



**ICASA**  
**2015-2019 STRATEGIC PLAN**  
**2015-17 ANNUAL PERFORMANCE PLANS**  
**2014/15 BUDGET**

**04 JULY 2014**

**Dr Stephen Mncube – Chairperson**

**Mr Pakamile Pongwana - CEO**



1. ICASA as the Regulator
2. 2015–2019 Strategic goals and predetermined objectives
3. Strategic priority programs
4. Re-aligned organisational structure
5. 2014-15 Annual Performance Plan targets
6. 2014/2015 expenditure budget



- ICASA is established in terms of the ICASA Act of 2000
- ICASA is mandated to:
  - Regulate electronic communications, broadcasting and postal sectors in the public interests
  - Ensure affordable services of high quality for all South Africans



- Assign spectrum to licensees
- Issue licenses for electronic communications network services, electronic communications services, broadcasting services and postal services
- Protect consumers from unfair business practices and poor quality of services
- Enforce compliance with rules and regulation



## Our vision

To advance the building of a digital society.

## Our mission

To ensure that all South Africans have access to a wide range of high-quality communication services at affordable prices.



- **Broadcasting:**
  - Limited growth in Free to Air services
  - Subscription TV dominated by one player
- **Postal Services:**
  - Declining demand
  - Poor quality of service
  - High cost of universal service
- **Spectrum:**
  - Limited spectrum for new services
- **Electronic Communications Services:**
  - Significant investment
  - High input costs
  - Cost to Communicate imperatives



## PRINCIPLES CENTRAL TO REGULATORY FUNCTION:

- Regulate in the public interest
- Provide consumer with affordable services
- Ensure quality of services
- Not unduly interfere in the commercial activities of commercial broadcasters
- Ensure that the SABC is financially viable



- **Broadcasting**

- Globally a move to migrate from analogue to digital terrestrial TV (DTT) broadcasting
- Switch-off date for analogue TV is June 2015
- Migration from analogue to DTT is delayed by specifications for set-top box





- **Electronic communications**

- Seriously behind in broadband rollout, especially in rural areas
- New broadband policy – SA Connect – published in Dec 2013
- Rural areas poorly served by broadband connectivity, need new and current service provider(s) to also roll out in rural areas
- Broadband can provide voice, data and video (interactive video), which could:
  - Bring rural citizens into the mainstream of the global economy
  - Provide connectivity to schools, hospitals, clinics, Government offices and citizens internet cafes



INSIGHT

## Context

Chris Becker, economist at ETM Analytics, recently wrote a blog comparing price inflation of a Steers burger and petrol over the past 10 years. The price of a Steers burger rose by 250% in 10 years, a compounded rate of 13% a year, trumping the petrol price hike over that period. (See below.) *Finweek* looked at the price increases of other goods and services.

### PRICE INCREASES OVER THE PAST DECADE



\* Information from Pam Golding Properties, Western Cape

Prepaid cost of a mobile call:

2004: R 3.25

2014: R 0.79

**76% reduction!**



- Broadcasting: internationally broadcasting does not exist in the traditional form. On TV, whilst SA is still battling with migration, others have moved to new services such as Over The Top Services Content is the key not type of technology
- Spectrum harmonisation:
  - identification of new bands for new services
  - regional harmonisation to benefit from economies of scale



SOOG1

## Promote competition

- Facilitate effective competition
- Ensure South African retail prices of ICT services fairly reflect costs
- Ensure effective broad-based HDI/BEE participation in the sector

SOOG2

## Promote the digital agenda

- Facilitate universal access to broadband services at fair retail prices by 2020
- Promote the development of public, community and commercial broadcasting services in the context of digital migration

