

Estimates of Public Expenditure

2009

Communications

**National Treasury
Republic of South Africa**



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The *Estimates of Public Expenditure 2009* booklet for each vote is compiled with the latest available information from departmental and other sources. Some of this information is unaudited or subject to revision. In certain instances, factual or numerical errors or inaccuracies published in the main Estimates of National Expenditure 2009 have been corrected in this version. In this version, more comprehensive coverage of transfers, public entities and lower level institutional information is provided where applicable. The “information contained in each chapter” section of the main Estimates of National Expenditure 2009 provides details on the content and structure of the discussion on each vote.

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Vote 24

Communications

Budget summary

R thousand	2009/10				2010/11	2011/12
	Total to be appropriated	Current payments	Transfers and subsidies	Payments for capital assets	Total	Total
MTEF allocation						
Administration	152 290	149 417	118	2 755	159 946	168 646
ICT International Affairs and Trade	45 624	41 241	3 000	1 383	48 710	51 417
ICT Policy Development	94 171	54 939	37 783	1 449	178 500	188 847
ICT Enterprise Development	1 392 652	18 288	1 373 878	486	1 585 689	1 564 726
ICT Infrastructure Development	548 085	87 333	458 500	2 252	255 585	111 105
Presidential National Commission	34 041	32 919	–	1 122	35 966	38 039
Total expenditure estimates	2 266 863	384 137	1 873 279	9 447	2 264 396	2 122 780
Executive authority	Minister of Communications					
Accounting officer	Director-General of Communications					
Website address	www.doc.gov.za					

Aim

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

Programme purposes

Programme 1: Administration

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

Programme 2: Information and Communication Technology International Affairs and Trade

Purpose: Give effect to South Africa's foreign policy on ICT related matters by prioritising Africa's development. Establish a dynamic, effective and mutually beneficial multi-stakeholder partnership in the ICT sector that is reflective of, and responsive to South Africa's policy priorities.

Programme 3: Information and Communication Technology Policy Development

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

Programme 4: Information and Communication Technology Enterprise Development

Purpose: Oversee and manage government's shareholding interests in public entities, in a manner that improves the capacity of the state to deliver on its mandate and support the speedy attainment of national strategic goals and priorities. Ensure, through the use of ICTs, the development and promotion of the small, medium and micro enterprises sector.

Programme 5: Information and Communication Technology Infrastructure Development

Purpose: Ensure the development of robust, reliable, secure and affordable ICT infrastructure that supports and enables the provision of a multiplicity of applications and services to meet the diverse needs of the broader South African population.

Programme 6: Presidential National Commission

Purpose: Provide timely and informed advice to the Presidency on all matters related to the development of an inclusive information society. Facilitate the development of an integrated information society in South Africa by promoting the realisation of the country's information society vision.

Strategic overview: 2005/06 – 2011/12

The Department of Communications develops and implements policy interventions that create an enabling ICT environment. This should help government advance its development agenda, with the objective of making South Africa a global leader in harnessing ICT for socioeconomic development. In support of this aim, the department has identified five key strategic goals:

- contribute to creating favourable conditions for an accelerated and shared growth of the South African economy through the development and implementation of ICT policies and strategies that positively impact on the wellbeing of all South Africans
- ensure that ICT infrastructure is robust, reliable, affordable and secure to meet the needs of the country and its people
- accelerate the socioeconomic development of South African society by increasing access to, as well as the uptake and use of, ICT through partnerships with business, civil society and the three spheres of government
- improve the capacity of state owned ICT enterprises as the delivery arms of government
- contribute to building an inclusive information society globally by prioritising Africa's development.

Strategic policy and regulatory interventions

Change in ICT sector facilitated by Electronic Communications Act (2005)

The department has facilitated the completion of a number of strategic interventions in the ICT sector since 2005/06. The promulgation of the Electronic Communications Act in 2005 creates a legal framework for change in the ICT sector. The act provides for the convergence of the ICT sector and the removal of barriers to entry for new players, thus increasing competition, reducing the cost to communicate, enabling technology neutral licensing, and informing managed liberalisation. As a critical milestone in the implementation of the act, the Independent Communications Authority of South Africa completed the conversion of existing telecommunications and broadcasting licences to new electronic communications network services or electronic communications service type licences in January 2009.

Local loop unbundling

The policy directive on local loop unbundling was issued by the Minister of Communications in 2007. The local loop is the final connection between homes and businesses and their relevant telecommunications exchanges. This network infrastructure is currently owned by Telkom. Local loop unbundling refers to the process of opening up access to the network to other service providers to promote competition and increase innovation within the sector. Due to the current technological changes in the industry, research is being undertaken to find the optimal way of implementing the local loop unbundling directive in line with chapter 10 of the Electronic Communications Act (2005).

Broadcasting digital migration policy

The broadcasting digital migration policy was approved by Cabinet in August 2008. This policy guides the country in migrating from analogue to digital broadcasting, thus ensuring the efficient use of frequency

spectrum. The policy has informed the development of a draft set-top-box manufacturing sector development strategy. This manufacturing strategy outlines the country's vision for building the domestic capacity to manufacture set-top-boxes including discussing how, when and where manufacturing will take place and what incentives will be provided to households. The strategy will be finalised in the first half of 2009 after extensive consultation with relevant stakeholders.

Accelerated rollout of broadband

Increasing access to broadband is critical to sustainable socioeconomic development. A draft municipal and provincial broadband policy was developed in 2008, following consultation with provinces, some metropolitan municipalities and a number of local municipalities. This policy is aimed at creating an enabling environment that will intensify broadband rollout and provide affordable and accessible broadband to all citizens.

Radio frequency spectrum policy

The radio frequency spectrum supports essential communication services such as mobile, wireless, satellite communications, broadcasting, radio location, radio navigation, defence and other safety and security applications. The radio frequency spectrum use policy was developed in November 2008 and is aimed at providing the Independent Communications Authority of South Africa with appropriate guidelines for conducting annual reviews of the national radio frequency plan. The main aim of these reviews is to promote the rational, economical, efficient and effective use of the radio frequency spectrum by keeping pace with the rapid evolution of new technologies and services within the framework of the broader sector.

Information society and development plan

As part of the implementation of the information society and development plan, the department has developed a medium to long term information society and development cluster work programme, linking the medium term strategic framework with the World Summit on Information Society targets for 2015.

Infrastructure related developments

The technical specifications for ICT infrastructure during the 2010 FIFA World Cup have been finalised and signed off between the Department of Communications, FIFA and the FIFA local organising committee. Telkom and Sentech have also completed their design and implementation plans for the infrastructure. Service provider contracts have been concluded with Sentech and Telkom, and the implementation of both the satellite and fixed network connectivity is on track.

Extensive work has already been done nationally and in partnership with other governments on the continent to provide access to broadband connectivity in line with the objectives of the New Partnership for Africa's Development (NEPAD). This work has culminated in the adoption of the protocol on the policy and regulatory framework for the NEPAD ICT broadband infrastructure network for Eastern and Southern Africa (the Kigali Protocol).

Focus over the medium term

Over the medium term, the department will:

- ensure that 2010 ICT guarantees are met within the prescribed timeframes
- implement the information society and development plan, at national and provincial levels, starting with the establishment of information society hubs around the Dinaledi schools precinct using available resources
- facilitate the construction of a submarine cable, covering the east and west coast of Africa. The Uhurunet cable will expand access continental and international broadband connectivity in line with NEPAD objectives and principles
- develop a cyber security framework and establish the computer security incident response team
- prioritise work on functional literacy, e-skills development, self employment focusing on small, medium and micro-enterprises and cooperatives, broad based black economic empowerment (BEE) and youth development
- finalise the municipal and provincial broadband policy by March 2010

- issue policy directives to the South African Post Office on the rollout of postal addresses to prioritised areas
- table the Post Bank Bill, which will serve as enabling legislation for facilitating the corporatisation of the Post Bank.

Selected performance and operations indicators

Table 24.1 Communications

Indicator	Programme	Past			Current	Projections		
		2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Total number of PC broadband subscribers in South Africa ¹	ICT Policy Development	160 001	366 415	780 594	1.5 million (estimated)	2 million	3 million	4 million
Number of broadband subscribers per 100 people ¹	ICT Policy Development	–	–	–	1.7	3	5	8
Number of stadiums for 2009 FIFA Confederations Cup and 2010 FIFA World Cup linked to Telkom core network	ICT Infrastructure Development	–	–	–	–	4	10	–
Percentage readiness for service of the NEPAD submarine cable project	ICT International Affairs and Trade	–	–	–	25%	50%	75%	100%
Total number of community radio stations provided with broadcasting infrastructure	ICT Policy Development	–	–	45	35	45	50	60
Number of women in the construction sector listed on the e-commerce construction web portal each year	ICT Enterprise Development	–	–	–	–	900	900	1200
Number of ICT position papers developed for international engagement each year	ICT International Affairs and Trade	–	–	–	8	5	5	5
Number of young people who participated in the national youth information society and development programme each year	Presidential National Commission	–	–	830	2 120	2 500	2 500	2 500
Number of e-cooperatives established to increase entry of youth owned small enterprises into the ICT sector each year	Presidential National Commission	–	–	46	96	100	100	100

1. The department's 2008 study to benchmark South Africa with comparator countries (Brazil, Chile, India, Malaysia and South Korea) is being used to develop a programme of action to improve quality, availability, usage and cost of communication, which will be finalised in 2009. A consultative process will lead to detailed indicators and targets for the next MTEF period, and the targets given here are likely to be amended in line with this.

Expenditure estimates

Table 24.2 Communications

Programme	Audited outcome			Adjusted appropriation	Revised estimate	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09		2009/10	2010/11	2011/12
R thousand								
1. Administration	122 410	160 915	143 478	146 810	135 810	152 290	159 946	168 646
2. ICT International Affairs and Trade	41 661	39 592	37 448	41 249	54 249	45 624	48 710	51 417
3. ICT Policy Development	74 197	77 310	60 572	76 992	76 992	94 171	178 500	188 847
4. ICT Enterprise Development	705 437	960 833	1 573 895	1 329 370	1 327 370	1 392 652	1 585 689	1 564 726
5. ICT Infrastructure Development	68 311	57 598	69 094	690 476	690 476	548 085	255 585	111 105
6. Presidential National Commission	22 409	23 349	27 291	46 612	46 612	34 041	35 966	38 039
Total	1 034 425	1 319 597	1 911 778	2 331 509	2 331 509	2 266 863	2 264 396	2 122 780
Change to 2008 Budget estimate				607 904	607 904	560 221	490 457	401 366

Table 24.2 Communications (continued)

R thousand	Audited outcome			Adjusted appropriation	Revised estimate	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09		2009/10	2010/11	2011/12
Economic classification								
Current payments	268 359	304 621	310 963	373 814	373 814	384 137	410 244	432 258
Compensation of employees	88 362	99 010	97 707	127 897	127 897	148 197	155 331	163 292
Goods and services	179 892	197 201	213 191	245 917	245 917	235 940	254 913	268 966
<i>of which:</i>								
Administrative fees	286	1 076	1 061	32 849	32 849	2 181	2 294	2 402
Advertising	4 535	7 734	10 613	16 533	16 533	18 423	19 380	20 292
Assets less than R5 000	1 180	2 074	2 885	2 989	2 989	3 347	3 522	3 686
Audit costs: External	–	–	2 059	1 820	1 820	1 915	2 014	2 589
Bursaries: Employees	216	239	308	815	815	984	1 031	1 083
Catering: Departmental activities	859	843	2 525	3 396	3 396	4 613	4 854	5 083
Communication	6 728	6 784	6 942	6 870	6 870	8 648	10 672	10 883
Computer services	1 155	4 088	10 678	2 629	2 629	2 831	3 266	3 607
Consultants and professional services:	20 499	11 839	18 673	73 443	73 443	48 325	43 451	34 719
Business and advisory services								
Consultants and professional services:	931	727	931	260	260	537	564	591
Legal costs								
Contractors	21 947	10 155	17 545	12 613	12 613	13 437	15 405	15 629
Agency and support / outsourced services	22 259	21 285	15 316	2 968	2 968	13 642	15 851	16 885
Entertainment	267	100	75	155	155	175	183	192
Inventory: Fuel, oil and gas	–	–	–	–	–	21	22	23
Inventory: Learner and teacher support material	–	–	–	50	50	67	70	73
Inventory: Materials and supplies	6	136	310	7	7	7	8	8
Inventory: Medical supplies	32	–	1	1	1	–	–	–
Medsas inventory interface	–	–	–	–	–	1	1	1
Inventory: Other consumables	6	30	6 851	69	69	74	79	82
Inventory: Stationery and printing	3 539	5 590	5 180	3 733	3 733	5 443	5 825	6 321
Lease payments	13 216	19 785	38 276	15 814	15 814	18 310	20 263	23 610
Owned and leasehold property expenditure	1 852	2 181	7 742	11 942	11 942	12 063	13 698	14 743
Transport provided: Departmental activities	–	–	154	–	–	–	–	–
Travel and subsistence	26 747	29 676	35 463	23 613	23 613	30 475	32 817	34 256
Training and development	13 895	16 143	3 655	3 806	3 806	4 453	4 685	4 904
Operating expenditure	29 905	49 391	13 265	6 748	6 748	19 593	26 281	37 792
Venues and facilities	9 832	7 325	12 683	22 794	22 794	26 375	28 677	29 512
Financial transactions in assets and liabilities	105	8 410	65	–	–	–	–	–
Transfers and subsidies	754 601	1 006 493	1 592 345	1 949 537	1 949 537	1 873 279	1 843 833	1 679 563
Provinces and municipalities	323	63	75	–	–	–	–	–
Departmental agencies and accounts	224 052	277 501	324 565	344 977	344 977	377 206	625 867	714 621
Universities and technikons	100	–	–	–	–	–	–	–
Public corporations and private enterprises	529 026	724 854	1 264 386	1 601 360	1 601 360	1 493 073	1 214 466	961 242
Foreign governments and international organisations	–	1 439	1 178	700	700	–	–	–
Non-profit institutions	100	2 100	2 044	2 500	2 500	3 000	3 500	3 700
Households	1 000	536	97	–	–	–	–	–
Payments for capital assets	11 465	8 483	8 470	8 158	8 158	9 447	10 319	10 959
Machinery and equipment	8 844	8 311	8 205	8 158	8 158	9 447	10 319	10 959
Software and other intangible assets	2 621	172	265	–	–	–	–	–
Total	1 034 425	1 319 597	1 911 778	2 331 509	2 331 509	2 266 863	2 264 396	2 122 780

Expenditure trends

Expenditure increased from R1 billion in 2005/06 to R2.3 billion in 2008/09, at an average annual rate of 31.1 per cent, driven by the transfer payments to the public entities. Transfers to public corporations increase from R529 million to R1.6 billion between 2005/06 and 2008/09, rising at an average annual rate of 44.7 per cent. This increase is driven by: the additional allocation of R500 million to Sentech for the national wireless broadband network in 2007/08 and an additional R600 million in 2008/09 for the last mile access network between 2010 FIFA World Cup stadiums and the Telkom national network.

