



## **CORPORATE PLAN: MTEF 2011 – 2014**

PRESENTATION TO THE PORTFOLIO COMMITTEE ON COMMUNICATIONS

25 March 2011

- **Mr Logan Naidoo**                      Chairperson
- **Dr Setumo Mohapi**                      Chief Executive Officer
- **Mr Dingane Dube**                      Acting Chief Operating Officer
- **Ms Leah Khumalo**                      Director
- **Mr Mesuli Dhlamini**                      Director
- **Ms Zodwa Hlatshwayo**                      Director
- **Mr Paris Mashile**                      Director

## **FOREWORD**

## **EXECUTIVE SUMMARY**

1. Business Strategy
2. Strategic Projects
3. Organisational Model
4. Key Performance Indicators
5. Financial Plan

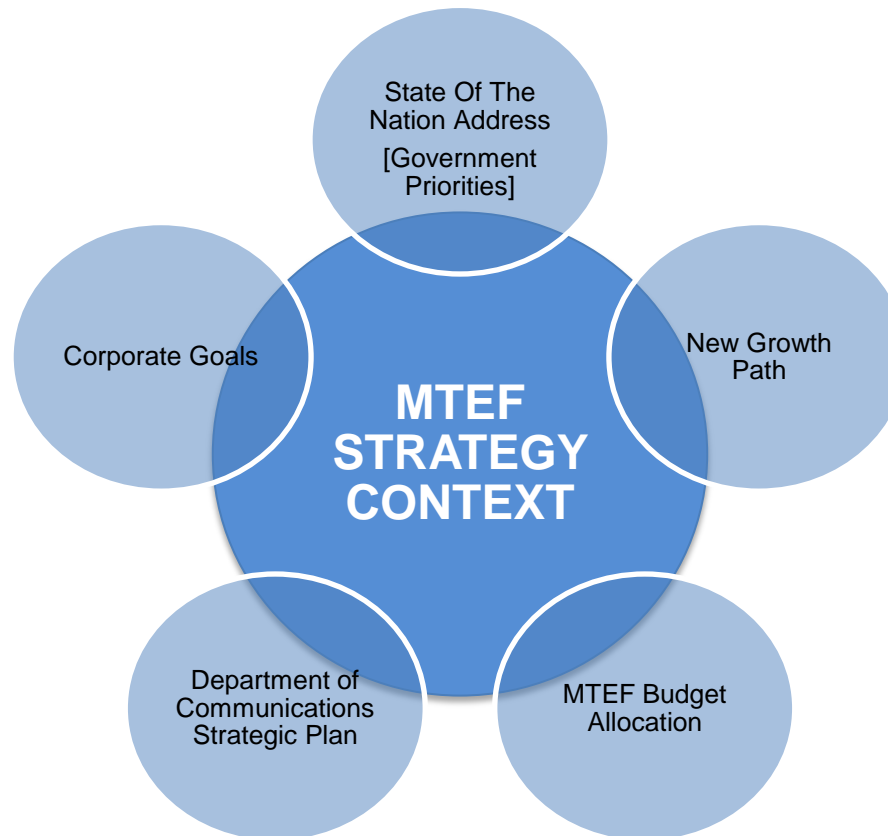
## **ANNEXURES:**

- A. Government Priorities
- B. Products Performance Targets

# FOREWORD

- The Sentech Board hereby presents the Company's Corporate Plan for the Medium Term Expenditure Framework (MTEF) 2011 – 2014 to the Portfolio Committee on Communications as required in terms of Section 52 of the PFMA and Treasury Regulation 29. This plan has been presented to and approved by the Executive Authority (Minister of Communications) and the Department of Communications; and has also been submitted to National Treasury.
- Sentech is a Schedule 3B State Owned Enterprise (SOE) operating in the broadcasting signal distribution and telecommunications sector. In terms of the Electronic Communications Act 36 of 2005, the company's main object is *"...to provide electronic communications services and electronic communications network services in accordance with the Electronic Communications Act."*
- In accordance with its mandate as an SOE, Sentech's strategy is informed by and aligned to Government's Medium Term Strategy Focus (MTSF) goals and by the corporate objectives as set by the Board of Directors.

- In preparing the Corporate Plan, the Board considered a range of external and internal environmental factors that will impact on or have potential to influence Sentech's delivery of its Public Service mandate. Primary consideration was given to the following:



## State Of The Nation Address

- In preparing the Corporate Plan, the Board considered the 2011 State of the Nation Address wherein the President of South Africa, Honourable Jacob Zuma pointed out **job creation** as the Government's main focus area for the 2011 period.
- The President further mentioned six areas within which research has indicated that jobs can be created. These areas are Infrastructure Development, Agriculture, Mining & Beneficiation, Manufacturing, the Green Economy and Tourism.
- With regard to SOE's, The President outlined the following:
  - The programmes of State Owned Enterprises and development finance institutions should also be more strongly aligned to the job creation agenda.
  - State Owned Enterprises should to play a key role in skills development and help us provide the technical skills needed by the economy.

## New Growth Plan

- In aligning with the President's vision, Government mapped out a New Growth Path which outlines Government's approach to accelerate growth an employment.
- The New Growth Plan sets a target of 5 million employment growth by 2020 which will be achieved by focusing on areas that have the potential for creating employment on a large scale – the Job Drivers. These are:
  - **JOBS DRIVER 1:** Infrastructure;
  - **JOBS DRIVER 2:** :Main Economic Sectors;
  - **JOBS DRIVER 3:** :Seizing The Potential Of New Economies;
  - **JOBS DRIVER 4:** Investing In Social Capital And Public Services; and
  - **JOBS DRIVER 5:** Spatial Development.
- These objectives will be achieved by focusing on key drivers such as broadening public investment in infrastructure and supporting rural development and regional integration; amongst others.

## MTEF Budget Allocation

- The Government has confirmed, through the MTEF Budget Allocation, Sentech's mandate to participate in the communications industry through infrastructure-based involvement. Within this mandate, Sentech will create sustainable employment opportunities and skills development, especially in the country's digital migration and rural broadband penetration strategies.
- **Digital Migration**
  - The Government has allocated R279m for the roll-out of digital broadcasting infrastructure and dual-illumination operations during the 2011/2012 financial year. A further R343m has been allocated for the remainder of this MTEF period.
- **Broadband Network Roll-Out**
  - THE government has allocated R450m for the roll-out of a rural broadband network. The network is meant to increase access to the internet and related data services in rural communities.
  - This forms part of the national broadband policy, which aims to ensure wider and cheaper internet access.

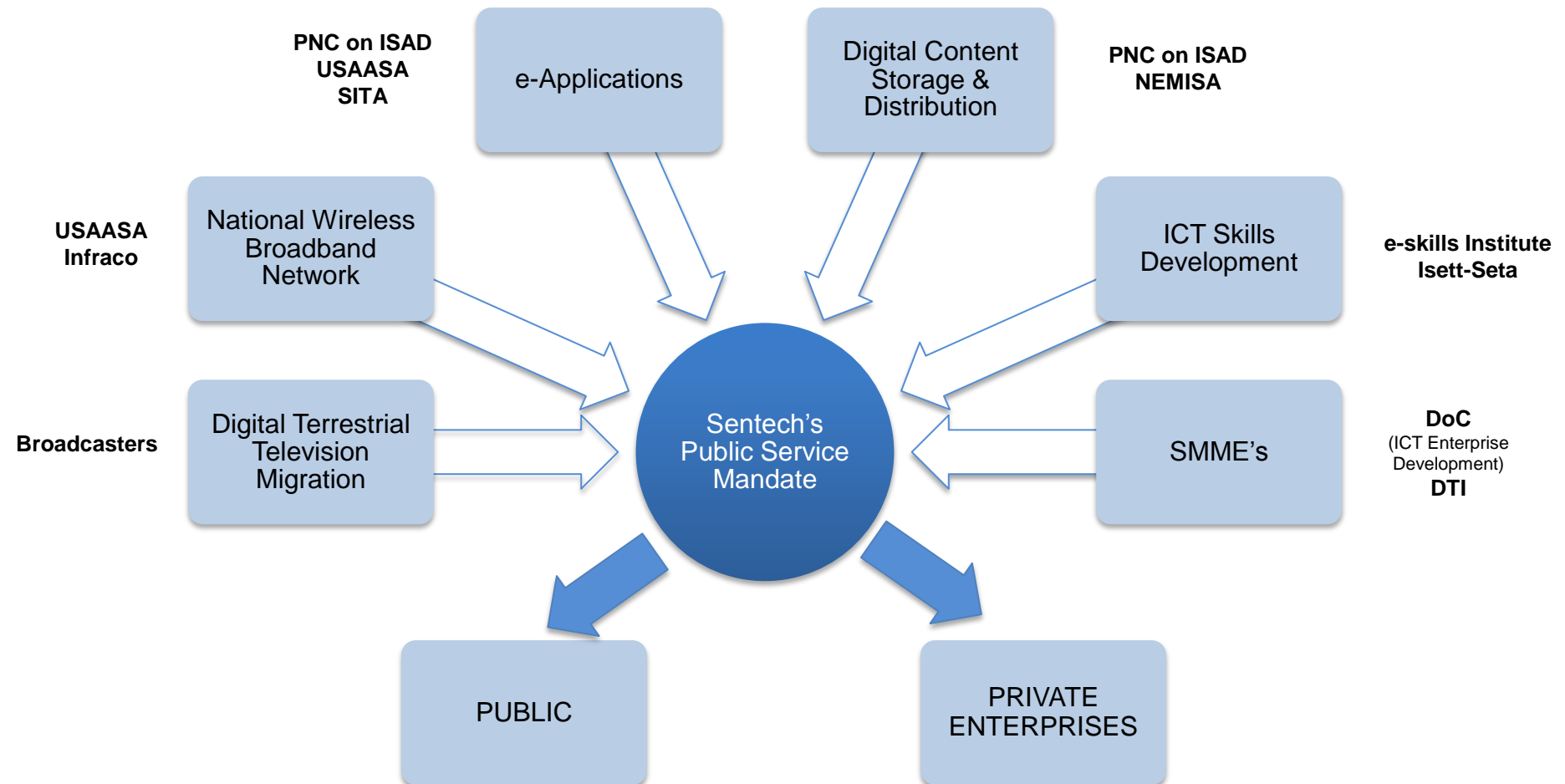
## DoC Strategic Plan

- On 29 November 2010, Sentech participated in an SOE's Strategy Alignment Workshop, during which the Department of Communications sought to ensure that the Company's Corporate Plan is aligned to the Department's Strategic Plan for the MTEF period. This is explained in further detail later in the presentation.
- Further to the Workshop, the Board took into consideration the speech made by the Minister of Communications, Honourable Roy Padayachie at the round table discussion with ICT leaders, and the Ministerial Flagship Programmes for this MTEF period, that is:
  - Job Creation;
  - e-Skills Development;
  - Migration of Broadcasting system from Analogue to Digital by 2013;
  - Broadband access for all Citizens;
  - Post Bank; and
  - Building the Information Society and Knowledge-based Economy.



- Having considered Sentech's Public Service mandate, the Board adopted Corporate Goals that will inform operational activities of the Company during this planning period. These are:
  - **Provide the national infrastructure and services for the country's digital terrestrial broadcasting platforms**
    - Upgrade DVB-T and accelerate roll-out of DVB-T2 infrastructure
    - Attain 92% Population coverage by 31 December 2013
  - **Provide broadband connectivity to rural underserved and underserved areas to enhance provision of government and private enterprise services**
    - Approval of the Integrated Broadband Network Business case by 31 March 2011
    - Begin roll-out of National Wireless Broadband Network by 3<sup>rd</sup> Quarter of 2011/2012 financial year
  - **Building an efficient and effective organisation**
    - Stabilise the Company
    - Improve Financial sustainability
    - Improve Customer satisfaction and retention
    - Develop and Implement sustainable Human Capital Development and Retention Plan
    - Improve Black Economic Empowerment Plan
    - Develop and Implement a sustainable Social Investment Plan

- However, the Board acknowledges that for Sentech to deliver on its Public Service mandate, the Company needs to engage with other public entities who have mandate obligations along the ICT value-chain, in particular, the following:



- Whilst optimistic of the Company's potential to achieve its set performance objectives in line with the mandate, the Board is mindful of the challenges the Company is faced with.
- **Background**
  - Sentech has a reputational deficit in the industry and this plan seeks to address this historical challenge. In addressing this challenge, Sentech will focus on Strategy alignment with mandate, execution and stakeholder management;
  - Though not a pleasant experience, Sentech is undoubtedly in a better place, in particular, as a State Owned Entity
- Legacy Challenges
  - Screamer
  - UEC
  - Piracy
  - Aging Technology
  - Human Capital
- The Board is confident that the Executive Committee, Management and Staff will operationalise the strategic objectives and cement the Company's position as a leader in the ICT sector. We look forward to working with the Shareholder and other key strategic partners in accelerating social and economic development in the sector and truly *bridging the digital divide*.

