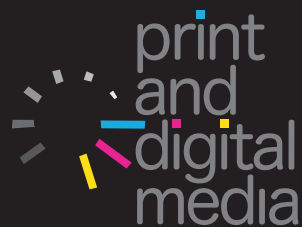




# Report on the Transformation of Print and Digital Media



**TRANSFORMATION TASK TEAM**

SEPTEMBER 2013



 **“To us, transformation means taking people in your stride, taking the majority of society along with you as you move forward.”**

– Diphete Bopape, Seipone newspaper



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**PRINT AND DIGITAL MEDIA  
TRANSFORMATION TASK TEAM**



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# Abbreviations

**AAA** School of Advertising

**ABC** Audit Bureau of Circulations of South Africa

**AdEx** Advertising Expenditure measurement

**AIP** Association of Independent Publishers

**AMF** Advertising Media Forum

**BBBEE** Broad-based black economic empowerment

**DMMA** Digital Media and Marketing Association

**FP&M SETA** Fibre Processing and Manufacturing SETA

**GCIS** Government Communication and Information System

**LSM** Living Standards Measure

**MDDA** Media Development and Diversity Agency

**Mict SETA** Media Information and Communication Technologies SETA

**PDMSA** Print and Digital Media SA

**PDMTT** Print and Digital Media Transformation Task Team

**PCC** Portfolio Committee on Communications

**SAARF** South African Audience Research Foundation

**Sanef** South African National Editors' Forum

**SETA** Sector education and training authority

## ■ Definitions

**Community media** – Media projects owned and controlled by a community (geographic or interest group) where financial surplus is reinvested in the project (MDDA Act 2002).

**Small commercial media** – Independent media enterprises run for personal gain as micro, very small or small businesses (MDDA Act 2002).

**Local newspapers** – Community-based newspapers published by the big print media companies.

**Black people** – As defined by the BBBEE Act, these are Africans, coloureds and Indians who are citizens of South Africa by birth or descent, or by naturalisation. This definition also informs the term “black languages”.





# Preface

Six years into the new dispensation in our country, the Human Rights Commission (HRC) summonsed the media to come and answer to accusations of racism within the industry. It was an unprecedented and, to a great extent, an unexpected development.

For the HRC to take such a step against an industry that was supposedly a bastion of freedom, and which by extension embraced all other freedoms from the freedom of speech to freedom of association, was indeed unheralded. However, it became apparent that the HRC was in pursuit of interrogating a fundamental perception that media, after six years into a non-racial democracy, was still racist.

Subsequent to the HRC hearings, print media under the auspices of what is now called Print and Digital Media South Africa (PDMSA) began facing the challenges of living up to being the embodiment of a new South Africa. By this stage, from newsrooms previously dominated by white editors before 1994, black journalists and black editors were making their presence felt more strongly. This new focus on transformation of the newsrooms and content, engendered by the HRC hearings, positively influenced journalists and to a certain extent also impacted on consumers.

The media parapet had never been breached by any state organ before the HRC hearings. The unsatisfactory response from the media to the HRC probe was the turning point that inadvertently began to throw the spotlight on the industry. Parliament's Portfolio Committee on Communications (PCC) followed years later with its own hearings into transformation in the print media. This culminated in a directive to the Media Development and Diversity Agency (MDDA) and the Government Communication and Information System (GCIS) to help cajole PDMSA along the road to transformation.

The print industry itself believes that while it has demonstrably dealt with its reason for existence as evidenced by its products, it has not come to grips with the transformation of its business side. After much deliberation, it finally came to the conclusion that it needed advice and assistance on how it was doing and what it could further do to satisfy itself that it reflected a transformed business. This realisation, coupled with the pressure from parliament, led the industry to establish the Print and Digital Media Transformation Task Team (PDMTTT) at its own cost.

The PDMTTT was born on September 26 2012 with 7 members. Some left mid-stream for a variety of reasons.

The task team exploded the mandate dot into the terms of reference (see Appendix 1) which were approved by PDMSA. Adequately prepared and armed with the necessary resources, the team embarked on its mission. This involved desktop research as well as engagement with industry players big and small, and identified stakeholders, an exercise which culminated in the hearings conducted around the country. Presentations were elicited and received from all invited stakeholders and those who indicated their desire to participate, as well as political parties and trade union federations across the length and breadth of the country. From print and digital media companies to political parties, the response was encouraging and the input invaluable.

The live presentations covered all critical areas of the mandate and scaled the emotional spectrum. They covered perceived key drivers of transformation and embraced both subjective and objective views. Of particular note was the common golden thread affirming the need for the print and digital landscape to reflect the dynamics of a democratic South Africa without constraints on its freedom as enshrined and codified in the constitution.

The task team is grateful to each and every one who participated in this process both directly and indirectly. Without doubt, South African print and digital media practitioners have demonstrated once again that our country deserves the best home-grown solutions when it comes to the management and regulation of the sector.

It would be amiss of the PDMTTT not to give credit to PDMSA for having initiated this process but more importantly for having entrusted it to the team without golden shackles. PDMSA has been very supportive and ensured all the major players participated and shared information with the team on the same terms as all other stakeholders. While the process was not easy, credit must go to all participants for the willingness with which they contributed.

The PDMTTT believes that this report will be a catalyst to a transformed print and digital media. We are indebted to all of you who took the time and trouble to share with us your views and ideas.

It was a task worth undertaking.

On behalf of the PDMTTT,  
**nkwenkwe nkomo**







# Executive Summary

The Print and Digital Media Transformation Task Team (PDMTTT) was formed by Print and Digital Media SA (PDMSA) to investigate the state of transformation in the industry and recommend new mechanisms to advance the cause of changing the face and heart of the industry.

The PDMTTT followed on the successful conclusion of the Press Freedom Commission (PFC), which had looked at content issues in the print and digital media. The PDMTTT was thus not concerned with content of media but instead with the key pillars of transformation according to the Broad-Based Black Economic Empowerment Act.

These are: equity ownership, management control, employment equity, skills development, preferential procurement, enterprise development and socio-economic development.

Following research, submissions and presentations from about 56 institutions, and a host of other industry players sharing their knowledge and insights, the team concludes that whilst the industry has committed itself to fulfilling the BBBEE codes of good practice, it has failed to transform itself sufficiently in a number of key areas.

These failures are in the direct empowerment areas of ownership and management and control, as well as in the areas of skills development and employment equity with particular reference to women and the disabled. The industry has however done well in other “soft” areas such as socio-economic development, preferential procurement and in some instances enterprise development.

The task team has however concluded that a transformation charter would not be appropriate for the industry, and has instead called for the strict implementation of the Codes that the industry professes to abide by. The task team has consequently set targets in a number of these key areas that would have to be met, and has recommended that the print and digital media use the transformation targets contained in this report even in areas where these may coincide or vary with the BBBEE Code.

The team has directed that the annual targets each company sets itself for compliance should be made public and that PDMSA conducts an annual industry performance audit and makes it publicly available. Each company (where this does not already exist) should set up a Social and Ethics Committee that, in terms of the Com-



panies Act, should monitor compliance and report to the various boards of the companies involved.

The team has identified digital media as the new game changer for transformation and a frontier of media development that is going to serve as a key leveller for communities presently excluded from national discourse. A number of recommendations around provision of affordable broadband and business, technical and language skills development are made.

The position of blacks generally and black women in particular in the management and control of companies as well as in the boardrooms is dismal. The task team recommends that companies should commit to having 50% of their board participants as black people and 50% of these should be women, within three years.

Community and small commercial publishers are key to the transformation of the print and digital media space, the team finds. To this end a number of recommendations are made spanning from possible partnerships with major groups, sharing facilities and dealing with mistrust – driven by alleged anti-competitive behaviour and lack of information – as well as government adspend and provincial involvement in funding of new entrants.

This report does not deal with allegations of anti-competitive behaviour as the Competition Commission indicated during our work that they had started a full investigation into such allegations in the print media arena.

Overall the following are the key recommendations made:

### ■ On ownership

All PDMSA members must individually meet the generic scorecard ownership target of 25% plus 1 or the full points of 20 within three years. It is important that this commitment on ownership be met.

### ■ On skills development

The major print media groups should score no less than 12 out of 15 on skills development, with a view to improving employment equity, management control and gender equity scores.

