

 <p>St Helena Government</p>	<p>Media Review</p> <p>September 2016</p>
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Purpose

1. The purpose of this paper is to provide a recommendation to the Economic Development Committee (EDC) in regard to subsidising the local media on the Island following the media review.

Current Positon

1. A small task and finish sub-committee has reported to the EDC and a set of principles have been agreed following the initial media review. These principles were the baseline for discussions with media outlets and have formed the recommendation presented for consideration.
2. StFM has received 15k in the last two years via a Special Warrant to contribute to their operation costs which are £█k. They currently budget for █ staff (█K) who, along with volunteers, provide one radio station throughout the year.
3. StFM currently pay £█ per month rent and this is set to increase in 2017 to £█ per month. Should this increase materialise then the operational costs would increase by £█. StFM does have a revenue stream of £█k and this is generated through advertising and membership.
4. SAMS receive a subsidy of 95k per annum and employ █ fulltime and █ part-time staff¹. In addition to this, SAMS pay SHG a █ rent of £█ per annum. SAMS is however responsible for the cost of any repairs. SAMS produce a weekly newspaper – The Sentinel, radio stations SAMS Radio 1 and SAMS Gold. In addition to this they produce local television using the SHG half hour slot and transmit the BBC World Service .SAMS has delivered on their initial targets since they became operational in March 2012.
5. SAMS broadcast and record Formal Legislative Council. This is not part of the subsidy and SHG are charged around £█ per day. ² This does include the replays that are broadcast following the live broadcast.
6. SAMS relay the BBC World Service and this currently costs £█ per year.
7. Having considered the management accounts for SAMS, salaries are a considerable factor and are budgeted at £█ for this financial year with and end-of-year projection received on 21 September 2016 of £█. This covers all aspects of the media services

1

As of the 9th September 2016 – with one vacancy

2

Invoice SAMS – SHG Formal LegCo March 2015 – total amount £█

provided by the organisation. The overall budget received from SAMS on 23 September is £█.

8. SAMS informed the sub-committee that they have reduced their print run to █ and that the total costs per copy are £█. Based on a print run of █ copies over 51 weeks (█ copies) this would amount to an annual cost of £█.
9. The budget information received on 23 September 2016 would indicate total newspaper revenue of £█ for the year. This would leave a funding gap of £█ to produce the paper. While this could be supported in the short term, via a reduced subsidy, a more viable model needs to be developed that may see advertising revenue increase, circulation widen and costs reduced.
10. SAMS informed the sub-committee that they are committed to reducing the subsidy and will do this by increasing revenue through new products. To support this they intend to employ a dedicated marketing manager³.
11. SAMS has provided the following projections in terms of revenue for the next financial year for print media.

Worst case	Revenue of £█	Funding gap £█
Probable	Revenue of £█	Funding gap £█
Best case	Revenue of £█	Funding gap £█

12. While the above figures are encouraging, the sub-committee would suggest that the worst case scenario is actually the best case scenario due to the current market conditions. While the sub-committee do suggest that advertising costs could increase, SAMS will also need to consider their cost per unit, which is not sustainable.
13. The St Helena Independent produces a weekly newspaper with no subsidy and confirmed in a business plan presented to the sub-committee that the 'St Helena Independent is a sustainable organisation which would flourish in a free market environment'.

Assumptions

14. The following can be assumed and was agreed by the EDC on Monday 15 August 2016:
 - A vibrant local media is important to the Island for a number of reasons that span all areas of Island life
 - Any subsidy will need to have clear outputs attached to it in the form of a SLA
 - Radio does require a subsidy – however print media should be commercially viable
 - Subsidised radio will be on the basis of a minimum 70 hours live airtime per week – this must include some weekend programming, minimum of five hours every Saturday and Sunday. The sub-committee understands that at key holiday times, Christmas day for example this may not be possible and takes

a pragmatic approach. However, the sub-committee would expect a member of staff to be available 24/7 to support the emergency services should a serious accident occur.

