



# Update on Questions raised on the 20<sup>th</sup> February 2018

Presentation to the Portfolio Committee on  
Telecommunications and Postal Services

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“Universal Access and Service to ICT for All”

06<sup>th</sup> March 2018



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# Questions raised

## On BDM project

- No of STBs produced
- Funding status
- STBs vs antennas
- Legal status















## On SAP

- Availability
- Support and Maintenance
- Effective systems
- Internal controls

## On Board meetings

## On capacity and over-commitment

# SCOPE OF THE PROJECT

SCOPE OF WORK	RESPONSIBILITY
<input type="checkbox"/> Review of the BDM Policy	 <input type="checkbox"/> Department of Communications (DoC)
<input type="checkbox"/> Development of the regulatory framework	 <input type="checkbox"/> Independent Communications Authority of South Africa (ICASA)
<input type="checkbox"/> Development of Free-to-air (FTA) DTT and DTH standards	 <input type="checkbox"/> South African Bureau of Standards (SABS)
<input type="checkbox"/> Establishment of the DTT Transmission Network	 <input type="checkbox"/> Sentech
<input type="checkbox"/> Radio Frequency Spectrum harmonisation with neighbouring countries	 <input type="checkbox"/> DoC
<input type="checkbox"/> Procurement of DTT STBs and receiving antennae's	 <input type="checkbox"/> Universal Service Access Agency of South Africa (USAASA)
<input type="checkbox"/> Public awareness campaigns	 <input type="checkbox"/> DoC
<input type="checkbox"/> Logistics and distribution of DTT and DTH devices	 <input type="checkbox"/> South African Post Office (SAPO)
<input type="checkbox"/> Viewer migration	   <input type="checkbox"/> Community TV
<input type="checkbox"/> Switch off of analogue transmitters	 <input type="checkbox"/> Television Broadcasters
<input type="checkbox"/> Digital to digital migration	 <input type="checkbox"/> Sentech / DoC
	 <input type="checkbox"/> Sentech



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# PROGRAMME IMPLEMENTATION VALUE CHAIN



## IMPLEMENTATION OF THE DIGITAL MIGRATION PROGRAMME VALUE CHAIN

### Activities

- Development of Messaging
- Development of pamphlets and leaflets
- Community and Stakeholder Mobilisation

- Network Deployment
- Network Optimisation

- Development of Standards and Regulations
- Conformance Regime
- Procurement of STBs and receiving antennae
- Production of STBs and receiving antennae

- Registration of Indigents
- Procurement of Installations services
- Generation of Installers Database
- Allocation of installers

- Establishment of the Contact Centre

**PUBLIC  
EDUCATION AND  
CONSUMER  
AWARENESS**

**DTT  
TRANSMISSION  
NETWORK**

**PRODUCTION  
OF  
STBs AND RECEIVING  
ANTENNAE**

**STB  
DISTRIBUTION  
AND  
INSTALLATIONS**

**VIEWER SUPPORT  
MECHANISMS**

**ANALOGUE  
SWITCH  
OFF**

- Road Shows
- Door-to-Door
- Public spaces
- Communication Plan
- Media Plan

- Reliable DTT Transmission Network

- Approved and Functional Subsidy STBs and Receiving Antennae
- Approved and Functional Retail STBs and Receiving Antennae

- Registration Database
- Efficient Installer Network
- Services Activated

- Functional Contact Centre
- Accessible Walk in Centres
- Field Support services
- After sales services

### Deliverables

### Project management (Monitoring and Evaluation)

- Stakeholder engagement and management
- Programme rollout planning
- Compliance with norms and standards
- Process flow and Acquisition cost effectiveness



# SOUTH AFRICAN TELEVISION HOUSEHOLDS

- ❑ There is estimated 13 million television owning households.
- ❑ In 2012 Cabinet approved subsidy for **5.2 million** poor households.
  - At the time, subsidy only covered 70% of STB price and excluded aerials and installation.
- ❑ The Government current commitment is to provide 5.2 million free STBs including distribution and installations – no committed funding
  - There is an additional estimated 4 million households that do not qualify for the subsidy that will require STBs or IDTVs in order to migrate.
  - An additional 4 million households already subscribe to the digital satellite services offered by DSTV and OVHD and do not need additional STBs.

