PAYING THE PIPER:
The sustainability of the news industry and journalism in South Africa in a time of digital transformation and political uncertainty

Digital Journalism Research Project
School of Journalism and Media Studies
Rhodes University
South Africa

ACKNOWLEDGEMENTS

This report is an overview – and the first public presentation – of a wide range of research papers and reports that were commissioned during 2016 and 2017 as part of establishing Digital Journalism Research Project at Rhodes University's School of Journalism and Media Studies. This report draws on various academic papers currently being prepared for publication in various scholarly journals. Additional fact-checking and reference-checking is still taking place (as of May 2018), and some supplementary chapters and addendums are still in the process of being prepared for release later in 2018 and early in 2019.

This publication was supported by a grant from Open Society Foundation for South Africa (OSF-SA), managed via the OSF-SA's Information, Expression and Accountability Programme. Particular thanks are due to Alan Wallis who has managed the project from inception with patience and insight, and who helped sharp its research priorities.

Many researchers, academic colleagues, journalists and postgraduate students have worked on parts of this report. These include Heather Roberton, Levi Kabwato, Jessica van Onselen, Zahra Abba Omar, Sarah Evans, and Verashni Pillay and Sipho Hlongwane who created much of the original basis for the narrative history of media capture outlined in Section 6.

Thanks to Grace Idahosa and her team at Rhodes University for transcribing the interviews.

Special thanks to Steven Kromberg for helping coordinate the Masters student's research and for his own contributions to various chapters. Steven spent many hours helping think through the project, from ground upwards, and helped with the commissioning of the research and the involvement of Masters students.

Reg Rumney has contributed a great deal of original research for this report, particularly for sections 4 and 5, as well as editing, at various points, on all the sections.

Reg's rigorous assessment of South Arica's media landscape and substantial contribution to understanding the health of various media companies, the impact of attempts to divert state funding to pliant media. Since leaving Rhodes School of Journalism and Media Studies Reg has continued to provide perhaps the most insightful views on the state of South African media.

Denise Fouche spent many hours proof-reading and designing this report, at short notice, with great fortitude and good grace. Jaco Grobbelaar's inventive, speedy and visually striking graphics have lifted this report to a higher level of accessibility and readability.

Thanks to colleagues at both Rhodes School of Journalism and Media Studies and at Queensland University of Technology's Digital Media Research Centre (during my sabbatical in 2018) for allowing me the space and time to complete this research.

Professor Harry Dugmore
May 2018

CONTENTS

EXECUTIVE SUMMARY

This report explores the recent trajectory of South African news with a specific focus on the economic sustainability of news media. Digital news consumption on mobile phone, and especially via Social Media on Smart Phones (SMSP) is fracturing audiences and reducing traditional sources of revenue. Printed newspapers in particular are starting to close and will be closing, this report suggests, at an accelerated rate, and while the past two or three years have seen a revival in important national-level political reporting, local and community media is increasingly losing the struggle to survive. Dozens of community papers have closed in 2015-2017, some after many decades of publishing. *The Times* in Johannesburg closed in January 2018. Many others will follow.

In addition, as this report explores, much of the best current journalism produced in South Africa is currently financed by grants and donations from international foundations.

The disruption of the news industry by digital technology has, in South Africa, been exacerbated by political manipulation of news media, including, as this report explores, a multi-pronged attack on media coordinated by what the report describes as the *Zuma-centred power elite* (after the 2017 PARI report "How South Africa is being Stolen"). President Zuma, his family, and the Gupta family, together with many in a loose alliance of power and profit have worked hard to destabilise the South African Broadcasting Corporation (SABC) and interfered with news media on multiple fronts. Although partly interdicted and mostly uncovered, it will require an immense recapitalisation programme and many years for the SABC to recover financially, and in terms of capacity and reputation.

To provide ideological justification for the creation of a large-scale and corrupt network of rent-extraction and looting, this network established a 24-hour TV news channel *ANN7* and a daily newspaper, *The New Age*, with money improperly diverted from government departments, state owned enterprises (SOEs), and from the SABC. Operatives of this power elite have worked to undermine the independence of Independent Media.

As South Africans are now discovering, and as this report outlines, the Gupta's now seemly almost defunct media empire has also extracted hundreds of millions of rands from the largest media company in South Africa, Naspers, via their subsidiary MultiChoice. This collusion between behemoths of the apartheid past and the propaganda machinery of the new elite has facilitated the spread of misinformation and attempts to directly intimidate and harm journalists. To Naspers and MultiChoice's current credit, its own Media24 operation has reported vigorously on this collusion, and the organisation has announced that *ANN7* will, despite its desperate name change, be taken off air in August 2018.

The evidence presented in this report thus suggests that, despite all the efforts to divert funds by a Zuma-centred power elite, such leverage has not been particularly successful. Government advertising and marketing spend, at its zenith, has never accounted for more than 10% of total ad spend in the South African media economy, diluting, as outlined in Section 6, the impact of any attempt to favour only non-critical and captured media.

And, although many journalists are doing excellent reporting at many Independent Media newspapers, and even some at *ANN7* and *New Age* journalists are attempting to do ethical evidence-based journalism. Despite the exposure of Bell Pottinger's ideological 'coordination', more work needs to be done to complete the still partial liberation of the SABC from the corrupt cabal spearheaded by previous Communication Ministers and the disastrous ex-CEO Hlaudi Motsoeneng. Digital technology is opening opportunities for new and existing news organisations and the SABC needs to substantially improve its online operation in all languages and become a far more prominent player on social media.

There *is* hope for journalism in South Africa: new voices are making themselves heard and new types of revenue generation, some of which are explored in depth in this report, are showing much promise. There are moves to reduce the costs of connectivity and the impact of other factors that have created such a deep and wide digital divide in South Africa.

This does not mean that there is nearly enough diversity or density of news media in South Africa. This report suggests that while we are entering an era where some kinds of news media are becoming more representative, less urban, and more responsive to ordinary South Africans, local news media has mostly not yet fully grasped the disruptive power of digital technology in terms of how radically it impacts on supply and demand of information.

Thus, while South African news organisations are developing some new business models and income streams that might sustain independent news journalism into the future, this is not happening fast enough or across enough platforms to forestall a likely decline in media diversity, despite the affordances of mobile Internet. Because South Africa has not yet succeeded in reducing the cost of connectivity – among the highest in Africa – and because we have taken almost no meaningful action to dismantle the effective duopolies in mobile telephony, many South Africans have access to a slowly diminishing range of verified information and news.

The report concludes by making suggestions for ways to sustain news media in South Africa and for areas of further research. These suggest that it will not take much to revitalise the Media Diversity and Development Agency (MDDA) and help many significant urban spaces in South Africa to have better forums for public knowledge sharing, public participation and voice, with a focus on accessible language and evidence-based reporting.

It would also not take that much to bolster the SABC to return to its role as a genuine public broadcaster, nor much even to reverse the corporate coup that created the current command and control structures at Independent Media. The report shows that the general popular and academic critique of news media – of being too untransformed and concentrated, urban and elitist – remains valid and urgent, despite having been co-opted and distorted by the Zuma-centred power elite since 2007.

In South Africa, the news industry may well be at the most ironic tipping point of all: just as journalists are doing some of their most consequential and courageous exposure of state capture and the widespread looting of State resources, the industry's failure to address its own contractions, and come to terms with digital media (and in particular the phenomenon of Social Media on Smart Phones), is rendering the news media more vulnerable and potentially less able to serve the information needs of the broader society.

This needs to change, and this report hopes to be able to contribute in some way to this change.

"... Worldwide, journalism is in a deep structural crisis. I will even go so far as to say it is in death spiral. We are witnessing the collapse of journalism before our eyes at breath-taking speed. The problem is very simple to explain: It is a structural crisis, the commercial system is collapsing, it is failing, and it is not coming back."

(McChesney 2016)

SECTION 1:
INTRODUCTION

This report provides an overview of the economics of the news industry in South Africa in 2018, its changing audiences and its unstable finances, while also looking ahead at where the enterprise of news journalism is heading. This report is an overview of an expanded and more detailed set of academic papers that are currently in preparation.

A good deal of what we know about our world, and particularly our political world, we know because of journalism. But new technologies, smarter phones and faster internet connectivity – and large multinational social media platforms – are attracting audiences away from local content and rapidly reducing income for news organisations. Audiences are also increasingly involved in both curating media for sharing and in commenting, or in other ways augmenting, the media they share. As in many countries around the world, South Africans are finding new ways of *being* audiences, expressing new needs, and developing new 'news habits' that are radically reshaping the role of journalists and journalism.

These changes are speeding up because mobile phone access is now nearly universal in South Africa and, despite the exorbitant costs of connectivity, 50% of adult South Africans have at least some regular connectivity to the Internet via their mobile phones and about 40% of the population in total is now able to access the Internet with some regularity. Using social media on mobile phones is now also surging. By the end of 2018, about 17-million South Africans will be on Facebook, i.e. almost half the 40-million South Africans over the age of 13 (the threshold age for joining Facebook) and 8-million South Africans will be on Twitter.

Despite only few of these being high frequency and actively participating users – i.e. posting with some regularity – on these social platforms, a larger subset of the population checks their social media daily, even if they do not post, share, like or take some other action. Social media has become an important part of the media landscape for at least some of the population and journalists now have to share the work of news selection, aka gatekeeping, fact-checking and deliberation with a large number of motivated people on social media.

New forms of journalism, such as *The Conversation*, which help insert academic research into the public space, and other forms of 'citizen journalism' both small scale and more substantial, are transforming both the practice and the economics of the news industry.

Partly because of this rise of social media usage, and for other reasons explored in this report, the audiences and revenues of what is sometimes disparagingly called the 'mainstream media' are declining sharply. Newspaper and print magazine circulations, which have been dropping steadily since about 2007, are now plummeting in South Africa, mirroring the sharper recent drops globally. Many independent community newspapers have closed in just the last three years and all but a handful of these "people's papers" are struggling financially.

Even the once highly profitable commercial freesheets published by Caxton (Caxton still has about 120 newspaper titles in this market) and by other media houses are now being hit by what seems to be a sustained downturn in their revenues. Established TV and radio stations are struggling to retain their audiences and their revenue levels, and the few new entrants to these markets are finding it hard to make ends meet.

... Worldwide, journalism is in a deep structural crisis. I will even go so far as to say it is in death spiral. We are witnessing the collapse of journalism before our eyes at breath-taking speed. The problem is very simple to explain: It is a structural crisis, the commercial system is collapsing, it is failing, and it is not coming back.

(McChesney 2016)

As is happening globally, some of these lost audience numbers for legacy media are showing up on online news sites – about seven million people connect to top SA news site News24 for example, *every day* – or consuming news across social media, via comedy videos both from big networks and home-made amateur content creators. Not all these departing users are taking up news consumption in anything like the same way or with the same degrees of time devoted to journalism. Journalism consumption is itself declining, as the media mix grows more complex and varied.

Digital technology is thus creating opportunities for new forms of connectivity and new of ways of producing and consuming news via social media, but the upticks in digital news consumption are not making up for the sharp declines in income for legacy news operations. And some of the lost legacy audience is not showing up online. In many countries, the number of people just 'not that into news' seems to be increasing as time spent on social media overall increases each year, with only some of that time given over to news consumption.

In South Africa, the still-wide digital divide is closing more slowly than anticipated. It is true that almost half of the adult population are online in one way or another, and can access, even if only occasionally, some news and information online, and use social media regularly. Yet more than half of all South Africans still cannot go online with any regularity or at all. Many more have yet to get the opportunity to use the Internet with consistency and with confidence.

Because of high levels of unemployment and poverty, and high costs of mobile phone data that allows for online connectivity, many South Africans cannot afford to consume much paid-for media at all, and are forced to use social media sparingly. Internet users are usually much more urban, usually have higher levels of education and are mostly financially better off.

This digital inequality reinforces the more generalised high levels of inequality in South Africa, and in the political sphere, the schism between insiders and outsiders in the country's public discourse. The 35% of South Africans who still live in rural areas and 36.3% of South Africans who are unemployed (according to what is known as the 'expanded definition' of employment that includes discouraged work seekers, whether urban or rural) must generally rely much more on radio and TV for news, and particularly at a local level, on news-making and news-distributing operations are under great pressure.

The fastest erosion of revenues for media companies is taking place in urban areas, the economic base for the economics of news media, and this has a knock-on effect for the quality and quantity of news available across the news eco-system in South Africa.

All of this is affecting the nature of what journalism *is*, and what it *is for*. Journalism's role in society is constantly being challenged and is always evolving, but that is arguably happening now at a more rapid pace than at any time in history.

This report provides an overview of the economics of the news industry in South Africa in 2018, its changing audiences and its unstable finances, while also looking ahead at where the enterprise of news journalism is heading. This report is an overview of an expanded and more detailed set of academic papers that are currently in preparation.

This report also examines issues specific to South Africa's recent history that are influencing the status, credibility and role of journalism in society and through that, news media economics. This includes a brief overview of the post-apartheid evolution of government media policy and as an offshoot of that, how, more recently, a small cabal of interconnected and corrupt business people and politicians aligned to ex-President Jacob Zuma were able to 'capture' the SABC and other major media institutions. The report suggests that these large-scale media 'capture and control' efforts have reshaped the media landscape in South Africa in important ways and have impaired the economic foundations of journalism already undermined by digital disruption.

This longer-term damage has been done even as the exposure of the of forces within the ANC, winning journalism some rare praise from across the political spectrum. After years of withering critique of the local news media, even the South African Communist Party (SACP), in a statement celebrating the resignation of Jacob Zuma, praised the role of journalists:

"The SACP joins the great majority of South Africans ... in welcoming President Jacob Zuma's belated resignation ... the levels of parasitic looting of public resources that have occurred under President Zuma's watch, the firing of ministers who have stood in his way, the erosion of the hard won rule of law, the perversion of key state institutions notably in the criminal justice system, the manipulation of the

Photo: ANN7 Facebook page

Mzwanele Manyi – proud new owner of valuable New Age and ANN7 brands – which have now been renamed Afro Voice and Afro Worldview, respectively

Zuma/Gupta-led corruption has, in the short term at least, inadvertently boosted the credibility of journalism and, for much of 2016/17/18, also helped improve the size and revenues of some news outlets. The journalism-based exposure of the vast scale of the corruption by the Zuma/Gupta elite, and the revelations about its ambitious media and propaganda components, also contributed to the downfall of Jacob Zuma's presidency and shifts in the balance

public broadcaster, and the auctioning off of our national sovereignty in the pursuit of private accumulation have caused huge damage to our country... Today an important breakthrough has been achieved ... we take this occasion to salute the role that many others have played in this development - including the important role of many fine journalists...."

SACP welcomes President Zuma's belated resignation

http://www.sacp.org.za/docs/pr/2018/pr0215.html

This report develops and expands the concept of 'repurposing' and the creation of a 'shadow State' developed by the PARI project, a collaboration between academics from four universities (PARI 2017). This report suggests that 'State capture' is a limiting albeit popular idea, and that a more conceptually rigorous framework to understand the 'silent coup' that has taken place in South Africa is needed.

The PARI report theorised and empirically explored "a political project at work to repurpose state institutions to suit a constellation of rent-seeking networks that have been constructed and now span the symbiotic relationship between the constitutional and shadow State".

The PARI report describes how a " Zuma-centred power elite" has come into being and has "built and consolidated this symbiotic relationship between the constitutional state and the shadow state in order to execute the silent coup. At the nexus of this symbiosis are a handful of the same individuals and companies connected in one way or another to the Zuma-Gupta family's networks. The way that this is strategically coordinated constitutes the shadow state."

This study will use the term 'Zuma-Gupta elite' to describe the axis of operators within and outside of the ruling African National Congress whose primary objective has been (and may still be) 'rent extraction' for this family network or for other networks. These aims are primarily financial – siphoning off billions of rands to private and mostly externalise offshore bank accounts – achieved through political means, primarily the manipulation of of the African National Congress leadership and NEC voting process, and via the 'cadre deployment' process, exemplified by Jacob Zuma's election to the ANC Presidency in 2007, and his election to a second term as ANC president in 2012. Jacob Zuma's time as State President was from 9 May of 2009 to 14 Feb 2018, during which an estimated minimum of R100billion was stolen from South African coffers. The true figure could be much higher.

The Zuma/Gupta elite's multi-level strategy to capture and reconfigure the SABC, create an alternative news media empire via Oakbay media and their *New Age* and *ANN7* TV stations, and the initial collusion between Oakbay and the Sekunjalo Independent Media Consortium (the new owners of the largest English-speaking newspaper group, Independent Newspapers) are overviewed in this report to assess their impact on the economics of the news industry.

The economic mechanism for media capture in the private sphere has primarily been the diversion of State funding away from critical news media to controlled or captured media. This has been allied by a more obvious frontal attack on the SABC, imposing Zuma/Gupta loyalists on the SABC Board and in management, and looting the resources of the organisation.

Monies from multiple corrupt activities have also been used to pay for both covert and direct attacks on critical news journalism and, from about 2013 onwards, to create large-scale *dezinformatsiya* campaigns. This is similar to the Russian and USA-based 'Alt-right's' weaponisation of social media in the 2016 USA elections, and by proto-fascist forces of Rodrigo Duterte in the Philippines Presidential election of 2016. With the help of a global PR company the campaign included misinformation websites, setting up paid Twitter operatives, who were often affiliated to 'fake tanks,' i.e. manufactured organisations established by or funded by the Gupta-Zuma network and given credibility by repeated appearances on the then Gupta-owned TV channel *ANN7*.

Using automated 'repeater' bots on Twitter and other social media amplification methods, these newly minted experts from the fake tanks have provided steady distraction and distortion of key issues, which is what they have been designed to do.

The scale of these campaigns, some of which are ongoing in 2018, are yet to be fully exposed in South Africa. Some have faded, but many have yet to be stopped, even if they have been slowed. Both non-State and State actors outside South Africa may well have been involved in these campaigns. For example, some of the misinformation sites and Twitterbot operations have been traced to Gupta connections in India. Moreover, continued Gupta-linked funding and influence over a host of media, not least their Oakbay media assets, is evident despite the alleged sale of these assets in late 2017. The national broadcaster is best regarded as partly liberated, with a new Board and new commitment to independent and critical journalism but, already in 2018, some unwelcome signs have been seen of partisanship and deference to the new faction in the ruling party.

The Gupta-Zuma elite has also used other resources of the State, including the security apparatus, to exert pressure on critics in civil society and in the media. This has included numerous mysterious break-ins, vandalism, death threats, online harassment, and other forms of threats and intimidation, and some physical violence, some of which continues to this day.

Image: Wikimedia Commons CC BY-SA 4.0. Atul Gupta protest banner – Cape Town Zuma must fall.jpg

A protest placard of Atul Gupta carried by two protestors at the Zuma Must Fall protests in Cape Town.

How does this affect the business of journalism, journalism role perceptions, and the future provision of news?

This story of State and media capture,

AN AFFIRMATIVE STANCE ON JOURNALISM IN SOUTH AFRICA

Journalism – which for this report is understood as verified and timely *information*, fairly presented, transparently produced, easily checked, reflexively created and correctable – requires significant resources to excel. A key assumption of this report is that journalism is a valuable enterprise, vital not only to democracy and any prospect of deepening democracy in any society, but also to the empowerment of people, their own agency and overall wellbeing and dignity.

Access to journalistic forms of information, which is often expensive due to high costs of receiving devices or of printed newspapers or data, can facilitate or inhibit participation in democratic and economic life, and barriers to this participation are, this report argues, an important part of the explanation of persistent endemic poverty and high levels of disengagement with political processes in South Africa.

This study is thus based on the stance that South African journalism should strive to be ever more useful to the citizens of the country, and should far better reflect their voices, diversity of locations and powers, that is, it should both 'listen' and 'speak' better by understanding the locus of its own power. As media scholar Anthea Garmin has succinctly described it, the aim in South Africa needs to be a large-scale effort to 'shift the structure of our media from its commercial-racial apartheid configuration into a public-oriented industry that serves democracy and enables citizens to be agents of their own fate'. (Garmin, Wasserman, 2017).

The industry and society need to be prodded and cajoled into other important actions. Much cheaper access to media and lower costs of data connectivity including free wi-fi are vital for the public sphere to grow, and for greater sense of capacity and possibly even social cohesion to develop. Policies to encourage the production of more news media, in more languages, much more freely available would, this report asserts and assumes, enable more and better decision making on the ground in terms of community participation in local government structures, school governing bodies, community police forums, trade unions and civic organisations, and would allow more people to connect with learning opportunities and employment/enterprise creation.

In other words, this report takes an affirmative stance that asserts that more and better journalism is central and key to South Africa's recovery and future social cohesion and economic growth. Journalism is too important to fail, but failure in whatever forms that might take is, in 2018, just as plausible as journalism's longer term survival and success might be. Many parts of South Africa are already media deserts, with scant access to information about local politics, service provision, policing, education, and indeed civic news in general. This situation needs to be systematically understood, and reversed at a local, regional and national levels.

however inadequate these terms might be, is now becoming better known. This report tries to assess the impact of this capture and the subsequent interdiction of this capture and the partial liberation on the current and future fortunes of the SABC, and of the news media industry and journalism in South Africa more generally.

This report also draws on recent conceptual work to examine important theoretical distinctions between *mis-information*, *dis-information* and *mal-information*, and to understand what the rise of what is commonly but inadequately known as 'fake news' means for the future of news and media economics. It presents an analysis of the various key elements of the media manipulation and propaganda methods use by the Zuma/Gupta elite under the descriptive rubrics of *distortion, distraction, de-legitimation, demoralisation, direct action* and *de-funding*. It assesses, in some depth, the impact of the attempts to divert resources away from critical media over the past decade, and various attempts to defund and delegitimise any voices exposing their networks of patronage and corruption.

JOURNALISTS, JOURNALISM AND THE ECONOMICS OF THE NEWS INDUSTRY

An additional aim of this report is to equip journalists to participate more meaningfully in discussions about how to attract, retain and grow audiences, and how to monetise those audiences in radically new ways. The report covers current thinking, explores key concepts in media economics, and examines trends in local news media management in 2016, 2017 and the early part of 2018.

The report shows that some innovation is taking place at the margins in terms of revenue models, a shift towards the importance of philanthropically-funded journalism, and the rise of crowd-funded journalism. What emerges clearly is that everyone involved in journalism – managers, editors, journalists and journalism schools in particular – need to have a deeper understanding of how audiences are being constituted and re-constituted and what the consequences of these changes are for both the way journalism is done and the way journalism is able to attract revenues.

Journalism careers are already much more contingent and precarious than they were before, and they demand a far wider range of skills than in the past. Journalists globally, including in South Africa, are being required to work faster, complete more stories with fewer resources and in less time, than just five years ago. Journalists are also being asked to proactively understand the business of journalism, and to participate in their organisations' audience retention and economics, and even in revenue expansion options, some of which are outlined in this report.

As a recent major reconsideration of what journalism work is, entitled *Beyond journalism: Theorizing the transformation of journalism*, Mark Deuze and Tamara Witschge suggest entrepreneurial journalists are what industry and the world are expecting, and that consequently 'new ways of training journalists and new ways of being' are needed. They argue this emerging fluid approach envisages 'the future of journalism in the form of journalists who (alone or in collaboration) are able to monetise

'Post-industrial journalism assumes that the existing institutions are going to lose revenue and market share, and that if they hope to retain or even increase their relevance, they will have to take advantage of new working methods and processes afforded by digital media. This restructuring will mean rethinking every organizational aspect of news production – increased openness to partnerships; increased reliance on publicly available data; increased use of individuals, crowds and machines to produce raw material; even increased reliance on machines to produce some of the output. These kinds of changes will be wrenching, as they will affect both the daily routine and self-conception of everyone involved in creating and distributing news. But without them, the reduction in the money available for the production of journalism will mean that the future holds nothing but doing less with less. No solution to the present crisis will preserve the old models. (Bell et al. 2014)

content in innovative ways, connect to publics in interactive new formats, grasp opportunities, and respond to (and shape) its environment'. (Deuze & Witschge, 2017, p 11).

While creating quality journalism will always be the core role of journalists, journalists also need to be able to rapidly repackage materials for a wide variety of formats and more actively help their news organisations eke out a range of smaller but collectively valuable revenues that go beyond the traditional advertising-centric streams. This report explores various ways of thinking about these revenues and these roles, and accesses the experimentation already taking place in South African newsrooms.

In the age of social media, journalists also need to market themselves, as individual 'brands', and are expected to be active on social media as both individuals and as part of their employer's brands. This is a profound transformation. Indeed it has been argued, 'Individuals may be replacing institutions as the fundamental unit of the profession'. (Molyneux & Holton, 2015, p 226).

An important new book by Axel Bruns suggests how both journalists and their organisations are having to adapt quickly and that 'for the journalism industry the primary aim at present must simply be to develop a sustainable *modus operandi* that suits this chaotic, complex, and constantly evolving media landscape; once a dominant species, professional journalism now needs to find a habitable niche in the new media ecology.' (Bruns, 2018, p 14).

This report thus looks closely at possible *habitable niches* – and at the media economics of such niches, as well as at the key audience interaction and "journalism role" components of journalism in the future. A sense of chaos and complexity pervades much of South African journalism. For those in the profession or for those training those to join the profession, there are many media economics elements to these changes, such as a deep transformation in employer/ employee relationships, new forms of contracts, work routines and work spatial relations, and the slow erosion of institutional newsrooms.

As a large-scale USA-based survey of editors and employers of journalists, undertaken by Duke University's Reporter's lab found recently, 'Two-thirds of the news leaders said the journalists they work with need to better understand the business side of their organization … especially issues related to market, audience and product …"[1], a sentiment that many local editors and managers echo.

The local media landscape, and the complicated ecology of news in South Africa is shifting fast, and it is important that South Africans understand the forces shaping those changes so we do not end up with a much-diminished, captured, elite, out-of-touch and feeble journalism. This report hopes to help point some of the directions that can be explored to avoid the degrading of journalism and journalism work to levels where it can no longer make a difference to civil society and democracy.

This report thus tries to unpack and work through the current economic crisis of news media, which is also a crisis of audiences, of relevance, of professional operation and of journalistic ethos. It explores some of these issues:

- How best do we make sense of the current data to ascertain the real state of the industry and the state of the profession of journalism, now and in the future?
- How might we as society make communication technology cheaper, more accessible and more ubiquitous to make news, interactivity and the affordances of the digital era available to all South Africans?
- How might civil society and the government further disrupt and dismantle the networks which have sought to capture some of news media?
- Despite the positive changes since Cyril Ramaphosa became President of South Africa, how likely are we to have less access to quality journalism and of seeing a further erosion in the diversity of voice and plurality of perspective?

To attempt to answer these questions, this report draws on interviews with over 40 journalists, editors, media activists, media academics, politicians, media managers and owners. It also draws on research work done by Rhodes University JMS Masters students, who explored how various new types of digital revenues are being pursued by South African news media. The study also cites over 200 scholarly articles in the fields of media economics and political economy of media, journalism studies and media studies more broadly to create a comparative dimension within which to understand the context of South African news media and media economics.

[1] Stencel & Perry 2016


You Tube

SECTION 2:

KEY ISSUES IN MEDIA ECONOMICS

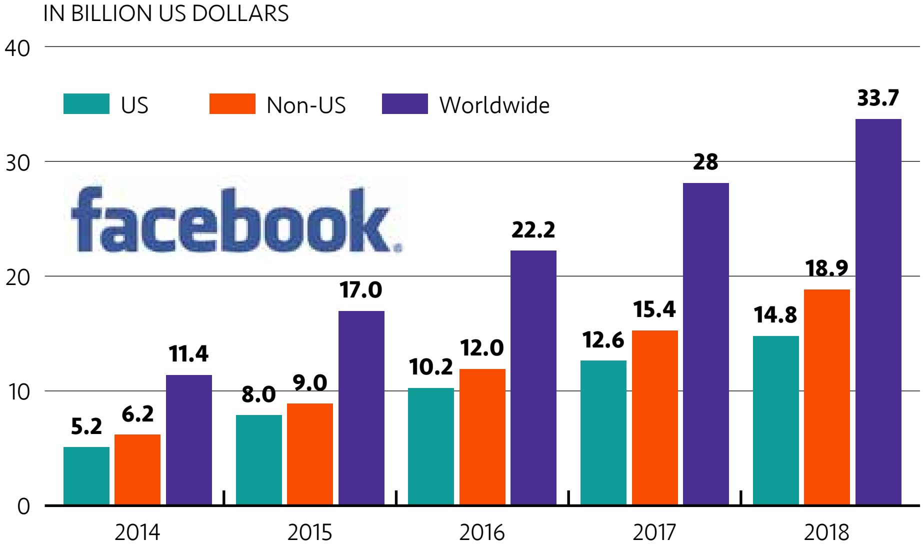
'.... the news business remains in financial free fall — particularly at the local and regional level. And this at a time of relative economic prosperity, which is all the more worrying ... I don't know a single journalist who got into the business to spend time learning about ad models, paywalls, funnels, and the like. But that's exactly what has to happen, and soon. After all, journalists are the reason people pay for news in the first place. We are the product. The problem is, we're still producing a 19th-century product and selling to a 21st-century audience, with predictable results. That has to change, and journalists need to be the ones driving that change.' (Pilhofer 2017)

Since the development of the Internet in the early 1990s, and particularly since the explosion of social media since about 2008 (so-called web 2.0), digital technology has disrupted the very foundations of media economics. The big question now is, as Robert Picard asserts "what institutional and organizational arrangements will emerge to support the necessary news gathering, curating, and analysis" and how this transition from the current news industry in South Africa will morph and change in ways that enhance democracy and empower people. In the previous era of 'industrial journalism'(Anderson et al. 2012) where mostly large companies (and, in broadcasting, state-sponsored national broadcasters) controlled all aspects of news creation, including the sale and delivery of news, large profits were possible, and private news companies achieved spectacular rates of return on investment. This was also the case in South Africa.

But in the current era of "post-industrial journalism", old revenue models that subsidise the creation and distribution of news journalism are failing. It is a time of experimentation and peril, and of opportunity and, of course, of great threat, particularly for so-called 'hard news' journalism, but also for 'leisure journalism' that includes sports, travel and arts writing among other topics. As leading journalism scholar Folker Hanusch has argued in an important article *Journalism roles and everyday life* '... conceptually and empirically such work has predominantly tended to focus on journalism's function in a democratic context, or at least its relationship with the political realm (Hanitzsch and Vos 2016). A strong focus has been on normative expectations of journalism's role in society, privileging certain kinds of journalism at the expense of others. Indeed, these other fields of journalism – such as service, lifestyle, entertainment or sports journalism – have 'become denigrated, relativized, and reduced in value alongside aspirations for something better'. (Hanusch & Hanitzsch, 2013)

Hanusch makes the important point that, 'increasingly, however, scholars are becoming more aware and accepting of the need to enquire into journalism's role beyond politics, not least due to important economic, cultural and social changes in many

FIGURE 2.1: FACEBOOK'S US AND NON-US ADVERTISING REVENUE FROM 2014 TO 2018



[Source: eMarketer]

Facebook's rapid rise in revenue has party been at the expense of the news industry in most countries.

Western democracies. Societal shifts towards individualization, de-traditionalization and value change particularly in prosperous economies have resulted in many people increasingly relying on the media to provide guidance and advice on how to live their lives.' (Hanusch, 2017)

While this report is mostly concerned with the future of 'hard news' and 'political' journalism, it is important to note and acknowledge that journalism is a broad field and that audiences no longer really distinguish between hard and soft news. Thus, while political journalism and the role of journalism in informing citizens so they can engage with the State and participate in government at all levels, including at schools, using public and private health services etc, is foregrounded, the report acknowledges that the news *industry* and *journalism* include sports writing, travel journalism, cultural reporting about theatre and reporting on fashion and food; and that these can be as empowering as hard news. The beats and areas of interest are also affected by the same economic forces as more overtly political journalism or "hard news" is.

It is also important to note that other areas of media production, such as the music industry, have also seen relatively slow but then sudden and rapid disruptions of their business models and sharp falls in overall profitability, much as the news industry is now experiencing globally and locally. Clay Shirky famously said in 2009, when just how profound the post-global economic crisis downturn in legacy media revenues was becoming apparent: 'Nothing will work. There is no general model to replace the one the net just broke'. (Shirky, 2009)

This appears to be true in South Africa in 2018: no general model seems to be working on a sustainable basis and news organisations big and small are scrambling to shore up old sources of income and find new revenue streams. Already, regional and local coverage about the activities and workings of the 257 municipalities and metros that make up South Africa's regional and local government appears have declined steeply in the past decade, and there appears to be little on the horizon to reverse this, as both print titles and community radio stations struggle to keep flows of local information and news going.

A key question is whether South Africa's 'middle-income' society with its high levels of poverty, inequality, and high costs of media access, will be able to afford the journalism we need over the next decade? If yet more news provision moves online and if we don't manage to close our wide digital divide with more speed, what will this mean for citizens' right to know?

To think about these issues and frame the discussion, it is useful to briefly explore some key issues and overview

WORLD MEDIA ECONOMICS & MANAGEMENT CONFERENCE 2018

1994:	Stockholm (Sweden)
1996:	Zurich (Switzerland)
1998:	London (UK)
2000:	Pamplona (Spain)
2002:	Lisbon (Portugal)
2004:	Turku (Finland)
2006:	Montreal (Canada)
2008:	Beijing (China)
2010:	Bogota (Colombia)
2012:	Thessaloniki (Greece)
2014:	Rio de Janeiro (Brazil)
2016:	New York (USA)
2018:	Cape Town (South Africa)

the field of media economics. This study draws on insights from both the more applied field of media management, and the more theoretical field of media economics.

'Currently, there are no other paid advertising opportunities that allow you to target messages to such specific demographics as 35-year-old women who live in Dallas and like the band Slipknot.' (Patel 2017)

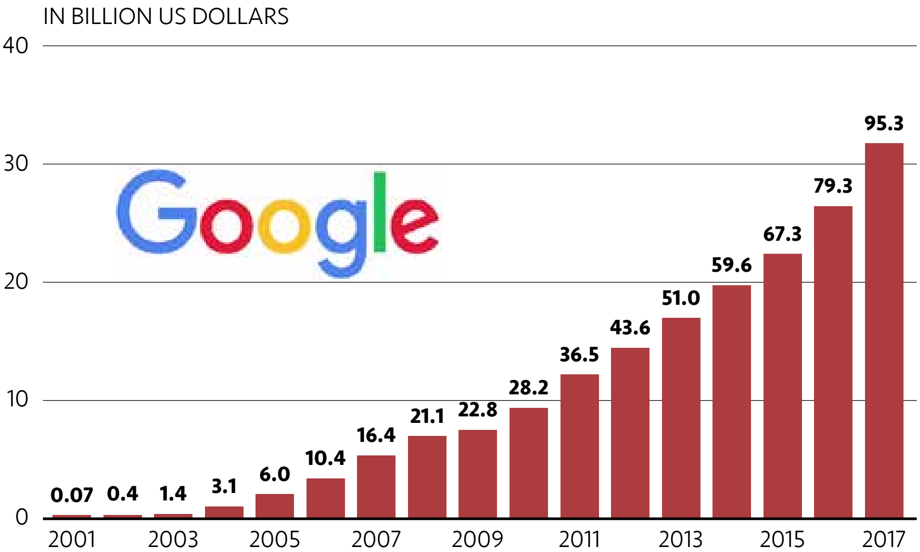
There has been significant recent work to refine ways of understanding media economics in the digital age, i.e. find appropriate theoretical lenses for understanding the peculiar dynamics of this sector.

Media Economics as a field started in the 1950s, and has matured rapidly in the past few decades (Albarran 2004). Recent years have seen the publication an ambitious two volume *Handbook of Media Economics* in 2015, and, in a sign of how the field is consolidating its leading journal, *The Journal of Media Economics* (JME), has just reached the milestone of 30 years of continuous publishing with growing impact. Several regular high profile conferences have been developed, including the biennial *World Media Economic and Management Conference*: 13 of these conferences have been held over the past 26 years. More recently Cunningham, Flew and Swift's 2015 book *Media Economics* has sought to synthetise and refine key insights from the political economy approach to news media (dominant in most journalism schools in South Africa and globally) with more "orthodox" approaches being developed in neo-classical economics to produce a more flexible, predictive and dynamic set of theoretical concepts. Cunningham et al have argued that it is important to 'broaden the scope of approaches that are considered as new developments in media industries and markets that are stretching the capacity of established neoclassical and critical political economy paradigms'. (Cunningham et al, 2015, p4)

In their book 'neo-classical economics' is critiqued by many for its obsession with what Cunningham et al describe as 'methodical individualism' and for basing the discipline on the notion of hypothetical 'static equilibrium states' of classical economics. Such approaches, they contend, also lack enough of an ethical critique, or thorough understanding, of the power dynamics within capitalist economies.

In contrast, Political Economy approaches focus more on *totality* of societal relationships and issues of power, usually from a position of strong moral and ethical critique of economics in existing capitalist societies. A range of such approaches have been developed and 'critical Political Economy' theoretical

FIGURE 2.2: ADVERTISING REVENUE OF GOOGLE FROM 2001 TO 2017



[Source: Google, Alphabet]

perspectives and have been, in academia, particularly outside the USA, a popular and useful way to analyse news media in the past. This is also true of South Africa. But this is often to the exclusion of engaging with neoclassical economics approaches and even with the more 'progressive' and insightful recent reformulation of neoclassical economic theory.

But digital disruption has accentuated the weaknesses in both theoretical frameworks, as academics, media executives and journalists have struggled to understand the scope, speed and disruptive power of digital technology and new platforms like Google and Facebook. For example, since about 2013/2014, marketing and advertising budgets are increasingly being shifted to digital. This is a profound and growing shift. The key issue is that in every country that this shift doesn't hold much benefits for local media, as Google and Facebook between them, have garnered at least 50% of all Internet advertising revenue worldwide (Ingram 2017) and the expectation is that they would "attract 84% of global spending on digital advertising, excluding China, in 2017, according to a forecast from GroupM, the WPP-owned media buying agency" (Garrahan 2016).

In other words, as advertisers are switching to digital channels, they are switching to advertising via Google and Facebook.

This somewhat unexpected development is wrecking the digital business models of news media large and small and has challenged media economic theory in a variety of ways. Media economics theory from both broad theoretical traditions did not adequately predict these trajectories, so this scale and depth of the Google/Facebook duopoly has been unexpected, and the still increasing levels at which it is attracting new digital revenues is surprising.

Media Economics theorisation also did not adequately predict, and has some difficulty accounting for, the rapid rise in levels of audience participation online, ranging from the scale of the free labour that ordinary people have been prepared to give to ventures like *Wikipedia*, or devote to social media, or how billions of people are prepared to share deeply intimate personal data with key social media platforms in exchange for the social affordances offered by these platforms. This exchange of personal data for capacity to be 'on' Facebook or use Google to search the Internet or watch YouTube (owned by Google), has allowed Facebook and Google to create aggregations of audiences and to sell essentially infinite combinations of audience specifications to advertisers.

As is now becoming widely known, such data can also be accessed by third parties and used to target people using Facebook in particular, but also other social media, to influence their social and political views, just as it is designed to influence their buying choices. The rise of millions of second-by-second automated online auctions to facilitate the optimal match between the price of specific slices of these aggregated audience and the market's valuation/preparedness to pay for a specific set of audience bundles is also something that we are still getting to grips with.

Why is there also a widespread sense – and indeed something of an academic consensus – that media policy has, despite pockets of success, mostly failed? Why has an initial flowering of more located community-centric media and greater plurality of views been seemingly curtailed?

While potentially near-perfectly matching supply and demand curves, programmatic advertising is asymmetrical in that it creates vast amounts of useful data, to which, however, media buyers and content providers have no access. They lose out on information both about their customers – and on a great deal of their revenues. Sellers of programmatic advertisers of any kind, including news sites, are in essence 'sub-leasing' their online real-estate to Google and Facebook and allowing Google and Facebook – and many others – to slice and dice their space and audiences into lucrative bundles.

These large companies use not only direct data about all its users but also information *inferred* by algorithms, generating deep 'psychographic' data and constantly updated profiles about users' tastes, desires, spending capacity, friendship and social networks, and even of their personality styles and types.

The level of specification available and granular detail is part of what is revolutionary about digital advertising. Via Google or Facebook auctions, it is possible to target narrow age brackets, say 30 to 34, of a specific gender, with a specified spending power, in a narrow geographic location, with a targeted campaign, and do so quickly and frequently. This is partly because, as one report caustically described it: 'Currently, there are no other paid advertising opportunities that allow you to target messages to such specific demographics as 35-year-old women who live in Dallas and like the band Slipknot.' (Patel 2017)

This ability to target narrow audience subsets has led to Google and Facebook booking extraordinary revenues for the past decade. For example, in the period 2014 to 2018, Facebook more than doubled its revenues from about US$11,5-billion to US$34-billion with non-US income increasing by three times to almost US$19billion. Google's income for 2017 was around US$96-billion. (Figure 2.2)

To put that in context, total South African government expenditure for the 2017/2018 fiscal year was aroundUS$130-billion. Another way of saying this is that the combined global advertising revenue – not profit – of Google and Facebook equalled South Africa's annual government budget. Some of this revenue is *new* marketing and advertising expenditure but in many places in the world, the overall quantum of advertising spend is being massively diverted *away* from local media and into Facebook and Google's programmatic advertising.

Such demographics can be further micro-refined further based on psychographic information that Facebook and Google hold on its all users: advertisers could for example, target ads just at either single or co-habiting women, with or without children, and then chose from dozens of further refining and filtering metrics. This precision of audience profiling has created a powerful profit engine for these large multinational companies.

Because of these gaps in the explanatory power of the theory, Cunningham et al argue for drawing on what they describe as, '... a plurality of approaches to media economics, including the mainstream neoclassical school and critical political economy, but also new insights derived from perspectives that are less well known outside of the economics discipline, such as new institutional economics and evolutionary economics.'(Cunningham et al. 2015)

FIGURE 2.3: DAILY NEWSPAPER OWNERSHIP – MARKET SHARE OF TOP COMPANY, 2016

COUNTRY	OWNER	PERCENTAGE
China	Government of China	100
New Zealand	Merged entity	89.3
Egypt	Government of Egypt	72
Australia	News Corporation and associated	57.5
Chile	El Mercurio SAP	54.9
Ireland	Independent News and Media	52
Turkey	Dogan Group	46.4
Switzerland	Tamedia	44.3
Portugal	Cofina	42.4
Sweden	Bonnier	41.3
Russia	Komsomolskaya Pravda	39.6
South Africa	**Naspers Group**	35
UK	Murdoch Group	32.5
Brazil	Globo Group	28.4

[Source: Submission by Dr Julienne Molineaux et al. to the NZ Commerce Commission, July 2016]

From evolutionary economics comes a different and arguably deeper understanding of how creative destruction is built into the core logic of the capitalist system, as an animating feature of the dynamics of industry. Other features of capitalism help explain the forces propelling greater concentration and the accumulation of economic power but evolutionary economics suggests that at every level of enterprise, the seeds of technological disruption, and disruption by lower cost enterprises or foreign firms, is latent and always a clear and present danger. The destruction of the Kodak company is a vivid example as the company moved from one of the largest in the world to bankruptcy in under 20 years. The closure of 9 000 blockbuster video stores in the USA in early 2010s is another stark example of how quickly "creative destruction" can be wrought.

In this light, we need to ask: are the closure of *The Times* in Johannesburg and of dozens of recently closed community newspapers in South Africa the harbingers of a deeper and more radical transformation of South Africa's local news industry?

Many concepts are important in media economics, but these are the most useful and key conceptions for understanding South African media and the sustainability of the news industry in 2018:

- **Concentration of ownership and influence:** understanding why media industries in general are so concentrated and are prone to becoming more concentrated and what effect this has on the influence of news organisations on societies;

- **Media Capture:** because controlling flows of news and being able to influence public opinion is important; state and non-state actors seek to influence or capture key part of the news infrastructure;
- **The nature and complexity of dual Markets:** the contradictions and complexities of the 'dual markets' that the media and particular the news media participate in, where business models depend on generating revenue from both paying audiences and from advertisers paying for access to those audiences;
- **Contingent and precarious work:** the unusual way the media industry historically organises its workforce and the increasing reliance on freelancers and short-term contracts, always common in the music and film industry but now increasingly also used in mainstream journalism (together with unpaid labour of citizen journalists, academics and interns) leading to the increasing casualisation and *uberisation* of the journalistic workforce globally.

These features of the media sector often prompt governments to introduce regulatory interventions to mitigate the effect of some of these areas where they become issues for society (Thompson 2016; Duncan 2015). For example, in many countries, the media industry and the news/journalism component of the media is heavily regulated to prevent over-concentration, trying to prevent, for example a single company owning most or all the newspapers in a city or much of the media in a province or state. The power to shape voting patterns and choices of government (exemplified by the Murdoch Media in the UK and Australia for example, and of Silvio Berlusconi's ownership of TV and radio stations in Italy) has led to a generalised concern in most democracies and nascent democracies that the media has 'too much power' and to find ways to stop that power being used malevolently.

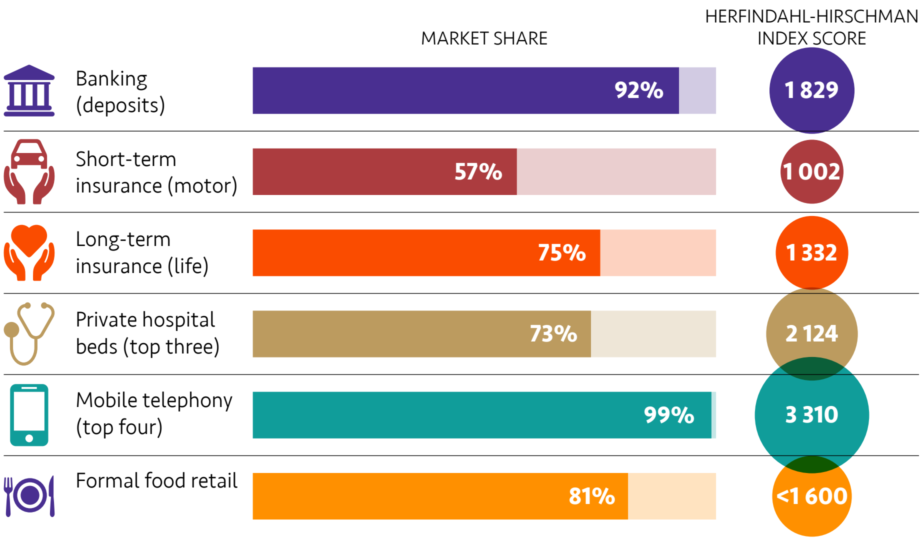
Beyond shaping political perspectives and voting preferences, the media also shapes social attitudes and national cultures more broadly and contributes to how people 'imagine' their nation states and communities; this has an impact on sense of social cohesion.

