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## **STANDING COMMITTEE ON ECONOMIC AFFAIRS**

### **Consolidated Report on Fiji Broadcasting Corporation Limited 2010-2015 Annual Reports**



**PARLIAMENT OF THE REPUBLIC OF FIJI  
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## Chair's Foreword

The Standing Committee on Economic Affairs was tasked to scrutinize Annual Reports of Fiji Broadcasting Corporation (FBC) for the years 2010 to 2015. During deliberation of these reports, the Committee held a meeting with FBC Management, and conference calls with relevant Ministries. This enabled us to gain a better understanding, and an appreciation, of FBC's overall operations. As at the year ended 31 December 2015, FBC's total Asset value was \$21.137m and their total Liability stood at \$18.769m.

Despite facing enormous challenges during those years (for example, graduating to TV in 2012 which increased their Annual expenses from approx \$4.5m to \$13.5m), the Committee was pleased to note that the Corporation has evolved to become the viable, Government Commercial Company, it is today.

Some of the challenges highlighted by FBC were the competitive environment they operate in, and the ever growing cost of operational expenses associated with radio and TV production. The Committee sympathized with FBC and felt that the support and current fee structure, offered by Government, could possibly warrant a revision to reflect the value of what FBC actually delivers.

Having said that however, it was noted with interest, that a positive move in favor of FBC was the Cabinet Decision (effective 8 March 2016) which reclassified the term 'Grant' to 'Fee', for services rendered, and as such has enabled FBC to categorize these Fee's as Revenue, in their Profit and Loss statement.

Another challenge for FBC is the continued, and costly operation of their AM Radio stations. Other commercial companies have moved away from AM to FM, which is more economically viable however, to reach our citizens in remote area's AM is a necessity. Each year an average of \$800,000.00 is spent on maintenance and upkeep of these stations, which FBC will continue to air as part of its social obligation included in the fee structure mentioned above.

Looking forward, the Committee was pleased to note that FBC are transitioning from analogue to digitalization, with a planned switch over date of 2020. They currently operate 6 Radio Stations, and 3 TV channels. 2 of those Radio Stations and the TV stations receive funding via the Public Service Broadcasting fees from Govt.

According to FBC, 2016 and 2017 financials show a much brighter future for FBC, including recorded profits after many years.

We commend the FBC Team for their dedication and persistence, and a job well done. We also compliment them on their consideration of the principle of gender equality. At the end of 2015 they had a total of 169 employees, out of which 40% were female.

I thank our Committee Members who were part of the team that produced this report :-

Hon. Vijay Nath, Hon. Alvick Maharaj, Hon. Viliame Gavoka and Hon. Prem Singh.

I also take this opportunity to acknowledge and thank the Parliamentary Staff who have given us invaluable support over the years :-

Ms Komal Khushboo, Ms Lia Korodrau, Mr Krishnesh Prakash, and Ms Tirisiane Logavatu.

On behalf of the Standing Committee on Economic Affairs, I commend this Consolidated Report on FBC's Annual Reports 2010-2015 to Parliament.

A handwritten signature in black ink, appearing to read 'L. Eden', is written over a dotted line.

**HON. LORNA EDEN**  
**CHAIRPERSON**

## **Introduction**

Fiji Broadcasting Corporation Limited (FBC) was established as a Government owned entity under the Companies Act 1983 and then a Government Commercial Company under the Public Enterprises Act of 1996. FBC had commenced operations as a public service broadcast radio station in 1954 and was then known as “Fiji Broadcasting Commission”. In the year 1998, it was corporatized under the Government’s private sector reform program and was therefore renamed as Island Network Corporation Limited until the change in Government in June 1999 which is when it obtained its current name.

FBC operates with the vision to be the premier Broadcaster in Fiji and the region. The mission is to inform, educate and entertain through the highest standards of Radio and Television, and to be the most responsible, and dynamic broadcaster, with the widest coverage providing free quality content to achieve customer satisfaction.

The FBC today operates a network of six radio stations; two in each of the three major languages (i-Taukei, Hindustani and English). The stations are Radio Fiji One (AM and FM) and Bula FM (i-Taukei), Radio Fiji Two (AM and FM) and Mirchi FM (Hindustani) and Gold FM and 2Day FM (English). The FBC also provides a free to air television service which not only airs commercial TV programmes but also have quality local programmes such as documentaries and social programmes. At present, FBC produces more than 30 local shows for their three TV channels.

FBC generates income through commercial and non-commercial advertisement from various organizations. Additionally, to compliment revenue, it also hosts special events such as their road shows and Park Jams and also several promotions.

## List of Recommendations

1. Board composition – The Committee has noted that between 2010 – 2015, the number of serving Board Members have not been consistent. The Committee recommends that the appropriate number of Directors should be appointed for the proper stewardship of the company.
2. Valuation of Assets – The Committee notes that FBC has some prime Assets but only one (FBC house at 69 Gladstone Road, Suva) has been revalued of late. The Committee recommends that all the Assets are valued to reflect their current market value.
3. The Committee notes that a Government guarantee to the tune of \$21m is held with the FDB as part of security for FBC loans. The Committee further notes that the loan exposure to FDB has now decreased to \$12m and would recommend that consideration be given to adjust the Guarantee accordingly.
4. The Committee notes that FBC is the only radio station in the Country operating on “AM” (Amplitude Modulated) frequency which is very capital intensive. FBC has invested very heavily in upgrading and maintaining the frequency to reach the people of Fiji in remote areas. The Committee recommends that support is provided to FBC to continue to provide this service.
5. The Committee notes that the Fee paid by Government to FBC is approx. \$11m for each year contracted over a three year period, whereas FBC claims the value of services provided for Government is much higher. The Committee recommends that the basis of determining the Fee be reviewed so as to enable FBC to continue to meet the expectations of Government in terms of Public broadcasting.
6. The Committee notes that there is room to grow local content in their programing but it is often cheaper and easier to buy content from Abroad. The Committee is informed that Fiji lacks the expertise to create local content which is often very costly. The Committee recommends that FBC gradually increase its local content by improving its capacity for its people to do more local content and secure the necessary funding.
7. The Committee notes that all Government Grants to FBC will now be treated as revenue (Fees) as per Cabinet decision 59 of 2015 with an effective date of 8<sup>th</sup> of March 2016, to truly reflect the Profit and Loss Statement of FBC. This Cabinet decision was based on the guidance by International Financial Reporting Standards (IFRS) that is IAS 20 where it meets the definition of Government Grants for assistance and services rendered.

8. The Committee notes that FBC works with Fiji National University (FNU) to train its people in the areas of local content. The Committee is also aware that overseas production via the FAVC are grounds for growing our people to international standards in areas of Film production. The Committee recommends that FBC strengthens its links to all Universities in Fiji, and to FAVC, to grow its talent base to the standard required for more local TV productions.

## **Gender Analysis**

Gender is a critical dimension to Parliamentary scrutiny. Under Standing Order 110 (2) the Committee is required to ensure full consideration to the principle of gender equality so as to ensure all matters are considered with regard to the impact and benefit on both men and women equally.

Taking into consideration the principle of gender equality, the Committee noted that there was satisfactory gender balance prevalent amongst the Executive Management Team of the Fiji Broadcasting Corporation, comprising of 62.5% males and 37.5% females from 2010 to 2015. At the end of 2015 they had a total of 169 employees, out of which 40% were female.



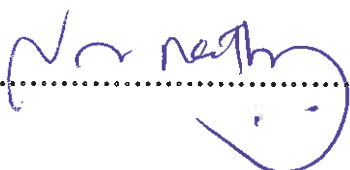
## **Conclusion**

To conclude, the Committee believes that FBC is well poised to grow its operation profitably, whilst ensuring delivery of quality, responsible, and needful, public services.

Hon. Lorna Eden (Chair)

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Hon. Vijay Nath (Deputy Chair)

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Hon. Alvick Maharaj (Member)

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Hon. Viliame Gavoka (Member)

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Hon. Prem Singh (Member)

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# APPENDIX

# VERBATIM

**STANDING COMMITTEE ON**  
**ECONOMIC AFFAIRS**

**[Verbatim Report of Meeting]**

**HELD IN THE**  
**COMMITTEE ROOM (EAST WING)**  
**ON**  
**THURSDAY, 21ST JUNE, 2018**

**VERBATIM NOTES OF THE MEETING OF THE STANDING COMMITTEE ON ECONOMIC AFFAIRS HELD AT THE COMMITTEE ROOM (EAST WING), PARLIAMENT PRECINCTS, GOVERNMENT BUILDINGS ON WEDNESDAY, 21ST JUNE, 2018 AT 10.00A.M.**

**Interviewee/Submittee: Fiji Broadcasting Corporation (FBC)**

**In Attendance:**

- |    |                         |   |     |
|----|-------------------------|---|-----|
| 1. | Mr. Riyaz Sayed-Khaiyum | - | CEO |
| 2. | Mr. Vimlesh Sagar       | - | CFO |

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MADAM CHAIRPERSON.- Good morning everyone. On behalf of the Standing Committee on Economic Affairs, I would like to welcome the team from the Fiji Broadcasting Commission (FBC) and thank you for also coming in at such short notice.

We have with us this morning from FBC the CEO, Mr. Riyaz Sayed-Khaiyum; and also the CFO and Company Secretary, Mr. Vimlesh Sagar.

Just a short introductory, we have been tasked to scrutinise and report back to Parliament on the six years of annual reports dating from 2010 to 2015 and before I begin, I would just like to introduce our Committee Members to you.