### ■ On management control and employment equity

At least half of all board participants must be black and half of these must be women. This target should be achieved within three years.

### ■ On digital media

**Broadband:** The delays that have plagued the broadband rollout and the turnover



of ministers in the Department of Communications have stunted the growth of digital. The 100% penetration by 2020 has to be met if the country is not to lag behind in news provision for the people.

**Skills:** Digital skills are still in development and there is a need for a centre to impart these skills. PDMSA should take the lead in ensuring that digital business and technical skills are taught. The school should include scholarships for community and small commercial publishers and have a special focus on training women.

### ■ On difficulties of community and small independent publishers with major publishers

The major players should establish internal mechanisms to ensure fair competition where titles compete with community and small commercial publishers. The importance of the diversity provided by small media should be considered carefully by the major players before entering into new areas. PDMSA should work on industry solutions.

### ■ On possible new revenue and funding for the community and small independent publishers and MDDA

Provincial governments must support small commercial and community newspapers with adspend. Given the importance of growing voices in local and regional spheres, the PDMTT believes provincial governments should also contribute R1 million each p.a. to the MDDA to fund new print and digital media projects.

### ■ On market challenges for small publishers

**Market information:** The small publishers need to know about and have access to market information, and understand the processes used to gather this type of intelligence: from reader demographics to reach and everything in between. PDMSA should encourage the relevant industry bodies to reach out to small publishers, provide this information and assist them on how to advance their own businesses.





## Introduction

The change from an oppressive and exploitative order into a new era of freedom in South Africa was given the final seal by the adoption of a new constitution, a constitution that to this day remains the envy of democracies that predate ours by centuries in some instances. This dawn of a democratic dispensation in South Africa was welcomed with great expectations. All institutions that had been exclusive were expected to embrace the inclusivity of a diverse country in all spheres of life, namely political, social and economic.

For years in the white racist oppressive system of the past, some of the media was seen as the torch bearer of freedom and democracy. This was the halo that, to all intent and purpose, still crowned the media. The history of media during the apartheid era was somewhat woven into the fabric of the struggle. There were of course certain publications that were known as darlings of the oppressive regime and they enjoyed patronage from the government of the day and its cohorts. On the other side a number of print titles were officially prohibited from publishing through draconian laws and edicts that the apartheid government would conjure up as and when the media raised the rulers' ire.

The print media which, to some extent, had played a commendable part in exposing the atrociousness of the apartheid regime was also expected to make strides towards transformation like all other businesses which had benefited from the exclusive policies of apartheid. The truth was that from the boardroom to the newsroom, the print media was mainly white and male dominated.

This was what the transformation process sought to address, as adequately directed by the Portfolio Committee on Communication (PCC) during the hearings it held with print media from 2011.

It is important to note that the PCC did not address itself to the media freedom and freedom of speech enjoyed by all media because South Africa holds these freedoms in the highest esteem and accordingly enshrined these in Chapter 2 Section 16 of the country's constitution. Consequently, press freedom in all its ramifications does not fall within the scope of the Print and Digital Media Transformation Task Team (PDMTTT) mandate.

The PDMTTT did not look at content issues but instead at the key pillars of transformation according to the Broad-Based Black Economic Empowerment Act. This was partly because the Press Freedom Commission (PFC) which preceded it had dealt with content, but also because its mandate was to look at the business side of print and digital media.

The history of print media in South Africa is a colourful tapestry woven on the one hand by entrepreneurs who were driven by vision and on the other hand charlatans who sought to use the media to perpetuate a divisive, oppressive system. The entrepreneurs were in the main white and had access to funds and to very lesser extent black with little funding. It was, therefore, not surprising that English and Afrikaans were the dominant languages of print with a few black languages dotting the landscape. This pattern continued into the new dispensation.

While the print industry resolutely moved to transform the newsroom, the boardroom remained relatively untouched. The ownership structure was shaken but not really moved. When the Mandla Matla group acquired Ilanga it was the first indication of a possible shift in the ownership pattern of the major print media players. The sale of Sowetan to the New Africa Investment Limited group was a significant development but, like Mvelaphanda's sojourn into the territory, was short-lived.

Not much movement happened thereafter, until this year: the sale of Independent to Sekunjalo Independent Media which saw the company becoming black-owned and TMG's shareholding changes which reversed the company's ownership transformation status.

A myriad of reasons have been advanced by the industry for this state of affairs – ranging from the as yet undeniable fact that the cost of entry is prohibitive to the debatable notion that the current main players are adequately servicing the needs of the market.

The major players are currently named the Times Media Group (TMG), Media24, Independent News and Media SA (INMSA), CTP Limited (the operating company of Caxton and CTP Publishers and Printers Limited, hereafter referred to as Caxton) and Mail & Guardian Media Ltd. The medium-sized groups include magazine owners RamsayMedia and Associated Media Publishing.

Present-day community and small commercial publishers (see "Definitions" on page 4) have presented their perspective and in most instances their view is not the same as that of the major players. It is their commonly held belief that the reason concentration of ownership is not moving away from the traditional major players is actually deliberate anti-competitive behaviour. These publishers aver that a number of their titles have been muscled out of the market through unethical practices. Their

allegations vary from the major players offering the advertisers much lower rates, thus luring them away and in the process forcing the small commercial publishers to fold or sell, to the strategic introduction of competitor publications.

These are serious allegations that this report does not however deal with because the Competition Commission indicated during our work that they had started a full investigation into alleged anti-competitive behaviour in the print media arena.

Both the major players and community and small commercial publishers accept that transformation of the sector has not lived up to expectations on the main pillars of the BBBEE codes of good practice (see Appendix 5). But more significantly they strongly share the same view that transformation in the sector must go beyond ticking the boxes of the generic scorecard. Consequently, the terms of reference for the PDMTTT also included qualitative indicators:

- The **low levels of black ownership** within many large media groups.
- The extent to which concentration and market power results in **anti-competitive behaviour** that blocks new entrants.
- The need to develop new media **products for regions and communities**.

This convergence of perspectives led the PDMTTT to agree on a definition of transformation with particular reference to its mandate.

Therefore in the context of this report, transformation must be understood as: **“Changing the country and its institutions from an oppressive, exploitative and unrepresentative past into a free and democratic dispensation. In the PDMTTT context transformation is a process of repositioning print and digital media from being a minority white controlled sector to a truly South African industry that not only resonates with the aspirations of the country but also jealously guards and protects the freedom won at a price beyond measure.”**

This approach enabled the PDMTTT to immerse itself in the totality of the print media value chain. This meant that all areas directly contributing to the success or lack thereof of a publication be thoroughly investigated. As a result even the following areas were interrogated:

- **Printing:** It is the backbone of the industry and plays a role in the success or failure of a publication. It is a capital investment and a major cost. Without it, there is no print publication. It is an industry dominated by a few big players who in most instances have attachments with or belong to the major publishers.
- **Distribution:** It is the livewire of the industry and contributes immensely to the success of a publication. This is an industry that thrives on the principle of the more publications distributed, the merrier. The major distribution players are aligned with some of the major print media players.

- **Marketing:** Marketing is both internal and external. The internal part involves cross-deals within the stable that are sold as bouquets to the advertisers. The major players have internal systems that co-ordinate their offerings to the advertisers while the community and small commercial publishers have to rely on their own little effort. The advent of the Association of Independent Publishers (AIP) has been of great assistance to the small publishers. The external part is the availability of the publication to the public through street sales, subscriptions and shops.
- **Advertising:** Advertising fulfils the role of the “banker” in that it ensures revenue of 60% up to 100% of the cost of publishing. This is an area that the major players have been accused of abusing to the detriment of the community and small commercial publishers.

As these value-chain components are part of the critical areas that make up the commercial package it was important to find out who owned and managed them as well as the role they played in the success and profitability of a publication. To this end presentations and information sessions were also solicited from industry bodies like the AMF, Saarf and ABC amongst others.

To ensure that its work was firmly grounded on the realities of the South African experience, the PDMTT sought audience and accepted presentations from a host of stakeholders. Political parties like the ANC, PAC and Azapo as well as trade union federations such as Cosatu and Nactu obliged and shared their views. This was over and above the insights the PDMTT received from professional, advocacy and academic formations like the Centre for Economics Journalism in Africa, Right2Know and Gender Links. The Competition Commission, SETAs, MDDA and Sanef were also among the presenters.

