



**BROADBAND INFRACO SOC
LIMITED**

ROLE AND MANDATE

Select Committee on Communications and Public Enterprises

**P Kwele
Chief Executive Officer**

24 August 2016



Role and Mandate

Legislative Mandate of Broadband Infraco



NDP

A South Africa that has resumed its rightful place on the global stage - with an e-literate, economically active population fully able to access and utilize appropriate content and services to enhance quality of life
 Broadband Infraco's purpose is in line with the NDP for establishing national, regional and municipal fibre-optic network to provide the backbone for broadband access.
 Broadband Infraco operates on the premise that national backhaul, provincial backhaul and districts backhaul require state intervention, thus allowing private investment to lead the way in the access market.

SA Connect

Broadband Infraco's roll-out of long distance backhaul fibre to underserved areas will enable provincial governments to leverage such broadband infrastructure and services for economic growth, job creation initiatives and poverty reduction efforts.

BBI Mandate

The main objects as set out in the Act are to expand the availability and affordability of access to electronic communications;

- Including but not limited to under developed and under serviced areas;
- In support of projects of National Interests;
- In accordance with the Electronic Communications Act and commensurate with international best practice and pricing;
- Through the provision of electronic communications network services and electronic communications services.

MTSF Outcomes

Outcome 1

Quality basic education

Outcome 2

A long and healthy life for all

Outcome 4

Decent employment through inclusive economic growth

Outcome 5

Skilled and capable workforce to support an inclusive growth path

Outcome 6

An efficient, competitive and responsive economic infrastructure network

SIP 15: Sub-outcome 5

Expansion, modernisation, access and affordability of our Information and communication infrastructure

9 point Plan

Applicable to broadband roll-out.

- Nr. 7. Unlocking potential of SMME's; Cooperatives; townships and rural enterprises.
- Nr. 8 Reform & boosting of the role of SOE's ICT or broadband infrastructure rollout.

Broadband Policy Target

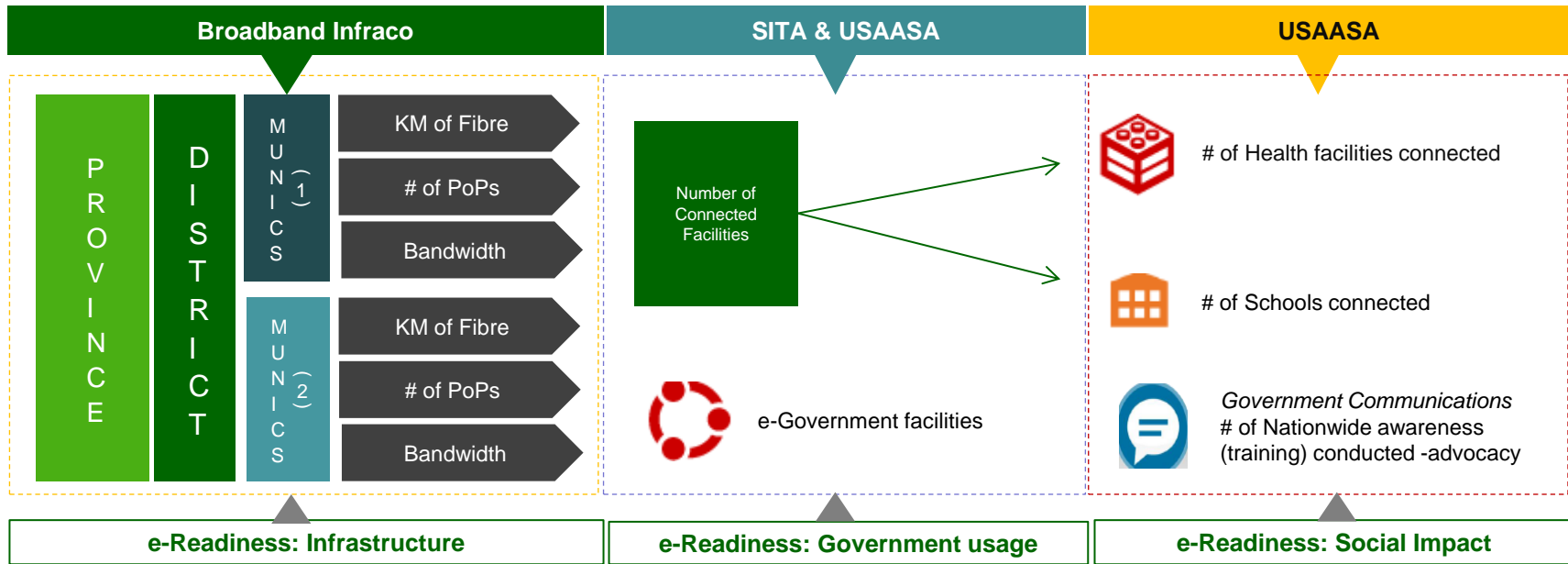
Broadband access in Mbps user experience