- The BBC world service is vital and will continue to be subsidised
- Local television will not be subsidised and must be commercially viable
- Cross subsidy is not permitted across organisations – this is especially the case in terms of newspaper adverts
- Each organisation in receipt of a subsidy will be required to submit an annual report. This will include details of the amount of live coverage that they have provided, details of the type of programme aired, a breakdown of their presenters to include gender, age, nationality and details of programmes presented by disabled people
- As part of the SLA, SHG will require quarterly financial reports and information about revenue raising initiatives
- As part of the SLA, radio providers must provide twice daily local and international news bulletins
- That any reduction in subsidy will take place over a three year period to allow for strategic planning and business continuity

Options Appraisal

15. The above principles were used to form discussions with SAMS, StFM and the St Helena Independent and the following themes have emerged:

- Any significant reduction in subsidy for SAMS could result in a restructure with possible job losses and a reduction in services
- However, it is also felt that the current business model is not sustainable and needs to be more commercially focussed
- This could be mitigated with a phased reduction in subsidy over the three year period and reviewed again in 2020
- A condition of any print subsidy would be to use that to fund staff and not to artificially reduce the cost of advertising – this would increase commercial viability and should see an elimination of any print subsidy by 2020/21
- StFM would require £█ plus inflation to provide 70 hours of live programming, community radio and daily news bulletins. To employ any additional staff would require StFM to continue to maintain and increase revenue levels at £█k advertising and £█k membership
- SAMS has indicated that they would be able to provide 70 hours of live programming as per the agreed principles as well as the World Service.
- Live coverage of Formal Legislative Council should remain and this will be offered as a separate SLA that could lie with any media outlet
- All media organisations accepted that robust SLAs and reporting would be beneficial for those in receipt of a subsidy. From an SHG perspective this should be non-negotiable

16. The importance of a strong local media also needs to be one that is able to prosper and develop in the commercial world. It is recognised that, with a small population and limited advertising opportunities, local radio require an ongoing subsidy. This subsidy is justified as it is targeted to provide a key service to the Island, especially with comparatively low television and internet access and high electricity costs. For many on the Island radio is a vital medium to stay in touch.
17. Whereas it is accepted that the radio models differ between the organisations with SAMS having more paid staff and StFM having more volunteers for the purpose of the SLA the focus should be on who can deliver the specification while meeting the quantity and quality required.
18. Much of the material in the printed press is available through radio and other sources such as SHG press releases. With this in mind it is felt that subsidising the printed press should be phased out with a focus on value for money
19. The following criteria was used to evaluate the options and provide a considered recommendation for the EDC.

Does the option promote fairness?	Will a more sustainable media be achieved?	Will a continued three media service be provided?	Does the option represent VFM?	Will there be any staffing implications?	What are the risks for SHG?
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Colour codes to be used

Green will demonstrate the criteria has been met

Orange will demonstrate the criteria has been partly met

Red will demonstrate the criteria has not been met

Option 1

Status Quo

Total Funding⁴ £110,000 p/a

	2017/18	2018/19	2019/20
SAMS	£95,000	£95,000	£95,000
StFM	£15,000	£15,000	£15,000
The Independent	£0	£0	£0

20. Option 1 would see the status quo maintained with the following implications;

- This keeps the position as it currently is, but formalises the StFM payment to an annual one.
- StFM will struggle to grow and The Independent must continue to compete with a subsidised paper.

⁴

- StFM would not have the resources to deliver the proposed SLA
- SAMS services are safeguarded with little disruption.

Compared against criteria

Does the option promote fairness?	Will a more sustainable media be achieved?	Will a continued three media service be provided?	Does the option represent VFM?	Will there be any staffing implications?	What are the risks for SHG?
No – it would not be perceived by the public as fair	No – StFM would continue to face annual funding challenges and a long term subsidy for SAMS is not sustainable	StFM could be at financial risk	No – based upon the principles agreed it would not encourage a move to a more commercial market place	Yes – if StFM were to close a small number of jobs would be lost	SHG could be criticised from not supporting community radio and continuing to provide a subsidy that may falsely impact on the market

Option 1 is not recommended

Option 2

Radio Only - Equal Split

Total Funding £110,000 p/a

	2017/18	2018/19	2019/20
SAMS Radio	£85,000	£70,000	£55,000
The Sentinel	£0	£0	£0
Saint FM	£25,000	£40,000	£55,000
The Independent	£0	£0	£0

21. Option 2 would focus on a radio only subsidy that would be equalised over a period of three years with the following considerations:

- This option recognises that print media should be able to operate under market conditions and therefore the subsidy moves full to radio.
- Over three years, the payments to the two radio stations equalize.
- This will give considerable funding to StFM over and above their current position and allow them to grow.
- This option could hit SAMS significantly, with a significant decrease to current funding.

