SOL PLAATJE
INSTITUTE FOR
MEDIA LEADERSHIP

Final Report

to the

Department of Communications

on matters relating to

Investigating the appropriate model for implementing community TV in South Africa

30 January 2012

Contents

Executive Summary

Community radio has had some success over the past decade, but community television remains experimental. The primary question is: If television costs ten times as much as radio, are the anticipated benefits sufficient to warrant a ten-fold capital and cost structure?

The current community TV environment is based on piecemeal licences that are issued based on gaps in the crowded analogue spectrum. There are many lessons to be learned from the limitations of the current approach. There should be a much clearer conceptual and legislative framework to ensure stability, sustainability, and, critically, the protection of communities against the adverse effects of a free-for-all environment.

The advent of Digital Terrestrial Transmission (DTT) has changed the landscape and environment for all media. It offers opportunities to:

- Close the digital divide
- Widen media diversity
- Provide a voice through which communities can express themselves to their own and other communities facilitate community development initiatives and programmes
- Develop the local creative and cultural industries
- Expand the skills base and create jobs

The current business models for community television achieve neither the letter nor the spirit of the law as defined in the Electronic Communications Act of 2005 (ECA). This is mostly due to deficient regulation, and a recommended business model that embraces the new environment, and fills a vital gap in the media landscape.

This report reviews the current situation, and investigates all social benefits that stakeholders can derive from sustainable community television in a digital environment.

It develops a workable business model that relies on provincial, district and local government funding combined with other revenue streams, that as the report will demonstrate, is the only way for a sustainable community television model that becomes tool for communities to use to meet their own developmental objectives. These developmental objectives can meet the full range of needs: communication, artistic and creative development, self expression, sports, religion, education, entertainment and information – all within the community.

It investigates the roles of national and community television and defines the roles of each, and their participation in community development and nation building.

The report proposes a regulatory framework to ensure strict community control, governance and accountability. It also provides for protection against commercial, profit-centred exploitation of the community assets

This report details all evidence and arguments to support these recommendations.

Context

Community TV

There has been pressure to enable and promote community television for as long as there has been pressure to institute a regulatory framework for community radio. So far, over 180 community radio licences have been issued. Some stations have been remarkably successful, others have failed, and most just limp along. A few were manipulated into becoming lucrative commercial enterprises, and had to be curtailed by ICASA in the early years.

The problems in community radio ring warning bells for the introduction of community television. How can a community support, and in fact need, community television, when often the same community cannot even manage its own community radio station effectively?

A study of the current models shows that the majority are run for the potential investment benefits of the private sector. This lays an important role in the context, as it appears, on the surface, to be a precedent for future community TV.

Digital Terrestrial Television

Starting in 2012, South Africa migrates to digital. It is hoped that the migration and dual illumination period will be as short as 18 months. Whatever actually happens, by the end of the period, the landscape will have changed drastically. There will be enough spectrum for all needs, enabling accessible broadband, more powerful cell phone systems, IPTV, multichannel from local multiplexes, and a host of new media that will change the way we communicate.

On the other hand, people will continue to communicate as before. They will still read newspapers, listen to the radio, watch television, attend concerts and sports games, and go to lectures. They will still have the Internet, social networking, and cell phone communications. There are many other digital facilities yet to be invented or adopted.

Community TV Policy

Policy that would ultimately affect community television has been long in the making. Since the Triple Enquiry report of September 1995, pieces of legislation that have a bearing on community television have developed in fragments. However, the policy makers were prescient in anticipating community television, since there are statements pertaining to both community radio and television in the formulation of basic broadcast policy. There are regulations relating to community radio and scattered regulations relating to community TV, all leading up to the migration to digital.

A chronological analysis of the pertinent legislation is possible, but can be misleading as the policies that emerged at each stage relate primarily to other subjects. It is easier to appreciate the foresight that policy makers have exercised over the years if we view the various pieces of legislation that make up policy on community television collectively.

The Electronic Communications Act of 2005 brings the fragments together. This Act defines community as “a geographically founded community or any group of persons or sector of the public having a specific, ascertainable common interest.” This is narrow enough to distinguish community broadcasting from public and commercial broadcasting, but wide enough to give scope for sustainability.

Media diversity

The commercial radio, TV and press environment has demonstrated that choice does not necessarily lead to diversity. Multiple radio stations with a music and talk format, that vie for narrow niche markets do not equate to means of expression for a diverse society. Commercial broadcasting and other media seem to rely on copying each other differently, so as to look different, while at the same time, not risking format and content that differs from a profitable norm. It offers no significant contribution to community social development or nation building, except for its propensity to provide skills development and employment in metro areas.

The Media Development and Diversity Agency (MDDA) is designed to fill the gap and promote media that offer communities a voice of their own.

Nation building

There are completely different roles for national television (commercial and public service) and commercial television. National television has to appeal to as many people as possible at the same time. This will also apply to the additional national services that digital broadcasting will accommodate. These channels speak to the nation, they provide for nation building. They are obliged to avoid all community issues that do not concern the entire nation, which accounts for very few issues.

Community television on the other hand is only concerned with provincial, local and community issues. It provides for community and cultural expression, local educational needs, local entertainment and development of the creative industries. It is a showcase for local sport, celebrations, opinions, local news and information, and togetherness. It also fulfils a watchdog role a double edged sword that encourages accountability of local authorities on service delivery.

Regulation

The underlying trend in the numerous acts of legislation and regulations that have been passed since the turn of the Millennium, has been the migration to digital terrestrial transmission (DTT). There remain some uncertainties pending final decisions regarding the implementation of DTT. Regulations concerning migration to DTT were passed in 2008, but since then an upgraded technology has been adopted, and many of the technical details will still change. Among them are possible changes in multiplex allocation, all of which have an impact on community television. ICASA has recently published a proposed overhaul of the regulatory framework for broadcasting in light of digitisation. These issues are summarised after “Recommendations”

There is also concern that existing and aspiring community radio and television owners have over-estimated the sustainability of revenue streams. Media revenue is unstable at the best of times. DTT will bring many more channels to the market, fragment audiences even more, and consequently fragment revenue.

However, technological changes will not affect the need for a financially stable and sustainable business model that supports community television as envisaged in the Electronic Communications Act.

Languages

Community TV will use probably use languages in a ratio that follows the demographics of the community in which it operates. Community Television will take the unreasonable pressure off the SABC to give total equality to all eleven languages.

Job Creation

As will be discussed later, unemployed people are averse to voluntary work when they are destitute. Community TV will be a significant creator of long-term, qualified, specialised and sustainable jobs.

Job creation implies skills development on two levels: to upskill people to be come effective employees, and to upskill employers to grow their businesses so as to create jobs.

Digital divide

Community television stations will have to be multi-platform from the very start, basing their content distribution on all available digital platforms. This gives them an advantage over the national broadcasters who have had to impose digital media on top of their traditional model, with the result that it is often a bad fit.

In a way, communities without a television station of their own, already have sophisticated audiovisual communications media, usually though cell phones and social media. The new community station has to build up from this existing digital base.

The Changing Environment

The media and electronic communications landscape can be described as shifting quicksand – if you move too slowly, or stay where you are, you sink.

With technology advancing at an unprecedented rate consumers now reject more new media developments than they accept. "The futures of new technologies are uncertain because the status of technology as culture is uncertain."[1]

Moore's Law seems to apply not only to storage, but also to features and pricing.[2] High definition cameras that cost half a million rand a few years ago are now available at 10% of that price. None of this makes long-term business planning possible, because the cost of equipment to fit out a community station in a year's time is impossible to compute.

The number of radio and television channels has proliferated, and will continue to do so – alongside mobile TV, Internet-delivered movies on YouTube, and compelling social networking on Facebook. The Law of Diminishing Returns applies – the more content there is to choose from, the less people appreciate it. Television has to become more emotionally and socially relevant, or it becomes yet another channel of repeats on a pay-TV tier.

Nearly three quarters of South Africans have a cell phone, and it is thought that 65% of them are web-enabled. No longer can we consider access to the Internet to be available only to people with a computer or a smart phone. Over 20%, mostly lower income, listen to the radio on their cell phone.[3] This bodes well for watching TV on portable devices as soon as they become available and affordable, which could be this year.

Situation Analysis

Media landscape

In South Africa, the lower LSMs (Living Standards Measures) are earning more, and gaining much greater access to the media, including becoming more connected. However, this slight uplift does not compensate for the widening divide between rich and poor.

Pay-TV

A new pay-TV operator, Top TV, was introduced in 2010 in the face of stiff competition. Its first survey put 7-day viewership at 134 000 households (364 000 viewers).[4] DStv has demonstrated phenomenal growth, adding almost 1 million subscribers over the year ending March 2011. In the same year most of the subscriber growth at MultiChoice came from its SA operation, which expanded its customer base by 637 000 to 3, 5 million (of which 1, 3 million subscribers are black households), with the lower-priced "Compact Bouquet" accounting for 59% of the growth. Television advertising revenues for DStv rebounded, growing 32%, according to Naspers.[5]

SABC

The intention of the PBS design, which was for SABC3 to commercially support the other two channels, was not achieved. Setting up the SABC4 and SABC5 regional stations was delayed due to DTT. Due to its financial crisis from 2009, the SABC withdrew much local content commissioning, which led to a reduction in revenue for the private sector of more than R500 million a year, with the resultant loss of jobs.

The SABC has taken well over a year to announce a turn-around plan, which is now in the very early stages of implementation. While the broadcaster has announced ambitious plans for digital channels, these will be national channels, and will not be able to satisfy individual community needs, in the same ways that will local community TV.

Cellular growth

The growth in cell phones was never expected, and certainly not to the degree of the current penetration. There are more SIM cards in circulation than the entire population of the country. An estimated 16% of cell phones in South Africa are thought to be smart phones[6]. However, smart phones

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[1] Silverstone, R (1995) 'Convergence Is a Dangerous Word' Convergence 1(1)
[2] Moore's law, that the number of transistors that can be placed inexpensively on an integrated circuit doubles approximately every two years. The law is named after Intel co-founder Gordon E. Moore, who described the trend in his 1965 paper
[3] AMPS 2011
[4] Channel24.co.za 31 Oct 2011
[5] Mybroadband.co.za. 29 June 2011
[6] Diane Charton, CEO at Acceleration

are not the only Internet enabled phones – it is thought that 65% of all cell phones in use are Internet enabled.

While cameras, diaries, and games continue to dominate the list of features used on phones, FM radio, and music players have now been added, forming a mobile "Big Five." There is a significant difference in the features preferred by urban and rural phone users. Three quarters of urban respondents (75%) use their phone cameras, but little more than half of rural respondents (55%) do the same. Music players on the phone get the vote of 53% of urban users, versus 36% of rural users. Surprisingly, the gap is reversed when it comes to games on the phone: 54% of urban users enjoy these, compared to 65% of rural users.

Internet

The Internet is no longer only accessible to people with computers, but also to well over half of the country through cell phones. The Mobility 2011 research project, conducted by World Wide Worx, reveals that 39% of urban South Africans and 27% of rural users are now browsing the Internet on their phones.

The study excludes "deep rural" users, and represents around 20 million South Africans aged 16 and above. The report concludes that "at least 6-million South Africans now have Internet access on their phones." This can only be an understatement. If 65% of all phones are Internet capable, and if we assume at least 40 million phones, then 26 million phones can access the Internet. If only half of these people do access the Internet, then the figure is nearer to 13 million, which is in addition to the 6 million people who access the Internet on their desktops.

Social networking

Social networking five years ago was a rich person's idle pastime. It has now become a lifestyle for the majority of South Africans; 50% of people say that their primary use for the Internet is social networking.

MXit is testament to the potential and interest in the South African mobile media space. As one of the largest mobile social networks on the African continent, MXit expands its community by 45 000 to 50 000 new users a day. It has more than tripled its user base to close on 37 million users in the last two years and has bigger reach than any other social network in southern Africa, including Facebook and Twitter.[7]

However, Facebook is catching up fast, reaching 22% of users, and in fact passing Mxit in the urban over-16 market, with 30% reach, versus 13% among rural users.[8] The proportion of urban Twitter mobile users is double that of rural users: 8%, against 4%.[9]

Mobile TV

This remains an unknown factor, but could potentially move broadcasting into a new era. Currently users of the DStv mobile services pay for a limited service on costly handsets. But one can expect this function on many more models of cell phones as they increase dramatically in processing power. Pads and tablets already have this capacity. Each new model launched is more powerful and cheaper.

Adspend

While television and Internet appear to be the growth areas, new entrants to the market cannot assume that they will achieve their share of the advertising pie. Media buyers are conservative, and put their adspend budgets where they feel confident they can achieve their return on investment.

[7] Marketingweb 7 June 2011
[8] World Wide Worx 2011. Mobility 2011 report.
[9] (http://bit.ly/pn9UqU)

Table 1: Media Adspend from August 2010 to December 2010 (Rands)

MEDIA TYPE	2010-08	2010-09	2010-10	2010-11	2010-12	Grand
MAGAZINES	207 166 950	235 238 901	246 497 356	242 567 598	242 519 675	2 632 567 716
NEWSPAPERS	601 136 107	560 167 380	643 288 146	681 798 707	541 792 792	6 796 914 336
PRINT	808 303 057	795 406 281	889 785 502	924 366 305	784 312 467	9 429 482 052
CINEMA	27 526 974	34 645 341	19 207 037	18 245 122	54 179 454	351 257 554
DIRECT MAIL	11 939 440	20 336 949	5 903 316	12 258 156	6 710 528	141 206 625
INTERNET	42 935 928	52 173 210	51 041 877	51 247 586	49 612 176	578 937 786
OUT OF HOME	94 658 991	104 525 329	103 972 005	112 646 516	108 947 682	1 231 110 990
RADIO	260 193 550	283 093 217	373 281 316	486 838 520	390 938 827	3 684 455 581
TV	1 085 942 113	1 073 439 041	1 569 350 369	1 493 645 121	1 260 216 298	13 451 372 334
GRAND TOTAL	2 331 500 053	2 363 619 368	3 012 541 422	3 099 247 326	2 654 917 432	28 867 822 922

Source: A C Nielsen July 2011

According to Nielsen, it is not possible to break this data into provincial adspend. Furthermore, the data excludes self promotion and discounts. The 13.50 billion reflected above could possibly represent a net revenue (after self-promotion and discounts) of only R8-billion. [10]

Broadband

MyBroadband reports: "South Africa's broadband penetration rate is currently hovering at around 7%, made up mainly of around 2 million Vodacom subscribers, 700 000 Telkom ADSL users, and 700 000 MTN broadband users.

"South Africa's wireless broadband penetration rate of just over 5.5% is also not exceptional when compared with the 36.7% average for the world's richest (OECD) countries. The near absence of fibre connections in South Africa further means that the country is not well positioned to become more competitive in future, especially when considering that many countries such Australia, the UK and the United States have aggressive projects to boost fibre connectivity." [11]

Community radio

Community radio struggles to access advertising and other forms of financing. Yet it remains a crucial part of the South African broadcasting landscape, providing diversity for listeners and much-needed skills for the commercial radio sector.