Despite government intervention, still high levels of concentration of media ownership globally are evident, including a strong tendency for regional monopolies to develop, partly because of the capital-intensive nature of media production in the past and first mover advantage in the digital age.

Statistics South Africa data show concentration levels in manufacturing has intensified: in 80 sub-sectors, the proportion in which the biggest five firms held over 70% of market share increased from 16 in 2008 to 22 in 2014.' (Roberts 2018)

As is outlined below, both the evolutionary economics and the new institutionalism theories that they explicate, and the approaches developed in the past two decades, and the application of these theories as suggested by Cunningham et al, arguably have more explanatory power and can help us think more clearly about how news production and consumption are changing more. These theories also allow us to hypothesise more accurately about what might happen in the future, and what social interventions might better shape those interventions for the public good.

FIGURE 2.4: MARKET SHARE OF TOP FIVE COMPANIES



[Source: Investec]

It is not just the media that is concentrated in South Africa – across many sectors only 4 or 5 companies have high proportions of market share.

This is particularly germane in South Africa. The South African media landscape has been shaped by the peculiarities of media economics, i.e. concentration, precarious networks of contracted workers, and shifts in the function of media's dual market model due to digital disruption. This helps us think about why, despite intense policy interventions that promised diversification of news media and voice, some of the most prominent features of the South African media landscape – such as the domination of the 'big four' in the commercial newspaper industry, or the actual monopoly of pay-TV – have persisted.

HIGH LEVELS OF CONCENTRATION AND VERTICAL INTEGRATION IN SOUTH AFRICA

Explanations for high levels of concentration locally and in many global markets hone in on the need, in traditional media at least, for both economies of scale and so-called economies of scope (the ability to produce one piece of content and repurpose it across many platforms). Media companies often desire the benefits of both scale and scope and invest heavily in 'vertical integration' – as is the case with much of South Africa's print media, where newspaper groups also own their own distribution and broadcasting/webcasting arms, and have traditionally owned printing presses. (Department of Communications, 2017, p3)

Additional barriers to entry can include horizontal integration with radio and TV and other anti-competitive strategies, including predatory pricing and collusion of various kinds.

As is explored in Section 3, in the private sector, it is well known that four companies – Media24, Tiso Blackstar (previously Times Media), Independent Newspapers and Caxton – have dominated the provision of news in print in South Africa, a situation that was similar in the 1970s and 1980s at the height of apartheid, and even in the 1990s, when the precursors to these companies dominated the market in all languages (although they mostly publish or broadcast news in English and Afrikaans).

This has caused specific concentration of ownership in the newspaper market which, when combined with other media assets, means that the 'big four' continue to wield considerable influence. Even as of 2016, South Africa ranks in the top 15 of countries globally for media ownership concentration in terms of countries where one company owned more than 25% of daily newspapers when measured by market share.

A key point is that in most markets globally, media concentration is mostly increasing as mergers and other forms of consolidation take place.

In South Africa, this global trend towards an increase in concentration has not been playing out locally. Partly because of previously high levels of concentration, media ownership has, since 1994, diversified considerably and the main concentration has always been in print, which, despite its widely acknowledged agenda-setting role, is the least consumed of all news media in South Africa (and indeed, for most of the world, broadcast news and now the Internet is what most people use to access news).

MultiChoice increased its annual payment to ANN7 from R50m to R141m. The payments came after the family seemingly assisted former communications minister Faith Muthambi in getting President Jacob Zuma to transfer certain broadcasting powers to her, something MultiChoice was lobbying the minister for.

Research done by The Media Policy and Democracy Project (MPDP) based at suggest that by one key measure of economic concentration, the Hirschman-Herfindahl Index (HHI) suggests that South African media is about 67% level of concentration which is described as a 'moderate' concentration (100% would be a total single monopoly and 0% would be multiple companies). But when the Noam index, a slightly more nuanced measure, is applied, South Africa media is, in Jane Duncan's words 'moderately concentrated when considering individual titles, but highly concentrated when considering holding companies'. (Potgieter and Angelopulo 2014 cited in (Duncan 2014), Angelopulo & Potgieter 2013).

This relates to market concentration in the economy more broadly. Market concentration more generally is a particular characteristic of South African economic history. While there is a strong push to consolidation in many economies, the apartheid economy became particularly concentrated, insular and internally focussed. There are many legacies of this today.

As Simon Roberts has argued: 'High levels of market concentration coupled with barriers to entry are a big part of the problem. South Africa needs to allow for economic rivalry. Its known that rivals bring new products and business models, and spur incumbents to invest in improving their own offerings.

'A recent study of merger reports by the Competition Commission found that there was unilateral dominance – where a single firm has a market share in excess of 45% – in a large number of markets. This included communication technologies, energy, financial services, food and agro-processing, infrastructure and construction, industrial input products mining, pharmaceuticals and transport.

'These sectors cover most of the economy. They are central to economic growth and to consumers' pockets. And the situation seems to be getting worse. Statistics South Africa data show concentration levels in manufacturing has intensified: in 80 sub-sectors, the proportion in which the biggest five firms held over 70% of market share increased from 16 in 2008 to 22 in 2014.' (Roberts 2018)

This chart (Figure 2.4) illustrates how concentrated the South African economy is in general, in terms of how much of the market the top five companies in each sector share between them:

Given this concentration, the level of concentration in Print and TV subscription broadcast (which is essentially a monopoly) is not surprising. But at least in media and communication, since the late 1990s, concentration of media ownership has become less centralised, and many new players, particularly in radio, have got into the business of providing news. As Reg Rumney (who also contributed to this research) argues, despite the size of Naspers, and the high levels of ownership concentration in print (newspapers essentially belong to one of the 'big four'), it is hard to discern the particular political influence, other than a generalised support for, and bias towards, private business:

'In general, no single group or individual in modern South African companies in the global environment has a big enough stake to exercise control. In the 1980s, conglomeration was the order of the day and ultimate ownership of many listed JSE companies could be traced to a few groups, such as Anglo American, Old Mutual or Sanlam. Now, investment funds tend to own small percentages and ownership changes constantly. In these circumstances, it is harder to interpret, apart from a general support of the private sector, what specific political line the diverse shareholders might want a newspaper or news station to follow.'

Rumney 2015

Many younger users are spending more than 4 hours a day on social media of various kinds

But, as Cunningham *et al* suggest, media economists look at concentration to see how it affects firms' market conduct and firm behaviour. Concentration results, they suggest, in a lack of product differentiation (explaining why so many South African newspapers and other news media offerings look so similar). These big companies do compete but with so much concentration they also have a lot of incentives to collude and they do, as is explored in different sections of the report. Recent court cases have suggested cartel-like behaviour, so common across the board in South Africa, is also rife in the news industry. Big companies also have an incentive to keep barriers to entry high.

DOES PRINT MEDIA CONCENTRATION MATTER?

It could be argued that the historical level of concentration of print media ownership in South Africa is not particularly harmful to media consumers. At present four groups, big in perceived influence but not in revenue-generation, do in one way or another dominate the print media landscape.

But does it matter? As Rumney has argued:

'Would greater competition through more diverse media ownership mean more actual diversity? More competition does not necessarily translate into diversity, but may even mean more homogeneity as almost all compete for the wealthier sector of the market. In any case, we have to guard against being too media-centric. In an economy where racial patterns of ownership overall have changed, but not changed radically, it is unrealistic to expect media, a sector now roiled by technological disruption, to present ideal patterns of ownership.'

Rumney 2015

When discussing media ownership we ought to be aware of our own normative assumptions, and this includes critics of media concentration, who "tend to formulate normative and often un-evidenced dispositions against commercial media. These include charges about motives and behavior of firms which often ignore issues of economics and business dynamics". (Harcourt & Picard, 2009, p3)

Moreover, as Harcourt and Picard point out, the number of big media groups must be seen in the context of the strategic, financial and economic forces that drive consolidation and the size of the economy (Harcourt & Picard 2009). Given poverty levels that preclude participation in paid media, perhaps four big print media groups, and several radio-focused groups, may be all that the country can afford.

By contrast with print, effective media monopolies or duopolies are evident in heavily regulated broadcast media and telecommunications. Broadcaster e-TV and State-owned SABC share the free-to-air commercial broadcasting market between them. Naspers' subsidiary Multichoice has a near monopoly on pay TV. In the mobile phone market in South Africa, the two biggest mobile service providers, Vodacom and MTN, have the ability between them to distort prices, which has undoubtedly limited the access of South Africans to data, especially mobile data, and therefore to going online (Gobodo 2017).

Dr Julie Reid has succinctly captured why concentration in the ownership of print media in South Africa is not as important as many have argued:

'If we focus on the print media only, we risk ignoring the acute problems with media content diversity in all the other media sectors, and there are many … It entirely ignores how media is actually consumed in today's converged world … It ignores the normative ideal of why media content diversity is important in the first place … Other media sectors, such as broadcasting, have far higher levels of market concentration than the print media sector, and far lower levels of content diversity. Broadcasting also has far larger audience numbers than the print sector. If we want to solve the most immediate crisis of media content diversity in South Africa, then that crisis does not stem from the print sector – it stems from broadcasting. If we focus all of our scrutiny on the print media sector only, we expend a great deal of energy on the sector with the lowest audience numbers. And, as research has shown us, relative to the other media sectors in South Africa, the print sector actually has the lowest degree of market concentration of ownership, and the highest degree of plurality.'

Reid 2016

Also, without regulation, concentration of ownership may be diluted quite rapidly by market forces. For example, South African banking is also highly concentrated, but despite a long-standing oligopoly of the big four banks for example, and high barriers to entry, several new banks have begun operating in South Africa over the past 20 years and one, Capitec, has done particularly well in challenging banking's big four dominance. Cartels and collusion are arguably a much greater force and danger than concentration.

In addition to evolutionary economics, new institutionalism theory helps frame and understand some of the unusual dynamics of South Africa's media industry. This theory suggests that large organisations, public and private, that is, *institutions* have durability, flexibility and exist, in a sense, 'on their own' regardless of individual interventions or the people who come and go in their structures. New institutionalism suggest that this takes place not so much because of formal organisational structures but also about the rules, habits, and deeply ingrained customs and conventions. Institutions shape the behaviour of individuals and they interact with other institutions in particular ways (Cunningham et al. 2015).

That may go some way to explaining the context of some of the most concerning issues in the news industry in 2017 and moving into 2018: the apparent collusion between South African-based multinational Naspers, by far the biggest, and oldest media house, with Oakbay Media, the newcomer media operation of the Gupta/Zuma family which owned TV channel *ANN7* and *The New Age* newspaper. In exchange for airing *ANN7*, Naspers appears to have sought a change to government policy on encrypted set-top boxes as part of the transition to fully digital TV transmission. The changes sought will help protect Naspers' lucrative DStv service from competitor, E-Media Investments. (News24 2017).

Commentators have been amazed at how Naspers and Oakbay Media worked together and how impervious Naspers initially was to the fierce criticism they attracted not only by hosting *ANN7* and paying Oakbay for running *ANN7*

'Journalism takes place in increasingly networked settings, in formal as well as informal contexts, involving a wide range of actors and actants in various instances of both paid and free labor (Fast et al., 2016), covering news in real-time across multiplying platforms, often in competition or collaboration with publics (Witschge, 2012b). Such an "ambient" (Hermida, 2010) and "liquid" (Deuze, 2008) conception of journalism requires a toolkit that looks at the field as a moving object and as a dynamic set of practices and expectations – a profession in a permanent process of becoming.'
Alex Bruns, 2018

(something they initially denied ever doing) but for renewing the contract seemingly in exchange for influencing government policy.

News24, *owned* by Naspers, reported in early 2018: "MultiChoice, the pay-TV company that owns DStv and M-Net, made a questionable payment of R25m to the Guptas' controversial *ANN7* channel, the #GuptaLeaks show. In addition, MultiChoice increased its annual payment to *ANN7* from R50m to R141m. The payments came after the family seemingly assisted former communications minister Faith Muthambi in getting President Jacob Zuma to transfer certain broadcasting powers to her, something MultiChoice was lobbying the minister for. Following the transfer of powers, Muthambi controversially pushed through a decision in favour of unencrypted set-top boxes, which benefitted MultiChoice. Muthambi's decision flouted her own party's policy on the issue. The ANC supported encryption – required for pay-TV – to promote competition in the sector." https://www.news24.com/SouthAfrica/News/guptaleaks-how-multichoice-paid-the-guptas-millions-20171124. See also https://www.iol.co.za/business-report/companies/timeline-how-things-fell-apart-at-ann7-13048323

This kind of behaviour has led various ANC policy papers and other political parties, to urge the breakup of Naspers. The SACP for example argued:

'The position and status of Naspers in particular, with unrivalled cross-media reach and dominance, demands urgent attention. South African media cannot prosper while a single entity has such a stranglehold on its future. Nor can its content production sector, its electronic and traditional media distribution networks – all essential components of a democracy-supporting media environment. Breaking up the Naspers monopoly is vital – and may require drastic solutions. These could include outright nationalisation, or a comprehensive breakup, as was imposed on the Bell monopoly in the US.'

Anon., SACP 2015

Media Economics theory helps understand how institutional forms survive, adapt and preserve. The Caxton local media hyper concentration – Caxton publishes more than 120 newspapers across South Africa – together with regional concentration for Tiso Blackstar, are also institutional legacies that have endured and in some cases become more entrenched in the third decade of democracy.

This is not unique to South Africa, and legislative attempts to shape media environments via laws and regulations, i.e. to create media policy, are notoriously unsuccessful. Robert Picard has argued in an evocatively titled article *The Sisyphean Pursuit of Media Pluralism: European Efforts to Establish Policy and Measurable Evidence* that 'Media pluralism has been continually debated among European policymakers for the past four decades, but the activity has failed to produce consensus, clear policy, and significant implementing legislation, laws, and rules.' (Picard 2017).

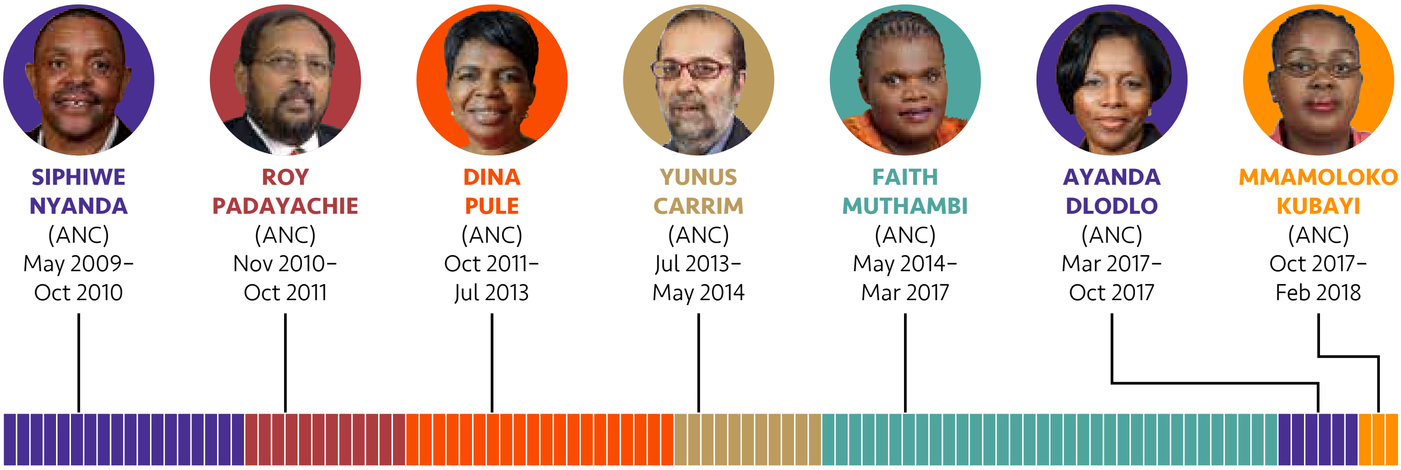
Locally, Julie Reid has reasoned:
'... so many sub-Saharan African countries, governments have instituted media policies and interventions under the guise of promoting diversity and thereby fostering democracy, when the real outcome of these actions is to close down media spaces and opportunities to express alternative voice. This type of thing is not about media diversity at all. True media diversity is about promoting all voices, even those which are critical of the status quo and the centres of both corporate and political power. Sadly, what too many governments do is create environments in which the only voices permitted are those which speak to the interests of the centres of power – that has nothing to do with diversity and nothing to do with democracy.'

MEDIA CAPTURE AND INSTITUTIONAL PATH DEPENDENCY

A key theme and analytical approach of this report is the notion of 'media capture' as a set of theoretical constructs. Developed in the 1980s, and updated and deepened via a powerful collection of essays *In the Service of Power: Media Capture and the Threat to Democracy*' produced by the USA-based Centre for International Media Assistance (CIMA), at the National Endowment for Democracy, the idea of 'capture' is useful as a way to frame ways of understanding media systems in emerging democracies in particular, and the evolution of media policy, which is often reactive to attempts to capture parts of the media. In South Africa, this resonates with other analytical work around the concepts of direct and indirect state capture and concepts of "neo-patrimonialism", and of the nature of State power including how various interest groups try at least to influence but often also to manipulate and even control key areas of the State.

State capture is undoubtedly the most significant feature of the South African media landscape in the past decade, as with the broader political economy. Via an extra-ordinary confluence of business and political operations, a

FIGURE 2.5: SA MINISTERS OF COMMUNICATION UNDER JACOB ZUMA



[Source: MyBroadband]

The revolving doors of the Communication Ministry have inhibited the development of coherent communication policies and facilitated media capture.

small grouping of people based around the Gupta and Zuma families, set out to simultaneously capture – literally directly control via or outside of government processes – key ministries of State, State Owned Enterprises and key conduits of government procurement. At the same time they took control of other major news outlets and the national broadcaster, through which most South Africans get their news.

As this report covers, this overt **State** capture – a unabashed form of 'neo-patrimonialism'(Swilling 2017) – combined in real time with a relatively successful attempt to capture the Independent Group, which still owns a majority of the English-speaking print-based newspapers, as well as the capture of **all** the main ethnic language radio and TV stations of the SABC, augmented by the creation a new 24-news pro-capture channel and the establishment of new daily pro-capture newspaper, along with an organised and clandestine social media campaign.

That this took place *entirely* with appropriated funds laundered through corrupt activities, is unique to South Africa, but the overall experience is similar to what has happened in Turkey, Brazil, Tunisia, Italy and many other countries over the past decade. Media capture and State capture are often two closely interwoven parallel processes and this has been the case in South Africa. As many commentators have noted that in almost every *coup d'état*, as happened in Zimbabwe in 2017, the national broadcaster and key newspapers are often seized *first*, even before State offices or presidential palaces.

The lens of 'capture' is particularly useful for understanding South African media systems comparatively and on their own terms, and for understanding how and why unequal societies – in terms of income and wealth inequality – are theorised to create conditions where media capture is more likely to occur compared to more egalitarian societies. As South Africa is the most unequal country on Earth in terms of wealth distribution and in terms of income differentials as captured by the Gini coefficient, using these theories and allowing theories of state capture (neo-patrimonialism) to 'talk to' theories of media capture (which is partly a story of weak regulators or captured regulators) produces deeper insights and greater ability to predict or speculate about the future trajectories of journalism and of the news industry in South Africa.

REGULATORY CAPTURE AS A COMPONENT OF MEDIA CAPTURE

As this report argues, a bulwark against capture is regulatory bodies with power and resources. We need far more powerful regulation in the public interest in South Africa to ensure, for example, an SABC Board independent of government and commercial interests. This would also guarantee an MDDA not factionally captured or corrupt, and properly resourced, and effective regulation of the Telecoms space, where Telkom, Vodacom and MTN have been able to evade and avoid pressure to extend services and radically reduce prices. Naspers' collusion with Oakbay Media has also shown the weakness of our regulatory systems.

The capture of the Public Protector's

office by Busisiwe Mkhwebane is a national tragedy which has profound implications even for media and journalism. Not shy about her allegiances, on her first day in office she ordered all the Public Protector's offices to tune into *ANN7*, the station co-owned by the Gupta and Zuma families, despite some of the main work of her office being investigating the Gupta-Zuma power elite. Her subsequent actions have shown her to be wholly biased and ineffective, resulting in scathing High Court judgments against her, including orders of personal costs.

If even the Public Protector's office can be captured, how better can society guard against the capture of institutions such as ICASA, the MDDA and the SABC?

The Gupta/Zuma elite were determined to control the narrative and to find the right level of compliance in Ministers of Communication to effect their overall strategy of crippling independent media and providing a cover for activities that would see billions stolen from SOEs and the SABC. But this proved difficult to do, and at the highest level of policy making and governance, President Zuma cycled through seven Ministers of Communication in just 10 years. Few stayed in the position for more than a year, with the exception of Faith Muthambi, a Minister known for her close ties and obsequiousness to the Gupta/Zuma elite.

DUAL MARKETS IN A TIME OF INFINITE CONTENT AND SHIFTING BUT FINITE ATTENTION

Part of the complexity of understanding how media economics works is that most media operate in dual markets – selling their product to individuals while also participating in the advertising market, which sells access to their audience to a wide variety of buyers. While there is still a great deal of income to be derived from advertising, a critical change in global news media markets is the shift away from heavy reliance on advertising revenue towards greater revenue from audience via digital subscriptions, membership fees and donations.

As has taken place everywhere else in the world, new technology, particularly smart phones and social media on smart phones, has radically disrupted every aspect of how journalism is made, how audiences consume and share it, how it earns income, and how it interacts and fits in with other media.

At the heart of this disruption is the explosion in *content supply* – which has become essentially infinite – while audience's attention-based *demand*, or the amount of time we have for the consuming of media – has not changed in absolute terms even as people are spending more of their leisure time on social media and online. A decade ago, social media user time spent per week was measured in *minutes*. Now, globally, those connected to the Internet are spending an average of about *10 hours* a week on average just on Facebook (Global Digital Report, 2018). Many younger users are spending more than *four hours a day* on social media of various kinds, patterns which appear to hold true of South Africans who can afford the data required for those kinds of connections or have some form of institutional access. (Global Digital Report, 2018)

This social media consumption equals time not spent on traditional broadcast media or on reading newspapers or even getting news via digital news platforms. People still often share and consume news of course, but they also spend a great

WAYS FORWARD

For the media globally, there is ongoing need to develop new forms of journalism, new ways of telling stories, and new ways to reach audiences who now have virtually unlimited access to information, provided they have sufficient financial resources. In the digital age, audiences still must be 'gathered' – attracted, cajoled, enticed, and then maintained and expanded. Most income still derives directly from audiences, either via advertising or directly from users, or as a service paid for by others who believe people have that service through donor funders and other forms of philanthropy.
A stark choice faces major media groups in South Africa: find, keep, follow or create new audiences and find new revenue streams related to those audiences – or face closure. As this section sets out to demonstrate, the peculiarities of disruptive convergence in the media, the news media's own histories and contradictions, and political attempts to capture independent media, have created a unique set of pressures on the news media industry, compounded by a range of macro-economic factors outside industry control, compounded by a fluid political context, including growing threats to media's freedom to publish.

deal more time doing other things on their phones – including socialising, playing games, watching Youtube, i.e. consuming mostly 'non-news' content.

From the beginning of the Internet, audiences have moved away from larger aggregations of news – newspapers, news bulletins, newspaper websites, just as they are moving away from bundles in other forms of entertainment media. This 'de-bundling' is especially pronounced in print newspapers just about everywhere in the world except perhaps in India and in a handful of countries in Asia where, uniquely, newspapers – the ultimate 'bundles' of news – are seeing their circulations growing.

While big bundles are still sold with some success – online newspaper subscriptions are rising in many countries, such as Norway (Barrett 2017) – the elemental unit in each media, e.g. a single story in news or a single track in music, is becoming increasingly important as a stand-alone economic unit.

Determining the nature of the news media product is a long-standing and key theoretical issue in media economics. For many people in most countries, finding pieces of news via social media and search engines, unconnected to a news brand, is now a daily occurrence. This trend is growing rapidly and breaking down our ideas about brands and brand theory and challenging notions of aggregated added value, and of brand trust and loyalty that can be monetised. People find news 'on the go' in smaller and smaller snippets.

Advertisers are quickly following audiences away from aggregated brands, forcing print, radio and TV news bulletins into creating short, snappier, more modular, lightly linked units, as more news than ever is available in elemental and discrete units.

This is also happening in other media industries with many people figuratively 'cutting the cord' and watching shorter and shorter snippets of news, entertainment, episodes of shows etc, oblivious to the channel of origin. Disaggregation untethers users from schedules of any kind: users can consume what they want, when they want, on mobile or fixed devices. In a world where content supply has exploded, this convenience and heightened sense of choice and control is proving irresistible, globally, with TV 'bundle' subscriptions also falling fast in the US, for example, (Spangler & Spangler 2018), though live TV remains the most popular way of watching TV (Alcorn et al. 2016)

Even in South Africa, where the Digital Satellite TV pay-tv service of Naspers subsidiary Multichoice continues to dominate, high-end full-service subscriptions are falling as viewers become familiar with the range of choices of elemental discrete bits of programming: a tiny piece of a news bulletin, or a single segment from Trevor Noah's daily show, rather than the whole episode. It is not that DStv subscriber numbers are falling, but that any growth has been at the lower end of their subscriber base, at the expense of the top end of the satellite TV market (McLeod 2017). Naspers CEO Bob van Dijk himself has predicted the disappearance of what he calls 'linear TV' in five years (Hedley 2018).

Part of this, is a shift not just to greater control over where, when and what to watch, but also a shift to consuming media in smaller and smaller chunks, and in hunting and pecking at great speed, instead of watching or listening to a long bulletin or publication full of news.

News magazines programmes on Radio and TV and print magazines are battling globally and in South Africa many have seen their circulations plummet over the past decade.

This unbundling is linked to various forms of 'de-institutionalisation'. These new modalities of news consumption and news creation – and of business models, audience attraction and retention – go right to the heart of journalism's 'reason for being' – and are in turn transforming the institutional forms that have developed over more than a century to produce journalism. Theories of institutions and the new institutionalism perspective are powerful lenses through which to understand what is going on with the economics of news media in the 21st century. New ways of doing journalism in less institutionalised contexts are not fully formed yet, have not yet replaced the institutional norms and industrial scale revenues that created heft and the powerful legal standing of the Fourth Estate in many countries. The links between this disaggregation of news into element units and the deinstitutionalisation of the context in which journalism takes place is a key theme of this report.

This is having profound effects on the production of journalism everywhere. As Picard argues:

'The fundamental challenges that news production faces today are not

monetary, but reflect the changing mode and structures of production. Although technology, recent economic conditions, and changes in audience preferences are all contributing to the transformation, a more consequential shift is altering the nature of news production and the actual work of journalists. These create changes in the institutional logics of organization and activity (Thornton, Ocasio, and Lounsbury 2012) that need to be considered separately from the general performance trends of news enterprises. For more than a century news has been produced within an industrial mode of production. Companies brought together the resources and equipment to gather, mass produce, and disseminate news, and they relied on trained and professionalized news workers to undertake the task. Although elements of that production mode remain in place, new modes are emerging and traditional news production is being split into a service production mode and a craft production mode'

(Picard, 2015)

These two modes – service and craft – are useful concepts to understand the emergence of new news providers and innovation in South Africa, ranging from *GroundUp* and *The Daily Maverick*, to *The Conversation* and *amaBhungane*.

Understanding these shifts, and the spectrum of revenue opportunities on the audience side of the dual market, versus the advertising side, is key to working out what future models of paying for news might look like. In short, for many news organisations, the key trends is *away* from advertising and *toward* subscription revenue. This is largely because news organisations have not been able to control their real estate online effectively, and do

Digital technology allows audiences to consume news and information on the go at times of their choosing.

the big data that allows programmatic advertisers and operations like Google and Facebook to place much more targeted advertising, at lower prices. Persuading audiences to pay for content by contrast remains a process that news organisations can control more effectively.

This is also contributing to the processes of creative destruction and new alliances between news organisations, and the journalists who work in them, as seen on the cross-platform, cross-company collaboration in South Africa when creating news stories from the trove of leaked emails that provided evidence of State capture from the Gupta family and associates in 2017/18. As Picard argues:

'The structures, work division, and focuses of news production are changing as part of the broader transformation taking place today. emergence of new, more flexible means of providing news. Large, inefficient, slow-moving news organisations are being transformed into smaller, more agile forms and embracing new processes and approaches to news. They are becoming more networked, cooperating with other information providers and producers, and engaging with the public itself. This is producing competing and colliding logics of professional journalism, commerce, and participation, and the tensions between these is forcing negotiations of values, norms, and practices'

(Picard, 2015)

PRECARIOUS WORK: SHIFTING NOTIONS OF JOURNALISTIC WORK

In response to rapid declines in revenue, there have been two main approaches. One is 'to do less with more', which has seen about half the positions in journalism in developed countries eliminated over the past decade . This is the approach followed too in South Africa. The other approach is to find new ways of doing journalism, new ways of attracting audiences, and new revenue and funding models for journalism.

As Cohen has suggested
'As media firms continue to outsource work to freelancers, part-time, and contract workers, media work – like work across the labour market – has come to be characterised by precarity. Thousands of media workers have been laid off in recent years, and emerging models of online journalism, heralded as journalism's saviour, continue the process of de-standardising journalistic work, drawing on aggregated information, software-generated content, and piecemeal writing sourced from the growing freelance labour pool'

(Cohen, 2017)

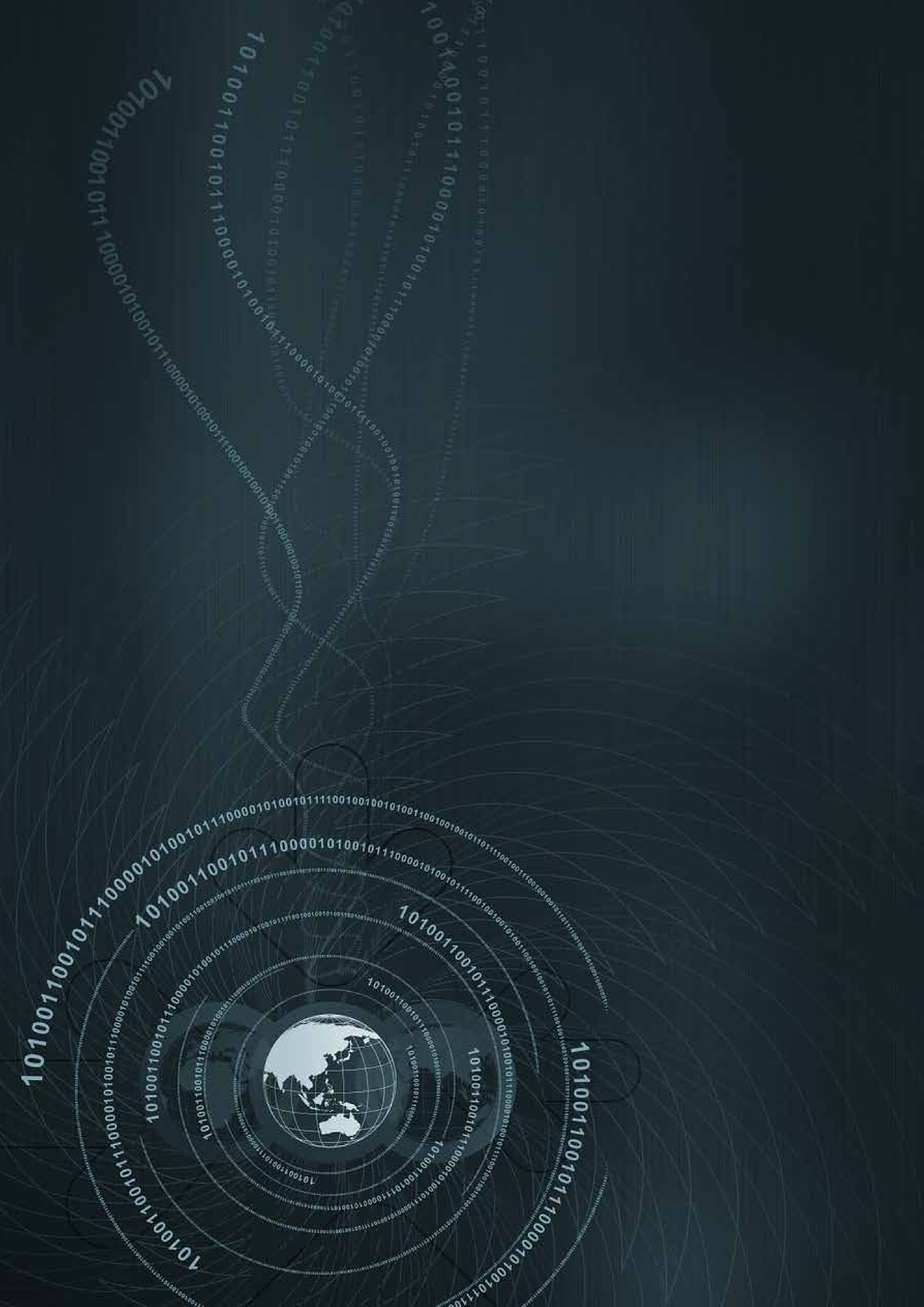
This report argues it is important to understand the growth of amorphous institutional structures and contract-based, hybrid employment practices and the shift of journalism to a precarious low-pay profession. Freelance rates have also dropped significantly in real terms, and a new gig economy is rising – as in so many fields – and the *uberisation* of news is a growing trend. Although this *uberisation*; of journalism is not yet a big trend in South Africa, it is becoming so in many countries.

The widespread perception is that this has affected the quality of journalism, though few would go as far as the South African Communist Party:
'The quality of content in South Africa's media continues in sharp decline. There are many reasons for this – tighter and tighter concentration of ownership; deskilling and sustained staff-cutting to achieve short-term profit maximisation; an obsessive resistance to providing content targeting the mass market (South Africa's poor and working class majority)'

(Anon., SACP 2015b)

Herman Wasserman suggests:
'There is the sort of mediocrity and the production of journalism that is undistinctive, reflecting the low levels of resources being put into it. So much reporting is very thin; sometimes very obvious questions that are left unanswered in daily reporting. So there is a lot of basic skills that have gone by the way side and we can talk about the things like fact checking, subediting or even things like layout, but what is more concerning is that there seems to be also a lack of basic foundational skills, eroded through cutbacks, retrenchments and so on. There is now a lot of emphasis on that event-driven journalism, on conflict and so on that I think it sometimes leaves much to be desired in terms of the deeper stuff, the substantial analysis, contextualisation and experimenting of other forms of, other approaches to journalism.'

Interview with Herman Wasserman



SECTION 3:

AUDIENCE AND ACCESS

There are intrinsic tensions and unusual pressures in doing journalism in a postcolonial context of deep structural inequalities and in South Africa's abnormal post-apartheid social environment. These difficulties can both inhibit news journalism, and simultaneously make the case for the need to provide more journalism, and wider and deeper accessibility to verified and balanced news and information if people are to be empowered to more easily participate in economic, social and political life.

This is important because national context shapes national media systems, and the media eco-systems in turn shape nations. The size, shape, role, legitimacy and sustainability of the national news industry differs in each country and in South Africa, for decades, a handful of private companies, together with the television and radio channels of the SABC, have dominated the news industry.

The degree of concentration of ownership in the private sector, for print media in particular, and the gradual pace of transformation in terms of racial and gender diversity at senior levels in management and senior editorial roles, is well documented. (Ndlovu 2015; Hadland 2007a; Daniels 2014, 2013)

South African mainstream journalism and the way it sees, selects and frames key issues, and how that is transmitted, has long been criticised for being too urban and elitist in its sensibilities, and far too middle class in its outlook and perspectives. (Friedman 2011; Narunsky-laden 2012)

Problematically, besides a few exceptions such as the development of tabloid newspapers in the first decade after 1994 democratic election and the emergence of dozens of new community radio stations in the early 2000s, there has not been a flowering of opportunities for the poor and marginalised – i.e. for most South Africans – to project or hear their own voices, and experience journalism that reflects their own lived realities.

Part of the reason for this, according to a number of studies and the views of many in the news industry and academia, is that the consumption of journalism in South Africa is structurally restricted by high cost barriers and other impediments to access. (Reid 2017). Journalism is expensive to do well and costs need to be recovered from audiences with disposal income, which tends to be more middle class and wealthier audiences. There is thus a vicious circle of costs and access that has shaped journalism in South Africa (and in many other countries too) into a middle class, more English-speaking and predominantly urban project.

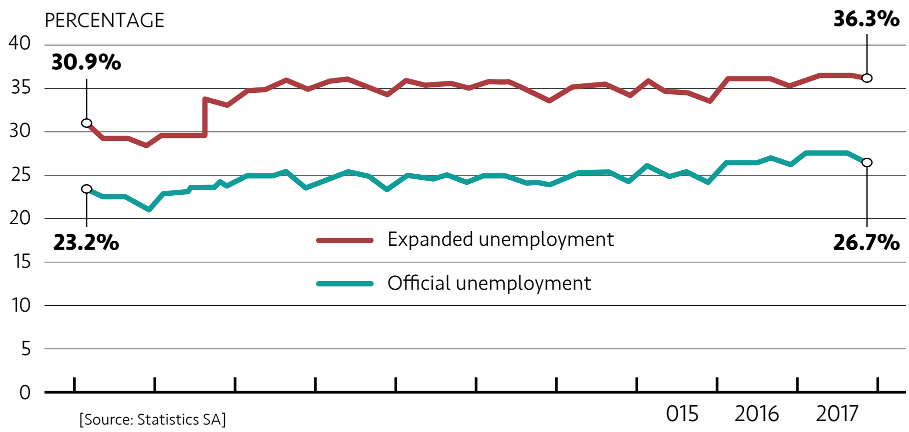
Despite the early development of far-reaching and progressive media policy immediately after 1994, and the clear recognition of the need for state intervention to counter market failure in news provision on multiple levels, and the establishment of the Media Development and Diversity Agency (MDDA) in the early 2000s, many people in South Africa still do not have easy access to a plurality of news, voice and information relevant to their daily lives, (Steenveld 2012). Many do not have as much easy access to news as they would like, or arguably ideally need, to participate more fully in society.

Thinking about the long-term sustainability of journalism in South Africa is impossible without a detailed understanding of current media consumption in the context of how poor many South Africans are, and how social mobility and ways out of poverty have largely broken down in the past decade. While absolute poverty has fallen in South Africa since 1994, declining steeply until Jacob Zuma became President, since about 2011 poverty rates have started increasing as the economy has stalled and as tens of billions of rand have been stolen from State coffers and transferred, mostly, offshore. As a

over 30,4 million South Africans are living in poverty in 2015, out of a population of approx. 55 million people

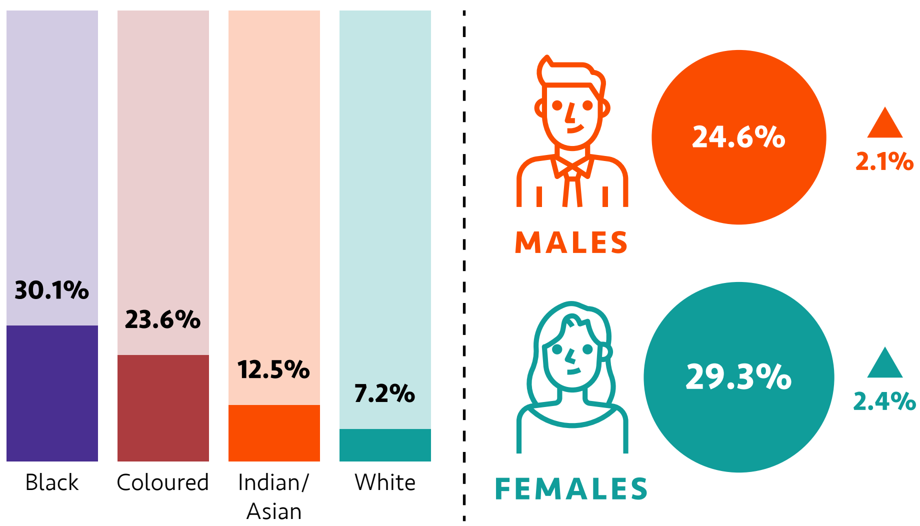
recent study concluded: "... more than half of South Africans were poor in 2015, with the poverty headcount increasing to 55,5% from a low of 53,2% in 2011" (StatsSA 2017, 24). This percentage is calculated

FIGURE 3.1: OFFICIAL AND EXPANDED SA UNEMPLOYMENT RATE FROM 2008 TO 2017



[Source: Statistics SA]

FIGURE 3.2: UNEMPLOYMENT RATE BY GROUP



by counting the number of people who have access to, in one way or another, R1 138 per month (about US$96 a month or $3 a day) out of the total population.

As Statistics South Africa's reported in 2017, "This translates into over 30,4 million South Africans living in poverty in 2015", out of a population of approximately 55 million people. (StatsSA 2017, 24)

For black South Africans, almost two thirds (64.2% or around 29 million people at mid-year population estimates for 2017) live *below* the upper bound poverty line, 24 years after the first democratic elections. And that is the national average: poverty is, of course, regionally uneven, with Eastern Cape and Limpopo experiencing the deepest levels of poverty, and the greatest persistence of poverty across the decades since the first democratic elections in 1994. (StatsSA 2017, 34).

Although poverty is multi-dimensional and its causes are complex, much poverty is driven by South Africa's high rates of unemployment. Since Jacob Zuma became President of South Africa in 2009, unemployment has increased every year. On the narrow measure of unemployment, 21,5% of South Africans were unemployed in 2008; this has now risen in 2018 to 26,7%. If people who have not actively sought work, so-called 'discouraged work seekers' are included in the measurement, 36,6% of South African are unemployed.

Two charts illustrate this best:Official and expanded unemployment rate from 2008 to 2017 and Unemployment Rate by Group.

RACIALISED UNEMPLOYMENT IN SOUTH AFRICA

Youth unemployment is at even higher levels, and by many measures, may be the highest in the world. Like unemployment generally, youth joblessness is deeply racialised. As Figure 3.4 shows, women and black South Africans make up disproportioned elements of the overall percentages of those unemployed.

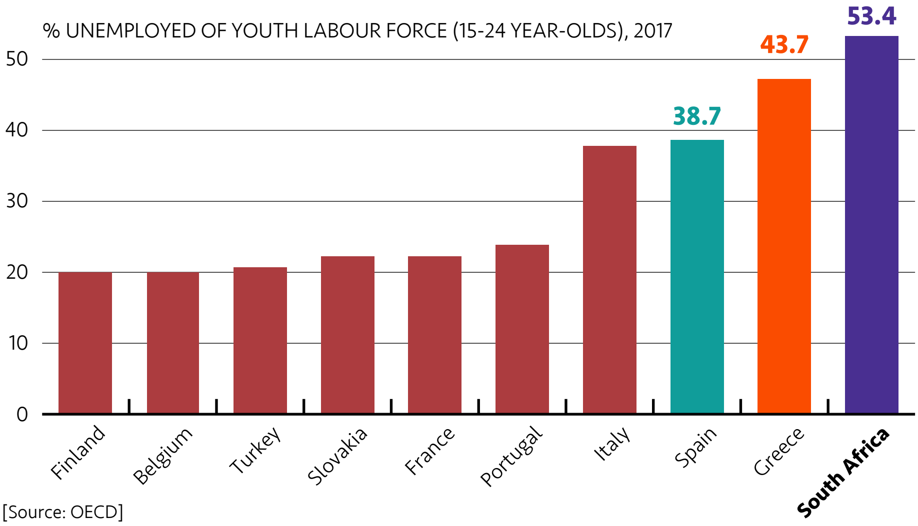
South Africa's stark employment reality is that about 40% of those who are unemployed have *never worked* and substantial numbers of South Africans have been unemployed for more than two decades. Among young people, this figure is even higher – over 60% of youths who are not working have *never* worked before (Yu 2017).

over 60% of youths who are not working have never worked before

Getting a first job has proved to be vital to getting a second job and to staying employed, and many young South Africans are not being given that first opportunity to enter the employment market.

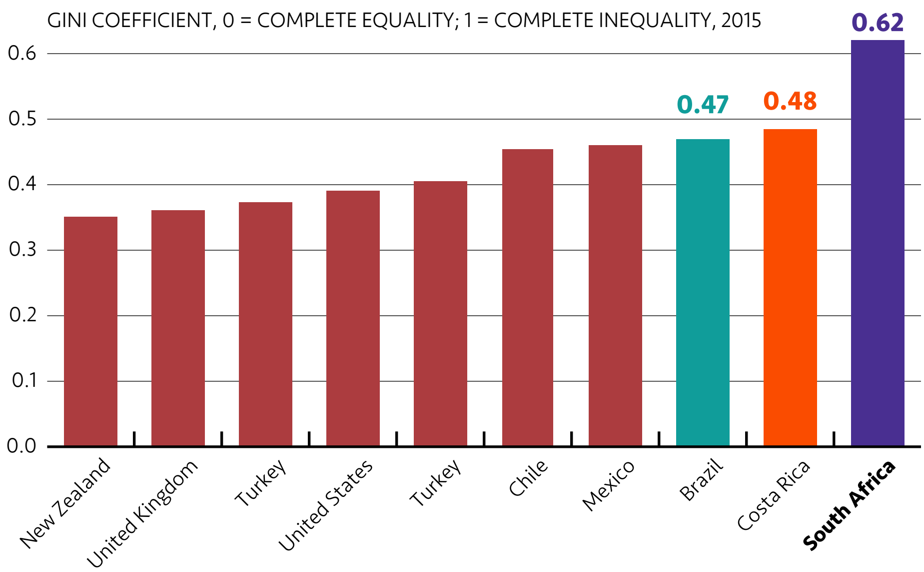
In this context, it is arguably impossible to understand the current economic state of media in South Africa, nor future economic prospects of news media in particular, without the understanding just how high youth unemployment is in South Africa compared to the rest of the world. Despite shocking post-2008

FIGURE 3.3: GLOBAL LEVELS OF YOUTH UNEMPLOYMENT



[Source: OECD]

FIGURE 3.4: GLOBAL LEVELS OF INEQUALITY



global recession unemployment rates in Spain and Greece, South Africa still manages to exceed even their high rates of youth unemployment (OECD, 2017).

These high levels of employment contribute directly to South Africa's high levels of inequality. Many studies suggest no country has a bigger gap between rich and poor than South Africa does. The average gross per capita income of the richest 10% of South Africans is about 1 000 times larger than the average gross per capita income of the poorest 10% of the population. (Valodia and Francis, 2016)

Once tax and social grants are factored in, this gap between the top 10% and the bottom 10% is reduced to a factor of 66, which is by many measures, the highest rate of income and wealth inequality in a country in the world. New research suggests that in terms of already accumulated wealth (as opposed to income), the top 10% of South Africans' income-wise also *own* a staggering 90% of all the country's wealth, while 50% of the population have what the study describes as "no measurable material wealth at all" (Valodia and Francis, 2016).

