RISE UP SABC!
PHAKAMA SABC!
VUKA SABC!
PFUKA SABC!
TAN È SABC!
STYG UIT SABC!
EMELELA SABC!
TAKUWANI SABC!
PHAHAMA SABC!
GOLA O AKALALE SABC!

PRESENTATION TO THE SELECT COMMITTEE ON PUBLIC ENTERPRISES AND COMMUNICATIONS

NOVEMBER 2021

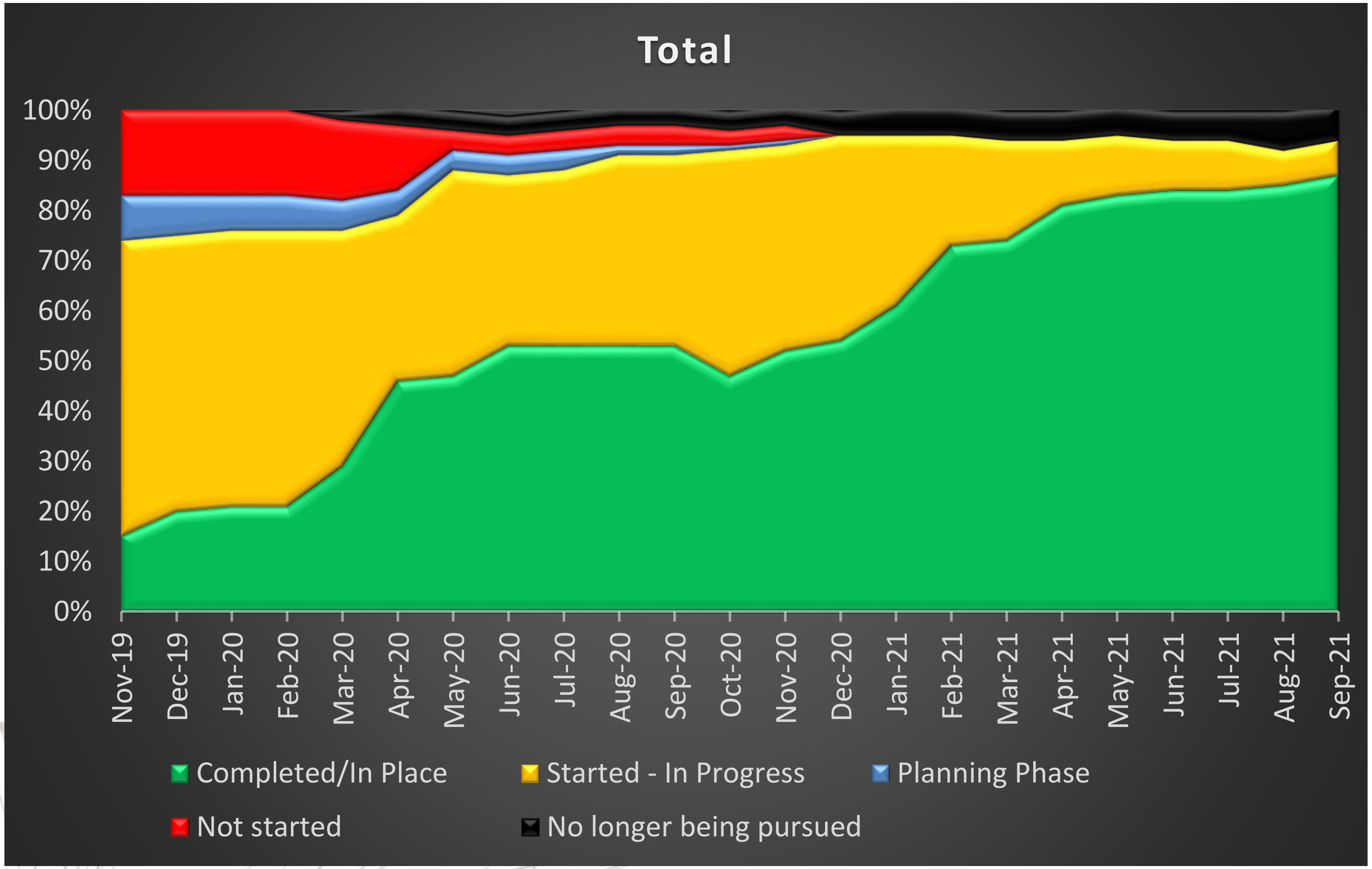
SABC

CONTENTS

SABC

TURNAROUND PLAN IMPLEMENTATION

TURNAROUND PLAN IMPLEMENTATION PROGRESS – SEPTEMBER 2021



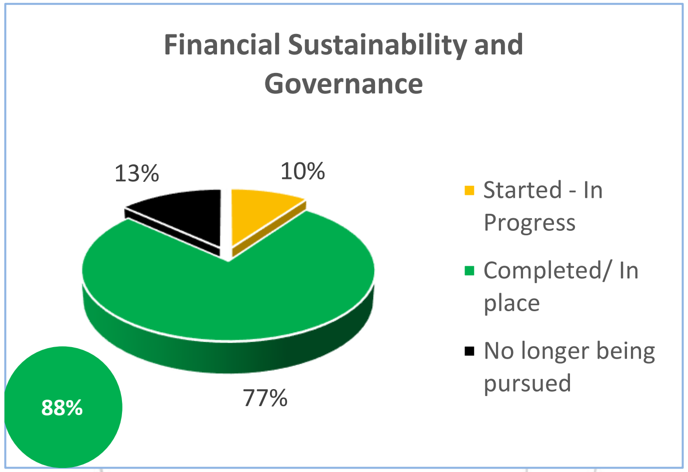
Of the 120 key actions in the SABC Turnaround Plan, ***87%*** *(104)* have been ***completed or are in place twenty-three (23) months into the 36-month implementation period***;

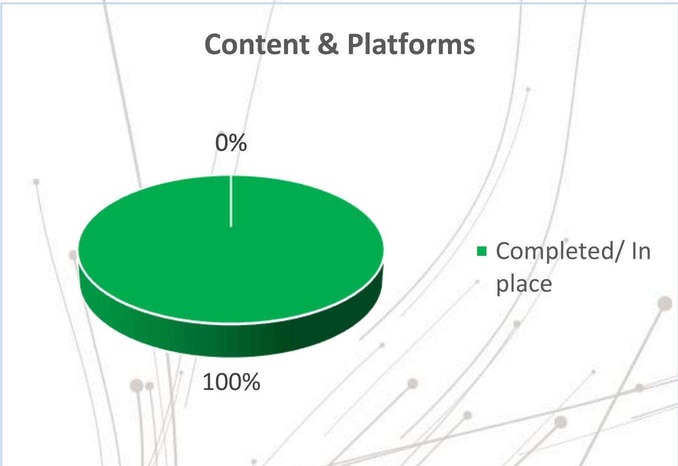
Of the 120 key actions, the Corporation will ***no longer be pursuing 8 key actions***;

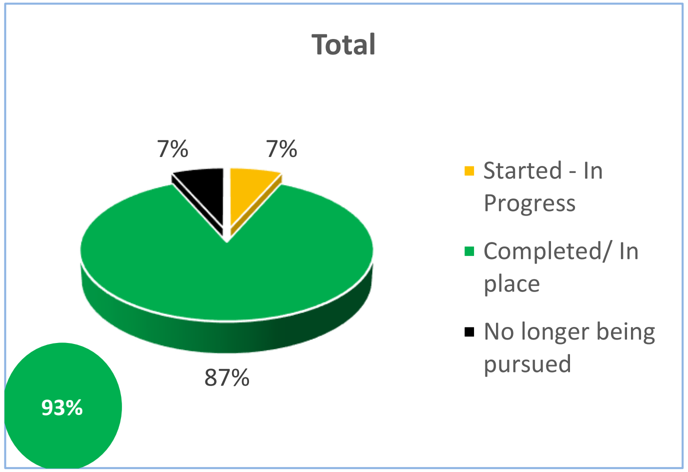
When you factor out these 8 key actions, the ***percentage of key actions that have been completed or are in place becomes 93%.***

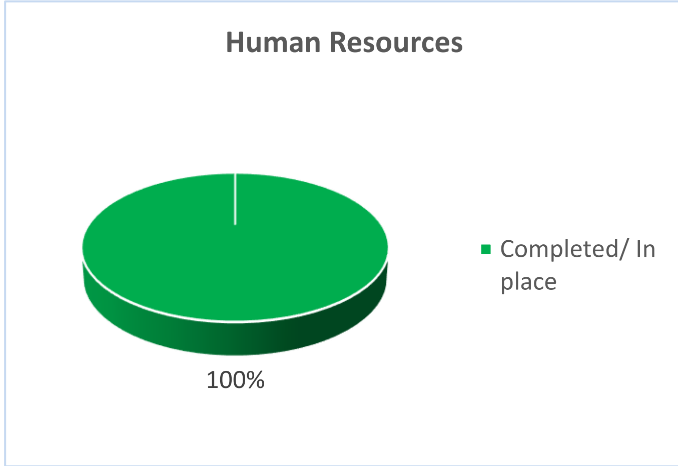
** - For legislative and regulatory-related key actions, these are marked as 'Complete/ In Place' in our progress reports whenever the SABC has made all required review participation submissions and awaits further engagements from DCDT and regulators. Otherwise they are captured as 'Started – In Progress'.

