

**NAB SUBMISSION TO NATIONAL FILM  
AND VIDEO FOUNDATION**

**11 September 2001**

## **1. INTRODUCTION**

1.1 The National Association of Broadcasters (NAB) is the leading representative of South Africa's broadcasting industry, representing:

- all television broadcasters;
- 20 SABC radio stations, 14 commercial radio broadcasters and 40 community radio broadcasters.

1.2 As a major stakeholder in the broadcasting and production industry, the NAB has considered the debates undertaken during the recent National Film and Video Foundation (NFVF) Indaba.

1.3 The NAB would like to commend the NFVF for taking the initiative to hold the Indaba and consult the broader industry on future strategies for growing the local production industry.

1.4 The NAB is further supportive of the recommendation that once ICASA makes known its decision on the review of local content quotas, a further workshop be held to explore these recommendations.

1.5 In the light of the fact that there will be a further workshop, the NAB will, in this submission, merely reiterate earlier points made during ICASA's local content inquiry. We hope these will assist in the formulation of the NFVF's post-Indaba report.

## **2. SUPPORT BY BROADCASTERS FOR LOCAL CONTENT**

2.1 South African broadcasters support local content quotas and are committed to both the letter and spirit of the regulations.

2.2 The television industry shows high levels of compliance with the existing quotas. Television broadcasters spend on average 1.5 person days per week

and management days per week complying to regulation. This time commitment is indicative of the importance with which broadcasters view their obligations under the local content regulations.

2.3 The high levels of local content on screen have also led to financial support for the South African television production industry. The NAB submits that in their commissioning procedures broadcasters have advanced the local content policy goal of strengthening the independent production sector. The number of production companies that received commissions from individual broadcasters in the last year varied from 15 – 170.

2.4 South African broadcasters' considerable investment in building domestic television production is further demonstrated by the percentage of budget allocated to the independent sector. As a percentage of the total commissioning budget, television stations broadcasting in excess of 40% local content spend in excess of 70% of their commissioning budget on purchasing local content.

2.5 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 other 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 the New Directions series;
- Various arts festivals.

### **3. FINANCIAL PRESSURES ON BROADCASTERS MUST BE ACKNOWLEDGED**

3.1 The significant contributions by the broadcasting industry in support of local content take place in the context of increasing financial pressure on broadcasters.

3.2 Broadcasting has undergone massive transformation since democratisation. This has resulted in the introduction of an authentic public broadcaster, a fledgling community sector of approximately 100 stations and a largely black owned commercial sector consisting of 16 radio stations and 2 television operators. This represents a vast change since pre-1994 when there were two commercial radio stations and one private pay TV service, in addition to the SABC.

3.2.1 The broadcasting industry we have today has literally come about in under seven years. Most commercial broadcasters are only four years old. Many community broadcasters are only months old. As a young industry it has not yet fully stabilised, as can be seen from the following:

3.2.2 The SABC is still the most significant player in the industry - it has three out of four free-to-air television channels and twenty radio stations. But while it commands significant adspend and audience, it has a formidable public service mandate to achieve and revenue streams which fall short of supporting this mandate.

3.2.3 Revenue from profitable SABC channels are used to cross-subsidise the SABC's vast public mandate. The SABC declared a R98m deficit at the end of their 1999/2000 financial year<sup>1</sup>.

3.2.4 The only commercial free-to-air television station e-tv has only been on air for three years and is only expected to break even after another two years.

3.2.5 Instability in the broadcasting industry has affected investor confidence in broadcasting. A study by PricewaterhouseCoopers (PwC) last year among investment analysts concluded that

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<sup>1</sup> SABC Annual Report 1999 - 2000

broadcasting is no longer perceived as an attractive area for investment<sup>2</sup>.

3.2.6 Television relies heavily on advertising for its revenue. In a tough economic climate, adspend is cut. Already commentators are predicting zero growth in media spend for this year<sup>3</sup>.

3.3 The NAB submits that any strategy to grow South Africa's production industry which focuses on increasing the obligations of broadcasters, needs to take into account the financial pressures which currently exist for broadcasters.

#### **4. NEED FOR COMPREHENSIVE STRATEGY TO GROW THE LOCAL PRODUCTION INDUSTRY**

4.1 As audience figures demonstrate, support by television broadcasters for local content and independent production quotas has translated into benefits for broadcasters as local material is very popular with viewers. Local programming has succeeded in attracting large audience across the board.

4.2 The point needs to be made though, that high audience figures do not always translate into profitable programmes due to the high production costs of local material.

4.3 The Profile 2000 report notes that it is a lot cheaper for a broadcaster to import productions than to commission production locally, especially when the local productions tend to be country-specific and not easily exportable.

4.4 The high production costs for local material can sometimes compound advertising rate hikes on television.

4.5 Successful local television content regulation in other territories has taken place in the context of broader government support for the film and production

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<sup>2</sup> PwC and NAB 'The Future of Broadcasting' 2000

<sup>3</sup> Paul Wilkens, MD of MediaCom, reported in MarketingWeb, 8 March 2001

industries in the form of government grants, tax incentives and subsidy schemes

4.6 The need for such support from government is articulated clearly in the Profile 2000 report which highlights six key strategies for the NFVF to grow the local industry.

4.7 Strikingly, an increase in the local content quota is not mooted as one of the strategies in the Profile 2000 report.

4.8 In the context of the Profile 2000 report and in the context of the economics of the television and production industries, the NAB submits that in attempting to realise the aim of growing the local production industry, there should not be simply focus on broadcasters' contributions alone.

## **5. SUMMARY OF NAB RECOMMENDATIONS IN RELATION TO THE LOCAL TELEVISION CONTENT REGULATION**

### **5.1 Broader focus needed**

The NAB submits that there is presently a need for a broader focus to include other strategies. Any consideration of increasing the obligations of broadcasters should be made in the context of these broader strategies.

### **5.2 Incentives**

The NAB submits that the introduction of a points or weighting system to incentivise certain programming types could be of benefit in the South African scenario and would assist in improving the quality and diversity of broadcasting content.

### **5.3 More flexible quota**

The NAB submits that the regulations be expanded to take into account other activities which clearly support the aims of local content regulation. This should include other on-air activities such as sport. The NAB further submits that broadcasters should be given credit towards the quota for their off-air activities, such as payments into production funds and the sponsorship of events and awards which promote the South African production industry.

### **5.4 Repeats**

The NAB recommends that the issue of repeats (both foreign and local) be dealt with in broadcaster's licence conditions. In relation to counting repeats in compliance with the local content quota a weighting system could be applied.

### **5.5 Pay or play**

The NAB submits that regulations should provide for broadcasters to get credit towards the quota for their payments into funds and various financial contributions.

### **5.5 Monitoring independent production**

The NAB believes the obligation to develop fair and transparent commissioning procedures is that of broadcasters.

## **6. CONCLUSION**

6.1 The NAB wishes to reiterate its support for strategies to grown our local cultural industries and wishes the NFVF well in its deliberations on these important matters.