Compared against the criteria

Does the option promote fairness?	Will a more sustainable media be achieved?	Will a continued three media service be provided?	Does the option represent VFM?	Will there be any staffing implications?	What are the risks for SHG?
Not initially but would over the course of the budget cycle	Potentially yes with increased commercial focus on print and an equalising of funding for radio	Initially the small reduction in the SAMS subsidy would not have a significant impact but careful strategic planning would be required for the other years to ensure viability	A large subsidy would still be provided and cross funding to paper media would need to be carefully audited to prevent a false market place	In year 1 staffing implications would be low, however in the outer years either efficiencies or greater market share would be required by SAMS to prevent negative staffing implications	SHG would be equalising the subsidy over a period of three years. However, with such a reduction in SAMS subsidy over a three year period it would be anticipated that the SAMS business model and service provision would change

Option 2 is not recommended

Option 3

Radio and Print Media - Tapered Split

Total Funding £110,000 p/a

	2017/18	2018/19	2019/20
SAMS Radio	£80,000	£70,000	£65,000
The Sentinel	£10,000	£10,000	£10,000
Saint FM	£15,000	£20,000	£25,000
The Independent	£5,000	£10,000	£10,000

22. Option 3 would see a subsidy provided to both radio and print media with a tapered split over the three year period:

- This option recognises the requirement that print media might need a small subsidy and that SAMS have required a larger subsidy to continue but that StFM need a greater level of funding.
- The print media becomes a level playing field within two years meaning they can both continue to raise money through sales and advertising but on a competitive basis. It is noted that the St Helena Independent has not requested a subsidy.

- The radio recognises that the two radio stations operate on different business plans with a different ethos. StFM is a community radio station reliant on volunteers, whereas as SAMS has always relied on paid staff to provide the vast majority of its offer.
- This is a half-way house solution that levels the playing field for the print media, but not for the radio. However it does provide some security to StFM without removing as large subsidy provision to SAMS.

Compared against the criteria

Does the option promote fairness?	Will a more sustainable media be achieved?	Will a continued three media service be provided?	Does the option represent VFM?	Will there be any staffing implications?	What are the risks for SHG?
No – there is still a disparity in terms of the subsidy during the life of this budget period. While it is accepted that SAMS have higher overheads a more commercially focussed option should be considered	Option 3 will provide more certainty to all media organisations in terms of planning, it will make delivery of an SLA as per the principles difficult for StFM	More certainty would be provided by this option, however providing a subsidy for an organisation who have not requested one is not targeted	As described above the option is a half-way house and while it will provide some assurances doubts are raised about how the budget profiles will enable delivery of the SLAs, improved commercial focus and improved quality	These should be manageable with strategic planning, efficiencies and more commercial focus	Option 3 could be considered a safe option for SHG in that it continues the subsidy at an increased level for SAMS – provides support for StFM and The St Helena Independent to plan for the future. The question that will be asked is does it go far enough and does it promote fairness and questions why SHG would use Public Funds to subsidise an organisation that has stated it has no need for a subsidy.

Option 3 is not recommended

Option 4

Radio and Print Media - Equal Split

Total Funding £110,000 p/a

	2017/18	2018/19	2019/20
SAMS	£80,000	£70,000	£45,000
The Sentinel	£5,000	£10,000	£10,000
Saint FM	£20,000	£20,000	£45,000
The Independent	£5,000	£10,000	£10,000

23. Option 4 would see the subsidy over a period of time fully equalised for all media organisations. It would mean:

- This option completely levels the playing field by the end of the three year period for all organisations. The option recognises that radio needs a greater level of subsidy than print media and this is reflected in the payments.
- This option could have impacts on SAMS ability to continue to operate and hence the largest drop is in the final year of the schedule to help plan for this. Whilst formalising and increasing the StFM payment, the first two years provides a slight increase over current sum (15k/year) which could constrain development during the first two years and impact on ability to meet SLA.

