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FUNDING PUBLIC BROADCASTING

CONSIDERATIONS FROM THE INDEPENDENT PRODUCTION SECTOR

THE SOUTH AFRICAN BROADCASTING CONTEXT

It is important to start with accepting a simple shorthand regarding public service broadcasting, viz., that **PBS should be concerned with having a positive impact on the lives of large numbers of people**. Simply having large audiences with no impact is not good enough. Neither is having 'worthy' content with so few viewers that it would've been cheaper to send them the dvd.

The SABC competes for audiences in an open and mixed broadcasting landscape –with community media as well as against a few very large commercial players. The broadcasting landscape has got increasingly competitive and viewer/listener choice now drives consumption patterns. In this competitive landscape the SABC has managed to retain significant share of audiences [SABC 1, SABC2, RADIO METRO, AND 5FM] – although much of its audience retention results from lack of any competitive offerings in some markets [UKHOZI, IKHWEKWEZI, ETC]. In the most competitive market – LSM 5-8 – the SABC dominates.

It is important to acknowledge that the **SABC retains a strong relationship with a significant majority of South Africans** across the race demographic. South African viewers choose to watch programme genres and content in the public service offering [the news bulletins, educational drama and factual programming on SABC1, for example, often feature on the country's most viewed programme list]. **Any changes to the broadcasting landscape must build on this strength not compromise it**. South Africa should be careful of creating public service broadcasting for minority audiences.

Unlike the commercial and community broadcasters, the SABC's revenue mix include government funding through grants [<5%], public funding through licenses [<15%] and commercial revenue through advertising [some 80%]. **Almost all public broadcasters have a revenue mix of public and private funding**. Even the BBC earns commercial revenue through its highly successful commercial arm – BBC Worldwide. Although the SABC has a unique proportion of advertising revenue in its funding model, this co-existence of public and private revenue streams is far from unique.

The balance amongst this mix is presently contested with a call for the SABC's funding model to change. **The arguments for changing the funding model imply that the SABC should be 'freed**

from the burden of dependence on advertising” – in other words, the SABC should be dependent on government funding and therefore not require advertising. Calling for “a change of the funding model” is very different for simply asking for increased government grants in the present model. While this sounds like a very simple and elegant solution – **South Africans should be careful of calling for ‘changing the SABC funding model’. There are many revenge effects of this solution. There may be other options.**

TO START, CONSIDER 5 QUESTIONS

1. WHAT PROBLEM DOES CHANGING THE FUNDING MODEL SOLVE?

The SABC management has argued that much of its financial woes is due to ‘lack of government funding to fund the mandate’. They are not clear exactly which part of the mandate requires government funding [apart from ‘sports of national interest’]. The SABC has never been called to account for its public mandate by ICASA – there is no proper reporting and monitoring of compliance. All claims of the financial strain caused by the obligation of meeting this onerous mandate is self imposed by the SABC – it’s their own interpretation of the mandate. The regulations do not ask for a 24 hour news service or for broadcasting of unaffordable sport content [even if it’s of national interest].

The SABC’s financial woes require an independent commission of enquiry in order to properly understand what went wrong. It is clear however, that this mess is largely due to mismanagement and poor governance. The SABC has allowed the cost of news to spiral beyond reason, it has made very poor sports content decisions, it has increased its headcount with no reciprocal increase in output or quality, it has mismanaged content stock, acquisition and advertising sales and in an open competitive market it lost its most lucrative soccer rights. None of this mismanagement can be traced directly to its funding model. What is important to realize is that in the present funding model, this irresponsible financial management comes at a price and comes to an end. **So it is questionable whether ‘changing the funding model’ would solve or have prevented any of the present problems – or have even allowed us to see the depth of the crisis.**

2. IS PUBLIC SERVICE BROADCASTING ONLY POSSIBLE WITH GOVERNMENT FUNDING?

There are few myths about this issue. **The first myth is about the BBC.** The BBC is not funded by government funding. It is funded through license fees paid directly by viewers. This distinction is important. A transactional relationship between any service provider and the consumer ensures that the service provider is driven by the needs of the payer. If the call for a change in the funding model of the SABC is arguing for an increase in license fees to be of similar proportion as the BBC then this will place a stiff challenge on the SABC – to deliver audience satisfaction [and debt collection].