50% at 5Mbps by 2016

International Measurements

WEF Ranking = 65 (75: 2015)

Infrastructure Ownership Outcomes and the legislation



e-Readiness: Infrastructure

e-Readiness: Government usage

e-Readiness: Social Impact

Addressing aspects of the digital readiness pillar

Sentech Act 63, 1996 and amendments Act 44 of 1999 and Act 64 of 2001

main object of business Section 5 – signal distribution

1999 added telecommunications services

conversion of licenses to ECS and ECNS resulted in the repeal of the main function of the Sentech Act, with the Sentech mandate expanded and governed by the licensing framework in section five (5) of the ECA.

Sentech also has wireless spectrum

SITA Act 88 of 1998 amendment Act 38 of 2002

Objective of Agency

Section 6 to provide IT, IS and related services in a maintained information security environment section substituted by section 4 of amendment Section 7 provides for powers and functions substituted by section 5 of amendment **7(1)(a)(i)**

provide or maintain a private telecommunications network (for use of the state)

Established through ECA 36 of 2005 Section 90 states that *The agency must provide incentives to electronic communications network service licensees to construct, operate and maintain electronic communications networks in under serviced areas through the award of project grants.* USAASA is also responsible for the Universal Service Fund. *Section 2.2.1 of the policy stipulates that- Various options for the construction, operation and maintenance of networks in under serviced areas will be developed by Universal Service and Access Agency (USAASA) and implemented in co-operation with other stakeholders.*

Shareholder Funding

Shareholder Fund Inflows



	BBI Act & established		BBI Licensed			Neotel ROU End	
	2006 /2007	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012	Total
DPE *	-	R 627 000 000	R 377 000 000	R 208 530 000	R 138 599 926	-	R 1 351 129 926
IDC	-	-	R 352 756 756	R 73 267 298	R 48 697 297	-	R 474 721 351
Total	-	R 627 000 000	R 729 756 856	R 281 797 298	R 187 297 223	-	R 1 825 851 277

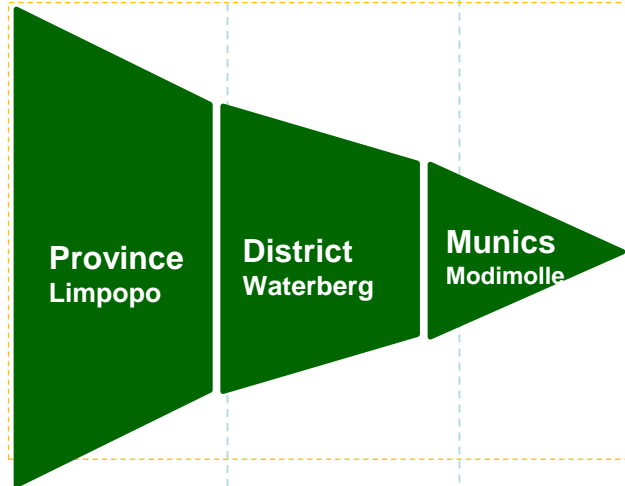
* The Presidential Proclamation signed in September 2014, Broadband Infraco now reports to the Department of Telecommunications and Postal Services (DTPS)