# EXECUTIVE SUMMARY

- Today, Sentech's current Vision, Mission and Values statements have been surpassed by developments in the Policy, Legislative and Regulatory framework for the Communications sector in which the Company operates.
- Sentech's Public Service Mandate is given effect by:
  - **Sentech Act (No. 63 of 1996, as amended):** Broadcasting Signal Distribution Services  
*"...to provide, as a common carrier, broadcasting signal distribution, for broadcasting licensees in accordance with the provisions of the Independent Broadcasting Authority Act..."; and*
  - **Telecommunications Act (No. 64 of 2001):** Telecommunications Services  
*"...an international telecommunications gateway service enabling it to operate a carrier of carriers; and multimedia services to any person who requests such a service. Sentech shall provide the multimedia service as a common carrier on a reasonable and non-discriminatory basis."*
  - **Electronic Communications Act (No. 36 of 2005):** Converged Communications Services  
*"...to provide electronic communications services and electronic communications network services in accordance with the Electronic Communications Act."*
- Position Sentech as an 'enabler' in the provision of Public Access broadcasting and broadband network services;
- Facilitate provision of ICT services, in particular, to rural and underserved communities

- Beginning in this MTEF period, Sentech's Purpose will reflect the Policy, Legislative and Regulatory provisions as follows:
  - **FRAMEWORK:**
    - A delivery arm of government under the overall guidance of and oversight by the Department of Communications (DoC)
    - Mandate driven by Government priorities and programmes;
    - Areas of operation defined by the DoC's Strategic Plans.
  - **MANDATE:**
    - Implement and maintain sustainable operations around infrastructure-based ICT interventions;
    - Target content-based services, including content distribution, content storage and content management;
    - Measure impact on communications industry (economic development dividend) and society at large (social dividend);
    - Focus on enabling development of applications in broadcasting, education and health (e-Services).
  - **OUTCOMES:**
    - Sustainable access by all to communications services, and in particular, e-Services in underserved areas;
    - A vibrant, diversified and open access multichannel and multimedia content industry;
    - Increased growth and sustainability of ICT SMMEs;
    - Improved performance of SOE's in delivering government priorities

- **Vision**

*“To be a world-class provider of a sustainable communications network infrastructure and services in South Africa.”*

- **Mission**

*“To enable affordable universal access to communication services in the context of South Africa’s socio-political imperatives as a developmental state.”*

- **Values**

- *Integrity;*
- *Accountability;*
- *Quality Customer Service;*
- *Innovation; and*
- *Social Responsibility.*

- As a 'State Owned' enabler in the ICT sector, Sentech's MTEF strategy is informed and driven by the DoC's Strategic Objectives which were adopted by Cabinet as KEY imperatives for this MTEF period. These are:
  - **SG 1:** Enable the maximisation of investment in the ICT sector
  - **SG 2:** Ensure that ICT infrastructure is robust, reliable, affordable and secured to meet the needs of the country and its people
  - **SG 3:** Create new competitive business opportunities for the growth of the ICT Industry
  - **SG 4:** Accelerate the socio-economic development of South Africans by increasing access to, as well as the uptake and usage of, ICTs through partnerships with business and civil society and three spheres of Government
  - **SG 4:** Accelerate the socio-economic development of South Africans by increasing access to, as well as the uptake and usage of, ICTs through partnerships with business and civil society and three spheres of Government
  - **SG 5:** Contribute towards building a developmental state including improvement of public services and strengthening democratic institutions
  - **SG 6:** Enhance the role of ICT SOE's as the delivery arms of government and support the Regulator
  - **SG 7:** Contribute to the global ICT Agenda prioritising Africa's development
  - **SG: 8** Facilitate the building of an inclusive Information Society to improve the quality of life
- During this presentation, Sentech will indicate the specific interventions adopted to address each of these Strategic Goals in pursuant of the Company's objectives as an 'enabler' in the ICT sector



- Sentech's strategy for the MTEF period will focus on consolidating the Broadcasting Signal Distribution products and services, termination of unsustainable services, implementing the National Wireless Broadband Network (NWBAN) strategy, preparing for the launch of commercial Digital Terrestrial Television and evaluating business models for new Managed Network services.
- These pillars represent the Company's turnaround strategy that will ensure long term sustainability. In order to deliver on its strategy, Sentech will invest in resources and expertise to develop a deeper understanding of its current and future customer needs:
  - a) Quality of service: essential to retain and grow customer base;
  - b) Innovation: development of new products and services;
  - c) Flexibility: implementing a fair and balanced tariff structure for all products and services; and
  - d) Execution: development of appropriate systems, procedures and processes to deliver on customer commitments and expectations.
- But, most importantly, Sentech will adopt a new Business Model and Organisational Model that will support the implementation of the strategy and achievement of performance objectives.

DIGITAL TERRESTRIAL TELEVISION (DTT)			
	FY11/12	FY12/13	FY13/14
Strategic Imperative	To ensuring that South Africa migrates to digital television broadcasting within the International Telecommunications Union (ITU) and Government timelines, but most importantly, the future sustainability of the broadcasting sector and viability of Sentech as a public service enabler in the provision of broadcasting signal distributor services.		
CAPEX	R 310,5m	R 70.0m	R 167.0m
OPEX	R 81.0m	R 110.0m	R 184.0m
Social Dividend	•Increase in the number of television services that are localised. Diversity in content offerings, for example Documentary , Sport, News channels		
Economic Dividend	•Moving the country into digital broadcasting which will grow the industry •Release of spectrum dividend within a set timeframe which lower barriers to entry into the broadcasting •Growth for telecomns sector with the released spectrum •Job creation projected at 20 00 0 (non-Sentech)		

NATIONAL WIRELESS BROADBAND NETWORK (NWBN)			
	FY11/12	FY12/13	FY13/14
Strategic Imperative	To improve broadband penetration to match those of our comparative countries such as India, Brazil and Chile. Develop an Integrated Broadband Plan that will facilitate capital investment, innovation and rural access. Plans for connecting schools, health and government centres will not only improve service delivery, but also improve the uptake and usage of broadband by government and individuals.		
CAPEX	R 241m	R 199m	R 374m
OPEX	R	R	R
Social Dividend	Provinces/ Regions covered: KZN	Provinces/ Regions covered: Limpopo	Provinces/ Regions covered: Mpumalanga Eastern Cape
	Number of Schools: 1 254	Number of Schools: 7 352	Number of Schools: 15 023
Economic Dividend	Employment opportunities in each Province projected at 20 000 (non-Sentech) GDP per capita growth in the localities		

BROADCASTING INFRASTRUCTURE MAINTENANCE				
	FY09/10 - 10/11 (Base)	FY11/12	FY12/13	FY13/14
Strategic Imperative	To ensure continuous network availability and quality of service of the country’s broadcasting infrastructure			
CAPEX	R 6m (FY10/11)	R 40.8m	R 22.0m	R 49.6m
OPEX	R 47m (FY09/10) R 19m (FY10/11	R 54.5m	R 65.5m	R 86.7m
Social Dividend	•Additional population covered through Low Power sites •Expansion of Language services with higher reliability •Informed citizens			
Economic Dividend	•Amount of tenders allocated to SA companies •Direct or indirect jobs created			

GOVERNMENT GRANTS					
PROJECTS	Capital (R 000's)	Interest Earned (R 000's)	Utilisation (R 000's)	Taxation (R 000's)	Balance (R 000's)
<b>INFRASTRUCTURE GRANTS</b>					
Community B/c	39 189	7 281	(32 410)	(5 850)	8 210
Eassy Project	21 000	8 006	0	(4 821)	24 185
2010 World Cup	204 000	33 185	(135 160)	(34 344)	67 681
DTT Capex	566 000	47 908	(430 726)	(82 923)	100 259
NWBN	500 000	140 735	-	(100 810)	539 925
<b>SUB-TOTAL</b>	<b>1 330 189</b>	<b>237 115</b>	<b>(598 296)</b>	<b>(228 748)</b>	<b>740 260</b>
<b>REVENUE GRANTS</b>					
DTT Opex	130 019	1 605	(84 605)	(16 417)	30 602
<b>SUB-TOTAL</b>	<b>130 019</b>	<b>1 605</b>	<b>(84 605)</b>	<b>(16 417)</b>	<b>30 602</b>
<b>TOTAL GRANTS</b>	<b>1 460 208</b>	<b>238 720</b>	<b>(682 901)</b>	<b>(245 165)</b>	<b>770 862</b>

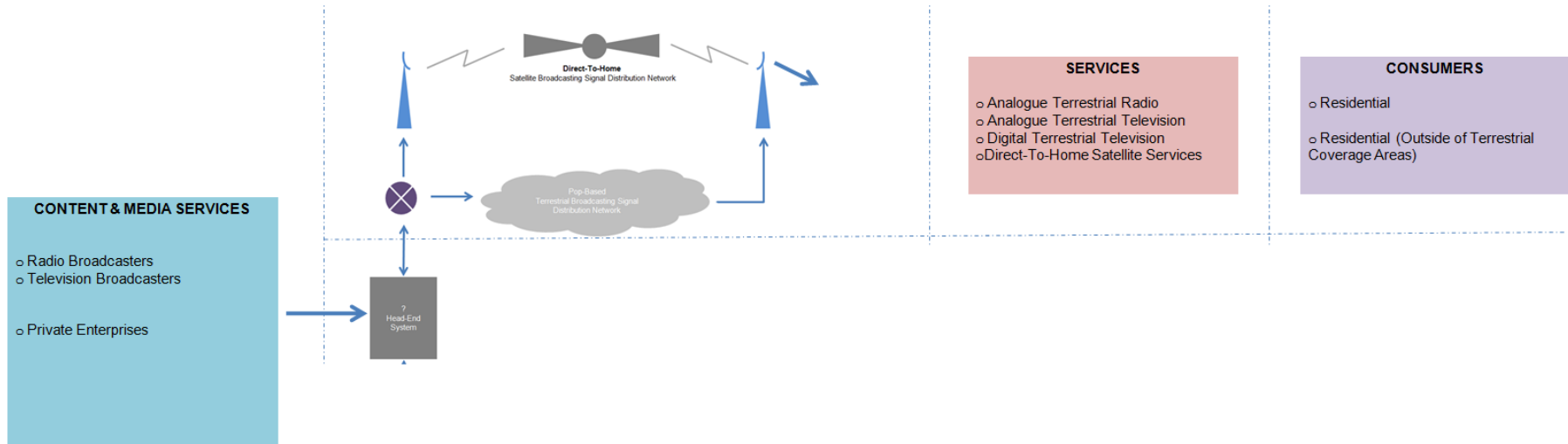
1. **Business Strategy**
2. Strategic Projects
3. Key Performance Indicators
4. Financial Plan

- Within the context of the Policy, Legislative and Regulatory framework, Sentech has adopted the following operational Corporate Objectives:
  - Provide the national infrastructure and services for the country's digital terrestrial broadcasting Platforms;
  - Provide connectivity to rural underserved and underserved areas to enhance provision of government services; and
  - Building an efficient and effective organisation
    - Improve the strategic and operational leadership capacity
    - Improve Financial Sustainability of the Company
    - Improve Customer Satisfaction and Retention
    - Develop and Implement sustainable Human Capital Development and Retention Plan
    - Improve Black Economic Empowerment and Enterprise Development
    - Develop and Implement sustainable a Social Investment Plan

