*(The following report replaces the Report of the Portfolio Committee on Communications, which was published on page 1794 of the Announcements, Tablings and Committee Reports of 15 May 2015)*

**REPORT OF THE PORTFOLIO COMMITTEES ON COMMUNICATIONS ON ITS DELIBERATIONS FOR BUDGET VOTE 3: DEPARTMENT OF COMMUNICATIONS, AND ITS ENTITIES, DATED 12 MAY 2015.**

**The Portfolio Committee on Communications (the Committee), having considered the Strategic Plans and Annual Performance Plans (APPs) for 2015/16 of the Department of Communications (the Department) and its public entities, reports as follows:**

## 1. Introduction

Section 55(2) of the Constitution of the Republic of South Africa, Act 108 of 1996, states that the National Assembly must provide for mechanisms (a) to ensure that all executive organs of state in the national sphere of government are accountable to it; and (b) to maintain oversight of (i) the exercise of national executive authority including the implementation of legislation; and (ii) any organ of state. In terms of the Public Finance Management Act[1] (PFMA) the Accounting Officers must provide Parliament or the relevant legislature with their respective institution's medium-term strategic plan and where applicable with its annual performance.

The Money Bills Amendment Procedure and Related Matters Act was promulgated in 2009, and provides Parliament with powers to reject or recommend the approval of departments' budgets. The Act also makes provision for the implementation of recommendations emanating from the committee's oversight.

The Committee conducts oversight over the Department, Government Communication and Information System (GCIS), the Independent Communications Authority of South Africa (ICASA), the South African Broadcasting Corporation (SABC), Film and Publications Board (FPB), and Media Development and Diversity Agency (MDDA), Brand South Africa (BSA). The Committee met with the Department led by the Minister of Communications, GCIS, ICASA, SABC and BSA on 21 April 2015 and FBP and MDDA on 22 April 2015 for briefings on their Medium Term Strategic Plans for 2015/16 – 2019/20 and 2015/16 APP. The total budget allocation for the Department is R1.28 billion.

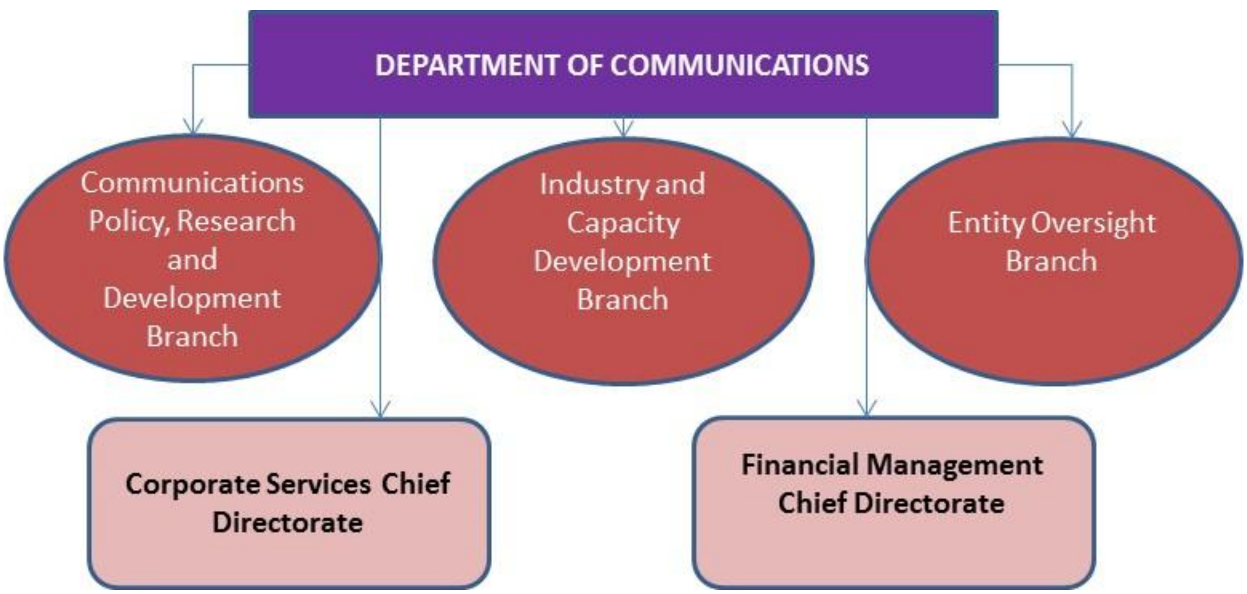
[1] No 1 of 1999

It is also important to note that according to the Department of National Treasury's Estimates of National Expenditure Budget 2015, Budget Vote 3 has two Departments under the budget vote. The proclamation dictates that the Department of Communications is the lead department and therefore the GCIS becomes a department reporting to the Department of Communications.

### 1.1. Establishment of the new Department of Communications

Following the general elections in May 2014, President Jacob Zuma announced the establishment of a new Ministry of Communications. He stated that, "We have established a new Communications Ministry, which will be responsible for overarching communications policy and strategy, information dissemination and publicity as well as the branding of the country abroad. Improved communication and marketing will promote an informed citizenry and also assist the country to promote investments, economic growth and job creation." The new department was constituted comprising of the following entities (i) ICASA; (ii) SABC; (iii) MDDA; (iv) GCIS; (v) BSA; and (vi) FPB.

The Department comprises of three branches and two Chief Directorates: Communications Policy, Research and Development Branch; Industry and Capacity Development Branch; Entity Oversight Branch; and Chief Directorates – Corporate Services and Financial Management, see illustration below:




The Department was established with the assistance of GCIS in terms of staff and other resources while a total of 27 staff members were transferred from the Department of

Telecommunications and Postal Services (DTPS). These posts (from DTPS), comprise of 24 line-function posts and three corporate services posts.

The compensation budget of staff to be transferred for 27 posts amounts to R17.4 million for 2015/16, R18.5 million for 2016/17 and R19,8 million for 2017/18 financial years. The compensation budget also covers service bonuses, pension subsidies, medical aid subsidies, allowance benefits. Furthermore, the posts are accompanied by budgets for goods and services as well as capital assets. A total of 47 posts have been provided for the new DoC from GCIS. These posts are funded at a total cost of R22 million. The Ministry staff comprises the following: 11 staff members for the office of the Minister, six staff members for the office of the Deputy Minister, four Senior Management Service (SMS) members appointed on fixed-term contracts, and two Ministerial advisors.

Although the Department is currently being supported by the GCIS in terms of staff, systems, equipment and other resources, it has started a process of building its own capacity. The Strategic Plan has been adopted, the organisational structure approved and National Treasury has allocated the Medium Term Expenditure Framework (MTEF) budget. Adverts are being issued in order to start staff recruitment with a view to commencing appointment from 1 April 2015. Office accommodation is also being procured for the new department.