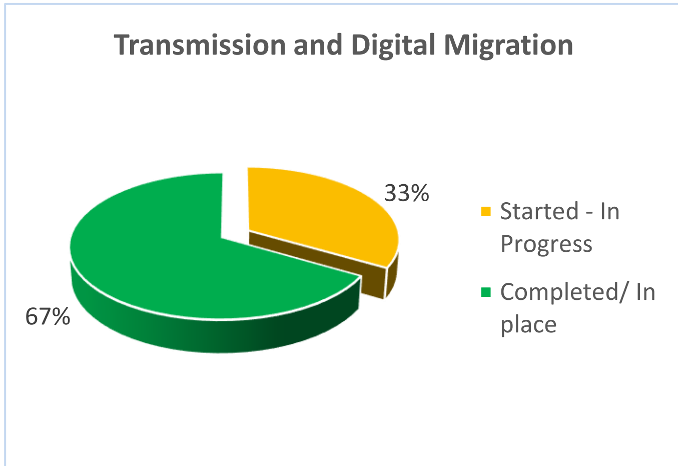
TURNAROUND PLAN IMPLEMENTATION PROGRESS – SEPTEMBER 2021







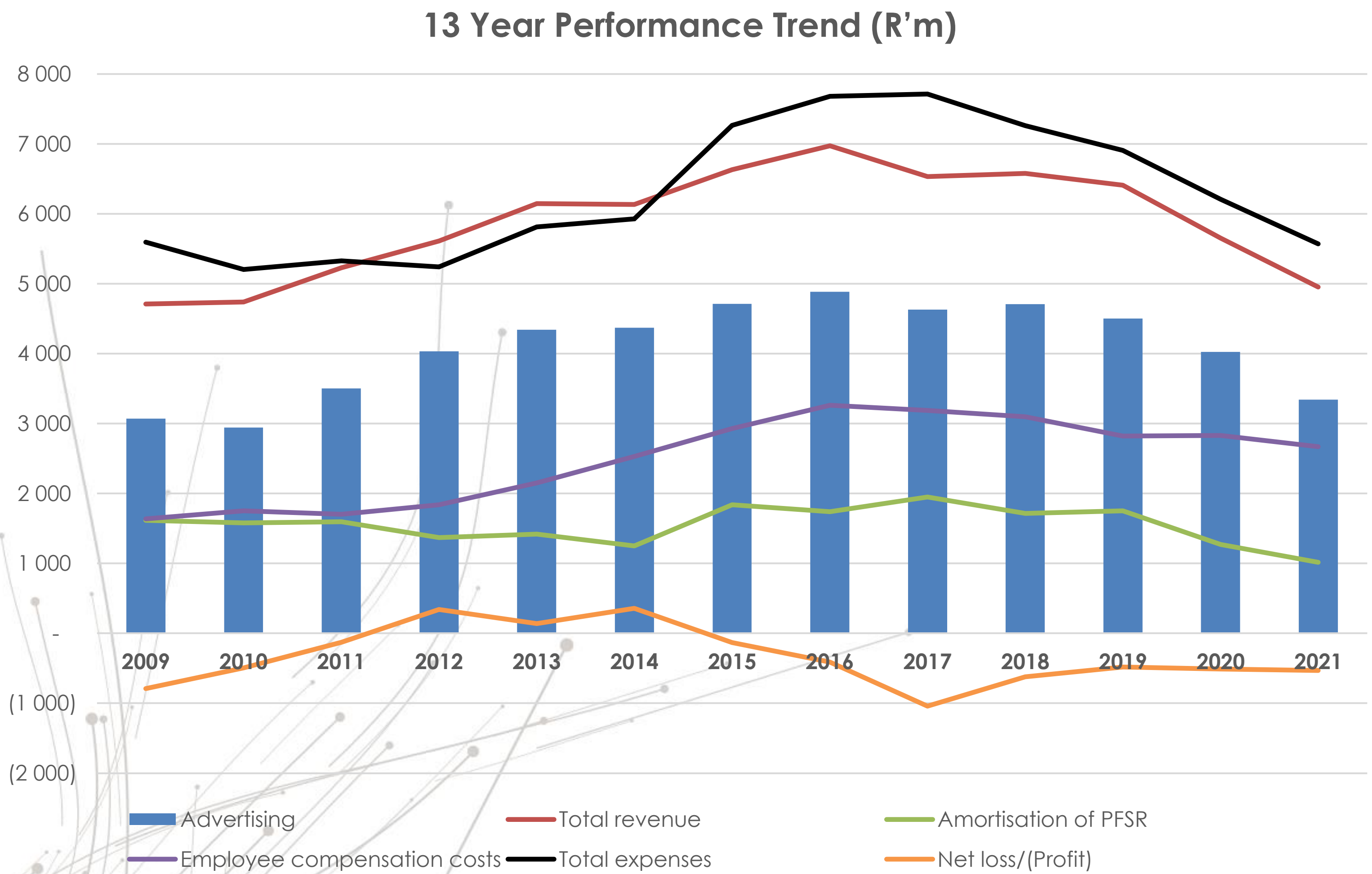




STABILISING THE FINANCIAL CHALLENGES OF THE SABC

SUMMARY FINANCIAL PERFORMANCE 2009 to 2021

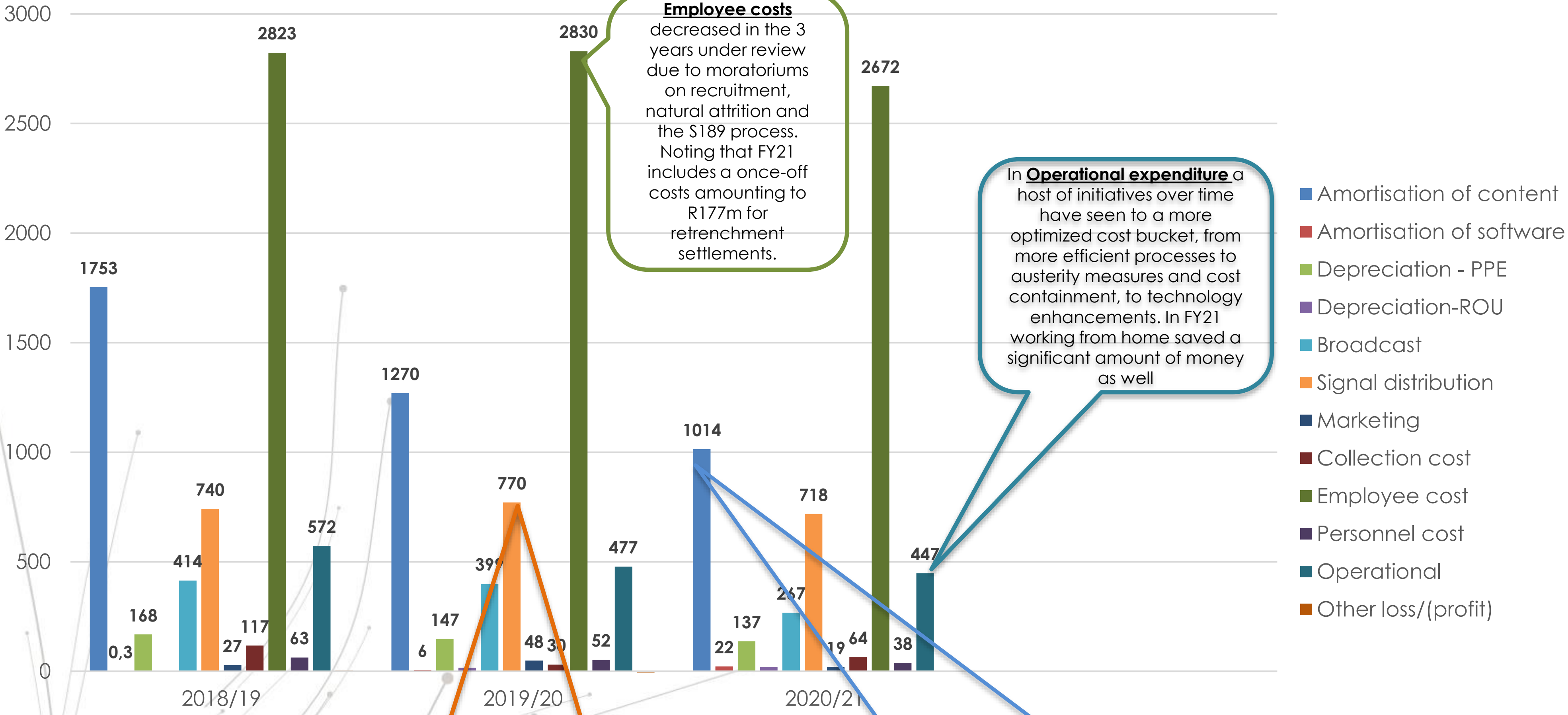
THIRTEEN-YEAR PERFORMANCE TREND



- The losses have managed to stabilise despite the significant losses in revenue in the last three years
- Although COVID-19 accelerated the decline in revenue, this has been in decline since 2016
- In the last three to five years, management has managed to keep employee costs from increasing
- Decline in content investment over the last three financial years may be a cause for concern. This was worsened by COVID-19 related production restrictions. These matters are receiving management attention.

