National Association of Broadcasters

Background Research for the Local Content Inquiry February 2001.

FINAL REPORT

Contents

1 Executive Summary

Background Local content quotas were implemented in November 1997 by the then Independent Broadcasting Authority. In December 2000, the Independent Communications Authority of South Africa released a discussion paper as a background to a review of the existing local content regulations.

The National Association of Broadcasters has commissioned KPMG to undertake background research to inform their submission to ICASA.

Methodology KPMG undertook a combination of:

- Desk-top research;
- Interviews with benchmark broadcast authorities; and
- A comprehensive survey of South African radio and television broadcasters.

Report structure The report is divided into two parts dealing with radio and television broadcasting respectively. Each part has three sections:

- Section one analyses trends in international local content regulation by reviewing regulation in Australia, Canada, Ireland and Nigeria;
- Section two assesses the impact of local content regulation; and
- Section three reviews the responses of broadcasters to the KPMG survey.

KEY FINDINGS

Radio

International benchmarking KPMG's benchmark research revealed increasing shifts in benchmark territories to increase the flexibility of local content quotas.

Local content in South Africa Our research shows that radio broadcasters:

- Substantially comply with the existing local content regulation;
- Make considerable efforts to comply with the local content regulation; and
- Make direct and in-direct financial contributions to strengthen the South African music industry.

Increased quotas 29% of broadcasters argued that there was insufficient local content to support the existing local content quota of 20%. The limited supply of music in the genres in which they were licensed to broadcast compelled them to play South African music on high rotation.

Over 60% of broadcasters argued that there was insufficient South African music to support a local content quota of 40%.

23% of broadcasters argued that there was sufficient content to meet a local content quota of 50%. However, these broadcasters formats are constituted by genres in which there is a high supply of South African music.

Flexibility

Over 95% of radio broadcasters stated that the definition of local content should be flexible enough to recognise in-kind contributions to the development of SA music.

79% of broadcasters argued that the regulations should be expanded to allow for format, language and category of licence to be taken into account when setting local content levels.

Television

International benchmarking

KPMG's benchmark research revealed efforts in the benchmark territories to:

- Provide incentives for the production of more expensive formats; and
- Increase flexibility in the definition of local content.

South Africa

Our analysis has shown that South African broadcasters have invested considerably in building the domestic television production. Some channels spend in excess of 70% of their commissioning budget on purchasing local content.

Local content has been successful in attracting high audiences.

Television production

Channels have awarded commissions to 170 production companies, this demonstrates a high level of commitment to the sector.

Flexibility

Television broadcasters agree that more flexibility needs to be introduced into the regulation of local content. However there is slight disagreement within the sector on the appropriate forms of flexibility.

CONCLUSION

The broadcast sector has substantially complied to local content quotas as well as contributed to the strengthening of the local music and television production sectors above the requirements set by ICASA. The sector would like to see greater flexibility and incentives built into local content legislation. This would be consistent with practice in the benchmark territories.

2 Introduction

2.1 Background

The South African Music and Television Local Content Regulations came into effect in November 1997, compelling all television and radio broadcasters to comply with local content quotas. The regulations required that the then Independent Broadcasting Authority (IBA) review the local content quotas after 3 years with a view to increasing the quota. Consequently, the Independent Communications Authority of South Africa (ICASA) published a discussion paper in December 2000 for public comment and will be holding hearings in March 2001 to discuss the review of the existing quotas with all industry stakeholders.

It is in this context that the National Association of Broadcasters (NAB) commissioned KPMG to undertake research on its behalf, in preparation for the NAB's submission to ICASA. KPMG's terms of reference include:

- Review local content regulation and policy in four benchmark territories;
- Analyse the impact of local content quotas on the South African music and television production industries since 1997; and
- Undertake the first comprehensive survey of South African radio and television broadcasters to assess their requirements in relation to meeting the requirements of local content regulation.

2.2 Methodology

In undertaking this work, KPMG has reviewed local content legislation and policy and its impact on domestic recording and production sectors in four territories, namely:

- Australia;
- Canada;
- Ireland; and
- Nigeria.

The first two territories were selected on the basis of the sophistication of their local content policies. Ireland was selected on the basis of its reputation as a fast-growing economy characterised by strong efforts to grow its creative industries. Nigeria was selected in order to provide comparison with another developing African country.

We have analysed industry trends within South Africa over the period during which local content regulations were introduced. It is important to note that while these various trends coincide with the introduction of local content, it is difficult to determine the nature of the relationship between broad industry trends and the introduction of local content regulation. Local content regulation is one variable of many which has impacted on the development of the South Africa creative industries over the past three years.

As part of our research, KPMG surveyed all radio and television broadcasters who are NAB members. The response rates to the survey were as follows:

- 83% of commercial radio stations;
- 23% of community radio station[i];
- 100% of public service radio stations;
- 100% of television broadcasters.

2.3 This report

Part one of the report concentrates on the radio broadcasting sector and part two on the television broadcasting sector. Each part is divided into three sections:

- Section one analyses local content regulation in the benchmark territories;
- Section two reviews South African industry trends since the introduction of local content quotas; and
- Section three discusses broadcasters' responses to the survey.

An appendix provides a quantitative breakdown of broadcasters responses to the survey referred to above.

3 Radio Broadcast

3.1 Introduction

In this section of the report we discuss:

- Developments in the benchmark territories;
- Trends in the South African market; and
- South African broadcasters response to the local content review.

3.1.1 Radio broadcast business models

The radio broadcast business is characterised globally by two business models:

- Public service broadcast; and
- Commercial broadcast

Typically, public service broadcast relies on licence fees or government transfers for its operating expenditure. Commercial broadcast, by contrast, is largely reliant on advertising revenue to generate income.

In South Africa, the business models are somewhat blurred as public service broadcasters also compete for advertising expenditure. Broadcasters compete for advertising share by attracting audiences with their programming which they can then sell to advertisers who pay to access that audience. Internationally, radio broadcasters derive approximately 90% of their revenue from advertising. Accordingly any assessment of the impact of regulation on radio broadcasters must take cognisance of its implications for audience levels.

3.1.2 Global trends

The Internet is increasingly important in the radio broadcast industry. In the U.S. more than 1200 radio station are currently streaming their signals on-line. Internet streaming, together with the impending launch of satellite and digital radio, will further intensify the fragmentation of the broadcast industry. UBS Warburg reports that this fragmentation will radically heighten the competition for advertising revenue by all radio broadcasters as well as complicate the legislative environment (Standard and Poor's, 2000).

