



RESPONSE OF

CABLE BAHAMAS LTD AND CARIBBEAN CROSSINGS
LTD

TO

URCA'S REVIEW OF PUBLIC SERVICE
BROADCASTING
(ECS 29/2010)

25 FEBRUARY 2011

Introduction

Cable Bahamas Ltd. (“CBL”) and Caribbean Crossings Ltd. (collectively, “The Companies”) hereby respond to the Review of Public Service Broadcasting (ECS 29/2010) that was published by URCA for consultation on 31 December 2010. The Companies welcome the opportunity to comment on the consultation.

As a preliminary point, The Companies fully support the view that local broadcasting should be streamlined to offer more local content covering all aspects of Bahamian life and culture. However, The Companies disagree however that a Public Service Broadcasting (“PSB”) designation in today’s society would provide the answer. Historically PSB structures were designed to inform, educate and entertain today, however the cold truth is that these objectives have become challenging to achieve in markets that are advanced in technological entertainment. Competition is no longer local but global with insurmountable channel accessible through, broadband internet and other great technological advancements, such that audience appeal (which translates into funding) for PSB models has now dwindled in many countries and in particular the Caribbean region.

The late 90’s saw the privatization of four public service models in the Caribbean, viz: Jamaica; Dominica; St. Kitts & Nevis and Trinidad & Tobago and the sizeable downsizing of the Caribbean Broadcasting Corporation in Barbados.

The Companies are concerned that in a small island state such as this, it may not be feasible to create a model where there is little or no governmental involvement in the running and functioning of the broadcasting network. The Companies envisage a model which partners with the government of The Bahamas and with the people of The Bahamas with a mandate to meet the cultural, educational, informational and economic needs of the people based on public interest and not profit. Ideally a quasi-PSB model, with government appropriation initially being at its maximum level and a ten (10) year plan to gradually reduce these levels to a minimum and ultimately replacing the appropriations with other sources of funding.

URCA has indicated that it expects digital media to play an increasingly important role in the delivery of PSB delivery in the future. The Companies wish to highlight the fact that digital technology is available now and encourage URCA to make it part of the short term plan of any PSB model adopted.

Slight should not be made of the contribution Cable 12, JCN and BCN have made to local programming content. In addition to the various Religious programs, Cable 12 News has made tremendous strides in a very short time, and local programs such as Portraits, Dare to be Great, Controversy TV, My Five Cents, Jones and Company, Citizens Review, Abaco Today and Bahamas in the Morning have attracted large audience viewership and appreciation. Though

there is still much room for growth and development acknowledgements should be made of the invaluable contributions the other local broadcasters have made to the local content programming in The Bahamas.

The Role of PSB

URCA sees the role of PSB in The Bahamas as providing domestically produced content (including but not limited to radio and television programmes) intended to serve Bahamian audiences by reflecting, reporting on and portraying life in The Bahamas.

The Companies agree with this role but feels that due to funding and financial constraints more emphasis should be placed on covering/televising local activities in the cultural, social, democratic and educational genres.

The Companies also feel that there is room and appeal in a PSB line-up for viable regional content.

The Remit of PSB

The Companies substantially agree with the remit for ZNS recommended by URCA, and make the following further recommendations;

- URCA has recommended the use of audience surveys to assist ZNS and indeed other private broadcasters when deciding the type of Bahamian programmes audiences want to watch or listen to. URCA has also suggested that the commission of these surveys should be a collaborative effort between ZNS and all private broadcasters in order to gain insight into audience appeal and target audiences for advertising.

It is the Companies' view that an exercise such as this would indeed provide invaluable information for the industry; In light of the current economic conditions many broadcasters are challenged daily to meet their commitments. Broadcasters are therefore unlikely to willingly take part in a survey such as this in the hopes of some long-term benefits. Accordingly, it is our recommendation that a government agency, possibly through the Department of Statistics be utilized for this exercise, thereby circumventing the need to find an organization capable enough and independent enough to conduct this exercise.

- When soliciting funding from other sources, the broadcaster must exercise care and diligence so as not to permit these initiatives to affect the editorial control or programming agenda of ZNS and also preserve its independence from commercial and/or outside influence.

The Companies agree with URCA's remit for ZNS Radio and would add that, at this stage to enable ZNS Radio to live up to its true potential of being "the Voice of the Bahamas". The Companies feel that concentrating efforts on both ZNS Radio and TV at the same time will have less effective results than concentrating on one network at a time. Therefore once the initiatives with respect to ZNS Radio have been completed then full resources can be placed in the restructuring of ZNS TV.

Funding of PSB

It is said that a suitable funding model for a public broadcaster should provide a stable source of revenue to reflect the community's commitment to PSB and enable its sustainable development.

