



# Funding Public Media

An insight into contemporary funding models

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Mervyn Warner FCCA

### About the Author

**Mervyn Warner FCCA** qualified in 1979 and joined the Public Media Alliance (PMA) in 2003 following 25 years working at ITV, the UK commercial broadcaster. His role as Group Financial Accountant at ITV, Anglia and subsidiary Company Director at United News and Media included direct oversight of natural history production, international distribution, advertising sales, facilities usage and statutory reporting. Alongside his work as Finance Manager at PMA, he continues to work with a number of local producers and independent production companies.

### About the Public Media Alliance

The Public Media Alliance is the largest global association of public media organisations. Its members are those that communicate daily and free of charge through TV, radio and online with the 2.5 billion citizens living in the 54 countries that our members serve.

The Alliance provides a global context for public service broadcasters as they transition in the digital era. It works to identify, research and champion common themes in PSM and provide forums for debate and networking.

PMA also acts as a bridge between the academic and public debate around PSM and its changing role. We do this practically through running training, symposiums, exchange programmes, publishing research and reviewing the research of others. It is also working to create appropriate benchmarks for PSM.

PMA's vision is a world where the public can continue to access free, independent, engaging and representative national and international media wherever they are – urban or rural, in rich or poor countries and via old or new technologies.

The Public Media Alliance is a not-for-profit organisation

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Mervyn Warner, the Public Media Alliance's long serving Finance Manager, is due to retire in June 2019. Mervyn has worked in media finance for more than 40 years. Aside from running the financial affairs of PMA, in his sixteen years with the organisation, he has had plenty of opportunity to consider and observe the funding models of public service media (PSM) organisations worldwide.

Many words are written about public media but in the PMA office we have long realised that Mervyn often provides the team with fresh insight. Mervyn lives and breathes numbers rather than words and he brings us an understanding of the public media world from a financial perspective.

The original BBC model of a direct licence fee, payable by anyone owning and using specific broadcast receiving equipment, is transparent and demands accountability. This direct link between the public and the public media organisation has often been seen as fundamental to the ethos of PSM. But we need to ask if it is still fit for purpose at a time when people are increasingly interacting with public media via multiple platforms and devices.

Public media has evolved considerably worldwide as a response to different national contexts. The way that it is funded has also been adapted and changed. But despite the differences in funding and governance models, PMA is working to highlight and advocate for the shared values of public media. At a time when trust in the media is at an all-time low, these common values need promoting. They underpin democracy and are fundamental to rebuilding public confidence and trust.

To survive and thrive, public media needs secure and stable funding. In an increasingly crowded digital media space, public media needs to change to maintain political and public funding support. It is perhaps time to engage in a critical debate about what is essential and realistic in terms of funding for public media.

Prior to Mervyn leaving PMA, he thought it would be useful to draw together his insights, resulting in the reflections that follow.

**Sally-Ann Wilson** CEO, Public Media Alliance

# A timely insight into funding for public media

In a rapidly changing global media landscape there is growing uncertainty regarding the sustainability of income and funding levels for Public Service Broadcasters and Public Service Media (referred to collectively here as “PSM”). As a result, many PSM organisations are actively seeking new funding models in an attempt to future proof financial sustainability.

The reality is that most PSM have limited flexibility for funding options due to restrictions and limitations imposed by their operating licences or charters. For many, the development and exploitation of new funding models may only be possible following legislative changes. In a period of widespread geopolitical and economic upheaval, reviews of legislation concerning public media only tend to be prioritised if there is a possibility of reducing government or public spending.

The Public Media Alliance provides support and advocacy for public media worldwide, recognising that the characteristics and values of public media underpin informed democratic societies. A key question regarding the future of PSM is, which funding models for public media are sustainable in the digital age and how might these impact the key values of PSM?

This report does not seek to identify a new, all encompassing PSM funding model, as statutory limitations and market sensitivities vary substantially between countries and

individual PSM organisations. Instead, it is the intention to provide insight into the scale and diversity of current PSM funding, highlight issues of particular concern and explore future potential.

It has long been argued by the commercial media sector that PSM occupies a privileged funding position that gives public media an unfair advantage in terms of competition. To ensure that public media organisations are both accountable and transparent, many governments insist on substantial reporting and monitoring of their activities, especially their financial dealings. Yet, such accountability is rarely shared and promoted to the public in a way that could build and maintain trust and credibility. This is of particular concern

*It is our intention to provide insight into the scale and diversity of current funding for PSM*

as PSM position themselves as accountable, transparent and trusted organisations.

With the proliferation of digital and new media platforms, audience loyalty can no longer be guaranteed. Even though PSM cannot and should not compete in all areas, it must stand out as the preferred and trusted source of news and relevant original content. Understanding and support from critical stakeholders, such as the public and politicians, are essential to ensuring continued support and funding.

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Where risks or vulnerabilities exist, it is urgent for public media to promote the value of PSM to informed democracy. The question of the role and value of PSM in society is instrumental in ensuring sustainability and support for strong and stable PSM funding. For these reasons it is essential that stakeholders and PSM professionals are aware of the range of funding mechanisms that exist. This should include the context in which they apply and how different mechanisms impact and influence PSM to ensure best practice, transparency and accountability.

## Background

Data for this report has been drawn from information that is already in the public domain such as annual company reports, company press releases and fact sheets. The financial data for 37 media organisations that define themselves as public broadcasters or public media organisations was reviewed from late 2017 to late 2018 by PMA's Finance Manager, Mervyn Warner FCCA.

The review does not include comparisons of total income for PSM organisations as this will vary considerably, not least because of the demographic and size of the regions they cover. Instead, types and proportions of revenue streams have been compared as this may assist in identifying additional income opportunities that are being used by some public media organisations.

This report focuses exclusively on revenue, as costs present their own comparative challenges. These are primarily due to the variety of consistently applied accounting treatments and valuation methods that are financially acceptable. Reported annual expenditure includes all actual and committed costs in a period, with the exception of costs that can be carried forward in the balance

sheet at a justifiable valuation, consistent with future activity. Even with the level of financial disclosures included in some financial reports, the diversity in accounting methodology can create its own lack of cost transparency.

Examples of variations in cost accounting treatments, where costs are spread across a number of accounting periods, are shown in **Box 1**.

A comparative review of PSM funding reveals a wide variation of current funding models, many of which contain elements unique to individual organisations. These frequently include a mix of government, public and commercial revenue. While publicly funded organisations are often viewed by commercial media as having an unfair financial advantage, this may be counterbalanced by the additional legislation and accountability that accompanies public funding, as PSM has less flexibility in terms of being able to respond to market forces.

Alongside the high costs of digital transition and the evolution from broadcast to multiplatform media, PSM are also facing the new challenge of competition from the growth of global content providers using subscription and video-on-demand (VOD) models such as Netflix, Amazon Prime and Google. These global media giants fragment traditional audiences with high value content, but with an additional cost to the consumer. This is demonstrated by the multi-million dollar budgets invested in commissioned programming like *Game of Thrones*, *The Crown*, *House of Cards* and *The Grand Tour*.

The Director General of the BBC, Tony Hall, reflected on these challenges in his 2018 Bob Satchwell address to the Society of Editors:

“The challenge on sports rights began three decades ago with the launch of Sky, and the BBC lost much of its live sport coverage as a result. Today it’s high value drama - an absolutely core part of our commitment to all audiences - that has become a new battleground between broadcasters and the big international online players.

It’s been reported that Amazon aim to spend one billion dollars just serialising The Lord of the Rings. I’m sure it’ll be an extraordinary achievement but, to put it into context, that’s a quarter of our entire annual budget for every BBC channel, radio station, and online service here and around the world.

For us the cracks are beginning to show... and, for all our differences and debates, anyone who cares about this country’s stories and ideas should want more investment in our content right now - not less.”<sup>1</sup>

There is additional pressure on PSM, where telecommunications companies and others are seeking greater access to the broadcast spectrum, with most governments auctioning these assets to the highest bidder. From a public media perspective, an alternative option could be to lease licences to the telecoms industry. The asset would be retained and could then be used to generate long-term cash flow to provide sustainable funding for PSM, thereby reducing the need for future government funding.

Reduced access to the spectrum for PSM means any potential expansion in traditional broadcasting areas will be limited and any opportunity for additional funding will have to be sought via the internet or other digital platform delivery.

In this diminishing marketplace, the most limiting factor is arguably the **lack of a clear understanding by governments and the public as to the importance and purpose** of public media and why it should be preserved and sustainably funded.

### Box 1

#### Examples of variations in cost accounting treatments

*The Cost of content with multiple broadcast rights can have a major impact on costs charged to current year trading and that carried forward in balance sheets. The spread of cost tends to be market or broadcaster specific.*

*Amortisation: spreading the cost of internal staff, equipment, overheads and production support services across content production, which may result in costs being carried forward in balance sheets as work-in-progress or future transmission costs.*

*The Depreciation rates of fixed assets.*



# Transparency & Limitations

Given the diverse nature and size of organisations defining themselves as PSM, there is often a lack of transparency and publicly available financial data to draw upon for funding comparisons. This is due to:

- The publication of financial and other performance information being restricted or not publicly reported by self-defined public media organisations.
- Financial details only comprising a small constituent of annual reports published under the terms of a charter or licence. This is exacerbated by compliance with international accounting reporting standards with prescribed content and presentation formats focusing on calculating methodology rather than detailed analysis.
- Incentives to restrict the level of information published into the public domain by organisations impacted by commercial sensitivities.
- Some commercial revenue streams lacking meaningful disclosure as a result of consolidation, with some descriptive variations being country specific.



# Funding models

Current funding models are based on two key elements that, despite numerous subdivisions within them, can be categorised as either 'public' or 'commercial'. While most organisations operate a mixed income model, with variations in the balance between public and commercial funding, there are a number that operate with a single source of income.

This section will highlight the key funding models adopted by the majority of public media organisations.

## Public Funding

Public funding comes in the form of direct collections from the public or grants and subventions from central government. Public collection can take the form of either a licence fee or an additional personal media tax, which is then segregated from general government funds. The criteria for the payment of a licence fee varies and can be based on household ownership of receiving equipment or blanket taxation for all. Means of collection include individual payments, general taxation or collection via utility bills.

A 2017 report by the European Journalism Observatory (EJO) about the financial crisis facing PSM<sup>2</sup> describes the measures taken by governments in Germany and Italy to change the way licence fees are collected. In 2013, the German TV Licensing Office's (GEZ) radio and TV licence fee - paid per device - was replaced by a more manageable monthly licence fee per household, with exemptions for low-income families and students. In Italy, there have been ongoing problems with licence fee evasion. The Italian government combated

this by reforming the licence fee and linking it to electricity bills, thereby making it more difficult to avoid payment.

Given the growth in audience use of multiplatform devices to access PSM content, it is perhaps surprising that many countries still use TV ownership as the criteria to determine licence fee payment. Most countries also require commercial organisations that access PSM to pay a licence fee, one which may differ from that paid by public users.

Examples of public licence fees can be found in **Table 1**.

Early in 2017, the BBC adapted its licence fee to include those accessing its iPlayer streaming service, which included, for the first time, audiences without a television. BBC 2016/17 Accounts disclosed an increase in licence fee income from £3,742.8m (2015-16) to £3,787.2m (2016-17). This included additional revenue, which resulted from the closure of a loophole whereby people could watch BBC content free on non-TV devices<sup>3</sup>.

Of the organisations currently using licence fees as a source of funding, the majority can be found within Europe. **Table 2** shows examples of countries where the licence fee model is used. In recent years the licence fee model has experienced diverse fortunes in a variety of countries, ranging from:

- **Annual Increases**  
Norway, Denmark, France, Sweden (increases in 2016-17 following freeze)

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- **Freezes**

UK (2017 was the first increase since 2011), Ireland, South Africa

- **Reductions**

Italy, Germany

The other major sources of public income are government grants and subventions. Some PSM using the licence fee model also receive additional income via government sources. Government funding covers a range of expenditure, which can be variable over time or project specific.

Variable funding tends to be time specific with uneven annual cash flows geared to meet expenditure requirements, such as digital transition - an exceptional capital funding requirement - or specific project funding. Variable funding can distort simple annual income comparatives.

While there is an obligation for governments to provide funding under a variable funding model, the level of grants and subsidies is not contractual and is susceptible to changes of government, government policy and any

squeeze on public funds. The greatest threat to stability exists where funding is awarded on an annual basis, creating uncertain cash flows. This can severely limit long-term resource planning, such as investment in capital projects.

A substantial number of organisations that define themselves as PSM are owned by and report directly to government. In certain cases, financial disclosures are not publicly available or if published are subsumed within consolidated government reporting, which can be merged with other departments making it difficult to extract meaningful data. For this reason, such data cannot be included in this report.

The type of expenditure funded by governments can vary considerably. The examples given in **Tables 3-14** are drawn from the latest financial reports and highlight annual funding variations, ranging from one-off elements and freezes to increments or deductions. If government grants and subsidies are to be considered as the primary funding model, care

	Type	Payment
Austria	Ownership of devices that use broadcast technology	Direct payment – state variations in level of fee
Denmark	Digital device ownership with internet access	Direct payment
Finland (2018)	Finns over 18 years of age	Tax of 2.5% of total income exceeding EUR 14,000 subject to a maximum of EUR 163
Italy	TV ownership	Added to electricity bills on the assumption of ownership
Japan	Installation of terrestrial or satellite receiving equipment	Direct payment
Korea	Colour TV Receiver ownership	Addition to electricity bill
Sweden	TV ownership	Direct payment
UK	TV ownership or access to BBC iPlayer (Sept 2016)	Direct payment

**Table 1: Types of licence fee<sup>4</sup>**

must be taken to decide whether these will be:

- **Blanketfunding**—a single annual sum covering all categories of expenditure
- Divided into a number of **separate revenue streams** covering different elements of expenditure such as capital, cultural programming and digitisation
- Subject to annual or **periodic awards**
- Subject to **standard terms for variation at point of review** – frozen, inflationary increase, finite in terms of project or time restricted.