## 2. Overview by the Minister of Communications on the Strategic Plan of Department and its entities

The Minister of Communications, Ms Faith Muthambi led the delegation and provided the following overview on the entities:

### 2.1 SABC

The SABC is projecting a financially sustainable organisation over the next three years. Net profit is projected to grow from R19 million in 2015/16 to R179 million in 2017/18 financial year. Cash and cash equivalent is projected to also grow from R1 billion in 2016/17 to R1.1 billion in 2017/18.

The SABC audience share targets for 2015/16 are at 52 per cent and 70 per cent for television and radio respectively and seem to remain constant at 53 per cent and 71 per cent for television and radio respectively over the medium term, and that is worrying. As much as the Department understands the challenges facing the sector, the SABC has to make an effort to grow audiences beyond the 53 per cent for television and 71 per cent for radio audience. However, the SABC has committed through its corporate plan *to grow audience share by meeting the needs and expectations of mutli-cultural mass and niche audiences in all official South African languages,* by way of refining and refocusing its portfolio of services. Despite this commitment, the SABC has indicated that the audience target for 2016/17 to 2017/18 will not grow.

With regard to content matters, the SABC had a Request For Proposals (RFP) of more than R600 million which makes it the biggest RFP issued by the SABC.

### 2.2 ICASA

ICASA can be commended for reducing its strategic goals from eight (8) to three (3). These realigned strategic priorities are (i) Promote effective competition; (ii) Promote digital agenda; and (iii) Improve stakeholder and consumer experience. This according to ICASA, enables the entity to focus on its core mandate. Important to note is the licensing of free to air services and additional commercial sound broadcasters in the secondary market. The Department seeks to ensure that ICASA conducts market studies to support the business case to license more broadcasting services in the country. Local content is one area which has been prioritised.

With regard to the financials, 64.4 per cent of ICASA budget goes towards compensation of employees. A trend which continues for the remainder of the MTEF period. The view of the Department is that more resources need to be allocated to the monitoring and compliance function of ICASA. This will ensure effectiveness of ICASA in discharging its mandate. ICASA must look closer to the need to ensure effective management of the radio frequency spectrum. A business case must be developed in this regard.

### 2.3 MDDA

The Strategic Plan and APP of MDDA has not been approved by the board as it does not form a quorum. Therefore, the Strategic Plan and APP belong to the management. As soon as the Board can form a quorum, another Strategic Plan and APP will be tabled to Parliament.

### 2.4 GCIS

Given the new mandate of the Department, the work of GCIS as an entity will have to be reviewed. The GCIS gets its policy mandate from the Department. The Department will focus on ensuring that the Communication Task (ComTask) Report Recommendations are implemented to the fullest. It must be noted that the National Communications Strategy (NCS) as approved by Cabinet in June 2014 is not fully funded.

One other area to be restructured relates to media engagement, which forms the core of the work of GCIS. This area will ensure that government provides an alternative voice in the media space.

**2.5 BSA**

The Minister had engagements with the Chairperson and the Board of Trustees of BSA. It was agreed that there was a need to reposition the Brand SA to enable it to do more branding locally and within the African continent. Initiatives such as Play Your Part must be seen within other initiatives aimed at complementing other initiatives such as Proudly SA. BSA must lead all national, provincial and local spheres of government with regard to branding matters. It was also agreed that there was a need to reduce the number of Board of Trustees. Legislation will be developed to give effect to all of the above issues.

**2.6 FPB**

The FPB is undertaking a process to upgrade its ICT infrastructure which is fundamental to the work of the Board. There is a need for a uniform regulatory standard for classification of content and the FPB is on a campaign to ensure that such a regulatory framework informs the entire Southern African Development Community (SADC) region hence it will be hosting a SADC conference later in the year 2015 to address this issue.

**3. The Department's Strategic Plan and APP 2015/16**

Mr Norman Munzhelele and team presented the Strategic Plan and APP of the Department

**3.1 Planned Policy and Legislative Initiatives**

During the MTEF, the Department will focus on developing the following policies: (i) an overarching communications policy; (ii) an overarching broadcasting policy; (iii) a community media and broadcasting supporting strategy; and (iv) a media bulk-buying strategy.

On the legislative front, the Department will undergo a process that will enable the Committee to amend the (i) Broadcasting Amendment Bill; (ii) ICASA Amendment Bill, (iii)

MDDA Amendment Bill; and (vi) Film and Publications Amendment Bill. In addition, the Department will also introduce the Brand South Africa Bill.

### 3.2 Strategic Oriented Goals

The following strategic goals have been set to achieve the Department's mandate:

- Improved capacity of the department and its entities;
- A responsive communications policy and regulatory environment;
- Improved government communication and country branding; and
- Transformed communications sector.

### 3.3 Strategic Objectives

The strategic goals will be achieved through the following strategies:

- developing and reviewing communications and broadcasting policies and legislation that ensure the growth and development of the communications sector;
- improving communications systems in order to inform and disseminate information to the public as well as marketing the country abroad;
- strengthening the capacity of the department and that of its entities to effectively deliver on their public mandates; and
- broadening the participation in the communications and broadcasting sectors to promote economic development and transformation.

### 3.4 Programme Overview

In responding to the National Development Plan (NDP) as well as the outcomes oriented approach, the department has structured four programmes as illustrated below to enable it to deliver on its mandate:

| Programme | Purpose |
|---|---|
| **Programme 1 - Administration** | To provide coordinated strategic and administrative support services to enable the Ministry and the Department to deliver on their mandates |
| **Programme 2 - Communications Policy, Research and Development** | To conduct research and develop communications and broadcasting policies |
| **Programme 3 - Industry and Capacity Development** | To manage enterprise development, broadcasting digital migration and industry research and analysis |

| Programme 4 - Entity Oversight | To monitor the implementation of policies by state owned enterprises and regulatory institutions and to provide guidance and oversight on their governance matters |
|---|---|

