Funding of the State Broadcasters

1 Main sources of funding

Paragraph 1(b) of the fourth schedule to the 1999 Nigerian Constitution provides for the collection of licence fees for ownership of radio and television sets. It makes the local governments (the third tier of government, 774 in all) the collecting authorities but does not stipulate who the beneficiaries of these fees are to be.

Section 7 of the National Broadcasting Commission (NBC) (Amendment) Act 55 of 1999, on the other hand, empowers the regulatory body to ‘collect and hold in trust for or disburse on behalf of the broadcast houses such licence fees accruing from ownership of radio and television sets, as the commission may prescribe’.

Obviously, the Constitution is the supreme law and the general legal principle applies that any provision in any specific law which is inconsistent with the Constitution shall be null and void to the extent of its inconsistency. On this basis many local government councils in several states have been collecting the fees from owners of television and radio sets and spending them as part of their normal revenues, without disbursing any portion to the NBC or the individual radio and television stations.

1.1 Television

Details of the National Television Authority’s (NTA) income and finances are generally not available and treated as closely guarded secrets. Nevertheless, it is common knowledge that the Authority draws grants (called subventions) from government every year as part of its funding. These are one of the three main sources of funding for the NTA prescribed by sections 23 and 24 of the NTA Act. The others are ‘such sums as may from time to time be lent to the Authority by any persons’ (i.e. loans), and ‘such sums as may be collected or received by the Authority from other sources either in the execution
of its functions or in respect of any property vested in the Authority or otherwise
howsoever’, for example income from advertisements, property investments, etc.

The allocation of the government grant goes through a long process of assessment. The Authority prepares and sends its funding requirements to the information ministry, where these are further assessed, incorporated into the ministry’s overall funding package, and forwarded to the presidency’s budgeting department. After further assessment, the grant becomes part of the President’s Appropriation Bill submitted to parliament for approval and sent back to the president for assent. Whatever the amount approved is then channelled from the presidency through the same route to the authority and accessed monthly.

NTA officials complain that the grants have dwindled in recent years, while shortfalls of between 15 and 25 per cent in the monthly releases have also been very common. As a result, payment of staff salaries and acquisition of equipment for programming are often difficult.

The broadcaster sometimes receives government support through other channels or arrangements. When it moved its headquarters from Lagos to Abuja, the new federal capital, the new buildings were constructed by the administration of the federal capital territory. When the country hosted the All-Africa Games in 2003, the government provided special funds for equipment to enable the Authority to give adequate coverage to the tournament.

Advertisements and sponsorships constitute another major funding source. Given plummeting government grants, income thus generated now appears to be the broadcaster’s prime revenue.

The NTA has a variety of rates on its commercial sheets. For example, a 60-second advert between 20h00 and 20h30 is charged at N 150 000 (US$ 1 282), while a same-length slot during the 21h00 news costs N 500 000 (US$ 4 273). The broadcaster airs at least nine adverts during the one-hour programme. For sponsorships, airtime charges are N 750 000 (US$ 6 410) for 30 minutes and N 1 300 000 (US$ 11 111) for 60 minutes with an additional handling charge of 50 per cent.

Although figures are not available on the proportion of total ad-spend which goes to the NTA, it can be assumed that the broadcaster’s size and country-wide coverage give it a decisive advantage over other players in the market. It is therefore not surprising that competitors, particularly the commercial broadcasters grouped under the umbrella of the Independent Broadcasters Association of Nigeria (IBAN), have called for the NTA to make do with government subsidies and stay out of the advertising market altogether.

Instead, the Authority has become increasingly aggressive in its efforts to generate funds from advertising and other commercial activities, and the adverse effects on editorial independence and programming are clearly visible.
Under the heading 'News of Special Interest', the NTA broadcasts commercialised, paid-for news during at least four major news bulletins without alerting viewers by clearly indicating them as such. The charge for airing such items is N 200 000 (US$ 1 709) during the 16h00 and 19h00 news bulletins, N 500 000 (US$ 4 273) during the 21h00 news (Monday to Saturday) and N 650 000 (US$ 5 555) during the 21h00 Newsline on Sunday.

The broadcaster also charges interviewees for appearing on its shows. Participation in major interview programmes such as One-on-One (one hour twice a week) costs N 750 000 (US$ 6 410), while in others, like Periscope, it can be had at a cheaper price of N 200 000 (US$ 1 709).

