for the national wireless broadband network; R600 million in 2008/09 and R450 million in 2009/10 to Telkom for the implementation of the ICT access network; and R200 million in 2008/09 and R100 million in 2009/10 to Sentech to fund the satellite backup for the 2010 FIFA World Cup.

Over the medium term, expenditure is expected to decrease at an average annual rate of 12.9 per cent, from R2.5 billion in 2009/10 to R1.6 billion in 2012/13, as the implementation of 2010 FIFA World Cup infrastructure and other initiatives come to completion. In 2010/11, a final allocation of R150 million is made to Telkom for the 2010 FIFA World Cup. In 2011/12, R25 million is allocated the Universal Service and Access Agency of South Africa, and Universal Service and Access Fund to: build capacity and procure the necessary supporting infrastructure to expand ICT access to South Africans in the under-serviced areas; and to subsidise poor households with set top boxes as part of the migration from an analogue to a digital broadcasting platform. The baseline efficiency savings made by the department of R314.7 million in 2011/12 and R479 million in 2012/13, mostly caused by reductions in the South African Post Office subsidy allocations, also contribute to the decrease in expenditure over the medium term.

The expenditure in the *ICT Enterprise Development* programme is expected to decrease over the medium term, from R2 billion to R1.1 billion, at an average annual rate of 17.9 per cent due to the final allocations to Sentech and Telkom in 2010/11. The decrease in transfers and subsidies over the medium term, from R2.1 billion to R1.1 billion, is due to discontinuation of *South African Broadcasting Corporation: Technology* as an activity under the South African Broadcasting Corporation programme production and the reduction of the subsidy to the South African Post Office.

Expenditure in compensation of employees increased from R99 million in 2006/07 to R147.4 million in 2009/10, at an average annual rate of 14.2 per cent. This strong growth is the result of an increase in the number of staff, from 326 in 2006/07 to 380 in 2009/10, and due to inflation related salary adjustments. These were mainly senior management appointments including 2 deputy directors-generals. As at September 2009, the vacancy rate of the department was 18.3 per cent. This represented 62 funded positions that have not been filled. 45 per cent of the total staff complement is located within the *Administration* programme, 23.5 per cent in *ICT Infrastructure Development* and 18.4 per cent in *ICT Policy Development*. Over the MTEF period, spending is expected to increase to R177.9 million, at an average annual rate of 6.5 per cent due to inflation related adjustments.

Infrastructure spending

The department does not incur any infrastructure spending itself. It makes transfers to public entities to undertake ICT infrastructure development.

Mega projects

As part of the 2010 FIFA World Cup project, the department will transfer R1.5 billion to its public entities to develop the necessary ICT infrastructure for the event. R1.2 billion of this transfer has been allocated to Telkom for access network infrastructure, R300 million to Sentech for the satellite back up (including the second teleport) and R80 million to the City of Johannesburg as a contribution for the upgrade of the international broadcasting centre at Nasrec. A total amount of R950 million was transferred to Telkom in 2008/09 and 2009/10. As at the end of September 2009, Telkom had spent R276 million (excluding value added tax) to develop the ICT infrastructure at the 4 2009 FIFA Confederation Cup stadiums and to prepare for the 2010 FIFA World Cup. Telkom has undertaken to complete the installation and development of the necessary ICT infrastructure for the remaining 6 2010 FIFA World Cup stadiums and the international broadcasting centre, which will include the video adaptation solution. The ICT infrastructure, including the second teleport of Sentech will be completed and ready for the testing at all the venues for the for the 2010 FIFA World Cup by April 2010.

Departmental receipts

Revenue for the department is mainly derived from dividends as a result of its shareholding interest in Telkom and from administration fees. Administration fees comprise of all fees collected by the Independent Communications Authority of South Africa from telecommunications operators, including the Universal Service Fund and the South African Post Office licence fees, which are paid directly into the National Revenue Fund.

Total receipts increased significantly from R3.4 billion in 2006/07 to R5.4 billion in 2009/10, at an average annual rate of 16.2 per cent, due to dividends of R4.7 billion received in 2009/10, comprising R33.9 million in ordinary dividends, R538.3 million in special dividends and R3.9 billion in extraordinary proceeds received from Telkom for the sale of its shares in Vodacom. Over the medium term, receipts are expected to stabilise at R925 million in 2010/11, R959.4 million in 2011/12 and R993.4 million in 2012/13.

Table 26.3 Departmental receipts

R thousand	Audited outcome 2006/07	2007/08	2008/09	Adjusted estimate 2009/10	Revised estimate 2009/10	Medium-term receipts estimate 2010/11	2011/12	2012/13
Departmental receipts	**2 613 835**	**3 007 442**	**3 520 122**	**933 026**	**1 160 784**	**925 009**	**959 353**	**993 413**
Sales of goods and services produced by department	1 568 047	1 760 132	2 148 962	650 000	650 016	682 517	716 642	750 473
Sales of scrap, waste, arms and other used current goods	51	62	–	–	–	–	–	–
Transfers received	360	942	–	2 340	2 340	–	–	–
Fines, penalties and forfeits	962	–	–	–	–	–	–	–
Interest, dividends and rent on land	1 038 619	1 245 453	1 370 204	280 000	507 742	241 772	241 955	242 147
Sales of capital assets	20	5	297	–	–	–	–	–
Transactions in financial assets and liabilities	5 776	848	659	686	686	720	756	793
Extraordinary receipts	**828 190**	**1 035 238**	**–**	**4 472 226**	**4 472 226**	**–**	**–**	**–**
Proceeds from sale of Telkom's share in Vodacom	828 190	1 035 238	–	3 933 903	3 933 903	–	–	–
Special dividends from Telkom	–	–	–	538 323	538 323	–	–	–
Total	**3 442 025**	**4 042 680**	**3 520 122**	**5 405 252**	**5 633 010**	**925 009**	**959 353**	**993 413**

Programme 1: Administration

Expenditure estimates

Table 26.4 Administration

Subprogramme R million	Audited outcome 2006/07	2007/08	2008/09	Adjusted appropriation 2009/10	Medium-term expenditure estimate 2010/11	2011/12	2012/13
Minister [1]	0.9	1.0	1.6	1.7	1.8	1.9	2.0
Deputy Minister [1]	0.7	0.7	1.3	1.4	1.5	1.6	1.7
Management	32.2	30.5	48.8	37.2	40.6	42.4	44.4
Operations	110.6	106.5	91.5	101.3	101.0	106.8	114.7
Office Accommodation	16.6	4.9	4.2	6.3	6.9	7.4	7.8
Total	**160.9**	**143.5**	**147.4**	**147.9**	**151.8**	**160.1**	**170.6**
Change to 2009 Budget estimate				(4.4)	(8.1)	(8.6)	(1.2)

1. From 2008/09, the current payments relating to the total remuneration package of political office bearers are shown, before this, only salary and car allowance are included. Administrative and other subprogramme expenditure may in addition include payments for capital assets as well as transfers and subsidies.

Economic classification	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Current payments	**153.2**	**137.4**	**143.9**	**145.0**	**150.7**	**158.8**	**169.3**
Compensation of employees	47.9	49.0	47.0	58.6	68.0	71.8	75.5
Goods and services	105.3	88.4	97.0	86.4	82.7	87.0	93.8
of which:							
Consultants and professional services: Business and advisory services	*0.1*	*2.0*	*3.9*	*18.0*	*15.0*	*15.8*	*16.1*
Lease payments	*17.8*	*20.3*	*21.3*	*25.5*	*26.9*	*28.1*	*29.2*
Operating expenditure	*40.0*	*2.1*	*0.5*	*0.3*	*0.4*	*0.4*	*6.2*
Venues and facilities	*2.5*	*2.6*	*7.6*	*1.4*	*1.5*	*1.6*	*1.6*
Transfers and subsidies	**0.5**	**0.3**	**0.6**	**0.1**	**0.1**	**0.2**	**0.2**
Provinces and municipalities	0.0	0.1	0.0	–	–	–	–
Departmental agencies and accounts	–	0.1	0.1	0.1	0.1	0.2	0.2
Universities and technikons	–	–	0.1	–	–	–	–
Non-profit institutions	0.4	0.1	0.3	–	–	–	–
Households	0.1	0.1	0.0	–	–	–	–
Payments for capital assets	**7.1**	**5.7**	**2.8**	**2.8**	**1.0**	**1.0**	**1.1**
Machinery and equipment	7.0	5.3	2.6	2.8	1.0	1.0	1.1
Software and other intangible assets	0.1	0.4	0.2	–	–	–	–
Payments for financial assets	**0.1**	**0.1**	**0.1**	**–**	**–**	**–**	**–**
Total	**160.9**	**143.5**	**147.4**	**147.9**	**151.8**	**160.1**	**170.6**

Expenditure trends

Expenditure decreased, from R160.9 million in 2006/07 to R147.9 million in 2009/10, at an average annual rate of 2.8 per cent due to the completion of the refurbishment of the department's offices in 2008/09. Over the medium term, expenditure is expected to increase to R170.6 million, at an average annual rate of 4.9 per cent, to provide for strategic support to the department.

Expenditure in compensation of employees is expected to rise, from R58.6 million in 2009/10 to R75.5 million in 2012/13, at an average annual rate of 8.8 per cent due to vacant positions being filled. Expenditure on payments for capital assets will decrease at an average annual rate of 26.9 per cent over the medium term, due to the implementation of cost efficiency savings, which are mainly in the *Operations* subprogramme.

Programme 2: ICT International Affairs and Trade

- *International Affairs* coordinates the functions and responsibilities of the department to meet South Africa's international ICT obligations. Funding is for membership fees to international ICT organisations and participation in multilateral forums.
- *ICT Trade/Partnerships* develops and advances the country's interests in international trade forums through participation in World Trade Organisation ICT related initiatives and other international trade agreements. The subprogramme also promotes the interests of South African and developing countries' ICT sectors through these forums. Funding is mainly used for compensation of employees and related expenditure on goods and services.

Objectives and measures

- Support mutual economic development and promote an inclusive information society through strengthening South-South cooperation by implementing the India-Brazil-South-Africa information society annual programme of action in 2010/11.
- Promote the development of ICT in Africa by:
  - coordinating the active participation of the South African government in specialised ICT agencies in line with the meeting schedules provided by these bodies throughout 2010/11
  - facilitating and monitoring 4 memorandums of understanding by 2010/11
  - developing a continental convention on a cyber security framework by December 2012
  - promoting the transition from analogue to digital broadcasting by March 2013 by participating in the International Telecommunication Union and the Commonwealth Telecommunications Organisation by regularly hosting the Commonwealth Telecommunications Organisation forum on the transition
  - promoting ICT development in Africa by adopting a uniform approach to spectrum pricing by March 2013.

