PRESENTATION TO PORTFOLIO COMMITTEE ON COMMUNICATIONS

SABC

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INTRODUCTION

- The dire financial situation of the SABC has been the main driver for the decision to consider invoking section 189 of the Labour Relations Act. Many alternatives were considered before arriving at this painful but necessary decision.

- The SABC has implemented a number of cost saving measures. Despite all these measures, the corporation finds itself in a difficult predicament of having to reduce staff numbers, which was a precondition from Treasury since 2009.

- The SABC's net loss year-to-date is R323m, and the forecast for the end of the financial year stands at R805m losses if no drastic action is taken. Severe cash liquidity expected in the 4^{th} quarter, insufficient to cover in-month expenses.

- The Board has a fiduciary and legal duty to ensure that it considers all alternatives that would avoid the financial collapse of the SABC.

- This presentation focuses on the financial position of the SABC, the cost savings achieved to date, the employee costs, the factors influencing the rise in employee compensation over the past ten years and the details on the Section 189 process.

- The presentation also focuses on the staff complement, cost of employment and the number of positions to be affected in the event retrenchments continue as well as priorities in turning around the SABC.

2017/18 FINANCIAL PERFORMANCE

FINANCIAL POSITION – PREVIOUS FISCALS AND PROJECTIONS

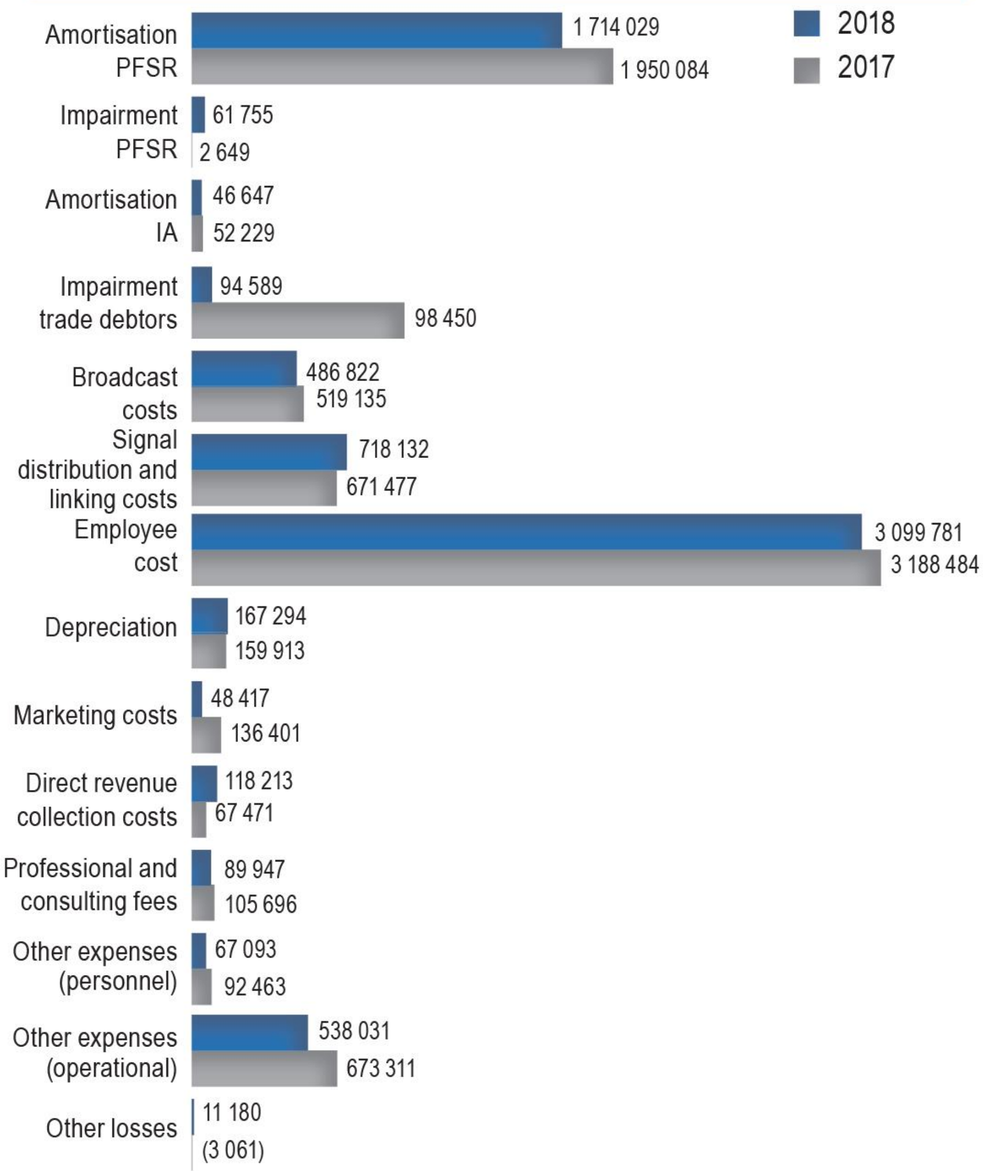
	Actual FY2016/17	Actual FY2017/18	Projected * FY2018/19	Projected * FY2019/20	Projected * FY2020/21
	R'000	R'000	R'000	R'000	R'000
Revenue & Other Income	6,571	6,627	7,367	8,075	8,625
Expenses	7,715	7,262	7,650	7,915	8,290
Operating profit / (loss) before finance costs and tax	(1,143)	(635)	(283)	159	335

** It should be noted that the current projections are based on the FY2018/19 Corporate Plan.*

SABC

FINANCIAL PERFORMANCE – EXPENDITURE

GRAPH: Total Expenditure



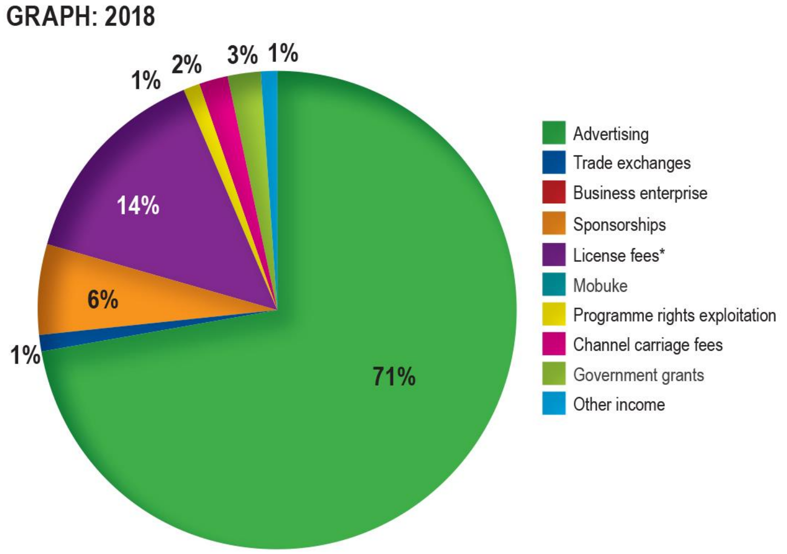
Total expenditure FY2017/18 = R7.3 billion

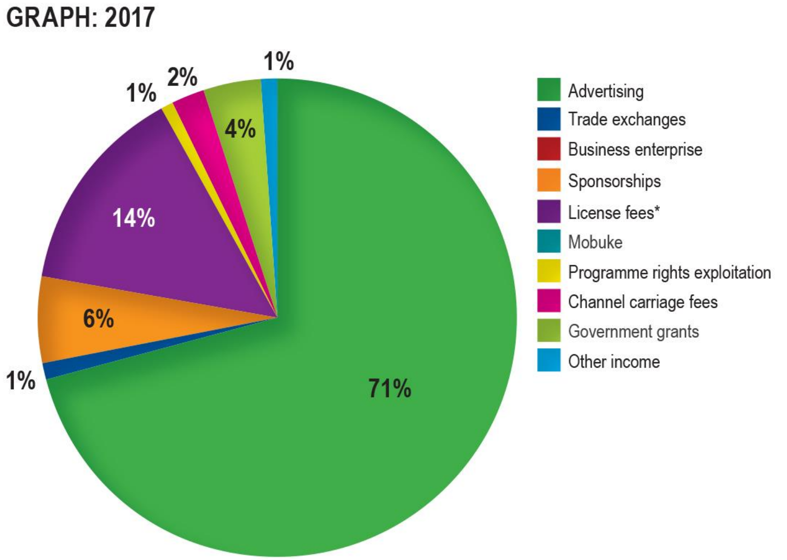
MAJOR COST DRIVERS:

- Employee costs (R3.1 billion) – 42%
- Programme, Film and Sports Rights (1.7 billion) – 23%
- Signal distribution and linkage costs (R718,1m) – 6%
- Broadcast Costs (R486,6m) – 5%

FINANCIAL PERFORMANCE – REVENUE

Total Revenue and Income





- Total Revenue FY2017/18 = R6.6 billion

MAJOR REVENUE STREAMS:

- Advertising - R4,78 billion (71%)
- TV Licence fees R941m (14%)
- Sponsorships R393m (6%)