Community radio in South Africa was formally recognised from 1994, when the county's broadcasting authority started the ongoing process of assessing and granting licence applications from groups as diverse as rural women's cooperatives, Afrikaner communities, and religious bodies. The country now has over 100 community stations, broadcasting in a number of languages.[12]

E-mail

E-mail has grown surprisingly with a dramatic shift in the rural user-base and significant growth among urban users. Urban use has risen from 10% in 2009 to 27% at the end of 2010.

SMS

SMS has now outstripped telephone calls to become the most powerful communications medium in South Africa. Mxit alone sends 250-million messages a day.

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[10] Totally MAD newsletter 15 November 2011, quoting The MediaShop.
[11] December 6 2010. http://mybroadband.co.za/news/broadband/17085-broadband-penetration-it-s-not-looking-good-for-south-africa.html
[12] Mediaclubsouthafrica.com

Existing Community TV Stations

Current licenses were issued only on the basis of existing analogue spectrum. ICASA placed a moratorium on issuing new licenses as all remaining areas where there are patches of analogue spectrum do not form viable community or geographic entities. ICASA issues the licenses for a maximum period of seven years.

The Electronic Communications Act (2005) is technologically neutral, [13] so the current licenses should not be affected by the migration to digital. It is also unusual for ICASA not to renew a license. This implies that existing licensees will retain their licenses after the introduction of DTT, unless they voluntarily surrender their licenses. This report discusses the implications further on.

The licences operating currently are:

Cape Town TV	Western Cape
Soweto TV	Gauteng
Tshwane TV	Gauteng
1 KZN	KZN
Bay TV	Eastern Cape

There is an unused licence in Rustenburg (Platinum TV) in North West Province.

All of the existing licences are bound by the provisions of the EC Act, which defines a community broadcasting service as one which:

1. is fully controlled by a non-profit entity and carried on for non-profit
2. purposes;
3. serves a particular community;
4. encourages members of the community served by it or persons associated with
5. or promoting the interests of such community, to participate in the selection
6. and provision of programmes to be broadcast in the course of such
7. broadcasting service; and
8. may be funded by donations, grants, sponsorships or advertising or

membership fees, or by any combination of the aforementioned.
Each of these community stations has to prove that it is compliant with the requirements to hold annual general meetings, account for finances, represent the community and community organisations, and deliver programming directed towards community development.

The only difference between the stations is the way each of them operates its revenue.

Cape Town TV

CTV's management claims that CTV is the only "pure" community station, as it has no links or partnerships of a "commercial" nature, although it uses facilities owned by the commercial educational institution, AFDA. It says that by conducting its own advertising and sponsorship sales, and raising funds internally, it is free from any external commercial influences. The station frequently experiences financial crises. It says it has tried to establish funding and content relationships with the Cape Town City Council, but has failed to get the required support.

In terms of performance in broadcasting and community relations, CTV appears to comply with community TV station requirements in every way. It does however often download free community TV content from international sources.[14]

Soweto TV

This station is certainly viable and sustainable, but is heavily criticised by Cape Town TV as "having been hijacked" by Urban Brew Studios, a private production company owned by Kagiso Media.

[13] ECA 2. Objects (b)
[14] Interviews with Karen Thorne, and extended visit to the premises

Soweto TV has no bank account of its own. It is not registered as an employer with SARS or UIF. It receives no revenue and pays no costs. Urban Brew controls all revenue and expenditure through its own bank accounts. All Soweto TV staff is on the Urban Brew payroll.

However, Urban Brew claims the management expertise provided by Urban Brew has instituted close community relations, and many community projects and broadcasts.[15] Urban Brew claims that Soweto TV has total editorial control, but the persons who exercise that control are employees of Urban Brew. Furthermore, all programmes made are given a budget by Urban Brew, and costs may not deviate from that budget.

Had Soweto TV not solicited the assistance of Urban Brew, it is highly unlikely that it its revenue would have been sustainable.[16]

Soweto TV has created more jobs than any other community station.

1KZN

When 1KZN (which was called Bay TV until it was discovered that Bay TV in Port Elizabeth had proprietary rights to the name) was granted a seven year license the Board was attracted to the same contractual relationship with Urban Brew as had Soweto TV.

Urban Brew claims that the station will break even in time, especially when it is able to sell a critical mass of audiences centrally.[17] Given the costs at around R5-million a year, and current revenue at less than R1-million a year, break-even is in the far distant future.

There has been no attempt by the station to apply for funding from local government.

Bay TV

Bay TV opened only in September 2011. It also uses the same Urban Brew management contract as do Soweto and 1KZN.

Urban Brew has managed to increase the revenue for Soweto TV, 1KZN and Bay TV by offering advertisers the combined audience of all three stations. However, the latter two stations are new, and there is as yet no formal way that audiences can be measured. On this basis, advertising revenue as a sustainable revenue stream appears to be unlikely. There has been no attempt by Bay TV to apply for funding from local government.

There are plans to introduce a common training and development format that will reduce the cost of training, and at the same time, develop local training in each area.

Tshwane TV

Management is vague in disclosing details of the relationship between Tshwane TV and the private company, Zallywood.[18]

There is little advertising, and the local content tends to be old. There appears to be a relationship with the Tshwane council in that the mayor has access to airtime. At the time of writing, there were rumours of a change in management, but no details were available.

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[15] Personal visits to the studios and face-to-face interviews with all senior staff.
[16] Station CEO Tshepo Thafeng
[17] Marco Velosa at UBS.
[18] Interviews with CEO Kopano Molefe and Zallywood CEO Dr Victor Phume

Current viewership

The data in Table 2 comes from AMPS Jan-Dec 2010. Tshwane TV, 1KZN, and Bay TV are not yet monitored by TAMS.

Table 2: TV viewership compared (000s)

The '% incr' is the percentage increase of the longer period over the shorter period. The lower the percentage, the greater the viewer consistency of viewing by target audience. Community TV shows the most inconsistent viewing. However, with regard to community stations, SAARF has reservations about the accuracy of this data because of the low density of "Peoplemeters" within their footprint.

	Universe	Yesterday	% incr	Past 7 days	% incr	Past 4 weeks
Total	34018	12580		12580		12580
e.tv	15823	6233	145	9008	110	9873
M-Net	1045	669	210	1407	129	1813
SABC 1	20714	6696	139	9278	108	10013
SABC 2	15404	6297	149	9412	109	10280
SABC 3	10518	4794	169	8121	115	9355
Soweto TV	817	245	305	747	139	1036
Total Top TV	469	249	112	278	101	280
Total Community TV	904	289	300	867	137	1185
Total DSTV	7948	3963	109	4315	102	4399
Total TV	27688	10902	109	11901	102	12164

Note: This data is from AMPS 2011 Six Months (Jan 2011 - Jun 2011): Adult Population Weight 15+. Daily rating data is different, as it is collected through Peoplemeters and not through interviews. However, regardless of the data collection method, the comparisons between stations are all on the same baseline collection methodology. On the daily ratings, Soweto TV reflect 1.5-m viewers over the past 7 days.

The viewership of e.tv is much the same as that of SABC2. And has been for some years. It is unlikely to have any more impact on community viewing than SABC2, with the exception that e.tv is wholly entertainment-driven, and SABC2 is a public multi-lingual channel.

Table 3: Total Viewers per channel per province

Total 15+ viewers, past 7 days, Oct-Dec 2011 (000)

	SABC1	SABC2	SABC3	e.tv	DSTV	Soweto TV	Top TV
Total	26 684	23 878	19 326	23 019	8 598	2 298	502
Western Cape	2 711	3 083	2 738	2 938	761	**51	**55
Northern Cape	544	610	437	508	185	**44	**13
Free State	1 873	1 917	1 370	1 715	543	**154	**45
Eastern Cape	3 476	2 624	2 141	2 639	779	*169	**37
Kwazulu-Natal	5 399	3 877	3 492	4 100	1 806	365	*109
Mpumalanga	1 896	1 619	1 153	1 559	646	*317	**19
Limpopo	3 284	3 147	2 026	2 520	630	**217	**39
Gauteng	5 200	4 912	4 340	4 978	2 708	811	*133
North-West	2 301	2 089	1 628	2 063	539	**171	**52

*Notes: * data relatively unstable ** data highly unstable*

Current Community TV summary

There are two distinct models:

The NGO station

This applies only to Cape Town TV where the Board has total control; there is contact with and feedback from the community regarding content, a strong community participation focus. It is reliant almost totally from outside funding. The financial status is precarious, probably because of a lack of strategy with regards to funding especially from local government.

The Commercial station

This applies to all the others. With the exception of Tshwane TV, which at the time of writing, is in the process of undisclosed reorganisation, Soweto, Bay and 1KZN are all financed by Urban Brew. Urban Brew has total control over management, revenue, financial management and technical facilities. They are reliant totally on advertising and sponsorship.

Although Urban Brew claims to have no control over scheduling and the content thereof, it does admit that it dictates the budgets for each programme segment. Urban Brew also states that its involvement is because it views the stations as a "long term profitable investment". [19]

Urban Brew claims that Soweto "turned a profit" in April 2011. However, at the same time, they say that they cannot accurately calculate the costs of the station as many of the costs (as with 1KZN and Bay TV) are simply part of the Urban Brew spare capacity in infrastructure. The claim that Soweto TV is profitable is therefore debatable.

The differences between the stations follow in tabular format.

[19] Interview with Urban Brew Management 14 December 2011.

	Cape Town	Soweto	1KZN	Bay	Tshwane
Footprint	Cape Flats is target community, but reaches an arc from Melkbosstrand, touching Malmesbury, Paarl, and Somerset West.	Started on the old Bop TV shielded footprint, but now opened to 360°. Coverage over Heidelberg, Springs, Nigel, Tembisa, Vereeniging, and Sasolburg.	Uthungulu and iLembe districts in KwaZulu-Natal.	Bethelsdorp, Despatch, Ihkhayi, KwaNobuhle, Motherwell, Port Elizabeth, and Uitenhage.	Tshwane metropole, also available in some areas of Midrand, Tembisa, and Alexandra.
Core community	Diverse covering black and coloured mid to low income groups.	Mid to low income, urban, high volume of youth. Commercial business focus depends on higher income viewers.	Mid to low income, much rural.	Mid to low income, urban.	Mid to low income, urban, mostly township.
Viewers	Footprint contains about 2,5m people. TAMS viewership indicates an average monthly viewership of 1,2m.	Footprint contains about 4,5m people. TAMS data shows average monthly viewership of 2,7m.	Footprint has about 1,45m people. No indication of viewership.	Footprint has about 1,2m people. No data yet on viewership.	Footprint has about 1,8m people. No data yet on viewership.
Staff	Full time and Volunteer.	Full-time employed.	Full time and students	Full time employed	Believed to be volunteer.
Cost base	R5.0 m.	R15 m, estimated – uses Urban Brew spare capacity	R7 m, estimated – uses Urban Brew spare capacity	R7 m, estimated – uses Urban Brew spare capacity	Undisclosed.
Advertising revenue	R1-m	R12-m	R4-m expected, currently only R70 000 a month	R4-m expected, currently only R70 000 a month	Undisclosed.
Other revenue	CSI, grants, donations	Loans from Urban Brew	Loans from Urban Brew	Loans from Urban Brew	Unknown
Business model	Non-profit, most revenue from funding, smaller from commercial advertising.	Urban Brew manages all aspects of the station, and views its role as an investment for potential profit for Urban Brew/.	Urban Brew manages all aspects of the station, and views its role as an investment for potential profit for Urban Brew/.	Urban Brew manages all aspects of the station, and views its role as an investment for potential profit for Urban Brew/.	Not known, but all indications are that profit motive is dominant.
Revenue source	60% funding and donations, 30% sponsorships, and 10% advertising.	20% sponsorships and 80% advertising.	20% sponsorships and 80% advertising.	60% funding (R2-m from Mandela Metro) 30% sponsorships, and 10% advertising.	Mostly advertising with a small sponsorship from the Office of the Mayor of Tshwane.
Financial control	Managed and controlled by Cape Town TV. CTV Controls bank account, UIF and SDL	Managed and controlled by Urban Brew. Station has no bank account. All staff on Urban Brew payroll.	Managed and controlled by Urban Brew. Station has no bank account. All staff on Urban Brew payroll.	Managed and controlled by Urban Brew. Station has no bank account. All staff on Urban Brew payroll.	Unknown
Pay SDP and UIF	Yes, from own account	No, paid by Urban Brew	No, paid by Urban Brew	No, paid by Urban Brew	No
Access SETA funding	In planning stage	No,	No	No	No
Advertising sales	Sales are conducted in-house, and on a volunteer basis.	Sold and revenue collected by Urban Brew as part of total management service contract.	Sold and revenue collected by Urban Brew as part of total management service contract.	Sold and revenue collected by Urban Brew as part of total management service contract.	Sales are done by a company called Zallywood.
Financial stability	The station has experienced long periods of financial crisis.	Urban Brew claims it broke even in April 2011	Negligible revenue, runs at a loss	Negligible revenue, runs at a loss	Unknown

Local government support	Local government has been approached and any deals with these government structures are on an ad hoc, and infrequent basis.	No contact yet.	No contact yet.	Nelson Mandela Metro donated R2-m.	Has been approached and any deals are on an ad hoc and infrequent basis.
Provincial government support	There has been little contact with current provincial government. When ANC was in power, they received R300 000 to broadcast government content which was well received. They have received some campaigns from GCIS.	No contact yet.	No contact yet.	No contact yet.	Has been approached and any deals are on an ad hoc and infrequent basis.
Jobs created	13 full time, and 13 interns on stipend.	64 full time.	54 full time.	36 full time.	Unknown
Local content	75%	80%	80%	80%	60%
Feedback on content from viewers	AGM, through website and dedicated SMS line. Formal meetings twice a year	Claims contact with NGO's and churches	No	No	No
Audience research	Rely only on SAARF data	Rely only on SAARF data	No	No	No
Outsourcing	The station would prefer to keep all activities, costs, and revenues within the station and the community.	All aspects of management outsourced to Urban Brew. Station only does its own scheduling, under strict budget conditions from Urban Brew.	All aspects of management outsourced to Urban Brew. Station only does its own scheduling, under strict budget conditions from Urban Brew.	All aspects of management outsourced to Urban Brew. Station only does its own scheduling, under strict budget conditions from Urban Brew.	It appears that all content acquisition, management, revenue collection, and administration of costs are contracted to a company called Zallywood.
Training	Interns are trained on the job. No formal training programmes.	A training school on the premises runs formal courses and is applying for SETA accreditation.	Training courses, materials, and management will be acquired from Soweto TV.	Training courses, materials, and management will be acquired from Soweto TV.	Unknown

Other proposed stations

ECCTV

This was an initiative of the Eastern Cape Development Corporation (ECDC).

The Corporation commissioned a feasibility study based on the Local Content Development discussion document. The project was called the “Content Generating Hub” [20] The concept was based on the Local and Digital Content Development Strategy Discussion Paper of 2009. The Corporation called some meetings, but the initiative faded away. They approached Bay TV for co-operation, but it appears that nothing further has developed.[21]

According to the study, this project envisaged an interconnected series of Content Generating Hubs (CGHs) with a base station in East London. However, despite much information gathering, it failed to provide detail on what content would be generated and why. The actual workings of TV stations were glossed over and the report assumed advertising revenue of R48 million a year. It did not explain how this would be attained. It also offered no business details for the first year of operation, and preferred to detail the long term projections.

It was designed to align with the discussion documents on community television and the revised broadcasting legislation, which have subsequently been withdrawn.

