

Competition Issues in the Re-Introduction of TV Licence Fees

The decision granted to the state broadcaster, the Ghana Broadcasting Corporation (GBC) to resume the collection of TV licence fees from the public, will lead to market distortions and anticompetitive practices. With the recent court ruling, the GBC’s nationwide collection of the TV licence fees has been effective since August 11, 2015. The re-introduction of the TV licence fees generated a lot of anger among Ghanaians, but more importantly, it raised the critical issue of ineffective competition in the TV broadcasting industry.

Background

The Television Licensing Decree NLCD 89 of 1966 was passed in a bid to finance the only operating TV station in Ghana – the state broadcaster, the GBC. TV Licensing Decree 1966, as amended, states that “a person shall not install or use a television receiving set unless there is a valid television receiving set licence for it granted by the licensing authority under this Act.”

This decree allowed GBC to collect TV licence fees from owners of TV sets across the nation. The TV licence fees had remained 30 Ghana peswas for domestic TV users with one TV set since 1991, mainly to lessen the public’s financial burden in the face of rising inflation and depreciation of Ghanaian Cedi. However, under the circumstance in which the cost of collection exceeded the revenue, GBC voluntarily suspended the TV licence fees since 2013. The re-introduction of TV licence fees on August 11, 2015, therefore, results in significant increase in the fees to reflect economic factors and to ensure the revenue outweighs the cost. Table 1 shows the newly released TV licence fees.¹

According to the Director-General of GBC, Major Albert Don Chebe, TV licence fees “will finally make GBC independent, accountable and completely transparent to all Ghanaians especially Ghanaians who are suspicious of the financial ties between GBC and sitting governments and consequently, GBCs neutrality, particularly during the political season would be guaranteed both in words and in action.”²

In short, the intended purpose of the licence fees therefore includes: 1) maintain the quality of media content; and 2) reduce government support to GBC to increase its transparency. Moreover, the GBC claims that such collection abides by the constitution under

Article 167(c) which states “to insulate the state-owned media from governmental control,” aiming to justify the controversial collection of TV licence fees.

Court Ruling

In the wake of GBC’s announcement of the resumption of the collection of TV licence fees, a former Chief Executive Officer (CEO) of the Volta River Authority (VRA), Charles Wereko-Brobby filed an injunction against the TV licence fees, contending the GBC must be restrained from collecting and sharing TV licence fees with other bodies.

According to him, the GBC’s collection of TV licence fees violates LI 2216, NLCD 89 as well as NLCD 226, as these laws clearly state that TV licence fees which will be collected by the 1st defendant belong solely to the 1st defendant and therefore should not be shared it among other defendants.³

Table 1: Domestic Licence Users (Annual)

One TV Set	GHC 36.00 per household
Two Sets or More	GHC 60.00 per household
Commercial Licence	
Users	GHC 3.00 monthly per set (GHC 36.00 per annum per set)
Dealers’ Licence	
Repairers	GHC 5.00 monthly per outlet (GHC 60.00 per annum per outlet)
Retailers/ Sale Outlets	GHC 20.00 monthly per outlet (GHC 240.00 per annum per outlet)

The Accra Fast Track High Court dismissed an order for the interlocutory injunction and ruled that GBC has the legal rights to collect TV licence fees from owners of TV sets across the nation based on the Television Licensing Act (NLCD 89) of 1966. However, the Court is yet to rule whether it is unlawful for the GBC to share the fees with other defendants. This decision put the sharing formula on hold, in which the GBC will retain 75 percent of the TV licence fees while the Ghana Independent Broadcasters Association (GIBA) will get 15 percent, the National Media Commission (NMC) four percent, the Media Development Fund four percent, and the Film Fund two percent respectively.

Impact on the Broadcasting Industry

In a competitive environment, firms are pushed to be innovative and find better and more efficient ways to produce and distribute goods and services and by so doing firms are able to win the heart of customers. Unfortunately, GBC has never won the heart of the viewing public. In the past, it remained monopoly when it was the only TV station in the country; however, with the liberalisation of airwaves, other private broadcasters have gradually entered the industry, increasing their market share through competition. As a result, GBC lost its dominance in the industry and failed to attract consumers in response to private broadcasters' improvement in the quality of media.

The legal mandate of GBC to collect TV licence fees will discourage the growth of the broadcasting industry as a result of unhealthy and ineffective competition. GBC is expected to raise revenue of GHC 250 million annually from TV licence fees, which could be used to compete against private dominant players in the broadcasting industry. The collection of TV licence fees takes away incentives for GBC to improve

quality of media content in order to remain competitive, but rather threatens the economic survival of private broadcasters. When private broadcasters are crowded out from operations, it will bring us to the days of pre-liberalisation era.

The preferential treatment given to GBC distorts healthy competition in the industry and may drive private broadcasters out of the broadcasting industry. With GBC law enacted in 1968 which allows the public broadcaster to make profits from commercials, it could adopt a predatory pricing strategy by temporarily lowering its rates for advertising in order to drive its competitors out of the broadcasting industry. This type of price war especially threatens small yet growing private broadcasters which do not have sufficient fund to cover their losses made from lower price bids.

Moreover, GBC could take advantage of the revenue from TV licence fees to offer higher bid to acquire broadcast rights, increasing its viewing public as well as its market share. TV licence fees, therefore, distort effective competition in the broadcasting industry, stifling the growth of the industry.

