



REVISED FINAL REPORT

AN ECONOMIC STUDY ON SUBSTITUTED ADVERTISING OF LOCAL ADVERTISEMENTS ON FOREIGN CABLE CHANNELS IN JAMAICA

Submitted To:



BROADCASTING COMMISSION OF JAMAICA

Study Conducted By:



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1. EXECUTIVE SUMMARY

1.1 Introduction

In April 2009, the Broadcasting Commission of Jamaica engaged the services of *Trevor Hamilton and Associates Center for Excellence* to undertake an economic study on substituted local advertisements on foreign cable channels as part of a broader policy review to stimulate production of local content for the broadcast industry. Included in the scope of the study were the following specific outputs:

- Situational analysis of the local electronic broadcast media industry
- Economic assessment of the impact of advertising on local programme production in Jamaica and other selected jurisdictions
- Revenue forecast models, impact assessment and viability options from substituting local advertising on international cable channels
- Recommendation of policy options and guidelines for legislative and other changes consequent on such a policy shift
- Plan of action for implementing revised policy

This Report addresses the foregoing and is the culmination of participatory research approach involving industry and market players.

1.2 Media Environment Overview

1.2.1 MEDIA DYNAMICS ARE CHANGING WITH ‘WATCHING AUDIENCE’ BEING THE LARGEST GROWTH SEGMENT BUT WITH DIMINISHING PURCHASING POWER

- The national media audience is largely a ‘watching audience’. The combined audience (FTA Television and STVO - local & international cable) is over 2 million
- Cable audience is the fastest growing. Average annual increase in STVO audience over the past decade is 23%, almost three times that of FTA Television
- FTA Television’s current audience is 1.4 million with an average three hour segment viewing audience of 173,000
- Cable audience is estimated 800,000 with average three hour segment viewing audience of about 100,000
- The ‘watching audience’ media share gives FTA Television 68% of the market and Cable 32%. However, this is attributable to the sheer dominance of the audience by FTA Television in the 6-9 PM viewing segment each day when it averages almost 700,000 viewers
- Cable is delivering between 60-70% of the FTA Television audience

- The listening audience has remained pretty steady at a potential audience of 1.6 million. Average annual growth over the past 10 years is 1 %
- The economically disadvantaged account for about 60% of the 'watching audience'
- Propensity for advertising yields from TV is lower because this large portion of its audience falls within the economically challenged grouping
- Jamaicans show a high multi-media interaction and usage index with the average audience of those 'watching TV/listening radio/ reading newspaper' having a potential audience of 768,000

1.2.2 JAMAICAN MEDIA MARKET IS GENERALLY GROWING IN EARNINGS IN REAL TERMS, BUT MOSTLY DRIVEN BY DECENTRALIZED OR COMMUNITY PRESENCE MEDIA

- Gross advertising expenditures – all media, are estimated anywhere from J\$ 6 billion – J\$12 billion with the television advertising share by the three FTA operators estimated at J\$2.5 billion. The T.V advertisement segment is close to being accurate because there are only three (3) operators.
- Overall advertising expenditures reflect an average 17% growth, which is at a higher rate than inflation
- Newspapers command the second largest amount of advertising expenditures mostly earned from SMEs and community based markets
- Free to air (FTA) Television audience growth is sound but it is not commensurate with revenue as its share of the advertising budget is below that of radio and newspaper
- Radio audience while flat holds a strong 43% share of advertising budget mainly due to its localized community presence, audience loyalty, cost effective rates and production cost structure

1.2.3 THERE IS GENERALLY FAVOURABLE ATTITUDE TO LOCAL PROGRAMMING, WITH NOTABLE EXCEPTION AMONG ADVERTISING AGENCIES

- Favourability attitude towards local programming is high at 90%
- Broadcasters will expend around 16% of their advertising revenue on local programming
- There is support among STVOs to use a portion of substituted advertising revenue to fund local programme development
- Sports, entertainment and music videos have the best potential for good returns and are also the local programme categories best able to compete against foreign products
- Advertising agencies are least likely to promote local programming. They see their income as least predictable from this source

1.2.4 A FULLY LIBERALIZED COMMERCIAL ADVERTISING MARKET INCLUDING SUBSTITUTED LOCAL ADVERTISING WILL GENERATE MUCH MORE REVENUE FOR FTA T.V AND CABLE T.V AND CONSEQUENTLY CREATE A HIGHER PROPENSITY TO SUPPORT LOCAL PROGRAMME DEVELOPMENT BUT THERE WILL BE SOME NON-T.V. LOSERS

- STVOs, other community-based advertisers, FTA Television and the internet will be big winners, with increased income
- Newspaper and radio, especially those with only huge centralized operations will be major losers

1.2.5 FTA T.V CAN EARN A GREATER SHARE OF THE INCREMENTAL REVENUE TO FLOW FROM SUBSTITUTED LOCAL ADVERTISING IF IT INVESTS AS FOLLOWS:

- Make new investments in technology to give its access to localized market segment which will be the main driver of additional income
- Implements a comprehensive strategy to DECENTRALIZE its business
- It is projected that the following will be the financial results over the period 2009-2014:
 - Free to air T.V will realize annual income of USD\$ 48.9 M at the end of the period
 - Cable T.V will realize an additional USD\$ 22.7 M annually at the end of the period
 - The value of the commercial advertising market will be USD\$ 71.6 M at the end of the period versus USD\$ 34.5 M if there were no substituted local advertising
- SMEs and others in the less formal economic sector, who prefer to use community channels to promote their goods and services at the local level will have a new opportunity to expand their advertisements

1.3 Realities, Implications and Possibilities

1.3.1 SELECTED BENCHMARKED JURISDICTIONS: UK, CANADA, USA AND VENEZUELA GENERALLY HAVE CABLE TELEVISION COMMERCIAL ADVERTISING POLICIES THAT STIMULATE COMPETITION, COMMUNITY DEVELOPMENT AND LOCAL PROGRAMME PRODUCTION

- Where STVOs and FTA Television operations are monopolies and have exclusive rights to commercial advertising, they are required to contribute to a local programme fund
- Where IPPs and STVOs are community-based with strong community/public service ethic local programmes are likely to get public subventions
- Where the market is wide open and large enough IPPs actually pay STVOs and FTA Television for carriage
- Local programming is treated as an industry with accompanying compatible business support policies

1.3.2 THE JAMAICAN STVOs, LOCAL PROGRAMMING AND FTA TELEVISION HAVE MANY UNEXPLOITED OPPORTUNITIES, POLICY ANOMALIES, INEFFECTIVENESS AND CHALLENGES

- The *unexploited opportunities* include:
 - The need to redefine local programming as part of the larger creative industry and properly position it with policy support and other incentives as one of the strategic industry clusters targeted for national economic growth
 - STVOs are significant carriers for FTA Television content, by regulation, but for which they are not compensated
 - Restrictions on commercial advertising on cable retard revenue, community economic enterprise, growth and competitiveness, especially for the SME sector which will only get value for money if they use communally based STVOs and IPPs
 - IPPs are already exporting local programmes but without the necessary policy support to fully exploit export markets in CARICOM, North America and UK under trade regimes that give favourable market entry conditions
 - STVOs are providing foreign businesses/ advertisers real opportunities and an unfair advantage to penetrate the Jamaican market without any compensation
 - Local programmes enjoy large appeal and longer shelf life among Jamaican audiences but this is not being sufficiently exploited
 - The ceiling on the amount of commercial advertising time allowed per hour (currently 12 minutes in the hour) drives up advertising cost and excludes many potential advertisers

- Among the *policy anomalies and ineffectiveness* measures which deny revenue optimization are the following:
 - There is no noticeable and positive relationship between the exclusive right to commercial TV advertising and growth in the production of local programmes
 - Foreign advertisements are allowed on local STVOs but not local commercials. It is unusual to give third country better entry conditions than nationals
 - Local advertisements attract GCT. Foreign advertisements are 'imported' and aired tax free
 - Imposing a levy on advertising to help support local programme development will make the media industry uncompetitive and could create major disadvantages to national versus foreign cable carriers
 - Apart from protecting commercial advertisement market for FTA Television there are no mechanisms requiring them to perform or deliver a set number of local programmes per year as evidence of their investments in local programming
 - The development of local programme requires much more than cross subsidies. It requires protection of intellectual property rights, export incentives, trained personnel, venture capital funding, among other things
 - Broadcasting is singled out for regulation while the wider media industry is treated differently. The media industry inclusive of broadcasting should be the regulated industry

- The *challenges* include:
 - Industrialization of the production of local programmes using existing investment incentive regimes
 - FTA Television operating competitively in a fully liberalized commercial advertising market
 - Properly integrating local programming within the creative industry
 - Removing the policy anomalies
 - Functional and institutional rationalization of media regulation

1.4 Addressing Anomalies & Challenges

A multi-dimensional strategy to exploit the opportunities, remove the existing policy anomalies and effectively respond to the challenges identified in 1.3 above must revolve around the following:

- Ensure that local media and programme producers are competitive, growth oriented and viable
- Integrate local production into the creative industry for export and general business policy support
- Broaden the market to increase advertising revenue, through buoyancy in SMEs and community economies
- Functional and institutional rationalization of regulator to support a broadened mandate
- Neutralize the unfair advantages of foreign advertisement in the Jamaican market
- More effective safeguarding of intellectual property rights
- Optimize advertising revenue opportunities for all in the industry
- Equalize policy support to all producers and carriers of creative material
- Make the private sector the leader with minor public partnerships where necessary, including the establishment of a special venture capital fund for programme development

1.5 Specific Policy & Other Recommendations

The following specific recommendations emanate from the study:

Recommendation 1 Integrate Local Production Into The Creative Industry For Export And General Business Policy Support

- A full definition of creative industry and products/ services
- Registration/accreditation of creative enterprises
- Inventory of appropriate existing support policies
- Agreed criteria for eligibility for policy support, financial and other incentives

The policy instruments should be set out in a specially prepared paper with Cabinet approval and focusing on copyright enforcement, export status and incentives, elimination of production related taxes and support for foreign market entry and access

Recommendation 2 Broaden The Market To Increase Advertising Revenue Through Buoyancy Of SMEs And Community Economies

This should ensure among other things that:

- ☐ STVOs are allowed to carry commercial advertising similar to FTA Television
- ☐ Local advertisements are aired on foreign cable channels
- ☐ Community based advertisement for the local SMEs are exempted from GCT

Tourism enjoys a GCT incentive which could be applied to the Creative Industry. A similar exemption of GCT on advertisement for local SMEs as stimulus for economic buoyancy at the local/ community level

Recommendation 3 Neutralize The Unfair Advantages Of Foreign Commercial Advertisements In The Jamaican Market

- ☐ Substitute local advertising on foreign cable channels
- ☐ Establish 'level playing field' for foreign and local advertisements such as applying a charge equivalent to the rate of GCT paid by local advertisers
- ☐ Apply charge at level of local service provider

By allowing for equal taxation of commercial advertising (local and foreign) through GCT at the local service provider end and GCT at the "port" for the foreign ones

Recommendation 4 Optimise Advertising Revenue Opportunities For All, By Removing Monopoly/ Oligopoly In Commercial Advertising To Support The Broadened Regulatory Mandate

