Report of the Portfolio Committee on Communications on its deliberations of Budget Vote 32: Telecommunications and Postal Services, dated 9th July 2019

The Portfolio Committee on Communications (the Committee), having considered Budget Vote 32: Telecommunications and Postal Services and the Annual Performance Plans (APPs) for 2019/20 – 2021/22 of the Department of Telecommunications and Postal Services (the Department), The South African Post Office (the SAPO), Universal Service and Access Agency of South Africa (USAASA), .ZADNA, Broadband Infraco, SENTECH, National Electronic and Media Institute of South Africa (NEMISA), and State Information Technology Agency (SITA), reports as follows:

1. Introduction

Section 55(2) of the Constitution of the Republic of South Africa, Act 108 of 1996, states that the National Assembly must provide for mechanisms (a) to ensure that all executive organs of state in the national sphere of government are accountable to it; and (b) to maintain oversight of (i) the exercise of national executive authority including the implementation of legislation; and (ii) any organ of state. In terms of the Public Finance Management Act (PFMA), the Accounting Officers must provide Parliament or the relevant Legislature with their respective institution’s Medium-Term Strategic Framework (MTSF) and where applicable with its Annual Performance Plan (APP).

The Money Bills Amendment Procedure and Related Matters Act was promulgated in 2009, and provides Parliament with powers to reject or recommend the approval of Departments’ budgets. The Act also makes provision for the implementation of recommendations emanating from the Committee’s oversight reports.

The Committee met with the Department, the SAPO, SENTECH, USAASA, SITA, .ZADNA, NEMISA and Broadband Infraco on the 3rd July 2019 for consideration of their APPs 2019/20 – 2021/22.

The speed at which technology changes, and the catalytic role it plays in relation to economic growth, indirectly infuses deeper and wider exclusion of the majority of the world’s population from mainstream economic activities in a global society. Rapid technological developments have led to the 4th Industrial Revolution (4IR), which threatens economic participation of people, particulalry from continents such as Africa.

Even though South Africa has a sound policy environment and massive investments in ICT infrastructure, it lacks implementation on key policy programmes in order to ensure that all citizens benefit from the infrastructure.

However this MTEF plan demonstrates a Department ready to respond in an unorthodox way to ensure it responds adequately to the changing environment, and more importantly ensuring the participation of ordinary citizens.

The release of spectrum remains at the forefront of government programmes. It will be in the interest of all stakeholders that Parliament continues to play oversight over the process of spectrum allocation, so that it primarily benefits the population at large.

Mainstreaming of technology as a catalyst for social change has become even more important to countries now more than ever, so that citizens become economically active participants in the 4IR ecosystem. The plans of the Department are a demonstration of the preparedness of government to respond to these rapid changes of the sector.

High costs associated with ICT services remain a major challenge for majority of South Africans. The Department will need to accelerate its efforts in order to promote affordability and its strategic objectives demonstrate innovative programmes that will guarantee broader participation by SMME’s in the 4IR.

Futhermore, the establishment of the Presidential 4IR Commission is testament to the seriousness with which government sees 4IR.

There is now a greater need for investment in skills development intiatives on a much larger scale, increased research and development, better use of existing resources, and more agile public institutions to stimulate innovation, local technology solutions and local content development.

For Parliament, it will be an opportunity to support the legislative amendments soon to be tabled and respond promptly. Furthermore, the Committee will closely monitor the reconfiguration process of the Department and its entities.

Over the 2019/20 financial year, the Department has been allocated a total budget of R1,684 billion and R1,783 and R1,673 billion for the MTEF period respectively.

2. The Department's APP 2019/20 – 2020/22

2.1 Strategic outcome-oriented goals

The mandate of the Department of Telecommunications and Postal Services is to develop ICT policies that will contribute to an inclusive information society. The Department has a responsibility to modernise the economy and economic infrastructure by: facilitating the rollout of ICT infrastructure, applications and services; enabling the rollout of postal and banking services; developing e-strategies to roll out e-government and e-sectoral services; promoting cybersecurity and the security of networks; and promoting universal service and access to electronic communications in underserviced areas.

The Department also sets guidelines for the determinations of the Independent Communications Authority of South Africa, and oversees and strengthens the capacity of state-owned companies and public entities within its portfolio. The Department derives its legislative mandate from the Electronic Communications Act (2005) and the Electronic Communications and Transactions Act (2002)

Therefore, the purpose for this budget vote is to '*Develop ICT policies and legislation that create favourable conditions for accelerated and shared sustainable economic growth that positively impacts on the wellbeing of all South Africans.*'

In addition, the Department has the following programmes:

- Administration;
- International Affairs and Trade;
- ICT Policy, Research and Capacity;
- ICT SOC Oversight; and
- ICT Infrastructure Support.

In line with government priorities as reflected in the NDP, MTSF and the 9-Point Plan, the Department has set itself the following priorities for the 2019/20 financial years:

(i) Development of ICT Legislation and review of White Paper;
(ii) Project managing Broadband roll-out (Phase 1);
(iii) Implementation of National e-Strategy;
(iv) Preparations for WRC-19;
(v) Rationalisation of SOC's;
(vi) Monitoring and Evaluation (M&E) of operations of Cybersecurity Hub;
(vii) Implementation of ICT SMME Strategy;
(viii) Development of a Digital Skills Strategy; and
(ix) Implementation of an e-Government Strategy

The Department has set itself strategic goals as follows: (i) Broadband connectivity that provides secure and affordable access for all citizens to education, health & other government services & stimulates socio-economic development; (ii) South Africa has a modern, sustainable & competitive postal & telecommunications sector; (iii) an inclusive information society and knowledge economy driven through a comprehensive e-Strategy and access to Government services; and (iv) Optimally functional Department and SOEs that effectively deliver on their respective mandate. These are to be achieved through seven 7 Strategic Objectives, which are:

(i) Create a high performing organisation to enable achievement of the Department's mandate;
(ii) Improve performance of SOEs through proactive and stringent oversight;
(iii) Develop and Implement a national e-Strategy that will give priority to e-Government services;
(iv) Advancement of South Africa's National ICT interests in regional and international forums towards attaining partnerships for economic growth and development;
(v) The promotion and sustainability of ICT SMMEs through the development and implementation of the ICT SMME development strategy;
(vi) Coordinate the Broadband connectivity to achieve 100% population coverage; and
(vii) The development and implementation of ICT policy and legislation aimed at improving access and affordability of ICT services.

