10 The MDDA's budget

10.1 Key funding needs

This is a summary of what government estimates the MDDAneeds to achieve its aims and objectives. It includes the MDDA's operational costs and the estimated media sector's needs.

10.1.1 Funding objectives

The MDDAneeds to have adequate financing to:
(a) Help maintain already existing networks, and help establish and maintain new national organisational networks to provide beneficiaries with:

- Capacity to engage in policy processes nationally and regionally.
- Training and development.
- Centrally located technological resources.

(b) Assist with beneficiaries' operational costs.
(c) Assist with beneficiaries' capital costs.
(d) Commission research on media development and diversity
(e) Cover the MDDA's operational needs, which should represent no more than 12% of total costs. This would include regular performance evaluations of funded projects.

10.1.2 The beneficiaries

The main beneficiaries of the funding would be:

- Community and other non-profit media in the radio, television, print and new media sectors. Community media projects are those which operate on a non-profit basis, serving both geographical communities and communities of interest.

- Commercial (i.e. for profit) media projects will not ordinarily be eligible for subsidies. Special cases involving small commercial media, particularly in under-serviced areas, may be considered for fund ing to conduct feasibility studies, or for assistance with start-up costs. In the main, they will be assisted to access loans from small business development facilities and financial institutions.

Key media needs as identified above have been quantified for a five-year period. This includes:

- Support for the operational costs of 221 radio stations, of which 135 will be new stations requiring, in addition, support for capital costs. This is based on Icasa's intention to issue 135 new licences during the next five years.
- Community television needs during this period focus on the provision of 11 video access centres in all the provinces.
- Print media needs include support for 45 existing print media projects, as well as 30 new publications.
- A limited amount of support is earmarked for exploratory initiatives in the new media sector.

Total key needs amount to R500m over five years (see Appendix 7).

10.2 Funding model

Balancing the total need against the capacity of funding sources to resource the MDDA, it is re-commended that the MDDAshould seek to meet 60% of the total needs. This amounts to R300m over five years, or R60m per year (see Appendix 8 for a more detailed breakdown).

10.2.1 The model

In meeting 60% of the total need, the MDDAwould, during the first five years, cover:

- an average of 50% of all radio costs;
- an average of 87% print needs identified;
- an average of 60% of identified TV needs;
- 60% of the need identified for initiatives in the new media sector.

Beneficiaries will have to meet remaining needs by raising money through communities and advertising. However, different projects will be treated differently, depending on their circumstances.

The rationale for this differentiated model as explained below rests on the need to increase the level of funding for print media in relation to broadcasting. In addition, it is expected that not all new radio licensees will meet the MDDA's criteria for support.

10.2.2 Funding ratios broadcast: print

The needs identified represent a broadcast to print ratio of roughly 8:2, with the greatest need being community radio. Because of the closure of most alternative print publications in recent years, the capacity to begin new projects that have the potential to become viable during the first five years is, compared to community radio, relatively modest. The same applies to the virgin territory of community television, and the new media.

It is for this reason that the recommended ratio of needs to be met for broadcast and print during the first five years be roughly 7:3. This is recommended on the understanding that, during the first three years of operation, feasibility studies for print media will be conducted in various provinces. On the basis of these the MDDAwill develop a business plan for promoting print media development and diversity after the first 5 years, with a view to reducing this ratio to 6:4. In addition to an increase in print media funding, it is envisaged that community radio needs will diminish considerably after five years, as explained below.

10.2.3 Community radio budget will decline

The largest portion of the MDDA's budget during its first five years will be allocated to community radio. During this period, approximately 135 new stations are to be licensed, according to Icasa, and will need support.. This requires close cooperation between the MDDAand Icasa to ensure under-serviced communities are able to make sound applications for radio licenses. However, because not all new licensees are likely to meet the MDDA criteria for support, an average of 50% of the need identified will be met.

After five years there should be a substantial decline in demand for new radio stations, resulting in an overall decline in budget requirements for community radio. Capital costs amounting to R35-million over five years, or on average R7m per year, for community radio will be reduced to approximately

R1-million a year. Thereafter the MDDAwill only need to meet a portion of community radio operating costs. This will be for a minority of stations in remote areas that serve a proven social need, and cannot be fully self-sufficient.

10.3 Financing the MDDA

Government envisages the MDDA's budget being met in equal contributions by itself, the media industry and donors. Each would meet an equal portion of the average need of R60-million a year over a five-year period, representing a contribution of R20-million each a year.

These contributions will not all be new funding. Government, through the Department of Communications, is already funding community radio infrastructure development, the Print industry is assisting a number of print projects, and various donors are funding community radio and print projects.

Discussions with the industry have pointed to the possibility of its contribution coming from the Marketing Industry Trust (MIT) levy on advertising, which currently rests at 1% of total adspend (or approximately R43m per annum). The MIT levy is a voluntary industry levy collected to fund the SA Advertising Research Foundation (Saarf), the Advertising Standards Authority (ASA) and the Freedom of Commercial Speech Trust. There is currently under-collection in the region of R8,8m, while a 0,5% levy increase could yield an additional R21m.

One way of facilitating an industry contribution of R20m would be collecting the levy in full at an enhanced level of 1,5% of total adspend.