Communications

Aim

The aim of the Department of Communications is policy formulation and implementation for telecommunications, postal and broadcasting services as well as the control of transfers to the portfolio organisations, the SA Post Office, the South African Broadcasting Corporation, Independent Broadcasting Authority, South African Telecommunications Regulatory Authority and the Universal Service Agency.

Policy developments

Established in 1998, the Department of Communications aims to prepare South Africa to take advantage of the convergence in communication technologies in telecommunications, broadcasting, information technology and multimedia. The decline in expenditure 1999/00 and 2000/01 can mainly be attributed to a lower allocation to the SABC Public Broadcaster and the termination of the Post Office subsidy.

Expenditure estimates

Table 26.1 Expenditure by programme

R million	Expenditure outcome			Preliminary outcome	Medium-term expenditure estimate		
	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Administration	–	–	40,9	68,1	58,3	62,8	62,5
Telecommunications policy	–	–	100,7	147,1	164,5	183,9	187,4
Postal service policy [1]	571,6	464,0	443,8	307,6	21,3	21,6	9,0
Broadcasting policy	–	–	256,8	291,4	216,9	204,2	166,8
Auxiliary and associated services	–	–	–	–	5,9	5,8	5,9
Departmental vote	**571,6**	**464,0**	**842,3**	**814,2**	**466,9**	**478,3**	**431,7**
Public works[2]	–	–	–	–	–	–	–
Total	**571,6**	**464,0**	**842,3**	**814,2**	**466,9**	**478,3**	**431,7**
Changes to 1999 Budget estimates	–	–	–	34,8	(195,7)	(69,1)	–

[1] *Includes Post Office losses.*

[2] *Appropriated on Vote 26: Public Works.*

- *Administration* is responsible for the overall management of the Department.
- The *Telecommunications policy* programme sets, promotes and implements telecommunications policy, and funds transfers to the South African Telecommunications Regulatory Authority (Satra) and the Universal Service Agency.
- *Postal service policy* is responsible for shareholder responsibilities and subsidisation of the Post Office; policy formulation and implementation; restructuring of the Post Office and its divisions;

regulation of the postal sector; and international services with the Universal Postal Union, SADC and Pan African Postal Union.

- *Broadcasting policy* promotes government policy in the broadcasting sector and arranges transfers to the SABC, the Independent Broadcasting Authority.
- *Auxiliary and associated services* is responsible for research and infrastructure development.

Table 26.2 Economic classification of expenditure

R million	Expenditure outcome			Revised estimate	Medium-term expenditure estimate		
	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Current							
Personnel	–	–	23,5	25,2	34,8	37,0	39,2
Transfer payments	571,6	464,0	794,1	722,3	357,3	348,1	307,5
Other	–	–	22,3	63,6	72,8	91,2	83,0
Capital							
Transfer payments	–	–	–	–	–	–	–
Acquisition of capital assets	–	–	2,4	3,1	2,0	1,9	1,9
Total	**571,6**	**464,0**	**842,3**	**814,2**	**466,9**	**478,3**	**431,7**

The main expenditure change is the significant decline in current transfer payments from R722,3 million in 1999/00 to R357,3 million in 2000/01 as a result of the termination of the Post Office subsidy and a reduction in the SABC subsidy. The subsidy to the SABC will be reduced from R216,5 million in 1999/00 to R139,7 million 2000/01 and will decrease further to R68,2 million in 2002/03.

The Post Office subsidy initially covered postal operating losses, but the Post Office reported surpluses of R212 million in 1997/98 and R138 million in 1998/99. A surplus is also expected for 1999/00; Government has therefore ended the subsidy.

Spending on personnel increases from R25,2 million in 1999/00 to R34,8 million in the third year of the MTEF, as 28 mainly technical posts are to be filled over the period.

