

Vote 25

Communications

| R thousand | 2007/08 To be appropriated | 2008/09 | 2009/10 |
|---|------------------------------------|------------------|------------------|
| MTEF allocations | | | |
| Administration | 99 640 | 109 281 | 116 556 |
| Strategic Policy Co-ordination, Integration and International Affairs | 52 764 | 56 531 | 63 800 |
| Policy Unit | 78 258 | 81 552 | 84 273 |
| Finance and Shareholder Management | 1 098 963 | 1 127 101 | 1 138 784 |
| Innovative Applications and Research | 65 762 | 72 684 | 81 134 |
| Presidential National Commission | 28 146 | 29 745 | 32 694 |
| Total | 1 423 533 | 1 476 894 | 1 517 241 |
| Direct charges against the National Revenue Fund | – | – | – |
| Total expenditure estimates | 1 423 533 | 1 476 894 | 1 517 241 |
| Economic classification | | | |
| Current payments | 321 689 | 354 085 | 385 947 |
| Transfers and subsidies | 1 094 301 | 1 114 639 | 1 122 267 |
| Payments for capital assets | 7 543 | 8 170 | 9 027 |
| Total expenditure estimates | 1 423 533 | 1 476 894 | 1 517 241 |
| Executive authority | Minister of Communications | | |
| Accounting officer | Director-General of Communications | | |

Aim

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

Programme purposes

Programme 1: Administration

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

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

Develop an effective intergovernmental relations framework that will enable the recognition and effective use of ICTs for socio-economic development, give effect to South Africa's foreign policy priorities on ICT-related matters and establish a dynamic, effective and mutually beneficial multi-stakeholder partnership in the ICT sector. Develop an effective intergovernmental relations programme with provinces and local government in an integrated and co-ordinated way.

Programme 3: Policy Unit

Develop policies, legislation and strategies that will optimise conditions for ICT investment in South Africa, improve the provision of affordable and reliable communications infrastructure, improve access to ICT for all South Africans and contribute to nation building and social cohesion.

Programme 4: Finance and Shareholder Management

Oversee financial management practices in the department and advise the executive authority and the accounting officer on their oversight role of state owned enterprises (SOEs), as well as continuously developing support strategies for ICT small, medium and micro enterprises (SMMEs).

Programme 5: Innovative Applications and Research

Improve government's service delivery through innovative ICT applications and services and contribute to the development and implementation of the national space programme.

Programme 6: Presidential National Commission

Facilitate the co-ordinated and accelerated development of an inclusive information society in South Africa, aligned with, and contributing to, the global information society.

Strategic overview: 2003/04 – 2009/10

The main objective of the Department of Communications is to facilitate the development of an inclusive information society and become a global leader in harnessing the power of information communications technologies (ICT) for socio-economic development. To achieve this objective, the department will continue to improve the regulatory framework of the ICT environment and modernise information and telecommunications infrastructure for better performance at affordable prices for all South Africans.

To broaden participation in the economy, the department's objectives are: to accelerate the use of ICT as a tool in all aspects of government service delivery; to facilitate the growth and development of SMMEs in the ICT and other sectors; and to improve SMMEs' sustainability through the development of new applications for e-services.

The main challenges faced by the department include improving access to ICT for people in the second economy, improving the delivery of ICT services to the first economy, developing skills in the ICT sector and reducing the overall cost of communications in the country.

Key policy developments

Review of legislative framework

The Electronic Communications Act (2005) and the Independent Communications Authority of South Africa Amendment Act (2006) have been promulgated. These two pieces of legislation will make a reliable, cost effective and easily accessible national ICT system, including broadband, more accessible to all South Africans and strengthen the regulation of the ICT sector.

Digital migration policy framework

The digital migration policy framework was developed to introduce new diverse digital services. The department's role is to manage the transition from analogue to digital environments and to ensure that digital migration processes and activities are negotiated and aligned with multilateral institutions such as the International Telecommunications Union (ITU), the World Trade Organisation (WTO) and the African Union (AU). Digitisation will enable South Africa to better integrate into the global community and align itself with broadly accepted overarching principles of digital migration.

ICT strategy

The department has completed a comparative information benchmark study on broadband, which will inform the development of an ICT strategy for South Africa. A policy directive aimed at reducing the cost of ICT will be finalised in 2007. The department continues to support growth in the ICT sector by creating an environment

that is conducive to investment in the sector, minimising input costs, introducing competition through a managed programme of licensing new players, allowing existing players to play a bigger role, addressing regulatory constraints on infrastructure, and promoting the development of SMMEs.

International and regional co-operation

The department supported the New Partnership for Africa's Development (NEPAD) through the e-Africa programme, which includes the NEPAD e-schools project. It also supported the NEPAD ICT broadband infrastructure network for Eastern and Southern Africa, which includes the East African Submarine System (EASSy). EASSy links countries on the eastern seaboard of Africa as well as the landlocked neighbouring countries to the submarine optical fibre cable networks of the rest of the world.

The department played a key role in the work of the India-Brazil-South Africa (IBSA) Ministerial Trilateral Commission by participating in the information society working group. The department was involved in implementing the working group's plan of action for 2005/06, which included revising the draft framework for co-operation and developing the IBSA website.

2010 FIFA World Cup

The department is responsible for ensuring that appropriate ICT infrastructure is in place for the 2010 FIFA World Cup. Plans are being finalised to ensure that users at the event will have state of the art telecommunications technology (for voice and data) at their disposal at all venues and offices, including but not limited to the team bases, FIFA headquarters, referees' headquarters, the international broadcast centre (IBC) and other media centres. The department also undertakes to set up the IBC, and comply with the needs of television and press staff and photographers for a suitable site.

Outcomes

Improve universal access to ICT

Access to fast and reliable broadband is essential in developing a competitive and globally integrated economy. Broadband access has also been identified as an Accelerated and Shared Growth Initiative for South Africa (ASGISA) priority, to act as a catalyst for job creation by stimulating SMME development in a sustainable way. In order to bring affordable broadband communications to more people, Sentech is planning to build a national broadband wireless network. The network will be capable of carrying high capacity data, high quality voice, multicasting and other multimedia applications.

Improve the competitiveness of the economy through better ICT performance

The cost of communications has been identified as an impediment to growth and investment in the economy. As part of government's programme of action, the department has been tasked with analysing the cost of communications and making recommendations on ways to reduce costs. The department has hosted two colloquiums with industry stakeholders to formulate recommendations on reducing costs. Final policy directives based on these recommendations are awaiting approval.

Government has also identified the business process outsourcing industry as a growth sector in the economy. The department is involved in improving ICT facilities by providing skills training to call centre personnel and managers to boost the attractiveness of the industry in South Africa.

The initiative to implement a submarine cable system for the eastern seaboard region of Africa will improve the country's capacity to transact by significantly increasing its bandwidth. It will also place computing capability within the grasp of disadvantaged Africans. The EASSy cable will link South Africa to Sudan and provide for landing stations in countries along the coast of Eastern Africa. The cable will be connected to adjacent landlocked countries through terrestrial fibre optic links. The EASSy cable will be 9 900km long with an expected life span of 25 years.

Broaden participation in the economy through increased awareness of the benefits of ICT

Recognising that ICT plays a critical role in economic empowerment, the department has developed a strategy to support the Government Communication Information System (GCIS) in its public awareness campaigns on the opportunities and information available for individuals, business and investors. Three specialist information websites have been launched to disseminate information to the youth, SMMEs and investors. The department has also helped communities to develop their websites and promoted the use of emails to facilitate economic development at local level.

The department has entered into a project partnership with the Department of Provincial and Local Government, the National Electronic Media Institute of South Africa, the South African Local Government Association and GCIS. The project uses community radio stations to popularise and mainstream local government and its issues. An educational drama series on service delivery in local government was produced and translated into all the official languages.

The department has facilitated the satellite communications network/parliamentary channel to broaden public participation in the parliamentary process by providing infrastructure to community radio stations to improve their services.

Launch of the Meraka Institute

The Meraka Institute was launched in May 2005 by the Minister of Communications. The institute is funded partially by the Department of Communications and is built on the existing institutional capacity and organisational infrastructure of the Council for Scientific and Industrial Research (CSIR).

The Meraka Institute focuses on:

- human capital development in ICT, a key thread throughout the institute's activities and ensuring continued development, growth and sustainability
- innovation in ICT, leading to applications that address development challenges facing South Africa, Africa and the developing world
- advanced technical research, enabling indigenous ICT leadership through a critical mass of high quality research and development.

Some of the key achievements of the Meraka Institute since its establishment include:

- launching the national accessibility portal, which provides a one-stop information channel for individuals and organisations involved in supporting people with disabilities
- participating in the National Youth Service Week Expo, highlighting opportunities for young people in the ICT sector
- hosting Soweto's first open source workshop to foster and develop a network of local open source specialists in the area.

Expenditure estimates**Table 25.1 Communications**

| Programme | Audited outcome | | | Adjusted appropriation | Revised estimate | Medium-term expenditure estimate | | |
|--|-----------------|------------------|------------------|------------------------|------------------|----------------------------------|------------------|------------------|
| | 2003/04 | 2004/05 | 2005/06 | 2006/07 | 2007/08 | 2008/09 | 2009/10 | |
| R thousand | | | | | | | | |
| 1. Administration | 44 136 | 50 522 | 92 852 | 111 279 | 107 649 | 99 640 | 109 281 | 116 556 |
| 2. Strategic Policy Co-ordination, Integration and International Affairs | 15 144 | 21 888 | 47 166 | 46 649 | 51 721 | 52 764 | 56 531 | 63 800 |
| 3. Policy Unit | 65 330 | 93 819 | 68 692 | 74 680 | 69 873 | 78 258 | 81 552 | 84 273 |
| 4. Finance and Shareholder Management | 638 425 | 1 403 516 | 734 995 | 1 006 524 | 1 004 524 | 1 098 963 | 1 127 101 | 1 138 784 |
| 5. Innovative Applications and Research | 69 277 | 74 790 | 68 311 | 58 185 | 58 263 | 65 762 | 72 684 | 81 134 |
| 6. Presidential National Commission | 8 653 | 9 501 | 22 409 | 24 989 | 24 989 | 28 146 | 29 745 | 32 694 |
| Total | 840 965 | 1 654 036 | 1 034 425 | 1 322 306 | 1 317 019 | 1 423 533 | 1 476 894 | 1 517 241 |
| Change to 2006 Budget estimate | | | | 42 112 | 36 825 | 118 460 | 103 282 | |

