

Report of the Portfolio Committee on Communications on the 2019/20 1st Quarter Performance and Expenditure Report of the Department of Communications, dated 22 October 2019:

The Portfolio Committee on Communications (the Committee), having considered the 2019/20 1st Quarter Performance and Expenditure Report of the Department of Communications (the Department), reports as follows:

1. Introduction

The Committee considered the 1st Quarter Performance and Expenditure Report of the performance of the Department of Communications in a meeting on 3 September 2019.

This report gives an overview of the presentations made by the Department, which included an update on progress made by its entities on delivering on its mandate, and focused mainly on its achievements, output in respect of the performance indicators and targets set for the 2019/20 financial year and related financial performance. The report also provides the Committee’s key deliberations and recommendations in relation to the performance presentation by the Department.

2. Organisational Environment

The Department is executing its mandate of developing appropriate policies that will help to improve government communication and drive the communications sector to ensure universal access to all citizens. The Department’s mandate is derived from section 192 of the Constitution of the Republic of South Africa of 1996, which provides for the independence of broadcasting regulation in the public interest, the International Telecommunication Union (ITU) and the World Intellectual Property Organisation (WIPO). Nation-building and social cohesion remain key priorities as stipulated in the NDP.

The Department is comprised of three public entities namely the South African Broadcasting Corporation (SABC), the Independent Communications Authority of South Africa (ICASA) and the Films and Publications Board (FPB). The Department also reported on the entities that reported to it during the 5th democratic government, namely the Media Development and Diversity Agency (MDDA), and Brand South Africa (BSA).

3. Quarter 1 Performance

3.1 Performance overview on the Annual Performance Plan deliverables

The Department had fourteen (14) targets planned for the quarter, of the fourteen (14) targets planned, seven (7) targets were achieved and seven (7) were not achieved. Programme 1 achieved four (4) targets, Programme 2 achieved one (1), Programme 3 achieved one (1) and Programme 4 achieved one (1) of its planned targets.

Programmes	Planned	Achieved	Not achieved	% Achieved
Programme 1	7	4	3	57%
Programme 2	1	1	0	100%
Programme 3	4	1	3	25%
Programme 4	2	1	1	50%
DOC	14	7	7	50%

4. Quarter 1 Key Achievements on APP

4.1 Programme 1: Administration

The purpose of the Programme is to provide strategic leadership, management and support services to the Department.

The Department has 89 funded posts (81 permanent and 8 contract posts), 80 posts were filled and 9 posts are vacant. In terms of gender equality females at SMS level accounted for 7 and males are 8.

The 2018/19 Annual Training report was submitted to the PSETA together with the 2019/20 Workplace Skills Plan (WSP). The fourth quarter 2018/19 and the preliminary 2019-20 quarterly performance reports were submitted to DPME.

The first draft of the 2018/19 Annual Report was submitted to AGSA and DPME. The 2019/20 Strategic Risk Report was compiled, presented to risk management committee structure and approved. A 2019-2022 three-year rolling Audit Strategic Plan and risk-based Internal Audit Annual Operational Plan were approved. Financial, compliance and performance audits were conducted and

audit reports were presented to the Audit and Risk committee. Drafted contracts, Memorandum of Understanding (national and international), initiated the process of amending legislation, attended to labour matters and provided legal opinion in all the matters with legal implications.

4.2 Programme 2: Communications Policy, Research and Development

The purpose of the Programme is to conduct research and develop communications and broadcasting policies.

The Department is finalising the draft Audio-Visual and Digital Content Strategy for the 4th Industrial Revolution (4IR) that will be incorporated into the comprehensive Policy Paper for the 4IR. The draft strategy responds to the following critical areas:

- Increasing foreign direct investment in broadcasting from the current 20 per cent to 49 per cent;
- Stimulating the economy and create potential job opportunities and innovation;
- Addressing the new licensing regime that has to reduce the turnaround times of approval by half; and
- Ensuring that there is a fair and effective competition that will reduce costs and introduce new services, address the new digital skills and come up with new agile institutional arrangements and frameworks that are able to support the development of the sector within the 4IR environment.

