



**Republic of Montenegro  
BROADCASTING AGENCY**

**FINANCIAL PLAN  
for 2006**

Podgorica, October 2005

## **Introduction**

The Financial Plan for 2006 has been drafted pursuant to the valid regulations and documents of the Agency, in line with all conditions defined by the Broadcasting Development Strategy. It is based on the financial indicators in 2005, and on the expected income and expenditures in 2006. The Financial Plan foresees all relevant financial categories (in both quantitative and qualitative terms) and measures for their implementation. The purpose of this document is to outline the requirements of the Agency in 2006 and, applying the drafting methodology for planning revenues to be collected from the funding sources established by law, to achieve the balance between revenues and expenditure.

## INCOME PLAN

Income Plan for 2006 includes all prescribed funding sources of the Broadcasting Agency:

- fees for the registration of broadcasters;
- fees for the registration of legal entities that have been issued license for the development and use of distribution systems;
- fees paid for the license for transmission and broadcasting of radio and TV signals;
- fees paid for the license for the development and use of distribution system;
- a part of the broadcasting fee;
- a part of tax on radio receivers in motor vehicles;
- a part of revenues of the company for the transmission and broadcasting of radio and TV signals, in accordance with the Council's decision;
- other sources in compliance with the Broadcasting Law.

- **fees for the registration of broadcasters** is determined according to the costs of licence issuing, technical inspection, and entering into the Register of the Broadcasting Agency, and accounts for 10% of the amount of the annual fee paid for the license for transmission and broadcasting of radio and TV signals. In 2006, the income on this basis was planned in the amount of €35,997.21.

- **fees for the registration of legal entities that have been issued license for the development and use of distribution systems** shall be determined by a separate decision of the Council following the public tender for granting rights for the development and use of distribution systems. Having in mind that the preparations for the announcement of tender for the licence allocation are under way, and that this licence will determine the period after the expiry of which cable operators will start paying the fees, the income on this basis was not planned for 2006.

- **fees paid for the license for the satellite and MMDS distribution of radio and TV signals** are prescribed by the Agency in line with the verified frequency allocations and relevant technical and operational parameters, in compliance with the international standards and recommendations. Income based on these licences was not planned for 2006 because of impossibility to define actual projection of the total amount on this basis;

- **fees paid for the license for transmission and broadcasting of radio and TV signals** depends on the basis, type of broadcasting activity, number of citizens in the coverage zone and attractiveness of the area<sup>1</sup>. In compliance with the new Broadcasting Frequency Allocation Plan, the new temporary licences for the transmission and broadcasting of radio and TV signals have been issued (55) on the allocated TV channels and FM radio frequencies. The income on this basis is planned in the amount of €359,972.16;

- **fees paid for the license for the development and use of cable distribution system** is determined depending on the lowest amount of the fee and the estimated number of connections for the cable distribution system. The fee level for the aforementioned licence belongs to the Broadcasting Agency in the amount of 50 per cent and to the local authorities on whose

<sup>1</sup> Pursuant to Article 21 of the Law, the Agency Council adopted the Decision on Level, Manner of Determination and Payment of Fees for Licences for the Transmission and Broadcasting of Radio and TV Signals ("Official Gazette of the Republic of Montenegro, No. 64/04 and 81/04);

territory the cable distribution system is build in the amount of 50 per cent. Detailed conditions for projecting the aforementioned revenues have not yet been defined, therefore they are not included in the 2006 plan;

- the total planned amount of funds from the **broadcasting fee** is €5,712,000.00, out of which 285,600.00 goes to the Broadcasting Agency. The basis for planning of these funds was the expected number of subscribers paying the broadcasting fee (170.000), level of broadcasting fee (€3.5) and the collection rate (80%). It is estimated that the number of subscribers paying the broadcasting free will be lower in 2006 than in 2005 (173.000), and that the number of persons that will be exempt from paying the broadcasting free, in line with the Broadcasting Law, will increase. Along the same lines, it is foreseen that the broadcasting fee level will not change in 2006, although the Agency Council is obliged to reconsider the existing broadcasting fee level periodically, and to examine the effects of the solution defined by its decision. Following the consultations with the Council of the Republican Public Broadcasting Services, at the session held on February 19<sup>th</sup> 2005, the Council adopted the Decision on the Level of Broadcasting Fee in the Republic of Montenegro amounting to €3.5.