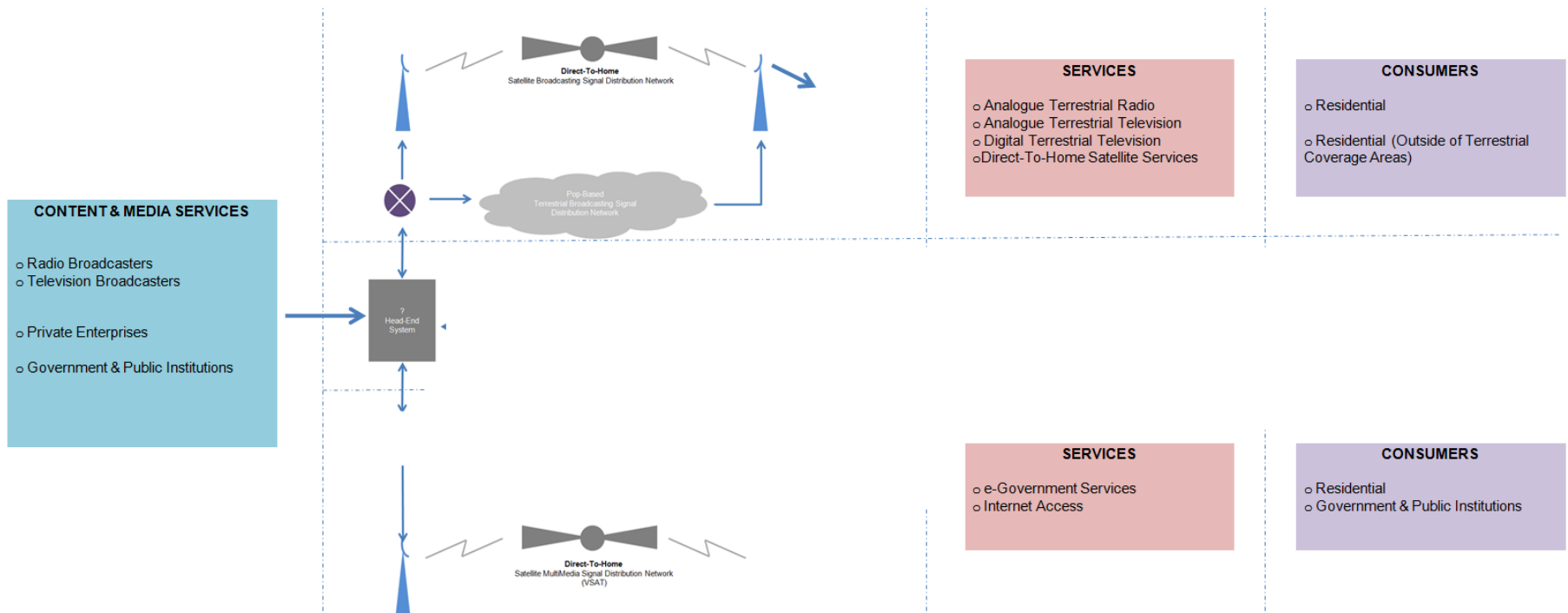
- Sentech requires an integrated broadcasting and broadband operating model that will ensure future sustainability and mandate delivery, even in the face of tough economic conditions.
- The Company should remain focussed on enabling universal access of ICTs, taking into consideration South Africa's developing economy.
- Sentech believes that its extensive infrastructure network should be leveraged to create opportunities for both the public and private sectors to expand broadcasting and broadband services.
- To drive this initiative, the BoD has adopted an 'integrated network communications and services business model' – which will result in the Company focusing its services in two portfolios, that is, Broadcasting & Media and Wireless Broadband services.



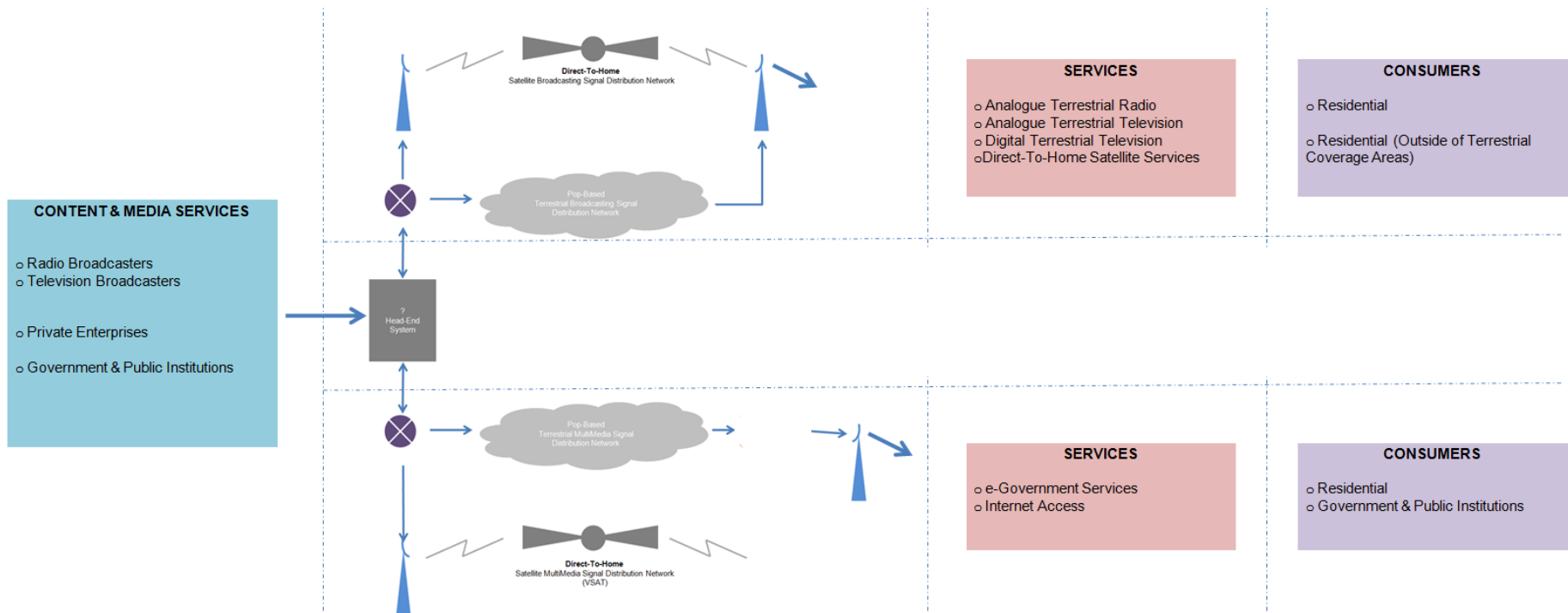
○ Converged Communications Model: **BROADCASTING**



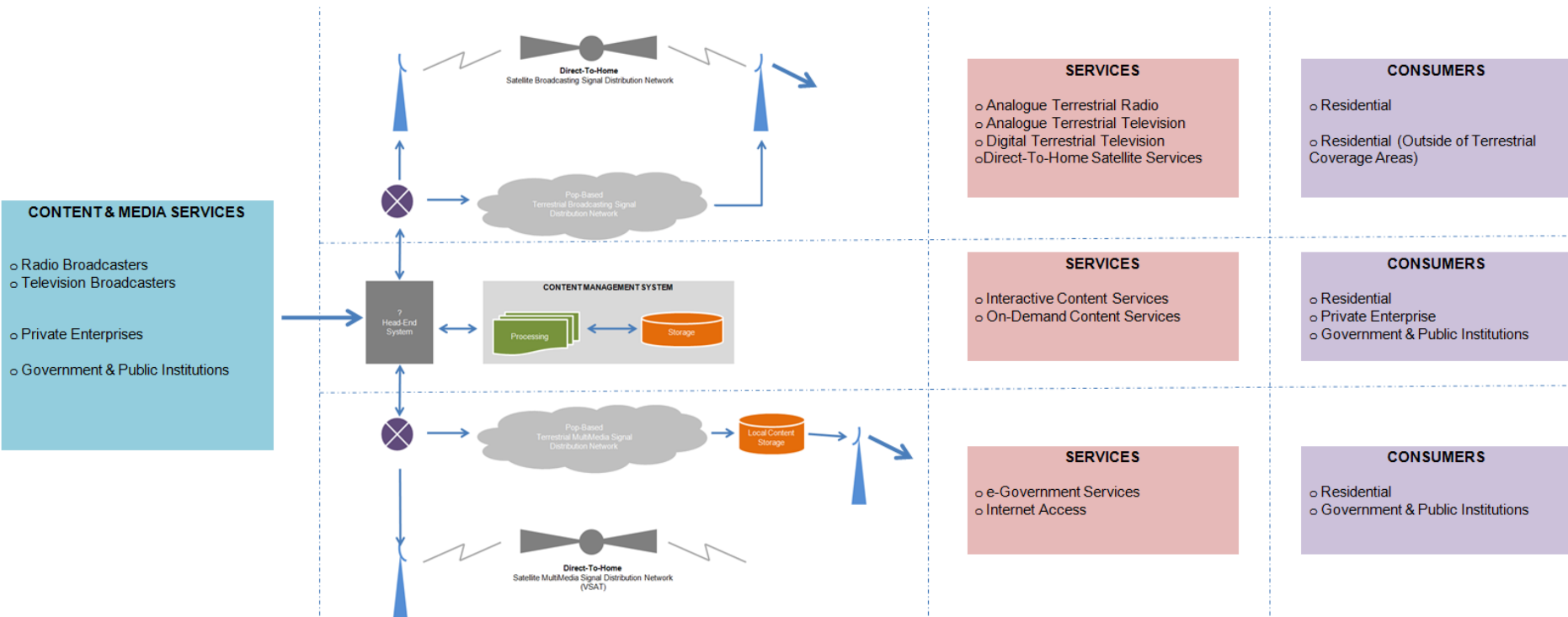
### ○ Converged Communications Model: **VSAT**



○ Converged Communications Model: **WIRELESS BROADBAND**



### ○ Converged Communications Model: **CONTENT MANAGEMENT**



1. Business Strategy
2. **Strategic Projects**
3. Key Performance Indicators
4. Financial Plan

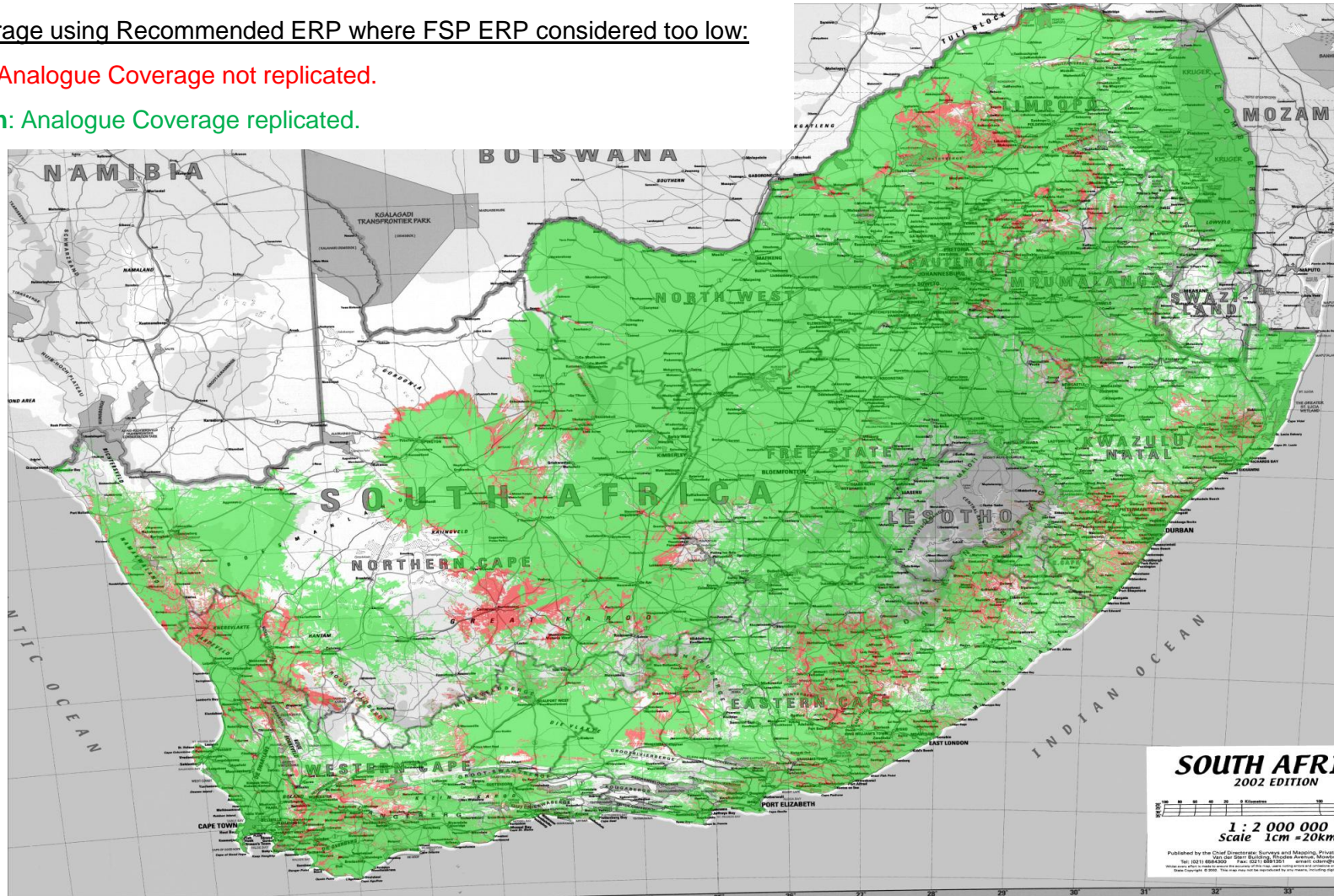
- The rollout of the Digital Terrestrial Television network is one single project that Sentech will focus on over the next three years.
- With effect from 1 April 2011, Sentech will implement a new management approach to DTT based on the following principles:
  - Project Status: The rollout of DTT network will be treated as a 'Special Project' falling outside the normal operational activities of the Company. This status will remain as such until the start of 'commercial' dual illumination. The Special Project status is critical if Sentech is to properly request and account for the Government Funding that has been allocated to the DTT project;
  - Network Rollout: A revised DTT network rollout plan has been submitted to and approved by the Department of Communications. The new plan addresses the challenges the Company experienced in reaching the population coverage targets in terms of the BDM policy due to Regulatory challenges and internal project management inefficiencies. The target of 60% coverage by 31 March 2011 will only be met from an infrastructure level as the change in standard to DVB-T2 means that the site will not be switched-on. The new rollout plan will ensure that the 74% content coverage target for FY11/12 and 92% coverage by December 2013 with the entire network on DVB-T2 ;
  - Funding: Alongside the revised network rollout plan is a funding request for CAPEX and OPEX for the network rollout of the two Multiplexes assigned by ICASA; and
  - Accounting and Reporting: A recognition that the DTT funding is part of the Shareholder's strategy to 'Re-Capitalise' Sentech and as such, should not be accounted for and reported on as part of the Company's normal operations.
- As previously stated, DTT is central to the viability and sustainability of Sentech. We believe that by the 3<sup>rd</sup> quarter of FY11/12, the Company would have agreed on an operating model with the Shareholder, National Treasury, ICASA and Broadcasters.