Programme 1: Administration

Table 26.3 Programme expenditure

R million	Budget estimate	Adjusted appropriation	Revised estimate	Medium-term expenditure estimate		
		1999/00		2000/01	2001/02	2002/03
1999 Budget	53,0	68,7	68,1	56,9	56,9	–
2000 Budget	–	–	–	**58,3**	**62,8**	**62,5**
Change to 1999 Budget estimate	–	15,7	15,1	1,4	5,9	–

Administration comprises the formulation of policy by the Minister, general, financial and personnel management, provisioning administration, legal services and other office support.

An additional R15,7 million was allocated to *Administration* in the 1999 Adjustments Estimate to cover higher personnel expenditure and an increase in the membership fees of international organisations. Medium-term estimates are revised to R58,3 million in 2000/01 and R62,8 million in 2001/02, reflecting R13,1 million in contributions received from operators for the Human Resources Fund, and roll over funds of R2,6 million.

Programme 2: Telecommunication policy

Table 26.4 Programme expenditure

R million	Budget estimate	Adjusted appropriation	Revised estimate	Medium-term expenditure estimate		
		1999/00		2000/01	2001/02	2002/03
1999 Budget	124,4	147,3	147,1	128,0	129,2	–
2000 Budget	–	–	–	**164,5**	**183,9**	**187,4**
Change to 1999 Budget estimate	–	22,9	22,7	36,5	54,7	–

The objectives of the *Telecommunications policy* programme are the following:

- Restructure the industry and stimulate its growth
- Promote the delivery of technology infrastructure to stimulate economic growth
- Develop a strong and competitive telecommunications sector
- Promote the information society.

This programme accelerates the provision of universal service and universal access, modernises telecommunications policy and enables the introduction of new services in terms of the Telecommunications Act of 1996. While maintaining the pace of policy formulation, from 2000/01 the emphasis will shift to policy implementation. The Department aims to improve service delivery through innovation and efficiency in the telecommunications business.

The increase in the budget over the medium-term period is mainly for:

- *Expenditure on the new 107 Emergency section:* The aim is to create an emergency service with a phone number that can be used from anywhere in the country. The section is investigating the allocation of responsibilities for creating, maintaining and rolling out the service. In 2000/01, R1,9 million is budgeted for the 107 Emergency section and R7 million for the Emergency services fund.

- *Expenditure on spectrum management* (R6 million), including purchase of test equipment for the technology research section (R20 million) and the spectrum management directorate: The aim of the Technical research section is research on new developments in the telecommunications sector, such as satellite applications and the establishment of an integrated electromagnetic test facility. This supports the Department's review of spectrum pricing, which assesses whether charges for the use of the spectrum promote the optimum use of this scarce resource.

Outputs and service delivery trends

Table 26.5 Telecommunication policy: Key activities and outputs

Key activities	Outputs
Telecommunications policy	Policy on numbering Policy on preparing for the end of Telkom's exclusivity licence Policy on third generation systems and licensing of third generation services
Shareholder management	Initial public shares offering for Telkom Introduction of second national fixed line operator
Service delivery	Establishment of telecentres for women Establishment of Web Internet laboratories Policy and legislation on emergency communication
Multimedia development	Legislation on e-commerce Study on the use of smartcards Introduction of tele-education and telemedicine Establishment of virtual reality laboratory demonstrate its potential for knowledge transfer
Training	Provision of high-level training in telecoms to previously disadvantaged students
Technology research	Develop micro-satellite user requirement specification Feasibility study on domestic satellite Upgrade of electromagnetic test facility
Spectrum research	Development of spectrum pricing policy

Projects initiated during 1999/00 include:

- Preparing to implement developments such as number portability, carrier pre-selection and charging: After the Telkom exclusivity era, the public will be able to choose operators, this project sets policy on charges for operators
- Investigation of a smart card strategy to assess the cost-effectiveness of speeding up of transactions relating to, for example, health services and civil pensions
- Pilot infrastructure for a narrow casting health TV channel
- Programmes in virtual reality as a training aid for technicians in the communications sectors
- A study of the feasibility of a satellite for domestic communication.