- ☐ Make all tube media (FTA/STVO/IPP, etc) eligible to air commercial advertisements. There will be many winners. These include: FTA T.V operators, cable T.V operators, SME advertisers, community development, increased taxes from higher income and profitability
- ☐ Revise current ceiling in the amount of time allowed per hour for advertisements

The regulator could adjust/increase licencing fees to earn the needed revenue to fund its expanded regulatory role

Recommendation 5 Implement Policy Mechanisms To Stimulate Investment In Technology And Other Strategies For FTA T.V To Localize Presence In The Market

- Make temporary tax incentives for accelerating technology replacement so that national FTA T.V could offer community-based programmes and advertisement to specific community market segments
- The community based market segment will offer significant advertising income growth opportunities
- This will help to minimize possible fall outs with the introduction of substituted local advertising on foreign cable channels

Recommendation 6 Refrain From Adopting Fiscal Policies That Create Disadvantages For National Media Services Against Imported Ones Or Other Segments Of The Local Media Industry

- Avoid any levy on advertising
- Increase the amount of advertising time allowed per hour
- Neutralize GCT and other disadvantage to local advertisers on local operations

The current prohibition runs counter to creating a 'level playing field' policy. Develop media policy that supports local programme production which is funded by the entire economy, namely venture capital/development type fund for such purpose

Recommendation 7 Liberate The Industry From Intra-Industry Subsidies

This could be achieved through policies such as:

- Application of commercial trade practices for carrying services, ie some form of payment by FTA Television to STVOs for carrying their services except for content that is deemed of a public service nature
- Treat production and distribution of local programmes as a commercial enterprise

Government should relax the regulatory obligations for STVOs to carry FTA television service free of charge, with the exception being programming of a public service or national development nature

Recommendation 8 Make The Private Sector The Lead Agency In Local Programme Production With Minor Public Sector Partnerships Where Necessary

This could be achieved through:

- Classifying all production houses/enterprises as commercial entities
- Limit public participation in programme production ventures to 30%

Government will have to develop and implement carefully structured private-public partnership agreements

Recommendation 9 Undertake A Functional And Institutional Rationalization Of Regulatory Machinery

Some of the necessary strategies in this regard will include:

- Copyright and other intellectual property regulatory functions for all media to be assigned to BCJ or successor agency
- Local programming production policy and promotion should be transferred to Ministry of Industry/ Jamaica Trade & Invest
- Regulatory portfolio should cover all media, not just broadcast media
- Re-mane the BCJ to reflect its broadened profile and mandate

IMPLEMENTATION OF THESE RECOMMENDATIONS WILL MAKE THE JAMAICAN MEDIA AND LOCAL PROGRAMME PRODUCTION INDUSTRIES MORE COMPETITIVE, GROWTH ORIENTED AND MORE VIABLE

2. INTRODUCTION

2.1 Research Preamble

This Report is submitted to the Broadcasting Commission in fulfillment of the terms and scope of work under contract between the Commission and Trevor Hamilton & Associates Center for Excellence to undertake an economic study on substituted advertising of local advertisements on foreign cable channels serving the Jamaican audience.

The recommendations and accompanying action plan will best be implemented through structured engagement and feedback from key stakeholder groups – Independent Programme Producers, Subscriber Cable Television Operators, Free to Air Television stations, Advertisers and Local Production Houses. The list of entities and organization whose representatives participated in the consultation is provided as Appendix -1. It is recommended that a consensus building workshop with stakeholders be organized with a view to using the findings from this Report as a basis for shaping the future direction and framework for the policy on substituted advertising of local advertisements on foreign cable channels in Jamaica and the creation of a vibrant local programme production industry.

2.2 Assignment Output

The Broadcasting Commission engaged the services of the firm to deliver the following outputs:

- Situational analysis including the impact of advertising on the production of local programmes in Jamaica and other jurisdictions
- Forecast revenues models for the placement of local advertising on international cable channels in the country
- Recommend policy options and requisite legislative changes
- Plan of action for implementation of recommended framework

2.3 Work Approach

In executing the study the following were the critical work steps:

- Development of analytical framework submitted as part of the Inception Report

- Design/development of research methodology and data collection instrument
- Conduct of research exercise which included structured interviews and focus group sessions, with stakeholders, STVOs, Free to air T.V. operators, local program producers, advertising agencies and advertisers.
- Analysis of findings and preparation of two draft reports which were thoroughly reviewed by the Executive Director. His comments and suggestions have been addressed in this edition.
- Extensive use of secondary research such as: the Jamaican All Media Survey, the Trinidad and Tobago Publishers and Broadcasters Association Reports, and reports on media in other jurisdictions.
- Presentation of the Report to Members of the Board of Directors and held one-to-one meetings with some Members of the Board.
- Finalization/presentation of completed report

2.4 Outline of Report

The report is presented in six (6) chapters designed to adequately fulfill the scope of work. They are as follows:

- Chapter 1: **Executive Summary.** A concise account of the realities, possibilities and policy imperatives along with the recommended course of action
- Chapter 2: **Introduction.** This chapter outlines the scope of work, expected outputs and the research methodology used by the consultants.
- Chapter 3: **The Overview:** A descriptive and analytical situational analysis of the Jamaican electronic media, the advertising industry and market, local programming advertising and local material development, local foreign program and perceptions and attitudes
- Chapter 4: **Realities, Implications And Possibilities.** Focuses on approaches in other jurisdictions, specific to promotion of local programming, the Jamaican realities and emerging possibilities, the optional, choices and policy imperatives

- Chapter 5: **Projected Market and Income Impact of Liberalized Commercial Advertisement.** This chapter, which is responsive to the main focus of the terms of reference of the study provides comparative analysis of the trends in audience of FTA T.V and cable T.V, the lessons from the Trinidad and Tobago market consequent on liberalization and the projected economic impact within the local market, should such a policy be introduced
- Chapter 6: **The Policy Possibilities And Mechanisms.** Highlights critical policy objectives, the required performance and the recommended mechanisms to achieve them.

2.5 The Consulting Team

A highly experienced and qualified team of Consultants and Technical Assistant undertook this consultancy.

NAME	POSITION ON THE TEAM	ORGANIZATION
1. Dr. Trevor Hamilton	Team Leader	Trevor Hamilton and Associates
2. Ms. Rhena Williams	Market Researcher	Trevor Hamilton and Associates
3. Mr. Lincoln Robinson	Media Industry Expert	Interline Communications
4. Ms. Debbie McKnight	Technical Assistant	Trevor Hamilton and Associates

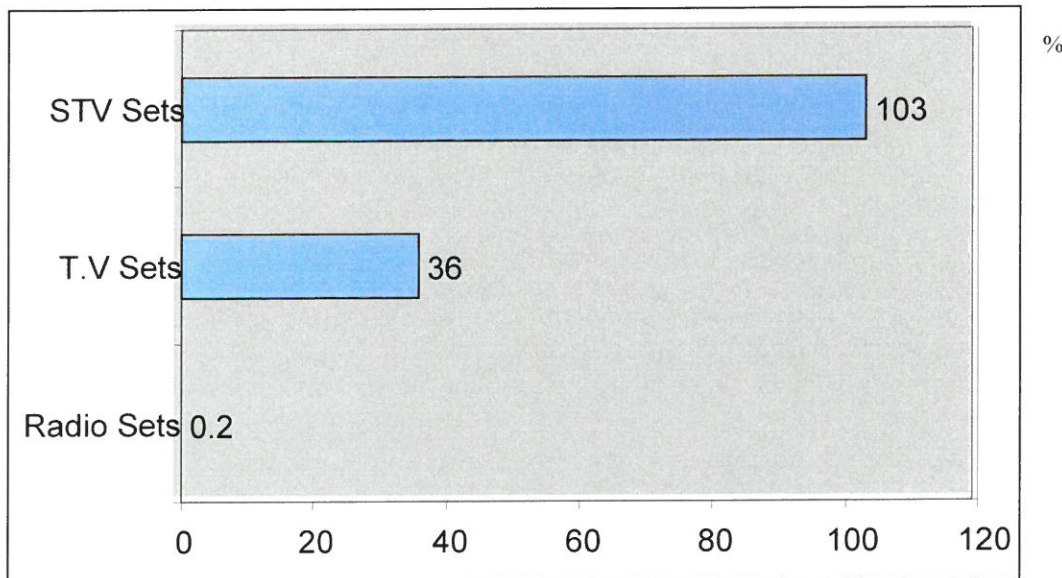
3. OVERVIEW

3.1 Dynamics of Local Media Environment

Moving from a situation of virtual monopoly status and limited choice over a decade ago, the local electronic media landscape now comprises over 20 radio stations, three free to air (FTA) television stations and a plethora of local and international cable channels. The major structural shifts between the 1990s and the decade to 2005 can be summarized as follows:

- ❑ Radio has increased the number of service providers (stations) from 8 to over 20. The annual growth in ownership of sets over the decade is 0.2% with a decline in audience of 1.6%. The current radio set count is estimated at 1.2 million with a potential audience of 1.6 million

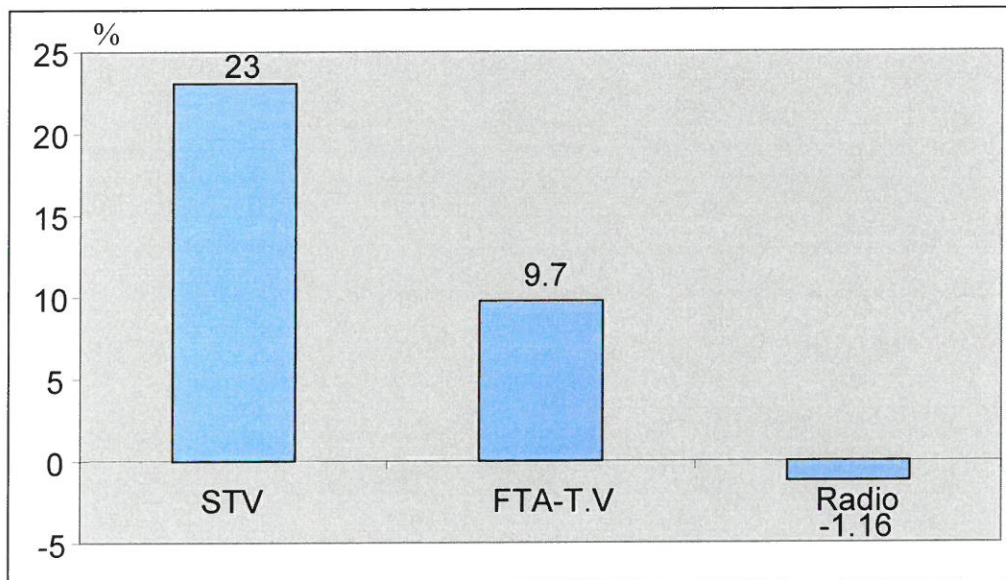
EXHIBIT 3-1: JAMAICA TREND IN OWNERSHIP OF RADIO AND T.V SETS 1992-2005
AVG ANNUAL GROWTH RATE



Source Table 3-1 A

- ❑ Free to air television set ownership has average annual increased of 35% over the decade while the free to air television audience has increased by 9.7%. The current FTA audience is 1.4 million and the set count is 1.2 million
- ❑ Cable Television (Subscriber TV) audience has average annual increase of 23% while ownership of sets increased 102%. Combined, the cable audience (local and foreign) is currently at over 800,000 with estimated set count (number of subscribers) at 360,000