(Introduction of Members of the Committee)

Before we start, we are aware that you had already presented to the Public Accounts Committee (PAC), so I would just like to point out that the presentation to the PAC Committee is basically on your audited accounts and for us, the Standing Committee on Economic Affairs, we deal with the overall running of the company, in fact, the Annual Report, so not just the economic side of it but the operational side as well.

We had sent you two lists of questions. What I would like to suggest is that we go straight into the questions and I will give you the floor to answer and start with the one that starts on page 5. We will start with that one and if we have any supplementary questions along the way, we will intervene. So to save on your time, I will give you the floor so that we get started. Thank you.

MR. R. SAYED-KHAIYUM.- Good morning everyone and thank you for inviting us, as every time we do, we get an opportunity to tell everyone a bit more about FBC so we see this is good branding for ourselves.

My name is Riyaz, I am the CEO and Vimlesh is the CFO and Company Secretary. We got the questions day before yesterday in the evening, and we have tried to put something together and hope it is satisfactory. If you want more answers to the answers that we give, if you want further explanation, then please ask. I will hand over to Vimlesh to carry on and I can provide a bit more details as we go along.

MR. V. SAGAR.- Thank you and good morning to everyone. Going into the questions, the first question, I believe, everyone should have gone through those questions, but the explanations are in the

reports that we have submitted. So in 2010, 2011 and 2012, 2013, 2014 and 2015 we have different Board of Directors.

At the time the Annual Reports were signed, we had three members who had endorsed the Annual Reports, so I think as mentioned to the PAC, we were behind in audits just because of the massive project that we had undertaken for the radio and television upgrade project. Within that timeframe, there was a bit of delay in the audit process. However, upon my appointment at FBC and later on, what we did, we did a bit of catch up race.

What happened was, we did about two years audits in one year, so 2010 and 2011 and then the breakdown is in the second question. So 2010 and 2011 was signed off in December 2013; 2012 and 2013 in 2014; 2014 in 2015 while the 2015 audits and reports were signed off on 3rd May, 2016. In fact in the 2015 financial year, we were the first State Owned Enterprise (SOE), so starting from behind by four years of audits, we had to do a bit of a catch up race because that is how the financial regulations are done.

That is as per the financial reporting standards. We cannot leave one financial year and move on to the next financial year. What we did, we did a bit of catch up race; two years' audits were done in one financial year and that is the reason why we had the members who endorsed the Board Reports and the Annual Reports within that particular point in time.

The list has the breakdown of all the Directors. Sashi Singh was appointed in February 2013 and Mr. Sitiveni Raturala was the only member that was part of the Board, Yaminiasi Gaunavou died on 10th October, 2012 so within that timeframe, there was only one Board member.

The new Board members were appointed in 2013 and when the audit was completed, when the reports were finalised and submitted to the Ministry of Public Enterprises, the three Directors were duly appointed members so that is why they have endorsed the Annual Reports at that particular point in time.

Moving on, have you any questions for any other further clarification for the first question?

MADAM CHAIRPERSON.- No.

MR. V. SAGAR.- Thank you. Moving on to Question No. 2, as I have mentioned, it is all linked just because of the delay in the annual audits and sign-off of reports. This is the schedule as to when the report was finalised.

The norm of financial reporting is that, the audit reports are done on an annual basis. What we did at the FBC was, we took a challenge and we were able to finalise two years of reports in one year. So that was a milestone achieved and the dates are listed in the tables as per Question No. 2.

HON. V.R. GAVOKA.- Madam Chairperson, we noticed the Chairman's Report was duplicated throughout and we just wonder, is it done inhouse or is your Annual Report done by a contractor because it is duplication over those years? I think due care should be observed. If you look at all the reports, the Chairman's message is consistent throughout and you have some errors in there. So, I just wonder if you do it inhouse or you do it with an outside party.

MR. V. SAGAR.- Thank you. If you look at the Annual Reports as I had mentioned earlier, two reports are done in one financial year, so basically the reports are the same. And then the Chairman

and Directors who signed the report basically signed two years' reports in one year. So, that is the reason why we had the same message for the Chairman.

Just to answer the second question, the Annual Reports were outsourced, it is printed and then what we do is the Chairman sends the report and then that is published later on.

HON. V.R. GAVOKA.- So, it is outsourced?

MR. V. SAGAR.- Yes, outsourced.

HON. V.R. GAVOKA.- Maybe, you just may have a chat with the company. It is all right if you repeat and he talks about the World Cup, for instance. It may sound patchy but it stands out with Parliamentarians, we see those things. Just make sure the company that you are outsourced with is careful.

MR. V. SAGAR.- Thank you. For Question No. 3, there is a breakdown provided.

MR. R. SAYED-KHAIYUM.- I would like to make a note here for everyone to please, pay attention to. We are very very particular about the fact that the Public Service Broadcasting (PSB) monies should always be referred to as a fee and not a grant and language is a very powerful thing, so if you call something by its wrong name, then it actually sinks into your head as such.

We are very particular about the fact that it should be called a fee and we would like everyone to refer to it as a fee from henceforth because it is now officially recognised as a fee as well. Although we have recognised it as a fee long time before that, although we could not report it as such in our books but now we can.

MADAM CHAIRPERSON.- So in the 2016 accounts it will come out as a fee?

MR. R. SAYED-KHAIYUM.- Yes, it is a fee.

MR. V. SAGAR.- Effective from 8th March, 2016 until 7th March is under capital interjection that is under equity in the balance sheet and effective from 8th March as per the Cabinet Decision, we have complied with the International Financial Reporting Standards (IFRS).

MR. R. SAYED-KHAIYUM.- The thing is, it should always have been referred to as a fee, right from its inception. It was never termed correctly, it was always called a grant. FBC was never given a grant. FBC has an ongoing contract which is renewable every three years, if we adhere to certain standards under which we produce certain public service programmes for which we receive a fee. If we did not produce those programmes, if we would not receive a fee so thank God, it is finally being recognised as such.

HON. P. SINGH.- If you produce programmes, that is local content?

MR. R. SAYED-KHAIYUM.- Yes.

HON. P. SINGH.- Education and community purpose.

MR. R. SAYED-KHAIYUM.- All sorts - religious, education, community, I mean, everything that is classed under PSB.

HON. P. SINGH.- I think we will come back to the fee, talking in more detailed about the grant and fee because that is another question leading to that.

MR. V. SAGAR.- Question No. 4, in fact, what happened was that, we complied with the Cabinet Decision so that was a paper that was sent to us and we had to comply with that. So, in compliance with the document, we had treated all PSB fee as capital injection. In fact, it is under balance sheet.

As I mentioned earlier, we had done a bit of not only research, but we had requested the decision to be sort of like changed because it was not in compliance with IFRS. Later on, we went through the Office of the Auditor-General (OAG) and the external auditors and then through the Board, and there was a letter sent to the Minister as well. Later on, there was a letter that came to FBC, not actually in our favour but in compliance with the IFRS.

The 2016 Reports is with the Ministry of Public Enterprises at the moment. We have signed the 2017 Financial Reports as well. In fact, we are the first SOE to get our 2016-2017 accounts audited, the Board has endorsed it and we are working on the Annual Reports now.

If you look at 2016, from 1<sup>st</sup> January to 7th March, in compliance with the Cabinet Decision, the PSB fee is treated as a capital injection, and from 8th March, 2016 until 31st December, 2016 is revenue. The same applies for 2017 Financial Report as well.

HON. V.R. GAVOKA.- Madam Chairperson, if I may, you are saying in your reply here that it is treated as normal operational revenue and the management decides how to use the service fee. So, there is no rule saying this must go to CAPEX, it is up to you on how you use it?

MR. R. SAYED-KHAIYUM.- It is revenue. Revenue is never classified as one sets of the other.

HON. V.R. GAVOKA.- Alright, so it has taken as revenue and goes into your P&L?

MR. R. SAYED-KHAIYUM.- Yes.

HON. V.R. GAVOKA.- Thank you.

MR. V. SAGAR.- In fact, it is a service fee. So, what it means is that we classify under revenue in the Profit and Loss, and that can be used for R & M.

MR. R. SAYED-KHAIYUM.- For anything, really. It is like FBC in advertising. The money that we receive from advertising is revenue so it goes into our books as revenue. It is very simple.

HON. A.A. MAHARAJ.- So, basically now you will be actually invoicing Government in order to obtain those fees.

MR. R. SAYED-KHAIYUM AGAR.- No, it is not. We do not invoice Government but what we do is, we prepare acquittals every quarter to show the level of service that we have provided for the Government under the contract in return for the fees that is then disbursed to us. I am glad you have asked us that question because the acquittals as it stands at the moment, the value of what we provide Government this year, inclusive of the two new Channels that we have launched which is FBC 2 which is a non-commercial PSB Channel and some other programmes, we are now sitting at a value of around



\$30 million for which we receive a fee of \$11.4 million. So basically, we received a third of what we provide.

MADAM CHAIRPERSON.- 30 percent.

So, basically what you are saying is that if you had not been able to follow this accounting system which you started in 2016, for all the years previous, the whole picture would have looked a lot different?

MR. R. SAYED-KHAIYUM.- Absolutely. We would not have been talking about all the stuff that has been appearing in the media about losses.

MADAM CHAIRPERSON.- Please, carry on.

HON. P. SINGH.- Let me get this right for the last time, all the capital grants, Government grants are now treated as fee. Do you have a contract with the Government?

