
27: COMMUNICATIONS

AIM

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

EXPENDITURE ESTIMATES

Table 27.1 Expenditure estimates

R million	Preliminary outcome	Medium term expenditure estimates		
	1998/99	1999/00	2000/01	2001/02
Administration	52,5	52,9	56,9	56,9
Telecommunications policy	129,4	124,4	128,0	129,2
Postal service policy	418,4	314,8	198,1	68,9
Broadcasting policy	262,4	287,3	279,6	292,4
Total	862,6	779,4	662,6	547,4

The Department of Communications was established in 1998 following recommendations of the Telecommunications Act of 1996. Before this transformation, subsidies to the Post Office and transfers to the former Department of Posts and Telecommunications were included in the vote of the Department of Finance.

The activities of the Department are divided into four programmes:

- ♦ *Administration* comprises financial management, personnel and provisioning administration, legal and other office support services and the formulation of policy by the Minister and management of the Department.
- ♦ The *Telecommunications policy* programme promotes and regulates the telecommunications industry.
- ♦ *Postal service policy* oversees postal services and subsidisation of the Post Office.

- ◆ *Broadcasting policy* promotes government policy in the broadcasting sector and arranges transfers to the SA Broadcasting Corporation and the Independent Broadcasting Authority.

The departmental budget decreases over the MTEF period as a result of reductions in the Post Office subsidy, from R283,2 million in 1999/00, to R142,9 million in 2000/01, to zero in 2001/02.

Table 27.2 Economic classification of programmes

R million	Preliminary outcome	Medium term expenditure estimates		
	1998/99	1999/00	2000/01	2001/02
Current				
Personnel expenditure ¹	24,5	29,1	35,1	38,6
Other current expenditure	35,3	60,4	58,7	58,6
Transfer payments	799,8	686,8	566,0	447,4
Capital	3,0	3,1	2,8	2,8
Total	862,6	779,4	662,6	547,4

¹ Departmental personnel expenditure includes employer's contributions to pension funds at a rate of 17 per cent of basic salary in 1998/99 and 15 per cent of basic salary in subsequent years.

OUTPUTS AND SERVICE DELIVERY TRENDS

Table 27.3 Key activities and outputs

Programme	Key activities	Outputs
Telecommunication policy	Technology and research	The establishment of the Technology Research Facility (TRF). The provision of public access to the Internet and e-mail facilities through information terminals. A joint venture to provide Internet access to 2 000 schools by 2000. Development of basic and high-tech research capacity at tertiary institutions. A strategy to counter the Year 2000 problem. Telecommunication services in disadvantaged areas in the form of tele-centres.
Postal policy	Post Office restructuring and postal services	Increase in the Post Office turnover from R1,75 billion in 1996/97 to R2,49 billion in 1997/98. Reduction of the Post Office subsidy. Reduction of mail tampering and postal crime. A plan to engage a strategic management partner for the Post Office.
Broadcasting policy	Broadcasting policy project	Rationalisation of the former TBVC broadcasting and signal distribution enterprises into South African Broadcasting Corporation and Sentech. Establishment of a broadcasting school. The sale of excess capacity eg Capital Radio and Radio Ciskei. Corporatisation of the South African Broadcasting Corporation, including splitting the public and private branches. Restructuring of Sentech. Provision of equipment and infrastructure for 18 community broadcasters.

POLICY DEVELOPMENTS AND EXPENDITURE IMPLICATIONS

Telecommunication service

Telecommunication services in the form of tele-centres are being expanded in previously disadvantaged communities. An estimated 100 tele-centres will be developed in each of the MTEF years at an estimated cost of R25 million per year. Several multi-purpose centres are envisaged, comprising tele-education centres with electronic libraries, video conferencing facilities, internet access, telephones and training services. Seven such centres are to be established in 1999/00 at a cost of R6,7 million and twelve in 2000/01 for approximately R11,7 million.

Postal service

The Postal Service Unit aims to provide reliable and efficient postal services to all citizens. A Postal Regulator will be established in the unit and will register courier companies. Personnel and administration costs for the Regulator are estimated at R2,5 million in 1999/00.

Concurrently, the unit has implemented a three-year financial plan intended to reduce the Post Office subsidy by 40 per cent, 20 per cent and 10 per cent consecutively in the next three years. The aim is that no subsidy will be required after 2000/01.