The one shortcoming that the PDMTT regrets was the inability of government, through GCIS, to make formal input, despite year-long cajoling. While the task team received presentations from the major print media groups and many small commercial publishers, no presentations were received from other significant publishers in the industry or from any community publishers.

The general tone of this introduction and indeed the report is on print media and not digital. This is largely because concerns raised by Parliament, academics and other stakeholders focused on print and not on digital; understandably, as print (particularly newspapers) still enjoys strategic influence on society despite falling circulation. In South Africa newspaper readership has remained stable year on year despite a circulation fall, according to the All Media Products Survey (Amps) of December 2012. On the other hand, it showed magazine readers falling by 7% and



cinema audiences also by 13,3%.

This report looks at digital platforms and their growth as well as possible future influence because the task team is convinced that it is the medium of the future. Present inhibitions such as costs of connectivity, access to hardware and literacy notwithstanding, it is our view that broadband and bandwidth problems will be resolved and this will lead to an explosion of digital usage.

With growing usage will come advertising, and with it profitability. Digital already draws 3% of the total R34-billion adspend in SA, compared to print taking 29%, television 47%, radio 15% and out of home 5%.

The recommendations contained in this report have been fashioned not by the PDMTTT but by the totality of the South African experience as presented to the PDMTTT by all men and women of goodwill (see list of submissions in Appendix 4) who contributed to the wealth of information that has enabled the PDMTTT to fulfil its mandate.



# Ownership

Ownership is the heart of any entity. It is where critical and major decisions are taken in the best interest of the enterprise. Like the organs of the body depend on the heart for the supply of blood, so do the divisions of an enterprise depend on ownership to avail resources, especially funds. Therefore, ownership determines the direction and discipline of the institution.

This was recognised by the legislature when promulgating the Broad-Based Black Economic Empowerment Act (BBBEE) Act of 2003. The act elevated ownership not only to the first pillar of transformation but also imbued it with a minimum black ownership target of 25% + 1. Quite clearly this target was meant to ensure that the power of the veto remains exercisable by the black component of ownership.

Until this year, the print and digital media ownership scenario of the major players has hardly been dented by transformation. While there has been some dalliance with ownership transformation in the sector, the major players had hardly been touched. The lack of ownership transformation is further obfuscated by the flow-through principle that allows subterfuges like trusts and other mass empowerment schemes to be credited with ownership when in fact these are merely financial beneficiaries who have no role in determining the direction and discipline of the enterprise.

The emergence of Sekunjalo Independent Media as a major player in the ownership stakes seems destined to have serious impact in the media landscape. While the actual details of the ownership structure have not been made available to the PDMTT, it appears the consortium is a fully transformed entity with principals who are not just black but have credentials that qualify them as champions of transformation.

All the presentations made to the PDMTT, including by the major players, were in agreement that the present ownership scenario definitely does not indicate meaningful progress. It is worth noting that while ownership is critical for determining direction and discipline, it remains a boardroom imperative and should not dictate or influence the newsroom and its independence.

The above ownership picture is reflected in the rest of the value chain. From print-

ing to distribution the scenario sketched above is virtually duplicated. This is also true of the digital landscape as it pertains to its role in the print media world.

## ■ Black Ownership

The level of black ownership of print and digital media is therefore currently below the threshold proposed in the BBBEE guidelines. The black ownership picture painted throughout the hearings is bleak when compared to the generic codes.

Caxton is not transformed at all, scoring 0 out of 20 on the scorecard. They have cited an ongoing dispute over the value-locking of the company as the main hurdle in engaging in any ownership transactions. The Mail and Guardian scores 0 as a result of its 100% foreign ownership. Independent currently also scores 0, as at the time of their last rating they were 100% foreign-owned. This was expected to change with the finalisation of the Sekunjalo consortium acquisition which would make it black-controlled, scoring a full 20 points.

Times Media Group scores 18.95 out of 20 for ownership: although their score is high, it is important to note that the company has in fact been regressing. Recent transactions resulted in a dilution of black ownership within TMG. Media24 scores full marks in relation to ownership. While this should be commended, it is important to note that Welkom Yizani's shareholders are mere financial beneficiaries and have little influence in determining the direction and discipline of the company as even their representative on the Media24 board is a Media24-appointed board member.

In our interactions with community and small commercial publishers it was evident that ownership there is diverse and transformed. While there are some small white-owned publications that have been operating for years, there are many thriving black-owned publications.

The Association of Independent Publishers (AIP) says that almost all community and small commercial publishers in South Africa belong to the association. They publish digital, newspapers and magazines, from weekly to quarterly. There are 224 member publications and 129 of those are owned by black people. Less than 30% of the titles are owned by women. Two publications are digital-only, and two members are small news agencies.

Of the AIP member titles, 140 to 150 of them are strong and are published regularly. Around 70 of them are printed irregularly, due to financial reasons.

The tables below show the provincial distribution of title ownership of community and small commercial publishers who are AIP members, as well as the maximum number of copies they are printing.

■ Ownership of community/small commercial titles				
Province	Black	White	% Black	Total
Eastern Cape	19	17	52,8%	36
Northern Cape	2	5	28,6%	7
Free State	13	6	68,4%	19
Mpumalanga	11	8	57,9%	19
Limpopo	11	9	55,0%	20
North West	7	4	63,6%	11
Gauteng	29	13	69,0%	42
Western Cape	6	20	23,1%	26
KZN	31	13	70,5%	44
<b>Totals</b>	<b>129</b>	<b>95</b>	<b>57,6%</b>	<b>224</b>

Ownership of community and small commercial titles (print and digital) who are members of AIP.

Source: AIP, June 2013

■ Print order of AIP members						
Province	Weekly	F-nightly	Monthly	Total Monthly	Two months	Quarterly
Eastern Cape	67 100	116 500	98 000	599 400	0	25 000
Northern Cape	31 400	0	18 000	143 600	0	0
Free State	100 700	47 000	50 000	546 800	0	0
Mpumalanga	85 200	20 000	30 000	410 800	0	0
Limpopo	110 750	30 000	10 000	513 000	0	0
North West	37 000	83 000	10 000	324 000	0	0
Gauteng	215 000	196 000	431 000	1 683 000	130 000	30 000
Western Cape	96 750	30 000	166 000	613 000	14 000	41 200
KZN	672 500	82 500	213 500	3 068 500	0	6 200
<b>Totals</b>	<b>1 416 400</b>	<b>605 000</b>	<b>1 026 500</b>	<b>7 902 100</b>	<b>144 000</b>	<b>102 400</b>

These are expected print runs - not corrected for those who did not print.

Source: AIP, June 2013

## ■ Value chain

The print media value chain consists mainly of editorial, advertising sales, printing and distribution. All of these can be and are often outsourced.

It is as well to keep in mind however that the print industry in all its widespread

components is a powerful driver of economic activity, ranging from transport, vehicle manufacturing, plantations, pulp production, paper manufacturing, printing in many and varied forms, through to advertising – which in itself is a major driver of business development and growth – and distribution, retail and of course editorial.

Debates about the industry, also by government and politicians, mainly focus on the role and importance of print media as the “fourth estate” and of course the issue of transformation and diversity. These are indeed important. It does seem however, that the huge economic value that the industry adds to the country, the great many people who make a living out of this industry and the huge contributions to tax are rarely considered when discussing what the industry should and should not be doing. For example, just one of the four major groups made possible direct tax contributions in excess of R1 billion in 2012.

If this industry suffers, many South Africans and the economy as well suffer with it. It is therefore important that transformation works and this must contribute to economic growth, as indeed required by the BBBEE Act.

## ■ Printing

Printing SA represents printers in South Africa. The 800 members employ some 45 000 people with an estimated 500 000 dependents and has a turnover of approximately R51 billion. Many are small family-owned businesses. (From Printing SA website, July 2013)

Newspaper and magazine printing are done by modern and expensive web printing presses. Replacing a newspaper’s printing plant on the scale of the bigger Caxton or Paarl Media plants would cost more than R2 billion. Internationally the trend has been that most newspaper groups own their own printing presses, largely because of the limited time available to print and deliver newspapers. Joint ownership of printing plants such as existed between Independent and TMG is also a feature of the industry. In other countries, as in South Africa, in-house printing plants will happily print competing products where capacity is available.