Compared against the criteria

Does the option promote fairness?	Will a more sustainable media be achieved?	Will a continued three media service be provided?	Does the option represent VFM?	Will there be any staffing implications?	What are the risks for SHG?
No, this does not promote fairness as two organisations would be asked in terms of radio to deliver the same SLA with differing budgets.	In the initial years, yes, however a more staggered budget profile would help strategic planning	Yes, depending on revised business models and a move towards a more commercial approach	Yes, if the SLAs can be delivered with the proposed funding	Yes, it is anticipated that we may see a restructure in SAMS leading up to year three	Questions may be raised regarding the time to equalise the funding in the outer year as well as subsidising an organisation that has said it does not need financial support

Option 4 is not recommended

Option 5

Split subsidy and fund World Service

Total funding year 1 £108,250, year 2 £98,250 year 3 £93,250

	2017/18	2018/19	2019/20
SAMS/World Service	£37,500	£37,500	£37,500
The Sentinel	£30,000	£20,000	£15,000
StFM	£37,500	£37,500	£37,500
SLA World Service	£5,000	£5,000	£5,000
The Independent	£0	£0	£0

24. Option 5 would see the following:

- Based on a print run of █ copies over 51 weeks the Sentinel (█ copies) would cost £█. The budget information provided on 21 September 2016 would indicate total projected newspaper revenue of £█ for the year. This would leave a funding gap of £█ to produce the paper this year.
- SAMS has provided revenue projections for the next financial year. They estimate print revenues to increase to £█, a funding gap of £█. This forms the basis of the recommendation for year 1 with the understanding that further internal work would be required by the organisation in years 2 and 3.
- The sub-committee are concerned that the current cost per unit is unsustainable and thought should be given to reducing the unit cost as a matter of urgency.
- Based on current costs received the annual cost of the BBC World Service is £4,947. This is largely transmission costs.
- SAMS currently charge SHG around £█ per day for the broadcast and recording of Formal Legislative Council. This equates to an annual average of £█. It is proposed that an open tendering process takes place for both services capped at a maximum amount of £3,250 PA. This is not currently in the subsidy budget and is funded centrally.
- An organisation not requesting a subsidy does not receive one on the premise that to offer a subsidy would be an inappropriate use of public funds.
- Radio is equally funded to deliver the agreed SLA based on the agreed principles.
- Initial subsidy reduction for SAMS could result in a restructure and job losses. In later years the decrease could be mitigated by improved profitability and market share through strategic planning.

Does the option promote fairness?	Will a more sustainable media be achieved?	Will a continued three media service be provided?	Does the option represent VFM?	Will there be any staffing implications?	What are the risks for SHG?
Yes, it would see a gradual reduction in the subsidy for SAMS while supporting StFM	Yes, the subsidy will be reduced to its original level and provides time for the organisations to become more	Yes, the services may need to evolve and consider their overheads but it should be possible to reduce the	Yes, in the long term it will reduce the subsidy while supporting print and radio over a three year period.	Yes, with staffing a key overhead for SAMS the SAMS board will have to consider a restructure or more market	The risks for SHG are low, however that is dependent on the business models that are adapted. Compliance with the SLA

	commercially viable	subsidy gradually and maintain three media outlets		share and revenue raising initiatives	would help facilitate an improved quality in service to the public
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Option 5 is recommended