Service delivery focus

In 2009, the department hosted the African Union Conference of ministers of communication and information technologies where the Oliver Tambo declaration, which reaffirms the pivotal role of ICTs in socioeconomic development, and enhancing regional and continental integration, was adopted. The declaration is now the common position of African ministers for ICTs.

In 2009/10, the feasibility study for implementing the New Partnership for Africa's Development (NEPAD) terrestrial network was finalised and a project implementation memorandum was signed by the department and the Development Bank of Southern Africa on behalf of the NEPAD e-Africa Commission. The memorandum proposes a funding model for participating entities in the terrestrial network, which entails leasing and using existing infrastructure cables in the signatory country in line with protocol provisions.

The department does not have direct control over the NEPAD submarine cable project as it is an external initiative. Other projects will now be prioritised, such as preparing for the International Telecommunication Union plenipotentiary, the world telecommunications development conference and the world radio communications conference.

In 2009/10, a project review and annual programme of action were ratified at the India-Brazil-South Africa Summit and in the same year, an India-Brazil-South Africa e-government seminar, which outlined key issues for consideration in these countries, was held along with the launch of the India-Brazil-South Africa website. The department continues to foster bilateral relations with African countries and engaged in programmes with Egypt, Ghana, Tunisia and Sudan around issues such as telecommunications investment, post-conflict reconstruction and digital heritage, among others.

Expenditure estimates

Table 26.5 ICT International Affairs and Trade

Subprogramme				Adjusted			
	Audited outcome			appropriation	Medium-term expenditure estimate		
R million	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
International Affairs	27.1	30.9	15.4	24.4	22.1	22.6	22.5
ICT Trade/Partnerships	4.2	6.4	38.1	21.2	22.5	24.2	23.8
Postal Regulator	8.3	0.1	–	–	–	–	–
Total	**39.6**	**37.4**	**53.5**	**45.6**	**44.6**	**46.8**	**46.3**
Change to 2009 Budget estimate				–	(4.1)	(4.6)	(0.8)
Economic classification							
Current payments	**35.9**	**34.2**	**50.9**	**41.2**	**40.6**	**42.5**	**41.9**
Compensation of employees	13.0	8.6	6.7	14.3	15.6	16.3	17.2
Goods and services	23.0	25.6	44.2	26.9	25.0	26.2	24.7
of which:							
Consultants and professional services: Business and advisory services	*3.3*	*1.7*	*4.5*	*4.0*	*3.0*	*3.2*	*3.2*
Lease payments	*0.4*	*0.4*	*0.7*	*0.2*	*0.6*	*0.7*	*0.7*
Operating expenditure	*2.9*	*9.1*	*0.0*	*12.0*	*10.7*	*11.1*	*11.1*
Venues and facilities	*1.5*	*6.6*	*7.1*	*4.1*	*3.1*	*3.3*	*2.4*
Transfers and subsidies	**3.5**	**3.2**	**2.5**	**3.0**	**3.5**	**3.7**	**3.9**
Foreign governments and international organisations	1.4	1.2	–	–	–	–	–
Non-profit institutions	2.0	2.0	2.5	3.0	3.5	3.7	3.9
Payments for capital assets	**0.2**	**0.1**	**0.1**	**1.4**	**0.5**	**0.6**	**0.5**
Machinery and equipment	0.2	0.1	0.1	1.4	0.5	0.6	0.5
Total	**39.6**	**37.4**	**53.5**	**45.6**	**44.6**	**46.8**	**46.3**
Details of selected transfers and subsidies							
Foreign governments and international organisations							
Current	**1.4**	**1.2**	**–**	**–**	**–**	**–**	**–**
International Telecommunications Union	1.4	1.2	–	–	–	–	–
Non-profit institutions							
Current	**2.0**	**2.0**	**2.5**	**3.0**	**3.5**	**3.7**	**3.9**
New Partnership for Africa's Development e-Africa Commission	2.0	2.0	2.5	3.0	3.5	3.7	3.9

Expenditure trends

Expenditure increased from R39.6 million in 2006/07 to R45.6 million in 2009/10, at an average annual rate of 4.8 per cent. The significant increase of 42.8 per cent in expenditure in the *ICT/Trade Partnerships* subprogramme in 2008/09 is mainly due to expenses related to hosting the world telecommunication standardisation assembly which was held in October 2008.

Over the medium term, expenditure is expected to increase marginally to R46.3 million, at an average annual rate of 0.5 per cent. The marginal growth is due to efficiency savings in expenditure on consultants, professional service providers, and venues and facilities in the *International Affairs* subprogramme. This also explains the decrease in expenditure on goods and services at an average annual rate of 2.8 per cent over the medium term.

Payments for capital assets are expected to decrease at an average annual rate of 28.3 per cent over the same period due to the implementation of cost efficiency savings.

Programme 3: ICT Policy Development

- *ICT Policy Development* drafts legislation, regulations, policy and guidelines that govern the broadcasting, telecommunications, postal and IT sectors, thus ensuring broad based economic development within the ICT sector. Funding is used for compensation of employees and operational expenses.
- *Economic Analysis, Market Modelling and Research* is responsible for economic analysis of the broadcasting, telecommunications, postal and IT sectors to determine trends and make growth projections. The subprogramme also undertakes market research to explore areas that require policy intervention. Funding is used for compensation of employees, and related expenditure in goods and services.
- *ICT Uptake and Usage* ensures that the ICT industry adheres to and implements policy and legislation, and undertakes research to determine the extent to which policies are being implemented in the broadcasting, telecommunications, postal and IT sectors. Funding is mainly used for compensation of employees and related expenditure on goods and services.
- *Intergovernmental Relations* advises, coordinates and facilitates intergovernmental relations with all spheres of government in carrying out the departmental mandate. Funding is mainly used for compensation of employees and related expenditure on goods and services.
- *South African Broadcasting Corporation: Community Radio Stations* focuses on extending signal distribution to reach all communities and extending community multimedia services at selected nodal points. Funding is mainly used for compensation of employees and related expenditure on goods and services.
- *South African Broadcasting Corporation: Programme Production* makes transfers to the South African Broadcasting Corporation and other entities for producing programmes with local content on issues relating to youth, women, children, the disabled, and HIV and AIDS, for commercial and community radio stations.

Objectives and measures

- Contribute to improving the cost, quality, availability and usage of ICTs across the ICT sector by implementing the relevant policies and the programme of action by March 2013.
- Improve access to and modernise broadcasting services in South Africa through ensuring a smooth transition from analogue to digital broadcasting by November 2011 by facilitating the implementation of the broadcasting digital migration policy, specifically by:
  - finalising the set top box manufacturing sector development strategy by April 2010
  - finalising the scheme for ownership support of set top boxes by poor television owning households by May 2010
  - operationalising the Digital Dzonga by September 2010
  - finalising the local and digital content development strategy by May 2010.
- Create an enabling environment for the growth of the ICT sector by submitting the following legislation and policies to Parliament for approval:
  - Public Service Broadcasting Act by October 2010
  - Independent Communications Authority of South Africa Amendment Act by August 2010
  - Electronic Communications Amendment Act by August 2010
  - local and digital content policy by July 2010.
- Contribute to creating conditions for accelerated and shared economic growth through advancing the convergence of the ICT sector by enacting an integrated ICT strategy and law by March 2013.

Service delivery focus

Implementing the broadcasting digital migration policy approved by Cabinet in August 2008 continues through the implementation of the various elements of the policy. A draft local and digital content development strategy was developed in April 2009 and gazetted for public comment in September 2009. In 2008, the minister approved the establishment of the Digital Dzonga, which was officially launched in 2009. It is an advisory council appointed by the Department of Communications to assist with South Africa's migration to digital television. Council members were appointed to advise government on implementing the broadcasting digital migration policy. In 2009, the department convened the national summit on set top box manufacturing, which involved all industry role players. The department will conclude the development of a conformance scheme in September 2010, which will be in line with digital terrestrial television regulations issued by the Independent Communications Authority of South Africa to ensure the quality of manufactured and distributed set top boxes.

In 2009, the department developed a 3-year programme of action, aimed at reducing costs and improving the quality, availability and usage of ICTs across the sector, which was presented to and noted by Cabinet. Consultations on communication costs took place in September 2009 with the Independent Communications Authority of South Africa, the Universal Service and Access Agency of South Africa and the economic cluster's industrial focus group committee. The Public Service Broadcasting Bill was published for public comment and is due for finalisation in March 2010, and a local and digital content advisory council will be launched in April 2010.

In 2009, the South African Postbank Bill was approved by Cabinet after a round of countrywide public consultations in July and August that year. The bill aims to promote access to vital financial and related services by underserved and unserved communities and will be tabled in Parliament in March 2010. The South African Post Office Bill; which aims to maintain the existence of the South African Post Office, develop a comprehensive framework to govern the entity, and improve the organisation's governance and staff procedures, was published for public consultation in July 2009. It was approved by Cabinet in December 2009 and is to be tabled in Parliament by March 2010.