SABC

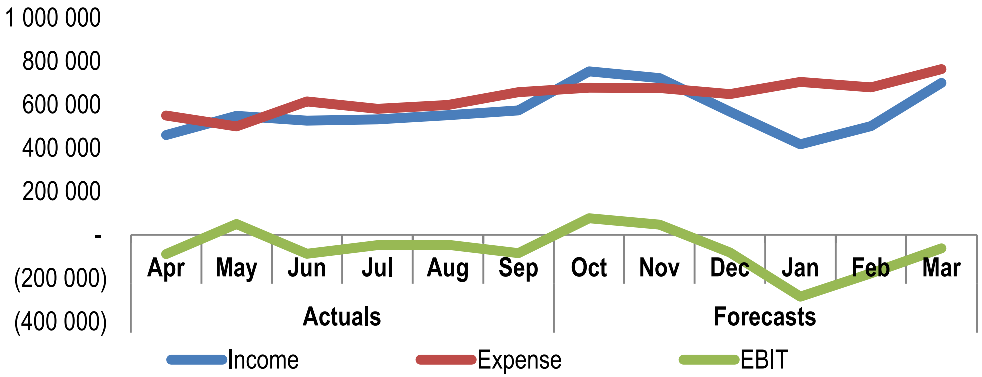
2018/19 MID-TERM FINANCIAL PERFORMANCE

MID-YEAR REVIEW – FINANCIAL SUSTAINABILITY

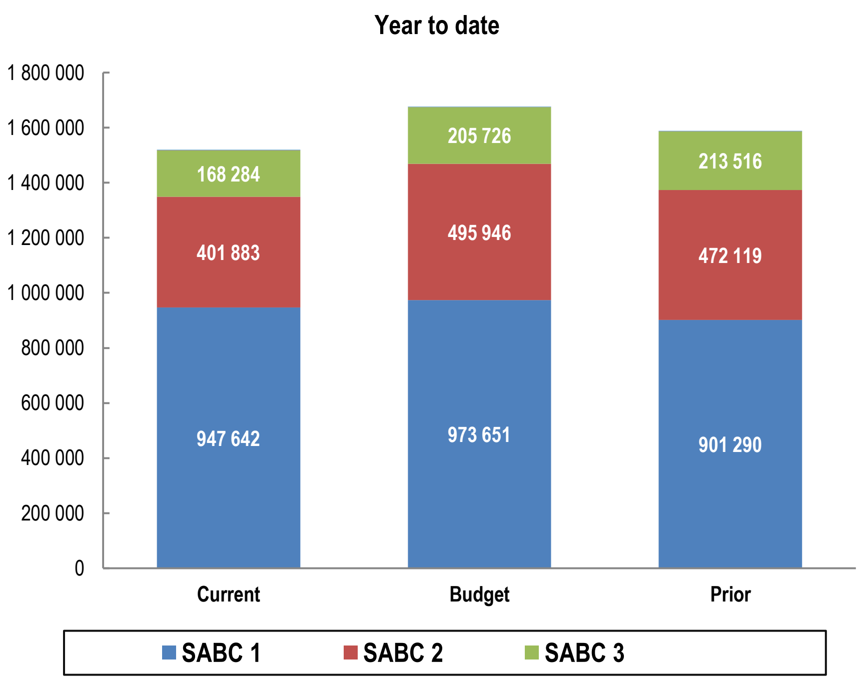
	Quarter 2				Year to Date				Forecasts R'000	Corporate Plan R'000
	Actual R'000	Budget R'000	Variance R'000	%	Actual R'000	Budget R'000	Variance R'000	%		
Revenue & Other Income	(1,654,012)	(1,827,193)	(173,181)	(9)	(3,185,453)	(3,478,939)	(293,487)	(8)	(6,840,850)	(7,481,133)
Expenses	1,834,976	1,965,670	130,694	7	3,496,332	3,959,779	463,447	12	7,642,286	7,764,158
EBIT	180,964	138,477	(42,487)	(31)	310,880	480,840	169,960	35	801,436	283,025
Net Financing (Income) / Loss	1,956	1,285	(671)	(52)	11,787	2,570	(9,217)	(359)	3,510	4,592
Net (profit) / loss	**182,920**	**139,762**	**(43,158)**	**(31)**	**322,667**	**483,410**	**160,743**	**33**	**804,947**	**287,617**

- Forecasted net loss of R805mio expected for 2018/19 financial year.
- Severe financial and liquidity challenges during the 4th quarter.
- YTD revenue is under target by R227m – with TV sales contributing R170m of the shortfall
- There is R138 m adjustment relating to sports rights (amortisation) to be processed in the next quarter.
- The Corporation had a bank balance of R139 m as at the end of the second quarter.
- Accumulating irregular, fruitless and wasteful expenditure.
- Forecasts factual insolvency as at 31 March 2019.

MID-YEAR REVIEW – REVENUE

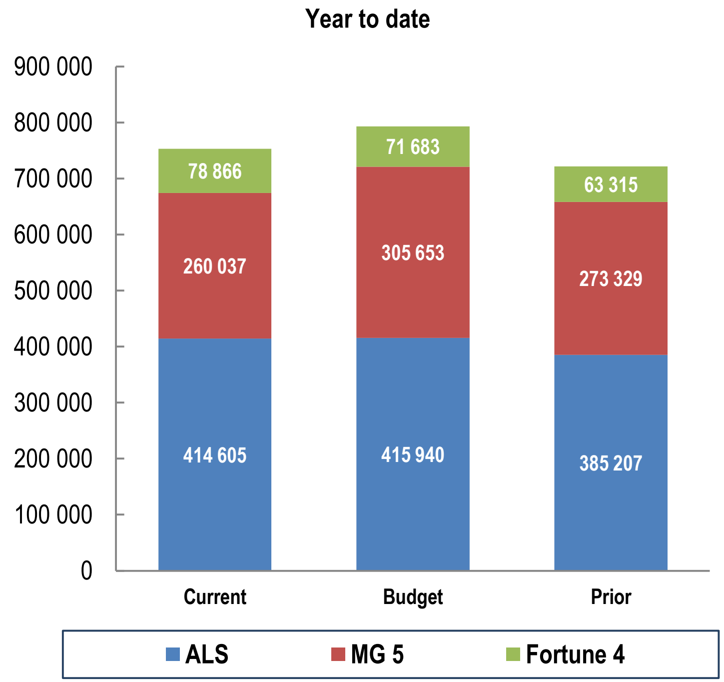


Television Advertising Revenue



- Advertising revenue missed its target by R139m (year to date) and R74m (2nd quarter).
- Television platforms contribute 67% of advertising revenue and radio stations contribute an average of 32%.
- Cash collections were R537m for the month against a budget of R529m (prior month collection at R461m).
- SABC 1 performed better than the comparable period prior year driven by stable audience share. SABC 2 and SABC 3 continue failing to meet their targets.
- SABC 2 & 3 poor performance forced management to revise downward revenue forecasts by R311 m for the year.
- Digital media & Adventure trailing 61% below budget due to drawn out contract negotiations and SCM processes.
- The EPL soccer programmes on SABC3 have generated income of R11m to date.
  - *The huge dependence that the SABC has on SABC1 means that schedule disruptions to the channel should be considered as the last option*

MID-YEAR REVIEW – REVENUE RADIO & TV LICENCES



- The African languages stations (ALS) and Fortune 4 performed well during the quarter. It is MG 5 (commercial stations) that are still struggling to meet targets and audience share.
- Due to subdued performance of MG 5 stations, the budget amounts have been revised downward by R23mio.
- Sponsorship revenue is below budget, but YTD better than the prior year. The budget amounts have been projected downward by R44mio.
- TV licence fees YTD reported on renewals is actual cash received. This is lower than budgets & prior year comparative which include accrual of probable revenue before receipt.

TV Licences

Revenue Stream	Year to Date			
	Actual R'000	Budget R'000	Variance R'000	%
Renewals	246,988	313,251	(66,263)	(21)
New Licences	51,177	46,123	5,054	11
DCA	195,619	166,000	29,619	18
Total	493,784	525,374	(31,590)	(6)

MID-YEAR REVIEW – OTHER REVENUE

SPONSORSHIP REVENUE

- R101m for the quarter and YTD R203m, R47m below budget
- Forecast for the year of R435m against a budget of R479m

GVT GRANTS

- R67m for the quarter & R108m YTD
- R24m below budget for the year
- Forecasts to meet budget of R267m

CONTENT EXPLOITATION

- R8m for the year against budget of R33m and prior year of R106m
- Projected for the year at R32m against budget of R51m
- Credit policy stifling revenue generation

LOOKING AT THE FUTURE – INITIATIVES TO GROW REVENUE

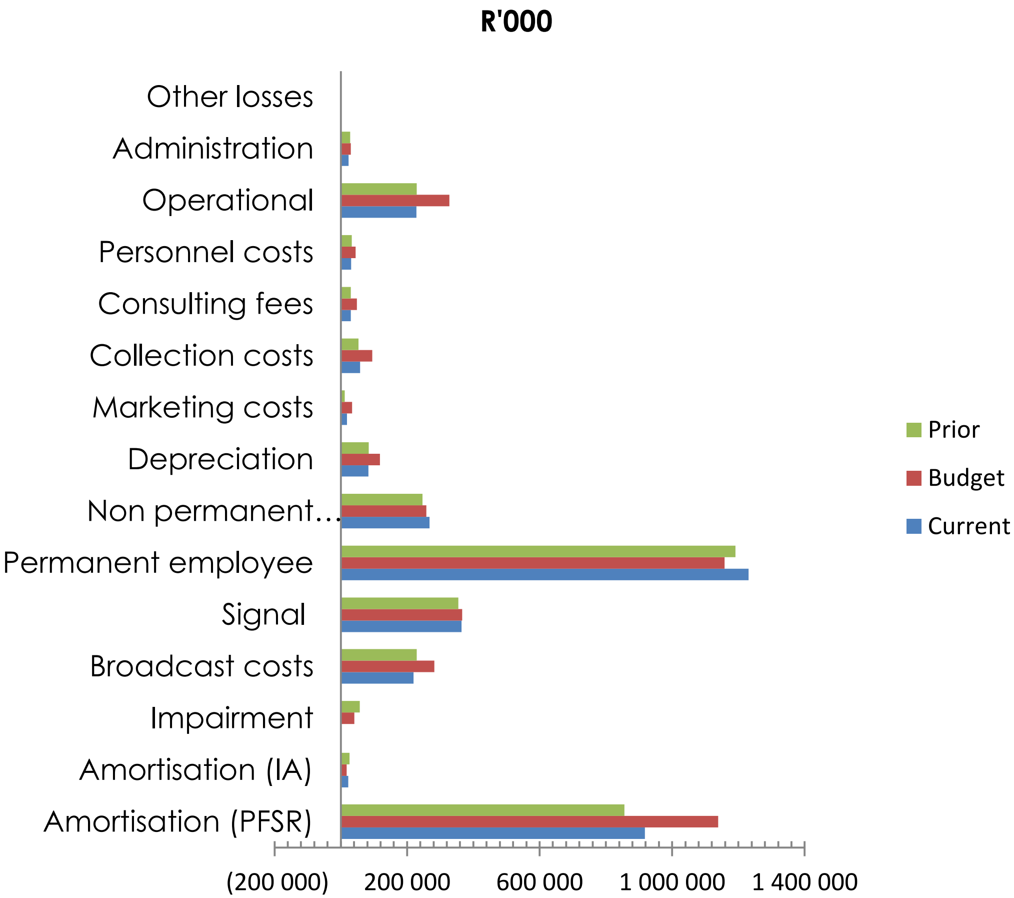
COMMERCIAL REVENUE

- Improve client retention and reduce churn
- Cape Town turnaround, Target SMEs & brief encounter strategy
- Instil sales discipline through pipeline management
- Refine news and package current affairs for sponsorship
- Develop alternate models for SABC 2 & 3

TV LICENCE FEES

- Rehabilitation of accounts in arrears through agencies
- Targeted marketing campaigns
- Enabling technologies & websites enhancements
- Resuscitation of mailing services

