

Minister Faith Muthambi: Presentation of Annual Performance Plans

12 Apr 2016

Briefing to PCC by the Minister of Communications on the occasion of the Presentation of Annual Performance Plans of the two departments, Regulator- ICASA and entities

Honourable Acting Chairperson
Honourable Members

Thank you for affording me an opportunity to address this House during the deliberation of the two departments as well as the entities' Strategic Plans and Annual Performance Plans. The Resolutions of the ANC are put into action in government within the context of the MTSF.

Simultaneously, the Outcomes of government are a narrative framework for implementing the ANC Manifesto-which is our promise to our people. As government we have an opportunity to serve our people better and enable the citizens to pursue their dreams.

We have embraced the outcomes approach and aligned programmes with those of SOCs to ensure that they are giving practical effect to the Ministerial Performance Agreements. Our flagship programmes whether in government communication policy, broadcasting or and nation building and social cohesion are geared to set the country on a higher growth trajectory.

All Municipalities should have access to community media

Over 140 Community Radio Stations have been licensed and many of these are operating. However, an estimated 90-100 municipalities are without a community radio station. In this regard, the Department of Communications (DoC) will work with the Media Development and Diversity Agency (MDDA) to provide support to the community radio stations by providing infrastructure to new radio stations whose licence was granted but not issued prior to ICASA's issuing of the Moratorium.

Funding for SABC Critical

On SABC public funding of up to 60%. Public contributions to the revenues of the SABC still remains at less than 20%. The 60% quota funding requirement remains a distant possibility. This has a profound impact on the nature and extend of services provided by the SABC.

State of the Nation Address and the Impact of Ministry's Portfolio the Sector

The nature of communication has undergone a substantial change in the past 20 years and the change is not over. Communications are shorter, more frequent and the response time has also greatly diminished. The world of broadcasting too is going through this change, due to the development of digital technology. Sites like YouTube is now a repository of popular

culture in the form of newscasts, television shows, movies, or music videos that are of current interest.

To this end, the 2016 report by World Bank group noted that for the digital revolution to forge ahead, the regulations that promotes entry and competition must be in place, the content creation skills to leverage the new economy must developed and enhanced to ensure citizens benefit directly from digital investment, and the institutions must be accountable to citizens.

In his 9th SoNA, President Jacob Zuma said “A resilient and fast growing economy is at the heart of our radical economic transformation agenda and our National Development Plan (NDP)”. The President pronounced the following plans to ignite growth and create jobs:

- The need to empower Small, Medium and Micro Enterprises (SMMEs) to accelerate their growth.
- State reform and boosting the role of State Owned Companies (SOCs), ensure the implementation of the recommendations of the Presidential Review Commission on SOCs, which outlines how the institutions should be managed;
- Streamline and sharpen the mandates of the SOCs and ensure that where there are overlaps in the mandates,
- Promote inclusion and a non- racial society;
- We must continue to market the country as a preferred destination for investments. This is necessary for the common good of our country;
- Government is developing a One Stop Shop/Invest SA initiative to signal that South Africa is truly open for business.

State of the Economy & Government’s Approach in Turn-Around the Economy

The 2016 Budget comes at the backdrop of a gloomy economic environment characterised by steady depreciation in rand value; and recent hike in interest rate owing to exogenous and endogenous factors at play. Furthermore, the current state of the economy described above does not auger well for the 5.4 percentage GDP growth hinted by the NDP in order to reduce unemployment from the current 25 percent to 6 percent by 2030.

As evidenced by the last quarter result published by Statistic South Africa, government is creating jobs, however, many more millions are still unemployed. Despite this, government is unwavering in its commitment to stay the course of sound fiscal management in the face of this challenging environment.

Commitments of the APP Targets over the Medium Term Strategic Framework (MTSF)

Department of Communications: Digital Terrestrial Television

Over the MTSF period, the two departments, ICASA and all entities will continue to play a vital role in driving strategic government communications and enabling of economic growth in the ICT sector through the broadcasting infrastructure roll-out flagship projects. In support of the National Infrastructure Plan, the department is currently rolling-out STBs to Northern Cape and Free State. Registration is currently underway in Mpumalanga

From 2010/11 financial year to 2014/15 financial year, the broadcasting population coverage increased by 4.7 million and geographical coverage by 129.4 square kilometres. Sentech has completed all 178 migration sites which provides the population coverage of 84 per cent and geographical coverage of 58 per cent. The 16 per cent of the population for DTT will be covered by DTH satellite gap filler solution.

Department of Government Communications and Information System GCIS

GCIS will develop an overarching national policy to guide government communications and expedite the implementation of the qualification for government communicators. In addition, the department also implement the Cabinet-Approved National Communication Strategy which is cascaded to all other spheres of government.