In compliance with the law, funds acquired through the collection of the broadcasting fee are distributed to the Republican Public Broadcasting Service RTVCG (75%), Fund for the Support of the Local Public Broadcasting Services (10%), Fund for the Support of the Commercial Broadcasters (10%) and the Agency (5%);

- The total planned funds from **taxes on radio receivers in motor vehicles** amount to €600,00.00, out of which the €30,000.00 belongs to the Broadcasting Agency. The elements used for projecting these funds are the estimated number of vehicles in Montenegro (100,000) and the level of tax on radio receivers in motor vehicles (€6). It is also estimated that the level of tax on radio receivers in motor vehicles will not change in 2006, although the Agency Council is obliged to reconsider the existing broadcasting fee level periodically, and to examine the effects of the solution defined by its decision. At the session held on June 26<sup>th</sup> 2003, the Agency Council adopted the Decision on Collection Procedure and Level of Tax on Radio Receivers in Motor Vehicles, according to which every owner of the motor vehicle in the Republic of Montenegro is obliged to pay a €6 tax when registering the vehicle.

In compliance with the law, funds acquired through the collection of the broadcasting fee are distributed to the Republican Public Broadcasting Service –Radio of Montenegro (75%), Fund for the Support of the Local Public Broadcasting Services (10%), Fund for the Support of the Commercial Broadcasters (10%) and the Agency (5%);

- **revenues of the company for the transmission and broadcasting of radio and TV signals**, which will be a significant long-term entry in the funding sources of the Agency, are not planned for 2006, primarily because of the this company's transformation process and adjustment of its operation to the Broadcasting Law provisions.

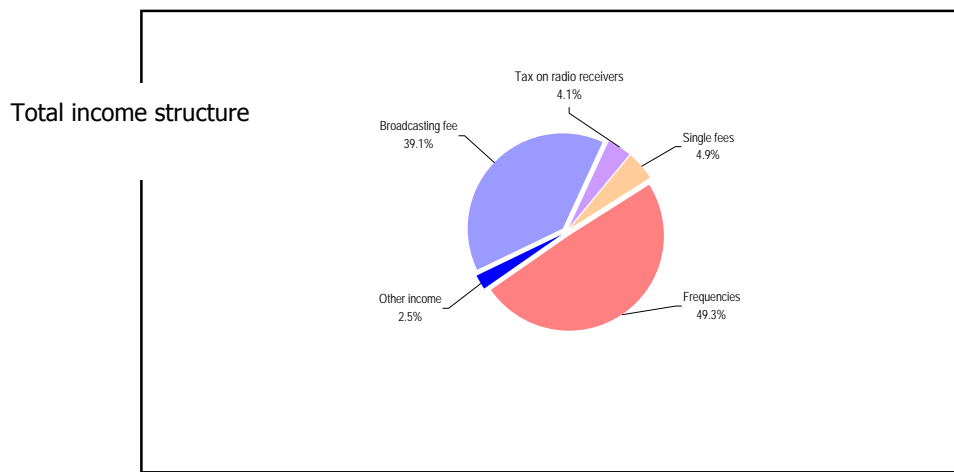
The established funding system will create the conditions for the financial sustainability and independence of the Broadcasting Agency, aimed at independent fulfilment of its obligations prescribed by law.

On the basis of the existing indicators the total income of the Agency is planned in the amount of €729,569.37.

Table 1: Planned 2006 income

	type of income	monthly	annual	comment
I	single fees			
	➤ broadcasters	*	€35,997.21	€359,972.16 x 10%
	➤ cable operators	*	*	
	➤ MMDS and sat. dist. systems	*	*	
	<b>total</b>	*	<b>€35,997.21</b>	
II	monthly fees			
	➤ broadcasters	€29,997.68	€359,972.16	100 % collection rate
	➤ broadcasting fee (5%)	€23,800.00	€285,600.00	170,000x0.8x0.05x€3.5=€23,800
	➤ tax on radio receivers (5%)	€2,500	€30,000	100,000x€6x0.05=€30,000
	➤ cable operators	*	*	
	➤ MMDS and sat. dist. systems	*	*	
	➤ signal transmission companies	*	*	
	<b>total</b>	<b>€56,297.68</b>	<b>€675,572.16</b>	
III	other income			
	➤ translation equipment	€500	€6,000	
	➤ other income	*	€12,000	
	<b>total</b>	<b>€500</b>	<b>€18,000</b>	
<b>TOTAL INCOME I+II+III I+II+III</b>		<b>€56,797.68</b>	<b>€729,569.37</b>	

