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Ms H. Salie
Committee Secretariat
Portfolio Committee on Communications and Digital Technologies
Parliament Building
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Dear Ms Salie

**SUBMISSION ON THE SOUTH AFRICAN BROADCASTING CORPORATION SOC LTD
BILL [B32-2023] UNDER CONSIDERATION OF PORTFOLIO COMMITTEE ON
COMMUNICATIONS AND DIGITAL TECHNOLOGIES**

Introduction

AfriForum is a civil rights organisation that is ardently defending the constitutional rights of all South Africans, with a special focus on safeguarding the rights of minority communities. The organisation is committed to free-market principles and advocates for fewer state-owned entities (SEOs), strives to ensure that public institutions like the South African Broadcasting Corporation (SABC) adhere to principles of accountability, transparency and the protection of minority rights. Our commitment extends to promoting fiscal responsibility and efficiency within public institutions such as the SABC.

AfriForum submits these comments in response to the invitation to provide comment on the South African Broadcasting Corporation SOC LTD Bill. Our submissions can be summarised as follows:

1. AfriForum advocates the privatisation of the SABC, which is aligned with our commitment to free-market principles and our belief that reducing SEOs is crucial for fostering efficiency and financial sustainability. Given the SABC's mismanagement, financial struggles and instances of corruption, we argue that private management would introduce a level of accountability and operational effectiveness that has been lacking.

2. (As the alternative) AfriForum proposes the discontinuation of TV licences as an alternative to privatisation. We contend that the current TV licence system places an undue financial burden on South African households and has proven ineffective, as is evidenced by the high evasion rates. The discontinuation of TV licences is aligned with our vision for a reduced state role in South African lives and promotes the exploration of alternative funding models that are fair and equitable, and do not burden individuals directly. This measure aims to address the financial strain on households while it encourages the exploration of innovative funding solutions for public broadcasting services.

The current form of the SABC Bill necessitates rigorous scrutiny and the honest acknowledgment that the SABC, as an SEO, has failed to meet its intended objectives – and should therefore be privatised. The inherent challenges and mismanagement within the SEO underscore the urgency for a fundamental shift in the SABC's operational framework. We suggest privatisation as a viable solution to address these inefficiencies and financial sustainability issues, and to introduce a level of dynamics and innovation essential for the corporation's survival.

AfriForum's submission does not seek to delve into intricate analyses of specific sections within the SABC Bill. Instead, the focus is directed towards presenting a comprehensive overview and advocating for the privatisation of the SABC or, alternatively, the scrapping of television licences.

International background

Public broadcasting emerged with the following objective: to establish an entity free from commercial and political pressures that is dedicated to providing public interest information and entertainment programming.¹ Scannell explains that, while the creation of public broadcasting was partially driven by spectrum scarcity, its architects envisioned a broader role. Originating with the establishment of the British Broadcasting Corporation (BBC) in 1922, public broadcasting aimed to contribute towards the democratic process, to foster an informed citizenry and to contribute to social cohesion.

The BBC was founded as a private corporation in 1922 but underwent transformation in 1926 when a British parliamentary committee recommended its conversion into a publicly owned entity accountable to parliament. The committee emphasised the propaganda power

of broadcasting and argued for a public corporation's stewardship to ensure it served the public interest. The BBC's mission was to bring the best of human knowledge, endeavour and achievement into homes, and to cater to diverse tastes and interests.²

As the BBC set the precedent, governments worldwide established their own public broadcasters that mirrored the BBC's core objective. These entities were often modelled on the BBC and aimed to be free from commercial and political pressures, and to provide information and entertainment that are in the public's interest. Despite occasional challenges to autonomy and accusations of aloofness, public broadcasters were designed to be on the side of the people, to be accessible to everyone, and to fulfil special obligations to various societal segments.

Throughout much of the 20th century public broadcasters thrived and delivered high-quality and popular programming that covered a broad spectrum of topics.³ From news and information to educational programs and entertainment, public broadcasters commanded significant influence and provided a shared cultural experience.