SOOG3

## Promote efficient use of spectrum resources

- Establish innovative approaches to technology and dynamic spectrum usage

SOOG4

## Protect consumers

- Promote consumer rights
- Ensure universal service and access

SOOG5

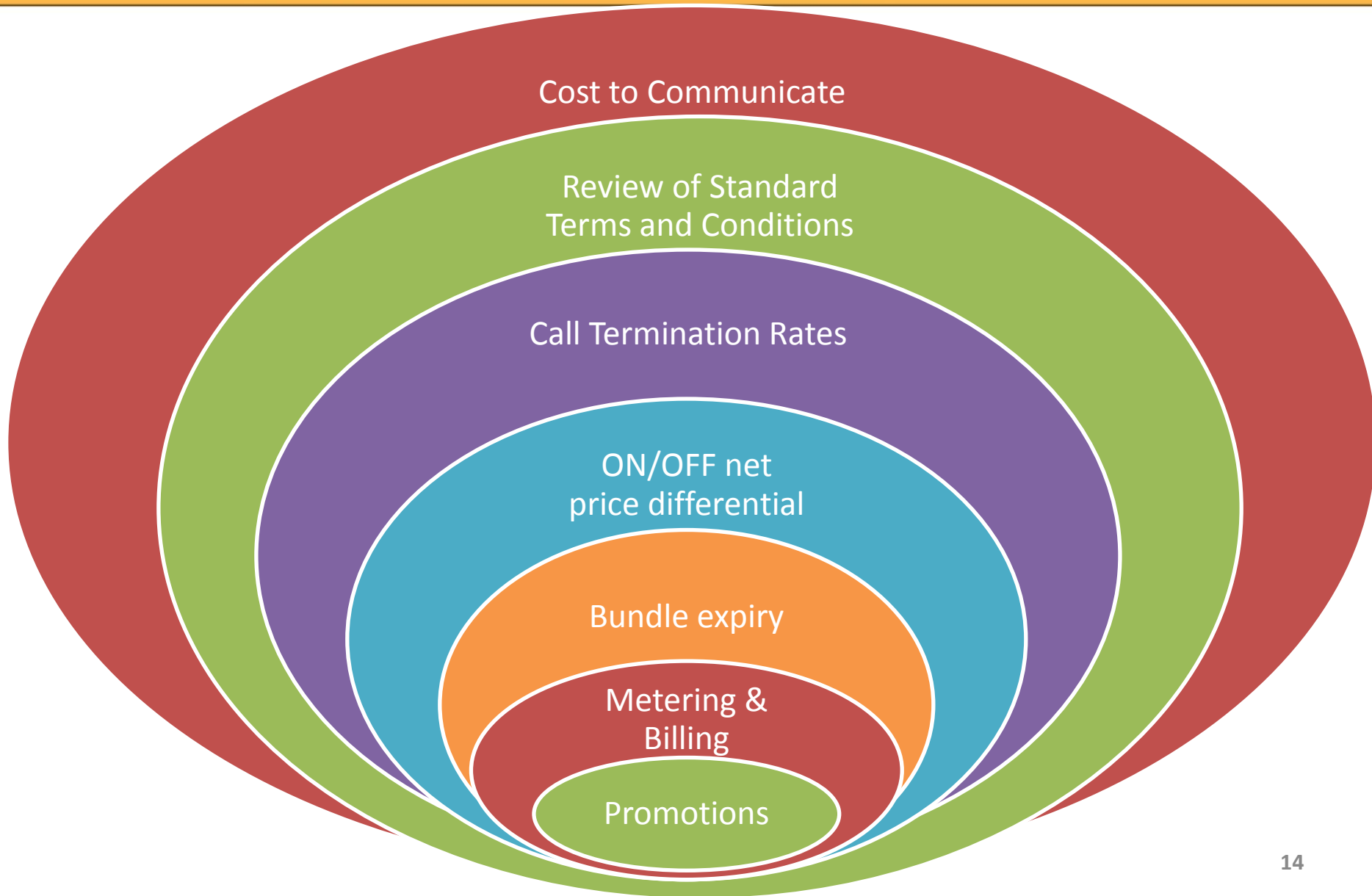
## Modernise ICASA

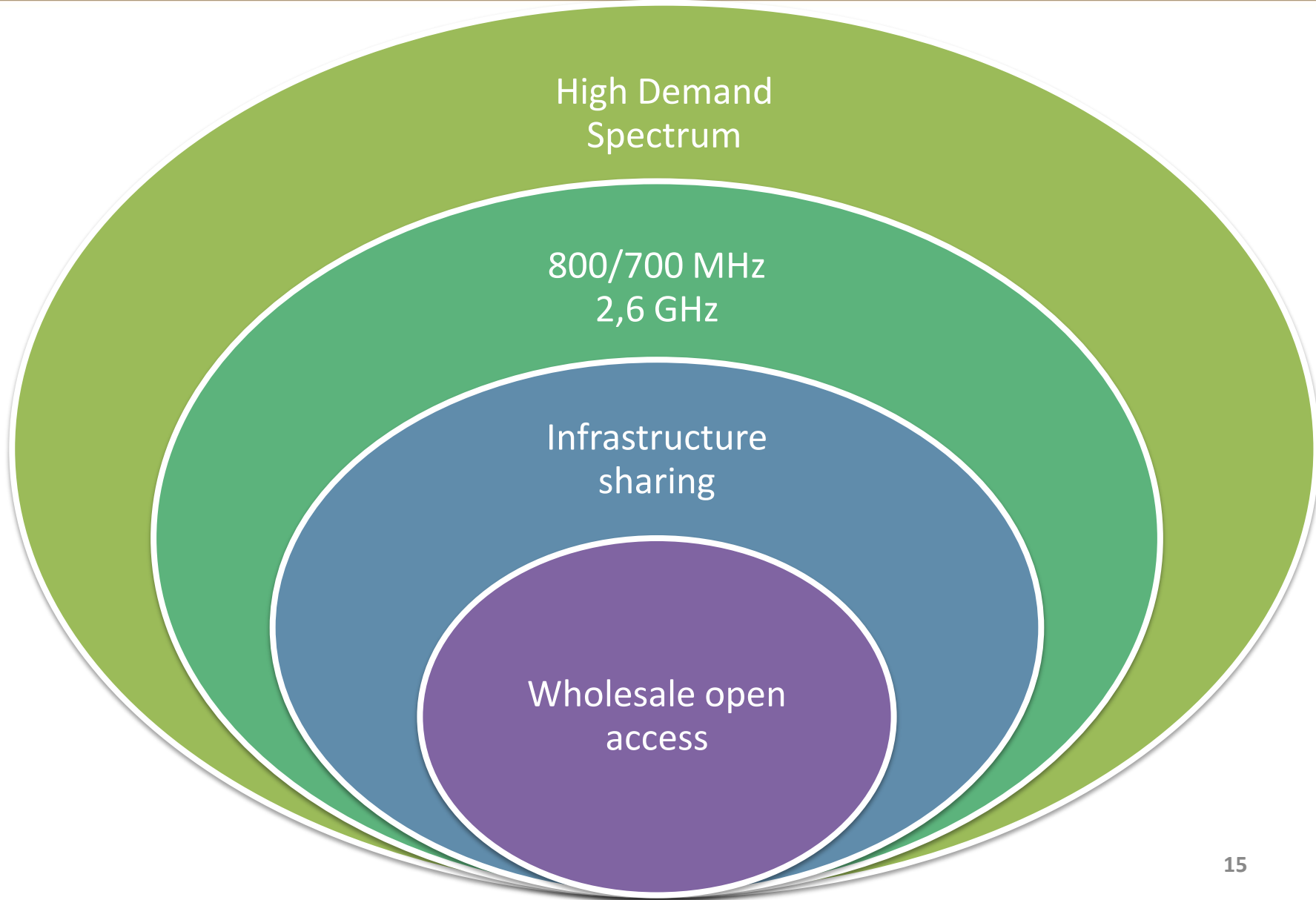
- Improve operational and performance measurement

