



# senconnect

connecting you to our world

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## Notes From The CEO



At the beginning of the financial year we committed to building a Sentech that not only understands its purpose in the context of the country’s socio-economic imperatives, but also one that delivers on its mandate as the implementing arm of Government in the ICT sector

This formed the basis upon which the Corporate Plan was developed and approved by the Shareholder and Portfolio Committee on Communications.

As we celebrate 75 years of broadcasting in the South Africa, we acknowledge the contribution that Sentech has made in the industry as the country’s leading broadcasting signal distributor. We’re now embarking on the next big challenge in broadcasting as we prepare the Country for digital terrestrial television migration in recognition of the impending digital terrestrial broadcasting environment. In this regard, we have adopted an operating model that will accelerate migration of analogue services whilst at the same time positioning the Company for new products and services within the Broadcasting & Media services value

chain.

Further to the broadcasting and media services strategy, during this MTEF period we have committed to; terminate unsustainable services, implement the National Wireless Broadband Network (NWBN) strategy, prepare for the launch of commercial Digital Terrestrial Television and evaluate business models for new Managed Network services. These pillars represent the Company’s turnaround strategy that will ensure long term sustainability.

As at 31 March 2011 the Company was in a healthy cash position and the external auditors have given a clean audit of the past financial year. Whilst we acknowledge this and celebrate the progress made within the past year and the first quarter of the current financial year in terms of achieving the turnaround objectives, we must be cognisant of the fact that the turnaround is not complete. Continued prudence in all our business dealings is therefore essential and will ensure that we do not retreat into the financial and operating status that will threaten our Going Concern status. We have, therefore, sought to entrench an enterprise-wide risk management strategy to ensure that the Company policies, processes, systems and controls are in-place to improve efficiencies and corporate effectiveness.

In terms of Corporate Performance Management, the balance-scorecard system was introduced as a measure of aligning business activities to the Company vision and strategy and monitoring corporate performance against the strategic goals. In this

respect, a preliminary view of the information sources required to record, measure and report on the KPIs highlighted a gap in systems, processes and controls to enable proper and reliable corporate performance measurement and reporting. Clearly identifying and setting up these processes and controls will be the focus of the 2<sup>nd</sup> Quarter, and will enable management to identify problem areas and take corrective action. Of priority is the improvement of internal controls and development of proper policies to govern levels of risk and compliance.

From a customer service perspective, the implementation of the transitional structure now ensures that Regions are empowered to deal directly with customers thereby taking control of service delivery. A Customer Service Plan has been developed to ensure that regular customer contact is achieved with the goal being that each customer be contacted on a monthly basis. On behalf of the Sentech team I thank you for the continued support and commit to continuously improve our service levels and ensure that your contact with us is indeed satisfactory.

Dr. Setumo Mohapi

*Chief Executive Officer*

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## Introducing Our CFO

*Mr Protas Philli was appointed as the Chief Financial Officer (CFO) of Sentech for a five-year period with effect from August 2011. Mr Philli is a Chartered Accountant with both public and private sector experience who best describes himself as, “an average guy from KZN who revels in the more simple things in life.*



### **SenConnect (SC): In a nutshell, who is Protas?**

**Protas Philli (PP):** Well, where do I start? My name is Protas Thamsanqa Philli. I was born and bred in Dassenhoek, KwaZulu Natal where I completed my primary, secondary and tertiary education. I am quite simple; family oriented and enjoy playing golf from time to time.

### **SC: What was it like growing up in KZN?**

**PP:** It was a very interesting whilst challenging journey growing up in KZN at the time. It was challenging in the sense that due to the circumstances of the era, one had to work even harder to realise your dreams and get to where you want to be. These challenges, however, moulded and gave me strength of character. I was also fortunate to be brought up by both parents as they taught us everything and instilled a sense of pride and discipline.

### **SC: Why Finance?**

**PP:** I believe that to ensure sustainability, every business requires someone with financial knowledge and acumen. Regardless of the business type or sector, it all comes down to the “rands and cents”; the bottom line. I find the discipline to be quite interesting and I am passionate about finance.

### **SC: What are the opportunities for a black CA in South Africa today?**

**PP:** There are plenty of opportunities for a CA; especially a black one. There are currently about 24 000 CAs in the Country, of which only 1 000 are black. So there are still opportunities, it's just for one to go out there and grab them.

### **SC: In terms of leadership, what is your style and how will you lead the Sentech Finance team?**

**PP:** I believe that each one of us has a role to play and more importantly have the speciality to carry out our responsibilities. I will not really bring anything extra-ordinary in a sense to the team. My duty will be to motivate, lead, support and guide the team towards fulfilling their responsibilities to the best of their ability.

### **SC: Any parting shots for our readers?**

**PP:** I look forward to being part of the Sentech team as I believe that it is a Strategic asset that has an essential role to play in the country's socio-economic development. It is therefore important for each one of us to understand the Company's mandate and its impact on the society at large. As an enabler of Government programmes, we are in a unique position to contribute in people's lives and development insofar as ICT is concerned.