MID-YEAR REVIEW – EXPENDITURE

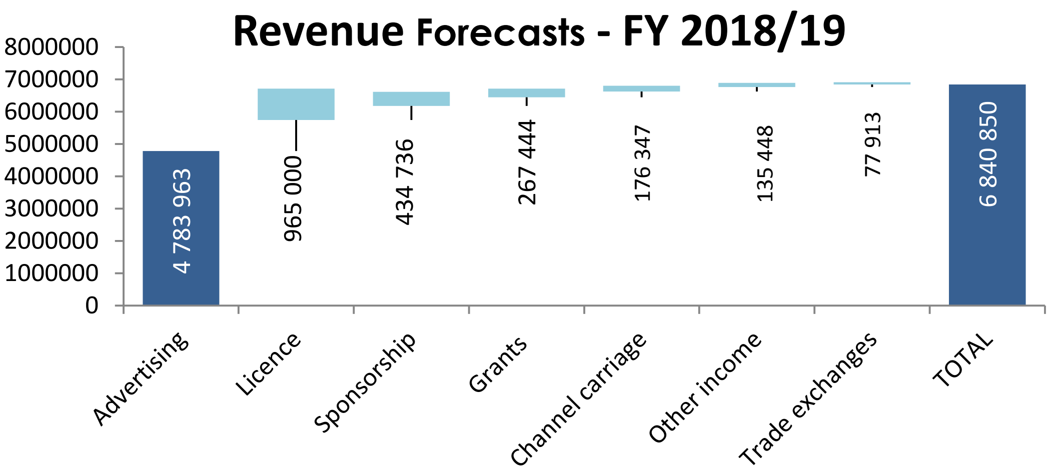


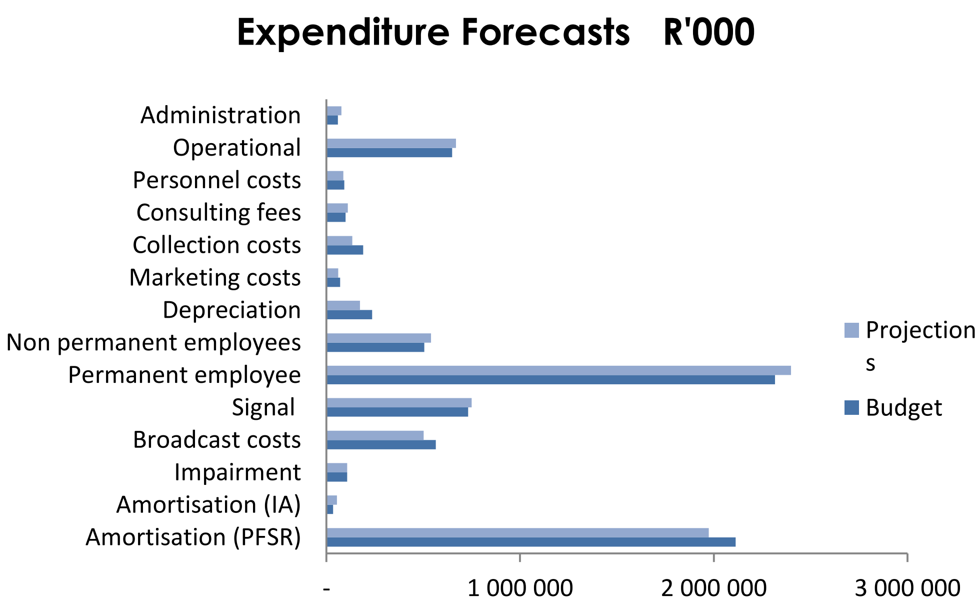
- Permanent and non-permanent employee costs amount to 43% of total expenses
- PFSR amortisation comprise 26%
- Signal & distribution is 10%
- YTD expenses at R3.5bn is R463m below budget

- Signal & distribution costs at R364m YTD in line with budget
- Marketing costs YTD R18m lower than budget, but more than PY (R12m)
- R22m in negative costs from Q1 relating to Lorna Vision has been reclassified to other income
- Consulting fees at R38m below budget by R18m, however accelerated expenditure from SIU is expected
- Other expenses lower by R120m – after hour transport and travelling costs reduced

- Amortisation costs of R918m below budget due to reduced investment in content. This is still R62m more than comparative prior year
- Impairment charges at nil lower than budget (R41m) and PY - exclude year end adjustments for licence fees impairment charges (forecast at R107m)
- Salary increases in the quarter of approximately R70m were paid (incl. salary back pay). Employee costs to exceed budget
- Broadcasts costs YTD of R220m are R62m below budget for the year due to lower revenue

MID-YEAR REVIEW – FORECASTS





Revenue

- Total revenue is forecasted at R570m lower than budget.
- Due to under-achievement of R219m from advertising revenue, R107m licence fees & R180m in content exploitation.
- The forecast is R263m (3%)higher that FY2017/18 actual revenue achieved

Expenditure

- Total expenses forecasts at R7.64bn, R380m (5.2%) higher than FY2017/18 and R130m below budget
- R2.94bn (43% of total costs) is employee costs, R160m less than prior year. To exceed budget by R120m.
- Amortisation of content is R1.97bn (26% of total costs), R256m higher than prior year
- Signal and distribution cost (R750m)and other operational costs (R669m) forecast to exceed budget by a combined R38m.
- Broadcasting costs expected to be R63m below budget at R503m.
- Depreciation to be R62m below budget due to reduced capex
- Revenue collection costs R57m below budget due to lower revenues collected

MID-YEAR REVIEW – FINANCIAL POSITION

CURRENT RATIO
0.77 TIMES (1.11TIMES)
TARGET 1.63 TIMES

DEBTOR COLLECTION
61 DAYS (38 DAYS)
TARGET 60 DAYS

CREDITOR PAYMENT TERMS
92 DAYS (64 DAYS)
TARGET 60 DAYS

CASH BALANCE
R139M (R136M PRIOR MONTH)

BALANCE SHEET	Sep 2018 R'000	Sep 2017 R'000	March 2019F R'000
Non- current assets	2,728,080	3,144,997	2,641,254
Current assets	1,821,208	2,346,787	1,735,471
ASSETS	**4,549,288**	**5,491,784**	**4,376,725**
Equity	735,875	1,969,509	(44,647)
Non-current liabilities	1,436,680	1,411,932	1,381,977
Current liabilities	2,376,732	2,110,342	3,039,395
TOTAL LIABILITIES	3,813,412	3,522,274	4,421,372
EQUITY & LIABILITIES	**4,549,288**	**5,491,784**	**4,376,725**

ANALYSIS

- Net current liability position of R556m as at 30 Sept 2018, expected to worsen to R1.2bn by March 2019
- Trade & other payables amount to R1.43bn
- Net cash outflow from operating activities of R4m, insufficient cash to fund daily operations
- Severe cash liquidity expected in the 4th quarter, insufficient to cover in-month expenses
- **Coupled with forecasts losses of R805m, SABC to be insolvent by March 2019**

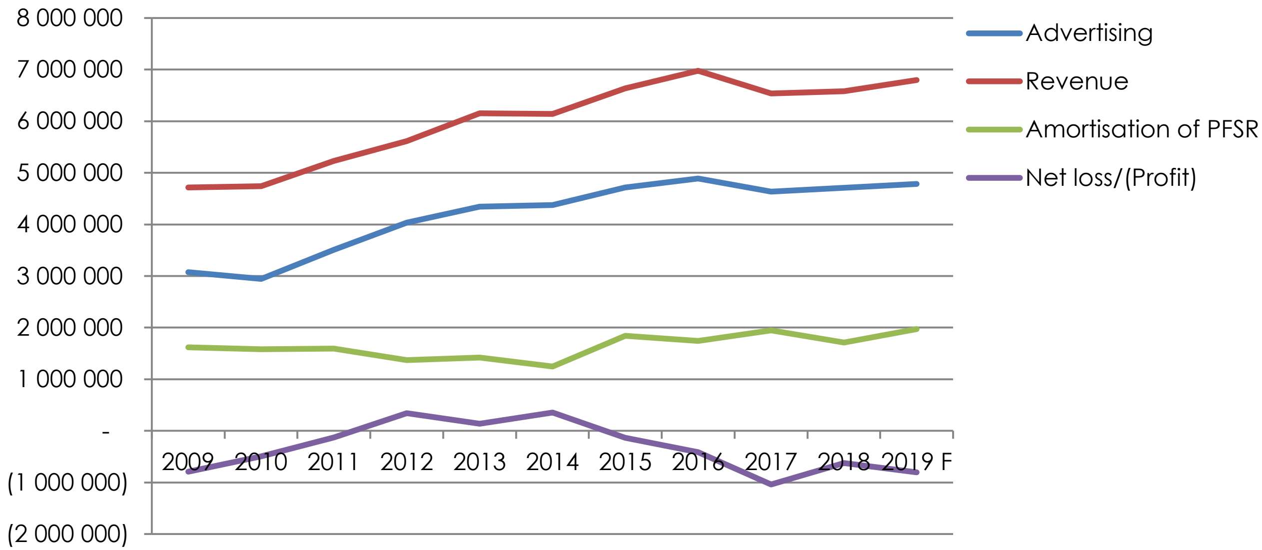
Cash flow statement	Sep 2018 R'000	Sep 2017 R'000
Net cash (outflow) / inflow from operating activities	(4,020)	100,142
Net cash outflow from investing activities	(90,168)	(102,628)
Net cash inflow from financing activities	103,098	123,849
Net increase in cash and cash equivalents	8,910	121,363
Cash and cash equivalents - beginning of the financial year	130,517	81,742
Closing cash a& cash equivalents	**139,426**	**203,104**

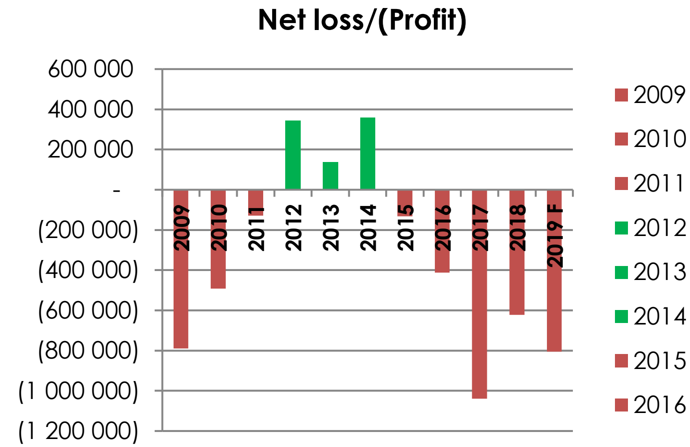
MID-YEAR REVIEW – CAPEX

APPROVED PROJECTS PER BUSINESS UNIT	Approved budget	ACTUAL EXPENDITURES			Open PR's, PO's & earmarked funds	Not yet contracted	Projected final cost	Variance against budget	Contracted Amount
		Prior Years	Current Years	Total					
Henley facilities	423,848	116,007	26 966	142 973	40 573	252 417	435 962	(12 113)	183 545
Radio broadcast facilities	192,462	79,515	18 723	98 238	17 261	79 486	194 985	(2 522)	115 499
SABC TVOB facilities	567,921	438,460	20 484	458 945	24 014	81 010	563 969	3 952	482 959
Information technology	356,455	49,085	11 155	60 239	2 444	169 545	232 228	124 227	62 683
Engineering services	400	-	-	-	6	394	400	-	6
Technology management	20,393	3,618	2 283	5 902	1 535	12 956	20 393	-	7 436
Logistical services	237,972	59,921	2 494	62 415	26 013	152 036	240 464	(2 492)	88 428
Provinces	137,198	37,848	7 628	45 476	6 149	83 756	135 380	1 818	51 625
Other divisions	19,825	8,320	141	8 461	600	7 708	16 769	3 056	9 062
Insurance replacements	-	3,479	127	3 606	282	3 278	7 166	(7 166)	3 888
Total	**1,956,472**	**796,252**	**90 002**	**886 254**	**118 877**	**842 584**	**1 847 715**	**108 758**	**1 005 131**