This share of wealth is even worse than comparator economies – where the richest 10% own "only" around 50-75% of all assets. And, as importantly, inequality is, both globally, and locally, worsening, despite the introduction of social grants and other forms of State support that has mitigated the worst extremes of poverty and reduced inequality in a qualified way.

Compounding these high levels of inequality and economic vulnerability, and of relative poverty and social dislocation, in terms of access to

FIGURE 3.5: SOUTH AFRICAN MOBILE PRICES COMPARED TO OTHER COUNTRIES

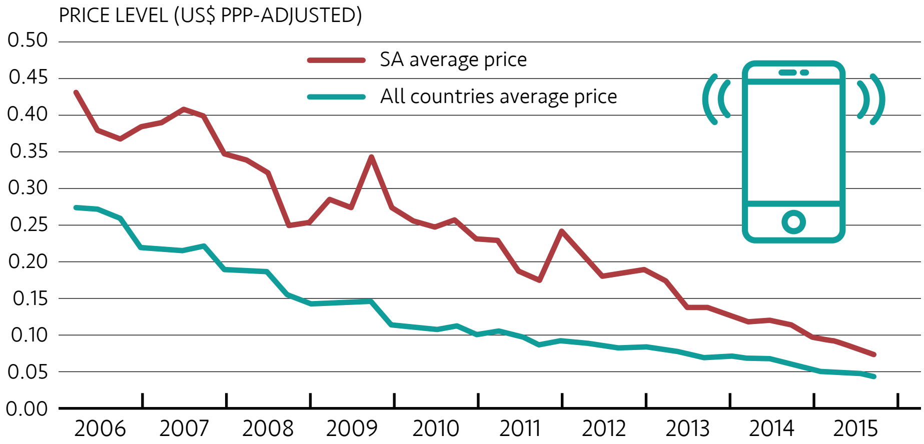
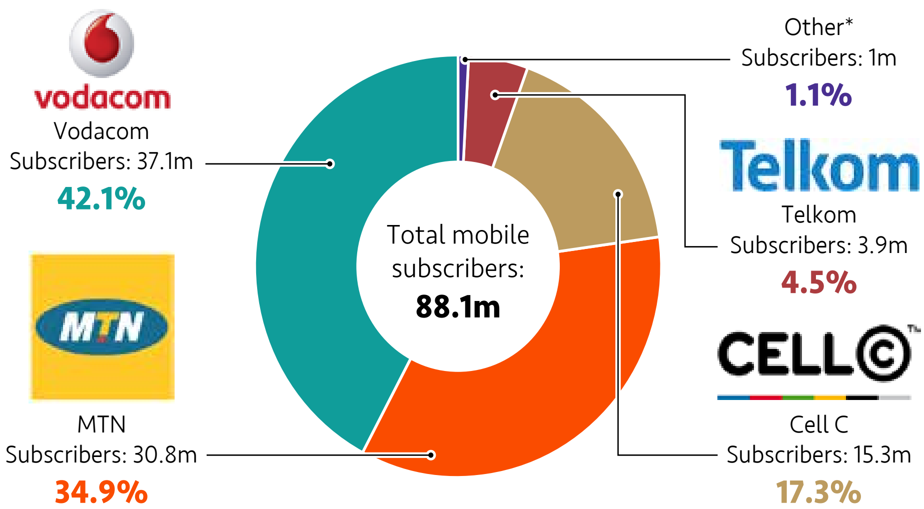
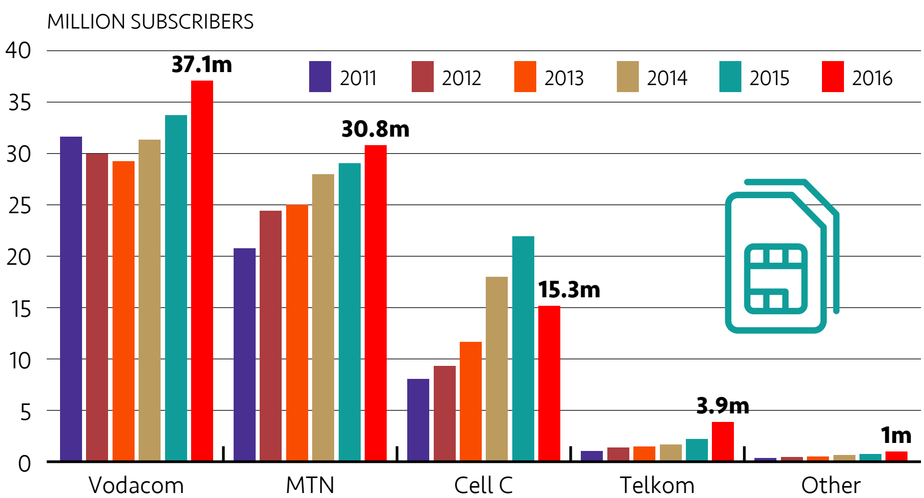


FIGURE 3.6: SA'S MOBILE MARKET SHARE



*Only Cell C mobile virtual network operators

FIGURE 3.7: SA MOBILE OPERATOR SUBSCRIBERS



[Source: BusinessTech]

media and journalism, South Africa also has some the most expensive data transmission costs of the major economies in Africa (BusinessTech 2017a) and some of the most expensive in the world (Van Zyl 2016) in terms of disposable income.

This is partly due to the high levels of concentration of ownership and a powerful effective duopoly between Vodacom and MTN, both of which are strong examples of theorised concepts of empirical early mover advantage and 'economic lock-in'. Cell C has been able to gain about 17% of the mobile market and Telkom Mobile is attracting some customers. The figures are for 2016 (*BusinessTech* 2017b)

The degree of concentration and how the lock-in effect works can also be seen in **Figure 17** this chart shows growing absolute numbers of subscribers for the two main and longest standing operators, and Cell C's recent struggles to attain financial viability.

High levels of unemployment, related high levels of poverty and unemployment, inequality coupled with high costs of both telecoms and news media mean that many South Africans cannot access the news they want and need on a local, regional and national level. Relatively low levels of access to free or low-cost Wi-Fi provision persist, despite some promising initiatives on university campuses, and in many public libraries and, more recently, by some municipalities. This lack of access leads to media and news deprivation. As media scholar and activist Julie Reid has argued:

'The majority of South Africans are acutely limited in their media choices, and their news media consumption is dominated by the state owned public service broadcaster, the South African Broadcasting Corporation (SABC), which does not operate a significant investigative outfit. The media outlets (mostly newspapers) that break crucial exposés, and the publications of the best centres of investigative journalism, rarely reach the majority since such content is expensive and published predominantly in the English language in a country where only 9.6 per cent of the population are first-language English speakers (Brand South Africa 2017) ... In the simplest sense, "media freedom" is not just about what people are permitted to say via the media. "Media freedom" also involves whether or not people are free to access the media at all. Media freedom needs to be understood both in terms of what people are allowed to say, and what they are able to access'

(Reid, 2016)

FIGURE 3.8: % ACCESS TO MEDIA (ADULTS AGED 15+)

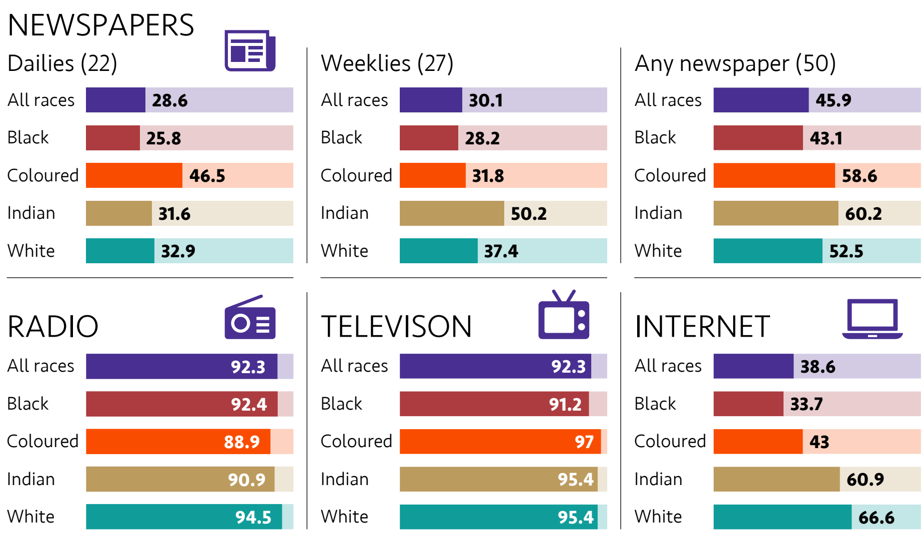
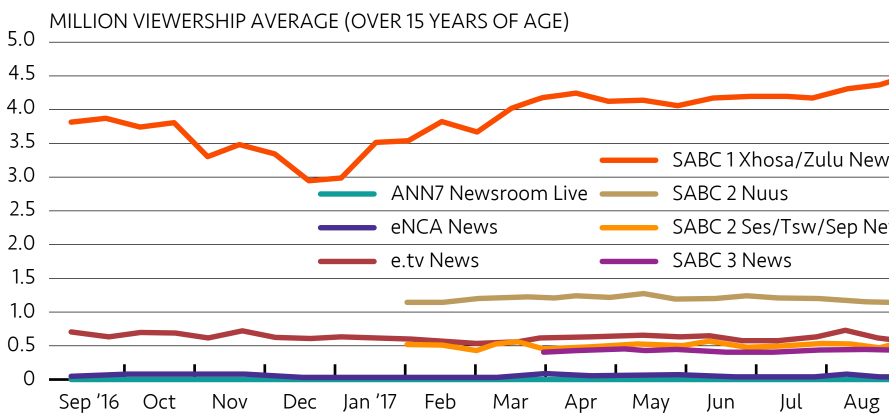


FIGURE 3.9: TREND FOR PRIME TIME NEWS



HOW DO SOUTH AFRICANS GET THE NEWS?

Because of the socio-economic context of South African news audiences, and issues of language, geographical location and cost, most people still get their news from broadcast sources, because these are the sources they can access for free or cheaply. Access does not always mean active consumption – many people have *some* access to newspapers at workplaces, but access to news and information strongly tracks income and resources and skews audiences to lowest cost platforms, such as radio. Only about five million South African (about 10% of the population) regularly buy a newspaper – and that number is falling – but more half of South Africans (almost 40 million people) get at least *some* of their news on radio. (*BusinessTech* 2016)

The appeal of radio is not simply its low cost. It is also entertaining and broadcasts local voices. Radio, particularly talk radio, often allows for citizen engagement in key public issues and is ubiquitous with more than 100 FM radio stations available in South Africa. One of the most significant achievements of the initial period of democratisation was the blossoming of community radio from 1996 onwards, although supporting those stations to do more journalism and function better in terms of social, political and economic needs of its audiences has been uneven. Many community radio stations are in dire financial trouble, and without substantial State intervention, many will close in the next few years.

In addition to radio news, many South Africans get their news from TV, which has remained resilient and is still attracting large audiences. The biggest audience for all new sources over the past 20 years are the prime time news slots on SABC 1, which have grown even stronger over the past two years, particular the news broadcasts in isiZulu and isiXhosa (Bratt 2017).

SABC 1 is far ahead in viewer numbers for its prime time news, with more than four million people tuning into a bulletin on average. SABC 2's Afrikaans averages 1,2-million adult views (i.e. over 15 years of age), while e.tv's news attracts an average of more than 650 000 adult viewers (Bratt 2017).
As can be seen in Figure 22, The Zuma/Gupta family's ANN7 has never attracted a substantial audience. Arguably it was never meant to: it has been positioned, as explored in Section 5, rather as a focal 'origination' point of a bigger propaganda campaign on behalf the Gupta/Zuma elite and their allies to provide a veneer of 'distracting credibility' to what essentially has been a campaign of systemic looting of State resources.

FIGURE 3.11: PRIME TIME NEWS VIEWERSHIP NUMBERS VERSUS COST PER POINT ON OFFER

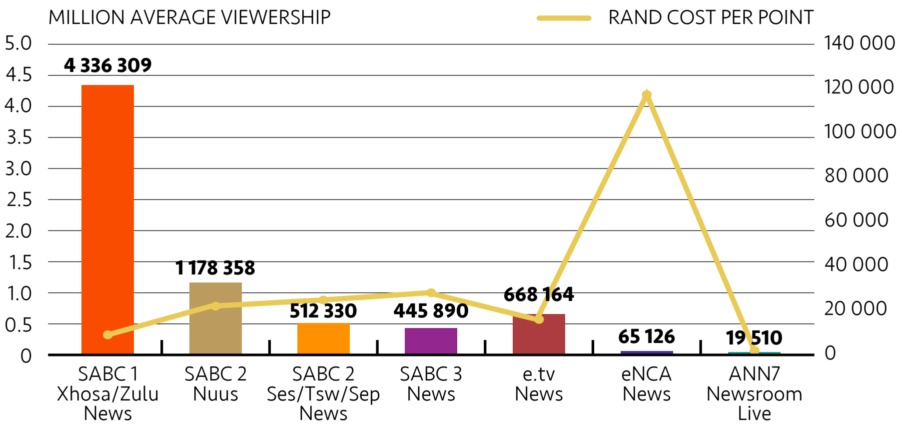


Figure 21, which also shows the relative cost of reaching these audiences in 2017 shows how powerful the SABC main channels remain, and how tiny the ANN7 viewership numbers are.

South African media reflects the economic, social, linguistic and other fissures in South African society. An analysis was also done of LSM 5-7 and LSM 8-10 (both 15+) for the various channels. SABC 1 attracts many more South Africans with much lower living standards according the LSM measure, than eNCA, for example, which attracts far more viewers from higher LSMS (Bratt 2017). *(It must be noted that the LSM approach is being replaced by an arguably more accurate Socio-Economic Measure or SEM).*

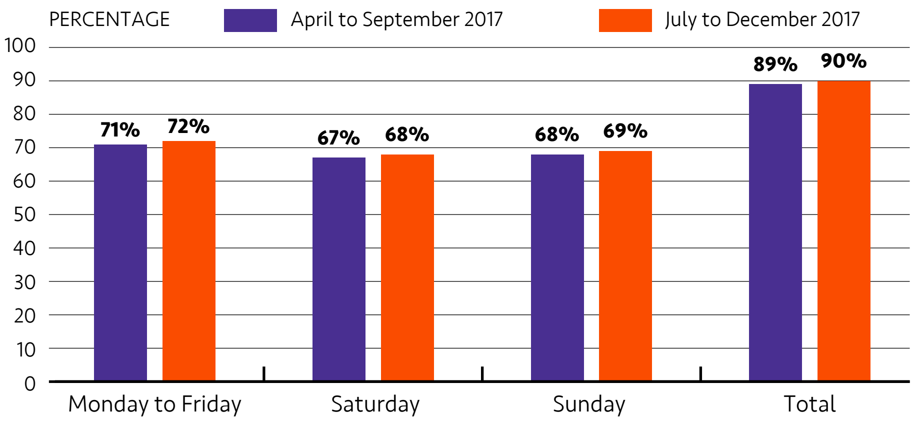
RADIO

Radio is the most popular way, by far, to get the news in South Africa. The Broadcast Research Council of South Africa (BRC) was established in 2015 to provide more accurate and detailed estimates of South African radio audience in particular. In their 2018 report, the BRC estimates that South Africa has 38-million radio listeners and around 29-million tune in every day. No other medium comes close. (BRC 2018)

In addition, many South Africans listen more than three hours a day to radio. Many are loyal to a particular station. More than 60% listen to one station only, rather than hopping around to other stations. (Ibid)

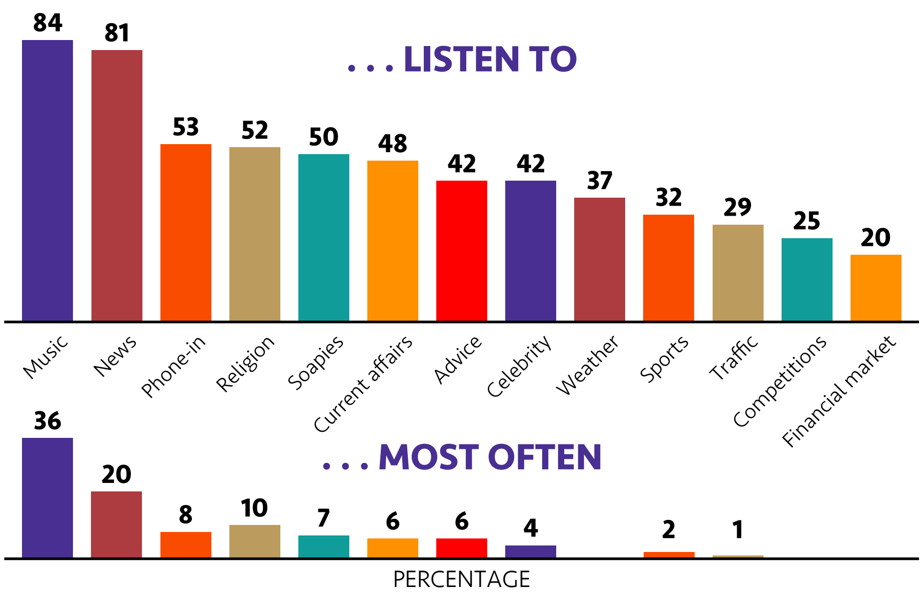
Figure 3.13 shows the power of radio, which, in 2017 crept upwards to an astonishing 90% weekly reach.

FIGURE 3.12: DAILY AND WEEKLY RADIO REACH



[Source: BRC RAM]

FIGURE 3.13: WHAT RADIO AUDIENCES . . .



[Source: BRC RAM Jul-Dec 2017, main respondents]

Audiences in South Africa are listening in ways that BRC RAMS describes as 'long' (averaging 3 hours 42 minutes a day) and 'heavy', i.e. over 20 hours a week. In Eastern Cape, Mpumalanga, Northern Cape, and Free State, average listening rates are **more than four hours per day**. And if most urban listeners are loyal, with 60% of them listening to just a single station each day, rural listeners are super loyal with 68% of rural listeners tuning in to just one station. As entertaining as radio is, 81% listen to news (Figure 3.14); another 48% regularly listen to what the BRC annual survey describes as 'current affairs,' and sports, weather and financial information are listened to regularly by substantial portions of the radio audiences. (BRC 2018)

SABC indigenous language stations remain popular, as Figure 3.13 shows:

PRINT

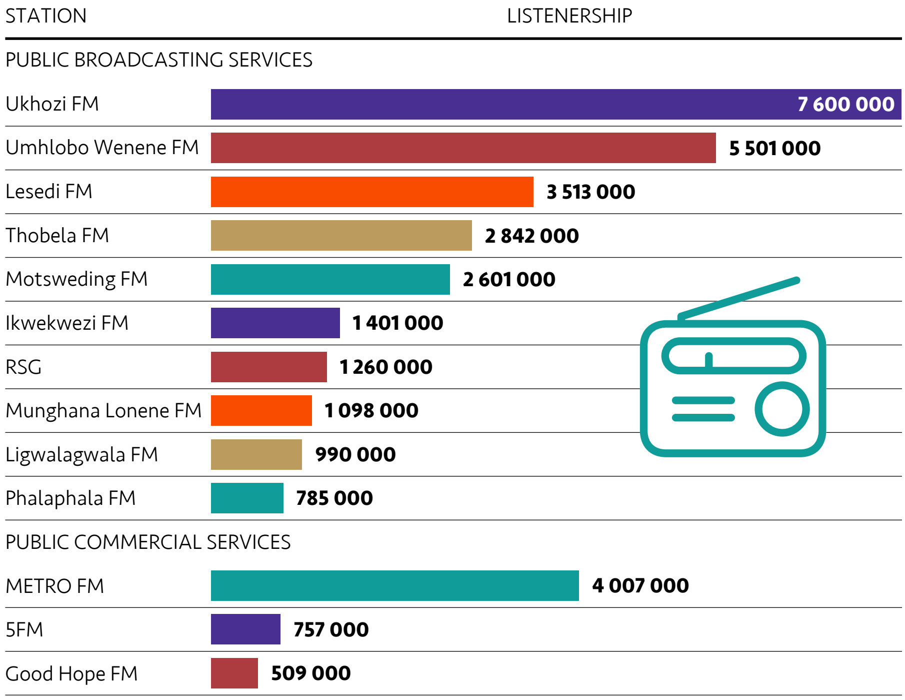
Radio and TV have long provided South Africans with a window to the world and have remained the source of news for most South Africans since 1994. But despite the reach and the size of the SABC's newsrooms, many national stories at least are originated by print, a medium that continues to play an outsized role in agenda-setting – despite only about 10% of South Africans regularly buying a newspaper. (Many more people have access to newspapers that others have bought or made available free at workplaces or libraries).

Despite the diversion of audiences from print and the continued advance of broadcasting and to online-only media, traditional print publications and their online offerings retain a great deal of credibility and still have some ability to set agendas in a world of social media, blogging and alternative online websites. It is true throughout the world and partly true in South Africa, that the big Sunday papers for example often devote resources to stories that dominate well into the week, i.e. they set the agenda, or at least frame issues in particularly powerful ways.

As outlined in Section 1, circulation and audiences for many of the legacy media across print, radio and TV peaked around 2007/8. With the exceptions of new tabloid entrants that initially expanded the number of people exposed to print, and the relatively steady numbers for South Africa's largest radio stations, legacy media numbers have been in decline for over a decade, and circulation of some print titles has been falling since the mid 1990s.

This squares with shifts globally: peak legacy audiences in the USA for weekday papers peaked in 1984, with a total circulation of 63 340 000, and Sunday papers in the USA peaked in

FIGURE 3.14: SABC RADIO STATIONS LISTENERSHIP



[Source: 2016/17 Annual Report]

1990 with a circulation of 62 635 000.

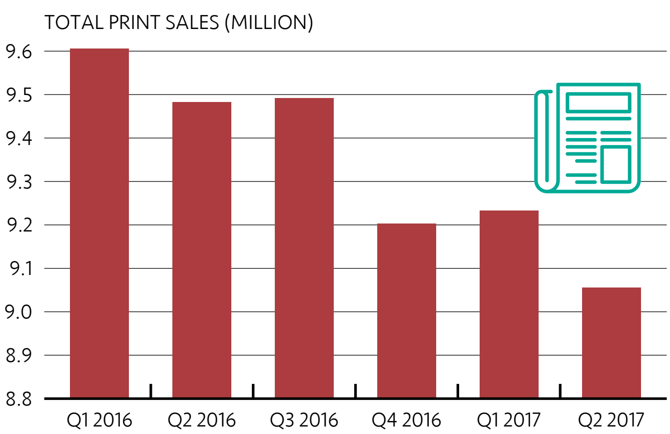
Each quarter of reported circulation figures shows declines almost across the board in both newspaper and magazine sales. According to the Audit Bureau of Circulations, total newspaper circulation in the third quarter of 2017 declined by 1.5% on the previous quarter, and by 6% on the prior year. Total magazine circulation fell by 2.6% compared to the previous quarter, and by 13.5% compared to 2016.

Significantly total print sales declined to under nine million in 2017 for the first time, and into 2018 these declines have continued with equal ferocity. By end of 2017, only 8.7 million South Africans bought a printed paper, a 2.1% decline over the third quarter of 2017 and, 5.1% decline over 2016.[2]

Even zero cost models are not enough to sustain newspaper audiences. Audiences across the world are converting to reading news on their mobile phones and once readers transition to regular consumption of online news, on tablets, computers or phones, they rarely, and then only occasionally, ever buy a newspaper again.

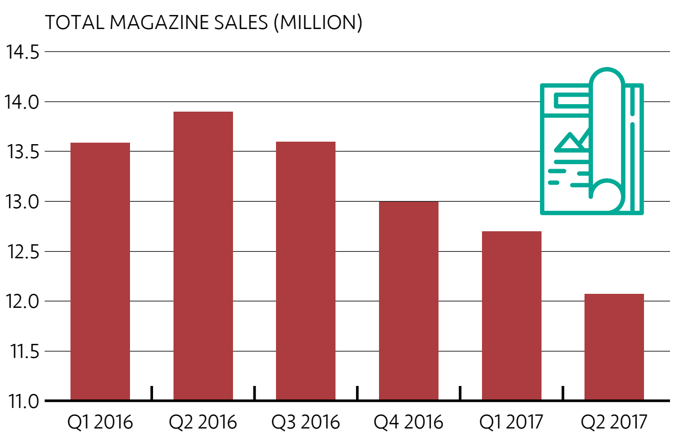
Printed magazine sales have also been declining for more than two decades, with sharp declines in the past five years. At the start of 2016, about 13.5 million magazines were sold each month. Just two years later, this number had dropped to under 10 million. Losing 35% of sales over 24 months has surprised most people in the industry – it means that more than 100,000 South Africans have ceased buying *ANY* magazine, and once they stop, it is clear that few return to magazine buying.

FIGURE 3.15: NEWSPAPER DECLINES



[Source: Audit Bureau of Circulations]

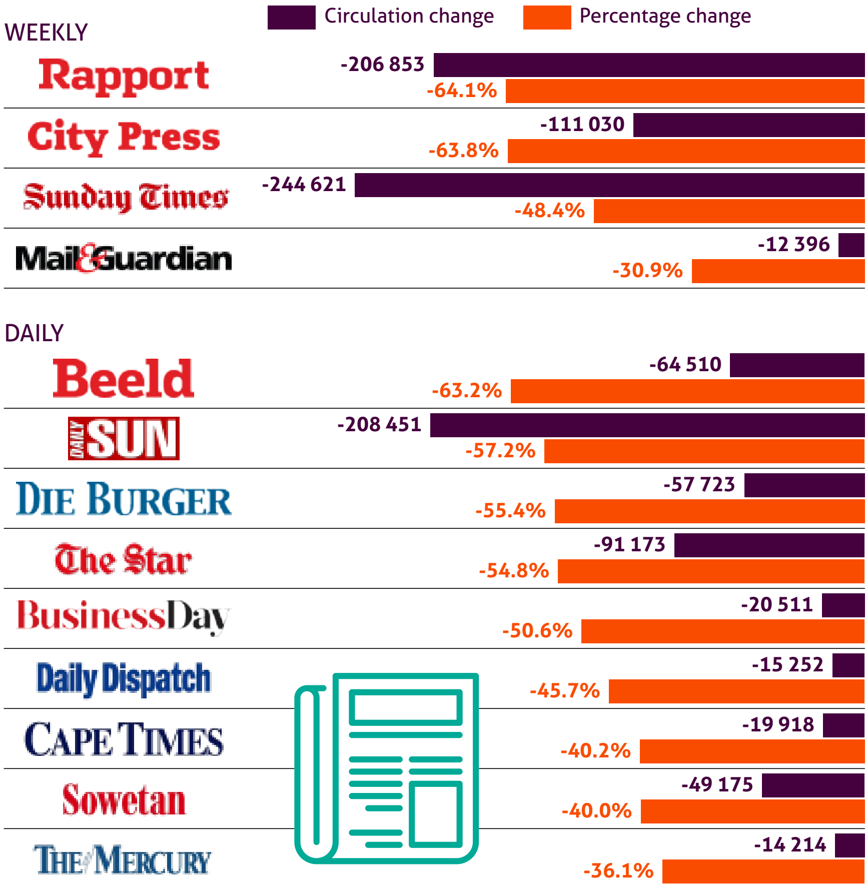
FIGURE 3.16: MAGAZINE DECLINES



[Source: Audit Bureau of Circulations]

[2] As the ABC report outlines "Losses incurred across the board, including Free Newspapers" http://www.abc.org.za/Notices.aspx/Details/59 ABC Q4 2017 Presentation 14 February 2018

MAJOR SOUTH AFRICAN NEWSPAPERS CHANGE IN CIRCULATION Q3 2004 TO Q3 2017



[Source: Audit Bureau of Circulations]

The *Mail & Guardian* has been the most resilient, losing only a third of its readers since 2004. Magazines have suffered most: the biggest loser has been *True Love*: it retained only 1 in 4 of its 2004 readership.

More surprising, given its rapid gains in circulation a decade ago, is the slide in circulation of the country's biggest-selling newspapers. *The Daily Sun*, for example part of the new and exciting tabloid trend on which many commenters had pinned the hopes of print media's survival, has shed half its readers in the past decade.

The Sunday Times, South Africa's most famous and durable weekend paper, used to regularly sell half a million copies every Sunday. It now rarely sells 250 000 a week and it is likely to drop to under 200 000 per Sunday by 2020.

These declines, despite their rapid acceleration over the past 'Zuma decade' have a longer pedigree – over an even longer period, similar declines in press circulation are evident. As Adrian Hadland has noted, almost immediately after the first democratic election in 1994:

"People stopped buying newspapers. Across the board, virtually every title, whether daily, weekly, metropolitan or provincial, experienced a significant decline in circulation"

(Hadland, 2007b)

The trend has continued since 1994, and magazines have come under particularly sustained pressure. The most popular Afrikaans magazine in the country, *Huisgenoot*, has seen its circulation drop by around 65% since 1994, when it was at its peak (Rabie 2016). As can be seen from Figure 3.16, the readership of business magazines *Finweek* and *Financial Mail* has halved, from circulation of around 30 000 in the 1980s (Mervis 1989) to less than half of that figure in 2017. In an economy that has more doubled in size since 1994, can a printed magazine like the *Financial Mail* survive selling only 13 000 copies a week?

The widespread decline in circulation has had several effects: audience revenue from cover price has dropped, and advertising revenue along with it. The reaction of media groups has been to cut back on staffing and products. The results are visible in the thinness of newspapers, with only the Sunday newspapers and knock 'n drops having any bulk, and then often because of various inserts, such as full-colour ad inserts from retailers. *Business Day*, a premium product, is often just a few pages thick with few ads. But the sharpest cuts have been to staff, the biggest cost factor in any business. Between 2012 to 2014, 1 000 jobs were dispensed with and the retrenchments continue, as Wits University's Glenda Daniels has recorded (Daniels 2016).

In 2015, the country's only co-operative news agency the South African Press Association (SAPA), founded by the country's major newspapers to share news, shut its doors, a victim of an increasingly competitive newspaper environment, according to its last editor (Velden, 2015).

Media commentator Gill Moodie argued that the founding members, the big newspaper groups, had been generous, paying fees to SAPA of R300 000 to R400 000 a year.

"With print circulation and ad revenue in general decline in South Africa and the search for sustainable online revenue still on, margins have become too squeezed for the Big Four to keep being so generous. In essence, Sapa is the product of another time."

Gill Moodie

For a while the gap seemed to be about to be filled by new commercial news agencies, but all were tied to an existing news operation by one of three of the 'Big Four' publishers – Independent Media, Media24 or Tiso Blackstar. Media24's News24Wire, Sekunjalo's African News Agency (ANA), and the Rand Daily Mail News Wire (RDM News Wire) launched by Times Media (now Tiso Blackstar) all laid claim to a small market, and competition between media groups has ensured none have dominated.

By the beginning of 2018, RDM had shut its RDM Newswire service. ANA and Media24's newswire24.com were active, but had not replaced SAPA in generating a large volume of news from across the country.

Is this because news in South Africa is still urban and urbane, reflecting a still white and male dominated industry and upper management structures? Or does the decline in readership of even previously popular tabloid papers, that saw soaring circulations in the first decade of democracy, suggest something more profound is changing in South African journalism?

Many of the readers lost to print *do* appear online. People like the instant and always-on nature of online offerings. Reading-time habits have shifted dramatically across the world because news can now be consumed at any time of the audience's choice, and readers feel they have much more autonomy and choice. Many news sources, especially on social media are personalised by choice and by design, so that people find more immediate relevance compared to what they might find in a magazine or newspaper. People can also immediately share news with others via social media, a feature which has proved immensely popular across generations.

News24 is attracting more than 7 million different unique browsers a day for about 4 minutes a visit

Equally, it is becoming clear that globally and in South Africa many people are just 'not that into' news, or at least not particularly interested in 'hard news' – across many countries about a third of people are 'news averse' (Reuters, 2017)

There is a lot of debate about whether this number is increasing or decreasing and about the reasons for these shifts. Younger South Africans are less inclined to consume coverage of political functions and power and economics in South Africa. As an important recent book has argued:

'... young South Africans in particular feel that while they trust the media as institutions and while they are conscious of their own powerful need for information, these media do not resonate with their own everyday lived experiences and are therefore largely irrelevant to their lives. This is a paradox that raises questions about the media's ability to listen to citizens, and to amplify and legitimate their acts of citizenship.'

(Garman Anthea & Wasserman Herman, 2017)

Even among people who do still consume news with some regularity, financial and economic sections of bulletins or papers attract less attention, and important news about health, medicine, science journalism also struggle for audience attention.

Any solution to improving news provision in South Africa will likely involve a substantial radio-centric component. But this improved access also needs to involve a rapid and radical drop in the cost of connectivity so that the full power of the Internet can be made accessible to more South Africans – for education, entertainment and public participation. South Africa needs a multi-faceted strategy, partly outlined in the conclusion of this report, to cut connectivity cost dramatically, revive and reinvigorate local journalism, invest in specialist journalism and explore ways to involve young people especially in the co-creation of journalism. It needs the SABC to develop powerful websites in all indigenous languages to allow greater access, voice and participation not just in radio, but online and on social media.

FIGURE 3.17: THE TOP 10 NEWS WEBSITES IN SA

	WEBSITE	UNIQUE BROWSERS	PAGE VIEWS	MOBILE
1	news24.com	7 301 866	77 590 417	66.24%
2	timeslive.co.za	3 953 239	22 612 504	76.63%
3	iol.co.za	3 888 473	20 617 534	62.45%
4	ewn.co.za	3 585 820	24 253 549	83.07%
5	enca.co.za	2 291 435	8 106 555	74.87%
6	sowetanlive.co.za	1 824 844	16 267 917	48.94%
7	thesouthafrican.com	1 793 339	6 098 394	91.30%
8	huffingtonpost.co.za	1 640 453	6 658 521	78.79%
9	netwerk24.com	1 352 184	11 430 914	52.47%
10	citizen.co.za	1 299 606	7 045 123	74.06%

[Source: Effective Measure, January 2018]

SHIFT TO DIGITAL NEWS CONSUMPTION

For South Africans who have access to bandwidth and data, digital channels and platforms are increasingly preferred for accessing the news. With South Africa reaching the 50% mark for Internet access, a tipping point may have been reached in 2018, where, at least for the financially well-off, more news may be consumed from online sources, including online versions of newspapers and online radio and TV sites, than from legacy media of print, radio and TV. Some evidence is that as social media consumption increases, *all* legacy media use declines, including the resilient radio, but many people use multiple platforms at once, i.e. watching TV or listening to radio while consuming news online.

This is explored further in the final section of this report, but these charts show not only how popular online news is becoming, but also how legacy groups that had the advantages of incumbency, early adoption, and 'early moving' have become online giants of current South African news consumption.

News24 is attracting more than seven-million different unique browsers a day for about four minutes a visit, and Times LIVE almost four million for about two-and-a-half minutes a visit.

FIGURE 3.18: THE TOP 10 WEBSITES IN SA

	WEBSITE	UNIQUE BROWSERS	PAGE VIEWS	MOBILE
1	news24.com	6 166 741	62 858 399	59.53%
2	gumtree.co.za	5 593 687	143 527 776	59.35%
3	timeslive.co.za	3 935 629	20 484 862	76.33%
4	iol.co.za	3 739 980	19 365 476	60.68%
5	ewn.co.za	3 526 706	24 879 097	83.90%
6	msn.com	2 952 792	42 448 027	6.55%
7	Vodacom Vlive	2 562 928	16 598 663	99.41%
8	enca.com	2 351 286	9 369 314	77.92%
9	sport24.co.za	2 202 889	18 626 586	68.65%
10	MyBroadband	2 112 026	7 932 118	61.58%

[Source: Effective Measure, March 2018]

These are mostly – about 60% – mobile digital audiences but a signficant proportion still use computers – often at work – to consume news.

How people find and get news has also been profoundly shaped and changed by social media for those South Africans able to access social media.

Based on these dramatic shifts in audience, what is happening to the economics of news provision? Is the SABC, with its still vast radio and TV audiences, and growing digital audiences, financially viable in the longer term? What is happening to print economics of both commercial and community newspapers? How are community radio stations, some of which are flourishing, faring as news providers, or are many just community music jukeboxes, providing little news besides weather and sometimes traffic reports? The next section, Section 4, examines the current economic performance of South Africa's major news media sectors, and examines new revenue streams that various news media are exploring.

SECTION 4:

THE SOUTH AFRICAN NEWS INDUSTRY'S BUSINESS MODELS AND INCOME STRATEGIES

'We are moving towards an increasingly digital, mobile, and social media environment with more intense competition for attention. More and more people get news via digital media, they increasingly access news via mobile devices (especially smartphones), and rely on social media and other intermediaries in terms of how they access and find news.' (Reuters 2016, citing the Council of Europe report)

As outlined in previous sections, a clear shift is taking place in how audiences prefer to *consume* and, increasingly, also *participate* in news through sharing and commenting online. The move globally is broadly away from print consumption and towards broadcast consumption, and despite the continued strengths of radio and TV, over the longer term the shift is clearly towards the increased consumption of, and participation in digital media. As the Council of Europe report succinctly puts its 'We are moving towards an increasingly digital, mobile, and social media environment with more intense competition for attention. More and more people get news via digital media, they increasingly access news via mobile devices (especially smartphones), and rely on social media and other intermediaries in terms of how they access and find news.' (Reuters 2016)

Although South Africa's digital divide is wide and deep – almost half the adult population do not have regular access to the Internet and rely, as outlined in Section 3, on radio stations for their news, for those who are online, their news consumption patterns are shifting rapidly, as is the amount of time and money they spend on the news. This is reshaping the industry. The way revenue is generated by aggregating attention in new ways is even more prone to concentration of different kinds and asymmetrical market power than in the past.

And, although noticing, sharing and participating in the news consumption/production progresses can now be done on the fly, there is consistent evidence that news consumption is a declining part of audience media mix in many countries in the world. This is probably true of people with copious access to online services, gaming and social media. About a third of the population, in a recent study of two dozen countries, said they, 'Often or sometimes avoid the news' because it either puts them in a 'bad mood' or because they are unsure of its truthfulness. (Newman, 2017)

But despite this, as the audience figures outlined in Section 3 suggest, most South Africans still have a strong desire to access news, and many countervailing tendencies are evident in overall news production, demand and consumption. News organisations are now much less important to the distribution of news, but arguably much more important in creating a daily core of verified information that people and societies need.

It is also clear that news audiences form partially in relation to the provision of news. Supply creates demand, to a certain extent. And supply, of news journalism – verified information fairly presented – is what is under severe pressure in South Africa. People are often unaware of their own ignorance of, for example, local council operations, or how funds are allocated, spent and accounted for at local and regional levels, or even how their local government works or who their representatives are. Strong regional and local newspapers, online or in print, and community radio stations which broadcast regular news bulletins and even do some more in-depth investigative reporting would find audiences for such content.

The issue is whether they can find 'big enough' audiences and effectively 'bundle' or aggregate these audiences in ways that can be sold to advertisers.

This section looks at the current news media landscape from a media economics/micro-economics point of view, drawing on recent refinements and recommendations of new formulations of media economics theory and on some of the key conceptual categories outlined in Section 2, and placing the economics of news in the specific South African context of persistent poverty, high rates of unemployment, low levels of disposable income and high communication costs outlined in Section Three. It explores the current crisis of audiences and revenues, and the industry response to the dislocation of income to Google and Facebook in particular.

There are, this section suggests, innovations in revenue-stream generation and real hope for the fuller liberation of the SABC, and for the expansion of it is digital operations. Given how many people view or listen to and indeed depend on SABC stations for what they know about the world, this section examines the current decline in SABC revenues and overall business model. 'Fixing' the SABC could be a game-changer for South Africa. How might that happen?

A third of the population, in a recent study of two dozen countries, said they, 'Often or sometimes avoid the news' because it puts them in a bad mood..'

This section also looks at the larger private media companies in print, radio and TV and shows that their revenues are also waning and, in a vicious circle of decline, this revenue squeeze leads to cuts in journalism staff, further rounds of audience decline and, eventually, to the likely closure of many print news operations in the next five years. Radio and TV will not be spared but may not be as powerfully affected. All of this is taking place because shifts in audience preferences and of news consumption practices are taking place at a faster rate than is being acknowledged, and revenue declines are accelerating as South Africa also shifts from industrial to post-industrial journalism. As the CEO of *The Daily Maverick* has put it:

"Digital has required different ways of thinking and engaging going forward. But for most of us, at least on the print side, it has been all about 'how do we protect our print product' rather than how do we embrace the digital ... This sort of protectionist type strategy puts you into a death spiral. As revenue drops, you have to cut costs to kind of keep the profits at the same level. Quality suffers. You can only do that up to a certain stage and there is nothing left to cut, and then when circulations falls further, you cut staff, quality suffers more, and then the audience – and your revenues – are gone ..."

(Stylie Charalambous, The Maverick)

FROM A RIVER OF INCOME TO MULTIPLE REVENUE STREAMS

Advertising revenue has funded the mass media for the past 150 years, and subsidised news production in all mediums. News provision in and of itself may, at a general level, be a commodity that people are *not* prepared to pay full value for – good journalism is difficult and time-consuming to do well – and this has also meant that advertising has also had to make a substantial contribution to revenues needed to fund journalism across platforms as 'cover price' revenues for print products, for example, that were unable to fund the enterprises on their own. To sell audiences in the past, media publishers have always had to have tight control over their distribution of their product and good information about their audiences that they could present to advertisers.

But as media has shifted to digital online, publishers are losing control of their content distribution, and with it, the ability to charge a premium for access to their audiences. Platforms including Google, Facebook and

Amazon all offer more scale and better targeting than any publisher, which has forced them to rethink their pursuit of scale in favour of direct paid relationships with their readers (Willens 2018).

As a section in a recent the Reuters Institute for Journalism Report argues: *'Because of the competition for attention and advertising, and the limited number of people who pay for online news, there are very few examples of legacy media that make a profit from their digital news operations despite 20 years of often substantial investments and sometimes significant audience reach. It is not clear that the new environment is significantly more hospitable for digital-born news media organisations. While they often have a lower cost base and can be more nimble in adapting to change, they face similar competition for both attention and advertising and so far represent a small part of overall investment in journalism'*

– Nielsen, Cornia, and Kalogeropoulos 2016

Many people globally, and in South Africa, are reluctant to pay for news, as they either feel they do not need more news, or, if they are avid and regular consumers, feel they can get enough news online. Original journalism is quickly copied and reproduced, or summarised and shared, either by rivals or by audiences. The word gets out, and it gets out mostly for free. As Facebook and Google continue to absorb digital ad dollars, publishers are paying more attention to diversifying their revenue, particularly and in most of the world, the trend in news media business models has turned sharply towards increasing direct consumer revenue (Patel, 2018).

As in South Africa, publishers are increasingly appealing to consumers to support journalism and its democratic, social role in society directly. This is an important shift and it is clear that news organisations are moving away from relying on payments alone for content (either in bundles or per content piece) and advertising revenue, the 20th centuries' 'two rivers' of income, to about a dozen new, smaller revenue streams that, taken together, can support the production of some journalism.

Publishers are also starting to look at new forms of creating and making money from audience loyalty, and new ways of investing in audiences and retaining audiences for the long term.

The idea of 'lifetime value', a reference to the amount of revenue a company expects to generate from a customer over the life of their relationship, has begun to overshadow the previous focus on 'revenue-per-visit' or 'revenue-per-page' models.

These models have defined many digital publishers' operations, but a shift to creating durable relationships with users is more in line with the approaches that other industries have used to guide their digital marketing and operations.

However, it is clear that commercial legacy news media organisations – especially newspapers as they operate both on and offline – still constitute the largest part of the business of journalism, and still underwrite most of the professionally produced news content. Despite a steep decline in print circulation as outlined in Section 3, with average circulation dropping by *half* over the past 15 years, news in print still **originates** a great deal of news that is then taken up (or copied), developed and expanded on by radio, TV news and online outlets.

The situation is starting to change as online newsrooms (such as Media 24) produce directly for online-only platforms such as News24 and specialist news organisations (such as amaBhungane and Health-e), originate and in different ways, syndicate or share stories.

Internationally, this is also the case, but on balance the most original reporting is still done by those attached to large institutional newsrooms of the main print-orientated newspapers. These legacy, large news operations have most of the 'sunk capital' and make most new investment in media.

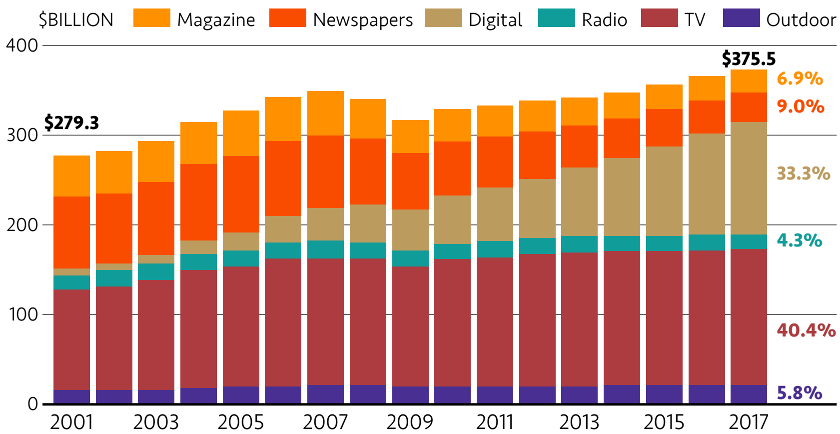
The 'industrial' organisation of these newsrooms – with regular story conferences, assignment of stories and working of beats, various workflow processes including layers of legal checking and sub-editing, and even the provision of transport for journalists (and of course the legal and institutional support of large organisations) are the 'nuts and bolts' of journalism production in the industrial age.

This is the case even after massive layouts and redundancies. Newsrooms of large news organisations are central partly because the access and credibility that comes from large institutional newsrooms plays a substantial part in the process of producing journalism. In South Africa, government departments routinely do not allow officials – in education, in the national health systems, for example – to speak to reporters *at all*, but especially not to local or smaller newspapers or news organisations. Organisations with reach and clout may be more able to demand a response or there might be more substantial consequences to not commenting to journalists from such organisations.

Around the world, people in power are more likely to respond to the bigger news producers who have the power of reputation and sheer size of audience to enable a proper flow of news. Quite separately, generating laws or regulations compelling publically funded officials to respond to legitimate journalist questions (in good time) is something civil society might want to consider in South Africa, given the extent of State capture exposed in 2014-2018 and the refusal of many who work on the public payroll to answer legitimate questions, or provide needed information.

But once journalism is created, it needs attention: it needs to be consumed and the labour of that consumption needs to be paid for, by someone.