Conclusion

25. The sub-committee has worked diligently to collect evidence on the current media offerings on the Island and indeed the subsidy that is provided. It is clear that local media is vital to democracy, informing the community of news and events as well as playing an important part when the Island needs support if and when unforeseen events occur.
26. The sub-committee commends the media providers on the Island for their dedication. However, it is also noted that moving forward media needs to be more sustainable. The committee's findings suggest that print media can be commercially viable and recommend that a gradual reduction in subsidy takes place over the next three years with an eventual withdrawal in 2020/21 pending the findings of that media review. The committee further conclude that local radio does need a subsidy as it is not currently commercially viable.
27. The sub-committee want to achieve the best quality radio product for listeners and have recommended the minimum amount of 70 hours live coverage during the week, including weekends to reduce the number of repeats that are broadcast and to ensure that a live presence is available on both radio stations at weekends.
28. The sub-committee also note the importance to the Island of the BBC World Service and the live Formal Legislative Council broadcasts. It is the committee's view that these should be separate SLAs and tendered openly through SHGs Corporate Procurement Team.
29. The sub-committee would encourage all media organisations on the Island to have more of a strategic focus and ensure that they are training and mentoring staff. The sub-committee notes the on-Island experience and expertise that should be accessed.
30. While the sub-committee are aware that sharing equipment and studio space may be preferable they also have to realise this may not be achievable and should not be a barrier to taking this important work forward. In many ways it would be like the BBC sharing facilities with SKY in the UK which does not seem practicable. However, with StFM facing a monthly bill of £█ for rent the EDC may feel that it is inappropriate to subsidise a 50% rise in rent and that the organisations should share premises. We would encourage StFM to enter discussions with their landlord regarding the rent as a 50% increase does seem to be excessive.
31. The sub-committee would suggest that the peppercorn rent currently applied to the rental of the SAMS premises should be reviewed by SHG with a view to charging a market rate from 2018. The sub-committee notes an additional hidden SHG subsidy in the form of peppercorn rent and would ask that this is reviewed to move to a true market rate value.
32. The sub-committee notes the difference in the two models of media production on the Island -one reliant on paid staff and some volunteers and the other dependent on volunteers with some paid staff. The sub-committee observes that neither is sustainable in the longer term to deliver the proposed SLAs within the funding

envelope. The sub-committee would suggest that a more sustainable blend of paid staff and volunteers is sought to keep the media outlets sustainable.

33. The sub-committee acknowledges the comments made by the SAMS CEO that any reduction could impact the growth of the business. However, that is a matter for the organisation to plan and prioritise expansion and growth activity.
34. The sub-committee notes the issues of competing for advertising in a tight market and feel that whereas opportunities on the radio are limited and we would not wish to go down the route of fully commercial radio to the detriment of the listener, hence the commitment to a subsidy - opportunities are there for the printed press and should be exploited. The sub-committee strongly recommend that any print subsidy is directed to operational costs and not used to subsidise advertising. This would not be an acceptable position for SHG as they would be in effect providing a subsidy to commercial firms, which is not targeted.
35. The current average cost of a printed page for an advert is around £40. From this we are informed that around £28 goes on the printing costs leaving a margin of £12 for the newspaper. This is not sustainable and in the sub-committees view £40 per page is too low. It is proposed that if a print media organisation does receive a subsidy then the minimum cost per page should be £60 and then sub divided £30 for a half page, £15 per quarter. This will allow the Island print media to increase revenue and become more sustainable.
36. The sub-committee would recommend that any SLA would include the need to comply fully with the Media Standards Code and that any breach would result in the possible withdrawal of funding. SHG cannot fund organisations that are in breach of agreed Codes of Conduct.
37. The sub-committee has considered the options against a criteria that has a number of factors that also include any possible redundancies. The sub-committee recommend that the EDC take forward **option 5**.
38. **Option 5** would see a gradual phasing out of the print subsidy that would have to be managed by the SAMS Board and management. While some cuts are likely, these can be mitigated against through increasing the share of the market, generating more revenue and possible new commercial products. We note that the use of the social media in all organisations could be improved with possible commercial benefits.
39. **Option 5** would also see the BBC World Service and Formal Legislative Council broadcasts and recording be put out to open tender and would provide each radio provider with a level playing field financially to deliver the same specification that will be reported upon annually.
40. To conclude, the sub-committee is committed to having a vibrant, sustainable and informative media that seeks to promote the Island, hold statutory bodies to account and to involve and inform the whole Island as well as listeners round the world. The sub-committee want media organisations to build on their success and with these recommendations we are confident that can be achieved.

Appendix 1 – Financial impact of options proposed based on SAMS currently receiving 95k PA, StFM receiving 15k PA and The St Helena Independent not receiving a subsidy. All figures over a three year period - ■k for SAMS, ■k for StFM and ■ for the St Helena Independent

Option 1

SAMS	No reduction in subsidy
StFM	Maintain 15k PA
St Helena Independent	N/A

Option 2

SAMS	■k reduced to ■k
StFM	■k increased to ■k
St Helena Independent	N/A

Option 3

SAMS	■k reduced to ■k
StFM	■k increased to ■k
St Helena Independent	■k increase

Option 4

SAMS	■k reduced to ■k
StFM	■k increased to ■k
St Helena Independent	■k increase

Option 5

SAMS	■k reduced to ■k
StFM	■k increased to ■k
St Helena Independent	N/A