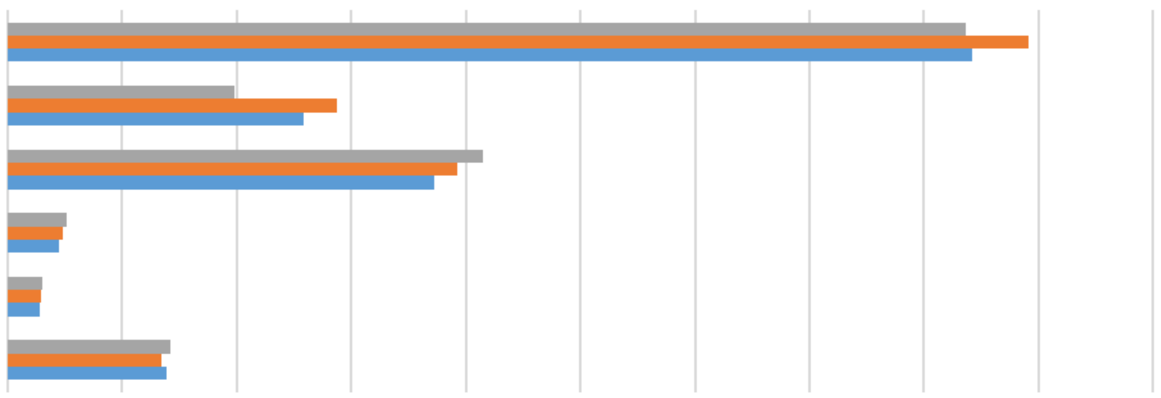
2.2 State of the Nation Address and the impact on the ICT sector

In his June 2019 State of the Nation Address, President Cyril Ramaphosa pointed out that government would, "*Provide impetus to this process, within the next month, the Minister of Communications will issue the policy direction to ICASA to commence the spectrum licensing* process. *We call on the telecommunications industry further to bring down the cost of data so that it is in line with other countries in the world*." This process will include measures to promote competition, transformation, inclusive growth of the sector and universal access. This is a vital part of bringing the costs of data, which is essential both for economic development and for unleashing opportunities for young people.

3. Departmental budget allocation and programmes

Graph 1 below gives a summary of the allocated budget and the projections allocated for the medium term per programme.

Graph 1: DTPS MTEF Budget Allocation



	1. Administration	2. International Affairs	3. Policy & Research	4. ICT Enterprise	5. ICT Infrastructure	TOTAL
2021/22	ZAR 283 689	ZAR 59 833	ZAR 103 601	ZAR 829 728	ZAR 396 920	ZAR 1 673 771
2020/21	ZAR 267 823	ZAR 57 585	ZAR 97 224	ZAR 784 439	ZAR 575 890	ZAR 1 782 961
2019/20	ZAR 276 828	ZAR 57 058	ZAR 90 199	ZAR 744 233	ZAR 516 256	ZAR 1 684 574

4. Expenditure analysis

Chapter 4 of the National Development Plan recognises that ICT is a key enabler of inclusive economic growth that is critical to addressing inequality in South Africa. In response to this, over the medium term, the Department of Telecommunications and Postal Services will focus on: implementing the 2016 White Paper on National Integrated ICT Policy; implementing the South Africa Connect broadband policy; and implementing the rationalisation of its public entities, improving the performance of the entities under the Department's portfolio, and promoting innovation and transformation of the ICT sector as a catalyst for economic growth.

The Department's budget is expected to decrease at an average annual rate of 25.2 per cent, from R4 billion in 2018/19 to R1,7 billion in 2021/22. This is due to a one-off allocation of R2,9 billion in 2018/19 in the ICT Enterprise Development and Public Entities Oversight programme for the recapitalisation of the South African Post Office. This allocation also accounts for the 36.3 per cent average annual decrease in expenditure in the programme, from R3,2 billion in 2018/19 to R829,7 million in 2021/22.

The Department has a total budget of R5.1 billion over the MTEF period, of which 58.8 per cent is transferred to its entities. Cabinet has approved a budget increase to the South African Post Office amounting to R1,5 billion over the MTEF period as a subsidy for universal service obligations. SENTECH receives an additional R396,5 million over the same period to cover the costs of dual illumination, which entails simultaneous digital and analogue broadcasting, and R190,5 million to cover the costs of full migration to digital broadcasting.

The Department's number of personnel is expected to increase from 290 in 2018/19 to 293 in 2021/22. As such, spending on compensation of employees is projected to increase at an average annual rate of 7.2 per cent, from R224,3 million in 2018/19 to R276,4 million in 2021/22, accounting for R777,3 million of the Department's total budget over the period.

4.1 Implementing the 2016 White Paper on National Integrated ICT Policy

The Department plans to continue with the phased implementation of the 2016 White Paper on National Integrated ICT Policy. In this regard, over the MTEF period, the focus will be on introducing prioritised legislation to Parliament, including the Electronic Communications and Transactions Amendment Bill, the ICT Sector Commission and Tribunal Bill, and the Digital Development Fund Bill. The Department will also focus on implementing the ICT small, medium and micro enterprises (SMMEs) development strategy, the national e-Strategy and the e-Government strategy. Activities related to implementing the White Paper are carried out through the Policy, Research and Capacity Development programme, spending in which increases at an average annual rate of 6.8 per cent, from R85 million in 2018/19 to R103,6 million in 2021/22.

4.2 Implementing the South Africa Connect broadband policy

Over the MTEF period, the Department plans to continue increasing access to broadband by implementing Phase 1 of the South Africa Connect broadband policy. After delays arising from concerns about the policy's procurement model, a new model was developed in 2017 in collaboration with the State Information Technology Agency and Broadband Infraco.

The Department anticipates the implementation of this new model to result in the provision of broadband services at 970 government sites by 2021/22. Related activities are carried out in the Broadband subprogramme in the ICT Infrastructure Support programme. Spending in the Broadband subprogramme increases at an average annual rate of 16.5 per cent, from R162,4 million in 2018/19 to R256,6 million in 2021/22.

4.3 Implementing the rationalisation process for public entities

In addition to overseeing and managing government's shareholding interest in the public entities reporting to the responsible Minister, the Department will focus on strengthening these entities to ensure that they support government's developmental objectives and are streamlined for efficient service delivery.

