CORPORATE PLAN: MTEF 2012 – 2015

Parliamentary Portfolio Committee on Communications

24 April 2012

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SENTECH
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SENTECH TEAM

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- **Dr Setumo Mohapi** Chief Executive Officer
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- **Mr Mesuli Dhlamini** Non-Executive Director
- **Ms Leah Khumalo** Non-Executive Director
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- The SENTECH Board hereby presents the Company's Corporate Plan for the Medium Term Expenditure Framework (MTEF) 2012 – 2015 to the Executive Authority, the Minister of Communications; National Treasury as required in terms of Section 52 of the PFMA and Treasury Regulation 29; and the Parliamentary Portfolio on Communications in terms of the Money Bills Amendment Procedure and Related Matters Act of 2009.

- 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 for the 2012 – 2017 period and by the corporate objectives as set by the Board of Directors.

FOREWORD

- The submission of this Corporate Plan is momentous in the history of SENTECH:
  - Firstly, the 2012/2013 financial year will be a key milestone for the broadcasting industry, as the country begins the migration of its analogue terrestrial television services to digital broadcasting. The move to digital broadcasting will deliver the much needed economic and social benefits to all citizens by stimulating economic growth and creating employment opportunities; and
  - Secondly, the rapidly changing media and communications landscape characterised by intense competition and economic uncertainty requires SENTECH to adapt from the traditional signal distribution positioning of the Company. SENTECH's relevance will be determined by how best the Company can enable universal, open access provision of content across all digital media platforms ensuring availability to all audiences whenever, wherever and however they want it.

- In responding to these developments, SENTECH has to review its operating and business model if the Company is to take advantage of the opportunities and respond to the challenges presented by the converged Information Communications and Technology (ICT) landscape whilst complying with the public service mandate and licence conditions.

FOREWORD

- In the State of the Nation (SONA) address, the President further outlined the role of State Owned Entities (SOEs) in enabling economic development and job creation in the context of the country's 'infrastructure-build' programme. Accordingly, SENTECH will accelerate implementation of the Digital Terrestrial Television (DTT) and National Wireless Broadband Network (NWBN) infrastructure rollout projects – in alignment with the Presidential Infrastructure Coordinating Committee (PICC) imperatives for this MTSF period.

- SENTECH has also drawn on the country's strategic roadmap as provided for in the National Planning Commission's (NPC) 'Vision 2030 - National Development Plan'. In particular, SENTECH noted the following statement by the NPC:

"By 2030, ICT will underpin the development of a dynamic information society and knowledge economy that is more inclusive and prosperous. A seamless information infrastructure will meet the needs of citizens, business and the public sector, providing access to the wide range of services required for effective economic and social participation – at a cost and quality at least equal to South Africa's competitors."

FOREWORD

- The NPC further on goes to detail the specific and practical strategies that the country's ICT sector needs to adopt and implement to realise the Vision 2030 objectives. SENTECH submits that its medium-term strategy for MTEF 2012 – 2015 seeks to respond to the country's long-term vision as provided for in the NPC's National Development Plan.

- The Board is confident that SENTECH will achieve its performance objectives, in particular, the rollout of the Digital Terrestrial Television transmitter network and the National Wireless Broadband Network within the frameworks stipulated by the Shareholder.

- The Board would like to take this opportunity to thank the Ministry of Communications for ensuring that the Shareholder's 'Vision 2020' strategy for the ICT sector permeates SENTECH's public interest interventions; the Department of Communications for their leadership and to SENTECH Executive Management and Staff for their altruistic commitment to enable universal access, open access and sustainable communications infrastructure communications networks.

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VISION MISSION AND VALUES

VISION

To be a world-class provider of 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:** *We act with honesty, fairness and openness;*
- **Quality Customer Service:** *We are committed to proactively ensuring high values of customer satisfaction and building a relationship based on trust;*
- **Innovation:** *We endeavour to develop and support creativity and responsible risk-taking;*
- **Accountability:** *We deliver on our promises and take responsibility for our actions; and*
- **Social Responsibility:** *We endeavour to fulfill our mandate in a manner that benefits our employees, customers, suppliers, communities and the environment in all the areas that the Company operates in.*

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COMPANY PURPOSE:
Public Service Mandate

- SENTECH's Public Service mandate is mainly provided for in:

  - **The SENTECH Act (No. 63 of 1996)** – For 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

  - **The Electronic Communications Act (No. 36 of 2005**) – For Converged Communications Services

"...to provide electronic communications services and electronic communications network services in accordance with the Electronic Communications Act."

- SENTECH continues to believe that the framework provided by the SENTECH Act and the ECA is inadequate to guide the Company's operational strategy – most importantly in the context of ever-changing ICT sector competitive landscape.

COMPANY PURPOSE:
Public Service Mandate

- To deepen the Company's understanding of its public service mandate, the Board has reflected on existing Policy – which are statements of intent about the ecosystem that SENTECH operates in; and which generally survive the Legislative framework as it changes from time to time.

- In particular, the Board noted the following policies:

  - **The White Paper on Broadcasting Policy, 1998**

The White Paper sets out specific objectives for the Signal Distribution sector, within which SENTECH is the leading service provider. Amongst others, the objectives are:

- There must be access to signal distribution services and facilities for content providers and end-users;
- Signal distribution must be affordable with a flexible tariff structure for services;
- Signal distribution system must be open-access and interoperable;
- Signal distribution system should prioritise distribution of South African content; and
- The signal distribution system should be positioned to enable the sector for the Digital Multimedia future.

COMPANY PURPOSE:
Public Service Mandate

- **The Broadband Policy for South Africa, 2010**

SENTECH further draws its public service mandate from the Broadband Policy which states as its primary objective: "*To facilitate the provisioning of affordable, accessible, universal access to Broadband infrastructure to citizens, business, communities and the three spheres of Government, and to stimulate the usage of Broadband services – in order to promote economic development and growth and act as an enabler for further social benefits.*"

The Broadband Policy's key priory areas are:

- Universal access to broadband infrastructure and services;
- Affordability of broadband to Government, business and citizens; and
- Increasing uptake and usage of broadband services.

The Policy provides that the Department of Communications, as the custodian of ICT's in South Africa, has the ultimate responsibility for the implementation of the policy as a whole; and that Government will use SOE's such as SENTECH and Broadband Infraco for the provisioning of electronic communications network services.

COMPANY PURPOSE:
Public Service Mandate

- **The Broadcasting Digital Migration (BDM) Policy, 2012**

The BDM Policy sets out the parameters and framework for the migration of the country's broadcasting services from analogue to digital. Amongst other priorities, the Policy aims to:

- Create an environment for the uptake of digital terrestrial television by all households, including the poor;
- Ensure a future for broadcasting existing services and introducing new services, taking into account the gap related to programming of provincial content as well as parliamentary and government information, especially for the poor;
- Provide a framework for the provision of community television and mobile broadcasting services;
- Provide television services in more South African languages; and
- Provide access to broadcasting services to people with disabilities.

COMPANY PURPOSE:
Public Service Mandate

- **The Draft policy Directions for Electronic Communications Services in High Demand Spectrum, 2011**

The Policy states that the intention of Government is to ensure that spectrum in high demand parts is directed towards the attainment of universal service and access for all and should achieve the following national objectives:

- Facilitate introduction of new national and rural providers of electronic communications, including broadband;
- Ensure that participating licensees contribute to broad based black economic empowerment; and
- Impose universal access and service obligations to promote uptake and usage of electronic communications in rural and urban poor settlements.

COMPANY PURPOSE:
Public Service Mandate

- In preparing this Corporate Plan, SENTECH is further guided by the Shareholder's MTEF strategic goals (SG's). For this planning period, these are:

  - **SG 1:** Enable the maximisation of investment in the ICT sector and create new competitive business opportunities for the growth of the ICT industry for socio-economic development;

  - **SG 2:** Ensure that ICT infrastructure is accessible, robust, reliable, affordable and secure to meet the needs of the country and its people;

  - **SG 3:** Accelerate the socio-economic development and facilitate the building of an inclusive information Society through partnerships with business and civil society and the three spheres of Government;

  - **SG 4:** Improve Departmental performance and enhance the role of ICT SOE's as the delivery arms of Government; and

  - **SG 5:** Contribute to the global ICT agenda, prioritising Africa's development.

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KEY BUSINESS OBJECTIVES:
Public Service Mandate

- The Board has identified and adopted six Strategic Focus Areas whose plans and activities will guide SENTECH towards achieving the company's public service mandate obligations, Shareholder priorities and business continuity – broadly, the Public Service Mandate. The key focus areas are:

  - **Customers and Stakeholders**

    - Understand our customer's and stakeholder's needs and expectations;
    - Provide expert advise and collaborate with our customers to meet the Company's public service mandate; and
    - Identify and support community projects that will deliver social and economic dividends to the respective communities.

  - **Infrastructure**

    - Accelerate rollout and provision of open access communications infrastructure networks to broadcasting and communications services licenses; and
    - Prioritise underserved and underserviced communities in the infrastructure rollout and service provision plan.

KEY BUSINESS OBJECTIVES:
Public Service Mandate

- **Solutions and Interventions**
  - Consolidate the Company's analogue radio and television signal distribution business;
  - Enable expansion of public broadcasting services to reflect the country's diverse socio-demographic profile; and
  - Provide a multimedia content delivery platform that will enable distribution and accessibility of content on all known and future digital platforms.