Broadband Infraco Infrastructure per Province

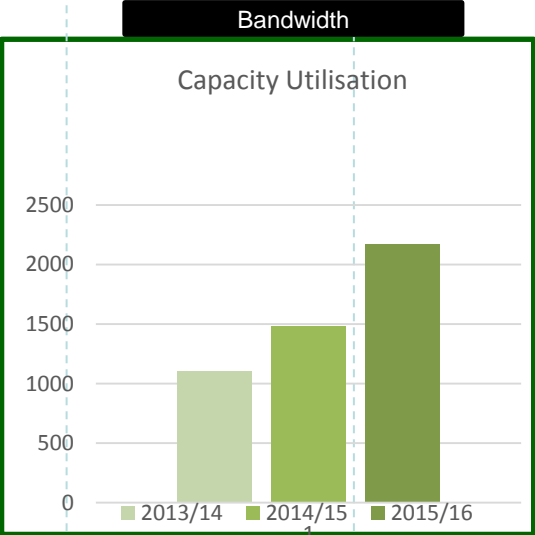


- **Expand availability and Access to Broadband Infrastructure (Broadband Infraco Act)**
 - Enable regional connectivity
 - Implement projects of National Interest
 - Develop strategic Partnerships

- 2016/2017 at a glance**
- To be achieved through major projects being rolled out and will add more than **1000km of fibre and more PoPs**
 - To date Broadband Infraco has completed the roll out of **1113km** of fibre and optimised **34 PoPs**



Province	POP	Fibre (km)
Eastern Cape	19	1799
Free State	17	1471
Kwazulu Natal	21	2354
Limpopo	11	883
Mpumalanga	15	1422
North West	9	940
Northern Cape	27	2499
Gauteng	17	1407
Western Cape	20	1887
Total	156	14661



Current Capital Projects

Infrastructure Rollout per Province (Current)



Province	Fibre roll out (km)	PoP/Customer site optimisation	Status
Eastern Cape	84.6 (31.96)	6 (3)	Completed
	28.5 (81.10)	2 (5)	In Progress
Western Cape	320.3 (313.05)	4 (3)	Completed
	10.5 (17.75)	1 (2)	In Progress
Gauteng	253.59 (253.59)	4 (4)	Completed
	0.00 (0.00)	0 (0)	In Progress
Limpopo	69.3 (63.59)	3 (2)	Completed
	0 .00 (5.70)	0 (1)	In Progress
Mpumalanga	123.9 (119.16)	3 (2)	Completed
	8.0 (12.75)	1 (2)	In Progress
North West	101.7 (99.07)	3 (2)	Completed
	11.7 (14.39)	1 (2)	In Progress
Northern Cape	7.93 (2.43)	1 (0)	Completed
	3.5 (9.00)	1 (2)	In Progress
KZN	147.17 (140.37)	8 (7)	Completed
	0.00 (6.80)	0 (1)	In Progress
Freestate	5.3 (0.43)	2 (1)	Completed
	4.9 (9.70)	1 (2)	In Progress
National	1113.79 (1023.64)	34 (24)	Completed
	67.1 (157.19)	7 (17)	In Progress
	1180.83	41	Total

Note: the figures in brackets are results from Q3 of 2015/2016.

KwaZulu-Natal and Free State

KwaZulu-Natal	Local Municipality	Municipal District	Fibre roll out (km)	PoP/Customer site	Status
Sub total					
Pietermaritzburg	Msunduzi	Umgungundlovu	0.5	1	Completed
Durban	eThekwini	eThekwini	25.6	1	Completed
King Shaka	eThekwini	eThekwini	19.81	1	Completed
Seacow Lake	eThekwini	eThekwini	21.75	1	Completed
Prince Alfred	eThekwini	eThekwini	39.78	1	Completed
Ladysmith	Emnambithi/Ladysmith	UTHukela	0.528	0	Completed
Pietermaritzburg	Msunduzi	Umgungundlovu	15.62	1	Completed
Ulundi	Ulundi	Zululand	0.066	0	Completed
Athene, Empnageni	uMhlatuze	uThungulu	16.28	1	Completed
Stanger Comms	KwaDukuza	Ilembe	0.44	0	Completed
Ulundi	Ulundi	Zululand	6.8	1	In Progress
Subtotal			147.174	8	
KwaZulu-Natal Total			147.174	8	