MR. R. SAYED-KHAIYUM.- Yes, we do.

HON. P. SINGH.- The term of the contract is three years?

MR. R. SAYED-KHAIYUM.- Yes, it is.

HON. P. SINGH.- And that is renewable every three years?

MR. R. SAYED-KHAIYUM.- Yes, based on certain conditions.

HON. P. SINGH.- Based on certain conditions on performance and other things. In that contract, you were assigned to do so much things for the Government?

MR. R. SAYED-KHAIYUM.- Yes.

HON. P. SINGH.- You base your work according to their acquittals, as you have done so many things for the Government?

MR. R. SAYED-KHAIYUM.- Yes. In fact, we do more than what we are required to do.

HON. P. SINGH.- Yes, I can understand because you are doing \$30 million worth and you are getting paid \$11 million?

MR. R. SAYED-KHAIYUM.- Yes.

HON. P. SINGH.- So that is within the contract and you are treating that as a fee and as a revenue?

MR. R. SAYED-KHAIYUM.- Yes.

HON. P. SINGH.- The question that I have for you is the impact that it will have on the balance sheet, so now it is a balance sheet item, being transferred to P &L. In the books, it would show your revenue increasing.

MR. R. SAYED-KHAIYUM.- Yes.

HON. P. SINGH.- Thereby your profits, the end product would not be there. So if that is the case, in practical terms, how would it enhance the Company's cashflow?

MR. V. SAGAR.- Well, it is a service fee so what it means, there is an impact on the Profit and Loss. Profit and loss, there is a revenue effect and at the bottom line of the revenue statement, there will be a profit. If there is profit, it is transferred to the balance sheet. So, in fact, there will be boost in the shareholders' equity section as well.

HON. A.A. MAHARAJ.- Just another clarity, going back to 2011 when you actually introduced FBC TV, did the budget actually come from FBC itself or Government provided some help to FBC?

MR. R. SAYED-KHAIYUM.- Again, thank you for that question because it again gives us an opportunity to educate the public about this.

When I first started work at the end of 2007, I was supposed to be the CEO of several radio stations, but I soon found out that it was the Government's desire to start television as well. In fact, an application or request had been made by the previous Management and Board of FBC a few years prior to that, for FBC to make foray into television.

When I took up the job, I soon found out that FBC was performing extremely, extremely badly. The building that we are housed in was condemned. We had lots of leakages and all that kind of stuff. I mean, it was a bit of a nightmare, there was mushrooms growing on the walls and people were getting sick.

Also, we did an audit quickly to find out how we were performing and we were more off-air on radio than on-air. So we took a proposal to Government that either we close down the national broadcaster because we were in too much trouble or we did something to rejuvenate it. And obviously, it was unheard of a national broadcaster to close down so Government wanted the rest to go out and do something to rejuvenate it. But the condition was that, we start a national broadcasting television service as well because our neighbours had one and we should have one as well. Tonga and Samoa had a national TV service earlier than us.

However, the only help that Government gave us, despite wanting us to do all these - renovations and rejuvenation, and start off with television and, et cetera, because they were going to guarantee a loan but they were not going to give us anything in the way of help in any other shape or form. So that is when we went out and the only institution that was willing to lend to us at that time was the Fiji Development Bank (FDB). I can assure you for just a little over US\$11 million to do the work that we did is unheard of anywhere else in the world, but that is the long and short of it.

HON. A.A. MAHARAJ.- So that actually makes sense when we actually say that you want the Government grants to be recognised as fee because you are actually doing everything on your own. FBC is definitely doing on its own accord and whatever the Government is giving is giving as a fee, not as a grant?

MR. R. SAYED-KHAIYUM.- No, it is not a grant, it never was. This is another thing that must be understood, before FBC became corporatised in the late 1990s or mid-late 1990s, it was a State-run Broadcaster.

There is a difference between a public service broadcaster and a State-run broadcaster. It was a State-run broadcaster in the sense that 100 percent of its funding came from Government, and that is why when Government during Mr. Rabuka and Mr. Qarase's time, they did not give the funds required for the running of FBC. There was some many horrific stories about staff not getting paid on pay day, et cetera, because 100 percent of the money for the running of the institution was relied upon Government after it became corporatised. That is when the commercial arm of FBC started.

But they had already missed the boat because CFL had already started a commercial arm by then. That is why FBC has always been playing catch up because we were never in the game right from the start. By the time FBC decided to become commercial or make some of its radio station commercial, it had kind of missed the boat, so it was always playing catch up and it was never going to do well, especially with the decline in the infrastructure. So that is basically the story behind all these.

When it became corporatised, it stopped getting fully funded. It was only getting a fee which they wrongfully call a grant, for the running of the public service arm of the newly corporatised FBC.

The model that FBC follows as a commercial/public service Broadcaster is followed by a very, very few broadcasters around the world. Not many broadcasters do that, they either are fully funded 100 percent by the Government or they are fully commercial, but not partial. We are like the partial boys, and there are only a few institutions that run like that in the world.

HON. A.A. MAHARAJ.- Licence fee?

MR. R. SAYED-KHAIYUM.- Yes, KPS, for example, in Korea which we are partners with, they are funded by Government, at the same time they charge every household a little fee through their electricity bills so you are basically paying for television.

I think Fijian viewers are quite spoilt at the moment, especially in regards to sports because sports is a very expensive commodity and to be able to get sports, you would pay top dollar in any country outside of Fiji through a pay service and to get it free in Fiji, I mean it is quite an amazing achievement.

MADAM CHAIRPERSON.- Just to clarify too, you had mentioned with the fee which, after 2016, it will be classed as that and then you put forward acquittals. So you can use that in whatever, you can buy equipment and you can use it for R&M, you said.

MR. R. SAYED-KHAIYUM.- Yes, it is for operational needs.

MADAM CHAIRPERSON.- Whatever you need to do with it and then you just put forward an acquittal and you get the money?

MR. V. SAGAR.- Yes, you are correct. I mean, in real life if you put whatever services we are doing for the Government, if the value is close to \$30 million but we have at this particular point in time. So in real market, the rule of sum says that, if that amount of services is provided to any entity that means \$30 million of money should be coming back to FBC, but rightfully we are getting about one-third.

MR. R. SAYED-KHAIYUM.- I always like to use the analogy that think of it this way, that the Government would go knocking on the doors of Fiji Pine and say to them, "Give us \$30 million worth of wood because we want to build houses for the underprivileged. In return, we will give you \$11 million."

MADAM CHAIRPERSON.-We will give you \$10 community service?

MR. R. SAYED-KHAIYUM.- Yes.

HON. P. SINGH.- It is social obligation.

HON. V.R. GAVOKA.- Madam Chairperson, just some clarification; your contract with Government is on a yearly basis or three yearly basis?

MR. R. SAYED-KHAIYUM.- Three years.

HON. V.R. GAVOKA.- Alright, because if I remember during my days with FDB, we did this contract on a yearly basis, every time you request.

MR. R. SAYED-KHAIYUM.- I cannot remember but if it was, it was a very inefficient way of doing it because by the time you sign the contract you are ready to sign another one. So it is a very inefficient way of doing things, in fact, the ideal situation would be a five-year contract because a lot of work goes into preparing these contracts. There is a lot follow ups, reporting, there is a lot of acquittals, so I am glad it stopped, the one year contracts.

HON. V.R. GAVOKA.- No, because you work on your budgets - the budget for the next year, then you go to Governments.

MR. R. SAYED-KHAIYUM.- No, but the process, the red tape, the weight is ridiculous. Anyway, it is three years now. Maybe, it was one year before.

HON. V.R. GAVOKA.- But if you need something, if it is changed within the three years, you go back and ask for more, if you need more?

MR. R. SAYED-KHAIYUM.- With all due respect, we want more. We have always said to Government that the value of service that we provide is worth much more than what we receive as fees, but at the end of the day, it is up to the Government as to how much they give to us because we are ultimately owned as a Government company, so we cannot really argue too much. We can always make a representation.

MADAM CHAIRPERSON.- ... and they try to stick in that three years.

MR. R. SAYED-KHAIYUM.- Yes. You would know, sometimes asking for too much can be detrimental.

HON. V.R. GAVOKA.- I have been out of the game for the last 12 years but I remember doing it on yearly basis. Once the Board approves, you sign a contract with your Minister and you get your funding from January on.

MR. R. SAYED-KHAIYUM.- It is a very inefficient way of doing it. It just takes too much time.

HON. V.R. GAVOKA.- So it is new rules.

HON. P. SINGH.- The value of the contract, we understand on behalf of the Committee, it is approximately \$11 million a year.

MR. R. SAYED-KHAIYUM.- What we receive?

HON. P. SINGH.- What you receive.

MR. R. SAYED-KHAIYUM.- The value of the contract is round about \$30 million, like I said.

HON. P. SINGH.- \$30 million a year and then you already receive \$11 million as fee?

MR. R. SAYED-KHAIYUM.- That value keeps on increasing. As we put more services on, produce more programmes, that value keeps on increasing.

MADAM CHAIRPERSON.- All right. Can we move to the next one?

MR. V. SAGAR.- Question No. 5, I think by now we all know that 2020 is the cut-off date for digitisation. What happened is that, when we had acquired equipment for the upgrade project, it is all analogue. For analogue equipment, what happens in the real market is that, if the digital process happens then analogue equipment is basically of no use. So in the broadcasting industry, if there is a digital transition that happens then all the analogue equipment is basically of no use.

