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## CBA ELECTS PRESIDENT FROM PAKISTAN



## Financial Stability for the Broadcasting Industry

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The financial stability in the domestic broadcasting industry can only be ensured by a wide range of regulatory initiatives. The structure of the broadcasting industry inherently provides better economic returns for certain segments (distributors vs. broadcasters vs. producers) even though all segments are integral to industry success. It is therefore necessary to use regulatory measures to ensure financial stability for all segments of the industry. This article considers 'best practice' regulatory initiatives in Canada, the US and the UK, by examining their origin, implementation and relative effectiveness. However the applicability of these 'best practices' to other jurisdictions varies depending on the market maturity and regulatory environment.

One such 'best practice' regulatory initiative is the value for signal or carriage fee model. In mature broadcast markets, the handful of terrestrial broadcasters can no longer compete with the literally hundreds of dual revenue stream subscription channels and therefore need access to subscriber fees for their services as well. When carriage fees are necessary, broadcasters and distributors should negotiate a fee based on: the value of the channel in the distributors' service offering; and broadcasters as exclusive rights holders in that jurisdiction. The American regulator (FCC), for example, has enabled negotiations between broadcasters and distributors. The Canadian regulator (CRTC) has similarly proposed allowing terrestrial broadcasters to negotiate carriage fees, but only if they agree to forego their mandatory carriage rights. While the recommendation is pending court approval, one telling lesson about the applicability of carriage fee model is that implementation requires a significant period of negotiation. Respect of broadcasting rights by distributors such that they cannot distribute to another foreign broadcaster that offers the same programming as a bypass is also a principle consideration.

Another 'best practice' regulatory initiative considers the contribution by distributors to indigenous programming production. In many jurisdictions, indigenous programming is high cost and produces relatively low returns, often due to population size and competition from foreign content. Cable distributors make a good profit in part by distributing foreign signals/programming and therefore are in a good financial position to contribute to indigenous programming by contributing to a programming fund (e.g. Canada's former Canadian Television Fund). Presently in Canada, distributors contribute 6% of gross annual revenue to indigenous programming across all genres - children's, community, drama, comedy and documentary.

Related regulatory initiatives concerned with genre protection look to the model of licensing domestic specialty services in specific genres (e.g. sports, women's, cartoons, etc.) first, before allowing foreign programming to be carried by broadcaster distributors. This Canadian model started in the 1960s to combat US programming influence. ESPN, for example, is not available in Canada because of the presence of Canadian sports channels TSN and Sportsnet. However, this model has limited applicability since, in most countries, it would be difficult to implement in a mature broadcasting industry where foreign specialty channels occupy the major genres and have loyal audiences.

Looking at the conversion from analog to digital, there seems to be greater incentive for cable distributors to convert because digital customers are higher valued due to more channels and video on demand services. However, terrestrial conversion is expensive and

does not provide major financial benefit to the over-the-air broadcasters. The experience of different jurisdictions has been varied. In the US, terrestrial conversion was aided by providing coupons to households for digital receiver rebates. In the UK, the BBC led the initiative to launch Freesat - a satellite service which provides a free but basic package. In Canada, where the Freesat model is being examined, the broadcaster conversion requirements are being reduced to apply to major markets only. There have also been calls to remit the spectrum auction proceeds to content production fund. Overall, in terms of applicability, many options exist from various jurisdictions that can be used to best suit the financial situation of stakeholders.

The conversion of digital content is a regulatory area where supporting production of indigenous content on digital platforms can ensure national cultural content will not be bypassed by viewers using alternative platforms. In Canada, the digital content conversion is addressed the Canadian Media Fund (formerly the Canadian Television Fund) which is being restructured to provide support only to projects being developed for multiple platforms (e.g. TV and Internet; TV and mobile). The financial incentives for multi-platform projects provide a 'carrot' to migrate content to the digital world.

Exhibition and expenditure quotas can ensure a significant amount of indigenous content by mandating either a percentage of schedule exhibition requirements, or a percentage of revenue expenditures. In Canada, terrestrial broadcasters have indigenous content exhibition quotas (about 55-60% of schedule) and specialty (subscription) broadcasters have expenditure quotas (usually about 50% of revenue spent on Canadian content production/acquisition).

Expenditure quotas allow broadcasters to produce a few 'high cost' programs, or many more 'low cost programs.' Exhibition quotas are more difficult to implement and tend to be most applicable where there is an overrun of foreign content (e.g. US content in Canada). Expenditure quotas also allow for flexible decision-making for businesses and can result in high quality or efficient programming.

A final regulatory initiative, rights protection, continues to require cooperation with other jurisdictions and is an essential prerequisite to ensure fair value on expenditures for broadcasters, distributors and producers. An anecdotal example is how US broadcaster websites (e.g. NBC.com) geo-block Canadian IP addresses because the programming rights are held by Canadian broadcasters. Canadian broadcasters therefore monetize the rights on TV or on their own websites. US 'rights sellers' cooperate because they get more money from selling the rights than they would via the Canadian audience to their websites. From this anecdote, the applicability of this relationship suggests that wherever broadcasters are acquiring full national rights, it is financially beneficial for the rights seller to honour those rights.