A particular example of variable funding can be found at the BBC World Service. The UK government's Foreign & Commonwealth Office invested £34m between 2016-17 and £85m per year from 2017-18 (a total of £289m before its next review in 2020)<sup>6</sup> for digital, TV and radio, with an aim to build the global reach of the BBC World Service to half a billion people. Financial statements in the BBC's 2016-17 Annual Report identifies an increase in grants to £39.2m (2015-16 £4.1m)<sup>7</sup>. The report also clearly states: "And while the Government will be helping to pay the bills, editorial control remains entirely with the BBC".

These, and other examples of government funding variabilities, are shown in **tables 3-14**, all of which were sourced from published company accounts. A break down of the way public funding is allocated in a mixed-funding model can be found in **Charts 1-5**.

Licence Fees/Taxes	Fee	
	Cost	GBP
Africa		
Ghana	GHC36	GBP6
Namibia	N\$204	GBP12
South Africa	ZAR265	GBP16
Asia		
Japan		
Terrestrial contract	Yen 13,990	GBP92
Satellite contract	Yen 24,770	GBP163
Pakistan	PKR720	GBP5
South Korea	KRW30,000	GBP21
Europe		
Austria (Differs regionally)	EUR320.76	GBP285
Denmark	DKK2,527	GBP301
Ireland	EUR160	GBP142
Finland (See Table 1)	EUR163	GBP145
France	EUR138	GBP123
Germany	EUR210	GBP187
Italy	EUR90	GBP77
Norway	NOK2,970	GBP268
Serbia	RSD150	GBP1
Slovakia	EUR56	GBP50
Sweden	SEK2,400	GBP217
Switzerland	CHF451	GBP343
UK	GBP150.50	GBP 150.50

Exchange rates as per xe.com at 31st December 2017

**Table 2: Licence fees per country, 2017<sup>5</sup>**

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### ABC Australia

	2012-13		2013-14		2014-15		2015-16		2016-17	
	A\$m	%	A\$m	%	A\$m	%	A\$m	%	A\$m	%
General appropriation	830.7	79.6	860.6	80.1	868.4	80.9	870.4	81.8	861.1	83.1
Transmission & distribution service	193.0	18.5	193.2	18.0	194.8	18.1	194.0	18.2	175.0	16.9
International service	20.3	1.9	20.8	1.9	10.6	1.0	-	-	-	-
<b>TOTAL</b>	<b>1044.0</b>		<b>1074.6</b>		<b>1073.8</b>		<b>1064.4</b>		<b>1036.1</b>	

Table 3: Breakdown of government funding for the Australian Broadcasting Corporation<sup>8</sup>

### SBS Australia

	2012-13		2013-14		2014-15		2015-16		2016-17	
	A\$m	%	A\$m	%	A\$m	%	A\$m	%	A\$m	%
General appropriation	246.9	100	267.0	100	285.5	100	283.3	98.6	274.7	97.6
Advertising replacement							4.1	1.4	6.9	2.4
<b>TOTAL</b>	<b>246.9</b>		<b>267.0</b>		<b>285.5</b>		<b>287.4</b>		<b>281.6</b>	

Table 4 : Breakdown of government funding for the Special Broadcasting Service<sup>9</sup>

In 2015, an amendment to allow SBS further advertising flexibility was not passed by the Australian parliament. SBS estimates this would have allowed it to earn an additional \$4.1 million in 2015-16, building up to \$8.7 million in the fourth year<sup>9</sup>

### RTBF Belgium

	2013		2014		2015		2016		2017	
	€m	%	€m	%	€m	%	€m	%	€m	%
Regular awards and accountable grant	211.5	92.4	220.5	91.5	224.3	92.9	232.6	93.3	243.4	93.4
Pension subsidy	5.9	2.6	8.7	3.6	7.6	3.1	7.4	3.0	7.7	3.0
Subsidy for ARTE BE	8.5	3.7	8.7	3.6	9.4	3.9	9.0	3.6	9.2	3.5
Subsidy for sports in Wallonia	3.0	1.3	3.0	1.3	-	-	-	-	-	-
Award TV5	-	-	-	-	0.2	0.1	0.2	0.1	0.2	0.1
<b>TOTAL</b>	<b>228.9</b>		<b>240.9</b>		<b>241.5</b>		<b>249.2</b>		<b>260.5</b>	

Table 5 : Breakdown of government funding for Radio-Télévision belge de la Fédération Wallonie-Bruxelles<sup>10</sup>

## CBC/Radio-Canada

	2012-13		2013-14		2014-15		2015-16		2016-17	
	C\$m	%	C\$m	%	C\$m	%	C\$m	%	C\$m	%
Operating expenditures	999.5	86.5	975.6	89.4	929.3	89.7	928.3	90.4	1002.3	91.2
Working capital	4.0	0.4	4.0	0.4	4.0	0.4	4.0	0.4	4.0	0.4
Capital Funding Appropriation	151.4	13.1	111.3	10.2	102.8	9.9	94.6	9.2	92.8	8.4
<b>TOTAL</b>	<b>1154.9</b>		<b>1090.9</b>		<b>1036.1</b>		<b>1026.9</b>		<b>1099.1</b>	

*Table 6 : Breakdown of government funding for the Canadian Broadcasting Corporation / Radio Canada<sup>11</sup>*

An additional reinvestment of C\$75m 2016/17, C\$150m per annum was awarded to CBC/Radio-Canada in March 2017 on an ongoing basis. CBC/Radio-Canada is also seeking to move away from advertising and invest in additional Canadian content through an increase in government funding from C\$34 to C\$46 per Canadian, per annum <sup>12</sup>.

## TVO Canada

	2012-13		2013-14		2014-15		2015-16		2016-17	
	C\$m	%	C\$m	%	C\$m	%	C\$m	%	C\$m	%
Base grant	40.5	71.6	38.4	73.3	38.4	73.8	38.4	74.3	38.4	73.4
Capital maintenance grant	1.6	2.8	1.6	3.1	1.6	3.1	1.3	2.5	1.6	3.1
Capital contributions	2.5	4.4	1.8	3.4	1.7	3.3	0.8	1.6	0.7	1.3
Independent learning centre	10.1	17.8	10.4	19.8	10.2	19.6	10.2	19.7	9.8	18.7
One-time digital transmission	1.0	1.8	-	-	-	-	-	-	-	-
Provincial project	0.9	1.6	0.2	0.4	0.1	0.2	1.0	1.9	1.8	3.5
<b>TOTAL</b>	<b>56.6</b>		<b>52.4</b>		<b>52.0</b>		<b>51.7</b>		<b>52.3</b>	

*Table 7 : Breakdown of government funding for TV Ontario<sup>13</sup>*

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### Prasar Bharati India

	2012-13		2013-14		2014-15		2015-16		2016-17	
	INRm	%	INRm	%	INRm	%	INRm	%	INRm	%
Grants in aid - plan	790	4.6	3955	18.6	4236	17.5	2625	2.1	4220	13.6
Grants in aid - non plan	16500	95.4	17300	81.4	20020	82.5	22133	18.1	26836	86.4
Conversion to loan to grant in aid	-	-	-	-	-	-	97672	79.8	-	-
<b>TOTAL</b>	<b>17290</b>		<b>21255</b>		<b>24256</b>		<b>122430</b>		<b>31056</b>	

Table 8 : Breakdown of government funding for Prasar Bharati<sup>14</sup>

### Manx Radio Isle of Man

	2012-13		2013-14		2014-15		2015-16		2016-17	
	GBPm	%	GBPm	%	GBPm	%	GBPm	%	GBPm	%
Public service subvention	0.85	100	0.85	100	0.85	100	0.875	100	0.875	100
<b>TOTAL</b>	<b>0.85</b>		<b>0.85</b>		<b>0.85</b>		<b>0.875</b>		<b>0.875</b>	

Table 9 : Breakdown of government funding for Manx Radio<sup>15</sup>

### RNZ New Zealand

	2012-13		2013-14		2014-15		2015-16		2016-17	
	NZ\$m	%	NZ\$m	%	NZ\$m	%	NZ\$m	%	NZ\$m	%
NZ On Air	31.9	90.4%	31.9	90.9%	32.0	90.6%	32.0	90.4%	32.7	91.1%
Ministry for culture & heritage	2.1	5.9	1.9	5.4	1.9	5.4	1.9	5.4	1.9	5.3
Parliamentary services	1.2	3.4	1.3	3.7	1.4	4.0	1.5	4.2	1.3	3.6
Freeview	0.1	0.3	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>35.3</b>		<b>35.1</b>		<b>35.3</b>		<b>35.4</b>		<b>35.9</b>	

Table 10 : Breakdown of government funding for Radio New Zealand<sup>16</sup>

### NRK Norway

	2013		2014		2015		2016		2017	
	NRKm	%	NRKm	%	NRKm	%	NRKm	%	NRKm	%
Government grants	14.5	100	31.2	100	28.0	100	29.3	100	18.5	100
<b>TOTAL</b>	<b>14.5</b>		<b>31.2</b>		<b>28.0</b>		<b>29.3</b>		<b>18.5</b>	

Table 11 : Breakdown of government funding for Norsk rikskringkasting AS<sup>17</sup>

**SABC** South Africa

	2013		2014		2015		2016		2017	
	ZARm	%	ZARm	%	ZARm	%	ZARm	%	ZARm	%
Educational programmes	88.2	33.6	69.6	35.5						
Technology assets	79.3	30.2	79.6	40.7						
Sports	57.0	21.7								
Other	37.9	14.5	46.8	23.8						
Technology/ Community radio/ Education projects/ Channel Africa projects					203.9	100	212.1	100	253.5	100
<b>TOTAL</b>	<b>262.4</b>		<b>196.3</b>		<b>203.9</b>		<b>212.1</b>		<b>253.5</b>	

Table 12 : Breakdown of government funding for the South African Broadcasting Corporation<sup>18</sup>

**KBS** South Korea

	2013		2014		2015		2016		2017	
	KRWm	%	KRWm	%	KRWm	%	KRWm	%	KRWm	%
Revenue from government	10400	100	12400	100	12500	100	12600	100	13400	100
<b>TOTAL</b>	<b>10400</b>		<b>12400</b>		<b>12500</b>		<b>12600</b>		<b>13400</b>	

Table 13 : Breakdown of government funding for the Korean Broadcasting System<sup>19</sup>

**PTS** Taiwan

	2012-2013		2013-2014		2014-2015		2015-2016		2016-2017	
	NTDm	%	NTDm	%	NTDm	%	NTDm	%	NTDm	%
Government grants for basic operating income	900.0	91.3	900.0	83.4	1010.5	88.1	1011.2	87.2	1008.5	79.4
HD television programmes	-	-	-	-	137.1	11.9	148.9	12.8	261.5	20.6
Reclassified	85.7	8.7	178.8	16.6	-	-	-	-	-	-
<b>TOTAL</b>	<b>985.7</b>		<b>1078.8</b>		<b>1147.6</b>		<b>1160.1</b>		<b>1270</b>	

Table 14 : Breakdown of government funding for the Public Television Service<sup>20</sup>



## Funding Public Media

**Tables 3-14** demonstrate the fluctuations in funding levels for some public media organisations between 2014-17, and highlights the ongoing uncertainty surrounding models of public media funding, particularly those funded through government subventions.

**Appendices 1-5** show the variation in public funding levels between different public media organisations.

The impact of government funding and the decision processes it entails are shown by the variability in the tables above. Funding for PSM frequently covers more than one type of expenditure. This is demonstrated by SBS, which despite suffering a reduction in core funding from 2015 also receives an additional increase in funding to compensate the organisation for not being able to increase its advertising revenue as a result of a governmental decision.

From the tables above, we can discern two broad categories of funding mechanisms:

1. **Stable with annual incremental income** as demonstrated by RTBF, PTS and KBS.
2. Those affected by **periodic government reviews** driven by:
  - The desire to treat PSM as a branch or department of government, subject to the same departmental and budget constraints.
  - Using funding as a way of expressing political support or displeasure with PSM. Funding variations often become more apparent with changes of government.

Examples of those subject to periodic government reviews are ABC, SBS, CBC/ Radio-Canada & Manx Radio.

Where substantial levels of funding are

provided through public means, it is not unusual for there to be limitations in a PSM's licence or charter on the type and level of commercial funding that can also be raised. This often relates to advertising and sponsorship, which is the major source of commercial income. Examples of limitations to commercial funding in addition to public funding include:

**Special Broadcasting Service (SBS), Australia** - Under the SBS Act, SBS can raise revenue by broadcasting and publishing advertisements and sponsorship announcements. In the case of its television and radio services, the SBS Act declares that it may broadcast advertisements and sponsorship announcements for no more than five minutes in any hour of broadcasting. Adverts can only be broadcast before or after programmes and during natural breaks.