The Department is also finalising the Broadcasting Amendment Bill. The purpose of the amendments is to address:

- The governance matters in relation to the size and composition of the SABC Board;
- The appointment procedure for the non-executive board of directors; and
- The removal and resignation of non-executive members of the Board.

4.3 Programme 3: Industry and Capacity Development

The purpose of the Programme is to manage enterprise development, digital migration, and industry research and analysis as well as implement a structured programme of engagement with stakeholders in support of the department's programmes and projects.

The completion of rolling out Broadcasting Digital Migration (BDM) remains a key deliverable for the department and the process of reviewing the BDM delivery model is underway. Consumer awareness education, and registration campaigns continued to clear the affected towns as per the analogue switch-off plans in the Free State province. By the end of the quarter, a total number of 5 442 Direct-to-Home (DTH) additional set-top boxes (STBs) were produced and delivered to the South African Post Office warehouses. This led to the deliveries to the South African Post Office (SAPO) warehouses making a total of 891 870 and 405 073 satellite dishes produced and delivered to date. Registration statistics for qualifying indigents reached the 1 million mark. Engagements on the prioritisation of areas that have potential for early release of spectrum have commenced with a preliminary report tabled by the Council for Scientific and Industrial Research (CSIR).

The Department is conducting enterprise development for emerging content producers (mainly youth) through training on entrepreneurship, protection of intellectual property and monetisation of content online and in the digital platforms. The programme is conducted with the Small Enterprise Development Agency (SEDA) in consultation with the Department of Sports, Arts and Culture, and provincial departments. As per the international participation and engagements, the Sixth SADC Preparatory Meeting for WRC-19 was convened from the 28th - 31st May 2019 at the Avani Maseru Hotel in Maseru, Lesotho. This event was hosted by the Government of Lesotho, through its National Regulatory Authority (NRA), namely Lesotho Communications Authority (LCA). At this meeting, SADC Member States were invited to consider retaining existing Frequency Selective Surface (FSS) access to 27.5 - 29.5 GHz for broadband service to homes and businesses in urban, suburban, rural areas, and for aeronautical, maritime and land-based applications, amongst other aspects.

4.4 Programme 4: Entity Oversight

The purpose of the programme is to monitor the implementation of policies by state-owned entities (SOEs) and regulatory institutions and provide guidance and oversight on their governance matters. The three quarterly performance review and compliance monitoring reports were conducted and feedback letters were submitted to the SOEs. The performance review addressed issues of high expenditure costs, the non-signing of performance agreements, encouraging entities to implement projects as planned, resolving audit findings, improvement on curbing late payments to suppliers as well as issues of low achievement of planned targets.

The performance review sessions were held with each entity and looked at the performance as per the planned target, the 2018-19 audits, continuous disputes with Organised Labour which hampers the process of finalising performance contracts, the career progression model as well as expenditure to date.

Supporting the growth and development of the creative industries is one of the department's strategic objectives. As a result, the Enterprise Development Unit has commenced with implementing the Audio-Visual Content Programme by consulting and forging partnerships with stakeholders such as the Small Enterprise Development Agency (SEDA) and the North West Provincial Government Department of Culture, Arts and Traditional Affairs in order to train the youth on entrepreneurship. Preparations are in place to train the content producers.

Access to information remains one of the key priorities of the department, and it is in this context that the acceleration and completion of rolling out Broadcasting Digital Migration (BDM) remains a key deliverable for the Department. Education, awareness and registration campaigns continued to clear the affected towns as per the analogue switch off plans in the Free State province. By the end of the quarter, a total number of 5 442 Direct-To-Home (DTH) additional Set-Top-Boxes (STBs) were produced and delivered to the South African Post Office warehouses.

This led to the deliveries to SAPO warehouses making a total of 891 870 and 405 073 Satellite dishes produced and delivered to date. Coordination and monitoring of the distribution and installation of devices to qualifying households across the Free State province suffered a challenge that emanated from the expiry of installation contracts administered by USAASA. Consequently, this led to the halting of installations, a process that is negatively affecting municipalities that are assisting with the programme rollout.

As per the international participation and engagements, the Sixth SADC Preparatory Meeting for WRC-19 was convened from the 28th to 31st May at the Avani Maseru Hotel in Maseru, Lesotho. This event was hosted by the Government of Lesotho, through its National Regulatory Authority (NRA), namely Lesotho Communications Authority (LCA).

