

Vote 26

Communications

R thousand	2006/07 To be appropriated	2007/08	2008/09
MTEF allocations	1 280 194	1 305 073	1 373 612
<i>of which:</i>			
Current payments	304 320	326 400	357 729
Transfers and subsidies	968 884	970 942	1 007 713
Payments for capital assets	6 990	7 731	8 170
Statutory amounts	-	-	-
Executive authority	Minister of Communications		
Accounting officer	Director-General of Communications		

Aim

The aim of the Department of Communications is to develop ICT policies and legislation that stimulate and improve the sustainable economic development of the South African first and second economies and positively impact on the social wellbeing of all South Africans. The department also aims to oversee state-owned entities, such as the South African Broadcasting Corporation and the Independent Communications Authority of South Africa.

Programme purposes

Programme 1: Administration

Provide strategic leadership and overall management of the Department of Communications.

Programme 2: Strategic Policy Co-ordination, Integration and International Affairs

Give strategic direction to international relations, stakeholder relations, intergovernmental relations and empowerment, with the aim of advancing and enhancing the delivery mandate of the department. Co-ordinate the strategic and business planning processes to ensure alignment linkages and integration.

Programme 3: Policy Unit

Develop policies that will create the best conditions for investment and the rollout of infrastructure and services. Contribute to nation building and social cohesion to achieve sustainable economic development.

Programme 4: Financial and Shareholder Management

Provide support services to stakeholders in pursuit of service delivery by the department to manage the government's shareholding interest in Telkom SA Ltd, South African Post Office and the South African Broadcasting Corporation, and to control transfers to the Universal Services Agency, the Universal Service Fund, National Electronic Media Institute of South Africa and the Independent Communications Authority of South Africa.

Programme 5: Innovative Applications and Research

Enhance government's service delivery through ICT mediums and applications.

Programme 6: Presidential National Commission

Co-ordinate and assess the impact of government ICT policies and programmes on the different spheres of government. Provide strategies to bridge the digital divide. Define an information society for South Africa with clear targets and milestones.

Strategic overview and key policy developments: 2002/03 – 2008/09

The Department of Communications' strategic thrust is summarised in its vision statement: 'A global leader in harnessing ICT for socioeconomic development'. The communications sector as a whole must develop high-quality multimedia services and a fully competitive sector, which leads to consumer satisfaction, affordable prices and a better range of services.

The main challenge facing the department is developing policies and strategies to further lower the cost of communications and so contribute to socioeconomic development, including policies aimed at: closing the gap between the first and second economies, providing universal service and access, providing adequate funding for ICT infrastructure; and attracting and retaining skills in the ICT sector.

Legislative environment

The Electronic Communications Bill and the Independent Communications Authority of South Africa Amendment Bill are likely to be passed in 2006/07. The former makes provision for the number and types of licensees, enabling South Africans to have a vast range of services at their disposal. It will improve the competitiveness of the ICT sector, reducing the input cost of the first economy, while addressing the challenges of the marginalised second economy by improving access to communications services.

Liberalising the telecommunications sector

The department's strategy remains focused on developing policies and legislation aimed at liberalising the telecommunications sector to grow the economy, attract foreign direct investment, increase competition, encourage broad-based black economic empowerment (BEE) and develop and sustain small, medium and micro-enterprises (SMMEs). Liberalisation also aims to improve service delivery and to expand the provision of telecommunications services. The Telkom initial public offering was one of the first steps. The introduction of the underserved area licences enables marginalised communities to receive telecommunications services and creates telecommunications SMMEs in the rural areas.

Increased competition in the sector is particularly aimed at bringing down the cost of telecommunications and removing constraints to growth. A number of policies have already been implemented, including that mobile operators may use any fixed lines that may be required for providing both voice and data transmission services. Previously, only Telkom fixed lines could be used. Value-added networks may now carry voice over the internet using any protocol; private telecommunications network facilities operators may resell spare capacity and facilities; and the cost of telecommunications services to internet service providers at public schools and further education and training institutions has been discounted by 50 per cent.

Other policy initiatives to increase competition include the licensing of the second national operator and allocating the 3G spectrum. The national signal distributor, Sentech, was also licensed to provide multimedia services for further investment in telecommunications infrastructure.

Promoting ICT growth

Economic growth in the ICT sector serves as a catalyst for economic growth in other sectors through their use of ICTs. The department will support growth in the ICT sector by: creating an environment that will raise investment in the sector and minimise input costs; introducing competition and a managed programme of licensing new players; allowing existing players to play a bigger role; addressing regulatory constraints on infrastructure; and promoting the development of SMMEs, including through the BEE charter.

The department is promoting ICT growth through the following policy interventions:

- **The Convergence Bill** The bill is aimed at removing policies that hinder the development of cross-sector applications, services and businesses. The legislation is being developed with the assistance of the ICT sector and will reflect the integration of telecommunications with ICT, broadcasting and broadcasting signal distribution. Convergence legislation will ensure that citizens have better access to knowledge and information at competitive prices.
- **A digital migration policy framework** The framework is aimed at facilitating the introduction of new diverse digital services. Digitisation will enable South Africa to be integrated into the global community and to align itself with broadly accepted overarching principles that underpin digital migration. The department's strategy is to manage transformation from analogue to digital environments and to make sure that digital migration processes and activities are negotiated and aligned with multilateral institutions such as the International Telecommunication Union, the World Trade Organisation and the African Union (AU).
- **Development of the necessary human resources capacity in the ICT sector** Apart from training initiatives, the department is involved with other government departments in launching the African Advanced Institute for ICT.

Corporatising the South African Broadcasting Corporation

The South African Broadcasting Corporation (SABC) was corporatised into a public company and split into two operational divisions: the public broadcasting service and the commercial broadcasting service. The SABC, as a national broadcaster, has the responsibility to contribute to social cohesion by broadcasting programmes that promote the development of South African national identity, languages and cultures. Its mandate is structured to enable it to meet the needs of South African audiences, including the provision of accurate and credible news and current affairs programmes, local content and educational programmes.

Channel Africa is being repositioned to advance the New Partnership for Africa's Development (Nepad) and to bridge the digital divide across the continent. It also helps to communicate South Africa's foreign policy objectives and the objectives of the AU and Nepad to the rest of Africa.

Repositioning of the South African Post Office

Considerable progress was made in repositioning the SA Post Office as an agent of ICT service delivery in line with the universal service mandate. ICT infrastructure rollout in remote areas of rural South Africa through the SA Post Office is evidence of this. The reintroduction of the SA Post Office subsidy in 2002/03 was to improve access to postal services. The SA Post Office, through its subsidiary, the Postbank, is also positioning itself to provide a reliable deposit, savings and money transfer facility for the majority of the population, who previously have had no access to financial services.

Funding ICT Infrastructure

Infrastructure rollout is at the core of the department's programme of action for the 2006 medium-term expenditure framework (MTEF) period. The department sees investment in infrastructure, particularly by government, as the required impetus for lowering the costs of doing business and

developing other sectors, such as the business process outsourcing sector, which includes the call centre industry.

Expenditure estimates

Table 26.1 Communications

Programme	Audited outcome			Adjusted appropriation	Revised estimate	Medium-term expenditure estimate		
	2002/03	2003/04	2004/05	2005/06		2006/07	2007/08	2008/09
R thousand								
1. Administration	53 409	52 716	60 951	101 576	98 475	108 279	111 871	122 481
2. Strategic Policy Coordination and Integration	31 472	15 144	21 923	46 704	57 947	42 475	49 364	52 168
3. Policy Unit	37 676	37 566	58 872	76 735	72 807	77 181	81 410	86 034
4. Finance and Shareholder Management	645 761	638 425	1 405 287	743 576	740 227	969 085	973 520	1 016 500
5. Innovative Applications and Research	117 706	97 041	107 307	53 172	53 172	58 185	60 762	66 684
6. Presidential National Commission	9 325	8 653	9 593	25 065	20 062	24 989	28 146	29 745
Total	895 349	849 545	1 663 933	1 046 828	1 042 690	1 280 194	1 305 073	1 373 612
Change to 2005 Budget estimate				29 325	25 187	151 243	122 574	123 947

Economic classification

Current payments	188 674	193 612	229 927	293 746	290 248	304 320	326 400	357 729
Compensation of employees	54 592	57 264	68 849	91 702	89 039	99 597	104 910	111 573
Goods and services	134 017	136 330	161 065	202 044	201 209	204 723	221 490	246 156
<i>of which:</i>								
<i>Communication</i>	65	8 023	7 391	8 341	8 341	7 226	8 081	8 540
<i>Computer Services</i>	6 822	346	2 175	2 267	2 267	2 364	2 532	2 676
<i>Consultants, contractors and special services</i>	32 088	36 514	48 208	57 572	56 737	62 224	65 054	72 875
<i>Inventory</i>	3 312	2 369	2 711	3 604	3 604	2 583	2 686	2 839
<i>Maintenance repair and running cost</i>	3 995	1 943	4 392	5 241	5 241	5 375	6 816	7 203
<i>Operating leases</i>	22 938	27 358	29 070	26 322	26 322	26 441	29 737	35 309
<i>Travel and subsistence</i>	20 488	23 030	24 432	26 482	26 482	30 250	31 563	33 356
<i>Other</i>	44 309	36 747	42 686	72 215	72 215	68 260	75 021	83 359
Financial transactions in assets and liabilities	65	18	13	–	–	–	–	–

