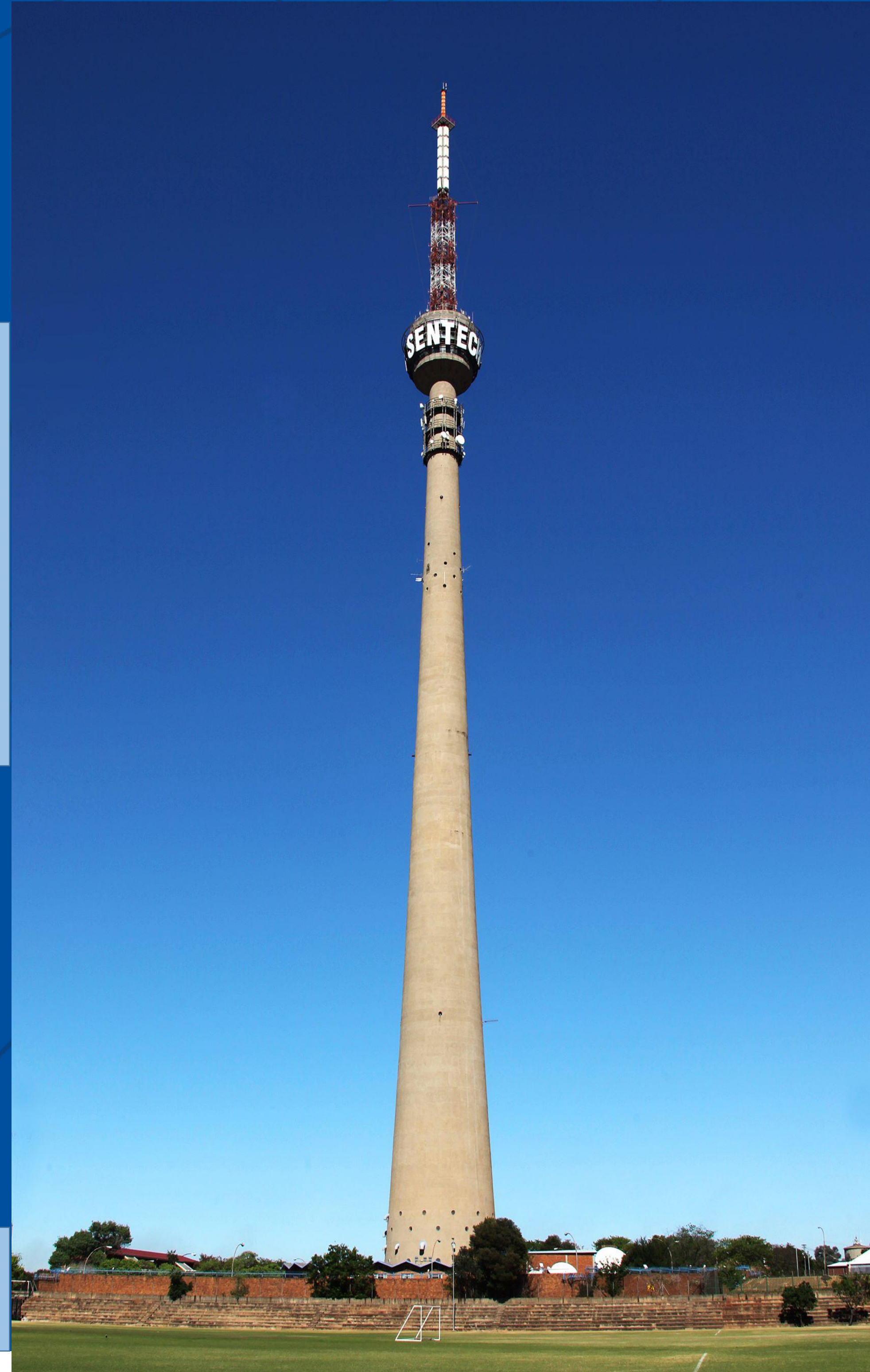


# SENTECH SIGNAL DISTRIBUTION COSTS STRUCTURE

22 October 2020

PRESENTED BY : SENTECH

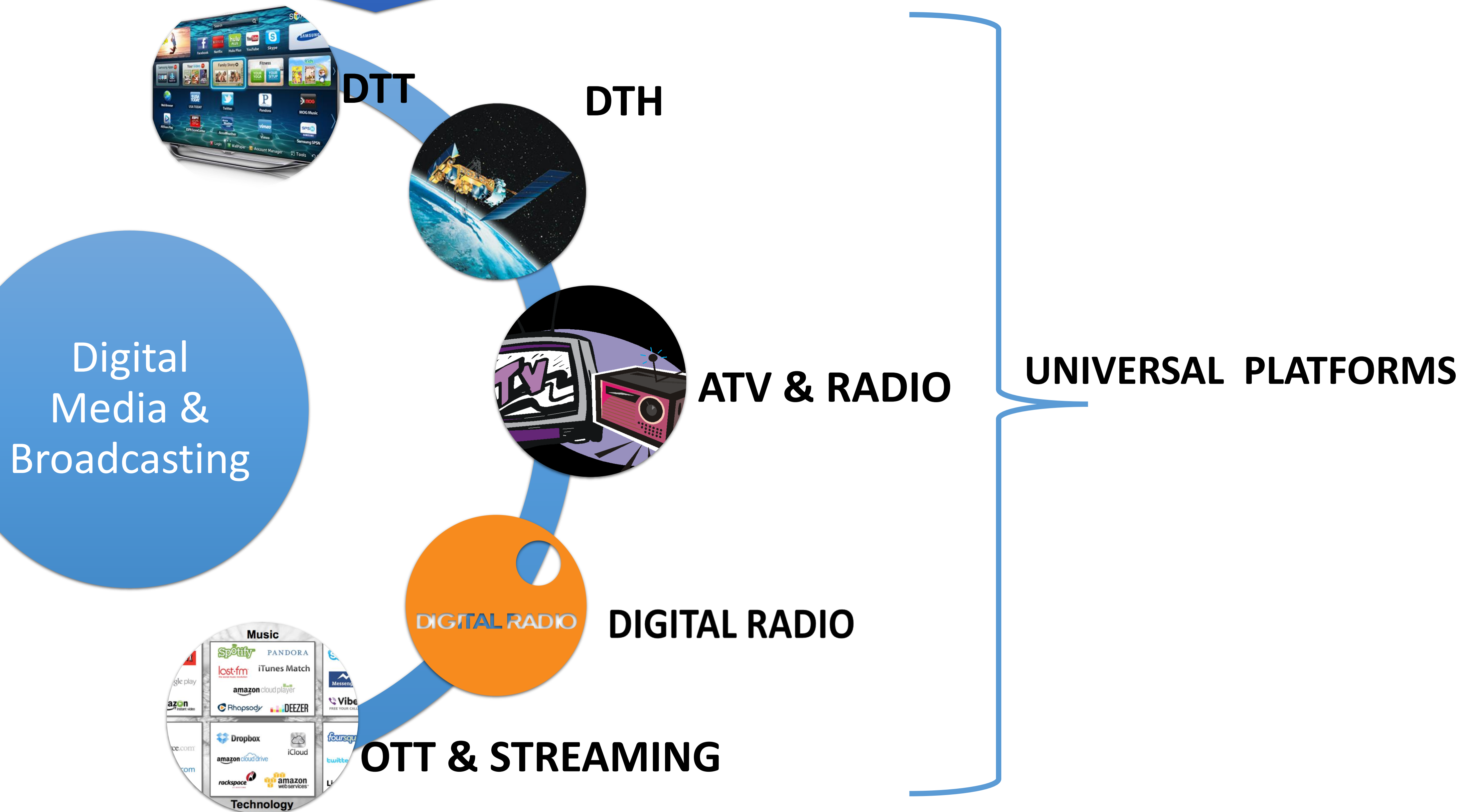


# Introduction

- Sentech has been requested by the PPC on Communications to provide a presentation for the signal distribution Taxonomy.
- This document is kept at a level that is sufficient to answer any questions that might arise based on the tariff structure or contributors to our costs of signal distribution to the SABC.
- The purpose is to demonstrate what SABC is paying for and why.
- We will demonstrate our multi-platform offering for content delivery.