**Zweites Deutsches Fernsehen (ZDF), Germany** - Advertising and sponsorship are additional sources of funding. However, special advertising regulations apply to ZDF as a public broadcaster. Commercials are legally restricted to a maximum of twenty minutes per day from Monday to Saturday and cannot be broadcast after 8pm or on Sundays and public holidays.

## Commercial funding

Where licences and charters allow, the most common forms of commercial income are advertising, sponsorship and in some instances, product placement, which is not universally accepted. As noted previously, there are often legal restrictions on the duration of commercial inserts thereby limiting the amount that can be raised by some organisations.

Alternative forms of commercial income are generated from a significant range of sources. Despite some revenue descriptions being limited in annual reports, the following commercial revenue streams have been identified:

- **Provision of Services**

- Subscription fees
- Services to cable & mobile carriers
- Tower & transmitter maintenance
- Transmission & distribution
- Circulation & event income
- Leasing facilities
- Commercial production
- Studio rental

- **Exploitation of Content**

- Licensing of programmes
- Programme royalties
- Archive & out-take sales
- Merchandising & sale of goods
- Distribution of third-party content for commission

- **Other Income**

- Reciprocal trade revenues
- Rental Income (property, equipment)
- Corporate sponsorship - NPR
- Bequests & donations - PBS

In addition to licence fee income, the BBC operates a business with external and global commercial activity and distribution. This previously operated through BBC Worldwide, which contributed £876.3m to the BBC's overall income (£210.0m reinvested to the BBC) in the 2016/17 financial year, with a further £120.7m of BBC income coming from "Other commercials"<sup>21</sup>. In the future, the BBC will trade commercially through BBC Studios, which has a wider remit and incorporates its predecessor BBC Worldwide. Transparency will be paramount to ensure that it does not benefit or gain commercial advantage from

income generated by the licence fee. This is a unique model, with such freedom not generally being available to the majority of PSM.

### Box 2: Public and national media supplemented by commercial funding:

<b>Africa</b>	NBC, Namibia SABC, South Africa
<b>Americas</b>	CBC/Radio-Canada TVN, Chile
<b>Asia</b>	KBS, South Korea Prasar Bharati, India
<b>Europe</b>	Channel 4, UK Rai, Italy
<b>Pacific</b>	Maori TV, New Zealand TVNZ, New Zealand

See **Appendix Chart 5**: Data on advertising and sponsorship as a % of total income.

## Philanthropic & Public Donations

For some PSM, such as Public Broadcasting Service (PBS) and National Public Radio (NPR) in the USA, there is a third type of public funding, namely from philanthropic sources and public donations (see **Table 15**). PBS and NPR operate with a network of affiliated stations that contribute an annual membership fee, known as a "member assessment", for access to programming and non-programming services.

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PBS's 2017 revenue recognition defines Member Assessments as:

*"PBS Member stations pay an annual member assessment for access to programming and non-programming services. Programming services includes the broadcast rights of the National Program Service, PBS PLUS and PBS Fundraising Programming which consists of 1,728 hours of programming and related promotion and support. Non-programming services include digital products, education, and development"*<sup>22</sup>.

PBS and NPR network funding differs substantially from non-US PSM funding models. There are no consolidated accounts as member stations operate as separate legal entities and are not subsidiaries of central accounts. Reported income from these member stations is limited to their contributions from membership dues and station programming.

Both PBS and NPR actively encourage the public to donate to local stations. Central and affiliate stations also receive indirect public funding through the Corporation for Public Broadcasting (CPB) in the form of substantial federal grants. These include operating costs through Community Service Grants, programming costs and educational grants, the amount of which will be included within their financial totals. It must be noted that this funding faces growing pressure under the Trump Presidency and his government's budget proposals. Uniquely, both PBS and NPR reveal a substantial income line for donated broadcast rights, which are gifted for broadcast free of charge. For PBS this amounted to US\$133.1m for the year to June 2017 (2016 : US\$151.4m)<sup>23</sup>.

Details of the broadcasters' 2015-2017 financial income, excluding investments, are shown in **Table 15**. It should be noted that there are substantial movements within each category.

	PBS			NPR		
	2015	2016	2017	2015	2016	2017
<b>Membership dues including programming fees</b>	32.0%	32.4%	29.6%	42.0%	37.3%	36.1%
<b>Grants &amp; contributions</b>	10.5%	8.7%	20.9%	13.0%	16.5%	10.8%
<b>Corporate sponsorships</b>	-	-	-	28.4%	29.2%	37.0%
<b>Video &amp; royalties</b>	25.8%	29.3%	28.2%	-	-	-
<b>Satellite services/distribution &amp; satellite interconnection</b>	0.2%	0.2%	-	6.8%	6.3%	5.8%
<b>Digital services</b>	-	-	-	2.5%	3.0%	2.5%
<b>Commissions</b>	-	-	-	2.4%	2.2%	2.2%
<b>Other</b>	3.4%	4.1%	1.2%	4.1%	4.3%	4.2%
<b>Input value of donated broadcast rights</b>	28.1%	25.3%	20.1%	0.8%	1.2%	1.4%
<b>Total income (excluding investments)</b>	100%	100.0%	100.0%	100.0%	100.0%	100.0%

Table 15 : PBS & NPR total financial income 2015-17<sup>22</sup>

## Mixed funding models

The following charts demonstrate the complexities of the mixed funding model, where public media income is accrued from a variety of sources. This model is predominantly employed as a way for public media to maintain more sustainable levels of income, especially when there are frequent

fluctuations from the dominant source of funding. An example of this is direct government funding, which may fluctuate from government to government.

The pie charts below reveal the extent in variation of income, despite all being referred to as public service media organisations.