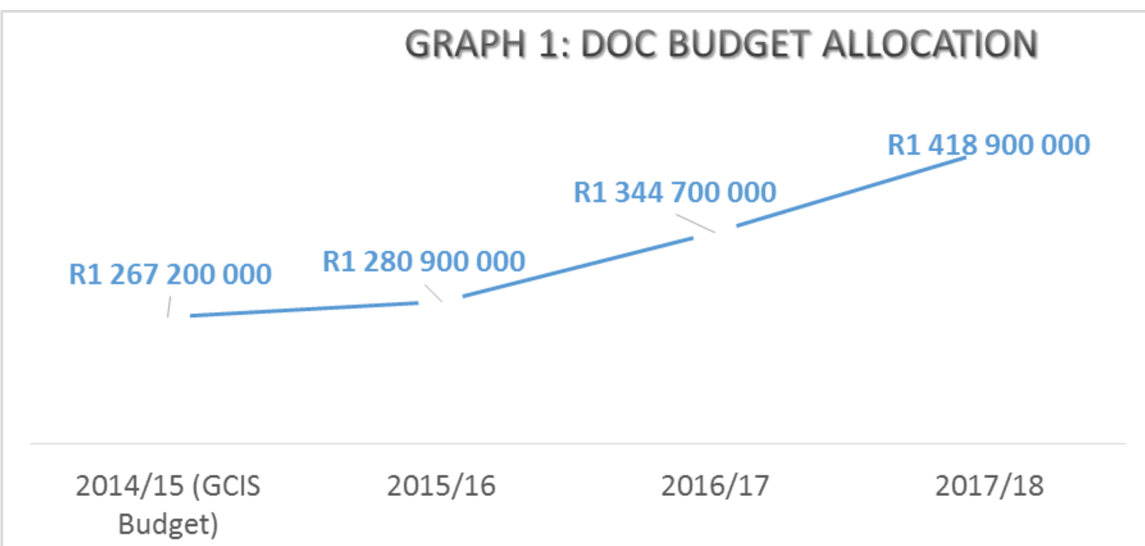
### 3.5 Implementation of the NDP and the Outcomes Approach

The Department plays a role in implementing outcome 14: Nation Building and Social Cohesion. It is expected to provide support to the Department of Sport and Recreation in improving the pride South Africans have in the national sporting teams. The target is achieving 66 per cent by 2019. It has a role in "*forging a new overarching identity*". It needs to influence South Africans to be proud South Africans and it has to improve the target from 66 per cent to 75 per cent of South Africans reflecting pride to be South Africans.

The Department further plays a role in improving identity based on self-description, from 52 per cent to 60 per cent target. It will also drive a broadcasting system that preserves, informs and reflects the cultural heritage of all South Africans with a view to achieving 70 per cent content that reflects South Africans. These targets form part of the Performance Agreement between the Minister of Communications and the President of the Republic.

## 4. Departmental budget allocation and programmes

The Department has been allocated a budget of R1. 28 billion for the 2015/16 financial year. The department will see a steady increase of allocation of 11 per cent over the medium term period as illustrated in the Graph 1 below.



The Department has allocated its budget as follows:

### 4.1 Programme 1: Administration – R42.4 million

The programme is divided into four sub-programmes as follows: (i) Ministry; (ii) Departmental Management; (iii) Corporate Services; and (iv) Financial Management, Accounting and Administration.

### 4.2 Programme 2: Communications Policy, Research and Development – R7.9 million

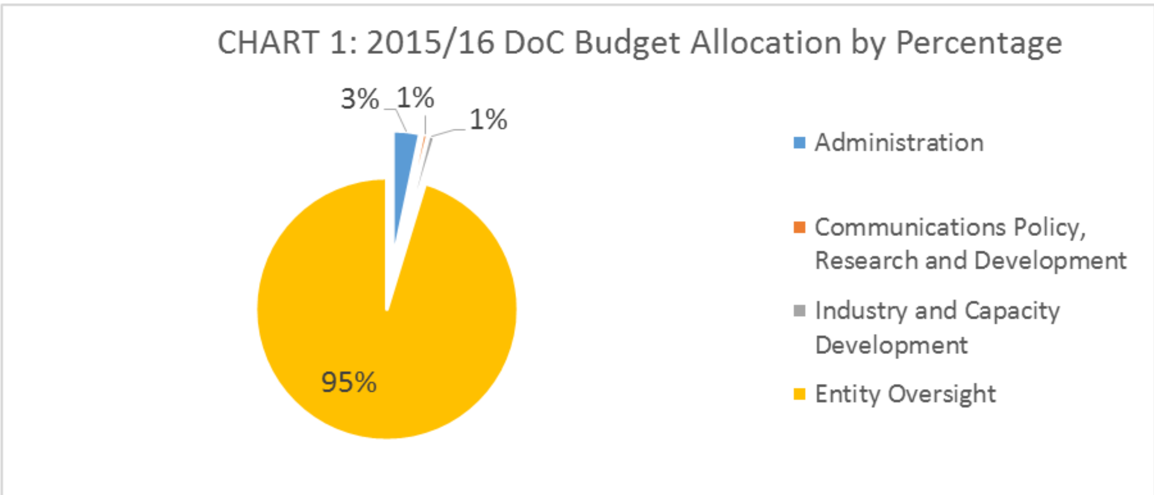
This programme consists of the following four sub-programmes: (i) Broadcasting Policy; (ii) Technology and Engineering Services; (iii) Media Policy; and (iv) Branding Policy.

### 4.3 Programme 3: Industry and Capacity Development – R10.2 million

The programme has four directorates: (i) Enterprise Development; (ii) Broadcasting Digital Migration; (iii) Industry Research and Analysis; and (iv) Intergovernmental Relations and Stakeholder Management.

### 4.4 Programme 4: Entity Oversight – R1. 22 billion

The programme consists of four directorates: (i) Broadcasting and Community Media; (ii) SOC Communication and Branding; (iii) Regulatory Institutions; and (iv) Strategy and Policy Alignment. In terms of percentage distribution of the Department budget across the programmes, the Entity Oversight programme allocation accounts for 95 per cent of the total Departmental budget, see Chart 1 below.




The spending is aimed at monitoring the implementation of government communication and branding policies, and of broadcasting and community media policies. The department will provide guidance on and oversight of governance issues in the state owned entities and regulatory institutions. ICASA receives the biggest transfer over the medium term. The funds will be used to develop the broadband and digital terrestrial regulations, as well as for monitoring operators' compliance with licence conditions. GCIS receives the second largest transfer over the medium term. The funds will be used for implementing the national communication policy.

### 4.5 Expenditure Trends

The reconstituted Department's revised medium term budget is a consolidation of: funds shifted to establish the new DTPS; funds shifted from the Department of Home Affairs (DHA) for the FPB; funds shifted from the Presidency for BSA; and funds retained from the GCIS, mainly for management and support staff, and related expenses.

The current budget structure mirrors the start-up organisational structure approved by the Minister for Public Service and Administration. The Department is currently reviewing its medium term strategic plan to align with its revised mandate. This will allow the Department to set achievable performance indicators and targets, which will be included in the 2016 Budget. Reviewing its medium term strategic plan also enables the Department to link its strategic focus to the high level targets of the NDP and outcome oriented approach. The NDP envisages an active citizenry that participates in the socioeconomic life of the country.