Expenditure estimates

Table 26.6 ICT Policy Development

Subprogramme				Adjusted			
	Audited outcome			appropriation	Medium-term expenditure estimate		
R million	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
ICT Policy Development	31.0	35.9	39.8	36.4	52.7	54.5	53.9
Economic Analysis, Market Modelling and Research	1.6	1.0	4.1	6.4	6.0	6.4	6.3
ICT Uptake and Usage	0.3	2.5	3.4	7.3	6.0	6.2	5.9
Intergovernmental Relations	5.9	5.7	8.0	9.9	8.5	8.8	8.8
South African Broadcasting Corporation: Community Radio Stations	10.7	–	2.3	12.8	6.9	7.7	8.4
South African Broadcasting Corporation: Programme Production	27.8	15.5	13.9	25.0	10.0	10.0	10.0
Total	**77.3**	**60.6**	**71.5**	**97.8**	**90.1**	**93.5**	**93.3**
Change to 2009 Budget estimate				3.6	(88.4)	(95.4)	(1.8)
Economic classification							
Current payments	**29.9**	**43.5**	**54.7**	**58.6**	**72.7**	**75.1**	**74.1**
Compensation of employees	10.7	12.2	17.6	24.2	22.3	23.3	24.5
Goods and services	19.2	31.3	37.1	34.4	50.3	51.8	49.6
of which:							
Consultants and professional services: Business and advisory services	*4.1*	*5.5*	*12.7*	*12.9*	*26.7*	*27.0*	*24.5*
Lease payments	*0.1*	*15.3*	*0.3*	*2.1*	*1.8*	*1.8*	*1.7*
Operating expenditure	*6.2*	*1.8*	*1.3*	*0.1*	*3.0*	*5.1*	*4.3*
Venues and facilities	*0.3*	*0.6*	*1.3*	*1.9*	*4.9*	*5.0*	*5.2*

Table 26.6 ICT Policy Development (continued)

R million	Audited outcome 2006/07	2007/08	2008/09	Adjusted appropriation 2009/10	Medium-term expenditure estimate 2010/11	2011/12	2012/13
Transfers and subsidies	**38.7**	**15.5**	**16.2**	**37.8**	**16.9**	**17.7**	**18.4**
Foreign governments and international organisations	–	–	0.0	–	–	–	–
Public corporations and private enterprises	38.5	15.5	16.2	37.8	16.9	17.7	18.4
Non-profit institutions	0.1	–	–	–	–	–	–
Households	0.0	0.0	0.0	–	–	–	–
Payments for capital assets	**0.3**	**1.6**	**0.6**	**1.4**	**0.6**	**0.7**	**0.8**
Machinery and equipment	0.3	1.6	0.6	1.4	0.6	0.7	0.8
Payments for financial assets	**8.4**	**–**	**–**	**–**	**–**	**–**	**–**
Total	**77.3**	**60.6**	**71.5**	**97.8**	**90.1**	**93.5**	**93.3**

Details of selected transfers and subsidies

Public corporations and private enterprises							
Public corporations							
Other transfers							
Current	**38.5**	**15.5**	**16.2**	**37.8**	**16.9**	**17.7**	**18.4**
South African Broadcasting Corporation: Community Radio Stations	10.7	–	2.3	12.8	6.9	7.7	8.4
South African Broadcasting Corporation: Programme Production	27.8	15.5	13.9	25.0	10.0	10.0	10.0

Expenditure trends

Expenditure increased significantly, from R77.3 million in 2006/07 to R97.8 million in 2009/10, at an average annual rate of 8.2 per cent, mainly due to the increase in compensation of employees in the *Economic Analysis, Market Modelling and Research* and *ICT Uptake and Usage* subprogrammes. The *Intergovernmental Relations* subprogramme was also moved from the *ICT International Affairs and Trade* programme to this programme, which increased expenditure.

Over the MTEF period, spending is expected to decrease, from R97.8 million to R93.3 million, at an average annual rate of 1.6 per cent due to a reduction in transfers and subsidies. This is as a result of the reprioritisation of funding from 2010/11 from both the *South African Broadcasting Corporation: Community Radio Stations* and *South African Broadcasting Corporation: Programme Production* subprogrammes to the *112 Emergency Call Centre* subprogramme in the *ICT Infrastructure Development* programme. This also resulted in a decrease in expenditure on transfers to public corporations over the medium term at an average annual rate of 21.4 per cent in. Payments for capital assets are expected to decrease at an average annual rate of 18.5 per cent over the medium term due to the implementation of cost efficiency savings.

Programme 4: ICT Enterprise Development

- *Public Entity Oversight* provides oversight on state owned enterprises by managing government's shareholder interests in public enterprises to support the attainment of key national goals and strategic priorities. Funding is provided on the basis of annual business plans and shareholder compacts.
- *Small Medium and Micro Enterprise Development* facilitates the growth and development of ICT SMMEs. Funding is mainly used for compensation of employees and related expenditure on goods and services.

Objectives and measures

- Promote good governance in all 6 public entities reporting to the department by:
  - undertaking annual corporate governance reviews
  - continuously monitoring compliance with corporate governance protocols and applicable legislation
  - continuously enforcing compliance with corporate governance protocols and applicable legislation.

- Ensure the effectiveness and efficiency of public entities by aligning their business and investment plans with government's overall strategic objectives annually.
- Strengthen the performance of public entities in the ICT sector through monitoring the implementation of their business and investment plans and their financial management practices by analysing their quarterly performance and financial and annual reports during the course of each year.
- Accelerate socioeconomic development through facilitating the growth and development of ICT SMMEs and improving their sustainability by facilitating access to export markets for 50 ICT companies by March 2013.
- Enhance the role of state owned entities as the delivery arms of government and capacitate the Independent Communications Authority of South Africa by:
  - finalising and signing off performance agreements for councillors annually
  - amending existing shareholder compacts for the South African Post Office, the South African Broadcasting Corporation and Sentech, and formulating shareholder compacts for the Universal Service and Access Agency of South Africa and the National Electronic Media Institute of South Africa every year
  - actively participating in the corporate governance of state owned enterprises by attending audit and risk committees and participating in board meetings on a continuous basis as and when scheduled.

Service delivery focus

In 2008, the department independently evaluated corporate governance practices at both the South African Broadcasting Corporation and Sentech to monitor their corporate governance practices.

Recommendations from preliminary reports for the South African Broadcasting Corporation include: developing interventions to reinforce and improve the corporation's governance and accountability structure; clearly defining roles and responsibilities of the board and the executive management; appointing board members with experience in editorial policy and the broadcasting industry; reducing the number of board committees to ensure that they work effectively; improving the functioning of the internal audit; and enhancing risk management and improving reporting and accountability arrangements in its oversight department.

Recommendations from preliminary reports for Sentech include: clearly defining roles and responsibilities of the board and the executive management; appointing board members who have a good understanding of business and key issues facing Sentech; ensuring that the chief financial officer is a compulsory attendee at audit and risk committee meetings; reviewing the remuneration of non-executive directors' fees; and assessing the performance and effectiveness of the board, board committees and executives; and evaluating the company secretary's performance. These recommendations were translated into action plans and were implemented in 2009/10 in the form of specific targets, and are periodically monitored. Another round of evaluations will be conducted after 3 years.

In June 2009, the minister formed a task team to identify the root causes of corporate governance and funding challenges at the South African Broadcasting Corporation and Sentech, and to make appropriate recommendations on how best to address these issues. The task team submitted its report to the minister in December 2009 and this will guide any interventions over the medium term. The South African Broadcasting Corporation was granted a R1.4 billion government guarantee on condition that the entity makes targeted cost cutting measures, revenue enhancements, austerity measures and other specific turnaround strategic objectives. The corporation has submitted relevant targets to the department. Other matters relating to governance and finance will be reported periodically as per the provisions of the shareholder compact.

In the first quarter of 2009/10, the department concluded the identification of 3 000 women in the construction sector who will be assisted in setting up their company profiles on a web portal. Of these, 2 000 within grading levels 2 to 6 were profiled in consultation with the Construction Industry Development Board and the remaining 1 000 will be profiled by March 2010. 500 tourism SMMEs were identified and profiled in the second quarter of 2009/10 and will be assisted through the development of e-commerce web portals to facilitate access to market opportunities.

Expenditure estimates

Table 26.7 ICT Enterprise Development

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
R million	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Public Entity Oversight	960.8	1 570.4	1 916.0	1 957.3	1 609.9	1 283.3	1 077.6
Small Medium and Micro Enterprise Development	–	3.5	2.4	9.8	7.6	7.1	12.8
Total	**960.8**	**1 573.9**	**1 918.4**	**1 967.1**	**1 617.5**	**1 290.4**	**1 090.4**
Change to 2009 Budget estimate				574.4	31.8	(274.4)	5.6
Economic classification							
Current payments	**2.5**	**7.0**	**6.3**	**18.3**	**12.5**	**12.6**	**18.0**
Compensation of employees	2.0	2.7	3.5	6.1	6.8	7.1	7.4
Goods and services	0.5	4.3	2.9	12.2	5.8	5.5	10.6
of which:							
Consultants and professional services: Business and advisory services	–	–	*2.2*	*7.8*	*2.1*	*1.8*	*4.9*
Operating expenditure	–	–	–	*0.1*	*0.1*	*0.1*	*1.9*
Transfers and subsidies	**958.3**	**1 566.9**	**1 911.7**	**1 948.3**	**1 604.7**	**1 277.5**	**1 071.5**
Departmental agencies and accounts	272.0	318.0	337.4	368.6	608.8	691.9	720.1
Public corporations and private enterprises	686.3	1 248.9	1 574.3	1 579.7	995.9	585.6	351.4
Payments for capital assets	**0.1**	**0.0**	**0.4**	**0.5**	**0.2**	**0.3**	**0.9**
Machinery and equipment	0.1	0.0	0.4	0.5	0.2	0.3	0.9
Total	**960.8**	**1 573.9**	**1 918.4**	**1 967.1**	**1 617.5**	**1 290.4**	**1 090.4**
Details of selected transfers and subsidies							
Departmental agencies and accounts							
Departmental agencies (non-business entities)							
Current	**272.0**	**318.0**	**337.4**	**368.6**	**608.8**	**691.9**	**720.1**
Independent Communications Authority of South Africa	201.5	234.5	247.3	269.6	290.9	313.4	324.8
National Electronic Media Institute of South Africa	19.2	29.7	25.3	29.1	32.6	34.4	35.1
Universal Service and Access Agency of South Africa	20.1	21.1	30.2	33.5	66.7	83.2	86.3
Universal Service Fund	31.2	32.7	34.6	36.4	218.6	260.9	274.0
Public corporations and private enterprises							
Public corporations							
Subsidies on production or products							
Current	**351.4**	**363.8**	**371.6**	**383.1**	**306.1**	**180.4**	**52.0**
South African Post Office: Subsidy	351.4	363.8	371.6	383.1	306.1	180.4	52.0
Public corporations and private enterprises							
Public corporations							
Other transfers							
Current	**234.9**	**239.1**	**252.7**	**466.6**	**268.9**	**126.1**	**132.4**
South African Broadcasting Corporation: Channel Africa	31.4	33.0	34.8	36.7	38.9	41.2	43.3
South African Broadcasting Corporation: Public Broadcaster	203.5	206.2	217.9	429.9	230.0	84.9	89.2
Capital	**100.0**	**646.0**	**950.0**	**730.0**	**420.9**	**279.0**	**167.0**
Sentech - East African Submarine Cable System	–	21.0	–	–	–	–	–
Telkom: 2010 FIFA World Cup	–	–	600.0	370.0	150.0	–	–
Sentech - Digitisation	100.0	125.0	150.0	260.0	270.9	279.0	167.0
Sentech - National Wholesale Broadband Network (NWBN)	–	500.0	–	–	–	–	–
Sentech - 2010 FIFA World Cup	–	–	200.0	100.0	–	–	–

Expenditure trends

Expenditure increased from R960.8 million in 2006/07 to R2 billion in 2009/10, at an average annual rate of 27 per cent. This was due to: the once-off allocations of R500 million to Sentech for the national wireless broadband network; R200 million for the 2010 FIFA World Cup satellite back up infrastructure, which includes the construction of the second teleport; and R600 million for Telkom to develop the ICT access network. An additional R200 million was allocated in the 2009 adjustments budget for the South African Broadcasting Corporation's immediate liquidity requirements.