In the case of magazines, which generally have less demanding time schedules, only the large groups tend to own these kinds of printing presses while many publishers outsource printing. The other reason for this is that magazine presses have more versatile applications: in particular the printing of advertising material, brochures, inserts and the like.

## ■ Newspaper printing

Historically, each of the four major newspaper companies in SA owned their own

printing plants. Many years ago Saan (now TMG) and the Argus group (now Independent), under financial pressure merged their Johannesburg printing operations into a joint printing company, The Newspaper Printing Company (TNPC), which was for many years by far the largest newspaper printer in South Africa. TMG retained printing presses in East London and Port Elizabeth, and Independent retained presses in Cape Town, Kimberley, Durban and Pretoria.

Perskor ran into financial difficulties and was taken over by Caxton in 1998, merging their extensive printing businesses. Since 1998 both Caxton and Media24 have invested substantially in new printing plants and presses. Media24 transferred all its newspaper printing operations into Paarl Media, in which Media24 is the majority shareholder but which is independently managed.

Independent closed its plants in Pretoria and Kimberley in the 1990s, transferring the printing to TNPC. More recently, Independent and TNPC began to outsource their printing mainly to Caxton. TNPC printed its last newspapers in early 2013. Avusa (now TMG) was unable to replace both their old newspaper presses in East London and Port Elizabeth, so they mothballed the East London press and transferred printing to a new plant in Port Elizabeth. Over this period a number of smaller printing operations also closed down and the newspapers in smaller towns were either closed or bought up by the major groups.

The result of this process, which took four decades, is that Media24 and Caxton are now the two biggest newspaper printers in South Africa. Independent retains a substantial plant in KwaZulu-Natal and TMG has one in Port Elizabeth. Mail & Guardian has never owned its own printing plant.

The bigger players have newspaper printing plants today in the following urban areas: Cape Town, Port Elizabeth, Durban, Bloemfontein, Pietermaritzburg, Pinetown, Empangeni, Newcastle, Nelspruit, Pietersburg, Middleburg, Rustenburg, Bloemfontein and Johannesburg. There are also 6 independent, smaller plants in Durban, Pinetown, Durban North, Pietermaritzburg, East London and Northern Province (information provided by Paarl Media and Printing SA).

This consolidation of ownership has largely been driven by the high cost of imported printing equipment, a generally weak exchange rate, high cost of skilled labour and an industry facing severe competitive and economic pressures. Also, as South Africa's road network improved and fast road transport became viable, it became more economical to print at larger urban plants than to maintain presses in small towns for low-volume weekly newspapers.

These factors are unlikely to change. Nonetheless there is sufficient and even surplus printing capacity available for what is by far the biggest and most diverse

print media industry in Africa and indeed in some other parts of the world. The diversity of magazines and newspapers is vast and includes a great many imported titles. The PDMTTT was not made aware of any cases where new newspapers or magazines failed to launch due to the non-availability of printing (or distribution) capacity, and some small publishers expressed satisfaction with the quality, service and pricing they received from printers.

From a transformation perspective, ownership transformation of the parent companies would flow through to these printers.

Some of the small commercial publishers made it clear in their submissions that owning presses was not a viable option for small commercial or community papers, due to the cost and the fact that it would be difficult to achieve sufficient volumes to utilise a press throughout the week. Nonetheless it is possible that a careful analysis may show that in some provinces, commercial newspaper printing, possibly even with joint ownership by small commercial publishers, could be viable if additional printing could be sourced. Two possible sources might be government and large retailers, if the latter could be persuaded to channel some insert printing to such ventures. The AIP should also consult with Printing SA in this regard: it is possible that some members, being commercial printers, might be able to come up with other options in smaller towns.

## ■ Magazine printing

Caxton and Paarl Media are the two major magazine publishers and printers in South Africa. A number of smaller independents like Formeset, Universal, Seculo and others make up the rest. As with newspaper printing, competition between the groups for both publishing and other commercial printing contracts is severe and printing capacity is available. New entrants to this market have access to high-quality printing at negotiated rates.

It is not ideal that magazine printing capacity is so concentrated but given the same factors mentioned above, this is unlikely to change. Further consolidation of the market also seems unlikely.

## ■ Distribution

The scope of distribution activities in South Africa is huge. To give an indication, one distributor (On the Dot) travels more than 95 000km every weekday and 125 000km every Sunday.

The biggest operations in this field (mostly owned by the major players) are:

- On the Dot, a division of Media24, distributes magazines, newspapers, local



newspapers, pamphlets, books and e-commerce purchases.

- Allied publishing, owned by Independent and TMG, distributes newspapers and magazines.
- RNA, owned by Caxton, is mainly a national magazine distributor. Caxton also owns extensive distribution networks for its local newspapers.
- Independent has distribution operations in KZN and the Western Cape.

Primedia@home is a national pamphlet distributor, competing with On the Dot, PJ le Grange, Vibrant and other smaller players. All of them, including Independent (Western Cape and KZN) and TMG (Eastern Cape) also distribute local, small commercial and community newspapers.

These networks are available to new entrants to the market. Anyone wishing to start a new mainstream newspaper in South Africa is assured of being able to reach their target markets at competitive rates.

## ■ Advertising sales

New entrants into the mainstream print media market generally set up their own ad sales departments. In most instances this is too vital for the survival of the publication to outsource.

Regarding ownership, the major groups all have their own in-house ad sales departments. INC is the Independent sales house, Ads24 sells on behalf of Media24, NAB sells for Caxton, etc. Ownership of the sales houses are therefore the same as for the media owners. Mostly these sales houses would be prepared to provide a national sales service to new entrants, provided the publications do not compete directly with any title they represent.

Some independent sales agencies sell advertising on a commission basis on behalf of community and small commercial publishers (like the Milele Group and Stamrood in KZN). Agencies like Capro are owned by and sell on behalf of members. More agencies may be required.

The important issue here is that structures should exist to provide national sales representation to small commercial and community papers, as well as aligning with GCIS, national and provincial departments.

## ■ Recommendations

1. **Target:** All PDMSA members must individually meet the generic scorecard ownership target of 25% plus 1 or the full points of 20 within three years. It is important that this commitment on ownership be met.

2. **Shareholders:** PDMSA should continue to create opportunities for black ownership to be entrenched by ensuring that black shareholders have a role in determining the direction and discipline of the companies in which they hold shares, especially within the major players.
3. **Shares:** PDMSA should partner with the JSE to embark on a campaign to encourage black people to acquire shares in listed print media houses, which would facilitate transformation of those companies.
4. **Co-ops:** Where feasible, PDMSA should encourage and assist community and small commercial publishers to establish printing and/or distribution co-ops. This development can be facilitated through a dedicated fund.

# Digital media

The profile of the South African population is weighted heavily towards the youth with some 15-million of its 52-million people being under the age of 15 years. They have been born into an age of internet communication technology and are unlikely to be users of print media at the same level as older people. In this regard, digital is exerting pressure on print through its advantage of instant reach and disregard for geography.

The number of internet users in South Africa grew rapidly from 8,9 million in 2011 to 12,8 million in 2012. The total number of internet users is forecasted to increase at 27,3% compounded to 29,8 million in 2016, mainly led by the explosion of mobile broadband via smart phones (1).

These statistics point to an opportunity to stop seeing digital media as a high-brow, middle-class medium but as the great leveller that can transform access to information for all classes, in rural as well as urban areas, in a fundamental way. The growth of Twitter and Facebook as a means of breaking stories, the fact that the entire Syrian revolution is being covered through digital rehashed by mainstream international broadcasters, is an indication that the migration by mainly younger generations from print to digital is in full steam worldwide.

## ■ Changes in influence

Broadly speaking, whilst leaders in politics and other spheres will acknowledge both the importance and penetration of digital, many are still locked in to seeing print as the major arena of the struggle for transformation. This is partly because print still exerts huge influence in public opinion through its political coverage.

Thus, for now, the fact that Twitter can announce an event or reveal anomaly, unless it is also re-tweeted through the mainstream print and broadcast, leaders do not take it too seriously. This is a present handicap due to ingrained attitudes. The future is going to be digital, in the same way that Barack Obama's first win in 2008 was attributed to the use of Blackberry as an organising and information-sharing tool.

If we therefore turn our attention seriously to digital as the empowering platform, using either online, phones or tablets, we can deal with the limitation created by 65% of the population having little access to mainstream print media.