At the time that the NRC decree was passed, it was the right thing to do since GBC was the only broadcaster in the country. Now with more than 50 TV stations in the country, where each one is competition on the merits of its content and quality of service delivery, it would be unfair to allow the state broadcaster to collect licence fee to support their operations and at the same time compete with them on commercials. This will allow the GBC to grow needlessly powerful not on the strength of its content delivery, but on its balance sheet.

From consumers' perspective, TV licence fees are very alarming to their welfare. The payment of TV licence fees does not depend on broadcasters they prefer but on whether they own TV set or not. In an effective and fair competition, consumers decide





which broadcasters to watch based on their quality of content (efficiency of a firm), and therefore their decision shapes the market share of the industry and also eliminates inefficient competitors.

However, with the licencing system, consumers' decision is not the main key to drive inefficient broadcasters out of the industry. As a result, consumers will face limited options of broadcasting stations selected not based on their preference but broadcasters' financial sustainability in response to GBC's GHC 250 million gain from TV licence fees.

TV Licence Fees Abroad

It is important to note that: 1) state broadcasters are barred from commercial activities; and 2) governments have abolished the licensing system in a lot of countries. For instance, South Africa charges an annual rate of 23 Euros per television, which is significantly higher than TV licence fees in Ghana.

The often-compared British Broadcasting Corporation (BBC), however, is very different from GBC. The BBC collects TV licence fees for its operation, as it is banned from raising revenues from commercial activities. It is prohibited from carrying advertising so that it will remain independent of commercial or political interests. GBC, on the other hand, is allowed to make profits from commercials, which questions its assertion that the collection of the fee is to insulate the public broadcaster from government influence. The state broadcaster has failed to demonstrate in the

past that the collection of TV licence fees prevented promotion of political propaganda or agenda in its broadcasting. As the laws have not changed since its last collection of TV licence fees, it challenges GBC's assurance to use the fees to remain transparent and to provide high-quality media content to serve the general public interest.

In addition, high evasion rate raises concern over an effective licencing system. In the UK, the number of people caught avoiding pay the TV licence fees has remained about 400,000 since 2010. According to Ministry of Justice, the BBC licence fee evasion accounts for more than one in 10 criminal prosecutions.⁴ This suggests the difficulty of enforcing the law as well as inefficiency in the licensing system. Poland with a relatively low TV licence fee (55 euros) faces the greater challenge – high evasion rate of 65 percent.

Ghana might follow this trend and face a relatively high evasion rate, as the GBC supports voluntary payment from TV users. High evasion rate increases the cost of the collection and law enforcement. In fact, when the cost of collection is higher than the revenue, it is more efficient for a government to abolish the licensing system and rather finance the state broadcaster through general taxation.

Unlike Ghana which has recently reintroduced the TV licence fees, a lot of countries have abolished the licence. For instance, Finland terminated its TV licence e fee and imposed a public service broadcasting tax (YLE tax) instead to fund its public broadcaster. It is



also interesting to note that this is progressive tax to reduce the tax incidence of low income households.

Moreover, Singapore abolished the licencing system on January 01, 2011, as Finance Minister Tharman Shanmugaratnam declared the fees were losing its relevance. In his 2011 Budget announcement, he stated that “ownership of TVs is no longer limited to the middle- and higher-income groups. Today, most households – including 99 percent of lower-income households – own TVs.”⁵

As TVs have become common goods in all income groups, the Singaporean government concluded that the TV licence fees increase financial burden for low-income groups and therefore ended the collection of the fees. Ghana should also consider following Singapore’s decision to abolish the licensing system, as there are more than 50 broadcasters in the country and TVs became prevalent to all income households. The re-introduction of the TV licence fees in Ghana rather hurts social welfare of the poor and discourages competition in the broadcasting industry.

Moreover, Table 2 shows the list of countries which have successfully abolished the licensing system:

Australia	India
Belgium (Flemish region)	Malaysia
Cyprus	Malta
Finland	Netherlands
Gibraltar	New Zealand
Hungary	Portugal
Iceland	Singapore

Conclusion

The major rationale behind the collection of TV licence fees is to insulate state broadcaster GBC from government control. However, GBC raises its revenues from commercial activities, which could result in conflicts of interests and compromise on quality of media content. Moreover, the licence fees encourage unfair competition in the broadcasting industry, potentially stifling the growth of the industry and jeopardising financial sustainability of small private broadcasters.

Consumer welfare is also in question due to economic survival of private broadcasters. In addition, the TV licence fees may result in high level of evasion and increased financial burden for low-income households. Consequently, GBC’s collection of TV licence fees is viewed inappropriate step and should be reconsidered to promote effective competition in the broadcasting industry.

Endnotes

1. The detailed information on TV licence fees is available at: <http://www.tvlicence.com.gh/qna.php>
2. The detailed interview with Major Albert Don Chebe is available at: <http://graphic.com.gh/news/general-news/46930-tv-licence-regime-not-debatable-ayeboajo.html>
3. The article on the court ruling is available at: <http://graphic.com.gh/news/general-news/47202-update-wereko-bobby-files-injunction-to-stop-collection-of-tv-licence-fees.html>
4. The article on the evasion of the BBC licence fees is available at: <http://www.bbc.com/news/entertainment-arts-23792388>
5. The article on the Singaporean abolishment of the TV licensing system is available at: <http://www.sgcarmart.com/news/article.php?AID=4174>

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