Expenditure is expected to decrease to R1.1 billion over the medium term, at an average annual rate of 17.9 per cent. This is as a result of declining allocations for the 2010 FIFA World Cup project as it nears completion. These include R450 million in 2009/10 and R150 million in 2010/11 for the implementation of the ICT guarantee, and R100 million to Sentech for satellite back up infrastructure for the 2010 FIFA World Cup. Identified baseline efficiency savings of R110 million in 2010/11, R265 million in 2011/12 and R420 million in 2012/13 also contribute to the decrease in expenditure over the medium term. The most significant savings are from reductions to South African Post Office subsidy allocations and reduced transfers to the Independent Communications Authority of South Africa.

Transfers to departmental agencies are expected to increase significantly from R368.6 million in 2009/10 to R720.1 million in 2012/13, at an average annual rate of 25 per cent. This is due to the new mandate for the Universal Service Access Fund to subsidise set top boxes to poor households as part of the digital migration process.

Programme 5: ICT Infrastructure Development

- *Applications and Research* is responsible for technology research and analysis, applications and content development, analysing the legal environment to promote infrastructure technologies, and managing the use of the national frequency spectrum.
- *Meraka Institute* conducts research and develops ICT applications in the national interest.
- *112 Emergency Call Centre* provides a single national emergency number, from which all emergency calls will be routed to the most suitable local response unit.
- *za Domain Name Authority* is responsible for administering and managing the .za domain name space.

Objectives and measures

- Create an enabling environment for accelerated and shared economic growth through increasing access, uptake and use of ICT by developing and implementing national broadband legislation by March 2013.
- Improve universal access to ICT by facilitating connectivity to ICT networks and applications by schools, health centres and government centres by March 2013.
- Ensure the implementation of the government ICT guarantees for the 2010 FIFA World Cup by monitoring and evaluating the access network (primary and secondary fibre optic cable links), satellite backup, uplink connectivity, and international connectivity by:
  – holding weekly onsite meetings with Sentech
  – holding monthly monitoring meeting with Telkom
  – updating weekly project scorecard against key indicators for both Telkom and Sentech.
- Ensure that the ICT infrastructure developed for the 2010 FIFA World Cup yields further social and economic benefits by developing and implementing a legacy plan by March 2011.
- Contribute to building confidence and security in the use of ICTs in order to maximise investment in the ICT sector by developing and implementing a cyber security policy by March 2011.
- Promote the protection of children online through implementing awareness programmes by May 2011, in line with United Nations Children's Fund conventions.

Service delivery focus

In May 2009, the access network was installed, tested and commissioned at all 2009 FIFA Confederations Cup venues and the department monitored implementation and testing of the satellite back up network at all venues before handing over to FIFA. The telecommunications and broadcasting infrastructure will be 100 per cent complete at all venues for the 2010 FIFA World Cup by May 2010. The department is currently developing a legacy implementation plan for the approved legacy plan, which should be completed by March 2010. The department developed the first draft of the national frequency spectrum policy, gazetted in September 2009, which aims to promote the efficient and effective usage of the radio frequency spectrum. Public consultations for the draft policy were held in September and October 2009. A review of the South African table of frequency allocations was concluded in the second quarter of 2009/10 and a report containing recommendations for updating the South African table of allocations was submitted to the Independent Communications Authority of South Africa.

The draft national broadband policy was gazetted for public comment in September and October 2009, and additional public consultations were held at a 2 day broadband colloquium in November 2009. The department intends to submit the revised policy to Cabinet by March 2010. National broadband legislation will be submitted to Cabinet by March 2010, while provincial and municipal broadband guidelines will be developed over the MTEF period. A draft cyber security policy was developed in the third quarter of 2009/10, which the department intends to submit to Cabinet for approval by May 2010. The department will develop a numbering policy, expected to be finalised in 2011, which aims to promote the pricing and efficient usage of telephone numbers.

Expenditure estimates

Table 26.8 ICT Infrastructure Development

Subprogramme		Audited outcome		Adjusted appropriation	Medium-term expenditure estimate		
R million	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Applications and Research	28.2	43.0	64.3	142.9	64.1	69.6	70.5
Meraka Institute	4.0	5.0	6.0	7.0	–	–	–
112 Emergency Call Centre	23.9	19.6	23.0	26.7	111.9	117.5	123.4
.za Domain Name Authority	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Total	**57.6**	**69.1**	**94.8**	**178.1**	**177.5**	**188.6**	**195.3**
Change to 2009 Budget estimate				(370.0)	(78.1)	77.5	(1.8)
Economic classification							
Current payments	**51.7**	**62.0**	**79.2**	**87.3**	**174.9**	**186.1**	**192.8**
Compensation of employees	15.1	15.9	22.7	28.0	30.3	32.3	33.9
Goods and services	36.6	46.1	56.5	59.4	144.6	153.8	158.8
of which:							
Consultants and professional services: Business and advisory services	*1.0*	*5.0*	*18.8*	*17.8*	*92.6*	*96.1*	*99.3*
Lease payments	*1.4*	*1.9*	*2.3*	*2.5*	*3.7*	*4.3*	*4.5*
Operating expenditure	*0.2*	*0.2*	*0.3*	*0.3*	*5.8*	*8.7*	*8.7*
Venues and facilities	*0.2*	*1.5*	*0.5*	*0.6*	*14.9*	*15.6*	*16.4*
Transfers and subsidies	**5.5**	**6.5**	**7.5**	**88.5**	**1.5**	**1.5**	**1.5**
Departmental agencies and accounts	1.5	1.5	1.5	7.0	1.5	1.5	1.5
Public corporations and private enterprises	4.0	5.0	6.0	80.0	–	–	–
Households	0.0	–	0.0	1.5	–	–	–
Payments for capital assets	**0.4**	**0.6**	**8.1**	**2.3**	**1.1**	**1.0**	**1.1**
Machinery and equipment	0.4	0.6	2.2	2.3	1.1	1.0	1.1
Software and other intangible assets	0.1	–	5.9	–	–	–	–
Total	**57.6**	**69.1**	**94.8**	**178.1**	**177.5**	**188.6**	**195.3**

Table 26.8 ICT Infrastructure Development (continued)

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
R million	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Details of selected transfers and subsidies							
Departmental agencies and accounts							
Departmental agencies (non-business entities)							
Current	**1.5**	**1.5**	**1.5**	**7.0**	**1.5**	**1.5**	**1.5**
.za Domain Name Authority	1.5	1.5	1.5	7.0	1.5	1.5	1.5
Public corporations and private enterprises							
Public corporations							
Other transfers							
Current	**4.0**	**5.0**	**6.0**	**–**	**–**	**–**	**–**
Meraka Institute	4.0	5.0	6.0	–	–	–	–
Capital	**–**	**–**	**–**	**80.0**	**–**	**–**	**–**
Telkom: 2010 FIFA World Cup	–	–	–	80.0	–	–	–
Households							
Other transfers to households							
Current	**0.0**	**–**	**0.0**	**1.5**	**–**	**–**	**–**
Households	0.0	–	0.0	1.5	–	–	–

Expenditure trends

Expenditure grew significantly from R57.6 million in 2006/07 to R178.1 million in 2009/10, at an average annual rate of 45.7 per cent. This was mainly as a result of the restructuring of the *Applications and Research* subprogramme to include the department's IT network infrastructure. This increase is also attributable to the development of an electronic document management system for the department. R450 million was allocated through the 2007/08 Adjustments Budget to Telkom for the last mile 2010 FIFA ICT infrastructure of which R80 million was transferred to the City of Johannesburg for operationalisation of the international broadcasting centre at Nasrec and the remaining R370 million shifted to programme 4.

Over the medium term, expenditure is expected to increase significantly to R195.3 million, at an average annual rate of 3.1 per cent. The increase is driven mainly by the reprioritisation of R80 million in 2010/11, R86.3 million in 2011/12 and R91.8 million in 2012/13 for the *112 Emergency Call Centre* subprogramme from the *ICT Policy Development* programme.

Programme 6: Presidential National Commission

This programme is currently under review and is likely to change during the 2011 MTEF process.

- *Planning, Coordination and Evaluation* ensures that South Africa has proactive and progressive national plans on information society and development, with sectoral, provincial and local government inputs. It also assesses whether policies and legislation are conducive to developing an inclusive information society, and assesses the impact of ICT programmes and projects. Funding is mainly used for compensation of employees and related expenditure on goods and services.
- *Information Society and Development Cluster* supports the effective and efficient functioning of the information society and development institutional mechanisms, such as the interministerial committee on information society and development, the information society and development intergovernmental relations forum, the forum of South African directors-general for information society and development, and the intergovernmental relations forum technical committee. Funding is mainly used for compensation of employees and related expenditure on goods and services.
- *e-Applications* facilitates the implementation of information society related projects and programmes to attain the sectoral targets of the information society and development plan, and maximises the benefits of the information society for the development of women, children, youth, people with disabilities and poor

communities. Funding is disbursed on the basis of project plans. Funding is mainly used for compensation of employees and related expenditure on goods and services.
- *Presidential National Commission Operations* provides responsive, timely and comprehensive strategic and administrative support that strengthens the Presidential National Commission on information society and development as a knowledge driven organisation. Funding is mainly used for compensation of employees and related expenditure on goods and services.

Objectives and measures

- Contribute to building social cohesion and national identity by:
  - capturing provincial heritage content into the national cultural heritage digital repository for all 9 provinces by March 2013
  - profiling the contribution of military veterans towards the creation of the South African democratic dispensation by March 2013.
- Measure the impact of the information society and development plan by annually publishing the e-barometer, which measures the improvement in ICT connectivity in various sectors.
- Improve access to government services through the e-government programme by developing an integrated citizen information system and websites for hospitals and municipalities by March 2013.
- Contribute to building an information society through facilitating the implementation of the information society and development plan and the outcomes of the World Summit on the Information Society outcomes by convening the annual information society and development plan multi-stakeholder forum and getting policy proposals.
- Promote economic growth by implementing strategies focusing on second economy interventions and rural development by 2013, by rolling out ICT services, targeting rural communities.
- Improve ICT uptake and usage and contribute to ICT policy development through conducting extensive research on relevant ICT issues by establishing internal capacity by March 2011.