Table 25.1 Communications (continued)

| R thousand | Audited outcome | | | Adjusted appropriation | Revised estimate | Medium-term expenditure estimate | | |
|---|-----------------|------------------|------------------|------------------------|------------------|----------------------------------|------------------|------------------|
| | 2003/04 | 2004/05 | 2005/06 | 2006/07 | | 2007/08 | 2008/09 | 2009/10 |
| Economic classification | | | | | | | | |
| Current payments | 185 032 | 220 059 | 268 360 | 309 659 | 307 372 | 321 689 | 354 085 | 385 947 |
| Compensation of employees | 57 264 | 68 849 | 88 362 | 99 597 | 97 790 | 107 914 | 114 577 | 120 311 |
| Goods and services | 127 750 | 151 197 | 179 893 | 206 389 | 205 909 | 213 775 | 239 508 | 265 636 |
| <i>of which:</i> | | | | | | | | |
| Communication | 8 023 | 7 391 | 7 263 | 7 096 | 7 096 | 8 081 | 8 539 | 9 045 |
| Computer services | 346 | 2 175 | 1 800 | 2 364 | 2 364 | 2 532 | 2 675 | 2 682 |
| Consultants, contractors and special services | 36 514 | 48 208 | 60 188 | 63 324 | 62 844 | 66 541 | 74 875 | 79 987 |
| Inventory | 2 369 | 2 711 | 6 814 | 2 383 | 2 383 | 2 686 | 2 839 | 4 336 |
| Maintenance, repairs and running costs | 1 943 | 4 392 | 8 320 | 8 375 | 8 375 | 6 816 | 8 700 | 12 533 |
| Operating leases | 17 924 | 18 306 | 18 725 | 24 987 | 24 987 | 16 200 | 19 221 | 20 497 |
| Travel and subsistence | 23 030 | 23 673 | 27 177 | 30 121 | 30 121 | 31 559 | 33 352 | 35 186 |
| Municipal services | 854 | 896 | 968 | 1 134 | 1 134 | 1 230 | 1 308 | 1 439 |
| Financial transactions in assets and liabilities | 18 | 13 | 105 | 3 673 | 3 673 | – | – | – |
| Transfers and subsidies | 640 270 | 1 430 812 | 754 599 | 1 005 657 | 1 002 657 | 1 094 301 | 1 114 639 | 1 122 267 |
| Provinces and municipalities | 327 | 229 | 321 | 207 | 207 | 6 | 6 | 7 |
| Departmental agencies and accounts | 192 459 | 248 345 | 217 052 | 271 801 | 271 801 | 300 565 | 326 073 | 354 206 |
| Universities and technikons | – | 200 | 100 | – | – | – | – | – |
| Public corporations and private enterprises | 447 031 | 1 181 745 | 536 026 | 730 210 | 727 210 | 790 330 | 785 360 | 765 054 |
| Foreign governments and international organisations | – | – | – | 1 439 | 1 439 | 1 400 | 700 | – |
| Non-profit institutions | – | 200 | 100 | 2 000 | 2 000 | 2 000 | 2 500 | 3 000 |
| Households | 453 | 93 | 1 000 | – | – | – | – | – |
| Payments for capital assets | 15 663 | 3 165 | 11 466 | 6 990 | 6 990 | 7 543 | 8 170 | 9 027 |
| Machinery and equipment | 15 663 | 3 125 | 8 845 | 6 950 | 6 950 | 7 543 | 8 170 | 9 027 |
| Software and other intangible assets | – | 40 | 2 621 | 40 | 40 | – | – | – |
| Total | 840 965 | 1 654 036 | 1 034 425 | 1 322 306 | 1 317 019 | 1 423 533 | 1 476 894 | 1 517 241 |

Expenditure trends

The department's expenditure between 2003/04 and 2006/07 grew at an average annual rate of 16,3 per cent, including the R750 million once-off payment to the South African Post Office for the recapitalisation of the Postbank in 2004/05 and R40 million in 2003/04 to the South African Broadcasting Corporation for the closure of the Bophuthatswana Broadcasting Corporation.

Over the MTEF period, the expenditure growth rate is expected to decrease to an average of 4,7 per cent a year. Additional allocations of R130,8 million in 2007/08, R116,6 million in 2008/09, and R129,7 million in 2009/10 are for policy priorities, including digital signal distribution, enhancing the regulatory framework, and ICT research and innovation.

Infrastructure spending

Departmental expenditure on infrastructure is limited to transfers to its public entities, which undertake infrastructure development as part of their mandates. Sentech receives an additional allocation of R21 million in 2007/08 to partly fund the development of the East African Submarine System.

The department's efforts to bridge the digital divide were improved when Sentech finalised its plans to replace the old analogue signal distribution network infrastructure with a digital infrastructure. Expenditure on digitising infrastructure is expected to be R100 million 2006/07, increasing to R125 million in 2007/08. Expenditure is expected to decrease in the two outer years of the MTEF period to R75 million in 2009/10 as the project nears completion.

The 112 national emergency number pilot project

The department's pilot project on the 112 national emergency number is being implemented in Western Cape. Thus far, 90 per cent of Western Cape emergency calls are routed via the 112 centre to the relevant authorities. All local municipalities, emergency services and the South African Police Service in Western Cape responded positively to the centre. The centre also participates in the Western Cape disaster management programme. The department completed a public-private partnership (PPP) feasibility study for a private entity to run the centre and to establish a second centre in Gauteng. The final outcome of the study will pave the way for the PPP to be rolled out in 2007/08.

Departmental receipts

Most receipts under sales of goods and services relate to administration fees collected by the Independent Communications Authority of South Africa from telecommunications operators and SA Post Office licence fees, and are paid into the National Revenue Fund.

The large increase from 2004/05 to 2005/06 was from ordinary and special dividends received from Telkom SA Ltd, which were subsequently paid into the National Revenue Fund.

Departmental receipts are expected to increase steadily over the MTEF period.

Table 25.2 Departmental receipts

| R thousand | Audited outcome | | | Adjusted appropriation | Medium-term receipts estimate | | |
|--|-----------------|------------------|------------------|------------------------|-------------------------------|------------------|------------------|
| | 2003/04 | 2004/05 | 2005/06 | 2006/07 | 2007/08 | 2008/09 | 2009/10 |
| Departmental receipts | 975 676 | 1 524 300 | 3 178 882 | 3 206 281 | 3 239 780 | 3 273 328 | 3 308 576 |
| Sales of goods and services produced by department | 749 075 | 1 247 694 | 1 311 954 | 1 338 203 | 1 371 660 | 1 405 951 | 1 441 100 |
| Transfers received | 3 000 | 3 700 | 110 | 360 | 840 | – | – |
| Interest, dividends and rent on land | 222 121 | 272 455 | 1 866 217 | 1 866 578 | 1 866 657 | 1 866 738 | 1 866 821 |
| Financial transactions in assets and liabilities | 1 480 | 451 | 581 | 1 140 | 623 | 639 | 655 |
| Total | 975 676 | 1 524 300 | 3 178 882 | 3 206 281 | 3 239 780 | 3 273 328 | 3 308 576 |

Programme 1: Administration

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

Expenditure estimates

Table 25.3 Administration

| Subprogramme | Audited outcome | | | Adjusted appropriation | Medium-term expenditure estimate | | |
|--------------------------------|-----------------|---------------|---------------|------------------------|----------------------------------|----------------|----------------|
| | 2003/04 | 2004/05 | 2005/06 | 2006/07 | 2007/08 | 2008/09 | 2009/10 |
| R thousand | | | | | | | |
| Minister ¹ | 707 | 791 | 837 | 885 | 938 | 985 | 1 034 |
| Deputy Minister ² | – | 533 | 625 | 654 | 693 | 728 | 764 |
| Management | 13 413 | 17 668 | 29 901 | 32 917 | 33 417 | 37 205 | 39 911 |
| Operations | 26 390 | 27 433 | 57 067 | 60 580 | 59 358 | 64 734 | 68 620 |
| Property Management | 3 626 | 4 097 | 4 422 | 16 243 | 5 234 | 5 629 | 6 227 |
| Total | 44 136 | 50 522 | 92 852 | 111 279 | 99 640 | 109 281 | 116 556 |
| Change to 2006 Budget estimate | | | | 3 000 | (12 231) | (13 200) | |

1. Payable as from 1 April 2006. Salary: R707 956. Car allowance: R176 988.

2. Payable as from 1 April 2006. Salary: R523 104. Car allowance: R130 776.

Table 25.3 Administration (continued)

| R thousand | Audited outcome | | | Adjusted appropriation | Medium-term expenditure estimate | | |
|--|-----------------|---------------|---------------|------------------------|----------------------------------|----------------|----------------|
| | 2003/04 | 2004/05 | 2005/06 | 2006/07 | 2007/08 | 2008/09 | 2009/10 |
| Economic classification | | | | | | | |
| Current payments | 43 041 | 48 644 | 85 707 | 108 571 | 96 829 | 106 308 | 113 395 |
| Compensation of employees | 14 873 | 19 433 | 32 810 | 37 653 | 39 689 | 42 738 | 44 880 |
| Goods and services | 28 150 | 29 211 | 52 897 | 70 918 | 57 140 | 63 570 | 68 515 |
| <i>of which:</i> | | | | | | | |
| Communication | 1 896 | 2 074 | 2 487 | 2 797 | 2 900 | 3 065 | 3 261 |
| Computer services | 5 | 790 | 876 | 1 613 | 1 650 | 1 744 | 1 856 |
| Consultants, contractors and special services | 4 384 | 4 285 | 9 580 | 6 819 | 6 404 | 6 767 | 7 200 |
| Inventory | 746 | 1 152 | 2 001 | 877 | 815 | 861 | 916 |
| Maintenance, repairs and running costs | 317 | 184 | 372 | 3 850 | 900 | 2 448 | 2 615 |
| Operating leases | 3 227 | 3 735 | 9 338 | 14 655 | 4 884 | 5 321 | 5 788 |
| Travel and subsistence | 5 109 | 5 521 | 7 889 | 9 500 | 10 000 | 10 568 | 10 601 |
| Municipal services | 854 | 896 | 968 | 1 134 | 1 230 | 1 308 | 1 439 |
| Financial transactions in assets and liabilities | 18 | – | – | – | – | – | – |
| Transfers and subsidies | 593 | 555 | 1 310 | 91 | 105 | 113 | 118 |
| Provinces and municipalities | 140 | 62 | 122 | 91 | – | – | – |
| Departmental agencies and accounts | – | – | – | – | 105 | 113 | 118 |
| Universities and technikons | – | 200 | 100 | – | – | – | – |
| Non-profit institutions | – | 200 | 100 | – | – | – | – |
| Households | 453 | 93 | 988 | – | – | – | – |
| Payments for capital assets | 502 | 1 323 | 5 835 | 2 617 | 2 706 | 2 860 | 3 043 |
| Machinery and equipment | 502 | 1 290 | 5 551 | 2 577 | 2 706 | 2 860 | 3 043 |
| Software and other intangible assets | – | 33 | 284 | 40 | – | – | – |
| Total | 44 136 | 50 522 | 92 852 | 111 279 | 99 640 | 109 281 | 116 556 |

Expenditure trends

Expenditure between 2003/04 and 2006/07 increased at an average annual rate of 36,1 per cent, largely driven by filling management posts in 2005/06, and refurbishing and renovating offices.

The transfer of the property management function from the Department of Public Works came into effect in April 2006. Once departments had verified what accommodation they occupied, amounts allocated to the Department of Communications for property management were adjusted to R5,2 million in 2007/08, R5,6 million in 2008/09 and R6,2 million in 2009/10.

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

The *Strategic Policy Co-ordination, Integration and International Affairs* programme has been restructured to develop an intergovernmental relations framework that promotes the use of ICT for socio-economic development, gives effect to South Africa's foreign policy priorities on ICT-related matters and establishes mutually beneficial stakeholder partnerships in the ICT sector.