EXHIBIT 3-2: JAMAICA'S TREND IN AUDIENCE 1992-2005: ANNUAL GROWTH RATE (%)



Source: THA data

Television dominates the media audience

- ☐ 91% watch TV
- ☐ 73% listen to radio
- ☐ 31% read newspaper

While essentially a 'watching audience', Jamaicans have a high multi-media interaction index; in other words, they do not consume any one medium exclusively. The composite interaction audience is considerably higher than the average audience for individual medium

- ☐ Watch TV/listen radio/read newspaper - 768,000
- ☐ Watch TV only - 120,000
- ☐ Listen radio only - 78,000
- ☐ Read newspaper only - 186,000

By itself, foreign cable content is the single largest component of the diet of the 'watching audience', increasing even further when the significant foreign content of even the local stations - TVJ, CVM & LOVE is taken into account

- ☐ Overseas/foreign cable viewership 37%
- ☐ TVJ accounts for 34%
- ☐ CVM accounts for 26%
- ☐ Local cable and LOVE TV accounting for 3%

Comparable data from the 2008 All Media Survey estimates the cable viewership at 58% of the FTA audience –with a significant 83% watching foreign/international cable

- ☐ Low income adults watch more T.V/cable than the general population. 57% of FTA television audience falls in the low income DE category and only 14% in the high income ABC1 socio-economic grouping
- ☐ Low income population among the internet audience at 35% is the lowest percentage of the four media types -- local cable (45%), international cable (43%), FTA television (57%) and internet
- ☐ The propensity for advertisers income yield for the electronic media is likely to be lower than other forms of promotion.

Box 3-1 below summarizes some key aspects of the electronic media dynamics

BOX 3-1 JAMAICAN ELECTRONIC MEDIA DYNAMICS

- ☐ Large and increasingly watching audience
- ☐ Decreasing listening audience
- ☐ Almost two-thirds of the watching audience falls within the poor/ more economically disadvantaged socio-economic grouping
- ☐ Propensity for advertising yields from TV is lower
- ☐ The reading media faces challenges

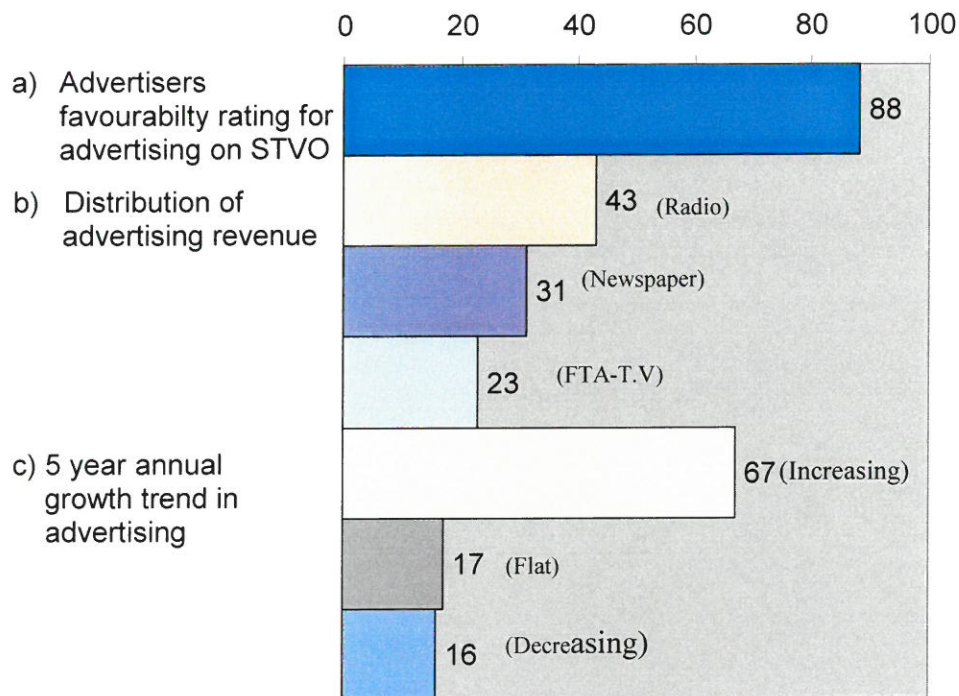
3.2 The Advertising Industry and Market

This section analyzes trends in advertising income over the past 5 years, consumption of the advertising budget, and perception on substituted advertising on STVOs.

- ☐ Estimates of the size of the advertising pie for free television advertising is USD\$ 29.4 million (2008). This represents an annual growth rate of about 2.7%, in US Dollar terms between 1993 and 2008. It was USD\$ 20.8 million in 1993. There are several estimates for the value of the all media advertising pie, with current industry estimates in the region of J\$ 6 billion but the data for the T.V segment is regarded as being very accurate because of the small number of players.

- ❑ Radio, whilst having a shrinking audience, accounts for 43% of the revenue, with newspaper and Television capturing 31% and 22.5% respectively
- Television's accounting for the smallest share is probably associated with its much higher percentage of the economically disadvantaged audiences
- Radio has the largest despite its declining audience. This could reflect the de-concentration of coverage, community relevance and lower more cost/effective rates
- Cable television is positively viewed by advertisers and the advertising agencies as a good medium on which to advertise, consequently it is likely to enjoy a good market response whenever, or if the commercial advertising market were to be liberalized. Tables 3-2, 3-3 and 3-4 provide the analytical data on trends in media advertising budget, distribution of advertising budget, and advertisers' attitude to advertising on STV respectively with Exhibit 3-1 presenting the highlights.

EXHIBIT 3-3: TRENDS IN THE JAMAICAN MEDIA INDUSTRY



Sources: Tables 3-2, 3-3, and 3-4

Box 3-2 which follows highlights the trends and possibilities in the media market.

BOX 3-2: JAMAICAN MEDIA MARKET

- Revenue is growing in real terms with radio and newspapers being the major source
- While newspapers continue to be no.2 in revenue, it may be benefitting from de-concentrating to communities
- Radio continues to decline in audience but account for 43% of revenue, mainly due to de-concentration to communities
- Free to air T.V has strong growth but is not commensurate with revenue due to dominance of economically challenged audience

3.3 Local Programming

Local programming has never dominated overall television content in Jamaica. Part of the reason is the unfavourable ratings of local content versus foreign, except for sports, news and entertainment. However because FTA T.V stations push their best local content - news, sports, JIS, current affairs and entertainment at prime time (6-10pm) when 695,000 or 50% of total audience are watching, it could be concluded that they have given maximum exposure to local programmes.

In the absence of empirical data however, this local programme dominance of the prime time segment is not translated across the broadcast day, and industry experts say that at best, local programming has remained virtually constant, averaging between 20 - 25% of total programming or about 40 hours a week.

This section analyses attitude to developing local content, analysis of revenue expended on local content, analysis of local content in weekly programming, and comparative audience rating of local programmes. The highlights as drawn from Tables 3-5 to 3-8 are as follows.

In addition to News, Sports and Current Affairs/Discussion type programmes which account on average for almost 40% of local programming, some other notable local programme successes include:

Schools Challenge Quiz

Profile

Junior School Challenge Quiz

Smile Jamaica

All Together Sing

Business Day

Rising Star

Royal Palm Estate

CVM at Sunrise

Sunday Business

Kings and Queens of Dancehall

Watch N Win

- ☐ The media attitude to spending a portion of its revenue on the development of local content is favourable. Media houses express interest in expending an average of about 12.5% of their operating budget on local production
 - The range among media houses is between 10% and 14%
 - Advertising agencies are less willing to expend revenue on local programme production. With control of media budgets in their hands, they indicate a lower expenditure interest of about 2.5%. Table 3-5 provides the details
- ☐ Average expenditure among those who are actually spending on local programming, ie agencies, media houses, production companies and advertisers, is about 15.6% of total revenues and the expenditure outlook for the next year and the short-run is flat at 16 %. Table 3-6 provides the details
- ☐ On average, local content accounts for about 16% of the programmes being offered. See details in Table 3-7
- ☐ The Jamaican audience gives better rating to foreign programmes
- ☐ Sport is the only local programme which enjoys a better favourability rating than its foreign counterpart (51.9%)
- ☐ Entertainment type programmes also have good potential to successfully rival their foreign counterparts. Of the audience for these foreign entertainment type programmes 41% give the local competitors' products a favourable rating
- ☐ All other local programmes -- comedy sitcom, news and current affairs, game shows and music videos enjoy less favourable rating.

Table 3-8 provides the details.

Box 3-3 summarizes the local programming situation

BOX 3-3: JAMAICAN ELECTRONIC MEDIA LOCAL PROGRAMMING

- ☐ Attitude to develop local programme is very positive
- ☐ Advertisers will spend up to 16% of media budget on local programming
- ☐ Sports, entertainment and music videos have the best potential for high returns and competitiveness from local programming
- ☐ Local sports programmes have already achieved competitive advantage
- ☐ Advertising agencies are likely to be the least influential in promoting local programming. The predictability of fee is low.

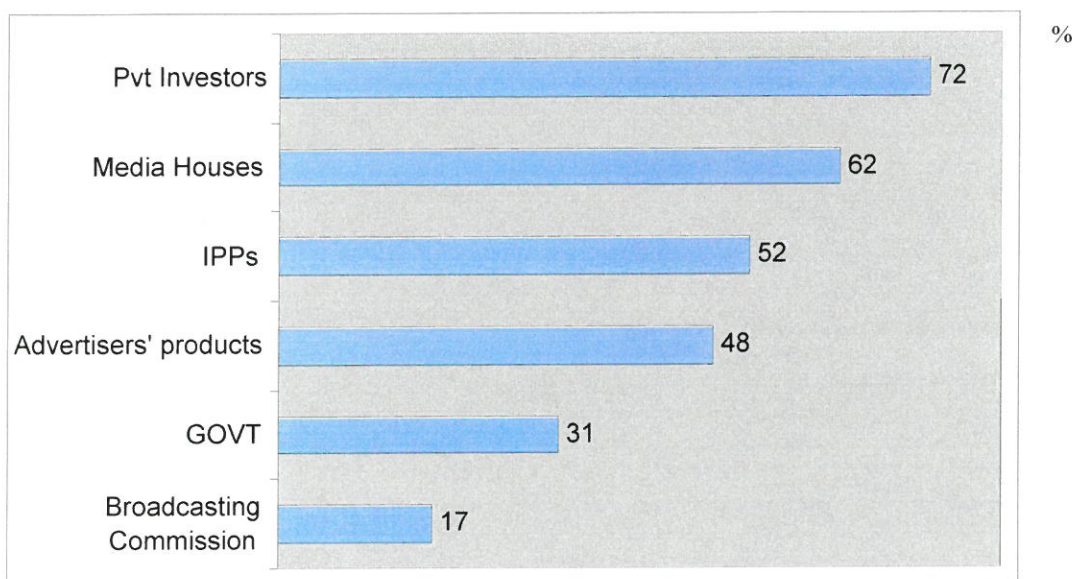
3.4 Outlook

A review of the outlook for the media industry and market in the context of the scope of work for this consultancy focuses on the perceived roles in the development of local programmes, revenue outlook, and preferences for associations with local production, projected revenue structure and likely winners and losers under a 'liberalized' STVO/FTA advertising regime.

