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RESPONSES TO PARLIAMENT QUESTIONS NO 20 AND NO 22

I am rising to respond to questions raised by Hon. Josef Kauandenge of NUDO and Hon. Kazeongere Tjeundo of PDM, respectively, in relations to the Namibian Broadcasting Corporation (NBC).

Honourable Speaker, allow me to provide context to the NBC's financial standing for the past five (5) years before addressing the questions from the Honourable members.

1. As we are aware, the NBC being a **non-commercial SOE**, is funded by GRN. Despite that, however, the NBC generates its own revenues through different means such as selling airtime and advertising space on its airwaves, amongst others. Despite the slow growth in the domestic economy since 2016, the NBC has managed to increase its own revenue by (8% 8 percent) compounded annual average growth rate from N\$83 million recorded in the FY2015/16 to N\$111.5 million recorded in FY2019/20. Consistently, the corporation managed to generate N\$100 million and above for the past four financial years. For the current financial year 2020/21, NBC projects to generate N\$96.7 Million despite a projected retraction in the domestic economy. The following is a breakdown of own revenue generated per financial year and as per the defined period:

- a. FY2015/16: N\$83 million
- b. FY2016/17: N\$102 million
- c. FY2017/18: N\$116 million
- d. FY2018/19: N\$106 million
- e. FY2019/20: N\$111.5 million

2. With regard to the questions raised by Honourable Tjeundo, once again, the NBC is classified as a **non-commercial entity** in line with *Section 2 of the Public Enterprises Act, Act no. 1 of 2019*. This implies that NBC should receive full financial support from the Shareholder in line with its mandate. However, despite the NBC being a non-commercial SOE, it still generates own revenue averaging N\$ 103 million per annum i.e., if we take the past five (5) years into consideration. This needs to be recognised and applauded. Therefore, I beg to differ with the Honourable's contention that, the NBC is one of the worst performing non-commercial state entities while the results and facts speak differently. I am also saying this against the background where we find commercial SOEs who do not come close to making any profit let alone break even.
3. Hon. Speaker, it would be useful if Hon. Tjeundo could share his basis of regarding the NBC as non-performing for the purpose of continued improvement at the Institution. For now, I have no choice but to applaud both the NBC Board, Management and Staff for their tireless efforts and dedication to improve the levels of NBC's own generated revenue.
4. Hon. Speaker allow me to address Hon Josef Kauandenge and Hon. Kazeongere Tjeundo's questions simultaneously since some of the matters raised are identical.
5. **Question 1: Was there any consultations with you on the handsome bonuses that was paid to the NBC Management with the Director General receiving in excess of N\$500,000?**

Answer: Firstly, the NBC employs staff based on legally binding contracts of employment which stipulate the conditions of employment including their remuneration and other benefits. These benefits are applicable to **all NBC employees**, however the disbursement thereof may differ depending on various job categories or structuring of remuneration packages and on the type of contract signed.

6. Pertaining to remuneration matters, in terms of section 4 of the Public Enterprise Act, Act 1 of 2019, the remuneration and other service benefits of the CEO (in this case the Director General) and other management staff of a public enterprise are determined by the Board of Directors with the concurrence of the relevant Minister, with due regard to any directives laid down by the Minister of Public Enterprises under section 4(1) (e). The same statement denotes that when these contracts are signed and agreed based on these provisions, the Board is then fully mandated to carry out its fiduciary duty as outlined in the general principles governing good corporate governance in line with all other supporting governing statutes.
7. What is especially important to underscore, is that the NBC has expended about N\$ 53 million for 13th Cheques/Bonuses, Notch (Merit increases) and incentive payments over the past five (5) years. From the amount of N\$ 53 million, an amount of N\$ 47.6 million has been spent on employees who fall within the bargaining unit of the NBC

which excludes Management and some other staff members of the NBC for the past five (5) years. This denotes that all employees within the bargaining unit received an amount of N\$ 9.5 million per annum for the past five (5) years. These are employees who are on the conventional pay structure. Even in this current financial year, the Board of Directors and the Management didn't refuse to make this payment of about N\$ 9.5 million to that cluster of employees. This group of staff members have contracts that run up until their retirement.