North West

This licence is owned by a non-profit company headed by Kopano Molefe. He is currently looking for a commercial partner to whom he can delegate all management and sales.[22]

GDTV

GDTV went on air several times between 1994 and 2006. During that period Community TV was only allowed a 30-day special events licence. It was on the air 24 hours a day. It failed to receive a temporary 60 km radius licence – Durban, Richards Bay, Umkomaas, Hammarsdale, and Pietermaritzburg – to coincide with UN World Conference on Climate Change in Nov-Dec 2011.[23]

Mpumalanga

Nothing is known about the licensee, without disclosure by ICASA. Sentech has no application for signal, and knows nothing about it.

Others

Despite the moratorium,[24] more stations claim to be in formation. Sedibeng TV, founded in 2010 by Keenan Swartz and Seth Mothibedi Bokwa, is a non-profit community television service planning to operate in the greater Vaal area.

Another emerging community television station is Ekurhuleni TV founded in 2008 by 23-year-old Nicholas Motloung from Dawn Park on the East Rand.[25]

However, as this report will show, there will probably be no more than two community licenses per province, and two have already be issued in Gauteng.

Migration to Digital Terrestrial Transmission

The reasons behind the policy and the regulations governing migration to digital transmission were detailed in the Notice 132 of 2010, dated 15 February 2010. Regulation R 97, also dated 15 February 2010, followed this document. Notice 132 provides for a number of opportunities for community television. The DoC has proposed to amend its policy directions to ICASA in respect of digital migration (GG 34538 dated 19 Aug 2011), and ICASA has proposed to amend its regulations (GG 34642 dated 28 Sept 2011).

[20] Province of the Eastern Cape. ECCTV Feasibility Study. January 2011
[21] Private sources within the municipality
[22] Kopano Molefe.
[23] Prof. Mikael Peppas. DUT
[24] ICASA Notice. 29 March 2010, and further explanatory memo dated 8 September 2010
[25] The New Age quoted in FilmContact.com 19 Sept 2011

General comments

South Africa is changing over to digital terrestrial signal distribution. The network is in place and ready for use.

The implementation of digital terrestrial transmission however depends on the availability of Set Top Boxes (STBs) [26]. The availability of these will depend on:

- Finalisation of certain details by the South African Bureau of Standards (SABS)
- The time that will be needed to tool up and manufacture in economical batches
- The retail cost to the consumer
- The amount of the subsidy proposed by government
- Where in the manufacture and delivery chain the subsidy will be applied

During the migration period, available spectrum will be even scarcer than at present, as the full spectrum will be required to cater for both analogue and digital. The date of the end of the dual illumination period is a matter of debate. The optimists predict late 2013.

At the end of the dual illumination period, however, available spectrum will be plentiful. Community TV remains on analogue during dual illumination, but it appears that it may be possible for community stations to migrate once their communities have achieved a critical mass of STBs. It is even possible that compelling content on Community TV stations could stimulate the demand for STBs.

The Appeal of Community Television

Community TV has wide support from NGOs, producers, national broadcasters, and media professionals. [27]

People, groups and community

Community vs. national media

National media have the reach, and therefore the potential to attract media revenue. Community media have neither the reach nor the revenue, but they do have the relevance, meaning, loyalty, and influence.

Community TV must have a legitimate social role

To be legitimate, it must:

- Complement community radio and printed media
- Have a non-profit mandate for a distinct and explicit social purpose
- Be autonomous, and be under the control of the community
- Be editorially independent of the funders, and any other revenue steams
- Serve only the community
- Be owned by the community who are members of its corporate body, so as to reflect the diverse views of the community

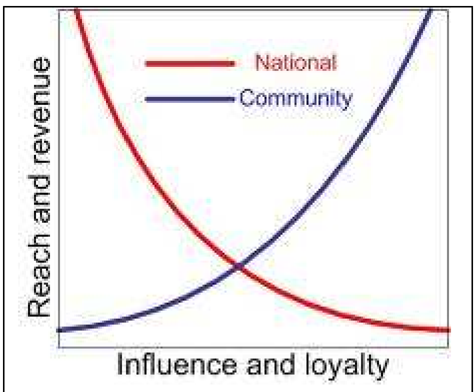

Figure 2: Reach and revenue vs. Influence and Loyalty

Community TV must have a distinct identity

National TV

National television is confined to content that is wanted by the majority of people. In South Africa all national TV is dependent on advertising (even the SABC is 80% dependent on advertising revenue).

[26] Draft STB strategy was published by the DoC in GG 32421 dated 22 July 2009.
[27] Due to sensitivities in the broadcast sector, many individual interviewed expressed opinions based on confidentiality.

For this reason, commercial national broadcasting has to appeal to the widest possible audience. This precludes it from offering niche and specialised programming. It cannot dwell on regional or community issues unless they are of extreme national interest, and this tends to confine it to sensational murders or natural disasters.

National TV has to focus on entertainment, which leads to reality programmes, social trivia, pop music, and game shows. It is difficult for national commercial broadcasters to promote new talent, explore experimental programming, or move away from the accepted costly production values and visual appeal.

Commercial national broadcasters have to compete with one another. Even the SABC has to schedule local soaps against not only its own channels, but against all the other national channels as well. Taking soaps as an example: they are not innovative, as they have to follow a set format and formula; they do not demand unique performance skills; and they do little more than provide steady employment to many artists and technicians, and handsome profits to the broadcaster. There is little that is edifying about their content, which cannot be described as a serious contribution to social development.

Community TV

Community or regional TV cannot be crafted from the same mould as the national channels. It must have its own identity. It has to serve the community.[28]

Community identity

Each community station needs a form that defines its culture and character, a different mindset that defines its design and management. This must be reflected in:

- Analysis of community needs as expressed by the community
- Schedule
- Brand identity (Look and feel)
- Content
- Style
- Language
- Programme mix

Community television budgets

Community television must be strictly tailored to its budget if it is to survive. The revenue that is sustainably committed decides on:

- Extent to which the station will be equipped
- Salaries payable
- Number of jobs it can create
- Cost of local content
- Style of local content
- Coverage through outside broadcast (OB)

Community television stations have to employ local independent production houses to make a large portion of their content. They have to comply with the Local Content Regulations.[29] These regulations however do refer to South African, rather than local community broadcasting. These stations may use communal news sources, for examples by setting up their own common bureaux for national community news. However, there is no need for the community television stations to duplicate content that is freely available via the national television stations.

[28] See Uses and Gratifications research in David Guiles. Media Psychology. Lawrence Erlbaum. 2003
[29] ICASA notice 154 of 31 January 2006. Paragraph 6. The DoC published draft local and digital content development strategy on 4 Sept 2009 (GG 32553), also. There are also ICASA regulations on independent production (GG 32767 dated 1 Dec 2009).

Government has a responsibility to communicate

Successful community and social development shows that, as much as local government must supply services, the people and individuals within communities need to be educated and informed about their own responsibilities for improving their quality of life.

Service delivery always takes time, and when government speaks about progress without showing concrete evidence of it, people naturally assume that the lack of delivery which they see around them is indicative of a larger lack of service delivery. Much service delivery protest could be reduced or avoided if government had a medium through which to show that delivery has in fact started, where it has started, and what the roll-out will be.

Government, in its own interests and those of citizens, also has a responsibility to inform and educate people about those developmental functions on which it is unable to deliver.

This does not imply boring informational documentaries or interviews. At little extra cost, and with imagination, creativity, and empathy for the audience, information programmes can be compelling viewing. This is especially so when they cover subjects that are close to the daily lives of people.[30]

This is the vital role and responsibility to which community television must commit. In return for this, local government must support community television. However, neither the funding support, nor the responsibility to communicate can be allowed to compromise the editorial control that the community TV station must have over all its content.[31]

Community TV Business Management

Ownership

All legislation and regulation to date explicitly states that community TV stations have to be run by non-profit companies.

Non-profit companies are incorporated under Section 21 of the Companies Act, which regulates the incorporation of associations not for gain. Companies incorporated under Section 21 must have as their main objective the promotion of religion, art, sciences, education, charity, recreation, any other cultural or social activity, or communal or group interests and must apply any profits or other income in the promotion of the main object. The EC Act requires only that the entity be a non-profit entity, not that it be registered in terms of section 21, so, for example, a non-profit trust will also qualify.

Legally speaking, non-profit does not mean that a company cannot make money. It only means that the money cannot be distributed to shareholders (members). There are examples of non-profit companies that make profits. They are in no small measure sustainable because all of that money is directed back into the mandate of the company.

The commercial potential

Can there be a model that will encompass both business entities and the objectives of regional and community broadcasters?

In his 1997 paper commissioned by the Open Window Network (OWN), [32] Aldridge outlines what he calls the “C-PEG” model, which is an adaptation of the PEG model popularised in the United States. PEG stands for a mix of public access, educational, and government content.

In C-PEG, a commercial dimension is added, with the idea that a non-profit, community-owned/controlled TV station or production house could combine commercial, public access, educational and government programming to achieve diversity, and thus sustainability, in both content and income generation (Aldridge, 1997).[33]

This is the model used by Cape Town TV.

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[30] See D McQuail. Sociology of Mass Communications. Penguin. 1972. Confirmed in John Condry. The Psychology of Television. Lawrence Erlbaum. 1989. Page 146.
[31] ECA 2005 Ch 9. 50
[32] “Community Television Broadcasting in South Africa: Theoretical Overview and Business Plan”, (http://www.mediastream.co.za/ community-tv/html/ctv_business_plan.html)
[33] Chris Armstrong. Community TV & Video in South Africa: From Special Event to Main Event? A SCOPING DOCUMENT, 1990-2005. LINK Centre, Graduate School of Public & Development P 24.

Revenue

Background

Media (advertising) revenue is a limited resource. It is fed by the needs for marketers to buy the attention of audiences through advertising. Although all sectors declined in 2010 (cinema was up), there are changes as Internet spend expands, as does outdoor media, which are the only media that did not register a decline. There is no reason to believe that the world economy will recover in less than two years.

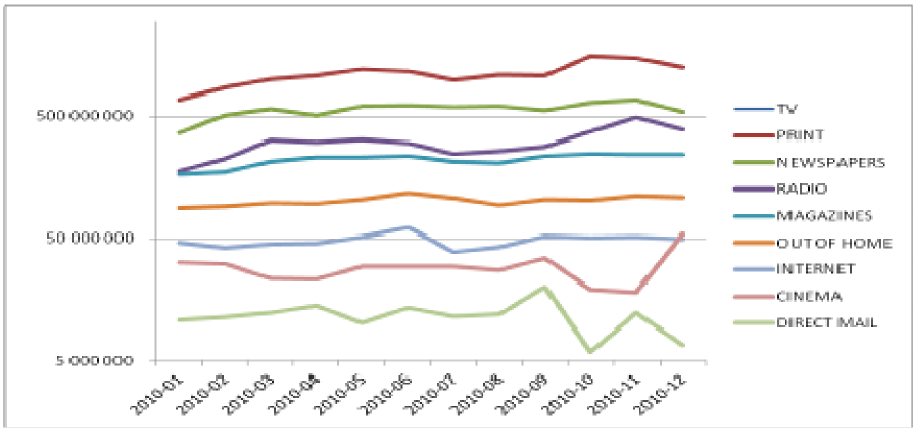

Figure 2: Monthly Ad spend 2010 Logarithmic Vertical scale in Rands

New thinking

Viability depends on sustainable revenue, so there is no point in proposing licence categories that are not potentially viable. This includes the viability and sustainability of funding.

Sustainability through diverse income streams

There are many potential revenue sources for community licences.

To budget sustainably, we must define each source of revenue, so that we can accurately predict what each will bring in.

The past five years have shown that government wants a demonstration of value, to prove how the public benefits.

All revenue streams must balance the non-negotiable editorial control of the station over its own content and decisions, with the advertisers and sponsors. "He who pays the piper, calls the tune." The easiest way is to channel national, provincial and local government funding through a statutorily neutral body. Only the Media Development and Diversity Agency has the required qualifications.

Basic principles

Regularity

Revenue must come in on a regular basis, so that the station can manage the prompt payment of expense and cost obligations

Long term

Revenue cannot be short term, but must be contracted for at least a year at a time.

Value

Revenue must offer value to all parties: community, sponsor, broadcaster, programme maker, funder, and advertiser.

Government funding

Government has three sources of support: National, Provincial and Local.

MDDA

The MDDA has among its Objective [34]

(a) freedom of the press and other media; and

(b) freedom to receive and impart information or ideas,

and for that purpose to

(i) encourage ownership and control of, and access to, media by historically disadvantaged communities as well as by historically diminished indigenous language and cultural groups:

(ii) encourage the development of human resources and training, and capacity building, within the media industry, especially amongst historically disadvantaged groups;

(iii) encourage the channelling of resources to the community media and small commercial media sectors;

(iv) raise public awareness with regard to media development and diversity issues:

(v) support initiatives which promote literacy and the culture of reading;

These objectives allow government funding, at any level, to be distanced from the community stations to preserve "ownership and control" as stated in the MDDA Act and maintains editorial control over content.

National

National government's most important role should be to continue what it has already been doing: seed funding through the MDDA. There seems little point in national government funding running costs because the two other levels of government (provincial and local) have a greater interest in the value of community television to the communities within their jurisdiction.

Provincial

As will be seen from the recommendations, we advocate networked community television stations constructed on a provincial basis.

Currently Digital Terrestrial Television (DTT) allows for two community stations per province, each with a province-wide coverage. Seen from this point of view, the province should be one of the stakeholders in each station, as it has information it needs to communicate to every person within the province.

Our model provides for provincial and local government grants to the MDDA, so that MDDA can fund each station according to its coverage.

Local

Each station will have one or more local municipalities and/or district councils within its footprint. Each local authority within that footprint should be a stakeholder in that community station. However, these authorities should NOT be stakeholders for community stations outside of their jurisdiction.

Thus, each community station should have three sources of funding:

1. National government: seed funding through the MDDA.
2. Provincial government: funding ALL community stations within the particular province, through the MDDA.
3. Local government: funding only that station whose coverage is within their boundaries, through the MDDA.

Programming

All station content is subject to the uncompromised editorial control of the stations. It has to accommodate all genres, subjects, topics and formats that the needs as expressed by the community. This content will inevitably involve local government in one way or another.

Content based on the relationship between citizens and their local government does not necessarily have to confine itself to information or news about local government. It can include talk shows, the exhibition of cultural and creative talent, dramas, documentaries, minority sports, or any programme genre or format that effectively communicates information.

[34] Media Development and Diversity Agency Act, 14 of 2002. 18 June 2002

Advertising and sponsorship

Television advertisers buy audiences, they do NOT buy time. Regardless of how highly a particular community station regards itself and its audience, the advertisers will always see community TV through their perception of audience reach.

From the advertising point of view, broadcasters are not in the business of creating programmes: they are in the business of creating audiences that advertisers want to reach. Even for cable/satellite channels and online sites, advertiser support is very important because costs are seldom borne entirely by subscriber or user licences."[35]

Selling advertising and sponsorship

There is no available data giving provincial breakdowns of the national adspend that goes to television. However, there are two rules to selling advertising:

1. Ad spend cannot be influenced by anyone except the advertisers, and the growth varies according to economic circumstances.
2. The adspend is money that belongs to the advertisers and they are free to do with it what they like. No one can claim entitlement to this adspend just because it is there. The money does not belong to the media, it belongs to the advertisers.

