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GOVERNMENT NOTICE

Communications, Department of

Government Notice

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GOVERNMENT NOTICE

DEPARTMENT OF COMMUNICATIONS

No. 755

20 July 2009

MINISTER OF COMMUNICATIONS
ELECTRONIC COMMUNICATIONS ACT, 2005 (ACT NO. 36 OF 2005)

**NOTICE INVITING COMMENTS ON PUBLIC SERVICE BROADCASTING
DISCUSSION PAPER TO AMEND THE BROADCASTING ACT, 1999 (AS
AMENDED).**

The Department has gazette the Public Service Broadcasting Discussion Document as a process towards the amendment of the Broadcasting Act , in terms of section 3(1) of the Electronic Communications Act, 2005 (Act No. 36 of 2005).

Interested persons are invited to furnish comments on the Public Broadcasting Service Discussion Document , within 21 days of the date of publication of this notice at any of the following addresses:

For attention: Dr. Mashilo Boloka
The Director, Broadcasting Policy
Department of Communications;

post to: Private Bag X 860
Pretoria
0001;

or deliver to: First Floor, Block A3
iParioli Office Park
399 Duncan Street
Hatfield;

or fax to: (012) 427 8059

or e-mail to: mashilob@doc.gov.za

The closing date is 20th August 2009 (Earlier submissions are encouraged to expedite the analysis). Please note that comments received after the closing date may be disregarded.

Dr. Boloka can be reached at tel. (012) 427 8055 for any enquiries.



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Department:
Communications
REPUBLIC OF SOUTH AFRICA

**PUBLIC SERVICE BROADCASTING: REPOSITIONING
BROADCASTING FOR NATIONAL DEVELOPMENT
DISCUSSION PAPER
JULY 2009**

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LIST OF ACRONYMS

BBC	: British Broadcasting Corporation
CFO	: Chief Financial Officer
COO	: Chief Operating Officer
DOC	: Department of Communications
DTT	: Digital Terrestrial Transmission
ECA	: Electronic Communications Act
FXI	: Freedom of Expression Institute
GCEO	: Group Chief Executive Officer
IBA	: Independent Broadcasting Authority
ICASA	: Independent Communications Authority of South Africa
KBS	: Korean Broadcasting Services
LSMs	: Living Standards Measures
MDDA	: Media Development and Diversity Agency
PFMA	: Public Finance Management Act
SABC	: South African Broadcasting Corporation
SAPO	: South African Post Office
Portfolio Committee	: Portfolio Committee of Communications

GLOSSARY OF TERMS

Act	: Broadcasting Act
Board	: SABC Board as defined in the Broadcasting Act
Corporation	: South African Broadcasting Corporation
Group Chief Executive Officer:	Group Chief Executive Officer of the Corporation
Regulator :	Independent Communications Authority of South Africa
Minister	: Minister of Communications

FOREWORD BY THE MINISTER

It has been over ten years since major legislative changes occurred in the South African broadcasting system. While indeed some legislative amendments occurred since, they were quite often minor as they sought to address specific issues. As some of us can vividly remember, the existing legislation was to remove the public broadcaster from government control and, this objective has been achieved. The rapid technological developments manifested through convergence and broadcasting digital migration and the management and financial crisis besieging the SABC as a public broadcaster have made it evidently clear that legislative review is necessary, therefore, inevitable. Like I said in my maiden Budget Vote speech earlier in June, a new vision and mandate for public broadcasting services in line with South Africa's developmental agenda is required, and the governance of the South African Broadcasting Corporation (SABC) needs to be strengthened. It serves no purpose to apportion blame on any institution or individuals.

We should take wisdom from the Japanese's *Kaizen* philosophy that when something is broken, it is not a crisis, but we should view this as an opportunity to fix it. This discussion paper provides all of us, as South Africans, with an opportunity, to thoroughly put the issues of the public broadcaster on the agenda so as to collectively build and ensure that we have a public broadcaster that is best suited for our democracy. This is a vision that started with my predecessor and comrade, Dr. Ivy Matsepe-Casaburri and we should together continue on this path until the vision is ultimately realised. Our next phase is to ensure that the public broadcaster is well positioned and sustainable to be able to fulfill its mandate in a developmental state. This can only happen if sound management and financial systems are in place to ensure that both the management and the Board are accountable to the people of South Africa regarding the SABC's activities and financial expenditure.