To this end, over the medium term, the department plans to continue the process of rationalising the functions of the State Information Technology Agency, SENTECH and

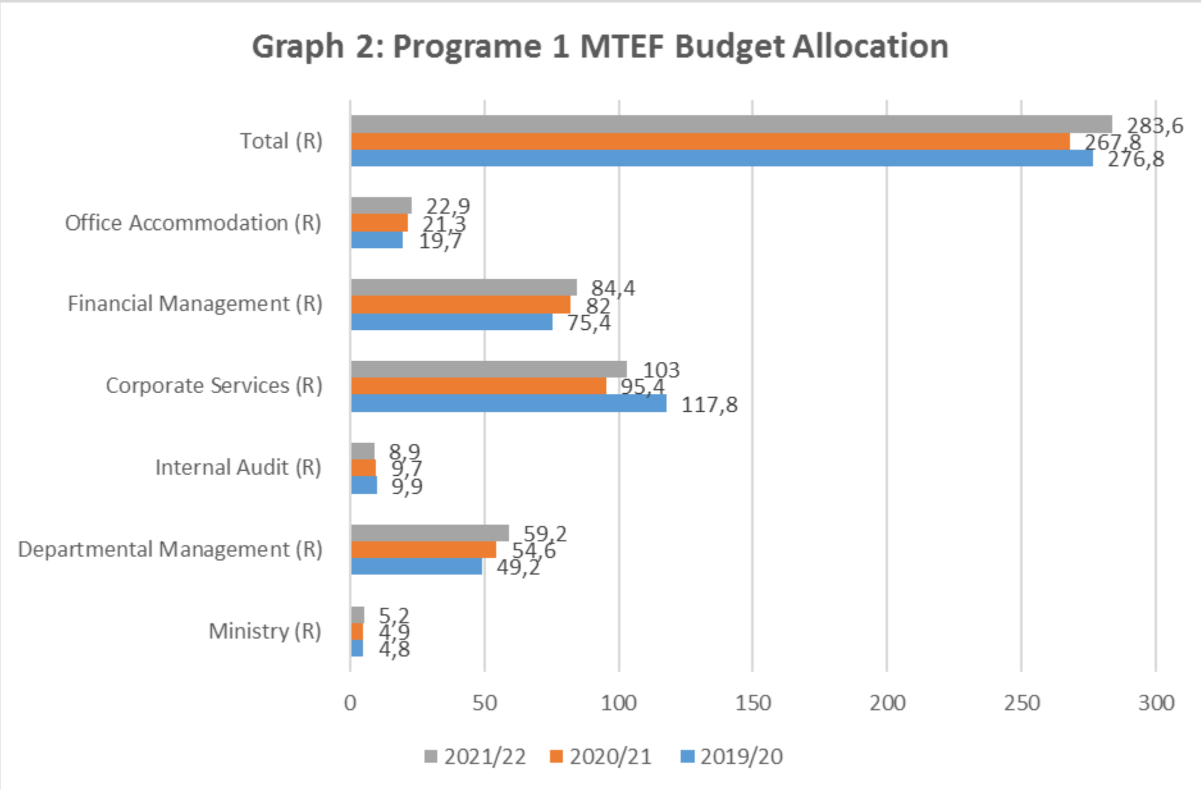
Broadband Infraco towards the establishment of a state ICT infrastructure company and a state ICT services company.

Following Cabinet's approval of the framework to establish these two companies in December 2017, the department is now in the process of developing draft legislation for both companies, which is expected to go to Cabinet for approval in 2019/20, for implementation over the medium term. These activities will be carried out in the ICT Enterprise Development and Public Entities Oversight programme, which is allocated R2,4 billion over the MTEF period.

5. Programme analysis

5.1 Programme 1: Administration

The purpose of this programme is to provide strategic leadership, management and support services to the Department. The programme has been allocated R276,8 million for the 2019/20 financial year and R267,8 million and R283,6 million respectively for the medium term. The programme's main function is to enable the Department it to fulfil its public mandate. Graph 2 below is a breakdown of budget allocation per sub programme over the MTEF period.



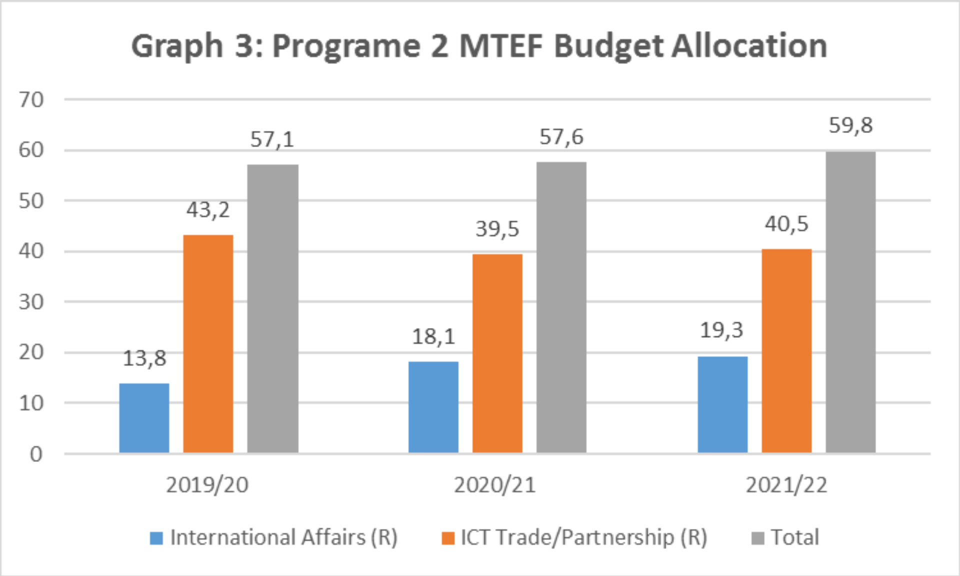
5.2 Programme 2: ICT International Affairs and Trade

Ensure alignment between South Africa's foreign policy and international activities in the field of ICT. The programme objective is to advance South Africa's ICT interests in regional and international forums in order to attain partnerships for economic growth and development by (i) participating in the World Radio Conference, focusing on spectrum management and allocations for future technologies to support the development agenda, in March 2019; and (ii) developing 3 South African position papers for the Brazil-Russia-India-China-South Africa (BRICS) group of countries' ICT Ministerial meetings over the medium term.

Its sub programmes include:

(i) International Affairs coordinates the functions and responsibilities of the Department to meet South Africa's international ICT obligations; and
(ii) ICT Trade/Partnership develop and advance the country's interests in international trade forums by participating in the World Trade Organisation's ICT-related initiatives, and other

international trade agreements such as the South Africa-European Union trade agreement and bilateral agreements with counterpart countries.



Graph 3 above is an illustration of the budget allocation per sub programme of Programme 2 over the MTEF period with a total of R57 million for 2019/20 financial year.

5.3 Programme 3: Policy, Research and Capacity Development

The purpose of this programme is to develop ICT policies and legislation that support the development of an ICT sector that creates favourable conditions for accelerated and shared economic growth. Develop strategies that increase the adoption and use of ICT by the majority of the South African population to bridge the digital divide.

Programme Objectives:

(i) Improve access to and the affordability of ICTs by facilitating the development of ICT policy and priority legislation, in line with the 2016 White Paper on National Integrated ICT Policy, and introducing them to Parliament over the medium term;

(ii) Promote the growth and sustainability of SMMEs through facilitating the implementation of the ICT SMME development strategy, focusing on identified priority areas, over the medium term; and

(iii) Develop and implement a national e-strategy to prioritise e-government services by March 2020 by:
- facilitating the implementation of the e-government programme for smart communities
- developing the national digital skills strategy.