In the 2006 planned income structure, the frequency income has the biggest share (49.3%), followed by income from broadcasting fee (39.1%), single fees (4.9%), tax on radio receivers (4.1%) and other income (2.5%);



## EXPENDITURE PLAN

The Agency's expenditure is planned on the basis of this year's expenditure, as well as on the basis of the income planned for the next year, enabling efficient functioning and implementation of planned objectives of the Agency. The expenditure amounts presented through different items reflect actual needs of the Agency during 2006, ensuring at the same time that the public money is spent in a reasonable and effective manner in compliance with the positive legislation and regulations.

Structure of expenditure for regular activities:

- **gross salaries** of the employees and fees for the Council members, planned on the basis of the number of employees in 2005, with one more employment planned;

- **other income and fees for the employees** consisting of the meal and transport compensations, costs of holiday and winter bonus, and other personal compensations based on the criteria defined by standards and normative documents, or by the Individual Collective Agreement;

- **business trips and membership fees** include the business trip expenses in the country (transport, hotel expenses and per diems), business trip expenses abroad (transport, hotel expenses and per diems), and costs of membership in the international organisations. During the previous activities of the Agency, employees and Council members have visited pre-coordination meetings, conferences and seminars in European countries (Switzerland, Sweden, Italy, France, Turkey, USA, Slovenia, Croatia, Bosnia and Herzegovina, Macedonia, Albania, Cyprus, Austria and the United Kingdom). Given that the planned activities are related to the international coordination of broadcasting planes, as well as to the need to continue following and complying with the international regulations, it can be expected similar activities would continue in 2006. The foreseen expenses of the membership in international organisation have been planned for the purpose of creating conditions for the implementation of the obligations prescribed by law and objectives of the Broadcasting Agency, at the same time complying with the international regulations and standards;

- **expenditure for material and services** including the costs for stationeries, advertising material, office supplies, bank commissions, commission to the Telecom of Montenegro for the service of the broadcasting fee collection, telephone services, expense account, insurance premiums for equipment and employees, postal services, costs for contracted services, have been planned according to the actual needs for the above expenses. Costs of the education and professional development of the employees aimed at the efficient completion of their tasks. These funds have been planned for payment of participation in expert education courses and improvement of the level of the foreign language performance depending on the job requirements.

- **costs of the fixed assets maintenance** include the costs of the registration and maintenance of vehicles, fuel and electricity, service and repairs, service of regular maintenance of fixed assets and materials needed for regular maintenance of fixed assets. They have been planned on the basis of this year's indicators;

- **other business liabilities** include the expenses for advertising, subscriptions to professional publications and newspapers, payment of the annual financial report audit, obligatory under to Agency Statute, taxes and other non-material expenses;

- **funds for the housing needs of the employees** refer to the allocation of funds in the amount of around 10% of the gross monthly salary and fees of the employees. The Agency wishes

to allocate the funds, as an incentive for young and highly educated experts, which will prepare for the most complex regulatory activities, for the purpose of promoting this process;

- **depreciation costs** calculated for the fixed assets the Agency has received as the initial funding and fixed assets procured from the beginning of operation of the Agency;

- **other expenditures and reserve** covering approximately one half of the monthly funding of the most necessary activities of the Agency;

