



An Analysis of the Viability of the Public Broadcaster's Mixed Funding Model in South Africa

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ABSTRACT

The South African Broadcasting Corporation (SABC) has experienced major financial and mismanagement problems since mid-2000 and yet current scholarship has neither provided a satisfactory explanation of this situation nor suggested effective solutions to these challenges. Based on a qualitative research methodology, this study seeks to determine how issues of viability of the mixed funding model of the public broadcaster (SABC) can be addressed. In addition, this study reflects on different but related public service broadcasters (PSBs) mainly in Australia, Canada and the United Kingdom- BBC for aspects of their models that the SABC could emulate in order to resolve its viability issues. At its heart, this study explores and articulates the macro-level effects of the mixed funding model of the SABC. The core argument generated by this study revolves around the current lack of viability of the mixed funding model of the SABC owing to the fact that it is heavily dependent on commercial revenue –income generated primarily from advertising – while government funds and public funds (licence fees) play a minuscule role.

The findings of this study reveal that the viability of the mixed funding model of the SABC should not be seen narrowly in terms of finances, but rather in the ability of the SABC to deliver on its public mandate as these are intrinsically intertwined. The findings also point to the fact that the SABC must be funded predominantly by public funds– a licence fee collected not by the public broadcaster itself, but by the South African Revenue Service (SARS) to ensure its viability going forward.

In addition, for a public mandate to be realised, it is imperative that the SABC has a solid and independent governing structure, which is a key requirement for a public broadcaster.

DECLARATION

I declare that this report is my own, unaided work. It is submitted in partial fulfilment of the requirements of the degree of Master of Arts (in the field of ICT Policy and Regulation) at the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination at any other University.

Name: Priscilla Fikile Hlongwane

Signature

A handwritten signature in black ink, appearing to read 'P. Fikile Hlongwane', written over a horizontal line.

Date: February 2017

DEDICATION

This research report is dedicated to the following people:

My family for their support and creating an environment for me to complete my studies; especially my husband, Sibusiso; my brother, Lucky; brother-in-law, Jerry “Kuyu” Hlongwane; nephew, Naty Hlongwane and daughters Thandeka, Khanyi and especially Thabisile “Twana” who woke me up either in the middle of the night or early hours of the morning and encouraged me to keep going on this project.

To my dearest and special friend, Rasi Lekgoathi who consistently provided inspiration that made it possible for me to undertake this theoretical sojourn. Your words of wisdom still echo in my ears.

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Secondly, the valuable insights provided by the participants who are unidentified for ethical and confidential purposes are duly acknowledged. Thank you all, kindly.

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LIST OF ACRONYMS AND ABBREVIATIONS

ABC	Australian Broadcasting Corporation
BARB	Broadcasters' Audience Research Board
AfriMAP	Africa Governance Monitoring and Advocacy Project
FM	frequency modulation
AMIC	Asian Media Information and Communication Centre
AM	amplitude modulation
ANC	African National Congress
ATT	analogue terrestrial television
BBC	British Broadcasting Corporation
CBC	Canadian Broadcasting Corporation
CMF	Canada Media Fund
CODESA	Convention for a Democratic South Africa
COO	Chief Operations Officer
CSA	The High Council for Broadcasting
CRTC	Canadian Radio-television and Telecommunications Commission
DoC	Department of Communications
DCMS	Department for Culture, Media and Sport
DStv	Digital satellite television
DTT	digital terrestrial television

ECA	Electronic Communications Act 36 of 2005
EBU	European Broadcasting Union
FRCN	Federal Radio Corporation of Nigeria
IBA	Independent Broadcasting Authority
IBAN	Independent Broadcasters Association of Nigeria
ICASA	Independent Communications Authority of South Africa
ICT	information and communications technology
KBC	Kenya Broadcasting Corporation
LPIF	Local Program Improvement Fund
MWASA	Media Workers Association of South Africa
NTA	Nigerian Television Authority
NBC	National Broadcasting Commission
OFCOM	Office of Communications
OSISA	Open Society Initiative for Southern Africa
OSIWA	Open Society Initiative for West Africa
OSMP	Open Society Media Program
OSF-SA	Open Society Foundation of South Africa
OTT	over-the-top
PAC	Pan Africanist Congress
PFMA	Public Finance Management Act (1999)

PSB	public service broadcasting
RCI	Radio Canada International
SABC	South African Broadcasting Corporation
SACP	South African Communist Party
SADF	South African Defense Force
SOS	Support Public Broadcasting Coalition
US	United States
VAT	value- added tax
ZAR	Zuid Afrikaanse Rand/ South African Rand

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CHAPTER 1 – INTRODUCTION

1.1 Introduction

On 10 July 2009, the *Mail and Guardian* newspaper reported on the financial status of the South African Broadcasting Corporation (SABC), which showed how this once profitable institution went from a net surplus of ZAR 383 million in 2006 to a projected loss of ZAR1 billion three years later. These financial woes were attributed to lack of fiscal discipline, and spending that spiralled out of control, even while austerity measures were supposed to have been implemented; lack of financial skills on the part of senior management; lack or nonexistence of an effective Board to provide strategic leadership; as well as a bloated staff complement with increased salaries and generous housing and vehicle allowances since 2005 (Karrim, 2009). In late 2014 reports emanating from the public broadcaster were less scathing, indicating that the Corporation has been able to contain its financial losses, though this does not necessarily mean that financial viability and sustainability have been achieved.

It must be noted that this was not the first time during the decade of the 2000s that the SABC had experienced serious financial problems. In fact in the immediate aftermath of a restructuring exercise undertaken in the mid-1990s, the public broadcaster also had to contend with issues of financial losses. It was in this context that a mixed funding model was introduced, with the expectation that financial sustainability would be realised once and for all.

The SABC is the public broadcaster in the country, mandated to provide audio and television programmes that inform, educate and entertain the public in all eleven official languages (RSA, 1999). In the mid-1990s the Corporation began experiencing major problems of viability when the broadcasting media sector was liberalised and state funding dwindled. In an attempt to arrest increasing financial losses, the Independent Broadcasting Authority (IBA) – the broadcasting regulator that preceded

the current Independent Communications Authority of South Africa (ICASA) – through its Triple Inquiry Report of 1995, made recommendations that the public broadcaster should introduce a mixed funding model in line with global trends. According to the new model funding was to be derived from advertising, sponsorships, government grants and licence fees (IBA, 1995).

Whereas the Corporation recorded a surplus of about ZAR 380 million by 2006, it subsequently experienced recurrent administrative and financial mismanagement resulting in a deficit to the tune of ZAR 800 million by 2008. So grim was the situation at the SABC that it had to be bailed out by the government with a ZAR 1.4 billion loan structured through one of the established South African banks, Nedbank (Deacon, 2011; Majova, 2009). Further complicating this serious financial crisis were the ongoing strategic leadership and management problems of the public broadcaster, which saw the basic corporate governance principles of leadership, accountability, transparency, sustainability, evaluation and risk-based internal audits being compromised, as well as mounting instability as some senior personnel got golden handshakes for the premature termination of contracts.

Thus far financial losses and endemic management challenges at the public broadcaster have been major sources of heated debate and controversy in the public domain. Some commentators argue that the global recession which started in 2008 is a major cause of this financial decline (Deacon, 2011), whilst others attribute it to poor financial management and corruption (Molele & Kgosana, 2010; Dlamini, 2012; Malala, 2014). Similarly, the Africa Governance Monitoring and Advocacy Project (AfriMAP), Open Society Foundation for South Africa (OSF-SA) and Open Society Media Program (OSMP) note that since the early 1990s there has been much debate in the country about the ideal funding model of the SABC, which has influenced the adoption of the mixed funding model by the public broadcaster (AfriMAP, OSF-SA & OSMP, 2013).

This study is an analysis of the viability of the public broadcaster (SABC)'s mixed funding model. The question of whether the current mixed funding model of the SABC is appropriate is very important and yet remains inadequately understood and under-researched. In addition to exploring this question, this study draws upon international best practices in PSB mixed funding models from which lessons could be drawn that could assist the Corporation.

This chapter provides a detailed breakdown and overview of the study. The discussion starts with the background to the study; it then articulates the research questions and hypothesis and the conceptual framework and briefly outlines the research methodology. Finally, it provides the structure of the study.

1.2 Background to the Study

From the time of its inception in the 1930s until the National Party came to power in 1948, the SABC had remained committed to the principles of public broadcasting, meaning that it was devoted first and foremost to the idea of informing, educating and entertaining its audiences. In those years broadcasting happened mainly in the medium of English and Afrikaans, the only two official languages in the country (Keene-Young, 1994). By the time that fully-fledged African language radio (Radio Bantu) was formed in the early 1960s, the SABC had been turned into a state broadcaster pandering to the needs of the apartheid government.

With the political liberalisation commencing in 1990, marked by the release of political leaders from prison and the unbanning of political parties such as the African National Congress (ANC), the Pan Africanist Congress (PAC), the South African Communist Party (SACP) and others, came the need to transform the SABC so that a broad spectrum of perspectives held by the country's population could be represented. It was in this context that in 1990 the government set up the Viljoen Task Group, a

supposedly independent body, to look into the SABC's internal restructuring and the future of broadcasting in the country. The Task Group was made up of 13 white men¹ representing, among others the South African Defence Force (SADF), the Bureau of National Intelligence, the Bureau of National Information, the South African Posts and Telecommunication Ministry, and the Department of Foreign Affairs. Its composition underlined the strategic importance of broadcasting to government (Horwitz, 2001). Inevitably, the Viljoen Task Group came under heavy criticism particularly from previously marginalised groups, notably civil society and anti-apartheid formations.

For example, the Jabulani! Freedom of the Airwaves conference which was organised by the ANC, the Media Workers Association of South Africa (MWASA) and kindred organisations, took place in Netherlands in 1991. It was at this conference that fundamental discussions in relation to the transformation of the SABC ensued and a number of recommendations were made concerning the introduction of three tiers of broadcasting, viz. public services, commercial services and community services (Horwitz, 2001; Currie & Markowitz, 1997).

Other civil society organisations as well as political parties played an important role in the transformation of broadcasting in South Africa. According to Horwitz (2001), the Campaign for Open Media and the Centre for Development Studies held the Free, Fair and Open Conference in 1992. It was this conference that advocated for broadcasting transformation to be negotiated at the Convention for a Democratic South Africa (CODESA) in 1993. This was to avoid government making autonomous decisions on broadcasting (Horwitz, 2001). It was at the CODESA where the handover of power from the previous regime to a post-apartheid society was negotiated and the need for the establishment of Independent Broadcasting Authority was first acknowledged. As a consequence, the Independent Broadcasting Authority (IBA) –

¹ The issue of the racial make-up of Task Group is important especially in light of South Africa's apartheid history.

predecessor of the Independent Communications Authority of South Africa (ICASA) – and the Independent Broadcasting Authority Act of 1993 came into being (Teer-Tomaselli & Tomaselli , 2001.a; Teer-Tomaselli & Tomaselli , 2001.b).

1.3 State Funding Versus Commercial Funding

Most public broadcasters in parts of the world are largely dependent, within the context of the mixed funding model, for their viability on funding from their national governments. The general overarching mandate of these institutions is to establish and maintain a national identity and culture and to further a plurality and diversity of voices. This applies to developed countries such as Australia, Canada, France, Japan, and the United Kingdom, as well as to developing countries such as Thailand and Poland (Deacon, 2011).

In contrast the SABC has been compelled to become less dependent on government funding and much more reliant on commercial funding particularly in the post-1994 period. Commercial funding broadly means revenue derived from advertising, sponsorships and other commercial activities as opposed to public funding derived from licence fees and government funding derived from the general government fiscus.

1.4 Policy, Legislative Framework and Mixed Funding Model

The promulgation of the Independent Broadcasting Authority Act of 1993 (IBA Act) represented a turning point in the ecology of broadcasting services in South Africa and advanced the transformation of broadcasting in the country. It ensured a legislated transformation process which set the tone to limit political influence on the broadcast media platforms. This it achieved by providing for the establishment of the IBA as imbued in Section 192 of the Constitution of the Republic, “to regulate broadcasting

in the public interest and to ensure fairness and diversity of views broadly representing South African society” (RSA, 1996).

Further, the IBA was tasked with the responsibility to conduct an inquiry known as the Triple Inquiry that that would look into, among other things, the protection and viability of public broadcasting services (IBA, 1995) and make recommendations to the Minister of Communications. Following months of public hearings between 1994 and 1995, the IBA’s Triple Inquiry Report (Report) was released. One of its recommendations was that the public service broadcaster (PSB) be funded through a mixed funding model in line with global trends, which meant that the SABC could generate revenue through a mix of advertising, sponsorship, licence fees and government grants. In addition, the Report suggested that Parliament should provide annual funding for the cost of increasing the presence of indigenous African languages and local content in television programming. It also proposed establishing commercial services within the PSB. These were to comprise a new commercial television channel with substantive public service language and local content obligations and three commercial radio stations aimed at funding the SABC and strengthening its ability to meet the public service mandate.

Subsequent to the Report being adopted in Parliament and in taking the recommendations contained in the Report forward, government published the Broadcasting Policy Green Paper as the first part of a consultative process that sought to lead to the formulation of a policy framework for broadcasting. (Department of Communications (DoC), 1997). After receiving public comments in early 1998, this process was followed by the publication of the White Paper on Broadcasting Policy in the same year, 1998.

The White Paper as adopted by government to guide legislation, mandated the mixed funding model of the SABC. It emphasised the division of the SABC into public and commercial wings. Funding sources, according to the White Paper, would be made up of government grants, licence fees, advertising and sponsorships (DoC, 1998). Besides stating that advertising revenue from the public arm should be less than that from the commercial arm, and that the commercial arm could subsidise the public arm, the White Paper did not dictate the percentage split of revenue.

The above policy process led to the promulgation of the Broadcasting Act, No 4 of 1999 which provided for the corporatisation of the SABC, the establishment of the SABC Charter, as well as the re-organisation of the SABC into public and commercial divisions. The separation of the SABC into two divisions was supposedly intended for the commercial division to subsidise the public division (OSISA, 2010; Open Society Foundations, 2013). To date the SABC is obeying the provisions of the Broadcasting Act of 1999 in terms of the use of the mixed funding model as guided by the White Paper.

1.5. Financial Meltdown and Austerity Measures

It was as a result of the expanded public service mandate as well as a shift away from the public broadcaster by the advertisers that the SABC recorded a deficit of ZAR 64 million in 1997 (SABC, 1997; Haffajee, 1997). This was one of the early indications that the SABC was experiencing issues relating to viability. In an attempt to get out of this morass, a study commissioned to the McKinsey consultancy recommended some austerity measures, key amongst were: (a) the shedding of approximately 1,400 jobs; and (b) the reduction of some public programming (including local content) from prime time in favour of more commercially viable programmes (such as international sitcoms and South African game shows) (OSISA, 2010). Whilst the McKinsey report stressed the need for the SABC to be self-sufficient, it made no recommendation on

the financial model that would ensure the viability of the public broadcaster. Thus, in order to reduce production costs the SABC decided to outsource all production except news and current affairs (OSISA, 2010). Despite this, the SABC recorded a deficit of ZAR 28.1 million for the 1999/2000 financial year (SABC, 2000).

From 2006 onwards the SABC has experienced an escalating financial crisis that reached a peak in 2009 with an after-tax loss of ZAR 790 million (this loss, while large, was lower than the 1 billion originally predicted). Table 1 below reflects the financial status of SABC for the 10 years from 2005-2014.

Table 1: SABC Annual Reports for the Years 2005-2014

Financial Year	Revenue ZAR'000	Expenditure ZAR' 000	Profit/(loss) ZaR'000
2004/2005	3 382 775	3 188 764	194 011
2005/2006	3 943 055	3 560 177	382 878
2006/2007	4 268 313	3 981 516	286 797
2007/2008	4 681 886	4 588 566	93 320
2008/2009	4 713 504	3 923 415	(790 089)
2009/2010	4 739 112	4 246 639	(492 473)
2010/2011	5 230 324	510 1053	(129 271)
2011/2012	5 612 617	5 269 124	343 493
2012/2013	6 650 389	6 511 564	(138 825)
2013/2014	7 069 441	6 417 510	651 931

Source: Author's own adapted from SABC annual reports for the years 2005-2014

Table 1 illustrates that for the financial periods 2005 to 2008 the SABC was able to generate a surplus. This, however, does not suggest the PSB's viability but rather can be attributed to the bailout of ZAR 1.4 billion from the government structured loan through Nedbank (Deacon, 2011). For three successive financial years, 2008/2009, 2009/2010 and 2010/2011, the SABC suffered financial losses of ZAR 790 million, ZAR 492 million and ZAR 129 million, respectively. In the 2012/13 financial year losses were reported as ZAR 138 million. All these financial losses were indications that the SABC's financial viability was at stake.

In 2009, government proposed a revisit of the public service funding model. To this end on 20 July 2009, the DoC published a Public Service Broadcasting Discussion Document, (DoC, 2009a) which was followed by the publication of a Public Service Broadcasting Bill in October 2009. The Bill proposed a radical change to the SABC's funding model which would comprise amongst others, a 1% broadcasting tax on South African taxpayers (DoC, 2009b). According to Fourie (2010, p.8) "the Bill came as a shock and was rigorously criticised by opposition politicians, academics and NGOs. In general, the Bill was seen as an attempt by government to take control of the SABC under the pretence of emphasising the SABC's role in development". The Bill was subsequently withdrawn because of its inherent flaws.

1.6 Governance of Public Service Broadcasters

When one looks at all successful PSBs that have adopted a mixed funding model (e.g., BBC, ABC and CBC) one of their strongest points is their governance mechanisms, which set the strategic direction of the institution. Their corporate governance structures are strictly enforced and organised in such a way as to prevent any problems that might compromise the viability of the institution through, for example mismanagement of funds or lack of openness or transparency. One of the key strategic objectives of the BBC, for example, is "to enable the public and the market in which

it operates to understand how it spends its money, how it performs and what it plans to do next” (BBC, 2014a, p. 3). In addition, the Corporation improves the value for money by opening itself to external scrutiny (through auditing), to become more efficient and increase investment in content while reducing overheads (BBC, 2014a).

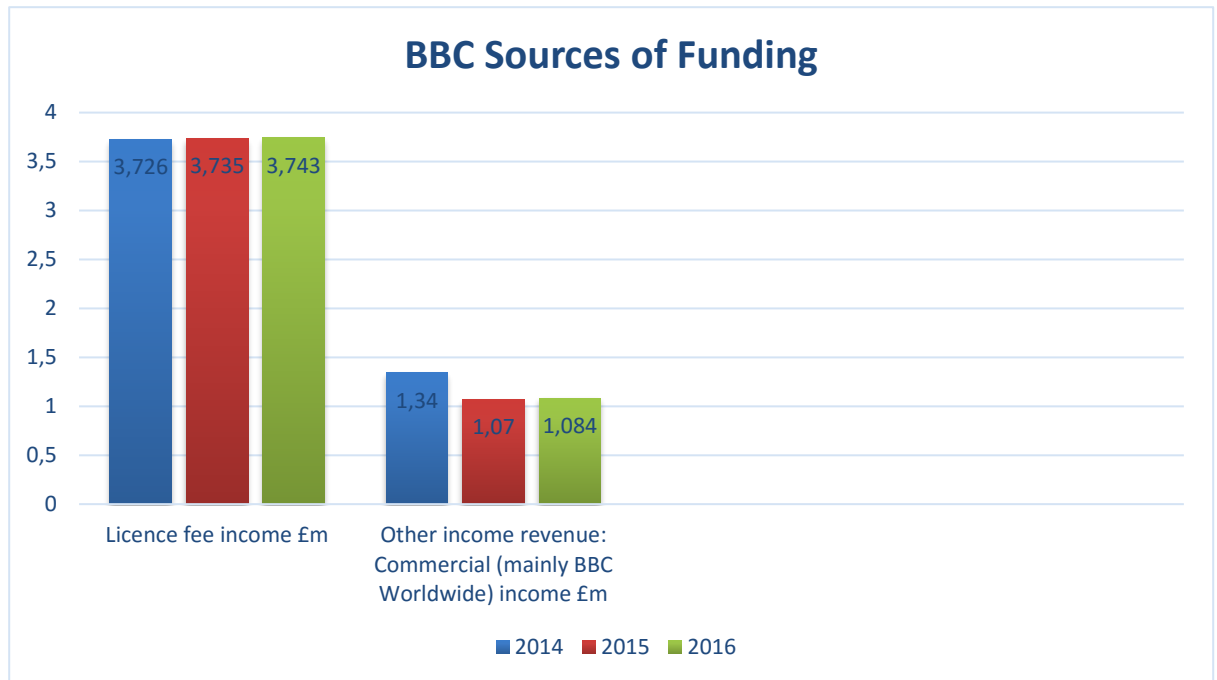
1.7 Economics of Public Service Broadcasters

Generally, funding models of PSBs include licence fees, government funding or grants, and to a certain extent, commercial sources. Due to the fact that the mandate of PSBs is to provide programming that is not otherwise provided for by commercial broadcasters – that is programmes that are not commercially viable to the market such as health, education and documentaries – most PSBs do not rely primarily on advertising. The section below discusses the general funding models of PSBs in UK, Australia and Canada, paying some attention to their successes and failures (if any).

1.7.1 British Broadcasting Corporation

The largest share of the funding of the British Broadcasting Corporation (BBC) in the United Kingdom (UK) comes from licence fees. Other income is derived from its commercial services, mainly BBC Worldwide (BBC, 2016).

Figure 1: BBC Sources of Funding



Source: Author's own adapted from BBC Annual Report and Accounts, 13/14, Full Financial Statements, 2014/15 and Full Financial Statements 2015/16.

According to the annual report and accounts for the Corporation for the year ended 2014, the manner in which the BBC is funded puts a huge responsibility on the Corporation, particularly because it has to do the following:

- Provide value for money by focusing expenditure on the programmes and services the public most wants from the BBC
- Ensure that its output is then delivered as cost efficiently as possible
- Ensure effective and efficient collection of the licence fee and
- Maximise funding from other sources, most significantly BBC Worldwide, the BBC's commercial trading operation, in a manner

consistent with the terms of its Charter and other obligations (BBC, 2014a, p. 4).

During the period 2013/14 the total licence fee income increased by £70 million from the £3, 656 million collected in the previous financial year. The BBC attributes this to the modest household growth. The report states that the licence fee is augmented by revenue derived from commercialisation of “licence fee funded content and infrastructure through three commercial subsidiaries – BBC Worldwide, BBC Global News and BBC Studios and Post Production (S&PP)” (BBC, 2014a, p. 119).

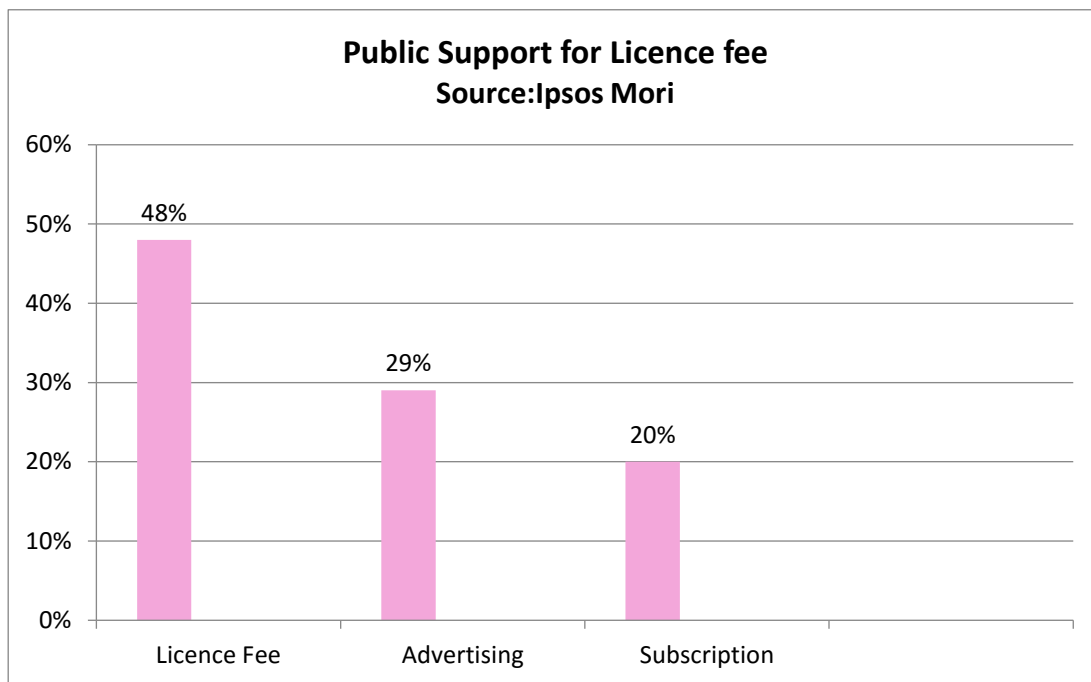
As indicated in Figure 1 above, the revenue generated from the licence fee increases year after year. In the period ended on 31 March 2015, the Corporation collected £3,735 million in licence fee income followed by £3, 743 million in the period ended 31 March 2016 (BBC, 2015a; BBC, 2016).

The Corporation’s 2013/14 annual report and accounts emphasises effective financial management as a fundamental characteristic for its relationship with its audiences. The report further notes that such a characteristic “includes spending the licence fee efficiently and collecting a television licence fee from everyone who is required to buy one” (BBC, 2014a, p.119). According to the Corporation, it spends the licence fee by focusing on the pointers mentioned above including, but not limited to, focusing expenditure on the programmes and services demanded by the public. A six-year settlement to freeze the licence fee at £ 45.50 was agreed to in 2010. This agreement will be in place and in force until 2017 (BBC, 2014a, p. 5).

A perusal of the Corporation’s annual report indicates the growth of public support for the licence fee escalating to 53% as opposed to 26% for advertising and 17% for subscriptions in the 2013/14 financial year. Nevertheless, there was a slight decline in the support for the licence fee in the 2014/15 financial year, as demonstrated in

Figure 2 below, in that the public support for licence fee reached 48% compared to 29% for advertising and 20% for subscription. Notwithstanding this decline by 5% these statistics confirm the support of the licence fee as the major source of funding for the BBC by its audiences.

Figure 2: Public Support for Licence Fee



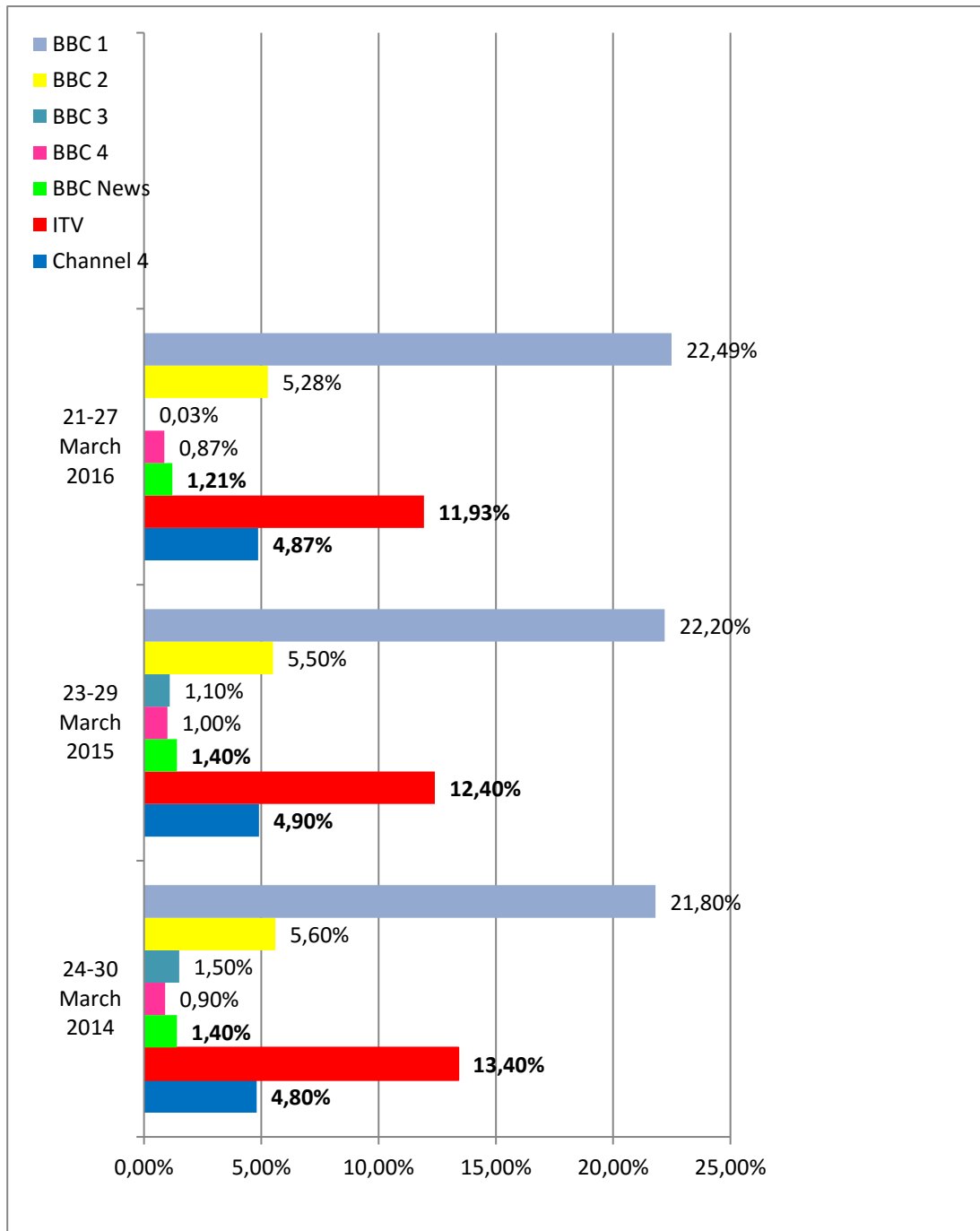
Source: Author's own adapted from BBC Annual Report and Accounts for the 2014/15 financial year

The BBC boasts of its ongoing savings and it claims that it has saved £374 million per annum through its “Delivering Quality First (DQF) programme and [is] on track to achieve the full £700 million per annum savings required by 2016/17” (BBC, 2014a, p. 5). The BBC’s full financial statements for the 2014/15 and 2015/16 financial years indicate that the Corporation saved £484 million per annum through this programme and £478 million per annum by April 2015 (BBC, 2015b, p. 2) and “£621 million sustainable savings by 31 March 2016” (BBC, 2016, p.2). According to the reports,

the Corporation is still on track to deliver the envisaged £700 million per annum savings by the end of the 2017 financial year (BBC, 2016, p. 2).