Table 26.1 Communications (continued)

R thousand	Audited outcome			Adjusted appropriation	Revised estimate	Medium-term expenditure estimate		
	2002/03	2003/04	2004/05	2005/06		2006/07	2007/08	2008/09
Transfers and subsidies	655 362	640 270	1 430 841	746 382	746 382	968 884	970 942	1 007 713
Provinces and municipalities	147	327	258	204	204	238	39	41
Departmental agencies and accounts	196 322	192 459	246 845	211 352	211 352	271 201	295 013	320 572
Universities and technikons	–	–	200	–	–	–	–	–
Public corporations and private enterprises	458 878	447 031	1 183 245	534 826	534 826	697 445	675 890	687 100
Non-profit institutions	–	–	200	–	–	–	–	–
Households	15	453	93	–	–	–	–	–
Payments for capital assets	51 313	15 663	3 165	6 700	6 060	6 990	7 731	8 170
Machinery and equipment	51 313	15 663	3 125	6 700	6 060	6 950	7 731	8 170
Software and other intangible assets	–	–	40	–	–	40	–	–
Total	895 349	849 545	1 663 933	1 046 828	1 042 690	1 280 194	1 305 073	1 373 612

Expenditure trends

The growth rate of the department's expenditure between 2002/03 and 2005/06 was even, at an average annual rate of 7,4 percent, excluding the one-off allocations of R750 million in 2004/05 to the SA Post Office for the recapitalisation of the Postbank (reflected in the *Finance and Shareholder Management* programme), R40 million in 2003/04 for the closure of the Bophuthatswana Broadcasting Corporation; and R54 million in 2002/03 to the SABC for the Sentech loan.

Expenditure is expected to rise more rapidly over the 2006 MTEF, at a rate of 9,5 per cent, increasing from R1 billion in 2005/06 to R1,4 billion in 2008/09. Over this period, the SABC was allocated infrastructure funding of R400 million. In addition, the 2006 Budget provides further increased allocations of R135 million for 2006/07, R105 million for 2007/08 and R105 million for 2008/09 to fund the upgrading of Sentech's infrastructure and strengthen the capacity of the Independent Communications Authority of South Africa, primarily in response to legislative changes in the communications sector.

Departmental receipts

Most receipts under sales of goods and services relate to licence fees collected by ICASA from telecommunications operators. The licence fees will increase steadily over the 2006 MTEF.

Telkom started paying a dividend to the department in 2003/04. R228,8 million and R1,8 billion were received for 2003/04 and 2004/05 respectively. The large increase was mainly a result of one-off special dividends from special transactions and activities. 'Ordinary' dividends have also increased to R828,2 million and are projected to increase steadily over the next three years. The further increase in dividends in 2004/05 resulted from R38 million interest received on the R750 million for the recapitalisation of the Postbank, which has since been paid over to the SA Post Office, hence the decrease in 2005/06.

Table 26.2 Departmental receipts

R thousand	Audited outcome			Adjusted appropriation	Medium-term receipts estimate		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Departmental receipts	52 971	975 676	1 524 300	2 141 930	2 227 640	2 313 785	2 403 739
Sales of goods and services produced by department	25 353	749 075	1 247 694	1 310 078	1 375 582	1 444 361	1 516 580
Transfers received	2 707	3 000	3 700	–	–	–	–
Interest, dividends and rent on land	24 233	222 121	272 455	831 352	851 499	868 801	886 463
Financial transactions in assets and liabilities	678	1 480	451	500	559	623	696
Total	52 971	975 676	1 524 300	2 141 930	2 227 640	2 313 785	2 403 739

Programme 1: Administration

Administration conducts the overall management of the department and provides centralised support services.

Expenditure estimates

Table 26.3 Administration

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
R thousand							
Minister ¹	672	707	791	837	887	934	981
Deputy Minister ²	–	–	533	618	655	690	725
Management	13 682	13 413	19 300	28 699	33 914	33 420	37 207
Operations	28 294	26 390	26 333	56 277	56 580	59 253	64 621
Property Management	10 761	12 206	13 994	15 145	16 243	17 574	18 947
Total	53 409	52 716	60 951	101 576	108 279	111 871	122 481
Change to 2005 Budget estimate				17 978	17 959	17 574	22 828

¹ Payable as from 1 April 2005. Salary: R 669 462. Car allowance: R 167 365.

² Payable as from 1 April 2005. Salary: R 494 661. Car allowance: R 123 665.

Economic classification

Current payments	51 581	51 621	59 066	99 216	105 571	109 165	119 622
Compensation of employees	13 916	14 873	19 186	35 266	37 653	39 685	42 734
Goods and services	37 665	36 730	39 867	63 950	67 918	69 480	76 888
<i>of which:</i>							
Communication	26	1 896	2 074	3 250	2 797	2 900	3 065
Computer Services	1 717	5	790	1 979	1 613	1 650	1 744
Consultants, contractors and special services	6 645	4 384	4 285	5 688	6 319	6 404	6 767
Inventory	1 734	746	1 152	813	877	815	861
Operating leases	10 968	12 661	14 528	16 025	15 989	18 454	21 443
Travel and subsistence	5 359	5 109	6 280	9 751	9 700	10 000	10 568
Financial transactions in assets and liabilities	–	18	13	–	–	–	–
Transfers and subsidies	99	593	554	72	91	–	–
Provinces and municipalities	99	140	61	72	91	–	–
Universities and technikons	–	–	200	–	–	–	–
Non-profit institutions	–	–	200	–	–	–	–
Households	–	453	93	–	–	–	–
Payments for capital assets	1 729	502	1 331	2 288	2 617	2 706	2 860
Machinery and equipment	1 729	502	1 298	2 288	2 577	2 706	2 860
Software and other intangible assets	–	–	33	–	40	–	–
Total	53 409	52 716	60 951	101 576	108 279	111 871	122 481

Expenditure trends

Expenditure increased steadily between 2002/03 and 2004/05, rising from R53,4 million to R61 million. The sharp increase in expenditure from 2005/06 is due mainly to the department's providing for a fully staffed deputy minister's office, a chief operations office and a government information technology officer.

The transfer of the costs for leases and accommodation charges from the Department of Public Works to individual departments will come into effect on 1 April 2006. An amount of R16,2 million is devolved to the department from the budget of Public Works in 2006/07, R17,6 million in 2007/08 and R18,9 million in 2008/09. Expenditure for this purpose is also adjusted for 2002/03 to 2005/06.

Programme 2: Strategic Policy Co-ordination and Integration

The *Strategic Policy Co-ordination and Integration* programme has been restructured to focus on strategic international relations and be a link between the department and other government spheres in promoting the use of ICTs as an enabler for socioeconomic development.

The *Postal Regulator* subprogramme has been placed under ICASA from 2006/07, so there are now two subprogrammes:

- *Co-ordination and Integration* is responsible for international relations, stakeholder management, intergovernmental relations and special projects.
- The *International* subprogramme is responsible for co-ordinating the functions and responsibilities of the department to meet South Africa's international ICT obligations.

Expenditure estimates

Table 26.4 Strategic Policy Co-ordination, Integration and International Affairs

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
R thousand							
Coordination and Integration	2 417	2 390	4 955	6 706	12 700	14 462	15 283
Postal Regulator	9 932	6 596	9 323	21 302	–	–	–
International	19 123	6 158	7 645	18 696	29 775	34 902	36 884
Total	31 472	15 144	21 923	46 704	42 475	49 364	52 168
Change to 2005 Budget estimate				13 361	6 449	11 446	12 096
Economic classification							
Current payments	30 513	14 749	21 101	45 568	41 407	48 282	51 024
Compensation of employees	7 885	7 535	10 794	10 691	14 939	15 730	16 624
Goods and services	22 628	7 214	10 307	34 877	26 468	32 552	34 400
<i>of which:</i>							
<i>Communication</i>	14	796	757	648	675	703	743
<i>Consultants, contractors and special services</i>	5 217	1 051	121	13 287	10 438	14 296	15 108
<i>Travel and subsistence</i>	3 928	2 985	5 869	3 240	6 500	6 773	7 158
Transfers and subsidies	9	24	28	29	37	–	–
Provinces and municipalities	9	24	28	29	37	–	–
Payments for capital assets	950	371	794	1 107	1 031	1 082	1 143
Machinery and equipment	950	371	794	1 107	1 031	1 082	1 143
Total	31 472	15 144	21 923	46 704	42 475	49 364	52 168

Expenditure trends

Expenditure fell between 2002/03 and 2003/04 by 44,8 per cent, due to the decrease in the cost of the department's international activities. But there was a substantial increase in expenditure in 2004/05, because of more spending on the *Postal Regulator* subprogramme to provide for an enforcement and monitoring unit and for postal inspectors in each province. Expenditure increases by 113 per cent in 2005/06 from 2004/05, because the department participated in a number of international events, such as the World Summit on the Information Society, the 23rd Universal Postal Union congress, and the Digital Africa summit.