Following the transfer of the Postal Regulator to ICASA, there are two subprogrammes:

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

Expenditure estimates

Table 25.4 Strategic Policy Co-ordination, Integration and International Affairs

| Subprogramme | Audited outcome | | | Adjusted appropriation | Medium-term expenditure estimate | | |
|--------------------------------|-----------------|---------------|---------------|------------------------|----------------------------------|---------------|---------------|
| | 2003/04 | 2004/05 | 2005/06 | 2006/07 | 2007/08 | 2008/09 | 2009/10 |
| R thousand | | | | | | | |
| Co-ordination and Integration | 2 390 | 4 956 | 6 400 | 10 700 | 14 462 | 15 283 | 17 748 |
| Postal Regulator | 6 596 | 9 322 | 15 750 | 2 735 | – | – | – |
| International | 6 158 | 7 610 | 25 016 | 33 214 | 38 302 | 41 248 | 46 052 |
| Total | 15 144 | 21 888 | 47 166 | 46 649 | 52 764 | 56 531 | 63 800 |
| Change to 2006 Budget estimate | | | | 4 174 | 3 400 | 4 363 | |

Economic classification

| | | | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Current payments | 14 749 | 21 066 | 46 823 | 42 142 | 48 282 | 52 188 | 59 230 |
| Compensation of employees | 7 535 | 10 778 | 15 048 | 14 939 | 15 730 | 16 624 | 17 455 |
| Goods and services | 7 214 | 10 288 | 31 775 | 27 203 | 32 552 | 35 564 | 41 775 |
| <i>of which:</i> | | | | | | | |
| Communication | 796 | 757 | 857 | 645 | 703 | 743 | 790 |
| Computer services | 4 | 19 | 30 | 88 | 92 | 97 | 69 |
| Consultants, contractors and special services | 1 051 | 121 | 12 441 | 11 638 | 14 296 | 15 108 | 16 857 |
| Inventory | 104 | 208 | 622 | 337 | 351 | 371 | 590 |
| Maintenance, repairs and running costs | 92 | 173 | 103 | 70 | 73 | 77 | 213 |
| Operating leases | 188 | 357 | 2 208 | 470 | 511 | 540 | 255 |
| Travel and subsistence | 2 985 | 5 869 | 8 326 | 6 640 | 6 773 | 7 158 | 7 616 |
| Transfers and subsidies | 24 | 28 | 52 | 3 476 | 3 400 | 3 200 | 3 000 |
| Provinces and municipalities | 24 | 28 | 50 | 37 | – | – | – |
| Foreign governments and international organisations | – | – | – | 1 439 | 1 400 | 700 | – |
| Non-profit institutions | – | – | – | 2 000 | 2 000 | 2 500 | 3 000 |
| Households | – | – | 2 | – | – | – | – |
| Payments for capital assets | 371 | 794 | 291 | 1 031 | 1 082 | 1 143 | 1 570 |
| Machinery and equipment | 371 | 794 | 291 | 1 031 | 1 082 | 1 143 | 1 570 |
| Total | 15 144 | 21 888 | 47 166 | 46 649 | 52 764 | 56 531 | 63 800 |

Details of major transfers and subsidies:

| | | | | | | | |
|--|---|---|---|--------------|--------------|--------------|--------------|
| Foreign governments and international organisations | | | | | | | |
| Current | – | – | – | 1 439 | 1 400 | 700 | – |
| International Telecommunications Union | – | – | – | 1 439 | 1 400 | 700 | – |
| Non-profit institutions | | | | | | | |
| Current | – | – | – | 2 000 | 2 000 | 2 500 | 3 000 |
| NEPAD e-Africa Commission | – | – | – | 2 000 | 2 000 | 2 500 | 3 000 |

Expenditure trends

Between 2003/04 and 2006/07, expenditure increased at an average annual rate of 45,5 per cent, from R15,1 million to R46,7 million. This dramatic increase was because the department participated in and hosted a number of major international events in 2005/06, like the World Summit on the Information Society, the 23rd Universal Postal Union Congress, and the Digital Africa Summit. Also, the restructuring of the department in 2005/06 led to more staff appointments under this programme.

The transfer of R1,4 million to the International Telecommunications Union (ITU) was for a joint project between the ITU, the Universal Postal Union (UPU) and South Africa, aimed at promoting universal access to ICT in rural and remote areas. Membership fees for the African Telecommunications Union (ATU) and UPU were only paid during 2005/06. The transfer of the Postal Regulator to ICASA was scheduled to be completed by April 2006, so no further funds are allocated over the medium term. Expenditure for this continued in 2006/07 because of delays caused by the implementation of Electronic Communications Act (2005), which

makes provision for creating a single regulator, and by negotiations between the department, ICASA and the unions. Over the MTEF period, the average annual growth rate is set to stabilise at 11 per cent.

Service delivery objectives and indicators

Recent outputs

The department has established the information society and development intergovernmental relations forum (ISAD IGR forum) with provinces to co-ordinate the delivery of ICT in response to government's national programme of action. The technical support committee was also set up as a support structure for the forum. Another key output was the formation of the Project Consolidate task team with a number of state owned enterprises, targeting delivery in integrated sustainable rural development programme and urban renewal programme nodal points.

The department has launched a stakeholder management strategy to build partnerships with the industry and improve sector participation in delivering on government priorities. A survey was completed on the status of ICT projects in the provinces.

The NEPAD e-schools demonstration implementation framework was approved and will guide the rollout of the NEPAD e-school demonstration programme, aimed at ensuring that all African youth leave school with the necessary ICT education and skills to function in the information society. Sixteen countries had to identify six schools for the pilot phase of the programme. South Africa is expected to launch an e-schools project before the end of 2006/07.

Eleven of the 23 affected countries have signed the regulatory protocol governing the East African Submarine System project. Implementation is expected to start in mid-2007 and to be completed by December 2008.

In keeping with the South African government's undertaking to provide political and practical support to the implementation of the NEPAD priority programmes, the Department of Communications provides financial support to the NEPAD e-Africa Commission, amounting to R2 million a year. The department also provides the e-Africa Commission with administrative and personnel support.

Selected medium-term output targets

Strategic Policy Co-ordination, Integration and International Affairs

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

| Subprogramme | Output | Measure/indicator | Target |
|-------------------------------|---|--|---------------|
| Co-ordination and Integration | Participation in integrated sustainable rural development programme and urban renewal programme | Action plan developed | March 2008 |
| | ISAD IGR forum programme implemented | Meetings of the ISAD IGR forum and its technical support committee as scheduled | March 2008 |
| | Project Consolidate support plan | Project Consolidate support plan developed and implemented in municipalities | March 2008 |
| | Stakeholder management strategy implemented | Industry forum established | April 2008 |
| International | Multilateral and bilateral agreements developed | International engagement framework implemented | March 2008 |
| | India-Brazil-South Africa (IBSA) 2007/08 co-operation plan of action implemented | ICT related IBSA projects implemented, monitored and evaluated | March 2008 |
| | ICT sector incorporated in multilateral African organisations. | Incorporation of specialised technical agencies in the AU: the African Telecommunications Union, the Pan-African Postal Union and the Union of National Radio and Television Organisations of Africa | March 2008 |
| | Monitored implementation of the NEPAD ICT broadband infrastructure network | Project progress report completed | December 2008 |

Programme 3: Policy Unit

The *Policy Unit* programme's main focus is to develop policies, legislation and strategies that will create optimal conditions for investment in and rollout of ICT infrastructure and services, and contribute to nation building and social cohesion to achieve sustainable economic development.

There are seven subprogrammes:

- *Telecommunications Policy* formulates effective telecommunications policies, taking into account national priorities, development needs, globalisation, investment needs and sector restructuring.
- *Postal Policy* provides the policy framework for postal services that addresses regulatory issues aimed at improving efficiency, lowering costs and promoting competition.
- *Multi-Media Policy* develops frameworks for promoting multimedia services.
- *IT Policy* promotes competition and universal access to IT.
- *Economic Modelling* is responsible for ensuring the optimisation of investment opportunities and for analysing the impact of IT.
- *South African Broadcasting Corporation: Community Radio Stations* focuses on extending signal distribution to reach all communities, and extending community multimedia services at selected nodal points.
- *South African Broadcasting Corporation: Programme Production* makes transfers to the SABC to enable it to produce programmes with local content, on issues relating to youth, women, children, the disabled, and HIV and Aids, for commercial and community radio stations.

Expenditure estimates

Table 25.5 Policy Unit

| Subprogramme | Audited outcome | | | Adjusted appropriation | Medium-term expenditure estimate | | |
|--|-----------------|---------------|---------------|------------------------|----------------------------------|---------------|---------------|
| | 2003/04 | 2004/05 | 2005/06 | 2006/07 | 2007/08 | 2008/09 | 2009/10 |
| R thousand | | | | | | | |
| Telecommunications Policy | 10 803 | 27 731 | 12 806 | 9 027 | 12 280 | 13 447 | 14 186 |
| Postal Policy | 13 206 | 19 416 | 3 177 | 1 597 | 3 209 | 3 370 | 3 555 |
| Multi-Media Policy | 13 557 | 11 672 | 8 675 | 18 957 | 18 071 | 18 975 | 19 571 |
| IT Policy | – | – | 178 | 2 052 | 3 643 | 3 825 | 4 035 |
| Economic Modelling | – | – | 2 601 | 3 151 | 4 643 | 4 875 | 5 143 |
| South African Broadcasting Corporation: Community radio stations | 1 964 | 6 500 | 10 255 | 10 870 | 11 412 | 12 060 | 12 783 |
| South African Broadcasting Corporation: Programme production | 25 800 | 28 500 | 31 000 | 29 026 | 25 000 | 25 000 | 25 000 |
| Total | 65 330 | 93 819 | 68 692 | 74 680 | 78 258 | 81 552 | 84 273 |
| Change to 2006 Budget estimate | | | | (2 501) | (3 152) | (4 482) | |

Economic classification

| Current payments | 37 040 | 50 015 | 27 172 | 33 540 | 40 874 | 43 266 | 45 217 |
|--|--------|--------|--------|--------|--------|--------|--------|
| Compensation of employees | 10 799 | 10 849 | 6 027 | 8 586 | 12 041 | 12 555 | 13 183 |
| Goods and services | 26 241 | 39 166 | 21 145 | 21 281 | 28 833 | 30 711 | 32 034 |
| <i>of which:</i> | | | | | | | |
| Communication | 1 740 | 2 615 | 2 438 | 968 | 1 676 | 1 771 | 1 884 |
| Computer services | 2 | 53 | – | 55 | 57 | 60 | 64 |
| Consultants, contractors and special services | 3 943 | 8 434 | 5 186 | 3 693 | 5 960 | 6 727 | 6 754 |
| Inventory | 220 | 169 | 302 | 14 | 223 | 236 | 340 |
| Maintenance, repairs and running costs | 34 | 38 | 2 | 115 | 120 | 127 | 132 |
| Operating leases | 4 975 | 4 621 | 1 755 | 1 289 | 1 447 | 1 529 | 1 536 |
| Travel and subsistence | 5 574 | 6 327 | 2 443 | 4 891 | 5 197 | 5 492 | 5 838 |
| Financial transactions in assets and liabilities | – | – | – | 3 673 | – | – | – |

Table 25.5 Policy Unit (continued)

| R thousand | Audited outcome | | | Adjusted appropriation | Medium-term expenditure estimate | | |
|---|-----------------|---------------|---------------|------------------------|----------------------------------|---------------|---------------|
| | 2003/04 | 2004/05 | 2005/06 | 2006/07 | 2007/08 | 2008/09 | 2009/10 |
| Transfers and subsidies | 27 797 | 43 530 | 41 290 | 40 035 | 36 412 | 37 060 | 37 783 |
| Provinces and municipalities | 33 | 50 | 27 | 39 | – | – | – |
| Departmental agencies and accounts | – | – | – | 100 | – | – | – |
| Public corporations and private enterprises | 27 764 | 43 480 | 41 255 | 39 896 | 36 412 | 37 060 | 37 783 |
| Households | – | – | 8 | – | – | – | – |
| Payments for capital assets | 493 | 274 | 230 | 1 105 | 972 | 1 226 | 1 273 |
| Machinery and equipment | 493 | 274 | 230 | 1 105 | 972 | 1 226 | 1 273 |
| Total | 65 330 | 93 819 | 68 692 | 74 680 | 78 258 | 81 552 | 84 273 |

Details of major transfers and subsidies:

| Departmental agencies and accounts | | | | | | | |
|--|--------|--------|--------|--------|--------|--------|--------|
| Public entities | | | | | | | |
| Current | | | | | | | |
| Information System, Electronics and Communication Technologies Authority | – | – | – | 100 | – | – | – |
| Public corporations and private enterprises | | | | | | | |
| Public corporations | | | | | | | |
| Other transfers | | | | | | | |
| Current | | | | | | | |
| South African Post Office: Public internet terminals | – | 8 480 | – | – | – | – | – |
| South African Broadcasting Corporation: Community radio stations | 1 964 | 6 500 | 10 255 | 10 870 | 11 412 | 12 060 | 12 783 |
| South African Broadcasting Corporation: Programme production | 25 800 | 28 500 | 31 000 | 29 026 | 25 000 | 25 000 | 25 000 |

Expenditure trends

The significant increase between 2003/04 and 2004/05 was mainly because of the once-off transfer payment to the SA Post Office for public internet terminals and the increase in spending in the *Community Radio Stations* subprogramme. Furthermore, the substantive increase from 2003/04 to 2005/06 was due to the movement of two subprogrammes, *SABC: Community Radio Stations* and *SABC: Programme Production*, from programme 5 (*Innovative Applications and Access*) to this programme, causing an increase in spending of R31,1 million. Expenditure is expected to increase steadily over the MTEF period, at an average annual rate of 4,1 per cent.