- **Employees**
  - Develop employee skills to manage, participate and support the SENTECH business model; and
  - Implement a comprehensive management and leadership development programme to ensure personal growth, succession planning and skills retention.

KEY BUSINESS OBJECTIVES:
Public Service Mandate

- **Sustainability**
  - Diversify products and solutions within the framework of the Company's Licences and market environment;
  - Leverage Shareholder investment on the DTT and NWBN flagship projects to secure SENTECH's future; and
  - Ensure that the Shareholder funded infrastructure-build projects enables job creation and skills development.

- **Governance**
  - Define and enable SENTECH medium term strategy and achievement;
  - Ensure that SENTECH complies with Legal and Regulatory provisions to maintain going-concern status;
  - Develop risk management capability and ensure that that risk management is embedded in all of the Company's activities; and
  - Maintain collaborative and supportive relationship with the Shareholder.

- These goals and objectives are the core of SENTECH's strategic plan and provide the Company tangible means of measuring its achievements and progress. SENTECH will then report in a meaningful way to the Shareholder, on how the Company has lived up to the ambitions it has set for the future.

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STRATEGY ROADMAP:
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- The life of this Corporate Plan coincides with one of the most momentous period in the country's broadcasting landscape – the migration of television broadcasting services from analogue to digital transmission.

- At the same time, Government has challenged the ICT sector to accelerate rollout of broadband infrastructure network and to stimulate uptake of broadband services to every citizen and every corner of the country in line with the Shareholder's Vision 2020 strategy.

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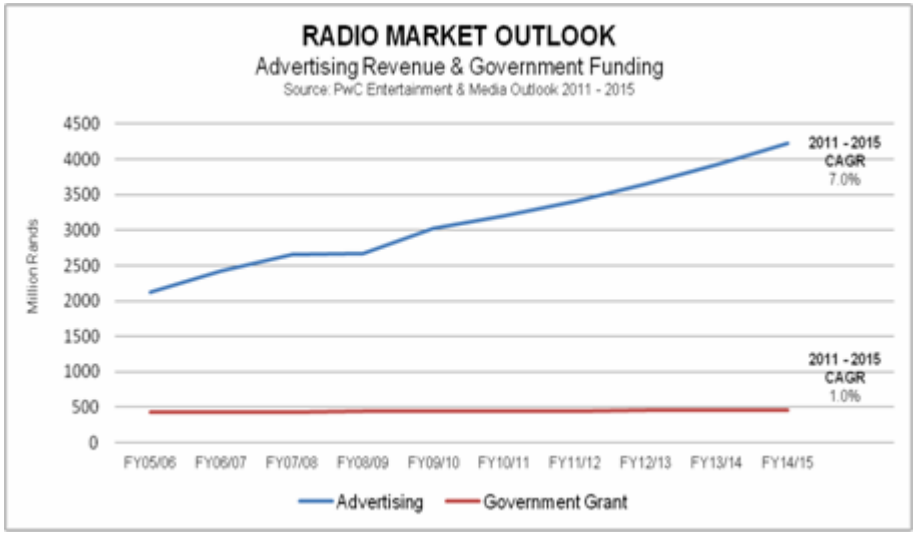
INDUSTRY OUTLOOK:
Introduction

- The past decade has seen the acceleration of convergence between the Telecommunications, Media and Technology sectors – and today, these are more interconnected and interdependent than ever before. At the same time, the global economic landscape in the past couple of years has had the most profound implications in the Entertainment and Media (E&M) sector than any other period in history.

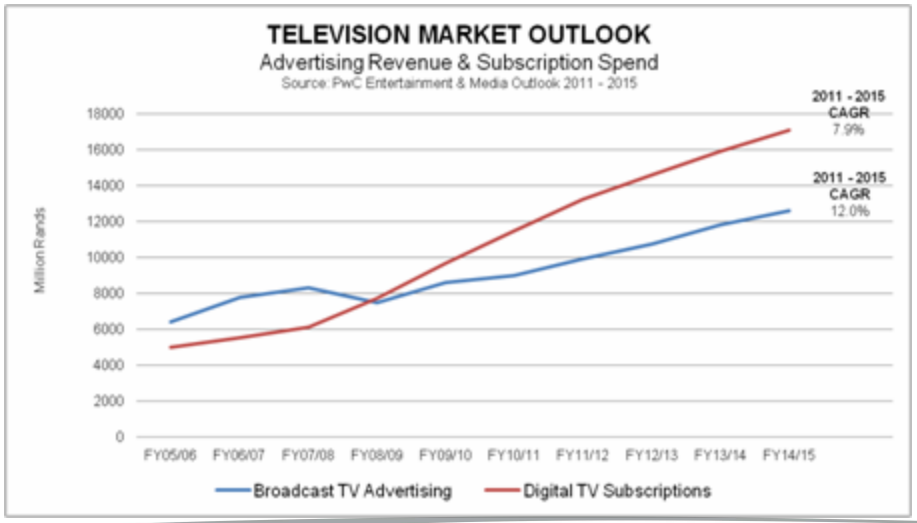
- The E&M sector in South Africa rose by 21.1% in 2010, up from 3.7% growth in 2009 – largely driven by spending associated with the 2010 FIFA Soccer World Cup as well as general rebound in the economy. PricewaterhouseCoopers Inc., South African Entertainment and Media Outlook; 2011 – 2015.
  - Advertising grew by 10.4% in 2010 in contrast to an 8.6% fall in 2009, whilst end-user spending jumped by 25.0% mostly propelled by an 84.6% increase in sports – also associated with the 2010 FIFA Soccer World Cup.
  - The most significant change in the sector was the 42.1% increase in Internet access, which benefited from increases in mobile and broadband access as well as Internet advertising.

- Whilst the recent sector performance bodes well for the future, SENTECH acknowledges that the sector segments that have a direct impact on the Company's business are most likely to be impacted upon by policy and regulatory interventions.

INDUSTRY OUTLOOK:
Media & Entertainment Trends (1/2)

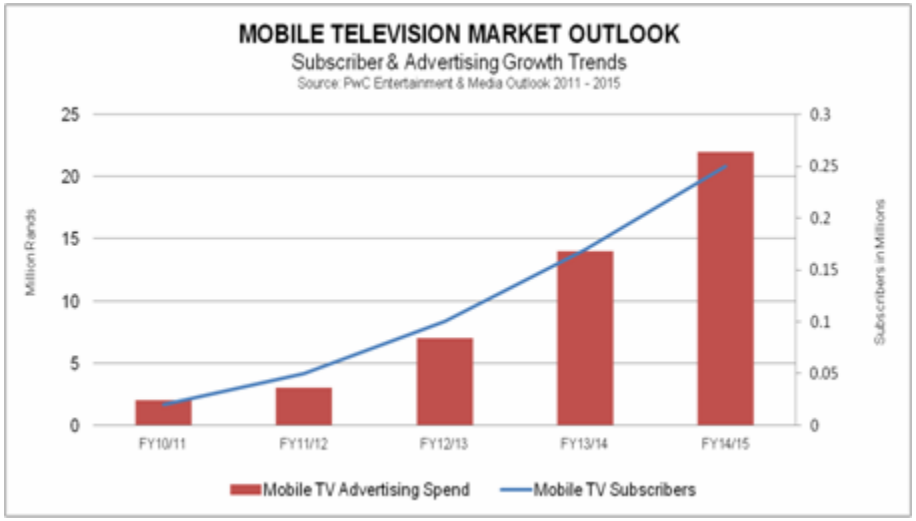


- The current trend in radio advertising growth bodes well for licensing of additional private Sound Broadcasting licences. On the other hand, the trend points to a need for a structured operational and funding support model for broadcast licensees such as Community Radio broadcasters who depend largely on Government and public funding.
- As the premier provider of open access radio signal distribution network services, SENTECH will continuously adapt its operating model to align with market developments and customer requirements.

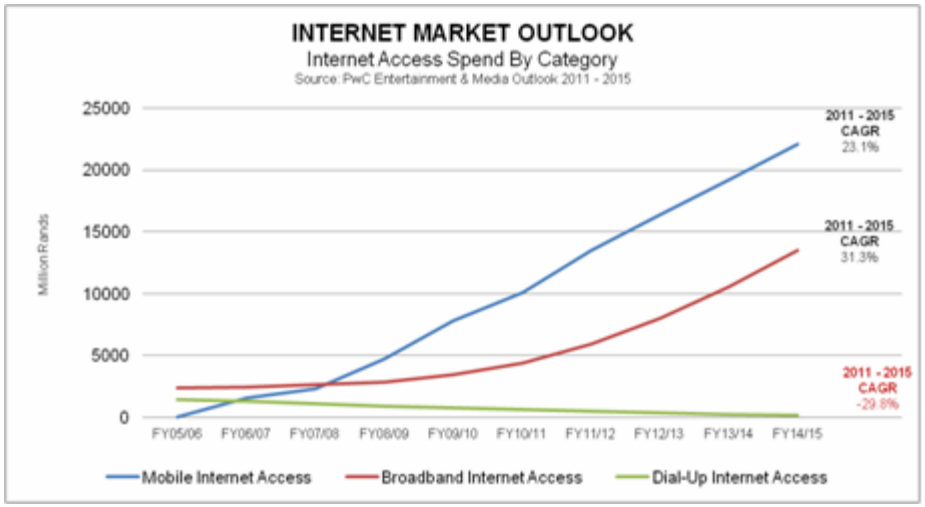


- The outlook for the television market is impressive with the sector spend (advertising revenue and subscriptions) expected to grow by CARG 9.9% between 2011 and 2015. By 2015, Subscription Television spend is estimated to reach R17.1bn from R11.5bn in 2010 as a result of improved socio-economic conditions amongst lower and middle income households.
- At the same time, advertising revenue, will lag Subscription spend by R4.5bn in 2015 at R12.6bn. Growth in the subscription market is expected to slow down upon launch of FTA digital terrestrial services – if these services offer compelling and attractive content that will stimulate uptake.