Expenditure is expected to rise steadily over the 2006 MTEF at an average annual rate of 3,8 per cent.

Service delivery objectives and indicators

Recent outputs

Promoting ICT within all spheres of government

The department conducted awareness campaigns to sensitise government structures about the role and potential of ICTs in service delivery. Having set up multipurpose community centres and school cyberlabs, the department and the Universal Service Agency are facilitating the use of ICT for capacity building and delivering integrated communication services (access to internet, government info, etc.) in the integrated sustainable rural development programme nodes. Although there are challenges in the public internet terminal project, the project team has managed to roll out government information kiosks to every nodal district. This means every district municipality has a minimum of five terminals.

Nepad

The Nepad e-schools demonstration implementation framework was approved and will guide the rollout of the Nepad e-schools demonstration programme, aimed ensuring that all African youth leave school with the necessary education and skills to function in the information society by providing ICT in schools. Sixteen countries had to identify six schools for the pilot phase of the programme.

Progress has been made on the East African submarine cable system and corresponding infrastructure for landlocked countries, which are crucial to reducing the costs of communications in Africa.

Selected medium-term output targets

Strategic Policy Co-ordination and Integration

Measurable objective: Improve stakeholder relations and service delivery by developing and co-ordinating strategic business plans.

Subprogramme	Output	Measure/indicators	Target
Policy Co-ordination and Integration	Policy management	Approved policy management framework	March 2007
	Strategic ICT partnerships	Number of ICT partnerships between South African business and international stakeholders	2 partnerships by December 2006
International	Increased international investment in the local ICT sector	Percentage increase in international investment in the ICT sector	5% increase in international investment

Programme 3: Policy Unit

The *Policy Unit* programme's main focus is to develop new policies and realign existing ones. It aims to create optimal conditions for investment and infrastructure rollout to provide efficient and cost-effective communications services. The programme provides strategic advice and professional support to the executive and other government structures on a wide range of significant and rapidly changing policy areas.

The *South African Broadcasting Corporation: Community Radio Stations* and the *South African Broadcasting Corporation: Programme Production* subprogrammes have been transferred from the *Innovative Applications and Research* programme to the *Policy Unit* programme to streamline their activities.

There are seven subprogrammes:

- *Telecommunications Policy* promotes the formulation of effective telecommunications policies, taking into account national priorities, development needs, globalisation, investment needs and sector restructuring.
- *Postal Policy* provides the policy framework for postal services that addresses regulatory issues aimed at improving efficiency, lowering costs and promoting competition.
- *Multimedia Policy* provides a policy framework for promoting multimedia services.
- *IT Policy* promotes competition and universal access to information technology.
- *Economic Modelling* is responsible for ensuring the optimisation of investment opportunities and for analysing of the impact of IT.
- *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.
- *South African Broadcasting Corporation: Programme Production* makes transfers to the SABC to enable it to produce programmes with local content, on issues relating to youth, women, children, the disabled, and HIV and Aids, for commercial and community radio stations.

Expenditure estimates

Table 26.5 Policy Unit

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
R thousand							
Telecommunications Policy	8 633	10 803	27 731	10 125	9 927	10 072	10 644
Postal Policy	9 500	13 206	19 416	1 271	1 597	1 709	1 806
Multi-Media Policy	19 543	13 557	11 725	13 772	15 284	16 071	16 984
IT Policy	–	–	–	5 280	3 152	3 643	3 850
Economic Modeling	–	–	–	5 032	3 151	3 643	3 850
South African Broadcasting Corporation: Community Radio Stations	–	–	–	10 255	10 870	11 412	12 060
South African Broadcasting Corporation: Programme Production	–	–	–	31 000	33 200	34 860	36 840
Total	37 676	37 566	58 872	76 735	77 181	81 410	86 034
Change to 2005 Budget estimate				20 246	16 047	17 127	18 100

Table 26.5 Policy Unit (continued)

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Economic classification							
Current payments	36 953	37 040	50 068	32 677	30 967	32 925	34 795
Compensation of employees	10 994	10 799	10 848	11 303	8 586	9 041	9 555
Goods and services	25 959	26 241	39 220	21 374	22 381	23 884	25 241
<i>of which:</i>							
Communication	7	1 740	2 615	1 025	1 068	1 676	1 771
Consultants, contractors and special services	12 157	3 943	8 434	4 120	4 293	4 473	4 727
Operating leases	3 947	4 975	4 621	1 333	1 389	1 447	1 529
Travel and subsistence	3 864	5 574	6 327	4 786	4 991	5 201	5 496
Transfers and subsidies	12	33	8 530	43 086	45 109	47 325	50 013
Provinces and municipalities	12	33	50	31	39	–	–
Departmental agencies and accounts	–	–	–	1 800	1 000	1 053	1 113
Public corporations and private enterprises	–	–	8 480	41 255	44 070	46 272	48 900
Payments for capital assets	711	493	274	972	1 105	1 160	1 226
Machinery and equipment	711	493	274	972	1 105	1 160	1 226
Total	37 676	37 566	58 872	76 735	77 181	81 410	86 034

Details of transfers and subsidies:

Public entities							
Current	–	–	–	1 800	1 000	1 053	1 113
Information System, Electronics and Communication Technologies Authority	–	–	–	1 800	1 000	1 053	1 113
Other transfers							
Current	–	–	8 480	41 255	44 070	46 272	48 900
South African Post Office: Public Internet Terminals	–	–	8 480	–	–	–	–
South African Broadcasting Corporation: Community Radio Stations	–	–	–	10 255	10 870	11 412	12 060
South African Broadcasting Corporation: Programme Production	–	–	–	31 000	33 200	34 860	36 840

Expenditure trends

Expenditure increased steadily from 2002/03 to 2004/05, except for an increased allocation of R19 million in 2004/05 under the *Telecommunications Policy* subprogramme for the operations of the 112 emergency call centre.

The large increase in 2005/06 and the subsequent higher levels of expenditure throughout the 2006 MTEF are mainly due to the transfer of the *South African Broadcasting Corporation: Community Radio Stations* and the *South African Broadcasting Corporation: Programme Production* subprogrammes from the *Innovative Applications and Research* programme. There were also two new subprogrammes, *Information Technology Policy* and *Economic Modelling*, introduced in 2005/06.

Service delivery objectives and indicators

Recent outputs

Broadcasting policy

The public service division of the SABC has made good progress in developing a strategy to encourage local content to grow and develop across the entire audiovisual field, thus recognising all South African languages.

In partnership with the Government Communication and Information System and Sentech, the department started a process for connecting all community radio stations to Parliament and to each other via satellite. This will enable stations to access government information and to share programming material.

Telecommunications policy

In 2005, the second national operator was officially licensed. In February 2005, the minister granted the 26 per cent unallocated equity stake in the second national operator, thus finalising its shareholding structure.

ICT charter

The ICT sector started to develop the ICT BEE charter. The charter will advance economic transformation and provide an enabling environment for transparency, fairness and consistency when matters related to BEE are adjudicated.

Digital migration strategy

The process of developing a framework for migrating from analogue to digital broadcasting infrastructure, in line with international trends, is currently under way. A paper on digital broadcasting was developed and a document outlining South Africa's frequency requirements was approved and submitted to the International Telecommunications Union.

Selected medium-term output targets

Policy Unit

Measurable objective: Promote investment and rollout of infrastructure and services in the ICT sector by continuously developing, reviewing and implementing ICT policies.

Subprogramme	Output	Measure/indicator	Target
Telecommunications Policy	Universal service and access policy strategy	Approved universal service and access policy strategy	March 2007
	National e-strategy	Finalised national e-strategy framework	March 2007
Postal Policy	New and upgraded post offices with connectivity and public ICT access	Reviewed strategy for establishing and upgrading post offices	March 2007
	A policy framework for regulating postal services aimed at lowering costs and promoting competition	Completed framework document	September 2006
Multimedia Policy	2 regional television channels set up	Funding model for regional television approved	March 2007
	Position papers on animation, postal, broadcasting and information technologies	Number of position papers published for comment	4 papers

Subprogramme	Output	Measure/indicator	Target
IT Policy	Broadband policy framework to facilitate the introduction of more advanced communications services	Policy document completed	September 2006
	Policy framework to support job creation, SMMEs, education and health through ICTs	Policy framework completed	September 2006
Economic Modelling	Understanding the ICT sector	Finalised research	March 2007
South African Broadcasting Corporation: Community Radio Stations	Infrastructure rollout for community radio stations	Number of community radio stations connected to the parliamentary channel	30 stations
South African Broadcasting Corporation: Programme Production	Producing awareness programmes for women, youth, children and the disabled, and on HIV and Aids	Number of radio programmes produced and broadcast	5 more programme productions

Programme 4: Financial and Shareholder Management

The *Financial and Shareholder Management* programme is made up of two directorates. The finance directorate is responsible for overall internal financial management. The shareholder management directorate provides leadership for and monitoring of the activities of all public entities in the Department of Communications' portfolio. This directorate makes sure that all the public entities' strategies are aligned with government's priorities and mandate and that there is adequate return on investment.