Secondly there is a myth that public service programmes are naturally loss leaders. South Africa is famous for the fact that educational drama [Soul City, Soul Buddyz, Yizo Yizo, Khululeka, etc] were always in the top 5 programming across all channels including

commercial competitors. The SABC, and others, have shown much evidence that significant aspects of the public service mandate is either 'commercially viable' or is cross-fundable through a careful programme mix. From 2003 – 2005, SABC 1, the largest channel by audience and revenue was able to break even and make a profit while increasing its public service obligations [with substantial increases in prime time factual content and increase in prime time Nguni languages].

The 3rd myth is that every programme needs to be commercially viable. SABC 1 earns between 65-75% of its revenue through just 4 prime-time slots. For a significant time the SABC 1 Nguni news bulletin broke even. Even for commercial broadcasters, not every slot or programme is a revenue driver. Children's programming is notoriously difficult to make commercially viable. Live sport is becoming priced out of the range of most broadcasters never mind the public service ones.

The 4th myth is that entertainment is not public service. For some, public service broadcasting is associated with minority audience programming only [for deaf, children, disabled, documentary viewers]. The definition of public service asks for the balance of entertainment, information and education. So there is ample evidence that, for television at least, entertainment programmes can cross fund non-earning slots and content. There are some important exceptions to this dealt with later].

So if a public service broadcaster can earn commercial revenue to fund significant chunks of public service content, why change this? There is no doubt that there are some aspects of public service that will benefit from public money as it already presently does [including HIV/AIDS education, schools support, children's programming are some examples].

3. ARE ADVERTISERS INFLUENCING THE BROADCASTER TO BROADCAST JUNK

Some of the call for the change of the funding model is based on the thought that advertisers have undue influence on the content of broadcasting. Advertisers and public service broadcasters do share one thing in common. They both want large audiences. However, the SABC audience portfolio and programme mix across TV and radio is determined entirely by the SABC's remit, its license conditions and regulations. Advertisers cannot unduly influence this. **By and large advertisers are less interested in content – they're interested in audiences that match their brands and they're happy to find them where they are.** They buy the audiences that the SABC delivers. They get those that the SABC doesn't through Mnet and others.

There are many countries on the continent where advertisers buy airtime in exchange for content commissioned and paid for by the advertisers. This advertiser driven model is typical of immature or green broadcasting ecologies looking for 'easy content'. South Africa has a maturing media ecology – including print, radio, TV, outdoor, online, etc. Unlike a decade ago, advertisers now understand and want black audiences in programming in

African languages. The crude advertiser driven content model does not drive the funding model of the SABC. Advertisers ought to have no more pull on the public broadcasters than business has on government. They ought to have a healthy co-existence. All decisions to broadcast junk is entirely due to SABC management – content providers or audience demand!

4. IS THERE A CONTRADICTION BETWEEN BEING A PUBLIC SERVICE ORGANISATION AND COMMERCIAL ENTREPRENEURSHIP?

There are some who say yes to this question. They argue that the SABC cannot do both. While there may be contradictions, there is ample evidence in reality here and abroad where this is done. The SA National Ports Authority is a good example of a state owned institution that combines service in the national interest with commercial entrepreneurship. SA's ports compete for global trade with neighbouring countries as well as other trade routes. However, SA's ports win this competitive war for trade traffic by offering a world-class service to domestic and foreign customers. The ports are run efficiently, safely and very profitably. Durban is the 9th busiest port in the world.

There's no evidence in present practice that the SABC cannot be both. It can be argued that advertising has in fact 'saved' public broadcasting in South Africa. In almost every other society where commercial competitors were introduced, the public service broadcaster has ended up losing its premier bond with its audiences and have been driven into smaller and smaller niches. In South Africa, the SABC has been forced to win its audiences back in order to protect its revenue. The SABC is not obliged by anyone to remain popular with the South African masses – except by advertisers looking for mass audiences!

5. WHO PAYS?

This is the most important question. In the present model, advertisers pay for approximately 80% of the SABC's public service broadcasting. If the model is changed for government to pay, then citizens pay. More importantly, poor citizens will pay more because this public service broadcasting will be paid from the same limited tax pool and displace some other public service. What sacrifice will need to be made from the fiscus? **Every service delivery – broadcasting or housing – is limited by the amount of money available. Whether this limit is set by advertising revenue or by government grants, South Africa and the SABC has to manage its mandate delivery more strategically and responsibly.** The huge costs of a 24 hr news service with limited viewership is an example of irresponsible delivery – equivalent to the apartheid regime building toilets in vast fields with no houses. Similarly, the purchase of the T20 Cricket series at great cost when the money was simply not available is also irresponsible delivery.