Another source of income is the sale of airtime for live coverage of events. Individuals or businesses who would like to have any activity organised by them broadcast live on national television will pay N 3 million (US$ 25 641), N 5 million (US$ 42 735) and N 6 million (US$ 51 282) for one, two and three hours respectively.

In addition to these various ways of selling airtime to whoever can afford to buy it, the broadcaster is also seeking to generate additional funds in a number of other ways. In early 2008 it launched a subsidiary, TV Enterprises, whose mandate is to ‘explore untapped potentials of the broadcast industry, media brokerage, actualization of the purchase of broadcast rights, concept initiation and collaborations’. TV Enterprises provide services in marketing (e.g. organisation of fairs or contests), production (e.g. of special documentaries) and publications (e.g. design and printing of books, diaries, promotional material).\(^\text{71}\)

Another subsidiary, NTA Properties Investment Company Ltd, engages in the real-estate business.

The key challenge for the organisation in sourcing adequate funding is the absence of clear policy frameworks. The proposed commercialisation policy has been on the table for about 20 years without government ever finalising it. In its attempt to balance the books the NTA is working to a large extent in a legal vacuum, trying to generate as much income as it can by whatever means to make up for dwindling government support, while at the same time continuing to expand through the establishment of more stations.

With more time given to adverts and paid-for news taking up additional space, there is ever less room for the dissemination of unbiased information to the public. With more and more programme slots given over to paying customers to use as they please, the voices and agendas of business and other partisan social players with sufficient financial muscle are crowding out the voices of the public. Commercialisation in its

\(^{71}\) See Television Enterprises: A Corporate Profile (undated), a publication of TV Enterprises, p. 2.
present, aggressive form is clearly compromising the public mandate of the broadcaster
and has the potential of damaging its credibility beyond repair.

### 1.2 Radio

As stipulated in the FRCN Act, the FRCN also receives public funds (tax payers’
money), mainly in the form of grants. The process of determining and disbursing
these grants is similar to that outlined for the NTA above.

Figures on the amount of grants received or on the proportion of grants as part of
overall income are not available. The corporation has complained in recent years that
these grants are inadequate.

Some indirect support is given by government and other agencies. Radio House, the
FRCN’s multi-storey headquarters in Abuja, the federal capital, which – incidentally
– also houses the information ministry, was built by the government. Recently the
Japanese government donated a transmitter.

Advertisements and sponsorships constitute a major source of funding for
the FRCN. Again, precise figures regarding total revenue from this source or its
proportion of overall income are not available. What is public knowledge, though,
is the fact that the radio broadcaster has an even more structured rate card than its
television counterpart.

A 60-second advert during the 07h00 news costs N 164 000 (US$ 1 401) and
N 25 000 (US$ 213) on the evening programmes. There are three categories of
commercial-in-news slots (i.e. commercials packaged as news): companies quoted on
the stock exchange and Grade ‘A’ parastatals (e.g. the Nigerian National Petroleum
Corporation) pay N 166 000 (US$ 1 418) per news story, state governments and other
agencies pay N 83 000 (US$ 709), and charity and non-profit organisations pay
N 58 000 (US$ 495). Costs of sponsored items vary depending on the time and the
type of programme they are slotted into (news bulletins or others) and range from
N 75 000 (US$ 641) to N350 000 (US$ 2 991). Participation in programmes such as
Radio Link, a Saturday morning interview programme, costs N 500 000 (US$ 4 273).
Live coverage of an event (per hour) can be bought for N 750 000 (US$ 6 410) in Abuja
and N 1 000 000 (US$ 8 547) outside Abuja.

There are no figures available on the split of total ad-spend between FRCN and
the other radio broadcasters. While commercial operators seem to be marketing
themselves more aggressively, the extensive network coverage of the FRCN still gives
it an advantage with advertisers who want to reach cross-regional or country-wide
audiences. On the other hand, the FRCN is still recovering from the loss of patronage
it experienced during the years of military rule in the country. This means it is not
the first choice of many advertisers, except those who particularly desire extensive geographical coverage which commercial stations cannot provide.

