Made in South Africa: The impact of local content regulations on South Africa’s broadcasting sector

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Econex recently collaborated on a study led by Pygma Consulting to establish the effect of local content regulations on South Africa’s radio and television broadcasting sectors and upstream music and film producers. The purpose of the research was to identify if the existing local content regulations have been effective in developing, protecting and promoting national and provincial identity, culture and character among the South African population.\(^2\) The research also considered the impact that technological change and migration to Digital Terrestrial Television is expected to have on the broadcasting industry. The key results of the study have been captured in the Final Study Report, published by the Independent Communications Authority of South Africa (ICASA). ICASA also recently published a Discussion Document, A Review of Regulation on South African Local Content: Television and Radio, calling for public comments. This note serves to highlight some of the key findings of the project.

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1 Introduction

In July, the Independent Communications Authority of South Africa (ICASA, ‘the Authority’) published a Discussion Document for public comment titled A Review of Regulation on South African Local Content: Television and Radio.\(^3\) The Discussion Document emphasises that “radio and television can make a vital contribution to democracy, nation building and development in South Africa”.\(^4\) By assigning content quotas for specified types of programming, local content regulations for broadcasting are intended to optimally allocate spectrum to the benefit of the population.
This ensures that television and radio broadcasters showcase distinctly South African “life experiences, cultures, languages, aspirations and artistic expressions”, and in doing so contribute to the identity, character and culture of South Africans.

Local content regulations also serve broader economic objectives such as encouraging economic development and job creation in the music and film production sectors by incentivising the creation of locally produced television and radio content.

Due to the non-tangible objectives of local content regulations, it can be challenging to establish whether the regulations are achieving their stated aims. Econex recently collaborated with a team led by Pygma Consulting to investigate the social and economic impacts of local content regulations in South Africa.

This note provides a brief analysis of the rationale behind regulating the broadcasting sector and reviewing the associated socioeconomic benefits and costs. It further comments on some of the observations made in the Discussion Document in regards to the socioeconomic impact of the regulations, and how these need to be considered in light of the changing technological environment.

In reviewing local content regulations, it is important to consider the rationale for regulating the broadcasting sector. Radio and television broadcasting relies on spectrum as a scarce resource. Due to its scarcity, spectrum has value and makes broadcasters willing to pay for the right of use.

Limited spectrum availability, combined with the powerful ability of audiovisual media to contribute to social objectives such as establishing cultural identity, implores the state to place obligations on broadcasters to ensure that spectrum is applied to the benefit of society. Content regulations in South Africa specifically have a further purpose in that broadcasting can play an important role in redressing past injustices. Audiovisual media is a double-edged sword than can be used not only to educate different population groups about each other, but also to reinforce individual- as well as group identity. By imposing content quotas, the Authority ensures that programming that furthers these aims is broadcast.

In addition, local content regulations stimulate the production of locally produced audiovisual material by creating a demand for such content. By obliging broadcasters to comply with specified content quotas, they are compelled to commission or invest in local artists, and in doing so stimulate local production. The development of the sector is further encouraged by supply-side incentives, such as the South African Film and Television Incentives offered by the Department of Trade and Industry.

In light of the objectives noted above, it is important to conduct an ex-post review of content regulation.
be able to measure if local content regulations are creating the desired incentives and have been successful in their aims. However, one should be wary to unequivocally attribute specific trends to the effect of regulations as opposed to independent demographic and economic changes. Hence, our approach was to assess if indicators targeted by the regulations were revealing the desired trends, within the context of other determining factors (e.g. not only look at viewership numbers, but also at changes in access to television sets which affects viewership independently of audience preferences).

The objectives of broadcasting policy are non-tangible and difficult to quantify. Without a dedicated audience survey, for example, it is difficult to measure if listeners are satisfied with radio content, or whether television viewers feel that television content is sufficiently representative of their life experiences. Together with the project team, we identified a selection of social, cultural and economic indicators to use as proxies in evaluating the success of local content regulations. In the first instance, we collected data on the proportion of broadcasting time dedicated to locally produced music and television productions. We circulated a survey to the majority of television and radio broadcasters, requesting information on content in relation to language, genre, popularity, costs and revenue. Where available, we compared this self-reported data with other sources, such as the SABC Annual Reports.

Using data from the All Media and Products Survey (AMPS)\(^5\), we evaluated changes in the audience size of radio and television broadcasters as a rough proxy of audience satisfaction. Related to this, we also considered trends in expenditure on advertising as a proxy for whether content regulations are discouraging listeners, and as a result diverting advertising away from radio or television towards other media. We also looked at listenership and viewership numbers based on demographic data to evaluate if content regulations assist in satisfying the tastes of all segments of South Africa’s population.

Local content regulations impact not only on the broadcasting sector, but also on the film and music production industries. To measure these effects, we looked among other indicators, at local versus international music sales, the royalty contribution of local music, and growth in South Africa’s film sector.

4 Some key findings from the Discussion Document

The objective of the content regulations to promote broadcasting and development of South African radio and television content has to a large extent been achieved.\(^6\) Here we consider some of the key findings in relation to radio and television content, and the changing technological environment.