Compensation of employees increases from R88.4 million in 2005/06 to R127.9 million in 2008/09 due to the filling of vacant positions in the department and the consolidation of the organisational structure to support the implementation of the Electronic Communications Act (2005) and the information society and development plan. Over the same period, the increase in expenditure on goods and services rises from R179.9 million to R245.9 million at an average annual rate of 11 per cent, driven mainly by additional expenditure incurred in 2008/09 for: consultants for the implementation of the information society and development plan; additional expenditure on goods and services to implement the third apex priority project, which is aimed at speeding up ICT interventions; the development of an electronic document management system for the department; and technical services for ICT development in small, medium and micro enterprises (SMMEs).

Abnormal expenditure of R38.3 million on lease payments in 2007/08 includes an amount of R16 million refunded to the Department of Public Works for an incorrect allocation of property management funds to the Department of Communications.

Furthermore, funds amounting to R11 million were shifted from the *Administration* programme to the *ICT International Affairs and Trade* programme in 2008/09 to fund the hosting of the world telecommunication standardisation assembly in October 2008.

Over the medium term, expenditure decreases from R2.3 billion in 2008/09 to R2.1 billion in 2011/12, at a negative average annual rate of 3.1 per cent, mostly driven by the changes in the composition of transfers and subsidies. As the implementation of ICT infrastructure for the 2010 FIFA World Cup nears completion, allocations for this project are expected to decrease to R450 million in 2009/10 and to R150 million in 2010/11 in the *ICT Infrastructure Development* programme. Nonetheless, over the MTEF period, transfers to departmental agencies and accounts increase from R377.2 million to R714.6 million, comprising, among others:

- additional allocations of R105 million (R10 million in 2009/10, R40 million in 2010/11, R55 million in 2011/12) to the Universal Service and Access Agency of South Africa
- R400 million (R180 million in 2010/11 and R220 million in 2011/2012) to the Universal Service and Access Fund for the subsidisation of set-top-boxes.

Savings and reprioritisation

In aggregate, over the medium term, savings of R13.6 million, R14.3 million and R17.8 million have been identified under goods and services expenditure.

Infrastructure spending

The department's expenditure on infrastructure is limited to its transfers to public entities, which undertake infrastructure development.

Mega projects

In 2007/08, R500 million was allocated to Sentech for the national wireless broadband network. R450 million has been allocated in 2009/10 and R150 million in 2010/11 for ICT infrastructure related projects for the 2010 FIFA World Cup.

Large projects

Sentech is allocated R160 million, R161 million and R159 million over the MTEF period for the digitisation of the signal distribution infrastructure. A further R100 million for 2009/10 has been allocated to Sentech to fund the infrastructure related projects for the 2010 FIFA World Cup.

Small projects

R55 million has been allocated to the Universal Service and Access Agency and the Universal Service and Access Fund to build capacity and procure the necessary supporting infrastructure to expand ICT access to South Africans in the under serviced areas. R30 million was allocated to the Independent Communications Authority of South Africa to strengthen its monitoring capability and procure any capital equipment required.

Departmental receipts

Total departmental receipts increased from R2.1 billion in 2005/06 to R3.2 billion in 2008/09. Most of the receipts under goods and services relate to administration fees collected by the Independent Communications Authority of South Africa from telecommunications operators and the South African Post Office licence fees which are paid directly into the National Revenue Fund. Dividends from the shareholding interests in Telkom SA Ltd amounted to R2.2 billion, which represents the sum of ordinary and special dividends declared in 2007/08. Receipts are expected to stabilise over the MTEF period.

Table 24.3 Departmental receipts

R thousand	Audited outcome			Adjusted estimate	Revised estimate	Medium-term receipts estimate		
	2005/06	2006/07	2007/08	2008/09		2009/10	2010/11	2011/12
Departmental receipts	2 143 642	2 613 835	3 007 442	3 218 929	3 218 929	3 311 237	3 408 474	3 510 535
Sales of goods and services produced by department	1 311 952	1 568 047	1 760 132	1 848 139	1 848 139	1 940 545	2 037 572	2 139 450
Sales of scrap, waste, arms and other used current goods	2	51	62	-	-	-	-	-
Transfers received	110	360	942	-	-	-	-	-
Fines, penalties and forfeits	-	962	-	-	-	-	-	-
Interest, dividends and rent on land	830 977	1 038 619	1 245 453	1 369 840	1 369 840	1 370 006	1 370 181	1 370 364
Sales of capital assets	20	20	5	296	296	-	-	-
Financial transactions in assets and liabilities	581	5 776	848	654	654	686	721	721
Extraordinary receipts	1 035 240	828 190	1 035 238	-	-	-	-	-
Special dividends: Telkom	1 035 240	828 190	1 035 238	-	-	-	-	-
Total	3 178 882	3 442 025	4 042 680	3 218 929	3 218 929	3 311 237	3 408 474	3 510 535

Programme 1: Administration

Expenditure estimates

Table 24.4 Administration

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
R thousand							
Minister ¹	837	885	952	1 612	1 709	1 811	1 913
Deputy Minister ¹	625	654	702	1 328	1 407	1 492	1 575
Management	29 901	32 181	30 458	38 960	41 598	43 747	45 341
Operations	86 625	110 621	106 505	99 249	101 301	105 965	112 431
Property Management	4 422	16 574	4 861	5 661	6 275	6 931	7 386
Total	122 410	160 915	143 478	146 810	152 290	159 946	168 646
Change to 2008 Budget estimate				-	(3 214)	(3 434)	(4 576)

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

Table 24.4 Administration (continued)

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Economic classification							
Current payments	113 391	153 296	137 446	144 195	149 417	156 828	165 204
Compensation of employees	41 406	47 940	48 966	54 936	62 975	65 850	69 318
Goods and services	71 880	105 297	88 415	89 259	86 442	90 978	95 886
<i>of which:</i>							
Administrative fees	55	327	470	341	359	377	395
Advertising	2 420	5 576	7 748	13 830	14 654	15 416	16 141
Assets less than R5 000	879	936	1 978	1 489	1 567	1 649	1 726
Audit costs: External	–	–	2 059	320	337	354	371
Bursaries: Employees	80	96	132	340	358	373	394
Catering: Departmental activities	496	479	1 094	2 850	2 998	3 154	3 303
Communication	2 549	2 468	3 023	3 613	3 593	3 573	3 553
Computer services	898	2 869	9 781	2 123	2 233	2 537	2 844
Consultants and professional services: Business and advisory services	4 029	56	1 950	8 079	5 634	5 375	4 283
Consultants and professional services: Legal costs	931	661	931	–	–	–	–
Contractors	5 469	4 382	6 135	8 554	8 499	9 063	8 989
Agency and support / outsourced services	759	649	493	2 486	2 615	2 751	2 881
Entertainment	165	47	45	125	132	138	145
Inventory: Materials and supplies	5	43	300	7	7	8	8
Inventory: Medical supplies	32	–	1	1	–	–	–
Medsas inventory interface	–	–	–	–	1	1	1
Inventory: Other consumables	5	21	6 810	38	40	42	44
Inventory: Stationery and printing	2 009	2 893	2 892	2 762	2 906	3 057	3 200
Lease payments	6 032	17 778	20 329	12 623	13 279	13 970	16 620
Owned and leasehold property expenditure	486	665	6 575	10 967	11 037	11 994	12 559
Transport provided: Departmental activities	–	–	153	–	–	–	–
Travel and subsistence	8 088	7 998	9 093	9 341	7 397	7 487	7 827
Training and development	11 300	14 776	1 704	2 239	2 355	2 478	2 594
Operating expenditure	22 581	40 032	2 144	402	893	1 861	3 099
Venues and facilities	2 612	2 545	2 575	6 729	5 548	5 320	4 909
Financial transactions in assets and liabilities	105	59	65	–	–	–	–
Transfers and subsidies	1 343	508	313	113	118	125	225
Provinces and municipalities	155	27	75	–	–	–	–
Departmental agencies and accounts	–	–	105	113	118	125	225
Universities and technikons	100	–	–	–	–	–	–
Non-profit institutions	100	–	44	–	–	–	–
Households	988	481	89	–	–	–	–
Payments for capital assets	7 676	7 111	5 719	2 502	2 755	2 993	3 217
Machinery and equipment	7 392	6 994	5 454	2 502	2 755	2 993	3 217
Software and other intangible assets	284	117	265	–	–	–	–
Total	122 410	160 915	143 478	146 810	152 290	159 946	168 646

Table 24.4 Administration (continued)

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Details of transfers and subsidies							
Provinces and municipalities							
Municipalities							
Municipal bank accounts							
Current	155	27	75	-	-	-	-
Regional Services Council levies	155	27	69	-	-	-	-
Vehicle licences	-	-	6	-	-	-	-
Departmental agencies and accounts							
Departmental agencies (non-business entities)							
Current	-	-	105	113	118	125	225
Information System, Electronics and Communication Technologies Authority	-	-	105	113	118	125	225
Universities and technikons							
Current	100	-	-	-	-	-	-
University of Witwatersrand	100	-	-	-	-	-	-
Non-profit institutions							
Current	100	-	44	-	-	-	-
Internet Service Providers Association: Space Resource Centre	100	-	-	-	-	-	-
Joint Initiative on Priority Skills Acquisition: Sponsorship	-	-	44	-	-	-	-
Households							
Social benefits							
Current	795	-	89	-	-	-	-
Leave gratuity	795	-	-	-	-	-	-
Donations and gifts, employee benefits, payments / refunds and remissions as an act of grace	-	-	89	-	-	-	-
Households							
Other transfers to households							
Current	193	481	-	-	-	-	-
Donations and gifts	193	481	-	-	-	-	-

Expenditure trends

Expenditure increased from R122.4 million in 2005/06 to R146.8 million in 2008/09, at an average annual rate of 6.2 per cent. Expenditure rises steadily over the medium term to R168.6 million in 2011/12, at an average annual rate of 4.7 per cent. Expenditure on compensation of employees is expected to rise from R54.9 million in 2008/09 to R69.3 million in 2011/2012 at an average annual rate of 8.1 per cent due to the restructuring of the department.

The decrease between 2006/07 and 2007/08 from R160.9 million to R143.5 million is due to the incorrect allocation of an additional R18 million towards property management by the Department of Public Works and the completion of the refurbishment of the department's offices.

The 31.2 per cent decrease between 2005/06 and 2008/09 on capital payments is due to the reallocation of funds relating to the IT unit, which was moved from the *Administration* programme to the *ICT Infrastructure Development* programme.

Programme 2: ICT International Affairs and Trade

- *International Affairs* coordinates the functions and responsibilities of the department to meet South Africa's international ICT obligations. Funding is for membership fees to international ICT organisations, and participation in multilateral forums.
- *ICT Trade/Partnerships* develops and advances South African interests in international trade forums through participation in World Trade Organisation ICT related initiatives and other international trade agreements.

The subprogramme also promotes the interests of the South African ICT sector and developing countries through these forums. Funding is mainly used for compensation of employees, and related expenditure on goods and services.

Objectives and measures

- Support economic development and promote an inclusive information society by implementing a stepped India-Brazil-South-Africa information society plan with specific action plans by March 2010.
- Strengthen the African Agenda in the ICT sector by:
 - facilitating and coordinating the 6 planning meetings for the Uhurunet undersea cable by 2009/10
 - rolling out the NEPAD e-schools business plan in 2009/10.
- Promote development in Africa through African multilateral and bilateral ICT programmes by facilitating the signing of 4 memorandums of understanding by 2009/10.

Service delivery and spending focus

South Africa is one of the signatories to the protocol on the policy and regulatory framework for the NEPAD ICT broadband infrastructure network for Eastern and Southern Africa, which came into effect in February 2008. A ministerial meeting of the signatory countries was held in October 2007, and an agreement was reached on the construction of an international submarine cable (Uhurunet) that will encircle the African continent, as well as a terrestrial cable (Umojanet) that will interconnect all African countries.

Since April 2008, the interim management of Baharicom, the company that will own Uhurunet, the NEPAD e-Africa Commission and the Department of Communications have had separate meetings with various parties to secure their financial commitment and joint collaboration. It is expected that a supply contract will be ready in early 2009. Over the medium term, the department will prioritise activities, such as coordination meetings and multilateral engagements aimed at facilitating the development and construction of the Uhurunet cable, as part of its efforts to expand broadband connectivity and usage.