- Forecasts spend to be R18m below budget of R350m.
- Savings of R118m due to reduced scope on SAN project (RS88)
- R16.4m saving on HD OB vans (BA50) due to favorable exchange rate
- Of the forecast final cost of R1.85bn, R1bn has been contracted for, of which R118.9m still has to be paid.
- R842.6m of the projected final cost has not yet been contracted.
- Implementation of capex projects is being delayed primarily due to lack of capacity in the SCM Department, further bottlenecks may arise in Broadcast Engineering Services once procurement backlogs are addressed

10 YEAR PERFORMANCE REVIEW





- Over the past 10 years the SABC has only made a profit in the three years from 2011/12 to 2013/14
- Those profit making years had the lowest investment in content as indicated by low amortisation of PFSR, averaging R1.3bn
- The biggest loss in FY 2016/17 also carries the highest amortisation of content at R1.95bn
- Employee cost averaged 36% (R2.2bn) of revenue from 2011/12 to 2013/14
- If the SABC were to reduce total employee costs to 36% of revenue in line with the profitable years, at current employee costs levels, this will provide a cost reduction of +/-R350m. Not sufficient to reverse the R822m forecasts average loss for the periods FY2016/17 to FY2018/19

- It is not about increasing investment in content, but effective & efficient investment in content
- Revenue growth has significantly slowed in the last 4 years. Ability to compete in the market is key for the SABC's revival

SABC

COST OPTIMISATION

DESCRIPTION	INITIATIVES IMPLEMENTED	
	SHORT TERM (AUSTERITY)	MEDIUM TO LONG TERM (EFFICIENCIES, INCREASED UTILISATION, COST CONSCIOUS AND DISCIPLINED)
Amortisation of programme, film and sports rights	Investment in programmes and films have been reduced by a 30% - 50%	Investment will be "smarter" and informed by commercial principles with the goal of Financial Sustainability, developmental responsibilities and mandate in support of the Local Creative industry.
	Reduced pre funding of Productions, as is typically required for productions, to be broadcast 18 months+ later	Funding Model is required to fund Sport of National Interest and this is being explored. In the absence of which investment will remain severly constrained.
	Stopped broadcasting of a number of Sports of National Interest as required ito the Broadcasting Act, the ICASA regulations.	All other investments in sport will be informed by commercial principles and the financial sustanability of the Corporation while executing its mandate.
	A repeat strategy has already been implemented out of necessity due to the inability to in the course of the past 18-24 months to invest in Productions and the current inability to settle accounts timeously	All Production Facilities will be assessed to ensure maximum utilisation and Return on Investment

COST OPTIMISATION (cont)

DESCRIPTION	INITIATIVES IMPLEMENTED	
	SHORT TERM (AUSTERITY)	MEDIUM TO LONG TERM (EFFICIENCIES, INCREASED UTILISATION, COST CONSCIOUS AND DISCIPLINED)
Net impairment (raised)/reversed of programme, film and sports rights		Historic contracting practices and poor contract performance measures mechanisms will be discontinued to ensure investments in Programme, Film and Sports Rights are fully recovered.
Amortisation and impairment of computer software	Investment in Capex are being delayed, have been suspended or are being re-prioritized based on business criticality, risks and Corporation strategic initiatives	Long Term Capital Plan to be properly project managed in support of the Corporation strategy, to ensure a return on investment and in keeping with the latest trends in the industry.
Net impairment reversed/(raised) of trade and other receivables		Culture of compliance to the payment of TV Licenses needs to be re-established via attractive and relevant content and marketing that will bring audiences back and together with the trust restored in the Corporation will reduce the necessity to impair TV License Debt

COST OPTIMISATION (cont)

Broadcast costs	Technology is allowing more efficient broadcasting - a share service mindset (satellites, one team vs one for each station, broadcasting from AP and not travelling to events), But over and above technology, broadcast cost per production is interrogated and further optimised. It is also being considered to not, or only to a limited extent, broadcast special events. ("dipping in and out"). Catering for Sport productions has been discontinued.	Technology must be further used optimally, revenue generating opportunities from host broadcasts must be explored and realised. The short term initiatives should be carried on into the medium to longer term as well
Signal distribution and linking costs		An audit of the Signal distribution network is anticipated and ideally the network should be optimised while not jeopardising the mandate responsibilities.

COST OPTIMISATION (cont)

Employee and director compensation and benefit expenses	Recruitment was effectively suspended towards the end of 2017. The consequence is that there are critical skill gaps that is exposing the Corporation to various non-compliances and are jeopardising the operational execution and continuity of the Corporation due to a combination of not HAVING the skill required, to overloading the existing team, Acting positions that have been prevailing for 2 years+ in some instance, significant Overtime and Standby hours accumulating per person (that resulted in a break down of controls and abuse), heavy reliance on Freelancers	A fit for purpose workforce that conducts itself in a disciplined manner where resources are not abused, that is working for a "Best Company to work for" in terms of the Culture in the Corporation, and initiatives to attrack and retain talent.
		Automating broadcasting on certain radio stations between certain hours were listenership is low and thus reducing the reliance on freelances.
		The structure of the Pensionfund and Medical Aid will be reviewed to ensure cost effective solutions that is beneficial to all parties.
		Overtime and Standby policies and Procedures to be reviewed to reflect best practice and solutions in the interest of all affected parties

COST OPTIMISATION (cont)

Depreciation and impairment of property, plant and equipment	Investment in Capex are being delayed, have been suspended or are being re-prioritized based on business criticality, risks and Corporation strategic initiatives	Long Term Capital Plan to be properly project managed in support of the Corporation strategy, to ensure a return on investment and in keeping with the latest trends in the industry.
	Maintenance have to a large extent been discontinued or delayed. The consequence is non-compliance and risk.	A property audit is underway to recommend the way forward with the property portfolio of the Corporation. What to sell, what to maintain, what to 'sweat' effectively to get maximum value
		Public Private Partnerships are being explored to relieve pressure on the Corporation's resources.
		Alternative funding sources to reduce the burden on Day to day Operation resources being used for long term capital investment.
Marketing costs	Marketing activities have been significantly curtailed in the past 18 - 24 months. The consequence is that the audience ratings have been negatively impacted and thus also the Advertising Revenue generation	Marketing activities should resume on the back of commercial principles towards the financial sustainabiilty of the Corporation.
		A Cost containment note to guide decisions on Marketing has been issued.

COST OPTIMISATION (cont)

Direct revenue collection costs		Robust contract negotations and implementation of contract performance management to ensure maximun value from Debt Collecting Agencies.
		Discontinue the Early Settlement Discount and replace with more cost effective products to encourage timeous settlement from Debtors of the Corporation.
Professional and consulting fees	Delayed or not incurred to start off with.	Skills and capacity in the Legal department to be maximized.
	Robust contract negotations and implementation of contract performance management to ensure maximun value from remaining Consultancy and Professional Services.	A Cost containment note to guide decisions has been issued. National Treasury Cost Containment guidance will be used as a baseline.
- personnel costs other than employee compensation	After hour Transport facilities to be reviewed for relevance and cost effectiveness	Policy will be review in its entirety
	Staff Advances to be recovered in terms of the Policy/Procedure.	Discipline around Staff Advances to be embedded.
	L & D initiatives have been largely discontinued thus placing the Work Place Skills Plan in jeopardy and not investing in our workforce to ensure they are adequately skills and remain so for purposes of the functions they fulfil. L&D interventions related also to OHSA and other legislated requirements have also been suspended and thus results in non-compliance	L&D needs to resume with the focus on the skills and training required for function responsibilities and adherence to legislative requirements.

COST OPTIMISATION (cont)

Operational	A Cost containment note to guide decisions has been issued. National Treasury Cost Containment guidance will be used as a baseline. Topics covered includes: Water, tea/coffee/biscuits, catering, social functions and corporate branded items, hiring of venues, hosting of and attendance at conferences, Printing, Membership of professional bodies, water and electricity, communications, telephony, minor capital items, stakeholder and marketing events, planning, newspaper subscriptions	SCM practices to be streamlined. Numerous opportunities to ensure both efficient delivery of goods and services as well as reduced cost of procurement. Strategic sourcing will reduce duplication and turnaround times.
	Travelling practises were targeted for efficiencies and optimisation as of end 2017 by the Board and Executive Management.	A Cost Containment Note related to Business Travel and Subsistance to be issued. Reporting and monitoring of usage of available services to be activele enforced.
	Airwaves Travel continues to negotiate very favourable deals with accommodation and travel providers. They are also actively promoting responsible travelling that is cost effective and generally efficient.	PABX and Printer solutions are being rolledout that will bring savings and efficiencies. Reporting and monitoring of usage to be actively enforced.
	SCM robust negotiations following awards are realising savings that is reported quarterly.	Mobile Communication Policy is being reviewed to ensure best practices that are cost efficient will be implemented.
		Cost containment and austerity measure should become cost discipline and understanding of the custodianship of resources that needs to be responsibly applied
		Energy savings and other green initiatives continue to receive attention
		Fruitless and wasteful expenditure discouraged via a number of initiatives, accountability applied and recovery to be instituted