In fact, what we did in 2015 was, we did a bit of assessment and the whole world needs to be digital by 2020. I think the new date for the digitisation have been announced in Parliament as well. And then based on this whole digitisation process of the world, we had reduced our equipment rates from varied percentages. So come 2020, the whole equipment has to be zero because after 2020, we will not be able to use the analogue equipment that we have. So that is the best practice that we did.

We did consult our auditors for that and within that particular point in time was the best decision to reduce the rates for selected equipment that will have a zero value by the year 2020. And for reference to the other Members of the Committee and Madam Chairperson, we have quoted some of the rates that are currently being used in the market and they were all unqualified. Unqualified means, it is in compliance with the accounting standards. That was all unqualified by the OAG and the external auditors.

MADAM CHAIRPERSON.- So basically you are well within the range of the accepted?

MR. V. SAGAR.- Yes, exactly.

HON. P. SINGH.- That means by 2020, you will be writing off those assets?

MR. V. SAGAR.- Those transmission equipment that are analogue will be written off, will have a zero value by 2020 in our Fixed Assets Register.

MADAM CHAIRPERSON.- Can we move on to Question No. 6.

MR. V. SAGAR.- Thank you Madam Chairperson.

Disclosures; what happens is that a detailed list is provided to the Auditors on sight verification. In terms of disclosures, it includes Director's fees, the CEO's remuneration package as per the contract, the CFO's remuneration package as per contract and the allowances which are as per the contract, duly signed by the Executive Officers. I mean, if further information is required about the breakdown of

what each line item means, OAG should be able to provide a breakdown of that. But in a summary, this is what it comprises.

HON. P. SINGH.- Thank you for the explanation. We had short-term benefits on third party disclosures so that is fine. The Directors' fee, CEO's remuneration and the CFO's. What actually are the short-term benefits?

MR. V. SAGAR.- That includes, if there is a bonus element in the contract. If there is a salary remuneration as per the package and if there are any allowances given, so that is what is included in the director's fees as well.

HON. P. SINGH.- I was under the impression that this is fixed. Anything above this, above which is within the contract, like you said, allowances.

MR. R. SAYED-KHAIYUM.- It is all part of the contract.

MR. V. SAGAR.- Even allowances are part of the contract. For example, there should be a mobile allowance or something, that is all part of the contract so we pay according to what the contract has been signed off by the officers.

HON. P. SINGH.- Thank you.

HON. A.A. MAHARAJ.- ...(Inaudible) ...under wages and salaries.

MR. V. SAGAR.- Yes.

HON. A.A. MAHARAJ.- It is not something else actually.

MR. V. SAGAR.- No.

MR. R. SAYED-KHAIYUM.- It is not.

MR. V. SAGAR.- No, in fact, what happens is that if you look at accounting standards, there is a bit of disclosure that is required. That is why we have shown two executive positions and the salaries for those positions. Otherwise, it is all reflected in the wages and salaries on an annual basis.

MR. R. SAYED-KHAIYUM.- Question No. 7?

MR. V. SAGAR.- Question No. 7, there is a summary. As requested, the tables are there. On an annual basis the tables are provided but we have just compiled within one graph as to what was requested as per the question.

If further information is needed, we should be able to send a soft copy of this as well to the Committee. The other summaries like cash flow, there is a summary in the audited financial reports as well, so basically that can be picked up from there. Expenses, revenues and then Government grant that we collected, there is a breakdown of that as well in the notes section.

MADAM CHAIRPERSON.- I think this was asked because it was easier to read than jumping from one book to the other. You just did a bit of homework for us. Thank you.

MR. V. SAGAR.- Then there is a table below the graph as well, which shows the actual revenue, expenses, profit and cash in hand.



HON. MEMBER.- So from 2016, there will be nothing below the line?

MR. R. SAYED-KHAIYUM.- It is not at the moment, 2016-2017 looks very, very good. In fact, you may have heard that we just announced a bonus for 2016 that was given to all staff. I think about three or four weeks ago, we had to make a profit in order to do that and we are expecting the same for 2017 as well.

MADAM CHAIRPERSON.- We will move on to Question No. 8.

MR. V. SAGAR.- Madam Chairperson, Question No. 8, I have already explained that. The impairment analysis was done by the Management and then taking into consideration the revaluation of the values of property, plant and equipment, there was a need for that.

If we overvalue our equipment and then by the end of 2020, there will be a huge impact on the balance sheet. What it means is that, if we do not use the rates that we have, sort of, like implemented within this financial year, come 2020 we will have close to \$17 million worth of assets written off, so that will have a very negative effect on the balance sheet.

The proactive approach is to use rates as per the table that we have used and then come financial year 2020, all those assets, those values of property, plant and equipment which will not be used in the digital transition phase, will have zero value.

HON. P. SINGH.- According to the 2015 Annual Report, it is only the Gladstone Road property that has been revalued, is that right?

MR. V. SAGAR.- No, I think there is a bit of misunderstanding. We did a bit of upgrade for the Broadcasting House and the purpose, as the CEO mentioned in the previous questions, we had initially taken a loan from FDB amounting to \$21,594,693. That is about \$21 million, and then within the years based on compliance and with good good performance of FBC, we were able to negotiate the rates from 12 percent to close to (at the moment) 5.5 percent. That means a huge saving to the entity as well and just for the purpose of negotiating and re-negotiating because we went to the open market, I think there is a question about the new contracts, new office, refinancing available, that is available at the moment as well.

Just to be up to par with market valuation, the financing companies required the exact value of the building because in 2010 when we did the project and after five or six years, we did massive upgrades. That means there is a huge difference between the value of the building in 2015, 2010 and 2017 now, because what is reflected in the building is the upgrades and the equipment that we have.

MR. R. SAYED-KHAIYUM.- It was not just that, it is also because we are sitting on some prime real estate, so the value of that part of town has increased significantly. That is why the banks required us to give them the latest valuation.

HON. P. SINGH.- What would be the value of assets you would be writing off in 2020 from analogue to digital?

MR. V. SAGAR.- As I mentioned earlier, when we reach 2020, now we have adjusted all the rates so basically there will not be any major write-off. If we had not adjusted the rates as per the annual rates as I had mentioned earlier, by the year 2020 we would be writing off somewhere close to

\$17 million to \$19 million of assets. But right now, we have adjusted the rates so there will not be much write-off, apart from those equipment that we had procured after 2017 so that we will have a life of five years or six years which are digital already.

MADAM CHAIRPERSON.- Thank you.

MR. V. SAGAR.- Question No. 9, actually we found the question a bit confusing. With the Government Guarantee at FDB of approximately \$21 million, will this be reduced gradually to be on par with the reducing debt?

MR. R. SAYED-KHAIYUM.- That is the decision for Government to make, it is not for us. One thing I would like to make clear because from what has been said and spoken of about FDB in recent months, I think it has been used as a bit of a political football at the moment. By raising some questions in the media by certain entities and individuals, it is insulting considering the amount of hard work that has been done by the staff of FBC in the last eight to ten years.

Everyone has worked very hard and the fact of the matter is that, we could not improve without taking out a loan and doing a major rehaul of FBC and starting off television. Despite FDB agreeing to give us a loan at 12 percent and then gradually decreasing it after we negotiated very hard with them over the years, we still have not, neither have we defaulted as some people are prone to say, especially on social media.

We have never defaulted on our loan and we have never reduced the loan repayment amount to FDB, even though the interest rates have reduced and we intend to continue to do that because our aim is to pay off the loan in quick time, sooner than what the required term is.

HON. V.R. GAVOKA.- I think the question from Parliamentarians is, in a way, we always ask to provide through Parliament these guarantees and when we see a case like this where the guarantee by Government is a \$21 million and the loan is at \$12 million, why continue to hold the guarantee at \$21 million?

MR. R. SAYED-KHAIYUM.- That is the question for Government, not for us.

HON. V.R. GAVOKA.- Yes, but in your case, do you still need that room in order to operate, in the event that you may want more?

MR. R. SAYED-KHAIYUM.- No.

HON. V.R. GAVOKA.- Alright, so it does not really worry you whether it says \$21 million or it comes down to \$12 million and in line with the exposure you have now?

MR. R. SAYED-KHAIYUM.- It does not worry us.

HON. V.R. GAVOKA.- Now, that you are going to move to FNPF.

MR. R. SAYED-KHAIYUM.- We may, we are not sure yet, it is not a done-deal yet.

HON. V.R. GAVOKA.- We have got the impression that .....



MR. R. SAYED-KHAIYUM.- Well, we have received positive signals but we have not signed; until I sign something on a document, I am not going to say that it is done. I think it is best business practice to actually sign a document and then say it is done. We have not signed anything yet.

HON. V.R. GAVOKA.- Did not your Board agree to it?

MR. R. SAYED-KHAIYUM.- No, what you are saying is what was written in the Annual Report and that is how Mr. Anish Chand reported you that way on his blog site. He got it all wrong as usual.

What happened was, the report says that the FNPF has agreed but it did not say that it was concluded. What happened at that time was, FNPF made some very strong signals that they were going to give us or refinance the loan at a competitive interest rate but they wanted certain conditions to be met, for example, guarantees, et cetera, and we were still negotiating. That has taken a long time but nothing was signed off so we are still at present with the FDB. However, there is a very good chance that we may be refinancing with FNPF.

HON. V.R. GAVOKA.- An offer was received from FNPF which has been accepted by the Company's Board. Offer accepted and you have the impression that it is a done deal.