## ■ No geographic limits

The use of digital can give the presently unvoiced access to diverse voices in the languages of their choice, while at the same time reaching people of all genders and age groups without geographic hindrance.

In short, this will have enhanced transformation as defined in this report, which is “a process of repositioning print and digital media from being a minority white controlled sector to a truly South African industry that not only resonates with the aspirations of the country but also jealously guards and protects the freedom won at a price beyond measure”.

Thus the digital model will transform the South African media landscape. Evidence suggests that mobile phones are and will continue to be the biggest contributor to transforming lifestyles and giving access to information. Equally, it suggests that using digital media to give marginalised people a voice is essential to transformation.

## ■ Broadband

Growth in fibre capacity and falling prices will drive broadband subscriptions during the next five years. With the opening of various undersea cables, fibre capacity is expected to be ten times higher by the end of 2013 than it was at the end of 2012. There will be 30 million internet users, made up of 6,6 million wired broadband users and 23,1 million mobile broadband users (1). Researchers also expect the internet to draw advertising worth R3,3 billion by 2016, giving community and small commercial publishers new opportunities to provide content on internet platforms that attract revenue.

Just how swiftly the digital and technological landscape is evolving in South Africa is revealed in a study undertaken by the SA Network Society and the University of the Witwatersrand. Written by Indra de Lanerolle and published in 2012, it says one in three adults (34%) now use the internet, significantly up on the 15% noted in 2008. This phenomenon represents “The New Wave”, the title given to the report (2).

According to the report, two out of three internet users (66%) speak an African language as their home language. Most have completed school and 40% live on

around R1 500 a month. Over 52% of first-time internet users do so from their phones which are rapidly increasing ease of access to the internet and diversity of voices. Mobile phones will also play an important role in overcoming a low level of English literacy: about one-fifth of all SA adults do not read or write English with ease, and presently 3% of these are internet users.

Mobile will therefore lead. It has become abundantly clear that mobile phones, with their super-saturated penetration of the South African market, will be the instrument to connect people with the internet: 117% of South Africans have mobile phones. Their use by schools to further learning is already a rapidly growing nationwide phenomenon.

Mobile access will be the game changer, translating into unprecedented reach, even at grass roots level where basic handsets are shared. Phones that can offer the features of a smartphone, including large screens, good cameras, GPS module and tools for collective use, are being developed at costs that the poor can afford.

## ■ Media consumption

Access, literacy, and language are the dominant drivers of media consumption. The mediums of radio and TV are unconstrained by geography or language with digital the new player across screens and geography.

Only 15% of the population (in the LSM 9 and 10 groups with an average income of between R20 000 and R30 000) have full access to all media including newspapers, magazines, online, satellite and radio (see graphic below) (3).

19% of South Africans in LSM 7 and 8 with an average income of R10 000 to R14 000 have access to local newspapers, local community radio stations, SABC radio stations and free-to-air TV, and some access to satellite TV, online and mainstream newspapers and magazines.

LSM 1 to 6 makes up the largest section of our population, accounting for 65% with an average income of R1 363 to R6 300. This segment of the population has very limited access to mainstream print media. They access SABC radio stations, local community and commercial radio stations and local newspapers, SABC 1 & 2 and free-to-air eTV, the latter as distinct from the satellite eNews Channel.

The access afforded to LSM 9 & 10 must be rolled out to reach the largest portion of the population in the lower LSM 1 to 6, to make media inclusive for all. Mobile is the game changer, not just in big cities, but low-cost data is the prerequisite.

According to the World Wide Worx study “South African Social Media Landscape 2012”, released by World Wide Worx and Fuseware (4) the rural market lags the

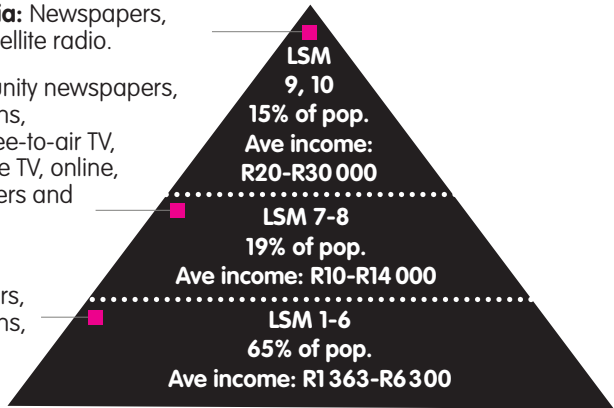
urban market by only 18 months in the uptake of social networking on phones. In short, the digital divide is as much about time as it is about technology and cost: it is caused by delays in rolling out affordable broadband and making it available.

**■ South African media consumption by LSM**

**Full access to all media:** Newspapers, magazines, online, satellite radio.

**Some access:** Community newspapers, local community stations, SABC radio stations, free-to-air TV, some access to satellite TV, online, mainstream newspapers and magazines.

**Minimal access:** Community newspapers, local community stations, SABC 1 and 2, free-to-air TV, eTV, some access to satellite TV and online, very little access to mainstream newspapers and magazines.



Source: South African Advertising Research Foundation.

**■ Hearings**

Traditional newspaper groups are looking for revitalised business models as circulation and advertising decline and digital media fragments newspaper revenues without itself becoming financially viable yet.

The common concern presented by community and small commercial publishers was the inability to sustain themselves owing to low advertising support from both private and public institutions. They are still concentrating on print and do not as yet have digital in focus. During the hearings it was clear that the print platform is fundamental if not the only part of their business. No plans for digital integration or extension have yet been considered or executed beyond basic, static websites, if at all. Yet, internet access presents the media with new platforms from which to drive content and advertising. There are now more mobile phones in the country than people and this has to be an opening for new media products.

## ■ Major players

During the hearings it was clear that traditional print media has struggled to reach out to the communities across geographic South Africa, being constrained by language, distribution and production costs and revenues.

Media24, the biggest player, spoke to the ongoing decline of print, the digital rand which is not as profitable and how in the next 5 to 10 years the trend will continue downwards as digital revenues do not match the legacy business model. News24, the largest online business in South Africa, also noted a shift to 24.com websites from both mobile phones and tablets. Media growth is happening on social networks too, but it is fragmented. Media24 has a portfolio that reaches 25 million readers and accounts for more than 35% of all print and digital news media revenue.

Caxton, with 140 titles, publishes both pay and free titles. Caxton points to the internet as the game-changer as it affirms freedom of speech, however it is rarely accessed by lower LSMs who warrant the benefits of media freedom. Caxton has introduced Look Local, a portfolio of digital sites that serve their community titles online with micro-local news.

At Independent, digital is integrated into the business plan. The group has 18 daily and weekly paid-for titles in English and isiZulu, a strong internet presence through the Independent Online (IOL) portal, three magazines and a number of local free newspapers, taking a 27% share of newspaper revenue. Independent was sold to Sekunjalo as this report was being compiled. Digital has been identified by the new owners as the way forward: the expected strategy is to concentrate on younger audiences, with digital leading the transformation of titles while diversity is achieved through the acquisition or launch of new titles and expansion to marginalised languages.

Times Media Group presently represents its daily and Sunday Times titles on timeslive.co.za while daily regional titles are behind pay walls. The Sowetan, which has maintained an independent free-to-air site, is one of the top 5 news sites.

Mail & Guardian, with a weekly title in print, has adopted a digital-first strategy attracting 1,198 million online users with digital contributing 12% to overall advertising revenue. This is supported by two multi-media centres of training and reporting excellence. These centres work to publish on multi-screen platforms and print distribution across Africa.

## ■ Community and small commercial publishers

Presentations emphasised the importance of skills training and the problems that beset publishers in achieving this. Internships are important but they have so far only offered this for journalists and not to interns with business skills attuned to digital. Wages are low or non-existent and once qualified, skilled workers move on. As these publishers see their businesses as print, fears were expressed that the digital phenomenon challenged the relevance of newspapers and would threaten their business model.

## ■ The future

If media owners both big and small are struggling with changing business models, leading through digital can turn this industry around, increasing revenue and readership. It can play a meaningful role in shaping the South Africa of tomorrow. By giving expression and providing news and information to all people in all languages and by concentrating on transforming the media through digital, South African media can grow in line with the developing world trend in the market.