EXPENDITURE PERFORMANCE FY19 – FY21

THREE YEAR PERFORMANCE (R'MILLION)



Employee costs decreased in the 3 years under review due to moratoriums on recruitment, natural attrition and the S189 process. Noting that FY21 includes a once-off costs amounting to R177m for retrenchment settlements.

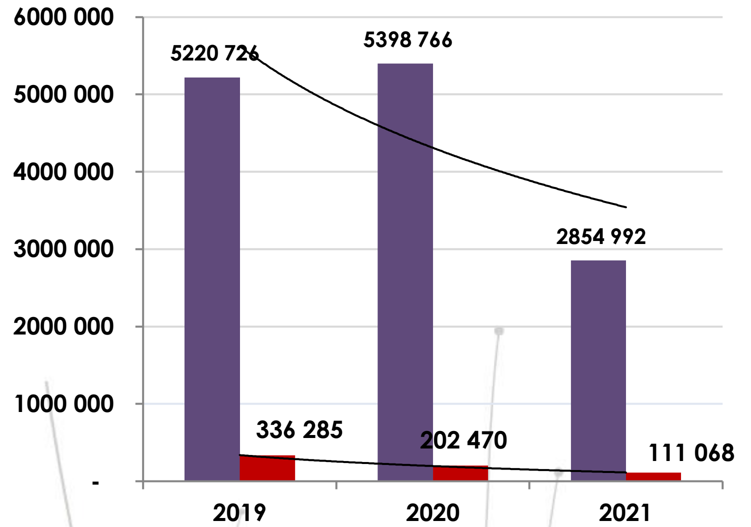
In **Operational expenditure** a host of initiatives over time have seen to a more optimized cost bucket, from more efficient processes to austerity measures and cost containment, to technology enhancements. In FY21 working from home saved a significant amount of money as well

Signal and Distribution cost remains a key cost driver. A transmitter audit and chart of accounts interrogation were initiated. Furthermore, from a financial perspective it was negotiated that no tariff increase is implemented in FY21 and there was an additional cash discount. An application was also lodged with the Competition Commission to investigate the unfair and uncompetitive pricing experienced by the SABC.

Content investment reflects a decline due to the cashflow challenges in FY19 and FY20,the Corporation assessing its content acquisition performance parameters and the suspension of long running lossmaking contracts or renegotiations of contracts, instability in leadership and the stabilisation/strengthening of the governance and internal control environments that were required. In FY21 once again lower investment was due to the lockdown restrictions and disruptions caused by positive cases which halted production repeatedly and with every new wave. Under the new leadership, the team refined its content acquisition strategy and metrics. The spent is expected to increase once again going forward.

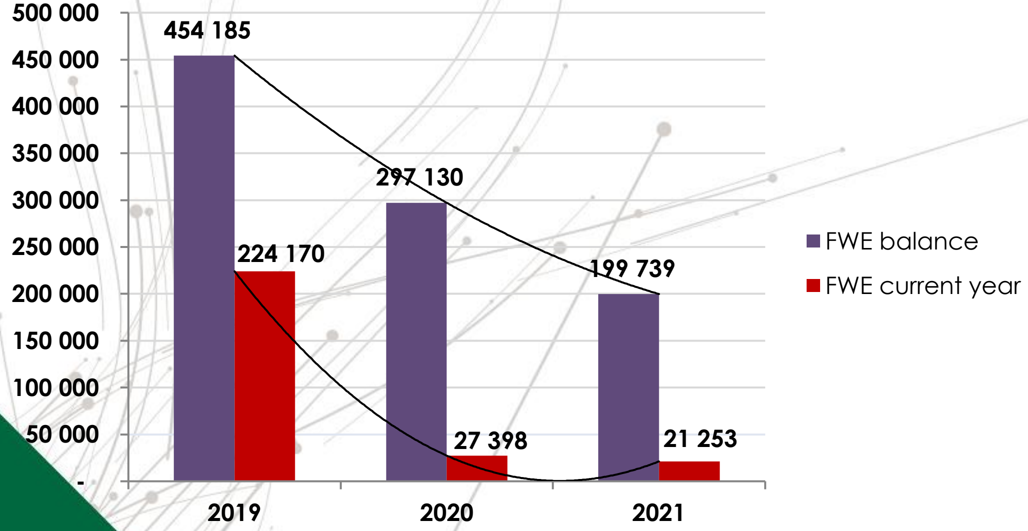
IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE FY19 – FY21

IE ANALYSIS OVER A 3 YEAR PERIOD (R`000)



R`000	2019	2020	2021
IE- Balance	5,220,726	5,398,766	2,854,992
IE- Movement	243,426	178,040	(2,543,774)
% Increase/(decrease)	**5%**	**3%**	**(47)%**
IE – current year	336,285	202,470	111,068
IE -current year movement	(235,211)	(133,815)	(91,402)
% Increase/(decrease)	**(41%)**	**(40%)**	**(45%)**

FWE ANALYSIS OVER A 3 YEAR PERIOD (R`000)



(R`000	2019	2020	2021
FWE-Balance	454,185	297,13	199,739
FWE-Movement	224,17	(157,055)	(97,391)
% Increase/(decrease)	**97%**	**(35%)**	**(33%)**
FWE – current year	224,17	27,398	21,253
FWE current year movement	140,149	(196,772)	(6,145)
% Increase/(decrease)	**167%**	**(87%)**	**(22%)**

SABC

AUDIT OUTCOME ANALYSIS FY17 – FY21

	AUDIT OPINION				
	2017	**2018**	**2019**	**2020**	**2021**
OVERALL OPINION	**ADVERSE**	**DISCLAIMER**	**QUALIFIED**	**QUALIFIED**	**QUALIFIED**
FINANCIAL STATEMENTS					
Property, plant & equipment	🔴	🔴	🔴	🟢	🟢
Irregular expenditure	🔴	🔴	🔴	🔴	🔴
Going concern	🔴	🔴	🟢	🟢	🟢
Programme, film & sports rights	🟢	🔴	🟢	🟢	🟢
Trade & other payables	🔴	🔴	🟢	🟢	🟢
Taxation	🟢	🔴	🟢	🟢	🟢
Deferred government grant	🔴	🟢	🟢	🟢	🟢
Expenditure	🔴	🟢	🟢	🟢	🟢
PERFORMANCE INFORMATION	🔴	🔴	🔴	🟢	🔴
COMPLIANCE	🔴	🔴	🔴	🔴	🔴

AUDIT FINDINGS (Count)	**2018**	**2019**	**2020**	**2021**
Material AGSA audit findings	68	28	23	7
Immaterial AGSA audit findings	146	99	74	79
TOTAL	214	127	97	86

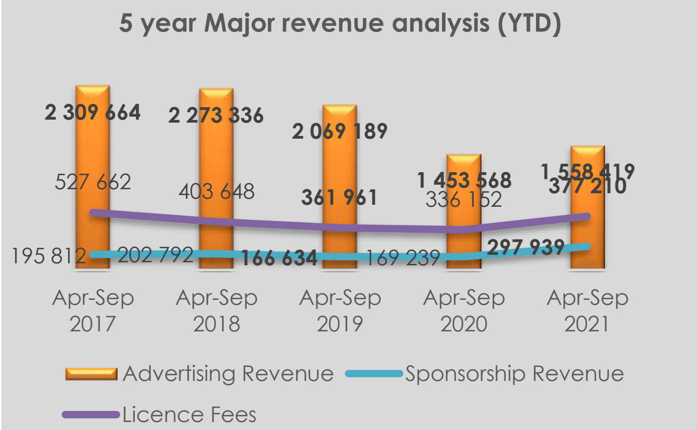
EXECUTIVE SUMMARY OF FINANCIAL PERFORMANCE YTD - SEPT 2021

Description	Quarter						Year to date					
	Prior Year 2020	Prior Year 2021	Budget	Actual	Variance	%	Prior Year 2020	Prior Year 2021	Budget	Actual	Variance	%
Revenue	(1,421,115)	(1,188,436)	(1,607,871)	(1,213,737)	(394,133)	(25)	(2,835,089)	(2,176,535)	(3,026,048)	(2,461,599)	(564,450)	(19)
Other income	(2,375)	(4,159)	(6,505)	(2,757)	(3,748)	(58)	(5,794)	(6,315)	(13,010)	(4,485)	(8,525)	(66)
Revenue & other income	**(1,423,491)**	**(1,192,595)**	**(1,614,376)**	**(1,216,494)**	**(397,882)**	(25)	**(2,840,883)**	**(2,182,850)**	**(3,039,059)**	**(2,466,084)**	**(572,975)**	(19)
Expenses	1,556,924	1,499,145	1,825,442	1,380,214	445,228	24	3,162,720	2,851,304	3,530,673	2,675,780	854,893	24
Operating loss before finance costs and tax	**133,434**	**306,550**	**211,066**	**163,720**	**47,346**	**22**	**321,838**	**668,454**	**491,615**	**209,697**	**281,918**	**57**
Finance income	(3,681)	(22,199)	(5,004)	(16,259)	11,256	225	(6,468)	(50,753)	(10,007)	(32,796)	22,788	228
Finance expenses	21,628	2,916	328	7,988	(7,660)	(2,337)	28,304	3,795	656	6,729	(6,074)	(927)
(Profit)/Loss for the year before tax	**151,380**	**287,267**	**206,390**	**155,449**	**50,941**	25	**343,673**	**621,496**	**482,263**	**183,631**	**298,632**	62

- The SABC reported a loss of R155,4m for Q2 (YTD loss of R183,6m).
- Revenue for the Quarter is below budget by R394,1m and YTD by R564,5m. The revenue was higher than Q2 FY2021 by R25m/2% (FY2020 lower by R207,4m/14,6%) and YTD higher than Q2 FY2021 by R285m/13% (FY2020 lower by R373,5m/13,2%).
- Advertising revenue is below budget for Quarter by R289,7m (YTD: R409,1m). Sponsorship revenue exceeded budget by R35,0m/31% (YTD: R80,4m/37%). Initiatives to reduce the deficit from the budget YTD over the remainder of the fiscal are underway.
- TV Licence cash revenue recognized YTD R377,2m, which was R56,7m (8%) below budget. However, this is a year-on-year increase of R41,1m (12%).