Service delivery focus

Entry and participation of young people in the mainstream ICT sector is accelerated through the youth e-cooperative programme, which began in 2007 and is implemented in 2 phases: phase 1 recruited 420 youth with Grade 12 qualifications for ICT skills and content development in municipalities countrywide and 46 e-cooperative were formed; and phase 2, which began in 2008, identified 1 200 youth through municipalities nationally, leading to establishing 71 youth e-cooperatives through the Companies and Intellectual Property Registration Office. To date, 38 e-cooperatives have been selected and their provincial locations identified, and by the end of 2009/10 they will be deployed to develop websites in municipalities in Limpopo, Northern Cape, Eastern Cape, KwaZulu-Natal and Free State.

The national youth service deployment strategy was developed in the first quarter of 2009/10 and service training started with deploying 40 e-cadres in the Ekurhuleni further education and training college. The department trained 450 young people, in the first quarter of 2009/10 in e-literacy and sent them to schools and health centres throughout the country. The first version of the e-readiness report, which measures the improvement in ICT connectivity, was finalised in the third quarter of 2009/10 and published in February 2010. An e-literacy training programme aimed at providing ICT skills to youth offenders in correctional facilities was launched in June 2009 and is intended to be expanded countrywide in the future.

2 ministerial meetings, which focused on ICT infrastructure deployment within municipalities, the broadband policy and connectivity to public centres such as education and health centres; were facilitated in March and November 2009. The meetings were chaired by the Minister of Communications and were attended by the former Minister of Provincial and Local Government and members of the provincial executive council responsible for economic development, finance and education. Professional secretariat support was provided to 3 information society and development cluster meetings in March, June and September 2009. Furthermore, meetings of the e-skills working group were facilitated and where the working group produced an ICT skills gap analysis report and made recommendations for addressing the current skills gap. This report will be discussed by the e-Skills Council in April 2010.

Expenditure estimates

Table 26.9 Presidential National Commission

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
R million	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Planning, Coordination and Evaluation	12.5	12.9	11.2	5.0	11.9	12.7	12.4
e-Applications	1.4	5.5	21.9	12.4	5.1	5.3	5.6
ISAD Cluster	1.6	1.5	1.2	4.3	4.6	5.1	5.3
PNC Operations	7.9	7.5	8.7	12.3	10.9	11.6	11.1
Total	**23.3**	**27.3**	**42.9**	**34.0**	**32.5**	**34.7**	**34.4**
Change to 2009 Budget estimate				–	(3.4)	(3.3)	–
Economic classification							
Current payments	**23.0**	**26.9**	**42.2**	**32.9**	**31.8**	**34.1**	**33.8**
Compensation of employees	10.3	9.4	10.5	16.3	17.4	18.4	19.3
Goods and services	12.6	17.5	31.7	16.6	14.4	15.7	14.5
of which:							
Consultants and professional services: Business and advisory services	*3.3*	*4.6*	*9.6*	*1.1*	*2.8*	*2.2*	*1.4*
Lease payments	*0.1*	*0.3*	*0.3*	*0.9*	*0.1*	*0.1*	*0.1*
Operating expenditure	*0.0*	*0.0*	*0.0*	*0.0*	*1.2*	*2.3*	*1.6*
Venues and facilities	*2.7*	*1.4*	*3.3*	*3.8*	*1.4*	*1.4*	*1.5*
Payments for capital assets	**0.4**	**0.4**	**0.8**	**1.1**	**0.7**	**0.6**	**0.6**
Machinery and equipment	0.4	0.4	0.8	1.1	0.7	0.6	0.6
Total	**23.3**	**27.3**	**42.9**	**34.0**	**32.5**	**34.7**	**34.4**

Expenditure trends

Expenditure increased from R23.3 million in 2006/07 to R34 million in 2009/10, at an average annual rate of 13.4 per cent, mainly due to additional funding for the third apex priority project. The project aims to contribute to the building of an inclusive information society that ensures the uptake and usage of ICTs by government and individuals in 2008/09. This also explains the 98.1 per cent and 295.5 per cent increases in expenditure in the *e-Applications* subprogramme in 2007/08 and 2008/09.

Over the MTEF period, expenditure is expected to increase to R34.4 million, at the slower average annual rate of 0.4 per cent, mainly due to the restructuring of this programme. Expenditure on the *Planning, Coordination and Evaluation* subprogramme is expected to increase at an average annual rate of 35 per cent due to the shifting of functions to this subprogramme and to the change in the programme structure.

Public entities

South African Post Office

Strategic overview: 2006/07 – 2012/13

The South African Post Office was established in accordance with the Post Office Act (1958) as a government business enterprise to provide postal and related services to the South African public. It was granted an exclusive mandate to conduct postal services in the country by the Postal Services Act (1988). This act makes provision for the regulation of postal services and operational functions of the postal company, including universal service obligations. It also makes provision for the financial services activities of Postbank.

The Post Office Act (1958) will be repealed and replaced by the South African Post Office Bill and the South African Postbank Bill, which will be tabled in Parliament in 2010 for promulgation. The corporatisation of Postbank into a separate entity is under way.

The strategic objectives for the South African Post Office over the medium term are to: drive operational excellence to achieve top quality at benchmark cost; achieve customer intimacy and use this to grow in its communications, logistics and financial services; be government's preferred partner for economic enablement within the product service offering and in the delivery of government services; build a high performance culture and develop skills throughout the organisation; and strengthen the public perception of the South African Post Office as a trusted brand.

Savings and cost effective service delivery

Savings over the MTEF period are derived from the postal subsidy. The subsidy is used in part to fund the costs of providing a universal service to all citizens of South Africa in areas which are not commercially viable. It also provides some investment in infrastructure. The universal service obligation is set through the licence conditions imposed by the Independent Communications Authority of South Africa. Over the medium term, savings of R100 million in 2010/11, R 250 million in 2011/12 and R400 million in 2012/13 will be realised.

Selected performance indicators

Table 26.10: South African Post Office

Indicator	Programme / Activity	Past			Current	Projections		
		2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Number of new post offices	Building of new post office outlets	70	31	45	50	50	50	50
Total number of post office service points	Increase the number of postal service points	2 638	2 669	2 714	2 764	2 814	2 864	2 914
Number of new addresses delivered as part of the address expansion programme	Delivery of addresses	1 899 954	1 660 396	1 671 342	1 645 945	1 650 000	1 650 000	1 650 000
Value of Postbank depositors' funds*	Postbank deposits	R2.6m	R2.9m	R3.3m	R3.6m	R3.8m	R4.2m	R4.5m

**The 2009 performance indicator was for Mzansi new accounts opened. It has been changed to Postbank depositors' funds, because Mzansi is only one product offered by Postbank.*

Service delivery focus

Between 2006/07 and 2008/09, the South African Post Office rolled out 5.2 million addresses and opened 146 new post offices. Funds from Postbank depositors increased from R2.6 billion to R3.3 billion. In 2009/10, 1.6 million new addresses were rolled out and 100 new post offices will be opened, increasing the number of post office service points to 2 764. Funds from Postbank depositors increased by 9 per cent to R3.6 million.

Expenditure estimates

Table 26.11 South African Post Office: Financial information

Statement of financial performance	Audited outcome			Revised estimate	Medium-term estimate		
R million	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Revenue							
Non-tax revenue	**4 871.5**	**5 237.6**	**5 656.7**	**5 900.0**	**6 252.8**	**6 876.6**	**7 692.2**
Sale of goods and services other than capital assets	4 612.0	4 924.5	5 203.2	5 461.6	5 789.3	6 386.7	7 174.2
of which:							
Sales by market establishments	4 612.0	4 924.5	5 203.2	5 461.6	5 789.3	6 386.7	7 174.2
Other non-tax revenue	259.6	313.2	453.4	438.4	463.4	489.9	517.9
Transfers received	351.4	363.8	371.6	383.1	306.1	180.4	52.0
Total revenue	**5 223.0**	**5 601.4**	**6 028.3**	**6 283.1**	**6 558.8**	**7 057.1**	**7 744.1**

Table 26.11 South African Post Office Limited: Financial information (continued)

Statement of financial performance	Audited outcome			Revised estimate	Medium-term estimate		
R million	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Expenses							
Current expense	**4 871.8**	**5 237.8**	**5 662.2**	**5 941.7**	**6 289.2**	**6 656.6**	**7 048.1**
Compensation of employees	2 518.7	2 708.5	2 899.4	3 073.4	3 257.8	3 453.3	3 660.5
Goods and services	1 934.2	2 066.7	2 297.1	2 413.0	2 546.0	2 690.7	2 843.9
Depreciation	169.1	172.1	191.4	184.0	196.1	204.6	216.9
Interest, dividends and rent on land	94.2	102.5	148.9	138.5	145.5	152.2	159.2
Total expenses	**4 871.8**	**5 237.8**	**5 662.2**	**5 941.7**	**6 289.2**	**6 656.6**	**7 048.1**
Surplus / (Deficit)	**351.2**	**363.6**	**366.1**	**341.4**	**269.6**	**400.5**	**696.1**
Statement of financial position							
Carrying value of assets	1 147.9	1 130.1	1 217.0	1 312.0	1 429.8	1 560.5	1 725.1
of which: Acquisition of assets	168.7	158.7	284.4	279.0	313.9	335.3	381.4
Investments	1 199.0	1 899.6	2 452.2	2 587.7	2 743.0	2 907.5	3 082.0
Inventory	54.4	54.5	59.2	65.1	71.6	78.8	86.7
Receivables and prepayments	545.0	665.9	509.3	563.2	619.5	681.5	749.6
Cash and cash equivalents	3 381.4	3 481.2	3 603.1	3 683.5	4 070.0	4 479.8	4 891.9
Assets not classified elsewhere	668.5	459.5	850.4	901.4	955.5	1 012.8	1 073.6
Total assets	**6 996.2**	**7 690.8**	**8 691.2**	**9 113.0**	**9 889.4**	**10 721.0**	**11 608.9**
Accumulated surplus/deficit	265.0	642.1	1 005.0	1 346.4	1 616.1	2 016.6	2 712.7
Capital and reserves	968.2	954.7	957.8	957.8	957.8	957.8	957.8
Borrowings	1.6	1.6	0.0	–	–	–	–
Post-retirement benefits	653.7	541.3	942.9	999.4	1 059.4	1 123.0	1 190.3
Trade and other payables	4 690.6	5 031.1	5 297.2	5 615.0	5 951.9	6 309.1	6 687.6
Provisions	7.6	9.6	10.5	8.8	9.5	10.1	10.8
Liabilities not classified elsewhere	409.5	510.5	477.8	185.4	294.7	304.4	49.6
Total equity and liabilities	**6 996.2**	**7 690.8**	**8 691.2**	**9 113.0**	**9 889.4**	**10 721.0**	**11 608.9**
Contingent liabilities	656.4	309.8	182.5	172.5	164.3	147.8	133.0

Expenditure trends

The South African Post Office also receives a government subsidy, which is used for universal service obligations and investment in infrastructure. The revenue mix of the South African Post Office is made up of postal services, courier services, agency and money transfer services, retail products and revenue from Postbank's services.