Sub programmes for programme 3 include:

(i) ICT Policy Development draft legislation, regulations, policy and guidelines that govern the telecommunications, postal and IT sectors to ensure broad-based economic development;

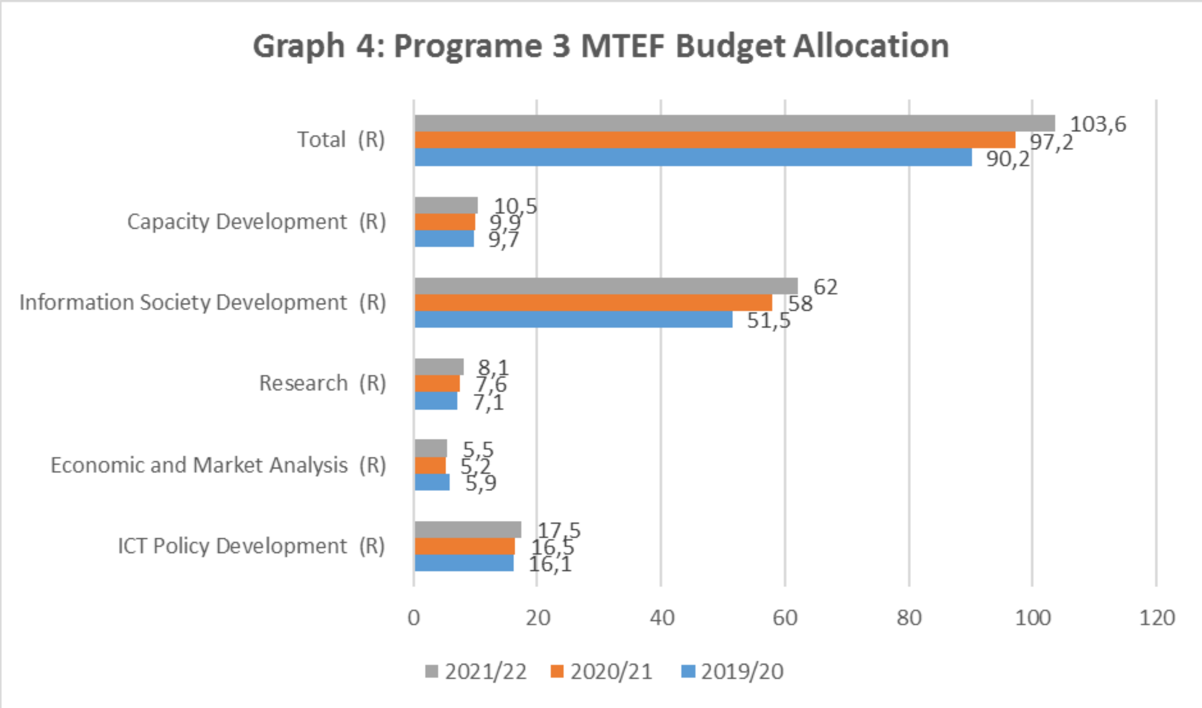
(ii) Economic and Market Analysis conducts economic analyses of the telecommunications, postal and IT sectors to determine trends and make growth projections. This sub-programme also undertakes market research to explore areas that require policy intervention; and is responsible for the reduction of the cost of communication;

(iii) Research is responsible for understanding the ICT landscape and delivering a national ICT strategy;

(iv) Information Society Development supports the effective and efficient functioning of the information society; and the development of institutional mechanisms. These include the Inter-Ministerial Committee on information society and development, the information society and development intergovernmental relations forum, the forum of South African Directors-General for information society and development, and the Intergovernmental Relations Forum Technical Committee; and

(v) Capacity Development provides direction for the advancement of e-skills graduates and society in general to function effectively in the emerging information society.

The programme has been allocated R90,199 million for 2019/20 and set to increase to R103,6 million by 2021/22 financial years as illustrated in Graph 4 on next page:



5. 4 ICT Enterprise Development & SOC Oversight

The purpose of this programme is to oversee and manage government's shareholding interest in the ICT public entities and state-owned companies and facilitate the growth and development of small, medium and micro enterprises in the ICT sector. Its objective includes the improvement of the performance of public entities through proactive oversight by:

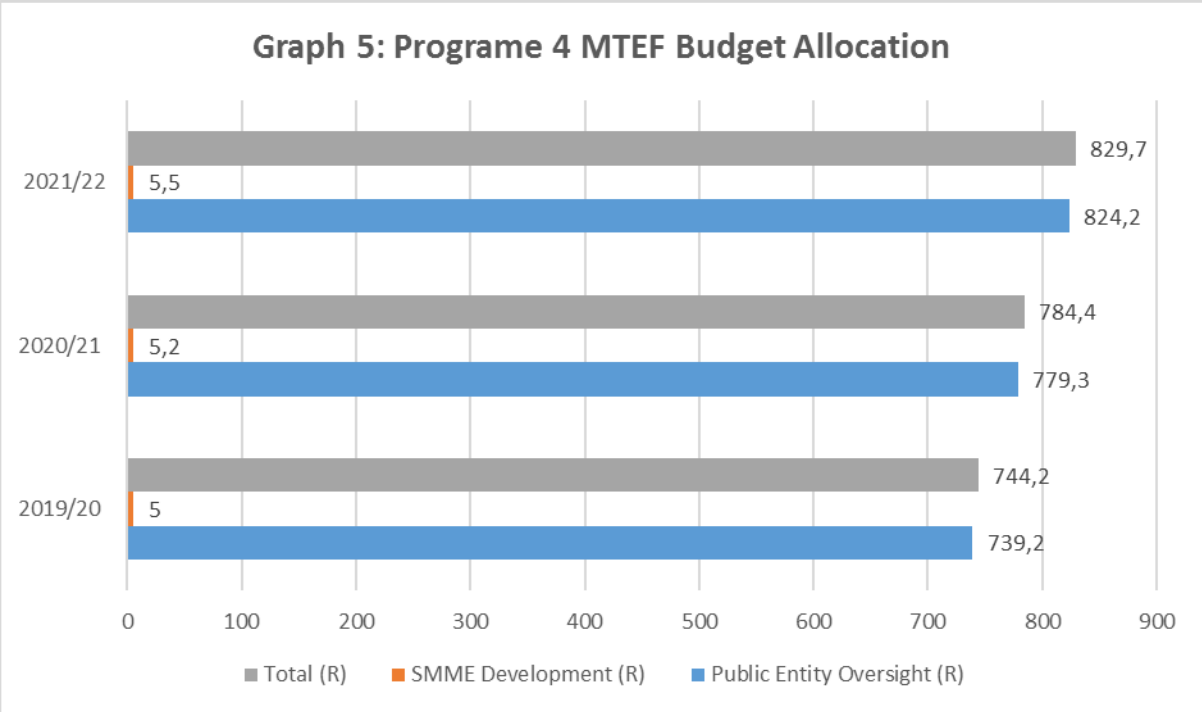
(i) developing and submitting the State ICT Infrastructure Company Bill to Cabinet for approval by March 2020;

(ii) developing and submitting the State IT Services Company Bill to Cabinet for approval by March 2020; and

(iii) monitoring and evaluating the service delivery performance and compliance of public entities against strategic plans and relevant prescripts in quarterly performance reports over the medium term.