MR. R. SAYED-KHAIYUM.- Yes, I know, they came back later and they wanted more information and more guarantees, et cetera, because the guarantee is not up to us, the guarantee is done by the Government.

HON. V.R. GAVOKA.- Correct. So your exposure to FNPF is moving the amount from FDB to FNPF?

MR. R. SAYED-KHAIYUM.- Yes.

HON. V.R. GAVOKA.- And the guarantee should really commensurate with that level.

MR. R. SAYED-KHAIYUM.- Well, again it is up to the Government. That is, if the Government wants to transfer that guarantee.

HON. V.R. GAVOKA.- Would it still be part of the negotiation that there is a Government guarantee behind you?

MR. R. SAYED-KHAIYUM.- We continued to talk to them, they have agreed on a figure as such but it is these other little issues on the sidelines that we are talking about.

HON. V.R. GAVOKA.- Because in matters of guarantee, you have some very good assets, I think, valued more than \$12 million so really, do you still need a Government guarantee?

MR. R. SAYED-KHAIYUM.- Yes. Well, like I said, not really.

HON. V.R. GAVOKA.- Thank you.

HON. A.A. MAHARAJ.- Madam Chairperson, we see that the current debt at FDB stands at \$12.9 million. Basically this was taken back in 2011, 2012. That means, you were paying somewhere around \$1 million per year to FDB which actually states that FBC at the moment is quite in a stable state.

MR. R. SAYED-KHAIYUM.- Yes, we are FDB's gold customer. I think they have got some sort of name for us which basically means that FBC is our best customer, we make the most loan repayments, and to answer your question, yes.

HON. A.A. MAHARAJ.- Because the way we see it actually the graph on page 7, when we see the revenue is increasing, the profitability is actually increasing after correcting the book, et cetera. Cash on hand is increasing and the debt is decreasing, which actually indicates that FBC is in a very stable condition.

MR. R. SAYED-KHAIYUM.- This is exactly what we told the PAC, we had a success story, it is just that some people would rather not believe it for their own reasons.

MR. V. SAGAR.- Thank you. In fact, repayments to FDB is somewhere close to \$2.7 million annually. What it means, as the CEO mentioned is that, we have not reduced the repayment amount, even though we initially started from 12 percent now to 5.5 percent. We have not reduced the loan repayments. We have paid the consistent amount until today and that equates to somewhere around \$2.6 million annually to FDB.

Moving on to Question 10, yes, our programmes are extremely expensive and the best solution is to place more emphasis on local production. However, locally produced shows also involved a lot of costs. It involves staff, travelling hours, accommodation, concept of the shows and the most important is getting the presenters as well. So, sometimes it is cheaper to buy than to produce, sometimes.

HON. P. SINGH.- So, this sports channel that you have...

MR. R. SAYED-KHAIYUM.- The new sports channel, FBC Sports, yes, Fiji's first and the Region's first 24 hour free-to-air sports channel.

HON. P. SINGH.- How is that subsidised?

MR. R. SAYED-KHAIYUM.- That is not subsidised.

HON. P. SINGH.- That is from within?

MR. R. SAYED-KHAIYUM.- That is not subsidised, absolutely not. That is a commercial station.

HON. V.R. GAVOKA.- Madam Chairperson, if I may, this brings me to the core of the way I want to see FBC - it should be more driven towards local content. Once in Parliament, I highlighted the effect on the Americans on the *Bill Cosby Show*. I know that *Bill Cosby Show* has a bit of a problem but there are people who said that ....

MR. R. SAYED-KHAIYUM.- Not a good example to use right now.

HON. V.R. GAVOKA.- I said that in Parliament also but what came up from the Americans, especially the Black Americans, that a lot of them went to university to obtain advance degrees and became professionals because of that show which ran for about 10 years. I mean, Dr. Huxtable was a doctor and his wife was a lawyer.

So, I said in Parliament once that our people in your area should produce something local like that and help motivate people, the same as the *Bill Cosby Show* motivated a lot of Black Americans. That is why I would like to see more local content.

I noticed in your report there is a lot of the *itaukei* programmes created locally but you are buying a lot of local...

MR. R. RIYAZ-KHAIYUM.- Because you cannot buy *I taukei* programmes. No one outside the ...

HON. V.R. GAVOKA.- Yes, sure. I understand the reason why.

One of the questions also is that Hindi and English programmes are bought overseas.

MR. R. SAYED-KHAIYUM.- Because they are produced.

HON. V.R. GAVOKA.- Now, you spend \$2.3 million on programme expenses.

MR. R. SAYED-KHAIYUM.- Which is a very small amount to spend on programmes for a national broadcast.

HON. V.R. GAVOKA.- And your production expenses is about \$25,000. So, I look at this somewhere down the line, there must be more on production expenses as opposed to programme expenses which we understand, are bought from overseas.

I know overseas contents are very expensive.

MR. R. SAYED-KHAIYUM.- Not all of that, can I explain a little bit?

HON. V.R. GAVOKA.- Yes.

MR. R. SAYED-KHAIYUM AGAR.- First and foremost Fiji is the only country that produces *itaukei* programme so we cannot buy it. Hindi programmes are produced, not only by India but some other countries as well and we do not buy any Hindi programme. We have got a very strict rule that any programme that we broadcast on FBC TV must either be dubbed in English or subtitle in English.

There are some Hindi programmes which are very popular which we know will be popular, not only for Hindi speakers and listeners but for everyone. However we do not show it because we do not buy it because it is not subtitled. It is not available subtitle in English, so we do not want anyone to miss out. Our policy is that any programme we show has got to be absolutely inclusive of everyone in Fiji for all Fijians. So, that is one of the reasons.

The other reason is, some Hindi programmes in our days that are produced out of India are extremely popular but extremely expensive as well, so it is beyond our reach.

In fact that programme bill that you are talking about over \$2 million is very small for a national broadcaster, which is more than 90 percent of the population, to have to spend only that much in Fijian dollars just over US\$1 million is peanuts, absolutely peanuts.

So, the way we have been able to provide comprehensive viewing for all Fijians with the whole mixture of programmes, we have got a whole bouquet of programmes which is a very eclectic mix.

But to be able to do that and then to subtitle programmes, to dub programmes, then we have an inhouse subtitling team to put that all together and spend only that much, is quite amazing. But getting back to your original question, you cannot compare us to Dr. Huxstable and the Americans because the Americans have a much, much longer history of television than we do. Our television industry is very, very young. In fact, we started only six years ago. I think what you are pointing at is soap drama, like Bill Cosby Show, et cetera. It is a soap, it is a drama.

To produce that sort of programmes, you need a lot of expertise. You need good actors, good writers, good producers, something that Fiji does not produce. Even all the local programmes that we produce, we have got programmes on health, current affairs and a lot of studio-based shows.

The way we are able to do it is to take people who are keen to work in the television industry, give them a little bit of training that we know that we can pass on to these people. Sometimes through partners overseas, we are able to bring trainers down to train them and to get them to be producers. But to get a team to produce soap and the sort of drama that you are referring to is not only going to be extremely expensive but we do not have the know-how. I will give you another example.

There was a producer who came out of Australia and he was doing some work on one of the overseas television shows that came and shot here, I think it was the *Survivor*. So he had a bit of down time, he came and saw us and said, "Look, I have noticed you guys do not have any drama, how about I help you guys produce a drama." I said, "Yes, cool, that sounds really good. You have the expertise, we have got keen people who want to help and understand. Why don't you write it all down for us and we can do a synopsis and see what we can do."

The expenses and a very conservative expense. To produce one and a half show was \$6,000 per episode. That is preposterous! We cannot afford that. And you know at the same time, we were expected to perform well as commercial company but then spend money and we are not going to receive that much, we are not going to recover that cost through advertising. So \$6,000? It is cheaper for me to go and spend a \$1,000 to buy a programme from overseas for half an hour, than to spend \$6,000 for something that I am going to produce locally. So you are looking at those sort of constraints as well and until we reach a point in time where we are able to produce well educated TV industry people from our schools, we will not be able to get that.

HON. V.R. GAVOKA.- There is the first time a Committee of Parliament is looking at your books and I am expressing the views of what has been heard in Parliament on the way forward for you. I know we are not the same as America but as a politician, the man of the people, when the whole world stops at 12 o'clock in Fiji for Archana and in the evening - *Shortland Street* or whoever it is, and I am quoting that example with the impact of the *Bill Cosby* Show, Fiji must be heading in that direction and that is fine.

MR. R. SAYED-KHAIYUM.- True as you have said, God willing one day, but I think as a man of the people. With the information that you have today that has been provided to you by us, I think you should also inform the people of the shortcomings that we currently face in the Fiji television industry and that is your responsibility as well.

HON. V.R. GAVOKA.- Sure, public broadcasters like yourself, funded by the people is always...

MR. R. SAYED-KHAIYUM.- Please, we are not funded, we do not get a grant, we are paid a fee and this is the problem. This is why we must be very careful with the words and the language we

use. We are paid a fee for a service we provide. It is not free money and the sooner everyone realises that and stuff, to use the right terms for it, I think the better it is to be for everyone. I said this with all due respect.

HON. V.R. GAVOKA.- If you look at the BBC, BBC has licensing fee. The BBC is funded by licensing fee from television subscribers. There is a fee that is authorised by the Government of the UK to go to BBC and in a way, it can be construed to be public ones.

MR. V. SAGAR.- No, Sir.