INDUSTRY OUTLOOK:
Media & Entertainment Trends (2/2)



- In 2010, ICASA awarded digital terrestrial mobile TV licences on Multiplex 1 to MultiChoice and e.tv on the DVB-H technology. ICASA has not indicated when the Invitation To Apply (ITA) for Multiplex 2 will be published; however, the Regulator has issued a test licence to the Mobile Television Consortium that is currently operating a non-commercial platform on the Digital Multimedia Broadcasting (DMB) technology until December 2012.
- Licensing of services on the MDTT 2, in particular if it enables distribution of Public Broadcasting and FTA services will most likely enhance the projected growth in the mobile television segment.



- Government has stated the vision for the country's broadband strategy: *'universal access to broadband infrastructure and services for all by 2020.'*
- Whilst the internet access growth trends are encouraging, the country's public and private ICT operators still need to improve their rollout strategies to ensure that the broadband services meet the Government's broadband service level of: *'an always available, multimedia capable connection with a download speed of at least 256 kbps.'*

INDUSTRY OUTLOOK:
Conclusion

- The movement to accelerate the rollout broadband infrastructure has the potential to unlock, amongst others, the country's market for streaming and/or downloading content. The additional capacity that is being delivered by under-sea cables, coupled with the increasing uptake of smart phones and tablets is gradually making electronic content distribution commercially viable for broadcasting operators and content owners.

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POLICY & REGULATORY FRAMEWORK:
Policy (1/2)

- SENTECH's business operations are subjected to Legal Statutes, Public Policy and Regulations that govern SOE's and ICT operators. During this planning period, SENTECH's business strategy has to respond to the following policy and regulatory framework developments:

- **Broadcasting Digital Migration Policy**

The BDM Policy was published in January 2012. SENTECH's submission on the policy highlighted the following:

- That the DTT network will not fully replicate the existing analogue terrestrial coverage of 92% at switch-off; and therefore the remaining areas should be covered by Direct-To-Home (DTH) Satellite platform. The DTH satellite platform will also enable provision of digital broadcasting services to the Meerkat and Square Kilometer Array areas and to those households that will be served by self-help/low power transmitters; and
- That the Policy should enable the allocation of capacity on MUX 1 to all incumbent Community Television channels, not just Trinity Broadcasting Network (TBN).
- SENTECH acknowledges the leadership shown by the Department in providing for these provisions in the revised DBM Policy.

POLICY & REGULATORY FRAMEWORK:
Policy (2/2)

- **Draft Policy on Electronic Communication Services In High Demand Spectrum and Draft Spectrum Assignment Plan**
  - The draft Policy on Electronic Communication Services in High-Demand Spectrum and the Draft Spectrum Assignment Plan were published in December 2011 by the Department of Communications and ICASA, respectively.
  - SENTECH notes that both the draft policy and assignment plan seek to enable efficient use of the radio spectrum, provision of wholesale open-access network operations to stimulate universal access to ICT services and to stimulate economic growth. Accordingly, SENTECH's submission will ensure that these noble objectives are supported in its submission to the Department and the Regulator.

- **Digital Terrestrial Television Regulations**

SENTECH notes that ICASA is yet to publish revised DTT Regulations pending finalisation of the BDM policy.

In September 2011 SENTECH made its submission on the draft DTT Regulations and highlighted the same issues as those noted under the BDM Policy above.

- **Issues Paper on Review of Broadcasting Regulatory Framework**

In December 2011, ICASA published an issues paper on the 'Review of Broadcasting Regulatory Framework Towards a Digitally Converged Environment'. In summary, the issues paper seeks to:

- Review the analogue regulatory regime to enable competition and investment certainty given that the country's broadcasting industry will move to a digital environment within the planning period; and
- Ensure that the regulatory framework for broadcasting services promotes the development of the public, commercial and community broadcasting services in a digital environment.

POLICY & REGULATORY FRAMEWORK:
Conclusion

- SENTECH wishes to thank the Department of Communications for policy directions that the Department has provided to the ICT industry to date.

- SENTECH also acknowledges the ICT regulator, the Independent Communications Authority of South Africa, on its efforts to ensure investor confidence in the sector during this transitional period; particularly in the context of delays in the launch of DTT Commercial services.

- However, SENTECH submits that much of the economic and social dividend goals provided in the NPC's National Development Plan will not be realised without a new policy and regulatory framework that posits the ICT sector in the 'converged digital communications' environment.

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BUSINESS STRATEGY:
Introduction

- SENTECH will seek to consolidate its position as the leading provider of open access communications network infrastructure to the broadcasting industry.

- The business strategy will focus on leveraging the investment made by the Shareholder on the Company's terrestrial infrastructure network by providing additional services such as Multimedia Content Distribution; and by utilising the network to enable rapid deployment of wireless broadband infrastructure. During this MTEF period, the key themes of SENTECH's business strategy will be the following:

  - **Universal Access:** Drawing from existing policy and Shareholder priorities, SENTECH will focus on enabling universal access to broadcasting and broadband services by ensuring that the infrastructure network reaches every corner of the country. On broadcasting, the Company's challenge is to enable every household to have access to at least one radio service and all national FTA television channels. Whilst on broadband, we note that universal access has moved from Telephony access at 64kbps, to 256kbps and eventually needs to be at 1Mbps to sustain data and content distribution.

BUSINESS STRATEGY:
Introduction

- **Open Access and Interoperable:** SENTECH notes that as a result of improving socio-economic conditions, technology, culture and lifestyle of middle-to-upper income households are now able to access communication services through a variety of devices at the time convenient to them. On the other hand, for the country's indigent citizenry, the digital divide is widening. Within its public service mandate, SENTECH needs to ensure that the Company's communications infrastructure network is not only universally accessible, but is 'open-access and interoperable' to enable all content providers – irrespective of their business model to provide affordable services to all citizens.

- **Diversity and Affordability:** SENTECH acknowledges that to enable diversity of communication services requires an affordable infrastructure network. It is within this context that SENTECH supports the ICASA inquiry on Managed Transmission Services (MTS) that will result in a Tariff framework aligned to the country's existing policy provisions.

- In order to enable attainment of the Company's strategic objectives, SENTECH will further entrench the business model adopted in the 2010/2011 financial year, within which the Company refocused its public service deliverable operations into two portfolios – Broadcasting and Media Solutions and Government and Enterprise Solutions.

- **Radio Signal Distribution**

The radio signal distribution product remains the second most important revenue stream for SENTECH.

However, the product's revenue is continuously under pressure as a number of our customers seek to self-provide and Community Radio broadcasters struggle to meet their signal distribution costs.

- **Frequency Modulation (FM):** The FM radio product will experience marginal growth driven by the expansion of the SABC's transmitter network and potential business from the secondary town Commercial Sound services licensed by ICASA in December 2011. SENTECH is also supporting the SABC in a programme to expand the footprint of the corporation's Language Radio services beyond the coverage areas determined prior to the country's democratic dispensation. Pending an ICASA public consultation process on Signal Distribution Tariffs, this programme will ensure that a number of Language Radio services will be made available beyond the provincial/language boundaries in recognition of the social mobility of citizen's post 1994. SENTECH is also working with the Department of Communications to enable continued existence of Community Broadcasters subsidy scheme whilst awaiting determinations of the ICASA process on the MTS Tariff regime.

- **Radio Signal Distribution (Continued)**

  - **Medium Wave (MW):** The MW radio product continues to be on the decline as no new services have been licensed on the platform, whilst at the same time, current MW operators are migrating to the FM platform. However, SENTECH is hopeful that during the 2012/2013 financial year, ICASA will license additional MW broadcasting services – thus enabling sustainability of the MW broadcasting solutions for SENTECH.

  - **Short Wave (SW):** The SW product is projected to grow at CPIX during this planning period. However, profitability will be impacted negatively by the CAPEX injection to replace the antiquated infrastructure at the Meyerton transmitter site and marginally, the loss of the SABC's RSG service.

BUSINESS STRATEGY:
Broadcasting & Media Solutions Strategy

- **Analogue Television Signal Distribution**
  - The analogue television market is projected to remain stable for the period pending confirmation of ASO and ICASA's public inquiry on the MTS Tariff regime.
  - In preparation for the BDM switch-off, SENTECH, the SABC and Local authorities/communities have reached an agreement within which SENTECH will take over the management and operations of Self-Help/Low Power transmitter sites.
  - Within this agreement, SENTECH will assume overall quality of service whilst retaining network maintenance with incumbent local businesses to ensure that local jobs are retained and to encourage further SMME business opportunities.

BUSINESS STRATEGY:
Broadcasting & Media Solutions Strategy

- **Direct-To-Home Satellite Distribution Platform**

The Direct-To-Home Satellite (DTH-S) business continues to see steady growth, largely driven by the Free Access solution, which provides platform services primarily to Religious broadcasters and Business Television (BTV) services.