- ☐ There is overwhelming belief that the private sector led by new investors, media houses, independent programme producers, and advertisers (in that order) should be primary financiers of local programme development, with a maximum 31% public participation.

Table 3-5 and Exhibit 3-3 provide the details.

EXHIBIT 3-3: PERCEIVED RESPONSIBILITY FOR PRIMARY FUNDING OF LOCAL PROGRAMMES



Source: Table 3-9

- ☐ Media revenue outlook among the industry players is mixed.
 - STVOS see the brightest outlook as 100% expect revenue to increase with a change in advertising regime
 - 60% of FTA Television stations expect revenue to increase and 40% expect it to decrease. This is the same for radio
 - Newspapers are a bit more encouraging, with sixty six percent (66%) expecting revenue to increase and 34% seeing things remaining flat or decreasing

Table 3-10 provides the details.

- ☐ Advertisers generally indicate a level of interest in being associated with local productions either as sponsors or buying advertising space in such programmes.
 - 40% want to be direct sponsors/ co-sponsors
 - 30% want to buy space on local programmes
 - 20% would like to directly execute/commission production of local material

Table 3-11 provides the details.

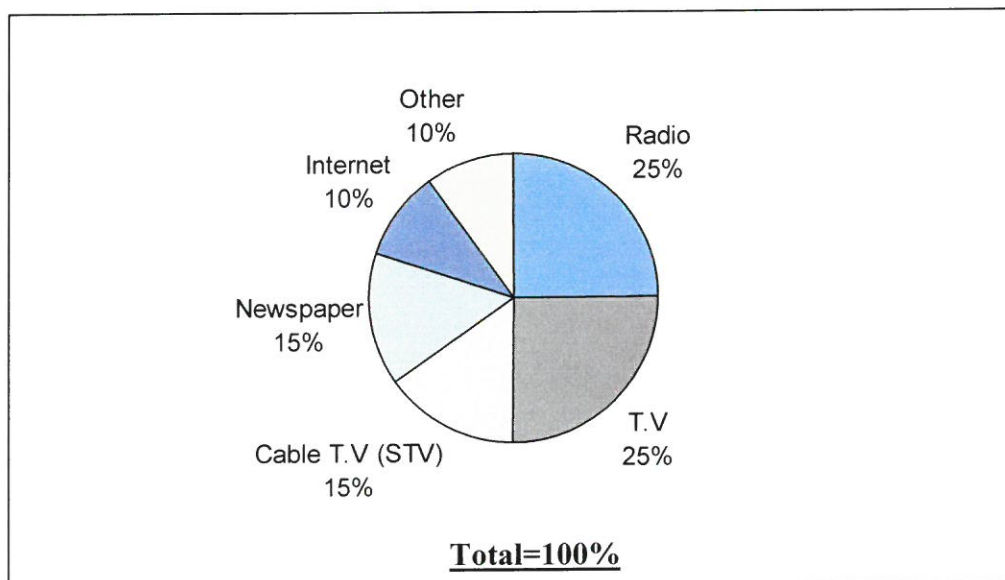
- ☐ The opening-up of commercial advertising on STVOs would have a positive impact on market size and structure. While the situations are not exactly the same, in 1993 when CVM Television began commercial operations, the estimated television advertising market was \$280 M. By 1995, it was estimated at \$350, reflecting a 25%

growth. In 2008, the size of the television advertising market with three FTA operators had grown to an estimated \$2.2 - 2.5 billion

In addition to the growth in the advertising pie the change in market structure reflected a rapid rise in market share of the new entrant. Within 4 years, CVM's audience share shot up to 45%, followed by a leveling-off and later decline. Currently, CVM's share of market in 2008 was 34%.

The categories of media and projected advertising expenditures under changed situation are illustrated in Exhibit 3-4 and detailed in Table 3-12.

EXHIBIT 3-4: JAMAICA: PROJECTED STRUCTURE OF ADVERTISING EXPENDITURE UNDER LIBERALIZED COMMERCIAL ADVERTISING



Source: Table 3-12

- ☐ Under a 'liberalized' commercial advertising environment there will be some big winners and big losers in the market structure
 - The big winners in terms of revenue will be STVOs. They are moving from zero. The internet is also emerging as an advertising medium with tremendous potential given its estimated audience of 937,000 (2008 All Media Survey). STVO and Internet advertising is likely to increase from <1% to 15% and 10% in revenues respectively
 - FTA television will also be a winner in terms of incremental revenue but a loser in terms of market share. The shift in market share for T.V advertisement from 100% to say 67% is a reduction in market dominance but not in terms of positioning or revenue. In other words, the FTA T.V will be getting a smaller share of a much

larger pie. Further, the FTA T.V operations can sustain their current market share if they invest in the requisite technology and market development strategies such as having localized advertising at the community level where the STVOs will dominate.

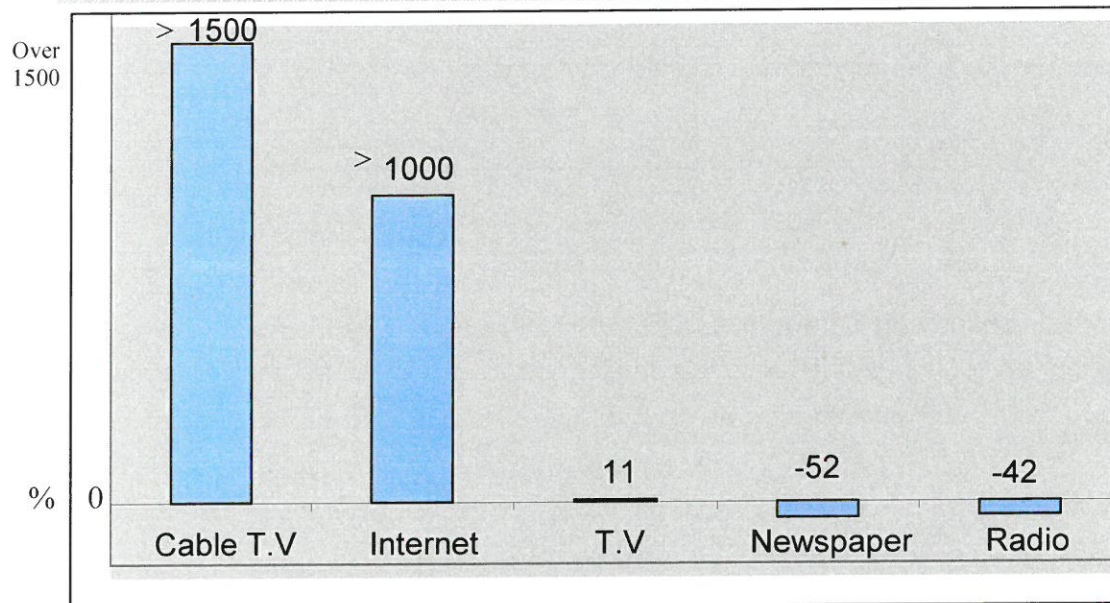
- The big loser will be newspaper with negative shifts both in terms of audience and revenue
- Radio will continue to be leaders but with a much reduced market from 43% to 25%

Table 3-13 provides the details and Exhibit 3-5 highlights these developments.

There are several reasons for the projected shifts in commercial advertising across the various media with the advent of substituted advertising of local advertisements on foreign cable channels and a more liberalized advertising market. Among the key ones are:

- ☐ The yield from FTA Television is much lower despite the fact that it has a large audience. It is the medium with the highest DE (low income audience) of almost 60%. That is not likely to change in the short run. While they might be the lower purchasing power audience, it does not however mean they have no money to spend
- ☐ The yield from cable/ STVO is higher because of its community reach and the potential it presents for more geographical and socio-economic segmented advertising
- ☐ The yield from newspaper will be low because of the contracting reading population
- ☐ The yield from internet will be high because it allows for more segmented international advertising and reaches an audience with a higher purchasing power. The DE socio economic profile of the Internet audience is only 35% - the lowest of all the media markets. Internet will also give advertisers access to a global markets

EXHIBIT 3-5: JAMAICAN MEDIA: PROJECTED WINNERS AND LOSERS UNDER LIBERALIZED ADVERTISING- PROJECTED IMPACT ON MEDIA SPENDING FOR COMMERCIAL ADVERTISING



Source: Table 3-13

Box 3-4 which follows summarizes the future.

BOX 3-4: JAMAICAN MEDIA: PROJECTED FUTURE UNDER LIBERALIZED COMMERCIAL ADVERTISING

- ☐ Significant belief that the private sector should be principal investor with Government as minority partner in local production
- ☐ There will be a major restructuring of revenue market with internet and STVO becoming major players
- ☐ Major winners in the new market structure will be STVO
- ☐ FTA Television will continue to hold its own and realize modest gain of 11% due to its national coverage, strong market/brand loyalty, sheer dominance of its News/sports/current affairs programming and also because it uses STVOs as carriers of its content
- ☐ Major losers will be newspapers realizing 52% decline and radio realizing 42% decline in market share
- ☐ Internet will grow exponentially because it is not restricted to local market penetration rate, plus its audience is also growing. It also provides international access
- ☐ STVOs will be winners because it allows for effective geographical and socio-economic segmentation.

TABLE 3-1 A: PROFILE OF THE JAMAICAN ELECTRONIC MEDIA

INDICATORS	UNITS	1992	1998	2000	2005	AVG ANNUAL GROWTH RATE %
Radio set/ ownership	000	1685	1926	2084	1635	0.2
T.V set/ ownership	000	545	832	904	1133	35.9
STVO ownership	000	62	224	283	342	102.7
Radio audience	000	n.a	1552	1719	1632	1.6
T.V audience	000	1763 (1996)	1338	1493	1728	9.7
Cable T.V audience	000	899 (1996)	1310	1529	n.a	23.2
Audience considered poor	%		-	-	66	-

Source: Compiled from Media Research Report

TABLE 3-1 B: JAMAICAN MEDIA INDUSTRY AND MARKET: VITAL STATISTICS

INDICATORS	UNIT	NUMBER
1. Population Reached by Media		
1.1 Television	%	91
1.2 Radio	%	73
1.3 Newspaper	%	31
2. Distribution of T.V Audience		
2.1 Overseas Cable	Point %	37
2.2 TVJ	Point %	34
2.3 CVM	Point %	26
2.4 Local Cable	Point %	2
2.5 LOVE	Point %	1
3. Indicative Advertising Revenue		
3.1 Estimated Total Media Market	J\$ M	6000
3.2 Estimated Television Market	J\$ M	2500

TABLE 3-2: TREND IN ADVERTISING BUDGET OVER PAST 5 YEARS

TREND INDICATORS	%	AVERAGE % CHANGE
1. Increasing	67	17.5%
2. Flat	17	0
3. Decreasing	16	37.5%
TOTAL	100%	17.7%

Source: Computed from THA survey among Advertisers

TABLE 3-3 ANALYSIS OF MEDIA: CONSUMPTION OF ADVERTISING BUDGET

MEDIA	% OF ADVERTISING BUDGET
1. Radio	43.0
2. Newspaper	31.4
3. T.V	22.5
4. Other: Bill boards, magazine, internet, events, cable T.V	3.1
TOTAL	100.0