THE REVENGE EFFECTS OF CHANGING THE FUNDING MODEL

1. THE LOSS OF ADVERTISING WILL BENEFIT COMMERCIAL PLAYERS

The loss of advertising revenue from SABC TV and radio will benefit the few commercial monopolies as advertisers move revenue to them. Apart from simply making these few commercial players much richer, this move of revenue will allow them to compete more aggressively for SABC audiences. In fact they will be compelled to do so in order to win the entire spare slice of tv advertising. This audience shift can be achieved very quickly and reversing this will be much harder. The SABC could be left with diminished audiences very quickly.

2. THE LOSS OF AUDIENCE DRIVEN ENTREPRENEURSHIP

The most challenging aspect of broadcasting is to win an audience. Mature organizations do not require a commercial imperative in order to remain strongly audience driven and public service oriented. The SABC however is not yet a mature organization. Any excuse to leave the tough race of winning the hearts and minds of audiences will be too easily accepted. The SABC should be kept on a pavlovian leash – they can only earn money if they keep their audiences. The most elegant model for this relationship is the present one.

3. GOVERNMENT FUNDING COULD INCREASE THE SABC BUREAUCRACY

There is much evidence to suggest that the present SABC bureaucracy strangles the organization. It is unable to act fast, to be responsive to competitors or to commission innovative content. Government funding will come with increasing bureaucracy – to fit into larger and more complex government funding webs. Government funding will come with agreed schedules and commitments. Changing schedules and budgets will become a bureaucratic nightmare. Content acquisition is likely to get more complex.

4. GROWTH IN FUNDING WON'T KEEP PACE WITH CHANGING AUDIENCE GROWTH

To deliver its mandate, the main task of the SABC will be grow its audiences for all its services – all the time. In the present model, this investment in growth has been paid back by growth in advertising revenue [and vice versa]. Will government funding keep pace with audience growth? Not likely because government funding growth is cost based – you get more money if you have more costs – not reward based. Moreover, the SABC will be permanently competing with social services for its government revenue [a losing wicket if you compare the urgency of HIV/AIDS treatment with HIV/AIDS talkshows]. While the advertising market is not responsive to public service – it is certainly responsive to audience growth. Advertising generally follows audience growth. So the SABC's ability to deliver large audiences won't be rewarded with growth in funding to plough back into content. This will be an additional disincentive to grow audiences or invest in innovative content.

5. THE END OF DEMOCRATIC CULTURE

Someone once said that: “Broadcasting is the only democratic culture – driven entirely by what people want. The only thing to fear is what people want.” While what people want may not necessarily always be in the public interest – an audience driven culture at least creates a simple and objective way to determine what programmes win and what loses in broadcasting. Like in political democracy – where there is campaigning, and minority voices – audiences determining winners and losers may not be perfect, but it is better than some cultural elites deciding what is good and what is not for broadcasting. Most cultural elites probably never watch TV let alone appreciate why millions chose to watch *Generations* and other soaps. A government funded SABC – as opposed to a public funded or advertiser funded – will certainly end this democratic culture in broadcasting.

The SABC may be a failed institution, but there is no reason not to trust South African audiences – they may love the *Bold and the Beautiful*, but they also watch the news and current affairs, documentaries, serious drama and educational TV.

6. THE CONTENT LANDSCAPE COULD NARROW

In an environment where funding does not reward audience growth, and excellence is determined by a cultural elite - content innovation and creativity is likely to be adversely affected. The best case would be where some content makers can take the positive risks of innovative form [resulting in art] because they do not care about an audience. In cases in the world where this has happened, some public funded channels have become middle class niches for esoteric programming [with some occasional art] with no viewers. In the worst case, television would become the space for parochial cultural expressions. SABC 4 and 5 were meant to be launched a few years ago funded through this ‘new’ model. It will be interesting to see what these channels turn out to be.