As in the case of television, other operators, particularly the commercial ones, have expressed opposition to the FRCN’s competition for advertising. The argument remains that the state broadcaster should not be receiving government subsidies and earning income from the market at the same time, because this creates an uneven playing field.

Faced with inadequate funding from traditional sources, the FRCN has embarked on new areas of revenue generation. It has, for example, established Radio Nigeria Investments Ltd, a subsidiary expected to engage in various types of business, such as real-estate development, the promotion of up-and-coming and star artists, and the establishment and operation of cybercafés. The corporation is contemplating such other measures as encouraging its new FM stations located in remote areas to open city offices and studios to make them commercially viable, and national stations to explore the possibility of renting out their studios for commercial productions, as well as strengthening the synergies among news, marketing and programmes directorates to boost revenues.

Over the past five years, the management of the organisation has repeatedly complained of inadequate funding, particularly given its expansion programme, which involves the establishment of 32 new stations across the country. Although this is being done according to government instructions, the organisation is currently having to carry the financial burden without any additional support from the fiscus.

2 Spending

There are no figures available on the budgets and spending profiles of the NTA and the FRCN. Such information is regarded as secret.

3 Conclusions and recommendations

The Declaration of Principles on Freedom of Expression in Africa in its clause VI says that ‘public broadcasters should be adequately funded in a manner that protects them from arbitrary interference with their budgets’.

The two main sources of income for the state broadcasters – government grants and advertisements/sponsorships – do not comply with this principle. Depending on these clearly impinges on the independence of the NTA and FRCN. Due to the
unpredictability and inadequacy of grants from government, sufficient resources will not be available for activities at the appropriate times. In their desperation to shore up revenues through the market, the organisations end up ceding editorial control to business and other interests with the money to buy and influence programming.

Various ideas have been canvassed to improve the funding profiles of the two organisations. One of these, a modification of the existing system, is for government to provide 50 per cent of the public broadcasters’ annual requirements through a statutory budgeting provision rather than a discretionary grant. The remaining 50 per cent is to be covered from commercial advertising, which should exclude all forms of sponsorship. In the event of a shortfall, the broadcasters should borrow from the money market. Another proposal, championed by the Independent Broadcasters Association of Nigeria (IBAN), says the public broadcasters should make do with government subsidies and leave the market to commercial operators.

Still another school suggests the selling or leasing out of some of the broadcasters’ subsidiaries, as well as the splitting of the organisations into public and commercial channels under separate management structures. The public channels would be funded mainly through government grants and some subsidies from the commercial arms. The commercial channels would be commercially driven and funded by advertising.

Recommendations

- The entire system of funding for the NTA and FRCN needs to be thoroughly reviewed to guarantee their financial independence. To this end:
  - the corporations’ financial status (sources of income and spending) should be examined by an independent accounting firm and be opened up to public scrutiny;
  - programme policies must be revisited and the broadcasters must assume full and exclusive editorial control over news and current affairs in particular;
  - on the basis of new programme policies and new organisational structures designed to implement them, business plans must be developed which reflect the financial needs of the NTA and FRCN and potential sources of revenue.
- The NTA and FRCN should derive their funding from a mix of broadcast licence fees, government grants and (to a limited extent) advertisements.
- Regarding licence fees it is recommended that:
  - the collecting agencies should be the government revenue...
agencies. The overall licence fee revenue will go to the National Broadcasting Commission for distribution to broadcasters in the public, commercial and community subsectors;

– fee amounts should be is set in a way that allows for stable, predictable multi-year funding, enabling the broadcasters to plan and implement the necessary investment in programming and operational improvements.

• In regard to revenues from the state treasury it is recommended that:
  – an independent panel of experts determine the amount of subsidies needed by the NTA and FRCN over a three-year period to fulfill their public broadcasting mandate;
  – the National Assembly fund the public broadcasters directly (and not through a ministry or department) on the basis of the amount determined by the panel of experts, with the monies to be disbursed annually.

• Concerning advertisements and sponsorships it is recommended that:
  – The NTA and FRCN develop clear and strict guidelines on soliciting advertisements and conditions for accepting advertisements and programme sponsorships that will safeguard the broadcasters’ editorial independence;
  – the broadcasting regulator embark on a process of public consultation with the objective to set appropriate limits to advertising and sponsorship on the NTA and FRCN.