However, in the late 20th century, public broadcasters started facing challenges. The advent of cable television led to the end of spectrum scarcity, and fragmented TV audiences and diminished the monopoly status of public broadcasters. Concurrently, political shifts towards market-centred approaches prompted discussions on privatisation.⁴ Governments reduced public funding and public broadcasters sought alternative revenues, which included advertising.

Privatisation discussions gained momentum in the 1980s and 1990s, and some public broadcasters faced funding cuts. Despite this, public broadcasters retained a commitment to public service and airing high-quality content. By the 2000s, the broadcasting landscape had transformed into a global marketplace with a multitude of channels, and public broadcasters' audience shares dwindled.⁵

While public broadcasters adapted to commercial pressures, research highlighted their significant societal contributions.⁶ They were found to broadcast more hard news and balanced content compared to commercial counterparts. Exposure to public television led to better informed citizens with more realistic perceptions of societal issues. Countries with robust public broadcasters exhibited higher social trust and minimised knowledge gaps between social groups.

Domestic background

The historical context of the SABC serves as a critical backdrop to AfriForum's perspective. Over the years, the SABC has grappled with persistent challenges, including mismanagement, financial struggles and concerns related to corruption. This emphasises the need for a fundamental shift in the operational framework of the SABC. Addressing these longstanding issues requires a strategic approach, and this submission will articulate AfriForum's proposals for reform.

Recent revelations paint a grim picture of the SABC. A series of incidents highlight rampant corruption, financial mismanagement and fraudulent activities that have pushed the SOE to the brink of collapse. Former SABC Board member Mathatha Tsedu exposed the chaos within the SABC, asserting that the Board had to intervene to halt corruption at the SOE.⁷ The High Court ruled that the interim board, of which Tsedu was a member, had interfered with procurement processes, which had led to the irregular awarding of a security contract in 2017.⁸ Despite accusations of undue interference, the Board contended that extreme circumstances necessitated their involvement in various aspects of the SABC's management. Contracts – including those involving the Gupta family – were cancelled to curb corruption, demonstrating the pervasive nature of the issue within the SABC.

The SABC's financial collapse looms large and is exacerbated by a decline in revenue and an alarming disparity between budgeted and actual figures. Yolande van Biljon, the group's CFO, reported that revenue had fallen short by 27% compared to its budget, leading to a staggering loss of R1,2 billion.⁹ TV license revenue, which is a significant income source, plummeted from R968 million in 2019 to R741 million in 2023, highlighting a dire financial situation.¹⁰ This decline is attributed to a significant evasion rate of 84%, with debt collection agencies struggling to convince licence holders to pay, marking a significant increase from 69% since 2019.¹¹

Philly Mapulane, Deputy Minister of Communications, revealed that the SABC is worse off after receiving a R3,2 billion bailout, which is a stark indication of the failure of turnaround plans to address the SOE's financial woes.¹² Despite concerted efforts the financial state of the SABC remains precarious. The Deputy Minister acknowledged that additional funding requests, including a rejected plea for R1,5 billion, underscored the urgent need for intervention.¹³ A proposed turnaround plan is in progress, but doubts persist about its efficacy, raising concerns about the sustainability of the SABC's operating model.

These examples underscore the magnitude of the crisis at the SABC, which necessitates urgent and comprehensive interventions to rectify the systemic issues that plague this SOE.

Privatisation of the SABC

In the wake of the SABC's tumultuous recent history that is marked by financial distress, corruption scandals and operational inefficiencies, AfriForum strongly argues for privatisation. At the core of AfriForum's position is the firm belief that privatisation is the answer to the chronic maladies that are plaguing the SABC. We believe that the SABC's mismanagement, financial struggles and corruption woes are deeply rooted in its status as a SOE. By removing the burdens of state ownership, the SABC will operate with newfound efficiency, fiscal responsibility and a commitment to its public service mandate.