While indeed the public broadcaster is expected to play a leading role in development, it cannot do so alone, because development is collective responsibility that the country's entire broadcasting system has to carry. It is on the basis that the Discussion paper contains matters relating to community broadcasting services which have to perform this role at community level, and Sentech as the back bone of any broadcasting system ensuring that broadcasting signal, both radio and television, is ubiquitously available throughout the corners of the Republic. Commercial broadcasting services are included within the context of a major supporting role that they have to perform.

Admittedly, the Discussion paper is quite long with explanatory texts accompanied by over 70 questions. This underlines the magnitude and the complexity of issues at hand which can only be addressed now and here. Every view or input made in this regard will be acknowledged and taken seriously, because this is the foundation on which our vibrant democracy is built.

General (Retired) Sphiwe Nyanda
Minister

AIMS OF DISCUSSION DOCUMENT

During her 2008 Budget Vote speech, the Minister of Communications, Dr Ivy Matsepe-Casaburri said:

On SABC, there has been a national debate about our public broadcaster as a result of the views that emerged out of the Portfolio Committee's hearings. A very positive outcome of this has been a national focus on what our national broadcaster should be; what it should do to meet the needs of all and not some and how it should be governed. The diversity of views across a wide range of factors, including appointment processes and internal management effectiveness, its content, relevance etc. have been expressed. It is evident that both the Executive and Parliament will have to review the legislation and appointing processes to ascertain whether this legislation, drawn up at a particular historical time, is relevant for our current historical conjuncture. The powers given to the appointing authority, the processes of appointing and removing board members, the Public Broadcaster's Charter, and the role of the executive and/or Parliament, clearly need reviewing, without sacrificing the broadcaster's independence but clarifying the nature, content and form of that independence.

In fulfilling its mandate of developing an overarching policy framework for the broadcasting industry, the Department of Communication ('DOC') is embarking on a policy process that is aimed at developing a comprehensive approach to the policy framework for public service broadcasting in South Africa.

The primary purpose of this Discussion Document is to give all the stakeholders an opportunity to inform the process. It is envisaged that the Discussion Document will generate and solicit relevant research as well as a wide range of opinions and comments to inform the policy process and the culmination of this process would be the publication of a Public Service Broadcasting Bill to eventually repeal the Broadcasting Act.

All interested parties are invited to respond to these questions in written submissions, where possible, follow-up discussions will be held on the contents of the submissions with relevant parties. The Discussion Document is structured in the form of questions supported by explanatory and contextual discussions. The Discussion Document is divided into four (4) Parts;

PART A: Public Broadcasting Services

PART B: Community Broadcasting Services

PART C: Commercial Broadcasting services

PART D: Signal Distribution Services

Contact Information

All inquiries related to this discussion paper can be addressed to Dr. Mashilo Boloka Tel; 012 427 8055 or mashilob@doc.gov.za

Submissions

The closing date of submission is 20th August 2009

Note: Earlier submissions are encouraged in order to expedite the process.

Written submissions can be made to the attention of:

Dr. Mashilo Boloka or alternately posted to:

Block A3

399 iParioli Office Park

Duncan Street

Hatfield

Pretoria

Email: mashilob@doc.gov.za

1. INTRODUCTION

1.1. Background

The policy framework ushered by both the Independent Broadcasting Authority Act (IBA) in 1993 and the *White Paper on Broadcasting* subsequent to it in 1999 was a turning point in the ecology of South African broadcasting services. Not only did it transform the public broadcaster from being a government mouth-piece, it eventually brought competition through the unbundling of the SABC by disposing some of its stations to private entities. It further provided new opportunities for the licensing of new entrants both commercial and non-profit oriented community radio stations.

Although these changes have realised the vision of the *IBA Act* and *White Paper on Broadcasting* by enhancing access to and diversity of broadcasting services, they have strangled the dominant power long held by the SABC's radio and television services both at the level of audience and advertising. Although the SABC still remains strong, its audience base is gradually on the decline as is the case with other public broadcasters globally.