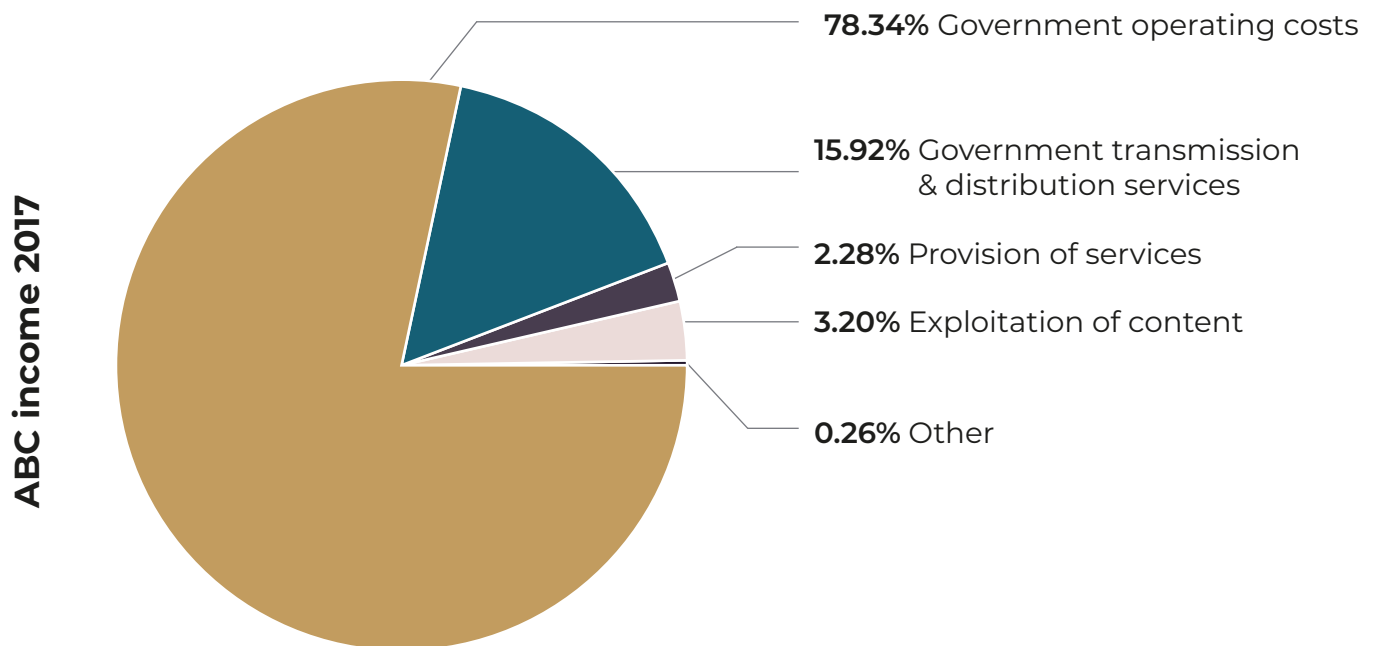


Chart 1: ABC's total mixed income 2017<sup>24</sup>

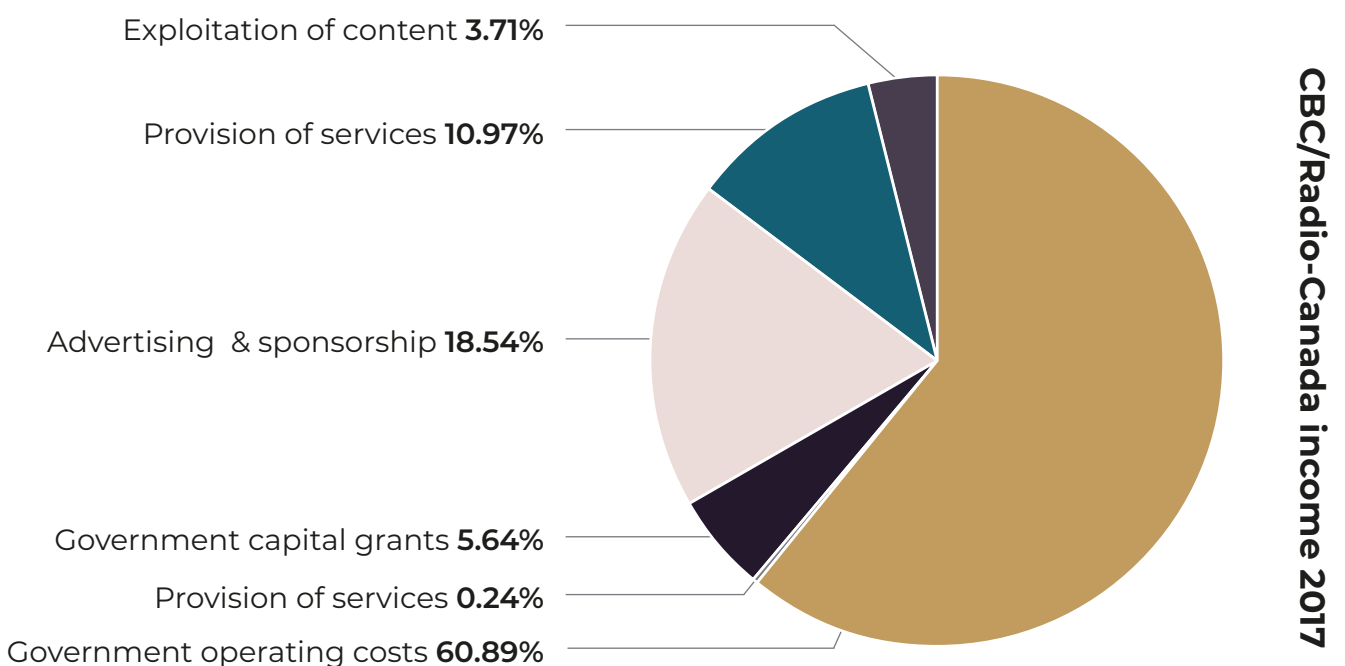


Chart 2: CBC/Radio-Canada's total mixed income 2017<sup>25</sup>

## Funding Public Media

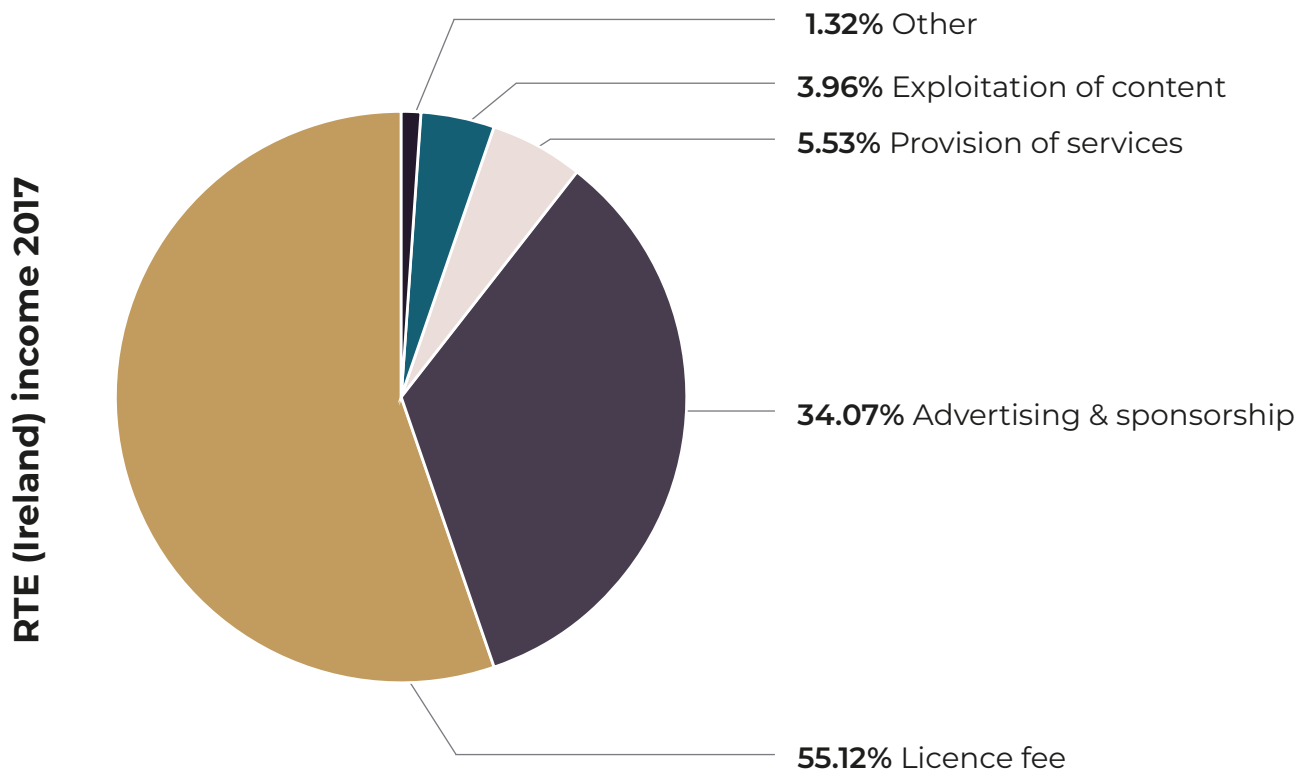


Chart 3: RTE's total mixed income 2017<sup>26</sup>

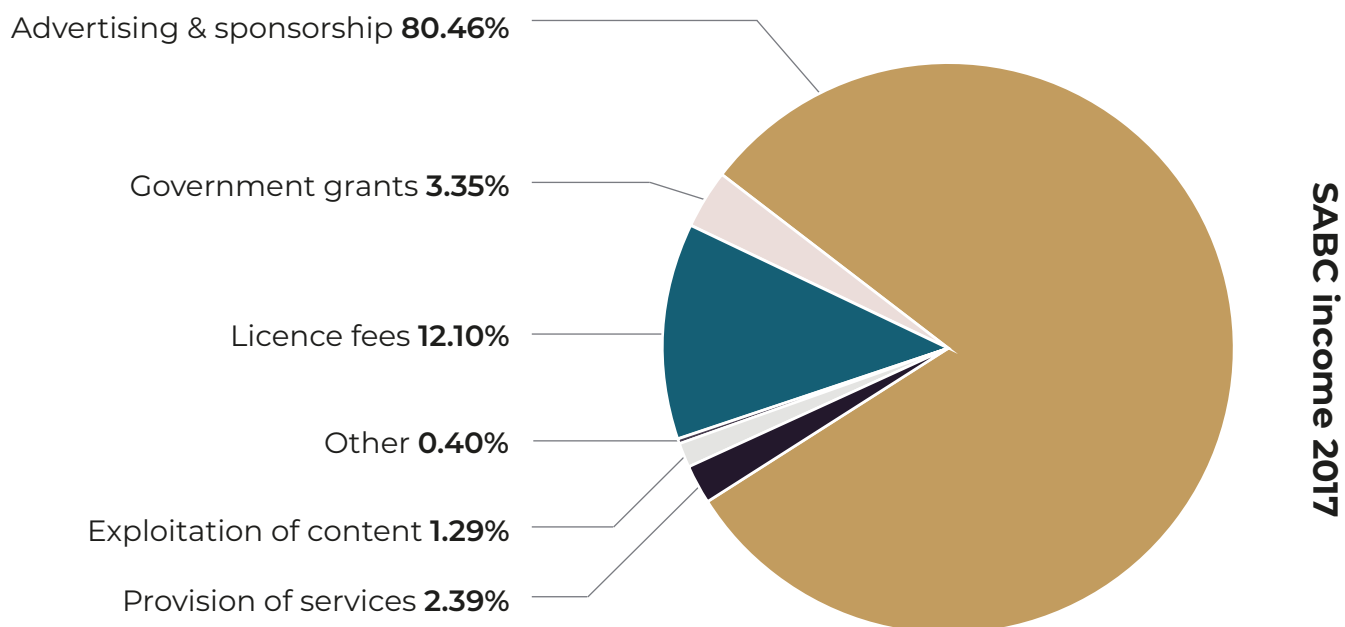
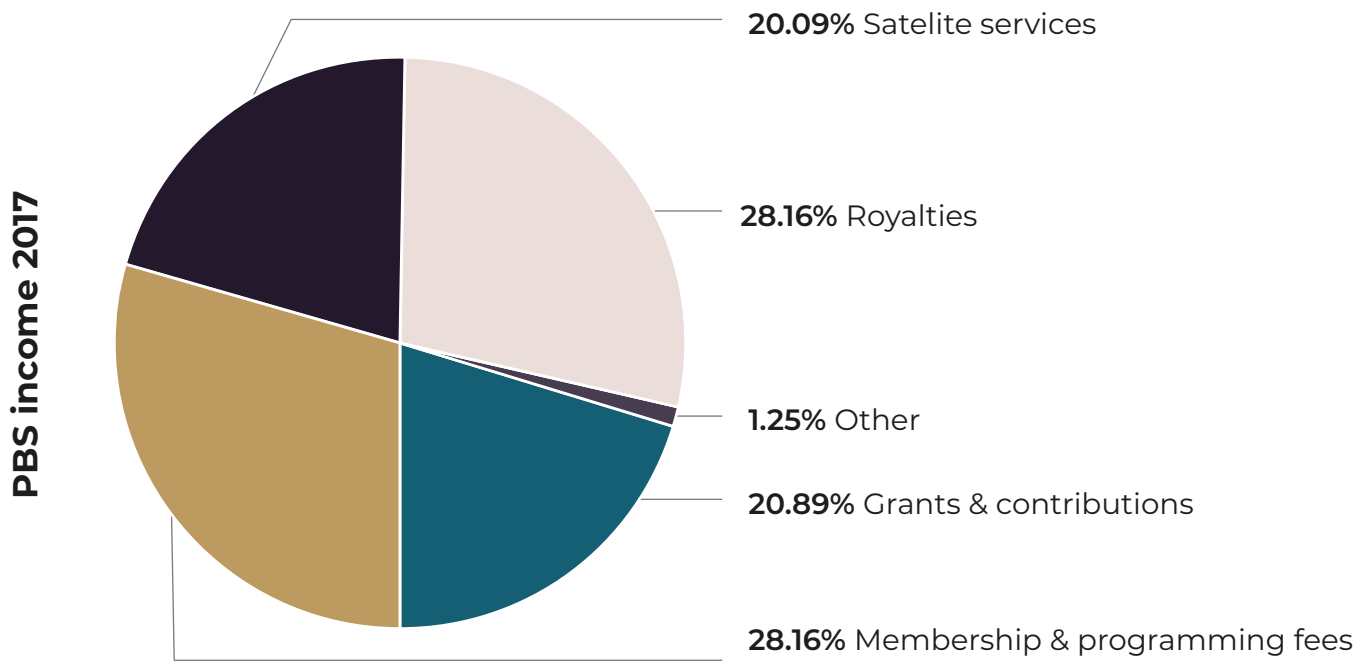


Chart 4: SABC's total mixed income 2017<sup>27</sup>



*Chart 5: PBS's total mixed income 2017<sup>28</sup>*

For many public media organisations there is limited assurance of government funding from one year to the next, with changes in government, the wider economic landscape and political interference all impacting revenue and long-term sustainability. Whether it's direct public support via philanthropic funding or an obligatory licence fee or tax payment, PSM must ensure that they have public support if they are to maintain these revenue streams in the face of fierce commercial competition and new digital platforms.

Commercial revenue - whether it is advertising or sponsorship, content exploitation or the provision of services - brings its own set of challenges. These are largely influenced by market forces.

Where such risk is high, a varied funding model is essential to ensure long term sustainability. This is particularly the case in the US (Chart

5), where limited federal grants and a highly competitive media landscape require PBS to rely on a significant variation of funding, with no one source accounting for more than 30% of total income.

This is unlike ABC, CBC/Radio-Canada, RTE and SABC (Charts 1-4), which all feature one source accounting for more than 50% of total revenue, which could either suggest significantly less risk in terms of sustainability or a funding model in need of renewal

If public media organisations are to achieve a degree of sustainable funding it is important to consider the risks and variables that might impact each category of revenue. See Appendix Charts 1-5 for income comparisons of public media worldwide.

# Risk

All PSM funding models entail a degree of risk, the level of which is subject to the volatility of each of the component parts. Levels of risk fluctuate as the pressures within each sector vary over time. The following, while not comprehensive, identifies some factors that can impact the level of risk of any income component. The key question is which funding models carry the most risk and which models are most resilient when coping with unforeseen change? Is it when there is a high percentage of public funding, a high percentage of commercial funding or a reasonable balance between the two?

Whatever the perceived level of risk, it is imperative that management continually monitor financial risk to mitigate adverse effects, exploit opportunities and allow time to react with a planned rather than an impulsive response.

The following sections highlight the risk associated with four types of PSM funding: Licence fee, government grants, direct government subventions and commercial funding.

## Licence Fee

Ongoing risks associated with income from a licence fee model include:

- Changes in the level of licence fee, such as an inflationary increase, freeze or reduction.
- Changes in the level of licence fee evasion versus the cost of effective collection.
- Dilution of funds due to shared allocation with other recipients. This can include other platforms and commercial organisations with a public service remit.
- Abolition of the licence fee in favour of alternative funding. This has been the case in Denmark, where the Danish Government is phasing out the media licence fee over five years and replacing it with taxation. This will result in a substantial reduction in the Danish Broadcasting Corporation's (DR) income.
- A change in the allocation of licence fee income between existing PSM

	2013		2014		2015		2016		2017	
	SEKm	%	SEKm	%	SEKm	%	SEKm	%	SEKm	%
Sveriges Radio	2677.9	37.6	2732.4	35.9	2787	35.9	2842.7	35.4	2899.6	35.4
Sveriges Television	4112.7	57.7	4476.5	58.9	4566	58.9	4772.3	59.55	4865.4	59.5
UR (Educational TV)	338.4	4.7	395.2	5.2	403	5.2	411.2	5.1	419.4	5.1
TOTAL	7129		7604.1		7756		8026.2		8184.4	

Table 16 : Change in licence fee allocation between Swedish public broadcasters<sup>29</sup>



recipients. This occurred in Sweden between 2013 and 2017 (**Table 16**).

- Where licence fee income is shared between multiple recipients. Prior to the recent changes at DR, Section five of its 2017 Annual Report stated the following:

*"The media license is laid down in the Ministry of Culture Executive Order on License, cf. Executive Order Amending the Executive Order on Media License No. 1029 of September 1, 2015. The annual media license goes to a variety of different parties and purposes. Of a total annual household license in 2017 at 2,492*

*VAT - 498Kr*

*DR - 1,662Kr*

*TV 2 regions - 232Kr*

*Radio24syv - 42kr*

*The remaining share of the household license went for local radio and television (23 kr.), Public Service- The pool (16Kr), The Danish Film Institute (11Kr), Kulturstyrelsen (3Kr), Station Next (3Kr) and for media statistics (1Kr)." <sup>30</sup>*

DR's share of the licence fee is shown in Table 17.

- The diversion of some licence fee funding to assist in other projects. For example, to provide improved broadband speeds and content delivery or to assist digital transition.
- Changes in attributed licence fees, such as in the UK where the government is due to stop paying the licence fee for over-75's. This will result in a reduction in government budgets at the BBC's expense. The BBC is due to take full responsibility for the over 75 licences in 2020 but the BBC's Director

General, Tony Hall, recently stated that he cannot guarantee that free licences will remain available<sup>31</sup>.

- Public pressure on a government to abolish a licence fee and replace it with an alternative funding source such as grants & subsidies, which may not have the same degree of certainty. During the most recent BBC Charter renewal in the UK, there was considerable debate about the licence fee, which is seen by some as an additional personal tax burden or contribution to public expenditure. In the longer term, this may result in additional pressure for the BBC as it seeks to justify its claim for sustainable funding.
- Public pressure to reduce or abolish licence fees as audiences move from PSM towards premium VOD and subscription channels. These are subscribed to and paid for based on individual choice. Any move towards premium content channels can lead to a reduction in PSM audiences and their average viewing time, leading them to question the value of the licence fee.
- Government perception that the licence fee is just another public service with the same rules and constraints imposed on other government departments and services.
- The certainty of licence fee settlement – the difference between an annual review or a period settlement. For example, the BBC's licence fee increased in line with inflation for 5 years from April 2017.

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	2013	2014	2015	2016	2017
	DKKm	DKKm	DKKm	DKKm	DKKm
Share of licence fee (per annum)	3,61.7	3,695.9	3,672.9	3,674.8	3699.9
Eurovision Song Contest 2014	-	29.8	-	-	-
Archive digitising heritage project	9.7	5.6	5.6	1.7	-
Licence & IT system	1.3	1.7	-	-	-
Strengthening news & music	9.0	7.8	-	-	-
Abolition of radio licence	2.7	0.3	-	-	-
Drama series about Denmark	-	100.0	-	-	-
Children & adolescent programmes	22.8	5.5	-	-	-
Strengthening stage art	2.4	5.6	3.6	0.1	0.5
Rhythmic music	-	11.0	3.7	0.3	-
Strengthening program business	-	-	2.0	20.0	8.0
<b>TOTAL</b>	<b>3,709.6</b>	<b>3,863.2</b>	<b>3,687.8</b>	<b>3,696.9</b>	<b>3708.4</b>

Table 17: Breakdown of DR's share of the Danish licence fee 2013-2017<sup>32</sup>

## Government grants & subventions

Ongoing risks associated with government grants and subsidies include:

- Government funding being perceived to be the same as that provided to other public services and therefore subject to the same annual constraints and reallocation of finite financial resources. This could be the result of internal or external pressures such as departmental rivalry or the refocusing of limited government funding to other priorities like health, education and security.
- The duration of allocated funding determines certainty, whether it's part of an annual review or allocated over a pre-defined number of years. This can impact substantially on resource, investment and commitment planning.
- Government reaction to public pressure to divert funds away from PSM to more

popular or alternative, underfunded initiatives.