# SENTECH SABCD SERVICES & PLATFORMS

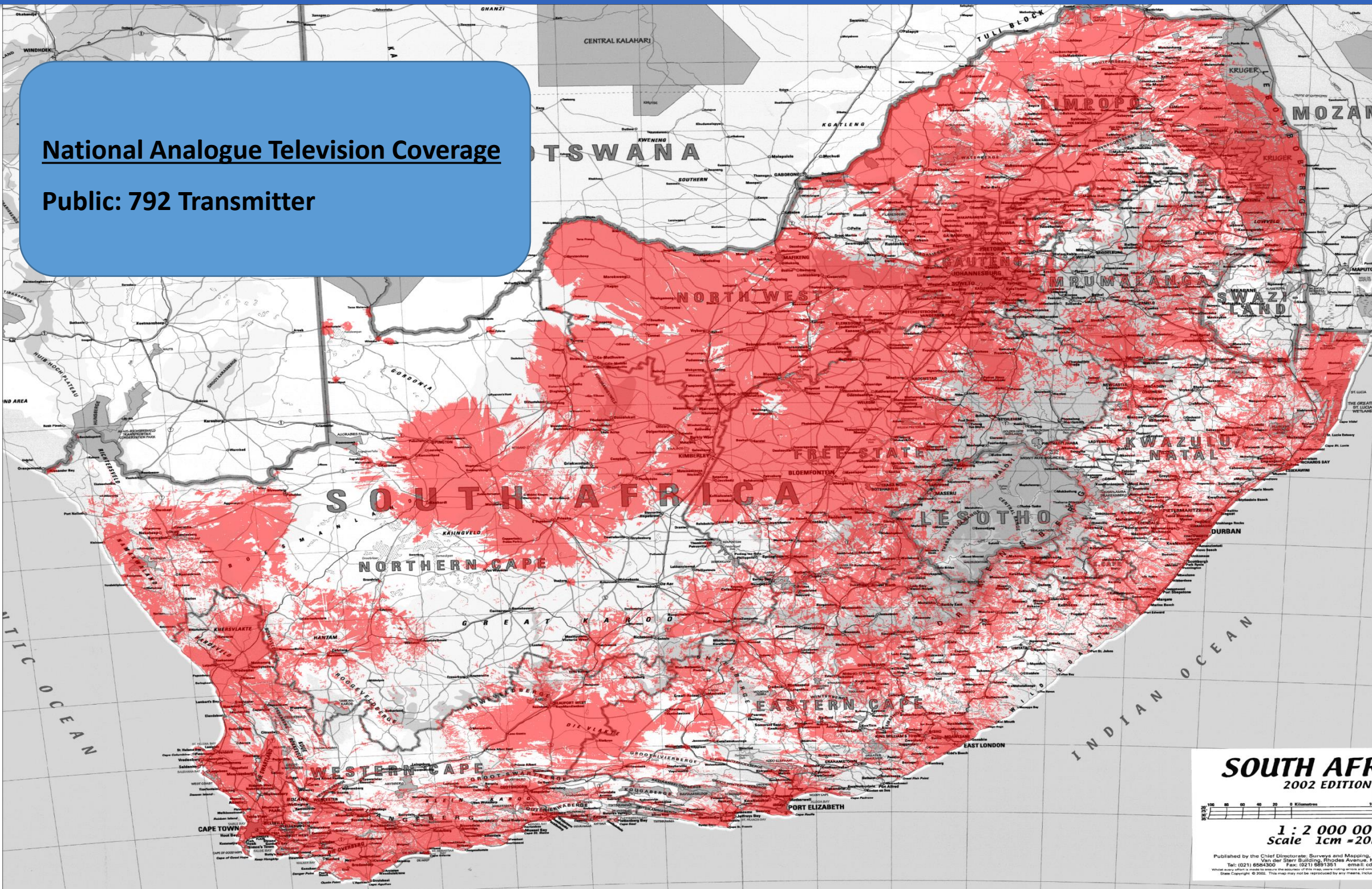




# SABC SERVICES NATIONAL