



**MINISTRY: COMMUNICATIONS  
REPUBLIC OF SOUTH AFRICA**

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REFERENCE: MINSUB/SABC2018/02

ENQUIRIES: Dr Mashilo Boloka

TEL: 012 473 0412

Mr B Makhathini  
The Board Chairperson  
SABC  
Radio Park  
Henley Road  
AUCKLAND PARK  
2094

Dear Mr Makhathini

**SUBJECT: SOUTH AFRICAN BROADCASTING CORPORATION'S (SABC)  
REQUEST FOR MINISTER'S INTERVENTION WITH REGARD TO GOVERNMENT  
GUARANTEE APPLICATION**

1. The meeting between the Ministry of Communications and the Board of SABC on the 29 November 2018 has reference.
2. We have taken note that the SABC applied for R3 billion government guarantee during the Interim Board period and the Minister responsible was Minister Ayanda Dlodlo. The application was submitted to National Treasury during 2017 financial year. The second revised submission was done during the term of office of Minister Mmamoloko Kubayi - Ngubane by the current board. The Department received a response from Minister of Finance Nhlahla Nene around March 2018 wherein he indicated that the submission is receiving attention. The former Minister Nomvula Mokonyane requested that the technical teams for both departments, DoC and NT and SABC must, through



a Task-Team, work together to ensure that the application meet Treasury requirements before the meeting of both ministers.

3. Based on former Minister's concerns on the financial crisis of the SABC, the ADG requested that the GTAC be requested to assist in the development and monitoring of the Turnaround Strategy. GTAC agreed and did a project charter outlining what needed to be done to ensure a financially viable and sustainable SABC. The Task Team between the Department, NT and SABC was established to ensure that the Turnaround Strategy met the requirements for all stakeholders.
4. While discussing the GTAC project, SABC management submitted to the Department that they had developed Strategic Roadmap 2023 for SABC which had been approved by the Board. Despite the concerns raised by Minister Mokonyane with the Board on the 4<sup>th</sup> of September in Cape Town, the Board went ahead to start with section 189 process, whose end result was to retrench employees.
5. We have also taken note that the SABC submitted a letter to Minister Mokonyane requesting her concurrence for the application of the R1.2 billion loan facility. The Department processed the request and the letter of concurrence was submitted to Minister of Finance to ensure compliance with PFMA, which requires that public entities must receive approval from National Treasury before any borrowings could be done. The Minister of Finance responded that they had consulted their legal advisors and had given an opinion that SABC did not require Minister's approval for this kind of borrowing. It is safe to say SABC was to utilise its debtor's facility as a security. The Department gave feedback to the SABC.
6. As observed in the meeting on 29 November 2018, it is clear that this new development puts on hold the government guarantee application as SABC thought financial institutions would come to their rescue. That is why at the meeting it was clear that the Government Guarantee application was never updated after the development of the Turnaround Strategy by the new Executive management and the approval of the borrowing limit. It is clear now that the discussion with financial institutions is not going according to the envisaged plan, and SABC liquidity challenges are increasing day by day, hence pressure on government bailout and looming section 189 process.



7. The SABC is engaged on section 189 of the LRA, and indicated that they will be retrenching 981 permanent employees and 1200 freelancers. We are also aware that the SABC presented to the Portfolio Committee on Communications and SCOPA on this section 189 process and all these committees have not approved the SABC approach on this matter and have requested the SABC to explore all the alternatives before ultimately resorting to retrenchments. The former Minister was also vocal on this matter. SCOPA went further to urge the SABC to recover R5 billion in irregular, fruitless and wasteful expenditure as well as applying cost reduction methods before they could commence with retrenchments. They were also not happy about the salary packages that are being offered to the top executives of the SABC amid the financial position. SCOPA has requested SABC to submit monthly reports on how are they going to clear the AGSA findings in preparation for 2018/19 financial year AFS.
8. The SABC presented to PCC again on Tuesday the 27 November 2018 about their continued intentions of retrenchments but the committee again requested them to find other alternatives and to come back to the committee with all the supporting documents. Until these documents are submitted, the Committee made it clear that no retrenchments should take place.
9. It was against this background that a meeting with the employees, the unions, management and the board on this matter was convened yesterday. As a shareholder, and further taking into account the discussions at Parliament, both at SCOPA and PCC, we pleaded with the Board to suspend the section 189 notice so as to allow us an opportunity to familiarize with the Turnaround Strategy, the Bailout application, and furthermore in consideration of the impending meeting between myself and Minister of Finance to discuss the SABC's financial position. The Board flatly declined this request, resolving instead not to *"agree to the directive (by the Minister). The Board proposes that the status quo on section 189 continue while the Minister approaches the Presidency and National Treasury for immediate cash injection. The Board will review the pace and quantum of the impact of the section 189 should funding be found"*.
10. The Board further made it clear at the meeting that irrespective of the success of Government guarantee or bailout, they will still proceed with retrenchments. As the shareholder representative, we were left with no option but to desist from all engagements with the SABC Board, including National Treasury, and Turnaround

Task-team as we realized that the Board was no longer acting in the interests of the Company, the shareholder, and Parliament as the representative of South African public to which the SABC Board is accountable to.

We will report this impasse to the President, Parliament and all relevant stakeholders on the outcome of this meeting, because the SABC is a public institution with clear lines of accountability.

Yours sincerely,



**MS STELLA NDABENI-ABRAHAMS, MP**  
**MINISTER OF COMMUNICATIONS**

**DATE:** 30/11/2018

**Cc: The President**  
**Chairperson of the Portfolio Committee on Communications**  
**Chairperson of Standing Committee on Public Accounts**  
**Minister of Finance**