- Government support being a major hurdle. In 2012, after years of funding cuts, the Canadian federal government reduced CBC/Radio-Canada funding by C\$115m, over three years. However, the current government announced a major increase in future funding, reflected in the CBC/Radio-Canada 2017/18 accounts as:

*In March 2016, the federal government announced an important reinvestment in CBC/Radio-Canada: an additional \$75 million in 2016-2017 and \$150 million per year thereafter on an ongoing basis. In addition, we received salary funding of \$34.1 million this year for 2016-2017 and 2017-2018<sup>33</sup>.*

- Charter or licence renewal. This could impact both the licence fee and grant funding models, allowing governments a major opportunity to:
  - » Review levels and types of funding

- » Change governance models
- » Require enhanced disclosures, such as the revelation of BBC 2016-17 talent payments in excess of GBP150,000<sup>34</sup>
- » Limit competition with the commercial sector in specified genres, regions, media or delivery platform
- » Add or enforce obligations or limitations, such as content volume by genre, number and remit of channels, cost saving initiatives and investment in technical R&D.

*Note: All of the above factors were included in the UK Governments considerations during the BBC 2017 Charter renewal<sup>35</sup>*

## Government departments

This is the model with the least amount of transparency and effectively applies to state broadcasters rather than PSM. Risks include:

- Budgets and funding decided at government departmental level, with limited oversight.
- Priorities being decided at a ministerial level and resources allocated accordingly. A lack of understanding about the PSM sector may result in funding being decided for political reasons rather than the necessity of supporting a functioning PSM.
- The motive behind the decision for PSM to earn additional income from commercial sources, such as advertising and sponsorship. Such decisions could be made to provide funds for an enhanced PSM service or simply to reduce government budgets and raise revenue. This risk could equally apply to government grants and funding.

## WENIGER VIELFALT, WENIGER SCHWEIZ.



### Box 3: Public & political pressure

In February 2018, Swiss voters rejected a proposal to cut licence fee funding to public broadcasters after a campaign that stirred debate about the role of public media in the digital age. The “No Billag” initiative divided Switzerland across political and generational lines. But despite 71% voting “no” to the proposals, concessions mean that the cost of the licence fee will drop from 451 to 365 Swiss Francs next year. The payment will also become compulsory, regardless of whether households own a TV or not, to take account of PSM content watched and listened to via the internet.

*Image: Vote No Billag poster. Credit: SRF*

## Commercial funding

Ongoing risks associated with commercial funding include:

- Advertising and sponsorship, where permissible, tends to be the method of choice for raising commercial revenue. **Appendix Chart 4** shows how dependent some PSM are on advertising and sponsorship as a source of commercial revenue. Many of those reviewed exceed 50% commercial revenue, while many within the sample are at 70% or higher. Yet, competition is becoming more fierce as audiences fragment and the number of competitors increase (commercial

## Funding Public Media

broadcasters, media providers, new platforms). These compete for a share of a finite advertising and sponsorship cake, the size of which is under substantial threat due to the global recession. Advertising and sponsorship revenue is attracted to prime genres such as sport & drama although in the case of PSM it depends on whether they can compete financially for broadcast or transmission rights for such genres. CBC/Radio-Canada's 2016-17 Annual Report demonstrates the impact the wider market has under its review of "A Changing Business Model"<sup>36</sup> (Box 4)

- Developments in media technology that may encourage greater competition for services currently provided by PSM to external clients. The reduction in price of existing hardware, software or alternatives may make it more cost effective for PSM customers to invest in technology and provide the service themselves. It may also allow new players to enter the market, making current revenue streams increasingly unreliable.
- The ability of new global media players to invest substantially in primetime programming genres. This can make it increasingly difficult for PSM to compete.
- The fragmentation of traditional content sales markets driving down prices, resulting in the need for greater investment in marketing resources to maintain income levels.

Investment income has been excluded from the data used in this report as it is not a universally accepted element of turnover. Some companies enjoy a substantial benefit in both cash and other returns from investments but these remain globally challenged in terms of interest and dividend rates.

### Box 4: "A Changing Business Model"

*"Advertising is one of the major vehicles that support traditional media services. A structural shift is happening as advertisers are increasing their spending online where American digital companies dominate. This poses a significant challenge to traditional broadcasters that continue to offer high-quality programs while the value attributed to these offerings is in decline. Traditional advertising streams that fund Canadian programmes are declining, and those streams are moving to new competitors: large, global companies like Facebook and Google that have established dominant positions in the Canadian market yet are not required to contribute to support the system."*

A quote from CBC/Radio-Canada's 2016-17 Annual Report emphasising the challenges posed by the wider market on their business model<sup>37</sup>.

Other elements excluded from comparison are: foreign exchange, fair value of investments, property tax refunds, and insurance settlements.

## Overarching risks

This section identifies some of the risks facing public service media, ranging from public pressure and government interference to the impact of commercial markets. Depending on where individual PSM sit within the funding spectrum, each risk will have a varying impact. In addition to the risks identified, there are pressures from the commercial sector to reduce the breadth of programming portfolios provided by PSM. This includes driving some

prime genres out of the financial range of PSM budgets and persuading legislators to narrow the range of genres or restrict them totally.

One such method includes competitive bidding, which drives up the cost of acquired rights. For example, the cost of prime sports rights has increased substantially in recent years, resulting in PSM being unable to purchase the rights to show certain sports. This leads to key sports coverage moving to commercial channels as was demonstrated by CBC/Radio-Canada's loss of NHL Night (hockey) to Rogers in 2013. Another example is US Discovery's pan-European £920m deal for its Eurosport channel to cover the winter and summer Olympic Games in most of Europe from 2018 to 2024<sup>38</sup>. The impact will be limited in the UK as the BBC already has exclusive rights to 2020.

Feature film levels of investment in content for prime genres is another potential risk for PSM. Such budgets are often beyond the resources available to public media. It is noteworthy that Netflix's success is only measured by the number of subscribers they have, as they do not publish the viewing figures for their programming, making it impossible to establish the effectiveness of individual programme investments by Netflix.

Lastly, the commercial sector are also known to pressure and lobby governments whenever possible, but particularly at times of charter and licence fee renewal or any review to restrict PSM from competing in particular markets or genres.

These factors can either drive or entice audiences away from PSM to other content providers, thereby reducing a PSM's offering and fostering a belief in both the public and government that PSM is becoming more niche

and hence comparatively more expensive due to its reduced service provision. In commercial terms, less prime content means a more limited ability to attract advertising and sponsorship - the primary source of commercial revenue, from advertisers willing to pay a premium to secure key audience demographics.

For PSM exploiting secondary income, fewer prime genres means a reduction of income and less ability to invest surpluses into future programming. The impact of the loss of prime genres and sports on audiences is that viewing becomes the privilege of and limited to those who can afford to pay for it, contrary to the ethos of PSM.

Despite all the risks identified above, by far the biggest threat facing PSM is its inability to command the support of citizens by conveying to them, in simple terms, what the benefits of public media are. It is only with public support that PSM will be able to justify a level of funding necessary to survive and continue to provide a trusted, independent and diverse service. The extent of the PSM remit, role and hence level of required funding, will undoubtedly be subject to continual review as the media landscape evolves in the future. Building public trust will help to ensure investment and secure secondary investments, but the search for investment should not come at the expense of abandoning core values.



# The Future

In an increasingly crowded digital media space, public media will need to evolve to maintain political and public funding support. We have recently witnessed challenges to direct taxation via licence fee across many jurisdictions and this trend seems set to continue with the latest announcement from Norway, where the public media licence fee has been abolished in favour of direct government funding. In an uncertain economic world, governments also face public pressure not to single out PSM for 'special' funding, especially when funding for areas such as health and education are under pressure.

For many, 'Media' has become synonymous with 'entertainment' and nothing more. The notion of public value from media has largely been eroded in the minds of both politicians and the public.

As digital media technology continues to develop, there is likely to be an inexorable move away from traditional broadcasting infrastructure towards digital media delivery. Meanwhile, governments are under growing pressure to allocate more of the digital spectrum to telecommunications companies.

In terms of commercial income, this will mean further competition for advertising and sponsorship as PSM increasingly operates in the same space as the global digital giants. The current exploitation of linear services, which feature traditional technology and delivery, may well disappear, leading to inevitable changes in the content exploitation market with a concomitant impact on supplemental income for public media.

The quest for new funding models and sources of income for public media have exercised those within the industry for many years. To date, movement towards digital and internet services has tended to reduce rather than expand revenue opportunities for PSM. With no obvious new revenue stream on the horizon, opportunities continue to be sought from within existing funding models.

## Public funding

Public funding has always underpinned the ethos of public media. In the broadcast-only era, a licence fee provided a direct link between PSM and public. The view that this is the most transparent and accountable method of funding public media is unlikely to change in the near future although there appears to be an appetite to move away from licence fee funding to a taxation or facilities-based payment.

Many public media organisations receive some funding via government. While the individual payments model carries a degree of risk, the greatest uncertainty arises when government funding is allocated on an annual or short-term basis as this is more susceptible to political changes, intervention and pressure. This also severely restricts the ability of PSM to plan for the longer term and increases instability in the sector. As a principle, the level and duration of public funding should be decided independently of government. If possible, terms of funding should also be independent of parliamentary terms to avoid politicians seeking budgetary advantages by proposing reduced public or government contributions to PSM.

While a direct licence fee linked to television ownership is still a major element of PSM income, this funding model is no longer universally popular. In many countries, evasion of licence fee payment increasingly impacts revenue and the collection process can be an expensive addition to general taxation. If public support, such as that expressed recently in Switzerland, favours the retention of a licence fee, then a more productive collection process may need to be considered to tackle evasion. One such example is the addition of the fee to utility bills.

The move to consuming media via multiple devices is increasingly the norm. More thought should be given to modifying the definition of “required pay” to include such devices, as in Germany where a household or business tax was introduced in 2013.

Where there is limited support for, or resistance to, the licence fee, consideration should be given to alternative public funding through a form of taxation or fee based on income, which is then levied on all citizens as demonstrated by the Yle tax in Finland.

To improve the sustainability of revenue and limit the potential for political interference, public funding needs to be enshrined in legislation and statutorily ring fenced from other elements of government budget. This should be administered by an independent body.

Public media should be funded from income that does not form part of the national income, such as a government raised public media tax of telecoms and internet media companies. The biggest challenge is to convince politicians to legislate for such taxation, as it reduces their control of the media.

## Commercial funding

The reality is that many, if not most, PSM organisations receive some element of commercial funding. Advertising and sponsorship remain the mainstay of commercial funding for PSM, with no alternative likely in the near future. Commercial income will always be subject to market pressures and driven by audiences and demographics. With this comes the growing challenge for national public media of competing for audiences with well-funded global content providers. Such providers also have the media space and funding to heavily market individual high budget programmes or series, while public media has to fill many hours of programming to be deemed competitive.

The more PSM is forced into the digital space - be it by audience choice or loss of spectrum access - the greater the competition will become, especially from digital giants such as Google, Amazon and Netflix. The incentive to compensate for the additional competition for advertising revenue may be for PSM to look towards replicating their rivals' VOD business models as a way of generating additional funding. However, any mismanaged movement in this direction could prove a major threat to the core values of public media. One obvious temptation might be for PSM to focus on the production of limited prime content and genres to maintain audiences, to the detriment of producing diverse and original regional and national content. This could make PSM organisations indistinguishable from their commercial rivals and ultimately undermine any claim to continue additional government or public funding.



### PSM Cooperation

While not specifically related to revenue generation, the potential for greater cooperation between PSM organisations is worthy of mention as it could be a route to improve net income. Like the majority of companies, PSM view and manage their budgets solely on an individual company basis. However, with their shared core values, PSM potentially stand to benefit through increased regional and international cooperation. Benefits could accrue in terms of cost savings or added creative value for content production. Areas for consideration could include:

#### 1. Acquisition of rights or commissioning of content.

PSM could have greater buying power by negotiating from an increased position of strength for larger territories.

#### 2. PSM co-productions and content sharing.

Particularly for content covering topics of regional or international importance that PSM is expected to cover but that have little or no secondary rights value, for example recent coverage about the global impact of the use of plastics. Combining resources and funding would increase the programme budget with the view to enhance creative quality. Examples of added benefit include: more time for in-depth research, greater access to specialist production technologies and the employment of high-quality production personnel. Each participating PSM would then have local broadcast rights for the content produced. Co-productions can also allow considerable cost-saving through joint investment.

#### 3. Agreeing and promoting shared values and best practice.

### Outstanding Questions

This overview of PSM funding models highlights the risks and challenges facing PSM in the coming years. PSM funding is inherently tenuous and subject to a myriad of factors from internal company decision making to the national economic and political context.

