



CRAN

Communications Regulatory Authority of Namibia

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Purpose

- ❖ Report assesses whether the Namibian telecommunication and broadcasting markets are conducive for private sector investment.
- ❖ This presentation focusses only on the broadcasting sector.
- ❖ Previous engagements with the broadcasting sector indicated that there are a number of problems experienced such as:
 - ❖ Low profit margin
 - ❖ Advertising revenue decline
 - ❖ Lack of sector data
 - ❖ Infrastructure sharing
 - ❖ Anti-competitive behavior
 - ❖ Competition from digital platforms
 - ❖ Social media

Methodology

- ❖ Questionnaire was designed for telecommunication and broadcasting licensees to provide input on their experience about what hinders new investment and success in these two sectors.
- ❖ The answers were then evaluated against information from the market and possible recommendations/interventions identified.

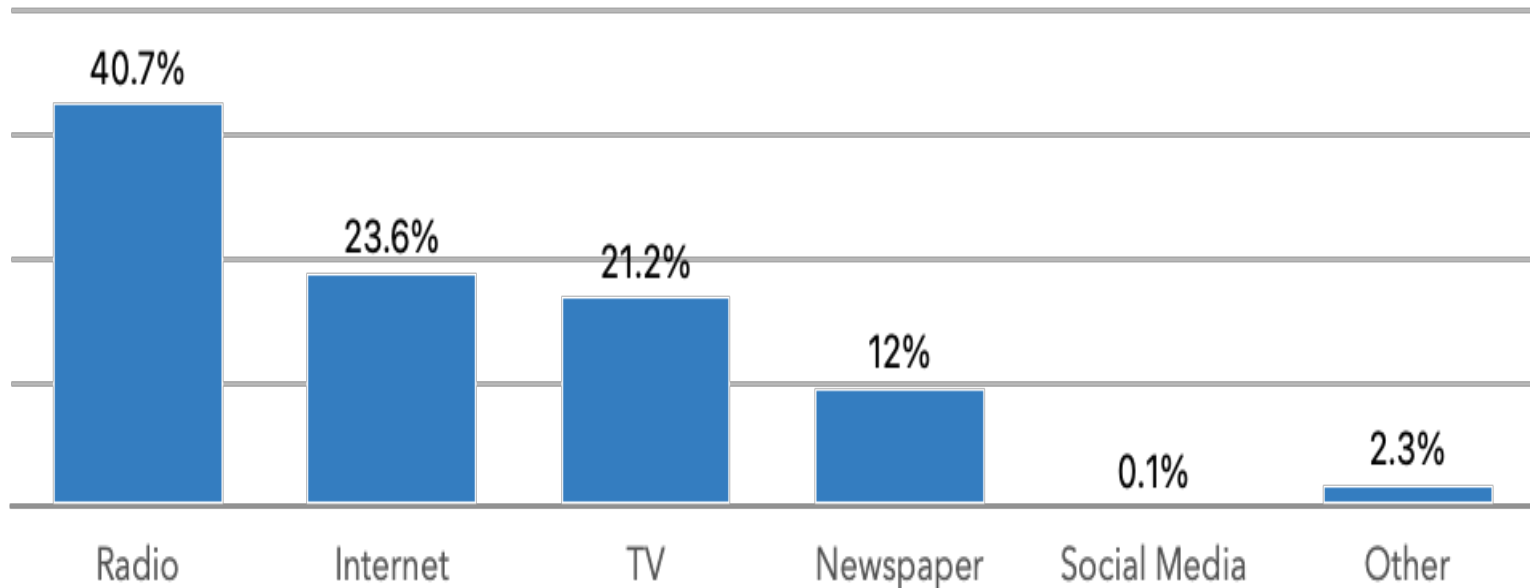
Background

| | | 2019 | 2022 | Change |
|------------------------------------|--------------|--|-------|---------------|
| Watched TV past 4 weeks | | 74.5% | 73.2% | -1.3% |
| Listed to Radio past 4 weeks | | 91.8% | 81.9% | -9.9% |
| Type of decoder | DStv Decoder | 99.30% | 59.2% | -40.1% |
| | GOtv Decoder | 0.48% | 36.2% | 35.7% |
| | NBC Decoder | 0.22% | 10.3% | 10.1% |
| | Other | 0.00% | 1.2% | 1.2% |
| Source: Media Metric 2019 and 2022 | | Notes Decoder type calculated for 2019 since original data had a mistake | | |