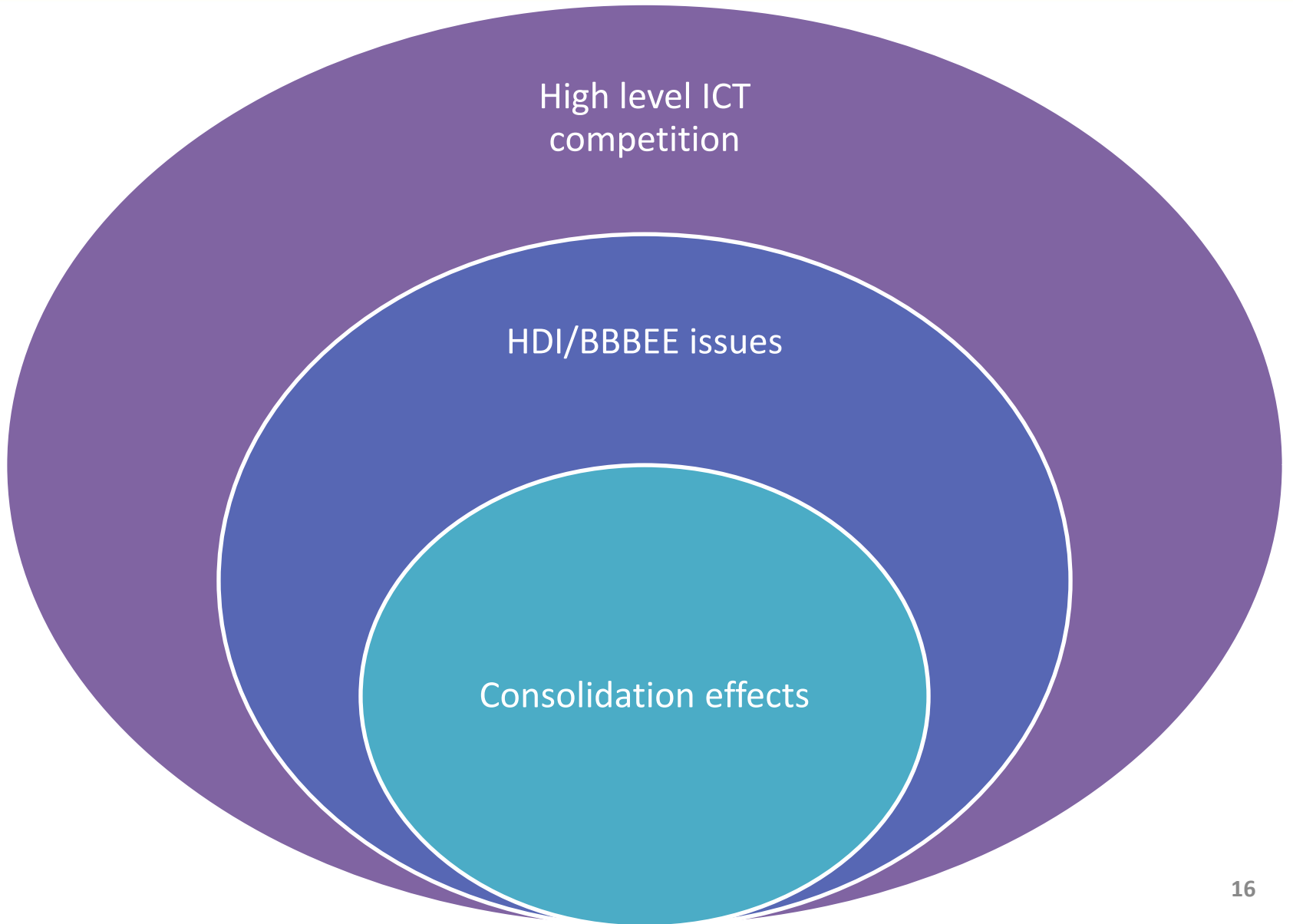


1. Cost to Communicate
2. High Demand Spectrum
3. High level ICT competition inquiry
4. Digital Migration

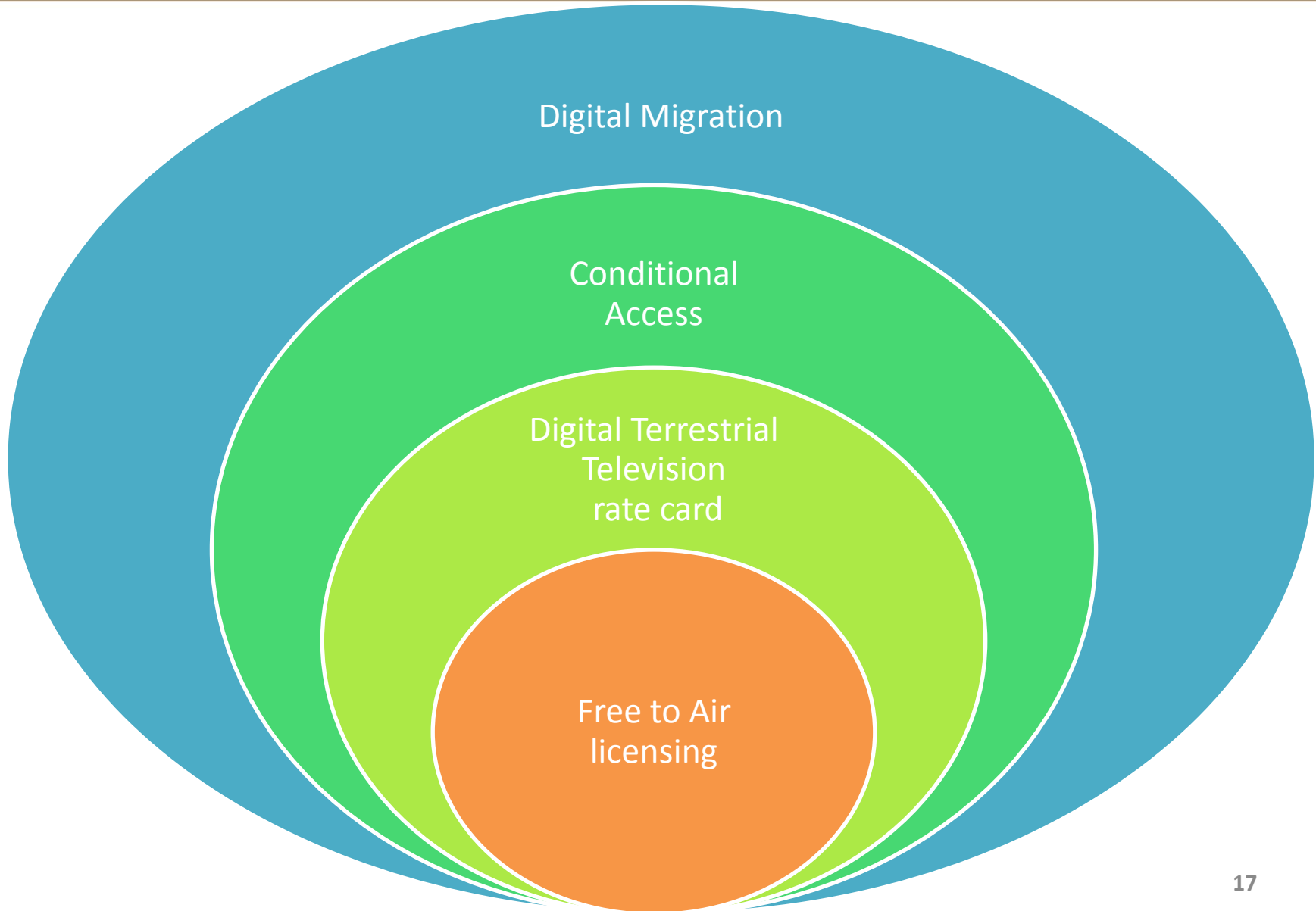


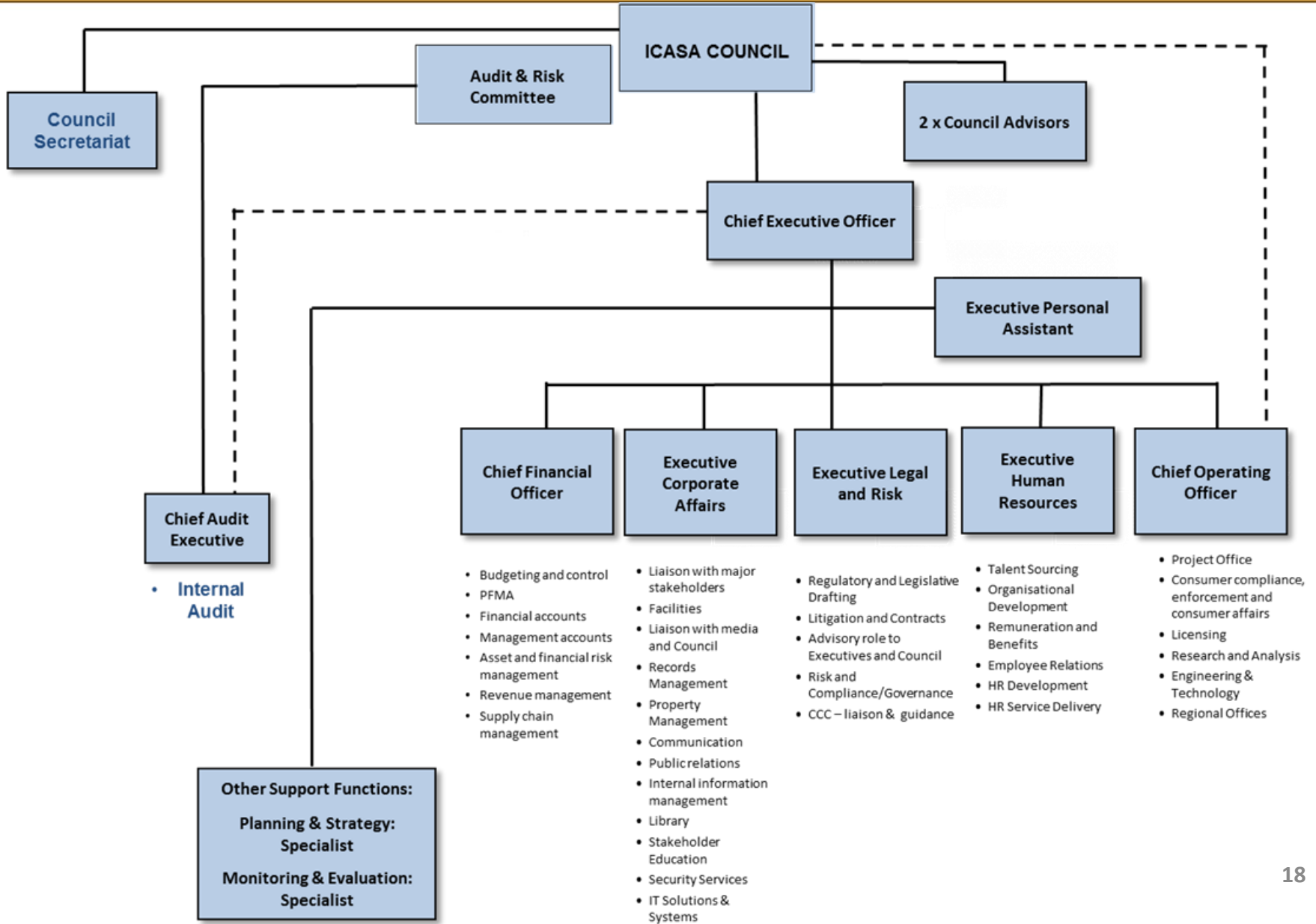


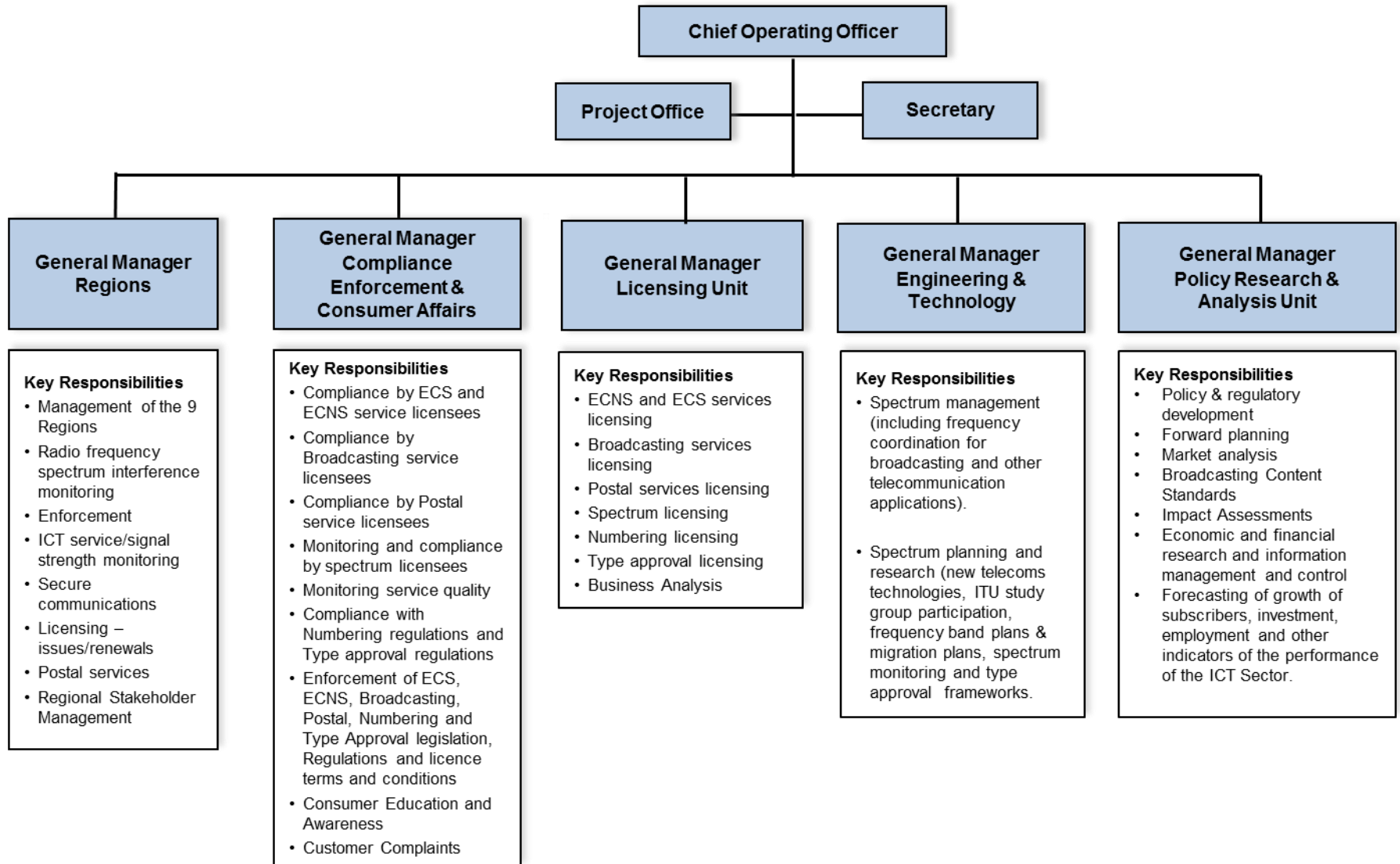






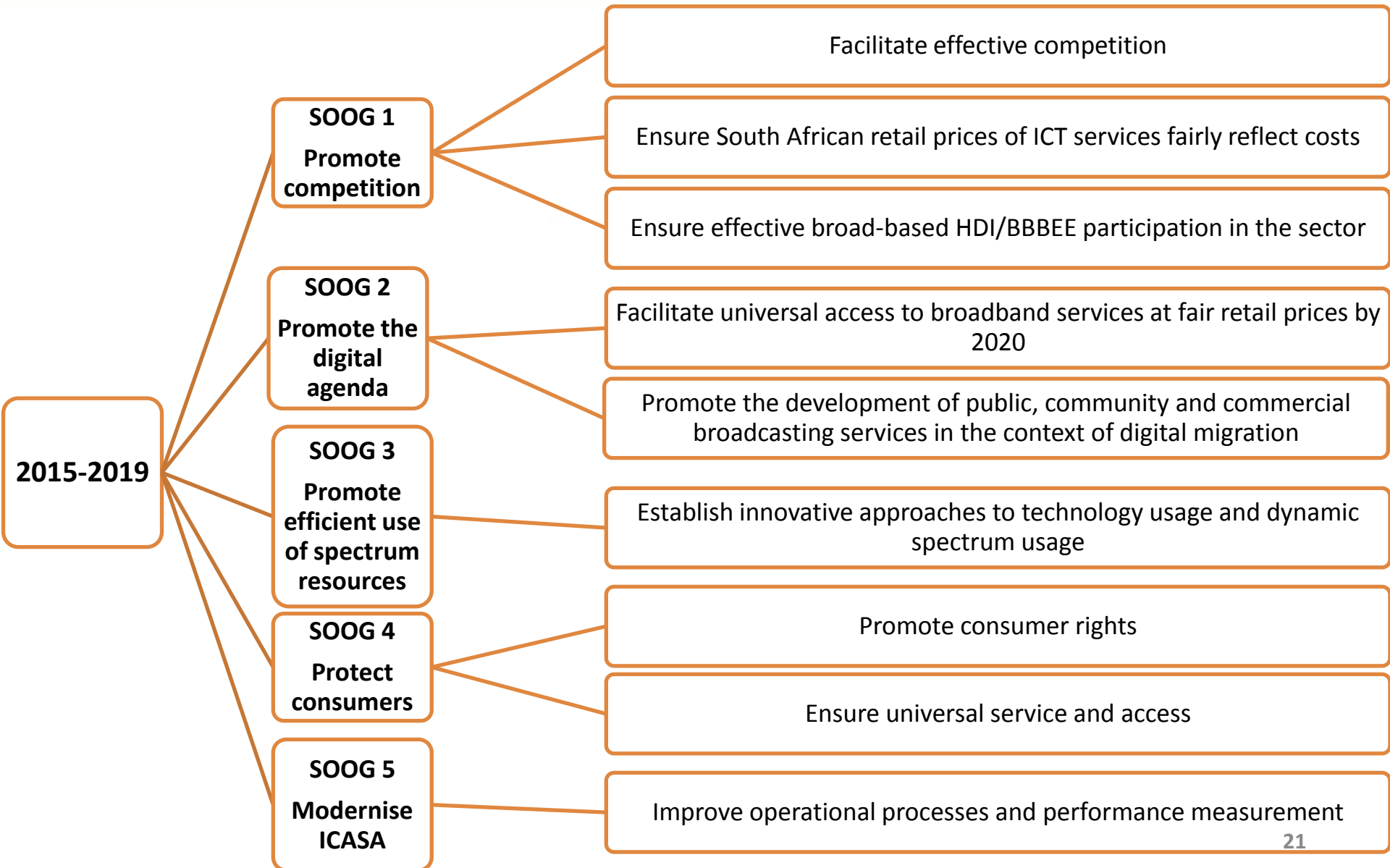








# 2015-2017 Annual Performance Plan





## Strategic Objective

## Key Outcome

## Key Output

## Target 2014/15

**SO1.1  
Facilitate effective  
competition**

Sustainable and competitive  
broadcasting sector in the  
digital era

Improved levels of  
competition in the ICT  
sector

Licensing of additional **free-to-air television broadcasting** service on a National and Regional basis

Gazetted final Regulations on the definition of and **access to premium content**

Gazetted final Regulations specifying the costs to be charged by Sentech for **Digital Signal Transmission for television services**

Gazetted final Regulations on the **Wholesale Voice Call Termination market**

Awarding of free-to-air television broadcast service licenses to the successful applicants

Report on the necessity for pro-competitive regulation in the provision of subscription broadcasting television services

Position Paper on factors that determine the cost of digital terrestrial signal transmission in South Africa

Gazetted final Wholesale Voice Call Termination Regulations



## Strategic Objective

**SO1.2**  
**Ensure South African retail prices of ICT services fairly reflect costs**

## Key Outcome

Affordable prices for voice and data telecommunication services  
(compared to neighbouring countries when comparing telecommunications expenditure to GDP)