8. The Director General, the rest of Top Management and some other staff members totaling twenty-six (26) who opted to be on the Total Cost to Company (TCTC) pay structure, have for example, five (5) year fixed-term contracts with no guarantee of employment or extension of their contract after their five (5) year contracts end. Part of their conditions read that they shall receive an incentive pay based on how the business is performing. From the N\$ 53 million, the TCTC group only received N\$ 5.4 million calculated against a five (5) year period. This ordinarily says that N\$1.08 million has been expended per annum which was only paid out in this current financial year but was delayed for a period of five (5) years before being considered by the Board. It is also very important to note that only 50% of the amount for which the employees on TCTC qualify was paid out which they accepted when informed about the general economic conditions of the country. The total amount of N\$ 5.4 million was hence paid to management and other employees on TCTC.
9. The rest of the employees received 100% of their guaranteed bonuses and other payment such as merit increases religiously for the same five (5) year period annually.
10. As we all know, the Namibian Broadcasting Corporation (NBC) is established in terms of Section 2 of the Namibian Broadcasting Act (Act No. 9 of 1991) with the aim to carry on a broadcasting service and is indeed a creation of statute. Therefore, the NBC is limited in its activities and operations to what is provided for in the establishing Act and especially as far as commercial activities are concerned. In terms of section 5 of the Broadcasting Act, NBC's operational affairs are directly managed via the strategic direction given by the Board of Directors as the supreme appointing authority within the NBC.
11. In adherence to the above, broad consultations took place starting with the previous Board as early as in the year 2018 on this matter, again at the Board Remuneration Committee (REMCO) of 28th February 2019 and continued with the new Board regarding the outstanding contractual incentives for all staff on Total Cost To Company remuneration including those who are on the Conventional/Basic pay structure. Legal obligations that arises from contracts are fulfilled in terms of this respective contracts.
12. **Question2: What justified the Board's decision to award hundreds of thousands of dollars to NBC top management seeing that the broadcaster lost between N\$30-N\$40 million in the past year? And what Yardstick was used to measure**

that they indeed qualify for performance bonuses? The Board only served for two months before approving these payments, what was the justification of paying N\$5.4 million to 16 managers while the general workers have been demanding a salary increment for the past 3 years?

Answer: As indicated earlier, these payments were not limited to top management only but also to job levels below and were delayed for a period of five (5) years looking at how own revenue generation would proceed and grow. These payments should not be looked at in isolation but must form part of the overall **N\$ 53 million** paid over the past five years. It is also important to note that all other employees within the NBC who are outside the TCTC group, have diligently received their 13th Cheques /Bonuses and Notch Increases (Merit Increases) for the past five years totaling **N\$ 47.6 million** while the TCTC only received **N\$ 5.4 million** for the same period.

13. It should be noted that due to the negative impact of COVID-19, the real GDP was expected to contract by 6.9 percent in 2020, this was as per the Bank of Namibia Economic Outlook Update for April 2020. At the time, i.e., in the first quarter of the Calendar year 2020, the Director General projected a possible potential loss of **N\$ 30 million to N\$ 40 million** as a result of the impact of Covid-19 would have on the NBC's ability to generate own revenue. We are all aware that the country went into full lockdown on the 28th of March 2020 and most of the clients that does business with the NBC through advertisement immediately cancelled their campaigns for both radio and television. It was against this background that business would potentially be impacted negatively and by so doing would have an impact on the NBC's abilities to reach its targets. Again, this was a business prediction which is normal.
14. The general assumption therefore was that the NBC would have generated about N\$55 million to about N\$66 million for the current financial year depending on the resilience of the market. However, the actuals for the period under review, came out differently and the NBC has seen a growth pattern in own revenue which indicates that the entity will surpass the N\$90 million mark from own revenue based on the current trends.
15. The NBC's total revenue consists of the GRN subsidy and own generated revenue. The corporation has consistently generated revenue above **N\$100 million** from 2016/17 to 2019/20 financial year coming from a base of about **N\$ 83 million** and this refers to NBC's own financial performance (outside the GRN subsidy) which serves as the basis for the contractual performance bonuses as well as the 13th Cheques /bonuses and notch/merit increases which are not mentioned for obvious reasons.
16. It is also on record that the NBC employees received a six (6) percent salary increase in October 2018.

17. Therefore, although the current Board which includes two members who were part of the previous Board, served for three (3) months at the time of approval, the Board just finalized outstanding matters derived from the activities of their predecessor.

18. Question 3: The Director-General's contract was only renewed in October 2020, so how was he awarded a performance bonus after only 4 weeks of working?