MR. R. SAYED-KHAIYUM.- It cannot be, you are wrong because if it is a fee, then the public has the option to either pay that or not. If they do not want that service, they do not pay for it. No one is holding a gun over their heads to say, "You have to pay this fee." It is like that in any country in the world. If it is part of a fee, then it is up to you as an individual to pay that fee for that service or not.

HON. V.R. GAVOKA.- How does the ABC operate?

MR. R. SAYED-KHAIYUM.- The ABC out of Australia?

HON. V.R. GAVOKA.- Yes.

MR. R. SAYED-KHAIYUM.- The ABC, even after a huge massive budget cut of \$500 million or whatever it was, they still get paid and funded . They get a grant because they are fully, totally funded by Government because they do not have any commercials. They receive over a billion dollars in Government funds.

HON. V.R. GAVOKA.- That is what we call a grant?

MR. R. SAYED-KHAIYUM.- That is a grant.

HON. V.R. GAVOKA.- Not a fee?

MR. R. SAYED-KHAIYUM.- That is not a fee, that is a grant because even their salaries are paid.

MADAM CHAIRPERSON.- They have no commercial arm.

MR. R. SAYED-KHAIYUM.- They have no commercial arm.

HON. V.R. GAVOKA.- Are we indulging in semantics here?..

MR. R. SAYED-KHAIYUM.- No, we are not.

HON. V.R. GAVOKA.- To me, it is the same thing.

MR. R. SAYED-KHAIYUM.- No, we are not. It is not because we are told to specifically produce certain programmes and in exchange of the certain programmes, we paid a fee, and that is the reason why.

If Government decided one day that they are going to get rid of FBC as a commercial company and make it an SOE, then they would have to provide a 100 percent funding for everything that we produce in terms of wages, salaries, transport, transmission, you name it.

HON. V.R. GAVOKA.- And that would be grant?

MR. R. SAYED-KHAIYUM.- Then that would be a grant. Then that would cost the Government PSB worth \$30 million, plus other operations, so about \$60 million, \$70 million or \$80 million a year.

HON. P. SINGH.- Which is to be the case before the corporatisation?

MR. R. SAYED-KHAIYUM.- Yes, it was, but obviously at that time it was only radio but I have to say one thing, the money that Government used to give as a grant to FBC at that time before corporatisation, I think even at that time it was not enough. That is why a lot of people were not getting paid during payday because they were lining up outside Government Buildings, I remember, in those days. And we always used to say, thank God we did not work for FBC because these people were not getting paid.

HON. P. SINGH.- We understand that it is totally a commercial entity?

MR. R. SAYED-KHAIYUM.- Yes, Sir.

HON. P. SINGH.- Where does the Government come in because it is a Government Commercial Company (GCC)?

MR. R. SAYED-KHAIYUM.- I will try and explain that to you again. We are a GCC so the Government expects us to perform like a commercial company which we perform as of now.

At the same time, Government wants us to produce specific Public Service Programmes and in order for us to do that, we have to use certain resources up to a point of a certain value. In return, the Government pays us to produce those programmes.

MADAM CHAIRPERSON.- At a discounted rate?

MR. R. SAYED-KHAIYUM.- Yes, at a much discounted rate. I will give you another example.

We have AM Radio in Fiji. The only organisation that has AM Radio is FBC, no other organisation has AM Radio. The only reason why we have AM Radio is because we are able to reach more people through AM than FM because AM is more robust technology. It is an old technology and it is a very expensive technology but it is more robust and it is more efficient in terms of reaching people.

FM has a better quality sound but it does not reach as many people because it does not go up and down hills like AM does. FM works in a straight-line. As soon as it hits the mountain near your village, it drops and it does not go beyond that, whereas FM is able to climb mountains and go other places.

We have no need for an AM service as a commercial company. The only reason why we run an AM service is because we have a public service contract. And just for the upkeep of our AM service, it is about \$800,000 a year just for upkeep, repairs, maintenance and paintings.

HON. P. SINGH.- That is what I wanted to know.

MADAM CHAIRPERSON.- And that is get to the outer reach places.

MR. R. SAYED-KHAIYUM.- And the other thing is, we have done some stuff that has been very smart. In the old days, we used to have AM transmitting stations at about four or five different locations. There was one in Oloolo as well, you may remember. It was a waste of resource because then you needed separate engineering teams to be stationed permanently at all those sites and the cost was really, really high.

So what we have done instead of having small transmitting AM stations all over Fiji, through the help of the Fijian Government and the Japanese Government, we have a huge AM Transmitter in Naulu outside Suva and you are most welcome to come and have a look at it one day. It is a beautiful site and we produce 10 kilowatts of power out of the Transmitter which is able to reach practically the whole of Fiji.

I do not know if you have done the maths on this but 10 kilowatts of power is a lot of power. FEA is very happy with us because we pay them a lot of money. So you add all of that up - the PSB fee and then all the other costs for production, personnel, fuel and for transmission cost, that is the reason why we have got the \$30 million value for which we receive only just over \$11 million. Does that makes sense?

HON. P. SINGH.- Yes.

HON. V.R. GAVOKA.- Let me just put this in the way I understand it, you are now as standalone entity created by Government and you are given a fee each year for you produce what Government wants to produce. Other than that, you swim or sink, right?

MR. R. SAYED-KHAIYUM.- Yes.

HON. V. R. GAVOKA.- Clear.

MR. V. SAGAR.- So Government is a customer.

HON. P. SINGH.- Yes, it is a customer.

HON. V.R. GAVOKA.- Now, it is an entity. A customer is a customer.

MR. V. SAGAR.- Government is also a customer.

HON. V.R. GAVOKA.- Government will say, "Look ...

MR. V.SAGAR.- A discounted customer.

MADAM CHAIRPERSON.- A very discounted customer.

HON. V.R. GAVOKA.- "...I set you up for this purpose, I will pay you this much to do this, you are a totally independent entity, you swim or sink." Is that the way it is?

MR. R. SAYED-KHAIYUM.- Yes, well if you want to look it from a commercial perspective, yes, absolutely. The Government is a customer, you are right, just like any other customer.

HON. P. SINGH.- But Government comes with the social obligation.



MR. R. SAYED-KHAIYUM.- Well, the Government is a customer that says, "Please, do this work for us and at a major discounted rate."

HON. V.R. GAVOKA.- That fee element is a social obligation of Government, after having set up the...

MR. R. SAYED-KHAIYUM.- No, no, no. I disagree with that and I cannot agree to that. What was set up was set up. Now, you cannot say that the Government set us up because you are forgetting that we took out a \$21 million loan not so long ago to set ourselves up.

HON. V.R. GAVOKA.- Yes, but guarantee to the Government.

MR. R. SAYED-KHAIYUM.- Yes, but it does not matter, they did not put a cent into this project.

HON. A.A. MAHARAJ.- It is capital, they did provide a grant.

MR. R. SAYED-KHAIYUM.- If Government had given us a leg up to start this project, in fact, when we took this project to a lot of our partners overseas (other broadcasters), they kept on saying to us, "You are owned by the Government." It is like you are saying Digicel will not give Digicel Fiji money to set up its office saying, "How is Government not giving you money to start this up?" We said, "Well, they just gave us a guarantee but we are cool with it, we know we can do it," and we did.

HON. P. SINGH.- The leg up was the Government guarantee.

HON. V.R. GAVOKA.- Because there is more courage in the way it was set up.

MR. R. SAYED-KHAIYUM.- It is not a difficult thing to understand with due respect.

HON. V.R. GAVOKA.- Well, it is the starting, if you look at the graph over the years at one point there when you had radio, the cost and the revenue were very similar, and then when you went into your TV there was a huge scale in the revenue and the cost, for the reason that you are expanding. And that is where the clarity was missing.

Maybe now, I do not know, I could ask the question. The way you are saying that 2016 is looking good, if you look at this graph that you showed us, what you are saying is that the revenue and the cost would be inching closer.

MADAM CHAIRPERSON.- It is the grant that (inaudible).

HON. V.R. GAVOKA.- Fees.

MR. R. SAYED-KHAIYUM.- The fees.

(Laughter)

MADAM CHAIRPERSON.- In the right way, it should not have been a grant, it should be a fee.



HON. P. SINGH.- Bookkeeping would have been done because it should be in the right place then the bookkeeping will be then...

MR. V. SAGAR.- The bookkeeping has always been correct. Just for information of all Honourable Members, we were faced with the challenge to comply with the Cabinet Decision.

MADAM CHAIRPERSON.- Yes.

MR. V. SAGAR.- So there is the Cabinet Decision and there is a departure from accounting standards. And we as an entity, we will obviously have to comply with the Cabinet Decision, so that is why there is a bit of departure from accounting standards which we had fought for.

MR. R. SAYED-KHAIYUM.- Which we always reminded Government about but Government was adamant for a while that it should be treated as capital contribution and not as revenue, but now that has changed.

MADAM CHAIRPERSON.- Can we just move on to *Walesi*. Can you just explain to us how *Walesi* works?

MR. R. SAYED-KHAIYUM.- I say this without any malice to anyone but if anyone does not know about what *Walesi* is and our relationship or not relationship with *Walesi*, then you must be living under a rock. The Honourable Minister for Communications had spoken of *Walesi* in Parliament several times which I have heard. The *Walesi* issues has been in the papers, we have spoken about it. *Walesi* itself has spoken about it. There has been many, many articles about it. So if you do not know that we do not have a relationship with FBC, then you are definitely living under a rock because we have no relationship with *Walesi*.

The only thing that *Walesi* is doing is that, it is being set up as a Government Commercial Company, just like we are to look after transmission of all broadcasters in Fiji. I will explain to you.

