

PUBLIC BROADCASTING COLLOQUIUM
BUILDING A SUSTAINABLE PUBLIC BROADCASTER

by
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SABC

6 September 2018

Minister of Communications, Nomvula Mokonyane
Deputy Minister of Communications, Pinky Kekana
Mr Mziwamadoda Kalako, MP, Portfolio Committee on
Communications

Colleagues from the broadcasting and audiovisual content
industries,

This colloquium comes at a crucial, opportune and exciting time
for the SABC as we continue the process of rehabilitation and
the renewal of the public broadcaster.

While we are still dealing with the **financial consequences of
well-documented governance failures**, the SABC believes
these issues are being dealt with so we can put that chapter
firmly behind us. **To this end, good progress has been made**

in terms of stabilising the SABC, strengthening governance and regaining integrity.

In fact, the Board and management now have a clear vision for the public broadcaster that sees a healed and fixed SABC to ensure SABC viability and financial sustainable.

But to achieve our vision, we know **we must carefully manage and restore the Corporation** in order to fulfill its unique public mandate.

Given the very public financial challenges and the significant **competition faced by the SABC on both legacy and digital platforms**, some have questioned the role of public broadcasting and whether it is needed in South Africa today.

There is no doubt the task is complex and that sustaining the **public broadcaster requires smart and innovative policy plus management**. But the SABC Board strongly believes that public broadcasting has an even more important role to play in **a world dominated by privately-owned, often global entities that are primarily driven by pure commercial interests**.

The SABC not only represents the soul of the nation and its creative potential but is one of the bedrocks of South African

culture, showcasing our television productions, our films, radio shows and our music in all our languages.

It bears repeating that not all media, news and content should be privately-owned. **Most importantly, having a sustainable, publicly-owned national broadcaster is a necessary condition for the success of our democracy**, including the **ongoing goal of social cohesion**. In fact, the SABC has been described by our courts as one of the **key institutional pillars of our democracy**. Therefore, the main question is not whether we should have public broadcasting in this country but **how do we ensure that the SABC and its unique public service mandate is sustainable in a highly competitive world**.

Under the executive leadership of our new GCEO, Mr Madoda Mxakwe, the **SABC has developed a new Strategic Roadmap aimed at ensuring that the SABC is able to operate competitively in the evolving digital landscape of the Fourth Industrial Revolution** while – at the same time - fulfilling its public mandate to provide informative, educational and entertaining content to all South Africans.

It is critical to re-imagine public broadcasting in a multichannel digital age.

While 'broadcasting' is still central to the SABC and to our name, **the SABC increasingly sees itself as a multiplatform content provider which creates, gathers, curates and commissions public service content for distribution on analogue and digital platforms.**

The SABC is fully aware that to deliver on this public service **mandate requires long term financial sustainability.**

The SABC Board and management **have done extensive oversight and analysis on where the problems lie and what needs to be done.** We believe that the SABC can be financially viable and sustainable on the basis of a strengthened, mixed funding model. This will require **significant organizational changes** and, at the same time, **the creation of a conducive policy, regulatory and legislative environment.**

While the SABC **addresses its cost base** and transforms the public **broadcaster into one that is fit for purpose**, the SABC has also focused its attention on issues **that require urgent policy, regulatory and legislative attention.**

The **SABC's unfunded public mandate** must be addressed through the review of **legislation and regulations** that have collectively:

- led to an exponential increase in the cost of public mandate programming;
- reduced potential revenue; and
- created unfair, anticompetitive conditions.

In our written submission, the SABC has detailed amendments that are required to the **Broadcasting Act, the Electronic Communications Act (ECA), TV Licence Fee regulations, Sports Rights Regulations, Must Carry Regulations and DTT regulations.**

Our proposals on **legislation, licensing, policy and regulations** can be debated in other sessions during this colloquium. However I want to highlight a few key areas now.

Firstly, the SABC's strengthened mixed funding model proposal is based on:

- a fit for purpose cost base;

- stronger commercial revenue generation through improved advertising, sponsorship and carriage fees for all our channels;
- government grants or sponsorship for key public mandate programming; and
- and a much improved television licence fee collection system.

TV licence fees still remain the second largest source of revenue for the SABC but we need to rebase the fee and strengthen the collection of this revenue. The SABC's Television licence fee of R265 has remained unchanged since 2013. Currently the SABC TV licence fee costs an average of 72c a day for citizens who pay. In September 2018 I think we can all agree that there is very little (if anything) you can buy for 72c a day. However, for this average fee of 72c a day, the public broadcaster presents the South African public with:

- **18 radio stations** featuring all official languages and hundreds of hours of South African and international music;
- **3 TV channels** (plus 2 on DStv) that include billions of rands on commissioned South African television content, sports programming and television news production.