In addition to a competitive landscape outlined briefly above, the SABC like any other broadcaster throughout the world exist in an environment rapidly transformed by convergence of technologies and digital migration or the movement of broadcasting systems from analogue to digital. This phenomenon is inevitably being experienced globally. Consistent with world changes, South Africa has made a commitment to start the process of switching off analogue signal with effective from 1 November 2008. The transition from analogue to digital broadcasting services will see a further introduction of additional licences on the broadcasting market. Although this will further add to content diversity and competition to the market, it is expected to inflict further market loss on the public broadcaster in the country.

The changing broadcasting landscape brought by competition, convergence and digital migration, as manifestation of technological development, have become inevitable trends around which broadcasting evolves. For many broadcasting pundits throughout the world, these changes have presented huge challenges regarding the provision of public service by public broadcasters. Throughout the world, these changes have posited questions relating to the future of and the need for public service broadcasting whether it should continue to be the sole responsibility of the public broadcaster. These questions are being asked amid the management and financial crisis besieging the SABC.

Elsewhere, the growing dominance of market approaches in the provision of broadcasting services, including public broadcasting services have raised concerns about the rapid decline in public service broadcasting ethos. With regard to the public broadcaster, these approaches have fuelled concerns for

the justification for public funding. It has always been the Department's view that the issue of the public broadcaster should not be dealt with in piece-meal, but holistically to ensure that South Africa has a public broadcaster that is best suited to our emerging democracy. To this end, the fundamental questions should and continue to be:

- What is the new mandate of the public broadcaster?
- How should this mandate be funded?
- What governance structure should be put in place to ensure public accountability?
- What consistent and transparent procedures should be followed to put the governance structure in place?
- What reporting mechanisms are required to ensure public confidence?

The last few years have seen major reviews for public broadcasting systems taking place in countries such as the UK, Canada, Korea and Australia to deal with the challenges above. In South Africa these issues were expected to be dealt with after the enactment of the Electronic Communications Act ('EC Act') as per the SABC and other industry players' submissions during the EC Act deliberations that it should be dealt with separately. As a result while the larger part of the Broadcasting Act was repealed and carried over into the ECA, chapter IV relating to Public Broadcasting Service and the Charter of the Corporation remained in its entirety.

This discussion paper therefore provides an opportunity for all South Africans to engage in these matters so as to shape the future of public broadcasting in South Africa to serve their needs. While the discussion paper attempts to address the above issues, submissions are welcome on any other issue that inadvertently omitted, but may be relevant to effective functioning of public service broadcasting in South Africa.

The market shakeup and changes outlined above have similarly resonated in the community broadcasting sector, particularly community radio which has been a conspicuous phenomenon in the post-apartheid era to address diversity and access to the media by historically disadvantaged groups. Although licences continue to be issued in this sector, its vulnerability remains evident. This unfortunately occurs despite strong government support and the establishment of the Media Development and Diversity Agency (MDDA). Central to these challenges continue to be the ongoing bickering between the boards and the station's management presumably due to the lack of policy clarity regarding their roles, increasing dearth of community participation at the stations and accountability measures.

The issue of public service broadcasting cannot be adequately dealt with without signal distribution as a backbone for any broadcasting environment. In South Africa; this is largely provided by Sentech as a common carrier obligated to provide broadcasting signal distribution to broadcasting licensees upon request on an equitable, reasonable, non-preferential and non-discriminatory basis subject to its technological capacity to do so. Despite this common carrier status being diluted by the ECA, Sentech is

still obligated to carry broadcasting service licences based on the principles outlined above as a public entity.

In view of these changes highlighted above, a responsive policy is required to reposition the country's broadcasting services not only to these challenges, but more importantly to ensure that in responding to these changes, the public interest ethos fundamental to South Africa's broadcasting policies are not withered nor diluted. It is based on this fundamental premise that public views are sought to inform public service broadcasting policy. The concept of public service broadcasting is premised on the idea that free market will not adequately serve public goods in relation to broadcasting services both in terms of reception and quality.