Source: Survey among Advertisers

TABLE 3-4 GENERAL ADVERTISING INDUSTRY ATTITUDE TO ADVERTISING ON LOCAL CABLE T.V

INDICATORS	%
1. Favourable	88.5
2. Unfavourable	11.1

**TABLE 3-5: MEDIA ATTITUDES TO EXPENDITURE ON DEVELOPMENT OF LOCAL CONTENT:
PERCENTAGE OF ADVERTISING BUDGET DEEMED TO BE REASONABLE**

MEDIA/ SOURCE	%
1. STVOs	10.4
2. Radio	14.5
3. Advertising agencies	2.5
4. FTA Stations	12.5

Source: THA Survey

**TABLE 3-6: ANALYSIS OF EXPENDITURE ON LOCAL PROGRAMME DEVELOPMENT:
PERCENTAGE OF REVENUE EXPENDITURE**

RANGE	PERCENTAGE NOW	PERCENTAGE LAST YEAR	PLANNED FOR NEXT YEAR
< 5	33	33	22.2
5-10%	11.1	11.1	22.2
10-20%	0	0	0
Over 20%	55.6	5	55.6
Average	15.6	15.6	16.1

Source: THA Survey

TABLE 3-7: ANALYSIS OF LOCAL CONTENT IN WEEKLY PROGRAMMING

PERCENTAGE RANGE OF LOCAL CONTENT	PERCENTAGE OF PROGRAMMING
1. <5	33
2. 5-10	16.7
3. 10-20	11.1
4. 20-30	16.7
5. over 30	22.5
Average	15.7

Source: THA Survey

TABLE 3-8: AUDIENCE COMPARATIVE ANALYSIS OF LOCAL VS FOREIGN PROGRAMMES

CATEGORY	% FEEL LOCAL IS BETTER	% FEEL FOREIGN IS BETTER
1. News and Current Affairs	18.5	81.5
2. Sports	51.9	48.1
3. Music Videos	35.7	64.3
4. Game Show	3.6	96.4
5. Entertainment	40.7	59.3
6. Comedy Sitcom	0	100

Source: THA Survey

TABLE 3-9: ANALYSIS OF PERCEPTIONS OF OUR RESPONSIBILITIES FOR FINANCING LOCAL PROGRAMMING

OPTIONAL SOURCES	% FEEL THEY SHOULD BE PRIMARY FINANCERS
1. Private Investors	72.4
2. Individual Media	62.1
3. Independent Program Producers	51.7
4. Products from Advertisers	48.3
5. Tax Payers/ Government	31.0
6. Broadcasting Commission	17.2

Source: THA Survey

TABLE 3-10: ANALYSIS OF MEDIA 3-YEAR REVENUE OUTLOOK

MEDIA	WILL INCREASE	WILL REMAIN FLAT	WILL DECREASE
1. STVOs	100%	-	-
2. Internet	66%	34%	-
3. Newspaper	66%	17%	16%
4. Events	80%	20%	-
5. Cinema	50%	50%	-
6. Radio	60%	-	40%
7. T.v	60%	-	40%

Source: THA Survey

TABLE 3-11: ANALYSIS OF ADVERTISERS' PREFERENCES FOR LOCAL PROGRAMME ASSOCIATION

ASSOCIATIONS	%
1. Sponsor/ co-sponsor production of local programme	40
2. Buy advertising space in local programming	30
3. Commission/ financing/ execute production of own programme	20
4. Sponsor foreign or local programme	5
5. Buy advertising space or foreign programme	5

Source: THA Survey

TABLE 3-12: ANALYSIS OF PROJECTED STRUCTURE OF ADVERTISING EXPENDITURE UNDER LIBERALIZED COMMERCIAL ADVERTISING REGIME

MEDIA	PERCENTAGE
1. Cable/STVO	15
2. Newspaper	15
3. Internet	10.2
4. Radio	25
5. FTA TV	25
6. Other	9.8
Total	100%

Source: THA Survey

TABLE 3-13: PRESENT AND PROJECTED ADVERTISEMENT EXPENDITURE STRUCTURE BY MEDIA

MEDIA	CURRENT	FUTURE	FUTURE OVER PRESENT %
1. Cable (STV)	<1	15	>1500%
2. Radio	43	25	-42%
3. Newspaper	31.4	15	-52%
4. Internet	<1	10.2	>1000%
5. T.V.	22.5	25	11%

Sources: Table 3-3 and 3-12

4. REALITIES, IMPLICATIONS AND POSSIBILITIES

The findings from the stakeholders' focus group meetings and research into policies in other jurisdictions set the stage for a reality check and determining the policy options. This chapter presents selected approaches in other jurisdictions and presents the realities, possibilities and policy imperatives for Jamaica.

4.1 The Situation in Selected Jurisdictions

The consultancy considers four (4) jurisdictions -- two Commonwealth (Canada and U.K) and two other (Venezuela and USA) with the related findings summarized in Table 4-1 and highlighted below. Information from Trinidad & Tobago which went the substituted advertising route in 2003 was also examined.

- There are monopolies in the STV industry in Canada. Consequently, there are policy mechanisms to compensate for such a market structure and fund development of local production. These comprise:
 - Operation of a Local Programming Fund to promote and facilitate investment in local programming
 - Prohibition of the STV industry from commercial advertisement
 - The charging of a 0.4% of STVOs' gross revenue to contribute to the Local Programming Fund
 - In the USA, both the IPPs and STVOs can advertise commercially. Hence, IPPs underwrite the cost of their production and also pay cable operators for carriages
- In the UK, the local production industry is very buoyant and is highly funded by the IPPs with an annual revenue of £ 2.6 billion. There are no restrictions to any media on commercial advertisement
- The Government of Venezuela contributes about 70% of the cost of local programming especially since they are directed at community development and are community based operations

Box 4-1 : Highlights of situation in selected jurisdictions.

BOX 4-1 FUNDING POLICIES ON LOCAL PROGRAMMING IN SELECTED JURISDICTIONS

- Where STVOs are monopolies they are likely to be prohibited from commercial/ advertising are required to contributing to the funding of local production
- Where IPPs and STVOs are community based and oriented in services, they enjoy government subvention
- Where the market is wide open and large enough, IPPs actually pay STVOs for carriage

4.2 The Jamaican Realities

The consultancy has identified the following realities that have implications for the market and create some possibilities for the policy to stimulate the development of local production. They are as follows:

- Technology is re-defining the structure of the electronic media industry, bringing in new players who will be increasingly attractive to advertisers. These include internet and mobile phones.
- STVOs and IPPs are delivering local programming and are realizing increasing audience and revenue.
- All STVOs see positive revenue flows in the short run, while conventional media are understandably less optimistic. Their superior propensity to invest in technology and market development as well as the greater flexibility for geographical and economic market segmentation, are the main driving forces.
- SMEs and other grassroots businesses which are mostly community based, account for over 40% of the GDP and growing. They prefer to advertise through STVOs and IPPs rather than high cost FTA television. A liberalized commercial advertising environment will therefore benefit SMEs immensely. These media will have increasing propensities to support local production of programming which is also highly consumed through community based media.
- Quality rating of foreign programmes is generally about twice as high as local ones with the exception of local sports and entertainment programmes which show good competitive, favourability and revenue possibilities. Local programmes have a longer shelf life and market loyalty. Local programme production could therefore be viable.
- There is no positive relationship between the current prohibition of advertising on STVOs and the growth in investment in local production by FTA television. In fact, despite increased revenues over the year, the percentage of budget allocation by FTA stations as investment in local programme production has remained flat at around between 15 -16% of budget. Consequently, exclusivity to commercial advertising

revenue cannot be advanced as a sufficient and effective policy option to drive investment in local production.

- If commercial advertisement were to be liberalized on STVO/foreign cable channels the new players who have the greatest connectivity with the community, namely the IPPs and STVOs would be the big winners. This will provide increased purchasing power for local programmes.
- Foreign programmes have shorter shelf life, greater audience appreciation and favourability rating as well as cost far less to acquire. They are therefore likely to do better with STVOs where audience is increasing.
- The creative industry including: entertainment, sports, local lifestyle already enjoys strong favourable rating against their foreign counterparts. Since they are integral to the competitiveness of the tourism industry; have long shelf life; and are highly exportable, they should be adopted and integrated as a major thrust of the export promotion policy. IPP and STVOs should therefore be considered as major vehicles for policy support to stimulate growth in the creative industry.
- Any policy intention to levy advertising revenue to fund development of local programmes is economically unsound, inconsistent with policy funding initiatives in other sectors and will create major disadvantages for the national industry against imports.
- The across the board 12 minute ceiling of advertisement per hour needs to be reviewed in the context of current realities.
 - It inhibits the potential for greater economy or the propensity to reduce cost
 - It 'locks out' advertisers to only those who can only afford the price; those who may only want a niche audience or small audience period rates
 - It prevents FTA TV from optimizing advertising revenue
 - It is not practiced in other segments of the local media industry
- There is overwhelming perception that the major financiers for local production should be: private investors including media houses, IPPs, and STVOs. It is also felt that the public sector should be a minority partner
- Free to air TV operations have sizeable sunken funds and could therefore experience fiscal challenges with the removal of advertising prohibition. However they enjoy national audiences and are increasingly using STVOs to reach their audiences. Between 60% - 70% of CVM and TVJ viewership is said to be reached via cable TV, even if that audience is essentially confined to the 6-9PM viewership segment
- The size of the commercial advertising market is estimated at \$ 6 billion and could grow by as much as 15% in the short run if substituted advertising is introduced. Initial growth could be at least 5%.

- The high incidence of copyright law infringements is one of the single largest threats to the growth and viability of the local production industry and therefore require equal, if not more urgent attention than financing for the industry
- Local production of creative programmes will only enjoy viable economies of scale when they adequately penetrate export markets such as CARICOM, North America, UK, and Africa. Producers and productions should therefore benefit from export incentives similar to those afforded to other export sectors, so long as they satisfy the criteria/ status of being qualified exporters
- The “must carry” rule currently placed on STVOs and which require them to carry the services of free to air stations and IPPs free of charge, even if understood in the context of public service broadcasting, is a form of economic injustice for the following reasons:
 - It makes it mandatory for STVOs to subsidize FTA TV and IPPs
 - FTA TV enjoys a monopoly on commercial advertising and further gets subsidized carriage from STVO which is blocked out of the commercial advertising business
- STVOs are not capitalizing on the audience they bring to foreign cable channels/ networks. They neither shut them out of advertising slots nor get compensated for the market visibility they give to these foreign goods and services
- There is no existing policy model to increase funding of local production. The protectionist model characterized by prohibition has not worked. Allocations are determined by individual stations and the abilities of individual producers to raised sponsorship. A robust model to stimulate investment in the creative industry and to expand the size of the market will make a positive difference
- STVOs are carrying local free to air stations’ content including their commercial advertising content and foreign cable channels with their advertising content too, while the STVO carrier itself is not allowed advertising opportunity. This is a further justification for a comprehensive policy overhaul to remove the anomalies
- The anomaly allows entry into the local market of well known and established international brands, some with franchises in Jamaica, to enjoy free advertisements on STVOs. This is tantamount to importing goods and services without any trade tax. Local advertisers have to pay 16.5% GCT (value added tax) on their advertising placements while foreign advertisers pay none. This is another policy anomaly in the media industry
- Local programme production driven by a liberalized commercial advertising regime will create buoyancy among SMEs and community based economies. It also has the potential to yield benefits beyond earnings from advertisement and increased revenue to fund local production. Stimulation of local community economic activity is a real possibility with community based enterprises which account for more than

40% of the GDP and jobs are likely to respond positively to the expanded and more cost effective advertising and production services

- Some IPPs are already exporting Jamaican creative products but the real possibilities to CARICOM, North American and UK remain virtually untapped. They need the necessary policy support to get them to 'the next level'. This has to be a major consideration for the new media policy imperative, especially since the creative industry is among the national economic priorities
- The media policy and regulatory environment require separation and broader coverage.
 - Policy formulation and management to stimulate local production should be re-assigned to those managing investment encouragement policies
 - The regulatory management functions should be broadened

All the foregoing realities have major media industry implications and policy possibilities which are summarized in Box 4-2 below.