- **Terrestrial Linking:** The DTH-S platform is an important service in the distribution of the country's terrestrial broadcasting services – as it provides primary linking services to High Power sites and secondary linking services to over 350 Self-Help/Low Power transmitter sites – which in turn enable universal access to broadcasting services.

- **Free-To-View Platform:** Historically, SENTECH operated a Free-Access DTH-S platform that primarily enabled the provision of Religious Television, Business Television and Business Radio broadcasting services. The Free-Access service was established to ensure that the Company exploited all the capacity it had available in excess of the required capacity to provide primary linking services. In the late 1990's, this platform was positioned as Vivid – a stand-alone service that sought to enable the Company's entry into the MultiChannel broadcasting platform operations. SENTECH will continue with the repositioning of the platform focusing it on ensuring universal access to digital broadcasting services in areas not covered by the digital terrestrial network, in particular, the Meerkat and Square Kilometer Array areas.

BUSINESS STRATEGY:
Broadcasting & Media Solutions Strategy

- **Direct-To-Home Satellite Distribution Platform (Continued)**
  - **Free Access:** SENTECH will continue leveraging its satellite capacity to provide a Free Access DTH platform. During this planning period, SENTECH will seek to diversify the customer base for the Free Access solution beyond the Religious broadcasters who currently account for 90% of the base.

BUSINESS STRATEGY:
Broadcasting & Media Solutions Strategy

- **Mobile Television**

  - In line with the public interest objectives for the signal distribution sector as provided for in the White Paper on Broadcasting Policy, SENTECH will accelerate its plan to rollout an open-access and interoperable mobile television infrastructure network.

  - As indicated in the industry outlook section above, the improving socio-economic conditions of citizens supported by availability of new technologies in smart phones and tablets, is rapidly changing consumption patterns of content. To enable this platform, SENTECH and the SABC are finalising plans to launch a pilot mobile television service during the 2011/12 financial year, pending appropriate approvals from ICASA.

  - SENTECH will also continue to provide signal distribution services to the Mobile Television Consortium, which is currently running a mobile television pilot project using the DMB technology.

BUSINESS STRATEGY:
Broadcasting & Media Solutions Strategy

- **Multimedia Content Management and Distribution**

  - The rapid deployment of new technologies, services and products are altering the traditional lines between broadcasting, telecommunications and internet services – further expanding the competitive landscape that each of these operators face from their traditional competitors.

  - In the 2011 – 2014 Corporate Plan SENTECH submitted that the Company was developing a business model to enable provision of a Multimedia Content Management and Distribution Platform. SENTECH believes that an open access Digital Content and Distribution platform is central to enabling provision of ICT products and services to all citizens. SENTECH further believes that it can manage and operate such a platform as it has the infrastructure – the Nasrec Teleport (part of the 201 SWC legacy project) and expertise that can be leveraged in the context of the Company's integrated communications strategy roadmap.

  - SENTECH acknowledges that private enterprises have a critical role to play in enabling migration and adoption of new technologies in the Entertainment & Media sector. However, drawing from the White Paper on Broadcasting Policy, SENTECH submits that the Company has public interest obligation to enable deployment of open access public and interoperable communications platform services.

BUSINESS STRATEGY:
Government & Enterprise Solutions Strategy

- The Government and Enterprise product suite comprises of facilities portal services and wireless broadband for communications operators and Government departments. The product portfolio has been refocused to ensure that the SENTECH strategy is aligned to the Shareholder's South African National Broadband Plan and Vision 2020 broadband strategy.

- As reported in the last Corporate Plan, SENTECH will gradually exit the retail sector of the broadband market and focus on providing wholesale services to address the problems currently arising from the primary infrastructure owner and wholesale access provider; retaining the ability to directly compete against its wholesale customers in the retail sector.

BUSINESS STRATEGY:
Government & Enterprise Solutions Strategy

- **Broadband Connectivity**

SENTECH will continue providing the VSAT product as the primary Broadband solution to deliver ICT services to underserved and underserviced Government and Public institutions.

During the 2012 financial year, the VSAT platform will be migrated to a new transponder to release the capacity required for providing linking services for DTT. The VSAT Hub will then be upgraded to DVB-S2 to ensure availability of maximum capacity. SENTECH will also refocus its service delivery model through strategic partnership with its key customers such as:

- State Information Technology Agency (SITA);
- Provincial Departments of Education; and
- Provincial Departments of Economic Development.

In addition to standard value-added services and product enhancements, SENTECH is reviewing a business case for providing a 'Voice-over-VSAT' solution.

As the National Wireless Broadband Network (NWBN) comes on stream, VSAT will become a secondary broadband platform in areas where the terrestrial wireless broadband network is impractical to launch or is uneconomical.

BUSINESS STRATEGY:
Government & Enterprise Solutions Strategy

- **Facilities Leasing**
  - The facilities leasing product is an end-to-end managed solution that enables communications network operators to expand their service coverage quickly and cost-effectively. With more than 225 sites, SENTECH offers an unequalled mixture of coverage, reliability and customer service to deliver an end-to-end facilities leasing solution.
  - The Facility Rental product profitability is likely to come under pressure as the Company seeks to comply with ICASA's regulations on 'essential facilities' in term of Section 10 of the ECA.

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DIGITAL TERRESTRIAL TELEVISION (DTT):
Introduction

- The rollout of the Digital Terrestrial Television infrastructure network is one of the key projects that SENTECH will accelerate deployment of, to ensure that the country meets the June 2015 ITU commitment.

- SENTECH notes that in an address to the media industry in January 2012, the Minister of Communications, indicated that the launch of commercial DTT services will be in the 3rd quarter of 2012 to ensure that there is policy and regulatory alignment with the DVB-T2 standard that was adopted in January 2011.

- Noting the amended timelines for commercial launch of DTT services, SENTECH submits that from 1 April 2012, 50 sites (37.6%) of the planned 133 sites will be activated to transmit digital broadcasting services on the DVB-T2 standard reaching 60.4% of the population – within which each of the country's nine provinces will have an active transmitter network.

DIGITAL TERRESTRIAL TELEVISION (DTT):
Provincial Rollout

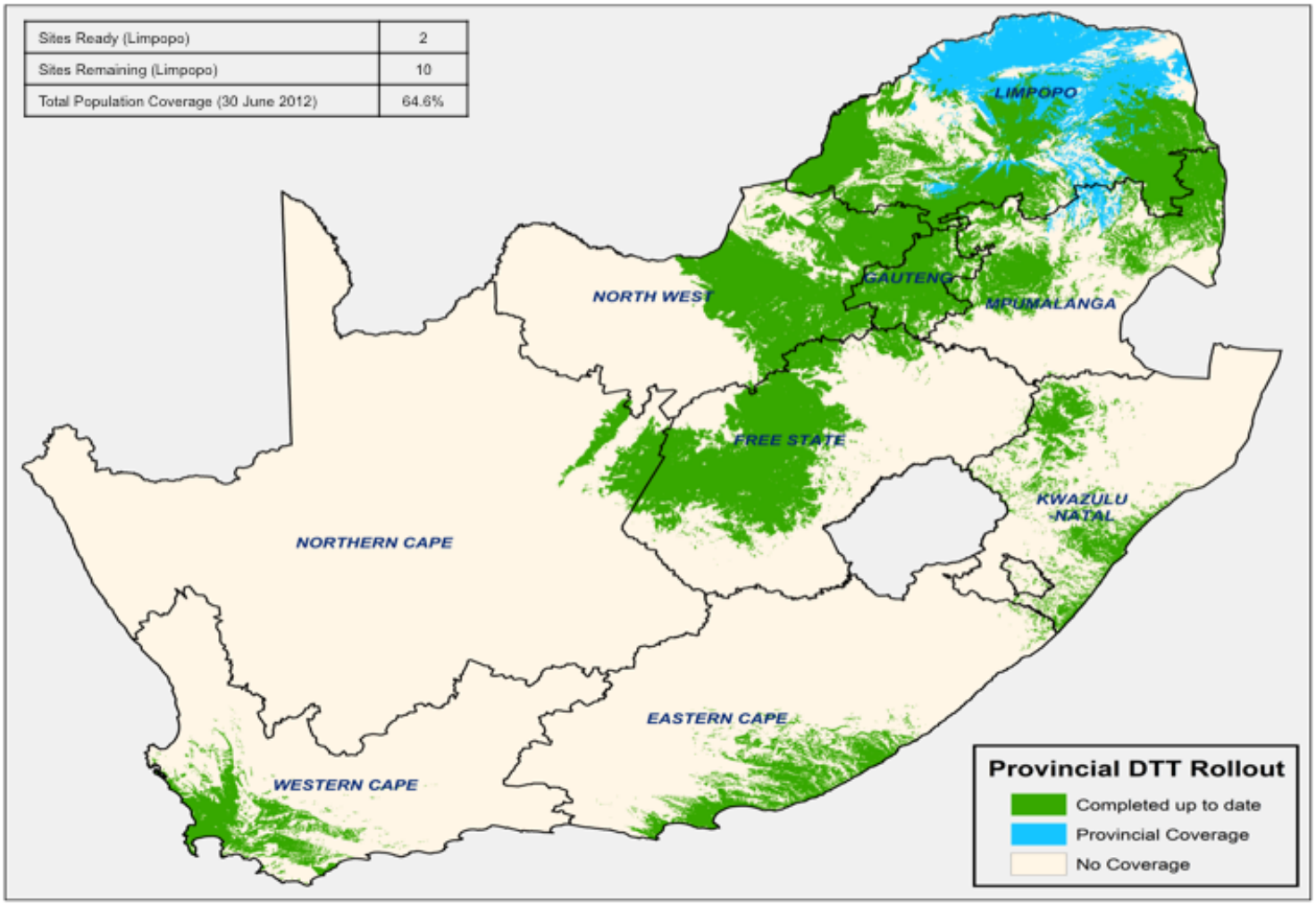
- SENTECH further notes that the Minister cautioned that the country's commitment to complete analogue switch-off by 2013 may not be met – citing the challenging policy, regulatory and industry processes that need to be completed before definitive announcement of Digital Switch-On date (DSO) and the potential push effect on ASO date

- In consideration of these challenges, the Department of Communications, together with its SOE's has recommended that a staggered provincial DTT rollout and ASO programme is necessary to ensure that broadcasting digital migration is kept top-of-mind from this moment on forward – and therefore aligned to the ever changing and dynamics of global digital migration developments.

