



ICASA

**Public Hearing for Individual
Commercial Free-To-Air
Broadcast Services**

23 NOVEMBER 2018

**TSHWARANANG MEDIA
RESPOND TO QUESTIONS**

QUALITY: Good

Session 4

Sarah Buluma: Hello Madam Chair. Thank you Kwese for giving us an opportunity to reply to you. First off, just in terms of the reality of the revenue, so when we did our application it was based on the PWC outlook media from 2017 to 2021. On it what it says that in the current revenue market in the tv broadcasting at that time was R17.6 billion. We projected R1 billion which is actually equivalent to 5% of a market in South Africa that's got R17.6 billion. In terms of it being unrealistic or over-optimistic, I don't think it is because of the fact that it is only 5% of what is actually out there in the market and in the industry. Furthermore, our content, everything we've led up to in terms of getting a revenue, we've indicated how we're actually going to get the audience and what that audience looks like and therefore being able to go to advertisers and get the revenue. On top of all that, we looked at a pricing strategy. So, we looked at our competitors, we looked at what they are charging and we came in at a price which we felt was going to put us at a competitive advantage. So, in terms of the revenue model, we had all these elements thought through to it. So we are of the belief and we still say that it isn't optimistic. Furthermore, Kwese in terms of their questioning had said that our revenue was optimistic, and our expenses were understated. If that's the case, then this business model isn't sustainable at all because then it means that our costs will have to be increased and our revenue decreased which means we are going to be at a lost constantly. So I would just like to point that out. I'd like to hand it over to Wazeer.

Wazeer Moosa: Thank you, Siya. Good morning, Madam Chair. Good morning to other members of the panel. Firstly, I'd like to start with the BEE certificate which, in terms of the ITA, needs to be provided to the authority. We have responded as well to ICASA submissions on the same question and I would just like to reiterate what we've stated in our response to Kwese and our response to ICASA. Tshwaranang is a new entity. It's an entity that has not traded as to date and does not have a turnover, so no turnover at all, which obviously that means a turnover of less than R10 million, and in that case, there's no requirement for us to submit a BEE certificate. However, CIPC makes provision for us to submit a BEE affidavit, which is what we attached to our response to Kwese TV's questions as well as our response to ICASA as well. What we did as well is that we thought that it would be a good idea, that we would have an open look at the entity via shareholders by providing some of their BEE certificates and BEE affidavits as well just to assure the authority that we are a 97% black-owned entity.

If I may move on to the question raised from Kwese regarding AEEI and whether they have a potential interest in any other media organization. To my understanding, no. However, I would request from the authority if I could get back to the authority and to Kwese as well with regards to that, just so that we can have a conversation with AEEI to understand this. I do know that they do have a relationship with BT. I'm not too sure what the extent of that relationship is and I do not want to misrepresent the panel or the authority with regards to that information, so I think that it would be best if I engage with AEEI on that level and then respond to the panel in writing with regards to that.

Tshwaranang CEO: Thank you, Wazeer. Madam Chair and the ICASA panel, if I can just speak to the role of international consultants. I think we made it very, very clear in our presentation that the [Douly 00:04.22.7] Foundation owns 3% of Tshwaranang Media, it is a very small percentage. We also explained the strategic reasons why they're there and I think our contents strategy, which you will see in the bid and through this presentation, you can see, is it's South African, we have a local content strategy⁰³. I hope you will take note of that in our bid. I don't know if any of our other team members want to add anything else.

Wazeer Moosa: I think there was one final question that we failed to respond to and that is AEEI's shareholding and if they are to pull out at any second. The relationship that we have with AEEI is very, very good. The understanding between ourselves and AEEI is also very, very good. So, in the event, that they do feel that look they would want to sell their shares, I'm sure we would open up some sort of dialogue to try and remedy that issue. At this stage, our contingency plan for that is to open that dialogue as we do understand that this is an industry where we need that funding, but we also have a letter of commitment from, if I could just get the name from Sarah, Serobeng Health as well, who would be able to fund our working capital. So, I'm sure that should the event arise that AEEI would like to sell its shares, that we would [unclear 0:06:03.4] to find a suitable partner to engage with such stakeholders, will be able to take up those share and to be able to put us in the position where we would be financially stable. We have many strategic partners and content partnerships and I am sure if we open up that dialogue with them, I'm sure that we would be able to remedy such an instance.