3.1.3 South Africa

The South African industry has had to adapt to a considerably liberalised radio broadcast environment and adhere to local content quotas, since November 1997. The existing local content regulations came into effect in November 1997. The regulations apply to "the holder of any category of sound broadcasting licence, which devotes 15% or more of its broadcasting time during the performance period to the broadcasting of music" (ICASA 2000). Broadcasters to whom these regulations apply are obligated to ensure that at least 20% of the music works broadcast in the performance period consist of South African music.

3.2 The international benchmark territories

3.2.1 Introduction

KPMG has reviewed local content legislation and policy and its impact on domestic recording and production sectors in four territories, namely:

- Australia;
- Canada;
- Ireland; and
- Nigeria.

3.2.2 Local content definitions

Canada defines a musical selection as "Canadian content" when it fulfils at least two of the following conditions; the:

- Music is composed entirely by a Canadian;
- Music is, or the lyrics are, performed principally by a Canadian;
- Musical selection consists of a live performance that is:
    - recorded wholly in Canada; and
    - performed wholly in Canada and broadcast live in Canada; and
- Lyrics are written entirely by a Canadian.

This definition is consistent with the definition of South African music currently used by ICASA.

3.2.3 The objectives of local content

Local content regulation in the benchmark territories aims to promote the development of cultural identity through the broadcast of domestic music.

The Australian Broadcast Authority captures the intention of local content regulation as promoting "the role of broadcasting services in developing and reflecting a sense of Australian identity, character and cultural diversity by prescribing minimum content levels of Australian music" (ABA 1999).

The objectives of local content quotas in Canada have been set out by the CTRC as being to:

- "Ensure that Canadian artists and their works have access to Canadian airwaves; and
- Support a Canadian-based music and recording industry" (CRTC 1998).

The Irish and Nigerian local content systems have similar objectives of cultural protection and economic development, although the Irish system makes accommodation for regional cultural requirements. Accordingly, South Africa's local content regime is consistent with that of the benchmark territories.

3.2.4 Local Content Quotas

Table 1 demonstrates that South Africa's local content quota requirements are similar to that of Australia's, although the current regulations do not allow for the flexibility which characterises the Australian regulatory system.

Table 1: Local Content Quotas in Benchmark Territories

COUNTRY	QUOTA LEVEL
South Africa	20% across the board
Australia	Quotas for commercial radio stations are: ■ Mainstream Rock album oriented rock contemporary hits top 40 alternative not less than 25%; ■ Hot/Mainstream Adult contemporary country classic rock not less than 20%; ■ Soft adult contemporary hits & memories gold – encompassing classic hits news talk/sports talk not less than 15%; ■ Oldies easy listening easy gold country gold not less than 10%; and ■ Nostalgia jazz NAC (smooth jazz) not less than 5%. Community stations have to play: ■ Not less than 20% Australian music items for stations with diverse formats serving the general community ■ Not less than 10% Australian musical items for ethnic and classical stations.
Canada	The local content quota is set at 35% for the majority of broadcasters. The quota was increased in 1999 from 30%, 13 years after the introduction of Radio Regulations in 1986. French radio has a 65% local content requirement for French language music to ensure the protection of Canadian francophone culture. Possible exemption for stations whose formats are based on older music, to take into account the limited supply of Canadian music in that format.
Ireland	No national regulation, determined on the basis of stations license conditions.
Nigeria	60% across the board.

Source :KPMG interviews, ABA and CRTC

In recognition of the fact that there is a limited supply of Australian music in particular genres, the Australian Code of Good Practice, October 1999 established a *variable local content quota* across 5 broad categories of music ranging between a **minimum of 5%** and a **maximum of 25%** local content, namely:

- Mainstream Rock album oriented rock contemporary hits top 40 alternative not less than 25%;

- Hot/Mainstream Adult contemporary country classic rock not less than 20%;

- Soft adult contemporary hits & memories gold – encompassing classic hits news talk/sports talk not less than 15%;

- Oldies easy listening easy gold country gold not less than 10%; and

- Nostalgia jazz NAC (smooth jazz) not less than 5%.

As will be seen below, a variable local content quota has strong resonance in South Africa, where broadcasters are faced with limited availability of local content in particular genres.

Canadian radio also has a variable quota system although less flexible than that of Australia's:

- The local content quota is set at 35% for the majority of broadcasters. The quota was increased in 1999 from 30%, 13 years after the introduction of Radio Regulations in 1986;

- French radio has a 65% local content requirement for French language music. This is to ensure the protection of Canadian francophone culture; and

- The CRTC is favourably inclined to allowing those stations whose formats are based on older music to broadcast a lower local content level, to take into account the limited supply of Canadian music in that format.

Nigerian broadcasters have to conform to an across-the-board local content quota of 60%. However, limited current information is available on the state of the music production industry and broadcast industry in Nigeria. Indications are that monitoring and enforcement mechanisms are weak, opening the possibility for non-compliance by broadcasters.

Ireland has the highest level of flexibility in the benchmark territories with local content requirements being determined in the licence conditions of individual radio stations.

None of the benchmark territories recognise 'in-kind' contributions as contributing to the attainment of local content quotas. However, in both Canada and Australia, in-kind contributions are acknowledged as important contributors to the growth and profile of the domestic music industry.

3.2.5 The impact of local content on industry development

Table 2 demonstrates trends in the consumption of domestic repertoire over the last five-year period. It is striking to note that the percentage sales of domestic music by value in South Africa is similar to those in Australia, Canada and Ireland.

Interestingly, only Australia displays significant growth (of 69%) notwithstanding the fact that all these territories have sophisticated local content regulations[ii] and even Australia has yet to recover the level of domestic consumption (23-4%) that it enjoyed in the early 1990s.

Table 2: Percentage of value contributed by product of domestic origin, excluding multi-artist product

	1994	1999
Australia	11.7%	19.8%
Canada	10%	11%
Ireland	16%	13%
Nigeria	69%	No data available
South Africa	19%	21%

Source: IFPI 2000

The growth in South Africa, of domestic market share by value by 10.5% from 19%, in 1994, to 21%, in 1999, is significant. However, domestic repertoire has yet to recover the market share of the early 1990s (see below).

Simultaneously, each of these countries (with the exception of Nigeria) has seen investments in their music industries to enhance both their production and export capacity.

Given that only Australia has experienced substantial growth in value and that in the context of other industry development initiatives, it is difficult to conclude that there is any direct correlation between local content quotas and industry growth in the benchmark territories.

3.2.6 Monitoring mechanisms

The local content regulatory regime in the Nigerian and Canadian territories is governed directly by the regulator who received submissions from the industry. This is consistent with the model currently used by ICASA.

The Irish monitoring system is composed of two elements:

- The Independent Radio and Television Commission (IRTC) monitors all community and commercial radio stations; and

- The Radio Telefis Eireann (RTE), which monitors all public service stations.