- As per the Broadcasting Digital Migration Policy of September 2008 the following are governed by the Policy:
  - The Policy makes mention of both Terrestrial as well as Satellite standard for the migration from analogue to digital
  - All citizens currently receiving analogue terrestrial services must still receive television services after the switch-off of Analogue

Coverage using Recommended ERP where FSP ERP considered too low:

**Red:** Analogue Coverage not replicated.

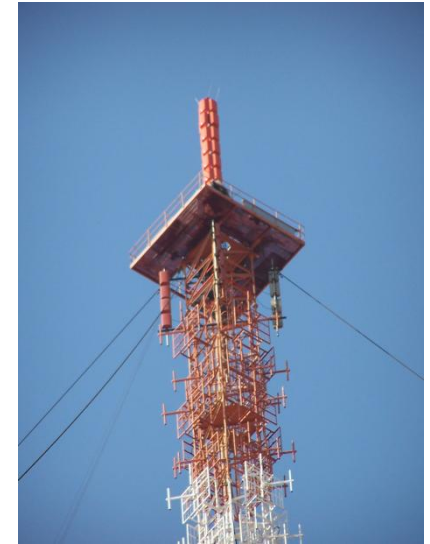
**Green:** Analogue Coverage replicated.





	Percentage of Total population	Population
FSP TP (including new sites)	<b>86.8</b>	38 903 430
FSP TP (excluding new sites)	85.53	38 334 221
RTP (including new sites)	<b>89.3</b>	40 023 921
RTP (excluding new sites)	88.04	39 459 193
ATV (Current networks - Grade B)	<b>92.2</b>	41 323 690
ATV (Current networks - Grade B&C)	<b>96.65</b>	43 318 163
ATV (Grade B) Not replicated by FSP	6.87	3 079 108
ATV (Grade B) Not replicated by RTP	<b>4.85</b>	2 173 752

- Recommended Policy Interventions
  - Adopt satellite delivery of digital FTA channels as a viable gap filler option and include in digital migration policy
  - Include satellite receiving devices within the STB policies, including but not limited to policies dealing ownership support scheme
  - Accommodate low power variably within the expanded scope of digital migration
  - Include regional broadcasters in the digital migration policy
  - Update digital migration regulations to give effect to inclusion of broadcasters at policy level

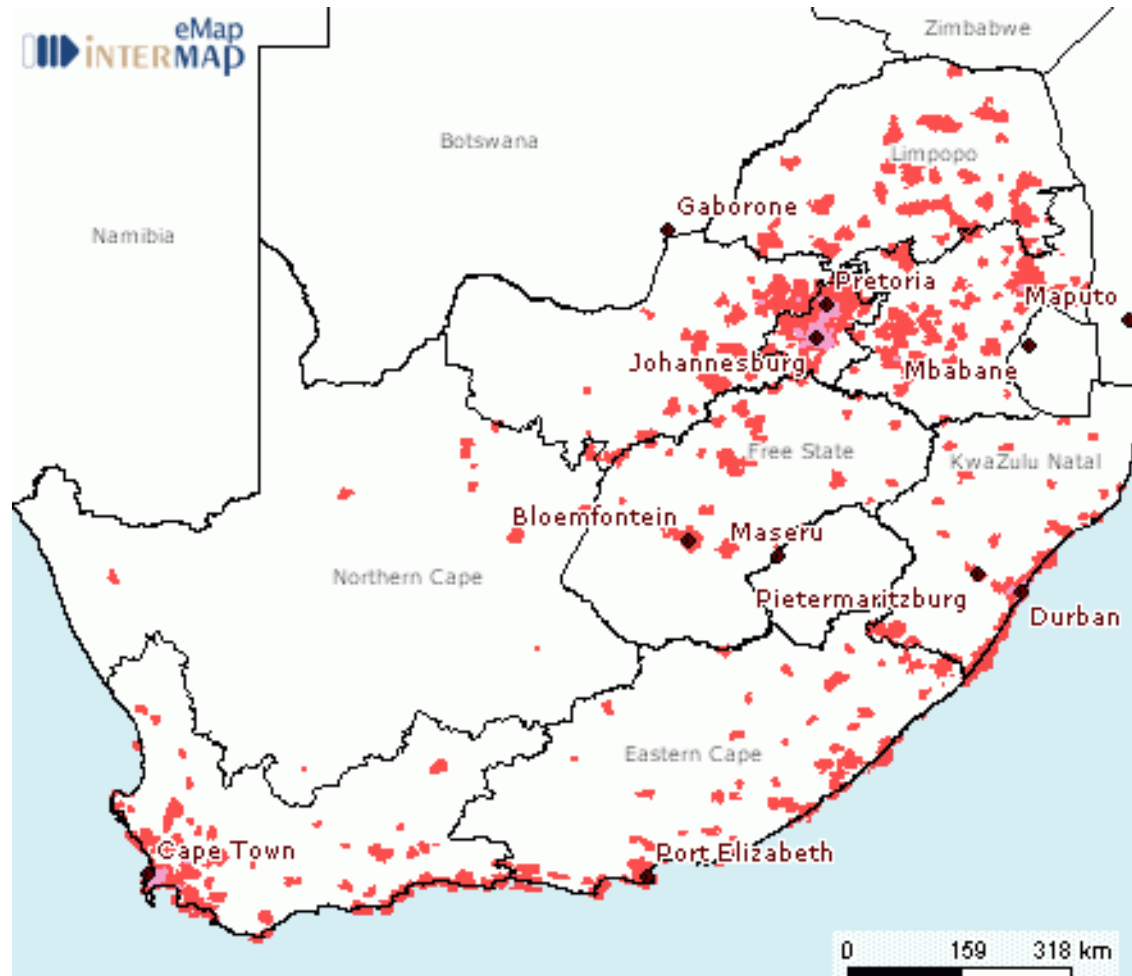


LABOUR REQUIRED FOR PHASES 1 - 4								
	TRANSMITTERS	PIE	ANTENNAS	MECHANICAL	ELECTRICAL	BUILDING	ATELLITE SYSTEM	TOTAL
	External	External	External	External	External	External	External	External
EASTERN CAPE		19	0	168	132	65	0	384
FREE STATE		10	50	100	80	30	0	270
GAUTENG		28	0	181	120	120	0	449
KWAZULU NATAL		23	0	104	108	75	60	370
LIMPOPO		15	0	27	48	30	60	180
MPUMALANGA		10	0	59	60	25	0	154
NORTHERN CAPE		5	50	9	20	10	0	94
NORTH WEST		20	0	77	76	45	0	218
WESTERN CAPE		42	0	176	144	145	60	567
TOTAL	0	172	100	901	788	545	180	2 686
TOTAL	542	477	238	1 328	1 343	823	210	4 961

LABOUR REQUIRED TO COMPLETE DTT MIGRATION PROJECT								
	TRANSMITTERS	PIE	ANTENNAS	MECHANICAL	ELECTRICAL	BUILDING	ATELLITE SYSTEM	TOTAL
	External	External	External	External	External	External	External	External
EASTERN CAPE		114	3 830	543	544	360	940	6 331
FREE STATE		42	620	190	192	120	560	1 724
KWAZULU NATAL		76	630	180	284	200	480	1 850
LIMPOPO		40	650	222	212	125	320	1 569
MPUMALANGA		43	110	181	188	110	300	932
NORTHERN CAPE		63	2 565	340	336	175	360	3 839
NORTH WEST		45	115	149	172	125	320	926
WESTERN CAPE		65	1985	417	360	220	220	3 267
TOTAL	0	488	10 505	2 222	2 288	1 435	3 500	20 438
TOTAL	1 568	1 298	10 925	3 328	3 738	2 165	4 010	27 032