Background

- ❖ Radio is still used more regularly than TV despite a 10% drop compared to 2019.
- ❖ In 2022, 82% of respondents had listened to radio in the past 4 weeks compared to 73% that watched TV.
- ❖ Radio is also the main source of news for Namibians with 40.7% identifying it as the main source of news.
- ❖ The Internet (23.6%) is the second most used source for news.
- ❖ TV (21.2%) and Newspapers (12%) are used less than radio or the Internet.

Background



Background

| | | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | Change |
|-----------------|--|-------|-------|-------|-------|-------|-------|-------|--------|
| Subscriptions | NAD million | 687.4 | 755.9 | 820.1 | 852.1 | 835.2 | 822.7 | 791.9 | 15% |
| Advertising | NAD million | 63.9 | 80.5 | 71.1 | 56.0 | 58.9 | 70.6 | 81.1 | 27% |
| | YoY NAD | | 26% | -12% | -21% | 5% | 20% | 15% | |
| | YoY NAD | | 3% | -17% | -12% | 10% | -8% | -11% | |
| Decoder sales | NAD million | 34.3 | 35.4 | 29.2 | 25.7 | 28.2 | 25.9 | 23.1 | -33% |
| Other | NAD million | 2.9 | 3.5 | 2.8 | 1.7 | 4.8 | 9.2 | 10.7 | 272% |
| SMS short codes | NAD million | 0.2 | 0.1 | 0.7 | 0.2 | 0.2 | 0.2 | 0.3 | 53% |
| Total | NAD million | 799.4 | 890.2 | 932.7 | 944.2 | 931.5 | 934.9 | 918.1 | 15% |
| | YoY NAD | | 11% | 5% | 1% | -1% | 0% | -2% | |
| Source | CRAN Portal, figures are excluding NBC, which has not submitted data to the CRAN portal yet. NBC was licensed in 2021. | | | | | | | | |

Broadcasting Sector



Broadcasting Sector

Radio - digital migration

- ❖ **Radio has not yet migrated to digital broadcasting in Namibia.**
 - ❖ Digital broadcasting does not solve any problems for radio broadcasters and that the current analogue FM signal is more than adequate for audio services, relatively cheap and stable.
 - ❖ Adding channels will not bring additional revenues for a market with a limited set of advertisers. Their conclusion is that there is currently no business case for digital sound broadcasting.
- ❖ **The main obstacle to digital sound broadcasting is the cost and availability of digital radio receivers.**