- Accordingly, SENTECH has reviewed its DTT rollout plan to enable a rolling Provincial infrastructure rollout programme and ASO. SENTECH believes that this strategy will ensure that the country has a concerted monthly implementation and communication for DTT starting on the implementation date for DSO April 2012 until switch-over – thus ensuring a continuous top-of-mind communication for the digital migration strategy as depicted below:

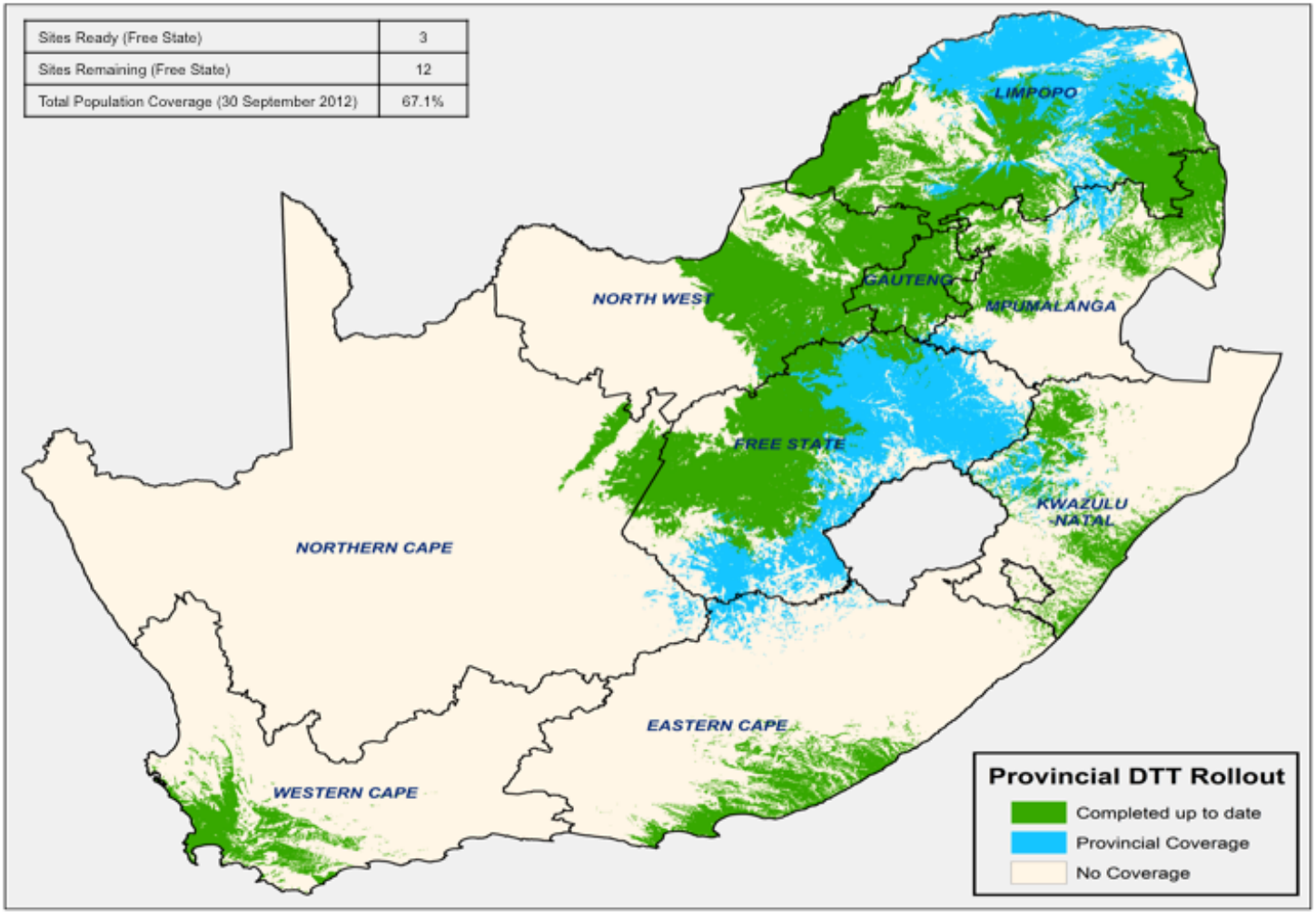
DIGITAL TERRESTRIAL TELEVISION (DTT):
Provincial Rollout

Sites Ready (Limpopo)	2
Sites Remaining (Limpopo)	10
Total Population Coverage (30 June 2012)	64.6%



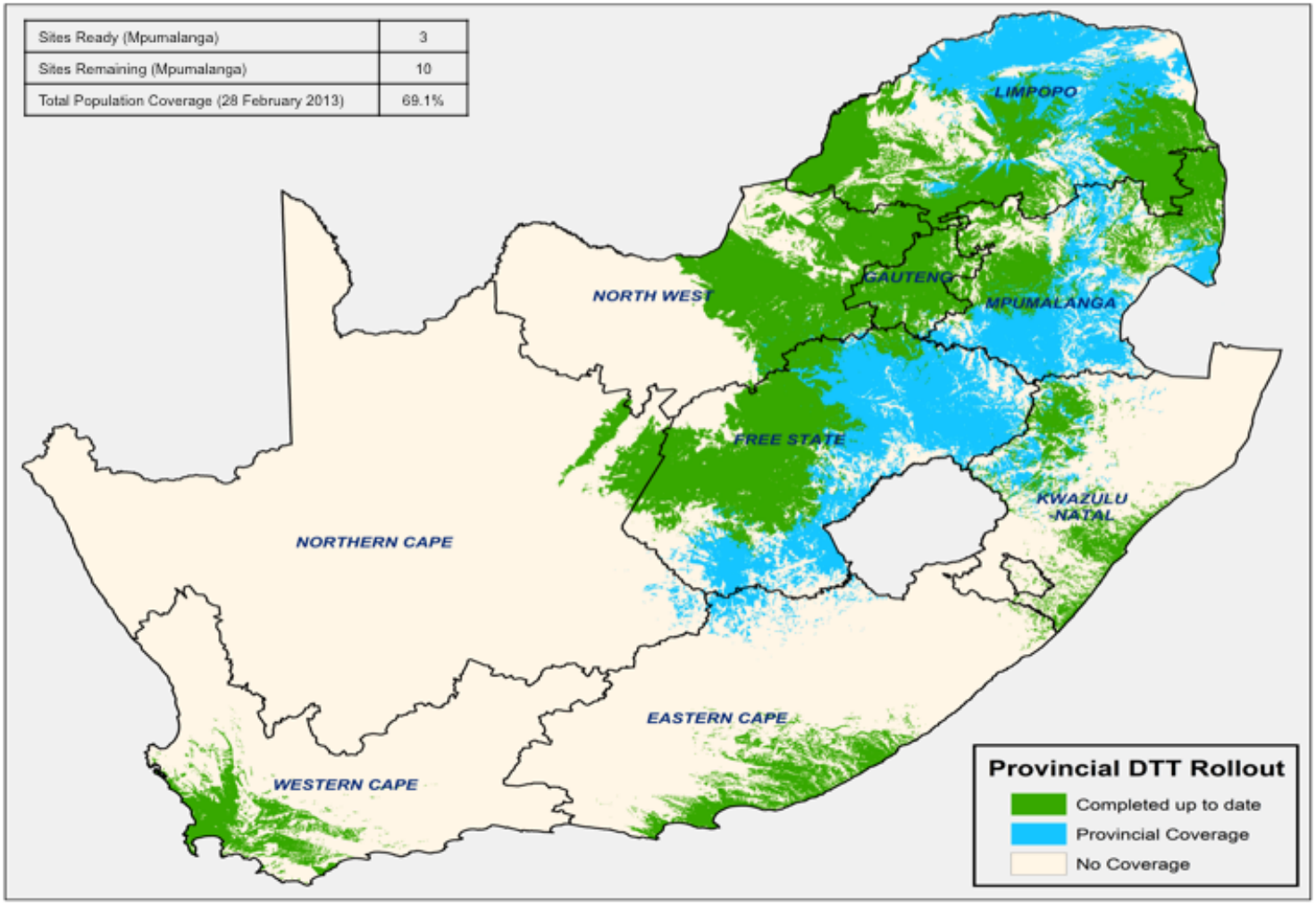
DIGITAL TERRESTRIAL TELEVISION (DTT):
Provincial Rollout