FIGURE 4.1: NEWSPAPER DECLINES ARE SHRINKING THEIR SHARE OF MEDIA SPENDING



[Source: GroupM]

As a recent article argues: ' ... the inescapable truth [is] that power over attention is the key to the business of news: Capitalising on news requires power over news consumption as a form of attention that can be exploited as news audience labour' (Nixon 2017). This is a particularly instrumentalist way of looking at the value creation chain, but it does point to just why the slow loss of control of distribution of news and loss of control of how, where, when news is consumed, has undercut news media organisations globally, so profoundly.

SHIFTS IN REVENUE GENERATION

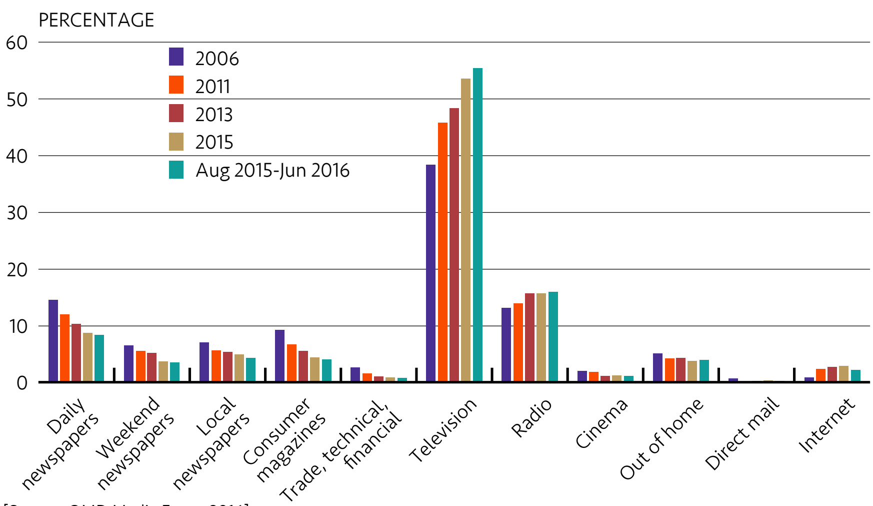
Even if print remains the primary agenda setter in South African news, revenue has been shifting from print to broadcast media for a long time – and from both to digital since 2006/7. In 2001, print took in about 40% of all revenue from advertising. Now that figure is less than 20%, while broadcasting has flourished, in relative terms, commercially – at the expense of print (Figure 4.1). This is in line with global trends: newspapers are getting less of the media spending pie globally, and their share of revenue is shrinking, while digital has, from accounting for almost no share of revenue in 2000, reached the stage where it is attracting about a third of global advertising revenues. TV and radio, and outdoor advertising (perhaps surprisingly) have all increased their share of the spending pie since 2001 (Vranica and Marshall 2016).

This is reflected in South Africa media spending too, with sharp movement of overall ad spend from print to broadcasting from 2006 to 2016, where print's share of overall ad revenue halved – and broadcasts share increased to from about half to more than 70% of all ad spending in South Africa. Broadcast includes radio and TV of course, and these figures differ by province and Living Standard Measure (LSM) group but, the trends are clear.

UNDERSTANDING SHIFTING MEDIA REVENUE

Television has been in its own way as disruptive to the print media as digitisation has been to many analogue industries (Figure 4.2). Most of the growth in ad revenue has come from TV's growing share, with figures for radio remaining fairly stable. Digital spend in South Africa is still relatively small, but growing quickly. Even from this chart's indication of still low numbers for digital advertising in 2016 (of total advertising share), digital marketing spend is increasing by about 13% to 15% per year. By 2016, it accounted for almost R4b of media spend in South Africa. (PwC and Interactive Advertising Bureau SA (IAB) report) 'A number of trends within various segments of online advertising are emerging. Growth in Online and

FIGURE 4.2: CHANGE IN ADSPEND OVER TIME



[Source: OMD Media Facts, 2016]

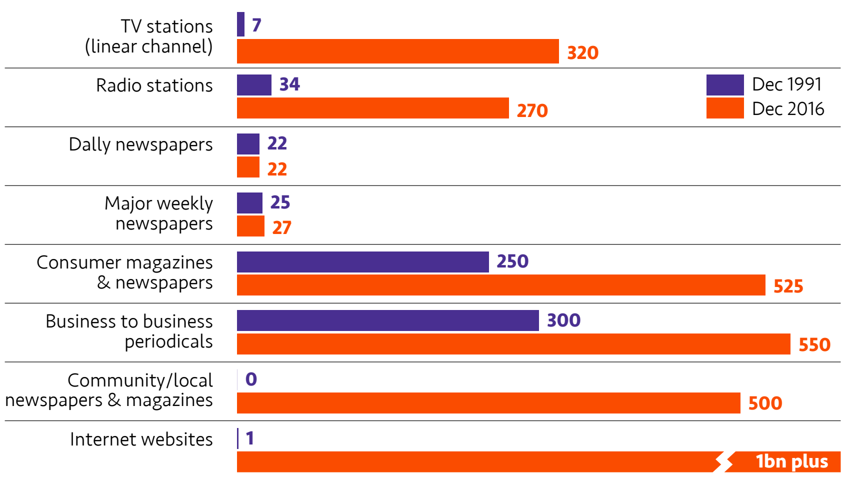
Mobile Internet spend is underpinned by the shift to mobile Internet advertising, with social media gaining most share, while paid search Internet advertising was up significantly from 2015 by 19%' (IABSA 2017).

At the same time as the print audience has fallen, the number of newspaper titles have remained stable, but potential TV viewing opportunities have mushroomed – though many of those arise from channels only accessible through pay-TV, i.e. Digital Satellite Television (DSTV) and minor rivals.

Back in 1991, there were only 34 radio stations and seven TV stations: those numbers exploded over the two decades (as have print magazines) to over 270 radio stations and 320 channels of TV for those able to afford the South African equivalent of cable TV, that is satellite TV. There were no websites in 1991; now there are billions. (Figure 4.3).

In the context of these shifts in audience, modes of news consumption, advertising spend, and the slow development of new forms of revenue, how have South Africa's key media fared?

FIGURE 4.3: CHANGE IN MEDIA OPPORTUNITIES



[Source: OMD Media Facts 2016, Page 53]

AN OVERVIEW OF SOUTH AFRICAN NEWS MEDIA INDUSTRY

Only one truly large media company is listed on South Africa's main stock exchange, and only six media companies are listed overall. The proposed listing of Independent Newspapers as part of a larger entity, Sagarmatha, would have changed that. For now, compared to Naspers, the combined size of sector is insignificant.

The companies in the media sector of the Johannesburg Stock Exchange (JSE) show variable prospects, profitability and investment return history, but the dominance of Naspers with a market capitalisation – its share price multiplied by number of its issued shares of about R1.3 trillion (on 20 April 2018) – skews the total value of a sector that would otherwise frankly fade into the background compared with other JSE sectors. Poor national economic growth and prospects and thus constrained company growth, a lack of expansion opportunities either through acquisitions or organically, and a lack of investor interest may explain why some of the major unlisted companies do not list, especially those that have been listed before (Table 6).

The combined value of the all six media companies, as best can be ascertained, is about R22-billion, small in comparison to Naspers' overall valuation which includes stakes, as outlined below, in some of the World's largest online content and commerce companies.

THE DECLINE IN VALUE OF THE 'BIG FOUR' NEWSPAPER COMPANIES IN SOUTH AFRICA

The 'Big Four' newspaper groups

– Independent News, Caxton, Tiso Blackstar, and Media24 – are mid-sized companies valued at between R2 billion to R6 billion, and are currently not generating sizable profits. They vary in the product they supply: Independent (English language city-based papers in South Africa's main urban areas plus some freesheets in the Western Cape and some magazines), Tiso Blackstar (English Language newspapers in the Eastern Cape, *The Sunday Times*, and some high profile but low circulation business magazines, like the *Financial Mail*), Caxton ('freesheets' most home delivered 'knock and drop' newspapers around the country, and one Commercial daily paper newspaper, *The Citizen*) and Media24 (active in many media segments, including book publishing).

It is difficult to estimate the overall value of these companies, and this of course fluctuates from day to day, but this is rough picture of overall value:

INDEPENDENT MEDIA

The only major unlisted – and therefore opaque until recently – entity is Independent Media, which does not publish its financials, although the financials of its holding company Sekunjalo Independent Media have been published recently as part of the pre-listing statements of a planned but failed listing on the JSE of a media and online retail conglomerate, Sagarmatha Technologies. (See box: The Failed Listing of the Sagarmatha Group and Independent Media).

The current shareholders of Independent Media Proprietary Limited are SIM (55%), the PIC (25%) and Interacom Investment Holdings Limited (funded by the China Africa Development Fund) (20%). IM would have been a 55% (indirectly through SIM) subsidiary of Sagarmatha Technologies after the currently cancelled or postponed listing.

FIGURE 4.4: ESTIMATED VALUE OF THE TOP SIX LISTED NEW MEDIA ORGANISATIONS (EXCLUDING THE SABC)

COMPANY	MARKET CAPITALISATION	PRICE TO NET ASSET VALUE	REVENUE	RETURN OVER 5 YEARS
NASPERS	R1.568tn	4.99	R78.897bn	▲ 559.02%
CAXTON	R5.04bn	0.84	R6.407bn	▼ -25.87%
tiso blackstar	R2.28bn	0.73	R9.141bn	▼ -21.82%
eMedia Holdings	R2.18bn	0.56	R2.582bn	▼ -53.70%
AME	R439.52m	2.31	R238.5m	▲ 2.48%

[Source: Own research]

The value of Independent Media itself can, until SIM publishes the financials of Independent Media separately, only be estimated. However, SIM, the holding company, had an accumulated loss of R752-million for the year to end-June 2017.

It must be remembered that companies are worth what investors are willing to pay for them, and this is only verifiable if a company is listed or at the time of a sale. In 2013, Independent Media was valued at R2-billion, when it was bought back from the Irish investor (Enslin-Payne and De Ionno 2013) by a group that included a Chinese government entity (20%), the Sekunjalo Independent Media consortium (55%) and the Public Investment Corporation, custodian of the Government Employees Pension Fund (25%) (GEPF). *[This sale is explored in more depth in Section 6.]*

Much of the controversy surrounding the sale of IM is generated by concerns over how government employees' pension money is spent and whether political rather than financial factors influence where the money is invested. There are questions about who profits from the investment. The Public Investment Corporation, which invests GEPF money, owns 25% of Independent Media. This would have been converted into shares in Sagarmatha, if that entity had listed. Its listing was cancelled shortly before this report was compiled.

It has subsequently been revealed that the Public Investment Corporation (PIC) also advanced loans to the value of a little more than R1-billion to Independent Media, in addition to a 25% stake valued at R166 million. It is not known what the other members of the investing group paid for their shares (Table 7), but the direct equity stake of 25% at R166 million implies a total market value of R665 million for Independent Media. Some of the PIC loan has been paid off, but the company still owes money to the Chinese shareholder and the South African Clothing and Textile Workers Union. The debt status of the Sekunjalo Investment Media consortium which owns 55% of Independent Media was revealed in the pre-listing statement.

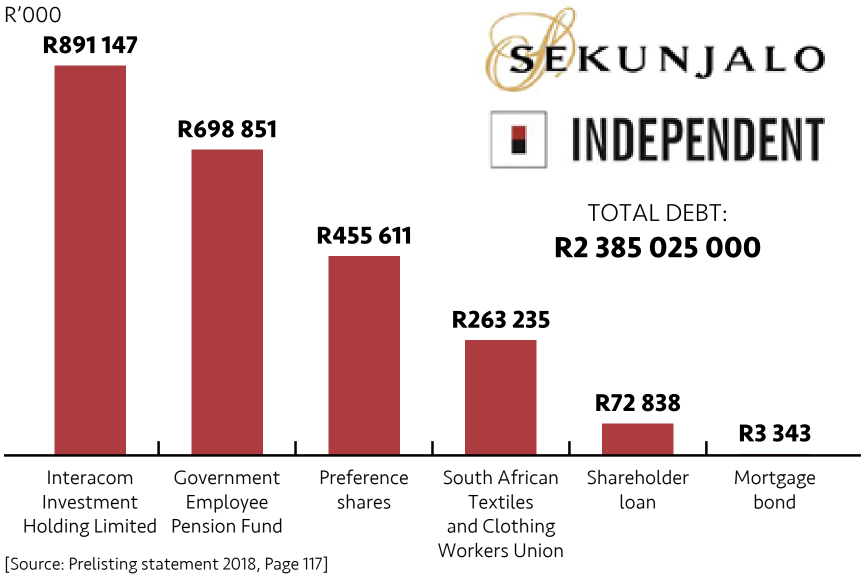
SIM's debt is stated in Table 4.5.

SIM majority shareholder Iqbal Survé has complained that reporting about Independent Media has been inaccurate and that the use of information in the pre-listing statement has been misleading and designed to put him in a bad light.

'Competitor media did not base their narrative on the financials of Independent Media. Instead, they gleaned their information from the consolidated group accounts which were contained in the PLS and thereby, misinterpreted and deliberately misrepresented the solvency of Independent Media' (Survé 2018). Survé has been invited by various journalists and other parties to share the financials of Independent Media, but has declined to respond.

It is true, as Survé claims, that much has been made about the debt to the PIC. It is clear that the Chinese and Sactwu debt is also large and was due for repayment. Survé puts the debt into a good light by pointing out none of it is bank debt, though no one has claimed this is or was the case, and that most of the debt belongs to investors: the PIC, the Chinese consortium, and Sactwu.

TABLE 4.5: DEBT OF SEKUNJALO INDEPENDENT MEDIA



[Source: Prelisting statement 2018, Page 117]

THE FAILED LISTING OF THE SAGARMATHA GROUP AND INDEPENDENT MEDIA

The failed listing of a new conglomerate that would have housed the legacy assets of one of the Big Four publishers, Independent Media, alongside other media interests and an online retailer revealed at least one truth: Media ownership matters. In the face of skepticism and outright criticism of the listing, all major Independent newspapers mounted on the same day an extraordinary and coordinated attack on competitor media houses and individual journalists (Staff Reporters 2018).

Quoting controlling shareholder of Sagarmatha and IM Iqbal Survé, the *Staff Reporters*-bylined article, among other accusations, spuriously and mischievously linked journalists critical of the listing to an apartheid-era spying operation, as well as claiming commercial sabotage. The article elicited a strongly worded response from the South African National Editors Forum (SANEF 2018).

At the same time, *Business Report* editor and ardent admirer of Dr Survé, Adri Senekal de Wet wrote an article expanding on the smear with innuendo and a startling claim that the majority owner of the M&G, the Media Development Investment Fund, was serving right-wing US interests (Senekal de Wet 2018b). The M&G's Lisa Steyn had written an article quoting an asset manager describing Sagarmatha as "eclectic gathering of loss-making assets". The Media Development Investment Fund, responded by saying, 'Ms. Senekal de Wet's allegations about MDIF go beyond opinion and into the realm of fantasy,' and pointing out the factual errors in her claims (MDIF 2018).

The implications for media freedom aside, the incident – and the explicit use of *Business Report* and other IM newspaper editorial space to run a spate of articles supportive of the listing – reminds that the famous 'Chinese wall' between editorial and the business has been breached. Management intervention, or interference, depending on what side of the Chinese wall anyone used to stand, is in plain sight.

SANEF in 2016, noted the changes in the media landscape with alarm, including an erosion of editorial independence: 'The consequences of such pressures have manifested themselves in the form of direct proprietal/managerial interference in editorial decision-making processes and indirectly through the blurring of the lines between advertising and editorial' (Ngoepe 2016).

It also underlines the shift in South African media ownership in the past few years from anonymous corporate control in support of what could be interpreted as corporate interests to visible, proprietorial control.

Along with this has come a diminution of the power of editors to shape their newspapers – a power which was always limited by management's allocative control of resources. Witness the strangulation of the *Rand Daily Mail* prior to its closure (Louw 2005). In this era, technology compounds the changes wrought by ownership changes due to market pressure. The *Business Report* is carried by all Independent Media regional newspapers, and as such the executive editor reports to the proprietor, not the editors of individual publications. This is an efficient structure in financial terms, but the question to ask is whether it is optimal in serving the readership and the public, especially if the business staff is cut back at regional publications?

amaBhungane - Iqbal Survé's mythical beast

(http://amabhungane.co.za/) (https://www.givengain.com/cc/amab)

HOME (http://amabhungane.co.za/)

HOME (HTTP://AMABHUNGANE.CO.ZA/) / IQBAL SURVÉ'S MYTHICAL BEAST

08 Apr 2018 - Sam Sole

Iqbal Survé's mythical beast

Analysis

Analysis

SHARE (HTTPS://WWW.ADDTOANY.COM/SHARE#URL=HTTP%3A%2F%2FAMABHUNGANE.CO.ZA%2FARTICLE%2F2018-04-08-IQBAL-SURVES-MYTHICAL-BEAST&TITLE=AMABHUNGANE%20-%20IQBAL%20SURV%C3%A9%27S%20MYTHICAL%20BEAST) (/#FACEBOOK) (/#TWITTER) (/#GOOGLE_PLUS) (/#EMAIL)

The full extent of the destruction at Independent Media since the Public Investment Corporation placed the company at the disposal of Iqbal Survé ha[...] bare – ironically via Survé's outrageous attempt to use other peoples money to plug the R2,3-billion hole in his media balance sheet.

Last week, on 28 March, a company 73% owned by Survé's family trust issued a remarkable "Pre-listing Statement" inviting selected investors to subs[...] "private placement" of shares ahead of a planned listing on the Johannesburg Stock Exchange.

The company's name is Sagarmatha Technologies (a grandiose reference to the Nepali name for mount Everest) and the pre-listing statement repres[...] desperate bid to portray it as a high-tech start-up in the mould of an African Google or Amazon.

Also evident is the growing power of individual voices in the new media ecosystem, a development prophesied some time ago (Buckland 2006). The Independent Media attack co-ordinated by Survé incorrectly pointed to competitors as being at the forefront of the attack on the Sagarmatha listing. To be sure, some criticism did emanate from competitor media houses, though it was to be expected that Tiso Blackstar's business publications would focus on a listing. The most stinging criticism came from a member of a donor-funded organisation and a freelance journalist and blogger. Sam Sole of amaBhungane published a critical opinion piece, based on the copious information available in the pre-listing statement (Sole 2018). Ivo Vegter, *Daily Maverick* 'opinionista' as the contributors to the site are described, launched a fierce personal attack on the *Business Report* editor (Vegter 2018). And a blogger found the articles 'disgusting' and described in detail the adverse Twitter reaction from journalists (Manson, 2018).

While the IM front-age assault itself began by accusing Tiso Blackstar executives, it quickly moved to individual journalists. One reason for skepticism or hostility towards the listing could be the personality of Survé himself, who has clashed not only with journalists of competitor publications, but of his own publications, from early on in his tenure as controlling shareholder (Bell 2016). Journalistic solidarity is unlikely to feature in neoclassical economists' examinations of the media industry, but, as shown recently by the reaction of non-SABC journalists to treatment of SABC journalists, it exists (Nicolaides and Essop, 2016).

These issues are illustrative of general trends perhaps. What, specifically would the failed listing – which might still take place in some form or other – have meant for the media in South Africa? What did it entail in the first place?

The listing on the JSE would have been welcome in bringing more transparency to one

'Independent Media has loans from shareholders who have a vested interest in ensuring its success.' (Survé 2018)

In other words, they have no interest in collapsing the company by calling in their loans, and can be tapped for more cash.

The pre-listing statement contains financials, as Survé points out, for SIM, which owns 55% of Independent Media.

> Contained in the pre-listing statement is the fact that the 'branded media' segment of SIM reported revenue of around R710 000, and an operating loss of R69-million, which is not encouraging. Branded Media, according to the pre-listing statement, 'focuses on our traditional print media business'.

The pre-listing statement also states: 'Group revenues for the six-month period ended (sic) was R823m. Revenue was mainly from the Branded Media and the classifieds segment."

CAXTON-CTP

Caxton-CTP is focused on profitable freesheets distributed across the country and printing, and like the other media companies is a mini-conglomerate with interests, for instance, in packaging, stationery, and distribution. It is closely associated with Terry Moolman, the visible partner in the Moolman-Coburn partnership that controls Caxton. Table 5 may give an incorrect perspective on a conservative company that has grown its assets and Net Asset Value over 10 years. Revenue from Caxton's freesheets, largely carriers for advertising inserts, appears to be tied to the overall performance of the economy, as well as a shift to the Internet of classified and similar advertising.

In the 2017 annual report, Caxton notes that it has been afflicted by the state of the economy, and by classified, motoring and property advertising moving to digital platforms, while national advertising revenues have continued to grow in line with inflation.

Caxton notes in the interim report to end December 2017, that that the sluggish economy continues to take its toll on the group.

'The difficult trading conditions experienced in the second half of the previous financial year intensified into the current reporting period resulting in a decline in revenue of 4% and resultant decline in profit from operating activities before depreciation of 6.1%.' (Caxton & CTP, 2018)

National advertising revenues have declined, for the first time since 2010, as retailers cut back on spending. The loss of the Independent Media newspaper printing in Gauteng also cut into revenues. (Ibid)

Declining local and magazine advertising revenues showed 'no signs of stabilising'. Subdued demand, said the company, had affected the packaging divisions while inconsistent educational demand cut into book printing revenues (Ibid).

Caxton has cash in hand for acquisitions (Cairns, 2017) but its activity shows it continuously reviews its operations. In the six-month period, Caxton sold the

of the four companies that bestride for the moment the print media landscape. It is to be hoped that some form of listing does take place. For other reasons, the new structure would be welcome.

The folding of IM's print business into Sagarmatha would bring under one roof, metaphorically speaking, media assets that should be together. It is anomalous, as is obvious from the pre-listing statement, that the online news platform IOL should be owned by a company other than Sekunjalo Independent Media when it repackages news from the newspapers in the Independent Media group. It makes more sense for the African News Agency (ANA) to be part of a group that owns the newspaper assets since the newspapers run ANA stories.

There is nothing new or strange in the conglomeration. All the media groups have branched out beyond their legacy media assets and associated operations, including Naspers-owned Media24, which owns online retailer Spree. All are actively pursuing third stream income. Tiso Blackstar owns radio stations in Africa, for example.

What was proposed, or at least described, was nothing less than the creation of an acquisitive, fast-growing, high-tech venture, with media assets as its core, operating in South Africa and Africa. Thanks to the promotional articles published by IM, mainly in *Business Report*, prior to the listing attempt, the investing public were introduced to Silicon Valley concepts such as the 'multi-sided platform'. A two-sided platform is one that brings two parties together in a transaction, without direct involvement, such as Uber pairing drivers with riders (Vegter 2018). Invoked were the giant Internet-based successes of recent years, such as Chinese technology company Tencent or US-based Facebook. Yet the new aspect of the listing would have been the injection into the already created Sagarmatha of Independent Media's print assets, hardly the stuff of the fourth industrial revolution.


fin24tech

Terry Bell slams Iqbal Survé's dirty tricks 'exposé'

One of the backers of the listing, American Jim Rogers, stated in a *Business Report* article, 'Sagarmatha's e-commerce offerings are Africa's own Amazon, Tencent and Alibaba. In syndicated news content it is Africa's answer to Reuters and to Bloomberg for business content. In digital news it is an African alternative to Quartz, Daily Beast, and NYT Digital.

'Sagarmatha is unique in that it is all of the above combined into one group and much more, including technology ventures while being authentically African. It is well positioned to succeed in Africa and beyond.' (Senekal de Wet, 2018a)

Firstly, the projection of Sagarmatha as these things, with or without Independent Media, seemed to commentators outside the Independent and Sagarmatha group, as fanciful. The perception was not helped by some of the extravagant language employed by Independent Media writers, such as Senekal de Wet, who minted the phrase "super-galactic highway" to describe the move (Vegter 2018). Tiso Blackstar writer Ann Crotty noted that investors were being asked to buy into a highly priced list of intentions (Crotty 2018). It would have been interesting to see what the take-up would have been for the offer by investors, but the claim by amaBhungane was that 'GovernmentEmployees Pension Fund (GEPF) money, which is managed by the PIC, would be used to artificially boost the value of Sagarmatha' (Sole and McKune, 2018).

The private placing of shares to raise at least R3-billion and preferably R7.5-billion put the value of the share at R39,62 and the overall value around R48-billion – for a company whose net asset value was around 34 cents (Laing, 2018). This means the shares that the PIC was asked to invest in were massively overvalued. In other words, the PIC was being invited to invest in a high-risk company, whose ultimate share price could, if it followed the rules of high-risk Silicon Valley companies like Amazon, garner a massive capital appreciation profit in the long term but which might well lose money for years before that. *Business Report*'s executive editor spelled out the proposition.

> *It is important for our readers to note that the current portfolio of businesses in Sagarmatha is similar to global Multisided Platform Technology Companies (MSPTs) in their early stages – think the likes of Amazon that made significant losses in its first 15 years and until today still hasn't paid a dividend. Yet Amazon is valued at $700billion.* (Senekal de Wet, 2018a)

Fifteen years is a long time for investors, particularly pension funds, to pour money into any company.

According to amaBhungane's Sole, the motivation for the deal was not unicorns of any sort, but raising money to pay off existing debt (Sole, 2018). Further investment in IM through Sagarmatha could also be seen as a conversion of the PIC's debt to expensive equity, or forcing the PIC to invest more money to try to recover the money it has advanced (Cohen, 2018).

Senekal de Wet has argued that the negative coverage is an attempt by competitors to shut black investors out of the market and that the objection to the listing was racial (Senekal de Wet 2018c). However, the PIC's investments, always political because of the pension fund element and the perception that the funds may be used to achieve party political ends, have now all been subject to even greater scrutiny by journalists and politicians in the wake of highly publicised losses in other investments, specifically the once admired Steinhoff (Crotty, 2018).

Secondly, none of the tech companies invoked, such as Amazon, owned any legacy Print media assets. Amazon's Jeff Bezos, bought the *Washington Post* long after Amazon showed signs of success. The IM print operations seem out of place, though without it the online news platform IOL is under-sized with value of only R19-million.

loss-making magazine business Ramsay Media for what the company describes as 'a nominal amount' (Ibid).

Caxton is clearly striving to diversify away from its traditional print media business. In 2017 it bought 50% of digital property portal, Private Property, for around R123-million. It has also said it was exploring new strategies to attract local advertisers, including creating hyper-local digital platforms. It bought the All 4 Women website, along with self-adhesive operation HP Labelling; labelling company Boland Printers; stationery businesses Flip File and Star Papers, for around R158-million.

Caxton, however, sold its interest in financial website Moneyweb Holdings to African Media Entertainment, via a share swap that valued Moneyweb at roughly R30-million (Fin24 2017). Caxton's controlling shareholders, chiefly the Moolman & Coburn Partnership, hold 38% of AME, so this was in a sense a family arrangement and the reason given for the accompanying delisting of what had been the smallest firm in the JSE media sector was cost. Moneyweb, launched in 1997 and listed by its founder Alec Hogg in 1999 was a pioneer in business news broadcasting and has tried with some success to diversify away from its dependence on supplying news content to the SABC. The company in mid-2017 was receiving a third of its revenue from the SABC (Crotty 2017). Nonetheless, like other online websites it is not the pot of gold envisioned during the dot.com era in which it listed.

TISO BLACKSTAR

The entity that houses some of the major publications in the country

Thirdly, those charged with marketing the listing, even if they were transparently not objective, did not do a particularly good job of selling the idea. For example, ANA is mentioned in the articles in *Business Report* supporting the listing, but you have to look at the pre-listing statement to see that the news agency also has a PR news wire operation, which is another stream of revenue. No extensive explanation of the synergies between the online retail operation and the news media operations was offered.

Moreover, close scrutiny of the deal must have been expected. The reaction, as noted, has been the opposite of calm.

For media sustainability, the listing controversy raises questions about the role of public money – for the Government Employee's Pension Fund money is undoubtedly public, in that if PIC underperforms, the nature of government pensions is that government has to foot the bill – in supporting media. In the light of the controversy generated by the investment in Independent Media, it would be tempting for the PIC to exit all media. That, however, would mean exiting profitable Naspers. And the PIC has a mandate to support transformation.

How long can market forces – and we must acknowledge they exist though they may not be as crudely powerful as imagined or as ideologically neutral – be resisted, and who foots the bill for media market failure?

Reg Rumney

– *Sunday Times, Business Day,* and *Financial Mail* – Tiso Blackstar has over the years changed its name and its structure regularly, reflecting changes of ownership as it emerged from the Anglo conglomerate that used to have controlling stakes in the two biggest English-language groups. The name changes and the restructuring of ownership are irrelevant, however, to the future of the group, and to any lessons about the media landscape, except to note that being part of a much bigger group with different revenue streams does not seem to have helped the media house in any way.

Most recently it was known as Times Media and is now Tiso Blackstar, after a private equity acquisition. The newspaper and online assets are now part of a group that is reshaping itself as a 'pure media play'. Logically, it is now expanding into other media assets such as radio stations in other countries.

Were it not for cross-media regulations, this kind of conglomeration would probably be common. Times Media, as part of Johncom, was also part of the first big Black Economic Empowerment (BEE) deal that involved media, unlike its peers, one of which, Independent was foreign-owned for much of the post-1994 period. It will only be possible to judge Tiso Blackstar as an investment once its structures have stabilised, and it rids itself of its two major non-core assets, steel companies Robor and Consolidated Steel Industries (CSI).

Tiso Blackstar plans to dispose of a stake in Kagiso Tiso Holdings (KTH)– it has no use for having been delayed, and the group blames 'adverse market conditions' in the second half (Ibid).

Independent Media has seized the failure to dispose of KTH as part of its war of words with TBG over the criticism of the Sagarmatha (SEE Box) listing, claiming the failed disposal means the company was 'drowning in debt' and pointing to the fall in the share price over time (*Staff Reporter* 2018). TBG responded that all was in hand and that it was not in business rescue (TBG 2018b).

According to Tiso Blackstar itself, the stagnant economy has also affected the group:

'The six months to 31 December 2017 were some of the most difficult in recent times, dogged by political uncertainty and the resulting decline in business confidence and reduction in marketing spend nationally.' The interim statement also shows only R12-million was generated by operating activities (TBG 2018a, 2) but it also shows that assets comfortably exceeded liabilities.

While the media division's revenue fell by 6%, retail marketing and packaging company Hirt & Carter contributed 22% of the group's total R4.5-billion revenue and 61% of its small after-tax profit of around R62-million. The media division of TBG made an operating profit of around R72-million on revenue of around R1-billion (Ibid).

NASPERS AND DIVERSIFICATION

As can be seen from Table 4.4, a snapshot in time necessarily, all but Naspers and the smallest listed company African Media Entertainment (AME), were trading at a discount to net asset value (NAV), meaning that they seem to be significantly undervalued. This is not unexpected for conglomerates, nor for investment holding companies, which hold

TABLE 4.6: FROM CAXTON CTP TEN YEAR REVIEW

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Gross turnover (Rm)	7 286	7 246	7 194	6 250	5 984	5 569	5 056	4 771	4 747	4 804
Profit before taxation (Rm)	610	590	597	545	686	633	672	510	495	788
Profit from operating activities before depreciation (Rm)	749	762	758	690	837	747	735	642	572	811
Net current assets (Rm)	2 770	2 887	2 824	2 833	2 075	2 371	2 263	2 268	2 193	1 582
Net asset value per share (cent)	1 436	1 406	1 337	1 283	1 277	1 175	1 107	1 060	1 029	815
Number of employees	6 311	6 310	6 434	6 053	6 025	5 910	5 850	5 652	5 664	5 874

[Source: Caxton 2017 Integrated Annual Report]

disparate assets with no common linking activities.

While media companies do exhibit conglomeration, this is arguably necessary and another way of talking about the diversification of revenue streams (Cunningham, Flew, and Swift 2015, 23). Yet history shows that conglomeration and its attendant undervaluation of the underlying assets makes firms vulnerable to hostile takeovers and to shareholder activism. The conglomerate, Johnnic, which was the subject of the first big Anglo-American unbundling and Black Economic Empowerment deal, and which initially comfortably housed Times Media is no more (Crotty, 2014), stripped by waves of restructuring.

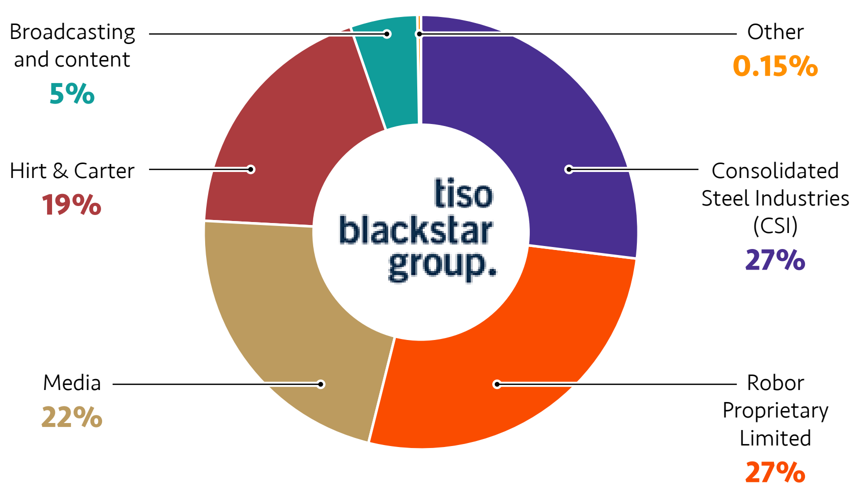
As a Bloomberg reporter commented: ''Naspers Ltd.'s conglomerate discount is widening. Its one-third stake in Tencent Holdings Ltd. alone is now worth 27% more than the South African Internet company's entire market cap ... Without Tencent, Naspers would have reported an operating loss for the last two years'' (Ren, 2017)

Naspers has even come under pressure to unbundle the Tencent stake to shareholders, a move that Naspers management has resisted. Naspers continues to hold on to Media24, which contains mostly its legacy news businesses, and whose revenue and profit or loss is relatively insignificant to the bigger group.

Media24 is a key agenda setter and surely supports the environment in which the larger group operates, including not criticising Naspers's monopoly of pay-TV or questioning the commercial objective of the media. Historically, newspapers have often been seen not as cash-drivers but as part of a larger aim as the example of the Anglo-American-controlled English newspapers of the apartheid era illustrates.

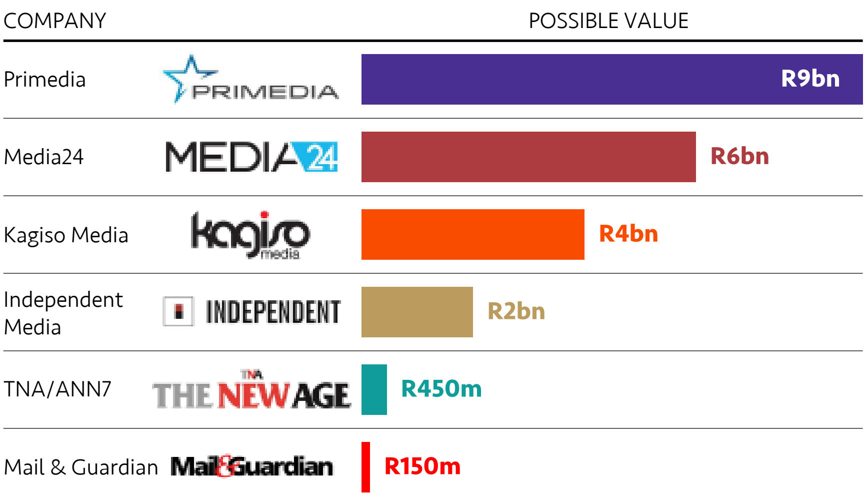
Naspers, as a newspaper publishing company founded in 1915 and associated with the rise of Afrikaner nationalism, is a prime example of the attempt to survive through generating income in what could be considered non-core businesses – a variation of the multi-revenue-stream approach and what emerges as a key strategy of South African media businesses. In 1985, Naspers along with South African Associated Newspapers (SAAN) (later renamed Times Media and now the core of Tiso Blackstar), defunct Perskor and the Argus company (now Independent Media) were allocated shares in the only TV competition to the SABC channels

FIGURE 4.7: TISO BLACKSTAR – SEGMENTAL REVENUE



[Source: 2017 Annual Report Tiso Blackstar]

FIGURE 4.8: ESTIMATED VALUE OF SOUTH AFRICA'S TOP SIX LISTED NEWS AND RELATED MEDIA ORGANISATIONS (EXCLUDING THE SABC)



[Source: Own research]

then allowed, the M-Net pay-TV channel, accessed through a decoder. The idea was explicitly to offset the decline in traditional non-broadcast revenue from the growth of TV. South Africa was late in starting TV, with broadcast only beginning in the mid-1970s. Naspers used M-Net to lever itself into the giant pay-TV, technology and print media company it is today.

Media 24 was the earliest and most substantial investor in digital media and has consolidated its lead in recent years. According to Media24's 2017 consolidated report, 24.com, which houses all their digital media brands, 'recorded substantial growth in audience and engagement, especially on mobile platforms. By year-end it had 17 million monthly users (up 35% from the previous year) and an average of 388 million monthly pageviews (up 41% year on year)'. Despite this, 24.com is only contributing 3% of Media24's revenues, while newspapers still contribute 25%, magazines 20% and printing 38% (see Figure 4.1).

Cindy Hess of Media24 explained at the annual general meeting of BEE investor in Media24 Welkom Yizani that the company's mature business of print publishing et al continues to face 'structural headwinds', while the growth business of digital media and ecommerce is still in an investment phase and will need cash for some years to come (Weideman, 2017).

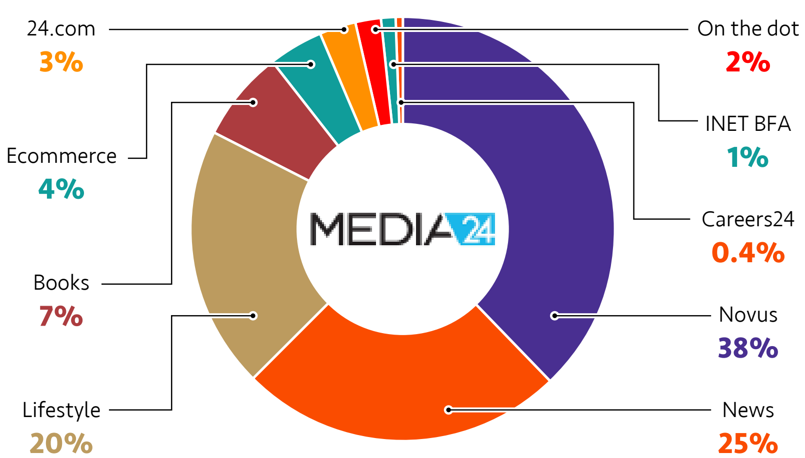
SUBSIDISING JOURNALISM WITH OTHER REVENUE STREAMS

Naspers, as discussed separately, highlights a potential flaw in the multiple-stream income strategy: if the strategy is particularly successful one or more of the alternative revenue streams may eclipse the original company and its business to such an extent that the original vision is lost. **Naspers is no longer a print company with pay-TV assets: it is a technology and pay-TV company with minor print assets.**

Around 10 years ago, under pressure from shareholders, Johnnic Communications (Johncom) which then housed what is now Times Media, sold the group's 39% stake in Electronic Media Network (M-Net) and SuperSport International Holdings Limited to Naspers for around R4 billion (Mantshantsha 2007), effectively shutting down a useful revenue stream that had been set up in 1985 for the purpose of supporting the newspaper business. Somewhere in the process of various restructurings, Independent Media lost its stake.

The same threat lurks for other media companies. It can be envisaged that

FIGURE 4.9: MEDIA24 – REVENUE BY SEGMENT



[Source: Integrated Annual Report 2017]

a print company could become so successful at event management that print becomes irrelevant to investors, for example. And media companies, especially online media companies, are increasingly looking at multiple revenue streams, as their traditional dual market revenue source becomes outdated (Figure 4.2).

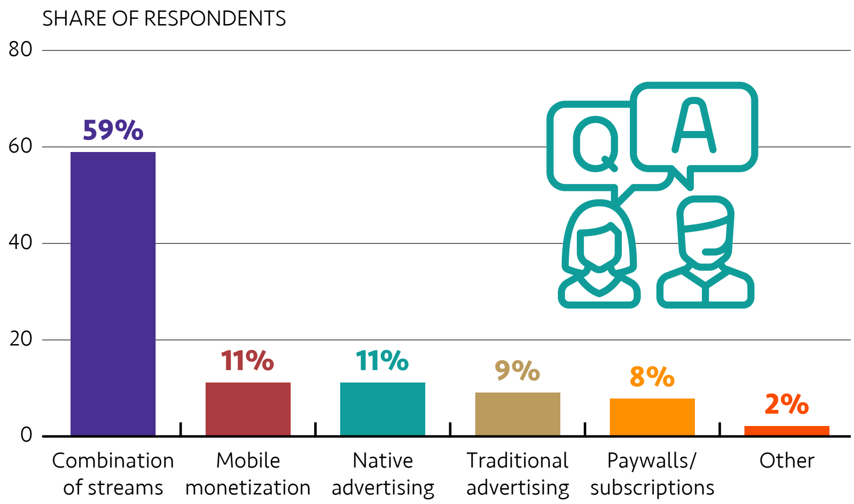
The exceptions to the hunt for multiple-stream income are those news media groups that are large enough, with enough special content and audience rich enough, to downgrade advertising revenue and ask the audience to pay more for content. Globally, three large and famous companies seem to have achieved this – two in the US and one UK-based: *The New York Times, the Wall Street Journal* and *the Financial Times* all operate pay-walls, restricting extensive content to subscribers. They seem to be succeeding as traditional media has been given a boost by the reaction to the Trump presidency, the so-called Trump Bump, and to the deluge of Fake News (*The Economist,* 2017).

THE MAIL & GUARDIAN

Ownership of the *Mail & Guardian* changed at the end of 2017 from a majority holding by Zimbabwean newspaper owner Trevor Ncube to a majority holding by the US-based Media Development Investment Fund and a minority investment by CEO Hoosain Karjeker. Ncube has disposed of his equity investment for an unknown sum.

A range of interviewees confirmed that the *Mail & Guardian* has been in financial difficulties for some time, and offers had been made for the newspaper of as little as R25-million. Notably the severing of the relationship with the amaBhungane investigative unit has meant the newspaper has lost what could be argued was its unique selling point.

FIGURE 4.10: HOW DO YOU PREDICT DIGITAL MEDIA OUTLETS WILL MAKE MONEY IN 2016?



[Source: Parse.ly]

In an interview, Karjieker, who has been CEO for the last six years, gave a hint of the financial state of the newspaper group leading up the takeover by the MIDF: 'The last three years have been immensely difficult. We were forced to retrench staff, while struggling to develop viable business models that support quality journalism' (Haffajee, 2017).

Karjieker also commented that the new owners and model will "make M&G Media a hybrid profit-nonprofit model and give it the breathing space to be recapitalised and future-proofed. Like most media companies, the 32-year-old title swims in choppy seas as print revenues go into terminal decline and digital revenues cannot yet pick up the slack". (Haffajee, 2017).

Before Ncube bought the newspaper group in 2012, the M&G had somewhat curiously sold its website to Naspers. Ncube has been quoted as saying the M&G bought back its online division from Naspers at too high a premium. Establishing MG Africa had also been an expensive mistake.

The repurchase of the website and the emphasis on online news was a mark of the Ncube ownership. But the online presence of the M&G has dwindled in recent years, and it is a long way from the 2012 announcement of the group's digital-first strategy, then novel, and editor-in-chief Chris Roper's idea that 'transforming a legacy print business into a digital media business required a total re-engineering of resources and staff' (Daniels 2013, p37). The excitement of the M&G creation of a pioneering blogging platform, *Thoughtleader*, is a distant memory, and monetisation of the digital-first strategy has proved as elusive for the M&G as the rest of the industry.

The *Mail & Guardian* was one of the first South African media companies to prioritise its online platform, and to experiment with alternative revenue streams, but with only one news media brand, the weekly newspaper, it has always been vulnerable. A much higher cover price than its rivals must be one reason for its recent decline in circulation, although despite these high costs, the decline has been less dramatic than for others in the market.

The M&G remains the only 'quality' mass market tabloid in South Africa.

ANN7 AND THE NEW AGE

The New Age newspaper and the ANN7 channel are closely associated with State capture and the Gupta empire. The two media assets were bought by Mzwanele Manyi in August 2017 for R450-million in a vendor-financed deal. As this publication was being prepared it was announced that Manyi had settled the debt and now owned 100% of the two media assets. Even debt-unencumbered, without the revenue from Multichoice, which has hosted the channel and which has announced it will stop doing so in August 2018, it is hard to see how ANN7 will survive. The newspaper has been the recipient of substantial government advertising, but also earned revenue from business breakfasts, attendance at which commanded a high fee, and which were screened – for free – by SABC. This arrangement has also ended. The impact of this on the longer term prospect of the news media is discussed in Section 6.

THE FUTURE OF PRINT MEDIA IN SOUTH AFRICA?

The future for the traditional print media groups looks bleak, but they should be in a stronger position than is apparent because of their robust online presence. The funding problem is that as the print companies move online they face big declines in ad revenue, mainly due to multinational monopolies Facebook and Google and programmatic advertising. For years there has been talk of the elusive online 'business model'.

As Harber remarks in relation to the balancing act of moving towards online while managing the decline of print, 'At this point it is unclear which of our traditional media companies – Media24, Independent News, Tiso Blackstar and Caxton – can survive long enough to make the business models of the Internet work' (Harber 2017).

THE MDIF

The MDIF is a New York-based non-profit organisation. Since its founding in 1996, it has invested $163-million in over 113 publications across 39 countries. It has a long history with the M&G, dating back to a loan that it extended to the company in 2003.

Karjieker, who will continue as CEO, said: "The new ownership will steady the company and provide much-needed financial stability. It will provide a strong and stable platform from which we can refocus on building our business, while safeguarding *M&G's* unique blend of quality investigative journalism and balanced political coverage. I would like to underline the fact that MDIF is a not-for-profit company with a mission to support quality independent news media. Interfering in editorial is against its core principles."

Khadija Patel, editor-in-chief of the *M&G*, said she was encouraged by the news. "As a small independent publisher, the *M&G* feels the turmoil of the global media industry acutely. This now presents us with a real opportunity to alleviate our financial difficulties." https://mg.co.za/article/2017-12-12-00-mail-guardian-under-new-ownership

Maintaining profitability in the face of declining revenue by cutting costs works in the short term but cannot be sustained and the pressure to close loss-making titles or business units, is likely to escalate.

Most media managers interviewed during research for this report anticipate the closure of major newspapers within the next three years, due to the negative impact of the lacklustre economy on advertising and product sales. This is perhaps most starkly illustrated in the case of independently-owned local newspapers.