2. PUBLIC SERVICE BROADCASTING

2.1. Defining Public Service Broadcasting

Within the context of this Discussion Document, public service broadcasting can be defined as a *service that is rendered by any broadcasting service licensee to the public in pursuance of national goals relating to democracy, culture and development.*

Although public service broadcasting is applied in many countries, its scope, nature the manner in which it is applied differs as it is rooted in cultural and social objectives that broadcasting institutions have to serve in the societies in which they are located. It further overcomes the short-term and unpredictable demands of elite consumers by focusing on the national interest. To this end, public service model advocates for state support for broadcasting services in pursuance of public service goals based on the following principles:

- Accountability and responsibility;
- Diversity and choice;
- Contribution to national identity and social cohesion;
- Development.

2.2. General Public Service Obligations

Proponents¹ of public service broadcasting outline the public service obligations as follows:

- Sustaining, defending national culture and cultural diversity
- Fostering democratic process
- Enhancing social, political and cultural cohesion

2.3. The Benefits of Public Service Broadcasting Policy to South Africa

- Consistent with the Digital Migration policy, public service broadcasting policy realigns broadcasting system to the developmental goals of the country;
- It places development at the core of broadcasting services, thus underlining its alignment to South Africa as a development state;
- It places public service not only as a responsibility of the public broadcaster, but all the tiers of broadcasting system, including signal distributors;

¹ See Karol Jakubowicz, *Public service broadcasting: A new beginning, or the beginning of the end?* www.knowledgepolitics.org.za.

- It designs a sustainable funding model for public service broadcasting mandates particularly for the public broadcaster as the leader of public service in a broadcasting environment.

Even in this era of rapid technological development and heightened competition, the broadcasting system should continue to serve the public interest and assist the country in its developmental paths. Thus sustaining, defending national culture and cultural diversity, fostering democratic process enhancing social, political and cultural cohesion, independence, universality and distinctiveness should continue to be the pillars on which South Africa's public service broadcasting system is built.

Policy making should thus no longer be focused only on institutional establishments and their operations, per se, but also the service that an institution is established to perform and thereafter the institutional alignment of that organisation and its funding model in pursuance of that service.

Redefining public service broadcasting should be in a manner that moves beyond the institutionalisation of the services and draws a distinction between *public service broadcasting* and *public broadcasting services*. In view of this, public service broadcasting can no longer be the sole responsibility of the public broadcaster, though it is expected to be a leader in this regard. It is on this basis that this Discussion Document contains sections dealing with other tiers of broadcasting systems in South Africa.

3. PART A: PUBLIC SERVICE BROADCASTING SERVICES

3.1. The Charter for the South African Broadcasting Corporation

3.2. Public Interest Mandate

The South African Broadcasting Corporation ('SABC') is currently the only provider of public broadcasting services in South Africa. The democratic dispensation post-1994 saw the transformation of the SABC from a state controlled broadcasting service to a public broadcasting service. This transformation process was premised on redefining the role of the public broadcaster and aligning it to support the democratic processes already underway.

This endeavor was intended to ensure the establishment of a public broadcaster that was truly reflective of the political, social and economic climate of the country and to serve as a pillar for the regeneration of the South African society.

The Broadcasting Act (1999) provided for the re-licensing of the SABC to reflect and affirm its status as a public broadcasting service. Section (6) (1) of the Act, provides for the SABC Charter wherein its mandate was to be derived. It set the tone and outlined the objectives of the SABC, as a public broadcaster. It has been more than a decade since the establishment and implementation of the SABC Charter.

Although the Broadcasting Act has seen over three amendments processes, the amendments are quite minor as they addressed specific issues than the Charter in its entirety. This Discussion paper seeks to re-visit the Charter and analyse it within the broader context of the developments that have been gradually reshaping the broadcasting industry as outlined in the preceding sections. The crisis facing the SABC seems to suggest that the existing legislative and policy framework has been out-paced by the evolving broadcasting landscape due to technological advancements and the socio-economic climate changes.

Worldwide, Charters are often used as policy documents to re-position public broadcasters for different historical epochs. In this regard, Charters should have a lifespan, its term should be stipulated and the procedure for review clearly outlined. The jurisdictional implications on who should adjudicate the process should be clarified as well. In South Africa, the current legislation makes no provision for the continuous review of the Charter with clear timelines to ensure relevance to industry developments.