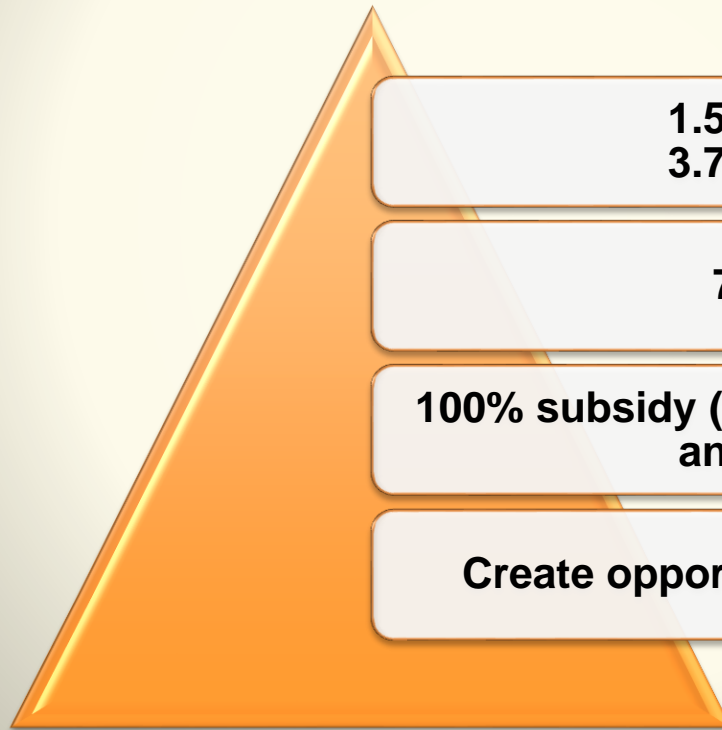


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# Role of USAASA on DTT/BDM and Key Deliverables

Set-Top Boxes into 5.2m needy households, as per the Scheme of Ownership Agreement



**1.5m households  
3.7m households**

**70% subsidy**

**100% subsidy (STBs, storage, distribution  
and installation)**

**Create opportunities for local SMMEs**

Enable and facilitate the Broadcasting Digital Migration



# Role of USAASA on DTT/BDM

Develop the qualifying criteria

Appoint the manufacturers and installers

Subsidise the Set-top boxes for the needy households

Subsidise and monitor the installations

Pay for the warehousing facilities

Pay transaction fees to SAPO for applications

Participate in awareness campaigns



# DTT Project Governance





- ❑ In August 2015, USAASA allocated manufacturing and supply volumes to:
  - CZ Electronics and Leratadima Marketing to produce 500,000 DTT STBs each;
  - Bua Africa to produce 500,000 DTH STBs
  - Ellies Industries to produce 500,000 satellite dishes; and
  - QEC and Temic Electronics to produce 500,000 DTT Antennae each.
- ❑ 1.5 million kits (STBs, aerials and installation) committed
  - There is shortage of Direct-to-Home satellite (DTH) STBs





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# BDM EVOLUTION

- The BDM roll-out commenced in 2015 in the Northern Cape Province due to SKA consideration for the earlier analogue broadcasting switch-off.



- The Free State Province was the second in line and installations began in December 2016.



- Five additional provinces namely Mpumalanga, Limpopo as well as the borderline areas of the North West, KZN and the Eastern Cape were approved by the DoC to start with installations from March 2017.



- A panel of 26 DTT and DTH manufacturing companies was appointed and orders placed with six companies to supply 1 500 000 sets.



- A panel of 27 DTT installer companies was appointed to do households installations.



# Overall Progress to Date

Completed  
qualifying  
criterion

- All needy households receive 100% subsidy
- Installation 100% subsidy

Appointed  
manufacturers

Appointed  
installation  
companies

Installations  
started

- 250 664 (84%) of the allocated 298 049 installations have been completed in the Northern Cape, Free State, Limpopo, Mpumalanga, KwaZulu-Natal, Eastern Cape and North West as of 31 January 2018
- Other provincial installations in progress
- EPWP training of additional installers commence on 15 January 2018