Broadcasting policy

New developments in the *Broadcasting policy* programme include an increased allocation to programmes for community broadcasting and children in broadcasting, as well as new programmes for youth, women and the disabled in broadcasting, and the establishment of the Frequency Spectrum Management directorate and the Digital Broadcasting Advisory Body.

Community broadcasting

Funding of programmes for community broadcasting will increase from R2 million to R6,2 million by 2001/02, while funding for programmes for children in broadcasting will increase from R1 million in 1998/99 to R6,5 million by 2001/02. Programmes for youth, women and the disabled in broadcasting will be allocated R9 million, R12 million and R18 million over the next three years.

Frequency Spectrum Management

The Frequency Spectrum Management directorate will be allocated R8,1 million, R11,5 million and R10,3 million in the next three years respectively. The directorate seems set to generate more than double its current revenue of R326 million, through the efficient management of the frequency spectrum.

Independent Broadcasting Authority

The Department will oversee the process of amalgamating the Independent Broadcasting Authority and South African Telecommunication Regulatory Authority. Applications have been invited for two new cellular licences, following a viability study by the Regulator.

DISCUSSION OF PROGRAMMES

Programme 1: Administration

R million	Budget estimate	Adjusted appropriation 1998/99	Preliminary outcome	Medium term expenditure estimates		
				1999/00	2000/01	2001/02
1998 Budget	46,0	56,0	52,5	52,5	57,3	–
1999 Budget	–	–	–	52,1	56,9	56,9

The *Administration* programme is responsible for administration and support activities to ensure the smooth running of the Department. Since restructuring, the Department has taken responsibility for policy-making and portfolio administration for the telecommunications, postal and broadcasting sectors.

Programme 2: Telecommunications policy

R million	Budget estimate	Adjusted appropriation 1998/99	Preliminary outcome	Medium term expenditure estimates		
				1999/00	2000/01	2001/02
1998 Budget	114,0	138,1	129,4	124,9	138,6	–
1999 Budget	–	–	–	124,4	128,0	129,2

The objectives of the *Telecommunications policy* programme include:

- ◆ Stimulating and restructuring the industry.
- ◆ Promoting infrastructure delivery.
- ◆ Developing a strong and competitive telecommunications sector.
- ◆ Provision for funding the South African Regulatory Authority.

Programme 3: Postal service policy

R million	Budget estimate	Adjusted appropriation 1998/99	Preliminary outcome	Medium term expenditure estimates		
				1999/00	2000/01	2001/02
1998 Budget	457,6	446,5	418,4	443,5	373,0	–
1999 Budget	–	–	–	314,8	198,1	68,9

The programme *Postal service policy* prepares postal policies, provides postal regulatory services, monitors the universal service obligations of the Post Office and its shareholding responsibilities and ensures compliance with international obligations.

Programme 4: Broadcasting policy

R million	Budget estimate	Adjusted appropriation 1998/99	Preliminary outcome	Medium term expenditure estimates		
				1999/00	2000/01	2001/02
1998 Budget	272,0	280,0	262,4	296,0	322,3	—
1999 Budget	—	—	—	287,3	279,6	292,4

The programme *Broadcasting policy* is responsible for government policy on the broadcasting sector, including signal distribution. The unit also holds shares in the portfolio organisations, ie the South African Broadcasting Corporation, Sentech and the Independent Broadcasting Authority. The South African Broadcasting Corporation transfer for 1998/99 includes R65 million for the former TBVC state broadcasters and R29 million for Channel Africa.

ASSOCIATED ENTERPRISES

Telkom

Telkom is the dominant provider of telecommunication services in South Africa. Government sold a 30 per cent stake in Telkom to the SBC/Malaysia consortium in May 1997.

Group structure

Telkom has the following business interests:

- ◆ 50 per cent in Vodacom Group (Pty) Ltd.
- ◆ 100 per cent in Q-trunk (Pty) Ltd.
- ◆ 61 per cent in Telkom Directory Services (Pty) Ltd.
- ◆ 100 per cent in Intekom (Pty) Ltd.
- ◆ 100 per cent in both Telesafe (Pty) Ltd and Mnati Foods (Pty) Ltd.