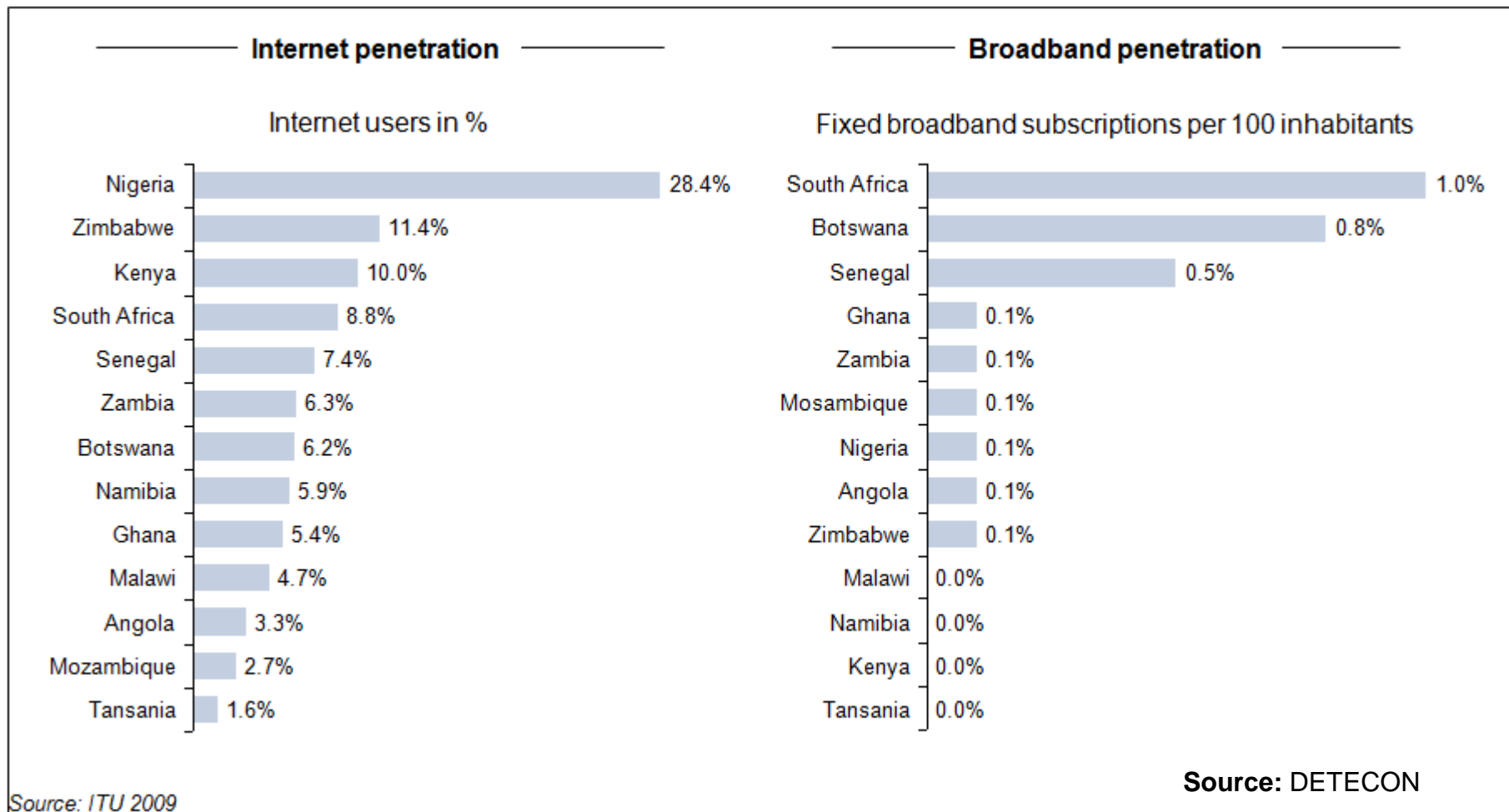
COSTS DISTRIBUTION TO COMPLETE DTT MIRGRATION PROJECT										
	PIE	ANTENNAS	MECHANICAL	ELECTRICAL		BUILDING		SATELLITE SYSTEMS	TOTAL	
	IMPLEMENTATION	IMPLEMENTATION	IMPLEMENTATION	EQUIPMENT	IMPLEMENTATION	EQUIPMENT	IMPLEMENTATION	IMPLEMENTATION	EQUIPMENT	IMPLEMENTATION
	EXTERNAL	EXTERNAL	EXTERNAL	NATIONAL	EXTERNAL	NATIONAL	EXTERNAL	EXTERNAL	NATIONAL	EXTERNAL
EASTERN CAPE	R400 742	R24 990 000	R576 000	R14 052 000	R6 846 000	R249 300	R699 600	R2 660 000	R29 844 392	R36 172 342
FREE STATE	R149 341	R4 490 000	R200 000	R4 928 000	R2 480 000	R111 988	R233 200	R820 000	R10 700 210	R8 372 541
KWAZULU NATAL	R288 680	R4 060 000	R160 000	R4 880 000	R3 960 000	R118 000	R336 000	R1 440 000	R15 620 844	R10 244 680
LIMPOPO	R146 841	R4 800 000	R244 000	R5 684 000	R2 334 000	R92 200	R257 400	R920 000	R11 450 922	R8 702 241
MPUMALANGA	R166 731	R1 380 000	R192 000	R4 684 000	R2 282 000	R106 088	R216 400	R1 000 000	R11 059 847	R5 237 131
NORTHERN CAPE	R256 292	R18 340 000	R380 000	R8 660 000	R3 230 000	R134 000	R373 000	R1 080 000	R18 606 107	R23 659 292
NORTH WEST	R169 231	R1 600 000	R148 000	R3 928 000	R2 428 000	R79 900	R225 800	R860 000	R10 313 159	R5 431 031
WESTERN CAPE	R226 512	R13 530 000	R464 000	R10 636 000	R4 074 000	R166 700	R464 400	R720 000	R19 831 333	R19 478 912
TOTAL	R1 804 369	R73 190 000	R2 364 000	R57 452 000	R27 634 000	R1 058 176	R2 805 800	R9 500 000	R127 426 814	R117 298 169
TOTAL	R6 128 269	R78 015 200	R6 632 800	R57 452 000	R33 122 000	R1 058 176	R6 205 800	R10 340 000	R511 994 149	R153 548 069

- The World Bank has found that in low and middle-income countries every 10 percentage point increase in broadband penetration accelerates economic growth by 1.38 percentage points more than in high-income countries and higher than for other telecommunications services.
- The Government of the Republic of South Africa acknowledges that rural and under-serviced communities are excluded from access to ICT. It is a known fact that the private sector has not succeeded in providing ICT services to rural and under-serviced areas. The Cabinet approved the National Broadband Policy that is intended to address the imbalances of the past relating to ICT.
- The provision of ICT in rural and under-serviced areas includes the roll out of next generation networks. Sentech will roll out a NWBN to provide a multimedia platform within the Consolidated National Broadband Network (CNBN) that is led by the Department of Communications (DoC).
- The Department of Communications (DoC) has assumed responsibility for the Consolidated National Broadband Plan (CNBP) and has engaged with SOE's including Sentech and other ICT players in the South African market in order to determine the relevant contributions in creating a sustainable national broadband network. Sentech has been requested to prepare its plan on how it wishes to participate in the CNBP.



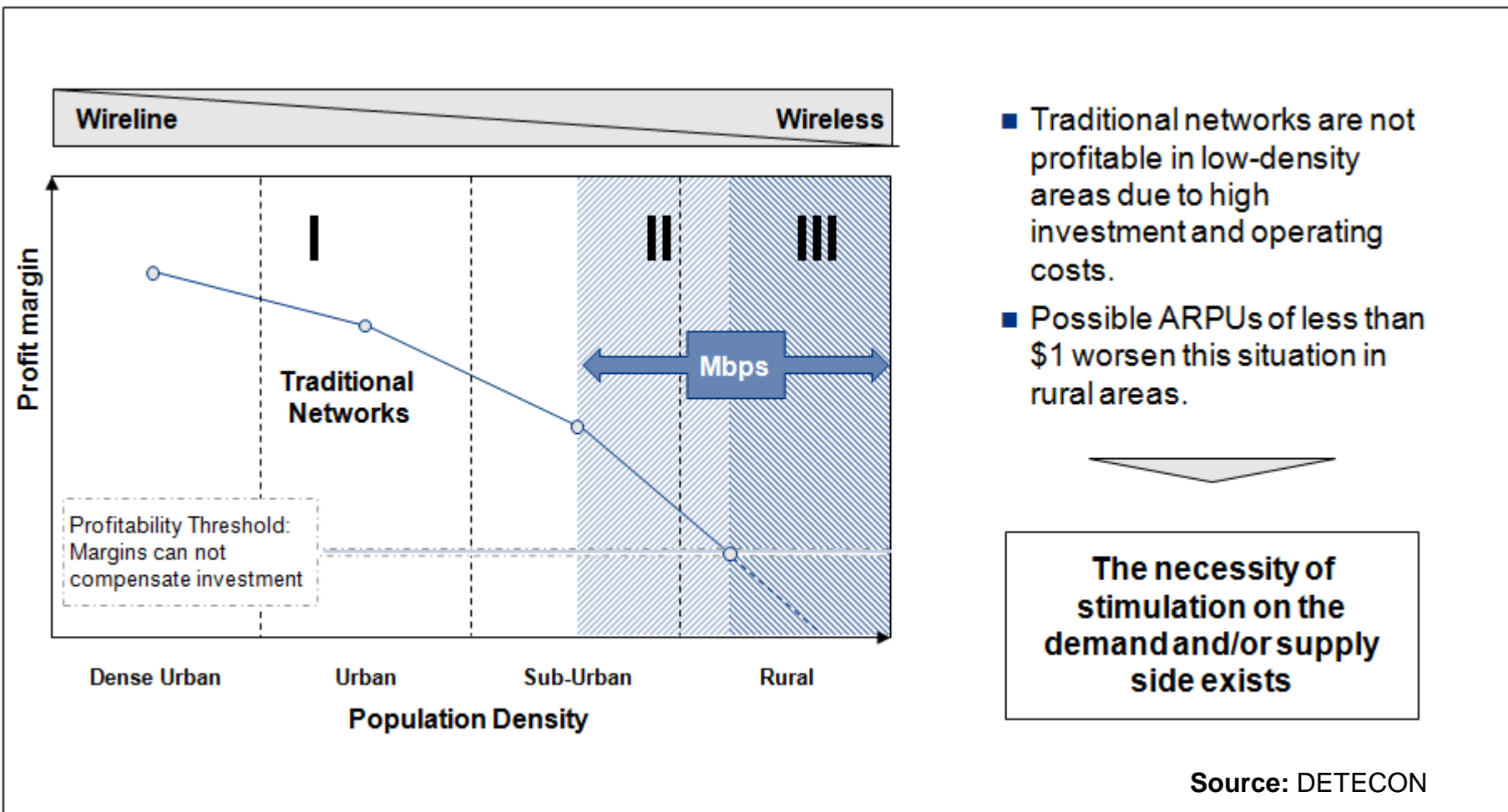
Mobile 3G/Wimax National Broadband Coverage

- Compared with the peer countries, both Internet and Broadband penetration remain on a rather low level in Southern Africa.





- For traditional network technology there exists a minimum population density for profitably covering a given area. Thus rural areas are out of focus and remain uncovered



- Under-serviced schools represent over 75% of the target market for the NWBN and thus inform the rollout plan for the NWBN

Province	Number of Schools	Deprivation Index
Kwa-Zulu Natal	5 640	94.65%
Limpopo	4 669	96.47%
Eastern Cape	6 240	96.62%
Mpumalanga	2 501	95.86%
Free State	2 635	95.89%
Northern Cape	795	89.83%
North West Province	2 406	93.47%
Western Cape	1 346	70.87%
Gauteng	1 346	59.93%
<b>Total</b>	<b>27 578</b>	

- The Sentech strategy for ensuring sustainability of the proposed NWBN is based on building a strong foundation for creating universal access to Broadband services, spearheaded by government intervention where market forces were or may be reluctant to invest in building these networks. The main elements of this strategy were based on the following:
  - Providing broadband networks to schools and government institutions with government as the anchor tenant for the network.
  - Government institutions as early adopters and innovators.
  - Ensuring open access for service, application, and content providers.
  - Providing facilities for e-government and e-learning applications.
  - Promoting the creation of digital content by customers and users of the network.
  - Offering incentives to community champions, local SMMEs and local retail service providers.

- Sentech has developed a strategy for addressing the market for the NWBN network. The market is segmented into the sectors in the table below:

SECTOR	SERVICE CATEGORY	DESCRIPTION	TARGET MARKET
Public	e-Government e-Learning e-Health	Provision of access services to rural and underserved areas and identified public sector groups to enable data, voice and video communications at cost effective rates	<ul style="list-style-type: none"> <li>○ All spheres of Government</li> <li>○ Hospitals and Clinics</li> <li>○ Public Facilities e.g. Libraries, Post Offices, SARS offices</li> <li>○ Sues</li> <li>○ Schools</li> </ul>
Wholesale	e-Business e-Citizens	Provision of wholesale commercial access services to rural and underserved areas to enable data, voice and video communications at cost effective rates	<ul style="list-style-type: none"> <li>○ SMME's</li> <li>○ ICT Hubs</li> <li>○ Households</li> </ul>
Safety	e-Safety	Provision of national and regional secure data, video and voice communication networks for public safety institutions	<ul style="list-style-type: none"> <li>○ Police</li> <li>○ Emergency Services</li> <li>○ Military</li> <li>○ National Intelligence</li> </ul>
Value Added Services	e-Content	Provision of national digital media platforms, access mediums and services to targeted content producers e.g. VoD	<ul style="list-style-type: none"> <li>○ National Archive Custodians</li> <li>○ All spheres of Government</li> <li>○ Public Broadcaster</li> <li>○ Emerging SMME's</li> <li>○ eCitizen</li> </ul>