COVERAGE & FOOT PRINT

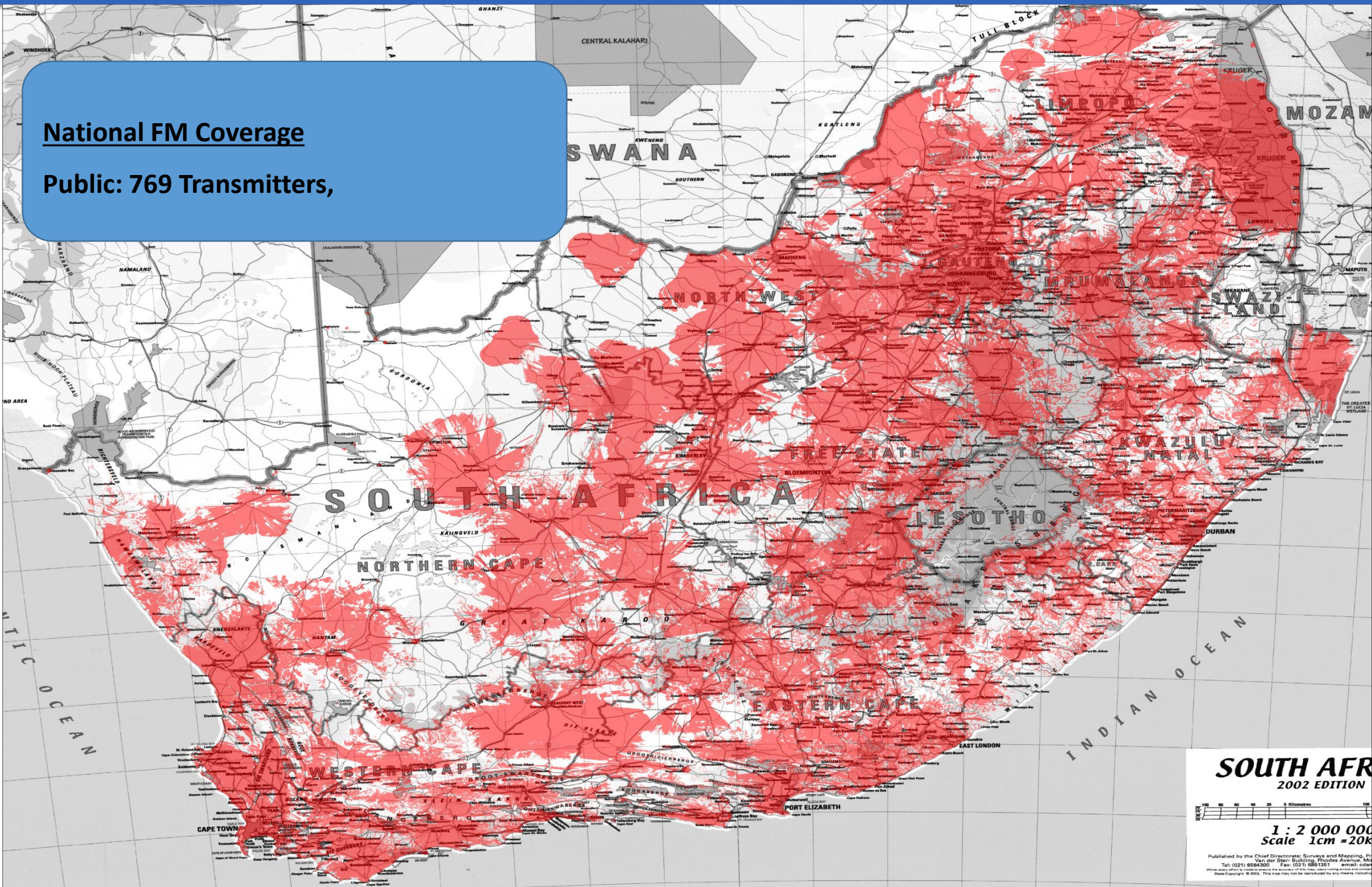
## National Analogue Television Coverage