In addition, a sample extrapolated from the Broadcasters' Audience Research Board's (BARB) overall weekly viewing habits for the periods 24 to 30 March 2014; 23 to 29 March 2015 and 21 to 27 March 2016 indicate that the Corporation is able to maintain its audience share in the market compared to other broadcasters as reflected in the graph below “for all individuals aged 4 and over against multi-channel universe” (BARB, 2014; BARB, 2015; BARB, 2016). Although this information is not an exhaustive account of all TV channels in the UK, it is a depiction of the channels with audience levels (share) of 0.3% and above.

Figure 3: TV Audience Share: Weekly Viewing Summary: 3 Week Trends Individuals (4+)



Source: Adapted from BARB, 2014; 2015 and 2016

As illustrated in Figure 3 the BBC's audience share, notably BBC 1, is relatively higher than the other broadcasters, for example ITV. Even though there is a slight decline in terms of other BBC channels at times, a conclusion can be drawn that the audience share is indicative of the continued viability of the BBC as a PSB. The table below shows the TV channels' daily and weekly reach for the last week of March of 2015:

Table 2: TV Channels Average Daily and Weekly Reach (000s) 23- 29 March 2015

Channel	Average Daily Reach (000s)	Weekly Reach (000s)
BBC 1	26,787	45,379
BBC 2	11,959	31,672
BBC 3	2,841	12,712
BBC 4	2,603	10,646
BBC News	3,858	10,553
ITV	16,485	35,584
Channel 4	10,845	32,942

Source: BARB, 2015

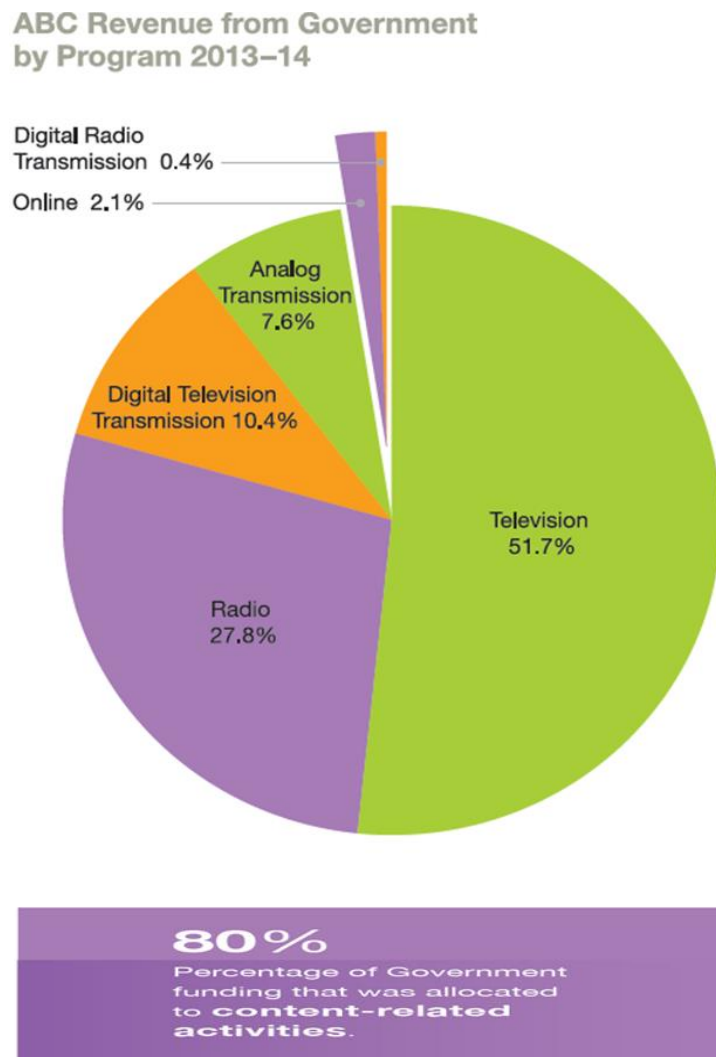
Notwithstanding the increase in the daily and weekly reach for Channel 4 and ITV as shown in the above table, the daily and weekly viewership figures for BBC as a whole can be attributed to the Corporation's trustworthy news programmes, high quality soapies and dramas made in the UK (80%) and distinctiveness (Office of

Communications (OFCOM), 2016) which perhaps explains the Corporation's viability and why the licence fee model is successful.

1.7.2 Australian Broadcasting Corporation

The Australian Broadcasting Corporation (ABC) receives its majority funding from the Federal Government. Other sources of funding come from a wide variety of commercial business activities such as content licensing, music libraries and others. The Federal Government funding is illustrated in Figure 4.

Figure 4: Australian Federal Government Funding for ABC

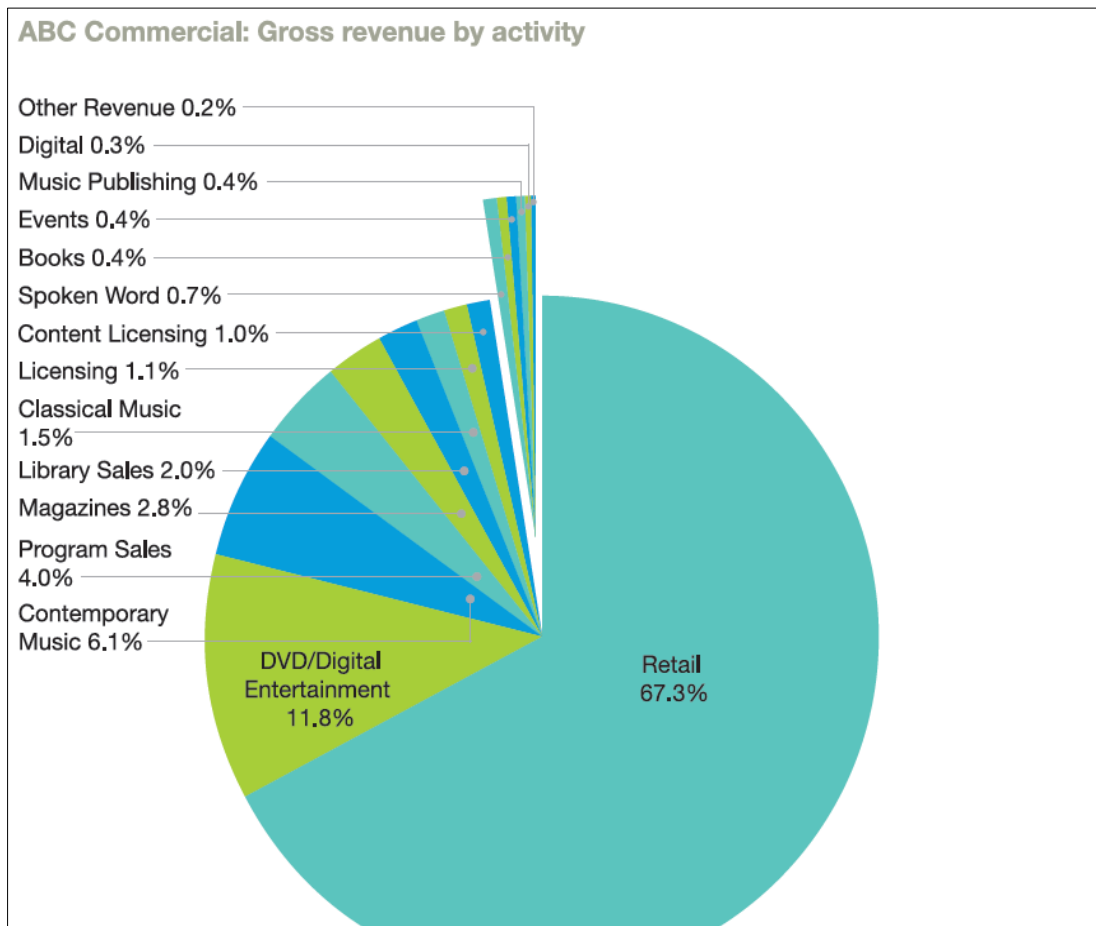


Source: ABC Annual Report for 2013/14 financial year

In May 2013, in the federal budget, the Corporation was, according to the ABC, allocated AUD1 077.2 million in funds for the 2013/14 fiscal year. The Corporation received a further AUD158.5 million from other sources including ABC-Commercial in the same year. In the previous financial year 2012/13, the Corporation had been allocated an overall federal budget of AUD1 042.3 million with AUD1.1 million derived from other sources including ABC-Commercial (ABC, 2013). The latter was lower than the AUD172.7 million received from other sources including ABC-Commercial and AUD1 billion federal budget allocated in the 2011/12 financial year.

In May 2014, the Federal Government announced a 1% ongoing reduction of ABC's funding base as part of the ABC's saving measure, which was described as a down payment for ABC's efficiency study (ABC, 2014, p. 133). The efficiency study as described by Communications Minister Malcolm Turnbull was, the study that sought to look at the Corporation's efficiencies by examining the day to day operations of the Corporation and get an assessment of what would be the most effective ways of delivering programming (Swan and Knott, 2014). Figure 5 below shows the gross revenue derived from ABC commercial activities for the period ended 2012/13 financial year. Commercial funding is illustrated in Figure 5 below.

Figure 5: ABC Commercial Funding



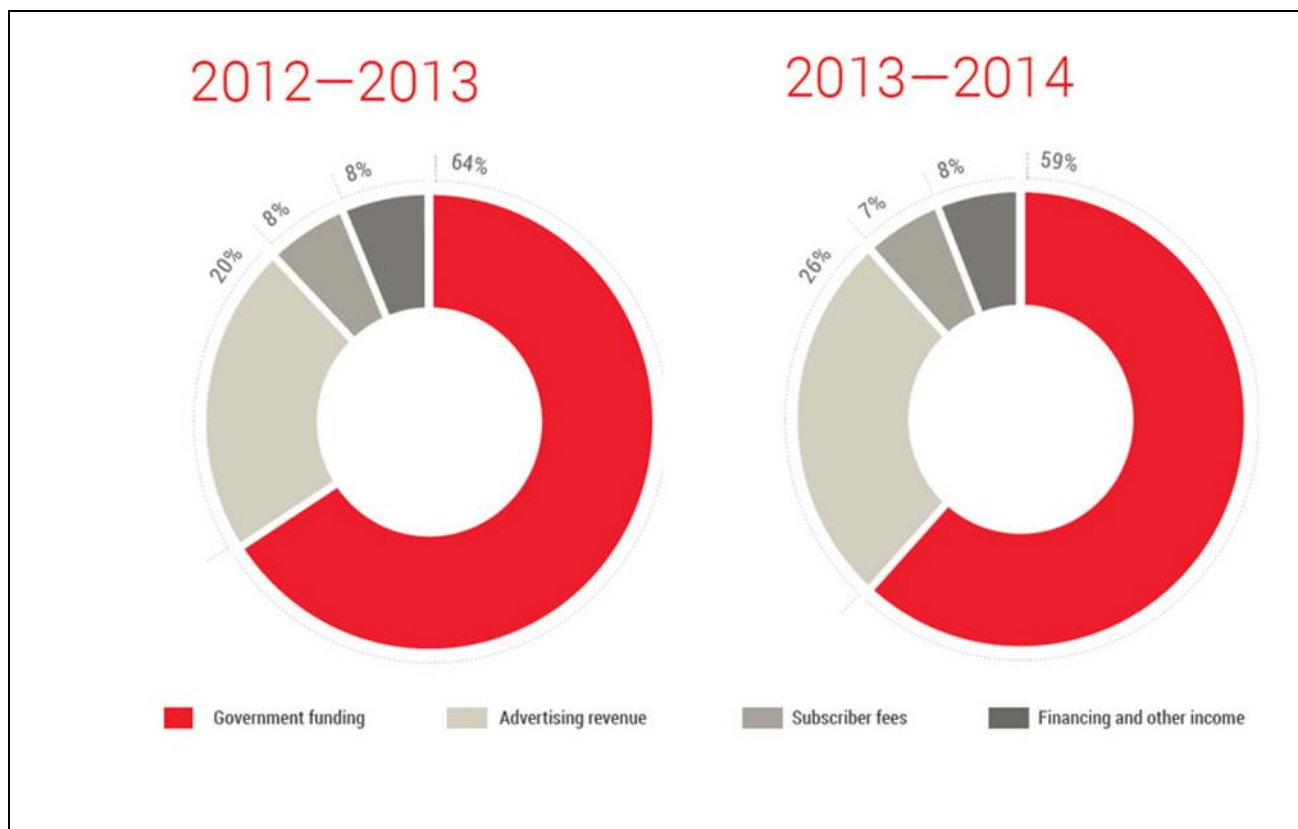
Source: ABC Annual Report for 2012/13 financial year

The success of the ABC funding model can be attributed to the fact that the Corporation provides good quality programming on radio and television as well as on-line services. For example, the research conducted by Newspoll in 2013 stated that A large majority of Australians about 78 % believe that “the quality of programming on ABC Television is very or quite good” (Newspoll, 2013, p. 12). In the following year 2014, Newspoll reported that about 84% of the population, men and women of all age groups both at city and country level believe that the Corporation provides a valuable service to the community (Newspoll, 2014, p. 9). In addition, there are no indications of the Corporation being in the red or financial constraints.

1.7.3 Canadian Broadcasting Corporation (CBC)

Like other successful PSBs the Canadian Broadcasting Corporation has mixed funding whereby the majority of its finances are derived from government funds. As the illustrations below show, in the 2012-2013 financial year the CBC received 64% of its budget from government funding which decreased to 59% in the 2013-2014 financial year. Advertising revenue amounted to 20% in the 2012-2013 financial year and increased to 26 % in the following year. Subscriber fees stood at 8% in the 2012-2013 financial year and slightly declined to 7% the following year. Lastly, other income including the selling of programmes to other countries remained at 8% in both financial years (CBC, 2012-2013 and 2013-2014).

Figure 6: CBC Funding



Source: Adapted from CBC Annual Reports, 2012/13 & 2013/14 Financial Years

Looking at financial statements, and while at face value the CBC appears viable, it is facing some major challenges which are attributed to the progressive decrease in government funding. Nonetheless, even as the CBC is clearly receiving less and less income from the government, funding from the government still constitutes the bulk of the public broadcaster's revenue, allowing it to continue to remain viable. In addition, other income includes contributions from the Local Program Improvement Fund (LPIF) and funds received from the Canada Media Fund (CMF) (CBC, 2014).

1.7. 4 United States of America (US)

In the US, a vast proportion of its funding comes from non- federal sources such as pledges from listeners, memberships, donations, major gifts, licence fees and businesses. About 11% comes from federal government in the form of taxes and 5% is derived from local and state governments (Powers, n.d; Owen, 2015; McLoughlin & Gomez, 2016).

1.7. 5 Germany

Like the UK, CBC and ABC, public service broadcasting in Germany follows the Reithian model to inform educate and entertain. PSBs are funded through a mixture of funds, predominantly licence fees, followed by sponsorship and advertising (Open Society Institute, 2005; Powers & Benson, 2011; Connolly, 2015).

1.7.6 France

In France, the PSBs are funded primarily on licence fees paid by TV owners. Other sources of funding include advertising revenue, revenue from sponsorship of programmes and sale of audio -visual works by programme (Mendel, 2013; Willsher, 2015; Briel, 2015).

1.7.7 Finland

PSB in Finland is mainly funded by a wholly tax based system also known as YLE. Finland is one of the European countries to move to this system from the licence fee funding method in 2013 (Trappel, Steemers & Thomass, 2015).

1.7.8 Summarising the International Public Service Broadcasters

Two points are of interest when summarising the information gained from the analysis of PSBs for example in UK, Australia and Canada. The first concerns the mechanics by which the three PSBs have managed to remain viable. All of them have adopted mixed funding models and are increasingly generating income from a variety of sources such as government funding, sale of programmes, subscriber fees, content licensing and music libraries. Although BBC is primarily dependent on public funding via the TV licence fee, government funding is the major source of funds for both ABC and CBC. Even as the CBC is currently facing serious challenges with the decreasing income from the government, the vast proportion of its income still comes from government. The second key point concerns the editorial independence of these PSBs.

Regardless of the fact that the bulk of ABC and CBC funding is derived from government, these public broadcasters have maintained their editorial independence. Regarding the ABC, the ABC Act of 1983, clearly gives the Board powers to deal with the ABC's editorial matters independent of government influence and the Corporation receives frequent updates on the application of its editorial policy (ABC, 2015, p. 114). The information contained in the independent audits including Will's (2014) audit suggest that the ABC is independent and in control of its affairs.

As for BBC, incidents of the Corporation's editorial independence can be traced as far back as the General Strike of 1926 when the BBC refused to be commandeered by Prime Minister Stanley Baldwin to provide the government of the day a platform and airtime to talk about the strike. The BBC's Reith reasoned that this would jeopardise the BBC's independence and impartiality. Subsequently "Baldwin ruled, the day before the strike ended that the BBC should remain independent" (BBC, n.d.c, para 4). Another incident worth mentioning is the Libyan Bombing in 1986 when the BBC responded to the then Conservative Party Chairman Norman Tebbit's analysis and dossier which slammed the Corporation's coverage of the Libyan Bombing and stated that it was "riddled with inaccuracy, innuendo and imbalance" (BBC, n.d.e, para. 5).

As a consequence, Tebbit stated that this warranted a review of amongst others, the Corporation's managerial and editorial standards. Responding to the Conservative Party Chairman's critique the BBC said "the Corporation would not be intimidated" (BBC, n.d.e, para. 6). The last incident worth noting was during the period leading up to the war against Iraq. The BBC radio broadcast in May 2003 illustrated its editorial independence in its coverage of Saddam Hussein's apparent stockpiling of weapons of mass destruction. When those weapons were not found and the BBC's Andrew Gilligan purported that the then Prime Minister Tony Blair "had deliberately misled Parliament with the claim that Iraq could deploy weapons of mass destruction within 45 minutes" (BBC, n.d.f, para.2). The Prime Minister's press advisor Alastair Campbell demanded an apology and "The BBC said it had nothing to apologise for" (BBC, n.d.f, para. 3) - a clear indication of independence from political influence. The Corporation notes that its resistances of external pressures during these times have helped the Corporation to strengthen its editorial guidelines (BBC, n.d.g).

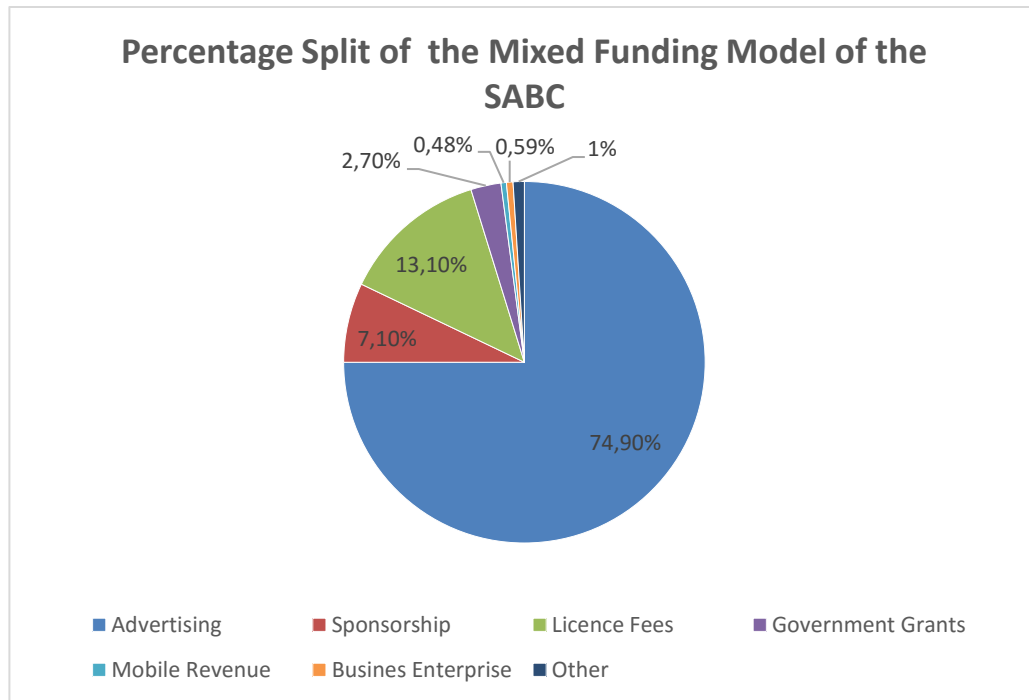
1.7.9 Public Service Broadcasting on the African Continent

In the African continent, PSBs are still very much state owned. Even so, the PSBs in Nigeria and Kenya Broadcasting Corporation (KBC) use some form of mixed funding. KBC for example is a dominant state owned broadcaster in Kenya. It broadcasts in 19 different languages mainly English and Swahili, content on its radio and television services. KBC is funded through a mix of funds namely government grants and income from advertising, announcements and greetings (Open Society Foundations, 2011). Similarly, PSB in Nigeria relies on some form of mixed funding which includes licence fees, revenue from advertising, and property investments (Open Society Foundations, 2010). Revenue from the state mainly in the form of licence fees collected by broadcasting authorities has been dwindling since liberalization in 1990s. These funding models for both African countries are explored further in Chapter 2.

1.7.10 Sources of SABC Funding

Currently government grants constitute 2% of the mixed funding model of the SABC. Approximately 75% of its revenue is generated from commercial activities, and roughly 18 % from television licence fees and about 5% from other sources (SABC, 2014; SABC, 2016a). Extracting statistics from the SABC annual report 2009/2010, Khan (2010) states that 73 % of the SABC's funding emanates from advertising, 18 % from licence fees, 2% from the state fiscus and the other 3% from other sources. The SABC's annual report for the 2013/2014 financial year indicates that 74.9% of the revenue is generated from advertising, 7.1 % sponsorship, 13.1% licence fees, 2.7 % government grants, 0,48 % mobile revenue, 0,59 % business enterprise and 1% other (SABC, 2014). This scenario, elaborated in Chapter 2, differs drastically from PSB funding models in other countries as discussed above.

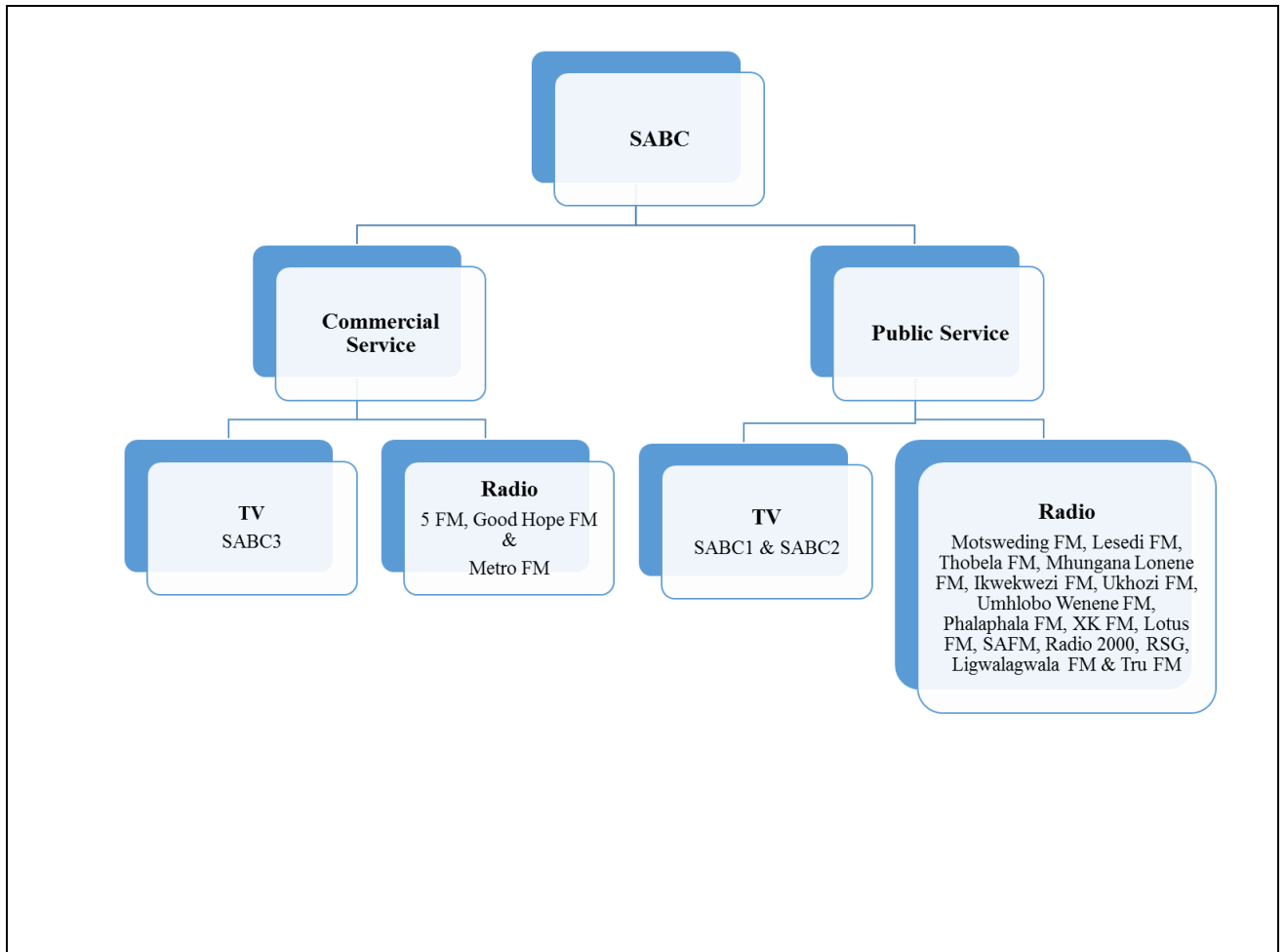
Figure 7: Proportional Split of the Funding Model of the SABC



Source: SABC, 2014

Figure 8 below illustrates the structure of the SABC. The organisation is broken up into two divisions: public service and commercial. The commercial service is made up of 3 radio stations namely: 5FM, Metro FM and Good Hope FM and one TV channel (SABC3). The public service is made up of 15 radio stations namely: Motsweding FM, Lesedi FM, Thobela FM, Mhungana Lonene FM, Ikwekwezi FM, Ukhozi FM, Umhlobo Wenene FM, Phalaphala FM, XK FM, Lotus FM, SAFM, Radio 2000, RSG, Ligwalagwala FM, Tru FM) and two public TV channels (SABC1 and SABC2).

Figure 8: Structure of the SABC



Source: Author's Own, 2014

1.8 The Research Questions

This study posed the following questions:

Main Research Question:

To what extent has the implementation of the current mixed funding model by the SABC affected the viability of the Corporation?

Sub-Questions:

- (a) To what extent has the cross-subsidisation² mandate affected the viability of the SABC?
- (b) What are the strengths and weaknesses of the mixed funding model?
- (c) What changes to the current mixed funding model would increase the possibility of the viability of the SABC?

The hypothesis that informs the above questions is that the current mixed funding model of the SABC is not viable and impacts delivery of public service programming.

1.9 Conceptual Framework

Drawing from a diverse set of literature on PSB mixed funding models, this study articulates a theoretical proposition centred on the Reithian model³ of a public service broadcaster whose mandate is to inform, entertain and educate the public. John Reith, widely acknowledged as the founding father of the BBC, was so enthusiastic about public service broadcasting that from the very outset in the 1920s he advocated and worked actively towards ensuring that the BBC, which at the time was only made up of radio, become a viable PSB with its own financial wherewithal to stay independent of government and commercial interests, as well as the capacity to offer high quality

² Cross- subsidisation refers to a situation in which profits from one activity are used to pay for another activity that is losing money or making less money.

³ The Reithian model of PSB was pioneered by John Reith (1889-1971), the first general manager of the BBC when it was founded in 1922

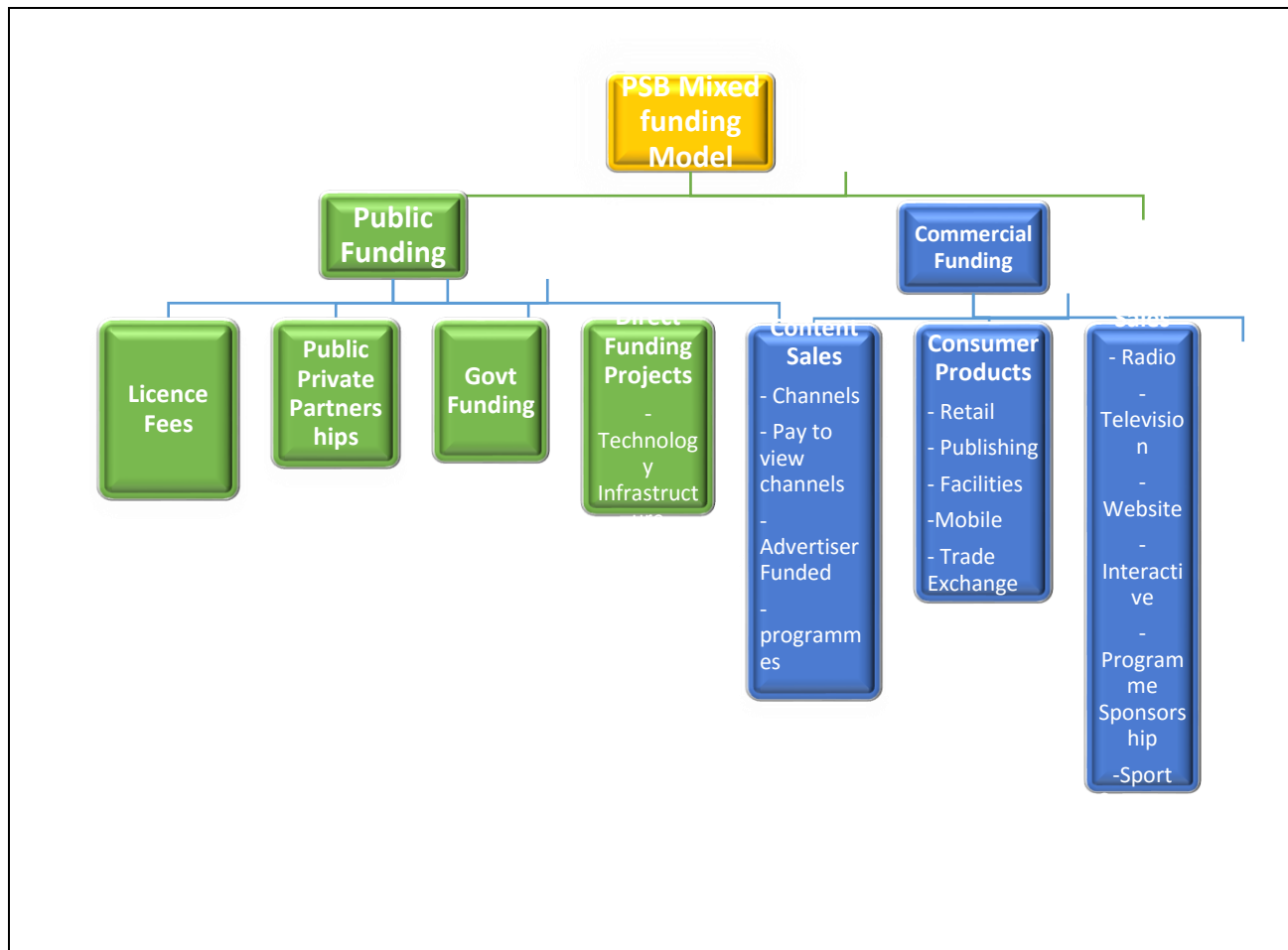
programmes that kept the entire nation pining for more (BBC, n.d. a; Connected Earth, n.d.). Firstly, he explored international models, starting with the United States' system of unregulated commercial radio on the one side, and ending with the highly-regulated state radio system then current in the Soviet Union (Connected Earth, n.d.). He then came up with an innovative vision of a public broadcaster that would be entirely funded by the public. This, in Reith's view, would shield the public broadcaster from succumbing either to commercial pressures or political attempts to influence and interfere in BBC programming, while offering the British public programmes that were informative, educational and entertaining (BBC, 2014b).