South Africa also chaired the African support committee for the 2008 Universal Postal Union congress and was elected to the Postal Operations Council of the union. In October 2008, South Africa hosted the world telecommunications standardisation assembly.

South Africa continues to participate in the NEPAD e-schools demonstration project, which pilots the use of ICTs within the education sector to improve teaching methods and prepare students for participation in an inclusive information society. 6 schools are currently participating in the e-schools demonstration project. In addition, South Africa hosted the 2008 NEPAD e-schools conference in Johannesburg, where 7 resolutions aimed at the rollout of the business plan were adopted. Over the medium term, the department will extend the rollout of the NEPAD e-schools, and the number of schools to be connected will be determined with the Department of Education, based on the available budget.

Expenditure estimates

Table 24.5 ICT International Affairs and Trade

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
R thousand							
International Affairs	19 511	27 093	30 933	22 221	24 446	26 130	27 123
ICT Trade / Partnerships	6 400	4 182	6 446	19 028	21 178	22 580	24 294
Postal Regulator	15 750	8 317	69	–	–	–	–
Total	41 661	39 592	37 448	41 249	45 624	48 710	51 417
Change to 2008 Budget estimate				–	(1 280)	(1 222)	(1 511)

Table 24.5 ICT International Affairs and Trade (continued)

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Economic classification							
Current payments	41 351	35 945	34 155	37 126	41 241	43 697	46 090
Compensation of employees	12 010	12 979	8 560	12 397	14 321	15 124	15 732
Goods and services	29 341	22 966	25 595	24 729	26 920	28 573	30 358
<i>of which:</i>							
Administrative fees	–	121	46	–	–	–	–
Advertising	952	1 088	421	650	684	719	753
Assets less than R5 000	119	74	44	123	129	136	143
Bursaries: Employees	84	25	52	170	179	188	197
Catering: Departmental activities	184	151	79	80	84	89	93
Communication	857	974	1 124	773	813	855	896
Computer services	30	147	7	101	106	112	117
Consultants and professional services: Business and advisory services	7 821	3 303	1 663	8 077	7 472	7 285	6 227
Consultants and professional services: Legal costs	–	4	–	210	221	232	243
Contractors	2 815	613	640	80	84	89	93
Agency and support / outsourced services	781	934	119	132	139	146	153
Entertainment	38	17	5	–	–	–	–
Inventory: Learner and teacher support material	–	–	–	50	53	55	58
Inventory: Materials and supplies	–	1	–	–	–	–	–
Inventory: Other consumables	–	–	21	6	6	7	7
Inventory: Stationery and printing	621	1 567	266	330	347	365	382
Lease payments	2 208	363	392	562	591	622	651
Owned and leasehold property expenditure	203	237	17	–	–	–	–
Travel and subsistence	7 292	8 434	4 669	5 629	5 742	6 027	6 293
Training and development	332	540	257	170	179	188	197
Operating expenditure	418	2 917	9 143	6 005	9 115	10 200	12 314
Venues and facilities	4 586	1 456	6 629	1 581	976	1 258	1 541
Transfers and subsidies	41	3 451	3 184	3 200	3 000	3 500	3 700
Provinces and municipalities	41	6	–	–	–	–	–
Foreign governments and international organisations	–	1 439	1 178	700	–	–	–
Non-profit institutions	–	2 000	2 000	2 500	3 000	3 500	3 700
Households	–	6	6	–	–	–	–
Payments for capital assets	269	196	109	923	1 383	1 513	1 627
Machinery and equipment	269	196	109	923	1 383	1 513	1 627
Total	41 661	39 592	37 448	41 249	45 624	48 710	51 417

Details of transfers and subsidies

Provinces and municipalities							
Municipalities							
Municipal bank accounts							
Current	41	6	–	–	–	–	–
Regional Services Council levies	41	6	–	–	–	–	–
Foreign governments and international organisations							
Current	–	1 439	1 178	700	–	–	–
International Telecommunications Union	–	1 439	1 178	700	–	–	–
Non-profit institutions							
Current	–	2 000	2 000	2 500	3 000	3 500	3 700
New Partnership for Africa's Development e-Africa Commission	–	2 000	2 000	2 500	3 000	3 500	3 700
Households							
Other transfers to households							
Current	–	6	6	–	–	–	–
Households	–	6	6	–	–	–	–

Expenditure trends

Expenditure decreased from R41.7 million in 2005/06 to R41.2 million in 2008/09, at a negative average annual rate of 0.3 per cent, due to the gradual transfer of the Postal Regulator along with its staff and associated operating expenses to the Independent Communications Authority of South Africa. It is set to increase steadily over the medium term from R41.2 million in 2008/09 to R51.4 million in 2011/12 at an average annual rate of 7.6 per cent.

Transfers and subsidies increase from R41 000 in 2005/06 to R3.2 million in 2008/09 due to transfers for NEPAD to fund its ICT initiatives and to the International Telecommunication Union in line with the memorandum of understanding.

The 43.8 per cent increase between 2005/06 and 2008/09 in the *ICT Trade /Partnership* subprogramme is due to additional allocations for the expansion of the ICT trade partnership unit. The 50.8 per cent growth in capital assets over the same period was due to expenditure on equipment for the expansion of the ICT trade partnership unit.

Programme 3: ICT Policy Development

- *ICT Policy Development* drafts legislation, regulations, policy and guidelines that govern the broadcasting, telecommunications, postal and IT sectors, thus ensuring broad based economic development within the ICT sector. Funding is used for compensation of employees and operational expenses.
- *Economic Analysis, Market Modelling and Research* is responsible for economic analysis of the broadcasting, telecommunications, postal and IT sectors to determine trends and make growth projections. The subprogramme also undertakes market research to explore areas which require policy intervention. Funding is used for compensation of employees, and related expenditure in goods and services.
- *ICT Uptake and Usage* ensures that the ICT industry adheres to and implements policy and legislation, and undertakes research to determine the extent to which policies are being implemented in the broadcasting, telecommunications, postal and IT sectors.
- *Intergovernmental Relations* builds, restores and fosters relationships within the three spheres of government.
- *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 South African Broadcasting Corporation and other entities for producing programmes with local content on issues relating to youth, women, children, the disabled, and HIV and AIDS, for commercial and community radio stations.

Objectives and measures

- Contribute to the reduction of the cost of communications by developing policies and implementing the programme of action aimed to achieve 25 per cent improvement in the cost, quality, availability and usage of ICTs by March 2010.
- Broaden participation in the economy and increase universal service and access by ensuring that 50 per cent of South African homes have individual postal addresses by March 2010.
- Improve access to and modernise broadcasting services in South Africa by facilitating the implementation of the broadcasting digital migration policy to ensure a smooth transition from analogue to digital broadcasting by November 2011.
- Contribute to the development of a competitive electronics manufacturing industry by participating in finalising the set-top-box manufacturing strategy, which aims to ensure that the set-top-boxes are locally manufactured, by March 2009.

Service delivery and spending focus

The digital broadcasting signal was switched on in November 2008 and the analogue broadcasting signal will be switched off in November 2011. During 2008, Cabinet approved the broadcasting digital migration policy,

which among others informs the retention of sufficient spectrum for the provision of public channels to cater for education, health, government services, regional television, sports, SMMEs and young people.

Cabinet agreed that, in addition to receiving the digital signal, the set-top-boxes will be designed to enable the delivery of e-government services directly to the South African public. In 2008, Cabinet also approved a scheme for ownership support of the set-top-boxes for poor households. The department has successfully established an office to manage the implementation of the broadcasting digital migration policy, known as the Digital Dzunga. Over the medium term, the department will continue to implement initiatives in support of broadcasting digital migration. Over the medium term, this programme will focus on rolling out the broadcasting digital migration policy and associated activities, including the implementation of the set-top-box manufacturing strategy.

The ICT skills development strategy was finalised in 2008. The South African e-Skills Council, a body that advises the Presidency on the shortage of ICT skills, tabled a report outlining the ICT skills gap based on a supply and demand analysis.

Expenditure estimates

Table 24.6 ICT Policy Development

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
R thousand							
ICT Policy Development	24 658	31 015	35 884	28 619	34 174	36 056	37 995
Economic Analysis, Market Modelling and Research	2 601	1 603	1 017	6 056	6 442	6 884	7 311
ICT Uptake and Usage	178	278	2 506	6 683	6 680	7 367	7 820
Intergovernmental Relations	5 505	5 874	5 697	8 574	9 092	9 643	10 058
South African Broadcasting Corporation: Community Radio Stations	10 255	10 746	–	12 060	12 783	13 550	14 363
South African Broadcasting Corporation: Programme Production	31 000	27 794	15 468	15 000	25 000	105 000	111 300
Total	74 197	77 310	60 572	76 992	94 171	178 500	188 847
Change to 2008 Budget estimate				(15 000)	(1 499)	(1 624)	(2 084)

Economic classification

	32 644	38 300	43 508	48 596	54 939	58 368	61 484
Current payments							
Compensation of employees	9 065	10 724	12 239	17 800	20 570	21 622	22 485
Goods and services	23 579	19 225	31 269	30 796	34 369	36 746	38 999
of which:							
Administrative fees	21	5	22	30 796	21	22	23
Advertising	937	529	1 062	–	926	973	1 020
Assets less than R5 000	42	48	223	–	202	214	222
Bursaries: Employees	3	12	40	–	126	133	139
Catering: Departmental activities	81	59	52	–	1 041	1 095	1 147
Communication	2 438	2 410	1 133	–	1 824	1 920	1 920
Computer services	–	–	98	–	66	69	73
Consultants and professional services: Business and advisory services	2 786	4 127	5 451	–	7 606	7 406	5 873
Consultants and professional services: Legal costs	–	62	–	–	263	277	290
Contractors	3 502	285	25	–	668	703	736
Agency and support / outsourced services	304	226	–	–	–	–	–
Entertainment	17	13	9	–	–	–	–
Inventory: Materials and supplies	–	1	–	–	–	–	–
Inventory: Other consumables	1	2	9	–	2	2	2
Inventory: Stationery and printing	302	253	601	–	1 516	1 594	1 892
Lease payments	1 755	113	15 334	–	1 675	1 762	1 845
Owned and leasehold property expenditure	122	144	49	–	–	–	–
Travel and subsistence	3 477	4 271	4 595	–	8 309	8 723	9 111
Training and development	160	123	181	–	450	473	495
Operating expenditure	6 637	6 199	1 789	–	4 785	6 011	8 612
Venues and facilities	994	343	596	–	4 889	5 369	5 599
Financial transactions in assets and liabilities	–	8 351	–	–	–	–	–

Table 24.6 ICT Policy Development (continued)

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Economic classification							
Transfers and subsidies	41 301	38 697	15 470	27 060	37 783	118 550	125 663
Provinces and municipalities	36	10	–	–	–	–	–
Public corporations and private enterprises	41 255	38 540	15 468	27 060	37 783	118 550	125 663
Non-profit institutions	–	100	–	–	–	–	–
Households	10	47	2	–	–	–	–
Payments for capital assets	252	313	1 594	1 336	1 449	1 582	1 700
Machinery and equipment	252	313	1 594	1 336	1 449	1 582	1 700
Total	74 197	77 310	60 572	76 992	94 171	178 500	188 847
Details of transfers and subsidies							
Provinces and municipalities							
Municipalities							
Municipal bank accounts							
Current	36	10	–	–	–	–	–
Regional Services Council levies	36	10	–	–	–	–	–
Public corporations and private enterprises							
Public corporations							
Other transfers							
Current	41 255	38 540	15 468	27 060	37 783	118 550	125 663
South African Broadcasting Corporation: Community radio stations	10 255	10 746	–	12 060	12 783	13 550	14 363
South African Broadcasting Corporation: Programme production	31 000	27 794	15 468	15 000	25 000	105 000	111 300
Non-profit institutions							
Current	–	100	–	–	–	–	–
Donations and gifts	–	100	–	–	–	–	–
Households							
Other transfers to households							
Current	10	47	2	–	–	–	–
Households	10	47	2	–	–	–	–

Expenditure trends

Expenditure increased from R74.2 million in 2005/06 to R77 million in 2008/09 at an average annual rate of 1.2 per cent. However, this growth rate masks a number of significant changes that occur within this programme. Expenditure on the *ICT Uptake and Usage* and the *Economic Analysis, Market Modelling and Research* subprogrammes increases at an average annual growth rate of 32.5 per cent and 234.9 per cent, driven by the filling of vacant posts and associated operational costs.

Expenditure on the *South African Broadcasting Corporation: Community Radio Stations* subprogramme is nil in 2007/08 because an amount of R2.7 million was shifted and a virement of R4.9 million was made. The remaining amount of R3.7 million was surrendered to the National Revenue Fund. Compensation of employees increases from R9.1 million in 2005/06 to R17.8 million in 2008/09 at an average annual rate of 25.2 per cent due to more posts being filled.

Expenditure rises more rapidly over the medium term from R77 million in 2008/09 to R188.8 million in 2011/12 at an average annual rate of 34.9 per cent. This is mainly due to the additional allocation of R70 million to the *South African Broadcasting Corporation: Programme Production* subprogramme, which grows at an average annual rate of 95 per cent over the MTEF period. The shifting of the intergovernmental relations unit from the *ICT International Affairs and Trade* programme increases expenditure within the overall programme from 2008/09 onwards.

Programme 4: ICT Enterprise Development

- *Public Entity Oversight* oversees state owned enterprises to improve government's capacity to deliver on its mandate, and effectively manages government's shareholder interests in public enterprises in a manner that supports the speedy attainment of national goals and priorities. Funding is provided on the basis of annual business plans and shareholder compacts.
- *Small Medium and Micro Enterprise Development* promotes the development of the small, medium and micro enterprises sector through the use of ICTs. Funding is disbursed on the basis of project plans.