The Programme achieved all its planned quarterly targets. The five 2018/19 fourth quarter performance reviews were conducted on all the DoC's state-owned entities and feedback letters were submitted to the entities. The fourth quarter performance was also discussed at the performance review session coordinated by the Entity Oversight Unit. The performance review session considered the performance as per the planned targets and expenditure to date. Brand SA has managed to achieve 86 per cent, FPB 78 per cent, ICASA 51 per cent, MDDA 36.4 per cent and SABC achieved 35 per cent of its planned targets.

5. Financial Information report

The Department indicated that there were increases in the 2019 Medium Term Expenditure Framework (MTEF) baseline by 64,4 per cent from R1 billion to R1,6 billion. The increase was mainly due to additional funds allocated to SAPO (R474,6 million) for Universal Service Obligations (USOs) and to Sentech to an amount of R192 million for the DTT (Dual illumination). Refer to the graph below:

MTEF ALLOCATIONS			
	2019/20	2020/21	2021/22
PROGRAMMES			
Administration	64 879	68 920	74 841
Communications Policy, Research and Development	16 412	17 539	18 876
Industry and Capacity Development	47 449	50 756	24 412
Entity Oversight	1 447 351	1 532 888	1 619 757
Total for Programmes	1 576 091	1 670 103	1 737 886
ECONOMIC CLASSIFICATION			
Current payments	143 559	153 079	134 282
Compensation of employees	87 682	94 256	100 383
Goods and services	55 877	58 823	33 899
Transfers and subsidies	1 432 426	1 516 913	1 603 552
Payments for capital assets	106	111	52
Total economic classification	1 576 091	1 670 103	1 737 886

The Department highlighted its expenditure per programme as illustrated in the graph below:

DESCRIPTION	BUDGET	EXPENSES	VARIANCE	% SPENT AGAINST BUDGET
PER PROGRAMME				
PROGRAMME 1:ADMINISTRATION	64 879 000	13 238 004	51 640 996	20.4
PROGRAMME 2:COMMUNC POLICY RESRCH & DEV	16 412 000	1 769 979	14 647 021	10.8
PROGRAMME 3:INDUSTRY & CAPACITY DEVELOPM	47 449 000	6 254 832	41 281 168	13.2
PROGRAMME 4:ENTITY OVERSIGHT	1 447 351 000	323 780 235	1 123 570 765	22.4
TOTAL	1 576 091 000	345 043 050	1 231 139 950	21.9
PER ECONOMIC CLASSIFICATION				
COMPENSATION OF EMPLOYEES	87 682 000	15 861 993	71 820 007	18.1
GOODS AND SERVICES	55 877 000	6 969 223	48 907 777	12.5
TRANSFERS AND SUBSIDIES	1 432 426 000	322 145 000	1 110 281 000	22.5
MACHINERY AND EQUIPMENT	106 000	43 963	62 037	41.47
PAYMENTS FOR FINANCIAL ASSET	0	22 871	-22 871	-
TOTAL INCLUDING TRANSFERS	1 576 091 000	345 043 050	1 231 047 950	21.9
TOTAL EXCLUDING TRANSFERS	143 665 000	22 898 050	120 766 950	15.9

The Department reported on the Expenditure per Economic Classification as follows:

	BUDGET	EXPENSES	VARIANCE	% SPENT AGAINST BUDGET
PER PROGRAMME/ ECONOMIC CLASSIFICATION				
PROGRAMME 1:ADMINISTRATION				
COMPENSATION OF EMPLOYEES	45 904 000	9 908 940	35 995 060	21.6
GOODS AND SERVICES	18 915 000	3 306 193	15 608 807	17.5
HOUSEHOLDS (HH)	-	-	-	-
MACHINERY AND EQUIPMENT	-	-	-	-
SOFTWARE & INTANGIBLE ASSETS	60 000	-	60 000	-
PAYMENTS FOR FINANCIAL ASSET	-	22 871	-22 871	-
TOTAL	64 879 000	13 238 004	51 640 996	20.4
PROGRAMME 2:COMMUNC POLICY RESRCH & DEV				
COMPENSATION OF EMPLOYEES	12 614 000	1 640 560	10 973 440	13.0
GOODS AND SERVICES	3 798 000	85 456	3 712 544	2.3
MACHINERY AND EQUIPMENT	-	43 963	-43 963	-
TOTAL	16 412 000	1 769 979	14 642 021	10.8

The Department further reported on the transfer amounts made to its entities as described in on next page.