Revenue grew at an average annual rate of 6.4 per cent from R5.2 million in 2006/07 to R6.3 billion in 2009/10, due to an increase in mail and financial services revenue. Over the medium term, revenue is expected to increase to R7.7 billion, at an average annual rate of 7.2 per cent, due to inflation related increases as well as a profit from Postbank.

Expenditure increased at an average annual rate of 6.8 per cent, from R4.9 billion in 2006/07 to R5.6 billion in 2009/10, and is expected grow at a further average annual rate of 5.9 per cent over the medium term to reach R7 billion in 2012/13. Expenditure in compensation of employees, which is the major cost driver, increases at an average annual rate of 6.4 per cent over the 7-year period, due to inflation related adjustments.

Between 2006/07 and 2009/10, the South African Post Office maintained a surplus, which it expects to continue over the medium term. Expenditure on acquisition of assets is expected to increase from R279 million to R381.4 million over the MTEF period as the South African Post Office invests in the rollout of service points across the country.

Over the MTEF period, the South African Post Office's spending will focus on opening more than 200 new post offices, expanding the number of new addresses by 5 million and achieving growth at an average annual rate of 8 per cent.

Sentech

Strategic overview: 2006/07 – 2012/13

Established in terms of the Sentech Act (1996) and the Sentech Amendment Act (1999), the organisation is a state owned enterprise whose mandate is to provide broadcasting signal distribution for broadcasting licensees. In the context of the convergence of technologies, Sentech was awarded multimedia and carrier of carrier licences in 2002, thus positioning it to offer fully converged ICT services.

In 2005, Sentech was mandated by government to migrate the analogue terrestrial television infrastructure to digital terrestrial television. This was in line with a resolution by the International Telecommunications Union, which required that as from 2015, analogue signals will no longer be protected. Sentech switched on the digital terrestrial television network two days earlier than the 1 November 2008 deadline set by Cabinet.

In line with the telecommunications guarantees by government to FIFA, Sentech is responsible for providing backup satellite infrastructure for the 2010 FIFA World Cup. It was also responsible for the same for the 2009 FIFA Confederations Cup.

In terms of the apex priorities set by government, Sentech has further been mandated to roll out a national broadband network targeting schools, hospitals, clinics, the Thusong centres, Thusong post offices and government offices, especially in under-serviced and rural areas. A key priority has been to provide broadband to 500 Dinaledi schools nationwide.

Key achievements in 2008/9 include: operating and maintaining the terrestrial analogue television and radio transmission networks above customer service levels, at 99.9 per cent; conducting a pilot of the switched-on digital terrestrial television network currently providing 33.3 per cent population coverage; providing back up satellite infrastructure during the 2009 FIFA Confederations Cup, as one of the government guarantees.

Over the MTEF period, Sentech will concentrate on delivering its mandates within the following key result areas:

Broadcasting signal distribution: Sentech will continue to operate and maintain its terrestrial analogue television and radio transmission networks at customer service levels, roll out the digital terrestrial television network, and provide back up satellite infrastructure to FIFA during the 2010 FIFA World Cup at the nine stadiums.

Telecommunications: Due to the fast changing nature of the ICT market and the entry of well funded competitors, Sentech has not been able to sustain the momentum and growth of retail broadband products and value added services, MyWireless and Biznet. In conjunction with the department it has been decided that Sentech will have completely exited the retail broadband market by March 2010. The organisation will streamline its multimedia offerings by reviewing its very small aperture terminal product lines and carrier of carriers' business models. Based on the availability of funding, Sentech will investigate the viability of expanding into the wholesale broadband market by rolling out a national wholesale broadband network. The organisation continues to explore various models for the optimal rollout to the 500 Dinaledi schools.

Savings and cost effective service delivery

In effecting savings, no capital expenditure or operational expenditure cuts were considered by Sentech under the digital terrestrial television project. Proposed cuts in the baseline will reduce the number of sites that are migrated from analogue to digital technology. This will require an adjustment to the digital terrestrial television population coverage targets (and project plan) which will further delay meeting the November 2011 deadline.

A R23 million saving was achieved in the procurement of equipment for phase 4 of the project due to favourable exchange rate fluctuations and efficient contract negotiations with transmitter equipment suppliers. This saving was used for fast tracking the rollout of digital terrestrial television through the addition of three sites (Grahamstown in Eastern Cape, Glencoe in KwaZulu-Natal and Theunissen in Free State) which were originally planned to be part of phase 5.

The agreement between the Department of Communications and Sentech stipulated that R204 million would be made available for capital expenditure and R100 million for operational expenditure for the 2010 FIFA World Cup projects. Due to the reduced cost in bandwidth requirements, the department negotiated costs with global satellite services provider Intelsat, resulting in a cost saving of R100 million. The final bandwidth cost was paid for from the interest accrued on the invested balance of the R204 million that has already been received by Sentech.

Selected performance indicators

Table 26.12 Sentech

Indicator	Programme/Activity	Past			Current	Projections		
		2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Direct to home television network performance (measured by percentage availability)	Provide broadcasting signals to both television and radio frequency spectrum	99%	99%	99%	99%	99%	99%	99%
Direct to home radio performance (measured by percentage availability)	Digitise the existing analogue infrastructure as part of the broadcasting digital migration	99%	99%	99%	99%	99%	99%	99%
Number of new radio transmitters switched on*	Provide and establish national wholesale broadband network for broadband services	10	10	10	10	10	10	10
Number of new television transmitters switched on*	Establish a second teleport to serve as satellite backup for the broadcasting of the 2010 FIFA World Cup	10	10	10	10	10	10	10

** Subject to finalising the funding model and securing required funding*

Service delivery focus

After a R205 million allocation in 2006, Sentech started with phase 1 of the migration from analogue to digital programme. The programme is now in its fourth year of rollout and has received additional allocations of R640 million received through the 2008 adjustments budget and the 2009 Budget. In 2007, Cabinet resolved that the dual illumination period would begin and that digital signals would be switched on from 1 November 2008 and analogue signals be switched off on 1 November 2011.

Sentech has been operating and maintaining the digital network since the digital terrestrial television switch on as part of a pilot project with the South African Broadcasting Corporation and eTV. Test set top boxes were distributed in 2008/09 to a select audience as part of the pilot project and Sentech continued to roll out digital infrastructure in line with its project plans for the second phase (installation), 3 (47 per cent population coverage) and 4 (63.3 per cent population coverage). Switch on of the digital terrestrial television network to increase the population coverage beyond 33 per cent has been delayed pending the Independent Communication Authority of South Africa’s finalisation of the regulations and frequency spectrum plan, while the radio frequency spectrum plan was published in November 2009. Sentech will analyse the frequency spectrum plan’s impact on the project plan and the population coverage targets in 2010.

Sentech provided and operated backup satellite infrastructure at the 4 stadiums hosting the 2009 FIFA Confederations Cup through transmitting live soccer matches both locally and internationally. Sentech successfully secured a lease from the Department of Public Works to construct a second teleport at Nasrec to be completed in early 2010. The national wholesale broadband network business plan was finalised and preliminary phases including network planning, the issuing and adjudication of a tender to appoint the required vendor(s) for the end to end network build in the project plan, will be implemented in 2010. The department will continue its engagement with the national and provincial departments of education to identify and finalise the list of Dinaledi schools that will be connected through Sentech’s broadband offerings in 2010.

Expenditure estimates

Table 26.13 Sentech: Financial information

Statement of financial performance	Audited outcome			Revised estimate	Medium-term estimate		
R million	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Revenue							
Non-tax revenue	**732.8**	**727.0**	**839.0**	**614.2**	**678.0**	**792.2**	**1 005.1**
Sale of goods and services other than capital assets *of which:*	723.2	699.1	750.3	555.5	633.9	785.6	1 004.1
Sales by market establishments	723.2	699.1	750.3	555.5	633.9	785.6	1 004.1
Other non-tax revenue	9.6	27.9	88.6	58.7	44.1	6.6	1.0
Transfers received	–	–	–	360.0	270.9	279.0	167.0
Total revenue	**732.8**	**727.0**	**839.0**	**974.2**	**948.9**	**1 071.2**	**1 172.1**
Expenses							
Current expense	**750.4**	**706.6**	**838.5**	**1 026.6**	**1 017.6**	**1 119.4**	**1 231.3**
Compensation of employees	228.5	216.6	229.3	284.9	324.2	356.6	392.2
Goods and services	399.9	355.0	381.7	604.8	452.3	497.5	547.2
Depreciation	90.5	91.8	133.7	121.0	132.0	145.2	159.7
Interest, dividends and rent on land	30.7	19.9	32.5	15.9	9.2	10.1	11.1
Transfers and subsidies	–	28.4	24.2	–	–	–	–
Total expenses	**750.4**	**735.0**	**862.8**	**1 026.6**	**1 017.6**	**1 119.4**	**1 231.3**
Surplus / (Deficit)	**(17.6)**	**(8.0)**	**(23.8)**	**(52.4)**	**(68.7)**	**(48.2)**	**(59.2)**
Statement of financial position							
Carrying value of assets	876.5	882.3	741.5	1 002.9	1 369.5	1 506.0	1 372.2
of which: Acquisition of assets	111.7	148.2	39.1	382.5	498.6	281.7	25.8
Inventory	11.4	17.8	13.8	112.1	9.8	10.8	11.9
Loans	–	–	–	0.5	–	0.5	0.5
Receivables and prepayments	78.1	86.7	77.2	96.6	59.4	65.3	71.9
Cash and cash equivalents	93.8	713.6	1 042.8	817.2	559.0	139.5	10.0
Assets not classified elsewhere	–	22.8	17.9	–	19.4	21.3	23.0
Total assets	**1 059.7**	**1 723.2**	**1 893.1**	**2 029.3**	**2 017.2**	**1 743.5**	**1 489.4**
Accumulated surplus/deficit	(34.6)	(37.9)	(61.7)	(0.4)	(6.1)	(54.2)	(113.5)
Capital and reserves	515.4	566.7	509.4	540.1	549.4	552.7	586.5
Borrowings	193.3	158.4	131.4	81.7	74.8	56.1	42.1
Post-retirement benefits	71.5	97.8	119.9	107.5	131.1	144.2	158.7
Trade and other payables	171.4	291.4	322.1	126.1	347.8	382.5	420.8
Provisions	–	–	4.0	4.0	4.0	4.4	4.8
Liabilities not classified elsewhere	142.6	646.8	868.0	1 170.2	916.1	657.7	389.9
Total equity and liabilities	**1 059.7**	**1 723.2**	**1 893.1**	**2 029.3**	**2 017.2**	**1 743.5**	**1 489.4**

Expenditure trends

Sentech receives derives its commercial revenues from: terrestrial television services, terrestrial FM and AM radio services, terrestrial short wave radio services, terrestrial and satellite linking, satellite direct to home, business television, facility rentals, sales and satellite decoders, carrier of carriers, Infosat's business solutions, the very small aperture terminal offering and broadband wireless. Transfers from the department are also a source of revenue.