BOX 4-2 KEY REALITIES

- ❑ Protection of television commercial advertising to FTA T.V has not generated buoyancy in local programming
- ❑ There is no compelling evidence that regulatory requirements for local program content stimulate growth in the local production industry
- ❑ SMEs/ community economic enterprises are potentially major beneficiaries under liberalization of commercial advertising
- ❑ There is popular support for developing the local material production industry using private investment modality
- ❑ Intellectual Property Rights are widely breached in the industry
- ❑ Foreign advertising content currently enters the Jamaican market on better fiscal terms than that afforded local programming/advertising
- ❑ A levy on advertising income to fund local production will further hurt competitiveness of local media against foreign counterparts and will not enhance buoyancy of local production
- ❑ The promoting of the local programming industry is wrongly assigned to the broadcasting regulator. It is more appropriately part of the broader creative industry
- ❑ The ceiling on advertisement per hour increases advertisement cost and effectively 'locks out' SMEs and others and is inconsistent with the rest of the media industry
- ❑ The existing media policy over-compensates FTA T.V with regulated free use of STVOs carriers and preferential treatment in terms of commercial advertising
- ❑ Media policy and regulation needs institutional rationalization
- ❑ FTA Television will not die with the removal of advertising prohibition. It will continue to be a market force given its national coverage, established market loyalty and carriage by STVOs

TABLE 4-1: THE JAMAICAN ELECTRONIC MEDIA: ANALYSIS OF REALITIES, IMPLICATIONS AND EMERGING POSSIBILITIES

REALITIES	IMPLICATIONS	EMERGING POSSIBILITIES
1. Technology is restructuring the audience market.	Internet, STV, mobile phones and social networks are increasing contenders.	A segment of the advertising will increasingly shift to these media.
2. STV and IPP, such as Hype TV and RE TV are realizing increasing audience market and are delivering more local programming.	They have significant and increasing propensity for driving the production and consumption of local programs.	They are ideal vehicles in which to invest advertising in exchange for local production.
3. 100% of STVOs project revenue to increase in the medium term while 60% of conventional media expect it to increase and 40% expect it to decrease.	The propensity to invest in technology and product development is growing among STV and likely to be relatively flat or contracting among conventional media.	Protection of conventional media for advertising will increasingly be a misplaced policy.
4. SME and grass roots businesses which account for over 40% of GDP and growing prefer STV and IPP media for advertising because they are community oriented.	Advertising revenue could easily double when SMEs and Grass root business begin to advertise on IPP and STV network.	Community based advertising media will drive the propensity to finance production of local programs.
5. 40% of advertisers project to be associated with sponsorship/co-sponsorship of local programs while only 5-30% prefer other associations.	There is a solid belief that local program attract audience.	Local programming is a viable vehicle for stimulating growth in audience.
6. Quality rating for foreign programs is over twice as high as for local programs except for sports and entertainment but local programs have longer shelf life- for example at the cinema local products ran for 6 weeks while foreign products ran for 2 weeks.	Local production can build audience loyalty.	The economic and financial viability of IPP and social community channels potentially vey viable.
7. T.v conventional media account for 97% of advertiser's expenditure but: <ul style="list-style-type: none"> □ Local program content averages only 15.7% □ Forecast for local program production is flat. 	The conventional media will not drive growth in the production of local programs.	Conventional media entitlement to exclusivity in commercial advertisement is endangered.

TABLE 4-1 (CONT'D): THE JAMAICAN ELECTRONIC MEDIA: ANALYSIS OF REALITIES, IMPLICATIONS AND EMERGING POSSIBILITIES

REALITIES	IMPLICATIONS	EMERGING POSSIBILITIES
8. While local program context is only 16% of FTA T.V programming it is concentrated at prime time (6-10 pm) which accounts for 50% of the 24-hour audience.	<ul style="list-style-type: none"> □ Local material especially the ones with comparatively favorable rating: news, sports and entertainment get good exposure. 	Competitive local content will get showings on T.V.
9. If commercial advertising were to be liberalized there would be big winners and losers.	<ul style="list-style-type: none"> □ Newspaper could lose 52% market share. □ Radio could lose 44% market share. □ Free to air t.v could gain 11% market shares. □ Cable t.v (including IPP) and internet, mobile phones will be big winners. 	Liberalization will yield a larger advertising industry, and could result in casualties among less innovative media houses especially those that require reading and listening.
10. If FTA T.V invest in technology and a strategy for localization, it could realize a large share of community based commercial advertising revenue which will be a major growth segment.	FTA T.V has the potential to benefit immensely from liberalized commercial advertisement.	The SME sector and other community based enterprises represent a large unexploited market segment which wants to invest only in advertisements which reach their communities' target markets.
11. While foreign programs have shorter shelf life they attract larger audience on STV.	They represent a great source for advertising revenue.	Foreign programs through STV with local advertising can generate growth in advertising.
12. Sports, entertainment, local news, lifestyle and personal profiling are major attractions and that's where Jamaica has its best potential for local production.	These programs have their best potential in community based audience.	Community based media such as IPP and STV will be a sound policy vehicle for expanding of the production of local program.
13. The media industry strongly feels that the private sector should finance local programming with media industry players taking the lead.	<ul style="list-style-type: none"> □ 72% feel it should be the private sector. □ 62% feel it should be individual media. □ 52% feel it should be IPPs □ 45% feel it should be proceeds from advertising □ 31% feel it should be the State. 	A well developed media industry local production expansion strategy needs to be developed as a component of the creative industry.

TABLE 4-1 (CONT'D): THE JAMAICAN ELECTRONIC MEDIA: ANALYSIS OF REALITIES, IMPLICATIONS AND EMERGING POSSIBILITIES

REALITIES	IMPLICATIONS	EMERGING POSSIBILITIES
14. Free to air station, sunken funds are not readily threatened by liberalized commercial advertising.	They still have the national market and only need to be more innovative with their programming.	Policy for accelerated capital write off may however be necessary.
15. Local production can only be financially sustainable through export market expansion.	The export market will have to be a major thrust for justifying policy support.	Media industry export services will need to be included in the export industry encouragement policy like the rest of the creative industry.
16. Ceiling on the amount of advertisement per hour of broadcasting is counter-productive.	<ul style="list-style-type: none"> □ It increases the cost of advertising. □ It is not a policy practice in other media. □ It makes advertising cost prohibitive to SMEs. 	<ul style="list-style-type: none"> □ The ceiling has to be relaxed to harmonize policy in the industry.
17. STVOs are not capitalizing on the audience they bring to foreign networks.	STVOs' audience is a significant part of the equity of foreign network without any dividends to the carriers (STVOs).	<ul style="list-style-type: none"> □ STVOs joint negotiation with foreign channels for substituted advertisement. □ GOJ should seek reciprocal trade treatment for its creative products.
18. While substituted advertising will increase revenue, there is no guarantee of increased local production.	There is really no predictable relationship between advertising and local production.	<ul style="list-style-type: none"> □ Imposing tax/levy on advertising <i>per se</i> will be a disincentive. □ Establish special local programme development fund or finance window.
19. The local media policy is obsolete	<p>The policy is not an effective mechanism for the media to become an engine for:</p> <ul style="list-style-type: none"> □ Driving the creative industry. □ Enhancing market positioning for SME. □ Creating economic opportunities for the poor. □ Encouraging expansion in the developmental role IPPs play. 	A multifaceted policy focusing on promotion of: the creative industry, expansion of SME market, creating opportunities for the poor, fair competition between STVOs and cable T.V, and against IPPs and imported programs.

TABLE 4-1 (CONT'D): THE JAMAICAN ELECTRONIC MEDIA: ANALYSIS OF REALITIES, IMPLICATIONS AND EMERGING POSSIBILITIES

REALITIES	IMPLICATIONS	EMERGING POSSIBILITIES
19. The local media policy is obsolete (Cont'd)	<ul style="list-style-type: none"> □ Stimulating a positive relationship between advertising income and investment in local production. □ Assuring equity to all players in the industry. □ Promotion of standards in broadcasting. □ Promotion of export trade in local material. <p>Promoting technical alliances between FTA T.V and STVOs</p>	
20. STVOs are significantly carrying Jamaican free to air T.V to the market as regulatory obligation.	The FTA T.V operators are being subsidized by STVOs.	This potentially a solid source of income for STVOs especially if the regulators remove the obligation to carry them free.
21. Some well known international brands like Burger King and, KFC, reach local audience without paying.	<ul style="list-style-type: none"> □ STVOs are losing potential income. □ The local regulations blocking local advertisement is a source of unfair trade against its nationals. 	<ul style="list-style-type: none"> □ Foreign advertisements should be treated as imported products or service. They should therefore be liable for trade tax which could be used to develop local program.
22. Local advertisers on TV, radio and, newspaper etc pay 16.5% value added tax but competing international brands advertised in Jamaica on foreign channels to the benefit of local suppliers are not taxed locally.	<ul style="list-style-type: none"> □ Foreign advertisements enjoy unfair competition in the local market. 	<p>There should be a tax regime to encourage local STVOs to either:</p> <ul style="list-style-type: none"> □ Replace foreign advertisement □ Charge for foreign advertisements.
23. Localization of TV presents the greatest propensity for advertising revenue, consumption of local programs and creating buoyancy in SME driven economic activities.	<ul style="list-style-type: none"> □ Liberalization of commercial advertisement is potentially a major economic enabler for SMEs or community based enterprises. 	<ul style="list-style-type: none"> □ Liberalized commercial advertisement can earn more revenue for local production and also simultaneously benefit SMEs or community based enterprises and boast production for export.