# Ordered Equipment - 31 January 2018

Company	Equipment	# Ordered	Cost	# Delivered	Cost
<b>CZ-Electronics</b>	DTT STB	500 000	R343 970 000,00	500 000	R 343 970 000,00
<b>Leratadima</b>	DTT STB	500 000	R344 630 000,00	336 026	R 231 609 113,56
<b>Bua Africa</b>	DTH STB	500 000	R307 145 000,00	23 208	R 14 256 442.32
<b>Temic</b>	Antennae	500 000	R67 545 000,00	311 005	R 42 013 665,45
<b>QEC</b>	Antennae	500 000	R88 850 000,00	499 990	R 88 848 243,80
<b>Ellies</b>	DTH Dish	405 073	R178 924 795,00	380 940	R 168 265 007,40
<b>GRAND TOTAL</b>		<b>2 905 073</b>	<b>R1 331 064 795,00</b>	<b>2 051 169</b>	<b>R 888 962 472,53</b>

# Registrations by 31 January 2018

## Registration and Issue comparison against previous Month

Province	Registrations				Issued			
	31 December	31 January	Variance	% Increase	31 December	31 January	Variance	% Increase
SKA	26,225	26,268	43	0%	23,908	23,983	75	0%
Northern Cape	26,482	26,646	164	1%	18,763	19,132	369	2%
Free State	127,608	132,522	4,914	4%	92,285	97,301	5,016	5%
Limpopo	58,883	59,531	648	1%	25,688	26,722	1,034	4%
Mpumalanga	81,850	84,195	2,345	3%	37,252	42,606	5,354	14%
KwaZulu-Natal	106,926	113,929	7,003	7%	36,867	42,378	5,511	15%
Eastern Cape	38,349	40,408	2,059	5%	11,476	12,302	826	7%
North West	57,363	60,537	3,174	6%	29,658	33,625	3,967	13%
Western Cape	20,854	22,820	1,966	9%	0	0	0	0%
Gauteng	8,531	9,106	575	7%	0	0	0	0%
<b>Total</b>	<b>553,071</b>	<b>575,962</b>	<b>22,891</b>	<b>4.1%</b>	<b>275,897</b>	<b>298,049</b>	<b>22,152</b>	<b>8.0%</b>