AfriForum asserts that privatisation will unleash a wave of efficiency and fiscal responsibility within the SABC, and it will steer the SOE away from the bureaucratic quagmire that often plagues SOE's. Private management, which is driven by profit motives and market competition, is envisioned as a catalyst for streamlined operations and strategic decision making.¹⁴ We contend that a privatised SABC will be empowered to respond more adeptly to dynamic market demands, which will ensure that resources are allocated judiciously and in alignment with audience preferences.

The financial woes of the SABC – which are characterised by revenue shortfalls, escalating losses and a dependency on government bailouts – constitute a key focal point for AfriForum. Privatisation is a viable solution to rescue the SABC from financial collapse. AfriForum argues that, by embracing a privatised model, the broadcaster can tap into innovative revenue streams, explore strategic partnerships and cultivate a self-sustainable financial ecosystem. This stands in stark contrast to the perpetual cycle of financial dependence on state coffers.

Moreover, the case for privatisation is bolstered when one considers international success stories where similar media entities flourished after being privatised. Examples from a myriad of global contexts, ranging from Europe to Asia, underscore the positive transformations brought about by private ownership. We contend that entities – freed from the constraints of state control – demonstrated agility, adaptability and a keen responsiveness to market dynamics. AfriForum emphasises that studying these international

examples provides valuable insights into the potential benefits awaiting the SABC on its privatisation journey.

AfriForum acknowledges the evolving nature of the global media landscape, which is shaped by technological advancements, digital disruptions and changing consumer behaviours. The organisation contends that privatisation will equip the SABC with the agility to navigate these dynamic forces effectively. AfriForum argues that privately owned media entities are better positioned to leverage emerging technologies, explore innovative content delivery models and foster audience engagement in a manner that aligns with contemporary trends.

AfriForum further recognises the imperative of balancing the pursuit of efficiency and financial sustainability through privatisation with the continued fulfilment of the SABC's public service mandate. The organisation contends that privatisation does not necessitate a compromise on the broadcaster's responsibility to provide accurate, unbiased and comprehensive content that serves the public interest.

We record that the existing regulatory frameworks and mechanisms are designed to ensure that media accountability remain applicable in a privatised SABC scenario. We contend that robust regulatory oversight, journalistic codes of ethics and media watchdog organisations play pivotal roles in holding private media entities accountable. These mechanisms, which are already entrenched in media ecosystems globally, provide safeguards against biased reporting, misinformation and other ethical transgressions. Moreover, independent ombudsman offices and editorial policies that private media entities adopt voluntarily are very efficient in upholding journalistic standards. We argue that a privatised SABC can emulate these practices to foster transparency, accountability and mechanisms for the public to address any concerns regarding the broadcaster's content. By emphasising the symbiotic relationship between ethical journalism and audience trust, AfriForum envisions a privatised SABC that is aligned with established best practices.

We further contend that market competition, inherent in a privatised model, serves as a natural check on media entities. The competitive landscape demands reliability, accuracy and a commitment to diverse perspectives to attract and retain audiences.¹⁵ AfriForum argues that this market-driven accountability complements existing regulatory frameworks and fortifies the broadcaster's commitment to its public service mandate.

AfriForum highlights the potential for a privatised SABC to contribute to media pluralism – the presence of diverse voices and perspectives in the media landscape. By operating in a

competitive market, a privatised SABC can foster a vibrant media ecosystem to provide South Africans with a spectrum of viewpoints and content choices. AfriForum contends that media pluralism enhances democratic discourse and ensures that the public is exposed to a broad range of opinions and information.

AfriForum asserts that privatisation can empower editorial independence within the SABC and free it from undue political influence. We argue that a privatised SABC that is driven by market dynamics is less susceptible to political interference and enables journalists and content creators to operate with greater autonomy. AfriForum believes that this strengthens the SABC's ability to serve the public interest objectively and without external pressures.