## Key Output

Position Paper on **retail tariff transparency**

## Target 2014/15

Position Paper on transparency of retail tariff transparency and accuracy of consumer metering and billing records for voice and data services



## Strategic Objective

## Key Outcome

## Key Output

## Target 2014/15

**SO1.3**  
Ensure effective  
HDI/BBBEE  
participation in the  
sector

HDI/BBBEE  
ownership  
requirements in the  
ICT sector prescribed

**HDI/BBBEE  
Regulations** for  
broadcasting  
services, Electronic  
Communications  
Service (ECS) licenses  
and Electronic  
Communications  
Network Service  
(ECNS) licenses

Publish HDI/BBBEE  
Regulations for  
broadcasting  
services, ECS licenses  
and ECNS licenses in  
the Government  
Gazette





## Strategic Objective

## Key Outcome

## Key Output

## Target 2014/15

**SO2.1**  
Facilitate universal access to broadband services at fair retail prices by 2020

All citizens to have access to affordable Broadband services by 2020

Support development of Broadband to reduce input costs for operators

(1) **Roadmap** for licensing of all of International Mobile Telephony (IMT) spectrum; and

(2) **Radio Frequency Migration plan** for bands identified for feasibility studies in terms of Radio Frequency Migration Regulations 2013

One or more **national spectrum licences** making use of international Mobile Telephony (IMT) spectrum

Draft **infrastructure sharing Regulations**

**Regulatory Impact Assessment (RIA)** on open access regulation for copper, fibre and wireless access networks

Gazetted radio frequency migration plan, with radio frequency spectrum assignment plans - in line with the approved Roadmap for all IMT spectrum

Gazetted radio frequency migration plan, with radio frequency spectrum assignment plans for bands identified for feasibility studies in terms of radio frequency migration regulation

Final ITA for spectrum licenses gazetted and the received application for licensing of 2.6GHz and 800/700MHz spectrum analysed

Draft infrastructure sharing Regulations approved by ICASA Council and published in Government Gazette for public consultation

Draft internal report on the costs and benefits of open access regulation of copper, fibre and wireless access networks



## Strategic Objective

## Key Outcome

## Key Output

## Target 2014/15

### SO2.2

Promote the development of public, community and commercial broadcasting services in the context of digital migration

Availability of choice & diversity in Broadcasting services

**Broadcasting Regulatory Framework** to support the digital era

Gazetted Findings document on Local Content for Broadcasting



## Strategic Objective

## Key Outcome

## Key Output

## Target 2014/15

### SO3.1

**Establish innovative approaches to technology and dynamic spectrum usage**

Radio Frequency spectrum and favourable regulatory frameworks for a variety of services including broadband

Framework for the use of **'white space'** and a Position Paper on implications of cognitive radio technologies published

Position Paper on opportunistic spectrum management approved and results gazetted



## Strategic Objective

## Key Outcome

## Key Output

## Target 2014/15

**SO4.1**  
**Promote**  
**consumer rights**

Regulatory regime to support consumer rights

**Toll-free framework** whereby consumers pay no fees for calls to 0800 numbers

Gazetted final toll-free framework



## Strategic Objective

## Key Outcome

## Key Output

## Target 2014/15

**SO4.2**  
Ensure universal service and access

Bridging the Digital Divide

Recommendation to the Minister on a new model for **access and expansion of existing postal services** to all South Africans

Publication of **Universal Service and Access Regulations**

Draft recommendations report on universal service to postal services, including the roll-out of street addresses, postal infrastructure sharing and expansion of postal services submitted to ICASA Council for approval

Gazetted final Universal Service and Access Regulations



## Strategic Objective

## Key Outcome

## Key Output

## Target 2014/15

**SO5.1**  
**Improve operational processes and performance measurement**

Improved efficiency and effectiveness of spectrum licensing, type approval and spectrum monitoring

Enable ICASA to achieve its objectives through effective partnerships and an efficient HR service delivery

Modernise communication processes and systems

Improved revenue assurance

Effective and efficient **Spectrum management**, licensing, certification and monitoring processes (more effective and efficient than that currently used, replacing obsolete methods and systems - leading to fewer rejections of applications and less risk of errors e.g. harmful interference)

Complete review and implementation of the **new organizational structure**  
 Profiling and job evaluation of all ICASA positions

Effective **Communications Strategy** for ICASA Annual Performance Plan

Effective **International Relations calendar** for representation at International ICT engagements

Clear financial requirements on all licence fees Regulations that will ensure seamless **collection of revenue**

Implementation of a dedicated spectrum management and spectrum licensing and type approval certification system  
 Interfaced to JDE financial system and staff trained how to use the system

Approved organisational structure and change management plan, with 100% implementation of the revised organisational structure

Develop and implement Media Plans for ICASA Annual Performance Plan

ICASA represented at and submissions delivered to all relevant international forums

Complete and accurate collection of revenue



1. Legal challenges to regulatory processes;
2. Lack of defining and documenting operational core processes;
3. Lack of an asset replacement plan resulting in the Authority utilising redundant equipment leading to poor performance;
4. Reputational risk; and
5. Underfunding of the institution to adequately execute its mandates.

# TOP OPERATIONAL RISKS - PER RISK REGISTER



1. Spectrum Data Integrity: Inaccurate Spectrum Data
2. Corporate Governance: Ineffective corporate governance culture
3. Funding Level: The underfunding hamstrings the Regulator to execute its statutory mandate as contemplated by the ECA
4. Staff Retention and Skills Development: Recruitment and retention of scarce skills to enable the Authority to deliver on its mandate
5. Stakeholder Engagement: Turnaround time in dealing with all stakeholders is not responsive enough, both internally and externally
6. Core Operational Processes: Lack of defining core end to end operational processes