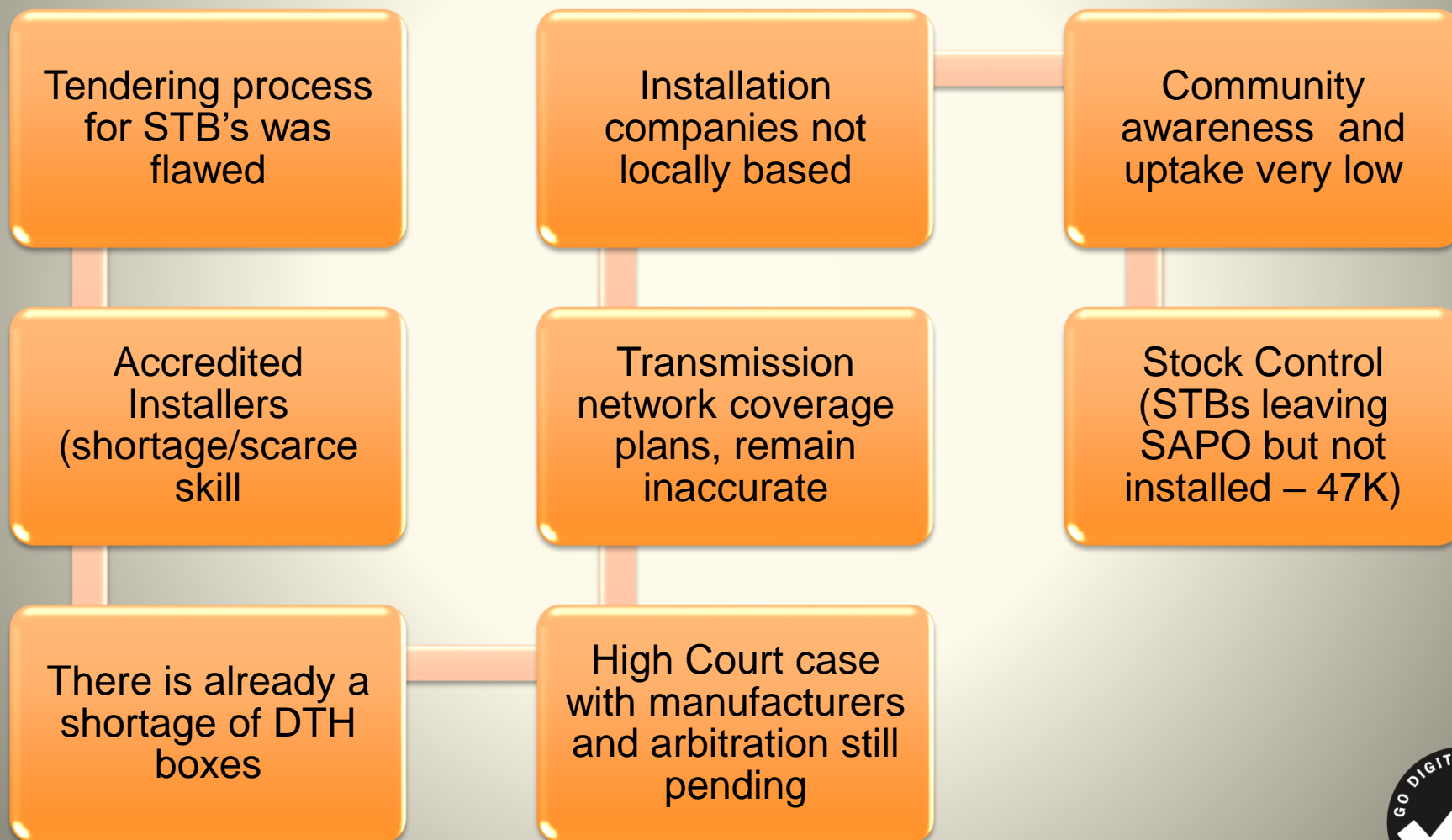
# Installations by 31 January 2018

## STB Installation status

Province	Total number of Installtions allocated			Total number of installations redeemed for payout			Total amount of redeemed vouchers	Balance of allocated installations not redeemed		Total number of Installation vouchers rejected
	DTT	DTH	Total	DTT & DTH	Total	%		Number	%	
Northern Cape	22,451	20,664	43,115	40,788	40,788	95%	R 21,551,880	2,327	5%	2
Free State	97,205	96	97,301	88,298	88,298	91%	R 52,481,236	9,003	9%	12
Limpopo	26,649	73	26,722	22,085	22,085	83%	R 12,690,543	4,637	17%	21
Mpumalanga	42,578	28	42,606	34,220	34,220	80%	R 19,702,172	8,386	20%	8
KwaZulu-Natal	41,947	431	42,378	30,252	30,252	71%	R 17,876,867	12,126	29%	14
Eastern Cape	12,235	67	12,302	8,084	8,084	66%	R 5,052,401	4,218	34%	8
North West	33,620	5	33,625	26,937	26,937	80%	R 15,814,214	6,688	20%	32
Western Cape	0	0	0	0	0	0%	R -	0	0%	0
Gauteng	0	0	0	0	0	0%	R -	0	0%	0
<b>Total</b>	<b>276,685</b>	<b>21,364</b>	<b>298,049</b>	<b>250,664</b>	<b>250,664</b>	<b>84%</b>	<b>R 145,169,313</b>	<b>47,385</b>	<b>16%</b>	<b>97</b>



# Key Challenges Faced





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# SUMMARY OF SOME IMPLEMENTATION CHALLENGES

ISSUE / RISK FACTOR	IMPACT / IMPLICATIONS	INTERVENTION MADE	RECOMMENDATIONS
Current shortage of DTH stock for distribution and installations.	Negative perceptions about government programmes (Inability to distribute and install STBs on time) that will undermine the intended progress	<ul style="list-style-type: none"><li>▪ USAASA engaged DoC for concurrent approval of the new Terms of References.</li><li>▪ ToRs for the DTH STBs are in place, currently awaiting approval and sign-off from the DoC. Bid committee representative members, requests sent, response from Sentech and awaiting DoC and SABC response.</li></ul>	USAASA to ensure availability of DTH stock by Dec 2018 in order to distribute to those registered qualifying households.
Procurement of the balance of 3.7 million devices.	Lack of supply of Government Subsidised devices to qualifying households.	USAASA and National Treasury were engaged regarding procurement and the funding shortfall	<ul style="list-style-type: none"><li>▪ USAASA to finalise the legal challenges with affected parties.</li><li>▪ Explore other options to procure should the legal challenge experience delay</li></ul>



# SUMMARY OF SOME IMPLEMENTATION CHALLENGES

contd.