Policy developments

Policy developments in relation to telecommunications include policy-making on the privatisation and further divestiture of Government equity in Telkom, the post-exclusivity period of Telkom, competition and trade liberalisation in telecommunications, and universal service delivery. The Department aims to have 20 per cent of Telkom's shares listed on the stock exchange by October 2001. The Department is working with stakeholders to develop a discussion paper on e-commerce; this will eventually lead to a White Paper.

Programme 3: Postal services policy

Table 26.6 Programme expenditure

R million	Budget estimate	Adjusted appropriation	Revised estimate	Medium-term expenditure estimate		
		1999/00		2000/01	2001/02	2002/03
1999 Budget	314,8	308,1	307,6	198,1	68,9	–
2000 Budget	–	–	–	**21,3**	**21,6**	**9,0**
Change to 1999 Budget estimate	–	(6,7)	(7,2)	(176,8)	(47,3)	–

The aims of the Postal Business Unit are to transform postal services in South Africa, to ensure the delivery of efficient and effective postal services to all citizens and to promote organisational reform to ensure a financially sustainable Post Office. The unit also ensures compliance with international and regional obligations and responsibilities, and maintains consultation with stakeholders. The restructuring of the Post Office and divisions such as the Postbank and courier businesses also form part of this programme.

Medium-term estimates are reduced by R176,8 million in 2000/01 and R47,3 million in 2001/02 as the Post Office will no longer receive a subsidy. It is also envisaged that the Department will no longer provide assistance for public information terminal and multi-purpose community centre projects in 2002/03.

Outputs and service delivery trends

Table 26.7 Postal services policy: Key activities and outputs

Key activities	Outputs
Postal policy	Postal Service Act, which established a postal regulator Roll-out of multi-purpose community centres
Postal shareholder and financial planning	Post Office turnover increased from R1,75 billion in 1996/97 to R3,01 billion in 1998/99 Post Office subsidy has been reduced from R601 million in 1996/97 to R283,2 million in its last year, 1999/00 60 public information terminals during 2000/01 at an average annual unit cost of R100 000
Postal regulator	Roll-out of postal retail outlets from 2 540 currently to 3 150 in three years Address roll-out of 4 million Improvement of letter delivery from three days currently within province and town to one day
Restructuring of the Post Office	Contract between Post Office and the New Zealand Post International Limited was signed in September 1999

Key projects of the postal policy section include the establishment of a Postal Training Institute for the postal industry and postal security improvements both locally and regionally with SADC countries.

The number of recorded mail offences increased from 787 in 1997/98 to 1 128 in 1998/99. This may, in part, be attributed to better monitoring.

The postal shareholder and financial planning section aims to improve Post Office efficiency and effectiveness. New Articles of Association are to be finalised at the end of February 2000, relating to improvements in corporate governance. The section also monitors subsidy utilisation and the Post Office's management of assets and liabilities.

The Department and the Post Office introduced the public information terminal project to make information and technology accessible to the wider population. It is envisaged that 60 units will be introduced during 2000/01 at an average annual cost per unit of R100 000.

The restructuring of the Southern African Transport Communication Commission will establish a Postal Operators Association. The Commission assists SADC countries in introducing a regional postal code system and with postal security in the SADC. The project will accelerate economic growth and job creation in the region by improving the quality of delivery.

Policy developments

The Department issued a tender invitation for transaction advisers to assist in corporatising the Postbank. The transaction adviser will assist the Department in assessing the value of the Postbank and reviewing accounting and legal issues. It is anticipated that this process will be completed by December 2000.

Programme 4: Broadcasting policy

Table 26.8 Programme expenditure

R million	Budget estimate	Adjusted appropriation	Revised estimate	Medium-term expenditure estimate		
		1999/00		2000/01	2001/02	2002/03
1999 Budget	287,3	292,8	291,4	279,6	292,4	–
2000 Budget	–	–	–	**216,9**	**204,2**	**166,9**
Change to 1999 Budget estimate	–	5,5	4,1	(62,7)	(88,2)	–

The *Broadcasting policy* programme is responsible for signal distribution and advising on Government's shareholding and policy responsibility regarding the SABC, Sentech and the Independent Broadcasting Authority.