There are nine subprogrammes:

- *Financial Management* provides overall financial management services to the department.
- *Universal Services Agency* promotes the goal of universal services.
- *Universal Services Fund* is managed by the Universal Service Agency to construct infrastructure in underserved areas.
- *South African Post Office Subsidy* funds postal outlets in rural areas that do not generate enough revenue to cover their expenses.
- *South African Broadcasting Corporation: Public Broadcaster* provides radio and television services, including broadcasting educational programmes.
- *South African Broadcasting Corporation: Channel Africa* provides a broadcasting service to communicate South Africa's foreign policies across Africa.
- *Independent Communications Authority of South Africa* regulates the broadcasting industry in the public's interest to ensure fairness and a diversity of views that represent South African society.
- *National Electronic Media Institute of South Africa* is responsible for providing training in the broadcasting industry, especially to historically disadvantaged groups.
- *Sentech* is primarily responsible for providing broadcasting signal distribution.

Expenditure estimates

Table 26.6 Finance and Shareholder Management

Subprogramme	Audited outcome			Adjusted	Medium-term expenditure estimate		
	2002/03	2003/04	2004/05	appropriation	2006/07	2007/08	2008/09
R thousand				2005/06			
Financial Management	26 059	34 961	33 177	48 953	51 009	51 442	60 341
Universal Service Agency	10 711	14 211	15 884	17 500	20 100	21 105	22 304
Universal Service Fund	23 679	24 745	26 230	29 400	31 164	32 722	34 581
South African Post Office Subsidy	300 000	300 000	300 000	300 000	313 000	324 000	331 000
South African Post Office Recapitalisation	–	–	750 000	–	–	–	–
South African Broadcasting Corporation: Public Broadcaster	42 930	84 717	47 400	150 455	203 482	206 156	217 866
South African Broadcasting Corporation: Channel Africa	26 450	26 288	27 865	29 616	31 393	32 962	34 834
Independent Communications Authority of South Africa	148 729	138 350	186 928	144 489	199 738	217 475	237 272
National Electronic Media Institute of South Africa	13 203	15 153	17 803	18 163	19 199	22 658	25 303
Sentech	54 000	–	–	5 000	100 000	65 000	53 000
Total	645 761	638 425	1 405 287	743 576	969 085	973 520	1 016 500
Change to 2005 Budget estimate				16 200	145 209	111 100	105 095

Economic classification

Current payments	25 342	34 615	32 886	47 883	49 781	50 166	58 993
Compensation of employees	8 278	9 769	11 464	12 282	12 665	13 336	14 002
Goods and services	16 999	24 846	21 422	35 601	37 116	36 830	44 991
<i>of which:</i>							
<i>Communication</i>	7	829	909	734	765	800	845
<i>Consultants, contractors and special services</i>	1 354	7 908	2 353	9 736	10 145	6 000	10 467
<i>Maintenance repair and running cost</i>	1 208	521	1 307	3 184	3 318	4 457	4 710
<i>Operating leases</i>	4 999	6 365	6 348	6 130	6 387	7 025	9 366
<i>Travel and subsistence</i>	1 827	1 690	988	1 834	1 911	2 199	2 324
Financial transactions in assets and liabilities	65	–	–	–	–	–	–
Transfers and subsidies	619 718	603 550	1 372 177	694 656	918 126	922 117	956 200
Provinces and municipalities	11	86	67	33	50	39	41
Departmental agencies and accounts	196 322	192 459	246 845	209 552	270 201	293 960	319 459
Public corporations and private enterprises	423 380	411 005	1 125 265	485 071	647 875	628 118	636 700
Households	5	–	–	–	–	–	–
Payments for capital assets	701	260	224	1 037	1 178	1 237	1 307
Machinery and equipment	701	260	217	1 037	1 178	1 237	1 307
Software and other intangible assets	–	–	7	–	–	–	–
Total	645 761	638 425	1 405 287	743 576	969 085	973 520	1 016 500

Details of transfers and subsidies:

Public entities							
Current	196 322	192 459	246 845	209 552	270 201	293 960	319 459
Universal Service Agency	10 711	14 211	15 884	17 500	20 100	21 105	22 304
Universal Service Fund	23 679	24 745	26 230	29 400	31 164	32 722	34 581
Independent Communications Authority of South Africa	148 729	138 350	186 928	144 489	199 738	217 475	237 272
National Electronic Media Institute of South Africa	13 203	15 153	17 803	18 163	19 199	22 658	25 303
Subsidies on production or products							
Current	300 000	300 000	300 000	300 000	313 000	324 000	331 000
South African Post Office: Subsidy	300 000	300 000	300 000	300 000	313 000	324 000	331 000

Table 26.6 Finance and Shareholder Management (continued)

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Other transfers							
Current	69 380	111 005	825 265	180 071	234 875	239 118	252 700
South African Broadcasting Corporation: Public Broadcaster	42 930	84 717	47 400	150 455	203 482	206 156	217 866
South African Broadcasting Corporation: Channel Africa	26 450	26 288	27 865	29 616	31 393	32 962	34 834
South African Post Office: Recapitalization	–	–	750 000	–	–	–	–
Capital	54 000	–	–	5 000	100 000	65 000	53 000
Sentech	54 000	–	–	5 000	100 000	65 000	53 000

Expenditure trends

Most of the department's expenditure flows through this programme, as it funds the department's transfer payments, which in turn make up most of the programme's expenditure.

Expenditure growth is fairly uneven over the seven-year period. This is mainly because new programmes were introduced and there were one-off allocations, like the allocation to the SA Post Office in 2004/05.

The 2006 Budget set out additional allocations for Sentech of R95 million for 2006/07, R60 million for 2007/08 and R50 million for 2008/09, so that it can start replacing its infrastructure. Further additional allocations of R40 million for 2006/07, R45 million for 2007/08 and R55 million for 2008/09 were also made to strengthen ICASA's capacity to deal with its wider mandate resulting from legislative changes.

Service delivery objectives and indicators

Recent outputs

Financial management

For the third consecutive year the department received an unqualified audit report - proof that it is financially sound.

The *Financial Management* subprogramme has established a supply chain management system as prescribed by the Public Finance Management Act (1999) and developed the department's asset management policies. In 2005, it reviewed the department's policies for procurement, cell phones, banking, cash management and revenue, and debt.

Underserviced areas

After the first phase of the licensing process, seven underserviced area licences have been granted to private companies. The minister invited applications for the second phase for an additional 14 districts and ICASA is assessing them. The Universal Service Agency funds each company, from the Universal Service Fund, at R5 million per year for three years. The agency also monitors their compliance with licence conditions.

South African Post Office

A successful campaign to promote a culture of saving was launched in 2004. The Postbank has since attracted a number of historically unbanked people into the formal banking environment, and has seen its customer base increase to 3,5 million – an annual increase of 24 per cent.

The SA Post Office is starting to play a leading role in providing electronic communications services through mechanisms like public internet terminals and citizens' post offices. There are currently 14 citizens' post offices nationally.

National Electronic Media Institute of South Africa

The National Electronic Media Institute of South Africa (NEMISA) has introduced a new vision and corporate plan to adapt its functions to the fast-changing technological environment, new market and consumer needs, and the opportunities presented by convergence of technologies. This will see NEMISA addressing the skills shortages in the ICT sector more effectively than in the past.

Selected medium-term output targets

Finance and Shareholder Management

Measurable objective: Develop and implement policies and best practices to provide overall financial and supply chain management to the department, and to manage shareholding in and improve governance of public entities.

Subprogramme	Output	Measure/indicator	Target
Financial Management	Improved financial management	Unqualified audit reports received	End of financial year
Universal Service Agency and Universal Service Fund	Increase universal access to electronic communications network services	Percentage increase in universal access	5% increase by December 2006
	Improve ICT literacy in the rural and urban renewal nodes	Percentage of improvement	5% improvement by December 2006
South African Broadcasting Corporation: Public Broadcaster	Increased educational programmes developed	Number of local content educational programmes acceptable to the public	4 programmes
South African Broadcasting Corporation: Channel Africa	External broadcasting services to promote South Africa's image internationally	Percentage increase in external viewers	5% increase in external viewers
Subprogramme	Output	Measure/indicator	Target
Independent Communications Authority of South Africa	Well regulated broadcasting and telecommunications sectors	Number of licences issued for providing telecommunications services	3 licences
South African Post Office	Extended infrastructure, including to rural areas	Number of new or refurbished postal outlets	61 new and 100 refurbished outlets
National Electronic Media Institute of South Africa	Trained individuals in multimedia, ICT, webcasting and traditional broadcasting	Percentage increase in number of individuals trained	10% increase

Programme 5: Innovative Applications and Research

The *Innovative Applications and Research* programme is responsible for managing knowledge and applications for improving service delivery through ICT projects that build capacity for a sustainable ICT sector.