At the moment, we have our own transmitting stations throughout Fiji. We have one in Nakobalevu, one in Sigatoka, one in Nadi, et cetera, and around the country. So any repairs, maintenance, switches, transmitters they all belong to us. So if there is anything wrong, we go and repair it. We make sure it is working.

There is proper Remote Neutral Monitoring (RNM) procedures, et cetera. What *Walesi* is going to be doing is that, they will take over the infrastructure of transmission for all broadcasters. In return we (FBC), Fiji Television Ltd, Mai TV and I think there is a church television as well, will then all pay *Walesi* a fee to provide them with the transmission service. That is the only relationship we are going to have. It is going to be a customer- buyer relationship.

HON. A.A. MAHARAJ.- Customer business.

MR. R. SAYED-KHAIYUM.- Customer business.

MADAM CHAIRPERSON.- Can we move on to Question No.12?

MR. V. SAGAR.- Question No. 12 - the challenges. We do face a lot of challenges. We mentioned the main one which is competition from other broadcasters.

From when FBC TV started until todate, we have maintained the rate card, the rates that we had set. However, our competitors had significantly reduced their rates so probably if you look at, let me quote FTL, our standard spot rates are close to \$500 for 30-second spots. Theirs is about \$20 to \$25. By that I mean, it is a bit difficult to compete in that situation and then we have maintained the status quo. We have not reduced the rates that we had set from the time that FBC TV started.

Similarly to radio, our breakfast shows on four commercial stations, plus two PSB stations, our rates per 30-second spot is close to \$25 to \$30. However, Communications Fiji Limited (CFL) is selling advertising spots for as low as 45 cents, so 45 cents to \$28 is a huge gap. So that is the sort of competition we are facing as a national broadcaster.

MR. R. SAYED-KHAIYUM.- Basically, if I can offer you a bit more clarity on this issue; when we started we rejuvenated FBC, starting up new television and radio, we confidently went into the market because we were going to cover the whole of Fiji right from the word 'go', so we did not stagger it.

We started our services in Fiji and then extended it throughout the country. We went more than 90 percent of the population right from the word 'go' and we were very confident of our product because we had better transmitters. We had more state-of-the-art equipment so that meant that the picture quality was better and the sound quality was better too.

I am sure FBC TV started, all of you knew and everyone talked about it throughout the country that you people look so much better. How come?

The point was that we were using more power, we were using bigger transmitters, we were using better equipment and we made sure we did it so that we could go out into the market, not only provide a service to all Fijians but provide a service to the advertisers and say, "Look, we are better than FTL right from the word go. Advertise with us." And because we were so confident of what we had in terms of the standard of product, we went ahead and competed with FTL head-on, on the same rates. For example, if their rate for news was \$500, then we came in at about \$500 as well.

A lot of people thought we were stupid because we were new. PAC asked us the same question. I was giving the example to Honourable Dr. Samisoni. I said, "Look, it is like you having a bread shop. You are selling it for a dollar and then your smaller competitor will come in and sell at a dollar as well. People will still buy from the original seller because they have been in the business longer."

We were so confident that we could do it but what we did not anticipate and you would see from the revenue, what we had as our projected revenue, we were so confident that we were going to get the revenue. Although our revenue grew over the years since 2011, it did not grow at the rate that we wanted for it to grow and the main reason for that was, we did not anticipate that FTL and CFL were going to reduce their rates and by so much.

So the biggest hurdle we have had in the last few years is that the rates have been reduced so much and the only people benefitting out of this have been advertisers. For example, we started on \$500 per spot when we started off. FTL is now selling at, I do not know, \$45 sometimes \$50 a spot.

While we have been increasing our prices because of our product and the standard of our product, our competitors have been decreasing their prices. They think that that is the best way to compete. We think it is a silly way to compete because they are cannibalising the market but we cannot tell them what to do, that is what they do.

But the fact of the matter is that, this is how confident we were. We have actually maintained and increased our revenue, despite our increasing prices whereas the others have reduced their prices and you know it is so good for the shoe to be in the other foot.

When I started 10 years ago, we were selling radio spots at \$0.99 a spot. Now, we are selling at between \$25 to \$30 a spot, so we have come a long way and for our competitors, they have gone in reverse. They are selling cheaper now, a lot of good places.

I believe the Committee will be able to figure that out if it constantly continues to, sort of, reduce prices and then we are not able to meet the overhead cost where we will end one day but at FBC, we are proud of our achievement. We have maintained that, as the CEO has said, and we will continue to do so.

The other challenges, I think we have talked about the ABC and BBC scenario. Those entities are fully funded and then they have a grant. Our situation is very unique; we get almost one third of what the services we provide to the Government. We have done with the first set.

MADAM CHAIRPERSON.- We have.

MR. V. SAGAR.- Is there is any other clarification the Committee requires?

MADAM CHAIRPERSON.- No, we will move on to the next one.

HON. V.R. GAVOKA.- If I may, Madam Chairperson, it is just when you go to Government to negotiate your fee for the three years, this may not be a good example. We look at the books for FEA also, and they are screaming for increase in rates. The Committee would make recommendations based on our belief, on how things would happen and they will go to FCC which is a different case altogether. What kind of support do you normally need from Government, if you need to renegotiate your fees, for instance, if you are to increase your fees? How do you make your case to Government?

MR. R. SAYED-KHAIYUM.- Through our acquittals. The only thing we can do is to show them the number of programmes that we produce, the number of new programmes that we produce, the extra work that we are doing which then translates into the value or the increase in value of our acquittals and the total value of what we provide under PSB. Then we leave it to Government to give to us what they think is the best value for what we produce. So Government wants to give us the whole \$30 million, maybe when your political party wins Government you can give us \$30 million....

HON. V.R. GAVOKA.- Oh definitely, yes, you know where I am coming from.

MR. R. SAYED-KHAIYUM.- Yes, I mean, really at the end of the day, that question is not for us, it is for Government. The Government will decide.

HON. V.R. GAVOKA.- It is also on how you make your case on what kind of support you need.

MR. R. SAYED-KHAIYUM.- I really do not know what you are saying, the only thing I can understand from that is that, we spend x number of dollars to produce what you want, you give us what you want, real market scenario.

HON. V.R. GAVOKA.- Alright, I am looking at also from a tourism side when I would spend an x amount of dollars and I would get this kind of return and in terms of new visitor numbers, et cetera, but.....

MR. R. SAYED-KHAIYUM.- We measure it, I think, it is all about measurements.

HON. V.R. GAVOKA.- Yes, it is about measurement.

MR. R. SAYED-KHAIYUM.- Our measurement is, it comes through the number of programmes that we produce and the types of programmes. We have got Fiji's first, for example, *iTaukei* Financial Literacy Show. It was never been done before, no one thought of doing it before. If you have not seen it, you should see it, it is a very good programme.

Everyone in all parts of Fiji should see it. We have *iTaukei* Current Affairs Show, we have (inaudible) all kinds of stuff and it takes money, time and effort to get us to produce that, especially when you do not have the skilled people who can do it.

Every time we think of a programme to produce, it is not a matter of, "Oh, let us go and hire the person who will produce it and then we will pay them some money." It is a matter of getting someone, seeing if they are alright with it and then training them to the best of our ability to reach a standard that we think is going to be good enough for Fiji. So it takes a whole lot of work.

Unlike overseas countries where there is a pool of resources in the market, we cannot just go and pick good producers and writers, cameramen, et cetera, we have to actually hire people, train them ourselves and then produce.

HON. P. SINGH.- Do you have any expatriates in your pool?

MR. R. SAYED-KHAIYUM.- No, not really.

MADAM CHAIRPERSON.- Can we move on to the next set?

MR. V. SAGAR.- The second batch questions, in terms of the six Stations, can the Committee give us an indication whether they are each commercial station?

(Inaudible)

MR. V. SAGAR.- Yes, for the two PS radio stations; Radio Fiji One and Radio Fiji Two, we produce programmes to inform, entertain and educate Fijians as per the PSB contract.

For *Mirchi FM*, *Bula FM* and *Gold FM*, they are commercial stations. If you look at their performance, the revenues have been increasing, the same with *2Day FM* as well. So, in a nutshell, yes, they are commercially viable.

MR. R. SAYED-KHAIYUM.- Just a quick side note, when I started 10 years ago, *2Day FM*, on a good day could be heard in Suva, most times it was not. And outside of Suva, no one knew what *2Day FM* was and what music they play, they do not know anything about *2Day FM*.

We have built it to now be the third most popular radio station in the country. So, although the revenue may not be there as much as we want it to be, we have come a long way from radio station that

was not national, it was very regional, to become a national radio station. I think we have answered number 2.

MADAM CHAIRPERSON.- Already, and number 3. We will just go to number 4.

MR. R. SAYED-KHAIYUM.- On number 4 – Assets gifted by Foreign Government, can we be given an indication?

We hardly receive any gifts but when we do, I think the explanation is given there. The one gift that we received was an outside broadcast bus, a very old one donated by the Korean Government. We hardly ever used it before it conked out on us. This was an old outside broadcast bus.

We were very grateful to them because it gave us a lot of training opportunities but it is all analogue and all very old. It was about 15 years to 20 years old when we got it. We got a little bit of computer equipment from the Chinese Government when we started off and this have now reached the maximum estimated useful life and was written off.

MADAM CHAIRPERSON.- Number 5 has already been answered. We are on the last question.