Proponents of public service broadcasting argue that in the changing broadcasting landscape the mandate of the public broadcaster can no longer be confined to just the provision of broadcast content that informs, educates and entertains. They are concerned with the relevance of the traditional obligations

or traditional mandates imposed on public broadcasters. The relevance of these traditional mandates in the wake of evolving broadcasting environments brought on by technological developments and competition. In that it is proving even more important that the concept of public service broadcasting should be re-visited and its mandates redefined to understand the need for its existence.

Therefore,

- 1. In view of South Africa as a developmental state and further taking into account technological developments evidenced through convergence and broadcasting digital migration what should the new mandate of the public broadcasters be?**
- 2. What should be the term of the Charter?**
- 3. How should its review be conducted?**
- 4. Are the current procedures responsibilities relating to the charter efficiently and effectively workable?**
- 5. In view of the changing landscape, what should be the new mandate of the SABC as a public broadcaster? Is the SABC mandate, as constituted, still relevant to fulfill national goals in the wake of developments in the broadcasting sector particularly the objectives of the Digital Migration Policy, 2008?**

3.3. Organisation

Section (9) of the Broadcasting Amendment Act provided for the reorganisation of the Corporation to consist of two operational divisions, public service division and the commercial service division. The existence of the public service division is premised on the execution of the mandate of the SABC as outlined in section (8) of the Broadcasting Act, whereas the commercial service division is set to exist and be regulated like any other commercial broadcaster and to primarily subsidise the public service division. Currently, Channel Africa and SABC International, which are the SABC's international operations, are not defined by any legislative and policy framework although they are financially administered by the SABC. This has effectively meant that they have managed to fall outside the scope of broadcasting policy and are proving to be a policy nightmare as existing policies are not able to deal with their reality as international services. Although these services are considered not to be broadcasting licensee but channels packaged by the SABC for broadcasting on the satellite platforms, much thought has to be given in how they are absorbed into the organisation so that they fall within the realms of broadcasting policy.

The SABC was granted regional television licenses after an application process as per the provisions of section 22A of the Broadcasting Act, as amended. They were to be funded by money appropriated by Parliament, grants, donations and sponsorships and compliment the national broadcasting mandate of the SABC by providing for regional marginalised languages and promotion of cultural diversity. However, the condition for issuance of these licenses was based on the ability of these services securing funding

which has proved to be a problem for the public broadcaster. As a result, regional television is yet to take off despite being mooted as far back as 2002.

Broadcasting Digital Migration does not only provide opportunities for the public broadcaster. It further imposes additional obligations relating to the provision of new developmental channels, including three regional ones. All these changes points to an inevitable reorganization of the public broadcaster. In view of this,

- 6. Is the reorganisation as envisioned by the Broadcasting Act still relevant for public service broadcasting taking into consideration the technical developments outlined above and the various services that it continues to introduce, including its international services, Channel Africa and SABC International?**
- 7. What should be the role of its international services? In view of the objectives for the international services, should SABC International be made available free-to-air domestically?**

3.4 Funding Framework

The Charter prescribed a funding model for the public broadcaster to generate revenue. Benchmarked against democratic international jurisdictions, generation of revenue was aligned to the objective of its existence and was premised on the preservation of the public interest mandate and the protection of its viability. The Charter provides for a Hybrid funding model for the public broadcaster without prescribing limitations on the different streams. *Section 8 (b) of the Broadcasting Amendment Act, 2002, provides that the public broadcaster's objectives ...are to be funded by advertisements, subscription, sponsorship, license fees or any other means....*²

Although the SABC had been reorganised into the public and commercial wings, there was no clear legislated distinction in how these divisions were to generate revenue given their respective objective of existence. The public service division in terms of its license condition had more public interest programming obligations while at the same time was subject to the commercial talons through the generation of revenue from commercial activities. Section 10(2) of the Broadcasting Amendment Act provides that the public wing of the SABC *may draw revenue from advertising and sponsorships, grants and donations, as well as license fees levied in respect of the licensing of persons in relation to television sets, and may receive grants from the state.*