Public: 792 Transmitter



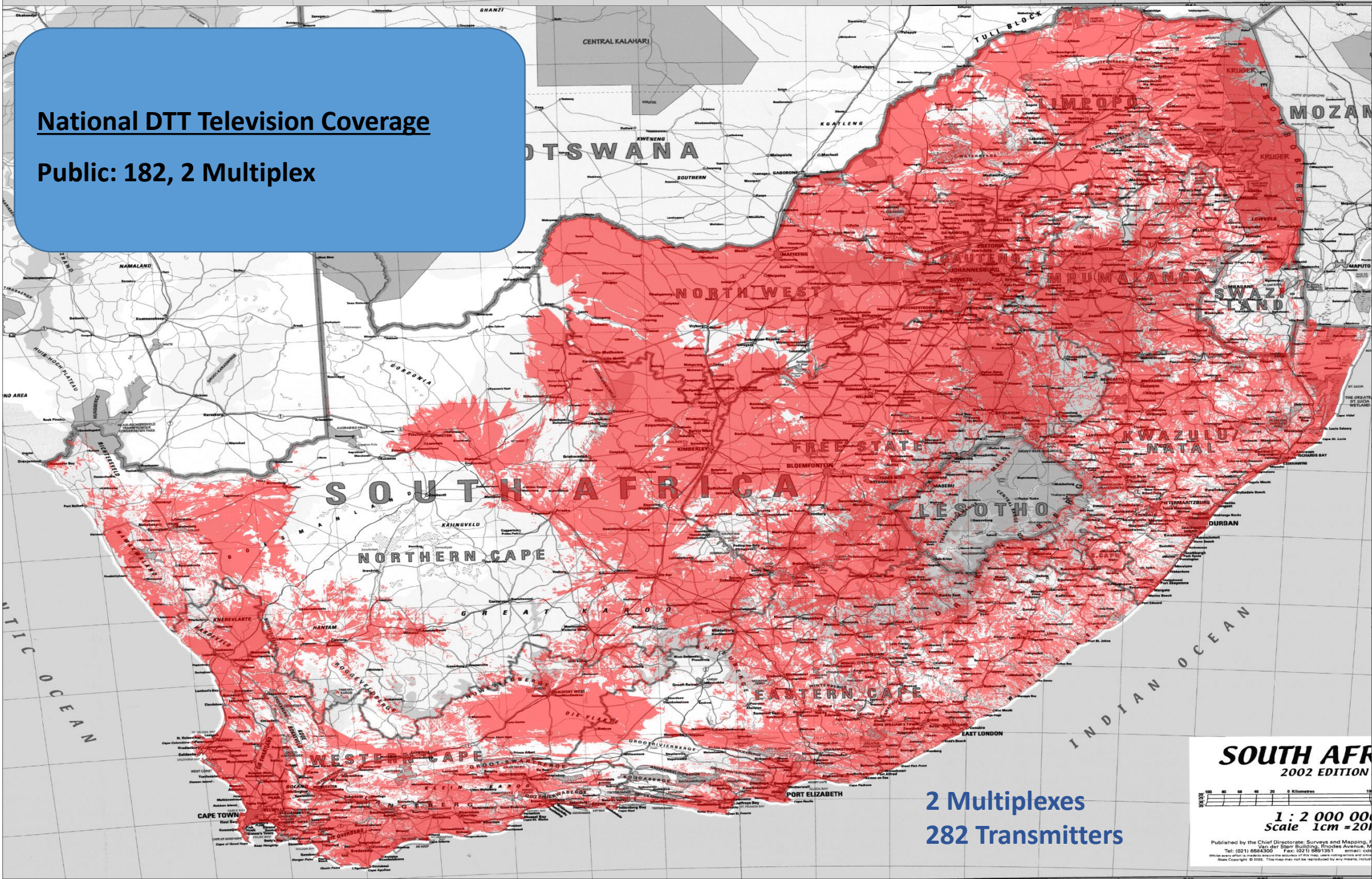
## National FM Coverage

Public: 769 Transmitters,



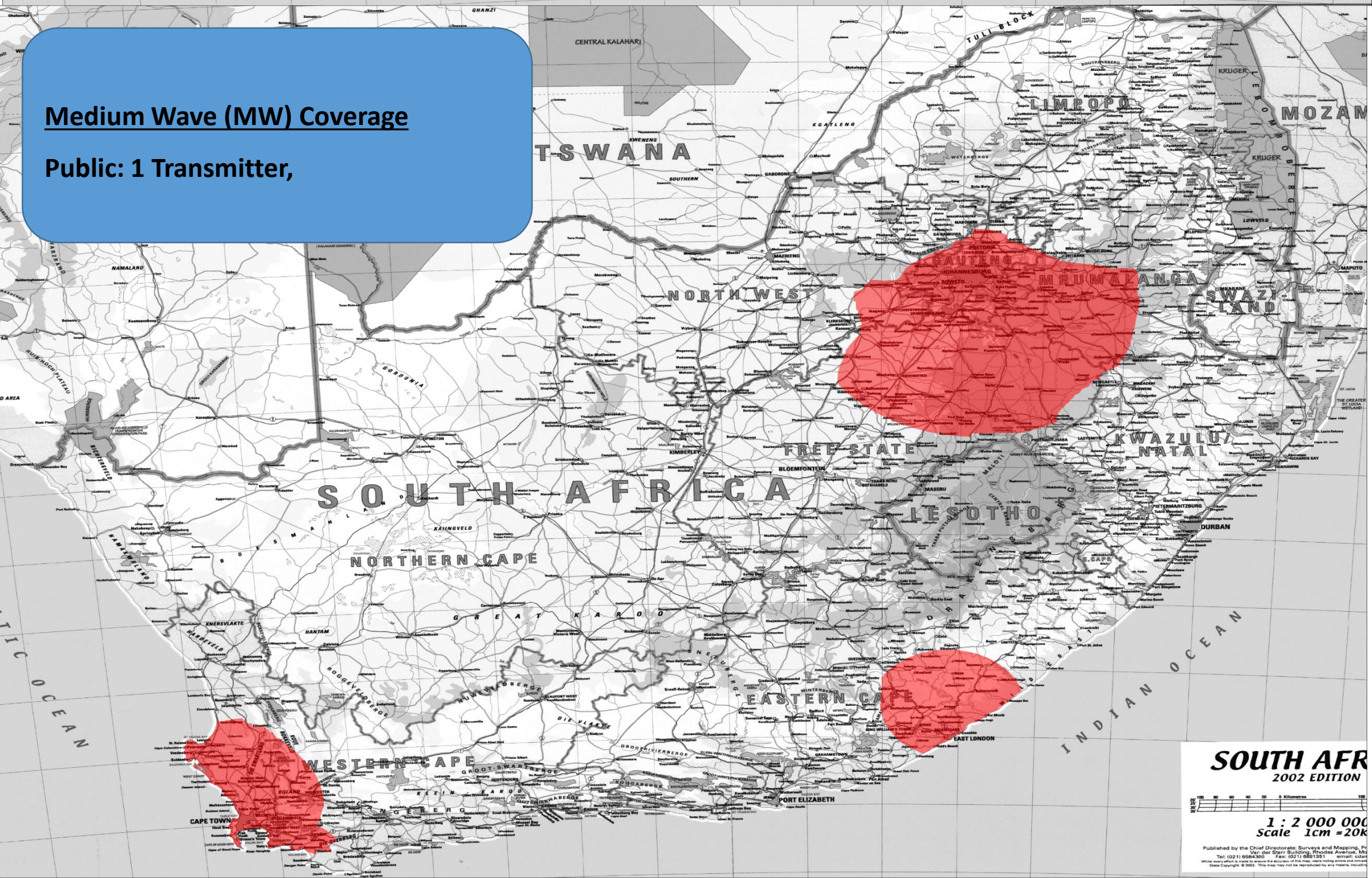
## National DTT Television Coverage

Public: 182, 2 Multiplex



## Medium Wave (MW) Coverage

Public: 1 Transmitter,



2 Multiplexes  
282 Transmitters



# THE SABC TARIFF Drivers

- The maps tell the story of why SABC has to invest in content delivery.
- SABC has a PBS mandate to Educate , Inform and entertain.
- As PBS with a mandate to get their cover the whole country. That's what SENTECH network delivers to the national mandate on behalf of the SABC;
- SABC has the biggest electronic media asset base with 19 radio stations and 5 TV channels ;
- Majority of South Africans rely on SABC as a sole source of information . SENTECH brings that content to the citizens.
- SABC has a mandate to ensure that public service is delivered- Sentech ensures network availability for delivery of the mandate.

# SENTECH BUSINESS MODEL

- SENTECH is a **Schedule 3B** public entity listed under the Schedules of the PFMA.
- The requisite foundation of a Schedule 3B is that the company must be **self sustainable** while observing the pillars of corporate sustainability, namely economic, bottom line, environmental and social. Only new policies are government assisted. Therefore SENTECH cannot expect any bailout from the fiscus.