There are four subprogrammes:

- The *Applications and Research* subprogramme 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 spectrum.
- The *Meraka Institute* does research and develops ICT applications that aim to benefit all citizens.
- The *112 Emergency Call Centre* provides a single national emergency number, from which all emergency calls will be rerouted to the most suitable local response unit.
- The *.za Domain Name Authority* is responsible for administering and managing the .za domain name space.

Expenditure estimates

Table 26.7 Innovative Applications and Research

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
R thousand							
Applications and Research	45 498	48 128	57 807	23 472	30 213	35 666	40 248
Meraka Institute	–	8 262	13 000	7 000	4 000	–	–
112 Emergency Call Centre	36 710	12 887	–	21 200	22 472	23 596	24 936
.za Domain Name Authority	–	–	1 500	1 500	1 500	1 500	1 500
South African Broadcasting Corporation: Community Radio Stations	5 459	1 964	6 500	–	–	–	–
South African Broadcasting Corporation: Programme Production	30 039	25 800	28 500	–	–	–	–
Total	117 706	97 041	107 307	53 172	58 185	60 762	66 684
Change to 2005 Budget estimate				(35 065)	(28 657)	(30 451)	(29 710)

Economic classification

Current payments	36 109	47 438	57 272	44 138	52 089	58 644	64 531
Compensation of employees	10 961	11 201	10 062	11 513	14 855	15 642	16 530
Goods and services	25 148	36 237	47 210	32 625	37 234	43 002	48 001
<i>of which:</i>							
Communication	11	2 507	770	1 578	1 644	1 713	1 810
Consultants, contractors and special services	6 635	17 715	32 416	23 434	25 405	28 231	29 835
Maintenance repair and running cost	1 428	918	2 682	921	959	1 200	1 268
Operating leases	1 499	3 126	3 163	2 045	2 131	2 243	2 370
Travel and subsistence	5 086	6 290	3 856	2 446	2 614	2 724	2 879
Transfers and subsidies	35 521	36 061	49 532	8 516	5 507	1 500	1 500
Provinces and municipalities	13	35	32	16	7	–	–
Public corporations and private enterprises	35 498	36 026	49 500	8 500	5 500	1 500	1 500
Households	10	–	–	–	–	–	–
Payments for capital assets	46 076	13 542	503	518	589	618	653
Machinery and equipment	46 076	13 542	503	518	589	618	653
Total	117 706	97 041	107 307	53 172	58 185	60 762	66 684

Details of transfers and subsidies:

Public corporations and private enterprises							
Current	35 498	36 026	49 500	8 500	5 500	1 500	1 500
Meraka Institute	–	8 262	13 000	7 000	4 000	–	–
.za Domain Name Authority	–	–	1 500	1 500	1 500	1 500	1 500
South African Broadcasting Corporation: Community Radio Stations	5 459	1 964	6 500	–	–	–	–
South African Broadcasting Corporation: Programme Production	30 039	25 800	28 500	–	–	–	–

Expenditure trends

The *Emergency 112 Call Centre* subprogramme saw significant expenditure in 2002/03 and a further allocation in 2003/04 to fund its development. Funds were also provided from 2003/04 to 2005/06 for a feasibility study into the establishment of the Meraka Institute, which explains the decrease in total expenditure in the following years.

Expenditure increases more steadily over the 2006 MTEF, at an average annual rate of 7,8 per cent.

Service delivery objectives and indicators

Recent outputs

Except for the 112 emergency call centre, which was supposed to be fully operational by December 2005, other targets for the period under review have been met.

Applications and research

The applications and research unit has set statistical and benchmarking indicators for the communications sector. It has recently developed a corporate geographic information system to provide a spatial map of the provinces indicating related infrastructure such as schools, post offices, public internet terminals and community density.

112 emergency call centre

Through the 112 emergency call centre, the department has met certain strategic objectives, like skills development, systems testing and verifying and validating standard operating procedures. The call centre is an integral part of the provincial disaster management framework.

.za domain name

The Internet Corporation for Assigned Names and Numbers has re-delegated the responsibility for the .za domain name space to the .za Domain Name Authority. Registering and establishing internet websites will now be easier and will increase commercial use of the internet.

Cryptography service providers registry

The department started to develop a registry of cryptography service providers. Draft regulations were circulated for public comments, which are currently being analysed.

Selected medium-term output targets

Innovative Applications and Research

Measurable objective: Build capacity for a sustainable ICT sector to improve the delivery of services by implementing and managing knowledge-based ICT projects.

Subprogramme	Output	Measure/indicator	Target
Applications and Research	Communications chapter for national satellite and space programme	National frequency audit and the identification of radio frequency spectrum	March 2007
	ICT applications for e-government	Percentage of municipalities adopting e-government applications	30% of municipalities by March 2008
Meraka Institute	Studying, researching and developing ICT that benefits citizens equitably	Institute fully functional	March 2007
112 Emergency Call Centre	Finalised national emergency communications framework	Approved framework	March 2007
.za Domain Name Authority	Appropriate internet governance, security and access	Approved domain name policies	March 2007
		Established dispute resolution mechanisms	March 2007

Programme 6: Presidential National Commission

The role of the *Presidential National Commission* programme is to facilitate the co-ordinated and accelerated development of an inclusive information society in South Africa, aligned with and contributing to the global information society.

There are six subprogrammes:

- *Policy Planning and Foresight* aims to make sure that South Africa has proactive and progressive national plans, with sectoral, provincial and local government components.
- *Policy Co-ordination and Integration* makes sure that the national information society and development plan is implemented in a co-ordinated way, and that policies, legislation and programmes are well co-ordinated, integrated, complementary and aligned with development plans.
- *Policy Evaluation and Impact Assessment* assesses whether policies and legislation support or hinder the development of an inclusive information society, and assesses the impact of ICT programmes and projects.
- *Special Projects* co-ordinates and develops special programmes to maximise the benefits of the information society for the benefit of women, children, youth, people with disabilities and poor communities.
- *Intergovernmental Relations* makes sure that all spheres of government participate in the Presidential National Commission's national information society and development plan.
- *Organisational Excellence* provides responsive, timely and comprehensive strategic administrative support.

Expenditure estimates

Table 26.8 Presidential National Commission

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
R thousand							
Policy Planning and Foresight	9 325	8 653	9 593	10 449	6 301	6 501	6 870
Policy Coordination and Intergration	–	–	–	10 347	3 615	3 913	4 135
Policy Evaluation and Impact Assessment	–	–	–	4 269	3 613	3 857	4 076
Special Projects	–	–	–	–	1 980	4 285	4 528
Intergovernmental Relations	–	–	–	–	1 980	1 590	1 680
Organisational Excellence	–	–	–	–	7 500	8 000	8 454
Total	9 325	8 653	9 593	25 065	24 989	28 146	29 745
Change to 2005 Budget estimate				(3 395)	(5 764)	(4 222)	(4 462)

Economic classification

Current payments	8 176	8 149	9 534	24 264	24 505	27 218	28 764
Compensation of employees	2 558	3 087	6 495	10 647	10 899	11 476	12 128
Goods and services	5 618	5 062	3 039	13 617	13 606	15 742	16 636
<i>of which:</i>							
<i>Communication</i>	–	255	266	1 106	277	289	305
<i>Consultants, contractors and special services</i>	80	1 513	599	1 307	5 624	5 650	5 971
<i>Travel and subsistence</i>	424	1 382	1 112	4 425	4 534	4 666	4 931
Transfers and subsidies	3	9	20	23	14	–	–
Provinces and municipalities	3	9	20	23	14	–	–
Payments for capital assets	1 146	495	39	778	470	928	981
Machinery and equipment	1 146	495	39	778	470	928	981
Total	9 325	8 653	9 593	25 065	24 989	28 146	29 745

Expenditure trends

The Presidential National Commission was created in 2002/03, with initial funding of R9,3 million. Expenditure increased substantially in 2005/06 due to changes to the programme structure, which, with the introduction of two new subprogrammes.

Over the 2006 MTEF, expenditure is expected to grow steadily at an average annual rate of 5,9 per cent, reaching R29,7 million in 2008/09.

Service delivery objectives and indicators

Recent outputs

The Presidential National Commission has developed a document integrating ICT policy into South Africa's development plans. The document has been submitted to the relevant committee for approval, although the target for full approval was December 2005.

To promote ICT policy co-ordination and integration, the commission has started a number of integrated programmes at national and provincial level. One such integrated programme was for the preparations for the World Summit on the Information Society. The commission brought together stakeholders from government, business and civil society more broadly to agree on South Africa's position on various issues that were to be discussed at the summit.

National information society and development plan

Through the national working group set up in December 2004 to oversee the development of the national information society and development plan, the commission engaged stakeholders from the three spheres of government. The commission has identified the provinces that are ahead of others with the plan.