Sarah Buluma: And just to add to that, in terms of that AEEI and even their ability to invest as a JSE, they don't do investments lightly. And it wouldn't make sense that a company that is making money from a subsidiary would just randomly withdraw. So even just the possibility of them withdrawing, I'm not too sure what Kwese's basing it on, because they looked at this venture, they looked at what we provided and they decided to actually invest in us. It

is a listed company. I don't see them making that decision lightly and even based on our profitable projections, the JSE would be making money as in the company would be making money, so I do not foresee them or don't see a valid reason for them just wanting to withdraw from Tshwaranang. Thank you.

Amit: Just one final point to add, if memory serves me right as well, one of the reasons AEEI wanted to have the option of exiting is because their support is very much dependent upon Tshwaranang being awarded this media license. In the event that we are unsuccessful, AEEI, they would need to have an exit strategy, they may not necessary want to continue to invest in us. So just to give you that clarity.

Wazeer Moosa: Thank you Amid. Actually, you have just reminded me, we've actually added a contingency plan in the shareholders agreement for that specific instance, if AEEI is to pull out, or in the unfortunate event that we do not get the license, in that we still believe in Tshwaranang Media, we still believe in our company, we still believe in the values that we hold and should it be unfortunate that we not receive the license we do also want to explore what we can do with the entity. It's not simply something we are just going to give up, it's something that we're going to want to make a success of. We've worked tirelessly to put this entity together and to put this bid together, so we obviously do not want that to go down the drain just because a shareholder has exited. So we have made provision in terms of our shareholders agreement for the stakeholders to come together and to decide on the future of the company, to decide what we can do, maybe restructure our business model and go into something else. I just wanted to mention that. Thank you so much.

Chairperson: Is that it?

: Yes, thank you chairperson.

Chairperson: I think there was also question around the management team comprising 11 people and only six letters having been signed.

Tshwaranang CEO: Thank you for that reminder, Chairperson. So our response was that ...

Chairperson: Maybe while you're about it, I think there was also mention about the objectives of HDI's, which is the empowerment or the inclusion of women, youth and persons with disabilities within your management structure. I don't know if you can answer to that as well.

Tshwaranang CEO: Okay I will answer to the question of the 11 members of the senior management team. So, of the letters that we have received, some of them indicated that they do not wish to make public their willingness to join us for fear of losing their current jobs. So, that is the reason why we haven't furnished all of the information, but we do have e-mail correspondence indicating that they have expressed their willingness to join our senior management team. We are happy to furnish that to ICASA within the time-frame if you require that. If it is possible to make it confidential.

Chairperson: I suppose that it being part of the substantial compliance with the ITA, would request that you provide such information as additional information to the authority.

Tshwaranang CEO: Not a problem Madam Chair. What is the other question?

Chairperson: And then the focus of women, youths and persons with disabilities in line with HDG's.

Tshwaranang CEO: Madam Chair, I don't have that information at my disposal, perhaps we can furnish that, give you more clarity in our written submission as well in the next seven days.

Chairperson: That is acceptable.

Tshwaranang CEO: Thank you very much.

Chairperson: Thank you.

Then that concludes the session with Kwese. Now I am going to open up to my panel to pose questions at yourselves regarding your application. But I think just to kick start is by way of having had regards to your presentation around your international partners as you have indicated and considering the fact that they are also going to be a content partner, I wonder whether you will also be obtaining content from them or is it just going to be on an advisory basis but whether it is on an advisory basis or an actual content provision basis, I just need to find out from you how will you ensure that there's a balance, bearing in mind that you will have an obligation to broadcast local content, seeing that you'd be having such strong, heavy international partners, how will you then balance in such a way that local content still takes precedence as per regulations?