ENTITY	BUDGET	Expenditure as at 30 June 2019	Estimated Projections for June 2019	Projected Variance	% spent (Budget Vs Expenditure) as at 30 June 2019
Brand South Africa	207 914 000	47 820 000	160 094 000	-	23
Film and Publication board	99 373 000	24 843 000	74 530 000	-	25
Media Development & Diversity Agency	31 795 000	7 949 000	23 846 000	-	25
Independent Commissions Authority of South Africa	452 645 000	90 529 000	362 116 000	-	20
SABC: Channel Africa	61 320 000	15 330 000	45 990 000	-	25
SABC: Public Broadcaster	14 450 000	2 300 000	12 150 000	-	16
SABC: Programme Productions	123 246 000	34 674 000	88 572 000	-	28
Government Communications and Information Systems	441 683 000	98 700 000	342 983 000	-	22
Total Entities	1 432 426 000	322 145 000	1 110 281 000	-	22

6. Quarter 1 Performance of the Entities reporting to the Department

The entities reporting to the Department, reported as follows:

6.1 South African Broadcasting Corporation

SABC achieved 53 per cent of key targets. The cash flow challenges contributed significantly to underperformance. The corporation incurred losses of R192,3 million and recorded a bank balance of R116.7 million. SABC owed service providers R1,8 billion. However, 90 per cent of AGSA's 2017/18 findings have been addressed.

The Department appointed Government Technical Advisory Centre (GTAC) to assist in bolstering the turnaround strategy of the SABC and several engagements between SABC, GTAC and the Department took place. GTAC produced a draft Status Quo Report and a final turnaround strategy is expected by the end of September 2019.

In regard to the financial bailout, the SABC applied for R3,2 billion for immediate cash requirements. On 27 August 2019, the Ministers of Communications and of Finance responded to the SABC. The SABC responded to some of the preconditions set out by National Treasury. Others have not been met. The process on the disbursement of funds would be confirmed by National Treasury.

6.2 Independent Communications Authority of South Africa

ICASA achieved 71 per cent of its key targets for the quarter and successfully monitored the 2019 National and Provincial Elections. However, ICASA was unable to appoint experts to support the execution of critical projects (Engineering & Technology) and this compromised the successful delivery on projects.

ICASA is currently undergoing a restructuring process and the ministerial moratorium has been lifted on the filling of critical vacant positions. The Minister of Communications has advised the Speaker of the National Assembly about the vacancy that has arisen in the ICASA Council.

During the quarter under review, ICASA had a total revenue of R105,5 million (the Department transferred the first quarter tranche allocation R90,5 million). The total expenditure incurred is R108,7 million. ICASA currently faces severe financial constraints due to budget cuts and the Council has been advised to exercise extreme caution and to stay within its allocated funding.

6.3 Film and Publications Board

The FPB achieved 70 per cent of its key targets for the quarter. The revised classification guidelines have been implemented. The revised tariffs model has been sent to the Minister of Finance for concurrence. The Ministry of Communications was waiting for the President to assent to the FPB Bill and lift the moratorium on filling critical vacant positions only.

For the first quarter, the total revenue was R25,6 million (the Department transferred the first quarter tranche allocation of R24,8 million). FPB remains in a healthy financial position. FPB has a cash balance at the bank of R5,4 million. However, there was irregular expenditure of R898 000 and fruitless expenditure of R3,5 million.

6.4 Media Development and Diversity Agency

During the first quarter, the MDDA planned to deliver a total of two (2) key targets and had a 100 per cent achievement. No community media projects were funded during the quarter. The key targets delivered were on monitoring of projects and conducting media literacy workshops.

MDDA received its first tranche payment of R7,9 million from the Department. The total revenue received is R9,7 million (including interest received). The agency received R516 000 of funding received from broadcast media houses. The Department was currently engaging media houses with the aim to lobby industry contributions.