SECTION 189 OF THE LABOUR RELATIONS ACT, 66 OF 1995

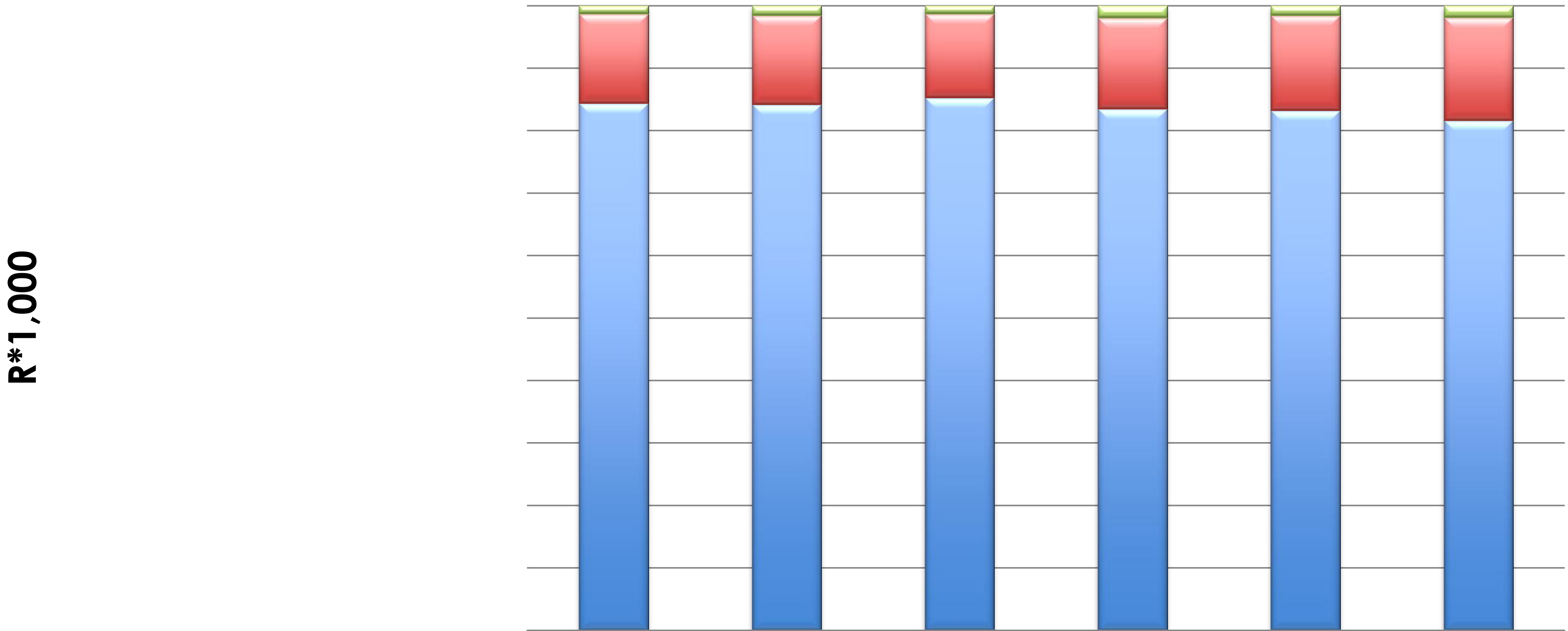
EMPLOYEE NUMBERS

NUMBERS PER DIVISION AND SCALE CODE

Divisions	110	115	120	125	130	200	300	401	402	403	404	405	406	407	900	Grand Total
Commercial Enterprises		1	5	6	10		34	42	16	109	12	3	1		9	248
Group Services	3	4	26	80	72		103	96	44	180	54	46	3	7	68	786
MTI			4	21	27		76	182	122	95	96	57		2		682
News		1	2	23	94		194	164	293	101	28	28	1	1	6	936
Provincial Operations			5		7		22	20	5	29	27	5	18	17		155
Radio		1	3	19	40		47	72	116	26	15	7		1	1	348
SABC Sport				4	9	1	23	5	3	11		1				57
Television	1		2	11	17		65	27	60	46	19	8			10	266
Grand Total	**4**	**7**	**47**	**164**	**276**	**1**	**564**	**608**	**659**	**597**	**251**	**155**	**23**	**28**	**94**	**3478**

EMPLOYEE COSTS

EMPLOYEE COSTS PER CATEGORY



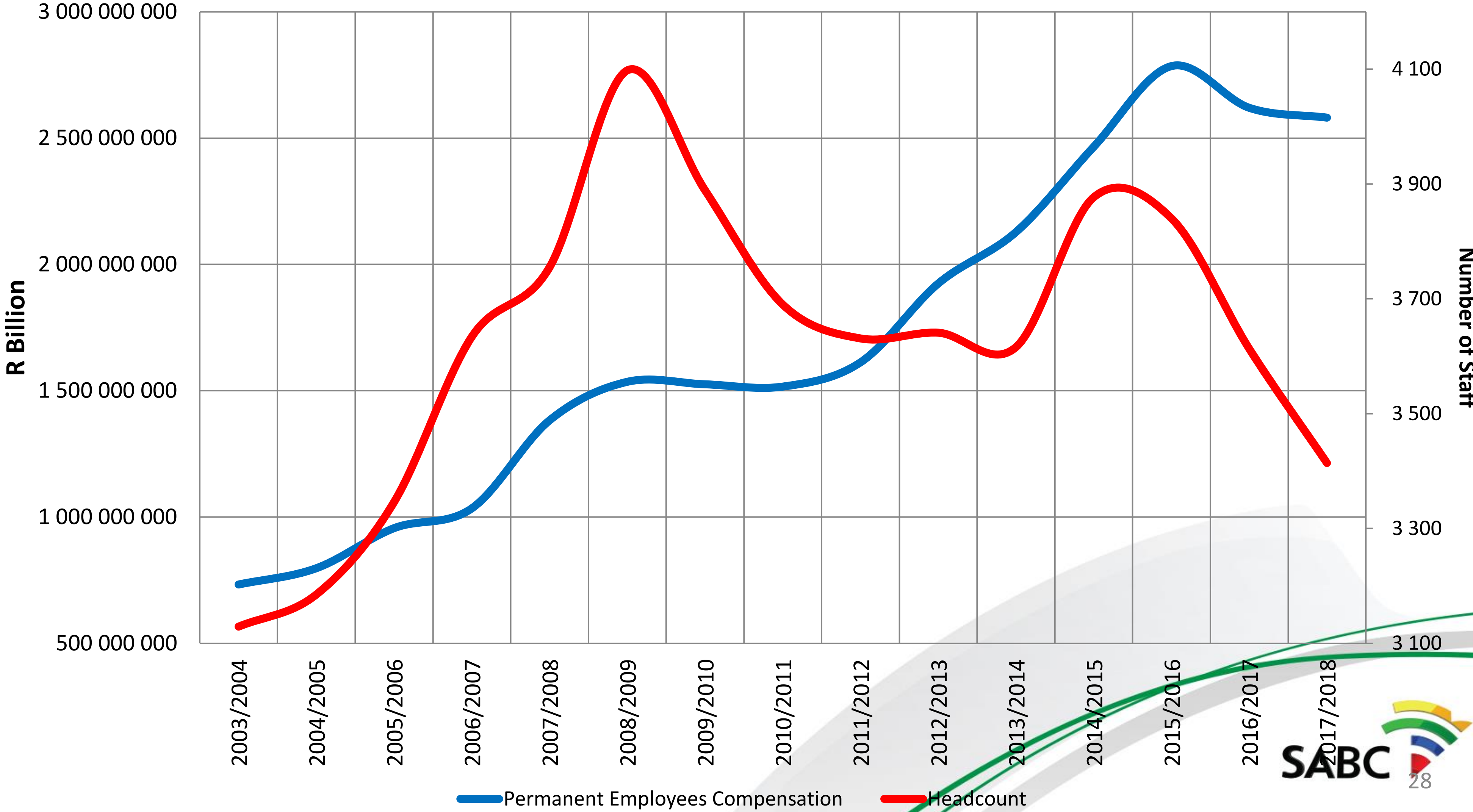
	2013/2014	2014/2015	2015/2016	2016/2016	2017/2018	2018/2019 Proj
Non Permanent Positions & Board	31 201	43 755	40 931	58 363	46 499	53 229
Independent Contractors	361 011	418 829	438 712	458 442	472 234	481 399
Permanent Filled Positions	2 128 190	2 465 784	2 785 131	2 619 927	2 581 048	2 382 867

SABC

EMPLOYEE COSTS

TOTAL EMPLOYEE COMPENSATION

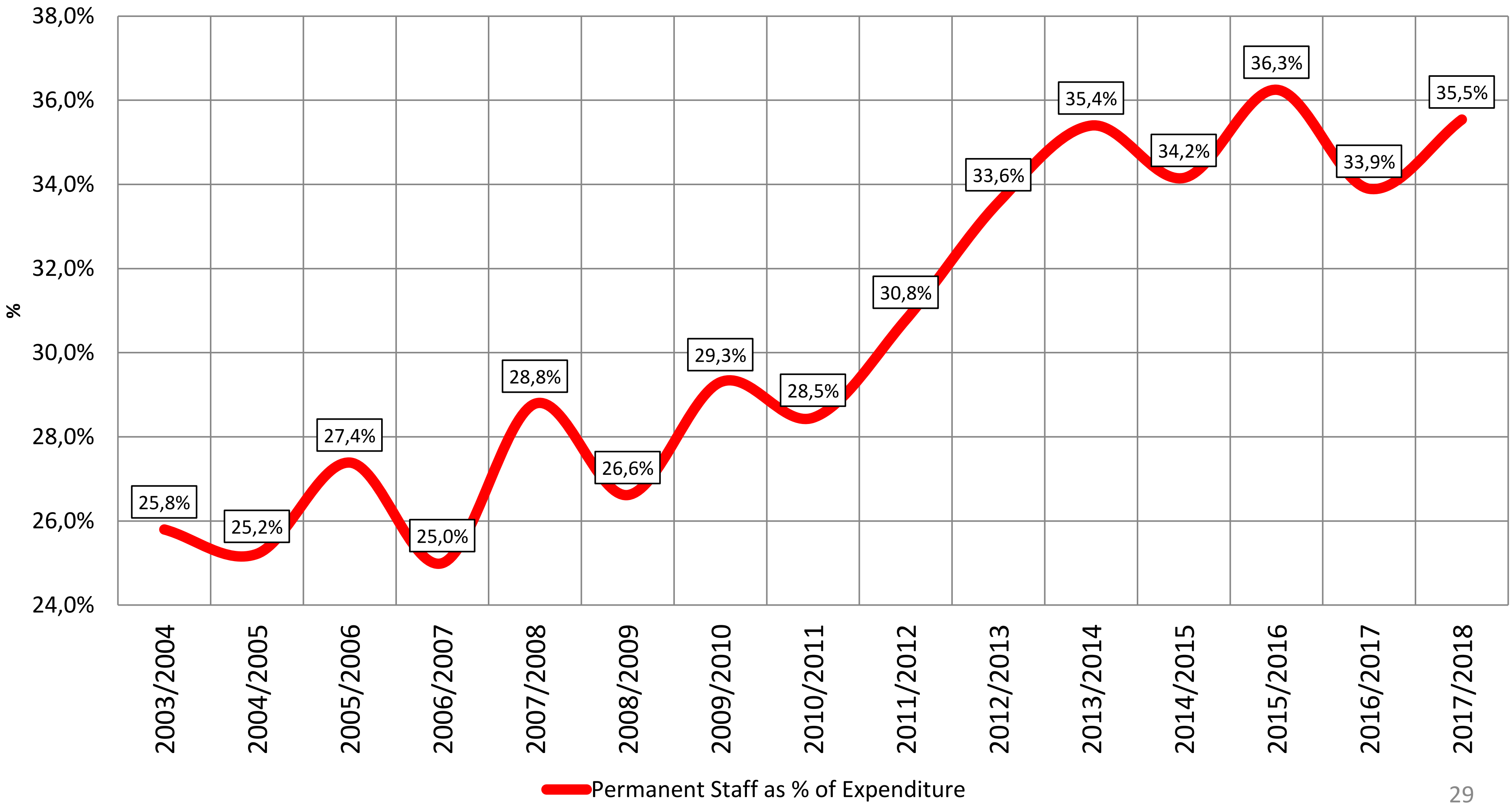
Although staff levels reduced to the same levels as 2005/2006, it had a limited impact on Employee Compensation (permanent positions) due to increases being higher than CPI.