ISSUE / RISK FACTOR	IMPACT / IMPLICATIONS	INTERVENTION MADE	RECOMMENDATIONS
<p>Inefficient Distribution model and Installations not being carried out by local companies and/ or local people (qualified installers)</p> <p>Stock control, STBs leaving the SAPO, 47K remain unaccounted for</p>	<ul style="list-style-type: none"> <li>▪ Delays in the collection of devices by installers.</li> <li>▪ Potential rejection of the installers by the community resulting in the communities.</li> <li>▪ Devices not insured once they leave SAPO</li> </ul>	<ul style="list-style-type: none"> <li>▪ USAASA has been engaged on the matter to consider installers from local communities.</li> <li>▪ EPWP training will commence on 15/01/2018</li> <li>▪ DoC currently generating database of installers at municipality levels</li> <li>▪ USAASA, SAPO and DoC met installers on 13/12/2017</li> </ul>	<ul style="list-style-type: none"> <li>▪ USAASA to consider the local installer database for installations</li> <li>▪ USAASA to insist on local installers and give volumes to the new installers to be trained</li> <li>▪ Impose stringent turn-around installation timelines</li> <li>▪ Audit by SAPO to identify Installers implicated</li> </ul>
<p>Lack of DTT STBs on retail market</p> <ul style="list-style-type: none"> <li>▪ To service non-qualifying households to receive Free Government STBs</li> </ul>	<p>Lack of migration of those who do not qualify for free Government STBs and receiving antennae.</p>	<p>An effort was made to engage the Retail Forum with an intent to raise their interest into introduction of devices in the market.</p>	<p>ITU date of June 2019. Focus on the unsubsidized market.</p>



# AGSA AUDIT OUTCOMES : LEGAL UPDATE

Legal Matters – High Court Heard on the 23<sup>rd</sup> February 2018 and is being rescheduled for a date before the end of the financial year.

Competition Commission (CompCom)  
Investigation Report & Findings are awaited.

CompCom interrogated all the parties implicated in the AGSA Report and updated USAASA.



# BDM legal matters

## CZ Electronics

- The issue relating to manufacturing was settled and CZ delivered as per their purchase order issued. There is no monetary settlement.
- The issue relating to the variance in the exchange rate and the claim for the interest as a result of payment of invoices after 30 days will be decided next by the arbitration tribunal.

## Leratadima

- The issue relating to manufacturing was settled and Leratadima is supposed to deliver as per the delivery schedule.
- The remainder of their claims were postponed sine die and again there was no monetary settlement.

## BUA Africa

- The contract was cancelled and there is no settlement and the matter will be heard by the appointed Arbitrator. We have not as yet finalised a date.

## Temic

- The issue relating to manufacturing was settled and TEMIC is supposed to deliver as per the delivery schedule. There was no monetary settlement.

There are no litigation issues pertaining to QEC and Ellies.



# STB ROLLOUT SCENARIOS

*(including 1.5m households)*

**Daily rollout scenarios to distribute subsidized 5 million STB kits simultaneously across all provinces to achieve analogue switch off (ASO)**

		Period	1 Jan 2018 - 31 Dec 2021	1 Jan 2018 - 31 Dec 2020	1 Jan 2018 - 31 Dec 2019	6Feb 2018 - 31 Dec 2018
		Working Days	978	727	475	225
	ACTUAL INDIGENT HOUSEHOLDS WITH TVs (Source: USAASA/SAPO Census 2011 Data)	WEIGHTED NUMBER OF INDIGENT HOUSEHOLDS WITH TVs	Number of STB per day to be delivered and installed over 978 days	Number of STB per day to be delivered and installed over 727 days	Number of STB per day to be delivered and installed over 475 days	Number of STB per day to be delivered and installed over 225 days
Eastern Cape	618 448	542 286	554	746	1 142	2 410
Free State	389 018	341 110	349	469	718	1 516
Gauteng	1 412 328	1 238 400	1 266	1 703	2 607	5 504
KwaZulu Natal	981 109	860 285	880	1 183	1 811	3 823
Limpopo	641 683	562 660	575	774	1 185	2 501
Mpumalanga	519 594	455 606	466	627	959	2 025
North West	436 189	382 472	391	526	805	1 700
Northern Cape	123 836	108 586	111	149	229	483
Western Cape	580 025	508 595	520	700	1 071	2 260
<b>TOTAL</b>	<b>5 702 230</b>	<b>5 000 000</b>	<b>5 112</b>	<b>6 878</b>	<b>10 526</b>	<b>22 222</b>