These were programmes that were not profit-generating, such as children's and educational programmes, as well as those that promoted the general public's right to know, balanced and accessible news, and current affairs. Because such programmes were unprofitable, commercial broadcasters generally ignored them. In order to achieve his goal of protecting the BBC from political and commercial interference and of maintaining the Corporation's editorial independence and public accountability, he proposed that the Post Office pay a 10 shillings (50 pence) licence fee, half of which went into funding the (BBC, n.d. b). This innovation created a very conducive environment for the BBC to concentrate on its core mandate of informing, educating, and entertaining the British nation. The Reithian model went on to influence the development of PSBs in many European countries and around the world including the SABC which was established in 1936.

Globally, PSBs have faced major changes - such as technological advancement, new funding models and digitisation – that have reshaped the way in which they are perceived. One of the main debates on public service broadcasting concerns fears that public broadcasters may be anti-competitive in that they could distort broadcasting markets or impede them from functioning properly (O'Hagan & Jennings, 2003), 2003). In particular, commercial broadcasters have taken PSBs to task for having an

unfair advantage in the marketplace, more especially in areas where they provide programming that is little different from that provided by commercial broadcasters. It was partly in response to this criticism that most - but not all - states substantially reduced their funding of PSBs, thus compelling the affected PSBs to explore alternative funding models, such as the mixed funding model, in order to remain viable. PSB mixed funding model is a funding model whereby the public broadcaster draws revenue from various sources including advertising, sponsorships, government subsidy or grants and at times licence fees as represented in the diagram below:

Figure 9: Example of Mixed Funding Model



Adapted from SABC Annual Reports, 2015

This study analysed and reflected on different global PSB jurisdictions to identify specific funding models so as to determine the best practices that the SABC could emulate. Deacon (2011) notes that the ongoing global recession has negatively affected public broadcasters throughout the world, including the SABC. This, she continues, has compelled them to consider generating more of their revenue using commercial means as a mechanism of ensuring viability. Mendel (2011) looks at public service broadcasters in Australia, Canada, France, Japan, Poland, Thailand, the United Kingdom, as well as South Africa. Mendel contends that all public service broadcasters strive to serve the broadest public possible, to create and maintain a national identity and culture, as well as to uphold democracy and freedom of expression and to promote pluralism and diversity of voices. To this end, Mendel (2011) continues, a public broadcaster has to be both free of political interference and economically independent, in other words independence from advertisers. This has led to a blurring, in certain countries, of the distinction between public service and commercial broadcasting, which has often proved detrimental to the quality of the public broadcaster's programmes. In this context, PSBs need to interrogate the funding model that they adopt for purposes of viability.

Using the PSB theoretical framework as pioneered by Reith and articulated by Scannell (1990) and others, this study argues that PSB viability is contingent on the ability of the broadcaster to be financially self-sufficient, its capacity to produce an assortment of high quality programming that is universally accessible, educational, informative and entertaining, as well as being geared towards the public that leads public taste rather than pander to it.

1.10 Research Methodology

The research followed a qualitative research method, using evidence collected from documentary and oral interview sources. This qualitative research is a "kind of research that produces findings arrived from real-world settings where the

phenomenon of interest unfolds naturally” (Patton, 2001, p.39). A qualitative method gives an in-depth description or interpretation of the data collected and is not primarily concerned with statistics or figures. Further, it helps to explain the thought process of a person and how something took place.

1.11 Report Structure

The remainder of this research report is as outlined below:

Chapter 2 provides a literature review on PSB and explores funding models, in a global context. Due to the fact that this study is an analysis of the viability of the mixed funding model of the SABC, the following concepts are defined: PSB, PSB mixed funding model, PSB viability, PSB sustainability as a sub-concept, PSB independence and, PSB governance and accountability.

Chapter 3 deals with the research design and methods used in this study.

Chapter 4 presents the findings of the research regarding the SABC’s mixed funding model and the issue of viability as an overarching concept and sustainability as a sub-concept. It critically analyses the suitability of relying on this model given the fact that the SABC is a state-owned entity. It further discusses issues relating to programming obligations that are part of the public service mandate including the migration to digital terrestrial television (DTT).

Chapter 5 is drawn from the findings presented in Chapter 4. It provides the analysis of the key findings of the research report. It also provides an overview of the kinds of challenges in the realm of viability that the BBC as a global PSB leader and other established PSBs such as ABC and CBC that follow the Reithian model have faced

and how they have resolved them, in order to determine international best practice and the lessons that could be derived from their experiences for the SABC.

Chapter 6 pulls out key points made in previous chapters and gives recommendations on issues of the mixed funding model and the viability of the SABC.

1.12. Conclusion

This chapter has provided the background to the study and has stated the rationale for the research. This chapter also described the research methodology and approach that will be used in this study. The next chapter provides literature review.

CHAPTER 2 – LITERATURE REVIEW AND THEORETICAL FRAMEWORK

2.1 Introduction

This chapter provides a review of the literature on public service broadcasting and its viability. It is organised into four main parts. The first part is a discussion of regulation and legislation in public service broadcasting. The second part is a global overview of PSBs and issues of funding and viability, focusing mainly on developments in this sphere over the past twenty to thirty years in the United Kingdom (British Broadcasting Corporation), Canada, Australia, USA, as well as in developing countries such as Poland. The third part explores this literature in relation to African countries such as Nigeria and Kenya where there is no PSB per se but something akin to it. The fourth part looks at what has been written about public broadcasting in general in South Africa and then concentrates specifically on issues of viability and sustainability as they relate to the SABC. In order to provide a comprehensive overview of PSB and issues of funding, globally, it is necessary to define concepts used in this study as well as discussing the theoretical framework supporting the study.

2.2 Definitions of Concepts

The following interconnected concepts are identified as fundamental to discussion on this research study, namely: PSB, PSB mixed funding model, PSB viability and PSB sustainability as a sub-concept; PSB independence and PSB governance and accountability. It is important to note that scholarly articles and internet sources are used to illuminate and define the concepts that are used in this study.

2.2.1 Public Service Broadcasting

Definitions of the concept of public service broadcasting and what it entails are deeply embedded on the principles of Director General, John Reith, to inform, educate and entertain. The Oxford English Dictionary (2012, p. 581) defines public as “relating or available to the people as a whole”, “intended to be seen or heard by people in general” or “provided by the state rather than an independent, commercial company”. Accordingly, even though the concept itself is still linked to the Reithian model, over the years and due to different needs, interests and challenges, it has gradually been interpreted by different countries to accommodate national specificities as Ibarra (2012) argues that in the European states in particular, when the term public, “reached the audio visual space, its meaning changed significantly according to the political, social and economic situations of different states where public media saw the light” (Ibarra, 2012, p. 5). In Malawi however, PSB is seen as representing Malawi “to the World and to observe the principles and norms of a democratic society” (Article 19 Global Campaign for Free Expression, 2003, p. 18).

Banerjee, Seneviratne, and Asian Media Information and Communication Centre (AMIC) (2005), believe that the definition of PSB needs to take into cognisance the following fundamental factors: universality; diversity, independence and distinctiveness and as such must be a service that must be accessible to every citizen countrywide and by virtue of it being a PSB, “should be diversified in at least three ways: the genres of programmes offered, the audiences targeted, and the subjects discussed. Public broadcasting must reflect the diversity of public interests by offering different types of programmes, from newscasts to light programmes” (Banerjee, Seneviratne, & AMIC, 2005, p. 15).

Balule (2013) argues that defining the term public service broadcasting is difficult. As a result, various scholars and commentators have come up with different meanings.

However, he notes that this concept is underpinned by the value that is associated with freedom of expression which is regarded as a crucial condition in democratic societies. It is therefore evident that the definition of PSB is shaped by the political circumstances within which it has evolved.

2.2.2 PSB Mixed Funding Model

The Triple Inquiry Report (1995) defines mixed funding model as revenue generated through a mix of advertising, sponsorship, licence fees and governments grants.

2.2.3 PSB Viability and PSB Sustainability as a Sub-concept

The Oxford English Dictionary (2012) defines viability as “capable of working successfully or surviving successfully” and sustainability as being “able to be continued” (an ability or capacity of something to be maintained or to sustain itself). Perhaps a more succinct and detailed definition comes from (Bongwa & Wasonga, 2010) where they maintain that sustainability of a project is when the organisations develop a strategy for development and growth of the project such that it can continue to function indefinitely by maintaining the outcomes, goals and the products as well as institutionalising the process eventually. They argue that for a project to be financially viable, the costs in inflow should be at least equal to the benefits as outflows. Thus the extent of viability depends on the surplus generated. They further posit that some projects make the project work but the financial viability analysis reveals that the overall costs that have gone in the process have been much higher than the financial outflow from the project (Bongwa & Wasonga, 2010 as cited in Talpade 2011). Echoing Bongwa and Wasonga’s sentiments is the United States business law and taxes expert Murray (2014) who contends that viability is measured by:

The business’s long term survival and its ability to have sustainable profits over a period of time. If a business is viable, it is able to survive for many years because

it continues to make a profit year after year. The longer the company can stay profitable, the better its viability (Murray, 2014, p. 1).

It is important to note that whilst sustainability or viability means that the costs in inflow should be at least equal to the benefits as outflows, viability in the context of this study must be understood as not just financial viability but also in terms of delivery of public service mandate by the SABC. Viability in this regard is characterised by the ability of the public broadcaster to independently raise adequate funding, as well as independence from any commercial and political influences (Mbaine, 2003) as shown in Chapter 4 of this study.

2.2.4 Independence

Bulbulia (2007) argues that independence “is a central public interest principle which ensures editorial freedom and limits the influence of advertising on content, particularly, on public broadcasting services” (Bulbulia, 2007, p. 37). It means the ability of the public broadcaster to act autonomously, without any interference from the government or business or commercial interest groups on matters of editorial policy and strategic leadership decisions. To achieve independence from political interference and influence, Fourie (2003) contends that “a clear and legally bounding distinction should be made between the board, the day-to-day management of the organisation, the supervisory bodies and the government” (Fourie, 2003, p.165). On the other hand, the European Broadcasting Union (EBU) (2015) suggests that funding of PSBs should reflect independence and accordingly,

There must be an effective mechanism in place to ensure that the decisions made about the level of funding are not influenced by undue political or commercial interests. Rather, they should be based wholly on the public interest and the overall cost of providing the public service remit (EBU, 2015, p. 13).

2.2.5 Governance and Accountability

The term “corporate governance” as described by the ASX Corporate Governance Council (2014) refers to “the framework of rules, relationships, systems and processes within and by which authority is exercised and controlled within corporations. It encompasses the mechanisms by which companies, and those in control, are held to account” (ASX Corporate Governance Council, 2014, p. 3).

According to King III Report, good governance is essentially about effective *leadership*. Leaders should rise to the challenges of modern governance. Such leadership is characterised by the ethical values of responsibility, accountability, fairness and transparency and based on moral duties that find expression in the concept of Ubuntu. Responsible leaders direct company strategies and operations with a view to achieving sustainable economic, social and environmental performance (Institute of Directors in Southern Africa, 2012).

It is against the above mentioned definitions that PSBs should ensure that they are accountable to the public they serve (Croteau and Hoynes, 2001; Tleane and Duncan, 2003).

2.3 Theoretical Framework

This study draws upon the public service broadcasting theory which provides a theoretical basis underpinning this study. The theory of public service broadcasting is the oldest theory which emerged in Great Britain in the 1920s, emanating from the quest by John Reith, the managing director of the BBC from 1923 to 1926, and the first Director-General of the Corporation from 1927 to 1938, for a PSB that is independent from commercial and government influences and pressures. Scannell

(1999) articulates the first key tenet of the theory of PSB as “public utility”, meaning the usage of the PSB for the public good, i.e, providing service to the public. Reith’s assertion that broadcasting should serve as the interrogator of democracy and creator of “symbolic heartland of national life” (Cardiff and Scannell 1987: 159) remains at the core of the public service aspiration. It enables citizens to participate in the processes of policy making and democracy. In contemporary times, as Williams (2003) purports, PSB has been based on tacit understanding of broadcasting aimed at promoting the public interest and thus presents information as a social good as opposed to solely profit making.

The second main principle is that over the course of each day or week audiences were provided with mixed programming that offered a broad range of programmes of the highest quality on national channels. These included news, music, sport, drama and entertainment. This blend of programmes made provision not only for different needs (such as information, education and entertainment), but for different sectional interests within the audiences (adults, children, men, women, businessmen, farmers and so forth).

The third main tenet of PSB theory is the paramount interest in the maintenance of high standards in culture, knowledge and information and a unified policy towards the entire service provided. This means that entertainment would not be the only priority item on the service. In Scannell’s (1990, p. 13) own words,

Broadcasting had a responsibility to bring into the greatest possible number of homes in the fullest degree all that was best in every department of human knowledge, endeavour and achievement. The preservation of a high moral tone – the avoidance of the vulgar and the hurtful – was of paramount importance”.

Teer-Tomaselli (2004), Fourie (2003) and Findahl (1999) posit that it is crucial for a PSB to provide a service that the public can clearly distinguish from other broadcasters. To achieve this, it must endeavour to provide high quality content. A public service broadcaster should broadcast genres, topics and opinions that other broadcasters do not broadcast such as health issues and education (World Television Council 2000). These topics although not popular on other broadcasters, contribute to increased quality of life.

Universality is the fourth inherent feature of a PSB. Thus, PSBs should ensure that every citizen's needs and interests are catered for irrespective of their financial standing and geographical location, for geographical availability is the direct significance of the public nature of the PSB (Mendel 2011; Scannell 1992; Curran and Seaton 1999). Mendel (2011, p.6) argues that "general availability is part of the justification of PSB since it serves to ensure that the public's right to know is satisfied in equal measure throughout the whole territory". It follows, therefore, that a PSB must ensure that every citizen has access to PSB programming regardless of their geographical location or economic circumstances.

The fifth main principle of PSB is institutional independence. This is not only a vital public interest principle ensuring editorial independence and freedom but a guarantor of PSB protection from political/government and commercial interference. Such independence ensures that a PSB fulfils its public service mandate (Hoynes and Croteau, 2001; Eko, 2000). Tomaselli (1994) adds that it is critical for politicians not to meddle in the day-to-day running of the PSBs. Fourie (2003) argues that for PSBs to be independent from political influence, the relationship between the PSB and the government must be made as transparent as possible. Thus, PSBs must be able to resist political pressures and ensure that they maintain their editorial control in so far as provisioning of news and current affairs programming is concerned. The World Radio

and Television Council (2000) maintains that to ensure the independence of a PSB, its administrative structure must be independent from external influences, particularly government and commercial interests. This will ensure public confidence in the PSB. Yoshiko (2009, p. 17) notes that it is crucial for PSBs to be independent from government oversight into how it (PSB) is executing its obligations. For Mbaine (2003, p.149), “the lack of operational and editorial independence has grave implications for the viability of the public broadcaster in the new broadcasting context”. Therefore, institutional independence is an important requirement as this will shield the broadcaster from undue interference and enable editorial independence and fulfilment of the public service mandate.

The sixth key principle of PSB is accountability, which goes hand in hand with governance. PSBs must be accountable to the public it serves (Hoynes and Croteau, 2001; Tleane and Duncan, 2003). According to Yoshiko (2009, p.1), “until now public service broadcasters have sought to ensure accountability by meeting institutional requirements such as publication of mandatory annual reports and accounts, handling of audience complaints, and responses to audience needs through broadcasting committees.” PSBs need to be accountable to the public to maintain trust with their audiences. One of the ways to achieve accountability is through the appointment process of the Board that is preceded by transparency and public participation (Curran, 1991). Mbaine (2003) adds that the idea of accountability to civil society “helps to reinforce diversity of programming” (2003, p.47). Furthermore, “if civil society or the public feels ownership of PSBs, there is a high prospect of their viability and sustainability. There is also a higher likelihood of support for public funding by citizens” (Mbaine, 2003, p. 157).

The seventh and final key tenet of PSB is the manner in which it is funded, something which determines whether the PSB mandate will be delivered successfully. Mendel (2011, p.17) argues that “international standards and national practice establish clearly that providing public financial support for public service broadcasters is essential to determine delivery of their mandates”. Mbaine (2003) states that PSBs require

“adequate, secured and predictable forms of public funding... which is not subject to arbitrary interference” (2003, p. 138). Concurring with Mbaine and Mendel are Schudson (2003), Scannell (1992) and Croteau and Hoynes (2003) who argue that PSBs should be supported mainly by public funds for public purposes. Accordingly, McChesney (2000) contends that funding through licence fees is a perfect model for PSBs. Nevertheless, others such as Banda (2006) and Siune and Hulten (1998) assert that licence fees alone are not sufficient to keep the PSBs viable. In fact, PSBs funded on licence fees alone are no longer existent. Hence many countries have mixed funding models. According to the World Television Council (2000), whereas a PSB is allowed to generate commercial revenue, this should not interfere with its public service mandate. Mbaine (2003) states that public funding can include licence fees or levies for electricity bills. He argues that, “...without adequate funding to cover the human and material resources, public service broadcasting is neither viable nor sustainable” (2003, p.151).

Drawing upon the theory of PSB as pioneered by Reith and articulated most eloquently by Scannell and others, this study argues that for a PSB to be viable, it has to maintain a level of independence from political and commercial influences. These two aspects if not guarded against, can lead to the PSB’s editorial independence being compromised. This means that it would have to be funded primarily by the public i.e. licence fees. A mixed funding model which relies heavily on commercial funding is a threat to the role of a PSB as the PSB tends to neglect public service programming.

2.4 Regulation and Legislative Framework in Public Service Broadcasting

Globally, regulation and legislation of PSBs is not only a necessity but also critical to ensure that the PSBs adhere to their service mandates and that they are free from political and commercial control. The African Charter on Broadcasting (2001) which was embraced in Windhoek stated that “legal framework for broadcasting should include a clear statement of the principles underpinning broadcast regulation, including promoting respect for freedom of expression, diversity, and the free flow of information and ideas....” (African Charter on Broadcasting, 2001, pp. 1-2). These

goals categorised into four main themes, were later encapsulated in Mendel (2005), namely, what types of programmes to be broadcast, how independence is guaranteed, promotion of accountability to the public as well as sources of funding.

The term regulation has different meanings attached to it and contextual. Majone (1990) notes that in UK literature for example the European countries associate the term with “governance legislation and social control” (Majone, 1999, p. 2). He posits that in the US literature such a term refers to “focused control; exercised by a public agency over desired activities that the community values the most” (Majone, 1999, p. 2).

In the South African context ICASA (2005) defines regulations as:

Orders, criteria or performance standards, adopted to implement, interpret and specify broadcasting legislation. Apart from defining and setting parameters for implementation, they amplify and give legal effect to the policy directives contained in the enabling legislation

(ICASA, 2005, p. 12).

There is in fact a common thread that can be drawn from the above definitions namely; that regulation is about the rule of orders which are issued in order to carry out the intent of legislation. They govern a regulated entity including how such entity should function. These rules require observance and in this context by PSBs to ensure that the principles as enunciated in Mendel (2005) are adhered to.

The legislative framework that governs PSBs include the Code of conduct, licence terms and conditions and relevant Acts and regulations such as those governing sports

rights, where applicable. In France, regulation of French broadcasting includes three fundamental players –

The government designs broadcasting policy, drafts broadcasting laws and issues decrees to implement these laws. Parliament passes broadcasting laws and controls the funding of public broadcasters. The High Council for Broadcasting (CSA) grants licences to private broadcasters, appoints the heads of public broadcasters, and oversees the programming activities of all broadcasters (Open Society Institute, 2005, p. 650).

Interestingly, since the World War II, particularly since the introduction of private or commercial broadcasting, the German federal system spawned a series of complex regulations governing the electronic media. The legislation includes the Constitution, licences and regulations (of the federal state) that deal with editorial standards and programming obligations (Open Society Institute, 2005, p. 743). Contrary to France where there are only three players involved, the German system involves a huge number of players, including “the Federal Constitutional Court, which has an important say in the regulations and was instrumental in shaping the dual system of public and private broadcasting by issuing a series of judgments in the field of broadcasting since the 1960s” (Open Society Institute, 2005, p. 742).

Prior to the promulgation of the now repealed IBA Act, the SABC was not ‘regulated’. The Act bestowed powers for the regulator to regulate broadcasting in the public interest. The independence of the regulator is imbued in Section 192, of the Constitution of the Republic of South Africa of 1996, and provides for the establishment of an independent authority which is to regulate broadcasting in the public interest and to ensure fairness and a diversity of views broadly representing South African society (RSA, 1996).

The SABC derives its mandate from the Broadcasting Act of 1999 as amended. It is further regulated in terms of the Electronic Communications (ECA) Act no 36 of 2005 and the amended licence terms and conditions that were issued in 2008, during the conversion process. Section 10(2) of the Broadcasting Act enjoins the public broadcaster to generate its own revenue. The Act provides that the public wing of the SABC, as the public broadcaster of South Africa, “may draw revenue from advertising and sponsorships, grants and donations, as well as licence fees levied in respect of the licensing of persons in relation to television sets, and may receive grants from the State” (RSA, 1999, p. 240). There is however a challenge and a gap in the Act as it does not provide the proportional split in this regard. Similarly, the licence conditions of the public broadcaster do not specify the amount of revenue to be generated by the PSB. The SABC television licences prescribe the following:

- a) The Licensee may not: broadcast more than an average of ten (10) minutes of advertisements per hour on the licensed service during any licence year; and
 - b) Broadcast advertisement in excess of twelve (12) minutes in any one hour
- (ICASA, 2008).

Consequently, the lack of express proportional split in legislation resulted in the funding model of the SABC skewed towards commercial advertising. This is discussed in detail in Chapter 4, findings and critiqued in Chapter 5.

The section above has discussed regulation and legislation of PSBs focusing on some European countries and the SABC. The next section reviews the relevant literature.

2.5 The State of the Literature

2.5.1 Global Debates on Public Service Broadcasting Funding

The ways in which public broadcasters are funded globally has a profound impact on how they execute their public service mandate. There are ongoing debates on the matter worldwide and these have posited multiple trajectories which make funding for public broadcasters a complex subject. Most PSBs across the globe are financed either by pure public funding (revenue generated from licence fees or government grants), or by a combination of public funding, sponsorship and advertising (Price & Raboy, 2001; Louw & Milton, 2012). This is supported by research conducted by O'Hagan and Jennings (2012) which provides a critical analysis and rationale for PSBs in Europe. Their studies provide a detailed analysis of licence fees as an instrument for funding PSBs and illustrate with examples where the level of public funding is low and decreasing (Spain, France and Denmark in particular) while in most other European-member countries (United Kingdom, Germany and Nordic countries) public funding still plays a substantial role (Ibarra, 2012; O'Hagan & Jennings, 2003). Germany and the United Kingdom have been repeatedly cited as “models” of successful PSB institutions (Ibarra, 2012).

2.5.1.1 The United Kingdom: Principally Licence fee Funding

The British Broadcasting Corporation (BBC) provides an interesting funding model whereby a vast proportion (about 82%) of the PSB revenue is generated from public funding such as licence fees; 17% comes from commercial activities; and only 1% comes from other sources. By way of background, the BBC was established in 1911 as a radio broadcaster, and John Reith was its first Director-General. He had his own clear views of what should constitute public service broadcasting. At first a private entity, Reith believed from the outset that public service broadcasting was not supposed to be about giving the public what it wanted but instead it was about providing them with what was in their best interest.

In his words:

As we conceive it, our responsibility is to carry into the greatest possible number of homes everything that is best in every department of human knowledge, endeavour and achievement, and to avoid the things which are, or may be hurtful. It is occasionally indicated to us that we are apparently setting out to give the public what we think they need...and not what they want, but few know what they want, and very few what they need...In any case it is better to over-estimate the mentality of the public, than to under-estimate it (Reith, 1924, p. 34).

It is clear from the above that the BBC from its early days was based on strong paternalistic principles and this is what lies at the heart of its motto to inform, educate and entertain. In order to achieve the aims he laid out, Reith was resolute that the BBC should not in any way be influenced by commercialisation and government. To achieve this objective, he set up the licence fee so that the BBC could be financially sustainable⁴ through an independent source of revenue and not be directly funded by government or dependent on advertisers. He also believed the BBC should have a monopoly over all broadcasting material in the country. Reith was always worried that competition would severely downgrade the quality of programme content as broadcasters competed over audience market share. The developments in the present day commercial broadcasting industry have clearly proven his concerns.

To date the BBC is arguably one of the most viable of all the PSBs in the world and definitely the most viable in the English-speaking world. In terms of overall audience productivity and viewer satisfaction, the performance of the UK PSB is markedly higher than in other countries (Hiroshi, Ichiro, Miyeko, & Yoshiko, 2013, p. 23). In

⁴ Loosely defined. the term means to be able to be resilient and continue for a long time because of sound economic status

addition, the BBC displays above average value for money in the whole world. In 2009, for example, the BBC in conjunction with other UK PSBs (Channel 4 and S4C which is Sianel Pedwar Cymru or ‘Channel Four Wales’) generated 6,642 viewers per million pounds of total turnover compared to Germany (3,971 viewers), Canada (2,476 viewers), Switzerland (3,522 viewers) and Australia (5,568 viewers) (Nordicity, 2011, p. 7). Among Western countries the UK shows one of the highest rates of public investment in public broadcasting. The UK stands at position 5 on £57 per capita (after Germany £74 per capita, Norway £65 per capita, Switzerland £62 per capita, and Finland £59 per capita). In the same year (2009), public funding for UK PSBs was 40% higher than the 18 country average of £41 per capita (Nordicity, 2011, p. 4).

The success of the licence fee funding model of the BBC lies in its financial management and the relationship that the Corporation has with its audiences. The above mentioned figures, read with a sample extrapolated from BARB overall weekly viewing habits in Chapter 1, tell a fundamental story about PSBs and their viability and that is, viability is inextricably intertwined with the mandate and provision of good quality programming, the kind of programming that the public want to watch, which is not available on commercial services. If a PSB provides good quality programmes to the public, audience figures will reflect their satisfaction. In short, the UK’s PSBs, in particular the BBC is a model of viability from which the SABC can draw some valuable lessons.

2.5.1.2 Australia: Predominantly Federal Government Funding

As a former colony of the British Empire, Australia has inherited many things from the mother country including the Reithian model of the BBC. The Australian Broadcasting Corporation (ABC) comprises of four national radio networks and the ABC television which is a single hierarchy and centralised organisation providing national service with state and territory news breakouts. It is accessible throughout the

country in analogue and digitally on free-to-air digital and subscription television platforms. The ABC2 digital television service is provided both on free-to-air and subscription platforms (ABC, 2007). The ABC Charter as contained in the Australian Broadcasting Corporation Act of 1983 outlines the responsibilities the ABC Board.

Unlike the BBC where the bulk of funding is derived from the public, the ABC has always depended on state funding as a major source of revenue (Davis, 1990; ABC, 2014, p. 133). Jolly (2014) shows that the ABC is presently funded by federal government mainly through finance arrangements of three-year cycles. The Corporation had been arguing since 1949 that it needed 'to plan for three-year periods to accommodate the long project lead times of the technologically based broadcasting industry' but these arrangements only started in 1989. Over and above the three-year periods, revenue has been derived from specific methods. Government grants are legislated through the annual appropriations Bills 1 and 2 for the use of the ABC.

Mendel (2000) states that while some form of mixed funding model is in place, the ABC is largely dependent on government to the extent that it is not even permitted to raise revenue through commercial advertising. By June 1999, about 80% of its funding was derived from government grants whereas only about 20% came from its own activities, such as concerts and network activities. Until then the ABC, like other PSBs in other parts of the world have had to contend with a succession of reductions to its funding base. As a result, the ABC Board made a public call to government in 1997 to make firm commitment to ameliorating funding uncertainties lest the Corporation imposed austerity measures that would have led to reduction in overall Australian content, as well as the decrease of news and current affairs programming, not to mention closure of regional stations.

Proponents of the ABC Charter and the Corporation believe that the ABC is regularly classified as the country's most dependable source of news (Hands Off Our ABC, n.d. para.13). However, in an undated article titled "What we Stand for: Editorial Independence" written by Hands off Our ABC,⁵ the community and advocacy campaign raised concerns over and above budget cuts about potential political meddling in the Corporation's editorial independence. The article stated that Coalition politicians have allegedly been running campaigns "to intimidate and criticise the ABC with the objective of influencing its editorial decisions to be more favourable to the Coalition parties" (Hands Off Our ABC, n.d. para.13). However, these fears were later dismissed by an independent review which concluded that such impression was unfounded (Hands Off Our ABC, n.d., para.15).