## Sentech Board 2010/11 Annual Report Presentation

On Thursday, 13 October 2011, the Board successfully presented the Company’s annual report for the year ended 30 March 2011 to the Portfolio Committee on Communications. The Members, in unison, expressed their congratulations to the Board and Sentech staff for taking the Company’s public service mandate seriously and its dedication in delivering access to communication services. As evidenced in the Annual Report, the external auditors gave Sentech an unqualified audit with findings; an improvement from the last financial year’s qualified audit opinion. In general, Sentech was found to have stabilised and achieved the 2010/11 business objective of restoring the Company’s financial and operational stability.

In presenting the Annual Report, the Board noted that in the period under review, the Company found itself in the peculiar position of having to report against two strategic plans; namely the Corporate Plan for MTEF 2010 – 2013 and the one-year Business Plan for 2010/2011 financial year. When the Board was constituted on 1 April 2010, it was made aware then by the Department of Communications that its Corporate Plan was provisionally approved pending the Company making adjustments to the plan to ensure its ‘going concern’ status was maintained during the 2010/2011 financial year.

At the commencement of the financial year, the Company had not submitted a revised Corporate Plan, thus the Board developed a one-year Business Plan that supplemented the Corporate Plan by addressing specifically ‘going concern’ issues. The Business Plan was approved by the then Minister of Communications, General (Ret.) Sipiwe Nyanda on 3 June 2010. It is in this context



therefore, that the Company’s performance for the 2010/2011 financial year is measured against both the Corporate Plan Key Performance Index deliverables and the Business Plan financial turnaround indicators.

The CEO mentioned that, *“despite operating challenges, the Company was able to make significant progress in terms of its turnaround plan and is well placed to consolidate these gains in the current financial year.”*

In terms of financial performance, the Company maintained a healthy cash position with R363 million in unencumbered cash as at 31 March 2011. This cash position meant that the Company would be able to operate as a ‘going concern’, one of the challenges highlighted by External Auditors in the previous reporting period. The discontinuation of Carrier of Carriers business, combined with a significant improvement in the billing process, have improved the debt collection rate by 36% from a worrying 70%

(September 2010) to 95% as at financial year end. The debtor’s days stood at 16 days – exceeding the 30 day target that was set at the beginning of the financial year.

Revenue by product improved from an average of 14% in the year ended March 2010 to 22% in the this reporting period. This was mostly driven by analogue TV, FM, DTH, BTV and Facility Rentals which performed above set revenue targets. The Company’s SW and VSAT products remain a concern and plans have been put in place to reposition these services. Total revenue decreased from R846 million to R826 million. The decrease (R20m) is largely attributed to the decrease in the dual illumination government grant from R51 million to R36 million. Despite sluggish revenue growth, the Short Wave, Direct-To-Home and Business Television product lines exceeded the set network performance targets in terms of the Service Level agreements with customers. Television, FM and Medium Wave performed above target during the

current reporting period.

The CEO further articulated that, *“whilst product performance against customer requirements is important, it is even more crucial that our people – Sentech employees, derive value and job satisfaction.”* During the period, adjustments for the bargaining unit employees included a 12.7% basic salary increase, improved subsistence and travel allowance, four months fully paid maternity leave and an increase in family responsibility and study leave.

On the current Corporate Plan for MTEF 2011 – 14, the CEO mentioned that in the context of the Company’s legacy challenges, it was imperative that the Company’s strategy roadmap for this period be aligned with the Shareholder’s programmes, in particular, to enable the development of open access Information and Communications Technology infrastructure networks. Looking forward, he mentioned that we will continue working together to realise the Government’s ICT vision and goals; and that:

- from a service offering point of view, this includes innovation in broadcasting and media services, broadband and content management and distribution
- from a client perspective, our interventions will be centered on solutions that enhance the customer experience and are in line with the Government mandate to access to communication services for all citizens; and
- In terms of social imperatives, we have taken a stern decision to package our social responsibility interventions by creating CSI ICT programmes that improve lives, create value and are sustainable.

In closing the Chairperson mentioned that, *“whilst we celebrate the Company’s positive financial performance, we acknowledge that the turnaround programme is not complete. We are still at the early stages and will need to be prudent going forward to ensure that the Company does not retreat into the financial and operating status that will threaten its going concern status. This will be managed through an enterprise-wide risk management strategy to ensure that Company policies, processes, systems and controls are in place to improve efficiencies and corporate effectiveness.”*

The Portfolio Committee on Communications once again congratulated the Sentech Board on its strategic intent and dedication, which are demonstrated in the Company’s outstanding financial and operational performance.

## Nelson Mandela Bay Community TV



A milestone in community television was reached on 17 October 2011 as the first Eastern Cape community television station, Bay TV, was launched at the Red Location Museum in New Brighton. Bay TV went on-air on 1 October 2011, covering the greater Nelson Mandela metropole.

The station’s transmitter is situated at the Port Elizabeth main site at Greenbushes and Sentech is responsible for the transmission.