The commercial division of the public broadcaster was to exist and function like any other commercial broadcasting entity as per the provisions of *section 11(a) which states that it be subject to the same policy and regulatory structures as outlined in this Act for commercial broadcasting services.* The definition for commercial broadcasting services is defined along revenue generation in the Broadcasting Act wherein it

² Broadcasting Amendment Act, 2002

is stated that a '*commercial broadcasting service means a broadcasting service operating for profit or as part of a profit entity but excludes any broadcasting service provided by a public broadcasting service licensee.*'³

This meant that the commercial division of the public broadcaster was recognised as a commercial entity within the umbrella license of the SABC. Its primary objective amongst others was to provide subsidies for the public services to the extent recommended by the Board and approved by the Minister. The legislation does not specify the amount of such subsidies and reporting mechanism to ensure that happens in accordance with the objectives of the legislation. This is further complicated by the fact that the public service division has demonstrated to accumulate more revenue in advertising than its commercial counterpart.

- 8. How should the public broadcaster be funded?**
- 9. Is the hybrid model sustainable in a multichannel environment and how can it be revised?**
- 10. Should there be a distinction between the revenue streams for both public and commercial divisions?**
- 11. What mechanisms should be put in place to ensure that the commercial division fulfills its obligations in respect of subsidising the public division as per the objective of the legislation?**
- 12. How should Channel Africa and SABC international be funded, especially if it has to be available domestically free-to-air?**
- 13. What about regional television which despite being provided for in the Broadcasting amendment Act 2002, is yet to take off due to lack of funding, thus underlying the difficulty of the funding model proposed in the Act? How should it be funded? Should provincial funding be considered in this regard?**
- 14. Depending on the proposals on the funding model, how can we ensure that the public service division's funding ensure and promotes the public interest mandate?**
- 15. Should there be financial accountability mechanisms instituted in conjunction with the provisions of the PFMA Act, to ensure transparency in expenditure?**

3.5 Public Funding

Public funding comprises licence fees and government funding through direct transfers.

3.6 Licence Fees

The license fee model has proven to be a major source of revenue for many public broadcasters throughout the world. In South Africa, the collection of TV license fees is governed by Section 10 (2) of the Broadcasting Act, which provides that the public broadcaster may draw revenue from television

³ Ibid.

licenses levied in respect of the licensing of persons in relation to a television set. According to the IBA Act television license means 'a current and valid written license issued in terms of this Act for the use of a television set'⁴ and subsequently the fee payable means a 'fee prescribed in terms of the Broadcasting Act and payable for the use of a television set'. Section 27(1)(a) provides that *no person may use any television set unless such person is in possession of a television license issued by the Corporation against payment of the prescribed fee for each television set so used or unless exempted by regulation..'* The Broadcasting Act also stipulates' *that any person or business entity possessing or using a television set must have a valid (paid-up) license for that set..'*

Irrespective of whether a TV set is used to view SABC TV, or other broadcasters' television services or only videos and/or DVD's, a valid license is required. In fact, the license remains payable even if a TV set is not used at all. The payment is dependent on ownership of a television set. This translates to the fact that the revenue base of the license fees in South Africa is dependent on the penetration of the television set in the country.

- 16. Should television ownership method still be justified as a requirement for a television license even when television receivers are no longer the sole means broadcast content is distributed?**
- 17. Should Section 27(1)(a) be revised to incorporate the use of any television receiving equipment such as a digital box, DVD or video recorder, PC, laptop or mobile phone to watch or record TV programmes as they are being shown on TV?**
- 18. In view of technological changes, can license fees be maintained as a revenue stream for funding public broadcasting services?**

3.7 Collection System and Administration

The SABC has been empowered with the responsibility to collect license fees. The SABC's Audience Services Division (ASD), is an internal division responsible for license fee collection and of the TV license system. The division is assisted by a number of entities and private suppliers including retailers, the Post Office and Private Legal Firms, some of which do charge the SABC collection and administration fees. The SABC's Annual Report stipulated the difficulties associated with collection of the license fees. Thus, of the R739 million collected from license fees, R201 million was used for collections and administration resulting in only R539 million transferred to public broadcasting service. This is further compounded by the fact that of the 8 057 000 households that had television sets in 2007, 2.67 million were fully paid, 2.56 million had made partial payments and 88 000 had taken out a TV license but had made no payments at all and 1.2 million had made a single payment at the time of purchasing a television set.