In addition, GCIS supports other departments and government clusters to ensure current and relevant information is made available to the media and citizens in various platforms.

Modernisation of Government Communications-Thusong Service Centres

Honourable Members, defining e-government too narrowly as electronic service delivery only can result in exercises that are overly complex and costly. Such a definition can also miss the transformative potential of e-Government to speed-up decision-making, streamline or reduce processes, or reduce costs of engagement.

Through our multimedia platforms and Thusong Service Centre, GCIS will endeavour to drive modernisation of the public sector; improve government business processes and enhance access to government communication services by the citizens.

The Work of the Regulator

The biggest beneficiaries of the ICT sector are the general public, therefore both regulatory and market failure affects the general public in terms of the quality of Quality of Service (QoS) availability, accessibility as well as affordability of products. To this end independent regulator safeguards the interest of the over 54 million citizens who uses and interacts with ICTs services in their everyday lives.

Market Trends and Future Plans in the Sector

Sentech, working with National Association of Broadcasters (NAB) and Southern African Digital Broadcasting Association (SABIDA) launched the DAB+ Digital Radio Trial Transmission, once finalised, these new platform will transform the sector by unlocking numerous new and existing opportunities.

Broadband connectivity is important. For example, e-Content uses high broadband infrastructure and is interactive, collaborative and is integrated in structure and functionality. Researchers believe that e-Content could become the dominant information and entertainment product of the 21st century. Therefore broadband and new content development are inextricably interdependent.

Market consolidation-mergers and acquisition activity is expected in the course of the 2016/17 financial year and or onwards, as competition continues to heat up as licencees seek new revenue streams. Both ICASA and Competition Commission will be instrumental in this regard.

On regulation matters, 5G is presently in its early research stages. The ITU is currently at work on IMT spectrum requirements for 2020 and beyond. Post this period, countries will have a clearer path for determining network system and technology requirements. 5G wireless networks will support 1,000-fold gains in capacity, connections for at least 100 billion devices.

Support to Small Micro Medium Enterprises (SMMEs)

The 2016 Research Report by government on expenditure in the ICT goods, and services shows that government expenditure has been expanding at an exponential rate and is likely to continue beyond the current of more than 10 % of GDP, however, most of these goods are imported. There is a need to create opportunities such as manufacturing development, creative industries for Small Micro Medium Enterprises (SMMEs).

Focus of the 2016/17 Annual Performance Plans

Members, as we present our plans today, we hold a view that some of the pronouncement will be done during my policy statement/Budget Vote. We take full responsibility in knowing that the strategic goals, and key performance indicators for the APPs in the current financial year, will be the main basis upon which the Portfolio Committee will evaluate the performance of departments, the regulator and all entities, when the Annual Report for the year is submitted to Parliament, in September/October 2017.

National Development Plan

The NDP also envisages an active citizenry that participates in the socio-economic life of the country. Chapter 14 of the plan on nation building and social cohesion states that in 2030, South Africa 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 only achieved when government is at the centre of providing effective communication to support these aspirations.

Therefore in preparing for the APP, we have taken steps to respond to our deficiencies and internal compliance issues highlighted by Auditor-General on APPS (SMART Principles), the Budget Vote Report and oversight Report of the Committee to ensure that we respond to the issues.

Performance Management and Vacancies

Whilst across the entire portfolio, vacancy rate is relatively low, however we need to expedite the filling of funded vacant positions in all levels to bring about leadership stability in all our institutions. In doing so, we aim to comply with the necessary legislative prescripts including ensuring that we comply with EEA targets in terms of 50% women at SMS level as well as employment of 2% of people living with disabilities.

To this end, all portfolio organisations will be monitored against their organogram, to ensure the job requirements matches with available skills set requirements.

The SABC might require more time in this regard, as the Board recently reported that the public broadcaster has employees in excess of the requirement.

In addition, we expect that in each quarter, all employees undergo performance reviews, where there are gaps in performance, personal development plans are to be implemented, and in the last quarters, all employees (except those who would have joined the organisation in the middle of the financial year) are to be assessed, so that performance rewards are paid provided the institution has met and exceeded targets set out in the APP.

Maximising Communications and Lobbying More Stakeholders

To intensify our efforts to brand and create a positive image of the country, contributing towards nation building as well as to communicate and create awareness of the DTT project, numerous parallel strategies will be implemented including requesting MPs as potential stakeholders who can be engaged as Brand Ambassadors.

Weaknesses Funding Issues

We also have weaknesses, the departments, ICASA, the SABC, MDDA, FPB and BSA are awfully under-funded, and we are working tirelessly to review their funding models to ensure long-term financial viability of these institutions as they carry their mandates respectively.

We are also looking at different options working with the whole of government to ensure everyone plays their part, for instance, BSA does not have line authority to enforce compliance with the brand frameworks across all spheres of government and to other similar entities,...