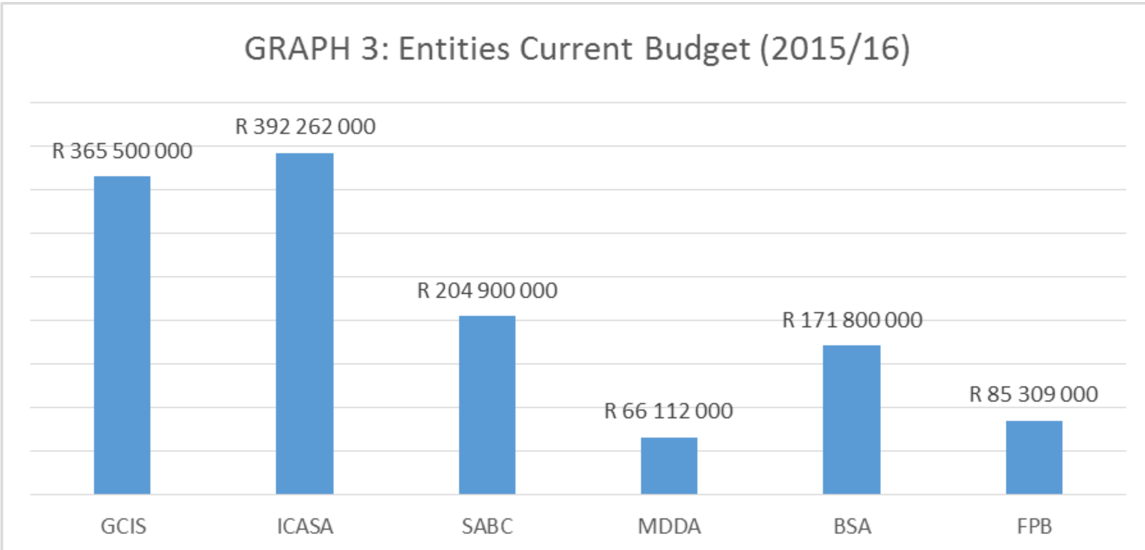
Chapter 14 of the plan (nation building and social cohesion) states that in 2030, South Africans will be more conscious of the things they have in common than of their differences, and that their lived experiences will progressively undermine and cut across the divisions of race, gender, disability, space and class. This is achievable when government is at the centre of providing effective communication platforms to support these aspirations.

The function of the Department is policy making and oversight.

Over the medium term, the Department will develop an overarching national communication policy to guide government communication. The Department will support other government departments to realise, through their communication, the national development plan's aspirations for South African society. The Department also plans on reviewing the 1998 White Paper on Broadcasting Policy to enable the broadcasting sector to contribute to building an inclusive society.

The Department's main agenda over the medium term is to address transformation in the communication industry and drive effective performance.

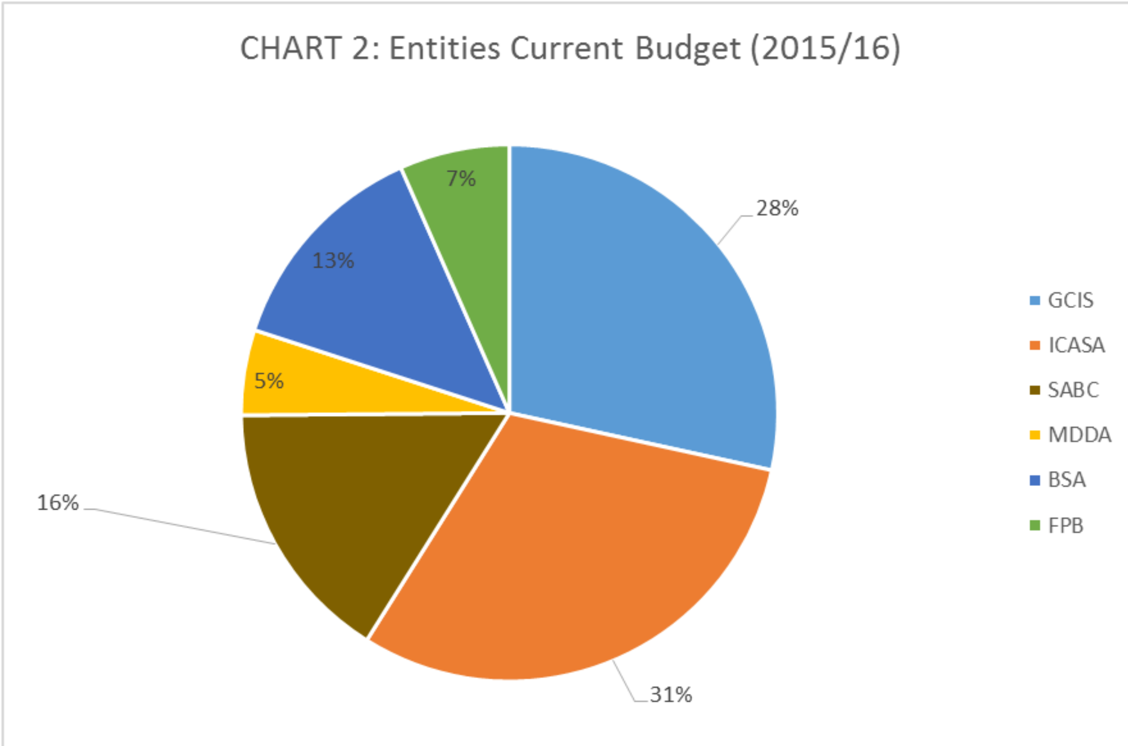
Cabinet approved budget reductions will be effected as follows: R33.8 million over the medium term on the GCIS on goods and services and payments for capital assets; R2.6 million in 2015/16 and R3.9 million in 2016/17 on BSA; R564 000 in 2015/16 and R846 000 in 2016/17 on the FPB; and R204.9 million over the medium term on the SABC, related to the digital migration project, which was concluded in 2014/15. Graph 3 below is indicative of budget allocation for 2015/16 per entity reporting to the Department:




**5. Entities of the Department**

The Department has another department within its vote, the (GCIS) and the five entities reporting to it:

In terms of percentage allocation, ICASA receives the most allocation from government (31 per cent) over the medium term, while GCIS receives 28 per cent of the total allocation to entities, see Chart 2 below:




**5.1 GCIS**

GCIS's mandate is derived from section 195(g) of the Constitution of South Africa of 1996, which stipulates that the public should be provided with information that is timely, accurate and accessible. This is in support of the constitutional principles of freedom of expression, and transparency and openness of government. The department is accordingly mandated to develop overarching communication policies and strategies for government, disseminate information, publicity and marketing on government programme and promote an informed citizenry through facilitating integrated, coordinated and clear communication between government and SA citizens, to enable citizens to be involved in the country's transformation.