# Implementation Progress Summary

## REGISTRATION STATISTICS SINCE OCTOBER 2015

**575 962**

**Registrations Recorded**

(DTT 409 539/DTH 166 423)

Total projected registrations vs. actual registrations

Province	Total projected number of registrations	Actual registrations		Variance	
		Nr	%	Nr	%
SKA	20,511	26,268	128.1%	-5,757	-28.1%
Northern Cape	91,048	26,646	29.3%	64,402	70.7%
Free State	341,306	132,522	38.8%	208,784	61.2%
Limpopo	562,980	59,531	10.6%	503,449	89.4%
Mpumalanga	455,867	84,195	18.5%	371,672	81.5%
KwaZulu-Natal	860,786	113,929	13.2%	746,857	86.8%
Eastern Cape	538,633	40,408	7.5%	498,225	92.5%
North West	382,692	60,537	15.8%	322,155	84.2%
Western Cape	508,888	22,820	4.5%	486,068	95.5%
Gauteng	1,237,289	9,106	0.7%	1,228,183	99.3%
<b>Total</b>	<b>5,000,000</b>	<b>575,962</b>	<b>12%</b>	<b>4,424,038</b>	<b>88%</b>

## PROCESS

- SAPO Branches.
- Registration Centres.
- Door-to-door.

**1.5 million STB kits ordered**  
**1m DTT and 500k DTH**

## DISTRIBUTION & INSTALLATIONS

**298 049**

Installations Allocated

**254 664**

Installations Completed

## PROCESS

- Central appointment of installation companies resulted in no local installation companies in the SAPO database .
- Issuing of equipment direct to applicants has been changed into bulk issuing to installers directly

# STB ROLL- OUT FOR THE STBs IN THE WAREHOUSES

**Daily rollout scenarios to distribute subsidized 1.5 million STB kits already produced and stored in warehouses**

ROLLOUT SCENARIO		
Period	06 Feb 2018 – 31 March 2018	06 Feb 2018 – 31 Aug 2018
Working Days	40	120
Current STBs in Warehouses	561 286	561 286
Outstanding Delivery by Leratadima	163 972	163 972
DTH STBs		
TOTAL (STBs for Roll-out)	725 258	725 258
Number of new STBs per day <u>to be delivered</u> and installed over given days	18 130	6 000



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# DTH STB ROLLOUT – NEW ORDER

## Daily rollout scenarios to distribute subsidized DTH STB kits

ROLLOUT PERIOD SCENARIOS	
Period	6 February 2018 - 31 Dec 2018
Working Days	126 days
Funding available (reconciled in the light of R250m budget cut)	R37,880,000
No of STBs	101 841
DoC concurrence on the Terms of Reference	06 February 2018
SCM process	3 Months
Appointment	1 Month
Production	01 June 2018
Number of STB per day to be delivered and installed over 126 days	808



# Key Assumptions

All qualifying households are registered and approved at the Post Offices

Funding is approved and received

# Performance Report



## **USAASA – 58% (cumulative as at Q3)**

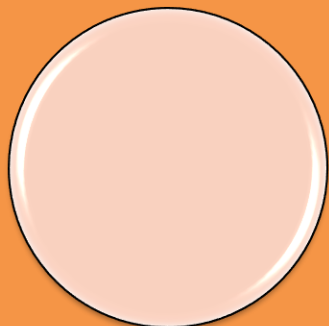
- Performance improvement noted in comparison to previous year.
- Further improvements projected for Q4.



## **USAF – 64% (cumulative as at Q3)**

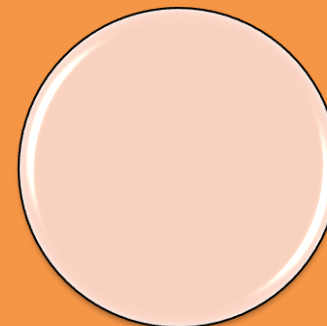
- Performance improvement noted in comparison to previous year.
- Further improvements projected for Q4.