# 2014/2015 EXPENDITURE BUDGET

**Ms Clarinda Simpson  
Chief Financial Officer**

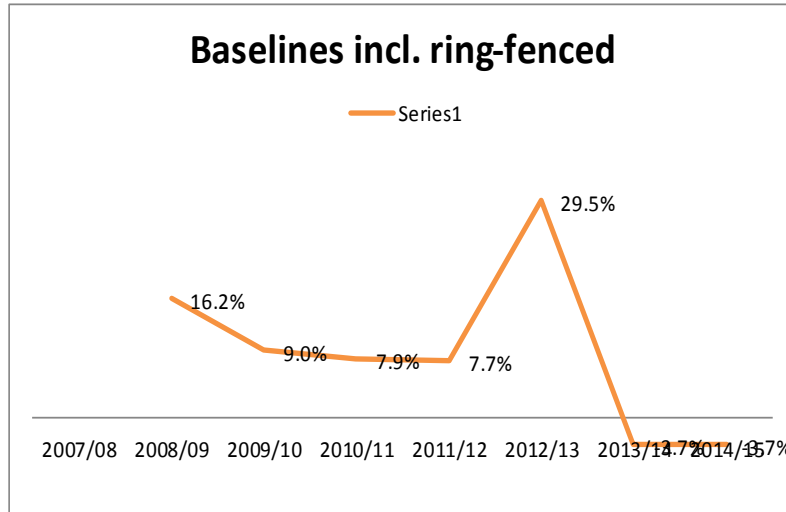
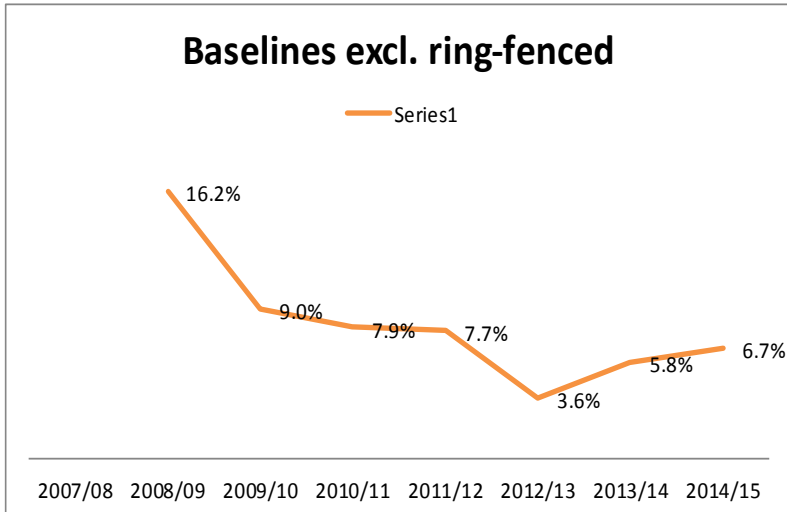


## History of baselines - DoC grants

Total grants <b>excluding</b> ring-fenced funding	Amount	Yr on Yr%	Note	Total grants <b>including</b> ring-fenced	Yr on Yr%
DoC grant for 2007/08	(212,843,000)			(212,843,000)	
DoC grant for 2008/09	(247,272,000)	16.2%	1	(247,272,000)	16.2%
DoC grant for 2009/10	(269,607,000)	9.0%		(269,607,000)	9.0%
DoC grant for 2010/11	(290,923,000)	7.9%		(290,923,000)	7.9%
DoC grant for 2011/12	(313,378,000)	7.7%		(313,378,000)	7.7%
DoC grant excluding ring-fenced funding for 2012/13	(324,797,000)	3.6%	< Ring-fenced funding excluded: -81,000,000 >	(405,797,000)	29.5%
DoC grant excluding ring-fenced funding for 2013/14	(338,661,000)	5.8%	< -52,000,000 >	(390,661,000)	-3.7%
DoC grant excluding ring-fenced funding for 2014/15	(361,221,000)	6.7%	< -15,000,000 >	(376,221,000)	-3.7%

**Notes:**

1 In 2008/09 included was postal allowance of R10mil previously allocated to ICASA but in subsequent years was stopped by DoC;



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## ICASA Economic Classification Report

R 000	Actual	Actual	Actual	Actual	Forecast	M T E F		
	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
<b>Grants from DoC (excl. deferred income)</b>	<b>269,607</b>	<b>290,923</b>	<b>313,378</b>	<b>342,385</b>	<b>365,661</b>	<b>376,221</b>	<b>393,619</b>	<b>414,481</b>
<b>i) Compensation of employees</b>	159,040	169,116	185,432	193,648	198,800	246,296	253,685	261,295
<b>ii) Goods and services</b>	110,673	114,700	117,683	123,164	102,500	129,896	141,006	148,056
<b>iii) Normal projects</b>	15,215	24,517	10,751	12,762	29,269	36,344	35,000	35,000
<b>iv) Total ring-fenced projects:</b>				<b>17,588</b>	<b>34,131</b>	<b>15,000</b>	<b>0</b>	<b>0</b>
- Ring-fenced: Opex costs	0	0	0	4,266	5,431	0	0	0
- Ring-fenced: Capex costs	0	0	0	13,322	28,700	15,000	0	0
<b>v) Total normal capital assets</b>	<b>22,783</b>	<b>22,437</b>	<b>9,560</b>	<b>1,182</b>	<b>3,500</b>	<b>18,287</b>	<b>11,800</b>	<b>15,000</b>
<b>Total expenditure</b>	<b>307,711</b>	<b>330,770</b>	<b>323,426</b>	<b>348,344</b>	<b>368,200</b>	<b>445,823</b>	<b>441,491</b>	<b>459,352</b>
<b>Surplus/(Deficit) excluding interest received</b>	<b>(38,104)</b>	<b>(39,847)</b>	<b>(10,048)</b>	<b>(5,959)</b>	<b>(2,539)</b>	<b>(69,602)</b>	<b>(47,872)</b>	<b>(44,871)</b>
add: Interest received and other income	15,607	5,955	5,165	6,237	12,500	10,000	8,000	7,500
add back: Depreciation	(3,227)	15,260	9,008	12,612	17,000	15,157	18,000	18,500
<b>Total Surplus/(Deficit) excluding depreciation</b>	<b>(25,724)</b>	<b>(18,632)</b>	<b>4,124</b>	<b>12,889</b>	<b>26,961</b>	<b>(44,445)</b>	<b>(21,872)</b>	<b>(18,871)</b>
<b>Cash reserves including deferred grants</b>	<b>55,426</b>	<b>34,177</b>	<b>37,357</b>	<b>120,562</b>	<b>126,062</b>	<b>81,617</b>	<b>59,745</b>	<b>40,874</b>
<b>Deferred grants (unspent funds for special projects)</b>				<b>63,412</b>	<b>66,348</b>	<b>21,903</b>	<b>31</b>	<b>-</b>

### Footnote

The 2012/13FY cash reserves included the deferred grants relating to ring-fenced projects of R63.4mil;  
The 2013/14FY forecast cash reserves includes the deferred grants of R25mil ;