This indicates that community stations would be better off if they contracted out their advertising sales to professional companies on a commission basis. As there are probably no successful agencies within the community in which the stations operate, this means commission revenue goes outside of the community. Stations have to balance their need for commission sales to remain within the community against the risk of very low revenue. In most cases, it may be better for a station to contract out the advertising sales and lose the commissions, which are after all only a very small part of the revenue.

The best solution is probably the middle way – contract out, but make the contract conditional on the sales agency taking in community members as interns. In that way the station can slowly build up internal capacity.

There are a number of non-negotiable conditions to community channels selling advertising, as follows:

1. Reliability

   Scheduling must be reliable and stable. Advertisers perceive programme changes and cancellations, or any deviation from a published schedule as unreliable.

2. Research with integrity

   The station must show that the research methodology is reliable and statistically sound. The South African Advertising Research Foundation (SAARF) has a section on the basics of audience research on its website. This includes interpretation and methodology.[36] There are also established and globally accepted methodologies for community station research that are not costly.[37]

3. Scheduling ahead

   Advertisers buy into the future. Advertisers will have respect for the station if it has a long forward schedule, of at least one month. This is possible for any community station. Shorter forward schedules will reduce expectations of revenue.[38]

4. Rational rate cards

   Rate cards must be based on audience research and competitive rates per Gross Ratings Point.

5. Professional sales staff

   Sales staff must be professional, and community stations are better off contracting sales out to professionals on a straight commission basis.

6. Proof of broadcast

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[35] Eastman and Ferguson: Media Programming. Strategies and Practices. Wadsworth. 2009

[36] www.saarf.co.za – see Guidelines for research

[37] Graham Mytton. Handbook on Radio and Television Audience Research. BBC and UNICEF. 2007

[38] In general Community stations seem to rate their advertising at 30% of the price of that on national stations.

Advertisers are suspicious when there is no physical proof that their ads were broadcast. Recording and reporting is now affordable electronically, and stations do not have to physically tape record and extract, as was the case in the past.

Local adspend, CSI and sponsorship

There is nothing in the profiles, precedents, or data to support the following wishful thinking scenarios:

1. Adspend that currently goes to the SABC, e.tv, DStv or Top TV will move to community stations.
2. Adspend that currently goes into local print media will move to community TV.
3. The lack of advertising revenue success in the community radio sector will be reversed by community TV.
4. Local industries will commit corporate social investment (CSI) or corporate information money to community TV.

Any interpretations to the contrary are pure speculation. A number of media buying specialists were interviewed[39] and they agreed that community TV could only generate advertising income once it could demonstrate its audience research methodology, and offer a professional rate card.

These independent buying specialists were asked to estimate what revenue from community television might be. All agree on the same basic principle: advertisers select the medium, channel and station that delivers the most desired audience at the lowest cost per thousand (CPM).

All revenue projected in the scenarios and business plans below is based on half their average projections.

Costs

Infrastructure and buildings

A community television station consists of more than just a studio. It has to include:

1. Administration Centre
    a. Human resource management
    b. Legal and rights management
    c. Finance
    d. Supplies procurement
2. Programming office
    a. Content acquisition
    b. Scheduling
3. Audience research
4. Sales, marketing and publicity office
5. Community Relations Office
6. Technical and maintenance
7. Production Centre, which contains
    a. Studio, studio control and Final Control Centre (FCC)
    b. Production and Postproduction Centre
    c. Newsroom
    d. Outside Broadcast (OB) Centre
    e. Digital Media Centre
    f. Training centre
    g. Archive

[39] Notably The Media Shop.

This is only a hypothetical guide. Every station will be unique, and will require its own organisational design, cost centres, accountancy system and staff structure.

Stations have to be "lean and mean," and despite having an obligation to create jobs, they can only do so in a sustainable way if they are efficient.

Administration

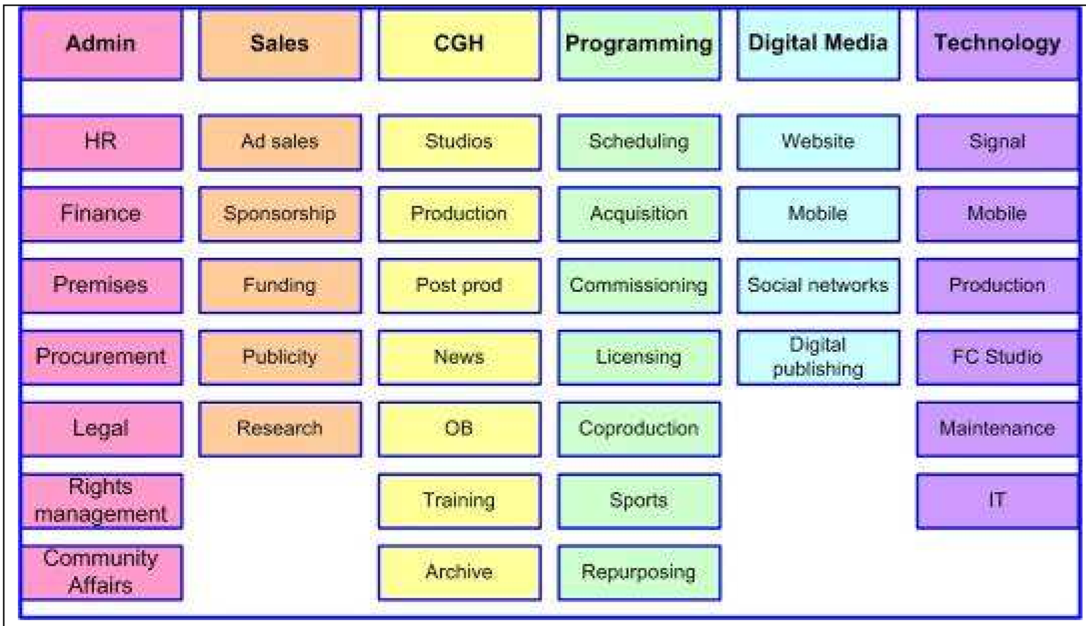

Figure 3: Television station organisation

This is the area where people must be competent right from the start. Skills cannot really be picked up as one goes. It takes expertise to conduct feasibility studies and write the budgeting and business plans for any station. Management competency is also essential in order to employ the right staff and manage them.

In a very small station, all these functions may have to be performed by four people, but not less.

Sales

This is the department that has to bring in money. For this reason, audience and market research belong in this section, even though research has to serve the programming and scheduling people as well. This will occupy three persons.

Programming

Scheduling, programme acquisition, sports, and repurposing will need at least three persons

Digital media

Digital media should, if we are to follow the current trends, be integrated with all other parts of content creation. It may however need a specialist with an understanding of web, mobile, social networking and digital publishing hardware and software.

Technology

Technology consists of the purchase, maintenance, and operations of all technology and equipment. At the very least, it will need two persons. One of them must be a qualified broadcast engineer.

Total staff

The above will create jobs for 12-15 senior persons. The full staff complement of operational and managerial staff is usually in the ratio of 3:1. The smallest possible staff complement of a small station could be 36.

Studios

According to current (2011) costs, it should not cost more than R2 million for a fully equipped studio and outside broadcast unit. An "OB in a box" will cost no more than R1 million per unit.

This includes all reliable, low-cost, versatile, long-life digital equipment.

Currently community stations use studio facilities in different ways. Cape Town TV has an arrangement with film school AFDA to use its studio. Soweto, Bay, and 1KZN have their own studios, but they also have access to more sophisticated facilities through Urban Brew Studios. Tshwane TV seems to have its arrangements through Zallywood.

Equipment overheads

Engineering carries running costs. All community stations need a full time qualified person to maintain and repair equipment. Even with service maintenance contracts, there is no replacement for the convenience of having someone on hand.

Crew

This depends on the nature of the station, but the crew members (camera, sound, and lighting operators, vision control and mixing) should all be freelance – paid on an hourly basis as and when required. A properly operational studio will require people to be available at the same time, and on the same day/s each week, so the work is regular and predictable.

Sales staff

Sales of advertising and sponsorship should be contracted out on a commission basis. It is very unwise to take on sales staff that is not competent. They will not make sales, and consequently will not earn any commission, so everyone loses. It is worth paying up to 10-15% commission in genuine sales (based on real revenue after discounts and cost of sales). The sales for which commissions can be claimed include the sale of advertiser funded programming, but do not include sales of pre-contracted government purchase of airtime and content. Contracted professional sales agencies should always have training and mentoring included in their deliverables.

Job creation

Stakeholders agree that one of the functions of community television is to create paid jobs. This does not mean offering unemployed people unpaid work as volunteers. The sample business plans at the end of this section all apply the principle that work must be paid for. On the other hand, a community station is not a licence to draw high salaries to boost high status lifestyles. Such people will find that communities are hard taskmasters.

Content

The cost of content has to be whatever the channel can afford. In terms of local content regulation, the station has to contract out at least 40% to the independent sector. A carefully designed schedule should cost no more than R800 000 a year on average.

Research

Research can be contracted for as little as R10 000 a year. However, this is not an area of expertise that should be compromised by lack of budget.

Administration

An estimate of R25 000 each for ten employees comes to R250 000 a month.

Detailed cash flow budget

A programmed Excel cash flow budget worksheet for three average station size scenarios is attached to this report.

Low-cost programming

Earlier we referred to the trade-off between cost and perceived quality. We pointed out that quality is not to be confused with production values, which are purely a visual window-dressing.

Prior to its 2009 financial woes, the SABC commissioned out R1 billion in contracts every year. Prices for product were high. An hour-long drama usually cost R1 million. Soaps cost around R200 000 per half hour. Documentaries averaged R325 000 an hour. This set a precedent, and M-Net and e.tv had difficulty containing costs when the SABC was establishing prices that the others believed were unrealistically high.

When the SABC abruptly stopped commissioning, there was a glut of unemployed producers who were desperate for work at any price. Suddenly supply exceeded demand as never before. M-Net and e.tv were able to slash the cost of content overnight.

Our estimate is that the cost of content in 2010 and 2011 dropped by about 50%. These figures remain anecdotal, because no broadcaster will reveal the terms of any commissioning or licensing contract, as every contract contains a confidentiality clause. The prices offered in the SABC November 2011 Request for Proposals supports this contention.

The advantage of these upheavals for new community stations is that the cost of content has become whatever cost is fair to the buyer and to the seller, without interference from any other market.[40]

A one-hour talk show could cost as little as the station overhead (including staff costs) for that duration. A larger station may be able to reduce the cost to as little as R2 000 an hour. A commercial provincial station would expect a talk show (at 2011 prices) to cost around R15 000 with a fully professional staff.

M-Net's Mzansi channel pays as little as R100 000 an hour for what it calls "bubble-gum films." These follow the model and style of the Nollywood low cost films. This is unsustainable: a more realistic cost would be R150 000, which is closer to Nigerian costings. M-Net presumably regards these as "opportunities" for the unproven producers.

There is an opportunity here for community TV stations to produce low cost dramas along the same lines, and to sell them on to other community stations. This would certainly stimulate the local independent production industry.[41]

Cape Town TV uses much free public service content, which is downloadable off the Internet. However, this is not local content, and the value to the viewers must be weighed up against the costs.

Local content does not have to be costly if the producers and the management know what they doing. The higher the levels of competency and the more planning that goes into a production, the lower the costs.[42]

Transmission costs

Currently, community stations pay anywhere from R50 000 to R90 000 a month for transmission. However, some engineers estimate that digital transmission may cost community stations as little as R10 000 a month.[43] We simply do not know what transmission will cost in 2012, and will not know for certain until mid-2012.

Currently if a community station wants to broadcast a funeral live from a remote area, it would have to use satellite "fly-away" systems. By 2012, it should be possible to use IPTV through the cell phone network at a fraction of the cost of satellite. Engineers consulted described the use of IPTV as "probable" rather than "possible". However, all this is speculation at this stage.

The transmission costs cannot be negotiated. The only way to reduce transmission costs is through a form of subsidy from a party or parties along the funding chain.

There are provisions for subsidies. [44]

Outside broadcast

Much community television content has to come from outside broadcast. Talent shows, sport, community discussions, talk shows, cultural activities, heritage celebrations, weddings, and funerals are all outside broadcast. No one knows what the cost of such production might be in two years' time. There are too many variables.

At current rates, a station can own an "OB in a Box" for R850 000.[45] Depreciated over a year, this would give it a daily cost (based on being used three times a week) of R5 500. Current satellite transmission

[40] Interview with Pete and Cary Burnett at DUT.
[41] Discussion with film producers Tracy-Lee Dearham and Andrina Moodley.
[42] Interview with TV producer Erald Felix.
[43] The signal distribution rate card is a sensitive subject. These estimates were provided by suppliers of transmitter equipment who work closely with the signal distributors.
[44] See the Digital Migration Regulations. Section 9 (8).
[45] Quote offered by Frank Meyburg and Fred Ridgard

costs back to the Final Control Centre (FCC) studio for live broadcasts can be as low as R10 000. In two years' time, technology will have changed.

Outside broadcast enables the station to "take the station to the community." A talent show, which is an entertaining way of showcasing local creative talent, cannot work in non-metro communities the way it happens for the commercial broadcasters. The commercial broadcasters have large budgets that enable them to bring people to the studio or the venue at huge cost. In communities, however, the people cannot afford to travel, and the station cannot afford to transport masses of contestants.

If we can take the station to local venues (with which the local people emotionally identify anyway), and record or transmit the shows from there, this will clearly be easier and more effective. For this, outside broadcast (OB) units are essential. In our scenarios below, we have allowed for two OB units in the larger stations.

Local Content

Community television is DIFFERENT television

The community television stations are not there to copy the content of the national stations, or to compete with the national stations for audiences. Their purpose is to serve the community with content that it needs, which is not available on any other stations.

If community television stations want to sell their content, it will be on their terms, as participants in the content markets.

Editorial independence

Editorial independence is assumed in the Electronic Communications Act.

There is no reason to assume that major funding by provincial and local government through the MDDA, will in any way impede full editorial independence. Health, education, services, security – all of which fall under the responsibilities of local government, are valid sources of relevant and interesting programming.

The funder is always a stakeholder, and this role is not diminished because editorial control is on the hands of elected trustees of the station.

Sources of Content

Internal production

A station that has a simple studio for talk and music and an outside broadcast unit, should be able to do most of its production in-house.

Internal production is often the most cost-effective programming. It uses all the station's facilities, and usually requires only the crew, who work as needed. Internal production has the advantage of being under the total control of the station. The station has complete ownership of the production consumables, staff, indirect costs, and the copyright and legal implications.

The formats that a station can easily produce with a basic studio and OB unit are:

- Talk and discussion shows, including those that use phone-in
- Music shows where the band plays and no other visuals other than the band are required
- Sport and other outside open air events
- Talent shows and travelling live entertainment shows
- Travelling community discussions, where talk and discussions are taken to community venues

Commissioned productions

Although community stations are required to contract with independent producers for local content, they are not obliged to "commission" local content.[46] These are not the same thing. With commissioned

[46] Howard Thomas. The Art of Pitching. SABC 2006.

programmes, the station has to pay for everything in order to claim full copyright on the entire production and the master copy.[47]

Some pitfalls of commissioned programmes are:

- The station does not have control over the production management and the finances, and therefore has to trust that the deliverables will be worth the cost
- Commissioned programmes do not create any more jobs, even temporary freelance jobs, than in-house productions. The same number of people is employed for the production, regardless of whether it is in-house or commissioned
- If the station requires a specialist show that technically it is able to produce in-house, then it would be better off employing the specialist producer for that show itself, rather than commissioning it from outside

The whole subject of "commissioning" has been distorted by perceptions that have been created by the SABC and its unique relationship with the independent sector. The SABC requires so much programming that it would never have the facilities to produce everything in-house.

