



PARLIAMENT

OF THE REPUBLIC OF SOUTH AFRICA

COMMITTEES

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Analysis of Issues Emanation from the Annual Report

1. Auditor General Findings

- Of the total number of 27 planned targets, only 21 (number of targets) were achieved during the year under review. This represents 22% (>20%) of total planned targets that were not achieved during the year under review.
 - Business Enablers
 - Filling key vacant positions at executive and top management level.
 - Broadband Infraco must develop an operational strategy which includes the implementation of the OSS/BSS system. The OSS/BSS plays an essential part in the reliable delivery of services and in ensuring that Broadband Infraco meets the SLAs defined for each service/customer.
 - Currently Broadband uses Synchronous Digital Hierarchy (SDH) technology to offer Time Division Multiplexed (TDM) services. Broadband Infraco must develop point-to-multipoint Ethernet carrier grade services.
 - Financial
 - Debt Equity – R300 million minimum senior debt facilities secured from financial institutions.
 - Operations and Maintenance
 - The number of projects completed and put into commercial operation to earn revenue, against approved annual plan. This was not achieved due to governance short comings. This necessitated a thorough review of internal controls and business strategy and thus the 2011/12 Corporate Plan was approved in September 2011/12. The project environment was normalized in the last quarter of the year.
 - Project time variance – the percentage variance in time between the agree delivery date with the customer and the project complete date.
 - The variance in final project expenditure from the approved project budget.

2. Implications to the Auditor General's Findings

- Broadband Infraco lacks internal controls.
- Governance shortcomings have been detected in Broadband Infraco.
- The company lack project management capacity.
- Financial analysis, capability and management are required.
- The debt and equity ratio remains worrying.
- Innovation, product and technology development are critical for Broadband.

4. Portfolio Committee's Observation

The Committee made the following observations:

- The absence of an Electronic Community Services (ECS) licence prohibits Broadband Infraco from delivering on its developmental objectives;
- There is a high turnover rate which required a strategy to retain staff;
- The entity performed poorly against key performance targets;
- There is a lack of infrastructure development and network access in the rural areas, and a need for Infraco to invest more in rural communities;
- There is a slow progress in finalising the investigation into tender irregularities; and
- The entity has weak financial controls and much needs to be done to address matters of emphasis raised by the Auditor-General.

4. State of the Nation's Address 2013

- "To prepare for the advanced economy we need to develop, we will expand the broadband network. Last year, the private and public sector laid about 7000 new optic cables. The plan is to achieve 100% broadband internet penetration by 2020."
- "The infrastructure development programme has been a valuable source of learning for government. In the year ahead, we will fast track many of the projects that the PICC has announced."
- "On broader economic transformation, revised Broad-based Black Economic Act and codes are being finalized. The development of black owned enterprises and black industrialists will be prioritized. Government has several programmes supporting small business. A key project for the Presidency currently is to get government to pay SMMEs within 30 days".

5. Implications of the State of the Nation Address

- The role of Broadband Infraco needs to be strengthened in infrastructure delivery.
- The PICC has the following **Strategic Infrastructure Projects (SIP)** that are directly linked to **Broadband Infraco**:
 - **SIP 16: SKA & MeerKat**
SKA is a global mega science project, building an advanced radio-telescope facility linked to research infrastructure and high speed ICT capacity & provides an opportunity for Africa and South Africa to contribute towards advance science.
 - **SIP 15: Expanding access to communication technology**
 - Provide for 100% broadband coverage to all households by 2020 by establishing core Points of Presence (POP's) in district municipalities, extend new Infraco fibre networks across provinces linking districts, establish POP's and fibre connectivity at local level, and further penetrate the network into deep rural areas.
 - While the private sector will invest in ICT infrastructure for urban and corporate networks, government will co-invest for township and rural access as well as for e-government, school and health connectivity.
 - The school rollout focus initially on the 125 Dinaledi (science and math focused) schools and 1525 district schools. Part of digital access to all South Africans includes TV migration nationally from analogue to digital broadcasting.

- Broadband Infraco has a responsibility towards ensuring that B-BBEE targets are met:
 - **Employment Equity** – getting blacks, youth and women within the right levels of management.
 - **Skills Development** – within and outside the organisation. Train as many young people for opportunities in the ICT industry.
 - **Preferential Procurement** – development of black businesses and industrialists and payment of suppliers within 30 days.
 - **Enterprise Development** – Operationalise supplier development programmes within the Business Strategy and SMME Development.
 - **Socio-Economic Development** – Invest in socio-economic development programmes in communities where the company is doing business. Strengthen and enhance the company's reach in terms of development of communities. This could be anchored in a strong Corporate Social Investment initiative of Broadband Infraco.