Broadcasting Sector

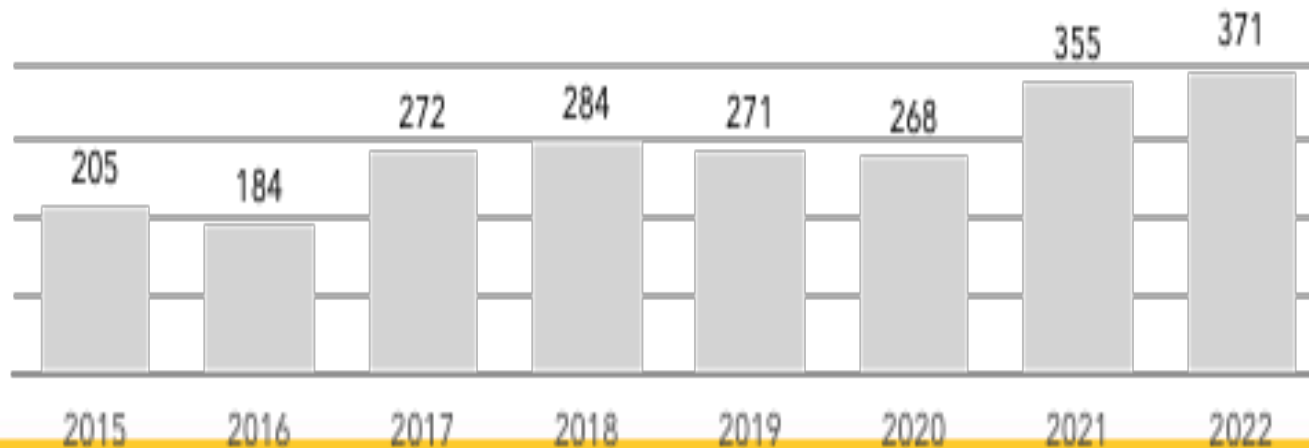
Competition

- ❖ Local stations have content restrictions while competing social media companies are not subject to these types of regulation.
- ❖ Streaming services and social media companies do not pay local taxes (like VAT), while broadcasters are subject to taxes.

Broadcasting Sector

Profitability in Namibia's broadcasting sector

- ❖ The profitability of Namibia's broadcasting sector is steadily increasing in nominal terms. While the implied profit (revenue minus expenditure) flatlined between 2017 and 2020, it significantly increased in 2021 and 2022.



Broadcasting Sector

Licencing

- ❖ **CRAN issued 21 commercial broadcasting and 14 community broadcasting licenses.** It also issued a signal distribution licence.
- ❖ Generally, licenses are not a scarce resource and the main consideration for CRAN is interference between radio stations.
- ❖ The licensing framework is seen as fair by the responding broadcasters and CRAN has been lauded for doing a good job.

Broadcasting Sector

Summary

- ❖ Private investment into TV or radio stations is limited by the broadcasting market size, the size of the advertising market and skewed competition via state subsidies to the NBC. CRAN needs to investigate several regulatory routes that could address these challenges.
- ❖ One option is to require the NBC to offer wholesale advertising rates for commercial broadcasting companies.
- ❖ Another option is to split the wholesale and retail arms of the NBC into an open access broadcasting infrastructure company and a content entity. This would address issues of potential predatory pricing and could address competition issues. Another benefit of this approach is that reducing the cost of digital infrastructure would facilitate the transition to digital terrestrial sound and visual broadcasting.

Broadcasting Sector

Summary

- ❖ Outside of the competition concerns, spectrum allocation will have to be reviewed and tested in order to address interference concerns.
- ❖ To reduce the administrative burden, particularly for small broadcasters, reporting requirements could be minimised to registration only below a certain revenue threshold.
- ❖ Issuing new licenses is seen as a threat given the small advertisement revenue pool. However, while a moratorium on new licenses would protect existing licensees, it will also erode competition over time.
- ❖ The market is limited due to the lack of advertisement revenue but is not saturated.

RECOMMENDATIONS

- ❖ Licensees are generally positive about CRAN's regulatory performance. However, CRAN's performance can be streamlined in several areas.
- ❖ Spectrum allocation for new entrants and smaller players needs to be investigated.
- ❖ Current regulations on infrastructure sharing need to be enforced and standards/requirements updated.
- ❖ CRAN could advocate for a lower foreign ownership limitation but the general consensus is that some form of foreign ownership should remain in effect. The Ministry is also able to exempt licensees.

RECOMMENDATIONS

- ❖ CRAN believes that there are improvements that can be made to the administrative burden to make it more stream-lined and effective. The reporting requirements would need to be reviewed and potentially split with less burden for smaller licensees.
- ❖ The broadcasting sector could potentially be made more competitive by breaking up the NBC into an open access broadcasting infrastructure company and a public content entity. This could also facilitate the transition to digital terrestrial sound and visual broadcasting.

Thank You