A DETERIORATING PRINT NEWS EXPERIENCE?

'Our newspapers are failing to rise to the challenge presented by online and social media, still living in an age where they could define and control the news flow. They are dull. They are not telling us much beyond the surface of what is happening in our country today. They are failing us as citizens, and failing our democracy'.

Anton Harber

Howley (2005:140) argues that news has become a commercial product that is ''shaped, packaged and marketed with a constant eye on profits ... Newspapers are businesses dedicated to presenting information within the parameters of profitability''.

Because advertisers determine a newspaper's profitability, the medium seems to work within a framework that delivers 'customer-friendly' content that is pleasing to both the advertisers and the readers.

This desire to please advertisers means that the newspapers, ''shun controversial matters, politics and debates for fear of alienating readers''.

Howley adds that this aversion is a kind of self-censorship that guarantees that political ideas of public interest do not reach the community and the net result of commercialisation is the production of content that is often banal.

THE ECONOMICS OF PUBLIC BROADCASTING IN SOUTH AFRICA

Keen observers of the public broadcaster would have felt a sense of déjà vu towards the end of 2017 when the annual report was published. Once again, the supposedly self-financing State-owned corporation found itself in serious financial difficulties and had to approach government for help. Once again, a politically pliant Board had been swept away by popular protest and the top executive responsible for the financial mess sent packing. Once again, journalists felt they could practise journalism at the SABC and the organisation could return to the tricky task of balancing an onerous, externally imposed public mandate with keeping itself afloat.

This time it was the former who had presided over a monumental loss at the SABC. In the 2008/2009 financial year, Dali Mpofu was ultimately responsible for a comparable loss. The size of the losses is similar, around R900 million, although adjusted for inflation the 2009 loss would be roughly R1.4 billion today, and the revenue of the corporation has doubled since 2009. The timing is similar too. Both losses were incurred in years of recession or near-recession. However, in 2017, according to the annual report, the SABC had burnt through its cash reserves leaving only R81 million, less than 10% of the cash available at the beginning of the financial year.

The Auditor General's comments on the SABC's finances at a parliamentary committee meeting revealed a darker picture than that presented in the annual report, with the Auditor General according the SABC an 'adverse' audit opinion, only one up from a disclaimer where the auditor walks away from the accounts completely. An adverse opinion, according to the Auditor General, means the entity 'had so many material misstatements ... that we disagreed with almost all the amounts and disclosures in the financial statements'. Corporate executive at the Attorney General Alice Muller told a Parliamentary communications committee meeting that not only was the SABC commercially insolvent because it could not settle its debts as they fell due, but because not all expenditure had been recorded as yet. The SABC's actual spending could be higher and therefore the loss could be bigger than that recorded. Moreover, the SABC had not adequately dealt with irregular expenditure of R4.4 billion from the previous financial year, so that the amounts disclosed in the financials were inaccurate and could be higher or lower.

The annual report, now that the two people who were in charge have departed, is candid about the events that led to the loss:

'For the year under review, the SABC's performance has been dismal both financially and operationally. We have seen a reduction in audiences from some SABC platforms as a result of bad programme scheduling and interference with the news editorial policies.'

Interference in news editorial policies – a ban on TV visuals of violent protest on the broadcaster's TV channels – was one of many decisions that led to Motsoeneng's infamy, along with the more directly financially damaging, impetuous decision to introduce a 90% local music content quota to all the SABC's radio stations, and an 80% quota for its TV channels.

Motsoeneng displayed studious denial about the effect of his actions, saying at a press conference in mid-July 2016, 'The idea that the SABC should make a profit is wrong. The question you should be asking is whether the SABC is sustainable ... And, yes, the SABC is sustainable.'

What he left out was that it would only be sustainable with government support of some sort. As would become undeniable later, the SABC was already running into financial problems.

Yet wrapped within that statement, as with some other apparently bizarre pronouncements of a man who referred to himself in the third person using the mononymous 'Hlaudi', was a seed of truth. If the SABC focused entirely on profit it would lose its raison d'être in terms of the way public broadcasting has been perceived. A United Nations Educational, Scientific and Cultural Organisation (UNESCO) brochure, Public Broadcasting: why? sums up the entrenched view: 'Neither commercial nor State-controlled, public broadcasting's only raison d'être is public service. '

The SABC's reliance on advertising revenue (Graph 1) has been criticised for diluting its public broadcaster role, in the absence of significant revenue from licence fees. Consol Tleane and Jane Duncan argued for the 'decommercialisation' of the SABC in their 2003 book Public broadcasting in the era of cost recovery, and argued that the SABC was failing to fulfil a proper public broadcaster role. However, as noted by Terry Flew and Stuart Cunningham, the view that public broadcasting is fundamentally different in nature from commercial broadcasting is associated with the increasingly outdated stance of neo-classical economics, which views public broadcasting as simply a solution to a market failure.

Flew and Cunningham suggest the idea of public broadcasting, or to be more correct public service media since broadcasters now straddle traditional output and Internet-based output, is normative, and the gap between what public broadcasting is supposed to do and what it actually does has become apparent. Also, the difference in public service media and commercial media has narrowed as commercial media organisations, such as Home Box Office (HBO), have shown the ability to produce truly innovative content, and public broadcasters and commercial broadcasters compete for similar audiences.

Yet in South Africa, on the 'market failure' argument alone, preserving the SABC is justified. As scholar Julie Reid remarks, if the SABC were to vanish tomorrow around 65% of the population of South Africa would be almost completely in the dark about the world around them. Her research into how particularly the poorest South Africans use SABC, notes that community newspapers would not be able to fill the gap of providing information.

As was outlined in Section 3, this is immediately obvious when looking at the radio sector, in which SABC dominates as it has for decades: it has 18 radio stations and a weekly listenership of 28 million people, or 71% of all adult (age 15+) national radio listeners (Table 1). Much media focus falls on TV; radio, it has been remarked, is the Cinderella medium. Yet for many South Africans radio is still the main and perhaps only source of information, especially in their home language. All the purely indigenous-language stations belong to the SABC, and except in KwaZulu-Natal, and lately the Eastern Cape, there are no major indigenous-language publications.

In any case, no print publication could match the reach of the established SABC stations. As outlined in Section 3, Ukhozi FM has 7.6-million of those 28-million weekly listeners, and Umhlobo Wenene FM 5.5-million. At the other end of the scale the listenership of X-K FM, which targets the San people of Platfontein in the Northern Cape, is too small to measure.

Add the SABC's five TV channels – purely free-to-air SABC 1, 2, 3, and the satellite-flighted Encore and SABC News (Table 2), and you should have a broadcast media juggernaut. None of the urban-based radio stations serve so wide or big an audience; in TV only one free-to-air competitor exists, eTV, and while its performance in attracting audience from SABC2 and SABC3 has been credible it cannot compete with the manoeuverability afforded by the SABC's three channels together.

The other part of the broadcasting triopoly is Multichoice, the satellite signal distributor which carries eNews Channel Africa (ENCA), the eTV 24-hour channel, and the two SABC satellite channels along with various bouquets of channels offering a wide range of news and current affairs.

Arguably, it has benefited from the SABC's failure to exploit its position as the top end of the market has moved across to pay-TV or to streaming Video on Demand supplied via broadband by either multinational services such as Apple, Google or Netflix or Showmax, owned by Multichoice, or even pirated video or free streaming of various forms of content from Youtube.
It is no wonder the SABC along with eTV and now DSTV have been steadily eroding the adspend revenue of the print media (Graph 2). Believers in economic determinism might point to this fact as the hidden cause. The SABC does have to fulfil what is clearly an onerous public service mandate which weighs on is ability to generate substantial surpluses, or, it seems, even with good management, break even.

While there is coverage of programme audience ratings, not much space is devoted to actual content. High levels of sex and violence in soap operas and films flighted on SABC channels has been noted by a number of recent commentators.

Journalist and media lecturer Reg Rumney (who also contributed to this report) argues:

"subjecting content to scrutiny, particularly on the public service

stations and channels, should cause discussion of the mandate itself, which, again, is rarely covered in depth. In the context of the press's almost gleeful animosity, Hlaudi Motsoeneng was something of a gift because it allowed for the personalisation of the perceived ills of the public broadcaster. While the intense public interest generated by such personalisation lets journalists amplify and focus concerned public voices, the constantly hypercritical nature of the coverage is not necessarily helpful in renewing the implicit contract between all sections of the public and the broadcaster."

Reg Rumney

A practical example of this is the licence fee income of the public broadcaster. The licence fee could be replaced by an increase in tax and a direct government grant from the fiscus, but this could increase government control, converting the public broadcaster into a State broadcaster, beholden to government in a much more explicit way and immune to pressure from civil society.

As Kate Skinner, Coordinator of the Support Public Broadcasting (SOS) Coalition, notes a mixed funding model is not a bad thing. As the graph shows, licence fee revenue has steadily declined (Figure 4.13).

Anecdotal evidence is that the fee is resented by the middle classes who do not believe they see value for money on their screens or hear it on public radio, and it is ignored by large sections of the population who either do not have money to spare or who believe they should receive services free. This is despite the South African licence fee being among the lowest in the world.

For some time now, the SABC or its collection agents have threatened licence fee non-payers on their system with blacklisting or legal action to recover the money. This only works for those in the formal economy. In any case, the SABC bills almost twice the licence fee revenue that it actually receives.

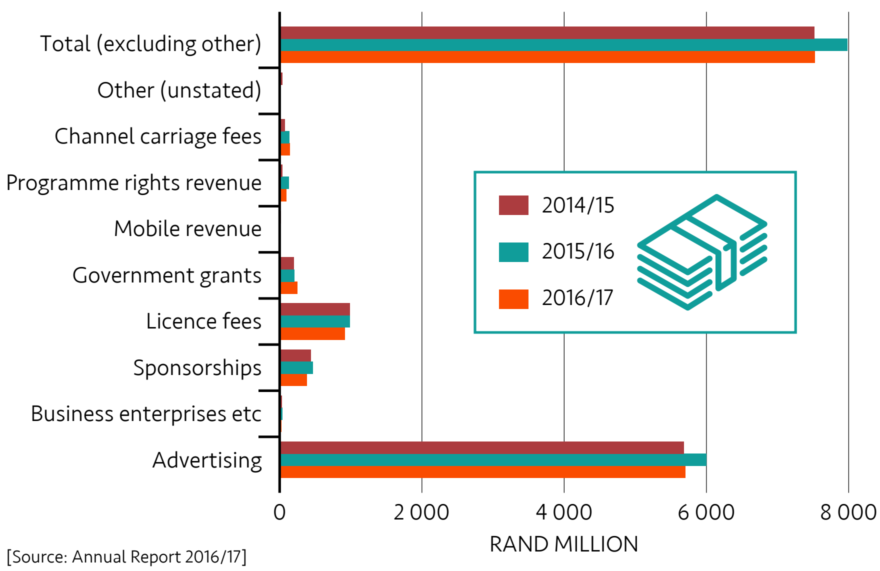
For the year under review, the SABC's performance has been dismal both financially and operationally. We have seen a reduction in audiences from some SABC platforms as a result of bad programme scheduling and interference with the news editorial policies.'

Government interference in the corporation – that distracts it from growing its audience and containing costs while practising a form of self-censorship – will lead to a loss of credibility in the eyes of a more mobile, wealthier audience who are supposed to cross-subsidise the public services of the SABC. This has lead to a decline in commercial revenue.

One future for the SABC then would be steadily falling licence fee income, deteriorating ad revenue and higher government grants, giving the government more leverage over the SABC, particularly in the area of news. Given the SABC's monopoly in serving the poor and rural population, a faction of the governing party might even welcome this development. Ironically, exacerbating this would be government shirking its rights as the SABC's only shareholder.

Again, there is resistance in the pro-private sector press to the idea of 'bailouts' for State Owned Enterprises (SOEs), exemplified by the coverage of the woes of the electricity corporation Eskom and the State airline South African Airways. Yet the State as shareholder has to bear the financial responsibility for SOEs, particularly in ensuring that their balance sheets are restored to health. For the SABC, restoring the balance sheet should mean a direct cash injection rather than a government guarantee, which

FIGURE 4.11: REVENUE BREAKDOWN FROM 2014/15 to 2016/7



[Source: Annual Report 2016/17]

as Skinner points out, means only that the SABC can raise cash commercially – at a cost which constrains operations and reduces future earnings. As Skinner says:
'With Digital Terrestrial Television (DTT) the SABC has to launch new channels and to operate in an austerity environment, which you would have to do with paying back a major loan, makes it incredibly difficult for the SABC just to sustain their present channels. So the best option would be a bailout. '
Were the SABC to be a purely commercial company facing this financial crisis, it would have few options. One would be to have a rights issue, that is issuing more shares from existing shareholders to raise money; another would be to borrow commercially. Whatever the choice, the shareholders would insist on significant cost-cutting, which invariably means retrenchments. For SOEs in South Africa, shedding staff in an era of high unemployment seems out of the question.

Were the SABC a non-profit company, as suggested by Motsoeneng, it might also have to retrench to cut costs and its only option would be to go back to its donors or find new donors. The SABC staff numbers have remained fairly stable since the last major financial crisis in 2009, with a staff complement of around 3 500 people.

In both cases, there would be a limit to the number of times the SABC could cut staff or find new injections of cash. There is, however, no limit to the number of times, except in reaction to political pressure from opposition parties or to fiscal realities, that the government can give grants to the SABC, as has been proven by the South African Airways (SAA) bailouts over the past 20 years. However, pressure on the fiscus is likely to limit the extent of any money for the SABC in the near future, especially in the light of the grim circumstance of other SOEs.

In pursuit of self-sustainability, the SABC could in future behave more like a commercial broadcaster, giving lip service – or more lip service, depending on your level of criticism – to its public service mandate. It could focus most of its efforts on commercial services it already owns, specifically the three Public Commercial Services (PCS) radio stations, SABC3, and (if we discard the artificial categories) SABC2. It could grasp the opportunities provided by digital terrestrial TV (DTT) to increase revenue in future by targeting the urban, middle class. It could scythe through its staff numbers, ridding itself of dead wood.

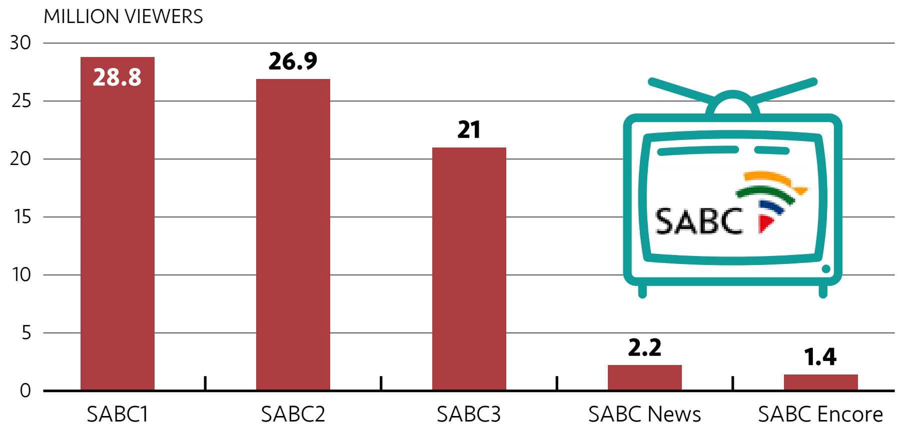
The SABC would, however, still be responsible for providing a reasonable level at least of services for the majority of the population whose mother tongue is not English, but who are not always a priority for advertisers. Politically, it is not an option for the SABC to act entirely like a public service broadcaster. Nor should it be.

Skinner is adamant that civil society cannot mobilise for good broadcasting policy and then 'go to sleep', and thus should be constantly vigilant about these kind of shifts at the public broadcaster.

The SABC cannot be viewed or expected to operate purely as a commercial entity, nor yet a government department, nor yet a company that happens to be owned by the State. And given the State's failure to extend broadband services, exacerbated by the slow pace of the rollout of Digital Terrestrial TV, which will free up spectrum to be used for broadband, and the high poverty levels in South Africa, it is unlikely for a while that the market can provide what the SABC provides.

Pieter Fourie, Emeritus Professor at UNISA recently raised the prospect of privatisation of at least some of the TV stations at a seminar on the SABC's role in promoting social cohesion. 'In terms of its role in social cohesion and non-racialism, I think in the future it [the SABC] will need to justify its existence especially in the developing world of digital media,' Fourie was

FIGURE 4.13: SABC TV CHANNELS



[Source: Annual Report 2016/17]

quoted as saying.

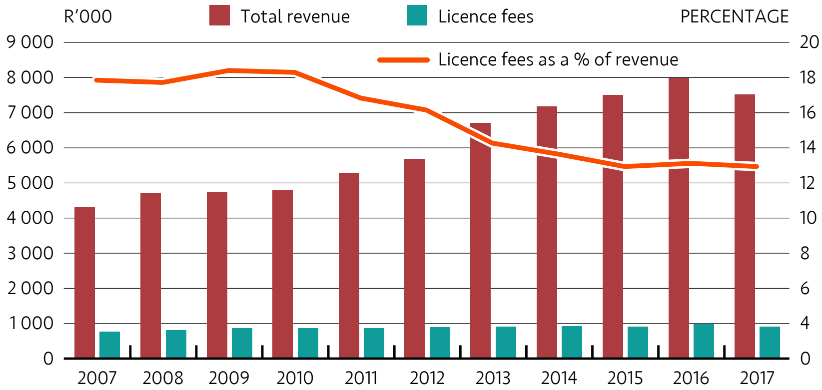
Commercial broadcasters would not necessarily rejoice in Fourie's solution, however. He was talking about distributed public service broadcasting, and the demise of the SABC as a strong, independent public broadcaster would throw a more intense spotlight on the social responsibility of the private sector media, and may entail regulation to force private sector media take up the services the SABC now offers.

A more likely scenario for the next few years is that the SABC will remain unchanged, but struggling because of a debt burden to serve the wealthier audience that is supposed to cross-subsidise the poorer audiences, and to resist pressure from some within government to interfere in editorial policy. At the same time the SABC faces similar digital disruption as other media organisations, with erosion of audiences, for example, from Video on Demand. How the SABC reacts to increased competition in the digital sphere, including through DTT, will also determine its future.

For example, the BBC and the Australian public broadcaster have countered commercial streaming services with their own services, the BBC's iPlayer and the ABC's iview. If public broadcasters are to maintain their relevance in the digital era they also have to foreground their role in leading development of high-quality media services to the public, not merely catching up with what the private sector provides.

In any case, the SABC cannot be left to fight its battle alone, and the public in return has a right to demand greater transparency of the SABC's operations.

FIGURE 4.15: LICENCE FEES AND REVENUE



[Source: Financial Mail July 7 2016, updated with information from SABC annual reports]

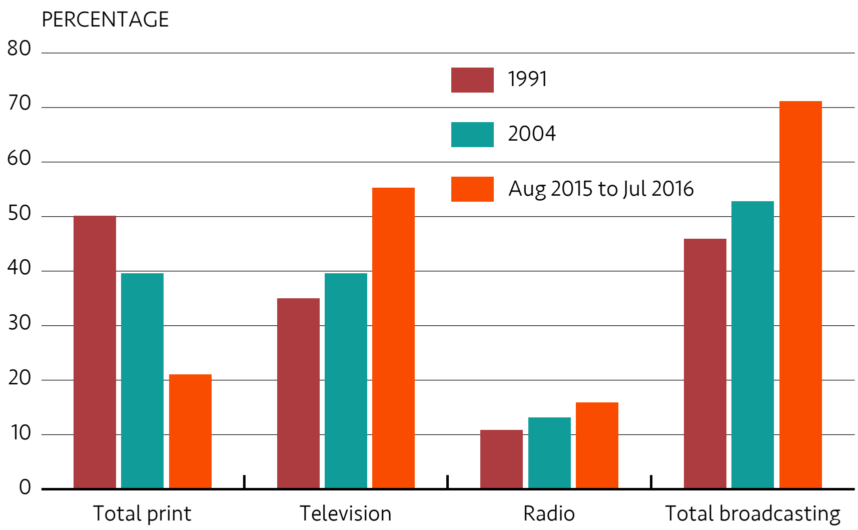
As Kate Skinner, now CEO of the South African National Editors' forum (SANEF) notes, greater transparency would not only help persuade the reluctant viewers to pay their licence fees, it would help rebuild trust in the public broadcaster.

She calls for, 'An annual report that is much bulkier that has much more accountability, where figures are disaggregated on spending and revenue and consistent over many years.'

Such transparency would have avoided a situation where SABC management insisted that its deal with *The New Age* to broadcast that newspaper's breakfast functions cost the SABC no money, a claim that has proved later to be false.

Transparency in all areas as a move towards accountability replaces reliance on government to discipline the SABC, where any such moves can be interpreted as interference in the independence of the public broadcaster.

FIGURE 4.14: SHARE OF ABOVE-THE-LINE ADVERTISING EXPENDITURE



PIPELINES VS PLATFORMS (NASPERS/MEDIA 24 CASE STUDY)

One of the fundamental challenges posed by digital disrupters to traditional businesses, including media companies, is the move from 'pipelines' to platforms. This challenge was clearly articulated in a recent *Harvard Business Review* article.

"Firms that fail to create platforms and don't learn the new rules of strategy will be unable to compete for long... While plenty of pure pipeline businesses are still highly competitive, when platforms enter the same marketplace, the platforms virtually always win." (Alstyne, Parker, & Choudary, 2016)

The rise of Uber and AirBnB have proved the power of platforms to decimate 'pipeline' industries, even in countries where the pipelines were firmly entrenched as market leaders, often protected by reams of laws and regulations.

Global digital business Naspers and its South African media subsidiary Media24 provide a useful and somewhat sobering case study of this phenomenon. Naspers was quick to realise the power of the Internet and digital technologies and the importance of adapting its business strategies. Naspers has developed a reputation for taking big risks which, perhaps somewhat fortuitously, ended up paying off, in the case of Chinese social media company Tencent, spectacularly.

Nearly 20 years ago, in its 1998 financial report, Naspers said:

> *"Naspers has traditionally been viewed as a print media and book publishing concern with some electronic interests. The company has now, however, become an integrated, multimedia media concern with a strong development focus on electronic media, software systems, technology and the Internet, while continuing its interests in the more established business of newspaper, magazine and book publishing."*

At the time Naspers was also willing to risk serious losses, with its Internet businesses making "negative earnings" of R342-million (before tax, interest, depreciation and amortisation). Naspers is now reaping the benefits of its far-sightedness. Internet and e-commerce revenues in the 2016 financial year were US$8.2 billion. Significantly, the company now describes itself as a "global platform operator" with principal operations in:

- Internet services, especially e-commerce (i.e. classifieds, online retail, marketplaces, online comparison shopping, payments and online services);
- Pay television (direct-to-home satellite services, digital terrestrial television services and online services); and
- Print media.

The bulk of Naspers' wealth is primarily derived from its investment in Tencent and its global strategy is built on bold investments in e-commerce businesses, not in turning around ailing traditional media.

The old media division of Naspers, Media24, the most digitally-innovative of South African media companies, now comprises a small part of the Naspers empire that hardly features in its market capitalisation. This despite the fact that its online media properties, under the umbrella of 24.com, claim the lion's share of the traffic in digital journalism, in the order of 17 million monthly users on 24.com. As Stafford Thomas wrote in *Business Day*:

> *"The group's market cap stands at R982 billion, while its 34% stake in the R3.42 trillion market cap of Tencent is worth R1.16 trillion. It leaves Naspers's other assets, which generated revenue of almost $3 billion in the six months to September, valued at a negative R178 billion." (Thomas, 2017)*

Largely because Naspers was the first South African media company to invest large sums of money in Internet media properties, Media24 holds a commanding lead in digital media, attracting more page-views, Facebook likes, Twitter followers than any other media company in South Africa.

And yet, Media24's recent financial statements demonstrate that it is struggling to achieve significant returns. In 2016, Media24 saw only a marginal increase of profits on a 20% decline in revenue, and in the 2017 year the company recorded an after-tax loss of R88 million on revenue that was flat (R8,051 million vs R8,116 million in 2016). This shows that while the 'platform' strategy has paid off for the Naspers group, Media 24 itself has not been a significant beneficiary.

Naspers demonstrates that successful diversification of business models and revenue streams does not necessarily mean media companies will cross-subsidise resource-hungry, and often unprofitable, journalism. Companies could come under shareholder pressure to spin off successful business models into separate, much more profitable, companies.

SECTION 5:

DEVELOPING NEW REVENUE STREAMS: AN OVERVIEW OF RECENT EXPERIMENTATION IN SOUTH AFRICA

In many countries in the world, audiences for news journalism – but not income – have shifted online, especially as smartphones have proliferated. This creates new news audiences whose attention can be sold to advertisers. In many countries, just two companies –- Google and Facebook – are winning more than 70% of all new digital income, and in some countries more than 90% of new digital advertising revenues go to Google and Facebook. This is one of the great paradoxes of the digital age: the 'at-scale' audience models that many news companies have built online, often by offering free content for the past 20 years, have not and have never yielded enough advertising revenue to sustain journalism quality.

These models are now having to be replaced by paywalls and digital subscriptions, generating far lower audiences. Yet, even with this subscription or content revenue, advertising revenue remains the biggest online source of income, with or without paywalls.

Translating the size of online audiences into sustainable revenues streams – from ad sources or subscriptions or other channels – has been difficult, and this is also true of South African companies.

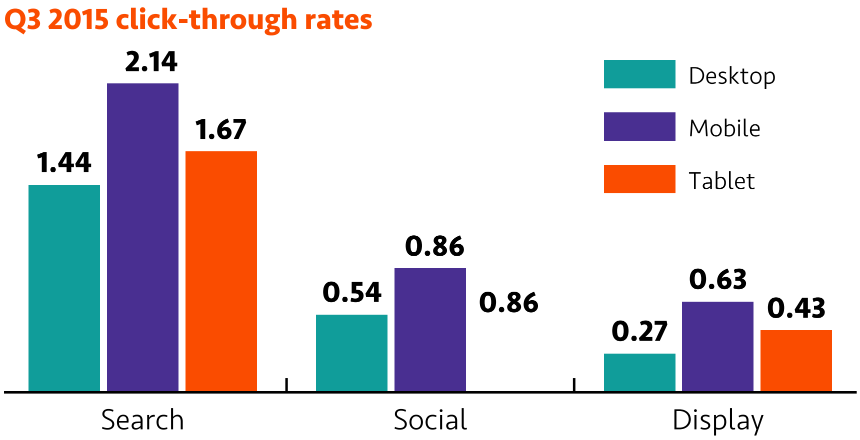
As a result, most news organisations have had to cut costs again and again, and while many have vigorously pursued a wide variety of new ways of making money, only a few have been able to generate significant revenues to replace the income lost in the transition to online media. As explored in Section 4, no news organisation in South Africa is doing well and at a local level, both the density and diversity of news offerings is shrinking, sometimes to zero.

Commercial media revenues are steadily shrinking. As Clay Shirky, leading media economist argued back in 2009: ...

'For the next few decades, journalism will be made up of overlapping special cases. Many of these models will rely on amateurs as researchers and writers. Many of these models will rely on sponsorship or grants or endowments instead of revenues. Many of these models will fail. No one experiment is going to replace what we are now losing with the demise of news on paper,

FIGURE 5.1: COMPARISON OF DISPLAY, SEARCH (ADWORDS) AND SOCIAL ADS CTR

This comparison of average online media click-through rates (CTR) from Marin is useful for modelling the response of digital media for top-level budgets.



[Source:Smart Insights]

but over time, the collection of new experiments that do work might give us the journalism we need."

http://www.shirky.com/weblog/2009/03/newspapers-and-thinking-the-unthinkable/

At the same time in South Africa, billions of Rands that could have been spent on local media, improving and expanding the SABC, or funding and restructuring the MDDA have been stolen and wasted. A billion Rand from the Public Investment Corporation was diverted to acquire the Independent Newspaper Group, which, since its acquisition, and as outlined in Section 4, has almost certainly lost money.

The MDDA which could be the lifeblood of local media is not just under-funded but has long been in managerial limbo, mired, like many South African institutions, by inefficacy, incompetence and maleficence which a new Board might, soon, turn around.

The SABC, too, has been dysfunctional at managerial level for many years. The reign of Hlaudi Motsoeneng, at the behest of the Zuma-Gupta elite, is the most striking example of media capture in recent South African history. With many South Africans relying on the SABC TV news and radio channels (and now to some extent, the SABC's new online offerings) having Motsoeneng's 'sunshine journalism' continuously put the Zuma/Gupta axis in the best light, and denigrating all critique of this axis, even from within the ANC, the 'liberation' of the SABC, partial as it may yet be, is vital to the deepening of democracy and empowering of South Africans as ever.

EXPERIMENTS IN REVENUE: FUNDING JOURNALISM IN THE DIGITAL AGE

Research for this report suggests that while there is a great deal of experimentation and innovation, digital income streams are still generating less than 10% of total revenues for local news organisations.[3] The main commercial companies are committing substantial resources to developing new revenue streams such as online paywalls, enhanced 'advertorial' or 'native advertising' or 'sponsored content' and various e-commerce offerings. Smaller and more agile digital-only companies are placing more emphasis on hosting sponsored events and on crowd funding and large grant philanthropy.

This section of the report, drawing on research conducted in 2016 and 2017, including research by Masters students at Rhodes University, looks at various

Globally there are essentially just five high-level categories of income that media companies can explore to support the journalism project:

1. Selling audience attention (currently primarily through digital display ads and via native advertising);
2. Selling content (primarily through paywalls, or through distributed content and email newsletters);
3. eCommerce (facilitated online sales of physical and digital products, sometimes linked to journalism);
4. Sales of 'related' services (such as event hosting, commercial printing and publishing, online dating offerings and other services); and
5. Philanthropy (via both large grants and crowdfunding).

[3] As is the case globally, media companies mostly compete with one another, but also co-operate, as needed. But in general, few will speak in detail, or on the record, about what revenues new models are generating, nor about their overall levels of loss or profitability. It is thus difficult to establish exactly how much progress they are making and to determine what is working and what is not. Ironically, for organisations whose publications are founded on the need for transparency, media companies regard secrecy as essential to maintaining competitive advantage, although advantage is a relative term in a field of, for many, failing business models.

attempts by South African news organisations to innovate and find new sources of revenue.

Since the start of the World Wide Web in 1991, news media companies have mostly sought online revenues from directly sold 'banner' advertising. This revenue source, mimicking the advertisements sold in newspapers, has and for many smaller news operations, still generate the lion's share of digital advertising revenue. But these ads have notoriously low response rates (the global average is about 5 click-throughs per 10,000 impressions), and often go unnoticed, and in the past decade, there has been a rise in consumer resistance to online ads – and a very steep rise in the use of ad-blockers.

"Social media and platform companies took over what publishers couldn't have built even if they wanted to. Now the news is filtered through algorithms and platforms which are opaque and unpredictable." (Bell, 2016)

And it is not that Facebook or Google generate much higher 'click-through', just that they have millions of more click-through opportunities (they get ads to more eyeballs).

So while display ad click-through rates are very low, at less than 0.25%, search click-throughs hover at between 1.4% and 2.14%. (www.smartinsights.com).

As takes place in most countries, the Google and Facebook duopoly absorbs the vast bulk of new digital revenues, for the reasons of scale and sophistication of its aggregated audience data. Google alone took around 70% of local online advertising, and social media, mostly Facebook, another 12%, with others like mobile

operators accounting for another 10%, leaving media houses with a mere 8% of online ad revenue (Media24 CEO Esmare Weideman) – expanding on the 90% figure cited earlier, the global duopoly is growing. According to Zenith, Google and Facebook earned one-fifth of global ad revenue in 2016, with a combined increase since 2012 of nearly double, around $106-billion.

As outlined in Section 3, the issue is more than one of revenue: social media's user-generated content is attracting the attention of users, and both Google and Facebook's opaque algorithms decide what the audience should see, and what is shared by how many people, effectively acting as publishers while pretending, like Internet Service Providers, simply to be conduits for information (Schiller, 2017). Twitter is less interventionist, itself a problem in that it allows itself to be used and abused to a greater extent by abusive trolls and anonymous, automated bots (Vicens, 2017).

Emily Bell, director at the Tow Centre for Digital Journalism at Columbia Journalism School in a now-famous article, contends that news publishers have lost control over distribution: "Social media and platform companies took over what publishers couldn't have built even if they wanted to. Now the news is filtered through algorithms and platforms which are opaque and unpredictable." (Bell, 2016)

Nick Srnicek, a lecturer in digital economy at King's College London, wrote in a recent article in the *Guardian* arguing for the nationalisation of Facebook, Google and Amazon:

"Look at the state of journalism: through sophisticated algorithms; newspapers and magazines see advertisers flee, mass layoffs, the shuttering of expensive investigative journalism, and the collapse of major print titles"

(Srnicek, 2017)

Srnicek's idea is on the face of it compelling. Why have domestic laws that prohibit monopolies and allow giant, unaccountable international monopolies to operate in your country?

In South Africa, moreover, neither Facebook nor Google pay tax, nor do they seem to be amenable to any local input. amaBhungane journalist Sam Sole described the experience of trying to contact Google as a "black hole" (Sole, 2017).

Increasingly, governments around the world have started to take on the problem of multinationals who use their economic power and multi-state presence to avoid domestic regulation. The will to take on giant multinational monopolies, in the name of competition and social good, could yield a solution to the funding problem.

As amaBhungane's Sam Sole has noted:

"Lawmakers in the European Union, Australia, Canada and elsewhere have been grappling with how to do it, whether by a so-called 'Google tax' on aggregators, a levy on online or foreign advertising. There is no reason why an online advertising tax could not be used to help fund news production via state subsidies of one kind or another."

(Sole, 2017)

In South Africa, the private sector media suspicion of the motives of State intervention is tangible and not without reason, as can be seen from the skewing of ad spend to *The New Age*, a newspaper without an audited circulation (Reddy, 2017), as is further explored in Section 6. Nonetheless, dismissing public sector funding out of hand, especially crisis funding, may prove to be a mistake.

INNOVATION IN JOURNALISM REVENUE STREAMS

Selling audience attention – display advertising

Since the early days of online journalism, 'display ads' have been the biggest digital revenue earner for news publishers. But publishers know that they cannot rely on this source as much as they have in the past. Mimicking the placement of advertisements in print, display adverts appeared as 'banners', placed in prominent positions on news websites, luring readers into clicking through to advertisers' websites and digital sales channels.

Early display ads were static images with tag lines sold and placed by publishers themselves, which were often unrelated to other content and context. Over the past decade, these ads have developed to include animated flash and GIF ads, and full-page ads that take over content pages, popped up or behind active pages, or interstitial ads that appear between pages as they are loaded.

Contextual advertising placement allowed ads to be targeted based on page content and user interests, with cookies placed to track browser history and ad performance, allowing users to be served ads based on their online history, taking control of advertising content away from online sites, sometimes leading to unfortunate juxtapositioning of adverts. Many users have also objected to the extent to which cookies have been used to track their online activity, the commercial sale of the personal and aggregated data, and the use of this data for highly-targeted advertising.

Pricing models for online advertising such as Cost Per Thousand (CPM), Pay Per Click (PPC), Cost per Lead (CPL), Cost Per Action/Acquisition (CPA) meant that 'eyeballs' and 'click=throughs' became the currency of online revenue streams. This had a negative impact on journalism funding as it drove traffic away from quality news to sites that specialise in sensationalist, and sometimes outright false, clickbait, the original 'fake news'.

Banner advertising that clicks through to e-commerce sites have also posed ethical challenges as many online publishers entered into 'affiliation' agreements that earn a commission on sales of products they review.

Globally, display ads have been the biggest online revenue earner for news publishers. Digital-only publishers, such as *Huffington Post*, have depended on display advertising as their main revenue earners. However, as Sebastian points out, display ads are not a viable business model and revenues generated are in decline:

"The Huffington Post rely almost entirely on digital advertising for revenue. The amount brands are willing to pay for digital display ads face constant downward pressure because there's a near limitless amount of supply."

So if *The Huffington Post* – which is 10 years old, hauls in more than 200 million unique visitors a month and cranks out roughly 1 200 posts daily on the backs of reportedly poorly paid or unpaid writers – can't turn a profit on $146 million in revenue, then how are the other, venture-capital fuelled sites with smaller audiences and fewer relationships with advertisers supposed to achieve profitability?" (Sebastian, 2015)

In South Africa, news publishers are steadily increasing digital revenues, although off a low base. In an interview, Lisa Macleod of Tiso Blackstar (formerly Times Media), emphasised how dependent the news media was on banner income:

"More than 90% of digital revenue is attributable to banner revenue, and the rest an assortment of third party partnerships, like lead generation, content recommendations providers and some programmatic ad income .... There are acres of space and billions of inventory slots available online. So you get the great big traffic numbers but ad space is ubiquitous. But there is still only one page 3 in the Sunday Times on Sundays, so if you want your ad to appear there, so you pay more for it".

(Lisa Macloed, 2016)

However, digital revenue accounts for less than 10% of the group's total income, nowhere near covering the costs of the digital operation. As Macleod further explained:

"The business model is to make digital revenue off a variety of sources: paywall, display, programmatic, 3rd parties, native, sponsorships etc. And later on, syndication, or content sales. No one silver bullet, a variety of different sources of smaller streams of revenue."

(Lisa Macloed, 2016)

A common complaint among digital content producers is that advertising sales staff are unable, unwilling or poorly motivated to sell digital advertising. As Mcleod remarked: *"Underselling, discounting, giving digital away to land a print sale, giving content away for free, all these things have royally screwed the digital model."*

(Lisa Macloed, 2017)

Media 24 has an effective digital sales operation in Ads24, including an in-house digital studio, which sells across all print and digital platforms. Despite this, Netwerk24 reported that digital advertising income accounted for only 14.2% of total income in April 2016, of which 96% was generated by display ads.

In late 2016, Independent Media's digital advertising revenue contributed only about 2% of total revenue. Banner ads are widely used, although Independent avoids pop-ups due to consumer resistance, and site takeovers are only occasionally sold. Independent uses Google's ad server. The group is also considering pre-roll video ads on videos played on their website.

Display advertising occupies a similar place at the digital-only upstart *Daily Maverick*, generating more than half of is revenue in 2016/17, which the company sells itself , avoiding automated adservers such as Google Adsense in favour of non-rotating banner ads. Display advertising has also been a top earner on the *Mail & Guardian* website. Television broadcast company eTV also reports display advertising is the biggest earner on their website.

Despite its dominance as a money-spinner and the most effective way of monetising user attention, display advertising does not generate nearly enough to sustain news media. Display ad revenues are threatened by consumer resistance caused by users objecting to the advertising disrupting their reading experience and ad blockers have become ubiquitous, although currently less common in South Africa.

The larger threat to advertising revenue, however, is the growing grip Facebook and Google have on digital advertising. According to the *Guardian*, Google and Facebook accounted for 20% of global advertising spending last year, nearly double the figure of five years ago. And, in new revenues, both Google and Facebook attract, in most markets, about 80% plus of all new ad spend.

Globally, therefore, even though display ads will have a role, it is been transformed by programmatic selling and other ways of generating income.

NATIVE ADVERTISING

Media companies and advertisers have long realised that users are more likely to pay attention to advertising if it mimics editorial content. In traditional media, this took the form of 'advertising features', also known as 'advertorials'" or sponsored product reviews. Five of 12 media organisations surveyed by Journalism Studies students in 2016 already regularly used native advertising campaigns, including the *Mail & Guardian*, *Times Media*, *Media24*, *Daily Maverick* and *Memeburn*. This trend appears to have accelerated in 2017/18.

TOP FIVE TAKEAWAYS:

DISPLAY ADS AS A SOURCE OF REVENUE

- Display ads are still the biggest revenue earners in online journalism
- Contextual and programmatic placement, e.g. by Google Adsense, allows better audience targeting but often provides a low Return on Investment to publishers
- News publishers' advertising sales teams are often poorly equipped to sell online advertising
- Display ad revenue is threatened by consumer resistance in the form of ad blockers encouraging a move to sponsored content; and
- Savvy news publishers are developing their own big data and artificial intelligence systems to allow their advertisers to target audiences precisely, in direct competition with Google and Facebook.

ADBLOCKERS

Apple's announcement that it would prevent ad trackers from following users around the web and inserting ads into Facebook, Google and websites they visited, was greeted with enthusiasm – though not by advertisers. Advertisers described the move as "sabotage" (Hern, 2017). It is certainly part of a trend that should worry anyone concerned about media sustainability.

It should not surprise advertisers that consumers find online ads annoying, since they find ads annoying in general (Hollis, 2016). However, the context is important. Display ads can be ignored, but pop-up ads and in-Read video – embedded into the middle of editorial articles – while certainly commanding attention, need the user to take action to avoid them (Ibid).

A recent survey found "Advertising is only getting more pervasive, obnoxious, and intrusive". The research further showed:

- 91% of people say ads are more intrusive today than 2-3 years ago
- 87% say there are more ads in general than 2-3 years ago
- 79% feel like they're being tracked by retargeted ads (Winsauer, 2016).

According to an Ipsos survey across 23 countries in 2016, more than 80% of those surveyed said they found online ads annoying or thought they caused slow loading of websites. The survey found that the use of ad blockers is widespread, although it did not cover South Africa.

"Ad blocking is most common in emerging economies, with India topping the list with 76% claiming to use ad blockers. This may be due to how these users are accessing the internet – with smartphones rather than PCs. Smartphone users have a greater motivation for blocking ads as they slow down page-load speeds [already constrained by local mobile data connections], increase the amount of data being used and take up limited screen space." (Rusted, 2016)

How serious the issue is for online media is shown by the loss of around $22 billion from ad blocking in 2015 (Rosenwald, 2015), a figure estimated to grow to $70 billion by 2020 (Willens, 2017). Ad blocking may also drive the growth of controversial native advertising (Shukla, 2017). While adoption across countries is not uniform, and is lower on mobile devices than on desktop PCs, ad blocking remains an existential threat to online media (Willens, 2017).

Native advertising has been controversial but, as Media24's Esmare´ Weidemann told Glenda Nevill, "Native advertising or sponsored features have long become acceptable, as long as any commercial message is not presented as editorial" (Nevill, 2016).

News24 is South Africa's biggest digital media channel for native advertising content. News24's branded content is produced by a small team of copywriters, editors, designers and videographers, operating under the commercial department at 24.com. The News24 editorial team have no say on the style and content of native advertising, according to Head of Native at 24.com, Myles Brown (Interview with Miles Brown 2016) The Space Station, which sells News24 advertising, says native advertising "elevates a brand by 82% in comparison to standard advertising", and that "70% of consumers prefer to learn about products by reading content about the product, brand or service, rather than through traditional advertising".

News24 features sponsored content on its main website, as well as the sister sites such as Health24 and Property24. Brown says, "The content needs to benefit our audience", with the principal focus on either education or entertainment. "But we do offer brands the chance to push their business objectives. In an ideal world, it wouldn't be a big product push, but the local market isn't mature enough to invest ad dollars into content that they have no control over, or [in which] their brand isn't featured." (Miles Brown interview 2016).

Keri-Ann Stanton (2016), managing director of the Engage Joe Public PR agency in Johannesburg remarks:

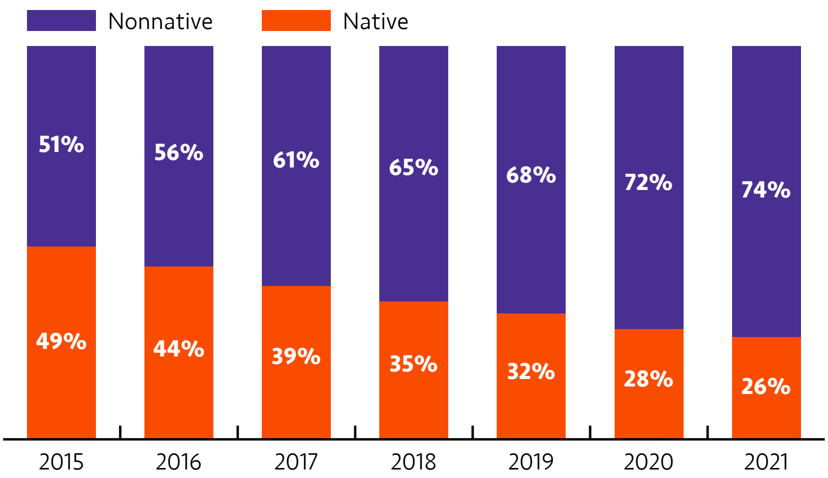
"The really clever PR people are the ones that are selling unbranded content." For example, a drought-awareness campaign sponsored by Clover Industries Limited and run by Engage Joe Public on Instagram, had no explicit Clover branding, apart from the hashtag, #CloverDroughtRelief. Stanton explained that the agency consciously kept the content unbranded "because we did not want to push milk sales or be seen to push sales, but to tell a story that would resonate with the cash-strapped consumer....

(Keri-Ann Stanton interview 2016)

SELLING CONTENT

The ongoing success of paywalls at *the Wall Street Journal, the New York Times* and the *Financial Times* have

FIGURE 5.2: SHARE OF NATIVE ADS IN US DISPLAY DIGITAL AD REVENUE 2015-2021



*Note: Display includes all banners, rich media, sponsorships and video ads.

[Source:BI Intelligence estimates based on data from the Interactive Advertising Bureau (IAB) and PwC)l]

offered one solution to the financial challenges of online journalism, in a time of declining product sales and advertising revenue.

New online subscriptions at the *New York Times* – as well as strong growth in digital advertising – helped offset what the newspaper itself described as “a further collapse in print advertising” in the third quarter of 2017. The company added 105,000 net digital-only subscriptions for its news product, driving digital subscription revenue to $86 million, 46% more than the same period a year before. The company said that: “Including subscriptions for its crossword and cooking products, *The Times* now has nearly 2.5 million digital-only subscriptions.

The emerging international consensus is that paywalls work more effectively for publications that have strong unique content offerings for which their users are willing to pay more. However, *Fortune* magazine raised a dissenting voice about one of the three major publications that seem to have made paywalls work:

“The reality is that, despite its digital growth, the Financial Times is facing the same challenge as thousands of newspapers, magazines, and other traditional print publications around the world. Namely, the fact that print advertising – which still generates far more revenue than digital – continues to shrink”. (Ingram, 2016)

TOP FIVE TAKEAWAYS:

NATIVE ADVERTISING

- Users pay more attention to advertising that mimics editorial content
- Sponsored content needs to be useful and appealing to users
- The best sponsored content is customised to the medium it is embedded in, and different campaigns work better on different platforms
- Sponsored content that does not explicitly promote brands is smarter and often more effective
- Savvy users detect and resist overt product placement, biased reviews and affiliate schemes

TISO BLACKSTAR

Tiso Blackstar (the media company formerly known as Times Media) is the latest South African company to invest significant resources in, and take a huge bet on, paywalls as the means of securing the future of its journalistic enterprise’s financial future. Tiso Blackstar has built separate paywalls around *The Sunday Times* and its financial publications, (*Business Day*, *Financial Mail* and *Sunday Times Business Times*).