The reduction in medium-term provision is mainly due to the decrease in financial assistance to the SABC. The subsidy decreases from R216,5 million in 1999/00 to R139,7 million in 2000/01, R119,1 million in 2001/02 and R68,2 million in 2002/03.

Outputs and service delivery trends

Table 26.9 Broadcasting policy: Key activities and outputs

Key activities	Outputs
Enterprise reform	SABC corporatisation, separation of public and commercial services Bophuthatswana Broadcasting Corporation strategic management partner Privatisation of Ciskei Broadcasting Corporation Corporatisation of Channel Africa Sentech – strategic equity partner
Community projects	Community radio support – increased infrastructure roll-out to more provinces Expand programme production for children, youth, women and the disabled Expand training of disabled people in programme production
Policy projects	Study on Internet broadcasting and preparation of policy and regulatory guidelines Study and preparation of policy on convergence Prepare economic model for radio and TV-sector to inform future decision-making Study and preparation of policy and regulatory framework on multi-channel and satellite broadcasting Study and implementation of an additional pay-TV licence Support of Digital Advisory Body and SA Production Advisory Body in preparing policy guidelines for the Minister

In line with Government's programme of restructuring state assets, the Department's objectives with enterprise reform are to maximise budgetary resources, mobilise new resources, provide efficient financial engineering for a range of activities, redeploy available resources within public enterprises, develop human resources and improve global competitiveness.

The Department will provide basic radio broadcasting equipment at a cost of R300 000 per station to 18 selected community stations each year. It intends to involve more than 80 community stations in the Children in broadcasting project, to produce programmes in all official languages. The Youth in broadcasting project will produce 29 programmes to create awareness of career paths in broadcasting, postal services communications, telecommunications, technology and engineering. Similar projects will target women and people with disabilities to train them in radio broadcasting management, editing and production.

Programme 5: Auxiliary and associated services

Table 26.10 Programme expenditure

R million	Budget estimate	Adjusted appropriation	Revised estimate	Medium-term expenditure estimate		
		1999/00		2000/01	2001/02	2002/03
1999 Budget	–	–	–	–	–	–
2000 Budget	**–**	**–**	**–**	**5,9**	**5,8**	**5,9**
Change to 1999 Budget estimate	–	–	–	5,9	5,8	–

This new programme consists of two subprogrammes. The Research subprogramme will facilitate and conduct research on telecommunicators, broadcasting, postal and converging information communication technologies, and the information society. The aim of the Infrastructure development subprogramme is to create and implement a policy and legal framework for the information technology and Internet environment in South Africa and to design and develop technological infrastructure to create an information society.

Outputs and service delivery trends

Table 26.11 Auxiliary and associated services: Key activities and outputs

Key activities	Outputs
Communications infrastructure audit	A spatial map of existing communications infrastructure in South Africa
Information society technology audit	A national database of projects, people, local and international funding and training on information and communications technology
Technology trends	Creation of dialogue within and between government, industry, consumers and international vendors to inform choices about appropriate technology platforms and related software
Policy framework	Policy on electronic commerce, information technology policies and standards for the industry and Government, as well as Internet policies
Development of infrastructure	Computer laboratories to provide training facilities in software; Internet laboratories with distance learning facilities

This programme aims to provide information on existing communications infrastructure, create a database to inform decision-making on policy formulation and the roll-out of services and to develop computer laboratories to create an information society.

Public entities reporting to the Minister responsible for Communications

Telkom

Telkom provides a range of exclusive and non-exclusive telecommunications services and facilities. Its licence requires the delivery of 2,69 million access lines and 120 000 payphones over five years, the roll-out of priority services and universal access for under-served communities. Main telephone services exceeded 5 million in 1999, that is 430 000 more than in 1998. Revenue over the same period increased from R20,2 billion to R22,7 billion.