A drawback with the SABC commissioning system, in which the SABC owns the production and the producer, means the producer has neither obligation nor incentive to take any interest in the programme once it has been broadcast.

It is notable that few television stations on the African continent resort to commissioned programmes.

The notion that legislation is the cause of this imbalance is not true. A "commission" is described in the Copyright Act, but regardless of the terms of a commission which are subject only to the mutual agreement of terms between to parties, the conditions regarding Moral Rights in section 21 remain.

The previously strict definition of a "commission" was misled, through narrow interpretations of law that suited the broadcaster. Any broadcaster can acquire content from an independent producer, if both parties agree to the contract. Copyright, as global practice, can be: "sliced and diced" in any way that suits the parties subject to the conditions of the Copyright Act.

There are many other ways to acquire content from independent producers: licensing, co-production, bartering and a number of combinations of these.[48]

Licensed programmes

Under licensed programming, the producers produce the programme at their own cost, own the copyright in every respect, and simply license the community broadcaster to broadcast the programme. The licence is for:

- A specified number of broadcasts
- In a specified area
- A specific time period
- Through a specific medium

This allows for flexibility, in that producers:

- Retain ownership and have the freedom to sell the programme to other broadcasters outside of any licence agreements
- Can negotiate ancillary rights and work for themselves – for instance, they could manage and leverage revenue from the programme's competitions, website, and social media
- Are free to produce other products that derive from the programme, such as DVDs, comics, radio programmes, print media, and live events
- Can use the concept to produce spin-offs and format derivatives

The downside for producers is that they bear the risk and there may be no potential of revenue from other media and ancillary products. However, entertainment and broadcasting are the riskiest industries, and

[47] Copyright Act no 98 of 1978 as amended. Section 21.
[48] Howard Thomas. The Art of Co-production. SABC. 2008

people who willingly make a career within these media have to learn to take risks and accept the consequences.[49]

The licensed programme form of acquisition, hybrids thereof, are the most likely to develop a local independent production sector.

Co-production

Co-productions are always complex, and should only be embarked on by experienced parties.

Advertiser-funded programmes

Advertiser-funded programmes are made by the advertiser with the intention of using entertainment to subtly market a product. They are usually provided free of charge to the broadcaster, or the advertiser may even pay a fee for the airtime.[50]

While these programmes appear attractive – they fill time slots, cost nothing and often bring additional revenue – they have drawbacks. This mode of acquisition means that:

- The station loses editorial control, regardless of the contract. “He who pays the piper calls the tune”
- There may be no connection between the advertiser supplied content and what the station envisages for that slot
- The audience normally sees through the overt advertising content. This damages the station’s credibility

The recommendations make provision for such programming for revenue generation purposes subject to minor conditions.

Barter

Barter means an outside party gives the broadcaster rights to a programme at no cost, and in return has the right to access the advertising space, sell the advertising and take the proceeds. This can be complex, and may involve difficulties in evaluating the advertising space. A broadcaster needs substantial experience to determine when such an arrangement is mutually beneficial.

Content Generating Hubs

The concept and rationale for Content Generating Hubs (CGHs) as detailed in the Local and Digital Content Development Strategy discussion document of 4 September 2009 [51] was a tentative one, and in the light of further experience needs adjustment.

For the sake of simplicity, we recommend that the concept be dropped under current circumstances as it adds an unnecessary complication to the normal duties and responsibilities of a community broadcaster. For the purposes of these recommendations, we will refer to them as Production Centres.

Programmes genres and diversity

This section should not give the impression that community television content consists in the main of talk, discussion and local information. Drama in the forms of low cost movies is viable in a wide market of over 15 stations. Outside Broadcast facilities provide for religion, music, sports, and local entertainment events.

Content per se is not boring. It is the production that can be either compelling and exciting, or boring.

Training and Development

The industry has conducted intense training on an extensive scale throughout the country for 15 years.

From about 1998, the burgeoning consumerist culture, the cult of celebrities, and the glamour factor in film and television increased the demand for TV training. Media, and especially television were perceived to

[49] Education and children’s programmes carry less risk as they are easier to target to wider audiences and applications.
[50] Vicky Frost. Could advertiser-funded programming solve TV financial problems? The Guardian, Monday 27 July 2009
[51] Local and Digital Content Development Strategy Discussion Paper. 2009.

be glamorous. Various studies have been conducted into the need for training, the most recent being by the SABC in 2008.[52] This indicated that there are still specific skills gaps, and also that TV training is a major industry in its own right.

Training has concentrated on technicians and crew rather than management. There are plenty of trained people available at the level of crew – camera, lighting, sound, editing and general postproduction. However, many of the problems experienced so far in community TV can be put down to a lack of broadcast management training.

Management training

In the absence of any significant management skills training, mentoring, or on the job development, this report recommends a strategy that includes full broadcast management training for three months prior to a station opens, or for even longer if necessary. The proposed scenarios and their budgets include 7% of turnover to be allocated to such training.

There are still far too many training institutions training people in lower skills. Yet there seems to be little sense in training people in craft and technical skills, when there are no management skills for the employers. Before jobs can be created, and people employed, there have to be competent employers. If untrained people are put into paid jobs, and cannot do the work, this cannot be called “job creation.” If the station folds due to lack of skills, these jobs are not sustainable.

Unskilled people must not be allowed to plan, start, and run stations. It must be a prerequisite that all community station managers undergo relevant training unless they already have the necessary skills. The courses offered must be specifically directed to the management needs of community stations.

Technical training is not a priority, since camera and sound operators are freely available in all areas. The categories of real skills shortage are: [53]

Engineering, transmission, equipment, repairs and maintenance		Archiving
Financial management, control, accountability and governance		Station management
Budgeting		Human resource management
Marketing, PR and publicity, Media buying and selling		Regulatory compliance
Strategic management, HR management		Revenue and sales
Scheduling, Programme acquisition		News management, editing, Journalism
Television as social development		Repurposing, versioning, Subtitling
New media (cell phones, websites)		Digital media convergence
Technical supervision		Social networking and media
Audience, media environment research, and data interpretation		Relationships with other media

Training by the station

As a community asset, the station is obliged to offer training that is accessible to all members of the community. The training must be at all levels, from the simple assistant in the studio, all the way to senior management. This can only benefit the station and the community and provide for migration and attrition of station staff.

The station will need specially trained local people to:

- sell advertising
- negotiate sponsorship
- raise funds
- auction time slots
- sell time slots

[52] A comprehensive skills survey of the South African television Independent Sector. Report from Media Africa on the Skills Survey in preparation for policy and procedures for on-the-job mentoring and training. 2008

[53] Scarce skills inventories also conducted by SABC 2008.

Funding for training

The budgets below provide for training funding from local government's overall funding through the MDDA. Further training funding is available through the MICT-SETA for learnerships. Applications for the job creation fund administered by the DBSA are closed.

Partnerships

It is important for contractual purposes that business relationships are clearly defined. Community stations and those they deal with may sometimes use the terms "partnership" or "private-public partnership" non-specifically to avoid a commitment to detail. These terms can cover anything from customers and suppliers to unconditional funding.[54]

The terms used to describe contractual relationships need to be specific, precise and descriptive, especially in relation to outsourcing, barter, conditional funding, unconditional funding, and plain contracts of sale. These relationships must all be contractual, legally enforceable, and long term.

The number of practices vaguely named "partnership" by community stations include these:

1. Some community stations use facilities owned by others without proper contractual arrangements: this leaves the stations vulnerable to the whims of the owners.
2. Some stations have "partnerships" with community organisations that are purely verbal understandings. This gives the impression that the station is actively involved in the community, when in fact there is no mutual benefit.
3. The term "partnership" is sometimes used when content is exchanged for access to air time for advertising sales. This is the common practice of barter, not partnership.
4. There is evidence that some outside contractors or "partners" do not in fact have the skills for which they have been contracted.[55]

Outsourcing

Outsourcing is a controversial practice.[56] The actual word is seldom used by community stations, but it has become an emotional issue, even referred to some stakeholders as "hijacking." The management of the majority of existing stations lends credence to this perception.

There is a purist approach to community TV which says that it should be owned, run, and an integral part of the community's social and economic development. To be strictly true to this definition, it would be inconceivable for any community to contract out either management and sales services.

The interviews, the stakeholder meeting, and surveys for this research, revealed strong beliefs that community TV has to be financially sustainable. To attract funding and revenue, stations must effectively attract community audiences. To do this, they need competent managers who have the ability to efficiently produce meaningful content. Community stations must also attract long-term contracted revenue. If all these things are done, community stations should run at a profit and can expand their involvement in community development.

To achieve profitability, some believe it is necessary to outsource. Others believe in keeping all skills and activities within the community. Yet others would rather adopt a hybrid approach. The variety of arguments below reflect some of the views expressed:

1. The community station should be there to develop the community – to increase its skills base, and through money flows in the community, to increase local economic activity.
2. The community TV station is there to deliver the benefits of TV – to communicate and provide a platform for community communication, and hence to generate media diversity. The development of specific and rare television management skills within the community are not the core interest. These skills therefore could be outsourced to professionals. An analogy given was

[54] Pete Burnett: DUT
[55] Sources anonymous at their own request.
[56] Evidenced at the stakeholders' meeting.

how an educational institution, whose core interest and activity is education, could contract out the management of its medical aid scheme, which would distract it from developing its core competencies if it managed the scheme itself.[57]

3. The skills required in the financial and administrative management of a television station are so specialised, rare, and specific, that outsourcing these skills to a service provider is cheaper than trying to develop them in-house, which will take many years.
4. The management of a community station should come from the community, otherwise the station will not be part of the community, and it is dangerous to have senior management who are distanced from the social and cultural nuances of the community.
5. The community station should have total control over its own financial management.
6. Private companies that operate for profit cannot be the direct recipients of government funding; such funding must go directly to the community TV station.
7. Community TV should be seen as a goal which a community takes on only after fully realising the potential of radio and print.
8. Community TV has to be undertaken as part of an overall digital communications infrastructure which includes radio, social networking, telephones, and Internet – where the various media feed and develop each other.
9. Each community is unique – a complex network of language, culture, customs, and values. Therefore each requires its own form of community TV.
10. While community TV is a form of TV that is restricted to a community footprint, it nonetheless provides the bridge between the community and the rest of the world.
11. Community TV is an ideal nation builder – it brings the country to the community and the community to the country.
12. Community TV is an electronic supplement to all the tools that communities traditionally use to bind themselves into a cohesive community.
13.

The Impact on Job Creation

Jobs, skills, and employers

Jobs are created by employers. If there are no employers, there are no jobs.

If there are no skills available, employers are quite likely to employ unskilled people and train them up. However, training people unskilled people in this way has proved to be a major mistake. This suggests that employers themselves must be trained to expand the community station while at the same time upskilling replacement employees.

There is no way to avoid the reality that job creation requires employers. This applies even to the self-employed. The business owner has to be trained to employ, even if only to employ himself or herself.

Volunteers

Community volunteer work, despite being promoted as part of self-development and care for the community, does not go down well in a country where the unemployment rate is 40% or higher. People who earn nothing do not want community radio and TV stations if they are expected to work for nothing.

Community TV stations that run on a “bare-bones” budget, conduct their business from one financial crisis to another, expect people to volunteer to keep the station going, and create no jobs. They serve no purpose whatsoever, and will not be accepted by any community.

Job creation by TV stations

So far, three community stations have created 150 jobs. At this rate (and we are still at the start-up stage) 18 stations could be expected to create 1 000 jobs.

[57] Stakeholder’s Meeting. Prof Harry Dugmore.

There is evidence that Soweto TV is a stepping stone for those it has trained, allowing them to move into commercial stations.[58] However, it would be wise to wait a year before trying to measure any impact.

Management software

It is important that community station management use Enterprise Resource Planning (ERP) software for efficient management. The ERP software a media company needs must include:

- Accounting (such as Pastel Express, or QuickBooks Pro).
- Payroll management (both the above have integrated systems).
- Project management or scheduling (Movie Magic is now affordable for even small production businesses. There are also free project management software packages downloadable from the web).

Today there is no excuse for even the small micro production business not to use business and project management software. This applies also to independent producers and suppliers.

Independent production of local content

The collapse of the lucrative SABC independent production market has resulted in:

1. Existing producers looking to community TV as a replacement customer for their content.
2. Expectations within local communities that for their content they will be paid the kind of prices that the SABC used to pay. [59]

Both of these are unrealistic. It is evident that the inflated prices that independent producers charged the SABC in the past are now corrected.[60]

The SABC in the years prior to its financial crisis in 2009, tended heavily towards commercial producers, who were reliable and unlikely to cause difficulties during production. This weighed in favour of the 20 or so large production houses, at the expense of the 80-100 emerging and aspirant producers who received almost no opportunities.[61]

Confining the contracts to a few major production companies hampered the growth of the creative industries, especially the specialist and “boutique” production houses. It also stunted development of specialist skills since one television production company employed a range of craftspeople for costume design, scenery, animation, music, performance, and a host of other allied creative crafts.

Furthermore, as mentioned earlier, the SABC tended heavily to favour Gauteng-based production houses. If the country is looking for artistic assets, there is no statistical or other justification for assuming that these are concentrated in Gauteng. The advent and promotion of community television will take these work and employment opportunities to every area of the country, and develop the creative industries in each area.

Business Scenarios

Unknown factors in costing scenarios

Revenue

The plans that follow are typical of most plans of projected income and revenue for a broadcast station. They have to be estimates, and to be safe they have to veer to the conservative side.

- Revenue should never be entered into without a thoroughly researched business plan upon which the station will budget. Evidence should ideally be in the form of Letters of Intent.
- One would have to guess what advertising income might be. Anyone can take the gross commercial turnover in any one area and guess that perhaps 1% could be allocated to TV.

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[58] A number of performers have moved to national stations. Vutomi Mushwana, Station Manager.
[59] Interview Feizel Mamdoo, IPO.
[60] Dramas have dropped in price in the commissioning market from R24 000 per finished running minute at the SABC to as low as R2000 with the other broadcasters today.
[61] Independent Producers Organisation. Marc Schwinges.

Regrettably, such irresponsible forecasting is all too frequent in television. Adspend money and the decision of how to use it are in the hands of the marketer, not the media.