⁴ Broadcasting Amendment Act, 2002

In the UK the public broadcaster, BBC, is authorised by the Communications Act, of 2003 to collect license fees. The money received is first paid into the Government Consolidated Fund. It is then subsequently included in the vote for the Department of Culture Media and Sport in that year's Appropriation Act, and then passed on to the BBC for the running of its own services free from commercial advertisements. The license fee is classified as a tax. Since 1991, collection and enforcement of the fee is the responsibility of the BBC in its role as TV Licensing Authority. It subcontracts the obligation to commercial organisations trading jointly under the name TV Licensing. The BBC Trust is entrusted with the guardianship role over the license fee revenue; it has the ultimate responsibility subject to the provisions of the Royal Charter. It is established by an act of Parliament as the guardian of the license fee revenue and the public interest. It thus, has stewardship of the license fee revenue and its other resources.

In Germany the TV license is collected by GEZ, a TV license collection Agency. All television receivers' sales and owners' details are registered with GEZ at the point of sale thus it is responsible for collection of license fees.

In South Korea, the television license fee is collected for Korean Broadcasting Services (KBS) and EBS by the national electrical company, built in electricity bills.

- 19. Should the collection of license fees be the responsibility of the SABC or another statutory organization that will also manage and distribute funds collected in this manner?**
- 20. What activities of the public broadcaster should be funded by the licence fees?**
- 21. What mechanisms should be in place to ensure transparency in revenue generated through licence fees?**
- 22. What other methods can be utilised for the collection of television license fee to address non-payment?**
- 23. Subject to the continuation of license fees as a revenue stream, should a separate agency be identified or established to collect and distribute licence fees?**

3.8 Economic Constraints: Affordability

The license fee model has proven to be a major source of revenue for many public broadcasters throughout the world. However, the current license fee system has proven difficult to apply in South Africa both from a collection and sustainability fronts. The amount on license fees payable is not sustainable as it is incremental, based on disposable household income, and at times this model is applied universally across the population. This means that as the amount inevitably increases and the socio-economic situation changes, many poor households will struggle to keep up with it, thus resulting in high rate of non-payment.

In a country like South Africa this difficulty goes beyond collection inefficiencies. It is inevitably a socio-economic issue, which undoubtedly affect the financial position and the viability of the public broadcaster in pursuance of its public service mandate. 80% of the South African population survives on government grants and 40% earn below R2 500, which effectively means that the sustainability of the license fee model will prove even more difficult. The Bureau of Marketing Research Report, revealed that over 77% of the country's population earn below R50 000 per annum. The SABC in its Annual Report further confirmed the reality when it indicated that there are 3.1 million households in LSM's 3-5 category, who because of lack of disposable income will not be able to pay the annual license fee of R225.00. The inflationary and incremental nature of the license fee further aggravates the problem, as the amount inevitably increases, many poor households will struggle to keep up with it. The volatile South African markets make it even difficult for the license fees to be regarded as a sustainable source of income for the public broadcaster. Despite being a huge potential of sustaining the public broadcasting, the scenario described above underlines the difficulties inherent in the license fee model.

- 24. In view of the economic constraints and South Africa's economic profile, what should be the future of license fees as a revenue stream for sustaining public broadcasting services?**
- 25. Should the license fees funds continue to be directly payable to the SABC?**

3.9 Government Funding

Throughout the world, government funding has always been a major source of funding and sustaining public broadcasting services. However, as countries in many parts of the world have shown, including Canada and Australia, it has proven to be inadequate in the era of high programme costs. In many developing countries wherein this form of funding has to fiercely compete with other pressing social and infrastructural needs like housing security, education and water and sanitation and so forth, the situation has been more desperate.

In South Africa, this has been accounting for between 2-4% of the total SABC revenue and it has been largely for infrastructure projects. There have been vociferous calls for more government funding for the SABC to save the public broadcaster from competing for advertising thus compromising its public service mandate.

- 26. What sustainable percentage should constitute government funding, as a revenue stream, for public broadcaster?**
- 27. What should this type of funding be used for? Should the commercial service division be exempted from government funding?**