

NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER: 2384 [NW2975E]

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2384. Mrs J D Kilian (Cope) to ask the Minister of Finance:

- (1) Whether he has found that the SA Broadcasting Corporation (SABC) has honoured the terms and conditions set by government for the loan guarantee it granted the SABC in 2009; if not, what is the position in this regard; if so, what are the relevant details;
- (2) Whether the National Treasury intends to amend the terms and conditions of the guarantee; if not, why not; if so, what are the relevant details;
- (3) whether he has found that the SABC has implemented the necessary cost-cutting exercises, including a reduction in the head count; if not, what is the position in this regard; if so, what are the relevant details in each case;
- (4) whether a business plan for the 24-hour news channel has been presented to and approved by National Treasury; if not, what is the position in each case; if so, what are the relevant details in each case;
- (5) whether he has found that the SABC's 2012-13 budget includes provision for (a) the 24-hour news channel and (b) all (i) operational and (ii) capital costs associated with it; if not, what is the position in each case; if so, in each case, what amounts have been budgeted?

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REPLY:

- (1) The SABC's progress in achieving the four main conditions attached to the loan guarantee are provided below:

	Achieved	Relevant details
Develop a detailed turnaround plan.	Partially Achieved	The SABC's corporate plan encompassed an integrated turnaround plan. However, the corporate plan is being updated to align the budget with the Government Guarantee targets. Progress updates on turnaround initiatives are provided to the Monitoring Task Team (MTT).
Implementation plan for addressing issues raised in AG report.	Yes	The SABC has established a team that focuses on the implementation of the recommendation made the AG. The SABC has been implementing the recommendations. An implementation plan has been submitted to the MTT and, from time to time, progress reports are provided.
Cost cutting and revenue enhancement measures to be captured in the Shareholder's Compact.	No	The shareholder compact based on the revised corporate plan is still to be finalised.
Monitoring Task Team (MTT) to be established.	Yes	The MTT meets on a monthly basis with the SABC.

- (2) The SABC applied in March 2012 for an amendment of the government guarantee targets. After careful consideration this request was declined for the following reasons:

- The initial issues that were the cause of the financial stability at the SABC (cost escalations in excess of revenue growth) have not been adequately addressed.
- The downward revision in the targets increases the risk to government arising from the guarantee.
- The SABC needs to demonstrate progress in achieving the original targets to which it committed.

- (3) As the MTT reported in February 2012 to the Parliamentary Portfolio Committee on Communications, as at the 31st March 2011 the SABC had successfully implemented some of the revenue enhancement and cost cutting initiatives committed to under the government guarantee. In respect of people costs, the target was to reduce people costs to R1.476 billion by March 2011. This was not achieved. Following the submission of the audited financial statements on 31 August 2012 as per the PFMA, the audited performance up until 31 March 2012 is still being assessed. Details are provided below.

Cost cutting or revenue enhancement initiative	Targeted Measures	Comments
Advertising revenue enhancements	Increase by R535m by March 2013 (R178 by March 2011)	FY2009/10: R2.992bn versus target of R3.135bn FY2010/11: R3.569bn versus target of R3.501bn
Increased sponsorship revenue	Increase by R128m by March 2013 (R64 by March 11)	FY2009/10: R445m versus target of R512m FY2010/11: R483m versus target of R607m
Enhanced content management	Decrease by R336m by March 2013 (R0m for March 2011)	FY2010/11: R1.597bn versus target of R2.004bn
People costs	Decrease by R287m by March 2013 (R143m for March 2011)	FY2010/11: R1.753bn versus target of R1.476bn
Professional fees	Decrease by R136m by March 2013 (R68m for March 2011)	FY2009/10: R138m versus target of R191m FY2010/11: R167m versus target of R113m
Marketing	Increase by R42m by March 2013 (R42m for March 2011)	FY2009/10: R90m versus target of R182m FY2010/11: R108m versus target of R234m
Improved license fee collection (Revenue)	Increase by R46m by March 2013 (R23m for March 2011)	FY2009/10: R868m versus target of R865m FY2010/11: R872m versus target of R877m - R5m difference not significant

- (4) Although the business plan for the 24 hour news channel has been shared with the National Treasury, the financial aspects are still under consideration.
- (5) The SABC has been amending its Corporate Plan, which incorporates its budget, to reflect the targets agreed to under the government guarantee. The final Corporate Plan of the SABC is still to be submitted to the National Treasury.

In addition to the above, the SABC management must take credible measures to stop wasteful and ill-considered projects and expenditure. This is not the time for vanity projects. Not when this country faces fiscal constraints.