- Of the R1.398bn cash on hand, R417m is funding dedicated to acquisition of content and R490m for capex from the National Treasury funding received.
- YTD expenses are R854,9m better than budget, due to R332,2m savings and underspending in operating expenses, R126,4m savings in Broadcasts costs and a R221,4m underspent in content amortisation.
- There is also a R165,8m savings in Employee costs as of 30 September 2021.
- YTD - PCS Radio (R84,8m) & PBS Video and Entertainment (R345,8m) operations are profitable after accounting for the overhead allocations.

5 YEAR MAIN REVENUE LINE ITEMS ANALYSIS



- Sponsorship revenue continues exceeding 5-year analysis actuals. Revenue in general has seen increases though not to the pre-Covid-19 pandemic levels
- Licence Fees revenue exceeds YTD 2019 numbers.

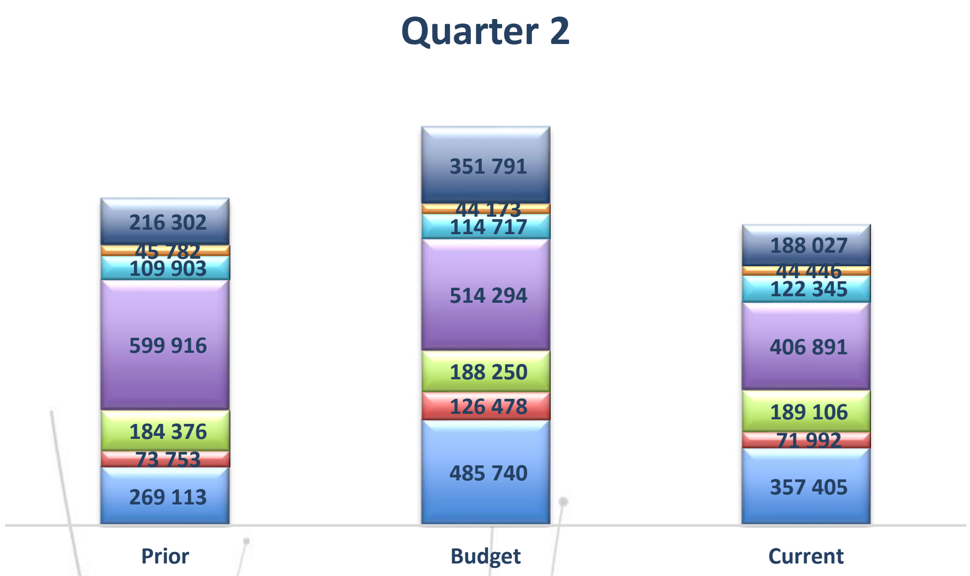
SABC

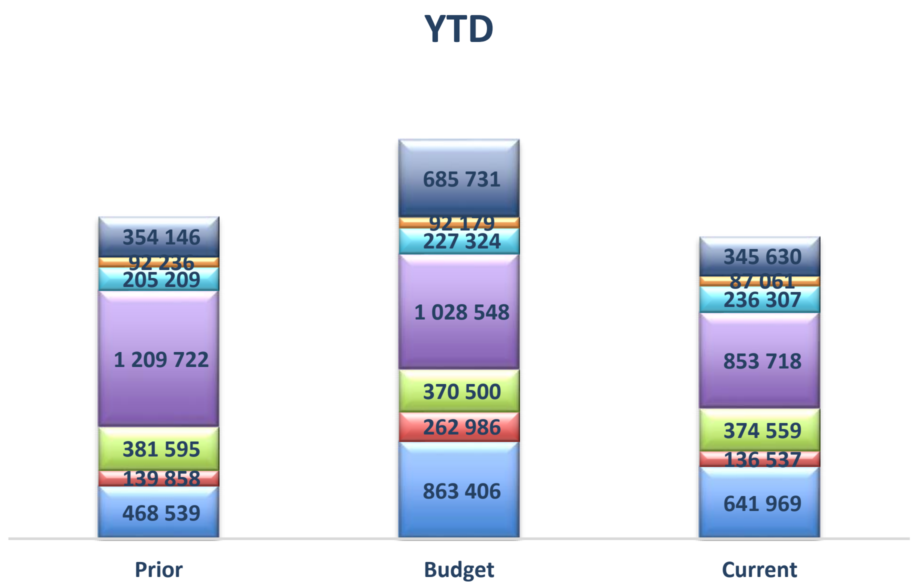
CONSOLIDATED PERFORMANCE TV LICENCES

	Quarter 2					Year to Date				
	Prior R'000	Budget R'000	Actual R'000	Variance R'000	%	Prior R'000	Budget R'000	Actual R'000	Variance R'000	%
Renewals	112,673	151,188	138,773	(12,415)	(8.2)	218,710	278,730	249,621	(29,109)	(10.4)
New Licences	25,819	25,952	18,258	(7,694)	(29.6)	42,296	51,020	37,836	(13,184)	(25.8)
DCA	94,834	126,600	84,271	(42,329)	(33.4)	126,087	236,100	165,206	(70,894)	(30.0)
GIS	0	9,856	733	(9,123)	(92.6)	0	11,530	733	(10,797)	(93.6)
Total Cash Collections	**233,326**	**313,596**	**242,035**	**(71,561)**	**(22.8)**	**387,093**	**577,380**	**453,396**	**(123,984)**	**(21.5)**
Revenue Recognised	**184,929**	**246,704**	**193,767**	**(52,937)**	**(21.5)**	**336,152**	**433,953**	**377,210**	**(56,743)**	**(13.1)**

- Renewals -YTD R249.6m achieved against budget of R278.7m resulting in a shortfall of R29.1m (10%). Y-O-Y performance improved R30.9m (14%}
- New Licences - YTD R37.8m achieved against budget of R51m resulting in a shortfall of R13.2m (26%). Y-O-Y performance declined by R 4.5m (11%)
- DCA - YTD R165.2m achieved against budget of R236.1m resulting in a shortfall of R70.9m (30%). Y-O-Y performance improved by R39.1m (31%)
- GIS – YTD R733K achieved against budget of R11.5m resulting in a shortfall of R10.8m (94%). Noting though the delayed start of the initiative due to the delays in the implementation
- TV Licences continue to drive marketing campaigns to encourage payments and promote brand awareness. The campaigns include the following:
  - New co-branded programme promotions has been booked from 1 July in order to promote content and payment and improve brand relevance through prominent television shows with on-air talent including Expresso and Afternoon Express on SABC 3; Muvhango on SABC 2 and Uzalo on SABC 1.
  - The first of the new "pay less than 74 cents a day" campaigns was successfully launched from the second quarter in order to refresh and increase brand affinity and relevance to SABC television content.
  - TV Licences brand featured on most SABC digital sites including SABC social media platforms and TV Licences E-Billing communication over the period under review. This includes the brand and partnership campaigns.

EXPENSES FOR THE QUARTER AND YTD





Amortisation (PFSR) | Broadcast costs | Signal | Permanent | Non permanent | Depreciation & Amortisation (IA) | Other costs

Other costs include Marketing costs, Collection costs, Consulting fees, Personnel costs, Operational, Administration, Impairment Other

MAIN EXPENDITURE DRIVERS

PERMANENT EMPLOYEE COST
(R107.4M) (21.0%)
(YTD: R174.8M) (17.0%)

Employee costs are less than the budget. There are a number of vacant positions that are realising a monthly saving. Permanent employee cost as a % of Revenue 34.6% YTD and as a % of cost 31.9% YTD

CONTENT AMORTISATION
(+R128,3M) (+26%)
(YTD: +R221,4M) (+26%)

The month of August was characterized by Platforms accommodating Olympic and Paralympic games across different channels particularly on SABC2. Other reasons for underspend included for example delayed titles and negative ROI etc.

BROADCAST COSTS
(R54,4M) (43%)
(YTD: R126,4M) (48%)

The broadcast cost is underspend because of less Trade Exchanges, production costs and royalties.