Another independent audit "An Independent Impartiality Review" conducted by Wills (2014), which sought to determine whether the Corporation was biased during its radio interviews with the Prime Minister and leader of the opposition during the 2013 federal campaigns concluded that the Corporation was indeed impartial (Wills, 2014; Bodey, 2014). This audit, amongst others, suggests that even though ABC is heavily dependent on government for its viability, this does not imply that it is susceptible to government interference or that its independence and editorial matters are compromised.

2.5.1.3 Canada: Principally Federal Statutory Grants

Similarly, in Canada the Canadian Broadcasting Corporation (CBC) – another product of Empire – is primarily financed by public funds. It is one of the world's foremost public broadcasting institutions. It operates national radio, Medium Wave (AM) and

⁵ The campaign's website defines Hands off our ABC as a community and advocacy campaign coordinated by the two unions that represent the vast bulk of employees at the ABC. Its goal is an editorially-independent ABC that is fully -funded by the government and meets its charter as a comprehensive national broadcaster.

Frequency Modulation (FM) and television networks in English and French; provides regional and local radio and television programming in both official languages. It broadcasts locally produced programmes in English and native languages for people living in the far North; further, it operates a multilingual shortwave service for listeners overseas; and finally it provides closed captioning for the deaf.

The CBC has a mixed funding model whereby it is funded primarily by federal statutory grants (currently nearly 60% of its budget), but also derives revenues from commercial sponsorship, advertising, and the sale of programmes to other countries. While ultimately responsible to Parliament for its overall conduct, it is independent of government control in its day-to-day operations. Even as its critics continue to put pressure on government to discontinue its funding of Crown Corporation in order to level the playing field for all broadcasters, it is important to emphasise that since its inception during the years of the Great Depression (1930s) up to the present, the CBC has strived to offer Canadians a broad variety of high quality, locally produced information and entertainment programming (Eaman, 2012).

According to Mendel (n.d.), the CBC submits a corporate plan on an annual basis to the Minister of Communications, which contains the Corporation's budget for the following fiscal year. The budget is then tabled with the Treasury Board where it will either be approved or rejected before being escalated to Parliament. Should the budget be approved the CBC provides a modified and abbreviated corporate plan that is in line with the actual funding which has been allocated. Mendel goes on to show that the CBC received 66% of its budget from a federal grant (about CDN\$935 million) in 1999. A further 23% of its revenue was derived from commercial advertising on CBC Television; and 11% was obtained from other sources (Mendel, n.d., p. 28). The CBC annual report for 2013/14 financial year shows that in terms of revenue from Government, Parliament appropriates monies to the Department of Communications,

which is then distributed to the Corporation and recognised as revenue from government (CBC, 2014, p. 159).

The levels of federal funding for the CBC are not fixed and have in fact declined significantly during the era of government frugality and austerity in the 1990s. In the 2011-2012 financial year, for example, government funding went down by 0.6% (CAD7.5 million). This was partly offset by recognising more capital funding received in earlier periods following the shutdown of analogue TV and shortwave transmitters. However, in the next two financial years the CBC experienced further reduction of government funding. It was envisaged that the reduction in the public broadcaster's budget would lead to the rationalisation of about 657 positions on CBC-Radio in the 2014-2015 and 2015-2016 financial years (CBC, 2014). The Corporation has remained relatively viable though a public-interest advocacy organisation called Friends of Canadian Broadcasting whose mission "is to defend and enhance the quality and quantity of Canadian programming in the Canadian audio-visual system" (Friends of Canadian Broadcasting, n.d, para.1). They have criticised successive governments for financially destabilising the ability of the CBC to fulfil its mandate. These criticisms were made against the background of extensive reductions of staffing and programming at the CBC mainly due to diminishing resources coming from the government. Perhaps in response to this financial problem the Canadian Media Fund, a public-private partnership fund was launched in 2010 as a result of a merger between the Canadian TV Fund and Canadian New Media Fund.

The drop in government funding can be attributable to the fact that the CBC is a political "football" between the two main political parties in Canada (Conservatives and Liberals). The Conservatives are in favour of budget cuts and the Liberals favour CBC funding. By way of illustration, the largest round of CBC cuts of CAD115 million over the 2012-2014 budget years came during the Conservative government led by Steven Harper (CBC News, 2012). This action was supported by key

Conservative constituencies in particular the head of the Canadian Taxpayers Federation who indicated that he “would have liked to have seen deeper cuts across government” (CBC News, 2012, para.12).

The Liberals on the other hand who won the latest election, and are now in power, campaigned on increasing funding to CBC and indicated that they “would reverse the [CAD] 115million in cuts the Conservative government made to the national broadcaster annually for three years and top up funding for CBC/Radio-Canada by an additional [CAD] 35 million per year” (The Globe and Mail, 2015, para.2).

Even in the Canadian case the role of funding in the viability of the PSB is highlighted. These levels of funding are the exact opposite of PSB funding in South Africa and have some potential to provide some lessons for the latter.

2.5.1.4. United States of America (USA)

The approach and attitude towards the PSB in the United States is rather different from the other countries already explored. Goldin (1969) asserts that historically PSB in the US has not really dominated the broadcasting landscape but during the latter part of the Johnson Administration the Public Broadcasting Act of 1967 was enacted, and there was some excitement from both the public and private sector. The Act was based on the Carnegie Commission’s report which recommended the introduction of educational broadcasting. However, the government side-stepped the issue of long-term funding which has culminated in the situation that American PSB finds itself today. Although Goldin’s article is quite dated, it is still relevant and is actually supported by Powers (n.d.) that situation is one in which educational broadcasting as part of PSB is in abject poverty; educational stations are ill-equipped, ill-staffed and barely surviving on less than 3% of the expenditure of commercial broadcasting (Goldin, 1969; Powers, n.d). By 2007 only 11% of American PSB funding came from

federal government appropriations (taxes) and another 5% from local and state governments. The remaining 84% of public broadcasting revenue “was generated from other sources including pledges from listeners, memberships, other donations, business and corporate underwritings, licence fees, foundations and major gifts” (Powers, n.d, pp. 5-6). Confirming the latter, McLoughlin and Gomez (2016) state that by 2013 83.5% of public broadcasting revenue was raised from non-federal sources. Of this percentage, 28.5% came from membership (McLoughlin & Gomez, 2016, p. 3). It is clear that despite the progressive recommendations made in the late 1960s, the funding situation of the American PSB has not changed over a period of four decades.

Arising from the discussion above, it would seem that there are inherent and long existing fears of government interference or control in a context where a public broadcaster receives the bulk of its funds from the government. Secondly, the influence of commercial interests in cases where advertising is used and the inadequacy of the licence fees and the collection difficulties have been raised as major concerns. Although the debates are tilting towards the latter, the perceived decline in public interest broadcasting standards at many of the public broadcasters, has added another dimension to the debate relating to the justification for the payment of licence fees. This analysis is helpful in terms of raising issues and understanding the appropriateness of the funding model of the SABC and viability.

2.5.1.5 Germany

In Germany, the predominant source of funding is licence fees, approximately €7.6bn, other sources of funding include revenues generated from commercials, €500m, (Connolly, 2015). Connolly continues that the public channels in Germany namely “ZDF and Das Erste have the highest share of viewers (about 13% and 12.5% apiece)” (Connolly, 2015, para 2). Based on the audience share and the revenue generated from licence fees, it can be argued that the PSBs are viable

2.5.1.6 France

In France, radio and television services are regarded as public services regardless of whether they are provided by private companies. PSBs are predominantly funded by an annual licence fee commonly referred to as the *contribution à l'audiovisuel public* (Benson & Powers, 2011; Open Society Institute, 2005; Mendel, 2011), Willsher (2015, para.7) notes that “more than 70% of funding comes from the € 136 licence fee (€89 in the overseas departments) which raises about €3.5bn; 7% is public funding, 8% advertising, and the rest is listed as sponsorship and other”. Advertising is prohibited after 8pm and this ban has been in existence since 2009. In 2009, the government introduced a law prohibiting advertising after 8pm. The licence fee which is paid by TV owners goes to the two main public broadcasters namely France Televisions and Radio France (Mendel, 2013, Willsher 2015).

As can be seen from the above, and contrary to the PSB in South Africa, PSBs in France are largely dependent on licence fees for viability. In 2015, it was reported that the annual TV licence fee would go up by €1 from the beginning of 2016, to €137 (Briel, 2015). This model, could provide some lessons for the SABC.

2.5.1.7. Finland

As of 2013, Finland's PSB (YLE) has been mainly funded by the public in the form of public broadcasting tax, also known as YLE. This method of funding substituted the licence fee. Much like in Germany, the Finnish YLE is a personal tax paid by people irrespective of whether such individuals have television sets or whether or not they watch TV (EBU, 2015)

2.5.2 Public Service Broadcasting on the African Continent

2.5.2.1 Nigeria

Unlike other former British colonies, public broadcasting in Nigeria is very much a state-owned entity. The Nigerian Constitution of 1999, dictates that licence fees should be collected for ownership of radio and TV sets. According to this model, 774 local governments which form a third tier of government serve as the collecting authorities but it is unclear as to which entities the collected fees are supposed to be disbursed to (Open Society Foundations, 2010). Nevertheless, the National Broadcasting Commission (NBC) of 1999 as amended, gives powers to the Federal Radio Corporation of Nigeria (FRCN) and the Nigerian Television Authority (NTA) to collect and disburse on behalf of broadcast houses, licence fees accruing from ownership of radio and television.

The Constitution takes precedence and as such results in many local government councils collecting licence fees from radio and television owners as part of their normal revenue and spending them on things other than broadcasting as well as to the National Broadcasting Commission. The National Television Authority is funded through annual grants from government, advertisements and sponsorships. Other sources of funding include loans and property investments. It appears however that government grants have decreased over the years resulting in challenges in staff payments and procurement of equipment for programming. This decrease in government grants has further resulted in sponsorships being the prime sources of revenue generation. There have been calls by the Independent Broadcasters Association of Nigeria (IBAN) for the National Television Authority to rely solely on government subsidy and move away from the advertising market. Nevertheless, the National Television Authority has increased its endeavours to source funding from advertising and other commercial activities thereby compromising editorial independence and programming. Interviews are being charged for appearing on the

broadcaster's shows. Further, the sale of airtime for live coverage of events and property investment company Limited, a subsidiary on National Television Authority engages in real estate business. The key challenge however in sourcing sufficient funding for National Television Authority seems to be the absence of policy framework (Open Society Foundations, 2010).

Radio in Nigeria, Federal Radio Corporation of Nigeria (FRCN) is constituted of 41 FM stations and is funded through public funds in other words tax payers' money in the form of grants. The procedure in terms disbursement of funds is similar to National Television Authority. Advertisements and sponsorships remain major sources of funding. These sources of funding remain inadequate as a result, the FRCN has looked at new areas of sourcing revenue such as the establishment of "Radio Nigeria Investments Ltd, a subsidiary expected to engage in various types of business, such as real-estate development, the promotion of up-and-coming and star artists, and the establishment and operation of cybercafés" (Open Society Foundations, 2010, p. 83)

From the above, it is clear that the PSB in Nigeria relies on some form of mixed funding whereby since the liberalisation of the media sphere in the 1990s the revenue from the state (mainly in the form of licence fees collected by broadcasting authorities) has been dwindling while the broadcasters are forced to rely to a large extent on other sources of revenue such as advertising, property investments and other sources. There is lack of transparency on how the funds collected by government agencies are disbursed and no figures are available on these matters.

2.5.2.2 Kenya

The Kenya Broadcasting Corporation (KBC) is wholly state owned and the dominant broadcaster in the country reaches about (95%) of the population. It broadcasts in 19 different languages mainly English and Swahili, including the languages of the

marginalized communities in the country. In terms of section 46E of the Kenya Broadcasting Corporation Act, the KBC is established to propagate the government's functions by producing and broadcasting content on its sound and television services (Open Society Foundations, 2011).

KBC may be funded by grants from government as and when needed in order for it to fulfill its purpose and mandate, however, what is interesting is the fact that section 38 also allows KBC to operate as a commercial enterprise with prescribed annual revenues. "The Ministry of Information and Communications has provided financial assistance to the KBC on an ad hoc basis" (Open Society Foundations, 2011, p. 82). The Corporation has also been generating income through "selling airtime through advertising, casual announcements and greetings as well as renting out space on its masts for transmitters of private broadcasters" (Open Society Foundations, 2011, p. 83).

However, the lack of delineated independence from governance has had a negative impact on KBC's revenue stream in that it has continuously found it difficult to generate income from advertisements as it is perceived to be a mouthpiece of the state. KBC has been trying to change this public perception which seems to have been shaped by the broadcaster's adoption of a position of a particular political party during the general elections of 2007 and post elections the following year, 2008.

One of the discrepancies in the legislative and regulatory framework is that there seems to be a lack of a cohesive approach where funding of the KBC is concerned. The moratorium by government on the funding of KBC posed a serious problem for the public broadcaster. The absence of a Policy Framework and this situation led to the public broadcaster becoming vulnerable to competition from the commercial

broadcasters (Open Society Foundations, 2011). Although the KBC seems to be using some form of mixed funding model, this does not seem to be viable in its current form.

2.5.3 South Africa

2.5.3.1 State Policy, Language and Broadcasting Media

Despite the obvious critical importance of radio and television as media of communication in South Africa and the African continent, scholars are only now waking up to the importance of researching issues of funding and viability, particularly in relation to public service broadcasting. Few notable studies have been conducted which look at the linkages between radio and television broadcasting and state policy in South Africa (Tomaselli, Tomaselli & Muller eds., 1989; Nixon, 1994; Phelan, 1987). Others have looked more specifically at the question of language and the appeal to particular listening audiences or ‘publics’ through broadcasting media (Gunner, 2000(a), 2000(b); Lekgoathi, 2009; Mhlambi, 2009).

2.5.3.2 Radio and the Creation of Communities

Most of the radio literature has been dominated by practitioners, interest groups and lobbies (OSISA, 2010). However, there is an increasing interest among social scientists as well. A number of innovative studies have been published on radio and popular culture, music, radio drama, subversion, the creation of communities and ethnic identities, as well as on the use of radio by the liberation movements in the sub-region (Mosia *et al.*, 1994; Ligaga *et al.*, 2011; Davis, 2009; Lekgoathi, 2009). Of these studies, the one that breaks new ground is a very recent edited collection of essays by Ligaga, Moyo and Gunner (2011). This volume brings together essays that deal with the role of radio in the culture and politics of various countries, language, gender and religion, the creation of communities and new publics, and so forth. While some of the essays explore the present role of radio and the significance of talk shows

in creating listening communities that radically transform the nature of the public sphere, others turn to the history of radio and how this medium of communication manifests itself in different countries (Ligaga *et al.*, 2011).

At their core all these studies are historical, sociological and anthropological in approach and none of them pay attention to issues of funding and viability. Further, these studies focus exclusively on radio rather than broadcasting more generally. Tleane and Duncan (2003) seem to be more promising in the sense that their study looks at public broadcasting in the era of cost recovery and tackles the issue of accountability of the SABC, albeit still concentrating mainly on radio. Nevertheless, even this study falls far short of discussing funding issues.

Like most of the works that have been conducted on broadcasting on the African continent, the majority of in-depth studies that have been conducted on the SABC are historical, sociological and/or anthropological in approach. These studies look at how the SABC was structured or how it operated under apartheid or how it changed from a state to a public broadcaster during the period of transition from apartheid to democracy (Abboo, 2008, p. 8). In their edited volume, Mpofu, Manhando and Tomaselli (1996) explore various programme genres and issues that constitute public service broadcasting or that are related to it. Nevertheless, this study is a bit outdated and does not tackle the issues that this research project seeks to address, namely the SABC's mixed funding model and the Corporation's viability.

2.5.3.3 SABC News and News production

Orgeret's thesis (2006) is quite interesting as it looks at the SABC news in English and news production during the first decade of democracy (from 1994 to 2004). This study is both historically based and contemporary in orientation. With its specific

focus on content, the study is clearly situated within cultural studies, and it has no bearing whatsoever on issues of funding.

2.5.3.4 The Impact of Advertising on the Quality of Programmes

Research conducted by Abboo (2008) provides a critical analysis of public service broadcasting in South Africa. She focused on policy and institutional issues, and her study was situated within critical political economy of the media and normative theories of media and democracy. Her study made an important contribution to the existing literature insofar as it examined the SABC's independence and accountability, the organisation's funding model, policy and regulation. She lauded the SABC's mixed funding model which has led to the increase in its revenue generation year on year until around 2006 and 2007, after which period it started falling into serious deficit largely because of its R500 million investment in technology.

Abboo was critical of the SABC's rather heavy dependence on advertising revenue as it potentially allows advertisers to influence content. This influence and clamouring on the part of the SABC to please advertisers is evident in the commercial bias of SABC 3's 10pm news. The quality of the news has been diluted significantly since the shift from "engaging current affairs and international affairs" to business news" (Duncan, 2007, as cited in Abboo 2008, p. 121). While this attracts advertising, it compromises programme quality and public broadcasting principles (Abboo, 2008, pp. 120-121). Although Abboo's work touched on issues of the mixed funding model, this however is not the focal point of her study and her discussion of funding and financial problems at the SABC is not about the macro-level impacts of the funding model or issues of viability.

2.5.3.5 Amalgamation of Public Service Broadcasting and Commercial Broadcasting

Duncan (2007) touches on the causes of the SABC's funding crisis. She contends that enormous confusion develops in the broadcasting industry when the role of a public service broadcaster and commercial broadcasting are amalgamated, a view that Ntombela-Nzimande (2007) supports (Duncan & Ntombela-Nzimande, 2007 as cited in Abboo, 2008, p. 121). This consolidation is precisely what happened to the SABC after 1994, resulting in the confusion of the public broadcaster's role, purpose and function. According to Ntombela-Nzimande (2007), the structure of the SABC, which is part public service and part commercial, is disadvantageous to the public broadcaster as the Corporation does not have enough funds to compete with commercial broadcasters (Ntombela-Nzimande, 2007 as cited in Abboo, 2008, p. 121).

A major part of the SABC's funding strategy involves cross-subsidisation of the public service arm by the commercial arm. One of the major problems with this is that the commercial arm is still bound by the SABC's public service mandate and so it cannot compete as a fully-fledged commercial broadcaster (Ntombela-Nzimande, 2007 as cited in Abboo, 2008, p. 121). By its nature, funding the public mandate is costly. In order to finance public services at the time when it is not receiving enough public funding to fulfil its public service mandate, the SABC was compelled to grow its commercial revenue. Such an increase in commercial funding has not been effective and has often caused serious confusion. Duncan (2007) recommends the clarification of the SABC's mandate as a way out of this quagmire, for example, by separating public from commercial broadcasting and turning the SABC into a purely public broadcaster (Duncan, 2007 as cited in Abboo, 2008, p. 122).

Once the SABC becomes a purely public broadcaster, its funding would have to come from either the public or government. Government funding however, would be

harmful to the independence of public service broadcasting in the country. If either funding solution is adopted, the only way to guarantee the autonomy of the public broadcaster would be to appoint a Board that has the capacity to show more independence from the government than has been the case in the past. As Matthews (2007) argues, if the SABC is to be funded completely by the public, then it must be accountable to the public and display some independence in fulfilling its mandate (Matthews, 2007 as cited in Abboo, 2008, p.122).

2.5.3.6 Impact of new Media on Public Service Broadcasting

In a study that explored the influence of new media on the Corporation's content value chain and business model, Khan (2011) examined the influence of the SABC's current business and revenue streams and its feasibility in lieu of the new media broadcasting. This study (which to the knowledge of the current author is the only one on the subject of new media) argued for the possibility that the challenges and threats posed by new media might eventually lead to the demise of the broadcaster. For one thing, new media are undercutting the audience share of the SABC and thus its ability to raise revenue. Khan (2011, pp. 9-10) examines the rapidly transforming technological environment and how it has made it difficult to predict how markets would evolve and whether the need for intervention in public service broadcasting would remain. He questioned why the SABC, being a public service broadcaster and government-owned, is heavily dependent on revenue from advertising instead of the state fiscus.

Compared with developments in Europe (more especially the United Kingdom), Khan argued that funding for public service broadcasting influences content. However, most people agree that public service broadcasting 'requires a secure funding framework and that public funding is an important aspect of PSB systems'. But even in Europe, mixed funding (made up of a combination of public and commercial revenue) continues to be the most widely utilised funding model (Khan, 2010, pp. 10-11).

Khan's study contributes some invaluable insights towards an understanding of the impact of new media on public service broadcasting, but it is too narrowly focused on this issue that it fails to provide a holistic picture of the issues of viability at the SABC.

2.6 Conclusion

Against this backdrop, it can be seen that there is a dearth of comprehensive analyses of the SABC's mixed funding model. This chapter has shown that the existing literature on the SABC does not pay attention to issues of funding and viability of the public broadcaster. This study, which explores issues of the mixed funding model which was an attempt to make the SABC self-sustainable as once advocated by the then Minister, Jay Naidoo, during the Parliamentary media briefing on 11 February 1997; will make a significant contribution to the existing literature on the public broadcaster.

Broadcasters globally are facing challenges owing to the advent of convergence (coming together of technologies) of technologies such as Over-The-Top (OTT)⁶ services which have put the traditional forms of broadcasters under threat as well as digitisation (the move from analogue to Digital Terrestrial Television- DTT). The SABC is no different. Broadcasters need to respond to these challenges for viability as consumption of content moves online and need for more channels in a multichannel environment emerges. The question arises as to what does multiplatform and convergence mean for PSBs. Ward (2004) and Whittle (2004) note that whilst the new digital media technologies present challenges for PSBs, in the same breath, they afford the PSBs a chance to accentuate their core mandate.

In the context of the SABC, whilst the multichannel environment is likely to provide the broadcaster the opportunity to re-emphasise its public service mandate, with the

⁶ The term OTT generally refers to delivery of audio, video, and other media over the Internet without the involvement of a multiple-system operator in the control or distribution of the content.

current heavy reliance on advertising revenue, there is a potential of audience fragmentation. This is because of the competition the SABC will face with commercial services and the number of DTT channels it will have unless its current mixed funding model is reviewed for continued viability.

CHAPTER 3 – RESEARCH DESIGN AND METHODOLOGY

In the preceding chapter, a review of the literature on public service broadcasting and its viability was discussed. This chapter introduces the research problem, the purpose statement and the research questions. The chapter also discusses the research approach, the research design and methods applied to achieve the aims of this study as well as the data collection tools and the data analysis techniques. Limitations of the study are highlighted at the end of this chapter.

3.1 The Research Problem

Since the mid-1990s the SABC has experienced huge financial losses, which has led to the Corporation having to be bailed out on numerous occasions by Government. Various commentators have proposed explanations for this predicament with some blaming the global recession, which has slowed down economic growth and increased unemployment. Others have suggested a lack of good corporate governance, combined with corruption, and financial mismanagement. Still others have alluded to the mixed funding model as a possible factor without really elaborating on it (Dlamini, 2012; Malala, 2014).

Whilst not dismissing the validity of these multiple factors, this study focuses on the mixed funding model – a factor which has not received sufficient scholarly attention – to determine the extent to which it has affected the viability of the SABC and its ability to function as a mandated PSB.

Issues of implementation of mixed funding and public broadcasting have been discussed in other countries such as Australia, and the United Kingdom and Canada, where, compared to South Africa, the model seems to be working relatively effectively. Analysing these international precedents would help to ascertain whether

these models and scenarios are applicable to South African in order to ensure viability of the SABC as a PSB.

3.2 Purpose Statement

This research analysed the funding model of the SABC in order to determine if this has any bearing on the viability of the Corporation as a PSB. Through a close examination of the issues surrounding the financial crisis of the SABC, the researcher has been able to best ascertain the extent to which, over the years, these issues have affected its ability to fulfil its mandate and functioning as a sound business entity. In determining whether the mixed funding model of the SABC could serve as a source of the Corporation's viability, this research explored key internal data as well as information garnered through interviews from various key stakeholders who are considered experts on the matter and most of whom were directly involved in policy making previously. Lastly, reflecting on international precedents this research investigated funding mechanisms that could be explored to advance the Corporation's general viability. Finally, the study constructed recommendations for possible alternatives to the existing funding model.

This study was therefore motivated by one major aspect: an analysis of the viability of the mixed funding model on the SABC. At its heart, this study is about grappling with, and articulating, the macro-level effects of the mixed funding model of the PSB.

3.3 The Research Questions

According to Creswell (2003, p. 108), research questions are probing statements which the investigator seeks to answer. Leedy and Omrod (2001) term a research question as the heart of any research project. They further posit that a research question provides a strategy whereby a researcher may initiate an exploration of the problem or sub-

problem. The research question according to them serves as a checkpoint against which to test the data. In this study, the research questions attempted to address the extent to which the implementation of the current mixed funding model by the SABC has affected the viability of the Corporation and as indicated in Chapter one, this study posed the following questions:

3.3.1 Main Research Question:

To what extent has the implementation of the current mixed funding model by the SABC affected the viability of the Corporation?

3.3.2 Sub-Questions

In answering this question fully, the following sub-questions were addressed:

- (a) To what extent has the cross subsidisation mandate affected the viability of the SABC?
- (b) What are the strengths and weaknesses of the mixed funding model?
- (c) What changes to the current mixed funding model would increase the possibility of the viability of the SABC?

3.4 Research Design Vs Research Method

It is important to distinguish research design from research methodology as these two, according to Mouton (2001) can be easily confused with each other. He posits that a research design can be compared to the building of a house and the construction process together with the tools as the research method (Mouton, 2001, p.55-56).

3.5 Research Design

Du Plooy (2001) and Mouton (2001) contend that research design is about the kind of evidence that is required to address the research questions sufficiently. Similar to Du Plooy and Mouton's assertion, Huysamen (1993) avers that research design is a plan according to which information is gathered to investigate the research question. Others define research design as "the plan or blue print of the study" (Mouton & Marius. 1993, p.32; Marshal & Rossman, 1998, p.78). Du Plooy (2001, p.81), Goguen and Linde, (1993) continue and state that a research design is about "who or what is involved in the research and where and when the study will take place". They argue that research design bears a resemblance to the process of building a house where an architect designs a house subsequent to agreements reached between him and the customer.

From the above it is apparent that a research design is a plan that sets out how the research study is to be undertaken including the researcher's choice in terms of the data collection methods that a researcher will employ.

3.6 Qualitative Research Methodology

A qualitative research methodology was selected which is evidence collected from documentary and oral interview sources. Mouton (2001, p.56), argues that the research methodology focuses on the "research process and the kind of tools and procedures to be used in a study" (Mouton, 2001, p.56). Mouton and Marius (1999, p. 204) state that it is "inductive in that the researcher attempts to understand a situation without imposing pre-existing expectations on the situation". Denzin and Lincoln (1994), on the other hand, posit that qualitative research method allows for in-depth investigation of issues and detailed responses in order for the researcher to gain a deeper understanding of the subject matter. The foregoing together with Merriam (1998)'s

methodological assumptions of qualitative research as outlined below were the reasons behind the selection of the qualitative research methodology:

- “Qualitative researchers are interested in meaning – how people make sense of their own lives, experiences and their structures of the world”;
- The qualitative researcher is the primary instrument for data collection and analysis;
- “Qualitative research involves fieldwork” (Merriam, 1998, pp. 19-20).

The next Sub- section deals with the techniques and a tool that were employed in this study to enrich the study and to answer the questions that this study posed.

3.7 Case Study

This study is based on a single case study. Due to the fact that the major questions for this study remained at the organisational level, the unit of analysis was the SABC and a combination of document analysis study. Case studies are often used in exploratory research and can be viewed as an in-depth examination of a single case of a phenomenon (Hussey & Hussey, 1997). Stoecker (1991) also purports that the case study is not merely about defining specific aspects of the research, like the collection of data, but must be considered as an all-encompassing strategic approach to research. Yin (2003, p. 13) describes the scope of a case study as “...an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident”.

Since this study aimed at exploring the extent to which the implementation of the current mixed funding model by the SABC has affected the viability of the

Corporation, it tallied with the views of Mouton and Marius (1996) who stipulate that exploratory studies are intended to explore a relatively new area and their aims may differ substantially. According to them, by virtue of the fact that ordinarily exploratory studies “lead to insights and comprehension as opposed to collection of accurate and replicable data, these studies frequently involve the use of in-depth interviews, the analyses of case studies and the use of informants” (Mouton & Marius, 1996, p. 43).

The case study method chosen was considered appropriate for this study because this “...method of investigation focuses primarily on the subjects situated within the case and thus, holistically considers the interrelationships among people, institutions, events and beliefs” (Thurlow, 2007, p. 48).

3.8 Data Collection Methods and Techniques

This study applied two sources of data collection methodologies, namely personal interviews with key stakeholders, as well as an analysis of primary documents.

3.8.1. Interviews

According to Tellis (1997), interviews employed in qualitative research methods consist of open-ended or semi-structured interviews. Regarding the latter, Tellis states that the researcher is guided by the interview protocol. Babbie and Mouton (2004) postulate that in open-ended interviews the researcher questions and probes, an approach that affords respondents room and space to respond in their words.

In this study data was collected through the qualitative individual semi-structured interviews, which were designed “to gain a detailed picture of a participant’s beliefs about, or perceptions or accounts of a particular topic” (Greeff, 2005, p. 296). The interviews were conducted over a three-month period with 15 key respondents either from the SABC or from the broader broadcasting sector. The majority of interviews

(14) were conducted face-to-face and one interview was conducted via email as requested by the respondent due to her busy schedule. All 14 face-to-face interviews were recorded using a digital audio recorder. Notes were also taken during the interviews. The researcher informed the participants about the aim of the study under investigation and sought their permission to record the interviews. All participants consented to the interviews being recorded. The interviews were based on an interview guide discussed under 3.8.3 below.

Regarding the interview conducted via email, the questions were emailed to the respondent and responses were returned. Clarity was sought where necessary and responses duly provided.

The researcher spent between 60 to 90 minutes with each interviewee. During the interviews and as a means of ‘breaking the ice’ interviewees were asked to describe themselves and their exposure or role with the SABC, and importantly, their thoughts regarding the role of public service broadcasting. This ‘non-formal’ discussion allowed the interviewees to be less rigid in their approach. As the interviews progressed, the researcher ensured that she limited facial expressions showing approval or disapproval of the views expressed by the interviewees in respect of the topic discussed.