Such, vulnerability leaves PSM professionals and thinkers with a number of questions in addressing future funding models:

- Can PSM convince its stakeholders - particularly the public - that it provides an essential service that is NOT being satisfied by other media players, which should be protected and adequately & sustainably funded?
- Are governments receptive to amending and updating operating licences and Charters to recognise the changing media landscape, which will allow new funding models and alternative revenue streams to be developed? And how quickly can change be implemented?
- Is PSM resilient enough to react to the changing media landscape and the inexorable move towards alternative media and platform deliveries?
- Can PSM meet audience demands for enhanced content delivery?
- Can PSM maintain its integrity and independence from government in this fast-changing media world – particularly if total or majority government grant funding is the preferred model?

# Reflections

Having reviewed annual reports for a number of public media organisations over a four-year period, I have to conclude that there appears to have been little progress in identifying alternative funding models or sources of income for public media worldwide. Irrespective of the source of income, there has been little change in revenue profiles or funding models that generate new and alternative sources of revenue.

For those PSM that rely heavily on public funding, the lack of change may be a result of the legal limitations in franchises or charters, a factor that does not impact commercial rivals. Commercially funded PSM continue to rely on advertising and sponsorship as their main source of income. However, many annual reports show the continuing movement of this income source away from traditional broadcast and towards multiplatform delivery, where commercial competition is likely to intensify.

If public media is to survive there needs to be a major change in perception, both public and political, of the social role and national importance of PSM. This will only be achieved through concerted promotion of the public benefits PSM offers. To date, most attempts have been at a national level, often as a reaction

to adverse publicity about the cost of public media to individuals, levels of government funding or when commercial rivals seek to reduce the impact of PSM competition on their market share or services.

In conclusion, the arguments in favour of PSM would be more convincing and create greater impact if public media organisations could collaborate and work together more

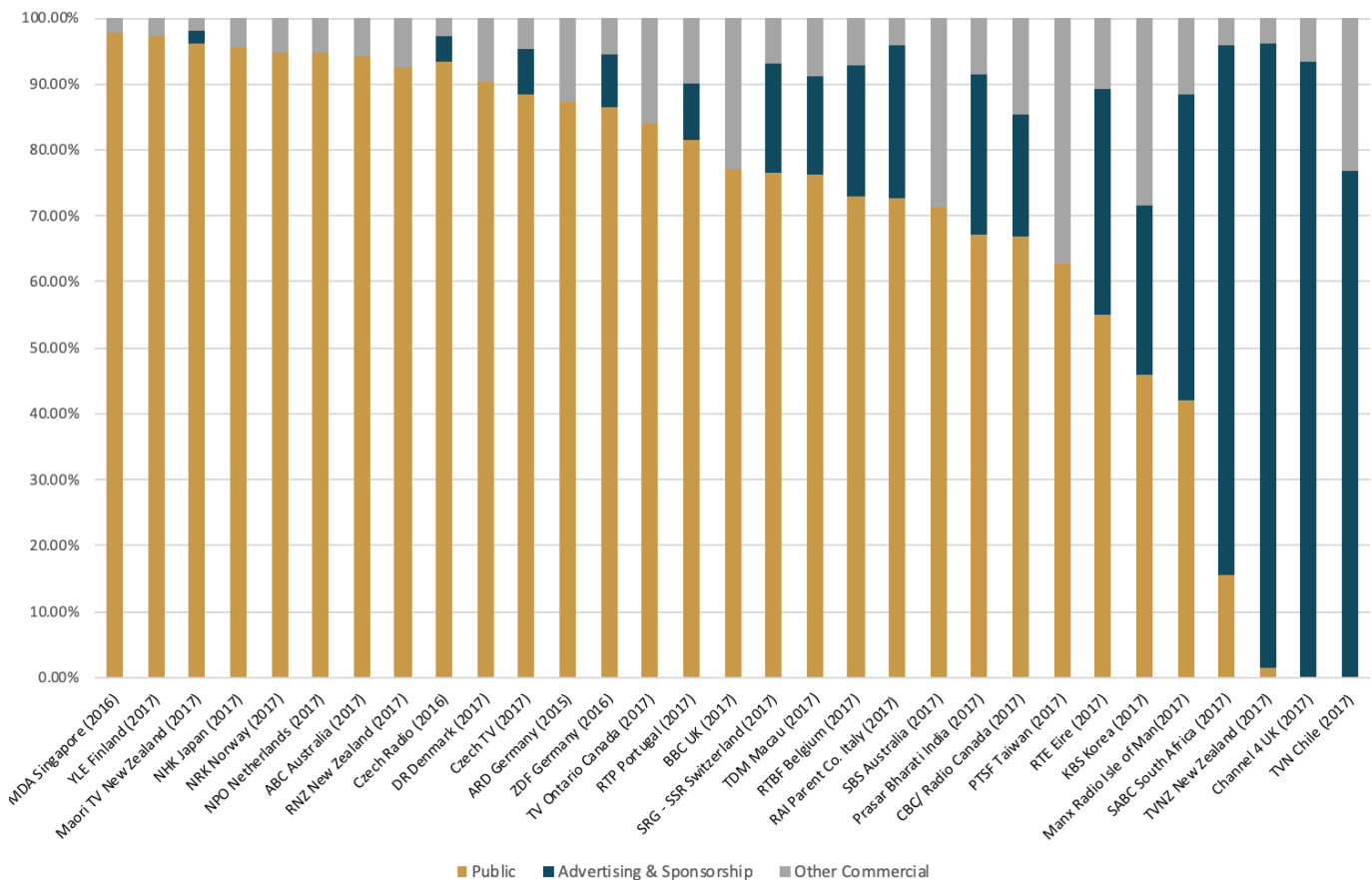
*If public media is to survive there needs to be a major change in perception, both public and political*

closely and in addition, advocate with a unified international voice rather than diverse national ones.

# Appendix

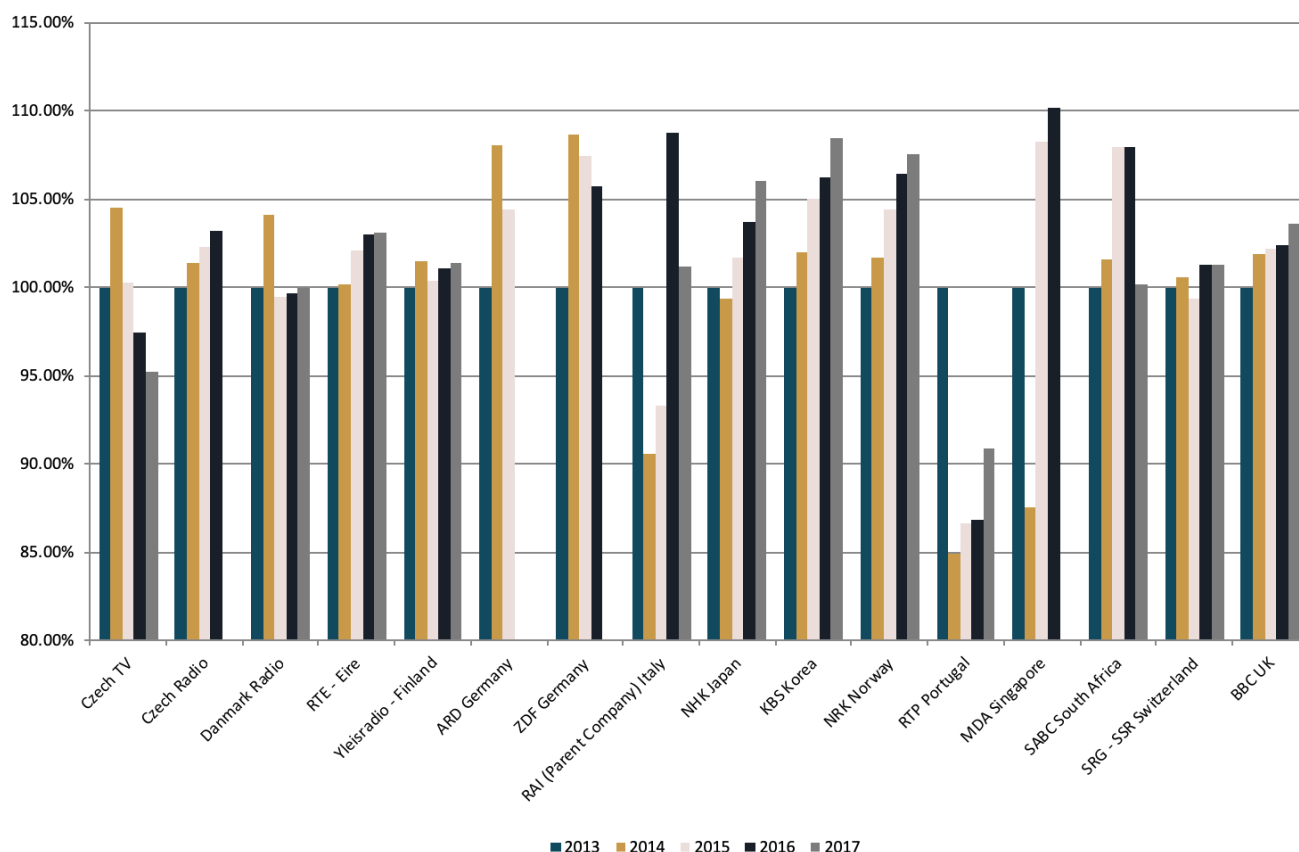
All data sets for the following charts (1-5) are available via the Public Media Alliance website.

Appendix Chart 1: **PSM Total Funding**



**Appendix 1** highlights the diversity of PSM funding models, from those with a high reliance on public funding (licence fees and government grants) to those with a high percentage of commercial funding (advertising and sponsorship). There are few examples of public media with balanced mixed funding models, such as Manx Radio and RTE.

Appendix Chart 2: Licence Fees and Taxation

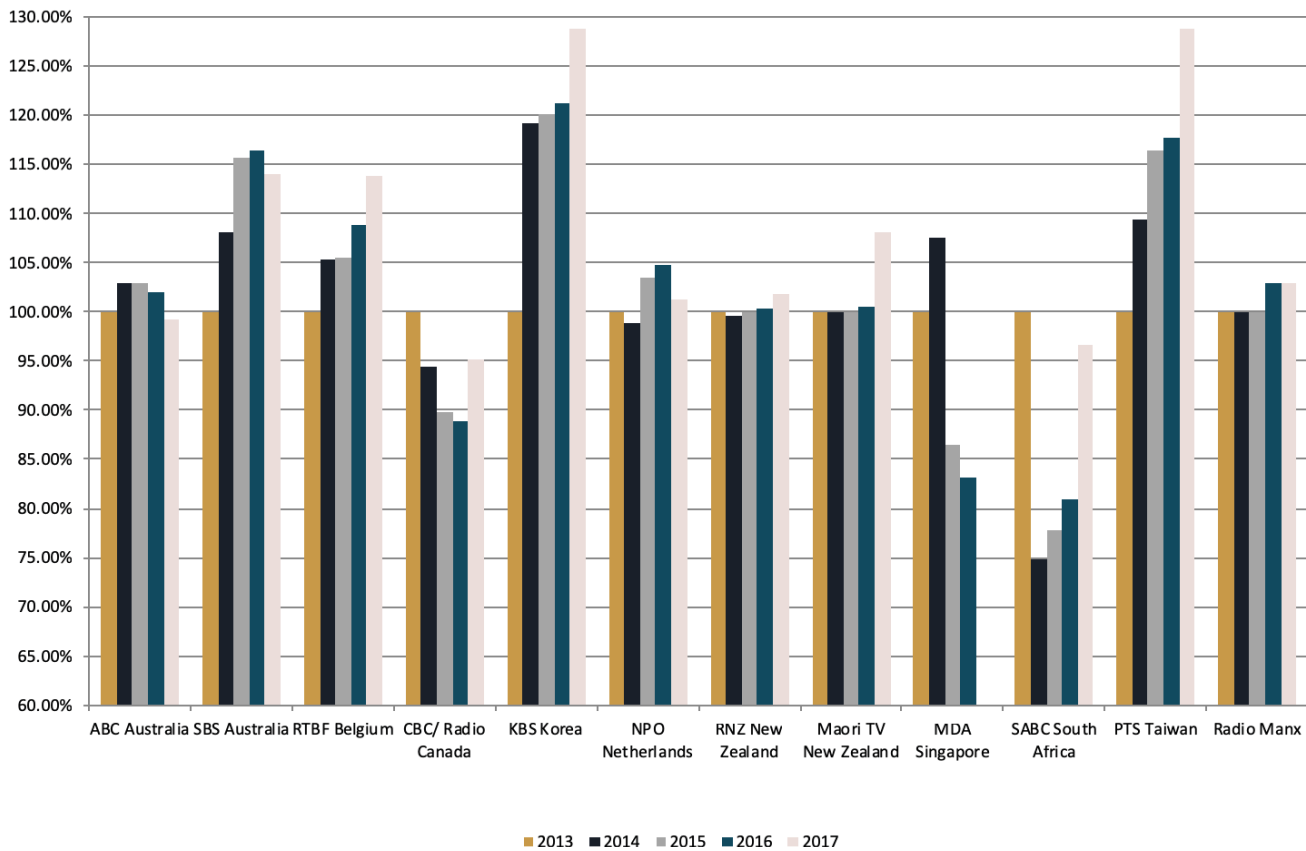


**Appendix 2** shows the change in total income from licence fees or taxation compared to 2013 as a base year. Total income can be influenced by a number of variables, including changes to licence fee rates, a change in the number of licences issued or the rate of licence fee evasion.