Key financial information

The total assets of Telkom increased from R18 178 million in 1995 to R27 107 million in 1998, while long-term liabilities decreased from R8 515 million to R6 012 million over the same period. Turnover almost doubled from R10 850 million in 1995 to R20 160 million in 1998, with profit before taxation increasing to R3 543 million in 1998 from R1 328 million in 1995. The following dividends were paid to shareholders:

1995: R225 million	1997: R40 million
1996: R302 million	1998: R547 million (of which the State received 70 per cent).

Capital expenditure

Telkom's capital expenditure programmes currently amount to R10 billion a year, about half of which is committed to new services, mainly in historically unserved areas.

South African Post Office

The South African Post Office operates a postal service and savings bank as licensed by the Regulator in terms of the Postal Services Act of 1998. The Post Office also provides some agency and lottery services and sells certain retail products.

Key financial information

The total assets of the South African Post Office amounted to R2 374 million in 1995 and increased to R2 722 million in 1998. Although turnover increased from R1 501 million in 1995 to R2 487 million in 1998, a net loss of R289 million was recorded in 1998, from a surplus of R44 million in 1995.

Restructuring of the Post Office

During 1998 Cabinet approved the restructuring of the South African Post Office, to involve the introduction of a Strategic Management Partner (SMP) and the restructuring of the Postbank. The process of selecting a SMP will be completed by April 1999. The Department of Communications envisages that through the restructuring process the Post Office will reach a break-even point within three years.

Sentech Limited

The South African Broadcasting Corporation was a vertically integrated operation that fulfilled the role of both content provider and distributor. Consequently, it owned and controlled the infrastructure for signal distribution through its division called Sentech. In 1995, the South African Broadcasting Corporation restructured the ownership of its assets and severed its ties with Sentech. Sentech was licensed as a common carrier.

Sentech was transferred to the State on 1 October 1995 at book value that was neither a gain nor a loss to the SABC. The Sentech Act was subsequently passed in 1996 and in March 1998 all the shares in Sentech Limited were transferred from the South African Broadcasting Corporation to Government.

South African Broadcasting Corporation

Aim

The South African Broadcasting Corporation (SABC) as a public service broadcaster aims to make its programmes accessible to all South Africans. The SABC must balance its commercial and public service financial activities and the cross subsidisation between them. For the past three years, the South African Broadcasting Corporation has received budget allocations on the vote of the Department of Communications. The South African Broadcasting Corporation was subsidised by R177 million in 1996/97, R236 million in 1997/98 and R140 million in 1998/99.

Policy developments

Certain government policy developments impacted on the financial position of South African Broadcasting Corporation. These are:

- ◆ The opening of the airwaves has resulted in the licensing of a number of community radio stations and the sale of six SABC radio stations. Recently one free-to-air TV channel has been licensed. These developments resulted in a loss of revenue to the South African Broadcasting Corporation.

Key financial information

- ◆ The White Paper and the Broadcast Policy Bill seek to provide for the transformation of the South African Broadcasting Corporation into a public company, with the State as sole shareholder. The legislation will lead to the dissolution of the Corporation into a public company which will contribute to transparency and accountability. The South African Broadcasting Corporation will then report to its shareholder, the State, according to the provisions of the Companies Act.

The following tables provide information on the revenue and expenditure of both the Television division and the Radio division of the South African Broadcasting Corporation.

Table 27.4 Income Statement – TV division

R million	Budget 1998/99
Advertising and sponsorship	1 266
Other revenue	100
Total operating revenue	1 366
Programme and broadcast	760
Signal distribution	149
Personnel cost	287
Marketing cost	46
Depreciation	40
Other costs (less than R15 million per item)	114
Operating expenditure	1 396
Surplus / (deficit)	(30)

Table 27.5 Income Statement – Radio division

R million	Budget 1998/99
Advertising and sponsorship	371
Other revenue	19
Total operating revenue	390
Programme and broadcast	62
Signal distribution	34
Personnel cost	69
Marketing cost	192
Depreciation	19
Other costs (less than R15 million per item)	74
Operating expenditure	450
Surplus / (deficit)	(60)

Table 27.6 South African Broadcasting Corporation – Balance sheet

R million		R million	
Capital employed		Employment of capital	
Permanent capital	27	Fixed assets	390
Consolidated income fund	623	Current assets	1 070
Insurance fund	37	Current liabilities	509
	687	Licence fees received in advance	140
Long term liabilities	47	Creditors and provisions	369
Provision: Post retirement medical	217	Net current assets	561
Total	951	Total	951