In the interim collaborative work is being done to address the gaps in the nation brand of the country. In the same vein, we are working with the MDDA to maximise participation of this entity in Ministerial and Provincial Imbizos as part of its strategy to create awareness of the work they do in communities.

We are also working with the MDDA to understand the estimated impact, if any, of the Over-The-Top Service (OTTs) in the community media space. In the interim we will also look to work with ZADNA to ensure that community media and small commercial make use of the available domain such as www.sowetotv.jorburg.za www.ezakwaZulu.durban.za; www.bushradio.capetown.za;

SMMEs - Community Broadcast Media-Job Creation

The community sector jobs are largely made up of volunteers who are paid stipends (no universal amount stipulated, each media project pays staff what it can afford and others volunteer in the true sense) and nature stipends whilst providing some incentives for workers and encouraging them to sharpen their ICT skills.

We would like to have a 'minimum standardised stipend' but this might be more difficult to do as there are areas in the country that are declared 'unprofitable' owing to the lack of economic activities.

We continue to persuade the big four to fund the community print media aspects

on governance issues- we will also like to see the governance extended to all Board Members of community media to maximise accountability of state resources and adherence to the constitution of media projects.

Compliance of APP Targets with SMART Principles

With few exception ,we have endeavoured to comply with the SMART principle, in the process of the APP cycle, we consulted with National Treasury, Auditor General and the Department of Performance Monitoring and Evaluation, we do know that there is further room for improvement which we accept in advance!

However, internal mechanism has also pointed out to the targets deficiencies and structuring of targets in other instances, and letters have been issued to all Councils and Boards together with their respective Executives to ensure that these deficiencies do not recur in future.

For instances, to allow for better oversight by the board, shareholder and Parliament, in instances where we have annual figures, we must have statistical breakdown of what the entity will be doing in each quarter as part of a target which will culminate into the annualised target.

Establishment of ICASA Offices in Provinces

In this financial year, working with the regulator we aim to finalise and bring about stability to the issue of Head Office relocation of ICASA. At the same time, to cut cost in line with the austerity measures announced by the President and the Minister of Finance respectively, we hope to use existing provincial government buildings where possible.

On accounting for Public Broadcasting Services; and Public Commercial Services

Section 9(1)(a-b) of the Broadcasting Act correctly defines that the SABC consists of two separate divisions, a public service division and a commercial service division. In addition, the section 2 of the Act stipulates that ‘ the public and commercial service divisions must be separately administered and a separate set of financial records and accounts are to be kept in respect of each division.

Tabling Separate Annual Financial Statement in Compliance with the Act

We take note of the SABC’s request to only make public the details of the public broadcasting division fearing that competitors often have competitive advantage in knowing what and how the commercial strategy of the SABC will unfold.

In this regard, unless SABC complies with the Broadcasting Act, (which requires that the two divisions be presented separately), it would be extremely difficult to achieve what it advocates for. We do not want to sound as though we are arguing that a public broadcaster is reluctant to account as this has the potential to create wrong perception about the SABC given its historical governance issues.

However, we would appeal to Parliament that in future a special arrangement be made in the interim to accommodate the presentation of the commercial strategy of the SABC.

A point can only be made once the two division have been separated as per the Act, it would enable SABC to comply with the Act.

Analysis of the potential impact of banning alcohol advertisement on SABC: Major Risk

Alcohol is marketed in South Africa through an integrated mix of strategies: advertising on television, radio, the internet, and in print; point-of-sale promotions; and by the association of brands with a variety of sports and cultural events. In addition, ADEX calculates that nearly

R400 million is spent on alcohol-related Corporate Social Investment, Sponsorships, Competitions, and Promotions.

If the total Ban of alcohol is legislated, "An outright ban on alcohol advertising on television and radio is one of the biggest risks to SABC's revenue. "It's a significant part of the SABC advertising revenue, such a ban would see the SABC lose about 8,5% of its advertising income".

The ban will also have implications for all media or the entire portfolio of the department. Research indicates that of the R17bn spent on advertising in 2012, about 10% could probably be directly attributed to alcohol advertising in the mass media. "Removing that from the advertising and media industries would achieve nothing but considerable job losses.

In this regard, we instructed the SABC Board to quantify the financial impact that alcohol ban is likely to have on the following:

- (a) Public commercial service-separate amounts for its radios and television channel/s in this division and;
- (b) Public broadcasting services- separate amounts for both radio and television channels in this division.

Internal Controls and Compliance with Relevant Legislation and Regulations

During the past few years, one of the major weaknesses of the SABC amongst others has been its reluctance or failure to deal with governance matters. Although a comprehensive risk identification is included as an annexure on pages 100-108.

We expect the Board and Management to ensure that we move from qualified audits to unqualified audit with no matters of emphasis.

I thank you.