Service delivery objectives and indicators**Recent outputs**

A comparative information benchmark study, which will inform the development of a broader ICT strategy for South Africa, was completed in 2006. The process of developing a universal service policy on the ICT sector is currently under way, and a project team has been set up to co-ordinate the drafting of the policy. Two colloquiums were convened with departmental stakeholders on telecommunications prices.

The process of developing a framework for migrating from analogue to digital broadcasting infrastructure has begun. Issues papers were circulated to all stakeholders for comment and a discussion document was developed. A digital migration working group, consisting of industry, labour, consumer bodies, government and the regulator, was set up to discuss the issues related to the digital migration process.

The Postal Services Act (1998) was amended to be in line with the ICASA Amendment Act (2006), which provides for the establishment of an impartial and independent regulator for the postal, broadcasting and telecommunications sectors. Because of convergence, all three sectors will now be regulated by one authority.

Selected medium-term output targets

Policy Unit

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

| Subprogramme | Output | Measure/indicator | Target |
|--|---|--|--|
| Telecommunications Policy | Policy directives on the cost of communications implemented | Implementation of the cost of communications policy directives monitored through regular reports | Ongoing |
| Postal Policy | Electronic Communications and Transactions Act implemented | Implementation of the act | Ongoing |
| | Postal Service Amendment Act monitored | Monitoring of the act | Ongoing |
| Multi-Media Policy | Digital migration policy | Digital migration policy developed and circulated to stakeholders | March 2008 |
| | Telecoms policy regime reviewed | Draft policy paper issued | March 2008 |
| IT Policy | ICT strategy including broadband strategy | Strategy completed | March 2008 |
| Economic Modeling | Universal service policy and strategy on ICT sector | Implementation of universal service policy imposing new universal service obligations on operators | March 2008 |
| South African Broadcasting Corporation: Community Radio Stations | Monitoring of infrastructure rollout for community radio stations to connect radio stations to the parliamentary channel monitored | Frequency of reports on the number of community radio stations connected | Quarterly reports |
| South African Broadcasting Corporation: Programme Production | Monitoring of production of radio programmes for women, youth, children, disabled, those with HIV and Aids, on rights, and on functions of government | Frequency of reports Number of radio programme minutes produced and broadcast | Quarterly reports 10 000 minutes per year in each identified area |

Programme 4: Finance and Shareholder Management

The *Finance and Shareholder Management* programme is made up of three directorates. The finance directorate is responsible for overall internal financial management. The shareholder management directorate provides leadership for and monitoring of activities of all public entities in the Department of Communications' portfolio, ensuring that that all public entities' strategies are aligned with government's priorities and mandate and that there is adequate return on investment. The SMME directorate is responsible for facilitating the growth and development of sustainable SMMEs in the ICT sector.

There are nine subprogrammes:

- *Financial Management* provides overall financial management services to the department.
- *Universal Service and Access Agency of South Africa (USAASA)* transfers funds to the agency to promote the goal of universal services and oversees that targets are met.
- *Universal Services Fund (USF)* transfers funds to the USF from the department to construct infrastructure in underserved areas and oversees that the fund is soundly managed by the USAA.
- *South African Post Office (SAPO) Subsidy* transfers a subsidy to the SA Post Office to fund postal outlets in rural areas that do not generate enough revenue to cover their expenses.
- *South African Broadcasting Corporation: Public Broadcaster* transfers funds to the SABC to provide radio and television services, including broadcasting education programmes, and oversees that targets are met.
- *South African Broadcasting Corporation: Channel Africa* transfers funds to the SABC to provide a broadcasting service to communicate South Africa's foreign policies across Africa and oversees that targets are met.
- *Independent Communications Authority of South Africa (ICASA)* transfers funds to ICASA for regulating the broadcasting industry in the public's interest to ensure fairness and a diversity of views representing South African society.
- *National Electronic Media Institute of South Africa* transfers funds to NEMISA for providing training in the broadcasting industry, especially to historically disadvantaged groups.
- *Sentech* transfers funds to Sentech to support the provision of broadcasting signal distribution.

Expenditure estimates

Table 25.6 Finance and Shareholder Management

| Subprogramme | Audited outcome | | | Adjusted | Medium-term expenditure estimate | | | |
|--|-----------------|------------------|----------------|------------------|----------------------------------|------------------|------------------|---------|
| | 2003/04 | 2004/05 | 2005/06 | appropriation | 2006/07 | 2007/08 | 2008/09 | 2009/10 |
| R thousand | | | | | | | | |
| Financial Management | 34 961 | 31 406 | 31 672 | 50 009 | 51 085 | 60 341 | 65 925 | |
| Universal Service and Access Agency of South Africa | 14 211 | 15 884 | 17 500 | 20 100 | 21 105 | 22 304 | 23 495 | |
| Universal Service Fund | 24 745 | 26 230 | 29 400 | 31 164 | 32 722 | 34 581 | 36 427 | |
| South African Post Office subsidy | 300 000 | 300 000 | 300 000 | 351 439 | 363 800 | 371 600 | 383 092 | |
| South African Post Office recapitalisation | – | 750 000 | – | – | – | – | – | |
| South African Broadcasting Corporation: Public broadcaster | 84 717 | 47 400 | 150 455 | 203 482 | 206 156 | 217 866 | 225 485 | |
| South African Broadcasting Corporation: Channel Africa | 26 288 | 27 865 | 29 616 | 31 393 | 32 962 | 34 834 | 36 694 | |
| Independent Communications Authority of South Africa | 138 350 | 186 928 | 150 489 | 199 738 | 222 475 | 242 272 | 263 607 | |
| National Electronic Media Institute of South Africa | 15 153 | 17 803 | 18 163 | 19 199 | 22 658 | 25 303 | 29 059 | |
| Sentech | – | – | 7 700 | 100 000 | 125 000 | 118 000 | 75 000 | |
| Sentech EASSy | – | – | – | – | 21 000 | – | – | |
| Total | 638 425 | 1 403 516 | 734 995 | 1 006 524 | 1 098 963 | 1 127 101 | 1 138 784 | |
| Change to 2006 Budget estimate | | | | 37 439 | 125 443 | 110 601 | | |

Economic classification

| | | | | | | | |
|--|----------------|------------------|----------------|------------------|------------------|------------------|------------------|
| Current payments | 34 615 | 31 136 | 29 793 | 48 812 | 49 842 | 59 028 | 64 528 |
| Compensation of employees | 9 769 | 11 464 | 10 600 | 12 665 | 13 336 | 14 002 | 14 703 |
| Goods and services | 24 846 | 19 659 | 19 088 | 36 147 | 36 506 | 45 026 | 49 825 |
| <i>of which:</i> | | | | | | | |
| Communication | 829 | 909 | 597 | 765 | 800 | 845 | 860 |
| Computer services | 285 | 1 008 | 667 | 280 | 392 | 414 | 310 |
| Consultants, contractors and special services | 7 908 | 2 353 | 4 704 | 10 145 | 6 000 | 10 467 | 11 137 |
| Inventory | 345 | 784 | 3 280 | 764 | 890 | 941 | 1 074 |
| Maintenance, repairs and running costs | 521 | 1 307 | 946 | 3 318 | 4 457 | 4 710 | 5 011 |
| Operating leases | 6 365 | 6 377 | 2 203 | 6 387 | 7 058 | 9 401 | 10 002 |
| Travel and subsistence | 1 690 | 988 | 629 | 1 942 | 2 199 | 2 324 | 2 472 |
| Financial transactions in assets and liabilities | – | 13 | 105 | – | – | – | – |
| Transfers and subsidies | 603 550 | 1 372 148 | 703 360 | 956 534 | 1 047 884 | 1 066 766 | 1 072 866 |
| Provinces and municipalities | 86 | 38 | 37 | 19 | 6 | 6 | 7 |
| Departmental agencies and accounts | 192 459 | 246 845 | 215 552 | 270 201 | 298 960 | 324 460 | 352 588 |
| Public corporations and private enterprises | 411 005 | 1 125 265 | 487 771 | 686 314 | 748 918 | 742 300 | 720 271 |
| Payments for capital assets | 260 | 232 | 1 842 | 1 178 | 1 237 | 1 307 | 1 390 |
| Machinery and equipment | 260 | 225 | 1 842 | 1 178 | 1 237 | 1 307 | 1 390 |
| Software and other intangible assets | – | 7 | – | – | – | – | – |
| Total | 638 425 | 1 403 516 | 734 995 | 1 006 524 | 1 098 963 | 1 127 101 | 1 138 784 |

Details of major transfers and subsidies:

| Departmental agencies and accounts | | | | | | | |
|--|---------|---------|---------|---------|---------|---------|---------|
| Public entities | | | | | | | |
| Current | 192 459 | 246 845 | 215 552 | 270 201 | 298 960 | 324 460 | 352 588 |
| Universal Service and Access Agency of South Africa | 14 211 | 15 884 | 17 500 | 20 100 | 21 105 | 22 304 | 23 495 |
| Universal Service Fund | 24 745 | 26 230 | 29 400 | 31 164 | 32 722 | 34 581 | 36 427 |
| Independent Communications Authority of South Africa | 138 350 | 186 928 | 150 489 | 199 738 | 222 475 | 242 272 | 263 607 |
| National Electronic Media Institute of South Africa | 15 153 | 17 803 | 18 163 | 19 199 | 22 658 | 25 303 | 29 059 |

Table 25.6 Finance and Shareholder Management (continued)

| R thousand | Audited outcome | | | Adjusted appropriation | Medium-term expenditure estimate | | |
|--|-----------------|------------------|----------------|------------------------|----------------------------------|------------------|------------------|
| | 2003/04 | 2004/05 | 2005/06 | 2006/07 | 2007/08 | 2008/09 | 2009/10 |
| Public corporations and private enterprises | | | | | | | |
| Public corporations | | | | | | | |
| Subsidies on production or products | | | | | | | |
| Current | 300 000 | 300 000 | 300 000 | 351 439 | 363 800 | 371 600 | 383 092 |
| South African Post Office: Subsidy | 300 000 | 300 000 | 300 000 | 351 439 | 363 800 | 371 600 | 383 092 |
| Other transfers | | | | | | | |
| Current | 111 005 | 825 265 | 180 071 | 234 875 | 239 118 | 252 700 | 262 179 |
| South African Broadcasting Corporation: Public broadcaster | 84 717 | 47 400 | 150 455 | 203 482 | 206 156 | 217 866 | 225 485 |
| South African Broadcasting Corporation: Channel Africa | 26 288 | 27 865 | 29 616 | 31 393 | 32 962 | 34 834 | 36 694 |
| South African Post Office: Recapitalisation | – | 750 000 | – | – | – | – | – |
| Capital | – | – | 7 700 | 100 000 | 146 000 | 118 000 | 75 000 |
| Sentech: Digitisation | – | – | 7 700 | 100 000 | 125 000 | 118 000 | 75 000 |
| Sentech: EASSy | – | – | – | – | 21 000 | – | – |
| Total | 603 550 | 1 372 148 | 703 360 | 956 534 | 1 047 884 | 1 066 766 | 1 072 866 |

Expenditure trends

The *Finance and Shareholder Management* programme accounts for the greater part of the department's expenditure as it incorporates transfers and subsidies to public entities. As a result of the restructuring and programme changes in 2004/05, audited outcomes were restated to reflect expenditure in line with the new programmes.

Expenditure increased significantly in 2004/05 due to once-off allocations, including the recapitalisation of the PostBank. Between 2003/04 and 2006/07, expenditure increased at an average annual rate of 16,4 per cent. However, over the MTEF period the average annual growth rate is expected to decrease to 4,2 per cent, as transfers and subsidies stabilise.

Additional allocations to Sentech of R60 million in 2007/08, R65 million in 2008/09 and R75 million in 2009/10 are to accelerate the rehabilitation and digitisation of signal distribution infrastructure. In addition, to fund digitisation, R21 million was allocated as a once-off transfer for Sentech's East African Submarine System.

ICASA received an additional allocation of R15 million over the MTEF period. The SA Post Office received additional allocations for its VAT liability: R39,8 million, R40,6 million and R42,7 million over the MTEF period.