Free State	Local Municipality	Municipal District	Fibre roll out (km)	PoP/Customer site	Status
Welkom	Matjhabeng	Lejweleputswa	4.85	1	In Progress
Sub total					
Bethlehem	Dihlabeng	Thabo Mofutsanyana	0.044	0	Completed
Everest	Matjhabeng	Lejweleputswa	0.187	0	Completed
Sorata	Dihlabeng	Xhariep	0.143	0	Completed
Vaalkraal	Mangaung	Mangaung	0.055	0	Completed
Bloemfontein	Mangaung	Mangaung	0	1	Completed
Bloemfontein	Mangaung	Mangaung	4.85	1	In Progress
Subtotal			5.279	2	
Free State Total			10.129	3	

North West and Northern Cape

North West	Local Municipality	Municipal District	Fibre roll out (km)	PoP/Customer site	Status
Mmabatho	Mahikeng	Ngaka Modiri Molema	11.7	1	In Progress
Sub total			11.7	1	
Brits	Madibeng	Bojanala Platinum	0	1	Completed
Rustenburg	Rustenburg	Bojanala Platinum	99	1	Completed
Mafikeng	Mahikeng	Ngaka Modiri Molema	0.066	0	Completed
Potchefstroom	Tlokwe	Dr Kenneth Kaunda	2.69	1	In Progress
Subtotal			101.756	3	
North West Total			113.456	4	

Northern Cape	Local Municipality	Municipal District	Fibre roll out (km)	PoP/Customer site	Status
Kimberley	Sol Plaatje	Frances Baard	3.5	1	In Progress
Sub total			3.5	1	
Boundary Olien T217	Dikgatlong	Frances Baard	0.165	0	Completed
Colesberg	Umsobomvu	Pixley Ka Seme	0.033	0	Completed
Kimberley	Sol Plaatje	Frances Baard	1	0	Completed
Moodraai	SiyaThemba	Pixley Ka Seme	0.385	0	Completed
Noupoort	Umsobomvu	Pixley Ka Seme	0.055	0	Completed
Ovaal	Siyancuma	Pixley ka Seme	0.495	0	Completed
Upington	Khara Hais	ZF Mgcawu District	0.22	0	Completed
Warrenton Comms	Magareng	Frances Baard	0.077	0	Completed
Upington	Khara Hais	ZF Mgcawu District	5.5	1	In Progress
Subtotal			7.93	1	
Northern Cape Total			11.43	2	

Gauteng, Limpopo and Mpumalanga

Gauteng	Local Municipality	Municipal District	Fibre roll out (km)	PoP/Customer site	Status
Beta	Pretoria	City of Tshwane	11.65	1	Completed
Numerus	Pretoria	City of Tshwane	7.84	1	Completed
Centurion	Pretoria	City of Tshwane	38.7	1	Completed
Bedfordview	Ekurhuleni	City of Johannesburg	33.5	1	Completed
Silverton	Pretoria	City of Tshwane	38.9	0	Completed
Vereeniging	Emfuleni	Sedibeng	123	0	Completed
Subtotal			253.59	4	
Gauteng Total			253.59	4	

Limpopo	Local Municipality	Municipal District	Fibre roll out (km)	PoP/Customer site	Status
Sub total					
Polokwane	Polokwane	Capricorn	7.3	1	Completed
Louis Trichardt	Makhado	Vhembe	0.22	0	Completed
Musina	Musina	Vhembe	0.033	0	Completed
Polokwane	Polokwane	Capricorn	1	0	Completed
Tzaneen	Greater Tzaneen	Mopani	0.033	0	Completed
Phalaborwa	Ba-Phalaborwa	Mopani	55	1	Completed
Modimolle	Modimolle	Waterberg	5.7	1	In Progress
Subtotal			69.286	3	
Limpopo Total			69.286	3	

