MOTIVATION FOR DEVIATION SABC TV LICENCES PAY POINTS

1. DEPARTMENT REQUESTING THE SUBMISSION

TV Licences Department

2. TITLE OF SUBMISSION

Request for deviation to appoint TV Licences pay point service provider agreements to facilitate payment of licence fees nationwide.

3. PURPOSE

To request approval to deviate and appoint TV licence pay point service providers up to 31 August 2027. There is no cost attached to this deviation as it is informed by the nature of the service and the number of new licences and the renewals. TV Licences budgeted an amount of **R 21,200,000.00** including VAT for pay point transaction fees for FY2022/23. The transaction fees will be budgeted for on yearly basis.

4. BACKGROUND

The SABC is currently contracted to several TV Licences pay point service providers nationwide, and this request seeks approval to have new contracts with these service providers, but also to allow for the appointment of qualifying new pay point service providers who will be required to have capabilities to integrate with the SABC in real-time and be registered with the Payment Association of South Africa (PASA).

The initial contract value differs for the different suppliers; however, these pay points generated TV Licences revenue estimated at ±R424m per annum. The number of payments and revenue generated are dependent on the varying volumes processed by these pay points on an ongoing basis. This is the second deviation.

The core business of TV Licences is to optimise funding to the Public Broadcasting Service through the collection and management of television licence fees to enable the

Corporation to fulfil its mandate as South Africa's national broadcaster. The collection of television licence fees is governed by Section 27 of the Broadcasting Act, no 4 of 1999, as amended and the TV Licence Regulations under the Act. Payment of a television licence is a statutory obligation. Income from TV licence fees currently contributes ±17% to the SABC's annual revenue.

Television licence fees are collected from an estimated 10.8 million active accounts via the following revenue channels:

- New licences (compliance at the point-of-sale of the pay points).
- Renewal of existing licences (payment processing by contracted pay points). Overdue accounts (debt collection by registered Debt Collection Agencies – pay points nationwide).

Over the past 20 years, various service providers were appointed to render TV Licences pay point services based on their infrastructure and public accessibility, and in accordance with the provisions of the National Payment System Act and the SABC's Treasury Policy. Relationships with appointed pay point service providers are long-term as both parties commit resources in establishing and developing the required real-time integration with the TV Licences database to enable payment processing and updating of licence accounts. TV Licences pay point services are very rarely terminated unless the pay point ceases to exist, or a serious breach of contract occurs.

The collection and management of TV Licence fees places an obligation on the SABC to make available accessible pay points throughout South Africa where TV Licence fees payments can be made. Owing to the nature of the television licence business, it is not possible for the SABC to perform all the above functions itself. Several of these functions require a national footprint and/or specialised skills and services, which would be extremely costly for the SABC to establish and maintain.

The existing nationwide television licence pay point network includes:

- The South African Post Office (SAPO).
- Major retailers, some via third-party bill payment collectors (EasyPay and Pay At).
- Commercial banks, as per the SABC's Treasury Policy.
- Mobile payment solutions such as SnapScan, MasterPass and Mobile Money; as well as

- Other payment options such as online payments (TV Licences Payment Website), electronic bank transfers, debit orders, etc.

This submission also seek approval to appoint any qualifying pay point service that may be interested to integrate with TV Licences especially the emerging e-commerce market and future payment solutions that caters for rural areas such as spaza shop voucher systems. Such future solutions will complete TV Licences' commitment to make the payment of licences as easy and convenient as possible for the public. The previous approval for extension of the existing TV Licences pay point contracts in 2019 with Reference No: 43/1/2/5/1 included a condition that other qualifying service providers are not discriminated against.

5. MOTIVATION TO DEVIATE

TV Licences pay point service providers are recognized based on their infrastructure and public accessibility, and in accordance with the provisions of the National Payment System Act and the SABC's Treasury Policy.

In compliance with Section 27 of the Broadcasting Act, retailers are required to ensure that television sets are sold only to holders of valid TV licences. In terms of this legislation, a retailer selling a TV set to an unlicensed household/business may be fined up to R10 000 for each TV set so sold. Over the years, retailers have implemented systems and processes to ensure that TV licence legislation is complied with. Most major retailers have also become TV licence pay points, to facilitate payment of outstanding licence fees – a prerequisite for selling a TV set to a prospective purchaser. The provision of pay point services at retailers of television sets is especially beneficial to the SABC since it not only increases revenue but also ensures compliance with the TV licences legislation at the point of sale.

Similarly, it is to the SABC's advantage to deviate and get approval to enter into new contracts with the current service providers when their contracts expire, and with qualifying new service providers as and when opportunities present itself to integrate with e-commerce or mobile voucher solutions.

An increased national pay point footprint for TV licences collection as well as an online presence will improve and increase revenue collection for the corporation. Service providers have different infrastructure with distinct national footprints which compliments and completes the TV Licences payment network.

Employing multiple pay point service providers also enables the SABC to negotiate cost-effective transaction fees while at the same time reducing the risk of over-reliance on specific service providers.