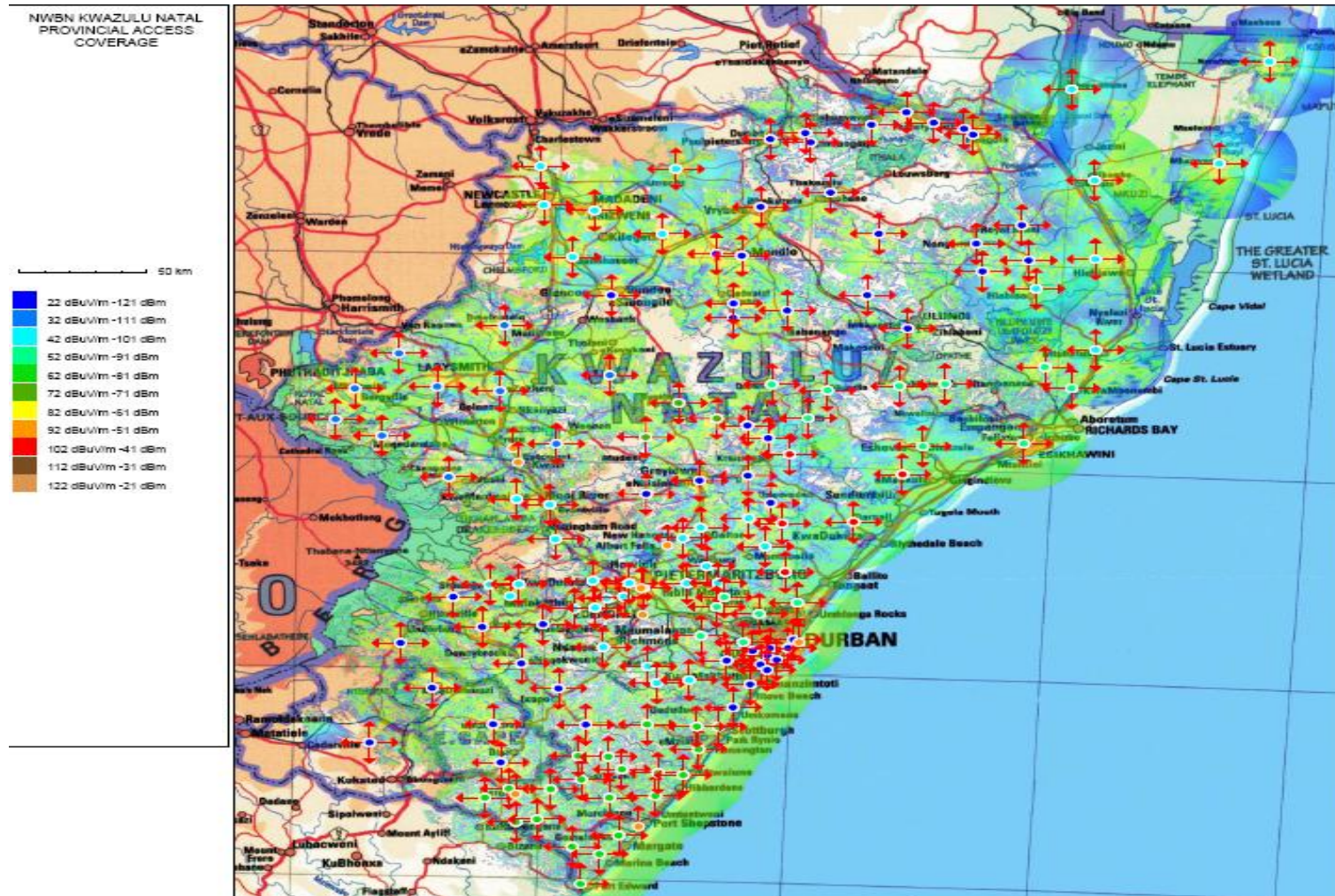
- The projected growth figures for the NWBN are primarily driven by the e-Learning and e-Health services that require connectivity for school and clinics respectively.

Province	Number of Schools	Deprivation Index	Rollout Order	Year of Rollout
Kwa-Zulu Natal	5 640	94.65%	1	1
Limpopo	4 669	96.47%	2	2
Eastern Cape	6 240	96.62%	3	3
Mpumalanga	2 501	95.86%	4	3
Free State	2 635	95.89%	5	4
Northern Cape	795	89.83%	6	4
North West Province	2 406	93.47%	7	4
Western Cape	1 346	70.87%	8	5
Gauteng	1 346	59.93%	9	5
<b>Total</b>	<b>27 578</b>			

- The projected growth figures for the NWBN for the MTEF period show a significant ramp up in the 2<sup>nd</sup> and 3<sup>rd</sup> years once the main core network has been established.

	2011/12	2012/13	2013/14
<b>Total Number of Customers</b>	1 800	10 000	19 000
e-Government	90	100	190
e-Health	144	600	1140
e-Safety	54	80	152
e-Schools	1224	8200	15200
e-Business	72	300	570
e-Citizen (ICT Hubs)	234	700	1710

NWBN KWAZULU NATAL  
PROVINCIAL ACCESS  
COVERAGE



- Previous attempts at NWBN for schools (e.g. Gauteng Online, Dinaledi schools) failed either in business planning and approvals or implementation:
  - **Gauteng On-Line (GOL):** The GOL project failed primarily because the issue of contention was greatly misunderstood by / misrepresented to the customer (GDE) and because the customer would not allow price increases in order to provide adequate bandwidth levels.
  - **Dinaledi Schools:** Sentech and the DoC could not agree on the rollout plan for the schools.
  
- **FUNDING:** There is a significant difference in funding requirements between the funds required for the 2011 NWBN and from previous submissions. The requested 2011 funds are substantially lower:
  - The 2011 NWBN proposal only covers the wireless portion of the NWBN solution plus the required core and voice network infrastructure. The previous funding requirements e.g. for Dinaledi schools, was based on the provision of a NWBN plus the required core and voice network infrastructure and the long distance link infrastructure that will now be provided by Broadband Infraco.



1. Business Strategy
2. Strategic Projects
3. **Key Performance Indicators**
4. Financial Plan

Strategic Objective 1: Stabilising the Organisation				
Key Outcome	Key Output	Performance Indicator/ Measure	Performance Targets FY11/12	Accountable Unit
Restructure in line with Service Delivery Model	<ul style="list-style-type: none"> <li>Approved Service Delivery Model Signed by Business Partners with Adopted Competence Framework per level</li> </ul>	<ul style="list-style-type: none"> <li>Organisation Structure</li> </ul>	<ul style="list-style-type: none"> <li>Approval by Q1</li> <li>Consultation between Q1-Q2</li> <li>Implementation to begin from Q3</li> <li>Complete implementation by end Q4</li> </ul>	Human Resources
Improved Performance Management Culture	<ul style="list-style-type: none"> <li>Completeness of Signed KPA's</li> </ul>	<ul style="list-style-type: none"> <li>Quality Checked KPA's</li> </ul>	<ul style="list-style-type: none"> <li>KPA's signed beginning Q1</li> <li>Quality checked by end Q1</li> <li>Align to service delivery model by end Q4</li> </ul>	Human Resources
Improved Strategic Leadership and Management Capacity	<ul style="list-style-type: none"> <li>Profile of Leadership and Management Skills</li> </ul>	<ul style="list-style-type: none"> <li>Management Gaps Identified</li> <li>Independent measure of management capacity</li> </ul>	<ul style="list-style-type: none"> <li>100% Participation of Management by Q2</li> </ul>	Human Resources

Strategic Objective 1: Stabilising the Organisation				
Key Outcome	Key Output	Performance Indicator/ Measure	Performance Targets FY11/12	Accountable Unit
Enhanced skills base	<ul style="list-style-type: none"> <li>Improved competency and performance levels</li> </ul>	<ul style="list-style-type: none"> <li>Skills audit report</li> </ul>	<ul style="list-style-type: none"> <li>Skills audit completed by Q2</li> <li>Measurement by Q3</li> <li>Alignment with skills audit results by end Q4</li> </ul>	Human Resources
Achieve an effective partnership with key internal stakeholders	<ul style="list-style-type: none"> <li>Adopted Employee Relations Framework</li> </ul>	<ul style="list-style-type: none"> <li>Approved Recognition Agreement</li> </ul>	<ul style="list-style-type: none"> <li>Approval by Q1</li> <li>Implementation by Q2</li> </ul>	Human Resources
Improved Employee satisfaction	<ul style="list-style-type: none"> <li>Improved efficiency and productivity</li> </ul>	<ul style="list-style-type: none"> <li>Employee Satisfaction Survey</li> <li>Staff turnover rate</li> </ul>	<ul style="list-style-type: none"> <li>Completed by Q3</li> </ul>	Finance
Achieve Financial Stability	<ul style="list-style-type: none"> <li>Improved Debtor Collection;</li> </ul>	<ul style="list-style-type: none"> <li>Reduction of debtors &gt;90 days</li> </ul>	<ul style="list-style-type: none"> <li>Increase the collection rate from 90% to 95%.</li> </ul>	Finance
	<ul style="list-style-type: none"> <li>Disburse only Legitimate payments</li> </ul>	<ul style="list-style-type: none"> <li>Percentage of improper disbursement</li> </ul>	<ul style="list-style-type: none"> <li>0% of improper disbursements</li> </ul>	Accounts Payable Committee and Finance
	<ul style="list-style-type: none"> <li>Minimise Fruitless and wasteful Expenditure</li> </ul>	<ul style="list-style-type: none"> <li>Percentage of fruitless and wasteful expenditure to Total Expenses</li> </ul>	<ul style="list-style-type: none"> <li>&lt;0.1% per annum</li> </ul>	Finance
	<ul style="list-style-type: none"> <li>Minimise irregular expenditure</li> </ul>	<ul style="list-style-type: none"> <li>Percentage of irregular expenditure Total Expenses</li> </ul>	<ul style="list-style-type: none"> <li>&lt;0.5% per annum</li> </ul>	Finance

Strategic Objective 2: Sustain Profitability				
Key Outcome	Key Output	Performance Indicator/ Measure	Performance Targets FY11/12	Accountable Unit
Achieve no less than 6% NPAT	<ul style="list-style-type: none"> <li>Terminate unsustainable products</li> </ul>	<ul style="list-style-type: none"> <li>Number of products with negative gross margins</li> </ul>	<ul style="list-style-type: none"> <li>Zero</li> </ul>	Marketing and Strategy
Sustain Analogue Television	<ul style="list-style-type: none"> <li>Maintain product profitability</li> </ul>	<ul style="list-style-type: none"> <li>Product profitability</li> </ul>	<ul style="list-style-type: none"> <li>End of fiscal</li> </ul>	Marketing and Strategy
FM	<ul style="list-style-type: none"> <li>Maintain product profitability</li> </ul>	<ul style="list-style-type: none"> <li>Product profitability</li> </ul>	<ul style="list-style-type: none"> <li>End of fiscal</li> </ul>	Marketing and Strategy
MW	<ul style="list-style-type: none"> <li>Maintain product profitability</li> </ul>	<ul style="list-style-type: none"> <li>Product profitability</li> </ul>	<ul style="list-style-type: none"> <li>End of fiscal</li> </ul>	Marketing and Strategy
SW	<ul style="list-style-type: none"> <li>Maintain product profitability</li> </ul>	<ul style="list-style-type: none"> <li>Product profitability</li> </ul>	<ul style="list-style-type: none"> <li>End of fiscal</li> </ul>	Marketing and Strategy
DTH	<ul style="list-style-type: none"> <li>Maintain product profitability</li> </ul>	<ul style="list-style-type: none"> <li>Product profitability</li> </ul>	<ul style="list-style-type: none"> <li>End of fiscal</li> </ul>	Marketing and Strategy
BTV	<ul style="list-style-type: none"> <li>Maintain product profitability</li> </ul>	<ul style="list-style-type: none"> <li>Product profitability</li> </ul>	<ul style="list-style-type: none"> <li>End of fiscal</li> </ul>	Marketing and Strategy

Strategic Objective 2: Sustain Profitability				
Key Outcome	Key Output	Performance Indicator/ Measure	Performance Targets FY11/12	Accountable Unit
Facilities	<ul style="list-style-type: none"> <li>Maintain product profitability</li> </ul>	<ul style="list-style-type: none"> <li>Product profitability</li> </ul>	<ul style="list-style-type: none"> <li>End of fiscal</li> </ul>	Marketing and Strategy
VSAT	<ul style="list-style-type: none"> <li>Maintain product profitability</li> </ul>	<ul style="list-style-type: none"> <li>Product profitability</li> </ul>	<ul style="list-style-type: none"> <li>End of fiscal</li> </ul>	Marketing and Strategy

Strategic Objective 3: Customer Satisfaction and retention				
Key Outcome	Key Output	Performance Indicator/Measure	Performance Targets FY11/12	Accountable Unit
Reduce Customer Complaints	<ul style="list-style-type: none"> <li>Customer Satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>Customer Survey</li> </ul>	<ul style="list-style-type: none"> <li>Reduce complaints by 80%</li> </ul>	Marketing
Improve billing	<ul style="list-style-type: none"> <li>Customer Satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>Billing accuracy (invoice)</li> <li>Timeous billing</li> </ul>	<ul style="list-style-type: none"> <li>100% accuracy, 95% of the time</li> <li>According to contract</li> </ul>	Sales
Improve service delivery levels	<ul style="list-style-type: none"> <li>Customer Satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>Fault Response time</li> <li>Installation response time</li> </ul>	<ul style="list-style-type: none"> <li>&lt;30 minutes for all faults</li> <li>Comply with customer contract</li> </ul>	Sales
Reduce Customer Churn	<ul style="list-style-type: none"> <li>Addressing customer needs</li> </ul>	<ul style="list-style-type: none"> <li>99% retention of customer base</li> </ul>	<ul style="list-style-type: none"> <li>&lt;1%</li> </ul>	Sales
Informed customer	<ul style="list-style-type: none"> <li>Customer newsletter</li> </ul>	<ul style="list-style-type: none"> <li>Frequency and participation</li> </ul>	<ul style="list-style-type: none"> <li>Quarterly</li> <li>Participation by all managers at least once a year</li> </ul>	Sales
	<ul style="list-style-type: none"> <li>Customer contact</li> </ul>	<ul style="list-style-type: none"> <li>Frequency and participation</li> </ul>	<ul style="list-style-type: none"> <li>Quarterly</li> <li>Participation by operational managers</li> </ul>	Sales