Sentech posted a pre-tax profit of R29 million in 2008/09. This represents a significant increase from the pre-tax loss of R1 million incurred in 2007/08. While the company has continued to focus on cost containment, this operational paradigm shift has caused extraordinary expenses in 2008/09, which included the impairment of assets, accelerated depreciation and other non-recurring expenses.

An impairment loss of R45 million was recognised in relation to property, plant and equipment relating to the discontinuation of all non-performing retail broadband products MyWireless, Biznet and value added services. The carrying amount of assets relating to the discontinuation will not be realised through the sale of assets. The depreciation for analogue assets was accelerated and increased by R7 million per year as a result of the phasing out of analogue assets and replaced with digital terrestrial television infrastructure. The organisation must, over the medium term, implement a turnaround strategy in line with the recommendations of the task team appointed by the Minister of Communications.

The spending focus over the MTEF period in relation to strategic objectives and targets will be on the migration to digital terrestrial television and the 2010 FIFA World Cup.

South African Broadcasting Corporation

Strategic overview: 2006/07 – 2012/13

The South African Broadcasting Corporation was incorporated into a limited liability company in 2004, with two operational divisions: public broadcasting services and commercial broadcasting services. As a national public service broadcaster, the corporation operates 18 radio stations and 3 television stations, reaching about 24 million people daily. The corporation's mandate is set out in its charter and other related sections of the Broadcasting Act (1999). The corporation is further bound to meet licence conditions set for its individual radio stations and television channels, and has to abide by regulations set by the Independent Communications Authority of South Africa, outlining minimum quotas and standards in areas such as local content.

The liquidity crisis and organisational instability that the corporation underwent from 2008/09 to mid-2009/10 posed serious challenges in: funding the procurement of local and international content, delivering the South African Broadcasting Corporation's obligations for the 2010 FIFA World Cup, delivering content on the 2011 local government elections, and preparing for the migration to digital terrestrial television.

Due to the continued unforeseen declines in the advertising market, advertising revenue was down by R443 million against budget, and the corporation implemented austerity measures to cut expenditure.

The interim board, which was appointed in July 2009, engaged with management to put mechanisms in place to ensure that expenditure would be contained and that revenue be increased, that audience ratings would increase, that there would be targeted action on underperforming client segments, and that the capital expenditure deferment plan and adjusting cost items would be in line with revenue targets.

To improve cash flow, in September 2009 the interim board approached National Treasury via the Department of Communications for a government guarantee to assist the corporation raise capital from financial institutions. National Treasury approved a guarantee and R1.4 billion. The granting of the government guarantee was subject to clear commitments by the corporation to implement a viable turnaround strategy.

Over the medium term, the corporation's strategy implementation roadmap focuses on improving access to radio and television, delivering compelling and relevant programming, fostering the production of local content, preparing for the 2010 FIFA World Cup, planning for the digital terrestrial television migration, upgrading to modern digital platforms, and developing a sustainable funding model.

Savings and cost effective service delivery

The South African Broadcasting Corporation has identified cost savings measures that will reduce operating expenses in 2009/10 from R5.5 billion to R5.2 billion in 2010/11. The corporation has set revenue targets of R4.9 billion.

Selected performance indicators

Table 26.14 South African Broadcasting Corporation

Indicator	Programme/Activity	Past			Current	Projections		
		2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	20/13
Amount of operational expenditure: digital terrestrial migration*	Digital terrestrial television migration	–	–	R30m	R6m	R1.1bn	R1.3bn	R1.4bn
Amount budgeted for 2011 provincial elections	Government mandate	–	–	–	–	R54m	–	
Total cost of technology upgrade including digital terrestrial migration*	Broadcasting technology and infrastructure including DTT	–	–	R369m	R500m	R874m	R776m	R340m
Number of bursaries subsidised by the SABC Foundation	Corporate social investment	–	–	20	20	20	20	0
Local content as percentage of total public broadcasting service television	Government mandate	55%	55%	60%	65%	75%	75%	75%
Local content as percentage of total public commercial service television	Government mandate	35%	35%	35%	35%	35%	35%	35%
Local content as percentage of total public broadcasting service radio	Government mandate	40%	40%	60%	65%	70%	70%	70%
Local content as percentage of total public commercial service radio	Government mandate	25%	35%	35%	40%	45%	45%	45%
Number of low power television transmitters switched on	Government mandate	–	–	60	430	426	–	
Number of low power radio transmitters switched on	Government mandate	–	–	119	105	105	–	–
Percentage of archives digitised	Record keeping requirement	–	–	–	–	10%	10%	

**As per revised corporate plan*

Service delivery focus

The corporation faced challenges in both revenue and expenditure regarding its budget commitment, due mainly to advertisers reducing their marketing spend during the economic downturn. However, South African Broadcasting Corporation radio has successfully achieved its sales targets to date and recorded an 11 per cent (R51 million) improvement in advertising spend in 2009/10 compared to the previous year.

In 2009/10, the corporation saw a 6 per cent (R177 million) reduction in annual media commitments on television platforms compared to the previous year and a 46 per cent (R99.2 million) reduction in adspend from national government departments after the 2009 election. The corporation will focus on the following over the MTEF period: funding the procurement of South African content, amounting to approximately R1.8 billion; delivering on the obligations of the 2010 FIFA World Cup; covering the 2011 local government elections; and migrating to digital terrestrial television.

A rigorous process to bring stability to the corporation is under way, including: implementing austerity measures to enhance revenue; reducing costs; and managing working capital as articulated in the revised shareholder compact with the Minister of Communications. The organisation has begun prioritising projects and initiatives based on 5 stringent criteria: support core mandate delivery; facilitate competitiveness; enhance revenues; contribute to staff development; and facilitate total citizen empowerment through social cohesion and upliftment. The organisation has implemented a deferment plan for 2009/10 and onwards to reduce over commitment on content acquisition and commissioning, and has prioritised paying suppliers to manage cash flow.

The corporation has identified the following key focus areas for returning to stability and profitability: putting the power to decide on content selection back to the jurisdiction of channels rather than content enterprises; re-introducing calculations of commercial value before acquiring content; liaising with advertisers when content is purchased; appointing key personnel, particularly heads of marketing and sales and strengthening the finance, human resources and legal departments to provide proper management accounts and exercise discipline over processes and controls; addressing major losses and inefficiencies in purchasing sports content; aligning planning and reporting to fully comply with government cycles; fast tracking the implementation of divisional risk management committees; and rightsizing the organisation.

Expenditure estimates

Table 26.15 South African Broadcasting Corporation: Financial information

Statement of financial performance	Audited outcome			Revised estimate	Medium-term estimate		
R million	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Revenue							
Non-tax revenue	**4 167.9**	**4 573.4**	**4 543.9**	**4 696.4**	**5 283.2**	**5 937.2**	**6 401.2**
Sale of goods and services other than capital assets *of which:*	4 057.7	4 479.3	4 497.8	4 696.4	5 224.0	5 743.0	6 201.0
Admin fees	805.7	912.8	927.4	877.0	933.0	968.0	990.0
Sales by market establishments	3 252.0	3 566.5	3 570.5	3 819.4	4 291.0	4 775.0	5 211.0
Other non-tax revenue	110.2	94.1	46.0	–	59.2	194.2	200.2
Transfers received	210.6	202.6	215.7	504.4	285.8	143.8	150.8
Total revenue	**4 378.5**	**4 776.0**	**4 759.5**	**5 200.7**	**5 569.0**	**6 081.0**	**6 552.0**
Expenses							
Current expense	**4 091.7**	**4 682.7**	**5 549.6**	**5 483.5**	**5 797.3**	**5 853.3**	**6 016.3**
Compensation of employees	980.5	1 503.9	1 749.6	1 531.4	1 476.0	1 422.0	1 518.0
Goods and services	2 819.9	3 054.0	3 653.4	3 589.6	3 829.0	3 814.0	3 844.0
Depreciation	156.2	140.3	193.7	232.5	316.3	391.3	466.3
Interest, dividends and rent on land	16.4	14.1	76.5	130.0	176.0	226.0	188.0
Total expenses	**4 091.7**	**4 682.7**	**5 549.6**	**5 483.5**	**5 797.3**	**5 853.3**	**6 016.3**
Surplus / (Deficit)	**286.8**	**93.3**	**(790.1)**	**(282.8)**	**(228.3)**	**227.7**	**535.7**
Statement of financial position							
Carrying value of assets	1 271.0	1 492.3	1 666.2	1 703.2	1 987.0	2 195.7	2 329.4
of which: Acquisition of assets	245.1	363.1	368.9	487.0	600.0	600.0	600.0
Investments	105.7	521.4	503.7	–	–	–	–
Inventory	4.5	4.6	4.8	4.6	5.7	6.2	6.2
Receivables and prepayments	806.2	1 103.7	1 231.1	1 131.5	1 257.4	1 073.7	1 115.0
Assets not classified elsewhere	1 330.1	1 338.5	1 126.0	1 375.9	1 467.0	1 508.0	1 473.1
Total assets	**3 517.5**	**4 460.6**	**4 531.8**	**4 215.3**	**4 717.1**	**4 783.6**	**4 923.7**
Accumulated surplus/deficit	2 114.2	2 460.1	1 550.0	1 336.8	621.3	(518.5)	(1 961.1)
Capital and reserves	1.5	1.4	1.1	1.4	1.4	1.4	1.4
Borrowings	145.5	212.5	536.9	203.6	169.0	129.9	85.8
Post-retirement benefits	335.3	510.6	567.4	687.2	726.0	766.8	809.9
Trade and other payables	617.7	846.8	1 220.1	1 925.2	3 134.8	4 335.8	5 915.7
Provisions	19.0	29.7	50.3	61.1	64.5	68.2	72.0
Liabilities not classified elsewhere	284.4	399.3	606.0	–	–	–	–
Total equity and liabilities	**3 517.5**	**4 460.6**	**4 531.8**	**4 215.3**	**4 717.1**	**4 783.6**	**4 923.7**

Expenditure trends

The corporation's revenues are derived mainly from advertising, licence fees and sponsorships It also receives funding from government, which contributes an average of 4.7 per cent to its revenue over the 7-year period. Between 2006/07 and 2009/10, revenue grew at an average annual rate of 5.9 per cent, from R4.4 billion to R5.2 billion, due to adverse economic conditions. Over the medium term, revenue is expected to increase at an average annual rate of 8 per cent, from R5.2 billion to R6.6 billion, due to an anticipated upswing in economic conditions over the period.