### Stats: % of revenue

i) Compensation of employees	59.0%	58.1%	59.2%	56.6%	54.4%	65.5%	64.4%	63.0%
ii) Goods and services	41.0%	39.4%	37.6%	36.0%	28.0%	34.5%	35.8%	35.7%
iii) Normal projects	5.6%	8.4%	3.4%	3.7%	8.0%	9.7%	8.9%	8.4%
iv) Total ring-fenced projects:	0.0%	0.0%	0.0%	5.1%	9.3%	4.0%	0.0%	0.0%
v) Capital assets	8.5%	7.7%	3.1%	0.3%	1.0%	4.9%	3.0%	0.0%



## Normal projects and Ring-fenced additional funding allocated

- The Authority succeeded in bidding for additional funding (ring-fenced) to support its operations in the 2011/12 financial year. The nature of the bids was both Infrastructure (Capital projects) and Non-Infrastructure (Opex projects). The tables below provide a breakdown of the total allocations over the MTEF period
- Normal projects relate to budget allocations towards strategic plan deliverables



# NORMAL AND RING FENCED PROJECTS

## Normal projects per programme

Division	Actual	Actual	Actual	Actual	Forecast	M T E F		
	R 000	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
<b>Total normal projects &gt;&gt;</b>	<b>15,215</b>	<b>24,517</b>	<b>10,751</b>	<b>12,762</b>	<b>29,269</b>	<b>36,344</b>	<b>35,000</b>	<b>35,000</b>
Programme : Licensing and Compliance	4,119	3,441	3,660	970	9,721	11,138	10,000	10,000
Programme : Engineering and Technology	3,562	5,172	1,763	5,366	3,228	6,250	5,300	6,800
Programme: Markets & Competition	4,311	1,809	2,328	4,180	3,791	7,000	5,899	5,500
Programme : Consumer Affairs	3,110	5,022	2,028	491	10,493	7,854	6,500	6,000
Programme: Regions	113	1,787	47	(1)	0	2,144	1,470	0
Programme : Governance and Administration:-	0	7,285	925	1,757	2,037	1,958	5,831	6,700
Sub-prog: Human Resources	0	2,876	441	588	1,287	1,208	2,366	2,300
Sub-prog: Admin	0	741	73	4	0	0	0	0
Sub-prog: Communication & Int'l Affairs	0	196	0	0	0	0	0	0
Sub-prog: Information Technology	0	2,056	353	819	250	0	2,300	2,500
Sub-prog: Finance	0	1,416	58	346	500	750	1,165	1,900

## Ring-fenced projects per programme

Division	Actual	Actual	Actual	Actual	Forecast	M T E F		
	R 000	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
<b>Total ring-fenced projects &gt;&gt;</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>17,588</b>	<b>34,131</b>	<b>15,000</b>	<b>0</b>	<b>0</b>
Programme : Licensing and Compliance				0	13,719	0	0	0
Programme : Engineering and Technology				0	15,000	15,000	0	0
Programme : Consumer Affairs				3,348	0	0	0	0
Programme : Regions				9,612	0	0	0	0
Programme : Governance and Administration:-				4,627	5,412	0	0	0
Sub-prog: Legal & CCC				125	0	0	0	0
Sub-prog: Admin				4,089	2,000	0	0	37
Sub-prog: Information Technology				413	3,412	0	0	0



# ADDITIONAL FUNDING REQUIREMENTS

To minimise Corporate Risk:  
 Need appropriate resources organisation wide  
 Focus on setting BASE level for activities

Additional Needs Identified				
	2014/15	2015/16	2016/17	Total three outer years (MTEF)
<b>A Infrastructural Needs</b>				
1 Programme - CA: Consumer Complaints System	2 000 000	-	-	2 000 000
2 Programme - E&T: QoS (Additional vehicles)	2 000 000	-	-	2 000 000
3 Programme - E&T: QoS (TEMS Symphony)	4 000 000	-	-	4 000 000
4 Programme - E&T: Geographic Mapping of Broadband(GIS)	1 200 000	-	-	1 200 000
5 Programme - E&T: Fixed Monitoring Sites for SKA	7 500 000			7 500 000
Subtotal	16 700 000	-	-	16 700 000
<b>B Non Infrastructural Needs</b>				
1 Programme - E&T: Site Rentals (SKA)	1 800 000	1 800 000	1 800 000	5 400 000
2 Programme - E&T: Head count (SKA)	600 000	600 000	600 000	1 800 000
3 Programme - E&T: Other Operating Expenses	1 500 000	1 500 000	1 500 000	4 500 000
4 Programme - L&C: Head count	4 221 000	4 221 000	4 221 000	12 663 000
5 Programme - CA: Head count for managing complaints & research	2 092 000	2 218 000	2 351 000	6 661 000
6 Programme - E&T/ CA: Head count (QoS)	7 203 000	7 203 000	7 203 000	21 609 000
7 Programme - E&T: Head count (Frequency Planning and Research department)	4 000 000	4 000 000	4 000 000	12 000 000
Subtotal	21 416 000	21 542 000	21 675 000	64 633 000
<b>Grand total</b>	<b>38 116 000</b>	<b>21 542 000</b>	<b>21 675 000</b>	<b>81 333 000</b>



## Outcome of research into suitable ICASA Funding Model

### FUNDING MODEL AND DESCRIPTION

- Government** The regulator is funded totally from fiscal allocations, and any funds collected by the regulator are handed over to the government. The budget can be approved by a Department, Treasury or Parliament – depending on the budget allocation process in place in the country.
- Mixed funding model** The regulator is funded by the government and through fees collected to cover services it provides. There are many different possible forms of hybrid funding – in some instances fiscal allocations provide the bulk of the funds for the regulator, while in others such funding is used to top- up funds raised from the regulated sector/s. The budget is generally approved by government (either by a Department, the Treasury or Parliament).





- **Self-funded – with government budget approval**

The regulators budget is totally covered by fees and levies collected from the regulated sector (including, for example, licence application fees, regulatory fees/spectrum fees etc.). The annual budget for the regulator however is approved by government (either a Department, the Treasury or Parliament) and the regulator has to account publicly. All fees and levies collected by the regulator in excess of the approved budget are usually transferred to the fiscus (if relevant).

- **Self-funded–and self-determined budget**

In this instance, the regulators budget is self-funded (through collection of fees and levies to cover services provided) and the regulator itself approves its annual budget. Legislation establishing the regulator often outlines related principles which must be adhered to in setting the budget (including transparency and accountability) and in determining fees (such as proportionality and fairness).





Thank you