Objectives and measures

- Promote good governance in public entities by undertaking corporate governance reviews and monitoring compliance with corporate governance protocols and the applicable legislation in all 5 public entities every year.
- Promote sustainable economic development in the ICT sector by aligning the business and investment plans of public entities with the strategic objectives of the department by analysing corporate plans and signing shareholder compacts every year.
- Improve the performance of public entities in the ICT sector by monitoring the implementation of their business and investment plans by analysing quarterly performance reports, annual reports and other ad hoc reports during the course of every year.
- Promote sound financial management practices in public entities by continually monitoring expenditure on projects funded by the fiscus and assessing their financial sustainability by analysing quarterly financial reports, annual financial statements and other ad hoc reports during the course of every year.
- Facilitate the growth and development of SMMEs and improve their sustainability by ensuring that 4 000 enterprises have access to and use ICTs by March 2010.

Service delivery and spending focus

The department commissioned an independent review of corporate governance in the National Electronic Media Institute of South Africa and the Universal Service and Access Agency of South Africa to ensure the effective functioning of public entity corporate governance structures in August 2008. This will be followed by corporate governance reviews of the South African Broadcasting Corporation and Sentech in 2009/10.

Board complements of all public entities are monitored continually, and reports on members' terms of office have been submitted to the departmental executive committee. The department facilitated the appointment of board members for .za Domain Name Authority, Telkom, Sentech, the Universal Service and Access Agency of South Africa, the National Electronic Media Institute of South Africa and the South African Post Office, as well as the appointment of non-executive and executive members of Telkom, Sentech, the South African Post Office and the South African Broadcasting Corporation.

A strategy aiming to build capacity within SMMEs through the use of ICT was developed in 2007/08. In 2008/09, 5 SMME development projects were initiated in the construction, tourism, arts and crafts sectors. Over the medium term, the *Small Medium and Micro Enterprise Development* subprogramme aims to extend its support to this type of enterprise in other sectors of the economy.

Over the medium term, the department will support the digitisation of Sentech transmitter infrastructure and the rollout of the national wireless broadband network.

Expenditure estimates

Table 24.7 ICT Enterprise Development

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
R thousand							
Public Entity Oversight	705 437	960 833	1 570 372	1 320 286	1 382 883	1 575 171	1 554 125
Small Medium and Micro Enterprise Development	–	–	3 523	9 084	9 769	10 518	10 601
Total	705 437	960 833	1 573 895	1 329 370	1 392 652	1 585 689	1 564 726
Change to 2008 Budget estimate				7 904	119 368	350 541	414 469

Table 24.7 ICT Enterprise Development (continued)

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Economic classification							
Current payments	2 108	2 461	6 990	17 258	18 288	15 006	15 687
Compensation of employees	2 004	1 985	2 655	5 291	6 095	6 581	6 845
Goods and services	104	476	4 335	11 967	12 193	8 425	8 842
<i>of which:</i>							
Administrative fees	104	476	–	1 409	1 482	1 559	1 632
Advertising	–	–	300	525	552	581	608
Assets less than R5 000	–	–	12	205	216	226	238
Audit costs: External	–	–	–	1 500	1 578	1 660	2 218
Catering: Departmental activities	–	–	7	120	126	133	139
Communication	–	–	98	295	275	275	275
Computer services	–	–	–	34	36	38	39
Consultants and professional services: Business and advisory services	–	–	–	5 312	4 955	1 746	1 187
Contractors	–	–	3 644	6	6	7	7
Agency and support / outsourced services	–	–	–	350	368	387	693
Entertainment	–	–	–	30	32	33	35
Inventory: Other consumables	–	–	–	20	21	22	23
Inventory: Stationery and printing	–	–	138	209	220	231	242
Lease payments	–	–	6	102	107	113	118
Transport provided: Departmental activities	–	–	1	–	–	–	–
Travel and subsistence	–	–	91	716	546	658	636
Training and development	–	–	38	160	168	177	185
Operating expenditure	–	–	–	50	808	106	125
Venues and facilities	–	–	–	924	697	473	442
Transfers and subsidies	703 329	958 316	1 566 878	1 311 664	1 373 878	1 570 158	1 548 475
Provinces and municipalities	6	1	–	–	–	–	–
Departmental agencies and accounts	215 552	272 001	317 960	337 364	368 588	624 242	712 896
Public corporations and private enterprises	487 771	686 314	1 248 918	974 300	1 005 290	945 916	835 579
Payments for capital assets	–	56	27	448	486	525	564
Machinery and equipment	–	56	27	448	486	525	564
Total	705 437	960 833	1 573 895	1 329 370	1 392 652	1 585 689	1 564 726
Details of transfers and subsidies							
Provinces and municipalities							
Municipalities							
Municipal bank accounts							
Current	6	1	–	–	–	–	–
Regional Services Council levies	6	1	–	–	–	–	–
Departmental agencies and accounts							
Departmental agencies (non-business entities)							
Current	215 552	272 001	317 960	337 364	368 588	624 242	712 896
Independent Communications Authority of South Africa	150 489	201 538	234 475	247 272	269 607	300 923	328 378
National Electronic Media Institute of South Africa	18 163	19 199	29 658	25 303	29 059	35 302	37 420
Universal Service and Access Agency of South Africa	17 500	20 100	21 105	30 208	33 495	69 404	86 168
Universal Service Fund	29 400	31 164	32 722	34 581	36 427	218 613	260 930
Public corporations and private enterprises							
Public corporations							
Subsidies on production or products							
Current	300 000	351 439	363 800	521 600	383 092	406 077	430 442
South African Post Office: Subsidy	300 000	351 439	363 800	521 600	383 092	406 077	430 442

Table 24.7 ICT Enterprise Development (continued)

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Details of transfers and subsidies							
Public corporations and private enterprises							
Public corporations							
Other transfers							
Current	180 071	234 875	239 118	252 700	262 179	268 910	126 137
South African Broadcasting Corporation: Channel Africa	29 616	31 393	32 962	34 834	36 694	38 896	41 230
South African Broadcasting Corporation: Public broadcaster	150 455	203 482	206 156	217 866	225 485	230 014	84 907
Capital	7 700	100 000	646 000	200 000	360 019	270 929	279 000
Sentech: East African submarine cable system	–	–	21 000	–	–	–	–
Sentech: Digitisation	7 700	100 000	125 000	–	260 019	270 929	279 000
Sentech: National Wholesale Broadband Network	–	–	500 000	–	–	–	–
Sentech: 2010 FIFA World Cup	–	–	–	200 000	100 000	–	–

Expenditure trends

Expenditure increased from R705.4 million in 2005/06 to R1.3 billion in 2008/09 at an average annual rate of 23.5 per cent. Expenditure remains fairly stable throughout the medium term, growing at an average annual rate of 5.6 per cent. The 63.8 per cent increase between 2006/07 and 2007/08 was due to the additional allocation of R500 million to Sentech for the national wireless broadband network. Over the MTEF period, expenditure increases are driven by additional allocations to Sentech:

- for 2010 FIFA World Cup infrastructure, amounting to R200 million in 2008/09 and R100 million in 2009/10
- a further allocation of R330 million over the MTEF period for the envisaged increased operational expenditure during the dual illumination period (when digital and analogue broadcasting signals exist concurrently).

The high average annual growth rates between 2005/06 and 2008/09 in goods and services (386.4 per cent) and of compensation of employees (38.2 per cent) is for capacitating the new *Small Medium and Micro Enterprise Development* subprogramme to deliver on the SMME strategy.

Public entities

National Electronic Media Institute of South Africa

Strategic overview: 2005/06 – 2011/12

The National Electronic Media Institute of South Africa was established as an education and learning institution to specialise in teaching production and technical skills for the television, radio and broadcasting industries. Formed as part of a government initiative in 1998, the institute's main purpose is to train previously disadvantaged individuals, particularly women, and equip them to play a significant role in the broadcasting sector.

The institute's mandate was broadened to address new market demands and opportunities in a converged technological environment in accordance with the institute's 2006 strategic approach. The repositioned institute launched its new study programme and content hub in February 2007.

In the initial period of its repositioning, the institute has been expanding its activities as it attempts to keep abreast of the demands of the very dynamic ICT environment. While the institute is progressively achieving its strategic objectives, rapid technological changes, the growing skills gaps and industry demands are impacting on it more than anticipated. These challenges will be addressed in the upcoming strategic plan.

Selected performance and operations indicators

Table 24.8 National Electronic Media Institute of South Africa

Indicator	Past			Current 2008/09	Projections		
	2005/06	2006/07	2007/08		2009/10	2010/11	2011/12
Number of students trained	120	180	187	357	715	966	1 568
Number of students trained in radio production	–	–	–	50	100	150	200
Number of students trained in television production	–	–	–	70	200	150	350
Number of students trained in graphic design	–	–	–	60	100	200	250
Number of students trained in animation	–	–	–	60	100	150	250
Number of students trained in broadcast engineering	–	–	–	60	100	200	250
Number of students trained telecommunications engineering	–	–	–	50	100	200	250
Number of students trained in content production	–	–	–	7	15	16	18

Service delivery and spending focus

In 2008/09, the National Electronic Media Institute of South Africa presented its new 12-month national certificate programme in radio production as well as the foundation course in graphic design for multimedia. Also for the first time, it presented its 18-month national certificate in television production, the 3-year diploma in animation and the 12-month learnership in broadcast engineering.

The full time Neotel Telecommunications Academy became operational after the successful 12-month pilot programme.

The institute has also acquired a training facility in Franschoek in Western Cape, which aims to develop computer literacy in the local community by transferring the basic skills to develop empowerment material for schools, church parishes and community organisations. The institute also aims to contribute to narrowing the widening skills gap in the fast developing and demanding ICT sector.

Table 24.9 National Electronic Media Institute of South Africa: Financial information

R thousand							
Statement of financial performance	Audited outcome			Revised estimate 2008/09	Medium-term estimate		
	2005/06	2006/07	2007/08		2009/10	2010/11	2011/12
Revenue							
Non-tax revenue	6 746	2 686	9 672	13 697	13 697	13 697	13 697
<i>Other non-tax revenue</i>	6 746	2 686	9 672	13 697	13 697	13 697	13 697
Transfers received	18 163	19 199	22 658	32 303	29 059	35 302	37 420
Total revenue	24 909	21 885	32 330	46 000	42 756	48 999	51 117
Expenses							
Current expense	22 349	23 115	31 035	47 295	42 756	48 999	51 117
Compensation of employees	5 234	7 391	12 432	19 555	20 924	22 598	24 632
Goods and services	14 293	13 142	15 877	23 971	18 156	23 069	23 208
Depreciation	2 822	2 582	2 726	3 769	3 676	3 333	3 277
Total expenses	22 349	23 115	31 035	47 295	42 756	48 999	51 117
Surplus / (Deficit)	2 560	(1 230)	1 295	(1 295)	–	–	–
Statement of financial position							
Carrying value of assets	6 799	7 925	6 453	5 684	5 547	5 327	5 163
<i>of which: Acquisition of assets</i>	1 314	3 708	1 585	3 000	3 540	3 113	3 113
Receivables and prepayments	14 994	2 651	7 250	3 000	6 000	4 000	4 000
Cash and cash equivalents	19 280	14 764	14 728	8 000	8 281	10 000	11 000
Total assets	41 073	25 340	28 431	16 684	19 828	19 327	20 163
Accumulated surplus / deficit	6 886	5 656	6 951	6 951	6 951	6 951	6 951
Borrowings	–	1 307	386	–	–	–	–
Trade and other payables	33 985	18 377	21 094	9 733	12 877	12 376	13 212
Provisions	202	–	–	–	–	–	–
Total equity and liabilities	41 073	25 340	28 431	16 684	19 828	19 327	20 163

Expenditure trends

The National Electronic Media Institute of South Africa's revenue consists mainly of transfers from the Department of Communications, interest received and sundry income. Total revenue increased from R24.9 million in 2005/06 to R46 million in 2008/09 at an average annual rate of 22.7 per cent. The total increase of R13.7 million is mainly due to the once-off R7 million received from the Department of Communications in 2007/08. Over the MTEF period, revenue is expected to increase from R46 million in 2008/09 to R51.1 million in 2011/12, at an average annual rate of 3.6 per cent.

Compensation of employees makes up 41 per cent of total expenditure in 2008/09 and grows at an average annual rate of 55.2 per cent between 2005/06 and 2008/09, which drives total expenditure growth of an average annual 28.4 per cent in the same period. This is why cash and short term deposits decline between 2005/06 and 2008/.

Expenditure and revenue are the same over the MTEF period.

Independent Communications Authority of South Africa

Strategic overview: 2005/06 – 2011/12

The Independent Communications Authority of South Africa was established in terms of the Independent Communications Authority of South Africa Act (2000). The Independent Communication Authority of South Africa Amendment Act (2005) provides for the incorporation of the Postal Regulator into the authority, while increasing the complement of councillors from seven to nine.

The strategic objectives of the authority over the medium term are to:

- encourage economic growth
- reduce the cost of doing business
- enable BEE
- increase access to basic services
- ensure the liberalisation of the sector
- strengthen regulation.

Selected performance and operations indicators

Table 24.10 The Independent Communications Authority of South Africa

Indicator	Past			Current 2008/09	Projections		
	2005/06	2006/07	2007/08		2009/10	2010/11	2011/12
Number of applications approved for spectrum licensing each year	4 514	5 700	5 800	5 800	6 500	5 600	5 700
Number of inspections conducted on broadcasting spectrum each year	520	661	810	1 200	1 200	1 200	1 200
Number of licences converted in line with Electronic Communications Act (2005) each year	–	–	–	1 300	–	–	–
Number of Electronic Communications Act licences issued each year	–	–	–	–	62	50	50
Number of postal and courier service issued each year	69	60	84	44	20	20	20
Number of regulations issued each year	4	5	8	11	18	12	11

Service delivery and spending focus

In 2008/09, the regulator granted 22 community radios licences, and 36 private telecommunications networks and 4 subscription broadcasting licences, registered 84 courier operators, granted amended licenses to SABC1, SABC2 and 6 commercial radio stations, and inspected 600 postal outlets and issued 72 contravention notices to outlets that failed to comply with set regulations.