Clearly there is no 'one size fits all solution' to the financial stability in the domestic broadcasting industry. This can only be ensured by a wide range of regulatory initiatives that address all segments of the industry, and the unique conditions of the market and regulatory environments.

*Nordicity is an international consulting firm specializing in economic and financial analysis; business strategy solutions; and public policy and regulatory affairs. The Nordicity Team are experts in: the convergence of traditional culture with digital technology; broadcasting regulation, including developing new regulatory regimes for Canada and globally (most recently for the Broadcasting Commission of Jamaica); data gathering and industry profiles across all cultural sectors (interactive media, film and television production, digital publishing, music); economic impact assessments of the effects of support program; new business models for the digital industries.*

## CBA Launches Distance Learning course for Broadcasting Regulators

The CBA is now running a course which is a world first - a distance-learning course on broadcasting regulation. It is delivered online and involves the use of e-mail as well as the course chat forum. It is supported by UNESCO. Based on the CBA/UNESCO Guidelines for Broadcasting Regulation, the course tutor is Eve Salomon, author of the Guidelines. Eve is an international expert with truly global experience and she provides careful guidance to participants who want to learn to be better broadcasting regulators.

The course runs over 6 weeks and covers the entire range of issues faced by broadcasting regulators: from licensing to content standards, from regulatory processes and procedures to applying sanctions. The final week will concentrate on digital broadcasting and new technologies. The aim of the course is not to tell regulators how to do their job, but to help people explore how best international practice could be applied to their situation. The course takes an action-learning approach and each participant is encouraged to identify how they can influence change in their own regulatory authority. Anyone involved in broadcasting regulation, from Board Members to Administrators, will benefit from this thought-provoking course and the interaction with fellow regulators from around the world. It is open free to CBA member organisations and at a modest charge to others.

### Upcoming Training

**CBA/TVNZ In-Country workshop on Marketing and Revenue**  
Tonga, June 2010

**CBA In-Country workshop on Presentation Skills**  
Cayman Island, 31st May 2010

**CBA/ER FUND In-Country workshop on Investigative journalism & Good Governance**  
India, June 2010

**CBA /ABC In-Country Workshop Disaster Reporting**  
Tonga, June 2010

**CBA/AIBD In-Country Workshop on Investigative Journalism**  
South Africa, June 2010

**CBA In Country Workshop on Writing for TV with Goldsmith College**  
Pakistan, June/July 2010

**CBA/Commonwealth Foundation/COMSEC Workshop on reporting the Commonwealth Games**  
India, September 2010

**CBA/AIBD In-Country Workshop on Maximizing Revenue and Controlling Costs**  
Africa - countries TBC

**CBA/AIBD In-Country Workshop on Conflict Prevention/Resolution & Religious Understanding**  
Pakistan, 2010

**CBA/AIBD In-Country Workshop on Training of Trainers**  
PNG, July 2010

**CBA/AIBD In-Country Workshop on Gender Equality**  
India, 2010

**CBA/AIBD In-Country Workshop on Climate Change and Environment**  
Namibia, 2010

**CBA/UNESCO Media Self Regulation Workshop & Online Course**  
Kenya / Uganda / Tanzania, September 2010

### Distance Learning Courses, with Tutors

**Broadcasting Regulation**  
May 2010

**Advance Television Production**  
July 2010

### Self Directed Learning Courses

**An Introduction to Website Design & Presentation**  
**Radio Skills**

**Introduction to Change Management**

**AIBD/CBA 1st Regional Meeting of the Pacific Media Partnership**

Tonga, 25- 27 August 2010  
Broadcasters from the Pacific Islands will be invited to Tonga for a series of workshops

## MA Bursary won by CRTV

The MA Bursary for 2010-11, to study at London's Westminster University, was won by Benjamin Mouokuio from Cameroon Radio TV. It is supported by the Chevening Foundation, International Students' House, Westminster University and the CBA. This is Benjamin's account of what it feels like to win this bursary:

*I feel greatly honoured by the CBA for giving me this unique opportunity to study in one of the world's most rated institutions in media studies and I commit myself to do the CBA even prouder by making the best of my one-year sojourn in the UK.*

*This bursary comes as a step in the culmination of one of my professional dreams - that of one day becoming an authority in the media market place. In my organisation it will guarantee me a place in its managerial class and put me in a position to be able to address*

*some of its pressing managerial challenges (particularly those pertaining to human resource management) from a professional perspective. Again it will confer on me the authority to play an active role in the managerial transformation of my organization. I will indirectly be participating in the overall transformation of the media industry in my country - a media industry that is badly in need of innovative managerial methods particularly those being imposed by information and communication technologies.*



Benjamin Mouokuio

Announcements will be made shortly of the winner of the bursaries for Brunei University. No applicant was selected for the London City University bursary.