The sub programmes include (i) *Public Entity Oversight*, which provides oversight on public entities and companies by managing government's shareholder interests in them. This includes facilitating their corporate plans and strategic plans, and ensuring that planning cycles are aligned with legislation and comply with guidelines; and (ii) *SMME Development*, which facilitates the growth and development of, and hosts an e-commerce platform for, SMMEs in the ICT sector.

The programme has been allocated R744 million for 2019/20 financial year, R784 million and R829 million for 2020/21 and 2021/22 financial years respectively, see Graph 5:



5.5 ICT Infrastructure Support

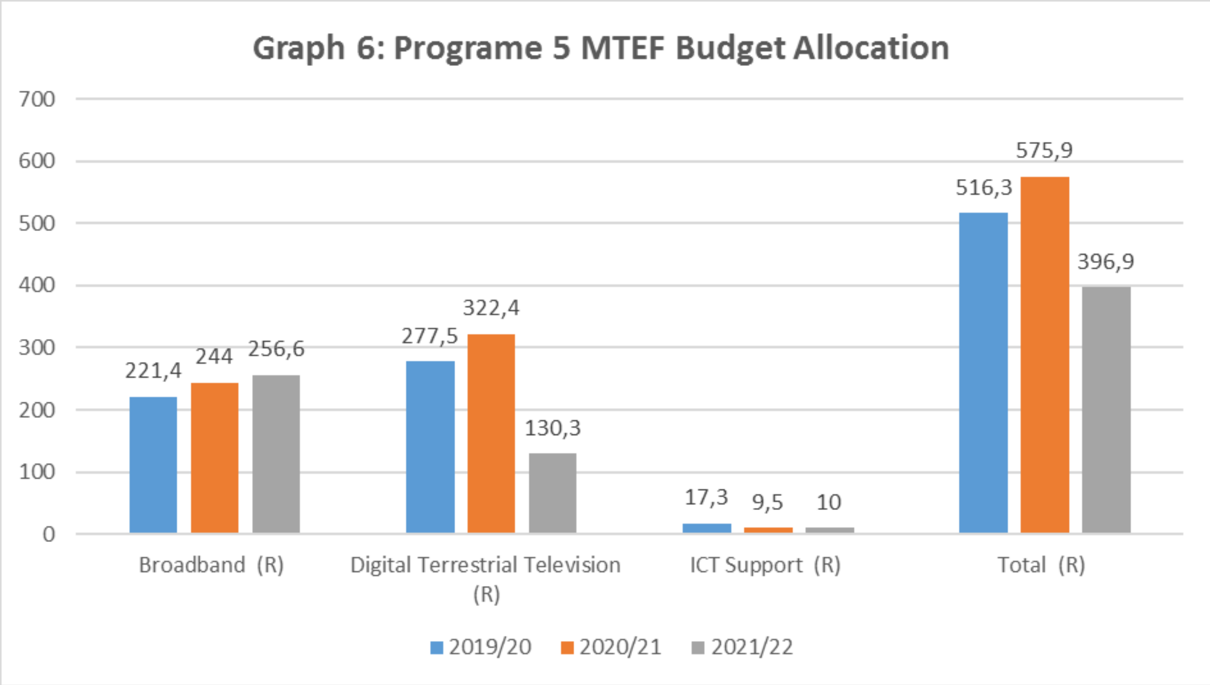
The purpose of this programme is to promote investment in robust, reliable, secure and affordable ICT infrastructure that supports the provision of a multiplicity of applications and services. This programme has two objectives namely:

(i) to coordinate broadband connectivity through contributing to the achievement of 100 per cent population coverage by: (a) coordinating and monitoring the provision of broadband connectivity and services to 970 connected sites over the medium term, and (b) supporting the operations of the rapid deployment national coordination centre by establishing a certified cybersecurity hub by March 2020; and

(ii) to develop and implement ICT policy and legislation aimed at improving access to and the affordability of ICT by completing the World Radio-Communication 2019 outcomes report to inform the revision of the 2020 national frequency plan by March 2020.

Sub-programmes under Programme 5 include (i) *Broadband:* which is responsible for developing and facilitating the implementation of the broadband policy, strategy and implementation plan, and ensuring that goals for broadband are achieved; (ii) *Digital Terrestrial Television:* is responsible for supporting the conversion from analogue to digital television transmission technology, with the ultimate goal of making the frequency spectrum available for next generation mobile broadband and other applications; and (iii) *ICT Support:* is responsible for the management and protection of South Africa's ICT environment.

The budget allocation over the medium term is R516 million, R575 million, and R396 million for 2019/20, 2020/21 and 2021/22 financial years respectively, see Graph 6 below. The drastic drop in allocation for the DTT programme may be as a result of the switch-off date Scheduled for the 2021 financial year:



6. Entities reporting to the Department

6.1 The SAPO

The South African Post Office is a Schedule 2 public entity in terms of the Public Finance Management Act (1999). It is a government business enterprise established to provide postal and related services to the public, and derives its mandate from the Postal Services Act (1998), South African Post Office SOC Ltd Act (2011) and the South African Postbank Limited Act (2010). The Postal Services Act (1998) grants the post office an exclusive mandate to conduct postal services, making provision for the regulation of postal services and operational functions of the postal company, including universal service obligations and the financial services activities of Postbank.

6.1.1 Expenditure analysis

Over the medium term, South African Post Office will focus on: stabilising its financial position by addressing its liquidity challenges and settling its debts, providing universal access to postal and related services, finalising the corporatisation of Postbank, optimising its personnel base to ensure operational effectiveness, and distributing social grants on behalf of the South African Social Security Agency. After posting a net loss in 2017/18, Cabinet approved R2,9 billion in 2018/19 towards recapitalising the company to stabilise its financial position. Additional allocations amounting to R1,5 billion over the MTEF period have also been approved to subsidise universal service obligations. As a result, the company's financial outlook is expected to improve, with projected budget surpluses of R744,9 million in 2020/21 and R934 million in 2021/22.