SIGNAL & DISTRIBUTION COSTS
(-R0,9M) (0%)
(YTD: -R4,1M) (-1%)

The overspending was due to high tariff from Sentech.

OTHER OPERATIONAL COSTS
(+R155,0M) (+22%)
(YTD: +R332,2M) (+24%)

Savings are mainly attributable to reduced electricity consumption, general building maintenance, canteen management and less marketing costs incurred.

BUDGET SAVING AND UNDERSPEND

(+R445,2M) (24%)

(YTD +R854,9M) (24%)

COMPLIANCE – AUDIT FINDINGS TRACKER

EXTERNAL AUDIT – 2021 (AGSA)

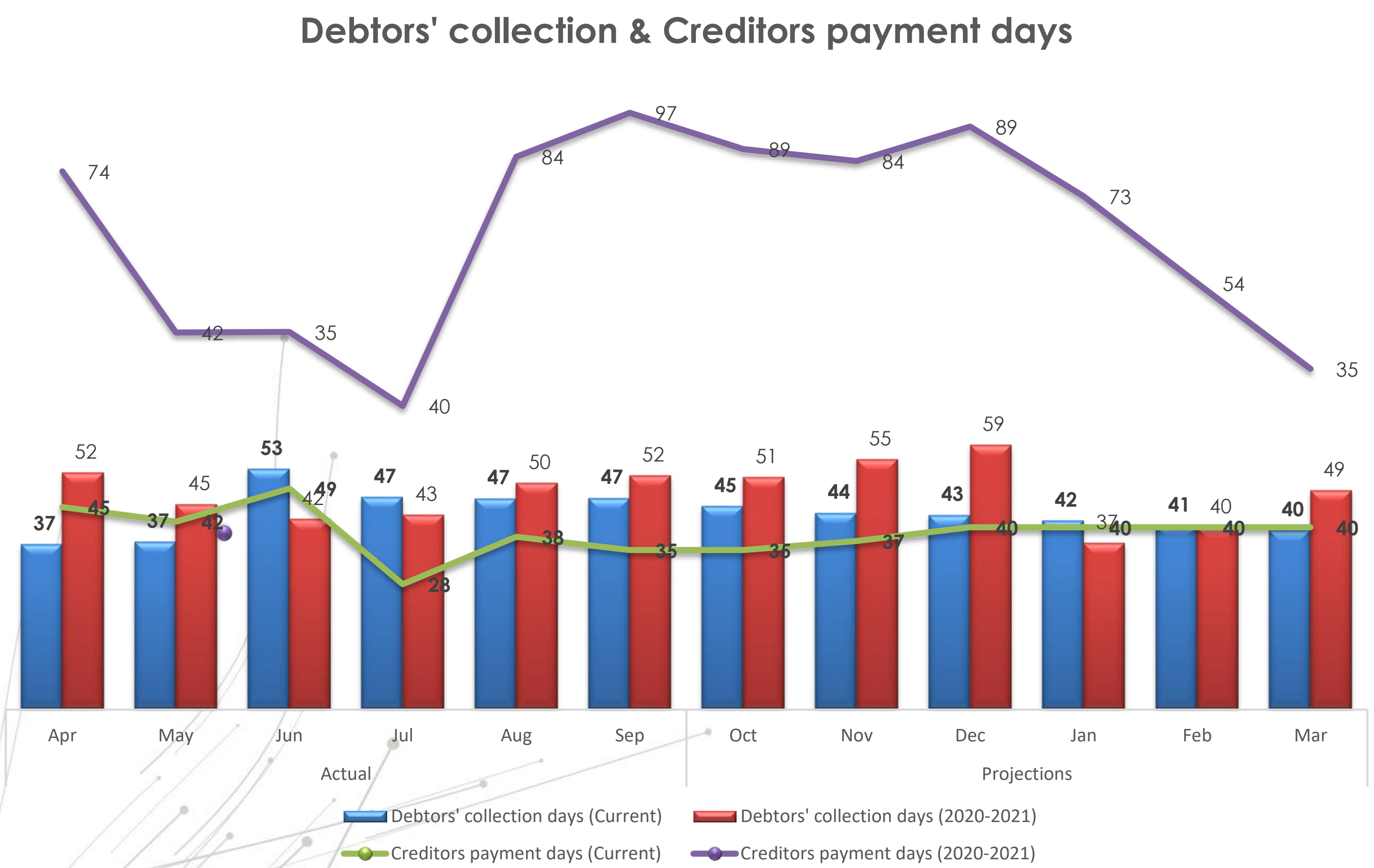
Count of Finding Status	Finding Status			
Division	**Open**	**InProgress**	**Completed**	**Total**
Finance	14	11	19	**44**
Group Human Resources	2		3	**5**
News & Current Affairs	1			**1**
Office of the GCEO			1	**1**
Operations	2			**2**
Radio	2			**2**
Sales	1	1	2	**4**
Supply Chain Management	6	1	2	**9**
Technology	15	1	2	**18**
TV Licenses	2		1	**3**
Video Entertainment	3	1	1	**5**
Grand Total	**48**	**15**	**31**	**94**
Percentage	51%	16%	33%	100%

INTERNAL AUDIT

Count of Finding Status	Finding Status				
Division	**Open**	**InProgress**	**UnResolved**	**Completed**	**Grand Total**
Corporate Affairs & Marketing	1			**3**	**4**
Finance	2			20	**22**
GCEO & Regions				1	**1**
Governance Risk & Compliance				2	**2**
Group Human Resources		4		24	**28**
Legal Services				13	**13**
Logistical Services	6			20	**26**
News & Current Affairs	8			2	**10**
Radio	10	1		23	**34**
Sales	4	5		10	**19**
Video & Entertainment (formerly Sports)	16			2	**18**
SAP CCC			1	3	**4**
Supply Chain Management			2	30	**32**
Technology	1	14		33	**48**
TV Licences	1			1	**2**
Video & Entertainment (formerly Television)	38	7	2	23	**70**
Grand Total	**87**	**31**	**5**	**210**	**333**
Completion rate	**26%**	**9%**	**2%**	**63%**	**100%**

- The AGSA audit was completed a month later than normal and this contributed to the overdue findings not being finalized by 30 September 2021.
- The total number of findings issued by IA are 333 for 2020 and 2021 financial period of which 52 relate to 2021.

WORKING CAPITAL MANAGEMENT YTD SEPTEMBER 2021



WORKING CAPITAL MANAGEMENT

Creditor Payment Terms
35 days (97 days)
Target 159 days

Trade creditors	(83,702)
Accruals	(120,851)
Programme, film & sports rights (accrual)	(139,989)
Other payables	(174,200)
Total	**(518,741)**

CREDITORS' AGEING

Ageing	Current	30 - 90 days	120 days - 1 year	> 1 year	Total
Creditors	(1,987)	(76,229)	(900)	(4,585)	(83,702)
%	2%	91%	1%	5%	100%

Debtor Collection
47 days (52 days)
Target 45 days

Trade debtors	548,040
Impairment	(37,329)
Other receivables	83,761
Total	**594,473**

DEBTORS' AGEING

Ageing	Current (* up to 59 days)	60 - 90 days	120 days - 1 year	> 1 year	Total
Debtors	484,551	13,474	(14,765)	64,780	**548,040**
%	88%	2%	-3%	12%	**100%**

FINANCIAL POSITION REVIEW (vs PRIOR YEAR COMPARATIVE PERIOD)

CURRENT RATIO
1.49 TIMES (2.1TIMES)
TARGET 1.63 TIMES

DEBTOR COLLECTION
47 DAYS (52 DAYS)
TARGET 45 DAYS

CREDITOR PAYMENT TERMS
35 DAYS (97 DAYS)
TARGET 159 DAYS

CASH BALANCE
R1.398 BN (R1.99B PRIOR YEAR)

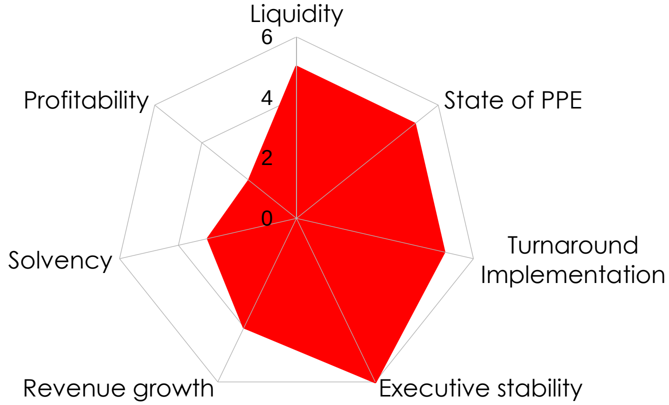
BALANCE SHEET	Sep-20 R'000	Sep-21 R'000
Non- current assets	2,400,437	3,324,771
Current assets	2,970,715	2,486,922
ASSETS	**5,371,152**	**5,811,693**
Equity	2,505,506	2,602,780
Non-current liabilities	1,408,959	1,780,842
Current liabilities	1,456,687	1,428,071
TOTAL LIABILITIES	2,865,646	3,208,913
EQUITY & LIABILITIES	**5,371,152**	**5,811,693**

FINANCIAL ANALYSIS

The SABC at the end of the month had **R1.398 bn** cash reserves. The cash reserves are stable mainly due to ring-fencing of these funds of R1,071 bn only utilised for content and capex in the medium term.