- The customer base consists of public broadcaster, commercial broadcasters, community broadcasters, facilities leasing and Connectivity customers
- SENTECH is good corporate citizen where the company manages its finances with efficient and effective governance processes.
- Due to the good governance, SENTECH has enjoyed **8 consecutives clean audit opinion** due to the aforesaid good governance.
- We honour our service level agreements (SLA) to customers with 99.80% network availability by managing and maintaining the infrastructure. This preventative maintenance costs a lot of money.
- SENTECH is consistently looking at innovative ways to offer the best quality services in a cost effective manner to its customers.
- The tariff determination takes into consideration all of the above factors.
- The mandate to deliver universal access to broadcasting requires SENTECH to invest in a national network that provides coverage for all customers according to their licence conditions as issued by ICASA.

# SIGNAL DISTRIBUTION COSTS

The average SABC monthly signal distribution cost for above services is **R72,487,082 per month**, and **R869,844,984 per annum** as per below breakdown.

Sub Service	Average monthly billing excl VAT	Average monthly billing incl VAT		Average annual billing excl VAT	Average annual billing incl VAT
Public DTH	89 121	102 489		1 069 454	1 229 872
Public DTT	321 822	370 095		3 861 864	4 441 144
Public FM	20 949 167	24 091 542		251 390 004	289 098 504
Public MW	211 333	243 033		2 535 996	2 916 395
Public TV	41 460 802	47 679 922		497 529 620	572 159 063
<b>Grand Total</b>	<b>63 032 245</b>	<b>72 487 082</b>		<b>756 386 938</b>	<b>869 844 979</b>

- Every financial year, prior to adjusting the tariff for inflation, a 2% discount is offered to the SABC. In the current financial year, the SENTECH Board approved a further 3.7% discount in order to assist the SABC's cashflow problems. Effectively, a 5.7% discount was provided to the SABC.
- A payment holiday covering three (3) months was also granted in order to assist SABC with the difficulties brought by COVID-19. The Payment holiday amounted to R215 million and SABC defaulted in making any payments towards this debt. However, the SABC committed to catch up on any payment backlog by the end of the financial year

# SIGNAL DISTRIBUTION COSTS CONTRIBUTORS

The main contributors are direct services costs related to human capital, technology management, energy, and satellite capacity rental as outlined here below;

COST CONTRIBUTORS	COST AS % OF TARRIFF
Communication and line rental	2%
Sattelite capacity rental	27%
Energy supply costs	13%
Facilities hiring costs	2%
Transport, subsistance and logistic costs	4%
Preventative & Corrective Maintainance	8%
Assets security costs	1%
Human capital costs	37%
Assets refresh	4%
Business continuity	3%