EMPLOYEE COSTS

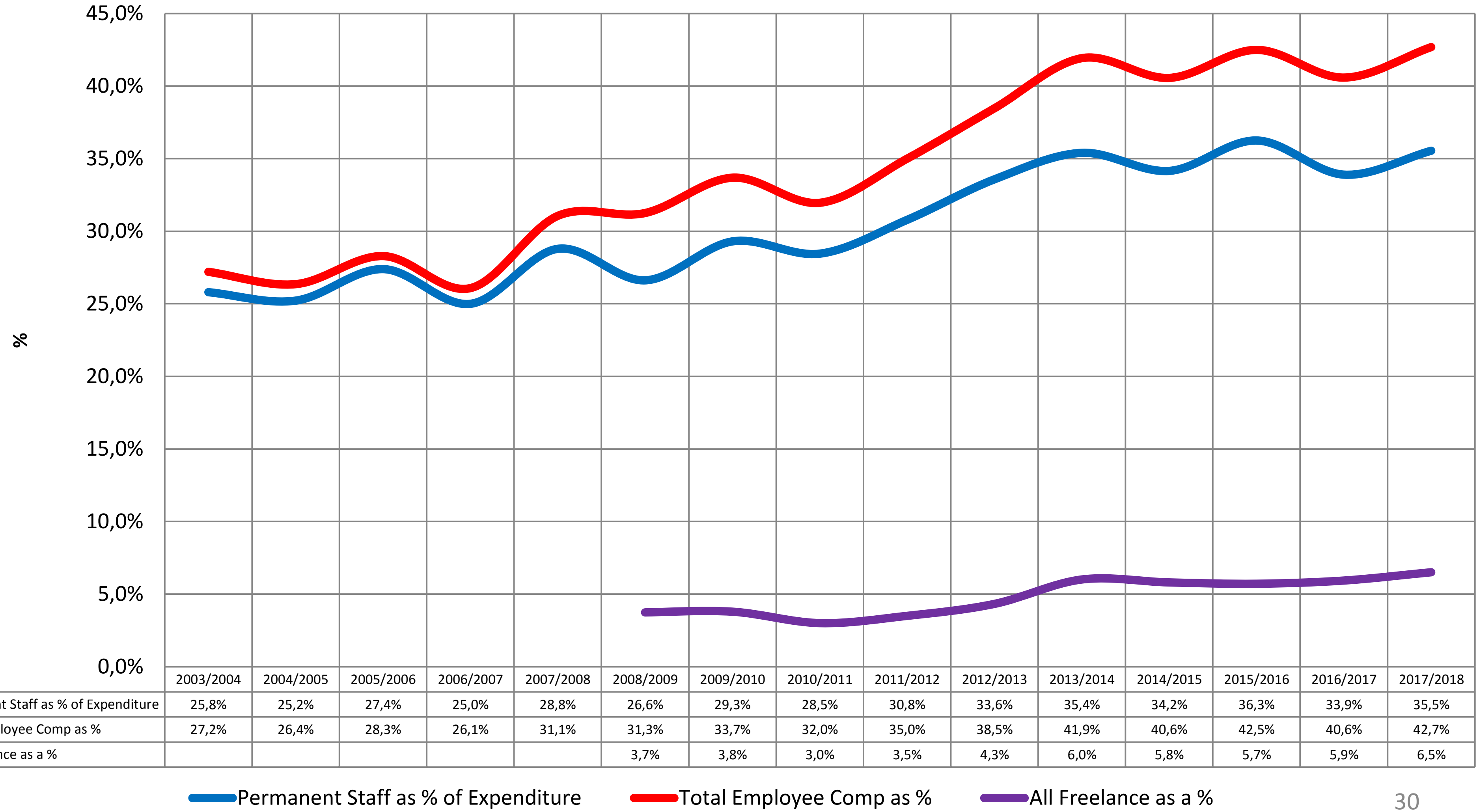
PERMANENT POSITIONS AS A % OF EXPENDITURE

Total Employee Compensation (permanent positions) as a % of operating expenditure increased from approximately 26% to 36%



PERMANENT POSITIONS AS A % OF EXPENDITURE

The steady increase in Independent Contractor costs as a % of operating expenditure resulted in Total Employee Compensation increasing to 43% of Operating Expenditure

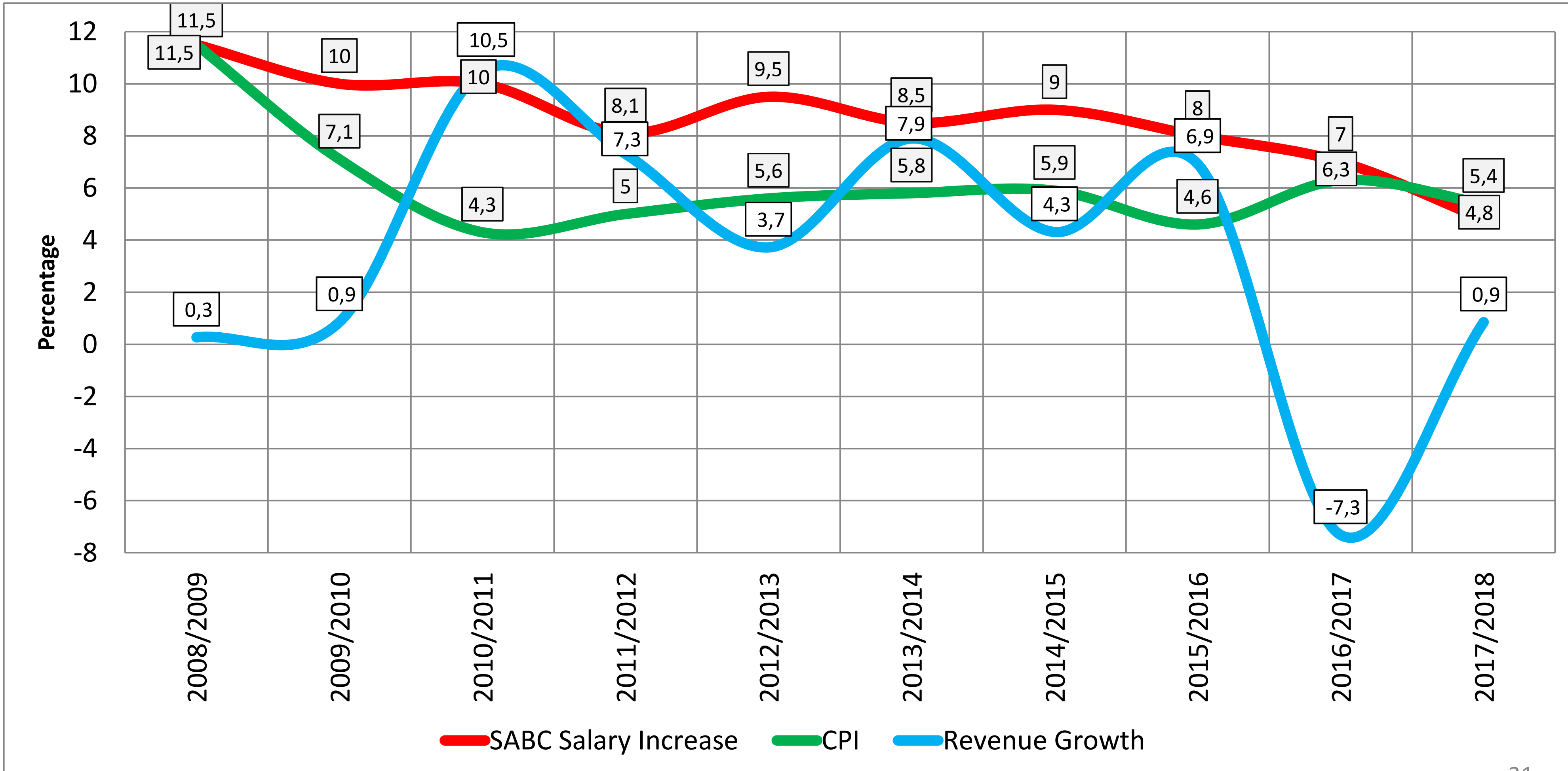


	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018
Permanent Staff as % of Expenditure	25,8%	25,2%	27,4%	25,0%	28,8%	26,6%	29,3%	28,5%	30,8%	33,6%	35,4%	34,2%	36,3%	33,9%	35,5%
Total Employee Comp as %	27,2%	26,4%	28,3%	26,1%	31,1%	31,3%	33,7%	32,0%	35,0%	38,5%	41,9%	40,6%	42,5%	40,6%	42,7%
All Freelance as a %						3,7%	3,8%	3,0%	3,5%	4,3%	6,0%	5,8%	5,7%	5,9%	6,5%

EMPLOYEE COSTS

SALARY INCREASES FROM 2008 VERSUS CPI AND REVENUE GROWTH

Since 2008/2009 the % salary increases consistently exceeded revenue growth and CPI %'s. For this reason the SABC could only afford low increases over the past two years.