MR. V. SAGAR.- On Question No. 6, TV revenue; the explanation is already provided in the report that we have submitted. TV revenue only reflected in books of accounts from the financial year 2012. That is when we started booking TV revenue.

Growth in the revenue and expenditure are symmetric. If you look at the trend as per the financial year audited reports, we show that there is a growth in revenue as well. With the growth in revenue, there is a growth in expenses as well because we produce a lot of other programmes as licences fees.

Some of the items that are associated with revenue growth are:

- More station promotions, that is, increase in advertising revenue.
- Special events, such as park jams and road shows that FBC is involved in.
- Increase in programme sponsorship for both, television and radio.
- Increase in outside broadcast for radio and television. Now, we are focusing more on television outside broadcast.
- Increase in advertising revenue associated with sporting events.
- Cross promotion on radio and television.

Some of the areas that the Committee will note that there is an increase in expenses, include:

- Free-to-Air Television, FBC TV, that is, the setup of the new TV infrastructure.
- Increase in promotional expenses.

- Increase in programme production, acquisition and delivery costs. Just for the information of the Committee, programme delivery cost has more than programme licences.

MR. R. SAYED-KHAIYUM.- Madam Chairperson, just to give you an indication, for example, if we buy a programme for sports and let us say if we bought it for \$50,000 (licence fee), to actually bring it into Fiji via satellite would sometimes cost us double that amount because of the satellite cost. So rugby sevens, for example, we would be paying a certain fee but the delivery cost would be most of the times, double that amount, so it is not an easy business.

It is interesting to note that while we have been talking today, we have been making some comparisons to tourism and FEA and some other institutions but remember, these are all monopolistic industries. They are all standalone institutions.

We operate in one of the most competitive business environments in Fiji. For a small country of less than a million people, we have three commercial TV stations, numerous radio stations, two national newspapers, numerous magazines, we are competing with the people who produce billboards, now digital advertising as well, every advertiser whether it is on a rubbish bin, on a billboard, on a web, on *Facebook*, et cetera, is competitive. We are competing with everyone now, so it is not only confined to television and radio.

A lot of people forget that the only thing we sell is air-time, and because air-time is not a tangible thing, a lot of people do not realise the value of air-time because for us, anything that has value, you can hold. What we sell, you cannot hold but it has still got value, a lot of value.

HON. A.A. MAHARAJ.- Just a technical question actually, when you actually say van for satellite, with Walesi coming into picture, those programmes will be coming to Walesi, then to FBC and then back to Walesi and to the people or because the infrastructure is going to Walesi, so how is that going to operate?

MR. R. SAYED-KHAIYUM.- For example, let us go back to rugby because I know we have some rugby fans here. If we look at rugby, the people who broadcast rugby would be sending it to FBC, then FBC sends it to Walesi for Walesi to broadcast on its platform.

HON. A.A. MAHARAJ.- So, incoming would be directly to FBC?

MR. R. SAYED-KHAIYUM.- To us, yes, because our contract is with them. They do not have the contract with Walesi. Walesi and is just a technical platform, they do not buy content.

HON. A.A. MAHARAJ.- Thank you.

HON. P. SINGH.- Is there any sharing of cost with your competitors in respect of buying content?

MR. R. SAYED-KHAIYUM.- Some, not all but we always pay more because of our reach, yes.

HON. P. SINGH.- Which will be about 70 percent?

MR. R. SAYED-KHAIYUM.- The latest survey shows that with the most preferred at 72 percent and our news is the most preferred at 73 percent. Like I said, it is for a young company like FBC TV, to be able to do that in a short span of six years. It is phenomenal work and that is why we should always respect the people who made it possible for people who had been working, and to raise

questions and doubts, like some people have been doing, especially on social media about how we have been performing is an insult to people who work so hard over the years to make FBC a success.

HON. V.R. GAVOKA.- The way you are set up today, CEO, your business is a very high technical business and you got to keep up with all the new stuff, are you satisfied that what you have today is sufficient? How would you see yourself five years down the line? Do you see any huge injection of new capital to reequip or are you alright?

MR. R. SAYED-KHAIYUM.- The best news we could have heard is that, we are not going to look after transmission anymore, it is Walesi's problem now. Well, when they officially take over because not only is it a cost but it is a very cumbersome thing to be involved with.

Imagine, we have a team always on stand-by. Every time, someone will ring up and say, "I cannot see TV in my settlement, village or my home." We will send a team out to go and find out what the problem was, make repairs and all those kind of stuff. Once Walesi officially starts it is going to be their problem, it will not be our problem. Of course, in exchange we will have to pay them a fee.

HON. V.R. GAVOKA.- Sure.

MR. R. SAYED-KHAIYUM.- Yes, but that is something that is going to be taken off our hats. That is one of the most cumbersome things.

So, we will then proceed with the part of business that we know best which is to procure programmes, produce programmes and make sure we increase our standards all the time.

HON. V.R. GAVOKA.- Are there other areas in your offerings with the quality and the variety that you offer? You are looking at other areas, and let me give you an example. There was a time when you watched rugby and it was one way. Someone scored a try and that is it but now you can slow motion that. You know what I am trying to say?

MR. R. SAYED-KHAIYUM.- Yes, Sir.

HON. V.R. GAVOKA.- The improvements to...

MR. R. SAYED-KHAIYUM.- Yes, I am glad you have asked that. Actually, we are very proud of the fact that we have built Fiji's first locally produced omnibus. It was just completed about three months ago

Basically, our own team at work and we had some help from a couple of consultants from Singapore. They helped us make our own omnibus which is going to be extensively used for sports.

So, to answer your question, in that we have the capability and the ability to do slow motion and all sorts of camera angles. It is a six camera omnibus and it can be increased up to 12 cameras and you will see a significant increase in the quality of local sports that we will cover.

HON. V.R. GAVOKA.- That is a wonderful news. You know, we all love sports in this country, and when you watch overseas programmes and they have all that and Fiji has got the one I mentioned, it is wonderful.

HON. P. SINGH.- They are doing their part and you have got to upgrade the stadiums to match that.



MR. R. SAYED-KHAIYUM.- Because at the end of the day we have one omnibus, so you can only be somewhere, you cannot be in two places. So, basically we are a sport loving nation, we are mad about sports so maybe sometimes, you will have two games going on at the time. So one will be shot really beautifully, the other one will have to have the leftover equipment, so to speak, to cover it.

HON. V.R. GAVOKA.- So, I guess that is where my first question was coming from in terms of the equipment needs on the future of your CAPEX. You have one omnibus bus now, ideally how many do you need?

MR. R. SAYED-KHAIYUM.- How long is the piece of string?

HON. V.R. GAVOKA.- All right, it is like that.

MR. R. SAYED-KHAIYUM.- Like I said, I mean, the ideal situation would be that we get paid for what we provide and that would take care of everything. I bring you back to the same analogy, you buy \$30 million worth of lumber from Tropik Woods, you expect to be paid for that much but if we get less, it is alright, we are still selling.

HON. V.R. GAVOKA.- My other question is this, we have our universities that also have the radio department like in your kind of field. How are you linked to them?

MR. R. SAYED-KHAIYUM.- We work quite closely with FNU. FNU had a film and television arm but I think they have some issues. Possibly, I do not know if it is true at this moment in time or not in terms of lectures and finding qualified resource people to be able to carry on with those classes, but we have worked quite closely with them in the past.

HON. V.R. GAVOKA.- And lastly with the Film and Audio Visual Commission (FAVC), there is a lot of huge programmes being shot in Fiji - the *Survivor*, et cetera. The impression we get from the Government is that, ultimately a lot of those equipment will be in Fiji and we train our people to be able to do all that work as opposed to bringing in expertise from overseas. How do you see yourself fitting into that scenario?

MR. R. SAYED-KHAIYUM.- God willing, one day we will be able to do that sort of work but until we get proper training to reach that standard of work, people will still bring in their personnel from overseas. It really is dependant on our educational institutions - USP, FNU, et cetera, if they are willing to put money into their schools to actually train people and to engage in that sort of work.

MADAM CHAIRPERSON.- Honourable Alvick, are you all right?

HON. A.A. MAHARAJ.- Yes.

MADAM CHAIRPERSON.- That brings us to the end. I would like to thank you both, once again very much for coming in such a short notice. We now have a much clearer picture of your entire operation, in particular those years - 2010 to 2015. I think it is always best if we can sit down and have a *talanoa* rather than email back and forth much easier.

Thank you once again. On behalf of our Committee, we will try to get our report done and table very shortly so that we can move on to 2016. We are about to have some tea so if you have five minutes, please join us.

MR. R. SAYED-KHAIYUM.- We would love to.



I would just like to say thank you very much for inviting us. We look forward to such opportunities because I think there is a lot of misinformation about FBC, especially what has been whipped on social media and within some political circles. So it is always a good opportunity to come and explain ourselves so that the people are better educated and they can take the information to their own people and explain things if they ask questions about it.

We would also want to take the opportunity, as we did to PAC, to invite you whenever you have some free time to understand us even better, not only you could ask this question but come and visit. I mean, we are just across the road, it took us like two minutes to walk here. Come and have a look because right now we are embarking on the next stage of our development which will be self-funded by us.

We are building a new studio and we are moving all our essential services to the second floor because as you know, we are right on sea level. If there is a tsunami, then we could be quite disastrous. So there is a major development that is about to start in the next couple of months which will be quite amazing and will really put Fiji in the forefront of broadcasting in the Region. So please, if you have spare time, come and visit us. Thank you.

The Committee adjourned at 11.30 a.m.