# DTT REDUCED COST BENEFIT

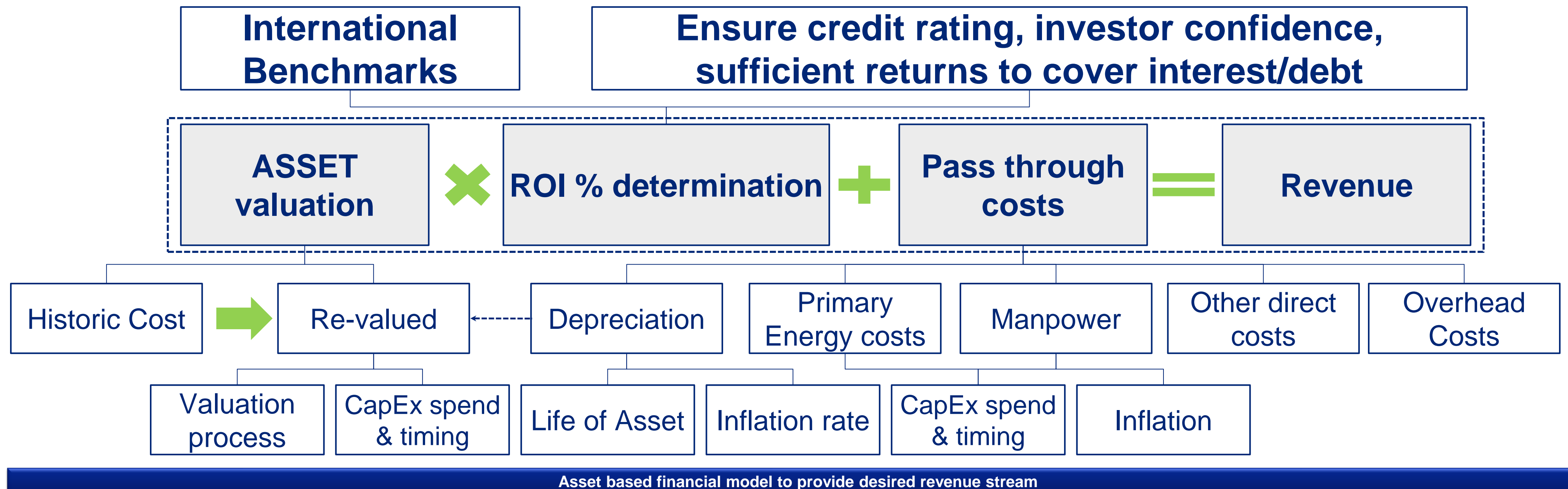
The signal distribution cost for the SABC will reduce by 27% at the national Analogue Switch-Off (ASO).

Analogue Television	Population Coverage	Tariff - 2017	Tariff - 2020	Cost Reduction
Analogue Television	92% Coverage - largest	R413 697 062	R517 121 328	27%
DTT Television	100% (88% +12%) Coverage	R303 962 881	R379 953 601	



# TARIFF METHODOLOGY

For the DTT Network, SENTECH has adopted a new tariff methodology that seeks to balance the transmission costs and the sustainability of the organization.



**Target Revenue** parameters based on:

- **Return on Investment** (total depreciated replacement costs of all assets); plus
- **Depreciation charge** in accordance with the accounting policy applicable to the class of asset and estimated remaining useful life of the asset; plus
- Recovery of **Pass-through costs** (Direct and overhead costs).



# CONCLUSIONS

- The biggest cost for delivering signal distribution are Satellite leasing and human resources cost. These are key to successful content delivery in a country with a vast geographic terrains as RSA.
- SENTECH has been made aware by the SABC that they are considering a new strategy for Digital television.
- SENTECH is engaging with SABC to understand how we can assist in delivering on their mandate;
- The issue of SENTECH tariffs has been raised by the SABC . Both companies are engaging in the long term solution. In the interim, SABC bills must continue being paid .
- SENTECH has to stay sustainable whilst assisting SABC to remain sustainable. We are partners .
- SENTECH does this by providing reliable network so that SABC audiences continue to receive uninterrupted service.
- SENTECH is committed to provide a multiplatform service to all its customers. These include, DTT, DTH, OTT ( Online Streaming) in a cost effective way.



# DISCUSSIONS...