Strategic Objective 4: Network Performance				
Key Outcome	Key Output	Performance Indicator/Measure	Performance Targets FY11/12	Accountable Unit
Terrestrial Television Network Performance at SLA level	<ul style="list-style-type: none"> <li>SLA network performance achieved</li> </ul>	<ul style="list-style-type: none"> <li>Performance of network at SLA</li> </ul>	99.8%	Network Operations
		<ul style="list-style-type: none"> <li>Rollout and switch on of low power transmitters</li> </ul>	25	Network Operations
Attain Digital Terrestrial Television project objectives	<ul style="list-style-type: none"> <li>SLA network performance achieved</li> </ul>	<ul style="list-style-type: none"> <li>Performance of network at SLA</li> </ul>	99.8%	Network Operations
	<ul style="list-style-type: none"> <li>DTT Rollout Targets</li> </ul>	<ul style="list-style-type: none"> <li>Number of sites rolled out (cumulative based on ICASA frequency plan)</li> </ul>	71	Network Operations
	<ul style="list-style-type: none"> <li>DTT Population Coverage</li> </ul>	<ul style="list-style-type: none"> <li>% of Population reached</li> </ul>	74%	Network Operations

**Strategic Objective 4: Network Performance**

Key Outcome	Key Output	Performance Indicator/Measure	Performance Targets FY11/12	Accountable Unit
National Wireless Broadband Network	o Consolidated NWBN Business Plan	o Board, DoC and National Treasury approvals	End of Q1	CEO
	o Allocation of funds	o National Treasury allocation	Adequate funds allocated by end of Q2	CEO
	o Rollout in KZN	o Service Availability	Rollout starts by Jan 2012  Coverage of at least 90% of the more than 5200 (4680) KZN schools declared as underserved completed by end March 2012	COO



Strategic Objective 4: Network Performance				
Key Outcome	Key Output	Performance Indicator/Measure	Performance Targets FY11/12	Accountable Unit
FM Network Performance at SLA level	o SLA network performance achieved	o Performance of network at SLA	99.8%	Network Operations
MW Network Performance at SLA level	o SLA network performance achieved	o Performance of network at SLA	99.5%	Network Operations
SW Network Performance at SLA level	o SLA network performance achieved	o Performance of network at SLA	99.5%	Network Operations
DTH-S Commercial Network Performance at SLA level	o SLA network performance achieved	o Performance of network at SLA	99.8%	Network Operations
DTH-S Business Network Performance at SLA level	o SLA network performance achieved	o Performance of network at SLA	99.5%	Network Operations
VSAT Network Performance at SLA level	o SLA network performance achieved	o Performance of network at SLA	99.8%	Network Operations

1. Business Strategy
2. Strategic Projects
3. Key Performance Indicators
4. Financial Plan

	Actual 2010 R'000	Forecast 2011 R'000	Budget 2012 R'000	Forecast 2013 R'000	Forecast 2014 R'000
<b>Revenue</b>	<b>846 236</b>	<b>816 616</b>	<b>886 293</b>	<b>1 009 338</b>	<b>1 205 587</b>
Analogue	670 009	711 383	745 970	786 860	746 703
DTT					135 509
DTT Dual illumination	51 368	36 247	81 144	110 746	138 068
Broadband	-	-	1 996	64 616	134 596
Other	124 859	68 986	57 183	47 116	50 712
<b>Less : Operating costs</b>	<b>(736 221)</b>	<b>(762 213)</b>	<b>(799 344)</b>	<b>(886 339)</b>	<b>(1 005 357)</b>
Personnel remuneration	(235 750)	(239 669)	(300 167)	(315 308)	(331 320)
Maintenance	(47 329)	(19 193)	(54 594)	(65 423)	(86 783)
Depreciation	(96 846)	(180 651)	(165 509)	(202 239)	(239 122)
Operating cost	(289 203)	(215 802)	(216 214)	(234 611)	(270 309)
Administration cost	(67 093)	(106 898)	(62 860)	(68 758)	(77 823)
<b>Operating Profit</b>	<b>110 015</b>	<b>54 402</b>	<b>86 950</b>	<b>122 999</b>	<b>200 230</b>
<b>Net finance (cost)/income</b>	<b>65 709</b>	<b>45 534</b>	<b>23 300</b>	<b>5 650</b>	<b>2 532</b>
<b>Profit / (loss) before taxation</b>	<b>175 724</b>	<b>99 936</b>	<b>110 250</b>	<b>128 649</b>	<b>202 763</b>
<b>Taxation</b>	<b>(70 597)</b>	<b>(27 982)</b>	<b>(30 870)</b>	<b>(36 022)</b>	<b>(56 774)</b>
<b>Profit / (loss) after taxation</b>	<b>105 127</b>	<b>71 954</b>	<b>79 380</b>	<b>92 627</b>	<b>145 989</b>

		Actual 2010	YTD 2011	Forecast 2011	Budget 2012	Forecast 2013	Forecast 2014	Movement	
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<b>Assets</b>									
<i>Non-current assets</i>		848,533	676,906	612,552	1,344,989	1,812,784	2,311,861	(235,981)	732,437
Property, plant and equipment	1	540,815	461,483	418,657	1,194,581	1,711,935	2,235,881	(122,158)	775,924
Capital work in progress	2	305,590	213,295	192,055	127,200	98,200	72,800	(113,535)	(64,855)
Intangibles		528	528	-	-	-	-	(528)	-
Investment		-	-	-	21,000	-	-	-	21,000
Employee Benefits		1,600	1,600	1,840	2,208	2,650	3,180	240	368
<i>Current assets</i>		1,060,371	1,120,864	1,069,982	284,887	263,372	165,572	9,611	(785,095)
Inventory	3	8,461	11,081	9,973	8,975	9,873	10,860	1,512	(997)
Trade & Other receivables	4	74,385	27,053	25,701	28,271	31,098	34,207	(48,685)	2,570
Cash and cash equivalents	5	977,525	1,082,730	1,034,308	247,641	222,401	120,504	56,784	(786,667)
<b>Total assets</b>		<b>1,908,904</b>	<b>1,797,770</b>	<b>1,682,533</b>	<b>1,629,876</b>	<b>2,076,156</b>	<b>2,477,433</b>	<b>(226,371)</b>	<b>(52,657)</b>
<b>Equity and Liabilities</b>									
<i>Capital and reserves</i>		542,152	680,639	614,105	728,215	1,663,232	2,116,502	71,953	114,111
Share capital		2	2	2	2	2	2	-	-
Share premium		75,890	75,890	75,890	75,890	75,890	75,890	-	-
Non distributable reserve	6	422,825	422,824	422,824	457,555	1,299,945	1,607,226	(1)	34,731
Retained earnings		43,434	181,922	115,388	194,768	287,395	433,384	71,954	79,380
<i>Non-current liabilities</i>		194,988	194,462	187,550	178,582	167,201	179,782	(7,438)	(8,967)
Loans & Borrowings	7	65,825	56,299	45,429	23,935	-	-	(20,396)	(21,494)
Retirement benefit obligations	8	119,580	128,580	131,580	143,580	155,580	167,580	12,000	12,000
Deferred taxation		9,583	9,583	10,541	11,068	11,621	12,202	958	527
<i>Current liabilities</i>		1,171,764	922,669	880,879	723,078	245,723	181,148	(290,885)	(157,801)
Short term portion of LTL		17,352	17,352	19,302	21,494	23,935	-	1,950	2,192
Government grant	9	978,903	761,541	740,301	527,200	98,200	72,800	(238,602)	(213,101)
Tax liability		47,391	25,000	2,500	1,500	1,000	500	(44,891)	(1,000)
Trade & other payables	10	128,118	118,776	118,776	172,884	122,588	107,848	(9,342)	54,108
Unearned Income		-	-	-	-	-	-	-	-
<b>Total liabilities</b>		<b>1,366,752</b>	<b>1,117,131</b>	<b>1,068,429</b>	<b>901,661</b>	<b>412,924</b>	<b>360,930</b>	<b>(298,323)</b>	<b>(166,768)</b>
<b>Total equity and liabilities</b>		<b>1,908,904</b>	<b>1,797,770</b>	<b>1,682,533</b>	<b>1,629,876</b>	<b>2,076,156</b>	<b>2,477,433</b>	<b>(226,370)</b>	<b>(52,657)</b>

	Actual 2010	YTD 2011	Forecast 2011	Budget 2012	Forecast 2013	Forecast 2014
R'000						
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	2,503	222,921	200,513	279,424	248,999	381,294
Cash Generated from / (Utilised in) Operations	53,646	258,922	242,053	316,994	288,371	438,235
Finance Costs	(1,701)	(8,019)	(13,558)	(6,700)	(3,350)	(168)
Tax expense	(49,442)	(27,982)	(27,982)	(30,870)	(36,022)	(56,774)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	(187,971)	(135,128)	(144,221)	(1,543,264)	(1,058,039)	(621,456)
Property, Plant and Equipment Acquired	(269,865)	(415,313)	(209,362)	(1,573,264)	(1,067,039)	(624,156)
Interest received	80,965	48,856	65,141	30,000	9,000	2,700
Proceeds on Disposal of Fixed Assets	929	231,330	-	-	-	-
<b>CASH FLOW FROM FROM FINANCING ACTIVITIES</b>	120,240	17,412	491	477,173	783,800	138,265
Government Grant Received	232,434	66,053	66,053	587,092	920,487	304,686
Government Grant capitalised (asset)	(63,939)	(30,195)	(46,259)	(91,144)	(115,746)	(143,068)
Payment of interest bearing liabilities ( incl finance lease obligation)	(48,255)	(18,446)	(19,302)	(18,775)	(20,941)	(23,353)
<b>NET INCREASE/(DECREASE) IN CASH</b>	(65,228)	105,205	56,783	(786,667)	(25,240)	(101,897)
Opening Cash Balance	1,042,753	977,525	977,525	1,034,308	247,641	222,401
Cash at end of Period	977,525	1,082,730	1,034,308	247,641	222,401	120,504



**SENTECH**

---

connecting You

# ANNEXURE A: GOVERNMENT PRIORITIES

- Sentech's Purpose will further be informed and guided by Governments Priorities and Programmes for this MTEF which are:

GOVERNMENT PRIORITIES AND PROGRAMME'S MTSF: 2009 – 2014		
Strategic Goals	Strategic Objectives	Sentech Alignment With Government Strategic Goals and Objectives
<b>SG 1:</b> <b>Enable the maximisation of investment in the ICT sector</b>	<b>SO: 1.1</b> Contribute to creating conditions for an accelerated and shared growth of the South African economy through development and implementation of ICT policies and strategies that positively impacts on the wellbeing of all our people	<p>Sentech's approach to policy development will be adapted to become more proactive and engaging, especially around infrastructure-based interventions in ICT</p> <p>Sentech's new approach to delivering its public service mandate, that is, the 'integrated Broadcasting and Broadband operating model' will be central to the Company's strategy for creating an enabling platform for accelerating provisioning and adoption of ICT's, particularly in the underserved areas</p>



<b>GOVERNMENT PRIORITIES AND PROGRAMME'S</b> <b>MTSF: 2009 – 2014</b>		
<b>Strategic Goals</b>	<b>Strategic Objectives</b>	<b>Sentech Alignment With Government Strategic Goals and Objectives</b>
<b>SG 2:</b> <b>Ensure that ICT infrastructure is robust, reliable, affordable and secured to meet the needs of the country and its people</b>	<b>SO:2.1</b> Support and enable the provision of a multiplicity of ICT applications and services through facilitating the modernisation of the infrastructure	<p>Sentech will deliver on this imperative through Digital Terrestrial Television (DTT), which provides for both security and modernisation of broadcasting distribution.</p> <p>Sentech will further develop the Nwbn access services to enable broadband access and services.</p> <p>Finally, Sentech will develop a combine the two major infrastructure interventions to provide multi-media platform services on open-access principles in order to enable the development and provision of a multiplicity of converged ICT applications and services</p>
	<b>SO: 2.2</b> Improvement with respect to cost, quality, availability and usage of ICTs in line with world class standards	<p>Sentech will develop a new Tariff/e-Rate regime, in particular, the alignment of tariff structures to the 3-Tiers of broadcasting. Quality and availability will be part of the network performance objectives</p>