In its continuing effort to provide universal access to postal and related services, the company expects to roll out 500 000 verifiable community addresses per year over the medium term in areas where they are lacking. In addition, 2 209 points of presence per year, including post offices, mobile units and retail postal agencies, are expected to be maintained to meet government's social mandate to provide postal services in underserviced areas. These activities are carried out in the mail, retail and transport programme. The Postbank, a division of the South African Post Office, is expected to provide inclusive and affordable financial services to communities in rural areas. In realising this expectation, the company plans to meet the Reserve Bank's requirements for licensing Postbank and finalise its transition into a commercial bank. Accordingly, spending in the Postbank programme is expected to increase at an average annual rate of 37 per cent, from R436,4 million in 2018/19 to R1,1 billion in 2021/22, due to increases in spending on compensation of employees, interest on loans, depreciation and IT services costs.

The company generates revenue by providing postal and courier services, and from fees for financial transactions; and derives other income from interest on investments, and transfers from the Department of Telecommunications and Postal Services for its obligations to provide universal access to postal and related services. Total revenue is expected to increase at an average annual rate of 18 per cent, from R5 billion in 2018/19 to R8,2 billion in 2021/22, due to an expected increase in business opportunities such as the provision of courier services. Total expenditure is expected to increase at an average annual rate of 5.3 per cent, from R6,2 billion in 2018/19 to R7,2 billion in 2021/22. Due to the labour-intensive nature of the company's work, compensation of employees is its largest spending area, amounts to R11 billion over the medium term. The company's number of personnel is expected to decrease from 17 770 in 2018/19 to 14 256 in 2021/22, mainly due to the personnel optimisation project. This explains the below inflation average annual increase of 0.1 per cent in spending on compensation of employees, which remains at R3,6 billion in 2021/22.

6.2 SENTECH

SENTECH was established as a state-owned enterprise to provide common carrier broadcasting signal distribution services to licensed broadcasters in South Africa and is listed as a Schedule 3B entity in the Public Finance Management Act (1999). In 2002, the entity's mandate was expanded to provide an international voice gateway and common carrier multimedia services in accordance with government's imperative to liberalise the telecommunications sector.

6.2.1 Expenditure analysis

Over the medium term, SENTECH will focus on: increasing revenue and addressing challenges in areas of customer satisfaction; expanding its managed infrastructure services and connectivity services businesses; identifying possible acquisition targets; and executing its African business strategy, which involves expanding broadcasting services to other African markets.

The company generates revenue from providing terrestrial television and radio services, satellite linking, facility rentals and sales, and direct-to-home satellite services. Revenue generated from these activities is expected to increase at an average annual rate of 1.1 per cent, from R3 billion in 2018/19 to R3,1 billion in 2021/22. SENTECH also receives project-related funding from the Department amounting to R587,1 million over the MTEF period. Of this, R396,5 million is allocated for dual illumination costs in 2019/20 and 2020/21, and R190,5 million is allocated for digital migration over the medium term.

The company aims to deliver digital terrestrial signals at 99 per cent availability per year and connect 6 broadband sites per year over the medium term. The latter is in support of Internet for All, a partnership between the Department of Telecommunications and Postal Services, the World Economic Forum and other public, private and community organisations, which identifies areas with the most pressing need for internet connectivity and channels resources into them.

The company's number of personnel is expected to decrease from 533 in 2018/19 to 524 by 2021/22, mainly due to natural attrition. This explains the below inflation average annual increase of 1.9 per cent in spending on compensation of employees, from R468,8 million in 2018/19 to R496,6 million in 2021/22. Nevertheless, the company's total expenditure is expected to increase at an average annual rate of 6.3 per cent, from R1,5 billion in 2018/19 to R1,8 billion in 2021/22, mainly driven by spending on developing services.

6.3 State Information Technology Agency

The State Information Technology Agency (SITA) is governed by the State Information Technology Agency Act (1998), as amended, and is listed as a Schedule 3A public entity in the

Public Finance Management Act (1999). The State Information Technology Agency Act (1998) mandates the agency to consolidate and coordinate government's IT resources to achieve cost savings through economies of scale, increased delivery capabilities and the enhanced interoperability of systems. It also separates the agency's services into mandatory services, which are services that it must provide; and non-mandatory services, which are services that it may provide. Mandatory services include the provision and maintenance of transversal information systems and data processing or associated services for transversal systems.

6.3.1 Expenditure analysis

Over the medium term, the State Information Technology Agency will focus on connecting government as part of the South Africa Connect broadband policy, and addressing long-standing service delivery and internal inefficiency challenges by implementing revised business and operating models. This will be done in the context of the agency being repositioned by the Department of Telecommunications and Postal Services to provide services to government in a reliable, efficient and cost-effective manner.

Activities over the MTEF period include continuing projects such as the e-government programme, which aims to develop applications for government; and the cloud computing programme, which allows government to securely store and manage large volumes of data. The agency plans to increase the number of e-government services implemented from 50 in 2018/19 to 100 in 2021/22 in the business operations programme.

Expenditure is expected to increase at an average annual rate of 8.2 per cent, from R6,2 billion in 2018/19 to R7,8 billion in 2020/22. Compensation of employees is one of the agency's main spending areas, accounting for 29.2 per cent of total expenditure from 2018/19 to 2021/22. Spending on compensation of employees increases at an average annual rate of 5.4 per cent, from R1,9 billion in 2018/19 to R2,2 billion in 2021/22, in line with cost of living adjustments, as the agency's number of personnel remains constant at 3 220 over the MTEF period.

The agency derives its revenue mainly from providing ICT infrastructure and services to customers. Revenue is projected to increase at an average annual rate of 9.3 per cent, from R6,3 billion in 2018/19 to R8,2 billion in 2021/22. The agency projects surpluses amounting to R848,2 million over the medium term, mainly due to long-term financial commitments for assets and services.

6.4 Broadband Infraco

Its legislative mandate is set out in the Broadband Infraco Act (2007), and is to provide ICT infrastructure and broadband capacity in South Africa. The main objectives in terms of the act are to expand the availability and affordability of access to electronic communications, including but not limited to, underdeveloped and underserviced areas; to ensure that the bandwidth requirements for specific projects of national interest are met; and to enable the state to provide affordable access to electronic communications networks and services. Broadband Infraco is owned by government and the Industrial Development Corporation.

6.4.1 Expenditure Analysis

The company's total budget for 2019/20 is R684,2 million. Broadband Infraco's focus over the medium term will be on providing connectivity in line with the South Africa Connect broadband policy, expanding and maintaining broadband network infrastructure through the deployment of wholesale communications services to deliver on its legislative mandate and customer requirements, and ensuring long-term financial sustainability.

The company generates revenue from providing related services. Revenue is expected to increase at an average annual rate of 11.2 per cent, from R536,4 million in 2018/19 to R736,7 million in 2021/22, due to anticipated growth in the company's customer base and projected income from the South Africa Connect broadband project. Total expenditure is also expected to increase, at an average rate of 4.7 per cent, from R644,2 million in 2018/19 to R739,9 million in 2021/22. Goods and services is the company's largest cost driver, spending on which is expected to increase at an annual average rate of 10 per cent, from R293,9 million in 2018/19 to R391,7 million in 2021/22.