Service delivery objectives and indicators

Recent outputs

For the past 14 years the department has received an unqualified report from the auditor-general. A consolidated report has been compiled that evaluates the financial implications of the Sentech digital migration and wireless broadband network rollout and has been submitted to the minister. The boards of public entities are fully functional, and the minister is continuously advised of any impending vacancies.

To strengthen the internal and accounting control environment, a number of policies were updated, including the supply chain management policy, the asset management policy and procedure, a logistics manual, a cell phone policy and a debt policy.

The corporate plans, budgets and investment proposals of all public entities were analysed and submissions made to the minister. The minister approved the business plans of NEMISA and the Universal Service and

Access Agency of South Africa, as required by the Public Finance Management Act (1999) (PFMA). Shareholder compacts have also been reviewed.

There has been a marked improvement in the financial performance of public entities, in particular the SABC and the SA Post Office, mainly due to better shareholder management oversight.

Selected medium-term output targets

For outputs of all public entities and agencies under this programme, refer to the “Public entities and other agencies” section.

Finance and Shareholder Management

Measurable objective: Develop and implement policies and best practices to provide overall financial and supply chain management to the department, to provide efficient and effective oversight support of state owned enterprises, and to facilitate the growth and development of SMMEs in the ICT and other sectors and improve their sustainability.

| Subprogramme | Output | Measure/Indicator | Target |
|--|--|---|-------------|
| Financial Management | Integrated and aligned operational processes and systems | Effective financial management systems and processes developed, implemented, monitored and reviewed | March 2008 |
| Universal Service and Access Agency of South Africa and Universal Service Fund | Compliance with protocol on corporate governance and service delivery | All public entities compliant with protocol | March 2008 |
| South African Broadcasting Corporation: Public Broadcaster | Analysis of public entities' business and investment plans | All business and investment plans reviewed by department | March 2008 |
| South African Broadcasting Corporation: Channel Africa | Analysis of funding requests | All funding requested approved by director general | August 2007 |
| Independent Communications Authority of South Africa | Monitoring of public entities' implementation and delivery of services as per agreements | Frequency of progress reports received and drawn up by department | Quarterly |
| National Electronic Media Institute of South Africa | | | |
| South African Post Office | | | |
| Sentech | | | |

Programme 5: Innovative Applications and Research

The *Innovative Applications and Research* programme is responsible for improving service delivery through ICT mediums and applications.

There are four subprogrammes:

- *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 spectrum.
- *Meraka Institute* transfers funds to the institute for research and development of 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.

Expenditure estimates

Table 25.7 Innovative Applications and Research

| Subprogramme | Audited outcome | | | Adjusted appropriation | Medium-term expenditure estimate | | |
|--------------------------------|-----------------|---------------|---------------|------------------------|----------------------------------|---------------|---------------|
| | 2003/04 | 2004/05 | 2005/06 | 2006/07 | 2007/08 | 2008/09 | 2009/10 |
| R thousand | | | | | | | |
| Applications and Research | 48 128 | 32 314 | 44 986 | 30 213 | 35 666 | 40 248 | 45 903 |
| Meraka Institute | 8 262 | 13 000 | 7 000 | 4 000 | 5 000 | 6 000 | 7 000 |
| 112 Emergency Call Centre | 12 887 | 27 976 | 14 825 | 22 472 | 23 596 | 24 936 | 26 731 |
| .za Domain Name Authority | – | 1 500 | 1 500 | 1 500 | 1 500 | 1 500 | 1 500 |
| Total | 69 277 | 74 790 | 68 311 | 58 185 | 65 762 | 72 684 | 81 134 |
| Change to 2006 Budget estimate | | | | – | 5 000 | 6 000 | |

Table 25.7 Innovative Applications and Research (continued)

| R thousand | Audited outcome | | | Adjusted appropriation | Medium-term expenditure estimate | | |
|---|-----------------|---------------|---------------|------------------------|----------------------------------|---------------|---------------|
| | 2003/04 | 2004/05 | 2005/06 | 2006/07 | 2007/08 | 2008/09 | 2009/10 |
| Economic classification | | | | | | | |
| Current payments | 47 438 | 59 755 | 57 097 | 52 089 | 58 644 | 64 531 | 71 934 |
| Compensation of employees | 11 201 | 9 830 | 14 507 | 14 855 | 15 642 | 16 531 | 17 357 |
| Goods and services | 36 237 | 49 925 | 42 590 | 37 234 | 43 002 | 48 000 | 54 577 |
| <i>of which:</i> | | | | | | | |
| Communication | 2 507 | 770 | 647 | 1 644 | 1 713 | 1 810 | 1 926 |
| Computer services | 46 | 215 | 122 | 224 | 233 | 246 | 213 |
| Consultants, contractors and special services | 17 715 | 32 416 | 20 587 | 25 405 | 28 231 | 29 835 | 31 770 |
| Inventory | 521 | 172 | 385 | 156 | 162 | 171 | 446 |
| Maintenance, repairs and running costs | 918 | 2 682 | 6 892 | 959 | 1 200 | 1 268 | 4 393 |
| Operating leases | 3 126 | 3 163 | 3 160 | 2 131 | 2 243 | 2 370 | 2 521 |
| Travel and subsistence | 6 290 | 3 856 | 5 208 | 2 614 | 2 724 | 2 879 | 3 413 |
| Transfers and subsidies | 8 297 | 14 532 | 8 558 | 5 507 | 6 500 | 7 500 | 8 500 |
| Provinces and municipalities | 35 | 32 | 56 | 7 | – | – | – |
| Departmental agencies and accounts | – | 1 500 | 1 500 | 1 500 | 1 500 | 1 500 | 1 500 |
| Public corporations and private enterprises | 8 262 | 13 000 | 7 000 | 4 000 | 5 000 | 6 000 | 7 000 |
| Households | – | – | 2 | – | – | – | – |
| Payments for capital assets | 13 542 | 503 | 2 656 | 589 | 618 | 653 | 700 |
| Machinery and equipment | 13 542 | 503 | 350 | 589 | 618 | 653 | 700 |
| Software and other intangible assets | – | – | 2 306 | – | – | – | – |
| Total | 69 277 | 74 790 | 68 311 | 58 185 | 65 762 | 72 684 | 81 134 |

Details of major transfers and subsidies:

| Departmental agencies and accounts | | | | | | | |
|--|--------------|---------------|--------------|--------------|--------------|--------------|--------------|
| Current | – | 1 500 | 1 500 | 1 500 | 1 500 | 1 500 | 1 500 |
| .za Domain Name Authority | – | 1 500 | 1 500 | 1 500 | 1 500 | 1 500 | 1 500 |
| Public corporations and private enterprises | | | | | | | |
| Public corporations | | | | | | | |
| Other transfers | | | | | | | |
| Current | 8 262 | 13 000 | 7 000 | 4 000 | 5 000 | 6 000 | 7 000 |
| Meraka Institute | 8 262 | 13 000 | 7 000 | 4 000 | 5 000 | 6 000 | 7 000 |

Expenditure trends

Expenditure decreased from R69,2 million in 2003/04 to R58,1 million in 2006/07 as a result of the movement of the *South African Broadcasting Corporation: Community Radio Stations* and the *South African Broadcasting Corporation: Programme Production* subprogrammes to the *Policy Unit* programme. Between 2006/07 and 2009/10, expenditure is expected to increase at an average annual rate of 11,7 per cent because of more spending on research and development.

The Meraka Institute will receive additional allocations of R5 million in 2007/08, R6 million in 2008/09 and R7 million in 2009/10 for research and development in the ICT sector.

Service delivery objectives and indicators**Recent outputs**

The department has reduced the call handling time for the 112 emergency call centres, equating to a proven 60 per cent improvement in service to stakeholders in Western Cape, namely the police 10111 emergency

service and the emergency medical services. The 112 call centre has run various community upliftment projects, with its focus remaining on reducing women and child abuse.

A draft .za domain policy has been prepared and will be distributed for public comment in early 2007. Alternative dispute resolution regulations have been signed by the Minister of Communications, allowing domain name disputes under the co.za to be settled in speedily and cost effectively.

Selected medium-term output targets

Innovative Applications and Research

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

| Subprogramme | Output | Measure/Indicator | Target |
|---------------------------|--|---|---|
| Applications and Research | Integration of 2010 ICT infrastructure plan | Implementation of 2010 ICT strategy | March 2008 |
| | National radio frequency spectrum audit initiated | Approved national strategy for efficient use of radio frequency spectrum | March 2008 |
| Meraka Institute | Applied research projects into new ICT technologies monitored | Frequency of status reports on research into new algorithmic methodologies | Quarterly reports |
| | Masters degrees and doctorates monitored | Report on number of research students enrolled | March 2008 |
| 112 Emergency Call Centre | Deployment of disaster management infrastructure facilitated | Deployment of disaster management infrastructure completed | March 2009 |
| .za Domain Name Authority | Globally competitive .za domain policy | Competitive .za domain policy completed and approved | March 2008 |
| | Minimum technical, registration and other requirements for .za sub-domains developed | Licensing BEE compliant registries under the .za domain name | March 2008 |
| | Effective implementation of alternative dispute resolution regulations | Minimum technical, registration and other requirements for .za sub-domains implemented | As provided for in terms of the alternative dispute regulations |
| | Compliance with BEE legislative requirements in accrediting alternative dispute resolution service providers | Speedy settlement of domain disputes Provision of financial assistance to those with limited or no funds for settling disputes | March 2008 |
| | | Compliance with BEE legislative requirements in accrediting alternative dispute resolution service providers | |

Programme 6: Presidential National Commission

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

There are six subprogrammes:

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

Expenditure estimates

Table 25.8 Presidential National Commission

| Subprogramme | Audited outcome | | | Adjusted appropriation | Medium-term expenditure estimate | | |
|---|-----------------|--------------|---------------|------------------------|----------------------------------|---------------|---------------|
| | 2003/04 | 2004/05 | 2005/06 | 2006/07 | 2007/08 | 2008/09 | 2009/10 |
| R thousand | | | | | | | |
| Policy Planning and Foresight | 8 653 | 9 501 | 7 480 | 6 301 | 4 370 | 4 588 | 5 726 |
| Policy Co-ordination and Integration | – | – | 9 381 | 3 615 | 4 317 | 4 538 | 4 865 |
| Policy Evaluation and Impact Assessment | – | – | 5 548 | 3 613 | 4 190 | 4 399 | 4 716 |
| Special Projects | – | – | – | 1 980 | 2 610 | 2 740 | 2 937 |
| Intergovernmental Relations | – | – | – | 1 980 | 2 234 | 2 534 | 2 716 |
| Organisational Excellence | – | – | – | 7 500 | 10 425 | 10 946 | 11 734 |
| Total | 8 653 | 9 501 | 22 409 | 24 989 | 28 146 | 29 745 | 32 694 |
| Change to 2006 Budget estimate | | | | – | – | – | |
| Economic classification | | | | | | | |
| Current payments | 8 149 | 9 443 | 21 768 | 24 505 | 27 218 | 28 764 | 31 643 |
| Compensation of employees | 3 087 | 6 495 | 9 370 | 10 899 | 11 476 | 12 127 | 12 733 |
| Goods and services | 5 062 | 2 948 | 12 398 | 13 606 | 15 742 | 16 637 | 18 910 |
| <i>of which:</i> | | | | | | | |
| Communication | 255 | 266 | 237 | 277 | 289 | 305 | 324 |
| Computer services | 4 | 90 | 105 | 104 | 108 | 114 | 170 |
| Consultants, contractors and special services | 1 513 | 599 | 7 690 | 5 624 | 5 650 | 5 971 | 6 269 |
| Inventory | 433 | 226 | 224 | 235 | 245 | 259 | 970 |
| Maintenance, repairs and running costs | 61 | 8 | 5 | 63 | 66 | 70 | 169 |
| Operating leases | 43 | 53 | 61 | 55 | 57 | 60 | 395 |
| Travel and subsistence | 1 382 | 1 112 | 2 682 | 4 534 | 4 666 | 4 931 | 5 246 |
| Transfers and subsidies | 9 | 19 | 29 | 14 | – | – | – |
| Provinces and municipalities | 9 | 19 | 29 | 14 | – | – | – |
| Payments for capital assets | 495 | 39 | 612 | 470 | 928 | 981 | 1 051 |
| Machinery and equipment | 495 | 39 | 581 | 470 | 928 | 981 | 1 051 |
| Software and other intangible assets | – | – | 31 | – | – | – | – |
| Total | 8 653 | 9 501 | 22 409 | 24 989 | 28 146 | 29 745 | 32 694 |

Expenditure trends

Between 2003/04 and 2005/06, expenditure increased by 42,4 per cent, because additional subprogrammes were created as part of the expanded mandate of the Presidential National Commission and the department's restructuring, which translated into a significant increase in compensation of employees. Expenditure is expected to increase steadily over the MTEF period at an average annual rate of 9,4 per cent, reaching R32,7 million in 2009/10 as the implementation of the information society and development plan begins.