# Performance Report



## Connectivity

- Funding availed from NT.
- SCM processes being followed.

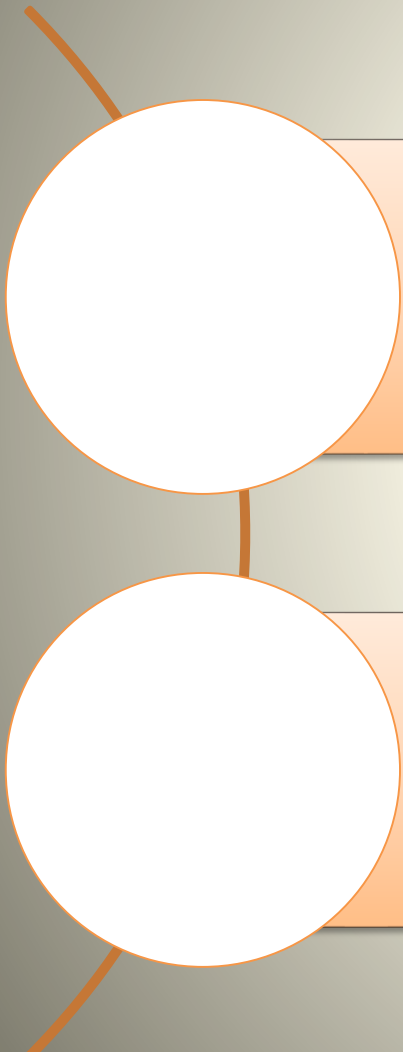


## BDM

- APP 2017/18 should be understood in the context of the entire project report.



# Internal Controls

- 
- AGSA 2015/16 irregular expenditure finding addressed. Consequence management actioned. Investigation and DC conducted, completed and affected employee found guilty and dismissed.
  - AGSA 2016/17 irregular expenditure finding addressed regarding travel management and implemented immediately.

- Strategic and priority vacancies filled. (i.e. CFO, SM (Finance) positions)
- SAP/ERP went live, automated systems in place.
- Key policies reviewed. (e.g. materiality and significance framework, etc.)
- Condonement to be sought regarding legacy irregularities for Board approval and NT.



# SAP/ERP

**The non-achievement on SAP ERP system during Quarter 2 was largely as a result of lack of SAP ERP system support and maintenance. SAP availability was 85% instead 95%.**

- Interim support for the system was approved. Started in October 2017 - 31 December 2017. Hence the improvement and achievement during Q3.
- Interim support was extended to 31 May 2018.
- USAASA is in the process of procuring a service provider for the support and maintenance of the system for the period of 12 months. Service Provider to start on 01 June 2018. This 12 months period is due to limited funding.



**An increase in the usage of the system has been noted within the organisation.**

This maximisation of usage on the system is assisting in ensuring that USAASA will realise the benefits of the system.

This is enforced through the Board and EXCO decisions taken to ban any other processes, including manual and legacy systems in areas where SAP has been setup to automate.

## Efficiencies and effective systems

- A post-implementation review to look into the efficiencies and effectiveness of the system is currently being conducted by Internal Audit, as per the resolution of the Board.
- A review of the system is to be performed by the Auditor General (AGSA) as resolved during EXCO.
- A review of the system by SAP to look into the modules and functionality that has been implemented will be commencing as resolved by the Board.

# On the number of Board meetings



Q1 – 10

Q2 – 9

- Governance Agreement in place
- Board charter subject to review (alignment with ECA and GA)
- Annual Corporate Plan exist
- Board to finalise Annual Work Plan


# On capacity and over commitment



SMART APP – the recent 2017/18 and 2018/19 APPs are SMART and informed by the resources and capacity constraints.



Symposium and Digital Summits – These are value added interventions by USAASA, in partnership with strategic partners like NEMISA/INeSi, to stimulate end user demand and avoid having USAASA rollout left as white elephants with no usage & impact.



DDF Bill – It is impossible to receive additional resources and capacity in the light of the economic climate and the pending USAASA dissolution and replacement by DDF.



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# Enkosi



# Thank You

# Rea Leboha