## ■ Recommendations

1. **Broadband:** The delays that have plagued the broadband rollout and the turnover of ministers in the Department of Communications (DOC) have stunted the expected growth of digital. The 100% penetration by 2020 has to be met if the country is not to lag behind in news provision for the people. It is recommended that PDMSA actively advocate for government to meet the 2020 deadline.
2. **Skills:** Digital skills are still in development and there is a need for a centre to impart these skills. PDMSA should take the lead in ensuring that digital business and technical skills are taught. This centre should include scholarships for community and small commercial publishers and have a special focus on training women.
3. **Mentoring:** The industry needs to proactively do digital business job shadowing, internships, mentoring and on-the-job training across multi-media platforms.
4. **Packaging:** In South Africa, 117% of people have mobile phones. By contrast mobile penetration is 103% in the USA and 123% in the UK. Kenya, considered the silicon valley of Africa, only counts 73% of the population as mobile users. With



Careful packaging, cell phones can lead community, local and national news. By following the DSTV example where they have kick-started a new wave of satellite television through careful choice of content, price containment packaging and promotion, the media can devise strategies that will package news via digital to reach all readers on the platform and in the language of their choice.

5. **MDDA:** PDMSA must recommend that MDDA include digital media as a priority area, with some of its budget being moved to digital training which cuts across the print and broadcast divide. This would allow small publishers and community broadcasters to produce digital content and then benefit from advertising and exposure on these platforms.
6. **SETAs:** PDMSA must work with the SETAs to produce a set of qualifications for digital media, particularly for business skills, community publishing, management and sales.

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All sites accessed during May and June 2013

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# Management control and employment equity

Transformation involves the diversification of the “face” of the newsroom and the boardroom as well as making it possible for all talented individuals, irrespective of race and gender, to play a leading role in the management and operations of print media companies. Therefore the PDMTT cannot underestimate the importance of ensuring that this piece of the transformation puzzle is adequately addressed.

The defining feature of apartheid was the use of race to restrict and severely control access to the economy by black people. This included the denial of access to skills and jobs. The job reservation policy was reinforced by a vastly inferior education system for black learners which had a devastating effect on skills, and further restricted the positions that the majority of workers could obtain in the labour market. The involvement of black people in operational, professional and executive decision-making positions is therefore a critical aspect of BEE. Accelerated skills and advanced professional skill development are also important.

When looking at management control and employment equity it is important to note that the transformation initiative is not simply a moral imperative to redress wrongs of the past but is also a pragmatic growth strategy that aims to realise the country's full economic potential while helping to bring the black majority into the economic mainstream. Achieving a substantial change in the racial composition of management structures and in the skilled occupations of existing and new enterprises can only be good for a company or industry's profitability, especially given the changing demographics of those who access print media.

## ■ Management Control

Management control refers to the effective control of an enterprise by black people and the employment of black people in positions that are core to the operations of a company. It aims to address certain key issues surrounding black management and control of enterprises. These issues include the representation of black people

at executive board level, particularly as executive directors, and the inclusion of black people in driving the implementation of operational and strategic decisions.

From the information provided to the task team, we have been able to assess how the major media companies have performed against the management control targets set out in the BBBEE scorecard.

Times Media Group are at present only achieving slightly less than 50% of the target for management control. Challenges they have identified include changes in the composition of the board due to changes in the ownership structure, as well as the departure of staff from top management structures. Four out of the eight TMG board members are black which ensures they have one of the most representative boards among the big media companies.

For Media24, there has been a regression in terms of management control over the past few years. At the moment, Media24 is only achieving just over 60% of their target. This is most notable in the area of top management, and due to the expansion of their executive committee. The reason for the regression is the inclusion of top management of the digital side of the business which is white male dominated. Despite scoring full marks for ownership, the board of Media24 is under-represented with respect to black board members: only 3 out of 12 are black. This is not only disappointing but also ironic given that one would assume that the composition of Media24's board would reflect the significant level of black shareholding within the company.

Despite the lack of any empowerment shareholding in Caxton, the company has done well in their performance at the level of management control. They are presently achieving over 80% of the target. Four out of eight of the board members of Caxton are black. It is disappointing to note that only one board member is female.

One company that has done well on management control with a score of 80% is the Mail & Guardian.

Independent had the lowest rating among the major print media companies on management control, only achieving just over a third of the required target on the scorecard. This is mainly because they were 100% foreign-owned and therefore had a foreign board as well. It is also due to resignations at the level of top management. Again, this will change with the Sekunjalo buyout.

In general, it would seem that all the major companies face the same hurdles in effecting transformation through the representation of black people at the level of their boards and top management structures. These include but are not limited to: deficiencies at the level of ownership structure resulting in boards dominated by

white people, resignations from top management and the domination of white males in the digital media space. These limitations do not justify the poor performance of major players in this category.

### ■ Employment Equity

The aim of employment equity is to address certain key issues around the representation of black employees, as well as female employees and employees with disabilities, in the workplace.

All the major players highlighted the difficulty they face in improving their employment equity profile in an environment where they are cutting back on staff rather than recruiting. In its 2012 Annual Report, Caxton states that although the appointment of black females to managerial positions continues to be one of the areas of focus for the company it is hampered by the low turnover rates in senior management positions. This dilemma seems to be common throughout the industry. It is therefore apparent that unless the profitability of the industry improves, resulting in a higher level of recruitment, changing the racial and gender profile in managerial positions will remain a challenge.

As is the case with management control, the performance of most of the major media companies regarding employment equity leaves a lot to be desired.

Times Media Group is meeting just over 50% of the target set out in the scorecard. TMG has identified three areas of weakness in terms of their employment equity performance, namely black males, black females and people with disabilities. To this end they have implemented a subeditor programme to improve the representation of African females in the production pool, a talent management programme for the succession planning for editors and a contact centre learnership programme to improve the representation of employees with a disability profile.

Media24 scores just 2 out of a possible 15 points, and has regressed in terms of employment equity especially at top management level. In response to their poor showing, Media24 has spent over R25 million in the last year on training for black employees. It is hoped that this, together with their graduate programme, will translate into a sustained improvement in their employment equity ratings.

Similarly, Caxton also scores 2.4 out of a target of 15. They have also identified sustained investment in training as their pathway to achieving more successful results in various aspects of the scorecard including employment equity.

The Mail & Guardian and Independent have achieved reasonable success.

Mail & Guardian, with 9 out of 15 points, have indicated they plan to recruit dig-

itally skilled employees as well as invest more in skills development in order to improve their rating.

Independent has achieved nearly 11 points out of 15. Their greatest advantage may be that they put in place their equity employment policy back in 1998. This includes a strict vacancy replacement policy. Independent says more emphasis has to be placed on employing disabled people.

## ■ Editors and employment equity

It is evident from the available statistics as well as from the input given by print media companies at the hearings that much more emphasis has been placed on the recruitment and grooming of black and female print editors over the last decade or so than on attracting black and female managerial talent. However this emphasis has not been implemented in the operational and technical digital fields.

Some of the major players have reaped the benefits of measures put in place to encourage the emergence of black editors at the helm of their major publications. At Independent, for example, ten out of seventeen titles have black editors, three of whom are women. In addition almost 60% of all editorial staff is black, and approximately half of these are women. At Times Media Group, eight out of twelve publications have black editors, three of whom are women. In addition, 58% of the total editorial staff at TMG are black and 50% of the editorial staff are women.

This is however not the case for all companies. At Media24, although black editors only constitute 25% and 19% of the total number of editors for mainstream newspapers and magazines respectively, white women represent the largest proportion of both local newspaper and magazine editors. This shows a concerted effort to bring white women on board when there are editorial vacancies and it may be wise to follow the same formula in recruiting black editors.

Less than half of Caxton's editorial staff is black although Caxton has indicated that it is trying to employ more black people. The team was not able to get information about the racial split of editors.

From the above statistics it is clear that some of the major print media companies have not been successful in placing black journalists in senior editorial positions. Given the fact that the majority of journalists in the industry are black and female, the process of recruiting black editors should not be a difficult task. This discrepancy between the newsroom and the "corner office" is disconcerting, especially since there is a perception that this area of the media space is generally transformed.

## ■ Recommendations

It is evident from submissions made by the major players that progress in the areas of increasing the representation of black people, women in particular, has been very disappointing to say the least. This is reflected in the very low scores on their scorecards, with most meeting less than half the target in one or both areas.