The financial statements of mobile operators (Vodacom, MTN and Telkom) were analysed and the draft framework regulations for interconnection and facilities leasing were published.

To improve access to basic services, education and awareness activities were conducted in all provinces on number portability, consumer rights in communications and related issues. The following regulations promoting access to basic services were compiled: regulations for a code on people with disabilities, regulations for a code of conduct for electronic communications services and electronic communications network service licensees, and regulations on customer care standards for the South African Post Office.

The authority received 1 728 complaints and 1 038 were resolved.

As part of the sector liberalisation process, the authority compiled a list of existing market segments, and compiled findings on wholesale call termination. A competition regulatory framework was drafted and published. The authority also developed a satellite licensing framework and a regulatory framework for licensing satellite services and allocating radio frequency identification licences.

To strengthen its regulatory capacity, the authority compiled 60 broadcasting monitoring reports and conducted 81 broadcasting monitoring visits.

The implementation plan for internet access to public schools and further education training colleges from Vodacom, MTN, Cell C, Neotel, Sentech and WBS was developed. A further 4 701 education and training colleges and public schools were approved for internet connectivity.

Expenditure estimates

Table 24.11 The Independent Communications Authority of South Africa: Financial information

R thousand	Audited outcome			Revised estimate	Medium-term estimate		
Statement of financial performance	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Revenue							
Non-tax revenue	11 500	14 240	16 703	24 300	25 486	27 635	28 870
Sale of goods and services other than capital assets	–	3	–	–	–	–	–
<i>of which:</i>							
Administrative fees	–	3	–	–	–	–	–
Other non-tax revenue	11 500	14 237	16 703	24 300	25 486	27 635	28 870
Transfers received	159 174	190 878	212 843	247 272	269 607	300 923	328 378
Total revenue	170 674	205 118	229 546	271 572	295 093	328 558	357 248
Expenses							
Current expense	175 296	179 773	224 216	271 316	294 378	327 771	356 383
Compensation of employees	88 541	93 696	117 656	144 702	152 660	160 140	167 346
Goods and services	82 676	78 615	95 315	112 571	127 212	151 571	172 215
Depreciation	4 019	7 105	11 075	13 342	13 735	15 211	15 889
Interest, dividends and rent on land	60	357	170	701	771	849	933
Transfers and subsidies	1 261	947	463	650	715	787	865
Total expenses	176 557	180 720	224 679	271 966	295 093	328 558	357 248
Surplus / (Deficit)	(5 883)	24 398	4 867	(394)	–	–	–
Statement of financial position							
Carrying value of assets	41 221	49 228	70 262	74 687	97 013	110 562	134 807
<i>of which: Acquisition of assets</i>	5 682	15 000	33 201	20 232	37 500	30 000	41 374
Receivables and prepayments	4 349	4 961	11 471	11 000	10 000	10 000	10 000
Cash and cash equivalents	54 118	79 717	65 572	65 000	55 000	45 000	45 000
Total assets	99 688	133 906	147 305	150 687	162 013	165 562	189 807
Accumulated surplus / deficit	(38 215)	(13 817)	(8 950)	(9 344)	(9 344)	(9 344)	(9 344)
Capital and reserves	33 731	33 731	33 731	33 731	33 731	33 731	33 731
Borrowings	–	20 662	8 542	11 600	20 000	20 000	36 609
Trade and other payables	17 155	20 053	20 293	22 000	30 000	39 000	49 000
Provisions	10 213	8 231	7 010	10 429	15 089	19 000	18 000
Liabilities not classified elsewhere	76 804	65 046	86 679	82 272	72 537	63 175	61 812
Total equity and liabilities	99 688	133 906	147 305	150 687	162 013	165 562	189 807

Expenditure trends

The Independent Communications Authority of South Africa receives its revenue from transfers from the Department of Communications, administration and licence fees, and other sources such as the sale of capital assets.

Expenditure increased from R176.6 million in 2005/06 to R272 million in 2008/09 at an average annual rate of 15.5 per cent, mainly because of the conversion of licences in line with the Electronic Communications Act (2005) and capital expenditure to replace old engineering equipment and vehicles used for monitoring frequency spectrum. Capital expenditure increased by 11.3 per cent and 8.7 per cent in 2010/11 and 2011/12 for acquiring engineering and IT equipment to replace old equipment.

Expenditure in 2009/10 is expected to increase by 8.5 per cent to R295.1 million because of activities related to digitising broadcasting signal infrastructure, reducing communication costs for the 2010 FIFA World Cup, and strengthening the regulatory function to facilitate competition and consumer awareness in the ICT sector.

Universal Service and Access Agency of South Africa and Universal Service and Access Fund

Strategic overview: 2005/06 – 2011/12

The Universal Service and Access Agency is an independent entity that has been mandated to define universal access and identify underserved areas. Its initial mandate was in the now repealed Telecommunications Act (1996) and is redefined in the current Electronic Communications Act (2005). The agency's strategy is evolving to enable it to deliver on its mandate, which is mainly to provide strategic advice to the Ministry of Communications and to play a leading role in promoting universal access to communications and services for the poor and monitor national efforts to this effect. The agency has oversight over the Universal Service and Access Fund, which is responsible for disbursing subsidies to underserved area licence holders. The agency is the accounting authority for the fund.

The fund's key strategic priorities are to:

- make ICTs available, accessible and affordable to all South Africans, in collaboration with stakeholders in the ICT sector
- undertake continuous research on universal service and access issues to inform policy and regulatory processes
- monitor and evaluate the extent to which universal services and access have been achieved to assess the impact of this component of the Electronic Communications Act (2005).

As the agency's focus has shifted away from implementing access projects to facilitating and coordinating the efforts of role players in the ICT sector, it has become aware of duplications, which result in unintended inefficiencies. The agency must resolve these and institute mitigating measures.

Selected performance and operations indicators

Table 24.12 Universal Service and Access Agency

Indicator	Activity / Objective / Programme / Project	Past			Current	Projections		
		2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Number of access centres subsidised	Community access centres	90	154	154	155	174	194	214
Number of cyberlab projects	Infrastructure for schools and further education and training institutes	234	235	239	265	285	305	325
Number of operators subsidised each year	Communications networks in underserved areas	1	3	3	2	0	1	1
Number of schools with internet connectivity	Infrastructure for schools and further education and training institutes	89	89	89	203	285	305	325
Number of further education and training colleges with internet connectivity	Infrastructure for schools and further education and training institutes	0	0	18	18	36	50	50
Number of trained access centre personnel each year	Community access centres	51	69	200	100	200	200	200

Service delivery and spending focus

In 2007/08, the Universal Service and Access Agency had a fully functional board for the first time. The newly formed research and policy subcommittee will provide guidance on research and policy advisory strategies and processes to ensure the alignment of the agency's functions and mandate with the provisions of the Electronic Communications Act.

Two pilot projects, on ICT kiosks in 15 community access centres and the Mindset educational programme in 15 schools, were implemented in various provinces. The ownership model for community access centres and their sustainability was reviewed, and plans are at an advanced stage to hand the centres over to entrepreneurs and other stakeholders, such as municipalities. There are plans to deploy more cyberlabs in Dinaledi schools (schools with a special focus on mathematics and science) in partnership with the Department of Education.

A memorandum of understanding was signed with Microsoft to ensure that ICT training centres are accredited.

Among other policy work, the policy research unit published a consultative framework on the proposed definitions of universal service and universal access, and proposed criteria for the definition of needy persons and the determinations of under-serviced areas.

Expenditure estimates

Table 24.13 Universal Service and Access Agency of South Africa: Financial information

R thousand	Audited outcome			Revised estimate	Medium-term estimate		
Statement of financial performance	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Revenue							
Non-tax revenue	98	123	–	–	–	–	–
<i>Other non-tax revenue</i>	98	123	–	–	–	–	–
Transfers received	17 500	20 100	21 105	30 208	33 495	69 404	86 168
Total revenue	17 598	20 223	21 105	30 208	33 495	69 404	86 168
Expenses							
Current expense	17 838	18 449	22 870	26 830	34 120	69 661	86 329
Compensation of employees	5 995	8 378	10 868	16 100	20 013	27 849	33 653
Goods and services	11 419	9 725	11 235	9 541	12 933	40 706	52 257
Depreciation	424	341	709	1 144	1 174	1 106	419
Interest, dividends and rent on land	–	5	58	45	–	–	–
Total expenses	17 838	18 449	22 870	26 830	34 120	69 661	86 329
Surplus / (Deficit)	(240)	1 774	(1 765)	3 378	(625)	(257)	(161)
Statement of financial position							
Carrying value of assets	564	2 280	3 242	2 339	1 592	936	856
<i>of which: Acquisition of assets</i>	142	2 057	2 014	241	427	450	339
Receivables and prepayments	57	384	377	267	267	267	267
Cash and cash equivalents	393	136	830	3 242	3 544	4 136	4 209
Total assets	1 014	2 800	4 449	5 848	5 403	5 339	5 332
Accumulated surplus / deficit	(572)	1 203	(563)	2 815	2 190	1 933	1 772
Trade and other payables	1 010	1 087	2 145	2 230	2 349	2 490	2 603
Provisions	576	510	572	600	700	800	900
Liabilities not classified elsewhere	–	–	2 295	203	164	116	57
Total equity and liabilities	1 014	2 800	4 449	5 848	5 403	5 339	5 332

Table 24.14 Universal Service and Access Fund: Financial information

R thousand	Audited outcome			Revised estimate	Medium-term estimate		
	2005/06	2006/07	2007/08		2008/09	2009/10	2010/11
Statement of financial performance							
Revenue							
Non-tax revenue	3 261	2 122	3 671	2 423	364	386	404
<i>Other non-tax revenue</i>	3 261	2 122	3 671	2 423	364	386	404
Transfers received	29 400	31 164	32 722	34 581	36 427	218 613	260 930
Total revenue	32 661	33 286	36 393	37 004	36 791	218 999	261 334
Expenses							
Current expense	71 415	32 320	57 999	38 878	36 791	218 999	261 334
Goods and services	71 415	32 320	57 999	38 878	36 791	218 999	261 334
Total expenses	71 415	32 320	57 999	38 878	36 791	218 999	261 334
Surplus / (Deficit)	(38 754)	966	(21 606)	(1 874)	-	-	-
Statement of financial position							
Receivables and prepayments	1 269	6	2 063	-	-	-	-
Cash and cash equivalents	25 718	26 979	3 412	3 700	3 961	4 000	4 100
Total assets	26 987	26 985	5 475	3 700	3 961	4 000	4 100
Accumulated surplus/deficit	22 514	23 480	1 874	-	-	-	-
Trade and other payables	4 473	3 505	3 601	3 700	3 961	4 000	4 100
Total equity and liabilities	26 987	26 985	5 475	3 700	3 961	4 000	4 100

Expenditure trends

The revenue of both the Universal Service and Access Agency of South Africa and the Universal Service and Access Fund comes from ICT industry levies via government transfers.

The fund's expenditure declined from R71.4 million in 2005/06 to R38.9 million in 2008/09, at an average annual rate of 18.3 per cent. The decline relates to the fund's reprioritisation of projects and the shift of focus away from the community access centre programme. Expenditure is expected to increase to R261.3 million in 2011/12, at an average annual rate of 88.7 per cent over the MTEF period as a result of a new mandate for the fund to subsidise set-top-boxes to poor households as part of the digital migration process.

The agency's expenditure over the medium term is expected to increase from R26.8 million in 2008/09 to R86.3 million in 2011/12. This is driven mainly by growth in compensation of employees, which reaches R33.7 million in 2011/12, increasing at an average annual rate of 27.9 per cent over the MTEF period. Compensation of employees increases as the agency builds its capacity to implement ICT connectivity to schools and community centres, which is funded by the Universal Service and Access Fund.

Programme 5: ICT Infrastructure Development

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

Objectives and measures

- Ensure that the allocation of the radio frequency spectrum is in the national interest and promotes diversity by developing a national radio frequency spectrum policy, taking into account the decisions of the International Telecommunications Union's world radio communication conference, by March 2010.
- Create favourable conditions for the accelerated and shared growth of the South African economy by ensuring an increase in the access, uptake and usage of ICT by implementing a municipal and provincial broadband policy by March 2010.

- Increase universal access to ICTs by facilitating connectivity to 20 per cent of municipalities, schools and local houses of traditional leaders by March 2010.
- Monitor and evaluate the implementation of the government ICT guarantees for the 2010 FIFA World Cup, specifically the primary and secondary fibre optic cable links, satellite uplink connectivity and international connectivity, by December 2009.
- Contribute to building confidence and security in the use of ICTs and an enabling environment to maximise investment in the ICT sector by completing the cyber security framework in 2009/10.

Service delivery and spending focus

The government spectrum user's advisory committee was established in 2008 and a consultative meeting was convened with the National Intelligence Agency, national communication centres, the Independent Communications Authority of South Africa and the department, in the first half of 2007/08. The aim of the meeting was to initiate the process of incorporating government frequency spectrum requirements into the national frequency plan. Over the medium term, the department will contribute to the establishment of a government frequency spectrum advisory group.

A draft policy on national spectrum usage was developed in 2008 and will be finalised once all stakeholder inputs are incorporated. The policy aims to ensure that a coordinated national approach to spectrum usage exists, set conditions for the availability and efficient use of radio spectrum through various services, and provide a greater degree of predictability and certainty to current and future stakeholders about the use of the spectrum.