7. THE CUMULATIVE IMPACT WILL RESULT IN SMALLER AUDIENCES – THE END OF PBS

The cumulative impact of this changed funding model could be dire. The combined effects of a richer commercial broadcasting elite competing for audiences aggressively and a slower and less entrepreneurial SABC will see drastic audience shifts away from public service broadcasting. Or we will see the broadcasting equivalent of the health care system – a rich private sector for some – and a dysfunctional and struggling public system for others with a one-way migration. Presently, the SABC has been able to hold onto its audiences but with a shift of advertising revenue to its commercial competitors, this would spell the end of a potentially great public service broadcasting landscape that is struggling to emerge.

WHAT CAN GOVERNMENT DO?

Given these potential risks, the question to ask is whether changing the funding model is the transformative FIX that will improve the SABC. Or is fixing the SABC's structure, its governance, leadership and management the more desirable and possible actions to start with? Without changing the SABC FUNDING MODEL, the government can play an important role in enriching the broadcasting landscape in South Africa. Rather than offering an annual lump sum to the SABC for public service broadcasting [this would be putting all government eggs into one basketcase], the government could create a series of strategic interventions to bring about transformation of this industry. There are a number of very specific large scale public service interventions in the queue for public money. Here are some examples of 'CALLS TO ACTION' that may amount to funding public service without putting money directly into SABC hands:

- **LEAD AND CO-ORDINATE A TV INDUSTRY STRATEGY**

Presently the SA government has taken important steps to stimulate an SA film industry [including work by DTI, IDC and SARS]. A film industry will benefit from a thriving TV industry. The SABC is killing this industry. The government can play an important co-ordinating role to drive the REVIVAL of a thriving TV industry. The government should fund R&D for this including changing the IP regime, setting BBBEE targets, etc. This could be led by the Minister of Communications

- **FUND COMMUNITY RADIO AND THE NON-COMMERCIAL SABC ALS STATIONS**

If government is to fund public service broadcasting, then there are some services that ought to be in the queue first. The only SABC public services that cannot survive on advertising revenue alone [because their audiences are too small] are the 'minority' African language radio stations. They could be funded directly. In addition, community radio has proved that it has the resilience to make a contribution to public service broadcasting. The government should fund them and in some cases continue to fund them.

- **FUND A NATIONAL FILM & TELEVISION SCHOOL**

Various studies have strongly indicated that film and television are a huge growth and job creation sector. Tertiary education in this industry is limited. There is a growing need for skills development, not only in the creative fields but also in the business and management of businesses operating in this sector.

- **RESTORE GOVERNMENT FUNDING OF EDUCATIONAL BROADCASTING**

- **A CONTENT INNOVATION FUND**

Funding for selected content areas as part of an industrial development strategy [e.g. public service new media, animation, educational drama, etc]

- **CHILDREN'S BROADCASTING FUND**

A FULL REVIEW OF PUBLIC SERVICE BROADCASTING

If there is to be a ‘revisiting’ of the FUNDING MODEL, would it not be wiser to REVISIT the entire public broadcasting policy environment? Will it not be more effective to ask all the big questions about public service broadcasting a decade into implementing the policy? [e.g. Should commercial sports coverage be considered public service? Should Metro and 5Fm be part of the SABC stable? Are license fees still a relevant revenue stream for the SABC, Etc]

IN CONCLUSION

The present model of funding the SABC has forced the SABC to remain ‘slaves to its audiences’. Some may argue that this is the only saving grace of the present SABC – that the public actually choose to watch it. It remains accountable – no matter how poorly – to the audiences. A change in the funding model that changes this relationship and its accountability to the public– where the SABC may need to become accountable to treasury – may cause huge damage to the only strength that the public broadcaster presently has. It is important to accept that changing the SABC funding model won’t occur in a greenfield public broadcasting environment. Any change must consider the SABC’s present state. Transformation works best on the basis of some strengths. Finding a fix that removes a strength seems a poor trade-off.

The independent production sector would like to be viewed as an important and positive contributor to the public broadcaster. We have institutional memory, a keen understanding of the complexities facing the public broadcaster and most importantly we are the vital link between the public and the broadcaster. We are in truth the custodians of local content – actively living within our communities and capturing our stories – where SABC boards and management come and go, our sector remains consistent – delivering on the constantly evolving needs of the South African public. Our industry provides employment to thousands of people and has seen the creation and growth of hundreds of SMME’s. We are committed to being a responsible contributor to our society.