Answer: It is important to note that, performance bonus/incentives are paid for the performance of a business/staff relating to past performance and not for a time that is still to come. The Director-General of the NBC was appointed on the 1st of October 2015 for a fixed term of five (5) years for which the performance bonus was paid. Therefore, during the current period, the Director-General has not received any incentive payments.

19. Question 4: Is it proper and fair that a selected few elites got bonuses of N\$5.4 million while the NBC is pleaded poverty and insufficient funds to employ over a hundred interns permanently who have been in the employ of the NBC for the past 10 years? Is it justifiable that N\$5.4 million goes to into the pocket of a selected few while the institution cannot agree to pay the workers sufficient salaries as they are demanding?

Answer: As explained earlier on, all NBC staff have received an amount totaling **N\$ 53 million** for 13th Cheques/ Bonuses, Notch Increases (Merit increases) and incentive payments, of which **N\$ 47.6 million** for the past five years went to the majority of staff who NAPWU Members and are in the Bargaining Unit. These staff members are on the Conventional Pay Structure and have contracts which ends when they retire. This means that every year for the past five years, this group received **N\$ 9.5 million** and on top of that there was a salary increase of 6% in October 2018

20. The reference to "elites got bonuses" is also misplaced in that the majority of staff who received the contractual performance incentive on the TCTC are not part of the executive team. They are just like the members of the Executive Team on the TCTC remuneration structure. Equally, they do not qualify for the annual automatic merit/notch increases of between 3.5% to 4% like the rest of the qualifying staff on the Conventional/basic salary plus benefits. The TCTC group only have five-year contracts with no guarantee of work, beyond their five (5) contracts.

21. On the issue of contract employees, I am aware that both the Board and Management are busy with this matter and that they are looking at means of how best not to put people in the street. The Board and Management could have terminated these contracts during the introduction of the austerity measures some years ago but chose not to do so. However, the plan is still in motion to downsize staff numbers without direct termination and the process involved is looking at natural attrition and taking advantage of those who retire and seek for early retirement.

22. Regarding salary increase demands, the NBC Board and Management is of the view that salary increases cannot be sustained in view of the high financial impact and especially the above inflationary demands. However, in order to assist employees during these times of uncertainty, Board and Management proposed a once off payment of **N\$ 7.6 million**, ranging between **N\$15 000** and **N\$20 000** per employee falling within the bargaining unit. The once off payment is depended on funding being secured and the Board being prudent in executing its fiduciary duties, will not act in a reckless manner by awarding the salary demands to the demise of NBC.

23. This proposal was rejected by the union representing the employees and instead they are now demanding an 8% salary increase plus benefits with a financial impact of about N\$ 40 million.

24. Question 5: seeing that this is a gross erosion of good governance; will anyone be held accountable for approving these performance bonuses?

Answer: The Board of Directors have an implicit obligation to ensure that the NBC is run in the best interest of the Shareholders (Government). Therefore, the approvals of bonuses/incentives to employees on TCTC is far from what the Hon. Kauandenge is branding as gross erosion of good governance. The Board of Directors have thoroughly applied their minds and were within the powers vested in them when they approved the incentives for the employees on TCTC for the past 5 years totaling to N\$5.4 million. The same Board by way, did not reject the N\$9.5 million of 13th Cheques /Bonuses and Notch Increases for staff members who are on the Conventional/basic pay structure for this financial year.

25. Question 6: Are you aware that there is mass victimization of shop stewards at the NBC just because they decided to stand up for their rights and that of their fellow workers?

Answer: On this matter, I have been briefed in full by the Chairman of the Board on behalf of his fellow Board Members. I am aware that tension is normally exceedingly high when employer/employee and the Union are negotiating. So far, the NBC Management have created an enabling environment within, which the employees are motivated to do a good job. Surely like in any other institution there will those who may regard themselves above law and obviously relevant policies are in place to address such.

26. The NBC also do have a Recognition Agreement in place with the union, and therefore the rights of shop stewards to carry out their duties is recognized and allowed as such. Furthermore, the NBC has a grievance procedure in place which forms part of the

overall Conditions of Employment Procedures and Policies which staff members/shop stewards are open to use to channel their grievances.

27. Hon. Speaker, there is no mass intimidation of any shop steward as alleged, however Management dealt with a case of psychical threats towards Management by an uncontrolled shop steward. The utterances made were bordering on potential criminal grounds given that there were inciteful and seriously threatening in nature to some of the Top Management. Most recently the same shop steward and the union apologised unconditionally to Management regarding the incident.

I trust that this addresses your concerns.

I thank you.