BBC income increased annually from 2013 to 2017 despite the licence fee being frozen from 2011 to 2017. As part of BBC Charter renewal, licence fees will increase by inflation for 5 years from April 2017.

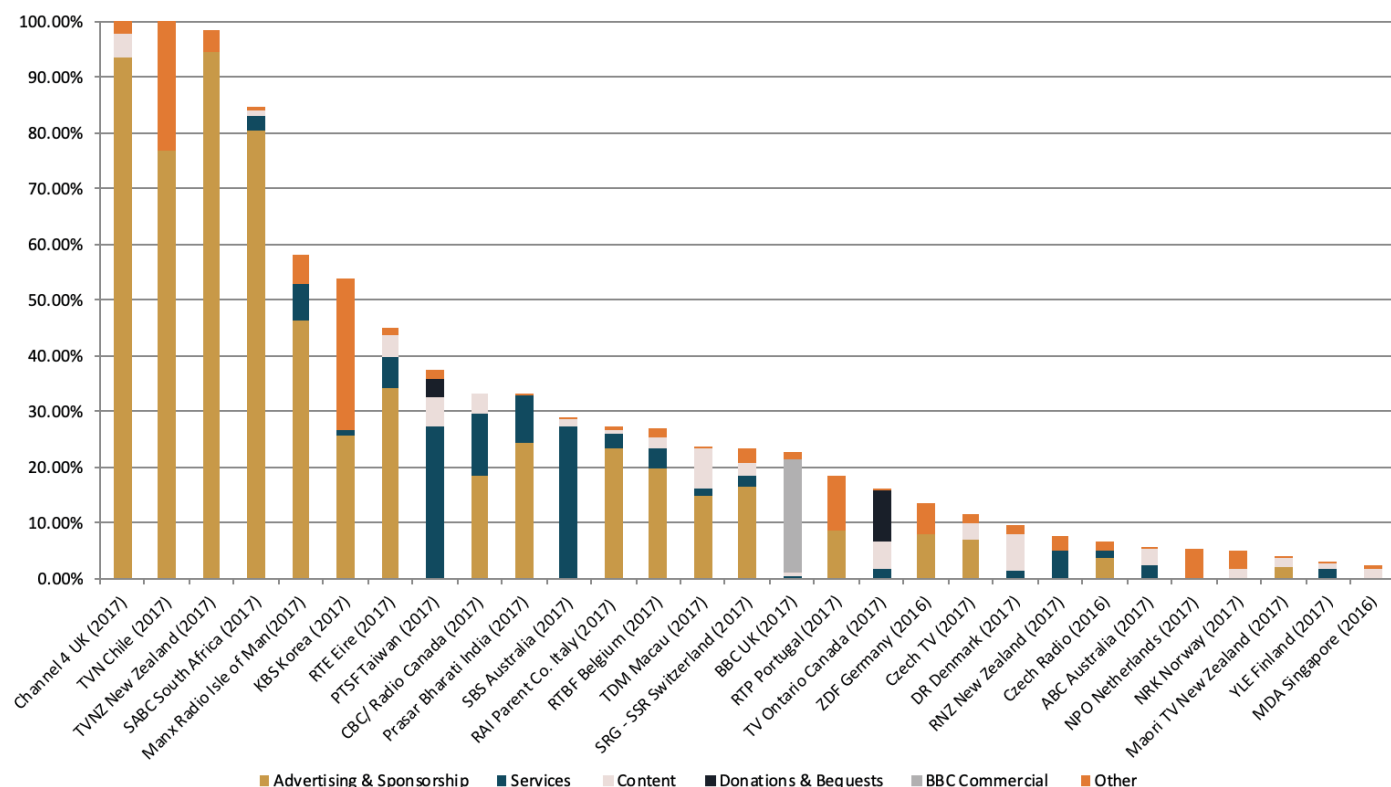
Whilst RTE's licence fee was frozen during the sample period, NRK and DR benefited from annual increases in licence fee over the same period.

Appendix Chart 3: **Government Funding and Grants**



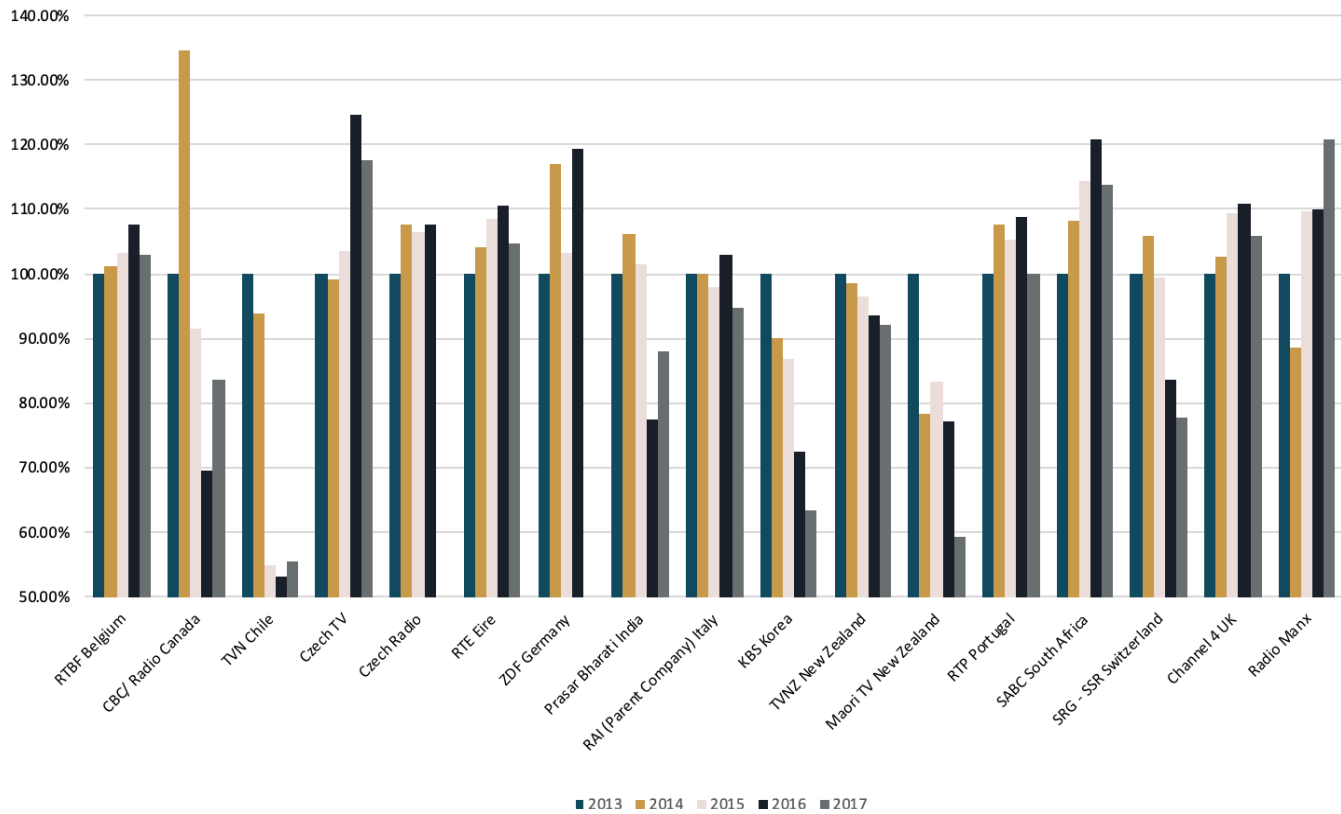
**Appendix 3** tracks the net change in government funding and grants when compared to 2013 as the base year. Comparisons can be indicative of changes in government policy, such as the cuts imposed upon ABC Australia from 2014. However, where there are multiple funding elements, changes will create a different impact. This was the case at SBS Australia, which was subject to similar funding reductions from 2014 but then, as a result of the Australian Government rejecting its submission to increase revenue from additional advertising, then received additional government funding to recompense it for the financial effects of that decision. This helped to create net increases post 2013.

Appendix Chart 4: **Commercial Funding**



**Appendix 4** shows variations in commercial income for PSM based on the last published financial reports. The chart demonstrates the degree of reliance upon advertising and sponsorship as the primary source of commercial income – where licences or charters allow.

Appendix Chart 5: **Advertising and Sponsorship**



**Appendix 5** tracks the variation in revenue from advertising and sponsorship compared to 2013 as a base year. While the majority of PSM generating income report a loss of revenue to new media platforms, this effect is not apparent as it is masked by substantial movements in revenue generated by periodic special events, such as coverage of the Olympics or FIFA World Cup. These spikes in revenue however, come with substantial cost implications, an element that is not covered in this review.



## Appendix 6: **Annual Reports**

Data from the following Annual Accounts were used to compile Appendix Charts 1-5.

### **Australia**

#### **ABC Annual Reports 2013-2017**

<http://about.abc.net.au/how-the-abc-is-run/reports-and-publications/>

#### **SBS Annual Reports 2013-2017**

<http://www.sbs.com.au/aboutus/corporate/view/id/111/h/Annual-Reports>

### **Belgium**

#### **RTBF Rapport Annuel 2017**

<http://www.rapportannuelrtbf.be/2017/perf-financiere/>

#### **RTBF Rapport Annuel 2016**

<http://www.rapportannuelrtbf.be/2017/perf-financiere/>

#### **RTBF Rapport Annuel 2015**

[http://www.rapportannuelrtbf.be/downloads/ra\\_rtbf2015\\_ld.pdf](http://www.rapportannuelrtbf.be/downloads/ra_rtbf2015_ld.pdf)

#### **RTBF Rapport Annuel 2014**

[https://ds1.static.rtbf.be/article/pdf/rtbf\\_rapportannuel2014\\_md150dpi-1436869525.pdf](https://ds1.static.rtbf.be/article/pdf/rtbf_rapportannuel2014_md150dpi-1436869525.pdf)

#### **RTBF Rapport Annuel 2013**

[https://ds1.static.rtbf.be/article/pdf/rtbf\\_rapportannuel2014\\_md150dpi-1436869525.pdf](https://ds1.static.rtbf.be/article/pdf/rtbf_rapportannuel2014_md150dpi-1436869525.pdf)

### **Canada**

#### **CBC/Radio-Canada Annual Reports 2013-2017**

<http://www.cbc.radio-canada.ca/en/reporting-to-canadians/reports/financial-reports/annual-report-archives/>

#### **TV Ontario Annual Reports 2013-2017 [No longer available]**

<http://tvo.org/about/annual-reports>

### **Chile**

#### **TVN Estados Financieros 2017**

[http://estaticos.tvn.cl/skins/especiales/tvncorporativo/201608181149/estadosfinancieros/2017/Estados\\_Financieros\\_TVN2017.pdf](http://estaticos.tvn.cl/skins/especiales/tvncorporativo/201608181149/estadosfinancieros/2017/Estados_Financieros_TVN2017.pdf)

#### **TVN Estados Financieros 2016**

[http://estaticos.tvn.cl/skins/especiales/tvncorporativo/201608181149/estadosfinancieros/2016/fecu\\_dic\\_2016\\_libro.pdf?2](http://estaticos.tvn.cl/skins/especiales/tvncorporativo/201608181149/estadosfinancieros/2016/fecu_dic_2016_libro.pdf?2)

#### **TVN Estados Financieros 2015**

[http://estaticos.tvn.cl/skins/especiales/tvncorporativo/201410281740/estadosfinancieros/2015/fecu\\_2015\\_12.pdf](http://estaticos.tvn.cl/skins/especiales/tvncorporativo/201410281740/estadosfinancieros/2015/fecu_2015_12.pdf)

#### **TVN Estados Financieros 2014**

[http://estaticos.tvn.cl/skins/especiales/tvncorporativo/201410281740/estadosfinancieros/2014/FECU\\_2014\\_12.pdf](http://estaticos.tvn.cl/skins/especiales/tvncorporativo/201410281740/estadosfinancieros/2014/FECU_2014_12.pdf)

#### **TVN Estados Financieros 2013**

[http://estaticos.tvn.cl/skins/especiales/tvncorporativo/201410281740/estadosfinancieros/2014/FECU\\_2014\\_12.pdf](http://estaticos.tvn.cl/skins/especiales/tvncorporativo/201410281740/estadosfinancieros/2014/FECU_2014_12.pdf)

### Czech Republic

**Czech TV Výroční zpráva 2017**

[http://img.ceskatelevize.cz/boss/image/contents/rada-ct/vyrocni\\_zpravy/zprava2017\\_hospodareni.pdf](http://img.ceskatelevize.cz/boss/image/contents/rada-ct/vyrocni_zpravy/zprava2017_hospodareni.pdf)

**Czech TV Výroční zpráva 2016**

[http://img.ceskatelevize.cz/boss/image/contents/rada-ct/vyrocni\\_zpravy/zprava2016\\_hospodareni.pdf](http://img.ceskatelevize.cz/boss/image/contents/rada-ct/vyrocni_zpravy/zprava2016_hospodareni.pdf)

**Czech TV Výroční zpráva 2015**

[http://img.ceskatelevize.cz/boss/image/contents/rada-ct/vyrocni\\_zpravy/zprava2015\\_hospodareni.pdf](http://img.ceskatelevize.cz/boss/image/contents/rada-ct/vyrocni_zpravy/zprava2015_hospodareni.pdf)