A key priority is the re-balancing of tariffs in preparation for competition when Telkom's period of exclusivity expires around 2003. Lower tariffs will be charged in a competitive market and Telkom has to re-balance tariffs now to enable it to be competitive.

South African Broadcasting Corporation

The SABC is a largely self-funding public corporation. Over the medium-term, the departmental budget for the SABC will fund public broadcasting projects, human resources development, the operational deficit of the TBVC broadcaster, and Channel Africa. Requirements for government funding to the SABC are expected to decline considerably from R216,5 million in 1999/00 to R68,2 million in three years.

Table 26.12 Revenue and expenditure of the SABC

	Budgeted	Three-year projection		
R million	1999/00	2000/01	2001/02	2002/03
Total revenue	2 238	2 303	2 442	2 587
Advertising and sponsorship	1 762	1 803	1 907	2 017
Other revenues	163	171	183	195
TV licences	313	329	352	375
Total operating expenditure	2 164	2 234	2 359	2 511
Government subsidy	216,5	139,7	119,1	68,2

Sentech

Sentech, a public company, is the licenced common carrier for broadcasting signal distribution. Restructuring of Sentech involves the sale of Government equity in order to access capital, technology and expertise from an alliance with a strategic equity partner, such as a global signal distributor, carrier or multimedia company. This will reposition Sentech for a multimedia communications future and new business opportunities. During 2000/01 a transaction adviser will be appointed.

Independent Broadcasting Authority

The IBA regulates the broadcasting industry. The Department transfers operational funding to the IBA, while revenue received from licence fees is paid into the National Revenue Fund.

Table 26.13 IBA revenue

	Budgeted	Medium-term projection		
R million	1999/00	2000/01	2001/02	2002/03
Annual licence fees	21,2	26,4	32,2	37,5
Application fees to IBA	1,1	0,1	0,5	0,1
IBA revenue	**22,2**	**26,6**	**32,7**	**37,6**

South African Telecommunication Regulatory Authority

Satra is responsible for regulating the telecommunications sector by ensuring a level playing field between competitors. Licence fees collected by Satra should generate R290 million in 1999/00 and R482 million in 2000/01. Recognising the rapid convergence between telecommunication and broadcasting technology, Government has decided to merge the IBA and Satra. In the interim, however, the entities receive separate budgetary allocations for 2000/01: R29,9 million for the IBA and R64,5 million for Satra.

National Electronic Media Institute of SA

The Department allocated R12 million to the National Electronic Media Institute of SA for 2000/01. This entity aims to promote skills development in the broadcasting sector and is expected to become fully operational in 2000.

Post Office

The Post Office subsidy is reduced from R451 million in 1998/99 to R283,2 million in 1999/00. R143 million in 2000/01. It will fall away entirely in 2000/01. The contract with New Zealand Post International was signed in September 1999 and include delivery targets, such as increase in the number of post offices from 2 400 to 3 000 over the next three years and roll-out of 4 million new addresses over the same period. The partnership will assist the Post Office to meet its social obligations, apply new technology and develop skills.

Table 26.14 Post Office financial statistics

	Budgeted	Medium-term projection		
R million	**1999/00**	**2000/01**	**2001/02**	**2002/03**
Revenue	3 521,0	3 626,0	3 994,0	4 523,0
Operating expenditure	3 654,0	3 721,0	3 982,0	4 294,0

Universal Service Agency

The Universal Service Agency advises the Minister on a universal communication service accordingly and stimulates the development of services in under-served areas. Tele-centres for providing Internet access and telephone, facsimile, photocopying and printing services were developed at 27 sites. The Agency also monitors the Universal Services Fund, to which all operators contribute. Its funds amount to R21,1 million, R22,2 million and R23,2 million over the MTEF period.