The historical precedent of privatisation within the SABC includes a significant move towards privatising sound services. This shift began with the establishment of the community radio sector in 1994, marking a transformative phase in the country's broadcasting landscape. In 1996, the regulatory focus extended to commercial radio, leading to the privatisation of six lucrative SABC stations.¹⁶ These stations – Highveld Stereo (Gauteng), Radio Jacaranda (Gauteng), East Coast Radio (KwaZulu-Natal), KFM (Western Cape), Radio Algoa (Eastern Cape) and OFM (Free State) – were licensed to various private companies.¹⁷ This privatisation initiative proved financially impactful, with the government raising over R500 million in cash through the licensing process. This historical precedent underscores the potential benefits of privatisation within the SABC and demonstrates the government's previous willingness to explore private ownership models for certain broadcasting services.

In conclusion, AfriForum's advocacy for the privatisation of the SABC is rooted in a belief that such a transformative step is imperative for the broadcaster's survival and recovery. By emphasising the potential benefits of private management, efficiency gains and drawing inspiration from international success stories, AfriForum positions privatisation as a strategic imperative that holds the key to reshaping the SABC's future.

The UK'S Channel 4

A number of instances in Europe where privatisation breathed new life into struggling broadcasters. Channel 4, a British public broadcast television channel, provides an intriguing case study for the potential privatisation of the SABC. Channel 4 operates as a publicly owned entity but distinguishes itself by relying solely on commercial activities for funding and without any public subsidies.¹⁸ This unique funding model, coupled with a commitment to

public service obligations, offers insights into how a privatised SABC may navigate financial sustainability while fulfilling its important mandate.

Channel 4's evolution from being funded by subscriptions collected from ITV regional companies to becoming a self-funding entity under the Broadcasting Act 1990 mirrors a potential trajectory for the SABC. The shift allowed Channel 4 to break away from a safety net that was funded by ITV and to explore alternative revenue streams. This transformation severed the cross-promotion ties with ITV and fostered independence and competitive dynamics. For the SABC, a move towards self-funding may alleviate financial strain and foster an environment in which financial viability is driven by its programming and commercial endeavours.

Channel 4's transformation emphasises high-quality programming, innovation and a commitment to meeting educational needs, while exhibiting a distinctive character.¹⁹ This highlights a successful synthesis of public service obligations with commercial efficiency. The SABC, in privatising, could adopt a similar approach to ensure that its programming remains innovative, and educative, while leveraging market-driven strategies for financial sustainability.

Although privatised, Channel 4 remains subject to periodic changes in its transformation, which is regulated by authorities such as the Independent Television Commission and later Ofcom. This underscores that even in a privatised context, regulatory oversight is essential to maintain public service commitments. A transformed SABC could continue to adhere to public service obligations with oversight mechanisms that safeguard against deviation from its core mandate.

Channel 4's financial model revolves around diverse revenue streams, including on-air advertising, programme sponsorship and the sale of content and merchandising rights. The SABC, by emulating this approach, may capitalise on its programme content, explore sponsorship opportunities and leverage merchandising rights. Additionally, exploring avenues like video-on-demand and overseas broadcasting rights may contribute to a more resilient financial structure.

Channel 4's historical challenges offer valuable lessons – particularly the 2007 government assistance plea and subsequent recommendations by Ofcom for partnerships or mergers. The SABC's ongoing financial struggles could benefit from considering collaborative models, partnerships or joint ventures that are aligned with Ofcom's suggestions. Such strategies could provide financial relief while it preserves the SABC's identity and public service commitments.

Channel 4's cross-subsidisation, through which profits from other endeavours support the main network, is a crucial aspect. The SABC could explore supplementary revenue streams, such as subscription fees and video-on-demand, while acknowledging potential cross-subsidies. A strategic approach to these dynamics may ensure financial stability without compromising its core public service obligations.