GCIS has the following key outputs for 2015/16 financial year:

- Communication of government message;
- Rendering of post-Cabinet media;
- Production of Vuk'uzenzele;
- Media bulk-buying;
- Implementation of National Communications Strategy;
- Management of Izimbizo programme to facilitate government engagement with communities; and

- Production of high quality television commercials, video footage, photographs, radio commercials and programmes, print advertisements and graphic designs for client departments.

#### 5.1.1 Budget allocation per programme

GCIS has been allocated R365.5 million for the 2015/16 financial year. GCIS has allocated its budget as follows:

##### 5.1.1.1 Programme 1 – Administration – R139.8 million

The purpose of this programme is to provide strategic leadership, management and administrative support services to the department.

##### 5.1.1.2 Programme 2 – Content Processing and Dissemination – R86.6 million

The purpose of this programme is to provide strategic leadership in government communication to ensure coherence, coordination, consistency, quality, impact and responsiveness of government communication. The programme has the following sub-programmes: programme management for content processing and dissemination; policy and research; and products and platforms.

##### 5.1.1.3 Programme 3 - Intergovernmental Coordination and Stakeholder Management – R94.7 million

The purpose of this programme is to implement development communication through mediated and unmediated communication channels and foster sound stakeholder relations and partnerships. The programme has the following sub-programmes: programme management for intergovernmental coordination and stakeholder management; provincial and local liaison; media engagement; and cluster supervision.

##### 5.1.1.4 Programme 4 – Communication Service Agency – R44.3 million

The purpose of this programme is to provide media bulk buying services and media production services to national government. The programme has the following sub-programmes:- marketing, advertising and media buying; and media production.

##### 5.1.1.5 Expenditure Trends

The NDP rallies South Africans towards a common goal of being active in their own development and working towards building a capable and developmental state. GCIS supports the achievement of this goal by facilitating a two-way interaction between government and the citizenry. The department provides information about government policies, plans, programmes and activities, thus empowering citizens to take advantage of government programmes and to hold government accountable. The interactions contribute to outcome 12 (an efficient, effective and development oriented public service) and outcome 14 (nation building and social cohesion) of government's 2014-2019 medium term strategic framework. In addition, the department's medium term and annual programmes are guided by the 2014-2019 national communication strategic framework.

Cabinet approved budget reductions of R33.8 million over the medium term are to be effected mainly on operating leases for office accommodation costs, operating payments mainly for printing and publication costs, and travel and subsistence. In accordance with the reorganisation of some national departments announced by the president in May 2014, some of GCIS budget, mainly its personnel budget, will be retained in the reconstituted Department of Communications.

As the GCIS's work is labour intensive, requiring personnel to write, interact and advise on communication content, compensation of employees is a significant spending item, set to comprise 48.8 per cent of GCIS budget over the medium term. GCIS is expected to have 432 funded posts over the medium term. GCIS will focus over the medium term on coordinating and professionalising government communication and making it as cost effective as possible.

GCIS will work with other government departments to implement the NCS and intensify the implementation of the NDP. It will work with key individual departments as well as with the clusters. It will work in all three spheres of government, and support government's transversal communication campaigns, such as 16 Days of Activism for No Violence Against Women and Children, the State of the Nation Address (SONA), and National Disability Rights Awareness Month, among others.

GCIS will also provide communication support on national days. These campaigns contribute to nation building and social cohesion. GCIS will support the NDP priority of a capable and developmental state by extending and strengthening provincial and district communication forums. These forums are hubs for driving government communication programmes and processes in the different spheres. The hubs serve to cascade downwards content that is derived largely from the national communication strategy. They also develop the capacity of government communicators and deal with the coordination and management of communication programmes, such as the various Izimbizo programmes. There are 84 forums, and a further 25 planned.

In partnership with the National School of Government, over the medium term GCIS will provide content for training courses and identify, coordinate and implement training programmes for government communicators.

GCIS has been assigned the responsibility for advertising government vacancies in a cost effective, centralised way, using Vuk'uzenzele, the government newspaper. The newspaper is published in all South African languages, including Braille, and is aimed at rural and semi-urban people. It is the most widely distributed government publication.

Due to the high demand for government information, GCIS intends to increase the projected print run of 20.4 million copies per year to 48 million copies per year over the MTEF period. Currently, Vuk'uzenzele is published monthly, but the GCIS plans to enable a fortnightly print run of 2 million copies per month in 2015/16, increasing to 4 million per month by 2017/18. These increases, however, will depend on funding.

In 2015/16, working with National Treasury, GCIS will explore a funding model for Vuk'uzenzele, which it expects to conclude over the medium term. The growth rate of expenditure on Vuk'uzenzele could increase as the department begins providing advertisements for vacancies. GCIS has, in some instances, replaced its established marketing modes for government events with alternatives modes, such as social media. GCIS will explore working more closely with community based media to maximise limited resources to gain access to its target audience.

### 5.2 ICASA – R393.2 million

ICASA was established by the ICASA Act of 2000, as amended, to regulate the South African communications, broadcasting and postal services sectors. The regulator's mandate is defined in the Electronic Communications Act (ECA) of 2005 as licensing and regulating electronic communication and broadcasting services, an in the Postal Services Act (1998) as regulating the postal services sector. Enabling legislation also empowers the regulator to monitor licensee compliance with licence terms and conditions, develop regulations for the three sectors, plan and manage the radio frequency spectrum, and protect consumers in relation to these services.

ICASA has the following key outputs for the 2015/16 financial year:

- Conducting of advocacy and awareness campaigns ;
- Monitoring of spectrum interference;
- Implementation of digital terrestrial television projects;
- Monitoring of the activities of postal and broadcasting licensees;
- Implementation of customer relationship management; and

- Utilisation of spectrum management tools to ensure the optimal use of the high demand radio frequency spectrum by licence holders.

### 5.2.1 Expenditure Trends of ICASA

The NDP explicitly states the need to strengthen ICASA's mandate for nation building, thereby contributing to outcome 14 of government's 2014-2019 medium term strategic framework (nation building and social cohesion). This is in addition to the ICASA's indirect contribution to outcome 6 (*an efficient, competitive and responsive economic infrastructure network*). ICASA continued to reduce costs while serving the sector and without compromising the quality of service to consumers in 2011/12 and 2012/13.

Ring fenced funds were made available in 2012/13 to promote advocacy, run public awareness programmes, and monitor spectrum interferences during the 2013 Africa Cup of Nations. Projects relating to Digital Terrestrial Television (DTT) and availing broadband, as well as additional commercial radio services for both primary and secondary markets, were also funded from the budget allocation for that year. Further ring fenced funds were made available in 2012/13 to procure R25 million worth of equipment to monitor the activities of postal and broadcasting licensees, but due to challenges experienced in securing the equipment locally, these funds could not be utilised in the same year. In addition to this, R10 million was availed towards customer relationship management and spectrum management tools to ensure the optimal use of the high demand radio frequency spectrum by licence holders, but this amount was not fully utilised.