EMPLOYEE COST CONTAINMENT

Category	Division	Unit	Number	Annual TGRP	% Cut	Staff Reduction	Potential Annual Cost Saving	Sum of BCEA severance	True Saving After BCEA severance	Sum of 2 Weeks	True Saving After @2 Weeks
Support	**Group Services**	Company Secretary	8	6,921,470	25%	2	1,730,368	241,361	1,489,007	482,722	1,247,646
		Corporate Affairs	78	47,356,876	64%	50	30,356,972	6,500,687	23,856,285	13,001,374	17,355,598
		Forensic Audit	8	6,796,398	0%	-	-	-	-	-	-
		Governance Risk and Assurance	40	30,554,609	18%	7	5,347,057	773,780	4,573,277	1,547,560	3,799,497
		Group Finance	134	96,531,322	0%	-	-	-	-	-	-
		Group Human Resources	123	95,607,552	41%	51	39,642,156	8,437,432	31,204,724	16,874,864	22,767,292
		Internal Audit	22	21,083,777	0%	-	-	-	-	-	-
		Legal Services	18	14,769,527	28%	5	4,102,646	584,437	3,518,210	1,168,874	2,933,773
		Logistical Services	101	49,133,023	26%	26	12,648,105	3,676,236	8,971,869	7,352,472	5,295,632
		Market Intelligence	7	5,555,600	29%	2	1,587,314	453,608	1,133,707	907,216	680,099
		Office of the COO	2	5,047,074	0%		-	-	-	-	-
		Office of the GCEO	7	10,519,084	71%	5	7,513,632	912,125	6,601,507	1,824,250	5,689,382
		Policy & Regulatory Affairs	9	7,157,954	22%	2	1,590,656	315,203	1,275,454	630,406	960,251
		SABC Foundation	11	9,689,966	73%	8	7,047,248	1,427,591	5,619,657	2,855,182	4,192,066
		SABC Spokesperson	5	5,183,881	20%	1	1,036,776	273,145	763,631	546,290	490,486
		SAP CCC	9	8,899,634	22%	2	1,977,696	739,249	1,238,448	1,478,497	499,199
		Strategy	2	2,348,847	50%	1	1,174,423	453,353	721,070	906,707	267,717
		Supply Chain Management	42	28,770,894	0%	-	-	-	-	-	-
		TV Licences	87	45,068,378	11%	10	5,180,273	1,411,652	3,768,622	2,823,303	2,356,970
	Group Services Total		**713**	**496,995,867**		**172**	**120,935,323**	**26,199,858**	**94,735,465**	**52,399,716**	**68,535,607**
	Provincial Operations	Eastern Cape Operations	26	12,728,827	35%	9	4,406,132	1,445,007	2,961,125	2,890,015	1,516,118
		Free State Operations	14	7,582,745	21%	3	1,624,874	339,971	1,284,903	679,942	944,932
		Kwazulu	18	9,052,661	39%	7	3,520,479	1,162,139	2,358,340	2,324,278	1,196,201
		Limpopo Operations	19	9,749,891	37%	7	3,592,065	830,814	2,761,251	1,661,628	1,930,437
		Mpumalanga Operations	13	6,578,499	38%	5	2,530,192	269,254	2,260,938	538,507	1,991,684
		North West Operations	21	10,793,583	38%	8	4,111,841	1,008,896	3,102,945	2,017,792	2,094,049
		Northern Cape Operations	8	4,218,231	38%	3	1,581,837	521,609	1,060,227	1,043,219	538,618
		Tshwane Operations	14	7,223,725	36%	5	2,579,902	505,943	2,073,959	1,011,887	1,568,015
		Western Cape Operations	22	12,052,739	36%	8	4,382,814	1,391,099	2,991,715	2,782,197	1,600,617
	Provincial Operations Total		**155**	**79,980,900**		**55**	**28,330,136**	**7,474,732**	**20,855,404**	**14,949,464**	**13,380,672**
Support Total			**868**	**576,976,767**		**227**	**149,265,459**	**33,674,590**	**115,590,869**	**67,349,180**	**81,916,279**

SABC

EMPLOYEE COST CONTAINMENT (cont)

Category	Division	Unit	Number	Annual TGRP	% Cut	Staff Reduction	Potential Annual Cost Saving	Sum of BCEA severance	True Saving After BCEA severance	Sum of 2 Weeks	True Saving After @2 Weeks
Core	**Commercial Enterprises**	Business Intelligence	18	13,073,332	28%	5	3,631,481	554,196	3,077,285	1,108,393	2,523,088
		Office of Group Executive	1	2,400,000	0%	-	-	-	-	-	-
		Operations	59	29,163,391	27%	16	7,908,716	1,988,522	5,920,195	3,977,043	3,931,673
		SABC Sales	162	98,018,550	12%	20	12,101,055	2,847,142	9,253,913	5,694,284	6,406,771
	Commercial Enterprises Total		**240**	**142,655,272**		**41**	**23,641,253**	**5,389,860**	**18,251,393**	**10,779,720**	**12,861,532**
	MTI	Broadcast Contribution & Distribution	4	4,366,977	25%	1	1,091,744	204,158	887,586	408,317	683,427
		Broadcast Engineering Services	23	16,316,817	26%	6	4,256,561	1,315,869	2,940,692	2,631,737	1,624,823
		Business Information Technology	70	44,584,772	27%	19	12,101,581	3,264,123	8,837,458	6,528,246	5,573,335
		IT Security	4	2,976,064	25%	1	744,016	192,913	551,103	385,826	358,190
		Office of the Group Executive	1	551,486	0%	-	-	-	-	-	-
		Radio Broadcast Resources	246	138,848,212	27%	67	37,816,383	13,360,857	24,455,526	26,721,714	11,094,669
		Research & Development	5	4,009,872	20%	1	801,974	272,059	529,915	544,119	257,856
		TV Broadcast Resources	327	172,761,908	27%	89	47,020,825	15,142,792	31,878,033	30,285,584	16,735,241
	MTI Total		**680**	**384,416,106**		**184**	**103,833,084**	**33,752,771**	**70,080,313**	**67,505,543**	**36,327,541**
	News	24 Hour News Channel	41	24,346,416	37%	15	8,907,225	8,585,158	322,068	17,170,315	(8,263,090)
		Business Administration	2	1,264,268	50%	1	632,134	155,760	476,374	311,519	320,615
		Digital News	27	17,150,200	37%	10	6,351,926	1,213,059	5,138,867	2,426,118	3,925,808
		News Marketing	4	2,484,527	25%	1	621,132	123,494	497,638	246,988	374,144
		News Resources	174	97,656,738	36%	63	35,358,474	9,562,889	25,795,585	19,125,779	16,232,696
		Office of the Group Executive	1	2,150,000	0%	-	-	-	-	-	-
		Radio News	357	223,132,077	37%	132	82,502,617	20,781,221	61,721,395	41,562,443	40,940,174
		Research	15	9,368,268	33%	5	3,122,756	523,649	2,599,107	1,047,298	2,075,458
		Strategic Allignment	1	655,643	0%	-	-	-	-	-	-
		Television News	308	204,037,383	37%	114	75,520,330	21,009,100	54,511,230	42,018,201	33,502,129
	News Total		**930**	**582,245,520**		**341**	**213,016,594**	**61,954,330**	**151,062,263**	**123,908,660**	**89,107,933**

SABC

EMPLOYEE COST CONTAINMENT (cont)

Category	Division	Unit	Number	Annual TGRP	% Cut	Staff Reduction	Potential Annual Cost Saving	Sum of BCEA severance	True Saving After BCEA severance	Sum of 2 Weeks	True Saving After @2 Weeks
	Radio	5FM	13	7,521,513	31%	4	2,314,312	531,640	1,782,671	1,063,281	1,251,031
		Channel Africa	55	35,574,099	27%	15	9,702,027	2,587,152	7,114,875	5,174,305	4,527,722
		Good Hope FM	10	6,749,477	30%	3	2,024,843	384,512	1,640,331	769,023	1,255,820
		Ikwekwezi FM	18	11,195,173	28%	5	3,109,770	733,072	2,376,698	1,466,145	1,643,625
		Ligwalagwala FM	18	11,056,911	28%	5	3,071,364	706,406	2,364,958	1,412,812	1,658,552
		Lotus FM	12	7,001,578	25%	3	1,750,395	432,154	1,318,240	864,309	886,086
		Marketing	3	2,316,599	33%	1	772,200	140,998	631,202	281,996	490,203
		Metro FM	12	7,585,536	25%	3	1,896,384	426,066	1,470,318	852,132	1,044,252
		Motsweding FM	16	10,442,700	25%	4	2,610,675	642,014	1,968,661	1,284,027	1,326,648
		Munghana Lonene FM	20	12,063,007	25%	5	3,015,752	875,057	2,140,695	1,750,113	1,265,639
		Office of the Group Executive	5	8,009,469	20%	1	1,601,894	487,451	1,114,442	974,903	626,991
		PBS Radio	3	2,401,970	33%	1	800,657	267,007	533,649	534,015	266,642
		Phala Phala FM	21	13,317,375	29%	6	3,804,964	1,145,951	2,659,013	2,291,903	1,513,061
		Radio 2000	11	6,831,473	27%	3	1,863,129	375,803	1,487,326	751,605	1,111,524
		RSG	18	13,229,669	28%	5	3,674,908	1,349,783	2,325,125	2,699,566	975,343
		SAFM	12	8,206,916	25%	3	2,051,729	511,257	1,540,472	1,022,513	1,029,216
		Strategic Planning	2	1,916,768	50%	1	958,384	265,090	693,294	530,179	428,205
		Thobela FM	18	11,162,102	28%	5	3,100,584	874,820	2,225,764	1,749,640	1,350,944
		TRU FM	15	8,730,194	40%	6	3,492,078	620,071	2,872,006	1,240,143	2,251,935
		Ukhozi FM	16	11,086,730	25%	4	2,771,682	642,183	2,129,500	1,284,365	1,487,317
		Umhlobo Wenene FM	17	11,021,533	29%	5	3,241,627	858,104	2,383,524	1,716,207	1,525,420
		XK	14	6,741,570	29%	4	1,926,163	413,476	1,512,686	826,953	1,099,210
		Lesedi FM	17	11,038,013	29%	5	3,246,474	1,182,526	2,063,949	2,365,051	881,423
	Radio Total		**346**	**225,200,374**		**97**	**62,801,994**	**16,452,593**	**46,349,402**	**32,905,185**	**29,896,809**

EMPLOYEE COST CONTAINMENT (cont)

Category	Division	Unit	Number	Annual TGRP	% Cut	Staff Reduction	Potential Annual Cost Saving	Sum of BCEA severance	True Saving After BCEA severance	Sum of 2 Weeks	True Saving After @2 Weeks
	SABC Sport	Brand Management	1	744,744	0%	-	-	-	-	-	-
		Marketing	2	1,323,568	50%	1	661,784	166,507	495,278	333,013	328,771
		Office of the Group Executive	4	3,236,370	50%	2	1,618,185	563,980	1,054,205	1,127,960	490,225
		Radio Production	4	3,134,147	25%	1	783,537	326,993	456,544	653,986	129,551
		Sport Operations	17	10,666,005	47%	8	5,019,297	1,369,792	3,649,505	2,739,583	2,279,713
		TV Production	23	17,741,772	35%	8	6,171,051	2,013,478	4,157,573	4,026,956	2,144,096
		TV Programming	5	3,456,817	20%	1	691,363	160,790	530,574	321,579	369,784
	SABC Sport Total		**56**	**40,303,424**		**21**	**14,945,217**	**4,601,539**	**10,343,678**	**9,203,078**	**5,742,139**
	Television	Content Enterprises	137	86,663,503	27%	37	23,405,472	11,026,754	12,378,718	22,053,508	1,351,963
		Office of the GE	3	4,861,652	33%	1	1,620,551	441,113	1,179,438	882,225	738,325
		SABC 1	46	26,239,636	28%	13	7,415,549	1,412,158	6,003,392	2,824,315	4,591,234
		SABC 2	38	22,762,614	26%	10	5,990,162	1,598,363	4,391,798	3,196,727	2,793,435
		SABC 3	32	17,539,966	28%	9	4,933,115	1,044,515	3,888,601	2,089,030	2,844,086
	Television Total		**256**	**158,067,371**		**70**	**43,364,849**	**15,522,903**	**27,841,946**	**31,045,805**	**12,319,043**
Core Total			**2508**	**1,532,888,067**		**754**	**461,602,991**	**137,673,996**	**323,928,995**	**275,347,992**	**186,254,998**
Grand Total			**3376**	**2,109,864,834**		**981**	**610,868,450**	**171,348,586**	**439,519,863**	**342,697,173**	**268,171,277**