Service delivery objectives and indicators

Recent outputs

The information society and development plan has been finalised and presented to the president for endorsement, though it has not yet been adopted by Cabinet. The strategic framework for regularly assessing the impact of ICT on society has been finalised and its implementation has been facilitated by convening a workshop of stakeholders to develop indicators.

Selected medium-term output targets

Presidential National Commission

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

| Subprogramme | Output | Measure/indicator | Target |
|--------------------------------------|--|---|------------|
| Policy, Planning and Foresight | Implementation of the information society and development (ISAD) plan facilitated and monitored | Action steps for each of the articulated strategic imperatives of the ISAD Plan articulated | March 2008 |
| | Development of systems for the South African information society | Stakeholders and financial resources mobilised, research support and technical support provided | March 2008 |
| Policy Co-ordination and Integration | Strategic framework for co-ordinated and integrated information society | Approved strategic framework | March 2008 |
| | Policy alignment report on co-ordination of policy, legislation and interventions | Policy alignment report submitted to minister | March 2008 |
| | Development indicators for ICT refined | Development indicators for ICT published | March 2008 |
| | Measurement tool for development indicators designed | Measurement tool approved by minister | March 2008 |
| Intergovernmental Relations | Stakeholder management strategy implemented | Intergovernmental relations and stakeholder strategy developed | March 2008 |
| | Participation of provincial and local spheres of government in building an inclusive information society | Appropriate institutional mechanism established to spearhead implementation of information society principles at provincial and local level | March 2008 |
| Special Projects | Women information society programme plan developed | Women information society programme plan implemented | March 2008 |
| | ISAD programme for people with disabilities developed | ISAD programme for people with disabilities implemented | March 2008 |

Public entities and other agencies

Independent Communications Authority of South Africa

The Independent Communications Authority of South Africa (ICASA) is responsible for regulating the telecommunications and broadcasting industries in the public interest to ensure affordable services of a high quality for all South Africans. In addition to developing regulations and policies, ICASA issues licences to telecommunications and broadcasting service providers, enforces compliance with rules and regulations, protects consumers from unfair business practices and poor quality services, decides on disputes and complaints brought against licensees, and controls and manages the frequency spectrum. In terms of section 2(bA) of the ICASA Amendment Act (2006), ICASA now also regulates postal matters.

In complying with the Electronic Communications Act (2005), ICASA will have to issue new regulations on commercial, public, community and subscription television and radio to guide licensing. The new converged environment will require ICASA to understand the regulatory implications of new technologies well in advance of their introduction in the market to ensure that an appropriate regulatory framework is in place. In addition, there will be a need to promote greater competition in the South African communications market by dealing swiftly with competition complaints and proactively reviewing the market, for example on dominant players or barriers to market entry. The ICASA Amendment Act requires the authority to do research on all matters relating to broadcasting and communications in order to perform its functions.

A government policy priority is universal access to services. Licensing new operators will ensure increased access to services by increasing choice and making the services affordable through increased competition.

Over the MTEF period, ICASA will focus on licensing the new players in the telecommunications and broadcasting industry including local access telecoms operators and community sound broadcasters in nodal areas and the conversion of 70 per cent of existing licenses into new ECA compliant licences by March 2008.

ICASA's revenue grew by 17,7 per cent between 2003/04 and 2006/07, increasing from R123,9 million to R199,7 million. Expenditure continued to increase over the same period from R116,9 million to R206,3 million, an average annual increase of 23,2 per cent. The main source of revenue for ICASA is transfers

from the Department of Communications. Over the medium term, average annual revenue growth is expected to decrease to 7,6 per cent.

Table 25.9 Financial summary for the Independent Communications Authority of South Africa

| | Outcome | | | Estimated outcome | Medium-term estimate | | |
|--------------------------------------|---------|----------|----------|-------------------|----------------------|----------|---------|
| | Audited | Audited | Audited | | 2007/08 | 2008/09 | 2009/10 |
| R thousand | 2003/04 | 2004/05 | 2005/06 | 2006/07 | | | |
| Non-tax revenue | – | 14 086 | 10 503 | – | – | – | – |
| Other non-tax revenue | – | 14 086 | 10 503 | – | – | – | – |
| Transfers received | 123 954 | 141 587 | 161 223 | 199 738 | 222 475 | 242 272 | 236 607 |
| Total revenue | 123 954 | 155 673 | 171 726 | 199 738 | 222 475 | 242 272 | 263 607 |
| Expenses | | | | | | | |
| Current expense | 116 949 | 151 814 | 177 323 | 205 069 | 238 879 | 250 520 | 262 744 |
| Compensation of employees | 51 537 | 69 333 | 81 238 | 94 079 | 101 728 | 106 814 | 112 155 |
| Goods and services | 56 116 | 77 385 | 89 957 | 104 801 | 131 082 | 137 637 | 144 520 |
| Depreciation | 4 619 | 4 920 | 6 069 | 6 069 | 6 069 | 6 069 | 6 069 |
| Interest, dividends and rent on land | 4 677 | 176 | 59 | 120 | – | – | – |
| Transfers and subsidies | – | 13 950 | 287 | 1 212 | 4 141 | 4 349 | 4 565 |
| Total expenses | 116 949 | 165 764 | 177 610 | 206 281 | 243 020 | 254 869 | 267 309 |
| Surplus / (Deficit) | 7 005 | (10 091) | (5 884) | (6 543) | (20 545) | (12 046) | 59 269 |
| Balance sheet data | | | | | | | |
| Carrying value of assets | 14 404 | 15 121 | 14 737 | 12 015 | 58 481 | 72 086 | 86 604 |
| Receivables and prepayments | 14 859 | 6 288 | 4 349 | 2 751 | 4 653 | 4 979 | 5 327 |
| Cash and cash equivalents | 85 612 | 101 473 | 97 448 | 76 359 | 104 866 | 139 567 | 247 708 |
| Total assets | 114 875 | 122 882 | 116 534 | 91 125 | 168 000 | 216 632 | 339 639 |
| Capital and reserves | 9 280 | (10 420) | (16 171) | 5 002 | (30 647) | (36 624) | 28 713 |
| Borrowings | – | 23 501 | 22 418 | 22 418 | 19 272 | 16 126 | 12 980 |
| Trade and other payables | 95 077 | 98 161 | 100 074 | 45 483 | 168 447 | 225 437 | 285 435 |
| Provisions | 10 518 | 11 640 | 10 213 | 18 222 | 10 928 | 11 693 | 12 511 |
| Total equity and liabilities | 114 875 | 122 882 | 116 534 | 91 125 | 168 000 | 216 632 | 339 639 |

Source: Independent Communications Authority of South Africa

National Electronic Media Institute of South Africa

The National Electronic Media Institute of South Africa (NEMISA) is a section 21 company set up in 1998 by the Department of Communications in response to the need to provide broadcasting skills. Training is mainly directed at individuals who come from previously disadvantaged communities and have not had access to broadcasting training opportunities in the past.

In 2005/06, among other activities, NEMISA provided training to community radio station personnel through its Khuluma radio project.

Developments in the education and training sector, technological changes, funding challenges have resulted in a new strategic thrust for NEMISA, captured in the new vision document submitted to the department in 2006. The new vision aligns NEMISA with developments such as the convergence of technologies and the 2010 FIFA World Cup guarantees for providing high definition television.

The general need for content development has prompted NEMISA to redesign its training, and it will now offer a new three year animation course, a foundation course in multimedia design, an 18 month national certificate in television production, and a number of short refresher and upgrading courses and workshops aimed at people working in the industry already. It is estimated that about 1 000 people working in the industry will need to be trained in HDTV, and NEMISA is gearing itself to play a leading role in providing this training in conjunction with broadcasters.

Government funds NEMISA, with transfers of R22,6 million in 2007/08, R25,3 million in 2008/09 and R29 million in 2009/2010. NEMISA is currently exploring other revenue generating opportunities to complement government funding and to ensure that it becomes financially self sufficient in the future.

South African Post Office

The South African Post Office Ltd (SAPO) was established in accordance with the Post Office Act (1958) as a government business enterprise to provide postal and related services to the South African public. SAPO was granted an exclusive mandate to conduct postal services by the Postal Services Act (1998). The act makes provision for the regulation of postal services and operations, including SAPO's universal service obligations. It also makes provision for the Postbank and national savings certificates.

SAPO is restructuring its processes to improve its services and generate a profit. Better financial performance is evident already.

Over the medium term, SAPO will concentrate on establishing new postal outlets and refurbishing existing outlets in rural and under-serviced areas.

Between 2003/04 and 2006/07, revenue increased from R4,1 billion to R5,7 billion, an average annual increase of 11,4 per cent, despite the changing demand for postal services due to technological developments. The increase in revenue is driven primarily by sales of goods and services. Expenditure in the same period increased from R4,2 billion to R5,2 billion. SAPO has maintained a surplus since 2004/05.

SAPO's government subsidy is used for its universal services obligations and investment in infrastructure. In 2005/06, as a result of the amendment to the Value Added Tax Act (1991), VAT is now payable on the subsidy. To meet this obligation, SAPO received additional allocations of R39,8 million in 2007/08, R40,6 million in 2008/09 and R42,7 million in 2009/10.

Table 25.10 Financial summary for the South African Post Office Ltd

| R thousand | Outcome | | | Estimated outcome 2006/07 | Medium-term estimate | | |
|--|--------------------|--------------------|--------------------|------------------------------|----------------------|------------------|------------------|
| | Audited 2003/04 | Audited 2004/05 | Audited 2005/06 | | 2007/08 | 2008/09 | 2009/10 |
| Revenue | | | | | | | |
| Non-tax revenue | 3 786 193 | 4 885 943 | 5 031 727 | 5 382 553 | 5 800 626 | 6 320 185 | 6 875 014 |
| Sale of goods and services other than capital assets | 3 718 727 | 4 128 852 | 4 515 517 | 5 260 057 | 5 685 620 | 6 198 279 | 6 745 793 |
| <i>Of which:</i> | | | | | | | |
| <i>Sales by market establishments</i> | 3 718 727 | 4 128 852 | 4 515 517 | 5 260 057 | 5 685 620 | 6 198 279 | 6 745 793 |
| <i>Other non-tax revenue</i> | 67 466 | 757 091 | 516 210 | 122 496 | 115 006 | 121 906 | 129 221 |
| Transfers received | 357 260 | 204 425 | 114 659 | 351 439 | 363 800 | 371 600 | 383 092 |
| Total revenue | 4 143 453 | 5 090 368 | 5 146 386 | 5 733 992 | 6 164 426 | 6 691 785 | 7 258 106 |
| Expenses | | | | | | | |
| Current expense | 4 215 917 | 4 151 982 | 4 416 389 | 5 029 866 | 5 391 420 | 5 785 145 | 6 130 095 |
| Compensation of employees | 2 609 149 | 2 277 823 | 2 390 922 | 2 534 377 | 2 686 440 | 2 847 626 | 3 018 484 |
| Goods and services | 1 393 937 | 1 664 756 | 1 789 421 | 2 244 143 | 2 437 331 | 2 652 497 | 2 813 170 |
| Depreciation | 155 842 | 131 266 | 164 756 | 175 778 | 187 547 | 200 114 | 213 533 |
| Interest, dividends and rent on land | 56 989 | 78 137 | 71 290 | 75 567 | 80 101 | 84 908 | 84 908 |
| Total expenses | 4 218 176 | 3 900 447 | 4 660 115 | 5 197 683 | 5 582 735 | 6 021 795 | 6 440 034 |
| Surplus / (Deficit) | (74 723) | 1 189 921 | 486 271 | 536 309 | 581 691 | 669 990 | 818 072 |