Adequate allocation towards projects such as monitoring the 2014 elections was made available in 2013/14 for goods and services to continue with projects that spanned over more than 1 year. Broadcasting monitoring equipment was acquired in 2013/14 at a cost of R13 million. The acquisition of assets is expected to decrease significantly in 2015/16 as most items that were required were procured between 2011/12 and 2013/14, and as a result, a significant portion of the budget will be channelled towards goods and services in order to maintain and operate these capital assets. It is anticipated that spending patterns will stabilise over the medium term as a result of the completion of the restructuring and migration exercise. A review of capital requirements is planned for 2017/18, with minor additions anticipated in the following year.

ICASA has managed to keep the cost of living adjustment for compensation of employees below 10 per cent from the 2009/10 financial period to date in order to bring salaries in line with other entities within the ministry and the ICT sector at large, and has maintained spending on compensation of employees below 60 per cent of total expenditure.

### 5.3 SABC – R8.9 billion (R204.9 million)

The SABC is listed as a schedule 2 public entity in terms of the PFMA of 1999. Its mandate is set out in its charter and in the Broadcasting Act of 1999, as amended, and requires it to provide radio and television broadcasting services to South Africa. As mentioned elsewhere in this report, the SABC generates its revenue mainly from license fees, commercial revenue (from advertising, programme and sport sponsorship across television, radio and online platforms), and the transfers (R204.9 million) from government.

SABC has the following key outputs for the 2015/16 financial year:

- Radio and television broadcasting;
- Implementation of Digital Terrestrial Migration and technology;
- Programming and development of local content;
- Expansion of commercial radio stations to increase the organisation's audience share; and
- Digitisation of value chain and distribution platforms.

#### 5.3.1 Expenditure Trends of the SABC

Although the SABC does not directly contribute to the vision of the NDP, it indirectly contributes to outcome 12 of government's 2014-2019 medium term strategic framework (*an efficient, effective and development oriented public service*). It achieves this through its programming content with an emphasis on audiences, editorial integrity, the development of local content, and the telling of authentic South African stories.

SABC's focus over the MTEF period will be on realigning its operational model with requirements for digital broadcasting. Expenditure is expected to increase from R8 billion in 2014/15 to R9.9 billion in 2017/18, mainly due to activities involving improving the corporation's news and sporting content offered on radio and television. This includes the expansion of commercial radio stations to increase the organisation's audience share, and capital spending to replace or upgrade equipment. The corporation will also continue to digitise its value chain and distribution platforms, with radio broadcasting conducted digitally from production to distribution, and television broadcasting conducted in full high definition.

SABC generates its revenue mainly from licence fees, commercial revenue (from advertising, programme and sport sponsorships across television, radio and online platforms), and transfers from government. Revenue growth over the medium term is expected to be constrained by the difficult economic environment, although the bulk of revenue growth is expected to be provided by commercial advertising as a result of the revised schedules and content strategy on television channels SABC 2 and SABC 3. Revenue is therefore expected to increase by 3.5 per cent over the medium term to reach R7.9 billion.

The increase in spending between 2011/12 and 2014/15 was due to higher broadcast costs, signal distribution costs, and the remuneration of contractors. Higher revenue collection costs for television licences also contributed to the increased expenditure over the period as the SABC attempted to improve liquidity. At the end of December 2012, the organisation had achieved a positive liquidity ratio of more than R1 billion and was able to settle its bank loan by September 2013, 14 months earlier than the expected loan term. This saved the corporation R17 million in interest costs.

Cabinet approved budget reductions of R204.9 million over the medium term are to be effected on the SABC's allocation for the digital migration project, which was concluded in 2014/15. This amount has been reprioritised to fund Sentech and the South African Post Office (SAPO).

SABC has 3 870 funded posts, of which 3 677 were filled at the end of November 2014. The number of filled posts is expected to increase to 3 720 over the medium term, which accounts for an expected increase in spending on compensation of employees of 6.7 per cent over the medium term. The additional appointments are to meet the requirements for implementing DTT, and the organisation's strategy to expand regional content and thus contribute to job creation. Digitising the SABC's delivery platforms in line with the country's digital migration efforts remains a priority, and the organisation will continue to need to raise funding to improve its digital readiness.

### 5.4 MDDA – R66.1 million

MDDA was set up in terms of the MDDA Act of 2002 to enable historically disadvantaged communities and individuals to gain access to the media. The mandate of the MDDA is to create an enabling environment for media development and diversity which reflects the needs and aspirations of all South Africans; redress the exclusion and marginalisation of disadvantaged communities and people from access to the media and the media industry; and promote media development and diversity by providing support primarily to community and small commercial media projects. The overall objective of MDDA is to ensure that all citizens can access information in a language of their choice, and to transform media access, ownership and control patterns in South Africa.

MDDA has the following key outputs for the 2015/16 financial year:

- Provision of technical, non-financial and financial support to diverse media platforms;

- Provision of support to the increased participation of communities in ownership and control of community and small commercial media;
- Provision of community media grants;
- Promotion of ownership, control and access to information and content production by communities;
- Enhancement of ownership, participation and control of print and digital media by independent media entrepreneurs;
- Creation and enhancement of a body of knowledge of the media landscape; and
- Building of capacity for a diverse media industry.

### 5.4.1 Expenditure Trends of MDDA

The delivery imperatives of the MDDA Act (2002), the NDP and NCS framework have resulted in a review of the MDDA's programmes. MDDA will over the MTEF period focus on providing technical, non-financial and financial support to diverse media platforms and intensify its efforts to support the increased participation of communities in ownership and control of community and small commercial media. In so doing, MDDA will contribute to outcome 14 of government's 2014-2019 medium term strategic framework (nation building and social cohesion).

Flowing from this, MDDA will seek to provide technical, non-financial and financial support to diverse media platforms over the medium term, and increase the participation of communities in the ownership and control of community and small commercial media. MDDA's key focus over the medium term will be on: promoting ownership of, control of and access to information and content production by communities; enhancing ownership, participation and control of print and digital media by independent media entrepreneurs; creating and enhancing a body of knowledge of the media landscape; and building capacity for a diverse media industry.

MDDA will also focus over the MTEF period on ensuring the sustainability of existing small commercial projects through building capacity and maintaining the funding level for the community media projects. Community media grants are expected to be the largest expenditure item, constituting of 46.4 per cent of MDDA's total expenditure over the medium term as the organisation continues to carry out its core function of developing the sector.