The refurbishment project of the international broadcast centre was formally launched in April 2008. The project is on track for the handover to FIFA in January 2010. An adequately equipped model of the international broadcast centre will be established at Coca Cola Park in Johannesburg for the 2009 FIFA Confederations Cup.

The department conducted an analysis of the preparations and budgets of host stadiums for the provisioning of their basic versus overlay IT and telecommunications infrastructure requirements in the second quarter of 2008/09. The technical and funding requirements for basic IT and telecommunications infrastructure for host stadiums have also been established.

To ensure the operational readiness of ICT infrastructure, the department established a national telecommunications infrastructure committee with FIFA and the local organising committee. The purpose of this structure is to monitor and report to FIFA on the progress of ICT infrastructure upgrades. A 2010 legacy plan, which details how specific ICT projects developed for the event will benefit the country afterwards, was also developed and approved in 2008.

Expenditure estimates

Table 24.15 ICT Infrastructure Development

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
R thousand							
Applications and Research	44 986	28 213	42 992	658 040	512 854	225 750	79 480
Meraka Institute	7 000	4 000	5 000	6 000	7 000	–	–
112 Emergency Call Centre	14 825	23 885	19 602	24 936	26 731	28 335	30 125
.za Domain Name Authority	1 500	1 500	1 500	1 500	1 500	1 500	1 500
Total	68 311	57 598	69 094	690 476	548 085	255 585	111 105
Change to 2008 Budget estimate				600 000	447 465	146 853	(4 151)
Economic classification							
Current payments	57 097	51 665	61 976	81 008	87 333	101 604	107 070
Compensation of employees	14 507	15 061	15 862	23 479	27 955	29 321	31 160
Goods and services	42 590	36 604	46 114	57 529	59 378	72 283	75 910
<i>of which:</i>							
Administrative fees	106	1	9	50	53	56	59
Advertising	203	434	809	140	147	155	162
Assets less than R5 000	75	759	379	347	365	384	402
Bursaries: Employees	49	91	31	255	268	282	295
Catering: Departmental activities	48	113	117	335	352	371	388

Table 24.15 ICT Infrastructure Development (continued)

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Economic classification							
Current payments	57 097	51 665	61 976	81 008	87 333	101 604	107 070
Communication	647	685	1 030	1 884	1 862	3 611	3 781
Computer services	122	941	216	257	270	284	297
Consultants and professional services: Business and advisory services	2 001	1 035	5 013	31 004	17 706	16 904	14 366
Consultants and professional services: Legal costs	–	–	–	50	53	55	58
Contractors	6 910	4 742	6 742	3 903	4 106	5 466	5 723
Agency and support / outsourced services	19 832	18 866	13 925	–	10 520	12 567	13 158
Entertainment	28	17	11	–	11	12	12
Inventory: Fuel, oil and gas	–	–	–	–	21	22	23
Inventory: Learner and teacher support material	–	–	–	–	14	15	15
Inventory: Materials and supplies	1	91	9	–	–	–	–
Inventory: Other consumables	–	6	11	5	5	6	6
Inventory: Stationery and printing	383	326	322	173	182	191	200
Lease payments	3 160	1 383	1 912	2 467	2 595	3 730	4 306
Owned and leasehold property expenditure	1 040	1 135	1 101	975	1 026	1 704	2 184
Travel and subsistence	5 208	5 011	12 549	2 996	3 294	4 465	4 675
Training and development	1 669	539	277	195	205	216	226
Operating expenditure	219	194	173	166	3 355	6 895	9 982
Venues and facilities	889	235	1 478	12 327	12 968	14 892	15 592
Transfers and subsidies	8 558	5 514	6 500	607 500	458 500	151 500	1 500
Provinces and municipalities	56	12	–	–	–	–	–
Departmental agencies and accounts	8 500	5 500	6 500	7 500	8 500	1 500	1 500
Public corporations and private enterprises	–	–	–	600 000	450 000	150 000	–
Households	2	2	–	–	–	–	–
Payments for capital assets	2 656	419	618	1 968	2 252	2 481	2 535
Machinery and equipment	350	364	618	1 968	2 252	2 481	2 535
Software and other intangible assets	2 306	55	–	–	–	–	–
Total	68 311	57 598	69 094	690 476	548 085	255 585	111 105
Details of transfers and subsidies							
Provinces and municipalities							
Municipalities							
Municipal bank accounts							
Current	56	12	–	–	–	–	–
Regional Services Council levies	56	12	–	–	–	–	–
Departmental agencies and accounts							
Departmental agencies (non-business entities)							
Current	8 500	5 500	6 500	7 500	8 500	1 500	1 500
.za Domain Name Authority	1 500	1 500	1 500	1 500	1 500	1 500	1 500
Meraka Institute	7 000	4 000	5 000	6 000	7 000	–	–
Public corporations and private enterprises							
Public corporations							
Other transfers							
Capital	–	–	–	600 000	450 000	150 000	–
Telkom: 2010 FIFA World Cup	–	–	–	600 000	450 000	150 000	–
Households							
Other transfers to households							
Current	2	2	–	–	–	–	–
Households	2	2	–	–	–	–	–

Expenditure trends

Expenditure in this programme increases from R68.3 million in 2005/06 to R690.5 million in 2008/09 at an average annual rate of 116.2 per cent due to the additional allocation of R600 million for the last mile network between stadium venues and the Telkom national network, funded from the *Application and Research* subprogramme. Expenditure is expected to decrease at a negative average annual rate of 45.6 per cent. This decline is because of the phasing out of the 2010 FIFA World Cup allocations. Spending in the *112 Emergency Call Centre* subprogramme increases from R14.8 million in 2005/06 to R24.9 million in 2008/09 at an average annual rate of 18.9 per cent as modalities for establishing a national 112 emergency call centre are investigated. Consulting fees increase from R5 million in 2007/08 to R31 million in 2008/09 due to the shift of the department's IT function from the *Administration* programme to the *Application and Research* subprogramme. This increase is also attributable to the development of an electronic document management system for the department.

The 314.1 per cent increase between 2005/06 and 2008/09 in transfers and subsidies and the subsequent decrease of 86.5 per cent over the MTEF period was due to a once-off allocation of R600 million in 2008/09 for the transfer to Telkom to fund the ICT access network (ICT infrastructure for the 2010 FIFA World Cup). An additional R450 million and R150 million have been allocated for 2009/10 and 2010/11 for the implementation of the ICT guarantee.

Programme 6: Presidential National Commission

- *Planning, Coordination and Evaluation* is responsible for ensuring that South Africa has proactive and progressive national plans on information society and development, with sectoral, provincial and local government components. It coordinates the implementation of the national information society and development plan and ensures that related policies, legislation and programmes are well integrated, complementary and aligned.
- *Information Society and Development Cluster* supports the effective and efficient functioning of the information society and development institutional mechanisms, such as the interministerial committee on information society and development, the information society and development intergovernmental relations forum, the Forum of South African Directors-General information society and development cluster, and the intergovernmental relations forum technical committee.
- *e-Applications* facilitates the implementation of information society related projects and programmes to attain the sectoral targets of the information society and development plan and maximise the benefits of the information society for the development of women, children, youth, people with disabilities, as well as poor communities. Funding is disbursed on the basis of project plans.
- *Presidential National Commission Operations* provides responsive, timely and comprehensive strategic and administrative support aimed at strengthening the Presidential National Commission on information society and development as a knowledge driven organisation. Funding is mainly used for compensation of employees, and related expenditure on goods and services.

Objectives and measures

- Coordinate the building of an information society in South Africa by facilitating and monitoring the implementation of 15 of the 40 identified information society and development programme projects by 2009/10.
- Ensure that the information society and development programme is aligned with the outcomes of the World Summit on the Information Society by participating in the annual follow up meetings.
- Facilitate the integration of the World Summit on the Information Society outcomes into the Forum of South African Directors-General information society and development cluster's programme of action by disseminating information, advocating policy proposals and providing secretariat support at all 10 cluster meetings in 2009/10.
- Measure the impact of the implementation of the information society and development programme by publishing the e-barometer, which measures the improvement in ICT connectivity in various sectors, by March 2010.

Service delivery and spending focus

During 2007/08, the Presidential National Commission on information society and development facilitated the successful establishment of the Forum of South African Directors-General cluster on information society and development and its eight subcommittees. The department provided administrative and secretariat support to the forum. Over the medium term, the programme will focus on coordinating the implementation of the information society and development plan by engaging with relevant clusters within government to ensure that projects are implemented within prescribed deadlines. Moreover, the commission will align the plan with the World Summit on the Information Society outcomes by participating in the annual follow up meetings.

The information society and development intergovernmental relations forum held its first meeting in May 2008 in North West and its second meeting in November 2008 in Limpopo. The structure is chaired by the Minister of Communications and co-chaired by the Minister of Public Service and Administration, as part of the institutional mechanisms for building an inclusive information society.

The national youth information society and development programme comprises three projects aimed at empowering young people. These are e-cooperatives, a national digital repository for cultural heritage, and youth e-literacy.

The youth e-cooperatives initiative was implemented in 2 phases. During phase 1 of the project, which started in 2007, 46 e-cooperatives were successfully established with about 460 young people as beneficiaries from all 9 provinces. 1 200 young people were recruited in all provinces during phase 2 of the project, which was implemented in 2008. The following key deliverables were achieved:

- 500 young people have undergone training on basic ICT skills at the Tshwane University of Technology
- The Small Enterprise Development Agency has provided pre-incorporation skills and introduction to business and financial management skills to these young people
- Approximately 50 e-cooperatives were registered between April and December 2008.

In 2007, the youth e-literacy programme was registered as a national youth service project with the national youth service unit of the Presidency. In December 2007, 377 young people participated in the e-literacy training provided by the Tshwane University of Technology. The project has managed to deploy the trainees to do community service in health institutions in Northern Cape, North West and Limpopo. Trainees were also sent to Dinaledi schools in Eastern Cape, Free State, Gauteng, KwaZulu-Natal and Mpumalanga.

20 young people, initially trained by the National Electronic Media Institute of South Africa, developed the national digital repository portal on cultural heritage. The North West chapter of the national digital repository was launched just before the information society and development intergovernmental relations forum in May 2008.

Expenditure estimates

Table 24.16 Presidential National Commission

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
R thousand							
Planning, Coordination and Evaluation	22 409	12 468	12 879	16 694	13 043	13 805	14 572
e-Applications	–	1 368	5 465	13 905	4 439	4 737	4 822
ISAD Cluster	–	1 630	1 470	3 779	4 288	4 520	5 005
PNC Operations	–	7 883	7 477	12 234	12 271	12 904	13 640
Total	22 409	23 349	27 291	46 612	34 041	35 966	38 039
Change to 2008 Budget estimate				15 000	(619)	(657)	(781)

Table 24.16 Presidential National Commission (continued)

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Economic classification							
Current payments	21 768	22 954	26 888	45 631	32 919	34 741	36 723
Compensation of employees	9 370	10 321	9 425	13 994	16 281	16 833	17 752
Goods and services	12 398	12 633	17 463	31 637	16 638	17 908	18 971
<i>of which:</i>							
Administrative fees	–	146	514	253	266	280	293
Advertising	23	107	273	1 388	1 460	1 536	1 608
Assets less than R5 000	65	257	249	825	868	913	955
Bursaries: Employees	–	15	53	50	53	55	58
Catering: Departmental activities	50	41	1 176	11	12	12	13
Communication	237	247	534	305	281	438	458
Computer services	105	131	576	114	120	226	237
Consultants and professional services: Business and advisory services	3 862	3 318	4 596	20 971	4 952	4 735	2 783
Contractors	3 251	133	359	70	74	77	81
Agency and support / outsourced services	583	610	779	–	–	–	–
Entertainment	19	6	5	–	–	–	–
Inventory: Other consumables	–	1	–	–	–	–	–
Inventory: Stationery and printing	224	551	961	259	272	387	405
Lease payments	61	148	303	60	63	66	70
Owned and leasehold property expenditure	1	–	–	–	–	–	–
Travel and subsistence	2 682	3 962	4 466	4 931	5 187	5 457	5 714
Training and development	434	165	1 198	1 042	1 096	1 153	1 207
Operating expenditure	50	49	16	125	637	1 208	3 660
Venues and facilities	751	2 746	1 405	1 233	1 297	1 365	1 429
Transfers and subsidies	29	7	–	–	–	–	–
Provinces and municipalities	29	7	–	–	–	–	–
Payments for capital assets	612	388	403	981	1 122	1 225	1 316
Machinery and equipment	581	388	403	981	1 122	1 225	1 316
Software and other intangible assets	31	–	–	–	–	–	–
Total	22 409	23 349	27 291	46 612	34 041	35 966	38 039
Details of transfers and subsidies							
Provinces and municipalities							
Municipalities							
Municipal bank accounts							
Current	29	7	–	–	–	–	–
Regional Services Council levies	29	7	–	–	–	–	–

Expenditure trends

Expenditure increased from R22.4 million in 2005/06 to R46.6 million in 2008/09 at an average annual rate of 27.7 percent. The 70.8 per cent increase in 2008/09 is due to funds being shifted to the programme to fund the third apex priority project. Over the MTEF period, expenditure decreases steadily at a negative annual rate of 6.6 per cent from R46.6 million in 2008/09 to R38 million in 2011/2 as operational expenditure normalises. Expenditure on goods and services increases from R17.5 million in 2007/08 to R31.6 in 2008/09 at an average annual rate of 80.6 per cent due to the shifting of funds from the *ICT Policy Development* programme. Similarly, compensation of employees increases from R9.4 million in 2005/06 to R14 million in 2008/09 at an average annual rate of 14.3 per cent.