Balance sheet data

| | | | | | | | |
|-------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|
| Carrying value of assets | 885 725 | 1 438 704 | 1 591 665 | 1 765 021 | 1 960 802 | 2 231 044 | 2 583 360 |
| Investments | 38 055 | 73 909 | 48 597 | 51 513 | 54 604 | 57 880 | 61 353 |
| Inventory | 90 054 | 89 857 | 72 120 | 83 679 | 84 902 | 85 562 | 86 286 |
| Receivables and prepayments | 505 018 | 645 025 | 619 669 | 560 619 | 604 562 | 637 058 | 689 051 |
| Cash and cash equivalents | 1 532 124 | 2 602 528 | 3 289 476 | 3 988 756 | 4 459 420 | 5 066 896 | 5 735 931 |
| Total assets | 3 050 976 | 4 850 023 | 5 621 527 | 6 449 588 | 7 164 290 | 8 078 440 | 9 155 981 |
| Capital and reserves | (1 515 020) | 425 918 | 888 204 | 1 415 302 | 1 996 993 | 2 666 983 | 3 485 055 |
| Borrowings | 1 774 369 | 2 036 204 | 2 297 872 | 2 710 000 | 3 140 000 | 3 590 000 | 4 040 000 |
| Post retirement benefits | 1 229 494 | 647 490 | 625 438 | 674 086 | 730 086 | 787 766 | 847 176 |
| Trade and other payables | 1 394 543 | 1 591 207 | 1 666 390 | 1 755 428 | 1 649 275 | 1 630 896 | 1 627 525 |
| Provisions | 167 590 | 149 204 | 143 623 | 140 970 | 143 789 | 146 665 | 149 598 |
| Total equity and liabilities | 3 050 976 | 4 850 023 | 5 621 527 | 6 695 786 | 7 660 143 | 8 822 310 | 10 149 355 |
| Contingent liabilities | 324 734 | 688 378 | 680 827 | 120 733 | 66 957 | 34 691 | 34 691 |

Source: South African Post Office Ltd

South African Broadcasting Corporation

The South African Broadcasting Corporation (SABC) was established in terms of the Broadcasting Act (1999) as amended by the Broadcasting Amendment Act (2002) as a government enterprise to provide radio and television broadcasting services to South Africa. As provided for in the Broadcasting Amendment Act, the SABC has been incorporated into a limited liability company with two operational divisions: public broadcasting services and commercial broadcasting services.

The SABC's profit for 2005/06 was R383 million compared to R194 million in 2004/05, up by 97 per cent. The company continued to improve its operational effectiveness and leverage the revenue growth of the last three years to improve its long-term financial position. It also improved its delivery capacity and has started a major overhaul of its operational systems.

The SABC has four main revenue sources: commercial revenue, licence revenue, government grants and other income from operations. The SABC received R203,4 million in 2006/07 for broadcasting educational programmes and for the broadcasting infrastructure and IT upgrade. It will receive R206 million in 2007/08, R218 million in 2008/09 and R225 million in 2009/10. With own revenue, this allows it to maintain a small surplus over the next three years.

2006/07 was ushered in by a new corporate strategy, which the SABC has endeavored to implement, aiming for its vision of Broadcasting for Total Citizen Empowerment through on and off screen efforts. The strategy has identified five key performance areas:

- **People:** promotes issues of national importance and nation building across a portfolio of services and increases programming depicting positive images of people with disabilities.
- **Operations:** implements key operational projects with strategic significance.
- **Technology:** provides innovative and cost effective solutions for producing and delivering broadcasting content and for implementing technology strategy projects according to the recapitalisation plan funded by government.
- **Funding and financial health:** aims to achieve revenue growth of 11 per cent in television services and 11,5 per cent in radio, and to contain expense growth to 7,6 per cent.
- **Governance:** ensures adherence to the legislative framework and monitors compliance with policy procedures.

Over the medium term, with the funds made available by the Department of Communications, the SABC will increase the production of local content and educational programmes in line with the ICASA regulations. It will also target a 5 per cent increase in viewership of Channel Africa by March 2008.

Table 25.11 Financial summary for the South African Broadcasting Corporation Ltd

| R thousand | Outcome | | | Estimated outcome 2006/07 | Medium-term estimate | | |
|--|--------------------|--------------------|--------------------|------------------------------|----------------------|------------------|------------------|
| | Audited 2003/04 | Audited 2004/05 | Audited 2005/06 | | 2007/08 | 2008/09 | 2009/10 |
| Revenue | | | | | | | |
| Non-tax revenue | 2 703 273 | 3 403 625 | 3 962 267 | 4 221 555 | 4 687 993 | 5 062 425 | 5 572 309 |
| Sale of goods and services other than capital assets | 2 634 895 | 3 147 822 | 3 706 431 | 3 528 052 | 3 928 489 | 4 234 105 | 4 668 782 |
| <i>Of which:</i> | | | | | | | |
| Admin fees | 500 630 | 568 194 | 738 720 | 670 330 | 746 413 | 804 480 | 887 068 |
| Sales by market establishments | 2 134 265 | 2 579 628 | 2 967 711 | 2 857 722 | 3 182 076 | 3 429 625 | 3 781 714 |
| Other non-tax revenue | 68 378 | 255 803 | 255 836 | 693 503 | 759 504 | 828 320 | 903 527 |
| Transfers received | 84 717 | 48 681 | 50 455 | 53 482 | 58 830 | 64 713 | 71 185 |
| Total revenue | 2 787 990 | 3 452 306 | 4 012 722 | 4 275 037 | 4 746 823 | 5 127 138 | 5 643 494 |
| Expenses | | | | | | | |
| Current expense | 2 775 447 | 3 146 014 | 3 445 627 | 3 934 378 | 4 214 389 | 4 639 579 | 4 854 628 |
| Compensation of employees | 773 470 | 815 775 | 989 791 | 1 168 619 | 1 288 004 | 1 338 629 | 1 415 318 |
| Goods and services | 1 909 146 | 2 187 103 | 2 314 475 | 2 662 787 | 2 762 519 | 3 058 974 | 3 143 226 |
| Depreciation | 83 842 | 127 792 | 129 228 | 97 250 | 158 726 | 239 150 | 293 843 |
| Interest, dividends and rent on land | 8 989 | 15 344 | 12 133 | 5 722 | 5 140 | 2 826 | 2 241 |
| Transfers and subsidies | 10 882 | 16 128 | 21 293 | 18 674 | 6 763 | 7 101 | 7 456 |
| Total expenses | 2 786 329 | 3 258 295 | 3 629 844 | 4 027 692 | 4 373 597 | 4 786 013 | 5 074 193 |
| Surplus / (Deficit) | 1 661 | 194 011 | 382 878 | 247 345 | 373 226 | 341 125 | 569 301 |

Table 25.11 Financial summary for the South African Broadcasting Corporation Ltd (continued)

| | Outcome | | | Estimated outcome | Medium-term estimate | | |
|-------------------------------------|------------------|------------------|------------------|-------------------|----------------------|------------------|------------------|
| | Audited | Audited | Audited | | | | |
| R thousand | 2003/04 | 2004/05 | 2005/06 | 2006/07 | 2007/08 | 2008/09 | 2009/10 |
| Balance sheet data | | | | | | | |
| Carrying value of assets | 467 675 | 1 156 945 | 1 223 227 | 1 829 930 | 1 546 030 | 1 532 706 | 1 648 293 |
| Investments | 236 499 | 343 526 | 744 285 | 548 556 | 1 199 876 | 1 499 348 | 2 071 838 |
| Inventory | 398 635 | 273 019 | 307 073 | 518 412 | 342 023 | 366 636 | 418 735 |
| Receivables and prepayments | 503 516 | 805 439 | 887 906 | 546 863 | 942 602 | 992 555 | 1 039 375 |
| Cash and cash equivalents | 80 298 | 49 926 | 145 028 | 25 919 | 25 919 | 25 919 | 25 919 |
| Total assets | 1 686 623 | 2 628 855 | 3 307 519 | 3 469 680 | 4 056 450 | 4 417 164 | 5 204 160 |
| Capital and reserves | 800 884 | 1 572 854 | 1 956 205 | 2 181 212 | 2 961 918 | 3 270 221 | 4 017 023 |
| Borrowings | 57 221 | 83 533 | 68 127 | 43 929 | 59 141 | 57 747 | 57 747 |
| Post retirement benefits | 223 129 | 162 691 | 202 249 | 233 538 | 323 257 | 341 475 | 360 007 |
| Trade and other payables | 543 759 | 694 621 | 957 820 | 923 450 | 609 966 | 642 195 | 660 331 |
| Provisions | 61 630 | 115 156 | 123 118 | 87 551 | 102 168 | 105 526 | 109 052 |
| Total equity and liabilities | 1 686 623 | 2 628 855 | 3 307 519 | 3 469 680 | 4 056 450 | 4 417 164 | 5 204 160 |

Source: South African Broadcasting Corporation Ltd

Sentech

Sentech Ltd was established in terms of the Sentech Act (1996) as a common carrier to provide broadcasting signal distribution for broadcasting licensees. Over the medium term, Sentech will focus on the digitisation of its signal infrastructure and the rollout of the ICT infrastructure required for 2010 FIFA World Cup.

Government has approved funding for the digitisation of the broadcast network and preparatory work will start in 2006/07. Additional allocations over the MTEF period for the rehabilitation and digitisation of signal distribution infrastructure include R60 million in 2007/08, R65 million in 2008/09 and R75 million in 2009/10. Sentech's engineers are currently looking into ways to speed up the rollout to ensure that the service is available to the greater population by the time of the 2010 FIFA World Cup.

The Sentech product line is split into five product portfolios:

- signal distribution (regulated and unregulated)
- VSAT
- broadband wireless (MyWireless and Biznet)
- international voice (carrier of carrier)
- VANS.

Signal distribution revenue is made up of revenue from both regulated and unregulated broadcast services. In the regulated market there is very little room for growth due to the limited number of frequencies available. The announcement by ICASA to license new radio stations will have a positive impact on the industry. The unregulated space has potential for growth, especially in Africa, but budgeted growth is limited because these projects take time to establish, both operationally and financially. Over the MTEF period, an inflationary increase in revenue is budgeted to be between 4 per cent and 6 per cent.

The VSAT market is showing great potential locally and in the rest of Africa. A limiting factor on the growth of revenue generated is the availability of certain equipment. Sentech anticipates that sales will grow by 18 per cent in 2007/08.

In 2006/07, the budget is based on the supply of the consumer product, MyWireless, and the corporate product, Biznet. Over the MTEF period, Sentech expects strong growth in both products, based on the national rollout of the broadband wireless network after finalising the funding plans.

Revenue increased from R551 million in 2003/04 to R749,6 million in 2006/07, average annual growth of 10,4 per cent. Expenditure for the same period increased from R600 million to R778,4 million, average annual average growth 10,1 per cent. Sentech has posted a deficit for the past four years and this is expected to continue in the medium term. The deficit can be partly attributed to Sentech's low margins on the price of services and to its ageing equipment, which increases the cost of providing services.