The Australian model is based on a cooperative approach to laying the foundations for the development of both the Australian broadcast and music industries. The Australian Music Performance Committee (AMPC) – a voluntary association comprised of representatives of broadcasters, record companies, music publishers and musicians – monitors adherence to local content quotas. The AMPC meets quarterly with the intention of maximising "… the exposure of Australian music on commercial radio stations, having due regard to the availability of appropriate broadcast-worthy material and the needs and preferences of the Australian listening public". In order to facilitate this objective:

- Broadcasters provide 6-monthly reports on their performance in relations to the code; and

- Record companies provide regular reports on the production and availability of sound recordings of Australian and non-Australian music in the categories identified by the code.

This structure provides a mechanism for proactive dialogue between the broadcast and music production industries to ensure that both the compliance and supply needs of the respective industries are met.

3.2.7 Obligations on the recording industry

In both Australia and Canada, the broadcasting regulators emphasise the need for the domestic recording industry to demonstrate a commitment to the production of new sound recordings for broadcast. The Australian voluntary monitoring system furthers this obligation by creating an obligation on the recording industry to report on the recording and production of new sound recordings. In both territories it is recognised that this requires the industry to develop a system to monitor production in various genres.

3.2.8 Conclusion

While there is little evidence to support a direct correlation between growth of the recording industry and local content quotas in the benchmark territories, the regulators have continued to maintain local content quotas in order to ensure continued production of domestic music. However, there is undoubtedly a trend towards variable quotas to acknowledge the peculiar conditions faced by individual or categories broadcasters. This trend is characterised by:

- Including local content requirements in licence conditions;

- Creating local content requirements that reflect the availability of domestic music; and

- Allowing for exemptions in instances where there is insufficient local content to meet quota requirements.

Such flexibility is recognised as necessary in order to strengthen domestic music industries, cultural identity and to ensure that broadcasters can serve their audiences' needs.

3.3 Developments in the SA Music and Radio Broadcast Industries, 1995-1999

3.3.1 Growth trends

3.3.1.1 Radio Stations

Advertising revenue grew from R658.1 million in 1996 to R925.7 million in 1999 an absolute increase of 40.7% over the period. When discounted for inflation this amounts to a real increase of 16.4%, between 1996 to 1999, or 4.1% per annum (Mediashop 2000).

During 1998 advertising revenue declined by 4% after being discounted by media inflation. The sector experienced a slight recovery in 1999 with a moderate 3% growth of inflation discounted advertising expenditure. The pattern of advertising expenditure closely follows the economic performance of the SA economy.

Table 3: Trends in radio broadcast, 1996-99

	1996	1997	1998	1999
Radio Stations	95	120	120	110
(Rm)	658.1	725.7	795.3	925.7
Absolute Growth %	-	10.27	9.59	16.3
Media Inflation %	-	17.2	13.8	13.2
Growth discounted for MIW %		- 7.07	-4.21	3.1
Market share %	12.8	11.8	10.97	11.7

Sources: Media Manager 2000; Media Inflation Watch 2000; Mediashop 2000

Radio continues to command approximately 11% of total media advertising expenditure, a position that is virtually unchanged since 1989. Thus there has been little change in the aggregate level of advertising expenditure since the introduction of local content quotas.

Figure 1: Radio broadcasters' share of advertising expenditure, 1989-1999

Source: NTC Publications 2000

However, as demonstrated in Table 3, the liberalisation of the airwaves in 1995 dramatically increased the number of radio media opportunities available to media buyers. In December 1995 there were only 71 radio stations on air. By the end of 1999 there were 110 stations on air – constituting a 55% expansion in the available radio media opportunities (Source OMD: 2000).

This expansion in the number of broadcasters has been a key driver in competition for audiences and therefore advertising revenues. Broadcasters attract audiences on the basis of their formats. A considerable part of broadcasters' formats are the genres in which they broadcast. If there is insufficient domestic production in the genres that constitute a broadcasters product offering, the broadcasters efforts to build and maintain audiences may be compromised. It is at this level that local content legislation affects competition between stations for advertising revenue.

Figure 2 [iii] shows the audience share held by public service, community and commercial radio stations between 1997 and 2000. The analysis shows that commercial radio stations have lost 3% market share to public service broadcasters and community broadcasters.

Figure 2: Radio audience share, 1997 to 2000

Source: KPMG analysis of Radioactive data

3.3.1.2 The music recording industry

The number of record companies in South Africa has expanded steadily over the past few years. Importantly this has included the re-entry of 3 of the major companies after 1990. The number of Recording Industry of South Africa (RISA), formerly the Association of the South African Music Industry, (ASAMI) registered record companies expanded from 104 in 1997 to 140 at the end of 1998. This expansion in the number of local record companies has meant an increase in investment in the production of local content and has led to more South African music being produced since the introduction of the local content quota. A good example of this is BMG Records, who opened a company in South Africa in 1992 and have invested considerable money in the production of domestic music, notably *kwaito*.

Sales of domestic repertoire declined from constituting 41% of the South African market's value in 1991 to 21% at the end of 1999.

Figure 3: Trends in music sales for South Africa, 1991-99

Source: IFPI 2000

Figure 3 demonstrates that the 1990s saw an overall decline in domestic music's share of the South African market by value. Within 1990s, the years between 1995 and 1999, saw growth in the sale of domestic music by value but this was insufficient to offset the dramatic decline in market share by value that occurred in 1993/4. Thus, the decade ended with South African music holding less market share by value than at the beginning of 1990.

The strengthening of the domestic music industry between 1995-99 was underpinned by:

- Increased investment in domestic music by record companies, in particular the majors leading to a greater diversity and quality of sound recordings;
- The emergence of new genres such as kwaito that have increased sales;
- The licensing of new radio stations to broadcast emerging South African genres;
- International exposure of South African music at trade shows and music festivals; and
- Increased consumer demand driven by moderate economic growth.

Figure 4: Percentage growth of domestic repertoire by value, 1995-99

Source: IFPI 2000

As demonstrated by Figure 5 there has been very little change in the number of best selling (gold, platinum, double platinum and multi-platinum) albums between 1997 and 1999.

Figure 5: Number of best-selling albums, 1997-99

Sources: Asami and FNB SAMA

3.3.2 Industry supply-side measures

In the last 5 years, the South African music industry has benefited from a range of new interventions, which have contributed to the strengthening of the industry. These include:

- The Department of Arts, Culture, Science and Technology commissioned a Cultural Industry Growth Strategy, which included the music industry, in 1997-98. Some of the recommendations in that strategy, such as the expansion of Department of Trade and Industry supply-side measures to include cultural industries, have subsequently been implemented;

- The expansion of the Export and Marketing Export Incentive Scheme, which now funds the attendance of South African record companies at international trade fairs;

- The Music Industry Development Initiative (MIDI) launched a successful South African Music Day in 1999. SA Music Week followed between 28 August and 2 September 2000. In both instances, MIDI reports having received substantial support from both radio and television broadcasters to promote South African music; and

- The inclusion of South African musicians in government trade and other missions.