6. CONTRACT HISTORY WITH THE CURRENT VENDORS

	PERIOD	Pay Point	ANNUAL AMOUNT (EXCL. VAT)	ANNUAL AMOUNT (INCL. VAT)
INITIAL CONTRACT	01 April 2018 to 31 March 2024	SA Post Office	R 17,212,650.00	R 19,794,547.50
	01 April 2021 to 31 March 2024	EasyPay	R 4,602,650.00	R 5,293,047.50
	02 December 2019 to 31 December 2022	Pay At Services	R 29,900,000.00	R 34,385,000.00
	01 October 2021 to 30 September 2022	Pepkor & JD Consumer Electronics (Hi-Fi Corp, Incredible Connection & JD furniture stores)	R 1,800,000.00	R 2,070,000.00
	01 October 2019 - 30 September 2022	Masstores (Makro & Game)	R 5,100,000.00	R 5,865,000.00
TOTAL			**R 58,615,300.00**	**R 67,407,622.00**

A total of 268 694 new licences were purchased and 1 249 102 renewal payments were processed through these pay points during the twelve (12) months from February 2021 to January 2022. These pay points generate revenue of ±R424m per annum. The number of payments and revenue generated are dependent on the varying volumes on an ongoing basis.

7. EFFECT ON CURRENT CONTRACTS

To align the end dates for different vendors, all vendor contracts end dates will be 30 September 2027, this will mean that some contracts will be shorter than five years depending on when the contract are ending.

VENDOR	CURRENT CONTRACT PERIOD	PERIOD REQUESTED
SA Post Office	01 April 2018 to 31 March 2024	01 April 2024 to 31 August 2027
EasyPay	01 April 2021 to 31 March 2024	01 April 2024 to 31 August 2027
Pay At Services	02 December 2019 to 31 December 2022	01 January 2023 to 31 August 2027
Pepkor & JD Consumer Electronics	01 October 2021 to 30 September 2022	01 October 2022 to 31 August 2027
Masstores	01 October 2019 to 30 September 2022	01 October 2022 to 31 August 2027

TV Licences has budgeted R21.2m in pay point transaction fees for FY2022/23, with the actual amount to be paid to pay points depending on transaction volumes processed. The annual negotiated tariff with service providers specifies the transaction fee payable – not the value of the contract.

8. RISK

During FY2021/22 a total of 1.52 million transactions valued at R424m were processed through existing TV Licence pay points. It is therefore evident that the organisation will be at risk should pay point renewals are not approved which will result in drastic decline in revenue collection.

9. COMPLIANCE WITH SCM REGULATIONS AND /OR SABC POLICIES

		TV Licences Paypoint Service Providers				
Decsription	**Status**	SA Post Office	EasyPay	PayAt Services	Pepkor & JD Consumer Electronics	Masstores
PFMA SCM Instruction No. 3 of 2021/2022	Comply	Comply	Comply	Comply	Comply	Comply
SCM Instruction Note 9 of 2017/18	Comply	Comply Supplier is tax compliant	Comply Supplier is tax compliant	Comply Supplier is tax compliant	Comply Supplier is tax compliant	Comply Supplier is tax compliant
BBBEE	Comply	Non-Compliant BBBEE Status	Level 8	Level 8	Level 8	Level 4
Delegation of Authority	Comply	Comply Approval is requested in line with section F7 of DAF	Comply Approval is requested in line with section F7 of DAF	Comply Approval is requested in line with section F7 of DAF	Comply Approval is requested in line with section F7 of DAF	Comply Approval is requested in line with section F7 of DAF
Central Supplier Data Base (CSD)	Comply	MAAA0075525	MAAA0108326	MAAA0024824	MAAA0251410	MAAA0108781
Completed Foreign supplier tax	N/A	Local supplier	Local supplier	Local supplier	Local supplier	Local supplier
TV Licenses for Company and Directors	Comply	Valid TV Licences provided	Valid TV Licences provided	Valid TV Licences provided	Valid TV Licences provided	Valid TV Licences provided

10. RECOMMENDATION

It is recommended that:

- The BAC approves the deviation to appoint the existing TV licence pay point service providers when their contracts expire, and with the new qualifying service providers as and when opportunities present itself to integrate with e-commerce or mobile voucher solution before the end of the approved deviation which is 31 August 2027.

  There is no cost attached to this deviation as it is informed by the nature of the service and the number of new licences and the renewals. TV Licences budgeted an amount of **R 21,200,000.00** including VAT for pay point transaction fees for FY2022/23. The transaction fees will be budgeted for on yearly basis.

- The Head of ~~SCM~~ Strategic & Tactical Sourcing is duly authorised the sign the letter of award.

- The Head of SCM and the Head of TV Licence sign the contracts on behalf of the SABC.

11. SIGNATURES

Prepared by:

02 June 2022

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Reviewed by:

02 June 2022

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Supported for submission:

13 June 2022

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Supporting Documents

Annexure A: Business case

Annexure B: Previous contracts

1 – EasyPay

2 – Pay At Services

3 – Masstores

4 – South African Post Office

5 – Pepkor & JD Consumer Electronics

Annexure C: BEE certificates

1 – EasyPay

2 – Pay At Services

3 – Masstores

4 – Pepkor & JD Consumer Electronics

Annexure D: CSD Reports

1 – EasyPay

2 – Pay At Services

3 – Masstores

4 – Pepkor & JD Consumer Electronics

5 - South African Post Office

Annexure E: TV Licences

1 – EasyPay

2 – Pay At Services

3 – Masstores

4 – Pepkor & JD Consumer Electronics

5 - South African Post Office

Annexure F: Previous response from National Treasury