Although the recruitment of staff is difficult given the tight financial environment and lack of staff turnover, especially at the management level, the major print media companies seem to have failed in prioritising management control and employment equity within their operations.

In addressing this shortcoming we recommend that:

- 1. Targets:** At least half of all board participants must be black and half of these must be women. This target should be achieved within three years.
- 2. EE plan:** PDMSA should commit to a plan which sets out clear annual targets to ensure employment equity in all areas of the businesses, including top management, with a specific focus on the digital space and women as well as the employment of people with disabilities.
- 3. Skills:** Investment in training as well as the companies' workplace skills plans should reflect and align with the employment equity plan.





# Revenue streams

Print media companies, in order to play their important role as members of the “fourth estate”, must also be viable commercial entities. If they are not, independence and therefore freedom of expression will soon suffer.

The significance of profitability and revenue streams in the transformation debate is huge. It covers a broad front ranging from the viability of print media as investment vehicles, to advertising revenue, revenue from cover prices, competitive practices regarding advertising sales, government advertising and the impact of digital media. The print media terrain is highly contested and very competitive, and this must be taken into account in the drive towards transformation.

There are important differences in perspective between the small commercial and community newspapers on the one hand, and the big media groups on the other. Understanding this and dealing with it constructively can assist these small players and thus enhance transformation.

## ■ International trends

In developed countries, consumption of print media and their share of advertising revenue show a long-term decline. A study of circulation trends of newspapers in the UK, USA and Canada, over a period of 60 years, shows the following regarding the household penetration of daily newspapers (1). In 1950 the household penetration was:

- UK 150%
- USA 125%
- Canada 100%

By 2010 the numbers have dropped severely:

- UK 40%
- USA 37%
- Canada 30%

Print media, particularly newspapers, have nonetheless enjoyed a considerable advertising market share and newspapers in particular used to enjoy high profit mar-

gins. Critics of the industry, also in South Africa, blame shareholders and managers for short-term strategies focused on attempts to maintain those high margins even in more difficult times, resulting in excessive cutting of costs and staff including journalists. The impact of digital migration and unfavourable economic situations is however also becoming significant.

As in many industries, mergers and acquisitions have led to fewer “independent” newspapers, with most becoming part of bigger groups. Newspapers in developed markets are now generally seen as less attractive investments than two and more decades ago when high profit margins were readily achieved. Share prices have suffered significantly. More recently, at least some investors have however shown renewed interest in newspaper companies even in developed markets.

In developing countries, however, more stability and even strong growth is being recorded. In many of these countries print media has historically had a small advertising market share due to demographic and sometimes political reasons, while electronic media has tended to dominate advertising. Newspapers there are now showing strong growth in both sales and advertising revenue.

Most of these international trends are also visible in South Africa, except that here increased advertising revenue is now going to television.

## ■ Print media trends in South Africa

### ■ Sales and cover price revenues

Sales of established mainstream newspapers in South Africa show a steady decline over the last twenty years. A significant number of new launches have however grown total newspapers sales and readership substantially over the last 10 years.

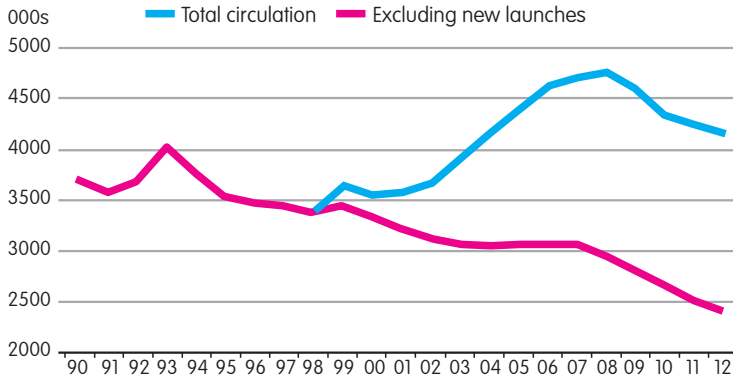
The new papers have eroded sales of existing papers to some extent but have also added many new readers. Over the past 50 years the circulation of sold and free community and small commercial newspapers has also grown steadily.

According to the Paper Manufacturers Association of South Africa newsprint consumption, which is a good indicator of trends in the newspaper sector in South Africa, has declined by 1,57% p.a. over the last 4 years, due to a drop in advertising revenue resulting in lower pagination for many newspapers.

Cover prices of some mainstream newspapers have risen substantially over time, perhaps too much, whilst sales have generally declined. The new launches, whilst growing total sales, mainly have lower cover prices. The industry has therefore suffered a painful decline in total sales revenue.

## ■ Newspaper circulation – 20 year trend

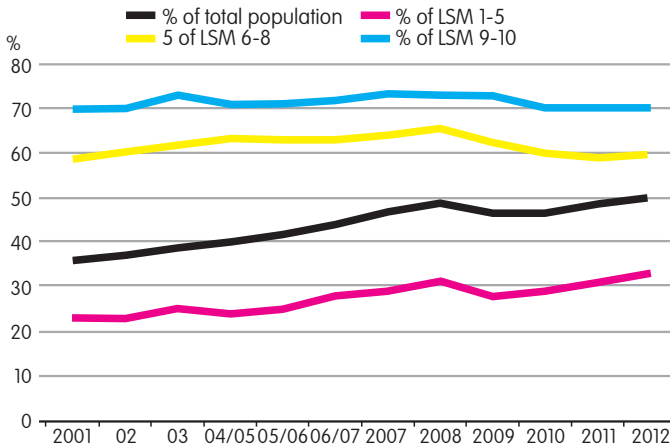
Major paid-for newspapers. Year averages (per issue), 2012=Q1+2



Source: ABC

On the positive side, the total number of readers has increased over the last decade with South Africa showing a newspapers readership of more than 50%. According to the 2012 survey by the World Association of Newspapers, about 50% of the world's adult population reads newspapers. Black readership in South Africa has grown substantially while white readership has declined.

## ■ Trend readership – % of adult pop reading newspapers



Source: AMPS

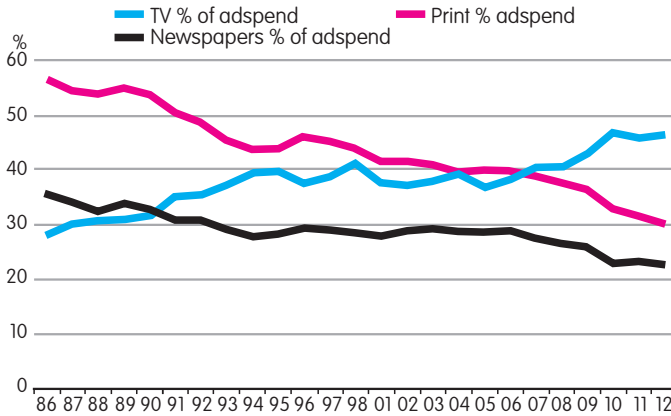
## Advertising revenue

The print media share of advertising revenue has dropped sharply from more than 40% in 2006 to 29% today.

The bulk of this market share has gone to television, with digital media accounting for an as yet small but growing portion. This statistic refers to the advertising sales as measured by AdEx.

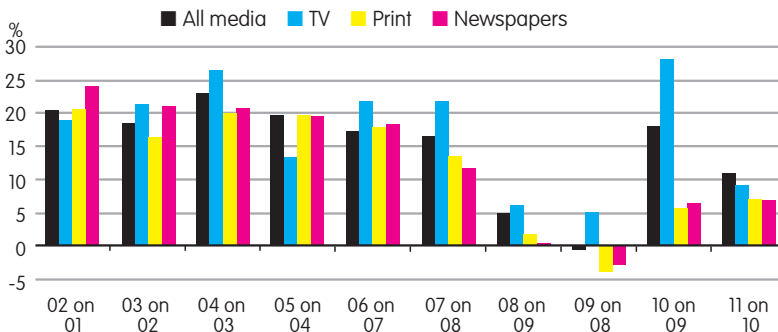
It must be noted that the media industry has grown and fragmented to the extent that estimates in the industry now put adspend which is not measured by AdEx as high as 40%. This means that taken over the last decade or more, the loss in market share of most mainstream newspapers is probably even higher.