Sites Ready (Free State)	3
Sites Remaining (Free State)	12
Total Population Coverage (30 September 2012)	67.1%



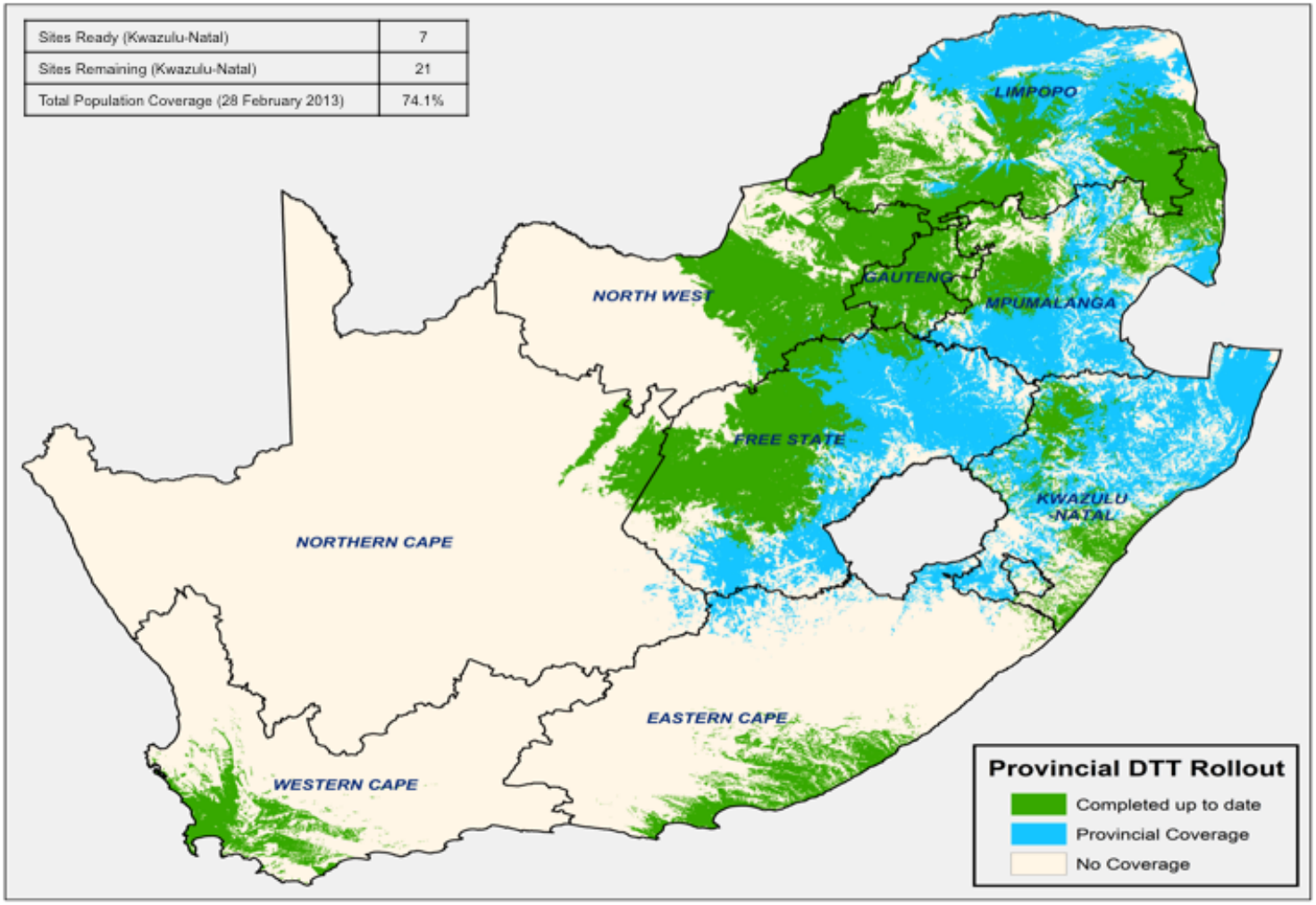
DIGITAL TERRESTRIAL TELEVISION (DTT):
Provincial Rollout

Sites Ready (Mpumalanga)	3
Sites Remaining (Mpumalanga)	10
Total Population Coverage (28 February 2013)	69.1%



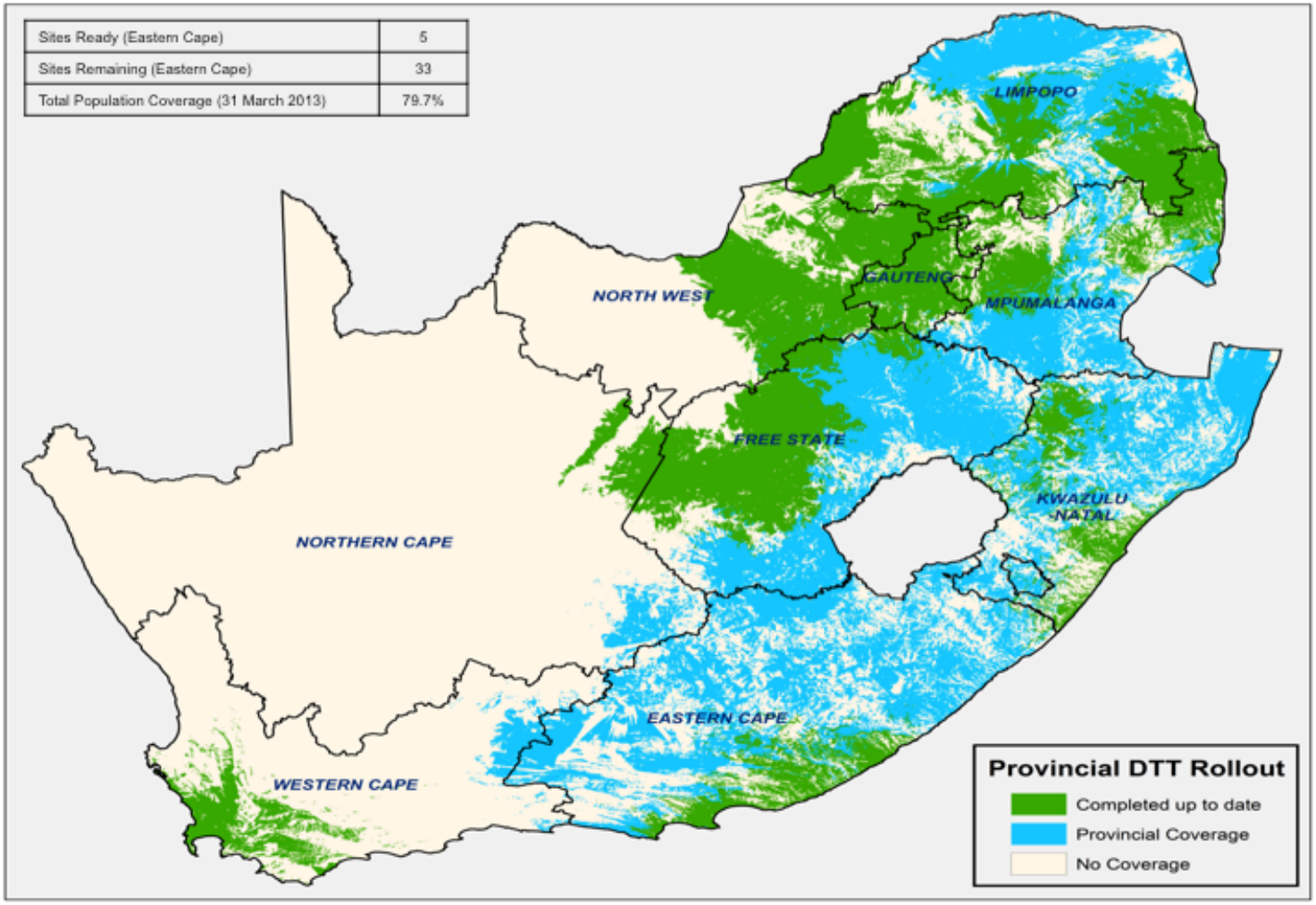
DIGITAL TERRESTRIAL TELEVISION (DTT):
Provincial Rollout

Sites Ready (Kwazulu-Natal)	7
Sites Remaining (Kwazulu-Natal)	21
Total Population Coverage (28 February 2013)	74.1%