To measure progress, the PNC has established a national working committee consisting of relevant government departments and institutions working in the monitoring and evaluation area. The aim of the E-Barometer project is to establish indicators that will help with the measurement of the size, growth and impact of the information society.

Co-ordination and integration

To ensure that the building of an information society is properly co-ordinated, the commission is taking part in the Government IT Officers Council, where it is a co-ordinator of the open source software working group.

The commission has set up and is hosting a Wikipedia (an electronic encyclopaedia which allows users to add and edit content and is especially suited for constructive collaborative authoring) portal for the Nepad youth conference on the information society in June 2006.

Selected medium-term output targets

Presidential National Commission

Measurable objective: Co-ordinate and assess the impact of government ICT policies and programmes on the different spheres of government, and provide strategies to bridge the digital divide and define an information society for South Africa with clear targets and milestones.

Subprogramme	Output	Measure/indicator	Target
Policy Planning and Foresight	Information society and development plan and strategy including sectoral, provincial and local government components	Develop clear targets and timeframes to achieve the output	March 2007
Policy Co-ordination and Integration	Strategic framework for co-ordinated and integrated information society	Strategic framework approved	March 2007
Policy Evaluation and Impact Assessment	Report on impact of ICT policies and initiatives	Frequency of strategic assessment reviews	Annually
	ICT-for-development indicators	E-barometer developed	March 2007

Subprogramme	Output	Measure/indicator	Target
Special Projects	Co-ordinated support for government-identified ICT flagship projects	Report on the status of government identified ICT flagship projects finalised	March 2007
	Active participation of youth, women, children, people with disabilities in the national information society and development plan	National frameworks on information society for youth, women, children, people with disabilities developed	March 2007
Intergovernmental Relations	Intergovernmental relations and stakeholder strategy	Development plan for stakeholder participation finalised	March 2007
	Organised provincial information society programmes	Provincial information society and development forum established	March 2007
Organisational Excellence	Presidential National Commission operating efficiently on an open source platform	Open source software migration strategy completed	March 2007

Public entities reporting to the Minister

South African Post Office

The South African Post Office Ltd (SAPO) 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. SAPO was granted an exclusive mandate to conduct postal services in South Africa by the Postal Services Act (1998). The act makes provision for the regulation of postal services and the operational functions of the company, including its universal service obligations.

For 2003/04, SAPO declared operating profits of R27 million. It declared a net profit of R1 billion for 2004/05. This achievement was the result of an integrated approach to business transformation, with a strong emphasis on operational service, customer service, financial management and human resources management. With the injection of R750 million Postbank depositors' funds by National Treasury and the R300 million annual subsidy reintroduced in 2002, the insolvency problem on SAPO's balance sheet has been eliminated.

The government subsidy to SAPO was reintroduced, and VAT is payable on the subsidy from 2005/06. The subsidy is allocated to SAPO to fund postal outlets, especially in the rural areas, which do not generate adequate revenue in relation to their expenses. Over the medium term, SAPO maintains an average surplus of R330 million per year, which is underpinned by transfers of R300 million by 2008/09.

SAPO's future strategy will centre around consolidating the financial gains of recent years and continuing to improve service delivery. The first challenge it faces is restructuring to further improve operating and financial performance. SAPO's second major strategic theme includes diversification to create new revenue from new markets and products. Its last major strategic theme is giving attention to other critical support services to complement its endeavors to make sure that its turnaround strategy is successful.

Table 26.9. Financial summary for the SA Post Office Limited (SAPO)

	Outcome			Estimated outcome	Medium-term estimate		
	Audited	Audited	Audited		2006/07	2007/08	2008/09
R thousand	2002/03	2003/04	2004/05	2005/06			
INCOME STATEMENT SUMMARY							
Revenue							
Non-tax revenue	3,366,479	3,786,193	4,223,643	4,517,057	4,833,448	5,125,999	5,485,121
Sale of goods and services other than capital assets	3,310,972	3,718,727	4,170,017	4,461,918	4,774,252	5,062,414	5,416,783
of which:							
Sales by market establishments	3,310,972	3,718,727	4,170,017	4,461,918	4,774,252	5,062,414	5,416,783
Other non-tax revenue	55,507	67,466	53,626	55,139	59,195	63,585	68,338
Transfers received	488,683	357,260	204,425	150,000	140,000	160,000	180,000
Total revenue	3,855,162	4,143,453	4,428,068	4,667,057	4,973,448	5,285,999	5,665,121
Expenses							
Current expense	3,982,124	4,215,917	3,647,354	4,545,704	4,744,961	4,963,243	5,225,246
Compensation of employees	2,741,133	2,609,149	1,780,636	2,587,268	2,707,631	2,834,013	2,993,169
Goods and services	1,016,796	1,393,937	1,664,787	1,746,409	1,814,701	1,895,470	1,986,629
Depreciation	172,605	155,842	145,497	152,772	160,410	168,431	176,853
Interest, dividends and rent on land	51,590	56,989	56,434	59,256	62,218	65,329	68,596
Total expenses	3,982,124	4,215,917	3,647,354	4,545,704	4,744,961	4,963,243	5,225,246
Surplus / (Deficit)	(127,476)	(74,723)	1,068,172	121,353	228,487	229,157	312,311
Tax payment	514	2,259	(287,458)	-	-	93,599	127,564

BALANCE SHEET SUMMARY

Carrying value of assets	933,608	885,725	1,221,676	1,113,220	802,635	1,075,704	1,136,701
Investments	36,952	38,055	92,392	92,392	92,392	92,392	92,392
Inventory	84,321	90,054	89,523	95,790	102,495	109,670	117,346
Receivables and prepayments	378,729	505,018	614,356	657,361	703,376	752,613	805,295
Cash and cash equivalents	913,645	1,532,124	2,589,552	3,189,552	4,152,086	4,583,654	5,412,276
Total assets	2,347,255	3,050,976	4,607,499	5,148,315	5,852,984	6,614,032	7,564,011
Capital and reserves	(1,440,297)	(1,515,020)	303,152	424,504	652,992	882,149	1,194,460
Depositors funds	1,212,408	1,774,369	2,008,773	2,407,712	2,857,712	3,357,712	3,957,712
Post retirement benefits	996,847	1,229,494	624,189	592,980	563,331	535,164	508,406
Trade and other payables	1,340,020	1,394,543	1,497,067	1,556,341	1,619,358	1,686,266	1,757,222
Provisions	238,277	167,590	174,319	166,778	159,592	152,742	146,211
Total equity and liabilities	2,347,255	3,050,976	4,607,499	5,148,315	5,852,984	6,614,032	7,564,011

Data provided by the South African Post Office Limited

Telkom

Telkom SA Ltd is a government business enterprise established in terms of section 3 of the Post Office Act (1958). However, the promulgation of the Post Office Amendment Act (1991) ensured the separation of telecommunications from postal services. Telkom's main objective is to provide fixed line telephone services to the South African public.

Telkom has three operating licences: public switched telecommunications; transmission of radio frequencies; and value-added network services. In exchange for these, it has to meet rollout and service quality targets, which include: new exchange lines; new lines for priority customers such as hospitals, schools, local authorities and village communities without an exchange; and the upgrade to digital lines.

Government sold part of its stake in Telkom through an initial public offering on the Johannesburg and New York stock exchanges in March 2003. Government is still the majority shareholder, owning 38,3 per cent of Telkom shares. Thintana Communications LLC, which is a consortium of SBC Communications Inc. and Telekom Malaysia Berhad, owns another 15,1 per cent, and minority shareholders own the remaining 46,6 per cent. In November 2004, Thintana divested its 15,1 per cent shareholding to Newshelf for R6,6 billion. The Public Investment Corporation bought 15,1 per cent of Telkom shares from Thintana, of which 5 per cent is directly held by them.

Although Telkom will continue to look inward to extract further operating efficiencies, the focus will increasingly shift outward to seeking new growth opportunities in the coming years. Growth will come from moving aggressively into new market areas, such as data, and exploiting the synergies between fixed-line and mobile. Telkom will rigorously pursue its business expansion into Africa.

South African Broadcasting Corporation

The South African Broadcasting Corporation (SABC) was established in terms of the Broadcasting Act (1936) as a government enterprise to provide radio and television broadcasting services to South Africa. As provided for in the Broadcasting Amendment Act (2002), from October 2004 the SABC has been incorporated into a limited liability company with two operational divisions: public broadcasting services and commercial broadcasting services.

The SABC is South Africa's national public service broadcaster and operates 17 radio stations. Its operations are based on the broadcasting charter, which guarantees independence and freedom of expression in creative, journalistic and programming terms. The charter also requires the SABC to encourage South African expression by providing a wide range of programming in all the official languages.

The SABC's profit after tax for 2004/05 was R240 million, compared with a profit of R2 million in the previous year. The SABC has also managed to curb costs by negotiating that medical aid for retired employees be restricted from 2004/05, with the intention of phasing it out. This results in a decrease in post-retirement benefits as well as earmarked reserves.