Yin (2003) argues that it is fundamental to be a good listener during the data collection process as this leads to espousing significant amount of data without prejudice. With Yin’s argument in mind, it became very important to stay alert throughout the interviews paying attention to various aspects and making sure that the recorder was working and taking field notes. In addition, all interviewees were treated with due respect and this enabled the researcher to get invaluable information out of the interviews. In instances where interviewees seemed to ‘withhold’ information, the

researcher posed more probing questions to elicit further information but these were very few. Probing during interviews corresponds with Mouton and Marius's (1991, p.64) assertion that one of the functions of probing in qualitative research method is to ensure that the respondent answers accurately and in a more comprehensive manner.

The interviewees reflected on the viability and the appropriateness of the current mixed funding model of the SABC. They commented on the successes and failures of the cross-subsidisation mandate. Further, they shed light on the strengths and weaknesses of the mixed funding model as well as on the need, if any, for the mixed funding model to be changed if the SABC's viability is to be enhanced for it to carry out its public service mandate.

3.8.2 Soliciting Permission and Participation

Since the interviews were conducted with the employees from SABC and industry stakeholders, respondents were contacted via email whereby a detailed scope and context of the study was outlined in writing. For ICASA employees, because interviews were to be conducted at ICASA premises, the researcher requested permission to interview staff from the Regulatory Divisions from the Chief Operations Officer (COO), which permission was granted (attached as annexure B).

3.8.3 Interview Guide

To prepare for the semi-structured individual interviews, an interview guide was developed as a data gathering tool (Patton, 2002, p. 280). All the questions in the interview guide were written in English and were used to structure the interview process and ensure that all questions were posed in a consistent manner. This ensured that the actual words of an interviewee were not altered or substituted in any manner

during the process of qualitative interviews. Open-ended interview questions allowed the participants' time to express their perspectives.

The questions in the interview guide emerged from the literature review. Semi-structured interviews were used and a single set of questions was applied on all respondents. This was done for consistency purposes but also for respondents to answer the main research question and sub-questions. The interview protocol is attached as Annexure A of this report.

According to Compeau and Higgins (1995), it is essential to conduct a pre-test and pilot test during the data collection phase in order to gain insight and feedback on the research process and the wording of certain items amongst other things. Accordingly, in order to ensure that appropriate questions were included, the interview guide was tested with two peers and refined according to suggestions received. A pilot interview was held to test the guide and ensure that the questions were understandable and that these would gather sufficient information to answer the main research question. Again, the guide was adjusted accordingly.

3.8.4 Purposive Sampling

Neuman (2011, p.219) defines a sample “as a smaller set of cases a researcher selects from a larger pool and generalizes to the population”. The word population according Seaberg (1998, p. 240) denotes “totality of persons, events, organisational units, case records or other sampling units with which the research problem is concerned”. Concurring with Neuman's definition of a sample are Babbie and Maxfield (1995, p.173) who suggest that sampling is a way of selecting a part of a group to represent the entire population. In light of this it can be concluded that in choosing a sample a researcher must make sure that the sample is representative of the population. In support of this notion of selecting a part of a group Lunsford and Lunsford (1995, p. 105) justify it by stating that “the cost of studying an entire population to answer a

specific question is usually prohibitive in terms of time, money and resources, therefore a subset of subjects representatives of a given population must be selected; this is called sampling”.

For the purpose of this study the purposive sampling method was chosen. Purposive sampling is a procedure whereby “researchers use their special knowledge or expertise about some group to select subjects who represent this population” (Berg, 2001, p. 32).

Based on the above discussion the researcher selected the participants who met the objectives of the study or as Leedy and Ormrod (2005) postulate, because of their value add to the investigation. They comprised civil society, broadcasting industry stakeholders, academics, former SABC board members and the regulator. It is also important to note that interviewees⁷ were selected because they were deemed “information-rich cases” (Merriam, 1998, p. 61), had a good understanding of the broadcasting landscape and/or had been exposed to or played a role directly or indirectly with regard to the SABC.

Fossey, Harvey, McDermott and Davidson, (2002) argue that qualitative sampling should include a minuscule number of participants, whereas data that is collected needs to be substantial and in depth. Table 4 below indicates the list of respondents interviewed for this study with extensive experience in the industry.

⁷ The words interviewees, respondents and participants are used interchangeably in this research report.

Table 3: Schedule of Research Respondents

	Respondent Code	Institution	Interview Date	Time
Respondent 1	INT 1	former regulator and former SABC Board member	11 November 2014	14h00
Respondent 2	L 1	Incumbent Licensee	17 November 2014	09h17
Respondent 3	INT 2	former regulator and former SABC Board member	19 November 2014	8h30
Respondent 4	INT 3	Academic and founder member of Civil Society	19 November 2014	11h30
Respondent 5	INT 4	Consultant (Former Licensee)	02 December 2014	8h30
Respondent 6	L 2	Incumbent Licensee	23 January 2015	09h00
Respondent 7	INT 5	(Former Coordinator and founder member) of Civil Society	03 February 2015	8h30
Respondent 8	INT 6	Consultant and Former Regulator	18 February 2015	9h20
Respondent 9	L 3	Incumbent Licensee	21 February 2015	11h00
Respondent 10	L 4	Incumbent Licensee	4 March 2015	10h00
Respondent 11	R 1	Regulator	11 March 2015	10h00

Respondent 12	R 2	Regulator	11 March 2015	12h30
Respondent 13	R 3	Regulator	12 March 2015	13h10
Respondent 14	L5	Incumbent Licensee	18 March 2015	12h00
Respondent 15	R 4	Regulator	24 March 2015	Responded via email

Source: Author's own, 2015

3.9 Ethical Considerations

Flick (1998, p. 43) states that “ethics is an important issue in planning and doing your research”, which Neuman (1997, p. 443) describes as “what are or what are not legitimate, or moral research procedures”. This implies that before research is embarked upon all necessary ethical implications must be carefully observed and complied with. These are “Protection from harm, informed consent, right to privacy and honesty with professional colleagues” (Anderson, 1998, p. 20). The following ethical issues were taken into consideration in this study.

3.9.1 Informed Consent

Interviewees were informed, verbally, of voluntary agreement to participate. It was expressly indicated that participants are not forced to take part in the research. In addition, the consent letter was read verbally to participants and copies provided to willing participants. The researcher ensured that she obtained informed consent from all respondents who were willing to voluntarily participate in the study.

3.9.2 Privacy, Anonymity and Confidentiality

Barbie (2007, p. 62) purports that research often requires people to reveal personal information about themselves, thus it is imperative to respect the participant's right to privacy (Leedy & Ormrod 2001, p.106). Participants' privacy was ensured through confidentiality and anonymity in a consent form and through verbal communication.

3.10 Reliability and Validity

"The concepts of reliability and validity are used when evaluating quantitative research however the idea is used in qualitative research as well" (Stenbacka, 2001, p. 552). Lincoln and Guba (1985, p. 290) mention the key criteria to be used to determine the trustworthiness of qualitative data, which are: "credibility, conformability, dependability and transferability and are parallel with internal and external validity" (Lincoln & Guba, 1985, p. 290). This study adopted these criteria to confirm the qualitative findings of the research study and the measures of reliability and dependability are outlined below.

3.10.1 Measure of Reliability and Dependability Employed

The interviewees were informed that the study conducted is for academic research purposes. As indicated earlier, respondents were informed that the interview would last approximately one hour. Yin (2003) avers that one of the crucial factors which enhances reliability is keeping a chain of evidence which allows the reader to follow through the evidence from any direction from origination of research to its conclusion. Parallel to this view is Campbell's (1996, p.133) observation that consistency of data is attained when the stages of the research "are verified through examination of such items as raw data and process notes". In this study the recorded interviews were referred to during transcription process and were juxtaposed with the field notes to

ensure accuracy. These were used for the purposes of drafting the research findings in Chapter 4.

3.11 Document Analysis

Boyd-Barrett (2002, p. 90) and Altheide (1996, p. 2) note that document analysis is a method “for locating, identifying, retrieving and analysing documents for their relevance, significance and meaning”. Against this backdrop, this study relied on primary documents such as the SABC’s licence conditions, the audited financial statements, policies, regulations and broadcasting legislation. The SABC’s audited financial statements are in the public domain and are therefore easily accessible. Moreover, the SABC submits quarterly and annual compliance reports as well as audited financial statements to ICASA. The researcher has complete and legitimate access to these documents in her capacity as an official of ICASA. Nevertheless, permission to use these documents was obtained from the Chief Operations Officer (COO) of ICASA. In addition, secondary data such as *Mail and Guardian*, *Business Day* and the *Sunday Times* were analysed for the insights in this regard.

3.12 Google Scholar and Desktop Research

A systematic search of Google Scholar was conducted and key words used to reveal previous research to provide a conceptual grounding for this study. In addition, Internet blogs were analysed as part of desktop research.

3.13 Data Analysis

Strauss (1987) defines data analysis as a process by which a methodical process and technique is used to define, compare and encapsulate data. For authors Leedy and Omrod (2005, p. 150) and Poggenpoel (1998, p. 337) “there is no single right approach to data analysis in a qualitative study”. Accordingly, data was collected and recorded

on a recorder. All the recorded data was then transcribed. This allowed the researcher to internalise the discussions that ensued during the interviews which resulted in themes and subthemes being easily identified.

The researcher analysed the data in what Rammutla (2010, p. 66) calls “a transparent way through inductive analysis” followed by the grouping of the findings from the research data into themes and subthemes for research findings in Chapter 4. Inductive analysis is defined as “patterns, themes, and categories of analysis that emerge out of the data rather than being imposed on them prior to data collection and analysis” (Patton, 1980, p. 306). The researcher used coding system for all respondents who participated in the study.

3.14 Limitations

It has to be noted that a limitation of this study was that all interviewees were from Gauteng because of time constraints and financial resources for a bigger sample. Therefore, perceptions of citizens from other provinces could not be solicited. In addition, from the respondents who were targeted, only one significant omission occurred and it was lack of a respondent from the DoC.

3.15. Conclusion

This chapter discussed the research design and methodology that was applied in this study. A qualitative research method was adopted. Through this method, the researcher used semi-structured interviews and documentary analysis. The next chapter, Chapter 4 discusses the findings of the research.

CHAPTER 4 – RESEARCH FINDINGS

This chapter reflects on the findings from the in-depth interviews conducted and augmented with relevant legislative and regulatory material such as the Broadcasting Act of 1999 as amended, the SABC's annual reports and the licence terms and conditions where applicable, about the mechanics of the SABC. It further highlights the main issues and the assertions made by the respondents pertaining to the main research question which is about determining the extent to which the current mixed funding model has affected the viability of the Corporation. These assertions are found under themes as well as subthemes that emerged during the data collecting process. The themes were as follows:

- Effectiveness of the cross-subsidisation mandate;
- The strengths and weaknesses of the mixed funding model; and
- Changes to the current mixed funding model.

4.1 Role of the Public Service Broadcaster

Respondents were asked to tell the researcher about themselves and their role or exposure at the SABC, as well as their understanding of what the main purpose of public service broadcasting is. From this discussion the following three factors emerged: information, education and entertainment: “Public broadcasting in a country like ours is critical in providing citizens with a reflection and picture of their own country” (INT 3, interview, 19 November 2014).

Most respondents indicated that the main purpose of PSB is to inform, educate and entertain citizens. One respondent added that “so that they can make informed choices about their lives at every level and be up to date about news and information that happens in the country” (INT 2, interview, 19 November 2014).

One respondent even stated that a PSB always has an element of “universality”. It is all inclusive, meaning that it does not only capture the perspectives of the dominant and most vocal sectors of the society but addresses the marginalised communities, minority languages, disabled persons and even those people who do not speak one of the country’s eleven official languages (L4, interview, 4 March 2015). L 4 stated that it should be contemplated that some people who do not speak South African languages have become citizens of the country, and that the PSB should cater for them as well. Universality does not necessarily mean that the service is available everywhere, this is but one aspect. It also means that the service is inclusive and reflective of the diverse and dynamic nature of the people of the country and

... those people who may not be spoken to or addressed by commercial media, and underlying all of this I would support the BBC’s assessment that the role of the PSB is to provide content that commercial broadcasters would find no commercial incentives to produce (L 4, interview, 4 March 2015).

Another respondent (L 2, interview, 23 January 2015) indicated that the role of PSB is two pronged: Firstly, broadcast is about audiences, whether you have the public out there really interested in the service that you provide. A PSB is there to provide a service to the public and the service that it provides should be the one that serves their needs. Secondly, PSB needs to deal with bigger issues and take the country forward and that is exactly what the challenge is because to do that does not necessarily mean the PSB will be able to generate revenue.

In his own words:

So the PSB much as it is supposed to be financially sustainable and everything but it still has to deliver to the public on a mandate that is not really profit driven but it is about the public good (L 2 interview, 23 January 2015).

Whereas fulfilling a public mandate is emphasised in the quotation above as the main driving force behind PSB rather than profitmaking, it is logical that a PSB would need to be financially sustainable to be able to carry out its public mandate. Ultimately, the ability of a PSB to sustain its public mission is dependent on its ability to generate income on a sustainable basis, and vice versa. The researcher proceeded to ask more specific questions related to the study. Below are the findings in this regard.

4.2 Theme 1: Effectiveness of Cross-Subsidisation

The questions on the cross-subsidisation mandate were aimed at getting an overview from each respondent on the effectiveness of this mandate and how it has affected the operations of the SABC. The collection of data revealed that the respondents were aware that the SABC is divided into two divisions, namely the public division and the commercial division. They were also aware that the Broadcasting Act No 4 of 1999 as amended, mandates the public division to be subsidised by the commercial division of the SABC. Nevertheless, there was consensus that the cross-subsidisation mandate has never worked as envisioned. Therefore, it was important for the researcher to probe specific questions as to why the respondents were of this view. Many stated that this is due to the unintended consequences of policy, although the policy intentions might have been good at the time. Some respondents even mentioned that ICASA's inability to effectively monitor this prescription in law has further compounded the problem.

Respondent INT 3 (Interview, 19 November 2014) noted that the SABC has never separated the books of accounts. The expectation, when this mandate was decreed, was that the public commercial services of the SABC would attract huge amounts of advertising and sponsorship which would be backed up by licence fee revenue, among other things. As it turned out however, advertising and sponsorship account for approximately 80% of all of the SABC's income. While that might be sustainable in a commercial sense, what it means is that it puts great pressure on the SABC to deliver

what advertisers want as opposed to what the public mandate is and this is very disconcerting as it brings about tension between the two divisions because of the high levels of dependence on commercial revenue.

L 4 reinforced INT3's argument about the controversial nature of cross-subsidisation. In her opinion, the mandate of the commercial services division is to maximise revenue but she queried whether this is the appropriate mandate for a PSB in the first place. She wondered if revenue maximisation, which is a commercial incentive, should be the business of a PSB.

INT 2 (Interview, 19 November 2014) argued that cross-subsidisation was a nice idea but it has not worked. She pointed out that the intention was not only to do cross-subsidisation but it was also to put some aspects of the SABC into certain categories. She added that there has always been a challenge in distinguishing SABC TV from e.tv in terms of programming and audiences. She maintained that audiences, irrespective of where they are, do not even know the separation. Therefore, for her, cross-subsidisation has not worked with respect to what it was meant to achieve, which was to try and ensure that there is proper public broadcasting on some channels. She asserted that this is going to be even more difficult moving forward with the DTT and multichannel platforms looming on the horizon.

Whereas it can be argued that the cross-subsidisation mandate has presented problems as indicated by INT3 and L4 above, the assertion by INT2 above does not take into account that ICASA issued the SABC with detailed licence terms and conditions for its public services including SABC1 and 2 following extensive public consultation processes. The licence conditions contain educational programming (except SABC3), children's programming, as well as clauses across the three channels on the broadcasting of events of national interest. What the licences do not stipulate is what

constitute proper and good quality programming not offered by commercial free-to-air channels such as e.tv and thus are not prescriptive on what has to be broadcast but only on the categories.

4.2.1 Good Intentions – Bad Implementation

Concurring with respondent INT 2 that the cross-subsidisation idea was good, respondent L1 (interview, 17 November 2014) added that in her view, when the cross-subsidisation was introduced, it was seen as another form of supplementing the SABC's funding. For her, the intentions were good, however, the implementation has proven to be difficult. If the SABC implemented it, it would have meant that its commercial wing was supposed to be a subsidiary of the public wing. That, according to respondent INT1, would have meant employment of staff complement for two divisions including legal department, and human resource department. As a result, R3 (Interview, 12 March 2015) argued, it could have affected the delivery of the public service mandate massively because funds which could have been channelled towards public service mandate would have gone towards salaries.

Reinforcing INT 2's argument that the cross-subsidisation model has not worked, INT 5 (interview, 3 February 2015) draws on the study by Duncan and Lloyd as later published by the Open Society Initiative of Southern Africa (OSISA) in 2010, in which they stipulate the SABC was supposed to hold two separate accounts; one for its public commercial services and one for its public services in order to ascertain what money was being made for the commercial services and what money was being cross-subsidised for the public. In fact, however, the SABC has never had separate financial accounting processes for the respective divisions. For INT 2 (interview, 19 November 2014), it is critical that there should be the separation of the two accounts. She cited the ABC and BBC as good models of using separate accounts (one for their public broadcasts and the other for their commercial activities) that the SABC should

emulate. Therefore, INT 2 continued, if other public broadcasters have done it without creating two divisions, the SABC must also be able to account for each (INT 2, interview 19 November 2014).

INT 5 averred that on the side of TV services, the public service was making more money than the public commercial service. “SABC1 and SABC2 have made more money than SABC3 which is commercial. So, in fact the public services have been subsidising the commercial services. It just has not worked as a model” (INT 5, interview, 3 February 2015). She continued and cited that this mandate has also resulted in the SABC chasing commercial funding because public commercial stations of the SABC have really chased commercial interests. Therefore, the public services have not actually received any money from commercial services. According to her, overall, people have indicated that the cross-subsidisation model has pushed the SABC to the commercial direction and has in essence given the Corporation no relief because it is not as if the commercial services have done particularly well to allow for cross-subsidisation. In her view, the mandate creates a huge amount of bureaucracy because the SABC should have two sets of accounts. One institution and two sets of accounts would mean that it would have to have two different auditors, two different financial departments, two different sales departments and costs that do not make sense.

In contrast to INT 2’s argument that the SABC can have two separate accounts and account for each, INT 5 said that would be better to integrate the two. Her view was shared by R 1 (Interview, 11 March 2015) who believed that cross-subsidisation should be discarded primarily because it has not worked and is not working. The SABC must be made into a Corporation without splitting it into two. She confirmed that ICASA never gets proper reporting on what happens on each side, i.e. public vs commercial.

This is one of those things that are not working and one cannot really get to the bottom of. I think moving forward to a digital era, it is something that we can live without. It has never worked for a public broadcaster. It's a burden more than anything else. The intentions were good but it is not contributing to the viability of the public broadcaster (R 1, interview, 11 March 2015).

INT 1 (Interview, 11 November 2014) while noting that the structure of the financing of the SABC has not been compliant with the law, said that the key towards answering the question as to whether the cross-subsidisation mandate has been effective would be a full monitoring of the SABC finances in terms of the law which must be done by ICASA and must be done very strictly. He posited however that he knew without a doubt that there would be resistance from the SABC but because the law has not been changed, it has to be done.

He had this to say:

Until the law has been changed for a different formula, this needs to be achieved but I would say that currently that is not necessarily the case as we speak at the SABC. If you were to look at the SABC's finances, you would find that some expenses are paid for by money that is supposed to be allocated for public service division (INT 1, interview, 11 November 2014).

L 2 (Interview 23 January 2015) conceded that there have been challenges with the cross- subsidisation mandate. He mentioned that the SABC is meant to keep separate books, that is, books for commercial division and books for public division, but as far as he is concerned, it is just the separation in terms of keeping books. The major problem is shared services (human resources, legal resources and infrastructure) for both public and commercial services, something INT 5 alludes to above. However, he stated that in fact this matter about keeping of separate books has been raised even at Parliament. He noted with concern that the Corporation has laws that were imposed

on it as one organisation and this is something that needs to be rectified. Qualifying his argument, L 2 stated that one easily distinguish which one is commercial and which one is public and how much has been generated for each. The difficulty is the shared services:

The difficulty and the downside of it all is how do you split that infrastructure and account for those comm. So that's just the challenge but to actually see whether there are separate books for Metro FM (a commercial radio station of the SABC) from Thobela FM (a public radio station of the SABC), that is being done. The difficulty is to account for those common shared resources, that's where the difficulty is (L 2, interview, 23 February 15).

On the other hand, respondent R 3 (Interview, 12 March 2015) indicated that he did not have first-hand information on cross-subsidisation. However, he looked at audience ratings for SABC1 and SABC2, which reveal that audiences for these channels are larger than SABC3 audiences. He posited that SABC generates a bulk of its revenue from advertising and when one talks about advertising, one talks about audiences. Accordingly, R 3 doubted that the commercial division is generating sufficient revenue to be on its own and subsidise the public wing simply because of audience figures. He wondered what the SABC's marketing strategy is and whether the SABC charges more on advertisements broadcast on commercial services but to him, the audiences tell a story. "So I'm not sure whether that is working and to my knowledge it has not been reported openly so that SABC3 has subsidised the public services this way because it has always been one reporting which is blurred" (R 3, interview, 12 March 2015).

Agreeing with R 3 above, respondent INT 6 (Interview, 18 February 2015) contended that in terms of TV services, the cross-subsidisation has not happened the way it ought

to but stated that he was not sure about radio services although 5FM and Metro FM, the commercial radio services of the SABC appeared to be financially successful. Equally so, the bigger public radio stations like Ukhozi FM and Lesedi FM, INT 6 maintained, are fairly successful. However, INT 6 was not forthcoming with tangible evidence of what the success on radio was based on. INT 6 believed that with television it seems to be clear that this mandate has not worked and one would have to get hold of the revenue streams in the different stations to see how these add up.

L3 (Interview, 21 February 2015) emphasised that cross-subsidisation has not been effective. He asserted that probably the problems are not at the SABC internally. He noted that the commercial wing of the SABC, SABC3 is not protected and has its own competitors externally. He argued that SABC3 competes the same way as commercial TV, e.tv. L 3 noted that the commercial radio services are protected because they broadcast nationally and are able to generate revenue thus viable. He conceded that he did not have access to the inside information. Nevertheless, he is of the view that cross-subsidisation has not been effective and has affected the viability of the SABC.

When asked what ICASA has done with the non-effectiveness of the cross-subsidisation mandate, INT 6 stated that it has been fifteen years since a prescription in law was introduced (1999) and he was not sure whether ICASA had done any kind of analysis and whether the compliance department would track that kind of information.

Equally, R3 had this to say:

I am not aware what ICASA is doing regarding this because I'm not directly involved with the department that deals with compliance. The only thing I know is that this cross-subsidisation is the law and is not something that this is in the licence conditions. ICASA is responsible for ensuring that licensees comply with

licence terms and condition and if something is the law but not part of conditions, there is nothing that ICASA can do (R 3, interview, 12 March 2015).

The weakness in R 3's argument is that Chapter 1V of the Broadcasting Act states that "The Authority monitors and enforces compliance with the provisions of the Charter of the Corporation" (RSA, 1999, p.231). The cross-subsidisation mandate forms part of the Corporation's Charter and must be duly monitored and enforced.

In conclusion, most of the respondents' perceptions pointed to the fact that the objectives of the cross-subsidisation mandate have not been achieved.

4.3 Theme 2: What are the Strengths and Weaknesses of the Mixed-Funding Model?

The above theme focused on the respondents' insights about the current mixed funding model of the SABC, its purpose, the motivation behind its adoption, its strengths and weaknesses (discussed in detail under 4.3.3 below), and their views on the impact of the mixed funding model on the Corporation's viability. Most respondents expressed similar views. They showed an understanding of what the mixed funding model of the SABC entailed and the sources of revenue. Many respondents noted that the mixed funding model of the SABC had remained the same since the restructuring of the SABC back to a public broadcaster post 1994. Before the political transformation of the 1990s the SABC, which was then a state broadcaster, received a larger share of its funding resources from the government, a process which continued into the early 1990s.

4.3.1 Heavy Dependence on Advertising Revenue for Viability

The SABC is significantly funded through advertising (roughly 75% to 80%); approximately 18% comes from licence fees and a small percentage (2%) from government grants which in the main fund specific programmes in partnership with different departments.

Respondent L 5, (Interview, 18 March 2015) noted that in real terms, 2% of the total budget of the SABC comes directly from government which translates to ZAR 8 billion. This is used for projects such as the roll out of digital terrestrial television (DTT), management of Channel Africa, some educational programming, as well as for programming on elections coverage.

L5 like the majority of respondents stated that unlike the BBC, the vast proportion of whose funding is derived from the public in the form of licence fees, the SABC generates the vast proportion of its revenue from advertising. This approach to the funding model makes the SABC quite exceptional and goes against the grain of international PSB trends, a point echoed by L 4 and others.

For respondent L 4, (a subscription broadcasting licensee), the issue of the SABC was one of the first issues that had to be addressed in the negotiations around the transition to a democratic South Africa, which is why the first democratic elections in 1994 could be broadcast on the SABC. She believes that the funding model as it is currently, was deliberately put in place because of South Africa's history of state interference in the national broadcaster. In other words, the mixed funding model was adopted in order to ensure that the public broadcaster was not financially beholden to the state, which would have allowed the latter to dictate terms to the public broadcaster in the same way the apartheid government did. The intention according to her was to enforce that separation and to ensure the independence of the national broadcaster (L 4, interview,

4 March 2015). While the move to make the SABC independent from the state was indeed a positive one, L 4 contended that heavy reliance on advertising revenue has made the Corporation susceptible to commercial influence and desires.

While this reliance on advertisers might have rendered the SABC financially viable, according to L 4 and others, the question remains as to how the current mixed funding model affect the public broadcaster's ability to deliver on the public mandate. Criticising the current mixed funding model, L 4 stated as follows:

Here you have the first conflict arising because commercial broadcasters are looking for ratings but now you have a PSB that is also looking for ratings and chasing the same pool of advertising revenue. If your primary source of revenue is advertising, it compromises your content choices. (L4, interview, 4 March 2015).

Respondent L 4 averred that the BBC is the first public broadcaster in the world and is often perceived as an example of excellence and best practice for PSBs; its mandate is very clearly not just to inform, educate and entertain (as the SABC's is). According to her, the BBC goes a step further by stating that they inform, educate and entertain in a *way that the private sector would not do* (author's emphasis). This view was shared by INT 1 (Interview, 11 November 2014); INT 2, (Interview, 19 November 2014) and INT 3 (Interview, 19 November 2014).

Adding to this discussion, L 4 argued that the approach to PSB in the United States of America is very market driven, which correlates with most American policy and legislative approaches to business. In her view the United States' PSB is not heavily reliant on government funding but quite dependent on advertising. The rationale in the

US is that the market or the audience will determine what they want to watch. So if the public is keen to view or listen to a particular programme, this for the public broadcaster implies that it must be in the public interest, because the market dictates. Thus Americans have a very different way of thinking about the PSB and its role, which is very much determined by ratings that generate advertising revenue. In their view, the market presents a perfect solution to this PSB problem (L4, interview, 4 March 2015).

The major weakness in L 4's argument above lies in her misleading statement that the United States' PSB is quite dependent on advertising. In actual fact the PBS network in the US gets most of its money from corporate foundation donations, sponsorships and audience contributions as indicated under literature review of this study and not advertising. This further questions the credibility of her conclusion that the PSB in the US is "very much determined by the ratings that generate advertising revenue" (L 4, interview, 4 March 2015).

Contrasting the US approach to the UK's, L 4 stated that the approach to public broadcasting in the UK is not determined by the market. L 4 continued and stated that the BBC does not agree that the market must be left to its own devices because if left alone, it would never produce certain kinds of content believed to be important for British citizens. So the BBC has what could largely be referred to as a market failure way of thinking that the private sector, left unregulated, would never produce a certain kind of content, particularly the type of content that could not be profit-generating. That is where the PSB comes in, that is, to produce programming deemed to be of public interest by the BBC. This is linked directly with the question of the mandate of a PSB (L 4, interview, 4 March 2015).

Given the overarching approach to PSB in the US and UK discussed above, respondent L 4 proposed that we examine how we want to see the SABC operating in our national context. She questioned whether the mandate of the SABC is to produce content for citizens of South Africa that would not otherwise be provided by commercial operators. Whether that is health, education and the kinds of issues that there may not be commercial incentives to produce, or do we see the mandate as delivering the most populist content (L 4, interview, 4 March 2015).

Respondent L 4 observed that most PSBs in the world follow the BBC's market failure type of approach. It is broadly accepted by these PSBs that there are certain kinds of content that have no commercial incentives (for example, children, education, health and other forms of content useful to the public) and that the role of PSB should be to produce that content and make sure that it is available to the citizens of that country (L 4, interview, 4 March 2015).

4.3.2 Motivation Behind Mixed Funding

Looking at the reasons why the SABC adopted the mixed funding model in the 1990s, INT 1 attributed it to the nature of political transition in the country whereby the state fiscus had to respond to new priorities, a view shared by most respondents. According to respondent INT1 (interview, 11 November 2015), there were plenty of demands upon the fiscus aimed at redressing the imbalances of the past, such as access to clean water, electricity, housing and sanitation for the majority of the citizens. This necessitated the reduction of state funding for the public broadcaster in order for the state budget to cover the new national imperatives. As a consequence, the SABC adopted a mixed funding model in the new broadcasting system and framework which was influenced by international experiences. Although respondent L1 agreed with INT1 and others about the motivation for the adoption of mixed funding model by the SABC, she added that for her, the motivation was to augment the government subsidy

and to create numerous sources because one source would not have sufficed to keep the SABC afloat (L 1, interview, 17 November 2014).

Respondent L 2, (Interview, 23 January 2015) pointed out that the the fundamental issue that needs to be considered about the motivation for the mixed funding model of the SABC is the licensing and the Broadcasting Act No 4. of 1999. He narrated that if one looks at the Broadcasting Act, its primary objective was the separation of the SABC into two divisions. The intention was two-pronged. Firstly, it was to ensure that the SABC generates revenue commercially and secondly that it delivers on public service broadcasting. He stated that at the time the challenge the SABC faced was accounting for money that was spent on commercial activities and money spent on public service broadcasting activities. For him, the intention of the legislature was to ensure that there was accountability by the Corporation (L 2, interview, 21 January 2015).