Table 25.12 Financial summary for the Sentech Ltd

| | Outcome | | | Estimated outcome | Medium-term estimate | | |
|--|--------------------|--------------------|--------------------|----------------------|----------------------|----------------|------------------|
| | Audited 2003/04 | Audited 2004/05 | Audited 2005/06 | | 2006/07 | 2007/08 | 2008/09 |
| R thousand | | | | | | | |
| Revenue | | | | | | | |
| Non-tax revenue | 551 505 | 620 524 | 672 362 | 749 607 | 884 037 | 966 037 | 1 065 251 |
| Sale of goods and services other than capital assets | 550 329 | 618 537 | 668 831 | 746 607 | 881 037 | 962 887 | 1 061 943 |
| <i>Of which:</i> | | | | | | | |
| <i>Sales by market establishments</i> | 550 329 | 618 537 | 668 831 | 746 607 | 881 037 | 962 887 | 1 061 943 |
| <i>Other non-tax revenue</i> | 1 176 | 1 987 | 3 531 | 3 000 | 3 000 | 3 150 | 3 308 |
| Total revenue | 551 505 | 620 524 | 672 362 | 749 607 | 884 037 | 966 037 | 1 065 251 |
| Expenses | | | | | | | |
| Current expense | 621 413 | 693 611 | 753 970 | 785 592 | 895 079 | 969 151 | 1 044 178 |
| Compensation of employees | 169 521 | 190 218 | 204 106 | 223 865 | 254 537 | 271 918 | 293 082 |
| Goods and services | 368 720 | 419 594 | 443 842 | 481 120 | 556 171 | 605 783 | 649 306 |
| Depreciation | 66 894 | 62 110 | 79 827 | 61 893 | 69 137 | 79 508 | 91 434 |
| Interest, dividends and rent on land | 16 277 | 21 689 | 26 195 | 18 715 | 15 234 | 11 943 | 10 356 |
| Transfers and subsidies | 3 442 | 3 671 | 3 748 | 4 605 | 5 236 | 5 697 | 6 153 |
| Total expenses | 600 395 | 677 020 | 746 382 | 778 427 | 895 594 | 972 293 | 1 054 657 |
| Surplus / (Deficit) | (48 890) | (56 496) | (74 020) | (28 820) | (11 558) | (6 256) | 10 593 |
| Balance sheet data | | | | | | | |
| Carrying value of assets | 839 184 | 785 483 | 733 187 | 800 155 | 1 053 464 | 1 123 956 | 1 132 523 |
| Investments | 4 319 | 24 581 | 15 503 | 14 622 | 14 043 | 16 598 | 12 272 |
| Inventory | 39 756 | 36 171 | 9 173 | 9 173 | 9 540 | 10 017 | 10 518 |
| Receivables and prepayments | 80 049 | 87 552 | 60 149 | 62 895 | 73 376 | 79 828 | 87 606 |
| Cash and cash equivalents | 27 702 | 128 311 | 14 939 | (2 994) | (221 090) | (252 587) | (254 857) |
| Total assets | 991 010 | 1 062 098 | 832 951 | 883 851 | 929 332 | 977 812 | 988 062 |
| Capital and reserves | 559 722 | 509 767 | 396 558 | 463 057 | 511 499 | 555 244 | 565 838 |
| Borrowings | 214 357 | 212 133 | 225 075 | 172 617 | 155 689 | 143 158 | 129 158 |
| Post retirement benefits | 46 745 | 52 121 | 69 328 | 81 328 | 93 328 | 101 328 | 107 328 |
| Trade and other payables | 155 156 | 271 355 | 125 973 | 149 872 | 150 820 | 159 008 | 165 518 |
| Provisions | 15 030 | 16 722 | 16 016 | 16 977 | 17 996 | 19 075 | 20 220 |
| Total equity and liabilities | 991 010 | 1 062 098 | 832 951 | 883 851 | 929 332 | 977 812 | 988 062 |

Source: Sentech Ltd

Telkom

Telkom SA Ltd is a government business enterprise established in terms of section 3 of the Post Office Act (1958). The Post Office Amendment Act (1995) separated telecommunications from postal services.

Telkom's main objective is to provide fixed line telephone services to the South African public, and it is currently the only provider of public switched communications services in South Africa, providing fixed line voice and data services. In addition, Telkom participates in the South African mobile communications market through its 50 per cent interest in Vodacom, the largest mobile communications network operator in South Africa (based on total estimated customers). Telkom's infrastructure is composed of terrestrial, undersea and satellite communications networks and pathways, and broadband circuits and connections that enable voice, data and video communications services.

Some of the key outputs of Telkom are: improving Telkom's rating in the South African customer survey index; evolving the fixed line network to a net generation network; supporting profitable growth through prudent cost management; developing new generation offerings in rapidly transforming markets; countering and maintaining diminishing revenue streams with new ones; and repositioning stakeholder management for healthy external relationships.

Universal Service and Access Agency of South Africa

The Universal Service and Access Agency of South Africa (USAASA) was established in terms of section 58 of the Telecommunications Act (1996). The main role of the agency is to promote universal service and access

for all South Africans. It also facilitates and offers guidance in evaluating, monitoring and implementing schemes which propose to improve universal access. In addition, it is involved in setting up telecentres, which provide ICT services, especially in rural areas, on a cost recovery basis.

Universal service and access has been explicitly linked to government's macroeconomic growth strategy, ASGISA, which highlights ICT for priority attention in developing the country's commercial and social infrastructure. Specifically, it highlights the provision of subsidies to encourage telecommunications and labour intensive businesses in poor areas, as well as the implementation of plans and strategies to grow South Africa's broadband network and reduce telephony costs. The provision of telecommunications subsidies falls firmly within the agency's mandate, and the Department of Communications is researching the development of a sustainable subsidy model.

The subsidies to underserved area licensees (USALs) also directly support ASGISA in that they are contributing to the development of much needed telecommunications infrastructure and business activity in the most marginalised parts of South Africa. Currently, seven USALs are receiving subsidies of R15 million each over three years, payable in annual installments of R5 million.

The Universal Service and Access Agency of South Africa is funded from the fiscus, and will receive transfers of R21,1 million in 2007/08, R22,3 million in 2008/09 and R23,4 million in 2009/10. The allocations increase at an average annual rate of 5 per cent over the MTEF period to make provision for the agency's expanded mandate.

Additional tables

Table 25.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 | 2005/06 | | 2005/06 | 2006/07 | | | 2006/07 |
| 1. Administration | 88 020 | 93 375 | 92 852 | 108 279 | 3 000 | 111 279 | 107 649 |
| 2. Strategic Policy Co-ordination, Integration and International Affairs | 33 343 | 47 326 | 47 166 | 42 475 | 4 174 | 46 649 | 51 721 |
| 3. Policy Unit | 56 489 | 69 017 | 68 692 | 77 181 | (2 501) | 74 680 | 69 873 |
| 4. Finance and Shareholder Management | 727 376 | 734 995 | 734 995 | 969 085 | 37 439 | 1 006 524 | 1 004 524 |
| 5. Innovative Applications and Research | 88 237 | 68 332 | 68 311 | 58 185 | – | 58 185 | 58 263 |
| 6. Presidential National Commission | 28 460 | 23 060 | 22 409 | 24 989 | – | 24 989 | 24 989 |
| Total | 1 021 925 | 1 036 105 | 1 034 425 | 1 280 194 | 42 112 | 1 322 306 | 1 317 019 |

| Economic classification | | | | | | | |
|---|------------------|------------------|------------------|------------------|---------------|------------------|------------------|
| | 2005/06 | 2005/06 | 2005/06 | 2006/07 | 2006/07 | 2006/07 | 2006/07 |
| Current payments | 251 563 | 269 807 | 268 360 | 304 351 | 5 308 | 309 659 | 307 372 |
| Compensation of employees | 79 111 | 89 906 | 88 362 | 99 597 | – | 99 597 | 97 790 |
| Goods and services | 172 452 | 179 901 | 179 893 | 204 754 | 1 635 | 206 389 | 205 909 |
| Financial transactions in assets and liabilities | – | 105 | 105 | – | 3 673 | 3 673 | 3 673 |
| Transfers and subsidies | 763 882 | 754 698 | 754 599 | 968 853 | 36 804 | 1 005 657 | 1 002 657 |
| Provinces and municipalities | 204 | 328 | 321 | 207 | – | 207 | 207 |
| Departmental agencies and accounts | 194 189 | 217 152 | 217 052 | 272 701 | (900) | 271 801 | 271 801 |
| Universities and technikons | – | 100 | 100 | – | – | – | – |
| Public corporations and private enterprises | 551 326 | 529 026 | 536 026 | 695 945 | 34 265 | 730 210 | 727 210 |
| Foreign governments and international organisations | – | – | – | – | 1 439 | 1 439 | 1 439 |
| Non-profit institutions | 18 163 | 7 100 | 100 | – | 2 000 | 2 000 | 2 000 |
| Households | – | 992 | 1 000 | – | – | – | – |
| Payments for capital assets | 6 480 | 11 495 | 11 466 | 6 990 | – | 6 990 | 6 990 |
| Machinery and equipment | 6 480 | 8 890 | 8 845 | 6 950 | – | 6 950 | 6 950 |
| Software and intangible assets | – | 2 605 | 2 621 | 40 | – | 40 | 40 |
| Total | 1 021 925 | 1 036 105 | 1 034 425 | 1 280 194 | 42 112 | 1 322 306 | 1 317 019 |

Table 25.B Summary of personnel numbers and compensation of employees

| | Audited outcome | | | Adjusted appropriation | Medium-term expenditure estimates | | |
|--|-----------------|---------------|---------------|------------------------|-----------------------------------|----------------|----------------|
| | 2003/04 | 2004/05 | 2005/06 | 2006/07 | 2007/08 | 2008/09 | 2009/10 |
| A. Permanent and full-time contract employees | | | | | | | |
| Compensation (R thousand) | 57 264 | 68 849 | 88 362 | 99 597 | 107 914 | 114 577 | 120 311 |
| Unit cost (R thousand) | 196 | 243 | 259 | 274 | 277 | 253 | 233 |
| Personnel numbers (head count) | 292 | 283 | 341 | 363 | 390 | 452 | 517 |
| B. Part-time and temporary contract employees | | | | | | | |
| Personnel numbers (head count) | 30 | 23 | 1 | 2 | – | – | – |
| C. Interns | | | | | | | |
| Number of interns | 61 | 57 | – | – | – | – | – |
| Total for department | | | | | | | |
| Compensation (R thousand) | 57 264 | 68 849 | 88 362 | 99 597 | 107 914 | 114 577 | 120 311 |
| Unit cost (R thousand) | 150 | 190 | 258 | 273 | 277 | 253 | 233 |
| Personnel numbers (head count) | 383 | 363 | 342 | 365 | 390 | 452 | 517 |

Table 25.C Summary of expenditure on training

| | Audited outcome | | | Adjusted appropriation | Medium-term expenditure estimates | | |
|--|-----------------|--------------|--------------|------------------------|-----------------------------------|--------------|--------------|
| | 2003/04 | 2004/05 | 2005/06 | 2006/07 | 2007/08 | 2008/09 | 2009/10 |
| Training and staff development | | | | | | | |
| Expenditure (R thousand) | 2 473 | 3 506 | 3 327 | 3 093 | 2 450 | 2 750 | 3 150 |
| Number of employees trained (head count) | 57 | 130 | 185 | – | 190 | 220 | 250 |
| Bursaries (employees) | | | | | | | |
| Expenditure per programme (R thousand) | 495 | 489 | 445 | 218 | 555 | 735 | 915 |
| Number of employees (head count) | 20 | 45 | 7 | – | 37 | 49 | 61 |
| Total | 2 968 | 3 995 | 3 772 | 3 311 | 3 005 | 3 485 | 4 065 |
| Number of employees | 77 | 175 | 192 | – | 227 | 269 | 311 |

Table 25.D Summary of expenditure on infrastructure

| Description | Service delivery outputs | Audited outcome | | | Adjusted appropriation | Medium-term expenditure estimate | | |
|---|--------------------------|-----------------|----------|----------------|------------------------|----------------------------------|----------|----------|
| | | 2003/04 | 2004/05 | 2005/06 | 2006/07 | 2007/08 | 2008/09 | 2009/10 |
| R thousand | | | | | | | | |
| Other large infrastructure projects (Over R20 million) | | | | | | | | |
| SABC digital infrastructure | | – | – | 100 000 | 150 000 | 150 000 | – | – |
| Total | | – | – | 100 000 | 150 000 | 150 000 | – | – |