The SABC has four main revenue sources, namely, commercial revenue (including sponsorships), licence revenue, government grants, and other income, which includes rights sales. The SABC received R50,5 million in 2005/06 for broadcasting educational programmes and a further R100 million for the broadcasting and IT upgrade. It will receive R203 million in 2006/07, R206 million in 2007/08 and R217 million in 2008/09. This, together with own revenue, allows it to maintain a small surplus over the next three years.

The SABC has set out key performance areas for the next three years. The first is growth and financial health. The second relates to its national priorities and mandates, in terms of which it intends to engage its stakeholders on matters affecting them and also to finalise the amendment of its licences as required in terms of the Broadcasting Amendment Act (2002). The third key performance area is improving market ratings and ensuring that the SABC retains its top ten rating on brand position in the Sunday Times/Markinor survey.

Table 26.10. Financial summary for the South African Broadcasting Corporation (SABC)

	Outcome			Estimated outcome	Medium-term estimate		
	Audited	Audited	Audited		2006/07	2007/08	2008/09
R thousand	2002/03	2003/04	2004/05	2005/06			
INCOME STATEMENT SUMMARY							
Revenue							
Non-tax revenue	2 442 589	2 703 273	3 288 694	3 660 716	3 700 882	3 930 056	4 138 092
Sale of goods and services other than capital assets	2 387 783	2 634 895	3 288 694	3 621 208	3 700 882	3 930 056	4 138 092
<i>of which:</i>							
<i>Sales by market establishments</i>	<i>2 387 783</i>	<i>2 634 895</i>	<i>3 288 694</i>	<i>3 621 208</i>	<i>3 700 882</i>	<i>3 930 056</i>	<i>4 138 092</i>
<i>Other non-tax revenue</i>	<i>54 806</i>	<i>68 378</i>	<i>–</i>	<i>39 508</i>	<i>–</i>	<i>–</i>	<i>–</i>
Transfers received	64 285	84 717	47 400	150 455	203 482	206 156	217 866
Total revenue	2 506 874	2 787 990	3 336 094	3 811 171	3 904 364	4 136 212	4 355 958
Expenses							
Current expense	2 644 374	2 775 447	3 004 470	3 467 274	3 853 916	4 089 900	4 329 124
Compensation of employees	655 932	773 470	839 598	704 665	1 142 488	1 222 490	1 310 022
Goods and services	1 892 494	1 909 146	2 074 597	2 662 736	2 579 942	2 698 866	2 809 936
Depreciation	91 008	83 842	83 801	92 889	112 085	131 848	152 509
Interest dividends and rent on land	4 940	8 989	6 474	6 984	19 401	36 695	56 657
Transfers and subsidies	12 323	10 882	13 863	16 882	17 805	17 809	17 844
Total expenses	2 656 697	2 786 329	3 018 333	3 484 156	3 871 721	4 107 709	4 346 968
Surplus / (Deficit)	(149 823)	1 661	317 761	327 015	32 643	28 503	8 990
Tax payment	–	–	77 477	97 603	–	–	–
BALANCE SHEET SUMMARY							
Carrying value of assets	439 965	467 675	493 335	724 185	1 087 380	1 314 855	1 537 995
Investments	273 111	236 499	359 242	670 748	18 565	18 565	18 565
Inventory	349 374	398 635	356 775	450 854	704 917	682 695	715 737
Receivables and Prepayments	477 964	503 516	792 516	403 698	631 103	669 237	709 283
Cash and cash equivalents	25 640	80 298	29 969	22 246	22 104	22 104	22 104
Total assets	1 566 054	1 686 623	2 031 837	2 271 731	2 464 069	2 707 456	3 003 684
Capital and reserves	795 194	800 884	1 041 886	1 273 374	971 353	1 024 339	1 054 709
Borrowings	62 289	57 221	72 163	72 763	37 971	37 971	37 971
Post retirement benefits	216 509	223 129	162 691	156 160	304 183	337 643	374 784
Trade and other payables	440 893	543 759	628 612	610 878	1 000 203	1 160 210	1 403 325
Provisions	51 169	61 630	126 485	158 556	150 359	147 293	132 895
Total equity and liabilities	1 566 054	1 686 623	2 031 837	2 271 731	2 464 069	2 707 456	3 003 684

Data provided by the South African Broadcasting Corporation

Sentech

Sentech Ltd was established in terms of the Sentech Act (1996) as a common carrier to provide broadcasting signal distribution for broadcasting licensees. In 2002, Sentech was licensed through the Telecommunications Amendment Act (2001) to provide international carrier-to-carrier voice services as well as multimedia services.

In the 2006 MTEF, Sentech will replace a significant portion of the aging analogue television broadcasting infrastructure with digital technology, improving the quality as well as the coverage

of television in South Africa. Sentech intends to expand the coverage of the broadband network to allow access to broadband services to the greater part of the South African population.

Sentech has started to move towards positive returns after an initial, capital-intensive, network-building programme. In the years to come, it expects to manage the economies of scale and increase the company's revenue, thus providing the resources to increasingly serve as a delivery partner to the state.

Sentech has sourced funding from its own resources and the debt market. Shareholder funds are expected to be injected in the coming financial years for replacing broadcast infrastructure, increased broadband wireless coverage, and other infrastructure projects, such as the East Africa submarine system, which connects South Africa and East African states to the global optical fibre network. Digitisation of the broadcasting network will see a reduction in maintenance costs and an increase in returns. Internet capacity costs will increase over time to cater for greater demand. Sentech will receive funding from the department of R95 million in 2006/07, R60 million in 2007/08 and R50 million in 2008/09.

A key priority over the 2006 MTEF is the implementation of the East Africa submarine system. This Nepad project will have significant advantages for Africa as well as for South Africa, where the additional international connectivity can be made available on an open access basis, at reasonable rates. Sentech intends to increase the coverage area of its broadband communications network as well as to digitise the broadcast infrastructure. Sentech will improve its capacity as the state's delivery partner, bringing business opportunities to SMMEs and ensuring that these enterprises are able to develop and flourish in the second economy.

Table 26.11 Financial summary for Sentech

	Outcome			Estimated outcome	Medium-term estimate		
	Audited	Audited	Audited		2006/07	2007/08	2008/09
R thousand	2002/03	2003/04	2004/05	2005/06			
INCOME STATEMENT SUMMARY							
Revenue							
Non-tax revenue	473 111	551 505	620 474	677 387	953 419	1 058 596	1 179 173
Sale of goods and services other than capital assets	462 362	550 329	618 537	673 761	950 419	1 055 596	1 176 173
<i>Of which:</i>							
Sales by market establishments	462 362	550 329	618 537	673 761	950 419	1 055 596	1 176 173
Other non-tax revenue	10 749	1 176	1 937	3 626	3 000	3 000	3 000
Transfers received	-	-	-	-	-	-	-
Total revenue	473 111	551 505	620 474	677 387	953 419	1 058 596	1 179 173
Expenses							
Current expense	482 477	617 301	685 922	735 459	923 023	982 012	1 039 505
Compensation of employees	122 243	168 298	189 403	202 753	241 283	255 760	271 106
Goods and services	279 765	365 832	412 719	450 189	593 233	637 121	683 469
Depreciation	57 239	66 894	62 110	61 629	69 893	72 689	75 597
Interest, dividends and rent on land	23 230	16 277	21 690	20 888	18 615	16 442	9 334
Transfers and subsidies	4 413	7 554	11 310	15 563	26 299	27 351	28 445
Total expenses	486 890	624 855	697 232	751 022	949 322	1 009 363	1 067 950
Surplus / (Deficit)	(13 779)	(73 350)	(76 758)	(73 635)	4 097	49 233	111 223
Tax payment	(9 020)	(24 460)	(20 262)	(21 354)	1 188	14 278	32 255

Table 26.11 Financial summary for Sentech (continued)

	Outcome			Estimated outcome	Medium-term estimate		
	Audited	Audited	Audited		2006/07	2007/08	2008/09
R thousand	2002/03	2003/04	2004/05	2005/06			
BALANCE SHEET SUMMARY							
Carrying value of assets	608 679	684 306	633 989	639 808	819 918	1 097 232	1 321 638
Investments	–	4 319	24 581	47 435	46 247	31 969	(285)
Inventory	19 965	39 756	36 171	39 800	57 025	63 276	70 570
Receivables and prepayments	20 551	80 049	89 422	73 979	114 049	126 547	141 133
Cash and cash equivalents	39 744	27 702	125 052	(68 386)	12 644	23 288	25 541
Total assets	688 939	836 132	909 215	732 636	1 049 883	1 342 312	1 558 597
Capital and reserves	434 353	404 844	360 143	312 862	615 771	915 727	1 134 694
Borrowings	78 982	214 357	212 133	204 550	178 091	157 842	141 273
Post retirement benefits	34 479	46 745	52 121	68 246	69 746	71 246	72 746
Trade and other payables	129 843	155 156	268 096	130 278	169 275	179 998	191 883
Provisions	11 282	15 030	16 722	16 700	17 000	17 500	18 000
Total equity and liabilities	688 939	836 132	909 215	732 636	1 049 883	1 342 313	1 558 596

Data provided by Sentech

Independent Communications Authority of South Africa

The Independent Communications Authority of South Africa Act (2000) provided for the merger of the South African Telecommunications Regulatory Authority and the Independent Broadcasting Authority to form the Independent Communications Authority of South Africa (ICASA). ICASA is responsible for regulating the telecommunications and broadcasting industries in the public interest, to ensure affordable services of a high quality for all South Africans. In addition to developing regulations and policies, ICASA issues licences to telecommunications and broadcasting service providers, enforces compliance with rules and regulations, protects consumers from unfair business practices and poor quality services, hears and decides on disputes and complaints brought against licensees, and controls and manages the frequency spectrum.