Between 2011/12 and 2014/15, spending on transfers and subsidies for approved grant applicants averaged 67.1 per cent of expenditure, with an average annual growth of negative 0.9 per cent. This slight decrease is attributed to the decline in the broadcast and print revenues. Although there is growth in the broadcast sector, MDDA will find it difficult to fulfil its mandate in terms of the promotion of ownership of small commercial media projects due to decreasing funding.

The Act defines the small commercial media as independent publishers, and community media as community owned and controlled broadcast and print projects. The number of funded community media projects increased from 20 in 2013/14 to 25 in 2014/15, while the number of small commercial media projects decreased significantly, from 9 to 3, over the same period. The number of small commercial projects funded is expected to remain constant at 2 per year over the medium term. Through grant and seed funding, the number of community and small commercial projects participating in capacity building initiatives is projected to increase from 120 in 2014/15 to 140 in 2017/18.

MDDA will also focus on increasing the number of projects undergoing monitoring and evaluation over the medium term. Spending on transfers and subsidies to recipients of small commercial and community media grants is expected to increase by an average of 4.6 per cent over the medium term, accounting for an average of 62.3 per cent of planned total expenditure, although the funding agreement between the agency and Print and Digital Media South Africa will not be renewed.

The number of projects supported through grant funding in any given year depends on the quality and quantity of the applications received and funds available, although this number averaged 570 between 2011/12 to 2013/14.

MDDA is funded mainly by transfers received from the Department and grants received from broadcast media, and earns non-tax revenue from interest generated on short term investments. The contract between MDDA and print funders, Print and Digital Media South Africa expired at the end of 2013/14, and its renewal is dependent on the conclusion of an impact assessment study that will be conducted in 2015/16. As a result, MDDA does not expect to offer any further financial support to small commercial projects over the MTEF period in addition to what has already been committed. This is due to the anticipated growth of the broadcast industry.

Between 2011/12 and 2014/15, spending on compensation of employees grew at an average annual rate of 40.2 per cent as a result of the expansion of the organisational structure from 19 to 29, which included filling 5 critical executive and management posts. MDDA's number of personnel is expected to remain stable at 29 over the medium term. The filling of these positions will optimise the performance of MDDA, as it will be fully capacitated. Consequently, expenditure on compensation of employees is expected to grow at an average annual rate of 7.8 per cent over the medium term, driven mainly by improvements in conditions of service.

MDDA aims to retain its skilled workforce by offering and maintaining competitive salaries over the medium term. Consultants provide internal audit services, as the agency does not have the personnel to perform these tasks. Spending on consultants over the medium term is expected to be R1 million.

### 5.5 Brand SA – R171.8 million

BSA was established as a trust in 2002 and gazetted as a schedule 3A public entity in accordance with the PFMA of 1999 in 2006. Its purpose is to develop and implement a proactive and coordinated international marketing and communications strategy for South Africa, to contribute to job creation and poverty reduction, and to attract inward investment, trade and tourism.

BSA has the following key outputs for 2015/16 financial year

- Brand strategy development and management;
- Rendering assistance to government and private sector entities in aligning their communications strategies with national messaging;
- Improvement of bran ranking index;
- Hosting of South African Competitiveness Forum; and
- Roll out of Play Your Part televisions series.

#### 5.5.1 Expenditure Trends of BSA

In support of the NDP's vision, BSA is charged with building the brand reputation of the country in order to improve its global competitiveness and better position South Africa in the world, as well as promoting active citizenry and social cohesion across society. This is in line with Outcome 14 of government's 2014-2019 medium term strategic framework (nation building and social cohesion). Such measures will improve South Africa's global competitiveness index ranking, and boost business confidence in the country and its standing in the region and the world, in line with the framework's outcome 11 (create a better South Africa, a better Africa and a better world).

The organisation's focus over the medium term will be on brand strategy development and management, and reputation management. This entails the development of communications strategies, marketing, and a range of other activities that position the country competitively, both domestically and in international markets. Further focus areas will assist various government and private sector entities to align their communications strategies with national messaging, and ensure that the implementation of key projects, events, and news on government policies and programmes receive appropriate coverage.

In line with this, the organisation intends to improve its standing in the brand ranking index to between 28 and 31 over the medium term, and improve its position in the global competitive index from 53 in 2013/14 to between 40 and 42 by 2017/18. The organisation will also host the second South African competitiveness forum in Johannesburg in 2015, and this year's theme will be: Active citizenship and its role in changing the South African brand reality. The forum is a strategic platform where leaders and influential people from business, civil society and government share insights and assist one another in shaping the South African brand. Expenditure on the forum is expected to be R2 million per year.

Domestically, BSA will intensify the Play Your Part campaign, develop and roll out the Play Your Part television series, and secure media partners to inspire all South Africans, including those living abroad, and thereby increase national pride and levels of patriotism. Expenditure on this campaign is expected to increase from R28 million in 2014/15 to R32.5 million in 2017/18.

Consequently, expenditure on compensation of employees over the medium term is expected to increase from R33.6 million in 2014/15 to R59.2 million in 2017/18 to accommodate the 12 additional posts that have been created in the organisation. Brand South Africa will deploy permanent staff members to Brazil and India in addition to personnel deployed to China, the United Kingdom and the United States.

Cabinet approved budget reductions of R2.6 million in 2015/16 and R3.9 million in 2016/17 will be effected on transfers to the organisation. However, these reductions are not expected to adversely affect the achievement of the organisation's outputs.

### 5.6 FPB – R85.3 3million

FPB regulates and controls the creation, production, possession, exhibition and distribution of films, interactive computer games and certain publications in terms of the Films and Publications Act of 1996. The board is also responsible for monitoring age-restricted business premises for compliance with their licence and registration terms.

FPB has the following key outputs for 2015/16 financial year:

- Protection of children against premature exposure to adults experiences and harmful materials, particularly films, games and publications;
- Conducting of awareness programmes that inform and educate the public about films, videos and games that are harmful to children;
- Conducting of research on human trafficking;
- Monitoring compliance with the Films and Publications Act (1996);

- Development and implementation of a content regulation framework that ensures 100 per cent classification and labelling of classifiable content distributed on online, mobile and related platforms; and
- Implementation of programmes aimed at cyber safety and child online protection.

### 5.6.1 Expenditure Trends of FPB

The NDP envisages that, by 2030, people living in South Africa should have no fear of crime, and special attention should be paid to preventing crimes against women and children. This is in line with Outcome 3 of government's 2014-2019 medium term strategic framework (all people in South Africa are and feel safe).