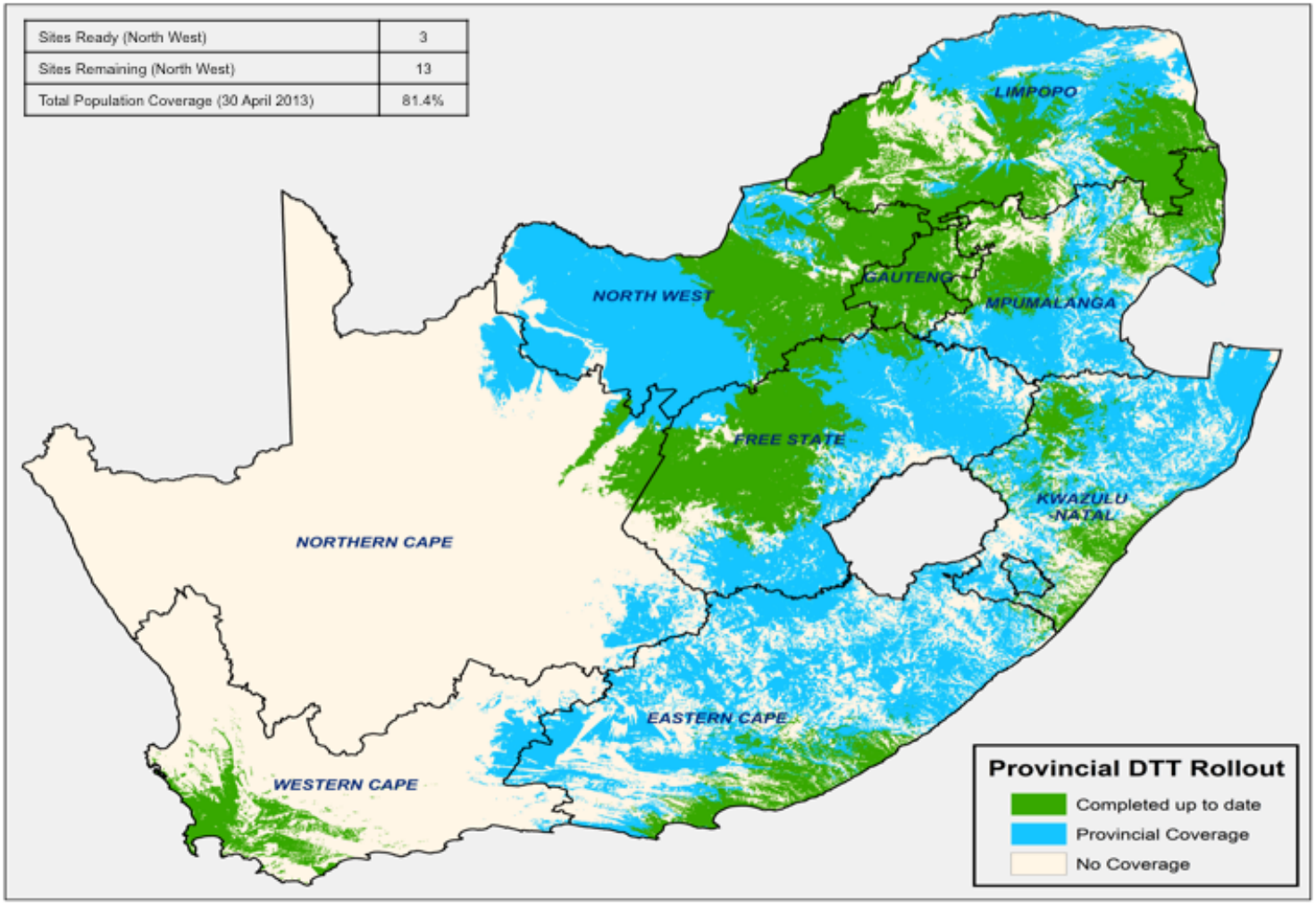
DIGITAL TERRESTRIAL TELEVISION (DTT):
Provincial Rollout

Sites Ready (Eastern Cape)	5
Sites Remaining (Eastern Cape)	33
Total Population Coverage (31 March 2013)	79.7%



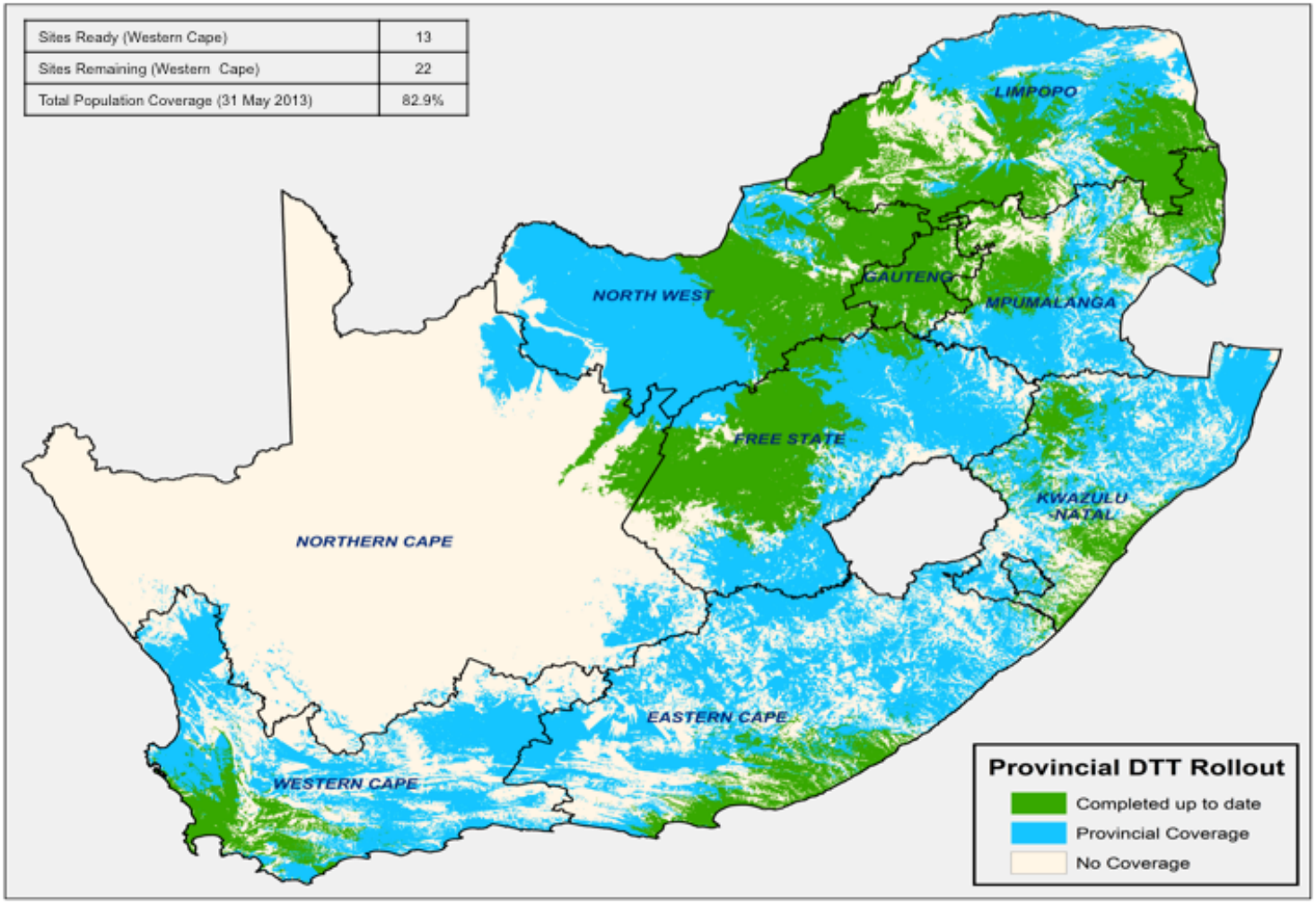
DIGITAL TERRESTRIAL TELEVISION (DTT):
Provincial Rollout

Sites Ready (North West)	3
Sites Remaining (North West)	13
Total Population Coverage (30 April 2013)	81.4%