TABLE 4-1 (CONT'D): THE JAMAICAN ELECTRONIC MEDIA: ANALYSIS OF REALITIES, IMPLICATIONS AND EMERGING POSSIBILITIES

REALITIES	IMPLICATIONS	EMERGING POSSIBILITIES
24. Some IPPs are already exporting Jamaica's creative products, a major national business strategy.	<ul style="list-style-type: none"> □ IPPs are playing a major developmental role for Jamaica's creative industry and have the potential to expand. 	<ul style="list-style-type: none"> □ IPPs could be given incentivized policy treatment for their developmental roles in the creative industry.
25. IPPS pay value added taxes but competing 'imported' advertisements do not.	<ul style="list-style-type: none"> □ IPPS are exposed to unfair trade. 	<ul style="list-style-type: none"> □ This is a trade policy anomaly which will have to be addressed.
26. The media policy and regulations need to be properly rationalized in terms of coverage and institutional responsibilities.	<ul style="list-style-type: none"> □ It should do beyond radio and T.V to include internet, print and all other media. □ Local production should be treated as an industry and properly placed for policy treatment. □ Developmental, policy, and regulation should be separated. □ Property rights should be a responsibility. 	<ul style="list-style-type: none"> □ The "Media Commission of Jamaica" could be established to replace BCJ. □ The developmental aspects of the media including local programming could be integrated in the creative industry and assigned to portfolio ministry responsible for industry. □ Copyright and other property rights related safeguards should be part of the regulatory functions at BCJ or its successor.

Box 4-3 below summarizes the policy imperatives for the Jamaican media industry as it relates to commercial advertising and development of local programs.

BOX 4-3 POLICY AND OTHER IMPERATIVES FOR ADVERTISING AND SUPPORT TO DEVELOPMENT OF LOCAL PROGRAMMES

- Ensuring that local media and programs are competitive, growth oriented and viable
- Integrating local production into the creative industry for export policy and general business policy support
- Broadening the market to increase advertising revenue, through buoyancy in SMEs and community economies
- Ensuring that FTA T.V operations invest in technology and other strategies to become: more accessible at the community level to advertisers of local goods and services to the localized market segment
- Functional and institutional rationalization
- Neutralizing the unfair advantages of foreign advertisement in the Jamaican market
- More effective safeguarding of intellectual property rights
- Optimizing advertising revenue opportunities for all in the industry to support the broadened mandate for regulation
- Equalizing policy support to all producers and carriers of creative material
- Making the private sector the leader with minor public partnerships where necessary

5. THE PROJECTED MARKET AND INCOME IMPACT OF SUBSTITUTED ADVERTISING IN THE JAMAICAN TV INDUSTRY

5.1 The Situation over the Past Fifteen Years

The data for the situation in audience and revenue for the past 15 years (1993 – 2008) are presented in Table 5-1 and highlighted as follows:

- Total T.V. audience (Free to Air and Cable) realized an increase by 38%. However it has only increased by 17% for the period or about 1.1% annually for Free to Air T.V while it increased by 100% for the period or about 6.7% annually for cable T.V
- Free to Air T.V market share of audience has declined from 75% in 1993 to 63.6% in 2008
- Total advertising revenue for free to air T.V has increased (in USD\$ terms) from USD\$20.8m to USD\$29.4m or about 2.7% annually
- Free to air TV audience has grown from 1.2 million to 1.4 million or about 1.1% annually while revenue has increased from USD\$20.8m to USD\$29.4m or 2.7% annually.

Box 5-1 summarizes the situation:

BOX 5-1: 1993-2008 TREND IN T.V.

- Cable TV audience is growing six times as fast as the free to air audience.
- Advertisement income for free to air T.V is growing 2.5 times the growth rate in audience, but still relatively slow at 2.7% annually
- Free to air T.V. has lost 17% of the audience market share to cable T.V.

5.2 Lessons From Substituted Advertising in the Trinidad & Tobago Market

Substituted advertising was introduced in 2003 with the following being the trend over the period 2002 to 2008.

- Advertising revenue in T & T dollar in US dollar terms (the exchange rate has been very stable over the period) increased by 121% or 20.2% annually
- While there are no data on cable T.V. share, it can be concluded that direct placement of advertisement which is predominantly the modality in the cable T.V. market, has increased from 29.6% of revenue to 49.5%
- Agency placed advertising revenue which is the predominant mode for free to air T.V has increased by 59% or 9.8% annually
- Direct placement of advertisement, the predominant mode of cable T.V. has increased 270% or 45% annually
- Population per capita advertising revenue has increased by 112%

There are some driving forces behind the overall stronger growth in advertisement income with increasing share of the additional income going to the cable T.V industry in Trinidad and Tobago. Namely:

- Cable T.V delivers more community recognition and therefore attracts new advertisers whose goods and services are for localized target markets, and who therefore never advertised on national T.V.
- It is logical to conclude that since the stronger growth from advertisement will come from local market segment oriented advertisers, and smaller businesses, it is a good reason for projecting that cable T.V will get an increasing percentage share of the incremental revenue in the market.

Box 5-2 summarizes the lessons learnt from liberalization of advertisement in Trinidad and Tobago.

**BOX 5-2: LESSONS LEARNED FROM LIBERALIZED
COMMERCIAL ADVERTISEMENT IN TRINIDAD AND
TOBAGO**

- The size of the advertisement market increased significantly (by about 20.2% annually) in the first five (5) years
- Both free to air and cable enjoy buoyant growth, with cable being the more dominant
- There are no losers in liberalized commercial advertising especially if national free to air T.V stations have the requisite strategies and technologies to accommodate community specific advertisements.

5.3 Forecast of Income Impact from Substituted Advertising in Jamaica

The propensity for generating much more incremental income from commercial advertisement in Jamaica, is much higher than in Trinidad and Tobago for the following reasons:

- Jamaica's cable T.V is more community segregated than in Trinidad and Tobago, therefore it is more likely to attract more community advertisement
- The population per capita advertising revenue in Trinidad and Tobago was already USD\$ 18.50 in 2008 as against only USD\$ 8.30 in Jamaica (See tables 5-1 and 5-2). This study is projecting it to grow to USD\$ 17.24 in Jamaica over the next six years (see table 5-3)
- The SME/ informal sector, which is predominantly community based, and will hardly ever advertise on national free to air T.V account for over 40% of Jamaica's GDP. Because Trinidad is driven by oil and major petroleum down stream heavy industries, its SME and informal sector account for less than 25% of GDP. It is envisaged that this large sector will begin to advertise in a significant way on cable T.V when liberalization is introduced
- The Jamaican economy is much more open and consumer goods oriented than Trinidad and Tobago. Therefore competition will increasingly become more aggressive especially through accelerated advertisement

Based on the foregoing, and findings from survey conducted by the consultants in the local advertising industry, it can be concluded that:

- Without liberalized commercial advertisement, revenue will continue on the same growth path of under 3% annually (in USD\$ terms)
- With substituted advertising the size of the pie/ income will increase about 15% annually
- Cable T.V will continue to grow in the short run. It is envisaged that they will command about 30% share of the market, with most of it coming from audience segments that national free to air T.V does not normally attract.
- It is also projected that national free to air T.V has the potential to restrict cable to below the 30% share of the expanded market by adopting technologies and market penetration strategies which infuse greater localization in their coverage

The forecast for the growth in advertisement, advertising income, market share, and population per capita revenue is presented in Table 5-3 with the following being the highlights:

- Advertisement revenue will increase to USD\$ 71 M with free to air T.V and cable T.V accounting for USD\$ 48.9 M and USD\$ 22.7 M (68.3% and 31.7%) respectively
- Without liberalized advertising, FTA T.V income could grow to USD\$ 34.5 million as against USD\$ 48.9 M
- Population per capita advertisement income is projected to increase to USD\$ 17.24 by 2014 which will be still below the 2008 rate of USD\$ 18.50 in Trinidad and Tobago
- Cable T.V operators are likely to earn USD\$ 31.7 million in additional revenue while free to air T.V will earn an additional USD\$ 14.4 million annually

Exhibit 5-1 illustrates the gains under liberalization of commercial advertisement, while Box-3 which follows summarizes the projected impact.

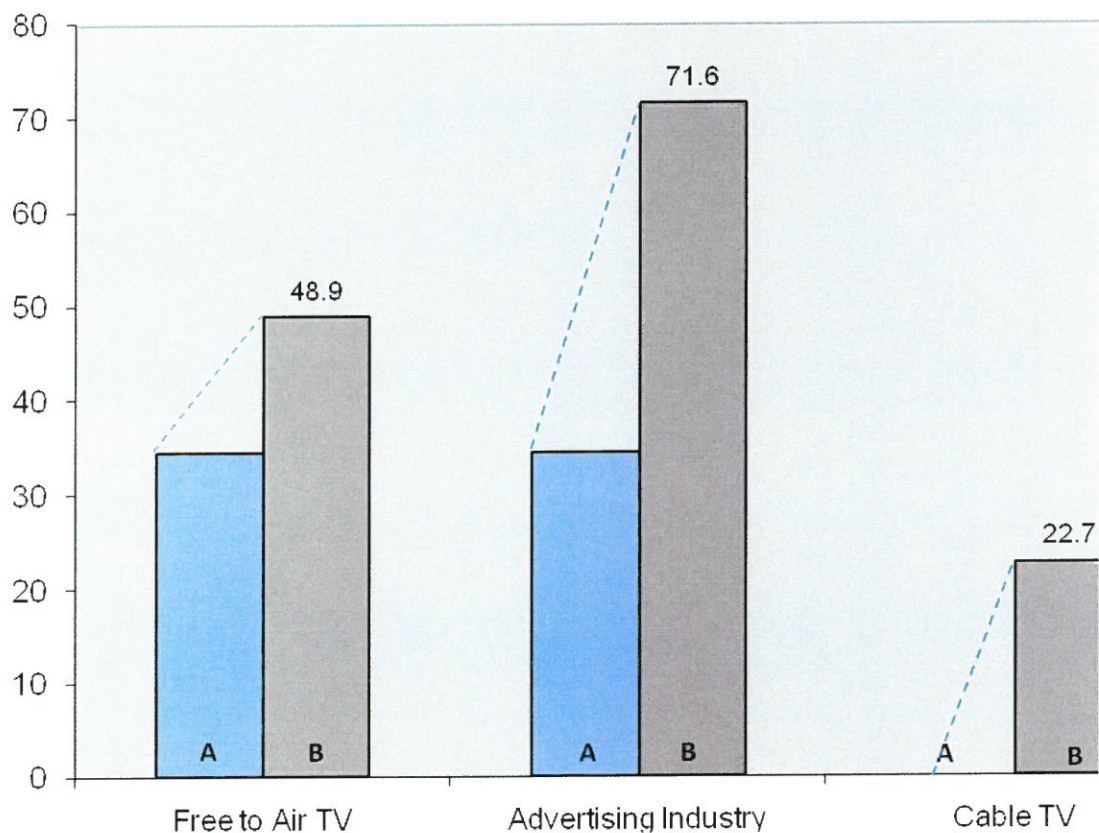
**BOX 5-3: PROJECTED MARKET AND INCOME IMPACT OF
LIBERALIZED COMMERCIAL ADVERTISEMENT ON T.V IN
JAMAICA**

All will be winners when there is liberalization of commercial advertisement.