He highlighted that the mixed funding model does not have any limit as to how much commercial revenue must be generated by the SABC. There is also no limit in terms of advertising which is another source of revenue generation on radio services except that the licences issued by the Regulator give a limit of 10 minutes and maximum 12 minutes of advertising per hour across the television channels (L 2, interview, 21 January 2015).

Based on the portrayal of various views above, three things resonated in respect of motivation for the mixed funding model and these are:

- the government had to reduce its funding to address immediate demands aimed at redressing the imbalances of the past, such as access to clean water for the majority of the citizens hence the adoption of this model;

- to ensure that the public broadcaster was not financially beholden to the state and become its mouthpiece the same way the apartheid government did; and
- to ensure financial accountability by the public broadcaster.

The next section discusses the specific strengths and weaknesses of the mixed funding model from the respondents' perceptions.

4.3.3 Strengths vs Weaknesses – Mixed Funding Model

Below are the strengths and weaknesses of the SABC's mixed funding model that the respondents identified.

4.3.3.1 Strengths

Respondent L1 (Interview, 17 November 2014) indicated that the strength of the mixed funding model is that it allows the SABC to be independent from government and commercial interference and that it gives the public broadcaster leverage to run its business as a public broadcaster but also as a commercial broadcaster.

She commented as follows:

The current mixed funding model is the best model for public broadcasting. It creates a nice balance wherein a public broadcaster would remain independent or not be exposed to government interference or commercial interference. For instance, if it is 100% funded by government, the issue of interference always comes up. Although editorial independence would still be regulated by ICASA, it becomes difficult to be independent if you are 100% funded by government, and I believe there has been case studies that have proved that if you are funded by the government entirely, you run the risk of being non-independent (L1, interview, 17 November 2014).

When asked how the SABC's editorial independence is guaranteed from advertisers seeing that advertising is scheduled mostly during prime time (a period between 18h00-22h00 on television services). L1 argued that the Corporation is not dictated to by the advertisers as to where it should place the advertisements. Given the overdependence of the SABC on revenue from advertising, one should always be sceptical that advertisers have no influence on the SABC.

Respondent L3 (Interview, 21 February 2015) viewed the strength of the SABC's mixed funding model as the ability of the public broadcaster to generate its own funds from advertising revenue. Its content, he maintained, is accessible to the general public and attractive to the majority of its viewers, in particular young people. This financial independence allows the public broadcaster to operate as well as assert its own autonomy from government influence.

In R 3's view, despite heavy reliance on advertising, the mix funding model ensures that the SABC is guaranteed funding which would never allow for any blackout. He posited that it is in the government's interest that the SABC delivers on its mandate. At least the public is guaranteed the service from the SABC in achieving its mandate. It will not close shop or shut down claiming that it does not have funds to provide educational, informational or entertainment programmes. "At least there will be something and that is the main point which is advantageous about this mixed funding model" (R 3, interview, 12 March 2015).

INT 5, cited that one major benefit of public money is that it can be put directly to specific programmes that would never be funded by advertisers, for example, dramas in minority languages which advertising would not pay for. INT 5 sees the licence fee

as very valuable because it links individual households to the public broadcaster and the potential to have the PSB accountable to the audiences. Thus, in her view a balanced mixture of public funds, government funds and advertising can potentially be a good funding model because no one has overall influence over it. This would enable the production of good quality public programming that is accountable to audiences (INT 5, interview, 3 February 2015).

4.3.3.2 Weaknesses

L5 (Interview, 18 March 2015) contended that the SABC's mixed funding model poses serious challenges for the SABC. The SABC has a public mandate to:

- broadcast in 11 official languages;
- broadcast sporting events of national interest for which the SABC pays exorbitant amounts of money for the broadcasting rights; and
- broadcasting national and municipal elections as and when they occur.

These are over and above the news as well as children and educational programming that fall under this public mandate. These put a major financial strain on the SABC because these public service programmes are not income-generating. Thus, the Corporation ends up injecting a lot of income generated elsewhere into these programmes. To amplify this point, L5 gave the example of sports where short-term cash is used by the SABC to fund long-term commitments. The sports rights are bought, for example, over a 12-month period and in this regard, short-term cash is utilised for long-term mobilities and the SABC obviously runs into problems from a working capital perspective. For L 5 (Interview, 18 March 2015), the challenge facing the SABC is that in terms of its funding model, the Corporation needs to make up its mind on whether it is a pure public broadcaster or a commercial broadcaster, a question which has never been answered to date.

In L5's words as an insider of the SABC:

We subsidise our public service mandate with commercial revenue funding and because of that I reckon we are a schizophrenic organisation, we don't know whether we are a public broadcaster or a commercial broadcaster. There is no real answer to that at this point in time unless there are some legislative changes or proclamation from government that they would fund the SABC or PSB mandate [...] (L 5, interview, 18 March 2015).

According to L1 (Interview, 17 November 2014) the number one weakness of the mixed funding model is that the public mandate of the SABC is very demanding and costly. The SABC is mandated to ensure that the services are accessible to all citizens and expected to remain commercially profitable despite citizens' economic status. She cited an example of a village where at times, due to its topography with possibly three families residing in that village, it does not make economic sense for the SABC to have a transmitter installed and erected there because there are no returns on investment. L 1 concluded that it is difficult to serve the public mandate and remain profitable and that is the major challenge with the current funding model.

L 1's observation was confirmed by respondents L 5 and INT 4. INT 4, former acting Chief Financial Officers (CFO) of the SABC (Interview, 12 December 2014) pointed out that the major challenge that the SABC faces in its funding model is its physical infrastructure and facilities which are expensive. He stated that previously, studios would last the Corporation for 10-15 or even 20 years whereas in the digital age, they require upgrading on a far shorter cycle even though the costs have come down, which poses a significant burden on the funding model (Interview, 12 December 2014).

L 3 (Interview, 21 February 2015) stated that the excessive reliance on advertising compromises the PSB mandate, a view shared by L 4 and others. L 3 stated that the fact that the SABC gets a bulk of its funding from advertising revenue does not mean that this is what was envisioned at the time when the SABC was founded in 1936. The view was that the SABC in line with the BBC model, was going to rely on government funding and public funding (licence fees) in order to finance its public service mandate. However, it is only a minuscule percentage of revenue that comes from licence fees (payable only on television) and government funds. He argued that if the SABC model was as envisaged, licence fees would form a bulk of its funding. This would have resulted in the SABC being regarded as fully independent and not reliant upon advertisers to influence its direction or the government to interfere with its editorial policy or its obligations, a view shared by some respondents.

L3 noted that one only pays for licence fee if one buys or owns a TV set, yet this does not take into cognisance the fact that one's economic status can change over time. It overlooks the fact that ownership of a TV set does not necessarily mean that one can afford licence fees. Many South African citizens live below the poverty line and for them a TV licence fee is one thing they cannot afford when they have to meet all of their other financial obligations (L 3, interview, 21 February 2015).

L 3 noted that the weakness with the mixed funding model is with the collection of licence fees due to evasion by the public members. The SABC itself acts as the collecting agent which has proven ineffective. This results in the Corporation wasting more money on attorneys in the process of trying to collect licence fees from the public. This contrasts with international trends (for example the UK and Germany) where licence fees are collected by the government (L 3, interview, 21 February 2015).

Looking at PSBs globally, respondent INT 5 stated that it is interesting to note that generally it is about 60% that will be public funding. The SABC gets a lot less than that from public funding in the form of licence fees. The SABC gets 18% from public funding, 2% government funding and 80% advertising which is skewed towards commercial. “The civil society - Support Public Broadcasting Coalition (SOS) have said that that is far too much commercial funding and it skews the kind of programming that the SABC does towards commercial kinds of programming which takes it away from its key mandate” (INT 5, interview, 3 February 2015).

R 3 posited that depending on the PSB’s strategies, marketing and other strategies, there is always a likelihood for complacency on the part of the Corporation and not living up to the expectation of a business. As a business entity the SABC could source funds from other activities or produce programmes that will attract funding. He asserted that the fact that the SABC’s mandate is to inform, educate and entertain does not necessarily mean that the Corporation does not need to run its activities like any other normal business and generate revenue. So, the disadvantage lies in the fact that the SABC knows that it will always get some guaranteed funding from government and that they will always be bailed out should they run out of funds (R 3, interview, 12 March 2015).

The main problem with R 3’s argument, however, is the underlying assumption that the SABC is predominantly dependent on government funding, disregarding the fact that government funding constitutes only 2% of the public broadcaster’s overall revenue.

4.3.4 Viability and Sustainability

As shown under 4.3.2 above, the government’s adoption of the mixed funding model was informed by its overriding quest to ensure that the SABC is viable. Some of the

respondents, when asked to define sustainability and viability in the context of the SABC, provided a mixture of similar and somewhat divergent views. Respondent INT1, for example, pointed out that sustainability of the SABC must be understood in its broader context and not narrowly in terms of finances because the entity could be able to be commercially viable but if it is not serving public service interest it may not be sustainable as a PSB. Having laid this background however and despite his reluctance to define sustainability narrowly, INT 1 stated that for him, there are two alternatives to sustainability. First and foremost, it means providing the mandate of a PSB by having resources available, preferably public resources in the form of licence fees to serve the public interest. Alternatively, it could be a mix of public and private (advertising) resources predominantly guided by public broadcasting service agenda and not commercial agenda. In his own words, INT 1 asserted: “To the extent that then you are able to generate those resources and provide public broadcasting service as expected in terms of the law and the licence, that to me therefore is a viable and sustainable PSB” (Interview, 11 November 2014).

Supporters of INT 1’s view of not looking at PSB viability and sustainability more narrowly in financial terms were quite numerous. L 4 (Interview, 4 March 2014), INT 6 (Interview, 18 February 2015), INT 5 (Interview, 3 February 2015), INT 2 (Interview, 19 November 2014) and INT 3 (Interview, 19 November 2014), R 3 (Interview 12 March 2015) and others stated that for them viability implies the ability of a broadcaster to meet the public mandate as a public broadcaster and maintain the audience share in the market. It means that the Corporation should not run at a loss. If a PSB is making profit, then that surplus revenue must be used to produce excellent programming including local content programming that caters for the needs of South Africans in their languages, the kind of programming which is not being produced by commercial media.

Some participants noted that sustainability of a PSB talks to a longer time horizon while viability is about whether the PSB is able to compete, is more agile and capable of doing more than just sustaining itself. Respondent L2 for example (Interview, 23 January 2015), highlighted that viability of the PSB is not just about surviving but rather about whether the PSB is able to leverage on market opportunities and be competent and deliver high quality content like any other broadcaster. He posited that for him viability is about the ability of the PSB to move with the modern trends and deal with the changing environment in such a way that it remains lucrative while continuing to sustain good market share and other things. He differentiated sustainability from viability by stating that to sustain according to him means to be able to afford basic talent, basic programmes and a basic transmitter for one of the SABC radio stations such as Thobela FM (public radio station of the SABC), the SABC may only just need ZAR 200 million. Nevertheless, to be viable the SABC might need just close to half a billion because viability refers to the ability of the SABC to align with modern trends. He was quick to mention that there are people who might misconstrue this to mean that the SABC wants to be lavish when in fact it is about being able to deliver to its audiences in a manner that is relevant at the time.

He added:

You are able to move and to be agile and that is how we should look at it and that is our concern that if you limit broadcasting, it may leave us with basic content and we come from that era by the way, and there are lessons to be learnt. There were times where our dramas were of poor quality and people were saying we were doing “sketches” during those times in the 1990s so we need to avoid that. The reason why the SABC is able to compete with commercial broadcasting in terms of quality content and drive audiences is because of the financial leverage that it has; because it can go out there in the market, get the best talent, get the best equipment, get the best and the best and the best. That thinking, that PSB should just be basic and of poor quality, is the biggest mistake. That is why PSBs

are battling out there. In fact, it is so interesting that most of the countries are envying our model. The only challenge is its overdependence on the commercial revenue (L 2, interview, 23 January 2015).

This view is shared by L 5 who confirmed that being viable as a PSB takes into consideration issues such as whether the public is interested in watching that particular programme. This, for L 5, is something that the SABC needs to interrogate and to ask itself the following questions: “What do I (SABC) want? How do I want it? When do I want it and in what platform? Do I still want some traditional platform or new technologies?” (L 5, interview, 18 March 2015). L 5 indicated though, that the problem with the SABC is that it moves very slowly.

Adding depth to the discussion of sustainability, INT 4 (interview, 12 December 2014) and INT 2 (Interview, 19 November 2014) mentioned that 90% of PSB sustainability depends on audiences. Therefore, the SABC’s sustainability has to be viewed from an audience perspective first and foremost. INT 4 went further to say that the one thing that needs to be looked at when attempting to answer this question is, can the SABC deliver sustainable audiences and in his view, there is no doubt that it can. He asserted that the SABC always set the financial sustainability targets for the running five year forecasts for all funding requirements based on the mandate, costing thereof as well as the infrastructure needs and the rights requirements.

He argued that sustainability for the public broadcaster has a whole lot of issues attached to it. It is not about how much money the SABC needs or wants. One cannot inject sufficient funds into the public broadcaster because the Corporation will always find ways to spend it. For him the SABC’s sustainability is not quite the same as the BBC’s. Whereas the BBC has commercial mandate, it cannot be equated to the

SABC's. The Corporation's requirement for content-based language quotas is massive (Interview, 12 December 2014).

INT 2 (Interview, 19 November 2014) was concerned that one of the problems with the SABC is that it has never been able to share with its Board how much the activities of the Corporation cost. Therefore it is difficult to ascertain how much it costs the SABC to run its public service mandate, which makes it harder to know for certain what would make it sustainable.

4.3.4.1 Sustainability and Regulation

Approaching sustainability from a regulatory perspective some respondents stated that the SABC can be sustainable when regulations that are being introduced by the Regulator – ICASA – are realistic and considerate of the current funding model of the SABC. They made examples with ICASA's review of the local content regulations and the DTT regulations. Coupled with this is the view from the national Department of Trade and Industry (DTI) regarding how much South African music should be played on the SABC platform. They stated that music rights are very expensive but the DTI is suggesting an increase to 80% of South African music on SABC platforms (L1, interview, 17 November 2014; L5, interview, 18 March 2015).

L 1 argued that ICASA could be considerate of the current funding model and introduce a gradual increase of local content to ensure that the SABC retains its current audiences and still attract new audiences. In this fashion, "the SABC would remain afloat and be able to be sustainable because the local content quotas will be gradual rather than an abrupt approach" (L 1, interview, 17 November 2014).

4.3.4.2 Viability and Regulation

When asked whether the SABC is viable, L1 maintained that the Corporation is not viable and justified this position by stating that this is due to the onerous regulatory framework that the SABC is subjected to. While she appreciates the fact that regulation of the SABC is necessary considering the fact it is in the public interest for it to be regulated, she nevertheless feels that the SABC is not viable. She stated that in terms of the current sports rights regulations, ICASA lists various national sporting events that must be carried by free-to-air services. She contended that even though the regulations do not specifically enjoin the SABC to broadcast or carry all sporting events of national interest, there is a perception from the public that all the listed events in the regulations must be carried by the SABC; yet in other instances, the SABC is unable to carry such because of high costs that come with the acquisition of sports rights, a view shared by other SABC insiders. Respondent L1 conceded that although the regulations were created with good intentions the sports rights have become very expensive over time and they are on demand. Adding to this, L1 contended that production of local content is also very expensive. In her view, as South Africa is going to a digital space the SABC will require more channels.

In her own words, L1 articulated the following:

We know that the digital platform is content hungry, and this means that the SABC will have to commission a lot of local content. I have already spoken about the development of minority sports which are not profitable but we have to do them. There is also an issue of transmission costs which are very expensive. Currently the SABC has to pay spectrum fees as a result of the Electronic Communication Service (ECS) licence we are having and all broadcasters are not obliged to pay spectrum fees in terms of policy, the ECS licences that we are having, are only used during outdoor programming so we need those linkages solely for our outside broadcasts (L1, interview, 17 November 2014).

4.3.4.3 Governance Structures, Transparency and Accountability

Some respondents argued that transparency and accountability are the fundamental pillars of good corporate governance. They maintained that these seem to be lacking at the SABC. They stated that the SABC needs to be far more transparent around its benefits, INT 2 (interview, 19 November 2014), INT 3 (interview, 19 November 2014), INT 6 (interview, 18 February 2015), INT 5 (interview, 03 February 2015) including R4 (Email interview, 24 March 2015).

INT 2 added that transparency by the SABC would ensure that the Corporation achieves more public support. This, according to INT 2, would protect the Corporation from political and commercial interferences, and ensure its viability (INT 2, interview, 19 November 2014).

In terms of accountability, some respondents cited that although the SABC accounts to the Regulator in terms of its licence conditions and applicable regulations and the sole shareholder (the government), there is lack of accountability by the SABC to the public generally. They also cited that the main problem at the SABC is in relation to Board nomination process. Often, the people who are appointed at this level are affiliated to the ruling party and some of them do not even possess the necessary credentials. The respondents cited that the SABC has had two full boards that have been removed in just 7 years (INT1, interview, 11 November 2014; INT2, interview, 19 November 2014). Two other respondents (R 2, interview 11 March 2015 and R 5, interview, 3 February 2015) argued that for as long as the SABC does not have a board that is accountable to the public, issues of viability and sustainability will remain at the centre of the public broadcaster.

4.3.4.4 Independence and Impartiality

Some respondents felt that the SABC does not adhere to its editorial code, licence terms and conditions and the Broadcasting Act in that the Corporation is not accurate and impartial in its programming generally and the news and current affairs in particular. They claimed that the SABC is not impartial and independent from political interference and this affects the Corporation's viability.

4.3.5 Summarising PSB Viability and Sustainability

As can be seen from the preceding paragraphs, the majority of respondents view the viability of the SABC in terms of transparency, accountability and provision of excellent public service programming in all the official languages without relying heavily on commercial advertising. Others went further to say that the *quality* (author's emphasis) of the content produced and the public trust that the SABC is telling the truth on news and current affairs and doing this fearlessly and independently are the most important aspects of its viability. They contended that if the SABC does these things audiences will pay licence fees, which would partly contribute to its viability. If the SABC fails to do all of these things, they asserted, the people are always going to get better programmes from commercial services. The distinguishing factor between commercial services and the PSB, is the ability on the part of the public broadcaster to meet its public mandate (INT1, interview, 19 November 2014; INT 2, interview, 19 November 2014; L 3, interview, 21 February 2015; INT 5, interview, 3 February 2015).

For R 1 and R 2 (Interview, 11 March 2015), viability of the SABC must be seen from a policy perspective. In their view what needs to be scrutinised is whether the policies and regulations that the regulator comes up with make it practical for the SABC to carry out its mandate. These two should also talk to the market. In other words, one

needs to look at what has shifted in the market and whether the policies formulated are practical and feasible to ensure that the viability of the SABC is not compromised.

R 2 further stated that over and above the policies that must be practical and feasible, there must be good systems internally; hence the SABC needs a highly qualified and competent board to carry the vision of the SABC. When juxtaposing respondent L1's view against respondents R1 and R2's understanding of PSB viability, it emerges that all three respondents perceive the role of the Regulator as critical in ensuring the viability of the SABC through its regulatory framework.

As can be seen from the above, the respondents' responses on the notion of viability and sustainability of the SABC vary, but the common thread is the need for the SABC to raise sufficient funds by getting more public licence fee money and government money and meet its public service mandate without relying heavily on commercial revenue. Another point of similarity is the regulatory framework which must make it practical for the SABC to meet its mandate and continue to be viable. The principles of good corporate governance which include transparency and accountability could serve as enablers for PSB viability.

4.3.6 Sustainability of Local Content Programming in the Digital Terrestrial Television (DTT) Environment

Having gained insight into diverse understandings of the viability and sustainability in the context of the SABC, respondents were asked to describe how, in their view, the revenue generated from the mixed funding model could sustain local content programming in the digital terrestrial television (DTT) environment. Here as well, there are mixed views. The majority of respondents answered in the negative whereas a small number were enthusiastic that it would be possible to sustain local content programming.

In the main, those who are sceptical indicated that the current mixed funding model would not sustain local content programming in the DTT. They highlighted that their experience in the 20 years of democracy has shown that the predominant funding from advertising does not follow local content and does not follow public service programming. Likewise, they asserted that if the SABC with its current mixed funding model is subjected to the current market forces in the digital era, its public service programming is going to be compromised. In fact they purported that the viability of the current mixed funding model which is driven by audiences by virtue of the fact that the bulk is from advertising, will be determined by the rate at which consumers take up DTT. They averred that when the switch eventually takes place, there will be additional costs but no additional revenue from all broadcasters because broadcasters cannot sell an audience on the DTT platform. All they have is a massive platform and waiting for audience numbers to pick up. Therefore, any broadcaster needs to have a significant audience because advertisers are not interested in anything that is of no commercial value to them. So, the fundamental issue even for the SABC is, how long is it going to take audiences to buy set top boxes in volumes, and how long will it take for the SABC or any broadcaster to start generating revenue on a DTT platform? (L3, interview, 21 February 2015; INT 1, interview, 11 November 2014; INT 5, interview, 3 February 2015; INT 2, interview, 19 November 2014; L 4, interview, 4 March 2015).

Echoing these sentiments is respondent L5 (Interview, 18 March 2015) who confirmed that the SABC would probably not sustain local content programming in the DTT environment. In L5s' own words:

The content comes at a much higher cost than it used to in the past. The cost per minute for local content is almost double what foreign content basically is now than it was 10 years before, and the popularity of local content across the broadcasting industry is its demand. There are so many new players out there in the market. If your audiences are sitting on other platforms it means you are not

generating revenue on your platforms and that is the biggest challenge including our public service mandate which places a burden on funding (L5, interview, 18 March 2015).

Other respondents, in contrast, believe that to some extent the SABC will sustain local content programming in the DTT environment. One SABC insider maintains that the Corporation has issued a Request For Proposal (RFP) Book of approximately ZAR 600 million in 2015. The challenge is that the SABC needs to have more channels that should assist in generating more revenue. The biggest challenge now is that SABC does not have a sports channel at a time when the demand for sports programming is very high. Consequently, it has to squeeze sporting events in normal programming channels. This respondent indicated that the multichannel environment is supposed to help in that regard but still it has its own big challenge because more content is needed in that space.

Respondent R 3 also agreed that the SABC can sustain local content programming. He raised a point that the production of local content in the DTT era will not be too expensive like in analogue. “One can shoot a video on a smart phone perfectly. But same cannot be said about an analogue platform. The only expensive part that will be there will be transformation of current programmes to DTT because that will require a substantial amount of money” (R 3, interview, 12 March 2015).

Respondent INT 6 (Interview, 18 February 2015), noted that the biggest advantage that the SABC has in the market is that it has very significant African language TV and radio stations and as such it is difficult to see any major loss in that very large audience. He explained, based on this advantage, it is possible that SABC1 and SABC2 will be viable whereas SABC3, which is a more English speaking service channel and competes directly with e.tv and others, will not be viable. In his opinion,

as long as the SABC is carrying advertisements, and is managing its operations properly, then they would continue to be viable.

INT 6 cautioned that the SABC may run into difficulty of sustainability in the sense that they will not be able to move into the new era particularly as the country gets broadband development where consumers can access content over the Internet. The SABC might shrink to that significant core audience because of the use of indigenous African languages but they might lose the more affluent consumers. They will have other choices not only in the high Living Standards Measure (LSM) market but also in LSM 6-4 base with their compact soccer driven packages. According to INT5, once these video-on-demand come into play where consumers can access their content,

...the rest of SABC might shrink to becoming an African language broadcasting and I would include Afrikaans because it still offers significant Afrikaans programming. I'm not saying that's a bad or good thing but it might still be viable in those terms because people want to see their programming in their languages. I'm not saying it's not viable but it would certainly put pressure on the SABC from a sustainability point of view because the high-end advertising revenue will perhaps be less (INT 6, interview, 18 February 2015).

4.4. Theme 3: What Changes to the Current Mixed Funding Model Would Increase the Possibility of Viability of the SABC?

This question sought to obtain the respondents' opinions on the changes required if any, to the mixed funding model to increase the viability of the SABC.

The respondents differed in their views although there was consensus that mixed funding is still relevant for the PSB. Most respondents expressed concern regarding the current mixed funding model in that it is heavily reliant on advertising as indicated under Theme 2, strengths and weaknesses. They argued that the SABC should be

funded primarily through licence fees, a portion from government funds and other alternative means. Most proponents of this view suggested that the method of collection should change to include tax through the South African Revenue Service (SARS) (INT1, interview, 11 November 2014; INT 2, interview, 19 November 2014; INT 3, interview, 19 November 2014; INT 4, interview, 02 December 2014; L 2, interview, 23 January 2015; INT 5, interview, 03 February 2015; L4, interview, 4 March 2015 and L 5, interview, 18 March 2015). Other respondents even suggested that the licence fee should be collected through the utilities bill, i.e. through ESKOM (electricity) or local municipality (L 1, interview, 17 November 2014; R 4, email interview, 24 March 2015).

R 2 (Interview, 11 March 2015) and R 3 (Interview, 12 March 2015) felt that the bulk of funding should come from government. R 2 suggested a split of 70% government funding, 10% licence fee and the rest advertising (interview, 11 March 2015).

L 2 (Interview, 23 January 2015) stated that there should be licence fees and certainly government grants. He indicated that for him in as much as the funding model of the SABC is at the heart of the viability of the public broadcaster, it should also be linked to an enabling environment. He argued that if this is not considered the PSB will always be faced with challenges and on its flatfoot and will not be able to keep up. He stated that for as long as the SABC is restricted by regulations that hamper the Corporation's business by micro managing the schedules of the channels even with adequate funding the pace at which the business progresses or grows will be slowed down. Nevertheless, he was quick to mention that this is understandable as the SABC is a public entity not like the commercial broadcasters. He stated that some regulations such as the ICASA DTT regulations will continue to pose challenges.

I am saying this having looked at the DTT Regulations where the DTT Regulations are saying you need to qualify every channel, prove that there is public service value to it and that is a very tedious exercise when your competitors can just throw as many channels as they want and you go through a very rigorous process (L 2, interview, 23 January 2015).

He argued that given the fact that the SABC is about accountability, accountability to Parliament, accountability in terms of the ICASA regulations and licence terms and conditions and the Public Finance Management Act (PFMA), government grants can be ring fenced and project-based and limited to public service programming such as coverage of elections, sports, infrastructure in terms of universal access, and to make sure that the Corporation rolls out the relevant infrastructure to ensure public service mandate delivery. He concluded that public funding is also very crucial (L2, interview, 23 January 2015).

INT 1 (Interview, 19 November 2014), justifying his support of a predominantly public funded (licence fees) SABC, cited that there would be no strings attached to it except in the main is accountability in terms of PFMA as L 2 stated. INT1 argued that such would not have direct editorial influence,

...but to the extent that there would be some pressure, it should be pressure that is towards editorial direction that would be in the public interest. For example, if there is pressure to broadcast a Bafana Bafana Game. Even if that pressure comes from government, it is serving public interest. It is not a pressure that is not different from that of governors of the SABC and SABC Board (INT 1, interview, 19 November 2014).

In her support of an SABC that is predominantly funded through licence fees R 2 stated that she does not understand why the public services of the SABC are

permitted by ICASA licences to broadcast advertisements the same way the commercial television services including e.tv are. For her this does not make sense and should be scrapped (R 2, interview, 11 March 2015).

4.5. Conclusion

This chapter has presented the research findings in terms of the respondents' articulations of their responses to the research questions. The key findings are outlined below as follows:

There was consensus that the cross-subsidisation mandate has not worked given that the commercial wing is generating less revenue than the public wing. As such there needs to be a review of this mandate. The respondents expressed strong views that ICASA has failed to hold the SABC accountable in terms of compliance with the cross-subsidisation mandate. Some respondents argued that until the law is changed or reviewed, ICASA must enforce compliance with transparent separate accounts to ensure that the commercial services of the SABC subsidise the public service as required by the prescription in law.

As for the strengths and weaknesses of the mixed funding model, the respondents' perspectives revealed that there are strengths as much as there are weaknesses to the mixed funding model. Most respondents felt that public funding is fundamental to the SABC's ability to provide public service programming. For viability of the funding model of the SABC to be realised, the SABC must be funded predominantly through public licence fees and in turn the Corporation must provide excellent diversity of programming in all the languages, not directly or indirectly influenced by advertisers, for lack of independence whether from government or advertisers, has implications for the SABC's ability to fulfil its public service mandate of informing, educating and entertaining. The respondents were concerned that the over reliance of the SABC on

advertising revenue is unsustainable and greatly opens up the public service broadcaster to manipulation by advertisers or commercial forces, something that greatly compromises the ability of the SABC to deliver on its public mandate.

Other respondents mentioned that viability of the SABC must be seen from the policy perspective. To this end, the regulatory framework must make it practical for the SABC to meet its obligations and continue to be viable. Also of paramount importance, is the ability of the SABC to adhere to the principles of good corporate governance, which could serve as enablers for PSB's viability.

All respondents were in favour of changes to the mixed funding model. Those who supported the main source of funding to come from public funds – licence fees, suggested that if the SABC provides good quality programming and is accountable to the public, people will pay the licence fees. Others, though very few, were in favour of a bulk of funding coming from the government fiscus. Two respondents proposed that some of the funds from the mixed funding particularly from government could be ring-fenced for public service programming. The majority supported the main source of funding to come from public funds – licence fees.

Chapter 5 provides a brief analysis of the findings and presents solutions in other countries where the PSB has been implemented. The discussion of PSB in these countries could provide some interesting insights and lessons for the SABC to emulate.

CHAPTER 5 – ANALYSIS OF FINDINGS AND SOLUTIONS DERIVED FROM GLOBAL PUBLIC SERVICE BROADCASTERS

5.1 Introduction

The purpose of this study was to analyse the extent to which the mixed funding model has affected the viability of the Corporation. This chapter briefly revisits the key findings presented in Chapter 4 (wherein commonalities and difference in opinion were also discussed) before providing an overview of the kinds of challenges in the realm of viability that global renowned PSBs have faced and how they have resolved them. The intention was to determine international best practice and the lessons on issues of viability that could be derived from their experiences for the SABC. The rationale for this amalgamation was that, the themes that emerged and were analysed in this study necessitated the inclusion of successes and failures from other countries as a build up to the recommendations. Omitting or separating the two would have resulted in fundamental gaps in the research report.