To support this vision, the FPB's focus over the medium term will be to protect children against premature exposure to adult experiences and harmful materials, particularly films, games and publications. The Films and Publications Act (1996) makes the use of children in pornography a punishable criminal offence. The board's outreach and public campaigns will focus on encouraging adults to take messaging to members of the public to foster responsible viewing, gaming and reading choices.

FPB will also monitor compliance with the Act, focusing on both physical and online distribution platforms; and the proliferation of online, digital distribution platforms, which is a complex undertaking. FPB plans to develop and implement a content regulation framework over the medium term that ensures 100 per cent classification and labelling of classifiable content distributed on online, mobile and related platforms by 2017. Furthermore, FPB will also implement programmes aimed at cyber safety and child online protection.

FPB's activities are informed by programmes that aim to prevent child pornography on the internet; outreach and awareness programmes that aim to inform and educate the public about films, videos and games that are harmful to children; research on human trafficking; and the monitoring of distributors and traders for compliance. These objectives are expected to be achieved over the medium term through 10 industry workshops and 18 parent workshops each year of the MTEF period that focus on child protection with regards to the internet. In previous years, the workshops have proved to be an invaluable tool to educate parents about the dangers of the internet with regards to child pornography and other undesirable content not suitable for children.

FPB's spending priorities over the medium term will be to implement leading edge technology in the classification of content for films, games and adult publications; inform and educate society to empower adults and protect children against harmful content; review existing legislation to align with new developments in technology; conduct research; and implement compliance, and monitoring and evaluation. The board has reprioritised funds towards these activities from its existing budget.

FPB is a member of the International Association of Internet Hotlines, which coordinates a global network to support countries in responding to reports of illegal content in order to make the internet safer. The new technology implemented will assist FPB to field complaints about apparent illegal content from the public.

Once complaints are received, teams of analysts then assess the content in accordance with legislation and, if they consider it to be illegal, trace it to a host country. If the content is illegal in the host country, the hotline takes steps to have the material removed in consultation with that country's law enforcement partners, and also in partnership with mobile network operators and internet service providers. In implementing this, the bulk of expenditure will go towards compensation of employees, travel and subsistence (through conducting campaigns and outreach programmes in various regions), workshops and meetings, consulting and professional fees, IT maintenance and infrastructure, and public relations campaigns.

Cabinet approved budget reductions of R564 000 in 2015/16 and R846 000 in 2016/17 will mainly be effected on non-essential spending items of FPB's operations, such as venues and facilities, and catering and entertainment. The reductions are not expected to have any adverse effects on service delivery.

## 6. Committee Observations and recommendations

### 6.1 Observations

The Committee made the following observations:

The Committee:

i). noted the progress made to ensure stability in the newly-established Department and its entities and that they now work in unison;

ii). noted with concern that government only provides 2 per cent of SABC funding although it is a public broadcaster; this is a situation that can easily defeat the intended purpose of the SABC being a publicly owned entity and this can easily lead to influences from funders other than the public itself leading to biased programming that is not in the public interest.

iii). noted that the strategic plan of MDDA and APP could not be approved by the Board as it did not form a quorum at the time;

iv). noted the absence of a quorum of the MDDA Board and the direct impact this has on MDDA performance and deliverables as well as the filling of vacancies in the Executive;

v). noted the high speed with which the structure of the MDDA collapsed and the subsequent challenges it faced;

vi). noted with concern that BSA only had staff in three countries (United Kingdom, China and United States), and no office in the African continent; and

vii). welcomed the proposal by the Minister to legislate the mandate of BSA and also revise the structure of composition of the Board of Trustees.

The Committee commends:

i). the Minister's presence throughout the medium term budget review process because this assisted the Ministry's to position the Department and its entities as working in a collective;

ii). the Minister for her active participation throughout the budget review process;

iii). the SABC for the R1 billion it has currently in its savings and expressed confidence in the leadership of the Minster and that of the SABC; and

iv). ICASA's revised strategic goals from eight (8) to three (3) as this will allow it to be more effective and focused.

### 6.2 Recommendations

The Committee subsequently recommends that the Minister should:

i). engage the Committee about the review process to ensure the public broadcasting mandate of the SABC is not compromised;

ii). report back to the Committee on progress made in signing of Memorandum of Incorporation between the Department and all its entities as well as the Shareholder's Compact between SABC and the Department;

iii). provide quarterly updates on the status of the vacancy rate and progress made in filling critical posts at the (i) DoC, (ii) MDDA, (iii) GCIS, (iv) FPB, (v) SABC, (vi) BSA, and (vii) ICASA;

iv). provide the Committee with a report containing timelines about the structured plan for areas where broadcasting infrastructure will be deployed by MDDA;

v). provide a comprehensive report on all training activities of the entities as well as of the Department;

vi). provide a report on progress made regarding the Digital Broadcasting Migration (BDM) beyond the June 2015 switch-on date;

vii). provide the Committee with quarterly progress reports on implementation of the DTT programme;

viii). engage the Minister of Finance for funding of the NCS;

ix). report back to the Committee on matters relating to ICASA and the regulation of Radio Frequency Spectrum (RFS);

x). develop a balanced governing structure for BSA;

xi). ensure that entities reporting to the Department comply with Parliamentary policies and processes in terms of timeous submission of documents/reports to Parliament;

xii). intensify the oversight function (by developing monitoring mechanisms) of the Department to the entities as the rightful shareholder of government and present plan to the Committee;

xiii). create a forum for entities to standardise and share best practice relating to financial management;

xiv). present to the Committee penalty measures to be taken for non-performance of entities;

xv). present to the Committee about the Communications Task (ComTask) Report as well as the recommendations emanating from the ComTask Report and how the Department plans to implement them;

xvi). ensure that there is skills retention at the MDDA;

xvii). oversee the establishment of a strategy that will assist BSA to operate locally, continentally and internationally;

xviii). ensure that ICASA is capacitate enough in order to enable it to do proper monitoring and evaluation;

xix). ensure that the FPB staff that is tasked with evaluating sensitive video materials and tracking piracy is working in a safe and secure environment;

xx). ensure that there is enough assistance in re-establishing and stabilisation of the GCIS since a large capacity of resources have been absorbed into the new Department of Communications;

xxi). provide clarity on the role of the Companies Act versus the Broadcasting Act in relation to the management of the SABC by the Shareholder; and

xxii). ensure that there is continued stability in the new Department of Communications and report back to the Committee on a quarterly basis.

The Committee is satisfied with the Strategic Plans 2015 – 2019 and Annual Performance Plans for 2015 – 2016 of the Department of Communications, GCIS, SABC, ICASA, MDDA, FPB, BSA and accordingly supports their implementation.

The Committee recommends that the 2015-2016 budget allocation of the Department of Communications and its entities be approved.

The Democratic Alliance objected to the report.

Report to be considered.