SABC

INDEPENDENT CONTRACTORS' COST CONTAINMENT

Division	Category	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	% Decrease	Estimated Number & Cost Reduction Based on 2018
Commercial Enterprises	Number	197	182	169	131	139	50.0%	70
	Cost	4,729,020	2,345,940	1,169,222	1,919,632	1,848,458		924,229
Group Services	Number	52	60	79	88	70	40.0%	28
	Cost	16,096,024	16,762,738	14,116,401	6,188,280	5,466,457		2,186,583
MTI	Number	306	338	323	380	350	50.0%	175
	Cost	7,040,950	8,647,370	29,078,411	38,956,361	37,953,870		18,976,935
News	Number	660	734	529	605	487	50.0%	244
	Cost	74,990,342	89,286,569	86,214,872	94,253,650	93,588,073		46,794,037
Provincial Operations	Number	7	11	11	19	8	0.0%	-
	Cost	269,505	497,473	723,302	1,009,975	374,483		-
Radio	Number	1,552	1,533	1,741	1,752	1,659	10.0%	166
	Cost	159,038,496	177,989,069	182,602,363	196,576,184	217,602,156		21,760,216
SABC Sport	Number	400	492	481	450	392	50.0%	196
	Cost	78,653,633	110,396,451	118,179,907	113,904,019	107,821,316		53,910,658
Television	Number	331	393	343	462	250	50.0%	125
	Cost	20,192,872	12,903,335	6,627,418	5,634,241	7,578,809		3,789,404
SABC Total	**Number**	**3,505**	**3,743**	**3,676**	**3,887**	**3,355**		**1,003**
	Cost	**361,010,843**	**418,828,947**	**438,711,896**	**458,442,343**	**472,233,620**		**148,342,061**

SECTION 189

- The current dire financial position of the SABC is well known, and a matter of public record.
- It does not matter what the cause of this may have been in the past, as the current reality is that unless drastic measures are taken to try restore the financial viability of the SABC, it would as an organization simply not be financially viable going forward.
- The SABC has already embarked upon several cost cutting measures, but there is simply no manner in which a complete organizational wide restructuring and reduction of positions can be avoided, and with it, the issue of possible retrenchments are regrettably contemplated.

REASONS FOR THE PROPOSED RETRENCHMENTS

ECONOMIC REASONS

- The SABC is currently in dire financial straits.
- Instances of unlawful and irregular promotions and increases afforded to employees, resulting in an inflated remuneration cost and the payment of salaries to employees that are not commensurate to the actual positions occupied by employees.

OPERATIONAL REQUIREMENTS

- The SABC is overstaffed, considering its actual operational needs.
- A need to reduce operating costs in the SABC.
- The abolishment of a number of positions.
- The need to re-evaluate the entire organisational structure in the SABC.

SABC

ALTERNATIVES THE SABC CONSIDERED BEFORE PROPOSING RETRENCHMENTS

A number of cost cutting measures were implemented with the goal of realizing efficiencies and aligning to best practices. These include, but are not limited to:

- Restricting the purchase of refreshments
- No catering for meetings
- No hiring of venues
- Limiting the attendance of conferences and workshops
- Limiting the printing of documents
- Containment of consulting fees
- And cost containment measures reflected above

SABC

NUMBER OF EMPLOYEES LIKELY TO BE AFFECTED AND THE JOB CATEGORIES IN WHICH THEY ARE EMPLOYED

- Employees across all divisions, all provincial offices and at all levels will be affected
- The total number of employees in the company - *3 380*
- The number of employees dismissed for operational requirements in the last 12 months - *0*
- The number of employees likely to be affected – *to be determined*
- The number of employees likely to be retrenched - *981*

SABC

THE PROPOSED METHOD FOR SELECTING WHICH EMPLOYEES TO RETRENCH

- The SABC proposes a method of selection based on an objective assessment of the skills, experience, expertise and/or qualifications of employees.
- The Corporation is confident that the above selection process is fair, legitimate and correct.
- It should be noted that selection criteria will also form part of the consultation process with organised labour
- If all is equal in the application of the process, then LIFO will apply.

SABC

THE TIME WHEN, OR THE PERIOD DURING WHICH THE RETRENCHMENTS ARE LIKELY TO TAKE EFFECT

- It is intended that the consultation process be finalised by 31 January 2019.
- If termination of employment is the end result of such consultation process, it is proposed that contractual notice of termination of employment be given with effect from 1 February 2019.

SABC

SEVERANCE PAY PROPOSED

Should the SABC have no alternative but to terminate services of employees, it proposes paying severance pay of 1(one) week's salary per completed year of service in accordance with the guidelines of the Basic Conditions of Employment Act.

ASSISTANCE TO BE OFFERED TO AFFECTED EMPLOYEES

The SABC undertakes to provide all reasonable assistance that employees may request in the process, or as a result of any termination of employment, including, but not limited to:

- a certificate of service stating:
    - work category,
    - length of service
    - reasons for termination of service
- all outstanding monies in respect of leave pay
- letter to creditors
- possible references

SABC

THE PROCESS

- The parties have agreed to the process being overseen by the CCMA. A facilitator has appointed by the CCMA in terms of section 189A of the LRA.
- The consultation process will, inter alia, focus on the issues outlined in s189 (2) which requires parties to engage in a joint consensus seeking process for purposes of:
  - Finding ways to avoid and/or minimise retrenchments
  - Agreeing on selection criteria, only in the event retrenchments are the last resort
  - Indicating the number of jobs and categories affected
  - Considering assistance to be offered to affected employees
  - Processing statutory monies to be paid
  - Indicating possible future re-employment

SABC

PRIORITIES FOR 2019/20 TO 2021/22

PRIORITIES FY2019/20 – 2021/22

The SABC's aim for the next three years is to return to a financially sustainable position, in order to ensure that it is able to operate competitively in the evolving digital landscape, whilst delivering on its mandate of providing a range of compelling informative, educational and entertaining programmes via television, radio and digital platforms. The following Pillars and Goals will guide the Corporation.

PILLARS	GOALS
FINANCIAL SUSTAINABILITY	A financially sustainable organisation
CONTENT & PLATFORMS	Offer a competitive and innovative multichannel portfolio
DIGITAL	SABC everywhere for everyone
HUMAN CAPITAL	A competent, dynamic workforce that is fit for purpose
GOVERNANCE	Compliant governance practices, risk management and sound internal controls
PARTNERSHIPS	Strategic and sustainable partnerships

PRIORITIES / KEY FOCUS AREAS

Revenue

TV Licence Revenue
- Customer service offerings – Contact Centre Cloud Solution
- Enhancements to TV Licence website = revenue
- Identify unlicensed households, with GIS enabled system
- Brand positioning

Advertising Revenue
- Competitive pricing of TV prime inventory
- Inventory valuation project – revenue optimisation modeling
- Ad ventures diversified revenue growth - maximising revenue from non-traditional sources , ROI-based initiatives.
- Radio: increased sales efforts on stations with stronger revenue potential
- Over 55% of the additional TV classic revenue from SABC3
- Dynamic 7 & Premium stations revenue optimisation & growth

Commercial / Content Exploitation
- Diversification of Rights that SABC takes to market and pro-active expansion of current customer base.
- Carriage fees: new entrants and platform operators have identified SABC channels as critical for take-up.
- Packaging of large number of titles into single slate that includes high-demand and content that is less in demand

SABC

PRIORITIES / KEY FOCUS AREAS

Cost containment

- Optimise employee costs to revenue
- Increase efficiencies in freelancer costs
- Target a reduction of general Opex by R30m (On Opex, starting from a zero base, and aggressively pursued, between 10% and 20% in Yr1 - implement austerity measures. Yr2 onwards the realisable savings target will reduce.
- Optimise and reprioritize CAPEX investments
- Cost discipline - ownership, responsibility and accountability embedded and embraced.

PRIORITIES / KEY FOCUS AREAS

Audience Share

SABC2

- Entrench unique positioning as a Family Channel (Afro centric) with emphasis on nation building and social cohesion
- Focus on two distinct market segments, LSM 5-6 and LSM 7-10, skewed towards female viewers and with age profile 40 year old.
- Create stability
- Refresh and refine – not redesign – the schedule

SABC3

- Talent in shows to represent the progressive audience.
- Increasing the age grouping in some content
- Schedule in line with network approach - investment in schedule pillars is done to maximise synergies
- Content included to maximise OTT and non-linear opportunities.
- Two strong flagship shows that audience flows will be built around
- Invest in high valued content both locally and internationally appealing to audiences.

RADIO

- Qualitative Research - Focus groups
- Regular call-out music research
- Brand relaunch of some stations
- Recruitment of premium talent
- Extensive marketing

SABC

PRIORITIES / KEY FOCUS AREAS

Working Capital

- Maintain favourable creditors' payment average days ratio.
- Maintain favourable debtors collection average days ratio.
- Improve Net Cash Generation
- Invest wisely and efficiently

Operational efficiencies

- Review of operating model to realise efficiencies
- Renewed business processes and standard operating procedures
- Policy reviews in 2 year cycles
- Process automation and enhancement through SAP
- Deep dive reviews
- Financial model that will support business planning

PRIORITIES / KEY FOCUS AREAS

Focus area	Priorities
Corporate Brand / Reputation	• Stakeholder engagement plan • Media Relations plan • Reputation management strategy • Brand positioning • On-going marketing
Organisational Climate	• Implementation of culture climate survey • Career Progression Framework to enhance employee development and improve employee retention • Embedding a high performance culture through performance management • Optimise learning & development to ensure sustainability and readiness for the digital age
Compliance	• Clearing of internal and external audit findings • Strengthen internal control environment • Enterprise-wide risk management • Compliance with applicable legislation, policies

SABC

SABC PROPERTY STRATEGY

- SABC owns properties (land and buildings) in most parts of South Africa.
- State and condition of properties varies owing to the age and other factors such as wear and tear. Although old, some are in better condition owing to the upkeep of maintenance.
- Properties are valuated periodically for insurance and investment purposes. In other cases the reason to determine value is to ensure alignment with the municipality roll for purposes of rates and taxes.
- During March and April 2018 a valuation assessment was undertaken by independent assessors.
- **Total value of SABC properties = R2,5 billion.**
- **London property = £925 000 (in the process of being sold).**
- **Total SABC artwork estimated at between R300 – R400m**

SABC PROPERTY STRATEGY

PROPERTY STRATEGY WAY FORWARD

- The SABC is in the process of procuring the services of property advisor service provider. The scope of service will include the following:
    - Assess the current condition of portfolio and facilities;
    - Provide a property management strategy;
    - Perform the retaining, leasing, disposing and acquisition of properties.
- Once the service provider has been appointed and the above assessments have been concluded, the SABC will be in a better position to execute a comprehensive property strategy.

THANK YOU