This chapter explores the problems with the mixed funding model of the SABC. In addition, it reiterates the argument that, unlike the SABC which relies heavily on advertising revenue, most well-known PSBs that are viable (such as ABC and CBC and others depend largely on government funds with others such as the BBC dependent on public funds (licence fees). Whilst these PSBs are facing economic challenges and often have to find alternative forms of raising revenue, including commercial means, dependence on forms of funding other than government funds and public funds is only subsidiary and not a dominant feature.

At its core this chapter also addresses five interrelated questions: firstly, to what extent do the world renowned PSBs that have adopted a mixed funding model depend on public revenue meaning licence fees for their viability? Secondly, what specific mechanisms have these PSBs employed to access revenue from the government

fiscus? Thirdly, how have the PSBs funded mainly by public funds handled the collection of licence fees and how effective have they been? Fourthly, how far are the governance structures of these institutions accountable to their consumers (viewers, listeners, or users of PSBs)? Finally, how independent have these PSBs been from government and commercial interests, and what instruments have been put in place to ensure that there is no meddling from governments in particular?

5.2 Cross-Subsidisation

The Broadcasting Act of 1999 as amended requires the commercial arm of the SABC namely: SABC3, Metro FM, Good Hope FM and 5FM to subsidise the public arm of the Corporation. The mandate of the commercial services division is to maximise revenue and this is clearly outlined in Section 11 of the Broadcasting Act of 1999 which reads:

The commercial services provided by the Corporation must—

- (a) be subject to the same policy and regulatory structures as outlined in this Act for commercial broadcasting services;
- (b) comply with the values of the public broadcasting service in the provision of programmes and service;
- (c) commission a significant amount of their programming from the independent sector;
- (d) subsidise the public services to the extent recommended by the Board and approved by the Minister; and
- (e) be operated in an efficient manner so as to maximise the revenues provided to its shareholder (RSA, 1999, p. 242).

The findings from the data revealed that the cross-subsidisation mandate of the SABC is not effective and has not been since the law came into effect and therefore not viable.

One of the major problems with this mandate is that the commercial arm of the SABC is still bound by the public service mandate in terms of the licences issued to the Corporation by the Regulator. Some respondents, however, felt that the commercial radio services seem to be generating sufficient revenue given the fact that Metro FM and 5FM are broadcasting nationally. There were statements alluding to the fact that SABC3 cannot compete as a fully-fledged commercial service and generate sufficient revenue to subsidise the public wing of the SABC because it has its own competitors. Nonetheless, the majority of respondents argued that the public services of the SABC are generating a significant amount of revenue compared to the commercial services.

Given the challenges mentioned above and notwithstanding the provisions contemplated in section 11(1) of the Broadcasting Act, one wonders whether maximising revenue from a commercial (advertising) perspective is an appropriate mandate for the PSB in the first place. Some respondents even questioned whether dividing the SABC into two divisions was wise and their general feeling was that it was not and they were hasty to mention that such is a question for policy and legislative review. Failure by the Regulator to monitor and enforce the cross-subsidisation mandate emerged as a contributory factor to the cross-subsidisation being ineffective.

When one looks at the whole issue of cross- subsidisation, one comes to the realisation that in fact, the cross-subsidisation mandate has no parallel in other “leading” PSB jurisdictions except for the PSBs in Poland⁸ and New Zealand as shown in table 4 below and perhaps given the outcomes of the data, the Act must be reviewed and this mandate scrapped altogether.

⁸According to the European Federation of Journalists, Poland’s PSB may increasingly be becoming a state-controlled broadcaster, as per legal reforms in late 2015.

Based on the respondents' views from the preceding sections, one is drawn to the conclusion that there is a need for the Act to be reviewed and the issue of cross-subsidisation mandate scrutinised closely. The Corporation's funding must be based on an international model that has been tried and tested wherein its funding relies largely on public funds in order for viability to be realised.

5.3 Strengths and Weaknesses - Mixed Funding Model

From the primary data and in analysing the SABC's mixed funding model, it emerged that the viability of the SABC depends largely on the revenue generated from advertising. As we saw in Chapter 4, this heavy reliance on advertising revenue is hugely disconcerting as it raises critical questions about the ability of the Corporation to deliver on its public mandate; meaning good public service programming which is distinct from commercial services such as e.tv. This was raised as a weakness by many respondents. The World Radio and Television Council (2001) purport that funding the PSBs through licence fee model is ideal for PSBs. The licence fee revenue creates a direct link between a PSB and the audiences. Nonetheless, noting that this might not be adequate to sustain the PSBs, the Council concedes that advertising income "can be acceptable provided that it does not interfere with public service obligations incumbent upon public broadcasting" (World Radio and Television Council, 2001, p. 14) .

The observations by most respondents revealed that as the SABC moves towards pleasing the advertisers, its ability to deliver on its public service agenda and mandate is compromised. Respondent INT1 (Interview, 11 November 2014) and L4 (Interview, 4 March 2015) argued that the proportion of advertising revenue is so significant and the dynamics of that market are such that it cannot be said that the SABC is independent from commercial influence. The reality is that advertising is driven by audiences. Advertisers want to see numbers and if the primary objectives of advertisers

are audiences then the SABC needs to deliver same by making sure that there are lots of advertisements on populist programmes broadcast during prime time (period between 18h00-22h00).

A closer look at prime time confirms that this is a time when a lot of advertisements are broadcast. A time when the viewers are assumed to be at home watching their favourite soaps or dramas notably “Skeem Saam” broadcast at 18h30 on SABC1, “Generations” broadcast at 20h00 on SABC3, “Isidingo: The Need” broadcast at 19h00 on SABC3 and Muvhango broadcast at 21h00. According to the presentation made by the SABC to the Parliament Portfolio Committee on Communications (PPCC) on its performance for the period 2014/15 year, the Corporation reported that the SABC TV exceeded audience share in prime time but not in the performance period. “On average five out of twenty of SABC’s weekly programmes are consistently ranked in the top five” (SABC, 2015, p. 11)

The above mentioned programmes are not public service programming. In other words, programmes that are not popular and revenue generating such as health, children and educational programming. Based on statements by L 3 (Interview, 21 February 2015) and INT 1 (Interview, 11 November 2014) one is inclined to concur with their perceptions that the prime time scheduling in all SABCTV channels is actually when the SABC generates more money and that advertisers influence the direction of the advertisements. Thus, contrary to L1’s assertion, this is indicative of the fact that the SABC is succumbing to the needs of the advertisers. The Freedom of Expression Institute (2008) notes that “this funding model skews SABC services towards servicing audiences that advertisers consider to be attractive and forces SABC services to chase audience ratings, at the expense of broadcasting genres that may be crucial to the public mandate” (Freedom of Expression Institute, 2008, p. 28).

The view from the majority of respondents was that this funding approach is contrary to funding models in other renowned PSBs who are dependent on public revenue for viability.

According to the majority of respondents public funding from licence fees allows the SABC to be independent from government and political interference and to run its business as a PSB. One of the weaknesses, however, lies in the collection of the licence fees due to evasion by the public members. This results in the Corporation wasting more money on attorneys in the process of trying to collect licence fees from the public.

5.4 Viability and Sustainability

From the data it emerged that the majority of respondents view viability of the SABC to be centered on transparency, accountability, funding not heavily reliant on commercial advertising, and provision of excellent public service programming which is reflective of a broader society in all the official languages.

Three respondents felt that the onerous regulatory framework that the SABC is subjected to does not contribute to the SABC's viability. Of the three respondents, respondents L 1 and L 5 felt that the Regulator needs to be considerate of the current mixed funding model and introduce a gradual increase of local content [quotas] to ensure that the SABC retains its current audiences and still attract new audiences. This would ensure that the Corporation is afloat, viable and sustainable because the local content quotas will be gradual rather than an abrupt approach.

It is interesting to note that L 1 and L 5 advocate for the Regulator's consideration, when regulations are made, for viability and sustainability of the SABC to be ensured. In early 2016, ICASA published the new South African Music Content Regulations which took into account the industry's concerns (SABC included) that if the Regulator increased the quotas exponentially, it would impact on them negatively. Consequently, ICASA South African Music Content Regulations, 2016 were issued with the following new quotas:

- PSB radio 60% effective 18 months from date of publication (23 March 2016) and increasing to 70% the following year;
- Commercial radio 35% effective 18 months from date of publications (ICASA, 2016).

Despite this consideration by the Regulator, on 11 May 2016, the SABC made an on-air announcement as well as issuing a press statement stating that all SABC platforms would play 90% local content music across all its platforms (Motsoeneng, 2016; SABC, 2016). The COO of the SABC stated that this move would ensure that the Corporation reflects different styles of local music. One wonders whether issues of financial sustainability as perceived by L 1 and L 5 had been considered.

5.5 Changes to the Mixed Funding Model

The majority of respondents felt that the current mixed funding model needed to change in order for the SABC to be viable going forward. Although some views were in support of the bulk of funding coming from the government fiscus, these were few. Data further revealed that a few others were in favour of the government funds being ring-fenced to hold the SABC accountable for public service programming and programming or events of national interest such as sports, elections coverage and other public service mandate programmes.

The majority supported the idea that the SABC must be funded primarily by the public funds through licence fees. Public funding would have little strings attached to it as funds would be dispersed in terms of the PFMA which will ensure accountability by the SABC and eliminate pressures from government and advertisers. Methods of collection ranged from tax through SARS to collection through the electricity bill through Eskom or local municipality (L3, interview, 21 February 2015; L1, interview, 17 November 2014; R 4, email interview, 24 March 2015). Data equally revealed that there may be those public members who will not afford licence fees due to socio-economic conditions in the country.

5.6. Lessons from other Public Service Broadcasters

One key lesson that the SABC could learn from the most prominent PSBs in other parts of the world is that while these have adopted a mixed funding model, their main source of funding is either government funding (CBC and ABC) or public funding-licence fees (BBC). Table 4 below reflects the main source of funding for PSBs that have adopted a mixed funding model. The exceptions, as depicted in table 4 are the PSBs in Poland and New Zealand. Though not global leaders in PSB per se, the two show that South Africa is not the only country with a PSB that is largely dependent on advertising revenue.

Table 4: PSB Funding- International Comparison

Country	Main Source of Funding
Austria	Licence fee
Australia	Taxes
Belgium	Taxes
Bulgaria	Taxes
Canada	Taxes
Denmark	Licence fee
Finland	Taxes
France	Licence fee
Germany	Licence fee
Ireland	Licence fee
Hungary	Taxes
Lithuania	Taxes
Netherlands	Taxes
Poland	Advertising
Portugal	Licence fees
Spain	Revenue tax on private broadcasters and telecommunication operators
Sweden	Licence fee
United Kingdom	Licence fee
Norway	Licence fee
Switzerland	Licence fee
Turkey	2% mark up on electricity bill
New Zealand	Advertising

Source: Adapted from Cesifo–Group.de: 2014

The table above is extrapolated from Cesifo DICE Report 3, 2014 titled “Public Service Broadcasting In An International Comparison”. The category titled “Main Source of Funding” demonstrates where the prominent PSBs who use mixed funding model draw their main funding from. In other words it shows whether the PSB is funded mainly from licence fee paid by the citizens for PSB service, government funds originating from general taxation, or revenues from advertising. Of the 22 countries sampled, 10 derive their funding mainly from licence fees while in eight countries funding for PSB is derived from general taxes. Rovekamp (2014) points out that the manner in which fees are raised differ from country to country. Whereas in Turkey citizens pay 2% on their electricity bill towards PSB licence fees, in other countries such as Spain,

...part of the revenue tax that private broadcasters and telecommunication operators pay is used for PSB funding. In twelve countries, funding is derived from general taxation. In two cases (Poland and New Zealand), commercial revenues respectively advertising revenues are the PSB’s main source of income (2014, p. 51).

Whilst the table above shows the extent to which PSBs globally have public funds as part of their mixed funding model, this does not mean that public broadcasters in all these countries are necessarily viable. What follows is an analysis of each selected country’s PSBs which are following a Reithian model and are dependent on public licence fee funds for viability. This is in an attempt to draw lessons they could offer the SABC. It is crucial to note that income received by broadcasters from these funds differ substantially “both in absolute terms, and in terms of income per capita given differences in population size...” (Rovekamp, 2014, p. 51).

5.6.1 *The BBC- Licence fee*

The BBC is reportedly the largest internationally renowned public broadcaster “producing some of the best television and radio” programmes in the world (Martinson & Plunkett, 2015). Over the years, the BBC has commanded respect that no other institution has ever been able to match. Approximately 27 million unique viewers visit the BBC website with 27 million adult Britons listening to radio while 85% of the population view television (Lyall, 2010).

The BBC’s annual report and accounts 2014/2015 applauds the public broadcaster for the high quality and distinctive nature of its programmes which have been “central to the public’s enduring affection for the BBC” and no doubt its viability. Each week the BBC programmes provide information, education and entertainment to 97% of adults in the UK, something which serves as a major endorsement for the public broadcaster considering the wide range of media choices available to the public today. The vast majority of the public (over 76%) find the BBC’s programmes and content to be of superior quality as well as to be fresh and new (BBC, 2015b).

Hughes (2015) posits that “the BBC has the second largest budget of any UK-based broadcaster and has enjoyed exclusive access to monies raised via the licence fee for over 40 years” (Hughes, 2015, p. 24). In the period ended July 2015, the Corporation collected a total income of £3,735 million in licence fees alone compared to £3,726 million collected in the 2014 financial year (Hughes, 2015, p. 133); yet it still retained overall savings of £ 484 million from its total income (Hughes, 2015, p. 23)

According to the BBC’s annual report and accounts for 2014/2015, the licence fee did not increase for six years from 2010 to date. Despite keeping the licence fee flat over

this period, the BBC took on new funding obligations which have built up to £472 million per annum (13% of the licence fee) by April 2014. The new obligations that the BBC has assumed are listed in the fourth report compiled by the House of Commons Culture, Media and Sport Committee titled “Future of the BBC” (published on 26 February 2015) as follows:

- Nine national television channels (BBC One, BBC Two, BBC Three, BBC Four, CBBC, CBeebies, BBC News, BBC Parliament, and BBC Alba);
- 10 national radio stations (Radio 1, 1Xtra, Radio 2, Radio 3, Radio 4, Radio 4 Extra, Radio 5 Live, 5 Live Sports Extra, 6 Music, and BBC Asian Network);
- National television and radio services for Scotland, Wales and Northern Ireland, and over 39 local radio stations and regional TV services for England;
- BBC World Service;
- BBC Red Button interactive TV; and
- BBC Online (House of Commons, Culture, Media and Sport Committee, 2015, p. 11).

Further, the licence fee is utilised to support other services that are not necessarily BBC services such as broadband roll out, digital transmission, S4C (Sianel Pedwar Cymru or ‘Channel Four Wales’) and BBC Monitoring (House of Commons Culture, Media and Sport Committee, 2015; BBC, 2015b, p. 2).

The BBC’s funding model continues to be viable year after year. The BBC’s annual report and accounts 2014/2015 asserts that the BBC’s ‘Delivering Quality First’ (DQF) savings programme is destined to meet its target of delivering annual recurring savings of £700 million by 2016/17. By April 2015, the BBC was able to deliver £484 million total savings and £478 million sustainable savings, above the target of £475 million. This shows the broadcaster’s continued viability.

The House of Commons, Culture, Media and Sport Committee's report notes that there are some people who have argued that there seems to be no other way of funding the BBC other than tax or licence fees. At the same time, the report continues, there are arguments tilting to the fact that the principle of the licence fee in its current form is becoming harder to sustain given the changes in communication and media technology and changing audience needs and behaviours (House of Commons, Culture, Media and Sport Committee, 2015, p. 3).

5.6.2 The Australian Broadcasting Corporation's (ABC) System - Federal Funding

The ABC receives the vast proportion of its funding from the Federal Government (as shown in Table 4 above) and only a minor portion from a variety of business activities such as business licensing, music libraries and other ventures. Parliament appropriates funds and transfers them into the Department of Communications, which is then disbursed to the Corporation as government revenue (ABC, 2014, p. 121). In May 2013, however, the government, during the federal budget announced a one percent ongoing reduction to the ABC's funding base as part of its ABC and Special Broadcasting Service (SBS) efficiency savings measure. This reduction, which was announced in January 2014, was described as a "down payment" on the ABC and SBS Efficiency. The ABC's annual financial statements for the period ended 30 June 2014 commends the Corporation for its endeavour to deliver high-quality programming, independent news and information, and content that enriches Australian communities (ABC, 2014, p. 3). It is noteworthy that unlike the BBC, the licence fee does not play a major role and in fact there is no licence fee attached to the Australian public broadcaster's funding model. Nevertheless, a close analysis of this model reveals that it is sustainable and keeps the ABC viable.

In a recent ABC Appreciation Survey conducted in 2013 and 2014 by Newspoll, an overwhelming majority (84%) of respondents showed great confidence in the public broadcaster in relation to commercial broadcasters and believed that the ABC performed a valuable role. They believe that it provides content of good quality, and that the public broadcaster is doing a good job satisfying its Charter obligations (Newspoll, 2013; Newspoll 2014). Consistent with earlier surveys, most Australians (78%) perceive of ABC television as providing good quality programming, and about 67% are happy with the number of shows that they personally like to view. In contrast, only 43% describe the quality of commercial television as “good” (Newspoll, 2013; Newspoll, 2014).

The picture is rather different in the realm of radio where about 51% of Australians feel that commercial radio offers good quality programming more or less equal to public radio (Newspoll, 2013; Newspoll 2014). This mirrors fragmentation of radio listenership and niche radio market in a space where audiences are spoiled for choice in terms of variety of stations.

As for online users, the overwhelming majority of ABC Online users (90%) describe the quality of content as “good”, and this percentage represents an increase from 86 % in 2013. About 37% of respondents in 2015 describe the quality of ABC Online as “very good”. Approximately 90% of the users feel that it does a “good job” on the quantity of content it provides, whereas 42% describe it as “very good” (Newspoll, 2013; Newspoll 2014). Those that use the site more frequently are more passionate in their rating of it, and female users tend to rate the site a little more than male users as “very good” on both content quantity and quality.

The ABC is governed by its Charter which is contained in section 6 of the Australian Broadcasting Act of 1983. It has a statutory duty to broadcast innovative broadcasting

services of high standards across the country and beyond. Its statutory obligations extend to ensuring that the manner in which it gathers news and information, and presentation thereof is impartial at all times in line with recognized standards of objective journalism. (ABC, 2014, p. 206; Jolly, 2011, p.3).

The ABC is expected to make a contribution to the public and to operate differently from commercial media (which are free to be biased or partial towards private interests) as it is a public broadcaster constituted under statute and using public funds. It has to be as impartial and as objective as possible in its reporting, guided by “a balance that follows the weight of evidence; fair treatment; open-mindedness; and opportunities over time for principal relevant perspectives on matters of contention” (ABC, 2014, p. 206).

According to the ABC Appreciation Survey conducted by Newspoll (2014), the majority of Australians have consistently felt over the past few years up to the present that the ABC is doing a “good job” in terms of meeting its various Charter obligations, though there have been some subtle shifts in perceptions over time. Slightly fewer than before are of the view that the ABC does a “good job” in certain areas such as broadcasting programmes that are different from commercial television or radio. Once again, these changes and shifts in perceptions reflect the continuing fragmentation of media, offering audiences an ever increasing range of content from which to choose.

5.6.3 The Canadian Broadcasting Corporation’s (CBC) System - Federal Budget

Like the ABC discussed above, the CBC’s broadcasting system is based on patronage, meaning that the Corporation receives a significant portion of its funding from the

government of Canada. On 4 April 2012, the Corporation declared that it would be facing ongoing financial pressures to the tune of CAD 200 million over the next three years (up to 2015). The figure was made up of a CAD 115 million cut to the CBC's annual appropriation from the federal budget for the year 2012 and CAD 85 million of unavoidable costs and investments to achieve the Corporation's strategic objectives. This included costs required to ensure that the CBC keeps up with modern public broadcasters. Further, one-time workforce and other restructuring costs to deal with these additional pressures are expected to total CAD 25 million, with CAD18 million in workforce restructuring incurred during 2012–2013.

To deal with these difficulties, the Corporation carried out several cost-saving measures. Firstly, it effectively transformed (Radio Canada International RCI) into a web-only service where Canadian citizens and international audiences could access content in five languages, namely English, French, Spanish, Arabic and Mandarin. Secondly, CBC dismantled about 600 analogue transmitters and also revised its current transmission and real estate portfolios to increase self-generated revenues. Thirdly, the Corporation has been able to profitably lease surplus space in its properties, with nearly 390,000 square feet leased at the end of 2013. All the steps taken are in line with the Corporation's plan to bring down its footprint by 800,000 square feet by 2017 (CBC, 2013, p. 18). The CBC example demonstrates that even the larger PSBs do face serious economic challenges but nevertheless they are able to overcome them because they have good corporate governance structures in place.

This section has demonstrated that the heavy dependence of renowned public broadcasters on the state does not necessarily lead to government interference in the running of the broadcasters. Provided the public broadcaster has a clear Charter that spells out the public broadcaster's obligations and the role of the governing body, the public broadcaster can remain independent and impartial and be able to deliver

programmes of good quality. There is no other better way of retaining the loyalty of audiences and/or users.

5.7 Mechanisms Used by SABC to Collect and Enforce Licence Fees

As part of its funding model, the SABC also generates income from licence fees. In terms of section 27(1) of the Broadcasting Act, any person or entity (except public schools) that has a television (TV) set in its possession and/or uses the TV set; is required to pay the TV licence fee unless exempted by a regulation. This payment is irrespective of whether a TV set in one's possession is utilised or not (RSA, 1999; SABC, 2013a). The current annual licence fee is ZAR 265.00. People who qualify for concessionary domestic television licence (ZAR74) are those who receive social grants from the government on the grounds of being aged or disabled, war veterans as contemplated in the Social Assistance Act of 1992 as well as of 70 years and older subject to them meeting certain provisions. Public schools are not subject to payment of TV licence (SABC, 2013a, p. 2; Doc, 2013). The public broadcaster manages the collection of TV licence fees. Licence fees are payable annually in advance and according to the Act, failure to pay the licence fee is an offence and there are penalties involved.

A major concern revealed by the data was that the method of collecting licence fees by the SABC is not effective. From the respondents' perspective, to date, the SABC has not managed to licence every television set. In addition, the SABC ends up spending a lot of effort and money on administration and collection of the licence fees.

The general view shared by most respondents was that not everyone who owns a TV set has sufficient resources or funding to pay TV licences. The unanimous agreement was that the SABC needs to conceptualise the issue of licence fee correctly and collect it efficiently. This will result in the SABC relying less on advertising and perhaps there

will be no need for the Corporation to go to Treasury for funding. However, there was a further disappointment echoed by respondent L3 that the concessionary exemption is not necessarily considering the fact that certain sectors of the society cannot even afford to buy a loaf of bread.

Having highlighted the challenges with the Corporation's mechanisms of collecting licence fees, let us look at how other prominent PSBs have collected and enforced licence fees with the view to address challenges identified with the SABC's collection system.

5.7.1 The British Broadcasting Corporation System

One of the unique characteristics of the BBC is the manner in which it is funded and that is through an obligatory licence fee, except for the miniscule government grant and commercial services it operates. By way of background, the Department for Culture, Media and Sport (DCMS) (2015), the television licence fee was first introduced in June 1946 to cover the costs of operation of the 405-line (monochrome analogue television) service. Before this period, the licence fee was only applicable to radio services. However, a colour television increment was added to the licence fee in 1968 subsequent to the dawn of colour broadcasts (DCMS, 2015, p. 5).

It was only in 1991 that the BBC took over collection and enforcement of the television licence fee from the Home Office. The current licence fee has been frozen at £145.50 per household since 2010/11 and the status quo will remain until the end of the 2016/17 financial year (DCMS, 2015; House of Commons, Culture, Media & Sport Committee, 2015). According to the Department for Culture Media, and Sports, discounts are given to elderly people over 75 years of age and for blind people. Although the licence fee has been frozen, some people view this obligatory fee as archaic,

...given the changes in communications and media technology and services over the last decade, and changing audience needs and behaviours. There is now a wide availability and choice of delivery platforms and mobile receiving devices, content (linear and non-linear) and services, social media, interactivity and connectivity (House of Commons, Culture, Media and Sport Committee, 2015, p. 70).

Any household that watches television programmes or records these as they are aired or transmitted through satellite, terrestrial, cable or online, or receiving these programmes through “computer, mobile phone, tablet, set top box, DVR or games console” is expected to have a television licence (House of Commons, Culture, Media and Sport Committee, 2015, p. 70). Nonetheless, a television licence is not required in instances where a television is used exclusively to watch DVDs, play video games, or where programmes are viewed through catch up services (including the BBC iPlayer) or connected TV after they have been shown on television (House of Commons, Culture, Media and Sport Committee, 2015, p. 70). The BBC Trust plays an oversight role in the collection arrangement of the licence fee and reports on this matter in its annual reports.

In its consultation report titled “TV Licence Enforcement Review”, the DCMS states that currently, in terms of the Communications Act of 2003, failure to hold a TV licence when one is essential is regarded as a criminal offence. In England and Wales, the offence of this nature warrants a maximum penalty of a fine and warrants a maximum penalty of a fine of £1000. During the period 2013/14 fiscal year, the average fine was reported to be £170. Nevertheless, the level of fines may be reduced for citizens or those who are lower level-income earners as fines and levels thereto are largely linked to means (DCMS, 2015, pp. 5&9). However, the Ministry of Justice has undertaken to introduce legislation geared towards altering the manner in which the current enforcement system is operated (DCMS, 2015, p. 10).

5.7.2 The German System

In contrast with the British system, in Germany the previous system of funding the PSB was premised on the number and types of broadcasting receiving devices, for example radio, TV and computers in a property. This method was changed in January 2013 and as it stands, there is a flat fee for every household. As a consequence, it is irrelevant as to how many adults live in a particular household, the devices they own or use. Every household is subject to the flat charge. The change in the system was, by and large driven by two factors. On the one hand, it was due to the realisation of the growing difficulties of distinguishing between categories of devices in a multimedia environment. On the other hand, the past inspection dispensation had been totally discredited as too costly to run (House of Commons. Culture, Media and Sport Committee, 2015; EBU, 2015).

5.7.3 The Finnish System

As of 2013, Finland's PSB (YLE) has been mainly funded by the public in the form of public broadcasting tax, also known as YLE. This method of funding substituted the licence fee. Much like in Germany, the Finnish YLE is a personal tax paid by people irrespective of whether such individuals have television sets or whether or not they watch TV; as a result of which there can be numerous qualifying YLE taxpayers in the same household. Currently, the YLE for individuals is 0.68% of their income but with an upper maximum contribution of €143. If a person's contribution is calculated at below €51 then that individual does not have to pay. Organisations and foundations are also expected to pay the tax. "The contribution is paid into a dedicated fund which is separate from the State budget" (EBU, 2015, p. 10).

The manner in which the YLE tax and the lower limit (€51) are designed is such that all persons who are either unemployed or on low income levels pay a miniscule

amount or no contribution at all. For example, students with little or no income apart from study grants are exempt from the YLE tax. Given that the system was only introduced in 2013, it may be premature to determine whether it has been successful.

As can be seen from the above, even though other systems depend on tax and others on licence fees, there are striking similarities that are worth noting. For example, in the BBC and the Finnish systems there is an obligation to pay whether you own or watch the TV set or not, through tax and/or licence fee. What is most interesting though with the Finnish system is that all citizens under the age of 18 are exempted from the tax licence fees. Similar to the British system, the Finnish system give discounts to the elderly over the age of 75, as well as for blind people– Recipients of certain welfare benefits in Germany and Finland (such as unemployment benefit) entitled to apply for exemption from the fee, as are students living away from home. (House of Commons Culture, Media and Sport Committee, 2015, p. 81; EBU, 2015, pp. 8-10).

5.8. Collection Costs

As reflected in the table below, the cost for SABC TV licence including value added tax (VAT) is ZAR 265 with concessionary licence amount being ZAR 74.

Table 5: Television Licence Fees

ANNUAL TARIFF	CURRENT
Domestic licence	R265.00
Concessionary domestic licence	R74.00
Dealer, Business & all other licence categories	R265.00
Instalment payments	R28.00 per month (12 x R28.00) = R336.00

Source: DoC, 2013

The data collected through interviews revealed that not every citizens pays the TV licence whether concessionary domestic licence or domestic licence. This results in significant evasion rates. However, the criticism lies in the fact that the TV licence does not recognise the fact that the majority of South Africans are unemployed and live below the poverty line. In addition to this is the excessive penalty of 10% each month on outstanding TV licence fee.

In a divergent view, one respondent (L 5) indicated that the value of TV licence collection is undervalued by approximately ZAR 800. L 5 raised his concern that people afford to pay ZAR 700 for DStv and given this fact, L5 believes that the collection cost for an annual TV licence should be ZAR1000 instead of the current ZAR 265 (L 5, interview 18 February 2015).

The overwhelming concerns regarding the collection costs are an indicator that this is an issue that needs to be addressed. Having dealt with the collection costs in respect of the SABC, the sections below deal with collection costs from specific PSBs, their challenges and successes for lessons that can be learnt by the Corporation.

5.8.1 *The British Broadcasting Corporation*

One of the apparent criticisms of the licence fee method is the exorbitant cost in relation to its collection. According to the House of Commons, Culture, Media and Sport Committee report (2015) in the previous year, 2014, it cost about £102 million to collect the licence fee. Nevertheless, since the BBC has taken over collection from the Home Office, the BBC has been successful in bringing this cost down. For example, collection costs have come down from 6% to below 3% and the levels of evasion to pay the fee have fallen from around 10% to just around 5% (House of Commons, Culture, Media and Sport Committee, 2015, p. 82).

Although there are disadvantages attributed to the licence fee such as the collection costs, the House of Commons argues that there are some advantages as well and these are outlined below as follows:

- simple and straightforward;
- secure and more predictable source of income which allows for long-term planning;
- meant in theory to maintain the BBC's independence from commercial and political considerations;
- allows the BBC sufficient income to benefit from economies of scale;
- universality- where BBC's services are available on a free-at-the-point-of-use basis

(House of Commons, Culture, Media and Sport Committee, 2015, p. 71).