The **SABC strongly believes that an overhauled TV Licence Fee system** can go some way to funding the public broadcasting mandate. There are currently only approximately **1,8 million paying television households and businesses** out of a total of **9 million accounts on the SABC database**. To put this in a proper context, we have **14 million TV households and thousands of businesses**. While 1,8 million paying accounts is a relatively small percentage, we believe that a credible, trusted and properly run public broadcaster, can create a culture of increased TV licence payment.

Compliance should first be tightened up at the point of sale and with other transactions relating to television sets. The SABC has submitted that a new, broadened definition of Television Set should be included in the Broadcasting Act. In order to enforce greater compliance on the payment of licence fees we believe reporting obligations should be broadened to include insurance companies and Pay TV operators. The SABC also recommends stricter enforcement and penalties for non-payment of licence fees.

The TV licence fee is not the same as a subscription fee charged by paytv broadcasters. It is also not linked to how much you consume or watch SABC content. Rather, the TV licence fee is an established, internationally-accepted, statutory

funding mechanism for public broadcasting and – while it may not generate enough revenue on its own to fund the public mandate – the SABC believes much more can be done to improve revenues from this source.

Content

When it comes to sourcing content from South African independent producers, the SABC has been at the forefront of industry development. The SABC agrees that one aspect of its priority mandate should be to develop the creative industry; however the SABC should shoulder this obligation with other organisations. The SABC believes that there should be a focus on how the existing content funding bodies and mechanisms can be consolidated, strengthened and better resourced in South Africa. Most of these public funds have been disbursed for feature film production. By providing more funding for independent television producers, content funding bodies will not only share the obligation with the SABC and other broadcasters but will ensure that producers are able to retain a greater share of the rights, post-initial broadcast. The SABC therefore has recommended that Government should consolidate and strengthen funding mechanisms for audiovisual content as well implementing the development of content hubs in all the provinces.

The only way to remain relevant and retain large audiences is for the SABC to continue to focus on making excellent television and radio content. This includes commissioning programming that excites, entertains, challenges and disrupts.....Programming that is inclusive of people with disabilities, programming that exposes gender-based violence for the scourge that it is, that undercuts gender stereotypes and also importantly, programming for our youth, not forgetting that 46% of South Africans are under the age of 24. Lastly, we need news programming that is not just Independent and Impartial but that reflects the length and breadth of this country in a way that no other broadcaster can.

Carriage Fees

In addition to improved TV licence fee collections, the Board has also focused on generating more revenue from carriage fees.

Since this Board was appointed nearly 11 months ago we have made a noise calling for the review of the Must Carry regulations by ICASA. In fact a formal request to ICASA for a

review was made in November last year and we asked that the regulations to be brought in line with the enabling legislation.

With respect to the SABC's funding model, the SABC intends that carriage fees from channels such as SABC News, Encore and fees that the SABC should be receiving from other broadcasters for SABC1, 2 and 3, must become part of a more significant commercial revenue stream for the public broadcaster, in addition to advertising and sponsorship. Given the historical legacy of our mixed funding model, the SABC accepts that, without commercial revenue (now over R5bn), the SABC will not be able to provide the current length and breadth of radio and television services, serving to all south Africans.

Nonetheless, the SABC's ability to cover the costlier, loss-making elements of our current public mandate may still not be achievable without additional government funding. Currently government grants are only 3% of the SABC's total revenue base.

Sports Rights

With respect to loss-making elements of our public mandate, a big driver has been Sports Rights. As stated publicly before, the SABC intends to engage ICASA during a review of the ICASA

Sports Broadcasting Regulations. We would like the review to focus on (1) the list of national sporting events (2) sub-licensing conditions and the pricing of sports rights to address anti-competitive concerns; (3) the bidding process for subsidiary rights which should specify that the process of determining the subsidiary rights be fair and have set criteria on which fairness would be judged; and (4) the implementation of anti-hoarding and anti-siphoning provisions.

We also believe that the ICASA Sports Broadcasting Regulations should expressly state that coverage of listed national sporting events is dependent on their commercial affordability by free to air broadcasters. There are no real checks and balances on the pricing of these rights and with the mandatory requirements on the SABC, it is currently a seller's market.

Finally, I'd like to mention that we have a number of our board and management attending this colloquium and we all look forward to engaging with you on your ideas for creating a sustainable public broadcaster.

We can strongly assert today that the SABC is fully committed to its public service mandate. The Board and Management are determined to run the SABC efficiently and effectively in line

with all the applicable legislation and to steer the public broadcaster to long-term sustainability, working closely with all the SABC's stakeholders.

I thank you.