## Village FM 99.8 Launched At Mmatau



On 30 September 2011, community members and industry stakeholders congregated at Mmatau Village to celebrate the launch of Village FM community radio station. The station broadcasts on FM 99.8 covering the entire village population of approximately 10 000 residents.

Mmatau village is situated in the Moses Kotane Municipality, North West province.

The station went on-air on 17 August 2011 after a collaborative effort between the Department of Communications, Santam, USASSA, the village Chief as well as the Moses Kotane Municipality. The two “drivers” behind the radio station’s establishment are childhood friends, Nicho Molefe and Thapelo Moagi. The two young men forged ahead against all odds to realise their dream of establishing a community radio station for their village.

Sentech is responsible for the radio station’s broadcasting signal distribution.



## Behind South Africa’s SKA Bid

The Square Kilometre Array (SKA) bid is perhaps the Country’s most important bid since the 2010 FIFA World Cup. Shortlisted alongside Australia, South Africa’s bid to host the world’s most powerful radio telescope is a breakthrough in science and technology. The SKA promises to revolutionise science by answering some of the most fundamental questions that remain about the origin, nature and evolution of the universe.

The Astronomy Geographic Advantage Act (2007) declared the entire Northern Cape Province, with the exception of the Sol Plaatje Municipality (Kimberley) as an astronomy advantage area. Within that an area of 12.5 million hectares is the main protected area - or radio astronomy reserve - for the SKA.

This area is also referred to as the Karoo Central Astronomy Advantage Area.

In support of the SKA and in line with the project requirements, Sentech has committed to:

- FM radio frequencies to allow migration of existing transmission to frequencies below 100 MHz, with ICASA and the SABC.
- Low power solutions at Carnarvon and Vosburg to allow switch-off of Analogue Television at Carnarvon High Power Station.
- The removal of all high power theoretical assignments in the Terrestrial Broadcasting Frequency Plan, for the SKA region.
- DTT solutions that comply with the draft SKA regulations.

It is expected that the SKA construction will commence in 2016, whilst the first astronomical observations will be by 2019 and the telescope fully functional by 2024.

## Business Radio: A Retailer’s Dream

Experience has shown that a product flies off the shelves when the right message reaches the right audience at the right time.

So, the next time you go shopping at an Ackerman’s or Pick n Pay store and hear an announcement about a special discount price, a new range of clothing or a new store opening - feel proud that it is *your* Sentech working efficiently and tirelessly behind the scenes to bring those clear audio messages to you and your fellow shoppers.

Now we all know that Sentech’s Direct-to-Home satellite platform operates on the PAS-7 Ku-band satellite that covers most of Southern Africa. Placing a satellite decoder at each of the stores allows the audio signal to be received in each store and shoppers throughout the country will thus hear the same message.

So how does it work?

The store management team compiles the required audio programme content (the messages they want to send to their customers) and send it to Sentech (STP) via e.g. a studio to transmitter link or a Telkom line. Sentech then connects the audio content to its satellite platform using the appropriate scheduling software that will transmit the audio signal at the correct times.

**Sentech Business Solutions:** Simple; Cost-effective...

*Places where you can have the pleasure of listening to the crystal clear audio messages sent by Sentech*



# VSAT

## More Byte For Your Rand

Characterised by underperformance, low revenues and being priced out of the market – the VSAT product required an urgent turnaround strategy. An internal “task team” was then set-up to save the ‘sinking ship’. After months of research and refinement, the team has developed a winning formula for our only remaining telecommunications product. In July 2011 the revised packaging and pricing model for VSAT was approved for implementation.

VSAT, which stands for Very Small Aperture Terminal (VSAT), is a two way satellite ground station antenna with a dish antenna that is smaller than 3 meters. VSATs access satellites in geosynchronous orbit to relay data from small remote earth stations (terminals) to other terminals (in mesh configurations) or master earth station “hubs” (in star

configurations).

Sentech’s VSTAR service uses the Linkstar star topology VSAT network. VSTAR services are provided on the IS-7 Southern Africa KU-Band transponders, effectively providing coverage anywhere in South Africa. The VSTAR network hub is situated at STP where connectivity is provided to C-band and KU-band satellites on Intelsat.

the platform provides the following:

- 24/7 connectivity to the Internet (>98% uptime)
- TCP acceleration and Turbo coding to speed up performance
- Geographic independence
- Easy & rapid deployment and scalability

### So, what is this revised packaging?

The new packaging will be implemented instantaneously and is as follows:

VSTAR Package	CIR	Max Contention
256/128	16/8	16:1
512/128	32/8	16:1
1024/256	64/16	16:1
2048/256	128/16	16:1

## What’s on offer



### Outdoor Unit (ODU)

The outdoor unit consists of a dish (antenna), and other radio components. The ODU is typically mounted against a wall using a wall bracket. Depending on the throughput required from the hardware, either a 1.2m or 1.8m dish is deployed.



### Indoor Unit (IDU)

The indoor unit consists of a network terminating unit that acts as the network interface to the LAN at the customer premises. The interface is a RJ45 Ethernet port. The IDU is assigned one (1) static IP address.

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