4.1. Radio content

The Final Study Report notes that four of the top five radio stations in South Africa, in terms of listenership numbers, are African language stations. It is interesting to note that each of these stations have either met or exceeded content requirements in terms of local music broadcasts. These trends can be seen as indicative of audience demand for local music. It further appears that the proportion of new and live music broadcasts have increased over the past five years. These results

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\(^5\) Data is collected annually by the South African Audience Research Foundation (SAARF)

suggest that that the content regulations have contributed to the promotion of local music.

The levels to which local music quotas can be increased to further encourage local broadcasts are however limited by supply side considerations. While a large number of, for instance, local Afrikaans and kwaito tracks are recorded, this is not true for music in all languages and genres. Increasing local music quotas without simultaneously encouraging music production by attending to supply side constraints could lead to a higher number of repeats with a resultant decline in listenership.

4.2. Television content

In testing whether television content caters for the diverse South African audience, the Final Study Report found that multilingual South African dramas and soaps are amongst the most popular programmes on free-to-air as well as subscription television. However, while this type of content appears to have become a commercial imperative, other genres such as children’s content attract smaller audiences and lower advertising revenue. In the absence of regulations, a low proportion of children’s content, if any, would be screened. Given the educational role of children’s content and its important contribution to personal development such content needs to be mandated through regulations.

Although local television content in general tends to be more expensive to commission than acquiring international content, the high advertising revenues generated from local productions render it an attractive revenue source. Public and public commercial television broadcasters derive the majority of their advertising revenue from screening local productions. Although the impact of the SABC financial crisis in 2009 could be seen by a slight decline in the proportion of local content screened on SABC channels, all television broadcasters exceeded the minimum requirements for local content broadcasts.

4.3. Encouraging local content within the context of technological change

Digital migration and growing broadband penetration is fast changing the broadcasting environment. Greater freedom of choice makes broadcasting regulation more difficult as the growing alternatives to licensed broadcasting put pressure on audience loyalty. Deeper mobile penetration, for instance, allows audiences to download and listen to a greater variety of music on cell phones instead of tuning in to the radio.

South Africa is in the process of migrating from analogue television to digital terrestrial television (DTT). DTT not only allows more efficiency and a greater variety of applications, but also enables more television programming to be screened. The Final Study Report notes that the full impact of DTT on the broadcasting sector will depend on (1) the audience appeal of programming on incentive channels; (2) the effectiveness of marketing and awareness campaigns; (3) the roll out of set-top boxes (STBs) required for transmission of digital television services; and (4) the provision of subsidies for STBs.

As an important step in the migration process, ICASA published regulations for “The Promotion of Diversity and Competition on Digital Terrestrial Television” in the Government Gazette of 22 August 2014. The regulations prescribe the conditions for assigning channel capacity, as well as the procedure for authorising digital television channels. The Regulations also state that, until otherwise

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7. Incentive channels are digital channels that are offered to broadcasters as an incentive to migrate from analogue to digital broadcasting.
8. Published under General Notice 682 in Government Gazette 37929 of August 2014.
notified, television broadcasting licensees must comply with the prevailing ICASA South African Television Content Regulations.\(^9\)

The review of local content lends itself to a few remarks on content regulation during the migration process (when television broadcasts will be available in analogue as well as digital formats). During the migration period, licensees will have to broadcast sufficiently attractive programming to encourage viewers to purchase STBs and the Authority will have to be cautious that its content regulations do not create disincentives for viewership. Given the need for broadcasters to respond to audience demand during this time, it would be wise to encourage local content from the production (supply) side, more so than imposing overly strict regulations on the demand side of the market. The fact that certain genres have become commercially imperative suggests that these genres will continue to be broadcast, but other genres – such as children’s programming – will still require additional incentives. During the migration period, government should encourage local television content by continuing to invest in the production industry; this is specifically true for free-to-air broadcasters that might have difficulty covering the costs of incentive channels during the migration period as they do not generate income from subscription fees.

### 5 Concluding remarks

This research note is based on work done in collaboration with a team led by Pygma Consulting to inform ICASA about the impact of local content regulations on South Africa’s broadcasting sector. Television and radio content is regulated to ensure that the programming that is broadcast contributes to the identity, character and culture of South Africa. In most instances, local content regulations appear to be achieving these aims.

In relation to radio content, African language stations are amongst the most popular in South Africa. However, the extent to which content quotas can encourage production remains limited, and there appears to be a need for production incentives, specifically for certain languages and genres that are not currently prioritised. For television broadcasting, certain genres have become a commercial imperative, but regulatory intervention is still required to incentivise some important but less profitable genres, such as children’s content.

Greater access to broadband (although still limited in South Africa) and digital migration will increase the variety of audiovisual content that audiences have access to, and will put pressure on audience loyalty. It will also increase competition between licensees for content, audiences and advertising revenue, potentially leading to higher quality programming due to the greater risk of losing audiences to other broadcasters. The Authority should be aware of these dynamics when reviewing the regulations.

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