6.5 Brand South Africa (BSA)

During the quarter under review, BSA committed to deliver on 25 key targets and achieved 23 targets, resulting in an overall achievement of 92 per cent. The term of office of the Board expired on 31 May 2019 and the appointment process was currently underway. The Chief Executive Officer (CEO) and Chief Financial Officer (CFO) were undergoing disciplinary processes and were on suspension.

For the quarter, BSA generated a total revenue of R48 million and spent a total of R36,9 million. The lower expenditure was mainly due to vacant positions.

7. Observations

7.1 The Department

In relation to the Department, the Committee noted with concern: (i) that the Department had achieved only 50 per cent of its targets; (ii) that there was no clear plan on the implementation of BDM policy and perhaps there was a need to explore alternative models to rollout DTT; (iii) that 3.5 million people still needed to be subsidised for DTT; and (iv) that the Department had not produced a Revised Analogue Signal Switch-Off Plan for provinces.

7.2 Departmental Entities

The Committee noted (i) that ICASA only achieved 71 per cent of its targets and was undergoing yet another restructuring process; (ii) with concern that ICASA's expenditure was more than generated revenue for the quarter under review; (iii) that FPB only achieved 70 per cent of its targets; (iv) the Media Development and Diversity Agency (MDDA) did not fund any community-based projects for the quarter under review; (v) that the Executives (CEO and CFO) of Brand South Africa (BSA) were undergoing disciplinary processes and were on suspension; (vi) that the Department needed over R3 billion to implement the BDM policy; and (vii) that the Department had until 17 September to respond to National Treasury so that they could release the bailout money for SABC.

The Committee commended (i) the Minister of Communications for lifting the moratorium in order to fill critical vacancies within the entities reporting to the Department of Communications; and (ii) the MDDA for achieving 100 per cent of its targets for the quarter under review.

Furthermore, the Committee noted (i) the complexity faced by the Department to have to deliver while at the same time having to integrate into one department; (ii) that the Department would respond directly to the Zondo Commission; (iii) that the Department had until 17 September to respond to National Treasury so that it (Treasurer) could release the bailout for the SABC; (iv) with concern the size of the delegation of the Department; (v) the Minister's explanation that the PSL owns sports broadcasting rights for its tournaments and independently enters into contracts with various broadcasters of its choice; (vi) with concern that the costs of sports rights had increased so high that it could not afford to pay nor compete with other broadcasters due to its current financial constraints; (vii) that engagements to devise a sustainable plan were underway considering that ICASA had recently released its draft regulations on sports rights; and (viii) with concern the comments by the Minister of Communications that she had received correspondence from some SABC Board members indicating that there was infighting within the Board and that she had written to the Board and requested an urgent meeting but that the Board had indicated that matters would be attended to internally.

8. Committee recommendations

The Committee resolved that the Minister of Communications should:

- (i) at all times, minimise the number of officials attending Committee meetings;
- (ii) ensure that ICASA appears before the Committee to present the revised and final Sports Rights Regulations once the process had been completed;
- (iii) ensure that ICASA appears before the Committee to report on its anomaly in financial performance and performance agreements matters;
- (iv) investigate all core challenges at SABC over and above the financial challenges;
- (v) utilise its platforms to advocate for stopping abuse of women and children and contribute to the sexual offender's register;
- (vi) report back to the Committee on her engagements with the SABC Board in resolving the infighting;
- (vii) review the model for community broadcasting so that it is relevant and sustainable;
- (viii) provide a detailed report on the signing of performance agreements with ICASA Councillors as well as a broader framework of performance management of the Department and entities reporting to it;
- (ix) have remedial plans of all entities that had not met targets for the quarter under review;
- (x) explore alternative avenues to roll out DTT subsidies;
- (xi) make available to the Committee all correspondence relating to the government guarantee between the Department, National Treasury and the SABC Board, specifically the pre-conditions as sent by National Treasury as well as the SABC responses;
- (xii) ensure that the SABC Board engage the Committee on any challenges they are facing, including those based on media reports that there seems to be editorial interference at the SABC; and
- (xiii) ensure that the GTAC and National Treasury appear before the Committee to make presentations on the SABC's government guarantee.

Report to be considered.