The financial position of the SABC is relatively healthy, having a current ratio of **1.49**. Solvency of the SABC is also quite healthy with a **1.90** coverage ratio.

Pillars on Going Concern



The SABC must work on improving the pillars of revenue growth and profitability to address the going concern risk in the medium term. Current projections are that, without improvement in the two pillars, the going concern risk remains high in the medium term. The Turn Around Strategy (TAS) implementation and Profitability, Solvency and Revenue Growth will show a lag.

- These are the considered pillars for sustainability of the organisation
- If the full area of the graph is shaded then going concern operations will be sustained
- Maximum rating of 6 relates to target or optimal levels
- Liquidity & Solvency still mainly driven by NT funding and not operational results

HEADCOUNT AND COMPENSATION COST

SABC HEADCOUNT AND COMPENSATION COST

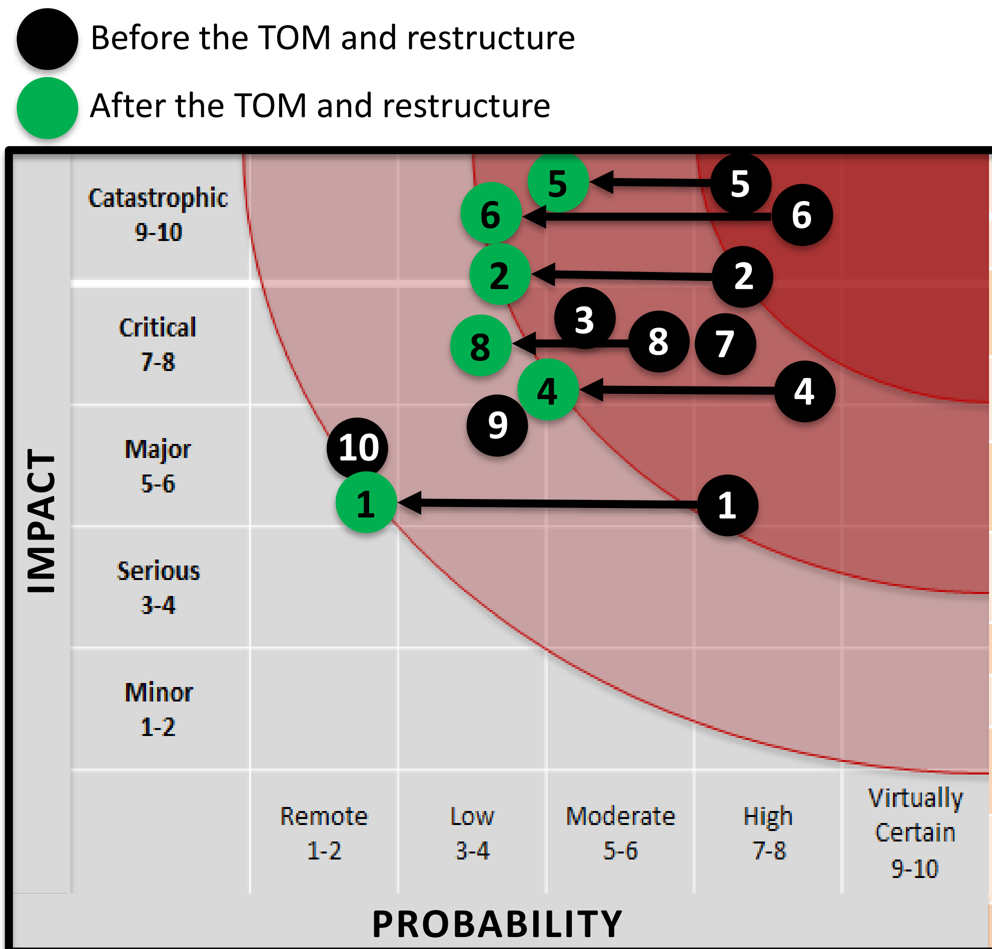
- Headcount as at 31 March 2021 was 2117 of permanent filled positions vs a total number of 3 465 positions on the structure, with total compensation bill of R2 250 billion;
- Post sec189, the total number of approved positions is 2 684 on the new structure. On the new structure there were 448 vacancies as at 30 September 2021. These are the positions which were created due to early retirements, newly created and those created by employees who took voluntary severance package (VSP) during the February-March 2021 Sec189 process;
- During the period April - September 2021, there were 70 terminations, 46 of which were voluntary resignations;
- This year's total compensation is projected to be about R1.8 billion

	31 March 2021	30 September 2021
Headcount	2 117	2 236
Compensation Cost	R2, 25 billion	R853 717 855 (YTD)
Projected Compensation		R1, 80 billion
Total no. of positions in structure	2 684 (1 April 2021)	-
Vacancies		448
Appointments made		260

- The recruitment process to fill all vacancies as created through the restructuring process is ongoing. Positions have been categorised as priority one and two and a plan was put in place to fill all priority one positions within a six month period after which priority two positions would be attended to;
- To date 260 appointments have been made. This process is progressing well even though new vacancies are created through employees accepting new positions and their existing positions then becoming vacant and having to be filled.

OPERATIONAL SUSTAINABILITY

OPERATIONAL STABILITY HEAT MAP



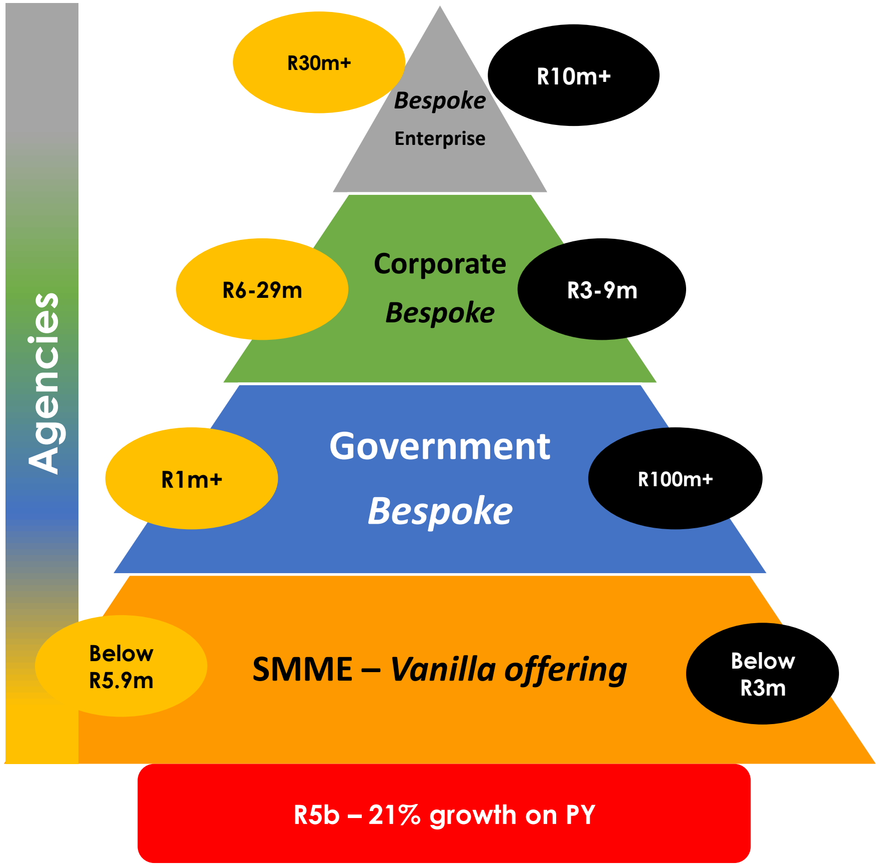
NO	RISKS	COMMENTS
1	Recruiting, develop & retaining the right people	Excellent talent retention & recruiting
2	Failure to implement DTH	Part of ASO solution & 3rd Party agreements
3	Failure to implement digital modernisation	Part of ASO and SABC strategy, including OTT
4	Regulatory developments with adverse impact on business model and profitability	ECA and Broadcast Act review
5	No support and/or lack of urgency for BDM policy & ICASA regulatory reforms	Commitment to process exception
6	Failure to achieve revenue projections	Positive revenue improvements
7	Key system failures	Aggressive technology renewal plans
8	Inadequate customer value proposition	New business model and structure is more customer centric
9	Failure to implement divisional turnaround plans	Good embedment of new business models and divisional plans
10	Addressing the legacy of governance challenges	Most of the legacy issues are resolved