6.5 NEMISA

The National Electronic Media Institute of South Africa was established as a non-profit institute for education in terms of the Companies Act (1973) and is listed as a Schedule 3A public entity in terms of the Public Finance Management Act (1999). The institute's ongoing activities include offering national certificates and short courses in the areas of television production, animation and radio production. The institute is in the process of being merged with other entities to form the iKamva National Digital Skills Institute. The institute's programmes are structured to enhance the market readiness of students in a wide range of broadcasting and e-skills disciplines.

Its mandate has since been expanded to include the development of South Africans' e-skills capacity. Accordingly, it is responsible for the implementation of e-skills programmes, including broadcasting, in collaboration with its partners. The process to transform the institute to the iKamva National Digital Skills Institute over the medium term is under way. This process will merge the Institute with the e-Skills Institute and the Institute for Satellite and Software Applications. The rationale for the merger is to consolidate all electronic media support functions into a single organisation to improve coordination, avoid duplication and improve outcomes in the sector.

The new entity will provide digital skills programmes undertaken through collaborative laboratories, which are positioned at higher learning institutions. The identified e-skills priority areas include government e-enablement, creative new media industries, e-inclusion and social innovation, knowledge-based economies and e-literacy, ICT for rural development, e-health, e-tourism and e-agriculture.

6.5.1 Expenditure Analysis

The Institute's total budget for 2019/20 is R114,3 million. Over the medium term, the National Electronic Media Institute of South Africa will focus on implementing the operating model for the iKamva National e-Skills Institute and e-skills agenda in collaboration with government, education, business and civil society.

The institute will also focus on delivering e-astuteness, which is a concept that allows people to continuously appropriate technology into their personal, work, education, business, and social and family contexts. This will ensure that South Africa improves its e-readiness ranking and develops a vibrant digital society and economy. To fund its operations, the institute receives transfers from the Department amounting to R323,3 million over the MTEF period.

Expenditure is expected to decrease at an average annual rate of 0.2 per cent, from R111,7 million in 2018/19 to R111,1 million in 2021/22, as the institute expects its number of personnel to decrease to 42 by 2021/22. Nevertheless, spending on compensation of employees is expected to increase at an average annual rate of 3.9 per cent, from R30,8 million in 2018/19 to R34,5 million in 2021/22.

6.6 USAASA

The Universal Service and Access Agency of South Africa was established in terms of section 80 of the Electronic Communications Act (2005) as a statutory body and is listed as a Schedule 3A public entity in terms of the Public Finance Management Act (1999). Its sole mandate is to promote universal service and access to electronic communications services, electronic communications network services and broadcasting services.

6.6.1 Expenditure analysis

Over the medium term, the Universal Service and Access Agency of South Africa will focus on improving its performance audit outcomes and internal controls, including the implementation of its project management framework, policies and technology. It will also conduct technical evaluations of broadband projects and determine the district-wide baseline and needs assessment for the uMgungundlovu District Municipality, and manage and support the Universal Service and Access Fund.

The agency receives transfers from the department amounting to R262,7 million over the medium term to cover operational costs and fund projects. Expenditure is expected to increase at an average annual rate of 4.7 per cent, from R81,1 million in 2018/19 to R93 million in 2021/22. The agency's total budget for 2019/20 is R83,8 million and increasing to R92,3 million by end of MTEF period.

6.6.2 USAF

The Universal Service and Access Fund was established in terms of Section 89(1) of the Electronic Communications Act (2005). The Fund's sole mandate is to make payments for subsidies towards the provision of ICT equipment and services as well as the construction and extension of electronic communication and broadcasting networks for those in underserviced areas. The fund is managed by the Universal Service and Access Agency of South Africa and is financed by contributions from all telecommunications licensees except community broadcasting service licensees.

6.6.3 Expenditure Analysis

Over the medium term, the Universal Service and Access Fund will focus on increasing access to connectivity and digital broadcasting services by rolling out electronic communication infrastructure to new sites and maintaining existing ones in underserviced municipal areas, and providing subsidies to qualifying households for set-top boxes. Funds retained in previous years, as approved by National Treasury, will be used over the period ahead to finalise contracts for the supply of set-top boxes as part of the digital migration project. A new delivery model involving a voucher system will then be implemented by the Department of Communications. 960 new sites are expected to be equipped with internet connectivity over the medium term.

The Fund receives transfers from the department amounting to R336,5 million over the MTEF period to cover operational costs and fund specific projects. Total expenditure decreases at an average rate of 1.9 per cent, from R156,7 million in 2018/19 to R147,8 million in 2021/22. Expenditure is mainly driven by allocations for broadcasting digital migration, with the remainder of the budget used for projects relating to the rapid deployment of access centres and the rollout of broadband infrastructure in underserviced areas. The Fund's total budget for 2019/20 is R137,6 million and increasing to R147,7 million by end of the MTEF period.

6.7 .ZADNA

Even though it does not receive government funding, .ZA Domain Name Authority is accountable to the Department of Telecommunications and Postal Services, and is exempted from complying with the Public Finance Management Act (PFMA). Its constitution is in the form of a Memorandum and Articles of Association in terms of the Companies Act.

To administer, regulate and issue licenses in terms of the Electronic Communications and Transactions Act (2002) as part of its mandate.

Among others, the Authority is mandated to:

(i) Comply with international best practice in administration and management of the .ZA namespace in compliance with international best practice;
(ii) Licensing and regulate registries;
(iii) Licensing and regulate Registrars for respective registries;
(iv) Publish guidelines on:
  a) the general administration and management of the .ZA domain name space;
  b) the requirements and procedures for domain name registration; and
  c) the maintenance of and public access to a repository, with due regard to the policy directives which the Minister may make from time to time by notice in the Gazette.

(v) The Authority must enhance public awareness on the economic and commercial benefits of domain name registration.

(vi) The Authority:

a) may conduct such investigations as it may consider necessary;
b) must conduct research into and keep abreast of developments in the Republic and elsewhere on the domain name system;
c) must continually survey and evaluate the extent to which the .ZA domain name space meets the needs of citizens of the Republic; and
d) may, from time to time, issue information on the registration of domain names in the Republic.

(vii) The Authority may, and must when so requested by the Minister, make recommendations to the Minister in relation to policy on any matter relating to the .ZA domain name space;

(viii) The Authority must continually evaluate the effectiveness of this Act and things done in terms thereof towards the management of the .ZA domain name space; and

(ix) May, with the approval of the Minister of Communications, make regulations regarding various issues relating to domain registration.