The Sunday Times offers full digital access to print subscribers (R89 per month) or a digital-only subscription (R54 per month). Subscribers have access to *The Sunday Times* website, the app and PDF versions of the print newspaper.

Business Live Premium subscription (R120 per month) includes access to its financial publications, the *Rand Daily Mail*, selected daily *Financial Times* content and *Morningstar* financial tools and data.

The Premium Plus package (R349 per month) also includes full digital access to *The Wall Street Journal*, the *Business Day* e-edition (digital replica of the newspaper) and the *Financial Mail* e-edition. For R365, subscribers also receive printed copies of *Business Day*.

The Business Live website seeks to capitalise on its users’ professional need for, and therefore willingness to pay for, accurate and up-to-date financial information and analysis. Bundling its own content with that of the *Wall Street Journal* and the *Financial Times* is a further carrot.

Lisa MacLeod, head of digital, Tiso Blackstar Group, outline the group's nuanced approach to subscriptions:

"We always need make sure that we provide lots of different points of entry for people. Previously, the pay wall philosophy has been very single-minded, like this is locked and you can either come or go, we are not that bothered and I think everybody's changing their minds now about that and about how to manage that. So, for us we're looking at new paywall models for some of our titles, and even looking at a 'day pass' where you can come in for 24 hours – you are not committed for a long time. It is sort of an in-and-out thing. The future will be all about paid content but there will need to be lots of different ways of people being able to pay for content."
(Interview with Lisa MacLeod, 2017)

MEDIA24

Media24 has said it is building its future around quality content offerings for which the audience is willing to pay, combined with its online classifieds business. The company is moving to consolidate its online properties behind the News24 brand, and is working towards a point where its audience is large enough and its content sufficiently valuable to readers to extend the paywall beyond Netwerk24 to the rest of the company's platforms.

On the content production side, news journalists will also increasingly work for News24.

Although News24 content is largely ad-supported, Netwerk24 introduced a hard paywall on 26 June 2016, after previously using a metered paywall which allowed unregistered users to read three free articles and registered users 10. The hard paywall offers a once-off trial period of 30 days, after which unsubscribed users cannot access any Netwerk24 content.

Netwerk24 had four subscription packages in 2017: Print Plus: Print subscribers to *Beeld, Die Burger* or *Volksblad* get full access to Netwerk24. The digital only subscription costs R99 per subscription. Netwerk24 has moved on from its old iOS app using an iTunes subscription, as revenue was shared with Apple and customer data controlled by Apple. The new app requires the R99 subscription, for which subscribers are given access to all Netwerk24's platforms. Digital Plus subscribers get a Saturday paper delivered – and have full access to Netwerk24.

Sowetan editor Philane Mgwaba provided a word of caution in 2017:

"The vast majority of South Africans are poor and price-sensitive. I am not sure you are going to see massive numbers of people willing to pay for news. Complicating matters currently is the high price of data. Paywalls may be viable for niche titles such as Business Day, for example, but I think for general interest news organisations you may have to work extremely hard to provide a mass audience and work on getting the advertising support to have a viable business."

(Interview with Philane Mgwaba 2016)

THE FUTURE OF PAYWALLS

Paywalls are also crucial to media companies' ability to challenge the burgeoning monopoly of Facebook and Google on digital advertising revenues, as they potentially provide the data which can be used to target advertising at users. As Lisa MacLeod argues:
"what is often missing is the CRM factor afterwards, the customer relationship management, the marketing emails, that says to the subscribers , just want to say thanks so much, you have been a subscriber for three months, we noticed that you really enjoy these types of stories, so we just thought we would like to send you a reminder of some of the great coverage that you might have missed" In other words, engage and give you some love because you are giving us money but not bombard you. There is a very fine line between actually making people feel that they are part of the community and when it comes to expensive paywalls, I think it is important that people feel that they are part of quite an exclusive kind of community."

MEMBERSHIP AND CLUBS

Just as paywalls depend on a reader's perceived value of journalism, memberships build on the reader's sense of loyalty to the organisation producing it. As *Destiny* editor Sheena Adams calls it, it is "the allure of inclusivity". Adams adds:

"the Condé Nast brands have seen much success in the way of membership clubs like Condé Nast Traveller Members Club and Style Society. They offer readers exclusive deals, forums and rewards and helped the company reach an online audience of 86,3-million people in 2015, a significant 60% increase from the previous year".

The Guardian UK also offers three

categories of membership, which all "show deep support for keeping the *Guardian* open and independent":

- Supporter: access to tickets and to the live broadcast of events – £49 /year
- Partner: six tickets to Guardian Live events or four 4 Guardian-published books per year, and discounts on Guardian Live and most Guardian Masterclasses – £149 /year
- Patron: invitations to a small number of exclusive, behind-the-scenes functions – £599 /year.

Media academic and entrepreneur Jay Rosen has collected information on nearly 100 news organisations that have membership programmes and high levels of interaction with their members and found a great deal of variation in how these work. The resultant database of membership models is a valuable resource "for people who care about sustaining serious journalism in the digital age":

"Members are typically more engaged with the site than subscribers or donors would be. In news, this is important because such engagement can lead not only to brand loyalty but to trust – and to a better product. Certainly there are members who only give money. But what's exciting about membership as a support system for serious journalism is when it goes beyond that.

So we have learned to distinguish between 'thick' and 'thin' models of membership. At one end of the continuum, members mostly resemble donors. They are expected to lend financial support and patronize the product. This is what we're calling 'thin'. [A more neutral term might be 'lean'.]

At the opposite end of the spectrum, members still give money and use the product, but they also show up at events, offer advice and feedback, respond to call-outs, share their knowledge, and interact with journalists. That's what we're calling "thick" membership. It's denser, more intimate."

(Rosen & del Peon, 2017)

TOP FIVE TAKEAWAYS:

SELLING CONTENT – PAYWALLS

- Effective paywalls depend on unique, high-quality content that is not freely available, for example Netwerk24 owns most quality Afrikaans content
- The secret to paywalls is the perceived value of content to its users, for example the *Financial Times* provides mission-critical information to investors and business people
- The strategic adoption of hard or soft paywalls is critical to maintaining traffic and converting occasional users to subscribers
- Paywalls require payment systems with as little friction as possible, such as that pioneered by Apple in iTunes
- News publishers are resisting in-app subscription payment mechanisms due to high commissions taken by Apple and Google.

The Daily Maverick is considering a similar scheme. amaBhungane's voluntary support scheme (discussed below) is also a 'thin' membership which could be enhanced later.

DISTRIBUTED CONTENT

It has become common practice for news publishers to use social media platforms as a way to drive traffic to their own digital media properties. Globally, around 31% of news website traffic comes from social media (pbhsmarketing, 2015).

News content is increasingly consumed on mobile devices and increasingly distributed via social platforms. In the last two years, major social media companies have launched 'distributed content' mechanisms to allow the direct publishing of content to their platforms, formatted in ways that support rapid discovery and display of content.

Content needs to be formatted strictly according to the guidelines set down by the social media platforms, which also dictate how advertising can be displayed. Pre-determined formulae govern the splitting of advertising revenue between the publisher and the social media platform.

Users consume news on the social media platforms themselves and are not directed back to publishers' own sites or apps, meaning publishers risk missing out on revenue and data collection. Unsurprisingly, this proved controversial and many publishers have opted not to participate, but Facebook is now attempting to sweeten the deal for publishers as part of its new Facebook Journalism

Project, which has the dual aim of offering better value to publishers and combating the fake news problem.

FACEBOOK INSTANT ARTICLES

Instant Articles is a mobile publishing format that enables news publishers to display articles directly within the Facebook app, without requiring the device's regular browser to load the content. These articles load up to 10 times faster than the standard mobile web, according to Facebook.

As of July 2017, over 10,000 publishers around the world are now using Instant Articles, and more than a third of all clicks to articles on Facebook are to Instant Articles (Sarantakos, 2017). Facebook is paying out more than $1 million a day on Instant Article ad revenue, a figure that has grown by 50% in six months (Roper, 2017). Publishers can earn 100% ad revenue by selling and serving their own ads within Instant Articles, or allow Facebook to sell and serve the ads through its own mobile ad system, in which case Facebook takes a 30% cut.

In July 2017, Facebook launched an Instant Articles Analytics Tool for publishers using Instant Articles to measure how their articles perform compared to the mobile web equivalent. Facebook says that, on average, this is how much more people read articles using Instant Articles compared to regular mobile web in different parts of the world:

- US and Canada click and read over 25% more
- Europe clicks and reads over 30% more
- Middle East and North Africa click and read 80% more
- Southeast Asia reads and clicks 60% more
- Latin America reads and clicks 60% more
- India reads and clicks over 75% more.

Facebook is making progress with plans to let people subscribe to publications through Instant Articles, involving metered and freemium models. In a post in August 2017, Facebook CEO Marc Zuckerberg said that Facebook intends to test new ways to help news organisations grow their subscriptions. "If people subscribe after seeing news stories on Facebook, the money will go directly to publishers who work hard to uncover the truth, and Facebook won't take a cut," he promised. Facebook intends trialing the system with small groups of US and European publishers and it remains to be seen if and when it will become available to South African publishers.

Another related revenue opportunity may soon emerge on Facebook. With video becoming an increasingly popular format on Facebook, the social network is also experimenting with launching mid-roll video advertising opportunities for publishers, allowing them to insert ads after 20 seconds of playback in videos that are 90 seconds or longer. This could become a money-spinner for publishers whose Facebook content strategies revolve heavily around video.

APPLE NEWS

Apple News launched in June 2015. The service is built into iOS9 or higher iPhones and iPads and extracts content from a number of news sites worldwide, displaying them in a magazine-style format for users. Content can include photos, galleries, audio, video, maps, animation and interactive elements. Apple News has been sending publishers significant traffic, but not much revenue, though as of July 2017 Apple is said to be working on implementing changes to advertising policies within Apple News which should make the service more financially appealing for publishers.

GOOGLE ACCELERATED MOBILE PAGES (AMPS)

AMPS are content pages that load inside your mobile browser on Google search results pages. Essentially, they are optimised versions of traditional mobile web pages rather than a distinct new platform on their own. They appear in a carousel at the top of the search results page together with publisher logos and thumbnail images to help them stand out from the regular search results. The service was launched in February 2016. AMPs content loads 4x faster and uses 10x less data than regular mobile web content.

TWITTER MOMENTS

Launched in October 2015, Twitter Moments allows for publishers (or any Twitter users) to curate and repackage content that is already on Twitter, presenting a selection of tweets as Moments. It has not gained traction with advertisers and does not offer much revenue potential for publishers.

SNAPCHAT DISCOVER

Discover is Snapchat's distributed content solution for selected major publishers, and allows for splitting of ad revenue between Snapchat and publishers. It is considering moving to a licensing system which would involve paying a monthly flat fee to publishers, with Snapchat keeping all of the ad revenue – the same model TV networks use.

DISTRIBUTED CONTENT TAKE-UP IN SOUTH AFRICA

The uptake of distributed content platforms appears to be greater among US and UK-based media publishers than South African media publishers. In the US and UK, newsrooms are creating new roles and teams to produce content for the distributed social platforms.

Since our research was conducted, News24 has started publishing some content on Facebook using Instant Articles. Netwerk24 is also looking at Instant Articles, but needs to find a good business reason to use them. If they focus on its website paywall, Instant Articles would perhaps not make sense from a money-making perspective, according to Marco Botha, publisher of Netwerk24. Facebook has since begun experimenting with a paywall feature, although it is not clear when it will be implemented in South Africa.

Netwerk24 has introduced a new app called NetNuus, which features very short snippets of news. The company wants to sell ads on the app, even targeted to a very hyper-local level. The app was developed using Facebook's React Native technology. According to MJ Lourens, product developer at 24.com, the aim of the app is to produce instant news.

EMAIL NEWSLETTERS

Amid the constant change in the online world, one of the few stalwarts has been email, which has remained a popular channel for online communication spanning personal to commercial since the early 1990s. In 2016 there are were an estimated 4.6 billion email accounts (and 2.6 billion email users) worldwide, and this is expected to grow steadily by 6-7% yearly until 2019.

In the last decade, traditional forms of opt-in email newsletters have declined in popularity in favour of more personalised, behaviour-related emails designed to have a higher chance of resonating with individuals based on their tastes and actions.

TOP FIVE TAKEAWAYS:

DISTRIBUTED CONTENT

- Social media is an increasingly important source of traffic to news sites
- Social media platforms have attempted to 'swallow the Internet' by drawing publishers and their readers into in-platform systems such as Facebook Instant Articles, offering shared revenue opportunities
- Some publishers oppose distributed content, preferring to maintain control over collection and monetisation of user data
- Facebook is trying to entice publishers by offering better revenue splits, supporting publishers with paywalls, and selling subscriptions through Instant Articles
- Few SA publishers have experimented with distributed content

One reason why email continues to be popular is the growing popularity of social media platforms, which mostly require a user to have an email address to register an account. Despite the proliferation of social media platforms and activity in recent years, email continues to be a viable channel and often can be more effective than social media at reaching targeted audiences:

- 90% of email gets delivered to the intended recipient's inbox compared to only 2% of Facebook fans seeing a page's posts in their News Feed
- The chances of a click-through from an email is six times higher than from a Tweet
- 72% of people prefer to receive promotional content through email compared to 17% who prefer social media (Campaignmonitor, 2017)

In fact, when used effectively, email as a form of permission-based marketing can deliver one of the highest returns on investment of any digital marketing activity (red&yellow, 2017). Another advantage of email over social media as a content-distribution and traffic-generation channel is that companies can have full ownership and control over their recipient/audience databases, whereas on social media that data is largely kept and controlled by the platform, eg. Facebook.

Services like MailChimp, or custom in-house solutions, can offer news organisations a wealth of data about the behaviour of their recipients such as whether (and how many times) they have opened an email, which links they have clicked on, their website usage patterns, etc. This data can be used to build customised profiles and tailor content accordingly, helping to increase relevance and engagement rates (and ultimately revenue) over time.

The primary objective of commercial email newsletters is to provide recipients with content that is appealing and relevant enough to cause them to carry out a Call to Action. User actions can include clicking through to a news story on the publisher's website, making a purchase on the publisher's website (eg. a digital subscription or related service), or clicking through to an advertiser's website (from the newsletter), and perhaps making a purchase there.

Successful newsletters are typically those that achieve relevance by having a strong, consistent, authoritative and reliable voice; those that develop long-term relationships with their audiences/customers; and those that are good at providing sufficient reason or incentive to carry out one or more actions, as described above.

Businesses who want to market a product (such as content from news organisations) need to ensure that their product (content) is not ignored or deleted, and this requires ensuring that email content matches individual user tastes and preferences – long gone are the days of a one-size-fits-all approach.

EMAIL NEWSLETTERS IN SOUTH AFRICA

The research done by Rhodes JMS Masters students in 2016/17 found that email newsletters are not yet making direct sustainable contributions to the revenues of South African media organisations. However, they are seen as significant traffic drivers, thus contributing indirectly to revenue generation.

Many interviewees reported the challenge of finding the human resource capacity required to implement and manage an effective email newsletter product. However, most media organisations interviewed acknowledged a general push towards improved digital platforms and products, and agreed that email newsletters would continue to be a part of this.
The research found that *the Daily Maverick* viewed email newsletters as a major part of its strategy, having 37 000 subscribers to each of its email newsletters in 2016, with ad sales said to be a 'significant' contribution to revenue. Fifteen percent of its website traffic came from email newsletters, while 18% came via Facebook, 25% via search engines and 8% via Twitter.

TOP FIVE TAKEAWAYS:

EMAIL NEWSLETTERS

- Email remains a popular channel, often with higher engagement rates than social media
- Email often yields the highest ROI of any digital marketing activity
- Email, unlike social media, offers full ownership and control over targeted audience databases
- Email offers increasingly sophisticated recipient analytics
- In South Africa, email newsletters from news organisations are not a major source of direct revenue but do contribute significantly to website traffic and thus indirectly, to revenue

Times Media Group had over 50,000 subscribers across various newsletters in 2016, with pricing for banner ads in *Financial Mail* and *Business Day* newsletters ranging from R3 000-R100 000.

At Media24, many of the sites within the portal, such as Netwerk24 and News24, use newsletters, but the individual newspapers no longer send out newsletters. Afrikaans papers all fall under Netwerk24, and English papers under News24. Advertising is sold in the newsletters.

Independent Media had about 17,000 email newsletter subscribers in 2016, and said that email newsletters were proving to be an effective way of reaching an audience, and that variations of their newsletters with more multimedia content had become extremely popular.

In 2016 the *Mail & Guardian* had over 20,000 subscribers to its daily email newsletter. The newsletters were not a key revenue generator but helped to build relationships with readers.

Tiso Blackstar's *Rand Daily Mail* had a newsletter with a small subscriber base of just over 1,000 in 2016, but noted that subscribers were influencers who drove a lot of social media traffic. No revenue was generated from the newsletter.

In 2016 there are were an estimated 4.6 billion email accounts (and 2.6 billion email users) worldwide, and this is expected to grow steadily by 6-7% yearly until 2019.

Between the two major television news broadcasters, eNCA and SABC News, the former was sending out a daily and weekly newsletter but did not offer advertising, while the latter did not have an email newsletter service.

Most South African news organisations view email newsletters positively as an effective way of growing audiences and increasing website traffic. Some of those who are experimenting seriously with generating revenue from their newsletters are seeing good results, but generally email newsletter revenue is not a major source of direct revenue for most news organisations in South Africa.

E-COMMERCE AND SALES OF DIGITAL PRODUCTS

Disintermediation means that every company can build its own media properties, thereby cutting out the media intermediary. However, it also allows media companies to supplement advertising and content revenues by converting the attention they earn directly into sales of physical and digital products.

E-commerce can take a number of different forms, such as online shopping and auctions, electronic payments, Internet banking, online ticketing and subscriptions for products or services. The three main types of e-commerce transactions are Business to Business (B2B), Business to Consumer (B2C) and Consumer to Consumer (C2C).

Commercial transactions are not entirely new to the media. For example, some newspapers used their marketing muscle to sell readers products such as books (often repackaged content), sound recordings, branded goods and even package tours.

Media 24's online fashion retailer *Spree* has been growing rapidly. In the year to March 2017, sales grew by 88%, with daily transactions up 76% and app sales more than double the prior year. *Spree* was originally started as an offshoot of the magazine division. E-commerce contributed 4% of Media24's revenues in the year ending March 2017. Although Naspers has shares in *Takealot*, this is run as a separate business from Media24 (Media24, 2017) .

In 2015, Independent Media's major shareholder Sekunjalo Investment Holdings bought a 75% stake in online retailer Loot, which was started in 2002 as a bookseller and has expanded into a R14 million general-merchandise retailer with 18 departments. Independent Media websites run banner advertising for Loot and direct readers to it through hyperlinks. QR codes provide the links from print newspapers. Independent Online reported that Loot's mobile user sessions have increased by 59% year-on-year and that revenue increased 98% year-on-year (Khumalo, 2017).

Tiso Blackstar's *Sunday Times* Books Live site uses the affiliate model to generate revenue by referring users to online retailers. Their Book Finder tool searches for selected books in the catalogues of Exclusive Books, Loot and Takealot. Tiso Blackstar no longer owns any book publishers or retailers.

Using the affiliate model raises ethical issues for media organisations, as biased reviews could be used to promote product sales, thereby

TOP FIVE TAKEAWAYS:

E-COMMERCE AND SALES OF DIGITAL PRODUCTS

- Just as online media allows businesses to reach consumers without traditional advertising, it allows news publishers to sell products and services directly to consumers
- South African media have not adopted online retail widely: Media24 owns Spree and Independent part-owns Loot
- Naspers has set up its e-commerce businesses separately, which do not contribute to or cross-subsidise its media businesses
- Commission-based affiliate schemes are more widely adopted, such as selling travel products – Tiso Blackstars' BooksLive provides one example of this
- News publishers engaging in e-commerce and retail need to deal with ethical challenges such as biased reviews.

increasing commission earned. Similarly, running press releases from book publishers as editorial content should be clearly labelled as such, especially when linked to an affiliate scheme.

SELLING RELATED PRODUCTS AND SERVICES

Events

Internationally, media organisations often use events to increase engagement with and loyalty of readers, to build direct relationships with existing subscribers, to attract new readers and to gather data about readers. For example, the *Financial Times* has researched the correlation between those who attended events, their subsequent frequency of visits to FT.com, and the volume of articles consumed. They found that engagement scores of subscribers who attended an event were on average 300% higher (Davies, 2017).

The Daily Maverick's Styli Charalambous says events provide 30-40% of the organisation's revenue. Started in 2010, *The Gathering* aimed to capitalise on the brand to bring together "some of the biggest names in South African business, media and politics to share the day with us in an intimate theatre environment".

The Mail & Guardian has a history of hosting successful events, including 'Thought Leader Dialogues', often hosted in partnership with civil society organisations, and awards such as the Top 200 Young South Africans and Investing in the Future. Events contribute substantially to company revenue, especially when tied in with supplements.

As a prime example of how media companies can exploit the value of their brands through an event strategy, Tiso Blackstar's eventing arm **The Empire** hosts a wide variety of events, including:

- *Business Day* and *Financial Mail* Investment Summit
- *Financial Mail* Top Analyst Awards
- The Directors Event
- *Financial Mail* AdForum
- *Times Media* Annual Recruitment Awards
- *Financial Mail* AdFocus Awards
- FMCG Insights
- *Business Day* Investor Relations & Strategic Communications
- *The Sunday Times* Generation Next
- Future of Media
- Liberty Radio Awards
- *Sunday Times* Literary Awards
- *Financial Mail* Private Lounge
- Leaders on the Move
- *Sunday Times* Top 100 Companies Awards
- *Business Day* Breakfast Dialogues
- BusinessLIVE Premium Insights
- *Business Day* TV SME Summit.

TOP THREE TAKEAWAYS:

RELATED PRODUCTS AND SERVICES

- Events are becoming a major revenue source for smaller publishers such as *Mail & Guardian* and *Daily Maverick*
- Publishers need sufficient capacity to prevent overloading staff as events are often an add-on to their already heavy journalistic loads
- Cross-media and cross-platform collaborations hold a great deal of promise if proper revenue share deals can be worked out

The company has also launched a new event venue, as part of its new headquarters.

Media24 also runs a range of events and expos.

Printing and publishing

Many South African media companies have historically been involved in printing, book publishing and bookselling, as they involve similar products and require similar skills and equipment.

Caxton and Tiso Blackstar recently sold off their book-publishing interests. However, Naspers has retained its book publishing interests, which have performed well, contributing 7% of revenue in the year to March 2017. These include Jonathan Ball Publishers, NB Publishers, Via Afrika Publishers and Van Schaik Bookstore.

In October 2017, Media24 approved the unbundling of most of its shareholding in printing company Novus Holdings to Naspers, its ultimate holding company, and thereafter to Naspers's shareholders, following a Competition Board ruling. However, Media24 said it remains committed to its print media operations. The changes also allow Media24 to renegotiate printing contracts with Novus, which were said to favour Novus, possibly reducing the cost of producing some of its print products.

In recent years, Caxton acquired Nampak's Cartons and Labels division, in addition to Cape Printing and Magscene. Caxton's distribution business, RnA, has also been actively diversifying its revenue stream in ways that use its existing infrastructure, to include book, CD and DVD distribution, and is offering merchandising services.

Selling skills and services

Selling products and services using in-house expertise, equipment and systems is an obvious way for media companies to supplement flagging advertising revenues without incurring significant costs. Key examples are Caxton's digital sales agency, Spark Media, and Media24's The Space Station and Graphics24. Media24 sold financial data service INET BFA in November 2016 for R149.6 million. *The Daily Maverick* has also established a separate company Chronicle, which produces content for *the Daily Maverick* and for external clients.

All of these kinds of services can generate reasonable income streams. As Styli Charalambous, MD of *the Daily Maverick* argues:

" a lot guys are creating content for brands who need content studios, we've got a little division that does that, also a division in another company that does that. So you need to pick what resonates with your brand that your brand can then leverage. And so we kind of look at it and saying, Daily Maverick flagship product got the audience, got the readership, got the brand, but may not making a lot out of digital advertising, so, how do we create new products or businesses that can leverage the Daily Maverick brand, the trust we've created with our readership"

(Styli Charalambous interview, 2017)

Charalambous hopes for a wide range of complimentary revenue streams:

"we started doing events 6 years ago. We've grown it to where it can be 50% of our revenue. In an ideal world, our revenue mix would be about 30% advertising, about 30% events, and maybe up to 20% grant funding, maybe about 5% direct contributions and support from readers, and the rest of it would be made up of a variety of content production."

(Styli Charalambous interview, 2017)

Philanthropy and crowdfunding

Philanthropically-funded journalism is one response to the shifts in news media business models. Even in the US, with an arguably still viable news media eco-system, academics at the American University in Washington, DC, estimate that some $250 million in funding has been given to non-profit journalism ventures since 2005, with the Sandler Foundation support of ProPublica being one of the most prominent examples. In the UK, the Scott Trust has funded public interest journalism via *The Guardian* and other news media for 80 years, even though that model is under severe strain.

In South Africa, a range of philanthropically-funded organisations have been established, and three of the most prominent are: the corruption and national political journalism specialists amaBhungane, health multimedia journalism organisation Health-e and academic 'explainer' website The Conversation, a multinational initiative that uses content sourced from academics and research institutions, and which started up an African 'edition' in 2015.

Each uses slightly different models to provide high quality journalism to the public (via reciprocally beneficial syndication models) and each seeks to attain long-term viability and sustainability without relying on any consumer-generated income or on advertising at all.

In 2017, the South African philanthropic journalism sector was estimated to be worth about R30 million to R40 million per year (approximately $2m to $3m), and this figure is likely to grow significantly in the future.

The amaBhungane Centre for Investigative Journalism is a news organisation that now works with various publishers, after a publishing relationship with the *Mail & Guardian*. It describes itself as a non-profit which develops investigative journalism.

"Investigative journalism is an expensive, risky investment... In a purely commercial environment, investigative journalism often struggles to compete with instantly gratifying, fast-food journalism."

"Investigative journalism is an expensive, risky investment... In a purely commercial environment, investigative journalism often struggles to compete with instantly gratifying, fast-food journalism – the kind that sells papers today but wraps fish tomorrow... Adequate funding without a profit motive helps to ensure that the public interest in the exposure of wrongdoing is served."

(amaBhungane n.d.)

amaBhungane's financial statements posted for the year to end March 2016, showed the non-profit received more than R7.5 million in funding. This came from the Social Justice Initiative, the Claude Leon Foundation, the Bertha Foundation, Open Society Initiative for Southern Africa, the Raith Foundation, Open Society Foundation for South Africa and the Millennium Trust. Its philanthropy revenues were up from R6.7 million the previous year. The organisation also makes use of crowd-funding, or small-grant philanthropy, through a GivenGain campaign, which has so far raised R48, 600. amaBhungane is proof that the foundation-funded model of journalism can work in South Africa.

GroundUp is another example of a local, non-profit journalism project funded by donors. GroundUp began in 2012 as a joint venture of the Community Media Trust and the University of Cape Town's Centre for Social Science Research. It is fully reliant on sponsorship, reader donations and crowdfunding – but has carried Google ads.

Through this funding, GroupUp has employed five reporters, a photographer, an editor and a part-time associate editor and co-editor and they are able to offer their content to other outlets for republishing at no cost. Large-grant philanthropy provides the bulk of GroundUp's funding.

GroundUp is transparent about its donors. The non-profit lists the Raith Foundation as its biggest donor this year, with a donation of R935,000 in May 2016 (GroundUp n.d.). Some of its funders also fund amaBhungane, like the Raith Foundation, The Claude Leon Foundation and the Open Society Foundation.

Elsewhere in the local landscape, grant funding is seen to fund specific projects within legacy media.

McCambridge (2015) wrote about the link between the Gates Foundation and spending specifically on education journalism:

"There is plenty to be concerned about in the relationships between philanthropy and journalism. Some of it can be addressed through the claiming of a point of view and clear ethical guidelines, but let's face it, the sensibilities of a large donor to a media outlet certainly may have some sway"

(McCambridge 2015)

He added that when a funder and his or her funded reporting come down on the same side of an issue, people start questioning the difference between sponsored reporting and sponsored content. In referring to the issue around the Gates Foundation, Sillesen wrote: "Similarly, audiences criticised NPR's education blog for accepting money from the Bill and Melinda Gates Foundation because of Bill Gates' own political agenda on education" (Silesen 2015).

One answer, particularly in hybrid businesses, may be journalism that is not wholly funded by donors and foundations or commercial grants. In an environment where legacy media are losing advertising revenue and where donations and gifts carry ideological or agenda-driven price tags, hybrids look like a balanced option.

Maditla (2016) explains the structure of Livity Africa, a non-profit organisation with roots in the UK but with offices in Cape Town and Johannesburg. It is an example of an organisation that funds journalism from its other ventures and directs grants to specific projects. Live Mag is the organisation's "content creation traineeship" which takes on students for short internships to populate the pop culture website. This is funded by profits from elsewhere in Livity Africa, such as from Digify, its digital marketing agency. Livity Africa has also been able to set up separate projects within the organisation with donor funding: the Omidyar Network donated to its Creative Democracy voter education campaign and Digify was the recipient of a Google Grant (Maditla, 2016).

Mapping the successful future of large-grant philanthropy to journalism will require a balanced, mixed-revenue approach. Both legacy media and

TOP FIVE TAKEAWAYS:

PHILANTHROPY

- The past decade has seen increased philanthropic support for independent and investigative journalism
- Vast amounts of money are going into 'fashionable' projects, such as data journalism
- Raises important questions around sustainability, including potential dependency, donors' fickle fashions/strategies changes, sometimes with catastrophic consequences
- Donor-funded media raises ethical and political issues – when is philanthropy a way of influencing the media, or even a form of 'capture'?
- Transparency is important, but complex as many donors do not want to be identified.

alternative start-ups need to have a diverse range of incomes to be financially stable and unbiased.

Transparency around the source of funds and what they are used for is also key; allowing audiences to know who funds your outlet or a particular piece of journalism allows them to have an understanding of the possible underlying agendas.

CONCLUSION

Is there enough innovation in terms of digital revenue to sustain journalism over the coming decade? *Sowetan* editor Philani Mgwaba[4] is sceptical:

"I don't think work is being done quickly enough to innovate and change the business model for a viable future. Some of the big print media companies such as Tiso Blackstar, for example, have set up events divisions to diversify their income streams, which is a move in the right direction. But much, much more still needs to be done to diversify revenue streams.

I also think only one of the big English media companies will survive in its current form in the next five to 10 years. I foresee a massive restructure, brought about by the tough times, that will lead to a break-up of one of the companies into smaller parts, perhaps regional parts. Independent Media looks the mostly likely to be that company, in my opinion."

South African marketing consultant, Justin McCarthy, in a 2017 interview is equally pessimistic:

"The advertiser-funded model is now so dominated by Facebook and Google that there's only scraps left over to split between tens of thousands of publishers. It's simply unviable . . . Old school publishers who don't put the Internet at the centre of their businesses will disappear, and many who attempt to remodel will fail because institutionalised culture and memory will try to force fit a square peg into a round hole"

It is worth noting that some path-breaking experiments have been conducted in non-profit and funded media in South Africa, as has been examined. But are they enough?

Sam Sole of amaBhungane, perhaps South Africa's most successful non-profit media organisation, admits his investigative unit is "is no substitute for a comprehensive news ecosystem. The #GuptaLeaks, groundbreaking as they are, are no substitute for the sustained everyday accountability journalism that needs to extend from the city hall to the local chemical factory. And we need to face the fact the exodus of revenue from news organisations is not going to be reversed by paywalls, by data-journalism, by targeting the youth segment, or whatever. Yes, some big players like The New York Times will flourish, but there will be more and more consolidation and less and less journalism."

Sole contends that regulation is needed "to force money back into journalism".

Whether that can or will or should happen, is a matter for further debate and research.

In the meantime, the industry is adapting as best it can within the confines of a market-based economy. What is sometimes forgotten is that the commercial media system barely touches the lives of many poor South African citizens, who still depend on radio and TV services supplied by the public broadcaster for most of their news and information. In part this is classic market failure – though the argument for a public broadcaster is not made on market failure alone – but it is also part of the broader failure of the post-1994 market economy to create sufficiently inclusive growth to roll back the damage of the apartheid-era economy.

91%
of people say ads are more intrusive today than
2-3 years ago

The SABC remains crucial to media freedom because of its power, and a more dynamic TV sector awaits the introduction of long-delayed digital terrestrial TV and the economic growth that will supply a new and wealthier audience. Broadcasters have also moved into the online space to compete with print and online-only media – eNCA and e-news both have active online news websites that supplement their broadcast journalism.

As this research has outlined, the media as a whole is not unaware of the myriad obstacles it faces, or that simple solutions do not present themselves in the race against time as print products fade. Consolidation among the legacy 'Big Four' news groups has probably been prevented only by political pressure. In other industries, we may have seen a 'Big Two' or 'Big Three' by now.

[4] Interview with Heather Robertson

SECTION 6:

UNDERSTANDING THE MECHANISMS AND FINANCIAL IMPACT OF MEDIA CAPTURE IN SOUTH AFRICA

One of the biggest stories of the decade has been that of 'State capture' – to use the phrase that has come to be associated with the astounding and successful undermining and usurping of public institutions, assets and procedures to enrich a small group of people surrounding the South African president. The story of State capture is fascinating in itself, and has been summarised in academic studies and a number of best-selling books, as well as in a report by South Africa's public prosecutor and in a large number of articles and opinion pieces.

However, not as much analysis has been devoted to the 'ideological' elements of the formation of this shadow State and in particular the creation of a 24-hour news channel to justify or obfuscate the emergence of parallel shadow State, via a form of media capture. This process is explained by Schriffin as a process where 'political figures and economic elites … colluding to undermine the independence of privately-owned media' (sic) (Schiffrin 2107).

Media capture has been an essential element of the process of State capture in South Africa, and was covered by several journalists and news outlets since the formation of *The New Age* newspaper, the Guptas' first foray into media in 2010. At the forefront of the coverage of *The New Age* as a State-supported newspaper was the donor-funded investigative news organisation amaBhungane that has led the media investigation of State capture. amaBhungane raised the issue of diversion of State ad spend to *The New Age* after its official launch (Groenewald and Sole 2010).

While the whole story may not have seen the light, were it not for the leak of a trove of emails (the 'Guptaleaks') to online news outlets *The Daily Maverick* and amaBhungane, detailing the family's business operations.

Schiffrin in particular, in a 2017 book, has suggested an analytical approach to understanding media capture, breaking it down into distinct elements of plutocratic capture: 'Media capture has been historically manifest in four forms – plutocratic, state, corporate and intersecting …' (Schiffrin, 2017).

The Gupta media capture can be seen as an intersection of state and plutocratic capture. The book also makes the point that '... new communication technologies and outlets can provide a check against this plutocratic capture ...'

However, just what is captured and who is doing the capturing is sometimes empirically difficult to discern. Both *Daily Maverick*, as a commercially intended online publication, along with mainstream media houses such as Media24 and Tiso Blackstar can at the very least be regarded as having to deal with corporate pressure. However, amaBhungane, as a transparently donor-funded organisation, is not subject to these pressures, and though its journalists, like all journalists, cannot be ideologically neutral, their transparency of funding in the State Capture reporting helped legitimise their reporting.

Much of their reporting was then syndicated in various ways to other outlets, including *Mail & Guardian*, *Daily Maverick*, and Tiso Blackstar publications.

From the evidence available, the scale of the ambition to capture key media organisations and become significant players in the news industry over the past decade has been breath-taking. The Gupta-Zuma elite aimed to take over the public broadcaster, the SABC, with its vast radio reach and powerful TV news stations, and then plotted the capture of other main media, including independent radio broadcaster Primedia and the *Mail & Guardian* newspaper group, and, when that came to nothing, then focused on an unexpected opportunity – the chance to buy 60% of the English-speaking newspaper market via the purchase of Independent newspapers.

Along the way, the Zuma/Gupta elite created a 24-hour TV network *ANN7* in addition to *The New Age*, and they have been and are associated with fake news sites and troll factories – so-called 'Paid Twitter' and Guptabots – on social media (*Daily Maverick* Team 2016).

The strategy also included attempts to coordinate messaging across all these platforms and to proactively attempt to control the narrative around corruption and the Gupta family. This indeed was the main task that global London-based Bell Pottinger was brought in to achieve, and somewhat achieved, for about a year in 2016/17. (Cameron 2017).

Over the past decade the Zuma/Gupta network also mounted many attempts to manipulate the news media that they did not control, with the prime example being the shockingly broad multi-year long propaganda campaign to justify the capture of the tax department, the South African Revenue Service, via *The Sunday Times* (Pauw 2017). These machinations played a significant role in enabling the eventual capture of the Finance Ministry by the Gupta-Zuma axis in 2017.

What is slowly emerging and what this report hopes to contribute towards understanding, is how this corrupt nexus has spent billions to create the ideological overlay for targeting the opposition of all kinds (including strong opposition within the ruling ANC).

The capture of of key media organisations, and the creation of new media outlets to run 'interference' and provide 'narrative cover' via well-crafted variants of themes of economic redress and racial populism, was relatively successfully implemented from 2010 to 2016.

The propaganda arm of the Zuma/Gupta operations has been critical to this strategy – aimed to both undermining critical journalism in South Africa and diverting funding away from critical media. This was partly achieved by diverting State resources from the independent media and funnelling more than about R1 billion to *ANN 7* and *The New Age* over a decade. Supporting the R2-billion acquisition of Independent Newspapers using PIC funds of about R1 billion (ie. pension funds of government state employees) in a deal which may never see those funds repaid was also clearly motivated by a desire by he Zuma/Gupta elite to have a newspaper group more supportive of the governing party.

It is important to briefly overview how this capture took place, before analysing the extent of the impact on the news media's economics in South Arica.

THE PROJECT TO CAPTURE THE SABC

Sipho Masinga, the SABC's former group executive for technology, testified at Parliament's SABC hearing that in 2012 he was invited by Hlaudi Motsoeneng (at that point an acting COO) to a meeting with Nazeem Howa, a representative of TNA Media, owner of *The New Age* newspaper. There, he claims he was presented with a three-page document, which was a proposal for the Gupta-owned TNA Media to completely take over the SABC's news function: a core part of the public broadcaster's mandate.

This document was the crux of the matter: media capture at the SABC. According to Masinga: 'The SABC would provide resources, TNA would not pay any rental; SABC would provide journalists, TNA would retain advertising revenue.'

Motsoeneng inexplicably left the meeting, leaving him to chair it. He was in a position to shoot down the proposal on the spot.

'Now we are talking about the takeover of a function of the national broadcaster. Just that itself was enough for me to send him back. But you know, we're nice and I find a cunning way to say 'ja', just go and make it more appealing'... so we sent it back.'

Masinga was appalled by the brazen nature of the proposal, and more than a little offended at its brevity: 'When I look at that three-page document, when I wrote that same document to launch a [24-hour news channel on DStv], I think it was 60 pages. Now you're talking about taking over the function of a national broadcaster with three pages?'

He also described the relationship between Motsoeneng and Howa as being 'friendly'. His throwaway line – lost in a barrage of revelations at the inquiry – was extremely significant. Though the Members of Parliament (MPs) in the committee were keen to know what the relationship between Zuma and Motsoeneng was, it was really the relationship with the Oakbay CEO at the time that opened the door for the Guptas at the SABC.

Soon after this takeover attempt failed, TNA Media launched its own 24-hour news channel, *ANN7*. Many government officials attended the launch, including Yunus Carrim, the Minister of Communications at the time. But TNA Media was not yet done with the SABC. Former contributing editor Vuyo Mvoko testified that a deal had been struck that compelled *Morning Live*, the premier morning news show, to carry live broadcasts of breakfast events hosted by TNA. (These shows were essentially public relations showcases for government officials, including President Zuma.)

Remarkably, Mvoko testified that the national broadcaster had to carry all the production costs associated with the live broadcasts, while the audience to the government officials being interviewed. The Premier and Members of Executive Committees for the visited province would choose half the audience. The other half was split between the SABC and TNA. In other words, 75% of the audience would be chosen by proxies of the Gupta-Zuma network.

In 2013, a *City Press* investigation revealed that three SOEs – Transnet, Eskom and Telkom – had bankrolled the breakfast shows to the tune of millions through sponsorships. Transnet paid R17. 5-million for 18 episodes, Eskom paid R7. 2-million for six episodes, and the 2012/2013

In 2013, a City Press investigation revealed that three SOEs – Transnet, Eskom and Telkom – had bankrolled the breakfast shows to the tune of millions through sponsorships. Transnet paid R17. 5-million for 18 episodes, Eskom paid R7. 2-million for six episodes, and the 2012/2013 financial report of Telkom showed that it had paid R12-million to sponsor 12 shows.

TNA pocketed all the advertising revenue. Former acting CEO Phil Molefe confirmed this, providing corroborating evidence which showed that the costs had run to R1-million per show.

Mvoko said that the proposal had initially been far grander than that. 'In fact, they wanted more,' he told Parliament. In a previous role as the anchor of *Sunday Live*, he was told that for one week a month, they were to broadcast travelling 'provincial TNAs', where he would make opening remarks, after which a second presenter from TNA would take over and control the questions asked from

financial report of Telkom showed that it had paid R12-million to sponsor 12 shows.

The TNA/SABC relationship was finally ended in June 2017 by the interim Board, who were tasked with cleaning out the rot.

UNDERSTANDING THE ROLE OF HLAUDI MOTSOENENG

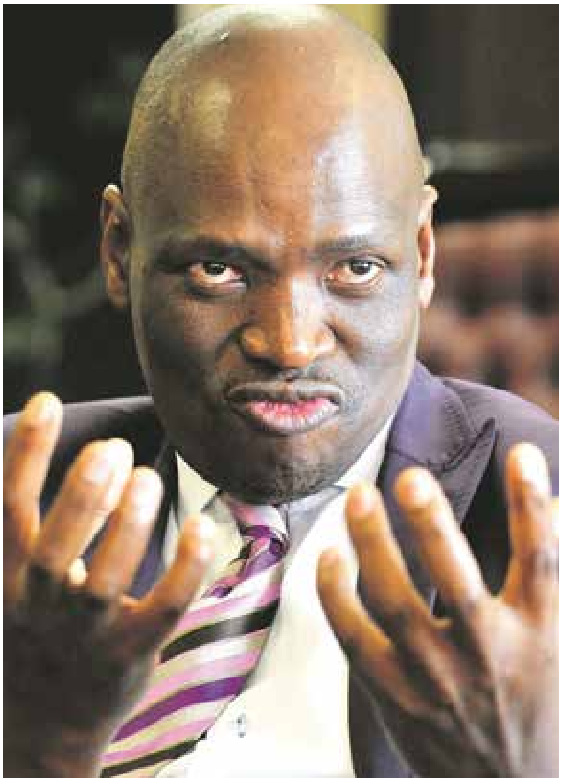
The rise of Motsoeneng through the national broadcaster's ranks is central to understanding how its management and oversight collapsed. Motsoeneng first joined in 1995 as a producer at a provincial radio station.

A Public Protector investigation would later reveal that he had lied on his curriculum vitae to get this job. But by February 2011, the Board chairperson at the time, Dr Ben Ngubane, had appointed him to general manager: Board and stakeholder relations, in the CEO's office.

When Phil Molefe was appointed to the Board in 2011, he found that this general manager was now regularly attending Board meetings, though he wouldn't say much, he told Parliament. By the end of that year, Motsoeneng was made acting COO of the SABC.

In 2013, SABC launched its 24-hour news channel. Motsoeneng instructed that it should carry 70% positive news, in direct contravention of the editorial independence and integrity clauses in the Broadcasting Act. The next year, the Board narrowly approved Motsoeneng's position as permanent COO. The parliamentary inquiry heard that the six board members who objected did so because of the Public Protector's scathing report about Motsoeneng's misleading CV. The position had also not been properly advertised, as is the legal requirement.

The Board chairperson at the time, Ellen Tshabalala, ordered the Board to approve the appointment after a meeting with the then-Communications Minister Faith Muthambi. Tshabalala had, without informing the rest of the Board, obtained a legal opinion from Mchunu Attorneys, who were actually acting for Motsoeneng, which had countered the Public Protector's report. Amongst other things, the lawyers argued that since their client had been acting COO for a long time, denying him the permanent position would open the national broadcaster to a lawsuit.



Hlaudi Motsoeneng. Photo: Elizabeth Sejake, CITY PRESS

This was the basis on which the Public Protector's report was ignored – an irrational and even absurd decision that reduced the Public Protector's findings to a mere opinion, and not the finding of a Chapter 9 government ombud.

The rationale for the Minister's interference was a clause in a new MOI filed with the Companies and Intellectual Property Commission in 2014, which empowered the Minister to remove Board members (the procedure normally required the involvement of Parliament, with the final approval of the President). She now had leverage to directly influence Board decisions, regardless of the fact that the Broadcasting Act forbade this. Precedence was given to the Companies Act in the Memorandum of Incorporation MOI, in spite of legal precedent demanding that the more specific Act should be given preference.

The new MOI had initially been rejected by the Companies and Intellectual Property Commission (CIPC), according to Masinga's testimony to Parliament, but mysteriously, sometime in 2014 it had been refiled and accepted. Parliament also received four copies from various witnesses. An inquiry with the CIPC revealed that the latest MOI was filed in 2014, signed by Muthambi. This is what gave her new powers over the Board, and contravened the Broadcasting Act and delegation of authority framework.

Masinga further provided Board minutes from 2015 which showed that some Board members had expressed doubts about the new MOI. Board members Hope Zinde, Ronny Lubisi and Rachel Kalidass were soon removed. They had objected to the corporate governance changes.

Motsoeneng was now free from Board oversight or interference. He began to centralise power by taking over functions normally reserved for other executives, including supply chain management. Motsoeneng also gave himself several pay raises, which more than tripled his salary by 2016.

In May 2016, Muthambi approved a new editorial policy which gave the COO oversight over content and programming, making Motsoeneng the editor-in-chief. It also made upward referral of all contentious issues mandatory and the COO's decision on editorial issues final. He would use this power later to force a 90% local content rule on all of the SABC's media, regardless of audience or commercial considerations. The decision would lead to the SABC's financial ruin. He also cacelled shows which featured non-SABC editors and news generated by truly independent newspapers.