Mpumalanga	Local Municipality	Municipal District	Fibre roll out (km)	PoP/Customer site	Status
Witbank	eMalahleni	Nkangala	8	1	In Progress
Sub total			8	1	
Middelburg	Steve Tshwete	Nkangala	5.8	1	Completed
Acornhoek	Bushbuckridge	Ehlanzeni	110	0	Completed
Hazyview	Mbombela	Ehlanzeni	0.0275	0	Completed
Kaapmuiden	Nkomazi	Ehlanzeni	0.22	0	Completed
Komatipoort	Nkomazi	Ehlanzeni	0.055	0	Completed
Nelspruit	Mbombela	Ehlanzeni	3	1	Completed
Standerton	Lekwa	Gert Sibande	0.055	0	Completed
Nelspruit	Mbombela	Ehlanzeni	4.75	1	In Progress
Subtotal			123.9075	3	
Mpumalanga Total			131.9075	4	

Eastern and Western Cape

Eastern Cape	Local Municipality	Municipal District	Fibre roll out (km)	PoP/Customer site	Status
Port Elizabeth	Nelson Mandela Bay	Cacadu	1	1	In Progress
Wuthering Heights	Nelson Mandela Bay	Cacadu	27.5	1	In Progress
Sub total			28.5	2	
East London	Buffalo City	Amathole	13.09	1	Completed
Port Elizabeth	Nelson Mandela Bay	Cacadu	10	0	Completed
Addo	Sunday's River Valley	Cacadu	0.068	1	Completed
Aloes	Nelson Mandela Bay	Cacadu	8.8	1	Completed
Umtata	King Sabata Dalindyebo	OR Tambo	10.8	1	In Progress
East London	Buffalo City	Amathole	12.5	1	In Progress
Bisho	Buffalo City	Amathole	29.3	1	In Progress
Subtotal			84.558	6	

Eastern Cape Total 113.058 8

Western Cape	Local Municipality	Municipal District	Fibre roll out (km)	PoP/Customer site	Status
George	George	Eden	10.5	1	In Progress
Sub total			10.5	1	
Observatory	CITY OF CAPE TOWN	Cape Winelands	14	1	Completed
120 Plein street	CITY OF CAPE TOWN	Cape Winelands	9.75	1	Completed
Huegnot	Breede Valley	Cape Winelands	0.0132	0	Completed
Laingsburg	Overstrand Municipality	Central Karoo	0.066	0	Completed
Worcester	Breede Valley	Cape Winelands	0.242	0	Completed
Greenpoint	CITY OF CAPE TOWN	Cape Winelands	24.68		Completed
Barrack street	CITY OF CAPE TOWN	Cape Winelands	25.3	0	Completed
Braeview	City of Cape Town	Cape Winelands	128	0	Completed
George	George	Eden	10.78	0	Completed
Wolseley	Witzenberg	Cape Winelands	100.22	1	Completed
Worcester	Breede Valley	Cape Winelands	7.25	1	In Progress
Subtotal			320.3012	4	

Western Cape Total 330.8012 5

Universal Service Obligations

Eastern Cape & Free State

Province	District	BBI PoP	Number of PoPs	Fibre Kilometres
Eastern Cape	Amatole	Butterworth	5	388
		East London Station		
		East London BBI		
		Pembroke		
		Pembroke - Poseidon T197		
	Chris Hani	Cradock	1	189
	OR Tambo	Qumbu	3	119
		Qunu		
		Zimbane (Mthatha)		
	Ukhahlamba			

Province	District	BBI PoP	Number of PoPs	Fibre Kilometres
Free State	Thabo Mofutsanyane	Arlington Comms	3	197
		Bethlehem Comms		
		Sorata		
	Lejweleputswa	Everest	6	462
		Everest - Perseus T229		
		Perseus		
		Theunissen Comms		
		Welkom BBI		
		Welkom		
	Fezile Dabi			