The establishment of the .ZA Domain Name Authority was included in the then Electronic Communications and Transactions Bill. The Bill became an Act of Parliament known as the Electronic Communications and Transactions Act in 2002. A provision was made in the ECA for the establishment of. ZADNA to assume the management and administration of the .ZA namespace. In 2004, with the support of Uninet and the South African government, the administration of .ZADNA was re-delegated to .ZADNA.

The Authority has five Strategic Goals for the 2019/20 financial years, namely (i) stimulate domain registration growth; (ii) enhance domain value proposition; (iii) drive service innovation; (iv) maintain inclusive policy and regulatory framework; (v) improve organisation's delivery capacity; (vi) maintain active research; and (vii) enhance business sustainability.

7. Observations and recommendations:

7.1 Observations and recommendations to the Minister

Having considered the APP and budget of the Department, the Committee noted:

(i) and welcomed the key plans for the Department to commit to digitisation of government;
(ii) that while much has been done, much more still has to be done in terms of transforming the sector;
(iii) that technological advances may result in job losses;
(iv) that the Department has plans to take part in the upcoming WRC19;
(v) the Department is positioning the 4IR Commission to ensure South Africa becomes an innovator rather than a consumer-oriented society;
(vi) the intent of the Minister to issue spectrum policy directives as per the pronouncement by the President in the June 2019 SoNA;
(vii) and supports the merger and reconfiguration of the two departments which is set to be final by the 1st April 2020;
(viii) the overlap of some functions of entities reporting to the Department;
(ix) that South Africa must build its own capacity and create a highly industrialised economy complemented by a highly skilled society;
(x) that the President will soon introduce a policy directive in respect of spectrum licensing.
(xi) that there is a need for drastic transformation in respect of the cost to communicate programme and the reduction of data costs; and
(xii) that the process of digital migration (DTT) has been ongoing, with limited success.

7.2 Recommendations

The Committee recommends that the Minister should:

(i) ensure the Department implements a coordinated strategy with clear internal processes on how the two Departments will merge in respect of the reconfiguration and report to the Committee when requested to about the Programme of Action especially relating to staff.;
(ii) ensure that during the reconfiguration, the role of its entities need to be clearly defined to avoid further duplication;
(iii) ensure that in the creation of a highly industrialised economy, favourable conditions are created to ensure that SMME and cooperatives sector survives and thrives;
(iv) ensure that the Department expedites spectrum policy so as to ensure that spectrum is released without further delay;
(v) adequately capacitate ICASA to ensure the licensing of spectrum is equitably favourable to all;
(vi) ensure that strategies are in place to facilitate further reduction of data costs and the cost to communicate in general and ensure that the sector remains competitive;
(vii) ensure that its focus to digitise government structures does not result in unintended job losses;
(viii) that a thorough policy review is conducted for the digital migration process;
(ix) promote regulation in order to stimulate growth and sustainability of SMME's;
(x) profile DTT user experience and share that with Committee;
(xi) share with the Committee more information relating to the study measuring the gap in ICT skills in South Africa; and
(xii) that government should take advantage of the world stage at the WRC19.

8. Entities reporting to the Department

8.1 The SAPO

8.1.1 Observations

Having considered the APP and budget for the SAPO, the Committee made the following observations:

(i) commends the SAPO for its good work and notes the positive change in the environment especially as it affects the rural population;
(ii) that the Banks Act was amended which now allowed for the process of amending the Postbank Act. The acquisition of a full banking license for the Postbank would facilitate the operationalization of the Postbank;
(iii) that technology would increase the capacity of the SAPO and cautioned against staff retrenchments; and
(iv) that new skills should be brought to compliment a growing the SAPO.

8.1.2 Recommendations (the SAPO)

The Committee recommends that the Minister should:
(i) ensure that strategies are in place to promote and improve services to rural communities;
(ii) ensure that legislation dealing with the banking licensing of Postbank is fast tracked and finalised with cooperation from all government departments; and
(iii) ensure that the introduction of new technologies at the SAPO results in the upskilling and retraining of staff.

8.2 SENTECH

8.2.1 Observations

Having considered the APP and budget for SENTECH, the Committee observed that

(i) the use of 5G in the Smart Village concept could have health implications and that safety measures must be observed; and

(ii) there was a debt of R400 million owed by SABC to SENTECH.

8.2.2 Recommendations

The committee recommends that the Minister should:

(i) ensure that the health implications of the Smart Village concept are investigated and that safety measures be prioritised; and
(ii) facilitate the resolution of the debt between entities reporting to the Minister.

8.3 Universal Service and Access Agency of South Africa (USAASA) and Universal Service Access Fund (USAF)

8.3.1 Observations

Having considered the Annual Plans and budget for USAASA/USAF, the Committee observed that:

(i) the entity is in the process of integration, which will among other align its connectivity project to SA Connect priorities; and

(ii) the Agency intends to rollout broadband with BBI and other entities while working closely with SENTECH to manage installers.

8.3.2 Recommendations

The Committee recommends that the Minister should ensure that the Agency expediently fosters relations with other relevant entities to allow faster rollout of connectivity projects and that are aligned to SA Connect policy priorities.

8.4 National Electronic Media Institute of South Africa (NEMISA)

8.4.1 Observations

Having considered the Annual Plans and budget for NEMISA, the Committee observed that generally, the work of some entities was a duplication of functions and some worked in silos even though belonging to the same budget vote.

8.4.2 Recommendations

The Committee recommends that the Minister should:

(i) identify areas of duplication of functions and review for efficiency purposes; and

(ii) find ways in which the Presidency can be influenced to eradicate duplication.

8.5 State Information Technology Agency (SITA)

8.5.1 Observations

Having considered the Strategic Plan, Annual Plans and budget for SITA, the Committee made the following observations:

(i) that there were weaknesses in service delivery by SITA;
(ii) that integration between the work of SITA and the 3 spheres of government was lacking; and
(iii) SITA was experiencing challenges in respect of its client base.

8.5.2 Recommendations

The Committee recommends that the Minister should:

(i) ensure that processes are in place to improve its service delivery, particularly in the procurement field;
(ii) ensure processes are in place to facilitate a cohesive integration between SITA and the three spheres of government; and
(iii) ensure that processes are in place to adequately maintain its client base.

8.6 Broadband Infraco (BBI)

8.6.1 Observations

Having considered the Strategic Plan, Annual Plans and budget for BBI, the Committee made the following observations:

(i) that the entity has done well and internal controls have improved; and
(ii) the entity would require a reliable network in order for it to be sustainable as it experienced cash flow problems.

8.6.2 Recommendations

The Committee recommends that the Minister should:

(i) ensure that issues pertaining to the AG recommendations are resolved; and
(ii) ensure processes are in place to improve the state of affairs of the entity.

The Committee recommends that the 2019-2020 budget allocation of the DTPS and its entities be approved.

Report to be considered.