REVENUE GENERATION

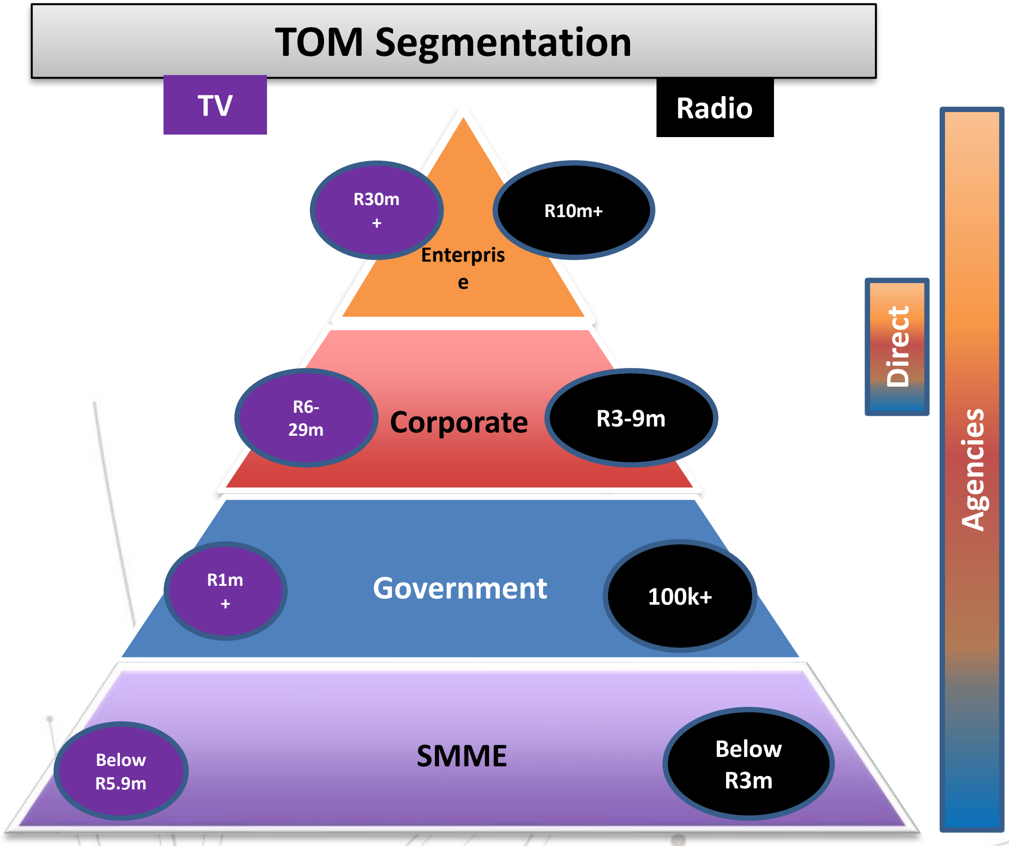
FISCAL'22 STRATEGIC APPROACH

STRATEGIC IMPERATIVES	TACTICS
Defend Classic	Commercial terms, Ad-hoc & Pro-active deals
Win Back Lapsed Business (25%)	Sell against Competition Packages (Good, Better, best)
New Business (10%)	Show value proposition Solve customer problems
Maximise Sell Out (75%)	Address Power Ratio (Exploit Diary) Radio:5am-6am TV:5am-10pm
Partner to Grow OTT	Audio on Demand – Podcast SEO, CTR, CPC, CVR, CPA (display vs search
Excel in Customer Service	Expedient Legal Contracts, Booking Accuracy, Displacement, PCA
Enhance TVL Collection	Promotional and DCA Activities

CUSTOMERS



INTEGRATED BUSINESS MODEL



R4.6bn : 15% growth on PY

Bulk Deals

PRICING STRATEGY

- Premium + High Value + Contribution Margin
- Value Based + Penetration
- Premium + Value Based +
- Economy

TRADING MODELS

- Premium Cherry Picking, Customized, Sponsorship , AFP, Informercials, Digital ++
- Open Time Cherry Picking, Adhoc Packages, Sponsorship, CPP ++
- Premium Cherry Picking, AFP, Sponsorship, Digital ++
- Open Time Cherry Picking, Sponsorship, ++

Customer

Partner

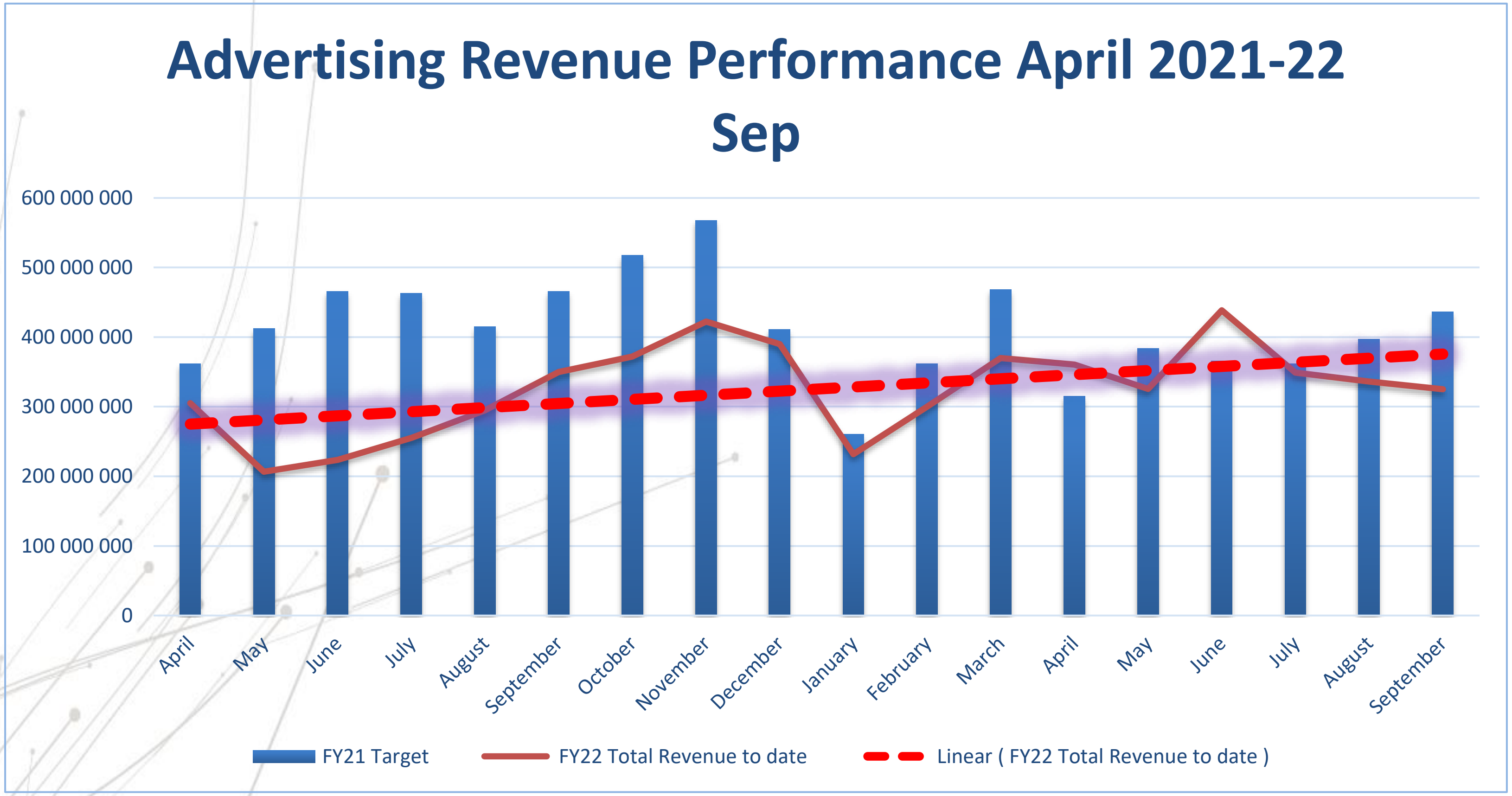
Dynamic

TV LICENCE COLLECTIONS STRATEGIC APPROACH

Strategic Imperatives	Book % Contr	Targeted Segments
Call Service Level 80%	1yr: 55%	Business Premises: 10% (Hosp, Hotels, Gov, Airport)
Correspondence Turnaround time 7days	2yrs: 34%	Dealers: 2% (e.g. Massmart)
Grow: DCA, Renewals, New Licenses	3-5yrs: 5%	Households: 88%
Establish GIS to grow collections	+5yrs: 6%	
Campaigns: SMS, Mailers, Phone, AT		
Grow Online Payments by 20%		

BASIS FOR REVENUE GROWTH

Our new enabling structure is based on the SABC's Turnaround Strategy, and drives our revenue trajectory that is enabled through our Target Operating Model and Business Models



LEGISLATIVE AND REGULATORY

LEGISLATIVE CHANGES REQUIRED FOR THE SABC TO BE SELF-SUSTAINING

Regulatory matter	Challenge	Recommendations
1. Must Carry Regulations	• The regulations require the SABC to offer its channels to Pay TV licensees for free. • Such provision conflict with what the legislation provides • The legislation, section 60(3) of the ECA allows the parties in a must carry arrangement to negotiate commercial terms • The Regulations bring about double jeopardy unto the SABC; Pay TV gains premium content of the SABC and which increases their audience/subscription without the SABC benefitting.	The SABC supports the White Paper proposal to scrap the Must Carry law requiring the public broadcaster to offer its channels to subscription broadcasters who "must carry" these channels. This will give the SABC an opportunity to commercially exploit its content through carriage agreements, whilst achieving universal service and access to its services at the same time. It is the SABC's view that the carriage agreements or transmission consents will contribute significantly to the public broadcaster's revenues. The position has also been communicated to ICASA during the review of the Must Carry regulations.
2. Sports Rights Regulations	• The Regulation creates an impression that the SABC is bound to broadcast all listed sporting events of national importance • Regulations which yielded unintended consequences of commercialisation of sports rights, inaccessibility of premium sport content and unreasonable sub-licensing conditions of sports rights.	As submitted to the White Paper, legislation should be crafted in such a way that the needs of the public are secured with respect to national sporting events. National teams are national assets and their games/matches should be accessible to the public on a free-to-air basis. Therefore, the regulations would then have to be reviewed accordingly to allow for unbundling of rights, transparent sublicensing framework of rights etc. The SABC is currently weighing its options in respect of the regulations and other related matters

LEGISLATIVE CHANGES REQUIRED FOR THE SABC TO BE SELF-SUSTAINING (cont.)