Expenditure grew from R4.1 billion in 2006/07 to R5.5 billion in 2009/10, at an average annual rate of 10.3 per cent, mainly due to the appointment of additional personnel in 2008/09, which increased expenditure in compensation of employees by R639.9 million in that year. Over the MTEF period, expenditure is expected to grow at an average annual rate of 3.1 per cent, from R5.5 billion in 2009/10 to R6 billion in 2012/13. The slower growth rate in expenditure is as a result of cost cutting measures that have been put in place. A deficit of R282.8 million is projected for 2009/10 and R228.3 million for 2010/11 as the organisation recovers from its current financial difficulties. However, the organisation expects to post a surplus of R227.7 million in 2011/12 due to the projected effect of cost containment and revenue enhancement measures implemented.

Additional tables

Table 26.A Summary of expenditure trends and estimates per programme and economic classification

Programme	Appropriation		Audited	Appropriation			Revised
	Main	Adjusted	outcome	Main	Additional	Adjusted	estimate
R million	2008/09		2008/09	2009/10			2009/10
1. Administration	146.8	146.8	147.4	152.3	(4.4)	147.9	147.9
2. ICT International Affairs and Trade	41.2	41.2	53.5	45.6	–	45.6	45.6
3. ICT Policy Development	92.0	77.0	71.5	94.2	3.6	97.8	97.8
4. ICT Enterprise Development	1 321.5	1 929.4	1 918.4	1 392.7	574.4	1 967.1	1 851.1
5. ICT Infrastructure Development	90.5	90.5	94.8	548.1	(370.0)	178.1	178.1
6. Presidential National Commission	31.6	46.6	42.9	34.0	–	34.0	34.0
Total	**1 723.6**	**2 331.5**	**2 328.6**	**2 266.9**	**203.6**	**2 470.5**	**2 354.5**
Economic classification							
Current payments	**363.8**	**373.8**	**377.2**	**384.1**	**(0.8)**	**383.4**	**383.4**
Compensation of employees	127.9	127.9	108.0	148.2	(0.8)	147.4	147.4
Goods and services	235.9	245.9	269.3	235.9	–	235.9	235.9
Transfers and subsidies	**1 351.6**	**1 949.5**	**1 938.5**	**1 873.3**	**204.4**	**2 077.7**	**1 961.7**
Provinces and municipalities	–	–	0.0	–	–	–	–
Departmental agencies and accounts	337.1	339.0	339.0	375.7	–	375.7	375.7
Universities and technikons	–	–	0.1	–	–	–	–
Foreign governments and international organisations	0.7	0.7	0.0	–	–	–	–
Public corporations and private enterprises	1 011.4	1 607.4	1 596.5	1 493.1	204.4	1 697.5	1 581.5
Non-profit institutions	2.5	2.5	2.8	3.0	–	3.0	3.0
Households	–	–	0.1	1.5	–	1.5	1.5
Payments for capital assets	**8.2**	**8.2**	**12.8**	**9.4**	**–**	**9.4**	**9.4**
Machinery and equipment	8.2	8.2	6.7	9.4	–	9.4	9.4
Software and other intangible assets	–	–	6.1	–	–	–	–
Payments for financial assets	**–**	**–**	**0.1**	**–**	**–**	**–**	**–**
Total	**1 723.6**	**2 331.5**	**2 328.6**	**2 266.9**	**203.6**	**2 470.5**	**2 354.5**

Table 26.B Detail of approved establishment and personnel numbers according to salary level [1]

	Personnel post status as at 30 September 2009			Number of personnel posts filled / planned for on funded establishment						
	Number of posts on approved establishment	Number of funded posts	Number of posts additional to the establishment	Actual			Mid year [2]	Medium-term estimate		
				2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Department	**430**	**339**	**34**	**320**	**187**	**270**	**277**	**427**	**427**	**427**
Salary level 1 – 6	44	35	8	58	21	28	25	44	44	44
Salary level 7 – 10	147	114	17	135	65	108	94	147	147	147
Salary level 11 – 12	104	79	5	60	41	58	69	104	104	104
Salary level 13 – 16	135	111	4	67	60	76	89	132	132	132
Administration	**150**	**126**	**7**	**130**	**78**	**101**	**112**	**150**	**150**	**150**
Salary level 1 – 6	23	18	4	23	12	17	15	23	23	23
Salary level 7 – 10	41	35	2	52	25	37	32	41	41	41
Salary level 11 – 12	45	35	1	29	17	21	32	45	45	45
Salary level 13 – 16	41	38	–	26	24	26	33	41	41	41

Table 26.B Detail of approved establishment and personnel numbers according to salary level [1] (continued)

	Personnel post status as at 30 September 2009			Number of personnel posts filled / planned for on funded establishment						
	Number of posts on approved establishment	Number of funded posts	Number of posts additional to the establishment	Actual			Mid year [2]	Medium-term estimate		
				2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
ICT International Affairs and Trade	**24**	**16**	**1**	**35**	**11**	**13**	**15**	**24**	**24**	**24**
Salary level 1 – 6	4	1	–	1	–	1	2	4	4	4
Salary level 7 – 10	7	4	1	20	4	5	4	7	7	7
Salary level 11 – 12	1	1	–	5	1	1	1	1	1	1
Salary level 13 – 16	12	10	–	9	6	6	8	12	12	12
ICT Policy Development	**68**	**51**	**7**	**23**	**17**	**33**	**36**	**68**	**68**	**68**
Salary level 1 – 6	4	4	–	6	–	–	–	4	4	4
Salary level 7 – 10	23	17	3	6	5	12	13	23	23	23
Salary level 11 – 12	18	14	2	5	4	13	11	18	18	18
Salary level 13 – 16	23	16	2	6	8	8	12	23	23	23
ICT Enterprise Development	**50**	**42**	**5**	**43**	**26**	**39**	**39**	**50**	**50**	**50**
Salary level 1 – 6	4	3	–	11	2	3	3	4	4	4
Salary level 7 – 10	26	20	5	22	13	23	19	26	26	26
Salary level 11 – 12	7	6	–	2	3	3	7	7	7	7
Salary level 13 – 16	13	13	–	8	8	10	10	13	13	13
ICT Infrastructure Development	**79**	**65**	**13**	**58**	**34**	**51**	**49**	**79**	**79**	**79**
Salary level 1 – 6	5	5	3	13	5	4	2	5	5	5
Salary level 7 – 10	32	24	6	21	10	19	19	32	32	32
Salary level 11 – 12	20	15	2	11	8	11	12	20	20	20
Salary level 13 – 16	22	21	2	13	11	17	16	22	22	22
Presidential National Commission	**59**	**39**	**1**	**31**	**21**	**33**	**26**	**56**	**56**	**56**
Salary level 1 – 6	4	4	1	4	2	3	3	4	4	4
Salary level 7 – 10	18	14	–	14	8	12	7	18	18	18
Salary level 11 – 12	13	8	–	8	8	9	6	13	13	13
Salary level 13 – 16	24	13	–	5	3	9	10	21	21	21

1. Data has been provided by the department and may not necessarily reconcile with official government personnel data.
2. As at 30 September 2009.

Table 26.C Summary of expenditure on training

	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Compensation of employees (R million)	99.0	103.6	127.9	147.4	160.4	169.2	177.9
Training expenditure (R million)	3.1	3.7	6.0	9.0	9.4	9.9	10.4
Training as percentage of compensation	3.1%	3.5%	4.7%	6.1%	5.9%	5.8%	5.8%
Total number trained in department (head count)	284	241	243	148			
of which:							
Employees receiving bursaries (head count)	*29*	*50*	*43*	*46*			
Learnerships trained (head count)	*1*	*–*	*–*	*–*			
Internships trained (head count)	*–*	*29*	*32*	*28*			

Table 26.D Summary of departmental public private partnership (PPP) projects

Project description: 112 Emergency call centre R million	Project annual unitary fee at time of contract	Budgeted expenditure 2009/10	Medium-term expenditure estimate 2010/11	2011/12	2012/13
Projects signed in terms of Treasury Regulation 16	**84.1**	**–**	**–**	**–**	**–**
PPP unitary charge	81.5	–	–	–	–
Advisory fees	2.6	–	–	–	–
Projects in preparation, registered in terms of Treasury Regulation 16[1]	**94.1**	**100.9**	**106.4**	**111.3**	**–**
PPP unitary charge	89.9	99.1	104.5	109.2	–
Advisory fees	2.6	–	–	–	–
Project monitoring cost	1.6	1.8	1.9	2.0	–
Total	**178.2**	**100.9**	**106.4**	**111.3**	**–**

1. Only projects that have received Treasury Approval: 1.

Disclosure notes for projects signed in terms of Treasury Regulation 16

Project name	112 Private Public Partnership
Brief description	The strategic focus for the 112 project is to integrate all emergency numbers into one national number for reporting emergencies in the country.
Duration of PPP agreement	6 years
Escalation index for unitary fee	CPI Estimates 5%

Table 26.E Summary of expenditure on infrastructure

Project name	Service delivery outputs	Current project stage	Total project cost	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
R million				2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Infrastructure transfers to other spheres, agencies and departments										
Telkom 2010 FIFA World Cup	2 fibre optic cable links with a capacity of 20Gbit/s for transmitting video traffic from all 2010 FIFA World Cup stadiums to the international broadcasting centre	Construction	1 200.0	–	–	600.0	450.0	150.0	–	–
Sentech National wireless broadband network	Improved access to internet services	Feasibility	–	–	500.0	–	–	–	–	–
Sentech digitisation	Broadcasting terrestrial television in a digital format	Construction	825.0	100.0	125.0	150.0	260.0	270.9	279.0	167.0
Sentech 2010 FIFA World Cup	Back up ability to transmit video traffic from all 2010 FIFA World Cup stadiums to the international broadcasting centre	Construction	300.0	–	–	200.0	100.0	–	–	–
Sentech east African submarine system	Government contribution to cable infrastructure	Finalised	–	–	21.0	–	–	–	–	–
Total			**2 325.0**	**100.0**	**646.0**	**950.0**	**810.0**	**420.9**	**279.0**	**167.0**