Although Channel 4 offers valuable insights, the SABC's unique socio-political and economic context requires a customised approach. Privatisation should be aligned with South Africa's media landscape and ensure accessibility, high quality content and representation of diverse perspectives. Balancing profitability with public service commitments will be paramount for a successful transformation.

Discontinue TV licences

In recent years, the TV licence system in South Africa has come under increased scrutiny for reasons that range from high evasion rates to the financial strain that it places on households. Recognising these issues, AfriForum proposes a significant shift in approach by advocating for the complete discontinuation of TV licences. In this section we delve into the rationale behind this proposal, highlight the problems that are associated with the current system and present alternative funding models.

The current TV licence system in South Africa has faced several challenges that call into question its viability and effectiveness. One major issue is the high evasion rates, with a substantial portion of TV licence holders opting not to renew their TV licences. This phenomenon has been a persistent problem that have resulted in a significant loss of potential revenue for the SABC. Moreover, the financial strain imposed on households by the compulsory TV licence fee has raised concerns about the fairness of such a funding model. Imposing a mandatory payment for TV ownership in a country with diverse socio-economic backgrounds may affect lower-income households disproportionately.

AfriForum's proposal revolves around the complete discontinuation of TV licences. Instead, AfriForum suggests exploring alternative funding models that can alleviate the financial burden on citizens, while ensuring sustainable financing for public broadcasting.

An alternative source for securing funding is through partnerships, sponsorships and collaboration with private entities. AfriForum envisions a scenario where the SABC actively

engages with the private sector to secure financial support. This could manifest in sponsorships for specific programs, partnerships for events and collaboration with businesses that are aligned with the SABC's values and objectives. By diversifying its revenue streams, the SABC may reduce its reliance on direct contributions from citizens.

Furthermore, exploring innovative revenue-generating mechanisms – such as pay-per-view or subscription-based models for premium content – may offer an additional income stream for the public broadcaster. This approach ensures that those who actively engage with specific content contribute directly to its funding, aligning it with a user-pays principle while maintaining access to basic services for all.

AfriForum emphasises the importance of adopting a fair and justifiable approach to public broadcasting funding. The discontinuation of TV licences is aligned with these principles as it will remove a financial burden that disproportionately affects certain segments of the population. The proposed alternatives – whether through private partnerships or innovative revenue models – aim to create a more balanced system.

By embracing alternative funding models, the SABC can focus on producing high-quality content that meets the diverse needs and interests of South Africans. This approach is aligned with AfriForum's vision of a public broadcaster that is financially sustainable and accessible to all citizens.

In conclusion, AfriForum's proposal for the abolishment of TV licences reflects a commitment to addressing the shortcomings of the current funding system for the SABC. By advocating for alternative financing models, AfriForum envisions a public broadcasting landscape that is not only economically sustainable, but also fair.

Oral submissions

If the Portfolio Committee on Communications and Digital Technologies would call for oral hearings, AfriForum kindly requests the opportunity to present its submission to the Committee.

Conclusion

In conclusion, AfriForum staunchly advocates for the privatisation of the SABC, contending that it represents a crucial remedy for the extensive challenges that face the institution.

Rooted in the belief that privatisation will bring efficiency, fiscal responsibility and renewed commitment to public service, AfriForum envisions a transformed SABC that can respond adeptly to market dynamics and financial demands. Balancing the pursuit of efficiency with the continuation of public service obligations, AfriForum asserts that privatisation, rather than compromising journalistic integrity, empowers the SABC to serve the public interest objectively and independently.

Furthermore, the historical precedent of privatisation within the SABC, which emphasises the financial benefits that were derived from privatising radio services in 1994, serves as potential guide. The government's past willingness to explore private ownership models for certain broadcasting services is indicative of the potential advantages of expanding privatisation within the institution.

In the alternative to privatisation, AfriForum contends that the SABC Bill should discontinue television licensing and rather adopt alternative funding models where the SABC is economically sustainable.

Yours sincerely



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