- Experience also indicates that in local areas and in the provinces, advertisers have had confidence in, and have cultivated close relationships with the local press over many years. It is hard to change their perceptions. The local press will also fight back by offering discounts and value-added deals.[62]
- Sponsorship takes a long time to negotiate. The sponsors want to know as much as possible about the programme. Because the programme cannot be produced until they sponsor it, this is a "chicken and egg" situation, and may have to involve the expense of a pilot project.[63]
- Local and provincial government funding through the MDDA is of no use unless it is contracted for at least a year ahead. Officials change often, there has to be a long-term contract in place, they are more likely to take the "safe route" and negotiate small once-off subsidies.
- Local government budgets 10 months ahead, and so does the MDDA. It is highly unlikely that initial funds will be available in under 15 months. This allows licensees plenty of time to plan, prepare and organise
- Financial crises are debilitating to the station, and the viewers usually notice them on the screen immediately (schedules suddenly change; cost-cutting measures are plainly visible, there are more obviously low-cost imports).
- No one in broadcasting has yet made money out of a website. No broadcast website has ever made it into the top twenty, and the number of visitors does not translate directly into revenue.[64] Attractive revenue has been leveraged from SMS charges, but these do not yet form predictable patterns.

In the worksheets below, all figures were presented to broadcast finance professionals, along with the question: "Are these figures conservative enough?"[65]

Funding

A simple principle applies to all sources of revenue for a broadcaster: "He who pays the piper calls the tune."

"Calling the tune" could be overt, or covert, but there is always the possibility of influence on editorial control and decision-making.

There are only three possible sources of funding: Government, funding agencies, and the private sector.

- Funding agencies all have agendas which will influence what type of content they will fund. The same goes for all government agencies, with the exception of the MDDA, which is set up solely for the purpose of promoting diverse ownership.
- The private sector will always have content slant they will promote, and self-interest of one kind or another always influences their choice of CSI beneficiaries.

When considering an overarching revenue model, we have looked at various permutations of mixed funding models.

In the recommendations, we have allowed for both government and the private sector to purchase schedule time, subject to conditions. Careful and considered pricing of this purchased time could finance local content for the rest of the day.[66]

We suggest that the worldwide recession will be long enough for community stations to be prudent and under-estimate the funds they are likely to attract from foreign funders.

1. Advertising must be estimated extremely conservatively for the reasons detailed above.

[62] Confirmed in interviews with Harry Herber and Marco Velosa.
[63] Confirmed in interviews with Greg Upton of Upton International and Erik de Jager of Whatwewant Brand Entertainment
[64] www.clickafrique.com
[65] Sources in Endemol, Multichoice, and Top TV.
[66] This is the model of Australian community TV

2. If provinces and local government wish to promote media diversity and social cohesion then they can choose between funding the MDDA, and therefore, indirectly, the community stations, or they can purchase time directly, subject to the conditions in the recommendations.
3. Sponsorship of programming by private, public or NGO sector must be done subject to conditions that it is clearly visually identified as "sponsored".

Advertising revenue (or adspend) is likely to be under considerable pressure due to:

1. The world-wide recession, which is likely to endure for more than two years.
2. The increase in national channels from 5 to as many as twenty, without a proportional increase in audience households. These results in lower viewership per channel, lower resultant advertising revenue, and therefore lower cost of content.

Revenue from provincial and local government is likely only to be forthcoming from those provinces which are not under administration of one kind or another.

Industry funding

Revenue from the private sector can only be in direct proportion to the economically active sectors within that province.

The following table indicates which sectors they are in each province – they differ markedly. [67]

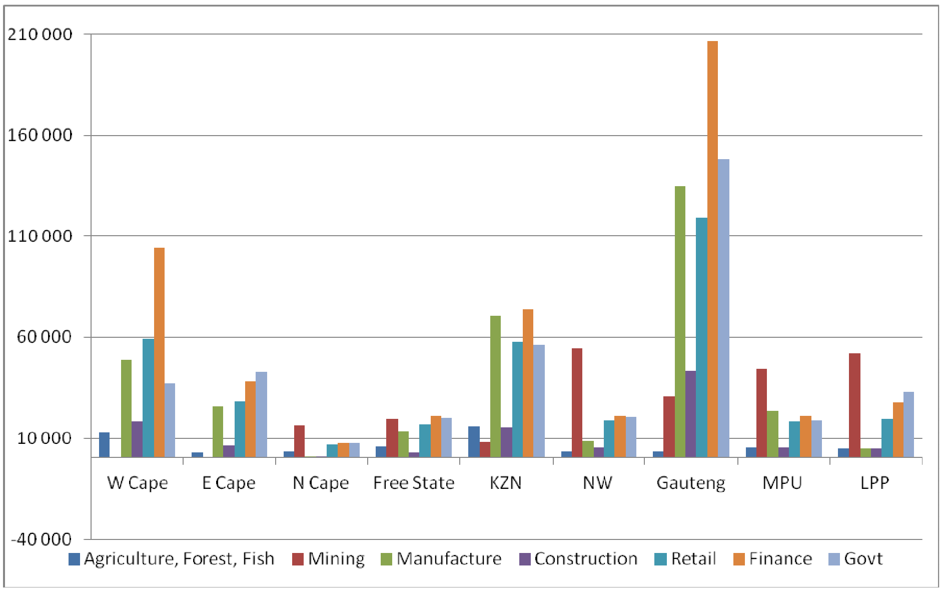
Table 4: Industry per province related to provincial GDP (R000's)

	Primary	Agri, For, fish	Mining	Secondary	Manuf	Power	Constr	Tertiary	Retail	Transport	Finance	Personal	Govt	All	Taxes	GDPR
W Cape	13 913	12 984	929	74 855	48 911	7 874	18 071	252 458	59 015	30 611	104 581	20 656	37 595	341 226	35 058	376 284
% GDPR	4	3	0	20	13	2	5	67	16	8	28	5	10	91	9	100
E Cape	3 887	3 124	763	35 006	25 798	3 066	6 141	145 956	27 958	14 491	38 606	22 031	42 870	184 849	19 144	203 993
% GDPR	2	2	0	17	13	2	3	72	14	7	19	11	21	91	9	100
N Cape	19 739	3 687	16 051	4 476	1 394	1 896	1 185	31 170	6 615	4 021	7 624	5 394	7 517	55 384	5 791	61 175
% GDPR	32	6	26	7	2	3	2	51	11	7	12	9	12	91	9	100
Free State	25 730	5 946	19 783	21 706	13 670	4 809	3 227	84 252	16 603	9 170	21 365	16 817	20 296	131 687	13 718	145 405
% GDPR	18	4	14	15	9	3	2	58	11	6	15	12	14	91	9	100
KZN	23 951	15 883	8 068	97 262	70 694	11 369	15 198	260 946	57 704	45 181	73 482	27 874	56 706	382 158	38 489	420 647
% GDPR	6	4	2	23	17	3	4	62	14	11	17	7	13	91	9	100
NW	57 924	3 523	54 401	16 338	8 715	2 376	5 248	86 061	18 296	12 061	21 041	14 029	20 634	160 323	16 752	177 075
% GDPR	33	2	31	9	5	1	3	49	10	7	12	8	12	91	9	100
Gauteng	34 227	3 450	30 777	201 493	134 795	23 357	43 341	577 733	118 677	64 300	206 531	40 144	148 080	813 454	84 099	897 553
% GDPR	4	0	3	22	15	3	5	64	13	7	23	4	16	91	9	100
MPU	49 404	5 238	44 166	39 787	23 589	10 737	5 460	80 547	18 142	12 137	21 427	10 075	18 765	169 738	17 630	187 367
% GDPR	26	3	24	21	13	6	3	43	10	6	11	5	10	91	9	100
LPP	56 987	4 810	52 177	15 752	4 903	5 918	4 931	100 934	19 739	11 702	27 391	9 257	32 844	173 672	18 262	191 934
% GDPR	30	3	27	8	3	3	3	53	10	6	14	5	17	90	10	100

The cells marked in bright yellow represent the areas of highest economic activity in that province.

Eliminating those sectors that are less prominent because of the economy, we see that each province differs in the nature of its economic activity.

[67] Source: Statistics South Africa. PO 441 29 November 2011



A further complicating factor is that activity does not mean automatic or unconditional support for community TV. Industry will only support if it perceives some benefit to itself. Industry has good reason to be reluctant to generously fund community TV, blaming the world-wide recession. The larger the industry, the more it trades, or prospers with the world-wide economy, and hence the more it will be affected by a deepening recession.

All economic sectors will respond differently in different provinces. The measure of their support, or lack thereof, will be in response to questions such as:

- Their need to communicate with the communities.
- The nature of the communications medium that best serves these needs.
- Affordability of the medium, and the Return on Investment.

In addition there are current circumstances that are likely to prevail for another two years:

- The effects of the European recession on local business.
- Internal pressure to reduce the labour force.
- External pressure to create jobs.
- Risk aversion to new markets and ventures.

In order to establish the viability of revenue streams from local industry from within the province, each station will have to present its programming schedule and target audience (branding); its rate card of programming costs, and these will have to be weighed up against the individual needs of each business at that time.

In the same way as it is reckless to make assumptions about the availability of advertising revenue, it is reckless to generalise about potential revenue from sponsored programming and CSI. These streams are sensitive to temporal and current conditions on an individual basis.

It will be up to individual stations to "mine" these funds by creating the incentives. It is usually a waste of time to remotely innovate new programmes that the station thinks will benefit local industry. The station will find it productive to closely network with local industry, determine its local needs, and jointly develop content that benefit both community viewers and the industry. These topics are likely to be labour, environment, training and development, education and upliftment that raise the profile of the industry. The most productive starting off point is likely to be based on the role of the local industry as the largest employer.

The track record of community stations so far is dismal, due to the lack of effort in getting to know the needs of the industry, and developing solutions. Local industries will not have the same image needs as nationally operating banks and insurance companies.

However, the largest industry sectors should not be prime targets. Smaller sectors sometimes have greater needs. Even through the province with highest ratio of agricultural contribution to GDP is Northern

Cape, the role of the fruit and wine sectors are likely to be significant due to their vulnerability to weather, labour and infrastructure needs.

Expenditure

Again, there are too many factors at play for generic forecasts to be used with a confident degree of accuracy.

- Costs, especially the cost of labour, vary from province to province. For instance, a studio camera operator may be difficult to find for under R10 000 a month in Gauteng. In Limpopo, it is easy to attract one for R3 000 a month. This has to do not only with issues of unemployment, but also local culture, standards of living, and perceptions about status.
- Some stations have gone to considerable expense in making their studio "look good." Successful stations like Soweto TV and CTV operate from very modest premises.
- Equipment prices fall all the time. Furthermore, as the national broadcasters upgrade, which they do regularly, second hand equipment comes onto the market. Second hand equipment is usually perfectly serviceable. Most costly business software has free clones available online.
- Community stations are well advised to make good use of the M-Net mantra of "Fit for Purpose."[68] In M-Net's eyes, this means that if it does the job, it serves the purpose. There is never any need to buy equipment with costly features you will never use.[69]
- Management salaries are a balance between existing skills, training costs, and retention. They are also subject to the same wide variances from province to province as are lower end salaries.
- Television electronic equipment is very hard to repair. It is far easier to write it off over 12 to 18 months, and in this way budget for replacement. The station will inevitably replace at a lower price for better features.
- Sales of airtime, sponsored programmes, and sponsored inserts will require aggressive and skilled selling. The people who do this must be remunerated in accordance with their results, which means a generous commission on sales. Every province and each station has its own characteristics. If advertising sales are contracted-out commission only, the cost of sales could be as high as 15%. By using the services of a national agency, cost of sales can fall dramatically.
- Outside broadcast will always play a large part on community TV productions. The budgets below make provisions for the "OB in a Box" concept where all the equipment needed fits into the boot of a car.
- Transmission costs will not be possible to guess until SENTECH releases its rate card. Many engineers are confident that within a year OB sites will relay live signal to the studio by Internet Protocol (IP) through the cell phone networks.

Note that in the revenue calculations, there is an allowance for a monthly escalation only for advertising sales. Sponsorship, other airtime sales, and funding from government are kept constant.

Scenario environment

These scenarios are based on the following conditions:

1. The 10% of MUX 1 allocated to community TV allows for two community channels per province, giving each channel coverage of the entire province.
2. Each community station is owned and operated by a specific community, which may or may not be geographically located province wide.
3. Each community will be domiciled within a defined number of municipalities, which are unlikely to be all the municipalities in one province.
4. The assumption is that communities, while having the ability to broadcast to the entire province, are unlikely to represent everyone in the province. It is hard to envisage a community where the nearest member is more than 100 km away.

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[68] First used by M-Net's Dave Hagen at a professional meeting in 1998.

[69] See also Howard Thomas. "Good enough is Perfect." 2011

5. There is unlikely to be more than one licence issued in the Northern Cape because of restrictions on radio frequency demanded by the Square Kilometre Array (SKA).
6. The probability is that no more than 17 licences will be available, unless spectrum on MUX 2 is re-arranged. There were no indications at the time of writing that this could happen.

Only two stations per province

Under current thinking in Sentech [70], each will have a footprint covering the entire province. However, each licence will be owned by a specific community defined through their own Memorandum of Incorporation. The community will have complete editorial independence.

The province-wide footprint raises exciting creative challenges and opportunities for each station:

1. They represent a community.
2. This community could consist of people domiciled within the entire province (such as TBN in the Eastern Cape, which is a community of interest and not a geographically defined community).
3. It is however far more likely to be a smaller geographically defined community. This community is more likely to be contained within a 100 km diameter circle, as it is difficult to find commonalities that extend over more than four or five municipalities.
4. However, no one knows how a group of people will define themselves as bound into a community, and what size or shape this will take.
5. There are likely to be many applicants for the two licences per province, and the regulator will have to arrive at a fair decision as to which two are the most deserving and important.
6. The community that is granted the licence, regardless of how it is defined, will have a province-wide footprint.
7. The station therefore has a creative challenge to use the footprint to the benefit of the community, and at the same time, not compromise the interests of the community.
8. On the basis of current regulation and legal precedent, of the 18 stations possible, 5 are already licensed [71].
9. It is up to the licensees to come up with the answers to these challenges, as it compromises the freedom of communities to decide ahead what they want for themselves.

Proposed Business model

Rationale

Community Television is potentially the most powerful communications medium available to provincial and local government.

However should funding be direct, there is the possibility of compromise to the editorial independence of the station. We recommend that grants be channelled through the MDDA to separate the potential influence.

Nevertheless, provincial and local government need medium to communicate their wide range of activities that directly affect the day to day lives of the citizens in their province.

Just a few examples of this are: health; education: schools and FET; food security; water security; job creation; community safety and security; provision of basic services.

It is difficult to determine what provinces and local councils already spend on communications, but from what little has been published in their accounts, the amount is significant, and could amount to a high proportion of the funding detailed below.

The proposed model is based on past experience, the local South African conditions, and the agreed role of community broadcasting. In wealthy countries, community broadcasting exists on family subscriptions

[70] Interview with Johan Minnie.
[71] Soweto, Tshwane, Cape Town, 1KZN, Bay. The status of Platinum TV in Rustenburg is uncertain.

(much like Pay-TV). Models from other economies and societies will not apply to South Africa, and the model of local government funding here proposed, is based on a process of elimination.

All possibilities were considered, and this model is based on what is left over after all others were rejected on the grounds of inapplicability and impracticality.

Model

The business model is based on the intentions defined in the Electronic Communications Act Section 50.