KwaZulu Natal & North West

Province	District	BBI PoP	Number of PoPs	Fibre Kilometres
KwaZulu-Natal	Ilembe	Stanger BBI	1	216
	Ugu	Eros (Harding)	2	101
		Oribi		
	Umgundundlovu	Ariadne	2	410
		Pietermaritzburg Station		
	Umzinyathi	Pegasus	1	129
	Uthukela	Estcourt	4	264
		Ladysmith (Uthekela)		
		Tugela		
		Venus		
Uthungulu	Athene (Empangeni)	3	313	
	Mtunzini			
	Umunywana			
Zululand	Ulundi	2	127	
	Umfolozu			
Umkhanyakude				

Province	District	BBI PoP	Number of PoPs	Fibre Kilometres
North West	Ngaka Modiri Molema (Central)	Lichtenburg	4	388
		Mafikeng BBI		
		Mafikeng		
		Ramatlabama		
Bojanala	Bojanala	1	77	
Bophirima	Bophirima			

Mpumalanga & Gauteng

Province	District	BBI PoP	Number of PoPs	Fibre Kilometres
Mpumalanga	Gert Sibande	Camden - Incandu T239	6	628
		Camden (Ermelo)		
		Mahamba (Swaziland)		
		Piet Retief		
		Sol Secunda		
		Standerton		
	Ehlanzeni	Bohlabela		
	Nkangala	Belfast	4	464
		Eskompark (Witbank)		
		Geluksplaas		
Middelburg				

Province	District	BBI PoP	Number of PoPs	Fibre Kilometres
Gauteng	West Rand	Oberholzer	2	159
		Midas		
	Metsweding	Rayton	1	61

Sharing our Success

Implementation of Build, Grow, Expand, Strategy



2014

- Second anchor customer acquired; five (5) open access PoPs completed
- Presidential Proclamation signed on 19 September 2014, effectively transferring Broadband Infracore from the Department of Public Enterprises to the Department of Telecommunications and Postal Services
- 89.47% Achievement of Shareholders' Compact
- Unqualified audit report

2015

- 83% Achievement of Shareholders' Compact
- 74% of employees participated in a satisfaction survey and 70% were satisfied
- Overall award and "A" rating in compliance
- "A" rating in internal audit and internal control
- Unqualified audit report

2016

- 87.50% Achievement of Shareholders' Compact
- Zero irregular expenditure
- NOSA Accreditation
- ISO 18001 successful audit
- Unqualified audit report
- Positive EBITDA

BBBEE ACHIEVEMENTS

SMME BBEE Achievement FY 2013-16

The table below indicates the SMME targets achieved in the past three years

SMME BBEE Indicator/s	2013/14		2014/15		2015/16	
	Target	Achieved	Target	Achieved	Target	Achieved
Indirect Jobs	0	0	10	182	60	686
BBEE (ICT) %	70.00	102.50	70.00	113.00	70.00	115.00
Women %	40.00	42.00	40.00	34.40	40.00	57.00
Youth %	10.00	0.25	10.00	8.10	10.00	6.00
PLWD (R/%)	R 250k	R -	R300k	R517k	1%	1%

	2013/14	2014/15	2015/16
Spend	R111m	R132m	R146m

Actual Spend on Basadi (Women)

Financial Performance and Position

Statement of Financial Performance



R'm	Audited March 2012	Audited Restated March 2013*	Audited March 2014	Audited March 2015	Audited March 2016
Revenue	394	237	302	366	452
Cost of sales	(276)	(172)	(153)	(314)	(260)
Gross profit	118	65	149	51	192
Operating expenses	(258)	(262)	(312)	(311)	(292)
Results from operations	(140)	(197)	(163)	(260)	(100)
Finance income	54	22	20	15	9
Finance costs	(9)	0	0	(2)	-
Profit/ (Loss) before taxation	(95)	(175)	(143)	(245)	(91)
Income tax expense	-	-	-	-	-
Profit/ (Loss) for the year	(95)	(175)	(143)	(245)	(91)