The industry also awaits the report from the Music Industry Task Team, which has reviewed issues such as needle-time and has made appropriate policy recommendations. Altogether, these initiatives have contributed to the level of investment and exposure supporting the development of the domestic industry as well as the international presence of South African music. The strengthening of these initiatives together with an effective implementation of more recent initiatives such as the Skills Development Levy and Small and Medium Enterprise Development Programme are critical to creating a strong South African music industry.

3.3.3 Conclusion

Domestic repertoire's share by value of the South African market has declined over the course of the decade. Nevertheless, sales of domestic repertoire have increased steadily since 1995 although still not attaining the market share of the early 1990s.

Since 1995, the radio broadcast and music recording sectors have been characterised by:

- The introduction of local content quotas;
- An expansion in both the numbers of radio broadcasters and record companies;
- The emergence of radio stations serving regional markets or niche markets;
- Increased investment by record companies in domestic music;
- Heightened international exposure of the South African market;
- Increase in the variety of South African music genres being recorded and broadcast;
- Supply-side measures introduced by the Departments of Arts, Culture, Science and Technology (DACST) and the Department of Trade and Industry (DTI) to provide support to the music industry; and
- A variety of other industry development initiatives.

Undoubtedly, it is the combination of all these industry interventions that has contributed to the revival in the domestic music industry over the last five years.

3.4 Local content quotas in South Africa; broadcaster responses to the KPMG survey

3.4.1 Compliance levels

Thirty-two of the thirty-three broadcasters (97%) who responded to the KPMG survey supported the principle of local content quotas. The only broadcaster that did not support this principle served a minority interest group for whom little domestic music was produced. The commitment of the sector is demonstrated by the time that broadcasters devote to ensuring compliance to local content regulations. The radio broadcast sector spends a total of **287 hours per week** filling out log sheets (an average of 5.2 hours per week per station). The management of radio stations spend a further total of **259 hours per week** ensuring that the log sheets are accurate (an average of 4.7 hours per week per station).

Broadcasters' commitment to meeting the local content quotas is further demonstrated in the October 2000 Monitoring Report of the Monitoring and Complaints Unit of ICASA. Of the 27 public and commercial radio stations:

- 23 (85%) met the local content requirements;
- 2 (7.5%) did not submit logsheets for monitoring; and
- 2 (7.5%) did not meet local content requirements.

This demonstrates a high degree of compliance to the existing 20% quota.

3.4.2 Local content production levels

Although 97% of broadcasters support the principle of local content, as Figure 6 demonstrates, there are a substantial number who believe that there is insufficient local content to support higher local content quotas:

- 77% state that there is insufficient local content to support the introduction of a 50% quota;
- Broadcasters are almost equally divided on the issue of whether or not there is sufficient local content to support a 30% quota; and
- 71% of broadcasters argued that there was sufficient local content to support a quota of 20%, although 29% argued that there was insufficient local content for the existing quota. This is because the formats in which they are licensed to broadcast require genres in which there is limited domestic production.

The 29% of broadcasters, who argued that there was insufficient local content for the existing quota, stated that there was insufficient local content, in the genres, which they are licensed to broadcast to meet the 20 % quota. Accordingly, they were compelled to play local content in those genres at high rotation in order to be able to meet the local content quota and conform to their licence conditions.

Figure 6: Is there sufficient local content for increased quotas?

Source: KPMG Survey

From the survey, broadcasters indicated that substantially increased local content quotas, in the absence of sufficient high quality local content in the genres which they broadcast would force them to play both lower quality product and good quality product at high rotation. This would undermine their product offering; thereby negatively affecting their ability to attract audiences and advertising revenue.

Twenty-six of the thirty-three broadcasters who responded to the survey estimated that the local music industry needed to increase production in order to enable broadcasters to meet a 50% production. The exceptions to this are seven public service broadcasters who already broadcast close to or in excess of 50% local content. These radio stations broadcast in languages and genres in which there is considerable local product which appeals to their audiences.

Commercial radio stations argued that they would on average require a 123% increase in the production of local content in order to meet a 50% local content quota. This is largely because the formats in which they broadcast require genres in which, they argue, there is insufficient production by the domestic music industry.

Figure 7: Percentage increase in local production required to meet a 50% local content quota

Source: KPMG Survey

KPMG have encountered limited information on the supply of local content in the various genres, which radio stations broadcast. Accordingly, to estimate the levels of domestic music production in various genres, KPMG requested broadcasters to estimate the number of local and international samples, which they received from record companies as a proxy for the supply of local content in the various genres. While this is not an accurate reflection of the overall supply of local content, it is a useful indicator of how much new local material radio stations receive[iv].

The results in Figure 8 show that in genres that are specifically South African, such as *Maskandi, Mbhaqanga* and *Kwaito* there is an overwhelming supply of local content samples to radio stations. Radio stations also receive high levels of local samples in *gospel* and *vocal* – both genres in which South Africa enjoys strong production (3 of the 4 multi-platinum albums in 1999 were gospel). Samples of *jazz* are almost equally divided between international and local content reflecting South Africa's deeply entrenched jazz history.

Figure 8: Genres in which radio stations received a majority of local content samples over the past year

Source: KPMG Survey

As shown in Figure 9, radio stations have received fewer domestic samples in genres such as *Adult Contemporary, Pop* and *Rock,* which form the backbone of most commercial radio stations' formats. For example a station broadcasting in a Contemporary Hit Format would require music production in the Pop, Rock, R&B, Rap and dance genres, all genres in which radio stations receive more international music samples than domestic music samples. Six of the commercial broadcasters that responded to the KPMG survey identified their format as Adult Contemporary. The limited supply of local content in those genres, forces stations licensed to broadcast in those genres to put local content on high rotation or play local content music of a quality lower than that of international product in the same genre in order to meet local content quotas.

Figure 9: Genres in which radio stations have received a majority of international content samples during the past year

Source: KPMG Survey

This differential supply of local content is reflected in the fact that the majority of radio broadcasters support the principle that local content regulations should be expanded to allow for format, language and category of licence to be taken into account when setting local content quotas. The support of this principle was as follows:

- 80% of public service broadcasters;
- 80% of commercial broadcasters; and
- 86% of community broadcasters.

Some broadcasters have argued that because of the limited supply of local content in specific genres, ICASA should be able to grant exemptions to the quota. However, as is demonstrated in figure 10 the broadcast community was divided on the suitability of such a proposal.