<b>GOVERNMENT PRIORITIES AND PROGRAMME'S</b> <b>MTSF: 2009 – 2014</b>		
<b>Strategic Goals</b>	<b>Strategic Objectives</b>	<b>Sentech Alignment With Government Strategic Goals and Objectives</b>
<b>SG 3:</b> <b>Create new competitive business opportunities for the growth of the ICT Industry</b>	<b>SO: 3.1</b> Develop and implement a national incentive for the ICT Industry	As an enabler, the Company's infrastructure will be leveraged to create new opportunities for open-access public and private enterprises. Focus will be directed to SMMEs in underserved and underserviced areas

<b>GOVERNMENT PRIORITIES AND PROGRAMMES</b> <b>MTSF: 2009 – 2014</b>		
<b>Strategic Goals</b>	<b>Strategic Objectives</b>	<b>Sentech Alignment With Government Strategic Goals and Objectives</b>
<b>SG 4:</b> <b>Accelerate the socio-economic development of South Africans by increasing access to, as well as the uptake and usage of, ICTs through partnerships with business and civil society and three spheres of Government</b>	<b>SO: 4.1</b> Increase universal access and services to ICTs	The National Wireless Broadband Network (NWBN) is envisaged as the driver for providing ICT universal access and services
	<b>SO: 4.2</b> Contribute to increasing the ICT skills base and increase access to, and uptake and usage of ICTs	NWBN will facilitate usage in schools (learners & educators) and within health centres by medical practitioners  The skills imperative is incorporated in the Company's Enterprise Development Strategy that will be enhanced in the rollout and operation of NWBN

**GOVERNMENT PRIORITIES AND PROGRAMMES**
**MTSF: 2009 – 2014**

Strategic Goals	Strategic Objectives	Sentech Alignment With Government Strategic Goals and Objectives
<b>SG 4:</b> <b>Accelerate the socio-economic development of South Africans by increasing access to, as well as the uptake and usage of, ICTs through partnerships with business and civil society and three spheres of Government</b>	<b>SO: 4.3</b> Facilitate the growth and development of SMMEs as well as improving their sustainability through the use of ICTs	This is provided for in the Company's Enterprise Development, Broadbased Black Economic Empowerment and Procurement policies
	<b>SO: 4.4</b> Promote the ICT agenda across all stakeholders in order to ensure integrated and efficient service delivery to communities	Sentech will continue to participate in public policy processes and International Conferences on the development of broader ICT sector

**GOVERNMENT PRIORITIES AND PROGRAMMES**  
**MTSF: 2009 – 201400**

<b>Strategic Goals</b>	<b>Strategic Objectives</b>	<b>Sentech Alignment With Government Strategic Goals and Objectives</b>
<b>SG 5:</b> Contribute towards building a developmental state including improvement of public services and strengthening democratic institutions	<b>SO: 5.1</b> Enhance departmental performance through improving institutional processes and mechanisms	Sentech will support the DoC by adhering to and complying with the department's reporting framework
<b>SG 6:</b> Enhance the role of ICT SOE's as the delivery arms of government and support the Regulator	<b>SO: 6.1</b> Provide efficient and effective oversight to SOE's and other entities	Sentech will support the DoC by adhering to and complying with the department's reporting framework
	<b>SO: 6.2</b> Ensure effective monitoring and support of SOE's through corporate governance mechanism	Sentech will support the DoC by adhering to and complying with the Department's reporting framework

**GOVERNMENT PRIORITIES AND PROGRAMMES**
**MTSF: 2009 – 2014**

Strategic Goals	Strategic Objectives	Sentech Alignment With Government Strategic Goals and Objectives
<b>SG 7:</b> <b>Contribute to the global ICT Agenda prioritising Africa's development</b>	<b>SO: 7.1</b> Support the African agenda through active participation and implementation of NEPAD as well as African multilateral and bilateral ICT programmes, in order to promote development in Africa	Sentech will support 'public and government' initiatives in the Continent. Sentech continues to explore intervention opportunities in Africa as part of its development strategy
	<b>SO: 7.2</b> Consolidate South-South Relations to promote economic development	Sentech will support the Department's initiatives as mandated by the Board and Shareholder

**GOVERNMENT PRIORITIES AND PROGRAMMES**
**MTSF: 2009 – 2014**

Strategic Goals	Strategic Objectives	Sentech Alignment With Government Strategic Goals and Objectives
<b>SG 7:</b> <b>Contribute to the global ICT Agenda prioritising Africa's development</b>	<b>SO: 7.3</b> Consolidate North-South Relations to promote economic development	Sentech will support the Department's initiatives as mandated by the Board and Shareholder
	<b>SO: 7.4</b> Develop Trade and Investment opportunities for the ICT sector in South Africa	Sentech will support the Department's initiatives as mandated by the Board and Shareholder
	<b>SO: 7.5</b> Influence debates and decisions of multi-lateral summits, conferences and partnerships to promote development and implement the outcomes thereof	Sentech will support the Department's initiatives as mandated by the Board and Shareholder

### GOVERNMENT PRIORITIES AND PROGRAMMES

MTSF: 2009 – 2014

Strategic Goals	Strategic Objectives	Sentech Alignment With Government Strategic Goals and Objectives
<b>SG: 8</b> <b>Facilitate the building of an inclusive Information Society to improve the quality of life</b>	<b>SO: 8.1</b> Facilitate and promote Information Society development programmes to accelerate socio-economic development	Sentech will support the Department's initiatives as mandated by the Board and Shareholder



## **ANNEXURE B: PRODUCT PERFORMANCE TARGETS**

- **Broadcasting & Media Services:**

- The Company will maintain its current portfolio of terrestrial broadcasting signal distribution services. The primary focus during this MTEF period will be on the roll-out of the DTT network to the 92% population coverage target prior to Analogue Switch-Off (ASO) in December 2013;
- The VIVID DTH-S platform will migrate to an MPEG-4 technology with a new Conditional Access (CA) system before end of the 2010/2011 financial year. This move is necessary to limit the risk of litigation from Broadcasters and Content Owners resulting from pirate viewing of South African channels outside the country's borders; and
- The Company will explore provisioning of a multi-media platform as part of its growth strategy that leverages existing and future infrastructure.

- **Wireless Broadband Services:**

- The Wireless Broadband Services portfolio will be anchored by the NWBN which the Company is jointly developing a business plan for with other SOE's and the Department of Communications;
- The VSAT business will be streamlined, to focus on providing ICT services to Government and Public enterprises as part of the NWBN portfolio. Private Commercial products currently delivered on this service will be terminated at the end of the 2011/2012 financial year;
- A business model for the Voice service is being developed; and
- The Company will develop a Business Case for Content Management Services that will converge Broadcasting & Media service with the NWBN service to enable 3-Play products and services

- **Broadcasting Signal Distribution Services**

- The BSD services comprises of Analogue Television, FM Radio, MW Radio and SW Radio.

Broadcasting Signal Distribution Services [Analogue Television, FM Radio, MW Radio, SW Radio]					
	FY10/11 (Year-To-Date)* (000's)	FY10/11 (Annualised) (000's)	FY11/12 (Forecast) (000's)	FY12/13 (Forecast) (000's)	FY13/14 (Forecast) (000's)
Revenue	431 697	575 597	602 147	629 662	663 395
Operating Costs	(189 604)	(252 807)	(295 634)	(273 099)	(287 299)
Operating Profit/(Loss)	242 093	322 790	306 513	356 563	376 096
Corporate Overheads	(32 415)	(43 220)	(44 688)	(46 700)	(49 128)
Net Profit/(Loss)	209 678	279 570	261 825	309 863	326 968

\* FY10/11 Year-To-Date is performance period between April '10 to December '10

- Sentech expects limited growth in the number of Broadcasting Services to be licensed by the Regulator during this period:
  - Television: Analogue Television financial performance will primarily be driven by incremental revenues from the expansion of the SABC's Low Power transmitter network;
  - FM Radio: Similarly, the FM Radio product will also grow at the back of the SABC's Low Power transmitter expansion.
  - MW Radio: The MW Radio will have marginal growth based only on CPIX tariff increase.
  - SW Radio: The SW product's growth will largely be driven by tariff increase.

- **Direct-To-Home Satellite Services**

- The DTH-S services comprises of Free-To-View (Commercial Services), Business Television (BTV) and Business Radio.

Direct-To-Home (DTH) Satellite Services					
[Commercial Television, Business Television, Business Radio]					
	FY10/11 (Year-To-Date)* (000's)	FY10/11 (Annualised) (000's)	FY11/12 (Forecast) (000's)	FY12/13 (Forecast) (000's)	FY13/14 (Forecast) (000's)
Revenue	28 559	38 080	35 857	39 087	42 824
Operating Costs	(25 319)	(33 761)	(34 906)	(36 477)	(38 105)
Operating Profit/(Loss)	3 240	4 319	951	2 610	4 719
Corporate Overheads	(3 158)	(4 210)	(4 354)	(4 550)	(4 786)
Net Profit/(Loss)	82	109	(3 403)	(1 940)	(67)

\* FY10/11 Year-To-Date is performance period between April '10 to December '10

- The financial performance of the DTH-S product portfolio will be driven by inflation increases and marginal growth in the number of additional services:
  - Free-To-View Services: Growth is premised on addition of four new broadcasters during 2011/2012 financial year and one each year for the remainder of the planning period;
  - Business Television Services: The BT service is facing increasing competition and Sentech lost video services in the 2010/2011 financial year. We anticipate even tougher trading conditions for this period and this product will be reviewed in the process of repositioning the DTH-S portfolio.

- Managed Value-Add Services

- The Managed Value-Add Services portfolio comprises of Facility Rentals, Studio To Transmitter Links, 3<sup>rd</sup> Party Linking, Satellite Linking, Audio Processors and Consultancy Services.

Managed Broadcasting and Media Services [Facility Rentals and Value-Add Services]					
	FY10/11 (Year-To-Date) <sup>†</sup> (000's)	FY10/11 (Annualised) (000's)	FY11/12 (Forecast) (000's)	FY12/13 (Forecast) (000's)	FY13/14 (Forecast) (000's)
Revenue	84 366	112 488	123 692	128 509	135 338
Operating Costs	(31 580)	(42 108)	(42 333)	(40 874)	(43 000)
Operating Profit/(Loss)	52 786	70 380	81 359	87 635	92 338
Corporate Overheads	(5 094)	(6 791)	(5 932)	(6 199)	(6 521)
Net Profit/(Loss)	47 692	63 589	75 427	81 436	85 817

<sup>†</sup> FY10/11 Year-To-Date is performance period between April '10 to December '10

- The Managed Value-Add services portfolio will maintain its steady growth; however, revenues will increasingly come under pressure, in particular the Facility Rental service as energy costs continue to rise.
  - The Facility Rental service may also come under pressure should ICASA Competition Review declare the Company facilities as 'Essential Facilities'

- **Very Small Aperture Terminal (VSAT)**

- Beginning in the 2011/2012 financial year, Sentech will gradually exit the retail VSAT market and re-position the VSAT product as a 'secondary platform' to deliver ICT services to underserved Public and Government institutions complementing the NWBN strategy.

Very Small Aperture Terminal (VSAT)					
	FY10/11 (Year-To-Date)* (000's)	FY10/11 (Annualised) (000's)	FY11/12 (Forecast) (000's)	FY12/13 (Forecast) (000's)	FY13/14 (Forecast) (000's)
Revenue	18 085	22 716	29 001	33 268	38 217
Operating Costs	(29 656)	(21 763)	(19 936)	(22 457)	(25 795)
<b>Operating Profit/(Loss)</b>	<b>(11 591)</b>	<b>953</b>	<b>9 065</b>	<b>10 811</b>	<b>12 422</b>
Corporate Overheads	(12 634)	(12 083)	(7 341)	(7 672)	(8 094)
<b>Net Profit/(Loss)</b>	<b>(24 225)</b>	<b>(11 130)</b>	<b>1 724</b>	<b>3 139</b>	<b>4 328</b>

\* FY10/11 Year-To-Date is performance period between April '10 to December '10

- The financial performance of the VSAT service is based on the following:
  - The predicted revenue for 2010/2011 financial year is based on individual customer invoicing;
  - Beginning of 2011/2012 financial year, the VSAT product will be repositioned by phasing out the current standard offering and introducing a 'metered bandwidth' offering across the portfolio;
  - The e-Rate will be applied to VSAT services for the Education sector.