- SMEs which represent over 40% of GDP will now have more affordable access to geographical segmented advertising of their goods and services
- The annual value of the T.V advertising industry will increase from USD\$ 34.5 M to USD\$ 71.6 M
- The free to air T.V stations will earn an additional annual income of USD\$ 14.4M with the potential to earn much more if they have the technology and market strategy for more localized segmentation in advertising
- The cable T.V industry could realize an additional USD\$ 22.7 million annually
- There will be more discretionary funding available for production of local programming

EXHIBIT 5 – 1: JAMAICA: ANALYSIS OF INCOME FORECASTED IMPACT AND LIBERALIZED ADVERTISEMENT AFTER SIX YEARS

US\$MILLION



A.....No Liberalization
B.....Liberalization



Gains from Liberalization

Source: Table 5-3

**TABLE 5-1: ANALYSIS OF TV ADVERTISING REVENUE AND AUDIENCE
IN JAMAICA 1993 -2008 (Selected years)**

INDICATORS	1993	1998	2000	2005	2008	<u>2008</u> <u>1993</u>	<u>AVG.</u> <u>1993-2008</u>
1. Total TV audience (000)	1600		1929		2201	1.38	
2. Free to air audience (000)	1200		1400		1400	1.17	
3. Cable TV audience (000)	400		529		801	2.00	6.7%
4. Free to air audience as % of total	75%		72.6		63.6		
5. Cable TV audience of % of total	25%		27.4%		36.4%		
6. Total advertising revenue (non-attributable to cable) in US\$ M	20.8				29.4M	1.41	2.7%
7. Per capita advertising revenue in US\$	8.30				10.50		

**TABLE 5-2: TV ADVERTISING IN TRINIDAD AND TOBAGO AFTER
INTRODUCTION OF SUBSTITUTED ADVERTISING 2003 -2008
(2002 was FTA only)**

INDICATORS	2002	2005	2007	2008	<u>2008</u> <u>2002</u>
TRINIDAD AND TOBAGO					
1. Substituted advertising introduced 2003					
2. Total advertising revenue in TT \$M	62.1	86.1	148.3* Normal 117.5	137.5	2.21
3. Agency placed advertising revenue TT \$M	43.7	55.1	64.3 (Normal)	69.4	1.59
4. Direct placements TT \$M	18.4	31	53.2	68.1	3.7
5. Agency placed as % of total revenue	70.4%	64%	54.7	50.5	-
6. Direct placement as % of total revenue	29.6	36	45.3	49.5	-
7. Population Per capita advertisement revenue US\$ @ TT\$6.20 = US\$1	8.71	-	-	18.50	2.12

*This figure reflects the advertising by political parties during 2007 a year of national elections. It has been adjusted to TT\$117.5m to be in line with the normal growth trend.

Sources: 1. T&T Publishers and Broadcasters Association for data 2002 to 2007
2. 2008 is projected/estimated by the Consultants based on the trend 2002-2007

**TABLE 5-3: PROJECTION OF TV ADVERTISING REVENUE IN JAMAICA
AFTER SUBSTITUTED ADVERTISING**

INDICATORS		2009	2010	2011	2012	2013	2014
1. Projected average annual advertising revenue for FTA using the 1993-2008 2.7% pre-liberalization annual increase in USD\$ term.	US\$M	30.2%	31%	31.8%	32.7%	35.6%	34.5%
2. Projected average annual growth rate in advertisement after liberalization		14%	14%	17%	17%	17%	17%
3. Projected total advertising revenue US\$M	US\$M	33.5	38.2	44.7	52.3	61.2	71.6
4. Projected advertising revenue	US\$M	30.9	33.0	36.3	40.0	44.5	48.9
5. Projected advertising revenue for cable T.V.	US\$M	2.6*	5.2	8.4	12.3	16.7	22.7
6. Projected market share for cable	%	7.8	13.6	18.8	23.5	27.3	31.7
7. Projected market share for FTA	%	92.2	86.4	81.2	76.5	72.7	68.3
8. Population per capita revenue	US\$	11.20	11.9	13.0	14.25	15.76	17.24

* 2009 is annualized only for the purpose of comparative analysis. However for reality it could only be for 3 months assuming liberalization of advertising commences in October 2009.

6. THE POLICY POSSIBILITIES AND MECHANISMS

6.1 The Guiding Principles

The guiding principles for the policy framework should be those listed in Box 4-2. Specifically, the policy framework should be driven eight (8) principles or objectives as follows.

Objective- 1	Integrating local production into the creative industry for export policy and general business policy support
Objective- 2	Broadening the market to increase advertising revenue through buoyancy in SMEs and community economies
Objective- 3	Neutralizing the unfair advantages of foreign advertisements in the Jamaican market
Objective- 4	Optimizing advertising revenue opportunities for all in the industry to support the broadened mandate for regulation
Objective- 5	Refraining from policies that create disadvantages for national media services against imported ones
Objective- 6	Liberating the industry from intra-industry subsidies
Objective- 7	Making the private sector the leader with minor public sector partnerships where necessary
Objective- 8	Functional and institutional rationalization

THE BOTTOM LINE IS THAT LOCAL MEDIA AND PRODUCTION OF LOCAL PROGRAMMES MUST BE COMPETITIVE, GROWTH ORIENTED AND VIABLE

6.2 The Required Policy Outcomes and Mechanisms

The required policy outcomes, and mechanisms to realize the eight (8) objectives stated in Section 6.1 above are presented in a tabular form in Table 6-1. It is envisaged that the Broadcasting Commission and the other stakeholders would review these and give their

comments and suggestions that would then be used to prepare the conventional type policy instrument.

TABLE 6-1: THE POSSIBILITIES FOR COMPETITIVENESS AND GROWTH IN LOCAL MEDIA AND PROGRAMMES

POLICY OBJECTIVES	POLICY OUTPUTS	MECHANISM TO PRODUCE POLICY OUTPUTS
1. Integrating local production into the creative industry for export and general business policy support	<ul style="list-style-type: none"> <input type="checkbox"/> Full definition of creative industry and products/ services <input type="checkbox"/> Definition of creative enterprises <input type="checkbox"/> Criteria for enterprise eligibility for policy support <input type="checkbox"/> Inventory of appropriate existing support policies 	<ul style="list-style-type: none"> <input type="checkbox"/> A definition paper prepared in collaboration with Jamaica Trade and Invest <input type="checkbox"/> Cabinet approval for inclusion of local programming production for policy support <input type="checkbox"/> The policy support regime should focus on copyright enforcement, export zone status, elimination of production related taxes, negotiation of market access, and CSME status etc.
2. Broadening the market to increase advertising revenue through buoyancy of SMEs and community economies	<ul style="list-style-type: none"> <input type="checkbox"/> Grant all STVOs permitted to carry commercial advertising <input type="checkbox"/> Exempt all community based advertisement for resident SMEs from General Consumption Tax. 	<ul style="list-style-type: none"> <input type="checkbox"/> The license should give STVOs unconditional provisions for commercial advertising <input type="checkbox"/> Secure Cabinet approval to exempt GCT for advertising community goods and services produced by community based SMEs
3. Neutralizing the unfair advantages of foreign commercial advertisements in the Jamaican market	<ul style="list-style-type: none"> <input type="checkbox"/> Equal taxation or local commercial advertisements 	<ul style="list-style-type: none"> <input type="checkbox"/> Apply import and General Consumption Tax on foreign commercial advertisement
4. Optimizing advertising revenue opportunities for all by removing monopoly/ oligopoly in commercial advertising to support the broadened mandate for regulation	<ul style="list-style-type: none"> <input type="checkbox"/> All electronic media: TV, STV, cell phone, internet, radio have unlimited permits to carry commercial advertisements <input type="checkbox"/> The frequency of advertisements is market driven 	<ul style="list-style-type: none"> <input type="checkbox"/> Incorporate operating cost of a broadened regulatory responsibilities and related policy support program in annual licencing fees <input type="checkbox"/> Relax regulation on amount of advertisements within the hour

TABLE 6-1 (Cont'd): THE ELECTRONIC MEDIA COMMERCIAL ADVERTISING POLICY FOR SUPPORT OF LOCAL PROGRAMMING

POLICY OBJECTIVES	POLICY OUTPUTS	MECHANISM TO PRODUCE POLICY OUTPUTS
5. Creating a suitable policy environment to encourage FTA T.V to invest in technology and other strategies to localize advertising for SMEs.	<input type="checkbox"/> Grant tax incentive for accelerated replacement of technology to invest in community oriented media.	<input type="checkbox"/> Include this in the policy submission to Cabinet.
6. Refraining from adopting fiscal policies that create disadvantages for national media services against imported ones or other segments of the local media industry	<input type="checkbox"/> Avoidance of levy on advertising <input type="checkbox"/> Relax limits on amount of advertisements per hour <input type="checkbox"/> Neutralized disadvantage of the GCT on local operations	<input type="checkbox"/> Fund media policy support from the total economy <input type="checkbox"/> Apply tariff and GCT to media imports <input type="checkbox"/> Removal of ceiling on the frequency of advertising
7. Liberating the industry from intra-industry subsidies	<input type="checkbox"/> Commercial trading of carrying services <input type="checkbox"/> The production and distribution of local programs are commercial activities	<input type="checkbox"/> Removal of the regulatory obligation for STVOs, to carry FTA T.V free of charge. <input type="checkbox"/> Removal of the regulatory obligation for local program contents
8. Making the private sector the leader with minor public sector partnerships only where necessary	<input type="checkbox"/> All entities are classified as commercial. <input type="checkbox"/> Public participation limited to 30% on a venture capital basis.	<input type="checkbox"/> Develop private-public partnership business model. <input type="checkbox"/> Develop and implement private-public partnership agreements
9. Functional and institutional rationalization	<input type="checkbox"/> Copyright/ other intellectual property related regulatory functions for all media assigned to BCJ or its successor. <input type="checkbox"/> Local programming production policy and promotion transferred to industry. <input type="checkbox"/> The regulatory portfolio covers all media	<input type="checkbox"/> All media related intellectual property regulatory functions transferred to BCJ or its successor. <input type="checkbox"/> All media regulations matters transferred to BCJ or its successor. <input type="checkbox"/> All local program industry development matters transferred to industry. <input type="checkbox"/> BCJ gets a name change to reflect its broadened portfolio beyond broadcasting

APPENDIX 1: STAKEHOLDERS INTERVIEWED

Broadcasting Commission Study 2009

Stakeholders Interviewed

Below are the entities with whom one-on-one interviews were conducted as part of the study.

AD AGENCIES

Dunlop Corbin
Jackson Advertising
Marketing Counselors
ProCom Ltd.
CARA Ltd
OGM Communication

FREE TO AIR STATIONS

TVJ
LOVE TV
CVM TV

STVOs/ IPPs

Columbus Communications (FLOW)
CTL Ltd. Bull Bay- St Andrew
First Choice Cable Service-- St Thomas
Jamaica Cablevision Ltd-- St Catherine
Jamaica News Network - JNN
Linscom Network-- St Catherine
Logic One Ltd-- St. Andrew
Mars Cable Vision Ltd-- Manchester
Telstar Cable Co-- St Andrew
Tri-Star Cable Vision-- Hanover
HYPE TV-- Kingston
CTV
Stars Cable Co-- St Ann

INDEPENDENT PRODUCERS/PRODUCTION HOUSES

Phase 3 Productions Ltd.
Mediamix
CPTC
Cinecom
TeeRob Video Production
Total Affairs
Vidquip Production Company
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INDUSTRY ASSOCIATIONS

Media Association of Jamaica
Cable Operators Association

BOARD MEMBERS - BROADCASTING COMMISSION

Mr. Cordel Green
Mrs. Elaine Wallace