Figure 10: Support for ICASA granting exemptions to the local content quota

Source: KPMG Survey

However, figure 11 shows that more broadcasters were in favour of licence conditions, rather than regulations, reflecting how they would make their contribution to meeting the local content quota. This would enable the Authority to make allowances for conditions peculiar to each broadcaster. Such flexibility would be consistent with the management of local content quotas in the benchmark countries.

Figure 11: Licence conditions should reflect how each broadcaster will make their local content contribution

Source: KPMG Survey

Similarly, 79% of broadcasters who responded to the survey argued that the regulations should be expanded to allow for format, language and category of licence to be taken into account when setting local content levels.

The expansion of the definition of local content to include African, that is from the rest of the continent, music may make it easier for broadcasters to source sufficient material to meet the quota requirements without having to have excessively high rotations. However, there was mixed support for the expansion of the definition:

- 73% of commercial radio stations supported this proposal;
- 83% of community radio stations supported this proposal; and
- Public service broadcasters were equally divided.

Figure 12: African music should be included in the definition of local content

Source: KPMG Survey

3.5 Broadcasters' contributions to the SA Music Industry

3.5.1 Interviews and competitions

The radio broadcast industry supports efforts to develop the domestic music industry. In response to the KPMG survey, 100% of broadcasters indicated that they supported efforts to develop the South African music industry. Broadcasters have translated this affirmation of support into a wide range of activities which contribute to the development of the domestic music industry. The broadcasters that responded to the KPMG survey had, over the past year, held an average of:

- 239 interviews per month of South African artists and groups; and
- 215 competitions per month to promote South African music.

This translates into a total of 5448 additional events over the past year which have contributed to the promotion of South African music.

3.5.2 Financial contributions

In addition to the exposure, over and above the local content quotas, provided by broadcasters to South African music, the sector has, in the course of the last year made substantial financial contributions to the development of domestic music. These contributions have taken the form of:

- Indirect contributions (such as free air time) to the value of R9 427 000; and

- Direct contributions (for example sponsoring of concerts) to the value of R11 078 800.

Given the wide scope of activities which broadcasters undertake to promote South African music, the majority of broadcasters would like the definition of local content to be expanded to include ‘in-kind’ contributions to the development of the local music industry.

Figure 13: The definition of local content should be expanded to include 'in-kind' contributions to the development of the local music industry

Source: KPMG Survey

Broadcasters argued that it would:

- Recognise the substantial contributions that they already make to the development of the SA music industry; and

- Allow broadcasters to explore creative ways of strengthening the production and consumption of South African music.

3.5.3 Conclusion

The survey results show that the South African broadcast industry is committed to the strengthening of the South African music industry. This is evidenced by:

- Extensive compliance to existing local content quotas;

- Substantial expenditure of time to ensure accurate log sheets; and

- High levels of non-financial and financial contributions.

However, the extent to which all radio stations would be able to conform to an increased local content quota is limited by the availability of music product in the genres that they are licensed to play.

In its submission to ICASA, KPMG advises the NAB to explore the expansion as well as increased flexibility of the definition of local content.

3.6 Conclusion

The introduction of local content quotas both globally and in the South African context appears to have had little direct impact on the consumption levels of domestic music. Nevertheless, there is general consensus from within both the benchmark territories and South African radio broadcasters, that local content quotas are important to the stability and growth of domestic music industries. The central question is how broadcasters can contribute to the strengthening of the domestic music while maintaining audience share and advertising revenue in an increasingly fragmented media market.

The benchmark territories of Australia, Canada and Ireland have pursued an agenda of regulatory flexibility to accommodate the needs of broadcasters. The majority of South African broadcasters support the introduction of flexibility into the local content regulations to accommodate characteristics peculiar to the formats in which they are licensed to broadcast. Such flexibility should be pursued in consultation with the recording industry on the basis of the availability of music in the various genres.

While none of the benchmark territories acknowledge the radio broadcasters' financial support of the recording industry, we suggest that the substantial contribution of the South African broadcasting sector should be acknowledged in the regulation of local content quotas.

4 Television broadcast

4.1 Introduction

In this section of the report we analyse:

- Local content regulation in the benchmark territories;
- South African industry trends since the introduction of local content quotas;
- Broadcasters' responses to the survey.

4.1.1 The television business model

The television broadcast business is traditionally characterised by two models:

- Public Service Broadcasters (PSB's); and
- Commercial Broadcasters.

Historically, most PSB's were state controlled monopolies before deregulation began occurring in the 1980s. Deregulation has caused somewhat of a blurring between PSB's and commercial broadcasters as broadcasters in both categories compete for advertising revenue. This is even more so the case in South Africa, where the SABC derives 78% of its total revenue from advertising and sponsorship (KPMG 2000). This means that the SABC ranks second in the world among PSB's in terms of the portion of total revenue that is derived from advertising and sponsorship.

4.1.2 Global trends

Trends in the television broadcast sector are very similar to those in radio. Television broadcast has also been subject to:

- Increasing competitive pressure from satellite broadcasters, resulting in a proliferation of media opportunities; and
- Heightened competition amongst broadcasters for advertising revenues.

4.1.3 South Africa

South African broadcasters have been subject to similar pressures. Further, they have experienced the introduction of:

- Local content regulations; and
- Higher competition amongst various forms of media, including for instance outdoor advertising, for advertising revenue.

The existing South African local content regulations create separate conditions for public television, subscription television service providers and free to air private television services. The regulations establish local content requirements for the following forms of programming:

- Drama;
- Current affairs;
- Documentary;
- Informal knowledge building;
- Educational; and
- Children's.

4.2 The benchmark territories

4.2.1 Introduction

In this section of the report, KPMG has reviewed local content legislation and policy and its impact on domestic television production sectors in four territories, namely:

- Australia;
- Canada;
- Ireland; and
- Nigeria

4.2.2 Defining local content

Both Australia and Canada have comprehensive definitions of local content. While both definitions are provided in full below, it is important to note that the definitions are characterised by:

- Detailed criteria defining conditions under which a production qualifies as contributing to the local content quota;
- The criteria by which products qualify as contributing to the local content quota seek to encourage broadcasters to commission programming that has had high levels of domestic involvement in the production of the programme; and
- The Canadian creative points system aim at introducing flexibility into the local content quota system, by providing for time credits towards the local content quota for higher

creative point scores. The creative points and time credit systems particularly seeks to incentivise the commissioning of more expensive types of programming, by providing local content credits to broadcasters to offset their investment in expensive programming.

Part 3 of the Australian Broadcasting Services Standard, 1999 defines Australian content as follows:

- A program is Australian if:
  - It is produced under the creative control of Australians;
  - It was made without financial assistance from the television production fund.