The Companies view is that the Government should continue to provide the bulk of ZNS funding, however The Companies do acknowledge the challenge The Companies comments on the sources of funding recommended by URCA are as follows:-

- Industry taxes – The Companies do not support this recommendation because the industry has seen a tremendous increase in taxing regimes within recent times, viz the introduction of URCA's taxes and government taxes in addition to the government business licence taxes. The result is that the industry is fast becoming over burdened with taxes and stakeholders simply cannot afford the implementation of another taxing regime.
- Cable Subscription – The Companies do not support this recommendation because a segment of the population would not be paying the taxes associated with this initiative, as every household in The Bahamas does not have cable services also such an initiative would be exceedingly difficult to manage especially considering the effects of delinquent accounts and account terminations where outstanding balances are left. Additionally this can become quite burdensome and is targeting only a section of the population and not all those who would be receiving the PSB broadcast.
- Donations and Endowments – The Companies agree that this can indeed be another source of funding but questions the reliability and consistency of this type of funding. Factors such as the state of the economy, mandate and graciousness of organizations and individuals would dictate how much money is donated to ZNS' fund.
- Tax breaks – Could be a possibility depending on its structure.
- Exploitation of intellectual property – The Companies support URCA's opinion that revenue gains from these sales are unlikely to be substantial.
- Licence fees (*if it is a television licence fee*) – The Companies recognize that this can be a viable source of additional funding, and would even suggest a structure similar to which has been used in other Caribbean jurisdictions. In addition to government appropriation The Companies feel that a model which combines a licence fee regime, advertising and sponsorship would be the best fit for ZNS, and agrees with URCA that it may be appropriate to limit the amount of advertising carried by ZNS.

Responses to Consultation Questions

Chapter 2

- Q 1. Do you agree that URCA's definition of PSB – focusing on local content with cultural, social, political and educational value – provides a reasonable description of the desired role of public service broadcasting in The Bahamas? Are there any components of PSB that you would seek to add (or remove)?
- *In light of our increasingly diverse cultural mix, we recommend incorporating programming which reflects this mix as well as viable regional content.*

Chapter 3

- Q 2. Does the overview of PSB provision presented in Chapter 2 represent an accurate view of local output in The Bahamas?
- *Yes*
- Q 3. Do you agree that it is too soon to focus in any detail on the use of public service digital media (internet, mobile, etc) in The Bahamas, given how little content is currently available?
- *No, the technology is available now and should be included in any short term plan.*

Chapter 4

- Q 4. Do you agree that an audience measurement system would provide benefits to Bahamian broadcasters and audiences? What are the advantages, and logistical challenges, of doing this?
- *Yes, such a measurement will allow the PSB to provide content specific to the needs of the public however there is a challenge in sourcing the funding to carry out such an exercise, as well as the administrative challenges involved in overseeing such an initiative. Hence The Companies suggestion above that a government agency such as the Department of Statistics would be best suited for this initiative.*
- Q 5. Do you have any comments on URCA's analysis (in Section 4.1) of the levels of TV and radio consumption in The Bahamas?
- *There is a limited availability of Bahamian content because of the high costs involved with producing local content and the scarcity of funding. As suggested above the local arts and culture community should be encouraged to host events more frequently and local broadcasters should be encouraged to televise local events to fill the gaps of local productions until broadcasters are able to provide or allocate funding to satisfy their audience demands.*
- Q 6. Do you have any comments on URCA's research findings on overall satisfaction levels with Bahamian content?

- *Not much information is given about the focus group, in particular its diversity. In the future attempts should be made to represent a wider cross section of the Bahamian public.*

Q 7. Do you have any comments on URCA's research findings (in Section 4.2) regarding the importance of television and radio for the provision of Bahamian news?

- *No, we agree*

Q 8. Do you have any comments on URCA's research findings (in Section 4.2) regarding the kinds of TV and radio programmes that provide social value? Do you agree with the wide range of programme genres that people regard as being important?

- *The Bahamas has a history rich in oral tradition, as a result we agree that programmes of this nature will be more attractive to the population.*

Q 9. Do you have any comments on URCA's research findings (in Section 4.2) regarding the editorial values and independence from the government of ZNS?

- *The perception of fairness, objectivity and independence are very important ingredients for any PSB. PSBs should strive to sustain creativity, diversity, excellence, fairness and professionalism free from outside interference. Important to this ideology is the partnering with legislation to reflect a new era in the corporate governance regime of PSBs giving the Board of Directors total control over the activities of the broadcaster.*

Q 10. Do you have any comments on URCA's research findings (in Section 4.2) regarding the availability of ZNS TV and radio throughout The Bahamas, and the desirability of Bahamian programming being offered by broadcasters other than just ZNS?