Public entities

Sentech

Strategic overview: 2005/06 – 2011/12

Sentech was established in terms of the Sentech Act (1996) and the Sentech Amendment Act (1999). Sentech is a state owned enterprise tasked with providing broadcasting signal distribution to broadcasting licensees. In the context of the convergence of technologies, Sentech was awarded a multimedia and carrier of carrier licences, thus positioning it to offer fully converged ICT services. Sentech is Africa's largest broadcasting signal distributor. It also operates a number of terrestrial broadcasting transmitter sites, which carry short wave, medium wave, FM, television and microwaves.

In line with Cabinet's approval that Sentech become the core national wireless broadband service provider, the organisation aims to provide the core broadband infrastructure, focusing on the third of the 24 apex priorities, which is speeding up ICT interventions on cheaper platforms. As a wholesale broadband network provider, the organisation is mandated to provide connectivity to schools, hospitals, clinics, the Thusong community centres (previously called the multi-purpose community centres), and government offices in all spheres and within rural areas.

Over the medium term, Sentech will continue to focus on its strategic objectives:

- operating the next generation broadband digital platform
- becoming the brand leader in the company's niche market shares
- meeting customer needs with innovative, value adding products
- encouraging innovation, superior performance and staff self development.

Sentech faces a number of challenges in its attempts to meet these objectives. Finding the appropriate funding model for the business to ensure financial sustainability is a key challenge. Agreeing on an appropriate funding model that balances the social and economic needs of the country remains a key challenge. Other related challenges include the maintenance of critical and ageing infrastructure in the context of inadequate cash reserves in the organisation.

Selected performance and operations indicators

Table 24.17 Sentech

Indicator	Past			Current	Projections		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Direct to home television network performance (measured by transmission performance in percentage)	98%	99%	99%	99%	99%	99%	99%
Direct to home radio performance (measured by transmission performance in percentage)	99%	99%	99%	99%	99%	99%	99%
Number of new radio transmitters switched on	0	2	3	5	10	10	105
Number of new television transmitters switched on	8	6	10	10	10	10	310

Service delivery and spending focus

The long awaited digital terrestrial television signal was launched in October 2008. Digital terrestrial television refers to the process of implementing digital technology to provide for a greater number of channels, better quality picture and improved sound within the broadcasting industry. The digital terrestrial television project is a key priority in helping South Africa meet its commitment to the International Telecommunication Union and to switching off its analogue broadcast signal by 2011. Over the medium term, expenditure will focus on the digitisation of Sentech's existing and new infrastructure. In 2006/07, the company undertook extensive infrastructure development by installing 56 new transmitters and 13 new antennas. Sentech also plays a key role in the provision of satellite connectivity to serve as a redundant feed to Telkom's optical fibre for the 2010 FIFA World Cup project, as back-up.

In relation to its core business of providing signal distribution, network performance for both television and radio has been operating at 99.9 per cent. All major transmitter installations aim to achieve this performance target of 99.9 per cent.

Expenditure estimates

Table 24.18 Sentech Ltd: Financial information

R thousand	Audited outcome			Revised estimate	Medium-term estimate		
Statement of financial performance	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Revenue							
Non-tax revenue	672 362	732 778	751 387	844 499	974 215	1 084 244	1 253 815
<i>Other non-tax revenue</i>	672 362	732 778	751 387	844 499	974 215	1 084 244	1 253 815
Transfers received	-	-	-	350 000	360 019	270 929	279 000
Total revenue	672 362	732 778	751 387	1 194 499	1 334 234	1 355 173	1 532 815
Expenses							
Current expense	757 718	749 856	756 633	775 391	1 026 569	1 031 089	1 154 609
Compensation of employees	207 732	228 505	251 356	244 635	284 882	319 562	351 518
Goods and services	445 288	398 535	399 648	422 615	588 783	590 585	678 175
Depreciation	78 503	92 103	87 743	95 161	137 037	112 052	117 975
Interest, dividends and rent on land	26 195	30 713	17 886	12 980	15 867	8 890	6 940
Total expenses	746 382	750 393	733 885	775 391	1 026 569	1 031 089	1 154 609
Surplus / (Deficit)	(74 020)	(17 615)	17 502	419 108	307 665	324 084	378 206
Statement of financial position							
Carrying value of assets	713 541	727 286	729 430	990 514	1 113 045	1 352 924	1 354 950
<i>of which: Acquisition of assets</i>	36 120	111 658	145 896	356 245	259 568	351 931	120 000
Investments	-	-	-	-	-	18 906	18 906
Inventory	9 173	11 359	17 794	22 418	112 091	23 684	25 579
Loans	15 503	-	-	-	463	463	463
Receivables and prepayments	60 149	50 573	86 749	79 406	96 579	77 020	88 885
Cash and cash equivalents	14 939	93 781	713 622	709 266	96 944	61 886	265 118
Assets not classified elsewhere	19 646	176 677	127 539	-	-	-	-
Total assets	832 951	1 059 676	1 675 134	1 801 604	1 419 122	1 534 883	1 753 901
Accumulated surplus / deficit	(16 993)	(34 608)	(17 106)	52 002	(351)	10 581	120 121
Capital and reserves	420 563	515 449	543 149	519 416	540 105	558 453	545 119
Borrowings	194 191	193 326	158 443	97 669	81 669	43 594	24 292
Post-retirement benefits	69 328	71 469	85 195	95 469	107 469	121 195	133 195
Trade and other payables	165 862	171 433	176 907	152 884	269 981	270 066	300 178
Provisions	-	-	-	52 433	260 154	311 690	311 690
Liabilities not classified elsewhere	-	142 607	728 546	831 731	160 095	219 305	319 305
Total equity and liabilities	832 951	1 059 676	1 675 134	1 801 604	1 419 122	1 534 883	1 753 901

Expenditure trends

Allocations to Sentech from the Department of Communications amount to R350 million in 2008/09. A surplus of R419.1 million is anticipated for 2008/09. However, this figure does not reflect Sentech's financial position as it incorporates transfers which inflate revenue figures.

The audited annual financial statements show that Sentech earned a pre-tax profit of R28 million for 2008. This is a significant improvement from the pre-tax loss of R18.3 million incurred in 2007. This improvement is due to cost cutting initiatives. The pre-tax profit/loss is calculated after excluding transfers, which were treated as deferred income (liability) within the accrual system of accounting. A loss of R59.1 million is forecast for 2009, which is mainly due to increased spending on critical network maintenance. The two major factors causing this increase are:

- the age of equipment (it is generally more expensive to maintain ageing equipment)
- critical maintenance (such as roads infrastructure) that was deferred in previous years due to cash flow constraints.

The digital terrestrial television and the 2010 projects accelerate rapidly from 2010. This increase in the level of activity will impact on Sentech's financial statements over the MTEF period by:

- increases in fixed assets creation
- increases in stockholding (new spares and consumables)
- reductions in cash and cash equivalents, which will be used for purchases of stocks and assets
- increased provisions as the creditors and accruals will increase.

Since 2003/04, Sentech has received the following additional allocations:

- R665 million for the migration from analogue to digital terrestrial television starting in 2006/07
- R300 million for the 2010 FIFA World Cup (R200 million for 2008/09 and R100 million in 2009/10)
- R500 million for the rollout of a national broadband wireless network in 2007/08.

South African Post Office Ltd

Strategic overview: 2005/06 – 2011/12

The South African Post Office was established in accordance with the Post Office Act (1958) as a government business enterprise to provide postal and related services to the South African public. It was granted an exclusive mandate to conduct postal and related services to the South African public in terms of the Postal Services Act (1998). This act makes provision for the regulation of postal services and operational functions of the postal company, including universal service obligations. It also makes provision for the financial services activities of the Post Bank.

The strategic objectives for the South African Post Office over the medium term are to:

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

The key priorities for the South African Postal Service over the MTEF period relate to the provision of a universal service at an affordable price and acceptable standard, to ensure financial sustainability, to comply with corporate governance principles and to meet the conditions of its licence agreement.

Selected performance and operations indicators

Table 24.19 South African Post Office Ltd

Indicator	Past			Current	Projections		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Number of new post offices	28	70	31	100	100	100	100
Number of post office service points	2 570	2 638	2 668	2 422	2 518	2 619	2 724
Total number of new addresses	2 293 290	1 899 954	1 660 396	1 830 000	1 830 000	1 830 000	1 830 000
Number of new Mzansi account holders	609 130	660 824	491 303	493 000	501 000	520 000	540 000

Service delivery and spending focus

During 2007/08, the South African Post Office rolled out 1.6 million new postal addresses, and the Post Bank depositor's book grew by 11 per cent. The value added service of being able to renew motor vehicle licences was extended to the post offices in Eastern Cape. The South African Post Office also successfully participated in the implementation of the Asonge (MTN) empowerment scheme.

The South African Post Office received a number of awards in 2007/08, including: African post office of the year; the Johannesburg stock exchange award for the best annual report in the public sector category; and the Oliver empowerment award in the major public entities category.

Expenditure estimates

Table 24.20 South African Post Office: Activity information

R thousand	Audited outcome			Revised estimate	Medium-term estimate		
	2005/06	2006/07	2007/08		2008/09	2009/10	2010/11
South African Post Office: Mail, logistics and financial services	4 674 376	4 871 938	5 224 298	5 657 292	6 165 666	6 666 520	7 153 917
Total expense	4 674 376	4 871 938	5 224 298	5 657 292	6 165 666	6 666 520	7 153 917

Table 24.21 South African Post Office: Financial information

R thousand	Audited outcome			Revised estimate	Medium-term estimate		
	2005/06	2006/07	2007/08		2008/09	2009/10	2010/11
Statement of financial performance							
Revenue							
Non-tax revenue	4 994 885	4 871 517	5 237 616	5 537 998	6 063 564	6 556 250	7 034 825
Sale of goods and services other than capital assets	4 482 645	4 611 956	4 924 455	5 170 678	5 633 713	6 084 410	6 516 877
<i>of which:</i>							
Postal and money transfer services	4 482 645	4 611 956	4 924 455	5 170 678	5 633 713	6 084 410	6 516 877
Other non-tax revenue	512 240	259 561	313 161	367 321	429 851	471 840	517 948
Transfers received	300 000	351 439	363 800	521 600	383 092	406 077	430 442
Total revenue	5 294 885	5 222 956	5 601 416	6 059 598	6 446 656	6 962 327	7 465 267
Expenses							
Current expense	4 438 016	4 716 389	5 036 388	5 545 204	6 043 854	6 524 061	6 997 020
Compensation of employees	2 368 167	2 518 702	2 708 537	2 979 391	3 217 742	3 442 984	3 683 993
Goods and services	1 832 481	1 934 372	2 053 209	2 259 199	2 452 775	2 651 551	2 847 276
Depreciation	161 874	169 127	172 128	193 849	251 550	297 996	323 699
Interest, dividends and rent on land	75 494	94 188	102 514	112 765	121 787	131 530	142 052
Total expenses	4 674 376	4 871 938	5 224 298	5 657 292	6 165 666	6 666 520	7 153 917
Surplus / (Deficit)	620 509	351 018	377 118	402 307	280 990	295 808	311 351
Statement of financial position							
Carrying value of assets	1 153 110	1 147 918	1 130 114	1 857 265	2 705 715	3 507 718	4 134 019
<i>of which: Acquisition of assets</i>	129 884	168 719	158 709	921 000	1 100 000	1 100 000	950 000
Investments	716 706	763 530	477 510	515 711	560 578	605 424	653 858
Inventory	72 120	54 366	54 471	59 373	64 123	69 253	74 793
Receivables and prepayments	560 502	544 995	665 857	725 784	783 847	846 555	914 279
Cash and cash equivalents	3 164 137	4 485 410	5 362 829	5 791 855	6 255 204	6 755 620	7 296 070
Total assets	5 666 575	6 996 219	7 690 781	8 949 989	10 369 466	11 784 570	13 073 019
Accumulated surplus/deficit	873 943	1 233 119	1 596 747	1 999 054	2 280 044	2 575 851	2 887 202
Post-retirement benefits	750 709	729 458	708 188	764 843	826 030	892 113	963 482
Trade and other payables	3 940 140	4 800 106	5 111 387	6 017 559	7 026 126	7 997 446	8 806 609
Provisions	3 137	7 642	9 560	10 325	11 151	12 043	13 006
Liabilities not classified elsewhere	98 646	225 894	264 899	158 208	226 115	307 117	402 720
Total equity and liabilities	5 666 575	6 996 219	7 690 781	8 949 989	10 369 466	11 784 570	13 073 019
Contingent liabilities	680 857	656 420	309 761	309 761	247 809	198 247	158 598

Expenditure trends

Revenue increased from R5.3 billion in 2005/06 to R6.1 billion in 2008/09, an average annual increase of 4.6 per cent. Revenue is expected to increase from R6.1 billion in 2008/09 to R7.5 billion in 2011/12 at an average annual rate of 7.2 per cent. The South African Post Office also receives a government subsidy, which is

used for universal service obligations and investment in infrastructure. Expenditure will increase from R4.7 billion in 2005/06 to R5.7 billion in 2008/09, at an average annual rate of 6.6 per cent. Over the MTEF period, expenditure will increase from R5.7 billion in 2008/09 to R7.2 billion in 2011/12 at an average annual rate of 8.1 per cent. The South African Post Office is expected to maintain a surplus over the medium term, thus ensuring financial sustainability.

The South African Broadcasting Corporation

Strategic overview: 2005/06 – 2011/12

The South African Broadcasting Corporation was established in terms of the Broadcasting Act (1936) as a government enterprise to provide radio and television broadcasting services to South Africa. It is operationally regulated in terms of a licence granted by the Independent Communications Authority of South Africa.

Since 2005/06, the South African Broadcasting Corporation has been involved in restructuring and repositioning its television, radio and new media platforms, while planning and preparing for digital terrestrial television migration. Planning for the 2009 national elections, the 2010 FIFA World Cup and the digital terrestrial television switch in November 2008 dominated the corporation's operations in 2008.