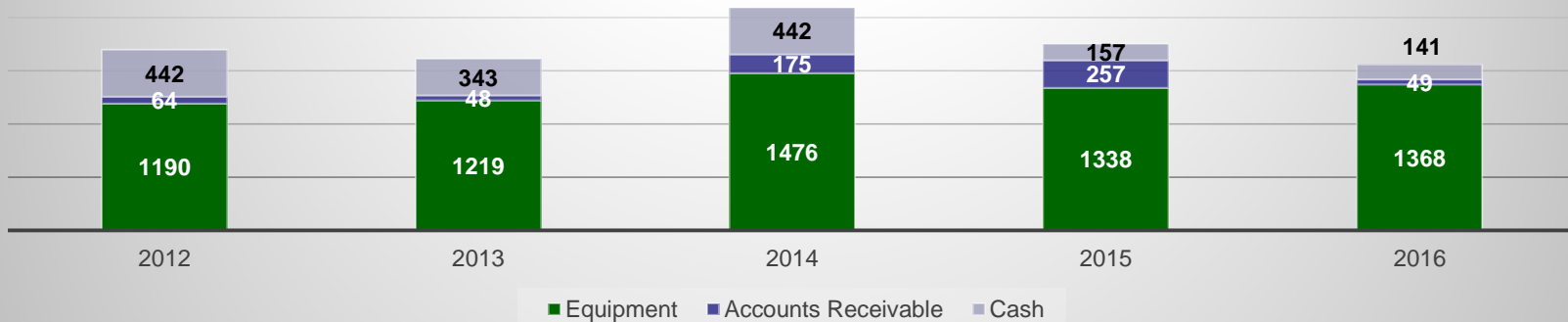
- Revenue increased by 24% to R452 million.
- Cost of sales decreased by 17% to R260 million.
- Operating costs decreased by 6% to R292 million.
- Operating loss decreased from R245 million to R91 million.