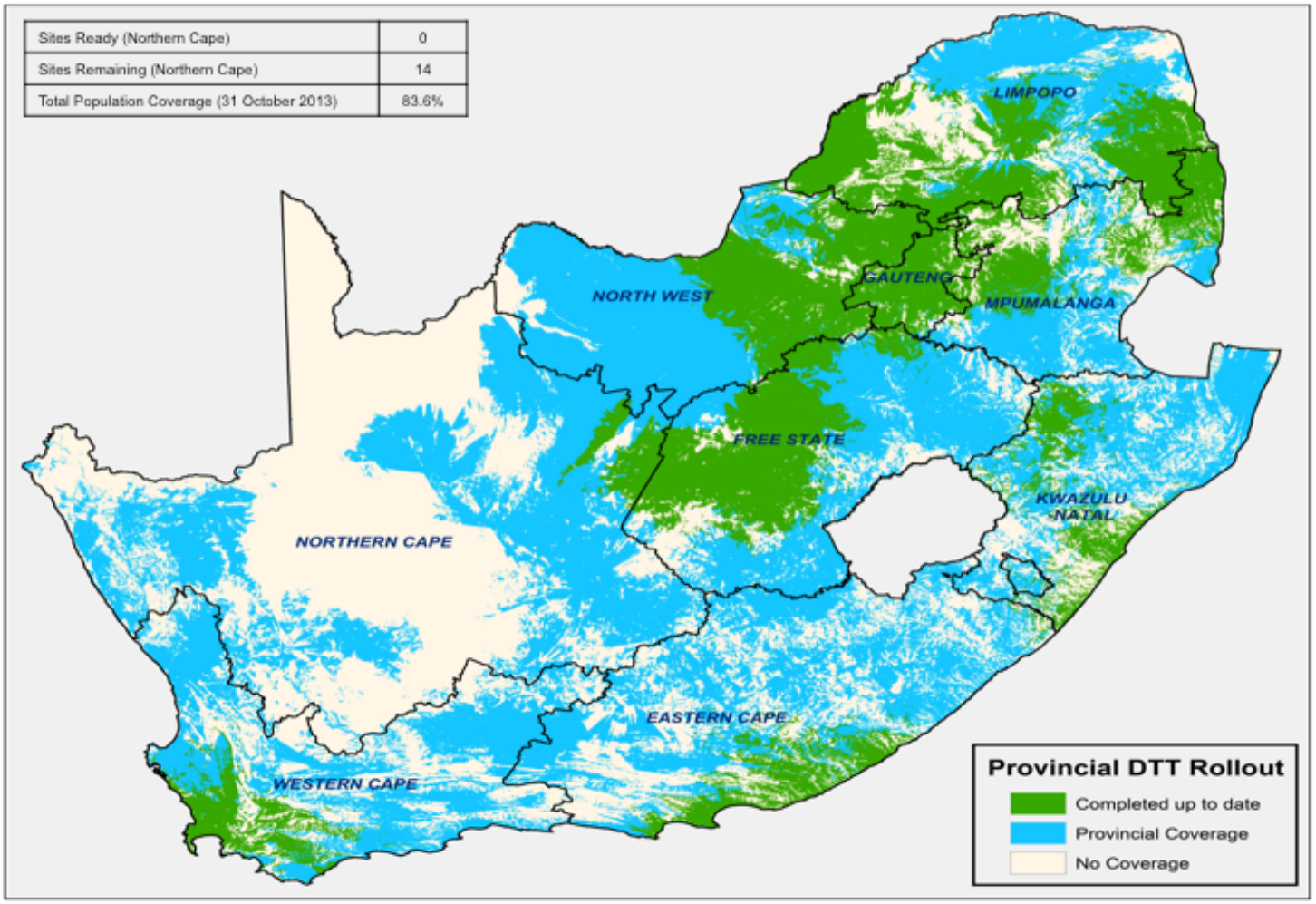


DIGITAL TERRESTRIAL TELEVISION (DTT):
Provincial Rollout

Sites Ready (Western Cape)	13
Sites Remaining (Western Cape)	22
Total Population Coverage (31 May 2013)	82.9%



DIGITAL TERRESTRIAL TELEVISION (DTT):
Provincial Rollout



DIGITAL TERRESTRIAL TELEVISION (DTT):
Funding Plan

- The planned DTT infrastructure investment scheduled for the remainder of the project is as follows:

Category		Cost Component	Qty	2011/12 Qtr 4 2012	2012/13 Qtr 1 2013	2012/13 Qtr 2 2013	2012/13 Qtr 3 2013	2012/13 Qtr 4 2013	2013/14 Qtr 1 2014	2013/14 Qtr 2 2014	2013/14 Qtr 3 2014	Total to completion
Capex	Expenditure	Electrical Systems	129	2	31	103	60	18	0	-	-	214
		Head-end	1	47	-	-	15	34	9	-	-	105
		Transmitters MUX-1	129	87	1	2	2	1	1	0	-	93
		Transmitters MUX-2	129	43	1	9	12	11	11	7	0	93
		UHF antennas	16	-	11	-	5	24	7	21	-	68
		Test & Measurement	139	-	55	-	-	-	-	-	-	55
		PIE	73	6	0	4	2	1	4	7	-	24
		Feeder cables	22	-	25	0	1	0	1	0	-	28
		HVAC	100	-	3	14	7	2	-	-	-	27
		Antenna upgrades	80	18	0	3	1	1	0	-	-	23
		Building	20	-	-	5	9	5	-	-	-	18
		STG	28	-	1	5	5	2	-	-	-	13
		Combiners MUX-1	113	8	0	0	0	0	0	-	-	10
		Descramblers	154	10	-	1	-	-	-	-	-	11
		NMS	-	1	2	6	6	5	2	-	-	20
		Masts	-	-	-	-	-	1	3	3	2	9
		Combiners MUX-2	113	3	0	0	4	2	0	-	-	10
		Project Management & labour	-	-	1	1	1	1	1	1	1	6
		U-links	22	-	5	-	-	-	-	-	-	5
		C - band antennas	25	-	5	-	-	-	-	-	-	5
		ASI routers	73	5	-	-	-	-	-	-	-	5
		ASI DA's	73	4	-	-	-	-	-	-	-	4
		RF switches	73	3	-	-	-	-	-	-	-	3
		Equipment racks	206	3	-	-	-	-	-	-	-	3
		Network routers	73	1	-	-	-	-	-	-	-	1
		Measurement vehicle	1	1	-	-	-	-	-	-	-	1
		Ku - band antennas	24	-	0	-	-	-	-	-	-	0
		DVB - T2 upgrades	-	0	-	-	-	-	-	-	-	0
		Total Expenditure		**240**	**141**	**154**	**129**	**108**	**39**	**39**	**3**	**852**
		Funds drawdown		**(293)**	**(85)**	**(152)**	**(115)**	**(91)**	**(50)**	**(25)**	**(46)**	**(857)**
	Funding	Funds drawn & with Sentech	(293)	(53)	-	-	-	-	-	-	-	
		2012/13 allocation drawn (R165.834m)		-	(85)	(60)	-	-	-	-	-	
		2013/14 allocation drawn (R305.304m)		-	-	(92)	(115)	(61)	-	-	-	
		2014/15 allocation drawn (R171.805m)		-	-	-	-	(30)	(50)	(25)	(46)	
		Capex (Surplus)/Deficit		**(53)**	**3**	**4**	**18**	**35**	**24**	**38**	**(5)**	
Opex	**Expenditure**	Dual illumination		9	23	24	24	24	26	26	26	
	Funding	Deficit carried c/forward		10	-	-	-	-	-	-	-	
		2011/12 allocation drawn (R120m)		(105)	-	-	-	-	-	-	-	
		Opex (Surplus)/Deficit		**(87)**	**(64)**	**(40)**	**(16)**	**9**	**35**	**61**	**88**	
Net project funding (Surplus)/Deficit				**(140)**	**(61)**	**(36)**	**2**	**43**	**59**	**100**	**83**	

- The procurement of all major DTT Project components will be completed in May 2012, thus ensuring that SENTECH concentrates on project implementation until completion in December 2013.

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NATIONAL WIRELESS BROADBAND NETWORK (NWBN): Introduction

- The rollout of the national broadband access infrastructure is South Africa's major challenge in implementing an open access wholesale broadband infrastructure service that will enable uptake and usage of ICTs.

- For SENTECH, the historical endeavors to rollout the National Wireless Broadband Network (NWBN) infrastructure remains one of the Company's disconcerting legacy. In the 2009/2010 financial year, the Board of SENTECH took resolved to focus the Company's business operations as an enabler of Communications Infrastructure networks. This strategic direction led to the Company exiting all retail customer facing telecommunications operations such as MyWireless, BizNet, and Carrier of Carriers.

- In the 2011 – 2014 Corporate Plan, SENTECH submitted that the Company had revised the NWBN business plan submitted in 2008 by refocusing it to enabling an open access wholesale broadband infrastructure network – excluding all customer facing retail services. SENTECH further submitted that whilst the NWBN business plan was aligned to the Department of Communications National Broadband Implementation Plan, the NWBN plan was not fully funded and therefore, its implementation was subject to National Treasury funding allocation for the Department of Communications.

NATIONAL WIRELESS BROADBAND NETWORK (NWBN): Project Status

- To date, SENTECH has not implemented the NWBN infrastructure project.

- At the time of drafting this Corporate Plan, SENTECH noted comments made by the Parliamentary Portfolio Committee on Communications (PCC) in their 'Budgetary Review and Recommendation Report for 2011', which states: *"The Committee noted with serious concern that SENTECH has not done much work to fulfill its public mandate to provide National Wireless Broadband Network (NWBN)."* SENTECH acknowledges and accepts the Committee's concern in this regard.

- Accordingly, the Board is accelerating SENTECH's engagement with the Department of Communications to ensure that the NWBN is appropriately aligned to the National Broadband Implementation Plan and fully funded to enable implementation during the 2012/2013 financial year.

- SENTECH is confident that the Department of Communications leadership in aligning all SOE broadband initiatives will enable the start of a national broadband infrastructure network-build during the 2012/2013 financial year.

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FINANCIAL PLAN

KEY PERFORMANCE INDICATORS:
Introduction

- The Board has identified and adopted six Strategic Focus Areas whose plans and activities will guide SENTECH towards achieving the company's public service mandate obligations, Shareholder priorities and business continuity – broadly, the Public Service Mandate. The key focus areas are:
  - Customers and Stakeholders
  - Infrastructure
  - Solutions and Interventions
  - Employees
  - Sustainability
  - Governance

- The Board has adopted a set of strategic for the 2012 – 2015 MTEF planning period that will ensure that the Company achieves its public service mandate objectives, is aligned to Shareholder priorities and ensures financial sustainability:

KEY PERFORMANCE INDICATORS:
Communications Infrastructure Network (1/2)

STRATEGIC OBJECTIVES (What We Want To Achieve)	ACTIVITIES AND INTERVENTIONS (How We Will Achieve It)	KEY PERFORMANCE INDICATOR (How We Will Measure Performance)	PERFORMANCE TARGETS		
			FY12/13	FY13/14	FY14/15
• Ensure universal access to Communications Infrastructure Network services	• Low Power/Low Cost and Self-Help Transmitter rollout to underserved areas	• Number of LP/LC sites installed and activated	LP/LC – 84 SH - 48	LP/LC – 50 SH - 50	-
	• Expansion of Public Broadcasting Services transmitter network	• Number of sites rolled out to enable FM reception	8	5	-
		• Number of sites rolled out to enable TV reception	38	-	-
	• Accelerate rollout of VSAT connectivity to Dinaledi Schools	• Number of schools connected through VSAT broadband	50	100	100
	• Digital Terrestrial Broadcasting infrastructure rollout	• Percentage of population covered by DTT Network	80%	84%	86%