A ban on the showing of violent protests in the run-up to the 2016 local government elections was the final straw for a group of senior journalists, who became known as the SABC 8. They objected and Motsoeneng had them fired immediately. These journalists would later reveal that they had been subjected to numerous threats, and one of them, Suna Venter, had been physically attacked on several occasions. In 2017, she passed away from a stress-related heart condition. Seven of the eight journalists were suddenly reinstated soon after their dismissal, but informed the Independent Communications Authority of South Africa (ICASA) that editorial interference continued unabated. Mvoko was never offered his position back.

Motsoeneng signed off on a number of questionable deals, including the sale of the SABC archives to Multichoice, a competitor brand. This is likely to have a deep and long term impact on the SABC's finances. This deal seems to have inspired the SABC's about-turn on its set-top box policy, which it had developed to protect itself from rivals such as Multichoice. The national broadcaster suddenly reversed its position from opposing non-encrypted boxes to supporting the idea. (Parliament in its report indicated a desire to cancel it.) Contracts to outsource fee-collection and public relations for the CEO were also flagged by the parliamentary inquiry.

Motsoeneng's outsize power was always something of a mystery. He seemed to exercise authority over the Board, and according to witness testimony before Parliament, would even boast about 'controlling ministers'. He acted in a way that suggested protection from the President himself. Former Board member Zinde reported that she'd been told by Muthambi that 'Baba loves him [Motsoeneng] so much. He loves him so much. We must support him.' It was a quote that quickly went viral. The exact nature of the relationship between Motsoeneng and Zuma remains unclear, but what is clear is that while in control of the SABC, Motsoeneng acted to benefit the Gupta-Zuma network, both through financial dealings and in forcing positive spin from the newsroom.

Former Board member Zinde reported that she'd been told by Muthambi that 'Baba loves him [Motsoeneng] so much. He loves him so much. We must support him.'

THE (TEMPORARY?) PROCESS OF UNCAPTURING THE SABC

In May 2017 Khanyisile Kweyama, the new chairperson of the new, interim SABC Board, delivered to the nation news that had long been suspected – the national public broadcaster was technically insolvent, had been systematically 'looted' and required a massive bailout from National Treasury, potentially running to R1-billion. This financial collapse had happened over the course of a number of years, culminating in a parliamentary inquiry, the appointment of an interim Board, and several court cases which finally led to the ousting of the man behind it all: Hlaudi Motsoeneng.

The SABC was not just broke. By the end of 2016, its corporate governance was in near tatters and the chaos descended all the way into the newsroom: there weren't enough members to form quorate board meetings, a new memorandum of incorporation (MOI) had shuffled powers around and completely confused chains of authority and accountability, many of the executive positions were not permanently filled, a new editorial policy had made the chief operations officer the new editor-in-chief of the SABC, and several journalists who had objected to unethical practices had been hounded of the organisation and persecuted by allies of Motsoeneng.

At the parliamentary inquiry in December 2016 and early 2017, former Board members, executives, managers and journalists revealed in startling detail how the degeneration of the SABC had been allowed. The golden thread that ran through it all was former COO Motsoeneng – by then finally fired from the SABC by court order – and his project to consolidate all power to himself. The ultimate goal, of course, was not the mere plunder of a public institution, but its wholesale capture.

The Minister of Communications had engineered the removal of the Board that had almost blocked Motsoeneng's permanent appointment as COO, which further meant that there was no oversight of the executive leadership at the broadcaster. All of this was aided and abetted by the Minister of Communication, and ultimately President Jacob Zuma.

Members of Parliament expressed regret for their failures to exercise proper oversight over the national broadcaster. However, it's not clear that their oversight would have helped much. Many of the witnesses testified that Motsoeneng acted like someone who enjoyed protection from the very highest level. This is how he connected to the Gupta-Zuma network, and how his actions allowed the Gupta family to siphon money out of the SABC for years, through *The New Age* Breakfasts, which were broadcast on SABC 2. What the Guptas initially wanted to accomplish through the national broadcaster was far more radical and even by the Guptas' standards, shocking.

The process to remove Motsoeneng was laborious. After the SABC Board refused to implement the Public Protector's recommendation that he be suspended and subjected to a disciplinary process, the Democratic Alliance (DA) sought a court order for implementation, and for his appointment as COO to be declared irrational and therefore illegal.

Multiple appeals and attempted appeals to the High Court and Supreme Court of Appeals could not fend off the inevitable: in December 2015, Motsoeneng was subjected to a disciplinary hearing. It turned out to be a complete whitewash, and the DA appealed to have it set aside. A year later, the court concurred. He was removed from his position as Group Executive: Corporate Affairs in the meantime, and ordered to pay the costs of the hearing.

On 12 June 2017, it was announced that the SABC had accepted the disciplinary chair's recommendation that he be dismissed from the national broadcaster.

The damage to the institution was vast. The 2017 interim Board found that the organisation was in disarray. The Auditor-General's report found fruitless and wasteful expenditure with a cumulative value of R92.8-million, cash reserves had deteriorated in just two years from R1.4 billion in 2014 to R874.7-million in 2016, and cash balances had plummeted similarly. Later, the Auditor General's office would severely criticise the SABC for failing to bring anyone to book for irregular expenditure amounting to a total of R5 billion.

In an interview with *Morning Live* on 30 March 2017, the interim Board chairperson Kweyama confirmed that the SABC was 'running on reserves'. She said that it was necessary to reconstitute the Board's oversight mechanisms, including sub-committees. They would also need to 'clear out' a number of bad appointments that had been made after those who were resistant to Motsoeneng had been removed. All irregular contracts – including the Multichoice deal – would be reviewed, and as per Parliament's guidance, the new MOI and editorial policies were scrapped in favour of the old. The Board was now sufficiently shielded from political interference.

The Guptas' attempts to swoop in and effectively take over servicing the news needs of the vast majority of the population would not have happened at a healthy institution. The SABC was already weakened to the point where the entire organisation almost fell victim to media capture.

In June 2017, a day after Motsoeneng's removal was announced, the interim Board deputy chairperson and veteran journalist Mathatha Tsedu told *Morning Live* that the board offered full protection to all journalists who were being pressured to commit unethical acts. He said that restoring the credibility of the SABC's news was a vital step toward plugging the financial gap. He also said that the Special Investigating Unit had been drafted in to help 'clean up' the SABC.

The Guptas' attempts to swoop in and effectively take over servicing the news needs of the vast majority of the population would not have happened at a healthy institution. The SABC was already weakened to the point where the entire organisation almost fell victim to media capture.

The task facing the broadcaster's new Board and management are enormous: a key national asset was mismanaged, plundered and nearly delivered to the Gupta-Zuma network. The fact that it almost happened once does not bode well for the future unless the organisation is fundamentally overhauled and, once and for all, depoliticised.

In addition to the capture of the

SABC, the GUPTA/Zuma network was planning early on to have its own media empire.

THE ESTABLISHMENT OF *THE NEW AGE* AND *ANN7*

The New Age newspaper was launched before the publication of the Guptaleaks and the appreciation of exactly how deeply and broadly the Gupta business network had penetrated the South African state. It was even cautiously welcomed by one of South Africa's most incisive media commentators, Anton Harber: '*New Age* brings some diversity and counters the ANC belief that they get a universally hostile reception in the commercial media. It has its place in our media and political marketplace, and the other newspaper groups would do well to let it find its place and role' (Harber 2017). As a propaganda organ, *The New Age* was puzzling. As late as February 2013, The *Daily Maverick* could run an article with the headline 'Is *The New Age*'s coverage really pro-ANC?' (Davis 2013). The content of *The New Age* raises a question: What would a pro-ANC newspaper, or more broadly pro-ANC media outlet, look like?

The answer became clear in the run-up to ANC elections that removed Jacob Zuma from the ANC presidency and then the presidency of the country. There can be no such thing. In a political party that has been described as a broad church, any media organisation will soon find itself supporting one faction or another. Even the mainstream media, deeply connected and supported by corporate South Africa, and independent media such as the *M&G*, unashamedly supported successful candidate for the presidency Cyril Ramaphosa.

Had *The New Age* created controversy by aggressive attacks on non-ANC politicians or perceived enemies of the Guptas, this would have been noted. Militating against the newspaper's propaganda role has been the circulation figures which are deliberately unaudited by the bureau used by most of the newspaper industry in South Africa but suspected to be meagre (De Vos 2017). The Gupta's have never allowed *The New Age*'s circulation to be independently verified. Clearly, a propaganda newspaper that few read would have a limited impact.

Gupta media's more ambitious move into broadcasting came in 2013 with the Africa News Network 7 (*ANN7*), albeit a channel on pay-TV. The launch of *ANN7* in August 2013 was notable for how poor in quality it was. The channel simply was not ready for the challenge of a round-the-clock live broadcast, with clips of technical glitches and poor anchors going viral almost every single week for the remainder of that year. However, the mirth from cynical viewers was to dry up quickly as the channel began hammering a pro-Zuma line that verged into the territory of fantastic propaganda on many occasions.

The channel was almost instantly controversial, and its intent immediately reported as propaganda, according to a disgruntled Indian expatriate worker, Rajesh Sundaram, who later wrote a book claiming that President Zuma had been intimately involved in the launch of the channel (Le Roux 2018). Government officials were invited onto Manyi's talk show to advance pro-government lines with nary a challenge from the host.

The channel took a strong, negative angle on its coverage of the beleaguered Pravin Gordhan, who was fired by Jacob Zuma as Finance Minister in March 2017. In one particularly baffling segment, Zuma ally Dr Ben Ngubane claimed that Gordhan had bribed the Public Protector in order for her to fast track the State capture report. This was at the same time that Gordhan was under increasing attack from Bell Pottinger and the Gupta troll army on social media. After he was removed and able to talk freely, Gordhan held a series of increasingly frank press conferences where he launched blistering attacks on the channel's paymasters.

In its efforts to shield Zuma from any perceived negative coverage, the channel managed to draw even the ire of the ANC. After the President was booed off the stage at a Cosatu rally in May 2017, it reported that he'd been pushed into the embarrassing encounter by other, presumably opposed senior ANC leaders. The ruling party responded by slamming the 'mouthpiece of the factional divisions that plague the African National Congress'. The statement continued: 'Such reportage is habitual and typical of ANN7 – devoid of truth, divisive and designed to create an illusion of some 'ANC insider' status for the channel.'

In about 2015, what brought into focus the Gupta media's intentions was the phenomenon of using social media to attack enemies and propagandise in an organised and coordinated way. This was new to South Africa before the phenomenon of what became known as 'paid Twitter', though it extended to fake news websites. In South Africa paid Twitter viciously attacked journalists and advanced 'a tailored narrative of "white monopoly capital" ' (*Daily Maverick* Team 2016). Strong evidence emerged of links between the Gupta empire and the paid Twitter campaign, specifically *ANN7*. The channel strongly disputed the allegations.

The White Monopoly Capital narrative on Twitter was reinforced by the use of the term on ANN7, and vice versa. The channel, in the run-up to the face-off for the presidency between Jacob Zuma and Cyril Ramaphosa used the term unabashedly. (see screenshot of what has been rebranded Afronews).

The use of the abbreviation WMC is used without explanation on this page of what used to be known as ANN7, but has been rebranded as AfroNews.

'Neither The New Age nor ANN7 were set up to be viable media operations. The return on investment is measured using completely different criteria: to what extent do these media titles provide the Guptas with a voice and influence for them and their patron, President Jacob Zuma, to provide sufficient cover for their main project – state capture and the wholesale looting of the fiscus. When combined with an online and social media strategy, hatched by PR firm Bell Pottinger, the investment can be said to have produced fabulous returns. The returns are hard to measure but one estimate is that the Guptas plundered as much as R100-billion'. –

(De Vos 2017)

EXPOSURE AND THE ONGOING DISSOLUTION OF THE GUPTA MEDIA EMPIRE

On 21 August 2017, Oakbay Investments made a sudden, if not entirely unexpected, announcement: the Gupta-owned company was selling its stake in Infinity Media, which controls the 24-hour news channel ANN7, and TNA Media, publishers of *The New Age*, to company called Lodidox for a combined valuation of R450-million. The buyer was controlled by Mzwanele 'Jimmy' Manyi, former government spin doctor and staunch defender of the Gupta family.

Speculation was that Manyi was fronting for the Guptas, who had no choice but to sell because their bank accounts were being closed due to suspicions of financial irregularity.

The sale of the media assets was vendor financed – essentially the Guptas lent Manyi the R450-million. This deal outraged lobby group Save SA, who questioned how the deal made any sense:

'The truth is that the Gupta family is using vendor finance to effectively pay Manyi to take ANN7 and *The New Age* off its hands. Given that most of the family's money has been siphoned from the public purse, they are effectively using dirty public money to hand over an asset from one rogue business to another, and using a questionable financial model to do so....'

While some media reports questioned if Manyi had overpaid, others thought that he'd made a savvy bargain, given that the two media companies would never generate the returns needed to pay off the Guptas.

Ultimately, the sale either was planned to be, or was forced to be, an exit plan. Manyi to no-one's great surprise announced in April 2018 that he had now completely 'paid off' the vendor loan in full and now owned 100% of the media assets of the company.

'Consequently, Afrotone Media Holdings' [Manyi's company] ownership of Infinity Media Networks, ANN7 and *The New Age* is now debt-free and unencumbered ... As a truly South African 100% black-owned and -managed company, these developments strengthen Afrotone Media Holdings' position to realise the benefits of this strategic acquisition." (Staff Reporter 2018).

In a dramatic attempt to distance the two media assets from the Gupta ownership era, Manyi announced on May 1 2018 that the ANN7 news channel has been rebranded as 'Afro Worldview' and *The New Age* newspaper renamed 'Afro Voice'. This effectively valuing the intrinsic worth of two former media brands, which would usually have a brand value due to the investment over time and their public populating, at zero. In a flash, 8 years of brand building for ANN7 and *The New Age* was revealed be worth, effectively, nothing. (In this report we will refer to the previous brand names, unless the new incarnations are specifically being referred to).

Looking back, the most extraordinary part of this saga is how the Gupta family, working with the Zuma family directly, was able to create not only one but two mainstream national media outlets, including an entire 24-hour news channel. The ANC has long complained of hostile and oppositional coverage by the Print media. In 1997 President Nelson Mandela was explicit: "... the bulk of the mass media in our country has set itself up as force opposed to the ANC" (Mandela 1997). Until the launch of *The New Age*, the party has never managed to achieve the creation of a supposedly pro-ANC newspaper – and the TNA soon showed the limitations of party partisanship.

ASSESSING THE EXTENT AND IMPACT OF THE DIVERSION OF STATE FUNDING

Though *The New Age* would not register with Audit Bureau of Circulation, the newspaper nevertheless received millions from government through advertising. Between March 2011 and October 2015, the State-owned South African Airways spent R9.4-million on buying almost six-million paper copies, as revealed in Parliament by the Finance Minister in response to questions from the opposition Democratic Alliance.

Nielsen data for 2012 showed that the government had, via its various arms, put in R74.6-million into the paper, with Telkom contributing R35.6-million of the sum.

Meanwhile, in 2013 the Passenger Rail Agency of South Africa (PRASA) signed a contract worth R3.3-million. In 2016, the Communications Minister at the time Faith Muthambi revealed to Parliament that the South African Broadcasting Corporation had bought copies amounting to R700 000 since 2014.

Where an organ of state contracts for advertising space in the media, it must act in compliance with the relevant regulatory framework as well as the Constitution. Section 217 of the Constitution enjoins the State in its procurement to do so in a "fair, equitable, transparent, competitive and cost-effective' manner".'

Investigative journalists at amaBhungane reported in February 2017 that Nielsen data showed that the paper had received R46-million in government ad spend in 2016, most of it from provinces controlled by two provincial bosses within what is known as the 'Premier League' triumvirate close to Zuma: the Free State and North West.

'The South African Audience Research Foundation's AMPS figures for December 2015, based on a surveyed sample of the South African public, give a readership figure of 136 000 for that newspaper, compared to the *Mail & Guardian*'s 564 000, *City Press*'s 1.6-million, and 3.7-million for *The Sunday Times*,' the amaBhungane report outlined. It continued: 'The Nielsen data also suggests bias on the part of national government: it spent R11.5-million on advertising in *The New Age* in the year up to November 2016, compared with R7.2-million for *City Press* and R1.9-million for the *Mail & Guardian*.'

An analysis of Nielsen figures shows that between 2012 and 2016 government spent 7% of its ad spend on *The New Age*, 25% on Independent Media, and 21% on Tiso Blackstar, while 34% went to Media24 and 2% to the M&G.

In the article, media lawyer Dario Milo explained that the deals were likely in contravention of the Public Finance Management Act (PFMA) and the Constitution. He said, 'Where an organ of state contracts for advertising space in the media, it must act in compliance with the relevant regulatory framework as well as the Constitution. Section 217 of the Constitution enjoins the State in its procurement to do so in a "fair, equitable, transparent, competitive and cost-effective' manner".'

On top of these subscription deals, *The New Age* concluded a massive deal with the SABC to broadcast its breakfast events, and took millions in sponsorships from Transnet, Eskom and Telkom. It was soon apparent that the flow of advertising money into the paper was coordinated by the Zuma/Gupta network.

This was confirmed by the testimony of former GCIS chief executive Themba Maseko, who said that Ajay Gupta and President Jacob Zuma pressured him to divert government spending towards the Guptas. In 2013 amaBhungane reported that a special legal adviser to Malusi Gigaba – Public Enterprises Minister at the time – had been strong-arming SOEs into supporting *The New Age*.

ATTEMPTS TO BUILD A MEDIA EMPIRE

Outside of the designs on the SABC from 2007 to 2011, and the actual full take over from about 2012 onwards, there were schemes to build a media empire to both reduce scrutiny of the grand plans for the shadow State, and delegitimise any critical journalism.

Not every media capture attempt was a success. Before the creation of New Age and ANN7, according to the leaked Gupta emails, and before the network adopted a strategy of exerting influence on government communications officials to divert ad spend to *The New Age* and ANN7, their idea had been to take over established media titles to build a new empire which would attract considerable ad spend through a pro-government positioning.

The targeted companies were Primedia (owners of radio stations Radio 702, Cape Talk and cinema chain Ster-Kinekor) and the independent newspaper, the *Mail & Guardian*. One email reveals a memo sent by Oakbay employee Vim Rajbansi to Tony Gupta to report a 'high level financial valuation' of Primedia, with a view of a takeover bid. He added that there was some willingness on the other side for the talks. Private equity firm Brait was apparently trying to offload its stake in the company, and there were 'legacy issues' with another shareholder, the Mineworkers' Investment Company (MIC).

Investigative journalists amaBhungane reported on another email exchange which revealed details of a meeting between Oakbay CEO Nazeem Howa and other executives with MIC.

Rajbansi revealed that the plan was to merge the Gupta and Primedia media entities into one major company that would list on the Johannesburg Securities Exchange within three years. A later presentation explained the logic:

'Smaller ones become irrelevant. Bigger bits of big companies at acceptable prices... The Primedia merger is the biggest deal. Target investments that would show the company as a serious business partner and a significant player in the media industry.'

The emails reveal no further information on this deal, according to amaBhungane. They interviewed the new Primedia CEO Roger Jardine on 6 June 2017, who said: 'The Board and shareholders of Primedia are very mindful of the need for a strong and independent media in South Africa. I can confidently state that if a transaction of this nature was ever tabled at our Board it would receive no support.'

An email from Howa to Tony Gupta sent in January 2016 revealed 'Project M', an audacious plan to take over the *Mail & Guardian*. The main motivation for the takeover was the paper's constant negative reporting on President Jacob Zuma and the Gupta family. Howa would later in an email express doubt about paying R20-million to complete the bid. He wrote:

'The newspaper [with strong support from their following and other like-minded media people] is champion a [sic] position that President Zuma is corrupt and should be relieved of his responsibility ... They have made it their focus to find ways to support the #ZumaMustFall campaign and the family and our group have become convenience pawns [sic] in their strategy to unseat the President.'

He continued:

'The government advertising spend has declined by almost 40% against 2013, while the market tested has declined by 5%. Editorial position has certainly been a factor in this decline and one would question how quickly one can reclaim the lost government advertising spend, and how much of an editorial positioning change will be needed to achieve that ... A risk of repositioning could well be the loss of single-copy readers who subscribe to the newspapers current anti-establishment position. Repositioning will have to bring new readers faster than the changes cause loss of readers.'

The Guptas have had a particularly difficult history with the *Mail & Guardian*. In 2013, they sued the paper and *The Sunday Times* for R500-million each because of a story that mentioned Tony Gupta's attempt to bribe a South African Airways official. Nothing ever came of what the paper said would have been the biggest defamation lawsuit ever in South African history.

M&G Media Ltd chairman Trevor Ncube told the paper in June 2017 that he would never have sold the business to the Guptas:

'We value the role that our publications play in Zimbabwe and South Africa. Press freedom and freedom of expression are at the core of what we do. This also includes robust investigative journalism in Zimbabwe and South Africa which is not tainted or poisoned by the interests of proprietors.'

In Zuma's reply in February 2016 to the debate on his State of the Nation 2016 address, he announced that, from 1 April 2016 all departments will advertise State tenders online, on the government's 'tender portal', which can be accessed free of charge. He added, 'Government tenders will thus no longer be advertised in newspapers and this will be another cost saver for government.'

Simnikiwe Mzekandaba observed for ITWeb that this decision has dealt a further blow to the print industry, which is already struggling with declining circulation figures. (www.businesslive.co.za)

THE CURIOUS CASE OF THE SURVÉ/ GUPTA ALLIANCE

The leaked 'Gupta' emails uncovered another failed media takeover bid by the Guptas, and their relationship with Iqbal Survé, the executive chairman of Sekunjalo Independent Media (Pty) Ltd (SIM), owner of Independent Media (IM), the country's largest English newspaper group.

In 2011, the Irish company Independent Media, which owned INM, put up a notice for sale for the business, which includes titles like *Cape Times, Pretoria News, The Star* and *Isolezwe*. (The value was set at R2 billion.) The group was not in a good state. Since taking over in 1993, the Irish company had pursued editorial cost-cutting, leading to a shrinking in staff from about 5 000 in 1993 to 1700 in 2012. The arrival of digital disruption put an end to the profitability of this strategy, as circulation of almost all of the newspapers plummeted.

The sale attracted bids from Iqbal Survé's Sekunjalo Investment Holdings and the Guptas' Oakbay company. Sekunjalo prevailed, and announced that Sekunjalo Independent Media (and other consortium partners, including two Chinese companies) would buy 75% while the PIC – the trustees of the government employees pension funds – would take up the remaining 25%. The deal was concluded in August 2013.

In spite of its failing bid, the new owner met with representatives of the Gupta family to conclude an option agreement to sell 50% of SIM to Oakbay.

However, the deal fell apart quickly and became the subject of a court case. In his court papers, Survé described how the deal between him and Guptas had been struck, and why it was never concluded. Moegsien Williams, who had been editor-in-chief of Independent Media, left in 2012 to head the new Gupta paper *The New Age*. He then set up a meeting between Survé and Oakbay's Nazeem Howa so they could 'help' with the INM takeover. Survé said:

'To this end Mr Williams arranged a meeting between Mr [Nazeem] Howa and me to discuss the collaboration. I thought it was a good idea since Mr Howa and Mr Williams had a strong background in media and it would be positive for them to assist me with the strategy and operations at IM.'

In November 2012, Ajay Gupta, Williams, Yazeed Evans of Oakbay and Survé signed an option agreement, by which Oakbay could subscribe to 50% of SIM's shares. This was more than Survé's own stake.

It was the publication of the Gupta emails five years later that showed what Oakbay was getting out of the deal. amaBhungane wrote: 'What would the Guptas get in return? For one thing, the right to appoint the editors of newspapers like the *Cape Times* and *The Star.*' This has been confirmed by the leaked emails.

In an April 2015 email to Oakbay's lawyer, Howa writes:

'The appointment of [Independent] editors was a hard-won victory in the negotiations. The Guptas had already made a play to purchase Independent Media on their own, and been rejected. Going through Survé represented another bite at the cherry.'

This second bid failed when the two parties could not agree on the share price. Oakbay rejected an assessment of R729-million. Survé also obtained an opinion from the PIC chief executive Daniel Matjila, who did not consent to the sale, as dictated by the terms of the 2012 deal. The matter has been in the courts ever since.

This deal took place at a time when the Guptas were seeking to create a media empire through takeovers. 'The key, as they saw it, was to win some of the lucrative government advertising their existing media assets have benefited from – through pro-government positioning,' amaBhungane reported.

The leaked emails also revealed that before this falling out, Survé had enjoyed a warm friendship with the Gupta family. He was a guest at the infamous wedding at Sun City in 2013, which arguably first exposed State capture to the general public. The Gupta family landed a private jet at the Waterkloof Air Force Base, in breach of rules protecting national key points. The trail eventually led directly to President Zuma.

The Gupta deal aside, by mid-2013 Survé was now in charge of INM, and declared that the deal would be 'the greatest gift we can give Madiba – since he was the person who let Independent buy the company all those years ago'. However, Survé quickly ran into problems when the *Cape Times* ran a front-page story on a report by the Public Protector which found that the Department of Agriculture, Forestry and Fisheries had entered into an improper contract with one of his companies, Sekunjalo Marine Services Consortium (SMSC), for a patrol boats tender. Part of the problem was that the conduct of the Minister in awarding the contract had constituted improper conduct and maladministration.

This story was published on 6 December 2013, after the death of former president Nelson Mandela was announced the night before. Having already gone to print at the time of the announcement – with the SMSC lead – the editor Alide Dasnois chose to cover the sudden news of Mandela's passing with a wraparound cover, with the boat's tender lead story carried inside on the first page.

The next morning, Survé called Dasnois into a meeting and removed her from her position for apparently failing to give the Mandela news the coverage it deserved. Though he would go on to claim other reasons for his decision in the labour dispute that followed, the day after the story ran, Sekunjalo's lawyers wrote to the *Cape Times* to claim that the Public Protector had actually exonerated their client.

The letter threatened to sue the editor, the reporter and the owners of the *Cape Times* for damages arising from the story – an absurdity given that Survé's SIM was ultimately the owner of the paper. This evidence, and Survé's comments in the disciplinary hearing against Dasnois, led to a case before the Labour Court, where the former editor argued that she had been pushed out for criticising the commercial interests of the paper's owners.

Dasnois also argued that conversations with colleagues revealed that her removal had been contemplated before 6 December, and a replacement was already in line when she was ousted. The matter was eventually settled out of court.

When *The Sunday Times* ran its own story on the Public Protector's report, Survé published a lengthy response in the *Cape Times* and *The Star* in which he said:

'I'm afraid that Times group's political petticoat is showing, and it is branded in DA colours. To be certain, I personally have no problem with that. They have every right to choose their party political allegiances, as they clearly have. But, then don't turn around and suggest that the rest of us have no right to have ours, or that we should apologise or try to explain away our histories. I'm proud to have been a participant in the struggle for national liberation, a struggle, which for most South Africans is chiefly through the ANC. I retain friendships, alliances and loyalties with many who are in senior positions in the ANC today. I neither apologise for nor feel any need to explain or justify that fact to anyone. '

Exactly what Independent's positioning was with regards to government was crystallised later. In October 2015, the Independent Group Executive Editor at the time, Karima Brown, told SABC News that the government was still directing the bulk of its advertising to Media24 and the Times Media Group, even though those companies were 'taking the side of the political opposition and ganging up on the government':

'If you look at *The Sunday Times*, for instance, which is part of the TMG you will often note that the ANC government is reflected as presiding over a failed State, as wholly corrupt, that everyone in the ruling party is corrupt or potentially corrupt. And yet the bulk of the ANC's advertising money goes to the TMG group. So the ANC must also put its money where its mouth is and look at supporting initiatives around media diversity.'

SIM is exposed via its massive debt obligations to an entity, the Public Investment Corporation, which government controls, in the interests mainly of government pensions. After questions from opposition MPs, the Deputy Minister of Finance revealed that the PIC – which manages funds on behalf of the Government Employees Pension Fund (GEPF) – put up more than R1 billion in the INMSA deal, including a loan of over R750-million. Subsequently, the failed listing of Sagarmatha revealed that SIM, the company that owned Independent was loss-making, indicating that the newspaper operations may not be generating enough cash on their own to pay off the PIC and other debt.

The Independent group or Survé has not declared any intention to overtly support the ANC or propagandise for its policies. It must be remembered that the sale of the Argus group to Tony O'Reilly's Irish Independent group in 1994, brought the same suspicions that the sale would make the group sympathetic to the ANC (Foster 2012).

Survé himself has made it clear that he is sympathetic to the ANC, and it is reasonable to suppose he may be sympathetic to a government that enabled his purchase of a controlling stake in the newspaper group. Whether the Independent group is supportive of the ANC or factions within it , to what extent, and how that plays out in the pages of the newspaper would be a challenging analysis exercise, given the sheer volume of words and pictures of a daily newspaper, the basis for comparison, and the normative assumptions of what sympathy or support entails, and what animosity.

It is also worth pointing out that the Independent Media papers, unlike Media24 and Tiso Blackstar, did not collaborate in the publication of revelations from the Guptaleaks emails. The newspapers did not comment extensively on State Capture either, though they did not ignore it.

FINDING A CONDUCTOR FOR THE ORCHESTRATION OF A MASS MEDIA VENEER

It is useful to consider "media capture' via what can be called the five overlapping strategic intents to divert funding, distract audiences, distort in formation, delegitimise critical voices, and to demoralise critics of capture in the media in South Africa.

Despite their media influence, through the SABC, ANN7 and *The New Age*, the Gupta family continued to attract negative coverage. What was missing was both *coordination* and an ability to shape a discourse, as well as a social media component. A client going to a public relations company expects ways to 'get ahead of the story', and good public relations is about **proactively** trying to 'shape' and 'frame' stories. This is done by crafting a 'master narrative' and one or two allied narratives, and trying to get those narratives out there by creating 'hymn sheets'.

Then it is about execution – getting everyone to sing from those 'hymn sheets', preferably in the right sequence: break it on TV and print, get your own 'manufactured organisations' and secretly captured spokespeople and pundits to speak about it, then 'spread' it and make it gather momentum.

Bell Pottinger was attractive to the Gupta-Zuma axis as it promised this kind of coordination. President's son, Duduzane invoved in multiple Gupta companies, would lead the approach to Bell Pottinger.

The leaked emails trove revealed that in January 2016, Duduzane Zuma, Gupta associate and son of the President, met with BP's financial and corporate head Victoria Geoghegan to discuss a five-month campaign 'not primarily one to affect the outcome of the elections [2017] but to turn the tide of our country's trajectory in the long term'.

Geoghegan's emails showed she was very keen to land this account (no doubt motivated by the £100,000 monthly retainer), and briefed Duduzane on how the 'economic message' would be packaged. She wrote:

'It is critical that the narrative grabs the attention of the grassroots population who must identify with it, connect with it, and feel united by it. In order to reach this audience, the Bell Pottinger and South African teams will need to strategise the appropriate engagement tactics, be this radio, social media and/or slogans eg. #endeconomicapartheid #growthforall.'

At the time, the public image of the Guptas and President Zuma had taken a heavy battering after the sudden removal of Nhlanhla Nene as Finance Minister in December 2015, and the subsequent revelation by his deputy Mcebisi Jonas that he had been offered the position by one of the brothers at a meeting held at their compound in Saxonwold, Johannesburg if he agreed to work with the Guptas.

Other government officials would soon after reveal similar approaches by the Guptas, who held no position in government whatsoever, yet appeared to control Cabinet appointments. By the time of the Public Protector's report, the exact nature of state capture had been widely disseminated and discussed. The leaked emails subsequently showed how BP desperately tried to steer public discourse away from discussions about State capture and towards a discourse of the crudely racist, economically deterministice terms White Monopoly Capital (WMC).

At the ANC Youth League's national rally on 7 February 2016, the organisation's president Collen Maine railed against white monopoly capital. Leaked emails showed Geoghegan had supplied Maine with precise talking points ahead of the event.

Shortly after the rally Nazeem Howa, CEO of the Gupta company Oakbay, forwarded a clip of the speech to the BP team working on the Guptas' account. One BP staffer praised the fact that the Youth League leader has used the statistics they had provided and 'defended the (Gupta) family. . . which is good'.

Other leaked emails revealed that Collen Maine was coached on how to respond to media questions by Howa personally, particularly on the family. Other emails showed that at the same time Geoghegan had edited a statement released by the MK Military Veterans Association, which had defended the controversial takeover of the Optimum Coal Mine by another Gupta company, Tegeta.

Tellingly for a firm that has been publicly criticised and even banned in the past by Wikipedia for unethical editing, one email shows Geoghegan sending new edits for the page linked to the Gupta family. The email reads:

'Attached is the final version of the Wikipedia content. Please can we have a call at 9.15am tomorrow to brief one of your digital team on how to upload the content? We want to be transparent about the new content we are uploading so need to flag that it is an Oakbay employee editing the Wikipedia entry.'

In anticipation of the Public Protector's devastating report, and in response after it was released, a strong counter-narrative emerged to discredit it. A later analysis by the *Daily Maverick* would show that the message was amplified by an army of fake Twitter accounts – though some real accounts emerged, such as those belonging to the Decolonisation Foundation's Mzwanele Manyi (later to 'bag' Oakbay's media assets) and government spokesperson Esethu Hasane – with the intention of countering the State Capture narrative.

The November 2016 investigation showed that the message pushed by these Twitter bots was threefold: the State Capture report was baseless and rubbish; the media and Madonsela were themselves captured and biased; and the real enemies were white monopoly capital and specifically, the wealthy Rupert family.

In early 2017, a number of Twitter accounts began spreading an anti-Gordhan message. To the untrained eye, these were stories tweeted by prominent mainstream news media outlets, including News24, *Huffington Post SA* and Radio 702, quoting prominent journalists like Alec Hogg, Ferial Haffajee and Peter Bruce. Though quickly uncovered as hoax accounts with subtle name differences from the real accounts, they indicated that an important part of this campaign was blurring the lines between misinformation and real news through confusion and distortion.

These journalists, and others like Adriaan Basson, Ranjeni Munusamy and Sam Sole were routinely maligned on social media. (A favourite tactic was crudely Photoshopped images – often lewd and almost always defamatory – accusing these journalists of working for Johan Rupert.)

The leaked emails revealed the direct link between the Twitter bots and the Gupta family: one showed how a Gupta spindoctor literally wrote some of the tweets that were then sent out by the fake accounts.

After the public immolation of BP, they launched a new tactic: new websites appeared, all of them alluding to white monopoly capital. WMCLeaks, the most prominent one, published a story smearing Bruce, which revealed that he had been surveilled around Johannesburg. *The Daily Maverick* investigative unit traced the website to a former Gupta employee, now apparently based in India. Another investigation by amaBhungane showed that some of these sites are linked to an Indian IT company. The CEO of that company registered two domain names in June 2017 under his own email account: atulgupta.info and ajaygupta.info, the names of the eldest and middle Gupta brothers.

The attacks against journalists were not confined to the online space. Black First Land First (BLF), led by Andile Mngxitama, carried out repeated attacks on journalists, accusing them of racism and spreading fake news about President Zuma and the Guptas. When a protest descended upon the Saxonwold compound in January 2017 as a part of a countrywide protest against State Capture, BLF mounted a counter-protest. (The leaked emails show that it was Mngxitama who had personally approached Howa for financial assistance.)

BLF members also showed up outside Peter Bruce's house where they physically assaulted and threatened him and other journalists.

This was on the pinnacle of their aggression, leading to mass outrage and a court order banning the group from intimidating journalists.

The Gupta emails link Mngxitama to Bell Pottinger. One of these appears to show the firm advising him on how to attack Hogg, saying: 'Pls see, and the part where he writes about Alex (sic)

Hogg funders, can you write on this something and send some questions to him, for source of funding, legal/illegal, who are the funders. Thanks.'

When the campaign to blame 'white monopoly capital' for all the Zuma/Gupta axis's woes, and distract from daily news reports of their looting and State Capture was fully uncovered, Bell Pottinger found itself at the centre of a massive scandal. At a shareholders' meeting in late 2016, Johann Rupert, the chairperson of Remgro and Richemont, said that he had received an SMS from an unnamed, powerful figure within the ANC warning him that BP was behind the white monopoly capital narrative, which had mentioned him many times. At the time, his companies were using the firm for their communications and publicity needs. After railing against them at the meeting, Rupert fired Bell Pottinger.

This was just the beginning of the South African disaster for Bell Pottinger. The firm's Twitter account was soon flooded with angry messages from South Africa. The anger was so palpable and effective that the PR firm resorted to hiding its tweets by locking the account.

By April 2017, the situation was untenable and the Gupta account was dropped. But it was too late. The official opposition party, the Democratic Alliance wrote to the Public Relations and Communications Association in the UK, demanding an investigation into the campaign. Clients in South Africa, the UK and as far afield as Tanzania, Kenya and Singapore dropped the company. Geoghegan was fired and three other employees were also sacked. BP CEO James Henderson issued an apology to South Africa.

The apology did nothing to appease those who had been affected by the campaign. Madonsela denounced the 'reckless and dangerous dirty tricks campaign', and Gordhan demanded full transparency from the firm, implying that the CEO's excuse that upper management had not been aware of the full activities on the account was mere spin. In an interview with *The Sunday Times* Gordhan said:

'[The apology] uses "white monopoly capital" as a narrative to cover a vast array of nefarious activities at the behest of, and in collaboration with, the "Gupta syndicate" ... The minor admissions made vindicate what we've been saying for almost two years – that the attacks on institutions such as the National Treasury, and on individuals and their families was designed to malign them and create a distraction from the activities of the "syndicate".'

Yet even after Bell Pottinger retreated in defeat from South Africa and State Capture continued to be uncovered, the online dirty tricks campaign continued. The phrase 'white monopoly capital' was almost snuck into a resolution at the ANC's national policy conference in June 2016, and Mngxitama continued to threaten and attack journalists. In August 2017, he was finally handed a suspended jail sentence by the High Court for repeatedly attacking journalists, even after a restraining order was obtained against him and his group after the attack at Bruce's house.

BP paid the price for their involvement, going bankrupt in September 2017, with large attendant losses for some of the partners.

As Marianne Thamm wrote in *Daily Maverick*:

'The tragedy, of course, is that the ANC's own internal disarray and lack of a coherent communications vision and strategy is what allowed UK-based PR firm Bell Pottinger seamlessly to glide from being contracted by the Gupta family and their various businesses in South Africa, to articulating what purported to be the ruling party's socio-economic policy ...

'Over and above this, Bell Pottinger, clearly hoping to exploit a wound that has not yet healed in South Africa in spite of our national consensus, gladly stoked existing racial divisions in the country. And as we became distracted

by this, Bell Pottinger's clients, the Gupta business empire and their proxies exploited the weaknesses of our elected leaders and deployed government officials, exacting favours and, it has now become clear thanks to the #GuptaLeaks, siphoning off billions in public funds.'

The Bell Pottinger intervention in South African politics through the misuse of social media highlights the need to face the global problem of the weaponisation of social media and the creation of online disinformation campaigns.

PAYING THE PIPER, CALLING THE TUNE: THREATS AND REALITIES IN THE ALLOCATION OF GOVERNMENT ADVERTISING AND MARKETING SPENDING IN SOUTH AFRICA

The seriousness of the threat

When a South African Cabinet Minister compared advertising in sections of the press to hoping the crocodile you are standing next to and feeding will return the kindness by not attacking you, it elicited at least one public critical response (JJ Tabane 2017). Arts and Culture Minister Nathi Mthetwha announced that he had withdrawn advertising in newspapers and media institutions which he said were reporting negatively about the ANC, the government and President Jacob Zuma (Hans 2017). Despite being contrary to the law and the Constitution, this was, apart from the one instance cited, given little heed.

Mthetwa referred to his Arts & Culture department and other departments which he specified as having a standing policy of boycotting 'newspapers which had an agenda to destroy the government'. Perhaps the lack of reaction is explained by that age of the outrage: the threat to divert government advertising from news media, specifically newspapers, perceived to be anti-government or insufficiently pro-government to those apparently more supportive, had been gathering steam since it was first mooted in 2007 (Reporter 2017).

The idea took further shape in 2010, with plans to bring ad buying in-house and centralise this with the Government Communications and Information Scheme and the implied politicisation of government ad buying by then-head of the GCIS Mzwanele 'Jimmy' Manyi (Reporter 2011).

This coincided with the launch of *The New Age*, then owned by the Gupta family. An article in the *Mail & Guardian* interpreted the move as political and declared that the newspapers in what was Avusa, now the Tiso-Blackstar group, received the highest share of government ad spend:

'Government adspend is substantial: it grew from R927-million in 2004 to R1.7-billion last year – an increase 26% higher than the growth in private-sector advertising. About 52% of government's advertising budget goes on TV and radio and 41% on print. Of the print adspend, the lion's share goes to the Avusa stable through the Sowetan and The Sunday Times. The Sowetan received R48-million from the government and The Sunday Times R45-million between May 2009 and April 2010.'

(Groenewald and Sole 2010)

It was assumed that the centralisation was linked to supporting *The New Age* through diverting ad spend to that publication from other newspaper groups. Evidence for this was provided later through figures supplied to Micah Reddy of amaBhungane by advertising research agency Nielsen, which showed that 'government and public institutions lavished R46-million worth of ad spend on *The New Age* in the year to October 31, 2016, and that among provincial governments, the North West and Free State were the most enthusiastic contributors' (Reddy 2017).

Speculation was that at least two media houses, *The New Age*, and the newly black-empowered Independent Media group, were the beneficiaries (J. Myburgh 2015). *The New Age* at an early stage is said to have banked on diversion of ad spend from mainstream media (Eyewitness News 2016). Independent Media group has boasted of its transformation credentials, and in 2015 Karima Brown, Group Editorial Executive of Independent Newspapers, in an article on the Independent Online (IOL) news website urged the ANC government to consider the political stance of the newspapers they advertised in. The introductory paragraph of the article, which presumably Brown herself would have vetted, reads:

'The government should put its money where its mouth is by placing its advertisements with media which give it a fair hearing rather than those who write it off as a failed State'
(Reporter, 2015).

Little doubt can be expressed that this would be a plea to place ads in the Independent group instead of other media.

Journalists and media owners would be acutely aware, particularly as South African media groups have expanded into the rest of the continent, of the allocation of advertising as a political tool (Ogola 2017). The use of advertising to favour friendly media and punish media outlets perceived to be unfriendly is not unique to Africa, as Thomas R. Lansner notes in a 2014 WAN-IFRA report on this aspect of the soft censorship that has replaced overt control:

'The powerful impact of biased governmental advertising allocation on media viability and editorial policies is noted in the Hungary, Malaysia, Mexico, and Serbia country reports. The opaque and purposefully prejudiced use of official advertising subverts media freedom and public knowledge in many other countries...'
(Lansner 2014)

The conviction among journalists that a drive to divert advertising to friendly media was in place would have been strengthened by a report in February 2016 that government departments would all have to use the government newspaper *Vuk'unzenzele*, published by the Government Communications and Information Systems (GCIS), to advertise jobs rather than the commercial media, except in special circumstances of scarce skills and top positions (Nevill 2016). Yet the acting Director General in that report was at pains to stress economic rather than political motives for the move, and stated that the decision was a cost-cutting move in line with a National Treasury directive dating back nearly three years (Nevill 2016). The impetus to cut back on services such as advertising dates back at least to Pravin Gordhan's 2011 Medium-Term Budget Policy Statement when he insisted South Africa 'do more with less' (Davis 2011).

This cost-cutting trend draws attention to another dynamic in government expenditure on advertising, that is highlighted by an interview with Kenneth Brown, the outgoing Chief Procurement Officer for South Africa at the end of 2016:

'You know, the challenge with this job is, and the next person who is going to come and do it will experience the same and many of my people here are already experiencing it, is once you put measures in place that brings in efficiency, it means money that shouldn't have been at a particular point at some place is moving in another direction and away from certain groupings, you're bound to have a tax [sic? Attacks?] actually coming your way. Let me give you a simple example. We introduced the Central Supply Database last year, we introduced the e-tender portal, we made it compulsory that people advertise the tenders on the e-tender portal and we do away with newspaper adverts. That intervention alone has saved government about R500m to R600m a year. I had the editors of all media houses complaining and they actually came to see me in my office and we had an interesting robust kind of interaction, but when they understood where we are as a country, what we want to achieve and the wastage there and how modernisation takes us forward and the benefits of what we're doing, you know you could see that you're talking to reasonable people here who have the interest of the country at heart themselves, so it was easy for them to comprehend that. But the same cannot be said all over whether it's travel agents that you talk to, property owners that you talk to and all of that. You're dealing with a plethora of people who would experience the changes that we're bringing through in a different kind of way and they may react in a different way.'

(Hogg, 2016)

Phrased as cost-saving and modernisation, the withdrawal of government advertising here is said to be understood as necessary, even by media houses. This may be a gloss on the discussion, but this dramatic loss of revenue did not attract the same kind of media coverage as the centralisation announcements of the more controversial Manyi.

An off-the-record discussion with an executive of one of the media houses points to the fact that while government job ads have not visibly shifted online, many private sector job ads have gone to sites such as P-Net and Media24's Careers24.

If job advertising in the private sector has followed the path of disintermediation and digital disruption, why should government job ads now follow?

Why should the shift of tender advertising to an online portal for cost-saving reasons and job ads from commercial media to a government newspaper be controversial?

Part of the answer must lie in seeing advertising as a service with a purpose rather than as a subsidy. The question marks over SOEs' commitment of high amounts of ad spend to *The New Age*, for example, were about performance of advertising in a newspaper that appeared to have little proved circulation.

As Anton Harber noted, 'It is hard – if not impossible – to argue that public money is spent appropriately on sponsorship and advertising if there are no figures to demonstrate it.'

As Tiso Blackstar Managing Director Andrew Gill noted in an interview for this research:

'The government already removed advertising from news media about two years ago for tenders, but it has not been entirely successful. We have been getting some of these ads for tenders placed in our newspapers because they don't get a response' (Rumney 2017).

This shows the problem with advertising decisions based on partisanship, according to Gill.

'If the decision to divert government advertising from newspapers was a purely financial decision it would be easy to understand it, but it is not. In a country still so 'digitally bereft' it retards transparency to advertise in digital spaces where an ad for a tender might be ignored by all but those pushing the tender to certain interested and connected parties. The tender decision has hit the Sowetan particularly, because it was an obvious platform for ads for small tenders. The Sunday Times career section carries the Business Times, which is an important part of the paper….We sometimes get this message that we can't advertise with you because the Minister doesn't like what you say.'

Gill says it is clear that at times a directive has been given to divert advertising from critical media, though not all buying has been funneled through the GCIS, and some departments prefer not to use the GCIS. 'Advertisers have to use the best opportunity to get a response, and we are well placed to deliver that response,' says Gill.

Gill compares the situation with that of the threatened withdrawal of what remains of compulsory financial report advertising in newspapers forced by the listings rules of the stock exchange. It is easy to see that with the increase in digital depth in this small market, it would be easier to justify the end of print advertising at some stage in the future, though Gill notes that, as with the online tender process, the resulting digital fragmentation gives rise to the risk of non-transparency, with financial results shuffled into corners of the Web out of the eyes of the public and shareholders.