* Review of useful life R6.7m restatement of depreciation

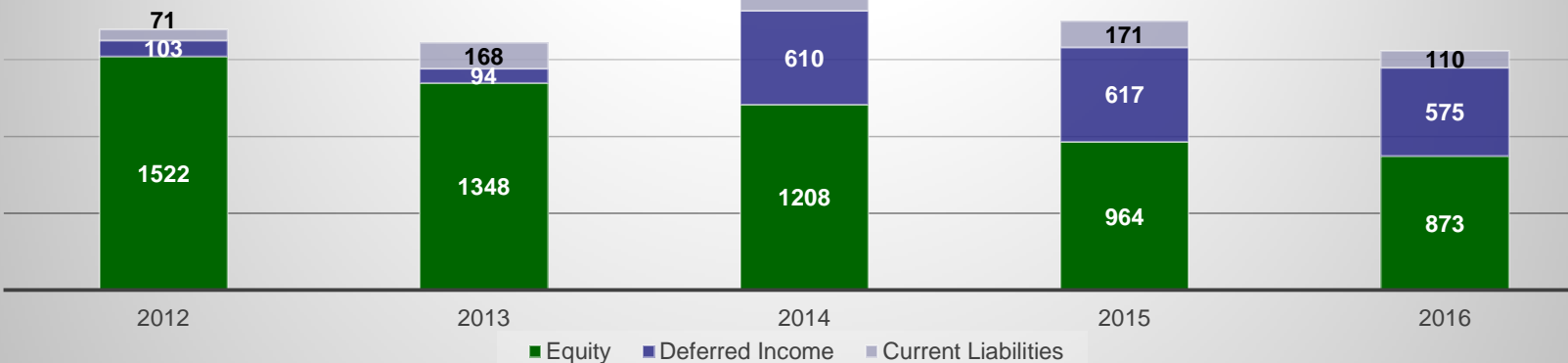
Financial Position



Assets R'm



Equity and Liabilities R'm



External Audits Three Year Cycle

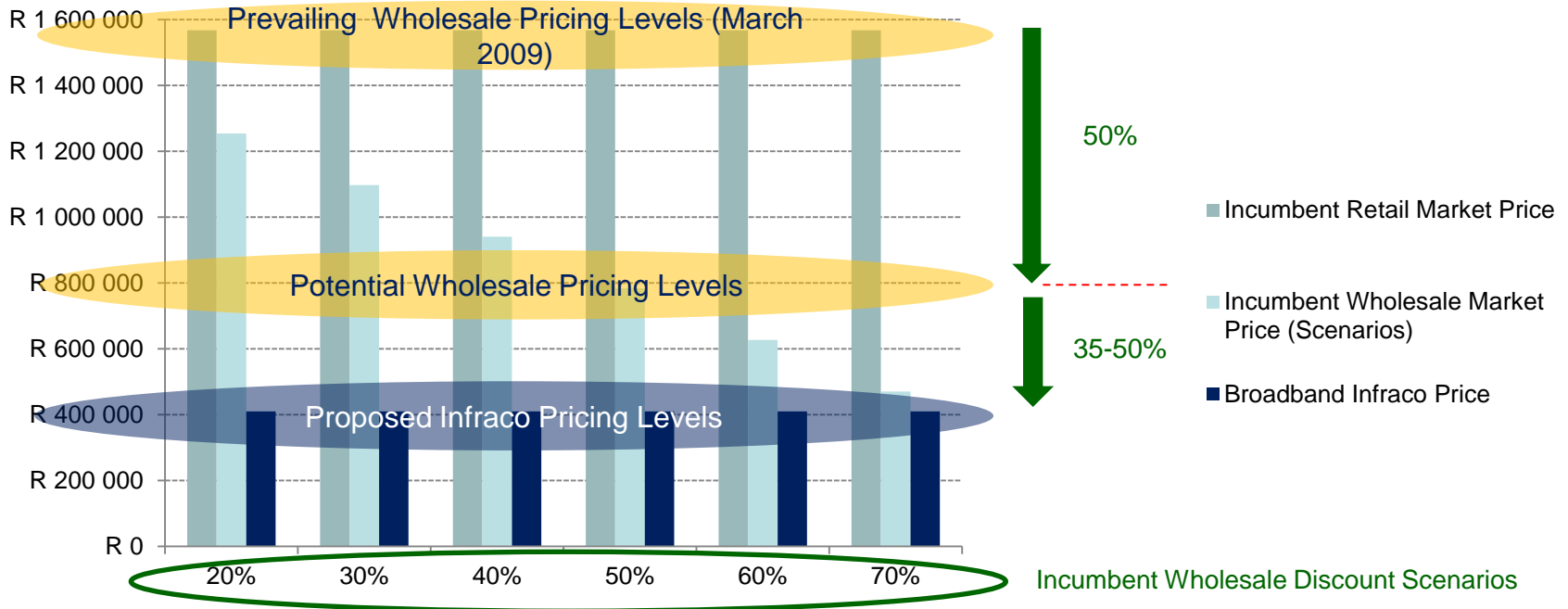
Department	Finding Category	Total number of findings 2013/14	Total number of findings 2014/15	Total number of findings 2015/16
Finance	Going Concern (Repeat)		1	1
	Compliance	3	4	
	Commitments; Provisions and Revenue	5	3	
	Property Plant and Equipment (Repeat)	6	6	
	Trade and other payables		1	
	Irregular, fruitless and wasteful expenditure		3	
SCM	Compliance	8		
HRM	Compliance	3		
CEO OFFICE	Compliance :Performance Information	2		5
Shareholder	Compliance (Repeat) (MOI)	1	1	1
Sales & Marketing	Revenue			1
Total		28	19	8

Impact on the cost of communication

Broadband Infraco's impact on the long distance market pricing has been significant



Before Broadband Infraco was launched, the prevailing Market Pricing for an STM-1 link from JHB to CPT was approximately R1.6m per month, whereas wholesale prices to licensed ECNS/ECS providers would have been be at a discount to that price



Broadband Infraco demonstrated its ability to offer STM-1 prices to the market at approximately R410k per month (3 year lease contract). By entering the market with a lower price; Broadband Infraco competitively forced the overall market price to become lower by up to 76% as existing longer term contracts expire and become due for renewal.

Source: Research-based Industry Presentation by the Minister of Public Enterprises & Minister of Communications to ICASA on the 13th August 2009 based on industry research.

Thank You