- A program is taken to have been produced under the creative control of Australians if:
  - the producer(s) of the program is/are Australian (whether or not the program is produced in conjunction with a co-producer, or an executive producer who is not an Australian) and
  - either:
    - the director of the program is, or the directors of the program are Australian; or
    - the writer of the program is, or the writers of the program are, Australian; and
  - *at least 50% of the leading actors*, including voice actors, or on-screen presenters appearing in the program are Australian and
  - in the case of a drama program – *at least 75% of the major supporting cast* appearing in the program are Australians; and
  - the program is produced and post-produced in Australia (whether or not it is filmed in Australia) and
  - in the case of an animated program – the program satisfies *at least 3* of the following requirements:
    - the production designer is Australian;
    - the character designer is Australian;
    - the supervising layout artist is Australian;
    - the supervising storyboard artist is Australian; and
    - the key background artist is Australian.
  - If a program includes segments that would not comply, only the segment that complies is taken to be an Australian program
  - A documentary program is not Australian if it is a reversioning of one or more existing documentary programs that are not Australian programs, Australian official co-productions, New Zealand programs or Australian/New Zealand programs.
  - News, current affairs or sports programs filmed outside Australia and produced or post-produced outside Australia because it is impractical to produce or post-produce the program in Australia is taken to be produced and post-produced in Australia.
  - The director(s) of the program is Australian, or the writers of the program are

- If in the case of animated program the program must satisfy at least 3 of the following requirements:
  - the production designer is Australian;
  - the character designer is Australian;
  - the supervising layout artist is Australian;
  - the supervising storyboard artist is Australian; and

- the key background artist is Australian.

The **Canadian Radio-television and Telecommunications Commission** uses the following 10 *creative point system* to define Canadian content:

- Director – 2 points
- Screenwriter – 2 points
- Lead performer – 1 point
- Director of photography – 1 point
- Music composer – 1 point
- Picture editor – 1 point

In order to classify as Canadian content, a production needs to score at least 6 points on this scale. In addition to this requirement, at least one of the director or screenwriter positions and at least one of the two lead performers must be Canadian.

Both the Canadian and Australian definitions of local content specifically aim at encouraging the development of the television production industry.

The Australian and Nigerian broadcast authorities have expanded definitions of local content that allow productions from other countries to contribute toward the attainment of the local content quota:

- The Australian Broadcast Authority recently expanded the definition of Australian content for drama programs on commercial television to include New Zealand programs or official Australian co-productions; and

- The Nigerian Broadcast Authority has a similarly expanded definition of local content, as local content in Nigeria includes all African productions.

4.2.3 Local content quotas

4.2.3.1 The benchmark countries

Each of the benchmark countries has a minimum local content requirement that broadcasters have to conform to. Both the Canadian and Nigerian Broadcast Authorities have created differential local content quotas for various categories of broadcasters.

Table 4: Local content quotas in benchmark territories

COUNTRY	QUOTA
Australia	55% of all programming broadcast in the year, between 06h00 and 24h00.

Canada	60% of all programming broadcast between 06h00 and 24h00 on public television. Between 50% and 80% of the broadcast year for sport depending on the broadcasters. Special requirements for local content priority programming (see below).
	60% of all programming broadcast between 06h00 and 24h00 on private television. 50% of programming between 06h00 and 24h00.
	Between 16% and 100% of broadcasting on pay and speciality television, depending on the type of service. Generally a minimum of 30%.
	1:20 Canadian: foreign films; and 1:70 Canadian: foreign events on pay-per-view services.
Ireland	Public broadcaster RTE to commit 20% of television expenditure to independent productions. Private broadcasters local content obligations are determined in their licence conditions.
Nigeria	60% local content transmission for terrestrial broadcasters (exemptions may be granted on the basis of individual applications).
	20% broadcast requirement for satellite retransmission stations.
South Africa	50% of all programming broadcast between 05h00 and 23h00 on public television.
	20% of all programming broadcast between 05h00 and 23h00 on public television.
	5% of all programming broadcast between 05h00 and 23h00 on public television + 20% of programming during unencoded time.

Sources: ABA, CRTC, IBA and NBC

In addition to the broad quota definitions outlined in Table 4, both Australian and Canadian regulation seek to promote specific forms of programming. These definitions incentivise the production of particular forms of programming by providing extra points towards or time credits towards the local content quota. The authorities have adopted these systems in recognition of the higher production costs incurred in commissioning local content in programming such as drama. The extra points or time credits thus compensate broadcaster for their investment in these forms of programming.

The **Australian Broadcasting Standard** requires that a licensee must have a drama score of at least 225 points for all first release Australian drama programs. The drama score is calculated using the following formula:

Drama score = format factor X duration

The format factor is:

- 1 for an Australian drama program that is a serial or series produced at a rate of more than 1 hour per week;
- 2 for an Australian drama program that is a serial or series produced at a rate of 1 hour or less per week; and
- 3.2. for an Australian drama program that is a feature film, telemovie, mini-series, or self-contained drama of less than 90 minutes duration.

Australian licensee's are further obligated to broadcast:

- 32 hours of first release Australian children's drama;
- 8 hours of Australian children's drama programs that are not first release programs; and
- 20 hours of first release Australian documentaries.

In addition, the Australian Broadcast Authority requires 10% of their annual program expenditure on new Australian drama. However, only 2 out of 17 pay TV drama channels complied with this requirement during 1998-9. This was the fourth successive year that pay TV channels had failed to meet this requirement.

In June 1999, the **Canadian Radio-television and Telecommunications Commission** announced a number of revisions to local content regulation with a view to introducing greater flexibility and incentives into the local content quota system.

The Commission defined 5 types of programs as priority programs:

- Canadian drama programs;
- Canadian music and dance, and variety programs;
- Canadian long-form documentary programs;
- Canadian regionally produced programs in all categories other than News and information;
- Canadian entertainment magazine programs.

The revised regulations required the largest multi-station ownership groups to broadcast over a year, an average of at least 8 hours per week of these priority programs. In order to incentivise such broadcasts the CRTC provides that broadcasters could receive time credits against the required hours of priority programming. Canadian productions that receive 10 creative points (outlined above) would qualify for a 150% time bonus. The time bonus is included to offset some of the costs of producing Canadian content.

In addition to these specific content quotas, the Australian Broadcasting Authority introduced a provision that 10% of their annual programme expenditure of commercial broadcasters should be spent on purchasing new Australian drama. At the end of 1999, the ABA has **been unsuccessful in ensuring compliance** to this regulation. Irish independent producers have made similar allegations that the public broadcaster is not adhering to its regulatory obligations to spend 20% of its programming expenditure on independent productions. The IRTC has been unable to verify these allegations. The experiences of these benchmark territories points to the difficulty in administrating and monitoring regulatory requirements of this nature.