The common process of registration is this three step model:

1. Register as a section 21 companies (Companies Registrar, DTI)
2. Register as an NPO (Non-profit Organisation) with the NPO Directorate. Donors to facilitate funding.
3. Register as Public Benefit Organisations (PBO) with the Tax Exemption Unit, South African Revenue Service (SARS).[72]

Figure 4: Business Model

It enlarges on the non-profit legal entity wholly owned by the community, following the full provisions of the Non-Profit Organisations Act 71 of 1997, Income Tax Act of 1996, and Section 21 of the Companies Act of 1973.[73]

It relies on a varied basket of revenue sources, the majority being funding from provincial and local government. As the plans below indicate funding has to start from the beginning. The recommendations that follow suggest that stations should have start-up funding, and committed revenue before commencing transmission.

It consists of management structure based on job descriptions, departmentalisation, and professional, skilled management,

It provides for training, and a funded set-up period of three months to ensure that it launches fully funded, prepared, skilled and scheduled.

Registration as a non profit organisation (NPO) assures governance and accountability to the community.

[72] http://www.ngoregnet.org/country_information_by_region/Sub_Saharan_Africa/South_Africa_country_info.asp
[73] Legal Structures commonly used by Non-Profit Organisations. http://www.etu.org.za/toolbox/docs/building/lrc.html

Key Partners	**Key Activities**	**Value Propositions**	**Customer Relationships**
Key partners are defined in the foundation constitution, and are primarily the members of the NPC. Other partners: Funders, advertisers and sponsors are also key partners and may or may not be members of the NPC. Suppliers of Content: Independent production sector, sales agents, other community stations Equipment suppliers. Signal provider: SENTECH Training: External training to initially upskill, and then to transfer training skills and develop internal training capacity. Advertising sales: External sales agents to initially sell advertising and sponsorship, and then to transfer sales skills and develop internal sales capacity	Content broadcast to, for and by the community. Content broadcast to the province for general viewers to provide an audience for the voice of the community. Content acquisition, as required by the community, articulated at content meetings and AGM, accounted for by the Trustees and managed by the staff. Content scheduling, as required primarily by community viewers and secondarily by provincial viewers. Content production: in association with independent production sector. Management: to employ and train the most suitable staff to run the station at the rate of efficiency approved by the funders. Broadcast multi-platform to leverage full interactive communication through the full range of digital media.	Unlike commercial broadcasting where they sell audiences to advertisers, we supply audiences with content that meets the needs they articulate at content meetings and at AGM. The community articulate and define their needs, the the station converts these needs into objectives. The programming is designed to meet those objectives. The content will be designed for multi-platform delivery for maximum interactivity. As a result, viewers can interact with the content through cell phones, computers and other mobile devices. Programmes will also be streamed, and archived electronically in video and text formats. Content will be published on the Internet together with supplementary and complementary material.	Customer relations start with delivering them content that meets the needs and wants they articulated at consultative meeting and through consultative forums. Programmes will be deigned for multiplatform delivery, which allows for interactivity, feedback, participation, competitions, and constant evaluation. Because much material is acquired through outside broadcast, the station has many opportunities to work face to face and alongside individual people in the community
Key Resources	**Channels**	**Customer Segments**	**Accountability**
Human resource expertise in management, developed through ongoing training. Content subject matter as prompted b y the community and stakeholders. Creative content production as provided primarily by the independent sector. Human resource expertise in technical operations. Audience research to meet the needs of advertisers. Social development objectives and achievements to satisfy the needs of funders.	Content is characterised by multi-platform delivery. The internet and mobi sites, together with information through social networks will publicise the schedule at least a week ahead. Content will be deigned for maximum interactivity through the various delivery platforms. The archives and streaming will allow viewers to watch programmes after transmission. They will also be able ton access complementary and supplementary material.	Even though a community is a niche as defined by national broadcasters, each community will have its own niche audience with its own special needs. The measurement of the demographics, together with a wide variety of feedback mechanisms will provide the station with the intelligence it needs to target special needs.	The station receives its mandate from the community through channels specially provided: AGM, consultative meetings, and digital feedback platforms. It is therefore primarily accountable to the community. The secondary accountability is to the funders. Because it is funded to in order to meet community needs, if the community needs are met, then per se, the funders' needs are met. The final accountability is to the regulatory bodies.
Cost Structure		**Revenue Streams**	
The largest contributor to costs is content. This is followed by staff costs. The staff costs are high so as, not only to create highly skilled jobs, but also to have the expertise to produce and deliver cost-efficient content.		Revenue comes primarily from funding, which makes funders the most important stakeholders after the community members. Advertising and sponsorship are expected to grow over time, but are not anticipated top become the primary revenue source.	

Legal implications of the model

The model and the recommendations that follow are designed to focus activity on ICASA as a regulatory body. Unless amendments are envisaged for the Electronic Communications Act there is no need to legislation to be changed or introduced

The ICASA Regulatory process is much simpler, and the recommendations that follow restrict the miscue of community licenses for personal power, profit or any other agenda.

The legal implications for legislation and regulation are dealt with here. The table indicates impact areas.

Aspect	Legislation	Implications
Policy	Electronic Communications Act Impact Assessment of the NPO Act January 2005	Licenses are technologically neutral.
Registration	Non-Profit Organisations Act 71 of 1997. Income Tax Act of 1996. Section 21 Companies Act 1973. Trust Property Control Act 1957.	No implications, except to the compliance requirements of the station
NPO Constitution	NPO Act section 12	No implications, except to the compliance requirements of the station
Black Empowerment	Broad-Based Black Economic Empowerment Act (53/2003). Codes of Good Practice on Black Economic 29617 of 9 February 2007	Compliance with this Act should ensure that outsourcing and procurement benefits the community broadly, and restricts outsourcing beyond the community and the province.
Procurement	NPO Act	The Act lays the foundation for policies that restrict trustees from gaining from the outsourcing and procurement of the NPC.
Regulation	ICASA Register of Non-profit Organisations (NPOs) South African Revenue Service Tax Exemption Unit Companies and Intellectual Property Commission	See recommendations
Self-regulation	SANGOCO Code of Ethics Internal documentation relating to media ethics, governance etc	No implications, except to the compliance requirements of the station
Governance and accountability	Developing Good Governance Practices within the South African NPO Sector: Benchmark Study Report. Department of Social Development. 2009	See recommendations
Broadcast	ICASA License conditions SENTECH broadcast conditions.	See recommendations
Local government Funding	PFMA Provincial, district and local budgeting	The source of funding is dependent only on the budgets as set by each individual authority. Allowances have to be made 10 months before the start of each financial year.
Direct funding	MDDA Act	Provinces will need to request Treasury permission for the grants.

Provincial, district and local government funding

Conditions vary from province to province, and it is impossible to isolate individual communications and marketing budgets, but a total funding of R30-m a year (for two stations in each province) between the provinces, their development corporations, districts and local municipalities appears to be less than half the current communications expenditure

Business plan for an average station

The assumptions on which this plan is developed are:

1. Community TV is not sustainable from advertising revenue.
2. It cannot be assumed that stations will leverage corporate social investment (CSI) funding simply as a contribution by large business to the community.
3. Community TV can sustain itself on a mix of revenue streams, but 80% will have to come from government funding.

4. The only funding mechanism for community TV that guarantees editorial independence is funding from the MDDA.
5. Current MDDA revenue does not allow for community television, and the MDDA will have to be funded by provincial and local government for this purpose.

This hypothetical budget estimates revenue from advertising and sponsorship at the lower end, and costs at the higher end. The advertising revenue is highly conservative considering that the budget includes three months of planning before launch.

Content expenditure at R21 –m assumes no volunteer work, outside contracting to independent producers, and the inclusion of drama, live sports and other public functions, as well as documentaries and variety shows.

Some provinces such as Gauteng, KwaZulu Natal and Western Cape will have infrastructure in the province to support a station with the budget detailed below.

Other provinces will support stations that run on half this budget

Rate Card

Prime time 30"	3 500		Flighting fees per hour [74]	10 000
Shoulder 30"	1 500			

Sales assumptions in month 1

4 prime time ads a day	85 ads pm	R3 500	R300 000 pm [75]
3 shoulder ads per day	90 ads pm	R2 000	R200 000 pm

[74] *"Flighting fees" comprise the cost of purchasing an hour air time for the broadcast on a proprietary programme.*

[75] Compare this with the R 70 000 a month currently earned by 1KZN and Bay TV.

Summary for year 1

		Expenditure	Revenue
Start up			
Capital		1 281 000	
Admin		2 361 000	
MDDA Grant			1 000 000
Expenditure			
	Administration	1 512 000	
	Sales	1 416 685	
	Production Centre	2 220 000	
	Newsroom	1 080 000	
	Outside Broadcast	804 000	
	Training	1 560 000	
	Archive	120 000	
	Programming	816 000	
	Digital Media	252 000	
	Technology	348 000	
	Admin costs	540 000	
	Studio costs	360 000	
	Content	8 676 000	
	Marketing and promotions	132 000	
	Transmission	1 020 000	
	Miscellaneous	0	
TOTAL EXPENDITURE		20 856 685	
Revenue			
	Advertising		3 261 070
	Sponsorship		7 200 000
	Local Govt		3 000 000
	Provincial govt		7 800 000
TOTAL REVENUE			21 261 070
Cash flow		404 385	
Expenditure (cost item)			
	Marketing and promotions	132 000	1%
	Cost of sales	636 685	3%
	Salaries and wages	9 492 000	46%
	Administration	432 000	2%
	Electricity	108 000	1%
	Production	9 036 000	43%
	Transmission	1 020 000	5%
	Total	20 856 685	100%

Budget for smaller cost stations

The above budget represents that of a high cost high level station.

Currently Cape Town TV runs on R5-m a year, and Soweto TV on about R12-m a year. Urban Brew admit that it is difficult to cost Soweto TV as all operations go through their books, and much of their exiting management and operational infrastructure runs the station. It is difficult to separate costs, when Soweto TV, 1KZN and Bat TV merely take up spare capacity.

It is therefore possible that by creating fewer management and full-time jobs that costs could be halved. This would apply to the less affluent provinces such as Eastern Cape and Northern Cape.

This illustrates the trade-off between outsourcing and editorial control. These stations have a model for reducing costs, but have lost all financial and much editorial control.

Supporting 18 stations

In all the feasibility estimates above, the potential for media adspend has been set at the very lowest possible level. This reduces the revenue estimates, which in turn means provincial and local municipal support is skewed towards the highest possible level of support.

In support of this, Bay TV and 1KZN both attract no more than R70 000 in advertising revenue a month. Both stations are in the early stages of start-up, and their advertising is sold by Urban Brew, using the same resources that sell about R10-m a year for Soweto TV.

This is conservative, as it puts decision-making within the context of the MDDA as funded by local and provincial government, which is controllable, or at least more predictable than adspend, which is not controllable.

Ignoring the possible constraints in the Northern Cape, let us proceed on the assumption that there will be 18 licences (two per province) available for application.

We will assume that 12 of these will be large stations and six will be medium sized stations.

Size	No	Expenditure pa	Total Revenue pa	MDDA Start up	Commercial revenue	Local govt funding	Provincial funding	TOTAL
Medium	12	168 000 000	170 000 000	12 000 000	72 000 000	25 000 000	73 000 000	182 000 000
Large	6	126 000 000	130 000 000	6 000 000	72 000 000	18 000 000	40 000 000	136 000 000
TOTAL	18	294 000 000	300 000 000	18 000 000	144 000 000	43 000 000	113 000 000	318 000 000
		Total government funding					156 000 000	

- The R18 million funding and start up for the MDDA is once-off start-up funding, so, assuming 18 stations start up over three years, then the total funding to be budgeted from the MDDA would be R18 million over three years.
    - The total for local and provincial government is an annual support, for which, as a stakeholder, they can expect an active role in the access to airtime.
- To get the estimates into perspective: the SABC is currently looking for between R1 and R5 billion to finance programming of only the 18 incentive channels during the digital migration dual illumination period.
- Eighteen community stations would, on the basis above, cost government (through provincial and local government) R156-million a year. This is a fraction of the cost of public broadcasting.
- This estimate of R156-million assumes that 18 channels are running concurrently, and covers their total running costs.
- The stations are unlikely to start of concurrently, but are likely to achieve a total of eighteen only over the three year time span.

Station linking

The two stations within each province could link together to share broadcasts, or open windows on each other's airtime.

Other possibilities include linking between stations from different provinces.

Local commercial stations

Given the scenarios, models and economic profiles of the provinces, we cannot find any reasons or argument to recommend provincial commercial stations.

Legislation already provides for commercial stations, without stipulating the coverage. If there is an applicant who has evidence of viable commercial prospects in a certain area, the legislative mechanisms allow for application for a licence.

Recommendations

Recommendations for policy and regulation

Recommendation 1:

Additions to the Electronic Communications Act of 2005

Recommendation

Chapter 1 Introductory Provisions. Definitions. 1. "Community broadcasting service". Amend (d) to read:

"may be funded by government funding, donations, grants, sponsorships or advertising or membership fees, or by any combination of the aforementioned."

Chapter 9. Broadcasting Services. Community Broadcasting Services. 50. Add additional paragraphs as follows:

(f) "the applicant has researched and developed viable plans that ensure long term sustainability and benefits to the community."

(g) "No funder, donor, grantor, sponsor, member or advertiser who is not a member of the community, shall have any right to influence the editorial decisions of the station, which are vested in the community"

Recommendation 2

Regulations pertaining to conditions for a licence

Background

We propose a regulation that explains further the conditions regarding community television stations as stated in the Electronic Communications Act.

We can find no reason for the duration of the licenses to change.

Recommendation

This regulation will explain:

1. *A "community" includes a geographically founded community or any group of persons or sector of the public having specific, ascertainable common interests.*
2. *A community television station serves a clearly defined community, and is fully controlled by a non-profit entity and conducted for non-profit purposes. Profits earned should be put back into the station, rather than dispersed to the community. iThe foundation documents or Memorandum of Incorporation define the conditions under which members of the community served by it or persons associated with or promoting the interests of such community, are encouraged to participate in the selection and provision of programmes to be broadcast on the station. As a non-profit entity, it does not compete with public or commercial television; but rather focuses on the programming needs of the community.*
3. *Each defined community shall have its own licence, non-profit controlling entity, and community participation. Stations may set up alliances with other community television stations with which they share geography or interests for the exchange of content or co-operation in the use of technical facilities, as long as co-operation enhances the core purpose of serving the defined community.*
4. *Stations may be funded by central, provincial or local government or any statutory body in such a way that guarantees the station's editorial independence. Stations may also canvass for donations, grants, sponsorships or advertising, sales of services or membership fees, or any combination of these. However, they must also create jobs, and they must design their business plans in such a way as to create and sustain jobs.*
5. *Stations must derive content from local independent producers and must play an active part in developing community creative talent so as to create jobs and develop the local creative and cultural industry.*

Recommendation 3

Regulations pertaining to applications for a licence

Background

Currently the requirements for a licence as stated in the Electronic Communications Act and all other regulations simply state that the applicant must show certain requirements, such as that they have community support.

This has proved to be a problem in cases when individuals have motivated a community to apply for a licence. Typically they have collated the necessary paperwork with a highly speculative business plan, and not conducted enough research into the four key elements, which are:

1. The role that the TV station will play in the development of the community, and the development objectives in which programmes will participate.
2. The source, cost, production and applicability of all the content.
3. The running costs that ensure the development and retention of skills.
4. The contracted revenue to ensure that that the station is sustainable throughout the first year.

We also recommend that ICASA hold public hearings on license applications, but these should be confined to the geographic areas of the applicants. Hearings are costly for the Regulator, so the decision as to whether there are hearing should be at ICASA's discretion.