ICASA collects licence fees from all telecommunications and broadcasting operators. This revenue is deposited into the National Revenue Fund. ICASA is then funded through transfers from the department. ICASA's baseline allocation over the 2006 MTEF grows by an average of 9,3 per cent per year from 2005/06. ICASA's baseline in 2004/05 was increased by R45 million to settle a tax liability with the South African Revenue Services. Additional funding of R40 million in 2006/07, R45 million in 2007/08 and R55 million in 2008/09 will be provided.

After five years, ICASA is at a crossroads. Changes in the legislative environment, with new roles and responsibilities and imperatives for more affordable communications services, put ICASA under pressure to transform. ICASA has launched a comprehensive transformation strategy, which centres around: in-depth understanding and effective regulation of the communications sector; satisfying customers' needs by putting into effect appropriate regulations; and providing transparent and responsive processes that address the needs of the sector it serves.

National Electronic Media Institute of South Africa

The National Electronic Media Institute of South Africa (NEMISA) was established as a non-profit organisation in terms of the Companies Act (1973). It provides much needed skills training at an advanced level for the broadcasting industry. It is accredited by the Council for Higher Education and offers diploma courses, short courses and internships in three subjects: TV production, radio production and creative multimedia. The emphasis is on equipping students to be market-ready in a

wide range of broadcasting disciplines and to have the ability to work effectively in constantly changing conditions.

Government funds NEMISA, with transfers amounting to R19,2 million in 2006/07, R22,6 million in 2007/08 and R25,3 million in 2008/09. The organisation is currently exploring other revenue-generating opportunities to complement government funding and to ensure that the organisation becomes financially self-sufficient in the future. The entity will focus on the following six key strategic areas: course design; networking and collaboration; management of the organisation; marketing and public relations; student affairs; and special programmes.

NEMISA is continuing with its focus on providing electronic media skills and training to students from historically disadvantaged backgrounds. This endeavour will contribute greatly to alleviating a critical skills shortage in South Africa, and will go a long way towards ensuring representivity in the workplace. It has been noted that in the past there has been a lack of focused training in the broadcasting arena.

Universal Service Agency

The Universal Service Agency (USA) was established in terms of section 58 of the Telecommunications Act (1996). The main role of the agency is to promote universal service and access to communications technologies and services for all South Africans. It also facilitates and offers guidance in evaluating, monitoring and implementing schemes which propose to improve universal access and service. In addition, it is involved in setting up telecentres, which provide ICT services, especially in rural areas, on a cost recovery basis.

The agency is mandated by the Telecommunications Act (1996) to manage the Universal Service Fund. The fund, with monies appropriated by Parliament, is used for infrastructure for the universal service area licensees, as well as providing infrastructure for telecentres and school cyberlabs (computer laboratories with ICT equipment which enable access to the internet and provide multimedia services).

The agency is funded by government, and will receive transfers of R20,1 million in 2006/07, R21,1 million in 2007/08 and R22,3 million in 2008/09. The allocations increase at an annual average rate of 9,9 per cent over the 2006 MTEF to make provision for the agency's expanded mandate of the agency.

The organisation intends to establish community digital hubs. The purpose of these is to build capacity in underserved areas for: optimal use of ICTs; empowerment of communities to use ICTs; business development; and access to government on line. The agency will start piloting the community digital hubs in three sites still to be identified. It will further expand its programme of making electronic communication facilities and equipment available to underserved communities and schools. 86 community-based telecentres and 40 cyberlabs will be set up in schools. These would be connected to the government internet portal, Gateway, and 200 sites will get virtual private network connectivity.

Annexure

Vote 29: Communications

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

Table 26.B: Summary of personnel numbers and compensation of employees

Table 26.C: Summary of expenditure on training

Table 26.D: Summary of official development assistance expenditure

Table 26.E: Summary of expenditure on infrastructure

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

Programme	Appropriation		Audited outcome	Appropriation			Revised estimate
	Main	Adjusted		Main	Additional	Adjusted	
R thousand	2004/05		2004/05	2005/06			2005/06
1. Administration	46 460	61 908	60 951	83 598	17 978	101 576	98 475
2. Strategic Policy Coordination and Integration	40 431	40 443	21 923	33 343	13 361	46 704	57 947
3. Policy Unit	52 989	46 260	58 872	56 489	20 246	76 735	72 807
4. Finance and Shareholder Management	605 825	1 406 774	1 405 287	727 376	16 200	743 576	740 227
5. Innovative Applications and Research	121 207	130 238	107 307	88 237	(35 065)	53 172	53 172
6. Presidential National Commission	8 288	8 288	9 593	28 460	(3 395)	25 065	20 062
Total	875 200	1 693 911	1 663 933	1 017 503	29 325	1 046 828	1 042 690

Economic classification

	202 462	247 254	229 927	247 141	46 605	293 746	290 248
Current payments							
Compensation of employees	70 538	70 783	68 849	79 111	12 591	91 702	89 039
Goods and services	131 924	176 471	161 065	168 030	34 014	202 044	201 209
Financial transactions in assets and liabilities	–	–	13	–	–	–	–
Transfers and subsidies	647 225	1 440 144	1 430 841	763 882	(17 500)	746 382	746 382
Provinces and municipalities	201	273	258	204	–	204	204
Departmental agencies and accounts	185 411	229 672	246 845	212 352	(1 000)	211 352	211 352
Universities and technikons	–	–	200	–	–	–	–
Public corporations and private enterprises	444 735	1 193 321	1 183 245	551 326	(16 500)	534 826	534 826
Non-profit institutions	16 878	16 878	200	–	–	–	–
Households	–	–	93	–	–	–	–
Payments for capital assets	25 513	6 513	3 165	6 480	220	6 700	6 060
Machinery and equipment	25 513	6 513	3 125	6 480	220	6 700	6 060
Software and intangible assets	–	–	40	–	–	–	–
Total	875 200	1 693 911	1 663 933	1 017 503	29 325	1 046 828	1 042 690

Table 26.B Summary of personnel numbers and compensation of employees

	Audited outcome			Adjusted appropriation	Medium-term expenditure estimates		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
A. Permanent and full-time contract employees							
Compensation (R thousand)	54 592	57 265	68 849	91 702	99 597	104 910	111 573
Unit cost (R thousand)	249	196	243	259	265	242	209
Compensation as % of total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Personnel numbers (head count)	219	292	283	354	376	433	534
Personnel numbers (head count)	30	30	23	1	–	–	–
Number of interns	44	61	57	–	–	–	–
Total for department							
Compensation (R thousand)	54 592	57 265	68 849	91 702	99 597	104 910	111 573
Unit cost (R thousand)	186	150	190	258	265	242	209
Personnel numbers (head count)	293	383	363	355	376	433	534

Table 26.C Summary of expenditure on training

	Audited outcome			Adjusted appropriation	Medium-term expenditure estimates		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Training and staff development							
Expenditure (R thousand)	2 715	2 473	3 506	3 327	3 093	3 400	3 603
Number of employees trained (head count)	141	57	130	185	-	-	-
Bursaries (employees)							
Expenditure (R thousand)	579	495	489	445	218	66	72
Number of employees (head count)	35	20	45	7	-	-	-
Total	3 294	2 968	3 995	3 772	3 311	3 466	3 675
Number of employees	176	77	175	192	-	-	-

Table 26.D Summary of official development assistance expenditure

Donor	Project	Cash/ kind	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
			2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
R thousand									
Local									
Sentech	ISSA student project		2 240	-	-	-	-	-	-
SA Post Office	ISSA student project		3 560	-	-	-	-	-	-
SETT-SETA	Law internship programme		-	500	-	-	-	-	-
Vodacom	ISSA student project		-	2 500	3 500	-	-	-	-
Total			5 800	3 000	3 500	-	-	-	-

Table 26.E Summary of expenditure on infrastructure

Description	Service delivery outputs			Adjusted appropriation	Medium-term expenditure estimate		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
R thousand							
Other large infrastructure projects (Over R20 million)							
SABC digital infrastructure	-	-	-	100 000	150 000	150 000	-
Emergency Call Centre	36 710	-	-	-	-	-	-
Total	36 710	-	-	100 000	150 000	150 000	-