Both Australia and Canada recognise repeats as contributing to the overall transmission quota.

4.2.3.2 EC broadcasting regulations

Like the benchmark territories a number of European countries have regulations that govern local content programming. Table 5 provides an overview of these regulations. The majority of this legislation defines local content quotas as a percentage of programming broadcast. Further, a number of EC countries promote the broadcasting of work from independent producers. These principles are congruent with the current regulatory framework administered by ICASA.

Table 5: EC programming quotas

COUNTRY	LOCAL CONTENT
Germany	Private broadcasters that have a share of viewing greater than 10% must broadcast 260 minutes per week from independent producers.
France	40% original French material, 60% EU produced. These are guidelines that vary between channels.
Italy	50% of all EU produced movies, including 15% Italian, of which 5% must be less than 5 years old.
Spain	TVE – 40% of programming must be EU produced, 50% must be Spain or South American produced.
	Private broadcasters – 40% of programming must be EU produced with 55% in Spanish.
United Kingdom	25% non-new programming on terrestrial must be produced by independent companies.

Source: UBS Warburg 2000

4.2.4 The impact of local content

Australia and Canada both point to local content legislation as underpinning a strengthening of their television production sectors.

The Australian Film Commission has stated that local content has led to an increase in demand for local product and served to strengthen the production industry.

Canadian local content regulations have had success in increasing the viewing of Canadian programs:

- Viewing of Canadian programs in French increased by 3% between 1991 and 1999; and
- Viewing of Canadian programs in English increased by 6% between 1992 and 1997.

This increase in Canadian program audiences has occurred concurrent with the entry of numerous satellite broadcasters into the Canadian television broadcast sector, which has served to increase the variety of programs available to the Canadian consumer. This is consistent with the South African experience to-date of local content attracting high audience ratings.

The CRTC also reports that local content regulations have contributed to a strengthening of the Canadian television production sector.

4.3 Developments in the SA Television Broadcast and Production Industries, 1995-2000

4.3.1 The South African broadcast industry

4.3.1.1 Audience trends

Research completed by KPMG reveals that total *all adult peak time* audiences grew by 7% in the 6 months leading up to April 2000. This growth is largely attributable to the launching of e-TV.

Local soap and drama productions are attracting large audiences, as reflected in high audience ratings for programmes like *Generations* and *Unyana Womntu*. KPMG research has shown that local content has contributed to SABC 1's ability to deliver more than 50% of LSM 4-5, LSM 6, Black, Nguni and Sotho audiences. Indeed SABC 1 maintains the greatest share of black audiences' daily peak time viewing, only giving away audience share on Sundays to SABC 2. These audiences have underpinned SABC 1's growth in audience share from 32.9% in 1997 to 35.3% in 1999. Local programming has succeeded in attracting large audience across the board.

Table 6: Top programmes on South African television broadcasters

CHANNEL	PROGRAMME	AUDIENCE RATING	LOCAL / INTERNATIONAL
SABC 1	Generations	16.73	Local
	Unyana Womntu	13.73	Local
SABC 2	Ha a Mele Ditshiba	14.32	Local
	Kelebone	12.58	Local
	Lottery Game Show	12.55	Local
SABC 3	Top Sport Cricket	9.77	Local
	News	8.19	Local
	Gladiators	7.6	Local
M-Net	Who Wants to be a Millionaire	5.48	Local
	Carte Blanche	4.55	Local
	Egoli	4.49	Local
E-TV	Jumanji	6.38	International
	WCW Thunder	4.82	International
	First Night	4.79	International

Source: ICASA 2000

Indeed Table 6 demonstrates the audience attractiveness of local productions. Eleven of the fourteen programmes attracting highest audience ratings on the channels were local productions. This programming has enabled broadcasters to build clear audience types which can be sold to advertisers. However, broadcasters in-line with trends in the international benchmark territories, have indicated that the production of such programming is expensive. The National Film and Video Foundation (2000) has further identified rising production costs as a key trend in the South African production industry. The benchmark countries of Canada and Australia have compensated broadcasters for additional costs in expensive genres by giving them extra points or time credits towards their local content quotas.

4.3.1.2 Advertising trends

Television broadcasters advertising revenues have continued to grow faster than total adspend growth, TV adspend grew 21% from the 4/1998 to 3/1999, while total adspend grew at 15% for the same period. This serves as an indication of the continued attractiveness of this medium for advertisers and is in-line with international trends.

Table 7: TV advertising trends

	1991	**1998**	**1999**
Above the line adspend (Rmillions)	857.6	2938.8	3236.6
Share of media spend	35.1	40.5	40.5
Number of media opportunities (TV channels)	7	37	48

Sources: AC Nielsen's Advertising Index and Media Manager

Table 7 shows a proliferation of TV channels over the course of the decade. This is largely due to the advent of satellite television. However, the growth in TV media opportunities has not created fragmentation of media spend with the SABC channels and M-Net continuing to command over 95% of television advertising revenues.

4.3.2 The South African Television Production Industry

The television production industry has grown steadily since 1998, and the National Film and Video Foundation estimates that there were 520 production companies in 2000. This is a 11% growth from the 470 production companies that were operating in 1998. TV production continues to command 36% of the local content production industry. This means that TV production has the largest market share in this industry.

Figure 14: South African television production companies

Source: National Film and Video Foundation, 2000

Work conducted by the NFVF estimates that government funding of R260 million would be required to reach levels of success in other countries – an increase of R250 million over current levels.

4.4 Local content policy; Broadcaster responses to the KPMG survey

4.4.1 Compliance with local content regulations

All television broadcasters supported the principle of local content quotas. This support is evidenced by the ICASA Monitoring and Complaints Unit, October 2000 report, which noted that:

- "MCU found that all three channels (public television broadcasters) were generally complying with the Local Content regulations";
- "Apart from local drama during unencoded time, MNET exceeds the requirements of the regulations and is therefore complying with its licence conditions and requirements"; and
- "E-tv is only required to meet the local drama requirements in its second year of broadcast. The channel has exceeded all other requirements of the regulations".

Tables 8-10 detail broadcasters performance in relation to the local content quotas. The high levels of compliance to, as well as exceeding of, the local content quotas are indicative of broadcasters support for local content programming.