What is worth noting is that in spite of the challenges such as the 5.5% evasion rate, the House of Commons states that the licence fee is obligatory even for those TV homes that do not use the Corporation's services. In addition, "all pay the same regardless of income or size of household" (House of Commons, Culture, Media and

Sport Committee, 2015, pp. 82-83). The BBC method works for the Corporation and has seen it as being viable.

5.8.2 France

In France, PSBs are predominantly funded by an annual licence fee commonly referred to as the *contribution à l'audiovisuel public* (Benson & Powers, 2011; Open Society Institute, 2005; Mendel, 2011). The television licence is collected with the French equivalent of their council tax called *taxe d'habitation*. The licence fees are collected by the tax authorities. It is a tax that everyone has to pay if they do not state that they do not own a television set. This obligation is paid at the same time as the local taxes. Subsequently, the government allocates the amount collected from the taxes to different public services (public television broadcaster: “France Télévisions”; public radio broadcaster: Radio France; National Institute for Audiovisual (INA- it is the organism that maintains programs) (Anonymous, personal conversation, October 2015).

There are positives in collecting the licence fee through tax or utility bill. According to the House of Commons, Culture, Media and Sport Committee report,

...one advantage of collecting a licence fee with another tax or through a utility bill is that the collection costs can be shared with another body and reduced. If the licence fee were collected through the Council Tax or with a utility bill, non-payment could be pursued through the civil courts. Additionally, to a limited extent, if it were collected via the Council Tax there could be some way of applying simple means tests for certain demographic groups, for example pensioners in receipt of the Pensioner Credit, for whom concessions might be considered desirable (House of Commons, Culture, Media and Sport Committee, 2015, p. 82)

5.8.3 Germany

With regard to the German system, the eradication of the previous investigatory measures used by the revenue collection service to not only determine people's living circumstances but also to check the number of receiving devices in use in a property has seen the new system being advantageous in two ways. Firstly, everybody pays into a tax – because it is a blanket fee charged to all households. Secondly, when the new system was introduced, it was revealed that in actual fact, the number of households who were previously evading the old licence fee was much higher than believed. As a consequence, this has resulted in the new broadcasting levy being set at a lower level than the old licence fee while maintaining funding levels for the PSB, thus keeping it viable.

5.9. Governance Structures, Transparency and Accountability

In analysing the data, it transpired that almost all the respondents agreed that the ability of the SABC to adhere to the principles of good corporate governance, could serve as enablers for its long term sustainability and viability. As indicated under literature review, good corporate governance is about mechanisms by which companies, and those in control, are held to account. It is about effective leadership. Consequently, leaders should rise to the challenges of modern governance. Such leadership should be characterised by the ethical values of responsibility, accountability, fairness and transparency and based on moral duties and must direct company strategies and operations with a view to achieving sustainable economic, social and environmental performance (ASX Corporate Governance Council, 2014; Institute of Directors in Southern Africa, 2012).

The data indicated that the governance structure of the SABC is governed by the Charter as contained in Chapter IV of the Broadcasting Act. It outlines the process by which the appointment of the Board is undertaken and that the Board is appointed by

the President. Further, it stipulates that the Board holds the Executive of the Corporation accountable for operational delivery and editorial accountability. Nevertheless, there is a gap between pronouncements of what the Act say and the actual practice of governance at the SABC.

5.9.1 SABC Lacks Principles of Corporate Governance

It emerged that although there is some level of accountability to the Regulator and Government by the SABC, the problem with the governance of the Corporation is the Board nomination process. Often, the people who are appointed at this level are affiliated to the ruling party and some of them do not even possess the necessary credentials. The Chairperson of the Board – who subsequently resigned, faked her credentials. Adding to this has been the COO who has been in the media for the same reasons. Respondents questioned as to how then can the SABC be viable when it lacks the fundamental principles of corporate governance.

Corporate governance principles make it incumbent for entities to be able to deliver a flexible, agile and strong governing structure with clear accountability which will enable the organisation to be more creative, better able to take focused, value for money decisions. The governing structure must be able to take independent decisions and be insulated from influence by funders (politicians, advertisers or sponsors). Ultimately, it must be accountable to the public. Good corporate governance is about leadership, accountability and openness, the key characteristics that define any institution, including PSBs.

Judging by INT 2's response earlier that the SABC never shared information with the Board, as to how much the activities of the Corporation cost, in order to determine what would make the Corporation viable, it appears that the Board of the SABC does

not understand what its fiduciary duties entail and lacks the principles of good corporate governance and accountability as imbued in the King III Report.

Considering the above, it is apparent that there are problems at the SABC at governance level that require immediate attention. To address these problems, the SABC can emulate lessons from the BBC as one of the successful public broadcasters in the world and often perceived as the best practice model.

The BBC Trust is the governing body that exists in terms of the Royal Charter to provide and set strategic direction to the BBC, it measures the performance of the Corporation and holds the Executive accountable for operational delivery, editorial and creative output in accordance with the framework set out by the Trust. Fundamentally, the governing body exists in order “to get the best out of the BBC for licence fee payers” (BBC, 2015b, p. 1). The latter is arguably achieved because the Trust comes from different backgrounds and bring with them diversified skills and experience, among other things (BBC, 2015b, p. 36). Moreover, the Trust asserts that it operates in line with the published procedures. Its decisions are solely governed by its Standing Orders and they as Trustees adhere to the Code of Practice (BBC, 2015b, p. 38). The Trust appoints Audience Council members comprising independent volunteers from outside the BBC. The Audience Council members assist the BBC Trust by conducting audience reviews and ensuring that the BBC is accountable for a number of public commitments each year including, but not limited to, programming and production quotas, service licence commitments, and promises made as part of its Statements of Programming Policy.

According to the annual report for 2013/14 financial year, the BBC reported that good governance is the way by which it guarantees independence, delivers its mission and accounts for its actions. One of the success stories of the BBC in terms of its

governance structures is that while it is made up of a mix of skills, the Board works as a strong and very lucid team. It can be argued that these traits contribute to the sustainability and viability of the Corporation. As argued in Chapter 4 (Research Findings), one of the key ingredients of a sustainable public broadcaster is the existence of a Board that adheres to good corporate governance and is accountable to the public.

5.10. Independence and Impartiality

In addition to a solid governing structure, another key feature of a viable public broadcaster is the extent to which it is independent from other forces, be it government or commercial. In other words, it should be able to fulfil its mandate of informing, educating and entertaining the public without pandering to the interests of other forces.

According to the World Radio and Television Council (2001), public broadcasting is a vehicle by which ideas and information are expressed freely. The Council notes that this is “only possible if the independence and therefore freedom of public broadcasting is maintained against commercial pressure or political influence” (World Radio and Television Council, 2001, p.12).

The SABC’s editorial policies read with the respective licence terms and conditions as converted in 2008 during ICASA’s licence conversion process are paraphrased in below as follows:

The Licensee shall in the production of its news and current affairs programming,

- exercise full editorial control in respect of the contents of such programming;
- include matters of international, national, regional and, where appropriate, local significance;
- meet the highest standards of journalistic professionalism;

- provide fair, unbiased, impartial and balanced coverage independent from governmental, commercial or other interference; and
 - provide a reasonable opportunity for the public to receive a variety of points of view on matters of public concern.
- (SABC, 2004; ICASA, 2008).

The analysis of the data revealed that the majority of respondents are concerned that the SABC is not independent from external forces. The fact that the SABC has received and continues to receive negative media coverage in respect of its political independence is indicative of an institution that panders to political influence and pressure. On 05 December 2012 for example, the *Mail and Guardian* reported on allegations of blacklisting on Metro FM where an interview with three political journalists scheduled for broadcast on 4 December 2012, was cancelled minutes before commencement. The interview sought to discuss the media coverage leading up to the African National Congress conference in Mangaung, Free State Province (Serino, 2012).

The COO of the Corporation later reported that the interview was cancelled due to the absence of the party (ANC). The issue of independence is closely linked to good corporate governance. Judging by the respondents' views, it is clear that for as long as the SABC lacks a strong governance structure that is disciplined, accountable and impartial, it will never be able to navigate the challenges related to its independence and emerge unscathed, always in spite of its editorial policy in place.

In response to these problems at the SABC, the lessons learnt from other PSBs indicate that independence from external sources and impartiality in all news and current affairs programming does contribute to the viability of these PSBs.

5.10.1 *The British Broadcasting Corporation*

The independence of the BBC is imbued in and guaranteed by the BBC Royal Charter. The Corporation asserts that its editorial decisions are free from government interference and pressure.

That the BBC is able to fulfil this mandate without interference or influence, is supported by a report titled “Future Priorities for the BBC: An Audience View”, conducted in February 2015 by ICM-Unlimited. This report suggests in addition that this core mission is thought by the majority of Britons to be worth retaining. The main findings of the ICM-Unlimited report include the following:

- Every single area of future focus for the BBC is considered to be important by the majority of the public, but being impartial in all news and current affairs programming does establish itself at the top of the importance hierarchy.
- Providing good quality programmes and licence fee value for money also score highly.
- News is considered to be the most important type of content for the BBC to provide, particularly at a UK level. People in the nation also place more importance on affairs closer to home, than do English-based residents. There is also a very wide range of other types of content, which a majority feel it is important for the BBC to provide.
- The idea that the government/MPs should take charge of any governance function is strongly rejected, even for functions where the government currently has responsibility, such as setting the level of licence fee. An independent body is thought to be best placed to take most responsibilities, although the public think BBC management should retain those linked to problem-solving and innovation (ICM-Unlimited, 2015, p. 3).

The question of the perceived impartiality of the BBC is critical in determining the appeal of the BBC. At the moment some of the most powerfully divisive events in the UK and abroad include dreadful violence in the Middle East, religious fanaticism in the UK, the Scottish independence referendum, and the events following the most contested general election in living memory. Reporting on these events requires a great measure of impartiality and the BBC has shown firm commitment to this principle, thus retaining the approval of audiences. In fact, the BBC conducts a survey of audience perceptions of the trustworthiness and impartiality of the public broadcaster on an annual basis. The 2014/2015 results indicated the continued dominance of the BBC which far outstripped its closest rival as the most trusted news provider – 57% compared with just 11%. Nevertheless, as other sources of news increase, broadcasters in general, including the BBC have witnessed a substantial decrease in the number of audiences who rate them highly for impartiality.

In the interest of deepening impartiality in a society that is progressively becoming more diverse, the BBC is increasingly becoming sensitive to the need to reflect a broad spectrum of opinions and perspectives in its programme content to cater for diverse audiences. In 2013, for example, the BBC commissioned an independent review of scope of opinion in BBC News, and in December 2014, BBC News gave a report back detailing measures it had taken to implement the findings of the review. While these developments were welcomed, it was clear that more needed to be done for the broadest possible range of experiences and perspectives to be captured by the public broadcaster that mirrored an increasingly heterogeneous society.

Despite the loyalty of the overwhelming numbers of audiences, we cannot ignore the fact that the BBC is facing major challenges in the sphere of younger audiences, as well as among the poor and non-white audiences that form part of the British society. In line with the global trends, younger adults are less inclined to watch TV and listen to the radio, preferring instead to access more content online. The BBC's TV and radio

services are affected by these new global trends and attempts have been made to catch up with the developments. However, so far the BBC's online content has not yet been able to attract and retain younger audiences who spend less time watching TV or listening to radio services. The BBC has a mandate to serve everyone including the younger audiences; it is still facing the challenge of finding more creative ways to transform mainstream services to better cater for the needs of younger audiences.

5.10.2 Australian Broadcasting Corporation

The annual report and financial statements 2013/2014 extols the ABC for being accountable to Australians by delivering high media content in an effective and answerable way. This accolade is attributed to the strong governance framework of the ABC which ensures that it fulfils its formal obligations as a statutory corporation (ABC, 2014).

According to Section 8 of the ABC Act of 1983, the Board is responsible for ensuring the functions of the Corporation are performed efficiently in ways that offer maximum benefit to the citizens, without losing its independence and integrity. It is the duty of the Board to ensure accurate and unbiased gathering and presentation of news and information in accordance with the recognized standards of objective journalism. It is expected to develop codes of practice on matters of programming; to make sure the ABC Act and other relevant laws are complied with; as well as to reflect on issues of Government policy pertinent to the functions of the Corporation when requested to do so by the Minister. The ABC Act also obliges the Board to formulate corporate plans for the ABC and to advise the Minister on any matters with the potential to cause major deviance from those plans (ABC, 2014, p.11). The fact that there is such a strong hand of the state in the Board perhaps raises some serious concerns about the extent to which it can be truly independent and free from state interference. Lack of independence is likely to make the public broadcaster unpopular. Despite all this, Australian audiences

have an enormously high regard for the ABC (as shown earlier), praising it for independence and good quality programming.

5.11 Conclusion

This chapter has briefly analysed the findings from the previous chapter. The analysis has reiterated the findings in the previous chapter which reveal that the majority of respondents agree that there are problems with the current mixed funding model of the SABC and that it needs to be changed for the SABC to be viable going into the DTT. The primary dependence of the SABC on commercial funding, especially advertising makes it an anomaly (even though few other PSBs globally such as New Zealand and Poland do the same) and raises the concerns as to its ability to satisfy its audiences by fulfilling its public mandate. In addition, the analysis indicates that the SABC lacks a strong governance structure that acts independently, particularly from government influence. These, the analysis has revealed, are the key enablers for a viable PSB.

Secondly, in an effort to address the problems highlighted regarding mixed funding model and issues of viability of the SABC; this chapter has also demonstrated the extent to which most global PSBs depend on public funds and others on government funds for their viability. It has been argued that PSBs such as ABC and CBC and other viable public broadcasters depend largely on government grants and the BBC depends on public funds (licence fee). Whilst these PSBs have had to contend with economic difficulties and shortage of financial resources, they have often resorted to finding alternative forms of raising revenue, including commercial means, to sustain themselves. However, such alternative forms have only been able to supplement the main sources of funding public funds. The next chapter deals with recommendations based on lessons learned from international best practice.

CHAPTER 6- CONCLUSIONS AND RECOMMENDATIONS

6.1 Introduction

In concluding this research report, this chapter brings together the discussions from the previous chapters, including the findings from the data collected and proffers recommendations for a funding model for the SABC that would ensure its viability as a public broadcaster. This chapter begins by reiterating the objectives of this study. It then outlines the key findings and lastly the recommendations.

6.2 Objectives of the Study

The main objective of this study was to determine the extent to which the implementation of the current mixed funding model by the SABC has affected the viability of the Corporation. This objective was attained through the semi-structured face-to-face interviews conducted with the respondents of this study, as well as one interview via email.

The first research question revolved around the extent to which the cross- subsidisation mandate of the SABC, has affected its viability. The second research question related to the strengths and weaknesses of the mixed funding model while the third concerned the changes that can be brought about to the mixed funding model to increase the viability of the SABC.

6.3 Research Questions

6.3.1 Cross-Subsidisation

The Broadcasting Act of 1999 as amended (Act) provides for the commercial services of the SABC namely SABC3, Metro FM, Good Hope FM and 5FM to be operated like

all commercial services. Further, the Act requires the commercial services (commercial wing) to subsidise the public services of the SABC. Thus, in response to research sub-question one, (To what extent has the cross-subsidisation mandate affected viability of the SABC?), respondents' answers indicated that the cross-subsidisation mandate of the SABC has not been effective, thus affecting overall viability. The respondents indicated that this challenge has even been raised at Parliament. This law of cross- subsidisation was imposed on the organisation and although its intentions were good, the implementation resulted in problems related to, amongst other things, accounting for common shared resources of the Corporation such as infrastructure, Human Resources, Legal services and so forth. In addition, respondents highlighted that overall this mandate has steered the SABC towards the commercial direction away from the public service mandate. This has given the Corporation no relief because, according to them, the commercial services have not generated enough revenue to allow for cross- subsidisation. This they attributed to the fact that the commercial wing of the SABC has its own competitors externally. Although it appears that there is protection for radio services because of their availability at national level, for SABC 3 (which is a commercial service TV channel), there is no protection because it has to compete the same way as commercial entities. The reality was that SABC1 and SABC2 (public TV channels) generate more revenue than SABC3.

Given the above, there was an overriding and express call for the change in and/or review of the policy and legislative framework to ensure a clear distinction between the public and commercial operations of the SABC, to split the shared resources properly so that these can be managed accordingly. This would necessitate more action from the Independent Communications Authority of South Africa (ICASA) in monitoring the SABC's compliance with the Charter. It was felt that through enforced transparency of separation of accounts between commercial and public arms of SABC, as monitored and enforced by the regulator, it would be ensured that cross-

subsidisation can only be in one direction, from the commercial to public arm and not, as is presently the case.

6.3.2 Strength and Weaknesses - Mixed Funding Model

The key conclusions of this research report in relation to sub question 2 are outlined below as follows:

Table 6: Strengths and Weaknesses of Mixed Funding

Strengths	Weaknesses
<ul style="list-style-type: none"> • The mixed funding model as it currently stands is not significantly reliant on Government funding. Ideally, this allows the SABC a great measure of independence from Government influence, something which is a concern for media observers in South Africa. • The SABC is able to generate a substantial income from advertising. • The licence fee is very valuable because it links individual households to the public broadcaster and has the potential to make the PSB accountable to public audiences. • The licence fee allows the SABC to be independent from government and political interference. It also allows the public broadcaster to run its business as a public broadcaster. 	<ul style="list-style-type: none"> • Excessive reliance on advertising revenue compromises the PSB mandate because it is susceptible to commercial influence, thus undermining the independence of the SABC. • The disproportionate dependence of the SABC on advertising revenue is an anomaly as other more successful PSBs using the mixed funding model globally are more reliant on public funds (BBC) and government funds (ABC, CBC). • There is a problem with the collection of licence fee because of evasion on the part of the consumer public. As such, the SABC, which directly collects licence fees from the public, ends up wasting a lot of money on collection fees and attorneys.

Source: Respondent's Interviews 2014-2015

6.3.3 Changes to the Mixed Funding Model

Divergent views emerged on the changes to the current mixed funding model of the SABC. Nevertheless, there was agreement that the current mixed funding model is not appropriate for a public service broadcaster given the fact that it derives a huge portion of its funding, (over 74%) from advertising revenue in the 2014/15 financial year which impacts optimum delivery of its public service mandate. Some views articulated were that in the context of the SABC, its role is not to make profits for the shareholders, but at the same time, the Corporation cannot run at a loss. It must balance its books and generate enough revenue to maintain its operations and to deal with future challenges such as the move to DTT. Running and maintaining new services in a multichannel environment will be expensive. The SABC would have to maintain its audiences by ensuring that it is more innovative like the other viable PSBs such as the BBC, and provide programming that addresses public service imperatives first and foremost and commercial interests last. If it does not, the SABC would not be viable.

Consequently, the licence fees and government grants for the SABC must be increased significantly. Some views albeit few advocated for a bulk of funding to come from the government fiscus. Others still very miniscule felt that the increased government grant must be ring-fenced to ensure that the SABC delivers on its public service mandate, including local content programming, coverage of elections and broadcast of sporting events of national interest (as one of the critical social, cultural catalysts in terms of nation building as well as redressing the past and expose people who have not been previously exposed). Sceptics feared that a bulk of funding from the government fiscus might lead to the lack of independence from political influence by the Corporation. Nevertheless, given the current economic environment chances of the SABC procuring additional funding from government are minimal.

The challenges currently are that the licence fee is paid on TV sets and not on radio sets. The collection method, whereby the SABC itself directly collect licence fees from the public seems to be ineffective. The SABC ends up wasting significant amounts of money trying to recoup the licence fees. Ultimately, a great deal of money is spent on attorneys trying to collect these fees from evasive public that is unwilling to pay in part due to lack of affordability in some instances, and concerns about the quality of the PSB service in other instances. This could be worse in a multiplatform environment.

6.4 Specific Recommendations

This study makes the following specific recommendations on issues of viability of the SABC, based on information drawn from primary sources used in the previous chapters:

In line with international best practice, the SABC should be funded predominantly from a licence fee collected not by the public broadcaster itself, but by SARS. Given the socio-economic conditions in South Africa of poverty and unemployment, the tax paid to SARS, (not as part of pay as you earn (PAYE) but some other form of tax) should include a specific portion or amount earmarked as licence fee for all taxpayers, except perhaps the elderly over the age of 65, the unemployed, people with disabilities, students below the age of 25 who should be exempted completely from a licence fee.

While the SABC should continue with the mixed funding model for its viability, its funding structure should be overhauled in such a way that between 70% and 80% of its total revenue should be generated from licence fees, in line with international best practice and in this case the BBC. This would reduce the likelihood of the SABC ever being influenced by the advertisers (upon which the SABC is heavily reliant under the current funding regime) and government. Such a funding structure would enable the

public broadcaster to be independent from government and advertising interests and responsive and accountable to the public. Government funding should constitute a maximum 15% towards the total funding of the SABC. This amount must be ring-fenced and reserved for public service programming specifically for events of national interest such as the purchasing of sports rights as one of the critical social, cultural catalysts in terms of nation building and coverage of elections.

Revenue generated through advertising should not exceed 5 % of the total revenue of the SABC if the influence of commercial interests is to be checked. This percentage must be reserved for the Corporation's commercial services. No advertising must be allowed on any of the SABC's public services.

6.5 Other Recommendations

A solid and independent governing structure, which is a key requirement for a viable public broadcaster is an imperative at the SABC. A governing structure is responsible for giving strategic direction to an organisation, something that the SABC currently lacks. The governing structure of the SABC, that is, the SABC Board of Governors, has to have some measure of independence from other forces, particularly government and advertisers, for the public mandate to be realised. In other words, the SABC as a whole should be able to fulfil its mandate of informing, educating and entertaining the public without pandering to the interests of other forces. The editorial decisions of the Corporation should be free from government interference and pressure.

6.6 Some Contributions to the Body of Knowledge

The study has added to the discourse on public service broadcasting funding and has made recommendations based on empirical data and an evaluation of PSB funding models and practices in other jurisdictions.

6.7 Suggestions for Future Research

From the study conducted a possibility for a further study has emerged. A study can be conducted to establish how the SABC could be more innovative and look at more dynamic ways of funding its public service obligations as a means to reduce excessive reliance on a public licence fee, collected via SARS.

6.8 Conclusion

This research report has identified the major problems that the SABC is experiencing with regard to viability partially caused by its mixed funding model. It has drawn some important lessons from the successful and viable renowned PSBs such as the BBC, ABC and CBC. In the main, it has shown that the ABC and CBC are successful and as much as they rely on commercial activities, they are largely funded by government /federal grants. In contrast, the BBC is largely dependent on licence fees. The manner in which licence fee is collected, determines the viability of the public broadcaster. The SABC could learn a valuable lesson from other PSBs such as France and Germany where the licence fee forms part of the tax that all citizens have to pay, of course in the South African context excluding the poor, the unemployed and elderly from the age of 65 years and students below 25 years. The licence fee is then deducted by SARS and channelled to a specific Trust for usage by the public broadcaster. At the same time, however, the viability of the SABC must not be viewed and seen narrowly in terms of finances but rather from an audience perspective and ability of the Corporation to fulfil its mandate as these are intrinsically intertwined.

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Annexure A: Interview Protocol



Masters research

Information Sheet:

TITLE OF RESEARCH:

An analysis of the Financial Viability⁹ and Sustainability of the Mixed Funding Model of the Public Broadcaster in South Africa 2004-2014¹⁰

Name of student: Fikile Hlongwane, mobile: 079500 2103

Student No. 9302985K,

Supervisor: Kiru Pillay, LINK Centre, University of the Witwatersrand

⁹ The title of this study was changed based on the suggestion of the examiner. However the original title of the study has been retained in the interview protocol as per ethics clearance

¹⁰ It was realised after the data collection that the time period 2004-2014 was not appropriate

Contact Details: Email- kiru2010@gmail.com; Cell: 082 602 7261

Invitation:

As part of fulfilment of the requirements for the degree of Master of Arts in the ICT Policy and Regulation at the University of Witwatersrand, I am required to submit a dissertation of limited scope. The approved research topic reads: *An analysis of the financial viability and sustainability of the public broadcaster's Mixed Funding Model in South Africa*

You are invited to participate in this study by responding to a limited number of questions for this purpose. You have been selected as a key respondent based on your knowledge, experience and association with the Public Broadcaster. As an interviewer, I would like to conduct a one-on-one interview with you, which should take sixty minutes. This is a qualitative research study, which is mainly aimed at the description or interpretation of the data collected.

Overview of the study:

This study seeks to understand the SABC's current mixed funding model and the impact it has on issues of viability and sustainability, as well as the rationale behind its adoption since the mid- 1990s.

Deciding to participate:

Participation is entirely voluntary. You are free to withdraw at any stage without giving a reason. There are no risks to participation. The study may have several beneficial outcomes, as the topic is of interest to persons and institutions active in the ICT policy and regulation environment. A few quotations from selected interviews may be included in the final report, with the respondents details anonymised. The examined report will be published in the Wits open access repository WIReDSpace.

Anonymity and confidentiality:

Any limited personal information collected about you will be kept confidential. Your name will not be listed in the published report, unless specifically agreed to. The anonymised data generated in the course of the research will be kept securely in paper or electronic format.

Consent and Confidentiality Form

Part A: Letter of Consent

(To be signed by all research respondents)

I have consented to participate as a research respondent in Fikile Hlongwane's Master of Arts in the field of ICT Policy and Regulation. I understand that the data collected and analysed as a result of the research will form part of the main body of her Master's Research Report to be submitted to the Faculty of Humanities at the University of the Witwatersrand. I also understand that her studies will be used for educational/academic purposes. I understand that I will be guaranteed anonymity during the actual research process as well as in the final research report.

By signing this letter of consent, I agree to the following – (tick the relevant section/s):

Participating in interview	
Interview sessions being audio-taped	
The researcher taking field notes	

Designation: _____

Name of Institution: _____

Respondent's Signature _____

Date _____

Time of Interview _____

Masters research: INFORMED CONSENT FORM

Title: An analysis of the Financial Viability and Sustainability of the Mixed Funding Model of the Public Broadcaster in South Africa 2004-2014¹¹

Please initial box

1. I confirm that I have read and understand the information sheet
for the above study and have had the opportunity to ask questions.

☐

2. I understand that my participation is voluntary and that I am free
to withdraw at any time without giving a reason.

☐

3. I understand that the researcher will not identify me by name in any
reports using information obtained from this interview and that the views
I express will remain confidential; **OR**

☐

4. I agree to my name being listed as a participant in this study in the
annexure to the report, but not to be referenced in the main body of the
report.

☐

5. I agree to the interview being audio recorded.

☐☐

¹¹ It was realised after the data collection that the time period 2004-2014 was not appropriate.

6. I agree to the use of anonymised quotes in the dissertation.

7. I agree that data gathered from me in this study may be stored
(after it has been anonymised) and may be used for future research.

☐

Name of Research Participant

Date

Signature

Name of Researcher

Date

Signature

ANNEXURE B: INTERVIEW QUESTIONS

PLEASE NOTE THAT THESE ARE GUIDING QUESTIONS.

Section 1 General Background

- Please tell me about yourself and your exposure and role at the SABC generally and its financial side more specifically.
- What in your opinion is the main purpose of public service broadcasting?

Section 2 SABC'S FUNDING MODEL

- What can you tell me about the SABC's current funding model? How is it similar or different from the previous one?
- What is the mixed funding model all about?
- What in your opinion was the reasoning / motivation behind the mixed-funding model?
- From which source does the SABC derive the bulk of its funding?
- What are the strengths and weaknesses of the mixed funding model?
- What are the SABC's revenue streams that you familiar with?

Section 3 PSB VIABILITY AND SUSTAINABILITY

- Are you able to define financial sustainability in the context of public service broadcasting such as the SABC? If so what is your understanding?
Please elaborate
- What in your view makes PSB viable? How would you define PSB viability?
- What were/are the challenges if any, with regard to issues of viability and sustainability at the SABC?
- What were/are the strategies to resolve those challenges at the SABC?
- In your experience, what are the major issues, if any, placing a strain on the finances of PBS?

Section 4: CROSS -SUBSIDISATION

- To what extent has the cross- subsidisation mandate affected viability of the SABC?
- To what extent has advertising on public services increased or decreased against advertising on commercial services?
- Has the cross -subsidisation mandate been effective?
- What in your opinion was the original intention of the cross- subsidisation?
- Do you think these objectives have been achieved?
- In light of the most recent performances of the broadcaster do you believe the cross-subsidisation model to be sustainable?
- How has it affected the viability of the SABC?

SECTION 5 OTHER PSBs

- The UK (BBC) provides an interesting funding model whereby a vast proportion (about 82%) of the PSB revenue is generated from public funding such as licence fees and 17% came from commercial activities and only 1% from other sources. This model which seems to be the opposite of the SABC's has proven to be quite viable or sustainable. Is the funding of the SABC based on any international modelling of similar PBS? If so what are they? If not, what has been the major policy considerations that have influenced the current funding model of the SABC?
- To what extent does the mixed funding model need to be changed? And what changes in particular can possibly bring about the SABC's financial viability and sustainability?
- What are the lessons that can be learnt from case study to improve the PSB's funding model

SECTION 6: PSB PROGRAMMING AND INDEPENDENCE

- What is the relationship between the current proportional split of the mixed funding model and the SABC's independence (e.g. from advertisers)?
- In terms of the after tax revenue generated by the SABC, what is the percentage used to source local content programming?
- How, in your opinion, could the revenue generated from the mixed funding model sustain local content programming in the digital terrestrial television (DTT) environment?

Is there anything else you would like to share regarding the subject?

Would you be willing to respond to a short email follow up, if required?

Annexure C: Permission from ICASA COO

From: Willington Ngwepe
Sent: Wednesday, March 11, 2015 9:12 AM
To: Fikile Hlongwane
Subject: RE: REQUEST FOR PERMISSION

Dear Fikile

Permission granted!

I look forward to the final research report. It will certainly be of benefit to both the Authority and DoC.

Good luck.
W

From: Fikile Hlongwane
Sent: Monday, March 9, 2015 6:30 PM
To: Willington Ngwepe
Subject: REQUEST FOR PERMISSION

Dear COO,

I trust this finds you well.

Please find attached correspondence for your kind attention and consideration. PERMISSION

Regards
Ms Fikile Hlongwane
Manager: Broadcasting Compliance
ICASA –CEC
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Fax: 011 566 3198
Email: fhlongwane@icasa.org.za