Table 2: **Planned 2006 expenditure**

	type of expenditure	monthly	annual	comment
I	Gross salaries			
	➤ Council members	€3,986	€47,832	
	➤ employees	€25,340	€304,080	
	<b>total</b>	<b>€29.326</b>	<b>€351.912</b>	
II	Other fees and remunerations			
	➤ costs of nourishment during work	€1,200	€14,400	
	➤ costs of transport of employees	€360	€4,320	
	➤ costs of holiday and winter bonus	*	€14,400	
	➤ other compensations / support	€1,000	€12,000	
	<b>total</b>	<b>€2,560</b>	<b>€45,120</b>	
II	Business trips and membership fees			
	➤ business trips in country	€600	€7,200	
	➤ business trips abroad	*	€60,000	
	➤ membership fees in int. organisations	*	€11,337	ITU, EPRA, AIB.
	<b>total</b>	<b>€600</b>	<b>€78,537</b>	
III	Material and services expenditures			
	➤ stationeries	€800	€9,600	
	➤ advertising material	€400	€4,800	
	➤ office supplies	€300	€3,600	
	➤ expense account	€500	€6,000	
	➤ staff insurance premiums	*	€864	
	➤ other non-productive services	€100	€1,200	
	➤ payment op. and Telecom commiss.	€2,500	€30,000	
	➤ other taxes and contributions	€800	€9,600	
	➤ telephone expenses	€1,000	€12,000	
	➤ postal services	€300	€3,600	
	➤ contracted services	*	€5,000	
	➤ education of staff	€800	€9,600	
	<b>total</b>	<b>€7,500</b>	<b>€95,864</b>	

V	Insurance of fixed assets			
	➤ insurance and registration of vehicles		€3,000	
	➤ service, repairs of vehicles	€500	€6,000	
	➤ fuel and lubricants	€400	€4,800	
	➤ regular maintenance of fixed assets	€300	€3,600	
	<b>total</b>	<b>€1,200</b>	<b>€17,400</b>	

VI	Other business liabilities			
	➤ newspaper advertising expenses	€400	€4,800	
	➤ tax expenses	€100	€1,200	
	➤ subscriptions for magazines, newspapers, agencies	€250	€3,000	
	➤ costs of final account audit	*	€4,095	
	➤ other non-material expenses	€400	€4,800	
	➤ security expenses	€500	€6,000	
	<b>total</b>	<b>€1,650</b>	<b>€23,895</b>	

VII	Housing needs of employees			
	➤ payment for fund	€2,534	30,408	
	<b>total</b>	<b>€2,534</b>	<b>€30,408</b>	

VIII	Fixed assets			
	➤ depreciation		€20,000	
	<b>total</b>		<b>€20,000</b>	

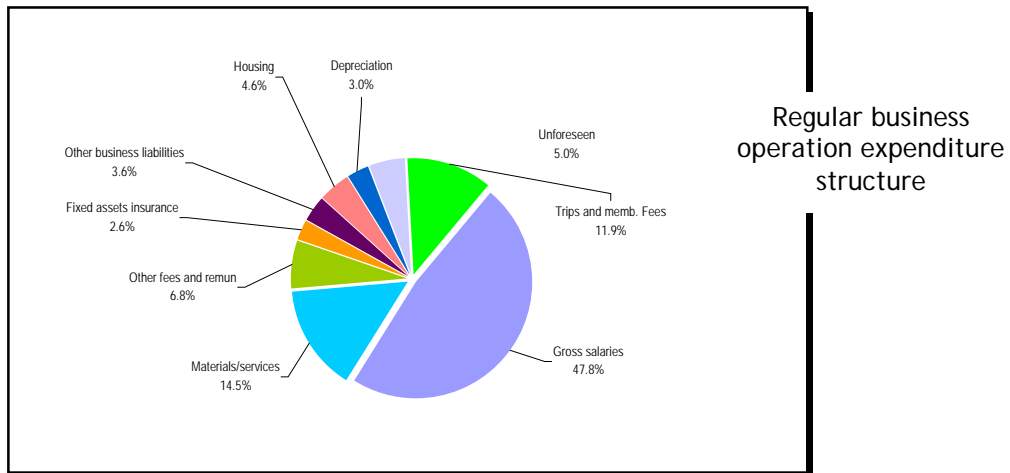
	<b>Total I – VIII</b>	<b>€45,370</b>	<b>€663,136</b>	
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IX	Reserve			
	➤ 5% of the total budget		€33,156	
	<b>total</b>		<b>€33,156</b>	

	<b>TOTAL EXPENDITURE</b>		<b>€696,292</b>	
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In the 2006 planned expenditure structure, the gross salaries have the biggest share (47.8%), followed by the material and services expenditures (14.5%), business trips and membership fees (11.9%), other fees and remunerations (6.8%), unforeseen expenses (5%), housing needs of employees (4.6%), maintenance of fixed assets (2.6%), depreciation (3.0%) and other business liabilities (3.6%);





### INVESTMENT PLAN

Having in mind the need to create contemporary and efficient conditions for the completion of the Agency's duties during 2006 the investment activities have been planned concerning the provision of equipment for the Monitoring Sector and Technical Sector. The fund for this purpose will be gradually provided from the accumulated surplus of income over the expenditure, reserve and through the support of donations of international organisation and institutions. Given that these are specific procurements, it is difficult to foresee the precise market conditions for the procurement of the aforementioned items.