We also recommend that ICASA publish detailed requirements for licence applications. The text should be based on that as detailed in Community Sound Broadcasting Services Regulations 28919 of 6 June 2006. Subject to ICASA having the capacity to enforce these recommendations, we recommend that these conditions should be extended. We do not believe that these requirements discourage genuine communities from applying for licenses. Television is a costly medium, and communities that do not have the expertise to apply for, and manage their stations, should rather opt for radio as a broadcasting medium.

Recommendation

The documents that accompany an application must include:

1. *Feasibility study*
2. *Business plan with one-year cash flow prediction.*
3. *Letters of undertaking from advertisers, sponsors, and funders that relate to revenue in the cash flow analysis.*
4. *Programme schedule and evidence that the programmes are available for at least three months of the schedule.*
5. *Analysis of the needs of the community, and conversion of these needs into verifiable outcomes (in a format similar or equivalent to the Logical Framework format).*
6. *Detailed analysis of the skills needed to start the station, and sources of these skills, whether contracted or employed.*
7. *Details of how skills transfer will take place in a SAQA compliant format so that SETA funds are also available.*
8. *Memorandum of Incorporation of the non-profit company to which is attached to the constitution of the broadcast station governance.*
9. *The list of board members and minutes that confirm how they were elected.*
10. *Evidence of the support of the community through a wide range of representatives.*

Recommendation 4

Regulations pertaining to conditions within a licence

Recommendation

In addition to the conditions currently attached to a broadcast license, community stations should have the following restrictions added to their license:

Content

1. *The licensee may broadcast paid for sponsorship announcements provided that they must not run in total for longer than seven minutes in any hour of broadcasting, and providing a visual indication is made throughout the sponsored programme that the content is sponsored.*
2. *The licensee may sell air-time outside of prime time to businesses provided that any sales do not exceed two hours of airtime a day of broadcast time, unless there is evidence that such content contributes to education and learning, and providing a visual indication is made throughout the programme that the content is sponsored.*
3. *The licensee may sell air-time, including during prime time, to any entity that operates not for profit provided that any sales do not exceed six hours of airtime a day of broadcast time, and that there is evidence that such content contributes to the content mandate by the community, and providing a visual indication is made throughout the programme that the content is sponsored. The conditions in 1, 2, and 3, are accumulative.*
4. *Sales of airtime to any other person or entity, where for, or not for profit, shall not be permitted where such sales effectively grant that person or entity effective editorial control in whole or part over the station.*
5. *The station may choose to broadcast content promoting a political party only if it undertakes to grant equal promotional time to all political parties operating within the geography of the community. Unless it grants equal time to all parties, it may not broadcast any content that promotes any political parties.*[76]
6. *The station may broadcast content that promotes the interests of its funders on condition that it maintains total editorial control over the genre, style, language, dialogue, narration, picture composition, script and editing of such content.*

Management

1. *The licensee may contract out (outsource) skills and services only if the are directly and contractually tied to skills transfer.*
2. *Any start-up station will need expert assistance from experienced national advertising sales agencies, and will find such a contract advantageous in the early period of operation. However, any contract of this nature, for the outsourcing of any aspect or management or operations, must include an obligation by the contractor to upskill, train and mentor staff of the station in such a way that the operation outsourced can be converted into an in-house operation within two years.*
3. *The station management will, as a priority task, draw up design, write and present to the trustees for approval, the following internal policies:*
   a) *Management Policy*
   b) *Human Resource and employment policy*
   c) *BEE Policy and structure*
   d) *General Procurement policy*
   e) *Content Procurement policy*
   f) *Position descriptions and Performance Appraisal Procedures*
   g) *Disciplinary Code*
   h) *Annual Business Plan*
   i) *Training Policy*
   j) *Digital Media Policy*
   k) *Commitment to the Community Policy*
   l) *Regulatory Affairs Policy*
   m) *Editorial Policy*
   n) *Advertising Policy*
   o) *Branding Manual*
   p) *Environment Policy*
   q) *Health and Safety Policy*

[76] Regulation exists in 34086 dated 8 March 2011

Recommendation 5

Recommendation

In addition to the conditions currently attached to a broadcast license, community stations should have the following conditions added to their license:

1. *The members of the community who are entitled to vote for Trustees, must be consulted in advance on programme and content policy.*
2. *Such meetings must be held at least three times a year, in addition to input that shall be canvassed at the Annual General Meeting.*
3. *Members of the community must assent to large scale sale of programme time as stipulated in the revenue conditions.*

Recommendation 6

Monitoring

Background

The conditions as laid down for community radio in Community Sound Broadcasting Services Regulation 28919 of 6 June 2006 are too lenient in that they have only to demonstrate their adherence to licence conditions through an annual return.

We recommend that the monitoring of community televisions stations be more rigorous, and the following included in the regulation.

Recommendation

Community television licensees must submit for inspection half yearly, or interms of 34863 of 15 December 2011:

1. *Evidence of their adherence to the terms of the licence.*
2. *Evidence of their participation in community development and/or affairs, and the extent of community involvement in all these activities.*
3. *Evidence of skills upgrade.*
4. *Evidence of jobs created.*

Recommendation 7

Provincial and local government funding agreements

Recommendation

The Department of Communications has to implement template agreements in order for the funding scenarios to be made possible.

Local and provincial governments, in consultation with the license applicants must determine the value and conditions of a grant. The local/provincial government must apply to the Treasury to make such a grant, so that the Auditor General can legitimise such grants.

The MDDA has to institute mechanisms whereby the grants from the provincial and local governments are applied as needed to the two community stations in each province.

It has to implement a process of discussion with local and provincial government whereby all parties are in agreement concerning the following:

1. The operations of community TV stations.
2. The benefits of community television to social cohesion and development.
3. The benefits to local and provincial government of funding such stations.
4. The methodology by with local and provincial government can reap the most benefit from communication with citizens, and the maintenance of continuing good relationships with citizens.
5. Annual advance contractual guarantee of funding.
6. Support for the stations in their capacity to:

a. Create jobs, train media management and production skills.
b. Promote the local independent production sector.
c. Promote local arts and culture.
d. Promote development initiatives by commerce, industry, NGOs, and project funders.
e. Promote social cohesion within smaller and between wider communities.

ICASA must develop simple regulations that:

1. Enforce stricter applications for licences.
2. Monitor licensee performance against the stricter licence conditions.
3. Require community stations within the same province to cooperate between each other in order to:
    a. Exchange, sell and barter content.
    b. Establish signal links, competencies, and technical capacity to provide windows to and between each other for province-wide broadcasts.
4. Require community stations to account to their funders on a frequent basis.

Reconciliation with current issues

The Review of the Broadcasting Act discussion paper 34828 of 8 December 20011, raided these pertinent issues, with a cross referenced to the Recommendations of this report.

Issue 53: How should the Authority review the community broadcasting regulatory model to help ensure that the community broadcasting sector is effectively managed and sustained in the digitally converged environment?

This is covered in all the Recommendations.

Issue 54: Is the current community broadcasting regulatory model sustainable?

This is covered in detail in the recommendations together with sample business plans and scenarios.

Issue 55: Should the Authority continue to regulate the scheduling and placement of advertisement and sponsorships that are broadcast by community broadcasters?

This is covered in Recommendation 4.

Issue 56: What is your view with regards to current licence application processes within ICASA? What should the maximum licence period and timing condition be for licensees, temporary or permanent?

Recommendation 1.

Issue 57: How should the Authority deal with community subscription broadcasting services in the digitally converged environment?

This is outside of our terms of reference.

Issue 58: How should the Authority deal with satellite free-to-air community broadcasting services in the digitally converged environment?

This is covered in the report

Issue 59: How should the Authority deal with management contracts between the community broadcasters and the commercial entities, for example external administrative and programming support, in the digitally converged environment?

This is covered in detail throughout the report

Conclusion

The recommendations made in this report take into account:

- The progress of policy and regulation of community television up to the time of the moratorium.
- The management, accountability, business operations, and conduct of the stations already licensed.
- The advent of Digital Terrestrial Transmission.
- The need for job creation.
- Media diversity.
- The need for competency-based skills training.
- The falling cost of television.
- Past failures to realistically estimate media revenue.
- The potential for funding that has a direct interest in the sustainability of stations.
- Lessons from existing TV channels relating to what has been done for community development, and what could still be done.
- Population density and language concentration.
- Economic activity concentrations.
- Provincial funding potential.
- Measures and restrictions necessary to curb the imposition of outside agendas on communities, and to ensure compliance with the spirit of the Broad-based Black Economic Empowerment legislation.

The report recommends few legislative changes, but many regulatory controls. These controls do not however require more administration than current regulations.

However, mechanisms must be established by the Department of Communications to draw all local and provincial government bodies into agreement with community stations on their mutual roles and responsibilities. The exact nature of these mechanisms are beyond the Terms of Reference of this report, but they are essential to the successful implementation of the recommendations made.

Effect of the recommendations

The recommendations, in their totality, counter current problems and experiences. They are summarised in this schedule:

Factors given inadequate attention	Lessons learned
Communities in general apply for licences before they done sufficient research, planning and preparation.	Prospective licensees must have full community participation, social development, programming and sufficient funding in place before applying for a license.
One or very few individuals, who are passionate about television, drive the station.	Mechanisms are needed to compel the passionate individuals to adhere to the requirements of community ownership.
The glamour aspect of TV often overrides the need for a TV station to meet the needs of the community, as articulated by the community.	Trustees must agree with the community: development needs, and plans; targeted outcomes of the desired programming; evaluation and reporting mechanisms.
There is insufficient (and often no) competence in audience research, scheduling, programming, feasibility studies, business plans, financial management, broadcast engineering, community development and regulatory compliance.	SAARF research is designed for national stations, and not for small footprints. Stations must budget for, and conduct their own research by partnering with local universities.
There are no facilities in the country to train broadcast management. Aspirant stations have one of two choices – employ experienced broadcasters at extremely high salaries, or contract out for the expertise and skills transfer.	The capacity to train broadcast management must be harnessed to not only train the first generation of management, but to implement training facilities within each station.
The current loosely regulated environment allows for excessive outsourcing to the detriment of the economic empowerment of the community represented by the station.	The conditions of the NPO and BBBEE Acts are not sufficient and need to be enhanced through relation.
The potential revenue from advertising, sponsorship, grants and commercial CSI is highly over-rated in the planning stage. Accordingly, sustainability is left to chance.	Revenue from advertising and sponsorship must be solicited for before applying for a license, and targets for ads and sponsorship sales must be estimated conservatively.
Licensees are generally unprepared to start broadcasting by the date stipulated in the licence.	Stations must begin implementing management and technical operations for at least three months prior to launch.
Communities do not want TV stations that will rely on their unpaid volunteer labour – they want jobs.	Station business plans must provide for stable and sustainable jobs, with the development of competencies to provide full value to the business.
Programming has to be produced on completely inadequate budgets, because there is no advance budgeting of programmes per slot, and over a period of months.	All station costs, and especially content must be planned, and budgeted for at least quarterly in advance.
Licensed stations have little or no content ready before they start.	Content strategy must allow for content to be produced, delivered and approved at least a week in advance in the case of pre-recorded material
Licensed stations do not have revenue from advertising and sponsorship agreed (or even committed) before launching the station.	Applicants for licenses must prove their estimates of revenue from advertising, sponsorship and CSI in the form of Letters of Intent.
Community television is a long-term commitment. Content has to be acquired on a long-term basis, and revenue has to be committed and contracted on an equally long-term basis.	In the case of drama production, planning could be as long as six months.
Funders take at least a year to evaluate proposals, grant the money and then budget for it in the appropriate financial year.	Allowance must ne made for the institutional processes and procedures of funders before they make a commitment.

Supporting Audience data

Main cities: earning power

Income monthly per household

	Total	Up to R799	R800-R1399	R1400-R2499	R2500-R4999	R5000-R7999	R8000-R10999	R11000-R19999	R20000+
Cape Town	2 298	**45	*133	*177	411	487	442	274	329
CT Fringe	332	**6	**4	**25	*82	*71	*57	**55	**33
PE/Uitenhage	853	**29	*73	*86	151	186	138	*99	*90
EL	386	**15	**40	**38	*61	**41	*58	*58	*76
Durban	2 063	**7	**61	*96	237	381	314	441	527
Bloemfontein	317	**4	**19	**39	*90	*57	**35	*48	**24
Greater JHB	1 934	**32	**57	**88	267	311	274	311	594
Reef	2 707	**22	**138	**91	*374	368	395	583	735
Pretoria	1 344	**6	**50	**39	*181	230	212	340	287
Kimberley	133	**5	**16	**18	**23	**13	**16	*27	**15
PMB	372	**5	**7	**23	**51	*110	*72	*63	**41
Soweto	907	**30	**50	**74	*210	*208	**162	**122	**52
Vaal	719	**18	**78	**40	**123	*124	**83	*146	*107
Welkom	199	**5	**15	**25	**42	**44	**39	**19	**11
East Rand	1 754	**9	**95	**73	*279	*265	*291	386	356
West Rand	396	**1	**6	**13	**34	**31	**51	*80	180

Viewers per channel

	Total	Cape Town	Cape Town Fringe area	Port Elizabeth Uiten-hage	East London	Durban	Bloemfontein	Greater Johannesburg	Reef
e.tv	23 019	1 958	281	603	276	1 592	265	1 489	1 909
SABC1	26 684	1 884	251	676	308	1 711	271	1 523	2 008
SABC2	23 878	1 956	310	631	275	1 487	272	1 387	1 818
SABC3	19 326	1 818	261	575	266	1 511	245	1 378	1 613
Top TV	502	**35	**6	**19	**9	*71	**8	**39	**58
Community	2 581	309	**11	**28	**27	*155	**6	378	*222
DSTV	8 598	518	*86	233	140	898	*62	824	957

	Total	Pretoria	Kimb-erley	PMB	Soweto	Vaal	Welkom	East Rand	West Rand
e.tv	23 019	899	113	268	794	550	*173	1 220	278
SABC1	26 684	924	116	305	868	591	*189	1 322	243
SABC2	23 878	968	118	250	705	598	190	1 187	253
SABC3	19 326	748	105	242	669	525	*167	997	232
Top TV	502	**16	**2	**17	**14	**22	**5	**23	**7
Community	2 581	**89	**9	**13	*258	**127	**16	**116	**37
DSTV	8 598	612	39	143	*231	295	**53	550	204

Languages (Home) – viewers total (000)

	Western Cape	Northern Cape	Free State	Eastern Cape	Kwazulu-Natal	Mpumalanga	Limpopo	Gauteng	North-West
Afrikaans	1977	416	305	488	143	187	115	1131	234
English	959	16	36	250	1399	51	51	1114	33
Ndebele	0	0	0	0	1	197	12	73	10
North Sotho	0	5	7	1	5	268	1703	597	89
South Sotho	6	1	1526	130	17	38	247	904	191
Swazi	0	0	4	1	3	660	11	33	2
Tsonga	0	1	4	0	4	281	635	220	48
Tswana	0	253	152	0	3	55	232	754	1959
Venda	0	0	0	0	1	6	654	98	1
Xhosa	548	23	113	3837	148	29	11	354	95
Zulu	8	3	53	17	5395	562	62	1492	45