'Government tried to launch its own publication to carry job ads, clearly a tactic to draw ads away from what is perceived to be anti-government media, but again it has not really succeeded,' Gill explained.

The idea is explicitly that *Vuk'uzenzele* will carry government job ads, but acting director general Donald Liphoko played down the idea that it was intended to punish private media, or that it would take away more than 10% of government's spending on job ads (Bratt, 2015).

If the move to *Vuk'uzenzele* has not achieved results, as Gill says, then the policy of moving ads to government media or tender information to a government portal needs to be reviewed.

Another blow to the established media, and one that government has found easy to justify is the decision to spend around 30% of advertising on community media, a promise repeated by the then Communications Minister in 2014 (Muthambi 2014). However, community newspapers have insisted that the GCIS 'both nationally and provincially, has been unsupportive of community print media and plays little or no part in the transformation of the print media' (Association of Independent Publishers 2017).

Whether the motives are political or commercial, there are clear signs, as *Vuk'uzenzele* demonstrates, that government ads have been withdrawn from commercial media and diverted to ANC government media or media perceived to be supporting of the governing party. The danger is that partisanship in the media is increased by government supporting media it has captured through ad spend against media operating in an environment of decreasing commercial revenue and increasing reliance on donor-funded survivalism.

THE QUANTUM OF THE THREAT OF DIVERTING AND DIRECTING AD REVENUE

There is no doubt that further withdrawal of all government advertising from commercial print media would hurt the print industry as a whole. The impact would differ considerably among the media houses, depending on the percentage of ad spend they receive from government and their financial situation. This includes the Caxton group, which does not receive as much ad spend from government, but does receive revenue from printing newspapers for other groups.

No decrease in income is ever welcome, but in parlous times, a dip in ad revenue could spell closure of a newspaper title, retrenchment of staff, and a blow to long-term sustainability of news media.

Most of the big print media houses seemed to adopt the stance expressed by then-editor of the *Mail & Guardian* Nic Dawes when the threat first surfaced: 'We do get government job advertising and some national and provincial state advertising, but it is relatively small and certainly wouldn't affect us at an existential level, but at a marginal level' (De Waal, 2011).

Kevin Richie of Independent Media, for instance, suggested that the loss of all government advertising would be felt, but 'it would not be the end of the world.'

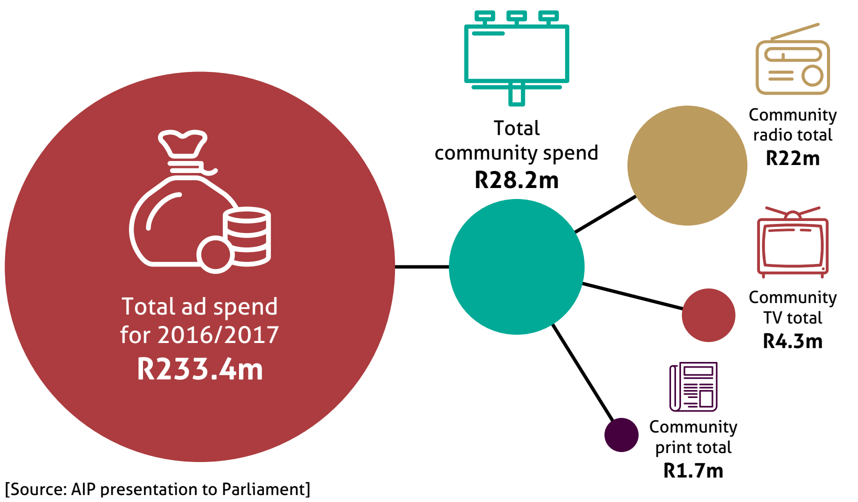
The representative of two media houses estimated government ad spend as a percentage of total ad spend at less than 10%. Andrew Gill of Tiso Blackstar however admitted that a total loss of ad spend would hit the media house hard.

Estimates of the total annual government advertising spend have been made over the years, from R1-billion in total by the *Mail & Guardian* in 2011 (Reporter 2011) to R1.7-billion a year earlier also by the *Mail & Guardian* (Groenewald and Sole 2010). Complicating matters is the fact that advertising is spent within the three tiers of government, national, provincial and local, and on print, online and broadcasting.

The threatened withdrawal of government advertising has to be seen in the perspective of the total amount of ad spend and the other source of ad revenue. Total ad spend, according to advertising research agency Nielsen, analysed by local ad agency OMD, was around R44-billion in 2016. Of that, government, education and health, accounted for 4% or R1.6-billion (Chart 1) (OMD 2016).

Advertising of fast-moving consumer goods (from apples to aspirin), retail advertising, and advertising of financial services alone far outweigh

GCIS AD SPEND IN 2016/17



[Source: AIP presentation to Parliament]

GCIS SPENDING 2011 TO 2016

SPEND PER SUPPLIER	COMMITTED AMOUNT	%
SABC	R59.1m	25.16
Less than 1% of total	R58m	24.72
The Inc (Independent Media)	R17.2m	7.34
Times Media (Tiso Blackstar)	R13.1m	5.58
Mediamark	R12.7m	5.41
Ads24 (Media24)	R11.7m	4.99
Alive Advertising	R10.6m	4.52
Busi Ntuli Communication	R8.1m	3.48
MSG Group Sales	R6m	2.58
United Stations	R5.6m	2.42
Mortimer Harvey Group	R5.4m	2.33
e.tv	R4.6m	1.98
TNA	R4.2m	1.80
EOH Digital	R3.1m	1.33
Provantage	R3m	1.28
Primall Media	R2.6m	1.11
Kena Media	R2.4m	1.05
Primedia Outdoor	R2.3m	1.00
Zallywood	R2.29m	0.98
Blackmagic Consulting	R2.24m	0.96

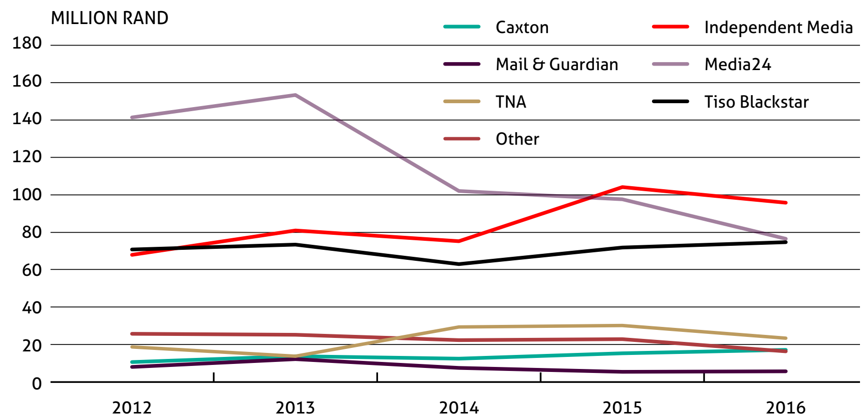
CATEGORY
Broadcasting
Various
Print
Out of home
Ad agency
Digital

[Source: Government Communication and Information System] government spending. South Africa has a well-developed private sector, though the amount of ad spend devoted to financial services hints at the imbalance in the economy.

Another analysis of Nielsen's figures, the *Marklives* web page listing the top 50 Nielsen AdEx South African advertisers for 2015 and 2016, shows national government at number 24 by ranking, with a spend of R353-million of the total of around R43-billion in 2016 (Marklives 2017). This government spending figure was down from R360-million in 2015, or almost 2% less. To see the government ad spend figure in context, Shoprite Holdings spent R1.5-billion in advertising in 2016, more than four times as much as national government (Table 1).

Provincial and national governments are also spenders. In 2016 the Gauteng government was a big spender, adding R218-million to the R353-million national government figure, unlike in 2015 when it was not in the top 50. No other provinces appear in the top 50.

GOVERNMENT SPEND ON MEDIA HOUSES FROM 2012 TO 2016



[Source: Nielsen]

The figure for national government spending is probably overstated, given that the Nielsen figures reflect rate cards of the media houses and do not reflect discounts. However, in the 2016/17 government estimates of national expenditure published with the October Medium Term Budget Policy Statement, the figure for government advertising spending is considerably higher, at R466 650 000. No obvious reason for the discrepancy exists and needs to be investigated, and it shows that government ad spend may be bigger than imagined.

To whom the GCIS actually direct advertising money is revealed in response to a Promotion of Access to Information Act (PAIA) application by SA History Archive on behalf of researcher Michael Moss, although the figures were supplied without explanation and may apply to one year or more than one year or to the six years' worth of figures requested (Table 2). The PAIA request was for et al. 'annual GCIS and/or national government advertising and bulk media buying expenditure for national and regional newspapers, broken down by publication, but only for the period 1 January 2011 to 31 December 2016'.

The GCIS total figure for ad spend of R234 961 987 in the PAIA document is close to the figure mentioned in the GCIS annual report of R227-million implemented through 332 media-buying campaigns.

In any event the figures show GCIS spends ad money predominantly on mainstream broadcasting outlets including the SABC (39%), followed by three big print media groups (20%), and then various out-of-home (billboards and other signs) sellers (9%). The other big figure of 25% represents purchases of ads from a wide variety of smaller media outlets, often community radio, none of whom individually command more than 1% of the total share.

The GCIS figures do show a preference for Independent Media, but do not neglect Tiso Blackstar or Media24.

The essential question, given the concerns of journalists and media owners, is who government in total is spending ad money on, how much, and how has this changed.
The Nielsen Report provided statistics on government spending between 2012–2016. The idea either stated or assumed, is that government has been favouring in its spending two media groups, *The New Age* and Independent Media, on the basis that these outlets are pro-government or pro-ANC. Analysis of the Nielsen figures shows prima facie evidence of this, certainly in the case of *The New Age*, which has no audited circulation that would support high levels of government spending on a commercial basis.

The *Mail & Guardian* has a national circulation much smaller than the other groups, and like *The New Age*, has basically only one product.

The spending on Independent Media has shown an upward trend; the group is an established presence and has a range of regional and community newspapers that cover the country, though it does not have the coverage of Media24, which has by far the biggest newspaper circulation in the country (Media24 n.d.). Tiso Blackstar also showed some upward momentum, which contradicts implicit and explicit threats against the group. Caxton has a small share by comparison, and of the Big Four groups is least reliant on government spending (Table 3, charts 2 and 3).

Encouragingly for media diversity, the 'Other' section of government spending on print includes community media and a number of small press groups such as Cape Media. Yet the Association of Independent Publishers (AIP), which provides yet another figure for total GCIS spending of R233 458 646 in 2016, is unhappy with government spending directed through the GCIS towards community print media it represents. The AIP claims that total spending on community media by the GCIS is nowhere near the 30% of total spending ideal and spending on community print media is actually less than 1%.

CONCLUSION

The most recent ANC National Policy Conference in 2017 called for 'accelerated transformation', using a phrase associated with a particular faction of the ANC, and 'radical economic transformation'.

'Print media empowerment charter must be developed to drive media development, transformation and diversity, informed by the radical economic transformation approach. Print media ownership remains highly racialised & this calls for transformation throughout the value chain'. (ANC 2017)

That paragraph immediately follows a call to use advertising as a tool to achieve diversity, though it explicitly does *not* call for advertising to be used politically.

'In line with the previous resolutions, government should use its advertising spend to advance diversity. Government advertising to community and small commercial media must be increased from the 30% set aside. The 30% of media buying from community media needs to be implemented without delay.' (Ibid)

As the above figures show, this 30% target has not been reached. Figures on government ad spend show some money is reaching small commercial media, though these media may not perhaps not as small or as black – or pro-ANC – as envisaged.

As was shown in Section 1, the news media has interpreted almost all moves on advertising as attempts to attack the freedom of the press – except one which involved the National Treasury, which has recently been seen as the last bulwark against State Capture and populism (New24wire 2017).

What has been overlooked is that part of the problem with the drying up of government advertising stems from the very approach adopted by the Treasury, an approach sometimes besmirched with inexact and unhelpful term 'neo-liberal' but rather more accurately neoclassical economics, tempered by political pressures. This led to the constant theme of saving on advertising, almost tainting it as a non-essential. For instance, in the 2013 MTBPS, there is this reference: '4. Advertising: a. Guidelines to limit non-essential costs and for better use of GCIS facilities will be developed' (Gordhan 2013).

It has also led to a freeze on advertising posts, with government putting a lid on funding for vacant posts and blocking appointments to non-critical vacant posts pending departments revising their staffing plans (Budget Review 2017 National Treasury Republic of South Africa 2017).

It must be stressed that no official government policy exists of withdrawing advertising from media perceived to be hostile. Despite this, the figures do show that some in government are willing to subsidise pro-ANC papers, and have in the cae of *The New Age* done so egregiously. Government policy does encourage the transformation through Broad-Based Black Economic Empowerment policy that includes affirmative action in management posts and procuring from small and black-run businesses alongside black ownership. Yet *The New Age* was foreign-owned – and without a track record – during the years it received large amounts in ad spend from government and, at the direction of the Zuma/Gupta elite, also received large sums from State Owned Enterprises).

SECTION 7:

CONCLUSION AND RECOMMENDATIONS

The news industry in South Africa faces an uncertain future.

Digital migration and a lethargic local economy mean that print circulation is dropping rapidly for most dailies and weeklies, while the move to online is proving difficult to monetise. Newsrooms are shrinking and have been since about 2007 onwards, and specialist journalists able to spend weeks working on a story are becoming rare. As news companies are starved of revenues, they will increasingly be unable to devote the kind of resources that bring about real, ground-breaking journalism that 'speaks truth to power' – and provide the public with the information needed for them to fully exercise their rights in a healthy democracy.

Media capture, as this report has outlined, has damaged the financial health and overall credibility of journalism directly. The SABC is the country's biggest newsroom by far, and many South Africans rely solely on the corporation for information. Its capture by a cabal committed to self-enrichment and part of the broader Zuma/Gupta elite has drained valuable resources and talented people from of the organisation. This has impaired the SABC's ability to fulfil its mandate as per the Constitution and The SABC Charter. The diversion of government advertising spend away from titles perceived to be critical of the government and into assets owned and controlled by the Gupta-Zuma network helped to accelerate the crisis of resources in newsrooms across the country. Editorial interference continues to be a challenge in public and privately owned media, and the work of Bell Pottinger – and its online troll army – have revealed that some South Africans can be swayed by smears and fake news.

Yet this pall disguises the full story: inasmuch as State Capture and its attendant media capture has been a truly low point for post-apartheid South Africa, the media, especially online media in collaboration with traditional media, played a crucial part in challenging the Gupta-Zuma network. From the very beginnings, the media revealed how the shadow state was spreading its tentacles and working its way into government department, State Owned Enterprises and provincial and regional governments. The idea that something was deeply wrong, was perhaps first cemented in the national consciousness after *The Sunday Times* reported on the Waterkloof Air Base incursion in 2013. By the end of 2016, the Public Protector's report on State Capture, plus media reports on the trove of leaked Gupta emails, confirmed the worst fears: a vast network of corruption centred around Jacob Zuma and the Gupta family, was stealing billions of rands from South Africans every year, while poverty levels ramped up and employment shifted from six million to nine million people.

The slew of stories emanating from the trove of leaked Gupta emails illustrated in greater and greater detail the depth and breadth of the subversion and corruption of the State and the private sector.

The journalism-exposés have had some desired effect: South Africans have on many occasions voiced their opposition to State Capture by marching in the streets, and even the ANC-dominated parliament has at last agreed to conduct its own State Capture probe. A judicial commission of inquiry is now also underway, with the call supported by a growing segment of the ruling party rank-and-file; and ANC President Cyril Ramaphosa has made it clear that he shares the public's horror at State Capture. Even the SABC is finally under the care of a Board that looks determined to right what has been done wrong and return the organisation to its role as a public broadcaster, not a mouthpiece for a faction of the ruling party.

The decision by the Gupta family to suddenly abandon its South African assets, including its propaganda organs *The New Age* and *ANN7*, suggests that their network is finally collapsing.

In the final telling, media capture failed. The 'distract, distort, delegitimise, demoralise' strategy – coupled more recently with 'direct action' against journalists that caused actual harm and at least one fatality – may have worked for some of the time but it did not succeed in delivering the Gupta-Zuma network's goals of deeper control of the levers of power, and capacity to loot even more government and SOE budgets.

Once the campaign was uncovered, it backfired on its executors, including Hlaudi Motsoeneng and Bell Pottinger and those who colluded with them, including the Heads of SARS, eight compromised Cabinet Ministers, and companies like KPMG and Bell Pottinger whose collapse was small retribution for the shear scale of damage that they inflicted on journalism – and on the South African psyche. Interdicts are still in place to protect journalists from physical attack by the Black Land First movement, a proto-fascist organisation that supported (and continues to support) direct action, violence and harm against journalists.

However, now is not the time for the new media to be self-congratulatory. The Gupta-Zuma network is not completely defeated. It should worry all South Africans that the NPA and the Directorate for Priority Crime Investigation have dragged their feet in investigating State Capture and prosecuting those involved. By May 2018, many South Africans are concerned that the wheels of justice are grinding exceedingly slowly.

It should also worry all of us involved in journalism that many within our ranks were willing to abet the media capture project. Even as exposing State and media capture will have secured the credibility of many newsrooms and journalists, the overall credibility of the press will remain in doubt for as long as aided media capture continues.

And it is of paramount importance for the media to continue to educate the public on how to spot and debunk fake news and propaganda. A free and democratic South Africa was hard won. Vigilance is the only true guarantor of a healthy democracy in future. Yet the saga of the Gupta media empire underlines the resilience of journalistic practice of truth-seeking, however complicated by inbuilt ideological bias or financial necessity, that an unfettered media, both donor-funded and business-oriented, can provide.

It is true that the particular shape of media capture represented by the Gupta news empire, that of an intersection of plutocratic and State capture, leaves out the influence of large corporation on especially the private sector media, including but not only, all the 'Big Four' Print groups, whose symbiosis with the private sector is evident in their predominantly 'suburban' reporting focus

(Friedman 2016).

However, as this report has outlined, accompanying this over-reliance on corporate advertising is the rapid erosion of profitability of traditional print media, without the digital equivalent providing financial viability, and along with that the rise of many smaller online news outlets and the growing power of the multinational monopolies that dominate social media.

That local media cannot rely solely on donations or voluntarism seems as self-evident as the benefits in certain instances such as investigative journalism of donor-funding, e.g. amaBhungane. Yet reliance on advertising in the digital age, where ad spend increasingly is diverted to social media, has not in South Africa – not yet anyway – been replaced by reliance on reader, listener or viewer revenue – except on pay-TV.

In economic terms, the focus on media organisations as profit generators needs to be supplemented by acknowledging their broader democracy-supporting function, an importance underlined by frequent non-commercial, market-distorting, interventions such as donor-funded media outlets or even government funding.

Any examination of the economy of South African media has to, as has been explored in detail in this report, begin by acknowledging the twin threats of inequality and poverty. Market-based views of South African media ignore the fact that many people in South Africa can only access news provided free in their own languages by the public broadcaster. Talk of market failure in relation to the huge gaps of access to news is perhaps insufficient.

In any case, the continued dull performance of the economy, combined with recent egregious regulatory failure and State and media capture, makes determining long-term media sustainability trends difficult. In one area, South Africa seems to be copying the developed world, and that is in the slow but painful decline of print media, exacerbated by a slow growing economy. None of the print media companies are thriving.

In broadcast news, radio is holding its own, but the operations are not so profitable that these companies, like all media companies, can forego third and even fourth-stream revenue. Room for expansion in the radio market seems limited, as the public broadcaster on the one hand serves a market the private sector seems unwilling to serve, and on the other – in the absence of alternative funding sources and the failure of the public to provide licence fee income – holds on to the lucrative or potentially lucrative public commercial stations.

Competition in free-to-air TV has been strangled by licensing only one competitor – and allowing it only one channel, e-tv. On satellite, the 24-hour private sector ENCA channel has been performing well, and if allowed to join e-tv would be a serious competitor for SABC. The power of traditional TV broadcast news on SABC and e-tv has not been entirely eroded. Some news channels of the public broadcaster routinely command big audiences, chiefly the Zulu/Xhosa news, though compared to the not-too distant past, the days of sitting in front of the evening news are over in South Africa as in the rest of the world.

For a while it seemed that satellite TV provider DSTV, a virtual monopoly, with its range of entertainment, sport and news, had creamed off all the higher-income viewers and would continue to do so. However, online entertainment providers like Netflix have enabled viewers to bypass the aggregated, bouquet offering of satellite TV. Potential competition is on the way, but any excitement that a range of new DTT channels would offer has been drained by the government dragging its feet and missing several deadlines, but may meet the revised June 2019 deadline.[1]

It is likely that the present incumbents rather than new entrants will profit from DTT. New pay-TV channels, enabled by the DTT technology, are on the horizon, but could be supplied by the incumbent broadcaster.

Online news, donor-funded and commercial, and not tied to the print media houses, is increasingly supplying news. Freed from leaping the barriers to entry of print and the regulatory hurdles of broadcasting, online operations such as *BusinessTech* in niche news markets have either created demand where none existed or arisen to supply a latent demand. These sites do not supplant, but supplement news operations, however. Add to this, social media and its potential to divert attention and to undermine news platforms.

The picture, therefore, is mixed. Traditional news organisations are not prospering, and the public broadcaster, despite its dominance, faces financial problems.

At the same time, it is clear that many more voices are clamouring for our attention in the news space than ever before, especially if we take into account the global news organisations. Competition for our attention is strong, and the amount of information is tsunami-like, but the quality of the information, its range of difference, and our interaction with it raises questions of how it contributes to national discussion and democracy. It has been argued, to take one instance,

[1] https://www.iol.co.za/sundayindependent/analysis/were-all-going-digital-which-means-more-tv-channels-13474254

that examination of economic policy is poorly served by our media which does not display 'a genuine contest of ideas and diversity of opinions (Duncan 2014b). Policy makers, used to thinking of diversity, face a situation of greater diversity without necessarily greater difference of opinion, the so-called 'Hotelling effect'.

A theoretical approach to this conundrum is partly supplied by Van Cuilenberg, who talks of two types of government communication policy goals, applicable both to traditional and online media. These are both 'access' and 'diversity' (Van Cuilenberg 1999, p.184). Access can be seen in terms of both suppliers and users of media, and provides a useful frame for looking at issues of community access to media and audience access to internet data.

It is the definitions of diversity that are particularly useful when looking at policy. The argument is that media diversity policy that focuses on diversity of *content* is insufficient because it excludes or deprecates media *market structure* and media *organisational conduct*. The sheer number of media outlets is not equal to media performance, Cuilenberg argues, and there is no 'simple positive connection between competition and diversity' (Van Cuilenberg 1999).

'... highly competitive media markets may still result in excessive sameness of media contents, whereas one should, at least theoretically, not exclude the possibility of media oligopolies or even monopolies to produce a highly diverse supply of media content. In past decades, public service broadcasting in Europe, via a limited number of radio and television channels, was a nice example of that. It is precisely with regard to fine-tuning media policy that a distinction between media market structure and media performance should be made.' (Ibid)

Furthermore, the 'two faces' diversity can be seen as diversity of 'reflection' and of 'openness' (Ibid).

Looking at media in terms of reflection would be to ask: Do the media in some way '... reflect, pro rata, the distribution of preference, opinion, allegiance or other characteristic as it appears in the population?' In terms of 'openness' the question would be: Do media ' ... provide perfectly equal access to their channels for all people and all ideas in society?'

(Van Cuilenberg 1999).

To summarise Van Cuilenberg's argument, reflective diversity, which markets are good at achieving, may mean reflecting too much of the middle ground, creating conformity, and not enough access by those holding fringe views in society, views which must not be suppressed, for the sake of democracy (Van Cuilenberg 1999).

Finally, Van Cuilenberg mentions a shortcoming of diversification which may be difficult to reverse. This is that 'the availability of more different communications technologies, and more communication channels, decreases informational communality and exchange in society.'

The 'communication paradox' is that the more ICT the less likelihood of people 'sharing the same information in society at the same time'.

'The tendency of "more communication = less communication" may have fragmentary effects on society. Democracy is only sustainable with the ongoing exchange of information, viewpoints and opinions in society. Therefore, this communication paradox urges policymakers to search for solutions to new problems. To mention only a few issues to be dealt with: the role of ICT as cement, as a binding force to society; the value of shared, common information within groups, parties and organisations; and the sustainability of virtual, digital communities in a virtual "global village".' (Van Cuilenberg 1999)

The closest to the global village available through the Internet now is perhaps Twitter, and that village sometimes seems to be thronged by global or national mobs with metaphorical pitch forms, while Facebook and other social media platforms may be keeping them in digital walled gardens of misinformation, and threatening the existence of online news media. Increasingly, regulation and even the breaking up of these and other global multinational monopolies are being discussed. [2]

The balancing of intervention and market forces, however defined, needs to be done carefully. As the brief examination of the concepts of access and diversity shows, the consequences of seeing issues like diversity simplistically may do more harm than good.

Finally, it must be asked – where was the audience? In the statements of support for transformation, for instance, the focus is on the supply side of media. The audience – or what media scholar Jay Rosen famously

2 https://www.independent.co.uk/news/world/europe/facebook-google-too-big-french-president-emmanuel-macron-ai-artificial-intelligence-regulate-govern-a8283726.html

called 'the people formerly known as the audience', to acknowledge the new power of audiences in the digital age – is strangely neglected. Audience reception studies are all about audience power. Surely an important part of the failure of the State Capture-media capture project was that, in the end, the Gupta media empire, because it was driven by the need to spin and propagandise rather than inform and entertain, failed to command anything but an insignificant audience.

On the basis of this report, and on its refinements after feedback and peer review, a more comprehensive set of recommendations will be made for consideration by both civil society, policy makers and law-makers and the media itself. Some recommendations that are being discussed include:

1. Effective enforcement of the Public Finance Management Act when it comes to media spending including NOT allowing any public spending on any news platform that does have independently audited audience figures. The New Age still has no ABC measure and advertisers, mostly government, can only rely on the figures supplied.

2. Ensuring the complete independence of the SABC Board and of journalists working at the SABC to create and relay the news without fear or favour and other oversight.

3. A root-and-branch overhaul of the Media Development and Diversity Agency (MDDA) and ensuring that it is properly funded, as originally intended to make a real different to local media in particular. This would require an MDDA budget of about R500m a year (up from R71m in 2017) which is a steep increase, but about what is needed to help local journalism recover and prosper. Ideally the MDDA budget should, by the early 2020s, be about R1b a year. With estimates of funds looted and externalised by the Zuma/Gupta network ranging from R100b upwards, it is clear that if the political will can be found, local media, crucial to democracy, engagement and the morale of South African, can be turned around and far better supported.

4. Using funds recovered from State Capture to create a South African Investigative Journalism Fund for all media, and freelancers, to submit proposals to, adjudged by an independent body.

5. Encourage and even enforce all three tiers of government making greater use, in a fair and impartial way, of local news organisations, including local digital only operations, newspapers and community Radio and TV.

6. Consider and create some form of levy or tax on Google and Facebook South African derived revenues.

7. Engineer a rapid reduction in data and air time costs via ICASA that allows millions of poorer South Africans to come online. Roll-outs of free or very inexpensive wi-fi at schools, universities, TVET colleges, and by municipalities should allow South Africa to shift from 50% online to 90% within five to seven years.

8. Strengthen the South African Press Council and ombud system

9. Ensure social media platforms provide transparent terms and conditions that clearly state the terms upon which user data is handed over, and what user rights are.

BIBLIOGRAPHY

Albarran, A.B., 2004. Media economics. In The SAGE Handbook of Media Studies. pp. 298–308.
Alcorn, N., Harding, C. & Johnston, S., 2016. Media Consumer Survey Report 2016 - Australian media and digital preferences.
ANC, 2017. Report of the ANC 5th National Policy Conference, 30th June to 5th July 2017.
Anderson, C.W., Bell, E. & Shirky, C., 2012. Post-Industrial Journalism :,
Angelopulo, G. & Potgieter, P., 2013. The economic specification of media ownership in South Africa. Communicatio, 39(1), pp.1–19.
Anon, 2017. Budget Review 2017 National Treasury Republic of South Africa.
Anon, World Press Trends 2017: Facts and Figures | World Press Trends Database.
Anon., SACP, 2015a. SA media ownership amongst most concentrated in world - SACP - DOCUMENTS | Politicsweb.
Anon., SACP, 2015b. The South African media, it's time for change. South African Communist Party.
Association of Independent Publishers, 2017. SUBMISSION TO THE PARLIAMENTARY PORTFOLIO COMMITTEE ON COMMUNICATIONS, AUGUST 2017.
Atal, M.R., 2017. Competing forms of media capture in developing democracies. In In the Service of Power: Media Capture and the Threat to Democracy ed. Anya Schiffrin. The Center for International Media Assistance (CIMA), at the National Endowment for Democracy.
Barrett, M., 2017. Why Norwegian media lead the world in digital subscriptions.
Bell, E., 2016. Facebook is eating the world. Columbia Journalism Review.
Bell, E., Anderson, C.W. & Shirky, C., 2014. Post Industrial Journalism : Adapting to the Present. , pp.21–22.
Bell, T., 2016. Terry Bell slams Iqbal Survé's dirty tricks "exposé." Fin24.
Benson, R., 2017. Can nonprofit journalism fill the funding gap?; US media: the bottom line. Le Monde Diplomatique , English ed.; Paris [Paris].
Bratt, M., 2015. Government hits back at job advertising claims,
Bratt, M., 2017. Prime time news by the numbers,
BRC, 2018. BRC RAM February 2018 Release Presentation. Broadcast Research Council of South Africa.
Bruns, A., 2018. Gatewatching and news curation : journalism, social media, and the public sphere,
Buckland, M., 2006. Technology shifting power away from the editors, the publishers, the establishment, the media elite?,
BusinessTech, 2017. South Africa has the highest data prices among Africa's biggest economies.
BusinessTech, 2016. This is how many people are listening to South Africa's most popular radio stations.
BusinessTech, S., 2017. SA mobile subscribers in 2017: Vodacom vs MTN vs Cell C vs Telkom.
Cairns, P., 2017. Caxton's primed balance sheet. Moneyweb.
Cameron, J., 2017. Dummy's guide: Bell Pottinger - Gupta London agency, creator of WMC. BizNews.com.
Campaignmonitor, Why Email Marketing | Benefits of Email Marketing.
Caxton & CTP, 2018. Caxton & CTP Publishers and Printers (Ltd) - Unaudited results six months December 31 2017.
Cohen, N.S., 2017. Freelancing as the good life? International Journal of Communication, 11, pp.2030–2032.
Cohen, T., 2018. TIM COHEN: Survé finds he has no blue chips as he overplays his hand.
Crotty, A., 2014. BEE deals a skimmer's dream come true.
Crotty, A., 2017. Expenses drive Moneyweb to delist from JSE.
Crotty, A., 2018. Sagarmatha's castles in the air.
Van Cuilenberg, J., 1999. On competition, access and diversity in media, old and new - Some remarks for communications policy in the information age. new media & society, 1(2), pp.183–207.
Cunningham, S., Flew, T. & Swift, A., 2015. Media economics, Houndmills, Basingstoke, Hampshire ; New York, NY: Palgrave Macmillan.
Daily Maverick Team, 2016. Paid Twitter: Manufacturing dissent, helping Guptas. Daily Maverick.
Daniels, G., 2016. 2016: What a sad and bad year for journalism. The M&G Online.
Daniels, G., 2011. amaBhungane - Open season on the media. amaBhungane.
Daniels, G., 2013a. State of the Newsroom 2013 Disruptions and Transitions.
Daniels, G., 2013b. State of the newsroom South Africa 2013. Disruptions and transitions,
Daniels, G., 2014. State of the newsroom South Africa 2014: Disruptions accelerated,
Davies, J., 2017. The Financial Times uses events to fight subscriber churn,
Davis, G., 2011. We must do more with less – Gordhan | Cape Times. Independent Online (IOL).
Davis, R., 2013. Is The New Age's coverage really pro-ANC? Daily Maverick.
Department of Communications, 2017. Towards a Policy on Media Transformation and Diversity - Draft Discussion Document, Version 19.
Deuze, M. & Witschge, T., 2017. Beyond journalism: Theorizing the transformation of journalism. Journalism, p.146488491668855. Available at: http://journals.sagepub.com/doi/10.1177/1464884916688550.
Duncan, J., 2015. Rethinking media diversity policy on the community press in South Africa. Communicatio, 41(4), pp.423–443.
Duncan, J., 2014a. South African media: sector analysis - The Media Policy and Democracy Project.
Duncan, J., 2014b. The Myopia of Economics Journalism :: SACSIS.org.za.

Enslin-Payne, S. & De Ionno, P., 2013. Independent Newspapers to be sold for R2bn | IOL Business Report.
Eyewitness News, 2016. Gupta brother to Themba Maseko: You will be sorted out.
Fin24, 2017. Caxton in R15.3m Moneyweb deal. Fin24.
Foster, D., 2012. After Mandela: the struggle for freedom in post-apartheid South Africa 1st ed., New York: Liveright Pub. Corporation.
Friedman, S., 2011. Whose freedom? South Africa's press, middle-class bias and the threat of control. Equid Novi: African Journalism Studies, 32(2), pp.106–121.
Garman Anthea & Wasserman Herman, 2017. Citizens and journalists: The possibilities of co-creating the democracy we want. In Media and Citizenship: Between Marginalisation and Participation. pp. 3-15.
Garrahan, M., 2016. Advertising: Facebook and Google build a duopoly. Financial Times.
Gobodo, K., 2017. What high ownership concentration means for the economy. Business Day.
Gordhan, P., 2013. MTBPS Speech 2013 Minister of Finance.
Groenewald, Y. & Sole, S., 2010. Govt to apply ideology to adspend | News | National | M&G. M&G.
GLOBAL DIGITAL REPORT 2018, produced by WE ARE SOCIAL, downloadable at https://digitalreport.wearesocial.com/
Hadland, A., 2007a. The South African print media , 1994-2004 : An application and critique of comparative media systems theory. , (February), p.237.
Hadland, A., 2007b. The South African print media , 1994-2004 : An application and critique of comparative media systems theory.
Haffajee, F., 2017. The Mail & Guardian Is Sold.
Hans, B., 2017. Mthethwa pulls government ads from "anti-Zuma" media | Daily News. IOL.
Harber, A., 2013. Let's cool down on the over-heated New Age debate |.
Harber, A., 2017. Nemesis of the Press. Financial Mail.
Harcourt, A. & Picard, R.G., 2009. Policy, Economic and Business Challenges of Media Ownership Regulation. Journal of Media Business Studies, 6(3).
Hedley, N., 2018. Press pause - Viewers ditch the dish for streaming. Sunday Times.
Herbst, E., 2015. The Cape Times: From hero to zero - NEWS & ANALYSIS | Politicsweb.
Hern, A., 2017. Apple blocking ads that follow users around web is "sabotage", says industry. The Guardian.
Hogg, A., 2016. Outgoing State Procurement Tzar Kenneth Brown: SA Treasury never been stronger. BizNews.com.
Hollis, N., 2016. Why are digital ads so annoying?,
IABSA, 2017. IAB Internet Advertising Revenue Report. IAB SA.
Ingram, D., 2017. Google, Facebook show power of ad duopoly as rivals stumble. www.reuters.com.
Ingram, M., 2016. The Financial Times Discovers That a Paywall Is Not a Panacea. Fortune.
JJ Tabane, O., 2017. Dear Minister Nathi Mthethwa: Defend the country's creatives | Daily Maverick. Daily Maverick.
Khumalo, K., 2017. Loot.co.za is prioritising revenue growth | IOL Business Report.
Laing, R., 2018. Sagarmatha's asking price more than 100 times its book value, results show.
Lansner, T., 2014. Soft Censorship, Hard Impact - A global review.
Louw, R., 2005. The Rand Daily Mail: convenient scapegoat. Helen Suzman Foundation.
Mandela, N., 1997. Report by the President of the ANC, Nelson Mandela to the 50th National Conference of the African National Congress.
Manson, H., 2018. "Disgusting" sums up Indy Newspapers today,
Mantshantsha, S., 2007. Shareholders OK M-Net sale.
Marklives, 2017. Nielsen AdEx Top 50 SA advertisers 2015 vs 2016,
McChesney, R.W., 2016. Journalism is dead! Long live journalism?: why democratic societies will need to subsidise future news production. Journal of Media Business Studies, 13(3), pp.128–135. Available at: http://dx.doi.org/10.1080/16522354.2016.1184919.
McLeod, D., 2017. MultiChoice reports 10% SA subscriber growth,
MDIF, 2018. MDIF Statement on Adri Senekal de Wet's article, "Opinion: StratCom, come out for business's sake."
Media24, 2017. Media24 Integrated Annual Report.
Media24, Newspapers Archive,
Mervis, J., 1989. The Fourth Estate, A newspaper story 1st ed., Johannesburg: Jonathan Ball Publishers.
Molyneux, L. & Holton, A., 2015. Branding (Health) Journalism: Perceptions, practices, and emerging norms. Digital Journalism, 3(2), pp.225–242. Available at: http://dx.doi.org/10.1080/21670811.2014.906927.
Muthambi, F., 2014. The state of the media in the words of Muthambi,
Myburgh, J., 2015. How independent is Independent Media? - NEWS & ANALYSIS | Politicsweb.
NAB, Broadcasting in South Africa – National Association of Broadcasters - Regulation of Broadcasting in SA since 1994.
Narunsky-laden, S., 2012. Tabloid journalism in South Africa : True story! Ecquid Novi : African Journalism Studies, 33(1), pp.75–77.
Ndlovu, M.W., 2015. What is the state of South African journalism? African Journalism Studies, 36(3), pp.114–138.
Nevill, G., 2016a. Newspaper CEOs in their own words [part one],
Nevill, G., 2016b. No more govt recruitment ads for commercial media,
New24wire, 2017. If Zuma gets Treasury, it will be game over for SA – Pityana.
Newman, N., Reuters Digital News Report 2017 - Overview and Key Findings of the 2017 Report. Digital News Report.

News24, 2017. amaBhungane - #GuptaLeaks: How MultiChoice paid the Guptas millions.
Ngoepe, K., 2016. SA editors back probe into pressures on editorial decisions. News24.
Nicolaides, G. & Essop, R., 2016. "SABC protest about media freedom in SA."
Nielsen, R.K., Cornia, A. & Kalogeropoulos, A., 2016. Challenges and opportunities for news media and journalism in an increasingly digital, mobile, and social media environment. Council of Europe report DGI(2016)18, p.41.
Nixon, B., 2017. The business of news in the attention economy: Audience labor and MediaNews Group's efforts to capitalize on news consumption: Journalism.
OECD, 2017. Unemployment - Youth unemployment rate - OECD Data. theOECD.
Ogola, G., 2017. Government adspend: A weapon against media freedom in Africa?,
OMD, 2016. OMD Media Facts.
Patel, S., 2017. 10 Mistakes Newbies Make with Paid Facebook Ads. Forbes.
Patel, S., 2018. "A diverse portfolio of revenue is important": Publishers shore up their consumer revenue strategies,
Pauw, J., 2017. The president's keepers: those keeping Zuma in power and out of prison, Cape Town: Tafelberg.
pbhsmarketing, 2015. Surprise! Social Media Now Drives 31% of Referral Traffic.
Robert G. Picard (2014) Twilight or New Dawn of Journalism?, Journalism Studies, 15:5, 500-510
Robert G. Picard (2017) The Sisyphean Pursuit of Media Pluralism: European Efforts to Establish Policy and Measurable Evidence, Communication Law and Policy, 22:3, 255-273
Pilhofer, A., 2017. We can't leave the business to the business side any more,
Rabie, L., 2016. Huisgenoot as tydgenoot: 'n mediageskiedkundige kroniek van 'n tydskrif as "skrif" van sy tyd. LitNet.
red&yellow, 2017. Ch. 18 Direct marketing: email and mobile. In eMarketing: The Essential guide to Marketing in a Digital world.
Reddy, M., 2017. amaBhungane: Gupta-owned newspaper in line of fire of new Nielsen report | Daily Maverick.
Reid, J., 2017. Counter-mythologising " media freedom ": including the audience in media freedom discourses and a new normative position for the global south COUNTER-MYTHOLOGISING " MEDIA FREEDOM ": INCLUDING THE AUDIENCE IN MEDIA FREEDOM DISCOURSES AND A NEW NORMATIVE P. Communicatio, 167.
Reid, J., 2016. Media Content Diversity in SA: Why is government still asking all the wrong questions? Daily Maverick.
Ren, S., 2017. That Naspers Tencent Gap Is Hard to Close. Bloomberg Gadfly.
Reporter, S., 2015. Brown tackles ANC on media transformation. IOL.
Reporter, S., 2011. Editors slam government advertising scheme. The M&G Online.
Reporter, S., 2017. Media body concerned by govt's ad threat. The M&G Online.
Roberts, S., 2018. South Africa's economy is badly skewed to the big guys: how it can be changed. The Conversation.
Roper, D., 2017. How Facebook is working on the revenue issue for publishers,
Rosen, J. & del Peon, G., 2017. Introducing the Membership Models in News Database for your use and contributions. The Membership Puzzle Project.
Rosenwald, M., 2015. The digital media industry needs to react to ad blockers … or else. Columbia Journalism Review.
Le Roux, J., 2018. Ex-editor reveals Jacob Zuma's role in creating ANN7. News24.
Rumney, R., 2015. 20 Years of changes in media ownership: journalism now. Rhodes Journalism Review, (35), pp.66–69.
Rumney, R., 2017. Interview: Andrew Gill, of Tiso Blackstar.
Rusted, L., 2016. The rise of ad blockers – Ipsos Global Trends,
SANEF, 2018. SANEF IS DEEPLY CONCERNED AND DISGUSTED BY MORE "STRATCOM" SMEARS
Sarantakos, M., 2017. New Instant Articles Analytics Tool | Facebook Media,
Schiffrin, A., 2107. In the Service of Power: Media Capture and the Threat to Democracy,
Schiller, B., 2017. You Are Being Exploited By The Opaque, Algorithm-Driven Economy. Fast Company.
Scorpio, 2017. amaBhungane - #GuptaLeaks: Guptas planned to buy Primedia and build a media empire.
Sebastian, M., 2015. Huffington Post Said To Break Even on $146 Million in Revenue Last Year.
Senekal de Wet, A., 2018a. A unicorn that's about changing the future of Africa | IOL Business Report.
Senekal de Wet, A., 2018b. OPINION: StratCom, come out for business's sake | IOL Business Report.
Senekal de Wet, A., 2018c. The PIC - Separating fact from fiction | IOL Business Report.
Shukla, S., 2017. How Ad Blocking Impact the Online Advertising Ecosystem. Native Advertising Institute.
Sole, S., 2017. amaBhungane - Comment: Media, accountability & governance.
Sole, S., 2018. amaBhungane - Iqbal Survé's mythical beast.
Sole, S. & McKune, C., 2018. amaBhungane - Survé's listing ship.
Shirky, C, 2009 Newspaper and thinking the unthinkale http://www.shirky.com/weblog/2009/03/newspapers-and-thinking-the-unthinkable/
Spangler, T. & Spangler, T., 2018. Why Cord-Cutting Soared in 2017: High Cost of Pay TV Was No. 1 Factor,
Srnicek, N., 2017. We need to nationalise Google, Facebook and Amazon. Here's why | Nick Srnicek | Opinion | The Guardian. The Guardian.
Staff Reporter, 2018a. Manyi: The Guptas Are No Longer Involved In ANN7 And The New Age. HuffPost South Africa.

Stencel, M. & Perry, K., 2016. Superpowers: The digital skills media leaders say newsrooms need going forward,
Surve, I., 2018. Independent Media sets the record straight on JSE listing | IOL News.
Swilling, M., 2017. Betrayal of the Promise : How South Africa is being stolen,
TBG, 2018a. STATEMENT: Tiso Blackstar Group clarifies its position following misleading reporting.
TBG, 2018b. Tiso Blackstar Group SE Unaudited Condensed Consolidated Financial Statements for the six months ended 31 December 2017.
The Economist, 2017. How leading American newspapers got people to pay for news. The Economist.
Thompson, R., 2016. An exploration of the self-regulation of the media since the start of democracy in South Africa by Reneé Thompson. Stellenbosch Univeristy.
Valodia, I. & Francis, D., 2016. How the search for a national minimum wage laid bare South Africa's faultlines. Available at: https://theconversation.com/how-the-search-for-a-national-minimum-wage-laid-bare-south-africas-faultlines-69382.
Vegter, I., 2018. Sagarmatha: The super-galactic highway to absurdity. Daily Maverick.
Velden, M. Van der, 2015. Why Sapa closed: The editor's story,
Vicens, A.J., 2017. Twitter has a serious problem—and it's actually a bigger deal than people realize,
De Vos, D., 2017. Analysis: What's behind the "sale" of The New Age and ANN7 to Jimmy Manyi? Daily Maverick.
Vranica, S. & Marshall, J., 2016. Plummeting Newspaper Ad Revenue Sparks New Wave of Changes. Wall Street Journal.
De Waal, M., 2011. Manyi vs the media: The ad budget battle begins | Daily Maverick.
Weideman, E., 2017. Presentation by Esmare Weideman, CEO Media24, 2017 Annual General Meeting, Welkom Yizani.
Willens, M., 2018. In an era of loyalty, newspaper publishers focus on time spent and frequency,
Willens, M., 2017. The global state of ad blocking,
Winsauer, E., 2016. New Data on Why People Hate Ads: Too Many, Too Intrusive, Too Creepy. VIEO Design.
Yu, D., 2017. The lesser known and scarier facts about unemployment in South Africa | News | National | M&G. Mail & Guardian.
Van Zyl, G., 2016. Data prices: How SA compares to the rest of the world. Fin24.

The following people graciously agreed to be interviewed for this project:

Adam Cooke
Adriaan Basson
Andile Mwale
Andy Gill
Anton Harber
Arthur Goldstuck
Chris Roper
Elmare Widerman
Eusebius McKaiser
Ferial Haffajee
Hennie Van Vuuren
Herman Wasserman
Indra de Lanerolle
Izak Minnaar
Japhet Ncube
Justine Limpetlaw
Kerry Cullinan
Khadija Patel
Krivani Pillay
Lisa MacLoed
Louise Vale
Makhozi Khoza
Mathatha Tsedu
Mondli Makhanya
Neo Khoza
Patrick Conroy
Paula Fray
Peter Mann
Reggy Moalusi
Roy Hartley
Same Sole
Shandukani Mulaudzi
Sikonathi Mantshantsha
Stefaans Brümmer
Thabo Masebe
Thandeka Gqubule
Vasantha Angamuthu
Verashni Pillay
Yusuf Omar
Zola Brunner