As a support to the development and improvement of the process of planning and harmonisation of the broadcasting frequency allocation plans with the neighbouring administrations, the Agency has initiated, in 2005, the procurement of analogue and digital planning software. Having in mind that the payment of the second instalment, amounting to \$30,000 was planned for February 2006, is stipulated in the contract signed with French supplier ATDI, which was the best bidder considering the price/quality ratio (\$60,000), (first instalment paid after signing the contract)

Investment activities, within the Technical Sector, include the planned procurement of the following:

- spectrum analyser (30 GHz) to be used for measuring broadcasting signals and potential interferences;
- ANTIOS or ALDENA software for planning antenna systems for the purpose of getting better quality broadcasting signal coverage zones using the planning software tool (ATDI – ICS Telecom nG);
- GIS software to be used for graphical presentations and presentation of allocation plans, important for their effective presentation during the coordination meetings;

I	Technical Sector	price	comment
	➤ analogue and digital planning software	\$30,000	2 <sup>nd</sup> instalment
	➤ spectrum analyser (30 GHz)	\$13,000	
	➤ software for planning the antenna systems	€6,000	
	➤ GIS software	€3,000	

For the purposes of Monitoring Sector, the next year's procurement of software is planned, which will enable 24 hour monitoring and logging of the recorded broadcast media programmes in Montenegro. For that purpose, it is necessary to procure the hardware equipment to support the aforementioned software.

<b>II</b>	<b>Monitoring Sector</b>	<b>price</b>	<b>comment</b>
	➤ monitoring and logging hardware and software	€60,000.00	

## SUMMARY

When drafting the Agency's Financial Plan for 2006, it was estimated that the funding conditions would be strongly affected by the general economic situation. Objective possibilities were taken into consideration for such circumstances to achieve realistic income level sufficient to cover the planned expenditure. The Broadcasting Agency has planned the total income for 2006 in the amount of €729,569.37, and the total expenditure of €696,292.00, and the profit of €33,277.37.

	Balance positions	plan (€)
<b>1.</b>	<b>TOTAL INCOME</b>	<b>729,569.37</b>
<b>2.</b>	<b>TOTAL EXPENDITURE</b>	<b>696,292.00</b>
<b>3.</b>	<b>PROFIT (1-2)</b>	<b>33,277.37</b>

Planned income related to single fees, monthly fees and other income, enable covering the planned expenditure, which is the objective of the Agency's main activity related to the completion of the broadcasting sector regulatory function.

In order to fulfil the Financial Plan of the Agency and provide a stable functioning of the broadcasting system it is necessary to:

1. adopt all legal documents regulating the development of cable and other distribution systems and sign contracts with all local authorities related to this matter;
2. initiate the public tender procedure for granting the right to transmission of cable distribution system signals, completing the whole of Agency's activities and competencies in line with the law;
3. create conditions for consequent implementation of contract signed with the Telecom of Montenegro on payment of income coming from the broadcasting fee;
4. solve problem of outstanding liabilities of broadcasters using measures prescribed by law, in order to avoid their unequal treatment. It is necessary to create a mechanism or system of measures and actions for the broadcasters that do not meet their liabilities on regular basis, in the form of clear and precise regulations defining all steps from warnings to final possibility of revocation/suspension of the licence;
5. adhere to clearly defined administrative and accounting/financial procedures;

In order to ensure the implementation of Financial Plan, it is necessary to:

1. monitor the financial conditions of operation, from the aspect of liquidity maintenance;
2. analyse income and expenditure, as the success control instruments, on monthly basis;
3. have permanent internal control of the business operation cost effectiveness.

Abaz Beli Džafić

**D i r e c t o r**