- *No Comment*

Chapter 5

Q 11. Do you agree with URCA's conclusions about the gaps in PSB provision on television? If not, where do you think the most significant gaps are?

- *Yes*

Q 12. Do you agree with URCA's conclusions about the gaps in PSB provision on radio? If not, where do you think the most significant gaps are?

- *Yes*

Q 13. Do you agree with URCA's recommendations about the programme attributes that ZNS and other Bahamian broadcasters should strive to deliver?

- *Yes*

Chapter 6

Q 14. Do you agree with the principles that make up URCA's proposed PSB remit for ZNS? For television, do you agree that ZNS should offer a wider genre mix alongside news?

For radio, do you agree that ZNS should focus its resources on a single high quality service covering the whole of The Bahamas, while avoiding duplicating the services provided by private radio stations?

- *Yes, subject to an effective plan and appropriate funding.*

Q 15. Do you agree with URCA's proposal that ZNS should adopt a commissioning model for some TV programmes, in order to ensure a more balanced schedule overall?

- *Yes*

Q 16. Do you agree with URCA's proposals for ZNS to conduct regular audience surveys and to publish an annual Statement of Programme Policy? Please give your reasons

- *We agree that ZNS should conduct regular audience surveys, but not annually maybe every two years or even every three years, thereby not putting too much strain on its financial and human resources.*

Chapter 7

Q 17. Do you have any comments on the historic corporate governance arrangements that have applied to the BCB (ZNS)? What do you perceive to be their strengths and weaknesses? To what extent do you believe that Governments over the years have exercised their influence on operational and editorial matters?

- *We believe that as part of this restructuring exercise, focus should be placed on the future and not on the past.*

Q 18. What are your views on URCA's preliminary recommendations regarding the corporate governance of ZNS? Views are welcome on each of the individual recommendations, covering editorial and operational independence, the Board composition and appointment of Members, the separation of roles between the Board and management, funding settlements and accountability to government. To the extent that you agree with URCA's recommendations, please highlight the arguments you believe to be most persuasive. In areas where you disagree, please give your reasons why

- *No Comment*

Chapter 8

Q 19. Do you agree that ongoing public funding will continue to be needed for PSB in The Bahamas? Do you think the current annual level, of \$4.25 million, is too low, too high or about right? Should public funds rise in the future when economic conditions improve?

- *The Companies believe that ongoing public funding will be needed for a PSB, as to the level we cannot speculate at this time as we do not have sufficient information to make an informed decision.*

Q 20. Do you agree that the Government should support a one-off capital infrastructure upgrade for ZNS to enable it to offer its services using digital technologies?

- *Yes, but safeguards should be put in place to ensure that there is efficient, economic use of the funds in line with the vision and plan for ZNS.*

- Q 21. Do you agree that ZNS should continue to generate income from advertising and sponsorship?
- *The answer to this question will depend on the PSB model adopted for ZNS. The Companies encourage ZNS to thoroughly examine the various PSB models that have been used by countries in the region or with similar demographics when deciding on a model.*
- Q 22. Do you think ZNS should be required to sell advertising at full market rates? If so, why? If not, why not?
- *The Companies view is that we should let market forces dictate the pricing.*
- Q 23. Do you think less advertising should be permitted on ZNS' TV and radio stations than on private stations, even if this would lead either to a greater need for public funds or to a lower level of PSB provision?
- *Once a PSB model has been decided upon the next issue would be government funding. Government allocations have limits, the exact amount of this funding will be directly proportionate to the amount of advertising needed to sustain the broadcaster.*
- Q 24. What are your views on URCA's proposals regarding alternative revenue streams? Do you agree that ZNS should be encouraged to generate commercial income from exploitation of its intellectual property in secondary markets? How much money do you think this could generate? Are there other funding sources that you would propose to fund PSB?
- *The income generated from the sale of intellectual property is unlikely to be substantial. (see our other comments above).*

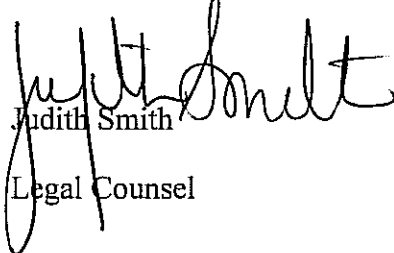
Chapter 9

- Q 25. Do you agree that ZNS should for now remain the sole designated public service broadcaster in The Bahamas?
- *Yes*
- Q 26. Do you agree that, should more public funds become available in the future, there is merit in establishing a contestable fund that could support PSB provision by other Bahamian broadcasters?
- *Yes*

Conclusions and Next Steps

The Companies look forward to working with URCA and other industry stakeholders in this continuing process.

Respectfully submitted


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