Regulatory matter	Challenge	Recommendations
3.Current ICASA licensing framework of SABC TV	• The current Channel based quotas are not progressive as they may contradict with audience needs and limit scheduling flexibility on radio & television • The quotas were developed in an analogue tv environment which was limited to three channels and not multichannel digital environment. • The funding model also makes difficult for the SABC to balance its public mandate against the conflicting funding delivery of optimizing advertising revenue and audiences	The SABC advocates for the review of the current licensing framework in line with the proposed licensing framework in the White paper which takes into account the multi-channel digital environment • The SABC should have global quotas across the TV bouquets instead of channel based quotas
4. DTT Regulations - Forfeiture of unused spectrum capacity	• Regulations introduces a 'use it or lose it' principle that if within the 3-year period a licensee doesn't utilize its spectrum, such spectrum will be lost to another licensee. • If SABC doesn't have funding for new channels it may lose its allocated spectrum • The regulations require the SABC to follow a tedious public process in applying for new channels while other commercial television broadcasters can get direct channel authorization without hearings	• The regulations should be reviewed to allow SABC to retain spectrum without the risk of losing of it due to financial and other challenges; • The Regulations should enable the SABC to get channel authorization from the Regulator like other broadcasters, so that the SABC can compete in the market without being delayed by the application process

LEGISLATIVE CHANGES REQUIRED FOR THE SABC TO BE SELF-SUSTAINING (cont.)

Regulatory matter	Challenge	Recommendations
5. DTH/DTT split	• ICASA's Digital Migration Regulations and the Digital Migration Broadcasting Policy prescribed coverage of DTT at 84% and DTH at 16% for the SABC • This is restrictive and limits the SABC 's optimal use of available platform and discretion to be cost effective.	• The SABC supports the principle of technology neutrality as provided for in the ECA. The SABC should not be restricted to use any platform feasible to deliver on its mandate that allows for cost efficiencies. • Therefore policy, legislation and regulations should assert this position
6.Public service mandate/objectives	• Current public broadcasting objectives are overly broad for execution.	The SABC mandate as proposed in the charter should be narrowed and limited in terms of the priorities.
7.Funding Model	• The current funding model does not sufficiently cover the public service mandate. SABC is currently dependent on commercial revenue for its funding. • There is unfunded mandate in the delivery of SABC's public service which is costly	• It is proposed that the mixed funding model be retained. • Various governmental departments should fund specific programmes or services which are aligned to their function and national developmental goals. • Government departments should fund programmes relevant to their mandate such as education. Health etc.

LEGISLATIVE CHANGES REQUIRED FOR THE SABC TO BE SELF-SUSTAINING (cont.)

Regulatory matter	Challenge	Recommendations
8. Funding Model **(a) International/Foreign services of the SABC**	• The SABC is expected to operate International Broadcast Service or Foreign Broadcasting Service (including Channel Africa and Ubuntu Radio). • Furthermore the SABC is required to carry the Parliamentary Channel in multiplex 1 which is to be accessed by all South Africans on a free-to-air platform	Government funding should be ring-fenced to cover such foreign services.
8. Funding Model **(b) National events or programming of national interest**	• The opening of Parliament, the budget speech, the opening of provincial legislatures and several other events of national interest displaces certain programming which yields advertising and sponsorship revenue. • These events of national importance are a significant part of the unfunded public mandate.	Government funding should be ring-fenced for the unfunded mandate such as the following: • the opening of Parliament, and unforeseen events such as tragedies (e.g. uprisings etc) • the budget speech, • state occasions such as visits by foreign dignitaries and category-designated funerals; • major commemorative occasions, • the proceedings of commissions of inquiry • major Parliamentary debates, • the opening of provincial legislatures, • and significant conferences of the major political parties

LEGISLATIVE CHANGES REQUIRED FOR THE SABC TO BE SELF-SUSTAINING (cont.)

Regulatory matter	Challenge	Recommendations
9. SABC Governance Structure	• The historic ruling delivered in October 2017, by KE Matojane J in *SOS v Minister of Communication & Others*, which amongst other important findings, reaffirmed the powers of the SABC Board in so far as the appointment of executives are concerned, should be included in legislation. • Essentially the executive members of the board are now appointed solely by the non-executive members of the board and without any requirement for approval by the Minister as was previously the case.	• All the key principles underpinning this seminal ruling should be reflected in an SABC Act for consistent application of governance across the public broadcaster. • The new SABC Act should also reflect that the Executive Committee (including all Group Executives) should be appointed by the Group Chief Executive, apart from the Chief Financial Officer and Chief Operations Officer who are appointed by the Board.
10. PBS/PCS Divisions Cross-subsidization	• Section 9 (2) further provides that the public and commercial service division must be separately administered, and a separate set of financial records and accounts are to be kept in respect of each division. • Practically it is not administratively and financially feasible for the SABC to have separate books for the two divisions as it requires duplication of services to implement this legislative obligation. The SABC originated as one entity	The following as submitted in the White Paper and the SABC Bill is recommended: • Section 9 of the Broadcasting Act should be repealed to remove the divisions • All SABC services and licenses be defined as public broadcasting services. • The commercially aligned services/stations such as SABC 3, 5FM, Metro FM and Good Hope FM. should be labelled as such commercially aligned services. • However, any public funding through government departments or the collection of a public broadcasting levy, will not go to those SABC /services that have commercial obligations.

LEGISLATIVE CHANGES REQUIRED FOR THE SABC TO BE SELF-SUSTAINING (cont.)

Regulatory matter	Challenge	Recommendations
11. TV Licence fees	• The current tv licence model is based on ownership of tv set and is thus outdated and would make collection more difficult. Developments in technology are such that one can access television content through many different devices and platforms.	• As recommended to the White Paper and the SABC bill, the current TV licence fee system should be scrapped and replaced with a device-independent, tech-neutral public media levy for public broadcasting, which would levy all households, commercial enterprises, organisations and institutions. However, it will provide for exemption for the indigent and discounts for pensioners. • The household levy is founded on the fact that every single South African household/entity has the realistic ability to access public broadcasting content, whether via analogue free-to-air TV and radio platforms or via DTT, DTH, the internet and streaming services through several mobile apps. Therefore, the levy is linked to the public's ability to access public broadcasting content rather than on the consumption of that content

SABC

LEGISLATIVE CHANGES REQUIRED FOR THE SABC TO BE SELF-SUSTAINING (cont.)

Regulatory matter	Challenge	Recommendations
12. Pay-Tv Advertising	• Pay-Tv Services have a large stake of the advertising revenue, and this goes against the spirit of the law, section 60 (4) of the ECA, which intended for free-to-services to have a larger stake of advertising revenue.	• The SABC proposes that the legislation be amended to allow the Regulator (ICASA) to prescribe regulations for advertising and sponsorship revenue on subscription broadcasters. The current provision no longer provides a solution to the problem it sought to originally solve. • The SABC thus supports the proposal in the Draft White Paper that ICASA should conduct an inquiry before prescribing regulations in this regard.
13. Sentech and signal distribution	The DCDT has proposed in the White Paper clause 3.5.8 that: *"In the post-ASO environment Sentech will be the only provider of ECNS for the public broadcaster on the DTT and satellite platforms."* This creates a protected monopoly for Sentech which is in conflict with the definition and role of the common carrier ass set out in section 62(3) of the ECA. It should be noted that Sentech, in any event, currently has a monopoly of the following three forms of distribution and transmission: a) analogue terrestrial radio transmission b) analogue terrestrial television transmission and c) DTT transmission. The tariffs in these categories must be regulated in line with section 62(3)(b) of the Electronic Communications Act and failure by the regulator to do so has exposed the public broadcaster to monopoly pricing.	• The SABC opposes this proposal and submits that the proposed policy to create a protected monopoly for Sentech is in conflict with the definition and role of the common carrier which is set out in section 62(3) of the Electronic Communications Act, 2005. While Sentech is required to carry public broadcasting services, no requirement exists for the SABC to exclusively utilise Sentech for signal distribution where competitive options exist. • The SABC must retain the freedom to choose the best platforms for its services, noting that the SABC Board and management are required to act in the best interests of the SABC. • There should also be a review and transparency in the pricing model by Sentech.

THANK YOU

SABC