Table 8: South African public broadcasters local content performance, August and September 2000

	Drama	Documentary	Informal Knowledge Building	Education	Current Affairs	Children	News
SABC 1							
Average percentage	19.6	0	100	100	100	13.4	100
Regulatory Requirement (percentage)	20	50	50	60	80	50	N/A
SABC 2							
Average percentage	45.3	55	65	80	100	66	100
Regulatory Requirement (percentage)	20	50	50	60	80	50	N/A

SABC 3							
Average percentage	31.9	57.5	63.2	75.3	100	0	100
Regulatory Requirement (percentage)	20	50	50	60	80	50	N/A

Table 9: Local content quota performance on subscription television services

Broadcaster	Programme Category	Average Percentage	Regulatory Requirement
M-NET	Encoded	8.4	5%
	Unencoded	18.8	20%

Source: ICASA 2000

Table 10: Local contact quota performance on free to air private television services

Broadcaster	Programme Category	Average Percentage	Regulatory Requirement
M-NET	Documentary	27	25
	Informal Knowledge	37	25
	Current Affairs	64	50
	Children's Programming	22	20
	Drama	2	10 (compliance only has to be attained in second year of broadcast)

Source: ICASA 2000

Television broadcasters indicated that they supported the existing local content quota levels. The Public Service Broadcaster argued that they might be able to meet a slightly increased quota, of no more than 5%, if the existing local content regulations were made more flexible. Subscription television service providers and free to air private television argued that given the expense of local content, they would struggle to increase local content above the levels at which they are currently broadcasting.

Broadcasters spend, on average, **1 ½ person days per week** ensuring compliance with local content regulation.This time commitment is indicative of the importance with which broadcasters view their obligations under the local content regulations.

The broadcasting of high levels of local content programming has also led to financial support for the South African television production industry. All broadcasters indicated that they believed that their existing commissioning procedures served to advance the local content policy goal of strengthening the independent production sector. The number of production companies that had received commissions from individual broadcasters varied **between 15 and 170**. The extent of companies receiving commissions indicates that the production work resulting from the implementation of the local content quota is distributed widely through the production sector. However, broadcasters did indicate that commissions are not equally spread throughout the sector. This is a function of:

- Some production companies having more than one production; and
- The renewal of contracts to continue producing a particular production.

Four broadcasters disagreed with the proposition that they should submit certified statements to ICASA to show compliance with the independent production quota, whilst one felt that it could be done. Broadcasters disagreement with the proposal stemmed from the additional time (between 10 and 15 hours per month) and administrative cost that they would incur in conforming to the proposal. Nevertheless, two of the four broadcasters indicated that they would be prepared to release information on an ad hoc basis on request from the Authority.

As it is proprietary information, not all broadcasters were able to release information on the percentage of their commissioning budget that they spent on local content. However, television stations broadcasting in excess of 40% local content indicated that they spent between **70% and 80% of their programming budget** on commissioning production of local content.

Four broadcasters felt that co-production treaties were benefiting the South African industry. However they all stated that:

- The potential of co-production treaties was not being realised; and
- More information was needed on co-production treaties to make them more effective.

In addition to strengthening the production of South African television through broadcasting high levels of local content and commissioning work from the independent production sector, broadcasters have supported the production of South African television content through a variety of initiatives including:

- Support for the Sithengi film market;

- Projects to build young talent in the industry, for example the Close Encounters Young Directors Initiative; and
- Various arts festival.

Thus television broadcasters have showed substantial compliance to the local content regulations, both in:

- Their adherence to local content quotas; and
- Their support for the independent production sector.

4.4.2 Local content definitions

The review of local content policy in the benchmark territories revealed important variations in the:

- Definitions of local content; and
- The implementation of local content policy.

The KPMG survey explored broadcasters support for changes and expansions to the existing local content policy. Broadcasters agreed unanimously:

- That licence conditions rather than the regulations should reflect how they would make their local content obligations. This change in the policy environment would enable broadcasters to adapt their support of local content production to the needs of their audiences and their business; and
- That in the interests of fair competition broadcasters in the same category of licence should have similar obligations.

4.4.3 Format definitions

Three of the four broadcasters that commented on the appropriateness of the existing definitions felt that they were broadly appropriate for their business. One broadcaster indicated that the existing definition and monitoring thereof was not clear enough for informal knowledge building.

Broadcasters stated that in the case of these formats it was often difficult to decide whether a particular programme fell within the existing definition. This is consistent with the comments of the fourth broadcaster who felt that the existing definitions needed to be more flexible to accommodate the emergence of programmes that did not fall neatly into the existing format definitions.

KPMG requested broadcasters to submit definitions for information programming as it is currently undefined in the regulation. The most comprehensive definition, which captured the submissions of all the broadcasters, was as follows:

> *"Information programming means current affairs, documentary, informal knowledge-building, magazine programmes, talk shows and any other programme which directly or indirectly, has as its purpose the communication of facts and events of interest to viewers".*

It is our opinion that this definition should be sent to all broadcasters to assess their support for the definition.

4.5 Conclusion

Both globally and in South Africa, the broadcast regulators have struggled to quantify the impact of local production quotas on the domestic production industry. Nevertheless, there is general consensus from within both the benchmark territories and South Africa that local content:

- Attracts significant audiences; and
- Contributes to the strengthening of the domestic production sectors.

The review of global regulatory trends revealed:

- A shift towards flexibility in local content regulations, with a particular emphasis of creating incentives for the commissioning of more expensive formats such as drama; and
- Difficulties in enforcing broadcasters compliance to regulations that require expenditure of a percentage of the programming budget on independent productions.

While individual broadcasters disagreed with specific forms of flexibility, there was unanimous support for the principle of greater flexibility in the definition of local content. On the basis of the survey results there does not exist substantial differences in opinion about the sorts of flexibility and the NAB ought to be able to resolve these differences before making its submission to ICASA.

The South African television broadcast industry is characterised by:

- High levels of support for local content programming;
- Substantial compliance and commitment to the requirements of local content regulation; and
- Efforts to support the independent production sector.

These characteristics are strongly indicative of South African broadcasters support for the development of South African content and culture.

5 Conclusion

Our research has shown that South African radio and television broadcasters are making considerable effort to comply with the requirements of the existing local content regulations. This is reflected in:

- High levels of compliance to local content quota; and
- Time spent in submitting information to ICASA.

South African broadcasters are strongly in favour of seeing more flexibility introduced into the local content regulations. This would be consistent with recent attempts in the benchmark territories to recognise the:

- Limited supply of particular genres, in the case of radio; and
- Expense of producing particular formats, in the case of television.

Accordingly, we conclude that the existing South African local content regime needs to be assessed with a view to increasing its flexibility and to acknowledge the substantial contribution of broadcasters to the development and promotion of the South African music and television industries.

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ENDNOTES

[i] Please note that because of the low response rate from community radio stations one should treat community radio statistics in this document with caution.

[ii] Note that this conclusion does not apply to Nigeria due to the lack of data for that country.

[iii] Please note that KPMG has taken every effort to control for the effect of new licences on market share in these categories, however there may be a small margin of error because of shifts in the community radio sector. We are of the opinion that this does not make a material difference to the analysis presented here.

[iv] Please note that this data is based on responses from public service and commercial radio stations.