**Czech TV Výroční zpráva 2014**

[http://img.ceskatelevize.cz/boss/image/contents/rada-ct/vyrocni\\_zpravy/zprava2014\\_hospodareni.pdf](http://img.ceskatelevize.cz/boss/image/contents/rada-ct/vyrocni_zpravy/zprava2014_hospodareni.pdf)

**Czech TV Výroční zpráva 2013**

[http://img.ceskatelevize.cz/boss/image/contents/rada-ct/vyrocni\\_zpravy/zprava2013\\_hospodareni.pdf](http://img.ceskatelevize.cz/boss/image/contents/rada-ct/vyrocni_zpravy/zprava2013_hospodareni.pdf)

**Czech Radio Annual Reports 2013-2017**

<http://www.rozhlas.cz/english/annualreports>

### Denmark

**Danmark Radio Årsrapport 2013 -2017**

<http://www.dr.dk/om-dr/fakta-om-dr/drs-aarsrapporter>

### Ireland

**RTE Annual Reports 2013-2017**

<http://www.rte.ie/about/en/policies-and-reports/annual-reports/>

### Finland

**Yleisradio Financial Statement 2017**

<http://view.24mags.com/mobilev/6509a9dbaefd98f22034bdb987c19680#/page=1>

**Yleisradio Financial Statement 2016**

<https://drive.google.com/file/d/0B-v6fV6ewetZTnR1b1czbkpZQ0U/view>

**Yleisradio Financial Statement 2015**

<https://drive.google.com/file/d/0B99iwmeg19YFb2NIZlozdEpnY3M/view>

**Yleisradio Financial Statement 2013-2014**

<https://drive.google.com/file/d/0B-v6fV6ewetZNTZRcDd0NWIUSkU/view>

### Germany

**ARD Finanzstatistik 2015**

[http://www.ard.de/home/die-ard/fakten/Geschaeftsberichte\\_der\\_Rundfunkanstalten\\_und\\_ARD\\_Bericht/4022474/index.html](http://www.ard.de/home/die-ard/fakten/Geschaeftsberichte_der_Rundfunkanstalten_und_ARD_Bericht/4022474/index.html)

**ARD Finanzstatistik 2013 & 2014**

[http://www.ard.de/download/2445782/ARD\\_Finanzstatistik\\_2014.pdf](http://www.ard.de/download/2445782/ARD_Finanzstatistik_2014.pdf)

**ZDF Jahresabschluss 2016**

<https://www.zdf.de/zdfunternehmen/jahrbuch-2017-finanzen-jahresabschluss-102.html>

**ZDF Jahresabschluss 2015**

<https://www.zdf.de/zdfunternehmen/jahrbuch-2016-finanzen-jahresabschluss-100.html>

**ZDF Jahresabschluss 2013-2014**

<http://www.zdf-jahrbuch.de/pdf/zdf-jb15-3-01-finanzen.pdf#view=FitB&page=01>

**India****Prasar Bharati Annual Report 2013 -2017**

<http://prasarbharati.gov.in/AnnualReport.php>

**Isle of Man****Manx Radio Annual report 2017**

[https://annualreport.channel4.com/downloads/28182\\_Channel4\\_AR17\\_A\\_Full.pdf](https://annualreport.channel4.com/downloads/28182_Channel4_AR17_A_Full.pdf)

**Manx Radio Annual report 2016**

<http://annualreport.channel4.com/downloads/FULL%20AR%202016.pdf>

**Manx Radio Annual report 2015 & 2014** - No longer available digitally

**Manx Radio Annual report 2013** - No longer available digitally

**Italy****RAI Financial Statements 2017**

[http://www.rai.it/dl/doc/1536229057967\\_Bilancio%20Rai%202017%20-%20Inglese%205.09.2018.pdf](http://www.rai.it/dl/doc/1536229057967_Bilancio%20Rai%202017%20-%20Inglese%205.09.2018.pdf)

**RAI Financial Statements 2016**

[http://www.rai.it/dl/doc/1494023082598\\_Bilancio%20Rai%20SpA%202016\\_24.04.pdf](http://www.rai.it/dl/doc/1494023082598_Bilancio%20Rai%20SpA%202016_24.04.pdf)

**RAI Financial Statements 2015**

[http://www.rai.it/dl/docs/1470241845320Bilancio\\_Rai\\_2015\\_ING.pdf](http://www.rai.it/dl/docs/1470241845320Bilancio_Rai_2015_ING.pdf)

**RAI Financial Statements 2013-2014**

[http://www.rai.it/dl/docs/Report\\_31\\_12\\_2014\\_check.pdf](http://www.rai.it/dl/docs/Report_31_12_2014_check.pdf)

**Jamaica****RJRGLEANER Annual Reports 2013-2017**

<http://www.rjrgleanergroup.com/?q=publications>

**Japan****NHK Comments from the top 2017**

[http://www.nhk.or.jp/corporateinfo/english/comment\\_top/president/2017/1705.html](http://www.nhk.or.jp/corporateinfo/english/comment_top/president/2017/1705.html)

**NHK Comments from the top 2016**

[http://www.nhk.or.jp/corporateinfo/english/comment\\_top/president/2016/1605.html](http://www.nhk.or.jp/corporateinfo/english/comment_top/president/2016/1605.html)

**NHK Comments from the top 2015**

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**NHK Comments from the top 2014**

[http://www.nhk.or.jp/corporateinfo/english/comment\\_top/president/2014/1405.html](http://www.nhk.or.jp/corporateinfo/english/comment_top/president/2014/1405.html)

**NHK Comments from the top 2013**

[http://www.nhk.or.jp/corporateinfo/english/comment\\_top/president/2013/1305.html](http://www.nhk.or.jp/corporateinfo/english/comment_top/president/2013/1305.html)

## Funding Public Media

### South Korea

**KBS Annual Report 2017**

[open.kbs.co.kr/eng/index.html?sname=report&stype=annual](http://open.kbs.co.kr/eng/index.html?sname=report&stype=annual)

**KBS Annual Report 2015-2016**

[open.kbs.co.kr/eng/index.html?sname=report&stype=annual](http://open.kbs.co.kr/eng/index.html?sname=report&stype=annual)

**KBS Annual Report 2013-2014**

No longer available

### Macau

**TDM Relatorio E Contas 2017**

[http://portugues.tdm.com.mo/report/2017FIN\\_report\\_pt.pdf](http://portugues.tdm.com.mo/report/2017FIN_report_pt.pdf)

**TDM Relatorio E Contas 2016**

[http://portugues.tdm.com.mo/report/2016FIN\\_report\\_pt.pdf](http://portugues.tdm.com.mo/report/2016FIN_report_pt.pdf)

**TDM Relatorio E Contas 2014-2015**

[http://portugues.tdm.com.mo/report/2015FIN\\_report\\_pt.PDF](http://portugues.tdm.com.mo/report/2015FIN_report_pt.PDF)

### Netherlands

**NPO Jaarverslag 2013 -2017**

<https://over.npo.nl/organisatie/onze-prestaties/jaarverslag>

### New Zealand

**RNZ Annual Reports 2013-2017**

<http://www.radionz.co.nz/about/documents>

**TVNZ Annual Reports 2013 -2017**

<http://tvnz.co.nz/tvzn-corporate-comms/tvzn-4880728>

**Maori TV Annual Reports 2013-2014**

<http://www.maoritelevision.com/about/about-maori-television/official-publications>

### Norway

**NRK Arsberetning 2017**

<https://fido.nrk.no/442b6a7f2c520d4c1fce91025995284723721336ce25394f935372850320d47f/aarsregnskap2017.pdf>

**NRK Arsberetning 2016**

<https://fido.nrk.no/c5ac322a1f7a87d065d3934d2cfe3b7edb278b0d098396837d818376112d59ef/NRKs%20aarsregnskap%202016.pdf>

**NRK Arsberetning 2015**

<http://fido.nrk.no/72affa5a1d0ee800afaa9b5acc5338cff30ca18b721168b543e8eb3a08da0172/120416%20-%20aarsregnskap%202015.pdf>

**NRK Arsberetning 2013-2014**

[http://fido.nrk.no/dad6acff6b3f1f5ec50457ff1b6baebfc4533575804e7a7b015e89461296ef7f/NRK\\_aarsregnskap\\_2014\\_web.pdf](http://fido.nrk.no/dad6acff6b3f1f5ec50457ff1b6baebfc4533575804e7a7b015e89461296ef7f/NRK_aarsregnskap_2014_web.pdf)

## Portugal

### RTP Relatório e Contas 2017

<http://cdn-images.rtp.pt/mcm/pdf/46a/46abf70c1a4f8adf25f12420f86146a61.pdf>

### RTP Relatório e Contas 2016

<http://cdn-images.rtp.pt/mcm/pdf/088/088f81cdf1cc411b23325e19e3663aec1.pdf>

### RTP Relatório e Contas 2015

<http://cdn-images.rtp.pt/mcm/pdf/052/052c618f24a468160608132e66364f4b1.pdf>

### RTP Relatório e Contas 2013-2014

<http://img.rtp.pt/mcm/pdf/798/7983d3101d306d976881dd0599cd3bf11.pdf>

## Singapore

### MDA Annual Reports 2013 -2016

No longer available

## South Africa

### SABC Annual Report 2017

<http://www.sabc.co.za/sabc/wp-content/uploads/docs/annual-reports/SABC+AR+2016-17.pdf>

### SABC Annual Report 2013-2016

<http://www.sabc.co.za/sabc/annual-reports/>

## Switzerland

### SRG-SSR Geschäftsbericht 2017

[https://www.srgssr.ch/fileadmin/dam/documents/publikationen/geschaeftsbricht/SRG\\_GB\\_2017\\_de.pdf](https://www.srgssr.ch/fileadmin/dam/documents/publikationen/geschaeftsbricht/SRG_GB_2017_de.pdf)

### SRG-SSR Geschäftsbericht 2013 -2016

<http://www.srgssr.ch/de/publikationen/geschaeftsbericht/>

## Taiwan

### PTS Annual Report 2017

[https://drive.google.com/file/d/1BmpIW3l-x0lA-GFE5fWKLB6K\\_J8oIOkt/view](https://drive.google.com/file/d/1BmpIW3l-x0lA-GFE5fWKLB6K_J8oIOkt/view)

### PTS Annual Report 2013 - 2016

<http://eng.pts.org.tw/2011/01/annual-report.html>

## United Kingdom

### BBC Annual Report 2017

<http://www.bbc.co.uk/aboutthebbc/insidethebbc/howwework/reports/ara>

### BBC Annual Report 2013 - 2016

<http://www.bbc.co.uk/aboutthebbc/insidethebbc/howwework/reports/ara/archive>

### Channel 4 Annual report 2016

[https://annualreport.channel4.com/downloads/28182\\_Channel4\\_AR17\\_A\\_Full.pdf](https://annualreport.channel4.com/downloads/28182_Channel4_AR17_A_Full.pdf)

### Channel 4 Annual report 2016

<http://annualreport.channel4.com/downloads/FULL%20AR%202016.pdf>

## Funding Public Media

**Channel 4 Annual report 2015 & 2014** - No longer available digitally

**Channel 4 Annual report 2013** - No longer available digitally

### United States of America

**CPB Financial Statements 2013 - 2017**

<http://www.cpb.org/aboutcpb/financials>

**CPB Funding in Your State**

<http://www.cpb.org/aboutcpb/financials/funding>

**NPR Annual report 2017**

[https://www.npr.org/about/statements/fy2017/National\\_Public\\_Radio\\_Consolidate\\_Financial\\_Statements\\_D1617\\_FINAL.pdf](https://www.npr.org/about/statements/fy2017/National_Public_Radio_Consolidate_Financial_Statements_D1617_FINAL.pdf)

**NPR Annual report 2013 - 2016**

<http://www.npr.org/about-npr/178660742/public-radio-finances>

**PBS Annual report 2013 - 2017**

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- 3 BBC (2018) Annual Report and Accounts 2017/2018 [online]. Available from: [http://downloads.bbc.co.uk/aboutthebbc/insidethebbc/reports/pdf/bbc\\_annualreport\\_201718.pdf](http://downloads.bbc.co.uk/aboutthebbc/insidethebbc/reports/pdf/bbc_annualreport_201718.pdf)
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Rai (2019) FAQ [online]. Available from: <http://www.canone.rai.it/Ordinari/RisposteFAQ.aspx?ID=24>  
  
NHK (2018) Receiving Fee System [online]. Available from: <http://www.nhk.or.jp/corporateinfo/english/receivingfee/index.html>  
  
Kepco (2013) Foreign Residents [online]. Available from: <https://home.kepco.co.kr/kepco/EN/F/htmlView/ENFBHP003.do?menuCd=EN060203>  
  
Note: Swedish licence fee website no longer available due to replacement - for more info see: <https://www.radiotjanst.se/en/>  
  
TV Licensing (2018) Do I need a TV Licence? [online]. Available from: <http://www.tvlicensing.co.uk/check-if-you-need-one>
- 5 **AUSTRIA:** Gebühren Info Service (2017) Radio license fees per month in Euro [online]. Available from: <https://www.gis.at/gebuehren/uebersicht/>  
  
**DENMARK:** DR (2018) Media Licence: When to Register? [online]. Available from: <https://www.dr.dk/om-dr/licens/licens-english>  
  
**FINLAND:** Vero Skatt (2017) Public Broadcasting Tax [online]. Available from: [https://www.vero.fi/en-US/Individuals/Payments/Public\\_broadcasting\\_tax](https://www.vero.fi/en-US/Individuals/Payments/Public_broadcasting_tax)



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Designed and edited by Kristian Porter

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