Key factors influencing operations during 2007/08 included:

- granting new licences, thus creating increased competition in the broadcasting industry
- changes in broadcasting technology, including the move to digital terrestrial transmission
- the need to develop a sustainable funding model and funding mix
- possible fragmentation of audiences due to the convergence in technology.

Over the medium term, the organisation will continue to focus on driving digital leadership in broadcasting technology and facilitating e-government services through digital terrestrial television set-top-boxes value added services. The continued rollout of low powered transmitters to deliver universal access is high on the South African Broadcasting Corporation's agenda for public service delivery, as is the implementation of a platform and channel management strategy.

Selected performance and operations indicators

Table 24.22 The South African Broadcasting Corporation

Indicator	Past			Current	Projections		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Operational expenditure: Digital terrestrial television migration ¹	–	–	–	R30m	R540m	R661m	R746m
Operational expenditure: News and current affairs, SABC News International	–	–	R49.3m	R54.7m	R60.8m	R67.5m	R72.2m
Expenditure on technology upgrade and outside broadcast vans	R100	R150m	R150m	R1 079m	R1 439m	R860m	R860m
Amount of public service expenditure	–	–	–	–	R140m	R158m	R178m
Local content as a percentage of total public broadcasting service television	55%	55%	55%	60%	65%	75%	75%
Local content as a percentage of total public commercial service television	35%	35%	35%	35%	35%	35%	35%
Local content as a percentage of total public broadcasting service radio	40%	40%	40%	60%	65%	70%	70%
Local content as a percentage of total public commercial service radio	25%	25%	35%	35%	40%	45%	45%
Number of television transmitters switched on	6	8	1	60	430	426	–
Number of new radio transmitters	–	–	–	119	105	105	–
Percentage of archives digitised	–	–	–	–	10%	20%	20%

1. Digital terrestrial television migration: R30m in 2008/09 is for pilot, trial switch on and setting up the digital terrestrial television migration project office. R540m, R661m, and R746m for the other years are for the actual launch and operation of the digital terrestrial television migration channels, content costs, broadcast facilities and dual illumination costs, and the delivery of public service channels and new services.

Service delivery and spending focus

In 2007/08, the South African Broadcasting Corporation conducted a public value survey to gauge the level of satisfaction the South African public derives from the corporation's services. Of the total participants sampled and surveyed, 71 per cent of respondents gave the South African Broadcasting Corporation an approval rating of 7 or more out of 10, and were prepared to pay a higher licence fee. 88 per cent of respondents felt that the corporation provides a large or moderate contribution to the South African society.

Based on the survey, the total value derived by members of the public from the public broadcasting services is about R2.2 billion, compared with less than R900 million currently collected by the South African Broadcasting Corporation from licence fees. In its drive to increase universal access to the majority of South African citizens, the South African Broadcasting Corporation started rolling out low powered transmitters to 300 sites, resulting in 1.5 million citizens being able to access the corporation's radio and television services.

The South African Broadcasting Corporation has digitised most of its regional infrastructure, implemented a television broadcasting management system for scheduling and archiving data in a multichannel digital environment, and developed a digital terrestrial television migration and platform management strategy in preparation for the digital terrestrial switch-on in November 2008.

To prepare for the 2010 FIFA World Cup, the South African Broadcasting Corporation acquired 4 high definition vans for outside broadcasting, and developed a plan for the rollout of broadcasting infrastructure to 200 public viewing sites to benefit South Africans in remote areas.

Through its commitment to develop the local industry, the South African Broadcasting Corporation has continued to invest in the production of local content, as well as increasing local content delivery on its television platform. In 2007/08, the South African Broadcasting Corporation invested R924 million in local content, increased local content by 15.9 per cent for SABC1, 7.1 per cent for SABC2, and 2.3 per cent for SABC3. Between 60 and 70 per cent of programming is now broadcast in languages other than English during prime time, and up to 80 per cent of local programming is in languages other than English.

Over the medium term, the South African Broadcasting Corporation will continue to focus on digitising its infrastructure, improve delivery of local content programming and expand access to radio and broadcasting services to remote areas.

Expenditure estimates

Table 24.23 SA Broadcasting Corporation Limited: Financial information

R thousand	Audited outcome			Revised estimate	Medium-term estimate		
Statement of financial performance	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Revenue							
Non-tax revenue	3 962 339	4 294 497	4 700 336	5 490 955	6 078 154	6 863 103	7 314 479
Sale of goods and services other than capital assets	3 286 043	3 606 337	4 020 659	4 563 173	5 021 612	5 606 841	6 008 631
<i>of which:</i>							
Admin fees	738 720	760 070	822 322	826 017	835 929	845 960	856 112
Advertising revenue	2 547 323	2 846 267	3 198 337	3 737 156	4 185 683	4 760 881	5 152 519
Other non-tax revenue	676 296	688 160	679 677	927 782	1 056 542	1 256 262	1 305 848
Transfers received	180 071	234 900	239 100	279 760	299 962	387 460	251 800
Total revenue	4 142 410	4 529 397	4 939 436	5 770 715	6 378 116	7 250 563	7 566 279
Expenses							
Current expense	3 457 898	4 119 479	4 401 209	5 341 142	5 626 335	5 907 652	6 203 033
Compensation of employees	989 791	1 079 797	1 072 170	1 386 614	1 458 302	1 531 217	1 607 778
Goods and services	2 330 104	2 867 059	3 174 607	3 680 717	3 879 977	4 073 976	4 277 673
Depreciation	125 870	156 226	140 350	273 811	288 056	302 459	317 582
Interest, dividends and rent on land	12 133	16 397	14 082	-	-	-	-
Total expenses	3 620 822	4 195 779	4 454 071	5 341 142	5 626 335	5 907 652	6 203 033
Surplus / (Deficit)	521 588	333 618	485 365	429 573	751 781	1 342 911	1 363 246

Table 24.23 SA Broadcasting Corporation Limited: Financial information (continued)

R thousand Statement of financial position	Audited outcome			Revised estimate	Medium-term estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Carrying value of assets	1 223 227	1 270 997	1 492 347	2 197 785	3 348 729	3 906 270	4 448 688
<i>of which: Acquisition of assets</i>	172 446	245 126	363 069	1 079 249	1 439 000	860 000	860 000
Investments	1 036 335	100 000	373 000	2 904	–	–	–
Inventory	5 134	4 452	4 614	4 452	5 000	5 000	5 000
Receivables and prepayments	896 929	886 816	1 126 845	1 028 086	740 000	794 620	917 614
Cash and cash equivalents	145 894	712 115	190 183	300 000	100 000	100 000	100 000
Assets not classified elsewhere	–	576 355	1 256 728	623 694	500 000	600 000	650 000
Total assets	3 307 519	3 550 735	4 443 717	4 156 921	4 693 729	5 405 890	6 121 302
Accumulated surplus / deficit	1 983 595	2 137 880	2 459 096	2 364 978	2 879 351	3 900 483	5 080 895
Capital and reserves	–	1 517	1 407	1 517	1 517	1 517	1 517
Borrowings	46 984	50 977	33 688	538 456	173 971	105 000	80 000
Post-retirement benefits	319 899	–	–	246 334	470 000	380 000	290 000
Trade and other payables	952 041	614 451	831 395	788 890	951 500	801 500	501 500
Provisions	5 000	19 000	29 738	19 000	20 000	20 000	20 000
Liabilities not classified elsewhere	–	726 910	1 088 393	197 746	197 390	197 390	147 390
Total equity and liabilities	3 307 519	3 550 735	4 443 717	4 156 921	4 693 729	5 405 890	6 121 302

Expenditure trends

Expenditure is expected to increase from R5.3 billion in 2008/09 to R6.2 billion in 2011/12 at an average annual rate of 5.1 per cent. The increase in expenditure over the next four years is due to: an increase in the number of employees as the organisation prepares for digital terrestrial television migration and the 2010 FIFA World Cup, (rollout of the technology plan and filling key vacancies). The increases also relate to a rise in marketing spend on digital terrestrial television and the 2010 FIFA World Cup, as well as expenditure on signal distribution with the rollout of additional transmitters, including low power transmitters. Professional and consulting fees are expected to decrease as the organisation uses in-house capacity more efficiency and effectively. Revenue is expected to grow from R5.8 billion in 2008/09 to R7.6 billion in 2011/12 at an average annual rate of 9.5 per cent.

Additional tables

Table 24.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	2007/08		2007/08	2008/09			2008/09
1. Administration	140 417	100 590	97 504	146 810	–	146 810	135 810
2. ICT International Affairs and Trade	44 190	42 764	43 145	41 249	–	41 249	54 249
3. ICT Policy Development	86 832	78 258	54 875	91 992	(15 000)	76 992	76 992
4. ICT Enterprise Development	1 058 186	1 608 963	1 619 869	1 321 466	7 904	1 329 370	1 327 370
5. ICT Infrastructure Development	65 762	65 762	69 094	90 476	600 000	690 476	690 476
6. Presidential National Commission	28 146	28 146	27 291	31 612	15 000	46 612	46 612
Total	1 423 533	1 924 483	1 911 778	1 723 605	607 904	2 331 509	2 331 509

Economic classification

	321 689	312 639	310 963	363 814	10 000	373 814	373 814
Current payments							
Compensation of employees	107 914	103 614	97 707	127 897	–	127 897	127 897
Goods and services	213 775	209 025	213 191	235 917	10 000	245 917	245 917
Financial transactions in assets and liabilities	–	–	65	–	–	–	–
Transfers and subsidies	1 094 301	1 604 301	1 592 345	1 351 633	597 904	1 949 537	1 949 537
Provinces and municipalities	6	6	75	–	–	–	–
Departmental agencies and accounts	300 565	310 565	324 565	337 073	7 904	344 977	344 977
Public corporations and private enterprises	790 330	1 290 330	1 264 386	1 011 360	590 000	1 601 360	1 601 360
Foreign governments and international organisations	1 400	1 400	1 178	700	–	700	700
Non-profit institutions	2 000	2 000	2 044	2 500	–	2 500	2 500
Households	–	–	97	–	–	–	–
Payments for capital assets	7 543	7 543	8 470	8 158	–	8 158	8 158
Machinery and equipment	7 543	7 543	8 205	8 158	–	8 158	8 158
Software and intangible assets	–	–	265	–	–	–	–
Total	1 423 533	1 924 483	1 911 778	1 723 605	607 904	2 331 509	2 331 509

Table 24.B Summary of personnel numbers and compensation of employees

	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Permanent and full time contract employees							
Compensation (R thousand)	88 362	99 010	96 539	126 708	146 883	153 925	161 774
Unit cost (R thousand)	259	304	338	420	404	359	377
Personnel numbers (head count)	341	326	286	302	364	429	429
Interns							
Compensation of interns (R thousand)	–	–	1 168	1 189	1 314	1 406	1 518
Unit cost (R thousand)	–	–	43	40	44	47	51
Number of interns	–	–	27	30	30	30	30
Total for department							
Compensation (R thousand)	88 362	99 010	97 707	127 897	148 197	155 331	163 292
Unit cost (R thousand)	259	304	312	385	376	338	356
Personnel numbers (head count)	341	326	313	332	394	459	459

Table 24.C Summary of expenditure on training

	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Compensation of employees (R thousand)	88 362	99 010	103 614	127 897	149 173	156 808	164 851
Training expenditure (R thousand)	3 327	3 093	3 656	6 032	7 458	7 840	8 242
Training as percentage of compensation	3.8%	3.1%	3.5%	4.7%	5.0%	5.0%	5.0%
Total number trained in department (head count)	258	284	241	185			
<i>of which:</i>							
<i>Employees receiving bursaries (head count)</i>	17	29	50	50			
<i>Learnerships trained (head count)</i>	2	1	–	–			
<i>Internships trained (head count)</i>	–	–	29	30			

Table 24.D Summary of departmental public private partnership projects

Project description: 112 Emergency call centre

R thousand	Project annual unitary fee at time of contract	Budgeted expenditure	Medium-term expenditure estimate		
		2008/09	2009/10	2010/11	2011/12
Projects signed in terms of Treasury Regulation 16	84 097	–	–	–	–
PPP unitary charge	81 522	–	–	–	–
Advisory fees	2 575	–	–	–	–
Projects in preparation, registered in terms of Treasury Regulation 16¹	94 101	96 102	100 908	106 364	111 251
PPP unitary charge	89 878	94 372	99 091	104 456	109 248
Advisory fees	2 575	–	–	–	–
Project monitoring cost	1 648	1 730	1 817	1 908	2 003
Total	178 198	96 102	100 908	106 364	111 251

1. Only projects that have received Treasury Approval: 1

Disclosure notes for projects signed in terms of Treasury Regulation 16

Project name	112 public private partnership
Brief description	The strategic focus for the 112 project is to integrate all emergency numbers into one national number for reporting emergencies
Duration of Public Private Partnership agreement	6 years
Escalation index for unitary fee	CPIX estimates 5%

Table 24.E Summary of expenditure on infrastructure

R thousand	Type of infrastructure	Service delivery outputs	Current project stage	Total project cost	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate			
					2005/06	2006/07	2007/08		2009/10	2010/11	2011/12	
	Mega projects or programmes (over R300 million per year for a minimum of three years or R900 million total project cost)											
	Telkom infrastructure transfers			-	-	-	-	600 000	450 000	150 000	-	-
	Large projects or programmes (costing between R50 million and R300 million per year within the MTEF period)											
	Sentech: 2010 FIFA World Cup			-	-	-	-	200 000	100 000	-	-	-
	Sentech: National wholesale broadband network			-	-	500 000	-	-	-	-	-	-
	Total			-	-	500 000	800 000	550 000	150 000	-	-	-