### Trend advertising revenue spend – % allocation to print vs TV trend



Source: ADEX (Nielsen) 2012 Jan-Aug

### Trend advertising revenue spend – % year on year increase



Source: ADEX (Nielsen) 2012 Jan-Aug



## ■ Profitability

Together with the economic slowdown since 2008 and pressure on sales revenues, declining advertising revenue has impacted heavily on the profitability of print media companies. The result has been substantial job losses and general downsizing, centralisation, reductions in newsrooms and the like.

The impact of these factors on transformation efforts must not be underestimated. For example, Media24 had to roll over its Welkom Yizani share scheme for three years, and Naspers had to write off in excess of R300 million of funding for this scheme.

It is much easier to make progress with empowerment when new jobs are being created, training is needed and budgets are not under extreme pressure.

## ■ Advertising revenue for small publishers

By their very nature, community and small commercial newspapers should be driven by local advertising from local institutions wishing to communicate with the local community. National product, national retail and national government advertising should not be expected to provide a high percentage of income. Even a competently published newspaper may not survive if it is unable to attract local advertising due to the geographic area not being commercially viable.

Competition for advertising revenue between the different media types, and of course between different publications, is fierce. Apart from potentially uncompetitive behaviour, the scale of operations of big media groups and big advertisers make it difficult for small new entrants to establish themselves. New entrants in the mainstream print media market know that they will have to cope with this.

There is however a concern with the small commercial publishers. Many are struggling to find their feet in areas where commercial viability may be marginal. It is difficult for them to reach advertisers. In addition, as soon as an area becomes commercially viable and retailers follow, the bigger groups tend to look for opportunities there and many a time this is to the detriment of smaller players.

Looking for new opportunities, expansion and growth is and must be in the nature of businesses because that is the way to create jobs. Also, the bigger companies have the resources to, in some respects, serve developing communities well. At the same time, however, there is a very strong view from presenters to the task team that at community level, input and ownership from the community itself is vital.

Given this strong need for transformation, enterprise development and diversity, it has to be understood that some sensitivity and support is required from the indus-

try. The call is for the major players to weigh their growth and expansion plans against the need for diversity of ownership at all levels of print media.

Specific concerns are related to alleged price-cutting, lack of access to national advertising, competitive pressure from local staff members of the big groups and alleged anti-competitive behaviour.

## ■ National government advertising

A few years ago, the then CEO of GCIS, Jimmy Manyi, told Parliament that 30% of government advertising spend should and would be channelled to small commercial and community media. Given national government's huge adspend, this generated high expectations within the affected sector that advertising from government would be coming their way.

According to the submissions received, little of this advertising has made its way to the small commercial and community newspapers. Secondly, of those that did receive the occasional advert, some complained that it took six months or even a year before they were paid. It is harsh to expect small publications to carry the printing and distribution cost while waiting so long for payment.

GCIS was unable, despite repeated efforts by the PDMTTT, to make a presentation which would have clarified these allegations. However they supplied the team with data about the adspend that went through them to both mainstream and small com-

### ■ 2011-12 GCIS Adspend Summary – National government departments booking adverts through GCIS

<b>Community and Small Commercial Media</b>	<b>Fiscal 2011 - 2012</b>	<b>% Share</b>
Print	R 2 141 329.87	8,91%
Radio	R 19 075 336.44	79,39%
Television	R 2 811 548.70	11,70%
<b>Total</b>	<b>R 24 028 215.01</b>	<b>100%</b>
<b>Mainstream Media</b>	<b>R 182 099 347.99</b>	
<b>Total adspend under GCIS management incl community and small commercial media</b>	<b>R 206 127 563.00</b>	

Source: GCIS

### ■ 2012-13 GCIS Adspend Summary – National government departments booking adverts through GCIS

<b>Community and Small Commercial Media</b>	<b>Fiscal 2012 - 2013</b>	<b>% Share</b>
Print	R 10 001 150.29	26,63%
Radio	R 20 497 094.62	54,58%
Television	R 7 053 833.78	18,78%
<b>Total</b>	<b>R 37 552 078.69</b>	<b>100%</b>
<b>Mainstream Media</b>	<b>R 181 693 652.31</b>	
<b>Total adspend under GCIS management incl community and small commercial media</b>	<b>R 219 245 731.00</b>	

Source: GCIS

mercial and community publishers (see tables above).

From this, it is clear that whilst small commercial and community print publishers received R2,1 million in total adspend last year, this has grown five-fold to R10 million. Community and small commercial TV also grew from R2,8 to R7 million in the same period, with minimal increase for radio which grew from R19 million to R20 million.

The total adspend for this sector for the 2012-2013 financial year was R37,5 million, a growth of R13 million from the previous year. This is significant as mainstream media adspend went down from R182 million to R181,6 million.

In a nutshell, the total spend through GCIS for community and small commercial grew from 11,6% to 17,1%, representing a growth of 5,5% for the sector.

This is not the 30% promised years back but it is growing, especially for print.

## ■ Provincial and local government advertising

By their very nature community and small commercial newspapers should be more closely involved with local and provincial government than national. In some respects it may also be more realistic to make sure that these newspapers get local and provincial support. However, the risk of political pressure on recipients should be considered.

AdEx estimates (June 2012 to May 2013) direct provincial government adspend (excluding discounts) on print media at the following:

- Eastern Cape R15,3 million
- Free State R9,5 million
- Gauteng R32 million
- KwaZulu-Natal R25,9 million
- Limpopo R4,5 million
- Mpumalanga R6,8 million
- Northern Cape R4,1 million
- North West R9,7 million
- Western Cape R109,8 million

The estimated total is R218 million.

Since provincial and local government benefit from a strong community and small commercial press, they should allocate a higher proportion of their adspend to community and small commercial publications. Secondly, provincial governments should each make a contribution to the MDDA to promote the growth of a diversified print media within their provinces.

## ■ Ad sales and small newspapers

The major groups all have in-house advertising sales agencies that represent their titles to national advertisers. This could potentially be a barrier to entry for new and/or small titles that may have no representation. Some progress has been made in this regard however:

- Some in-house advertising sales agencies of the major groups are prepared to represent small titles. This support could be improved.
- Capro represents many independents all over the country and their service is appreciated. This does not help all papers since Capro is obviously not able to represent competitors in the same area.
- The LiN Media group in Limpopo is an example of co-operation between independent titles.
- The Milele group is a black-owned agency representing some 50 small commercial newspapers under the MDDA umbrella.
- The MDDA's project to create an online advertising booking management system for community and small commercial media may assist in this regard.

From the presentations it appears that more work is needed on national representation and that some form of support and coordination may be required to make sure that all newspapers who meet the minimum criteria are adequately represented. The AIP may be able to assist in coordinating but appears to be under-re-



sourced and under-funded if it is to play a bigger role in support of transformation.

## ■ Advertising sales agencies

All media owners, not only community and small commercial print media, will from time to time complain that advertising sales agencies do not consider or understand their products. Advertising sales agencies, on the other hand, over they have to meet the real performance requirements of their clients the advertisers, whilst also having to deal with the expectations of media owners. Ultimately it is results that count. Advertisers will not continue to support print media products that are not read regularly, no matter how big the sales effort.

Nonetheless, advertising sales agencies operate in a fast-paced, high-volume environment and often simply do not have the time or inclination to meet with small individual titles. It is possible that some titles do not get the deserved time and attention. In the interest of bringing community and small commercial newspapers to areas where there are none, some special effort is needed. The ACA has offered to meet the small commercial publishers to discuss this and seek solutions. Research by the big media groups has repeatedly shown how important community and small commercial newspapers are to the communities they serve. Some initial support is often required.

A positive development is that the ACA, which owns the AAA school of advertising, has committed to run training courses for media buyers and planners to better understand small commercial and community media. Training will include how to use the MDDA online advertising platform. They will also do training for small media owners to understand the industry bodies and how to build their media, in what is currently called the “Community and Small Commercial Media Course”.

## ■ Bodies related to advertising

Whilst some suspicion appears to exist about these industry bodies, particularly amongst small media who may find it difficult to comply with the membership requirements, it seems clear that these bodies exist not for the benefit of media owners but to protect the interests of advertisers.

The ABC is an independent body with a board on which media owners and media buyers are equally represented. Most countries have an audit bureau of circulation with rules similar to that of South Africa. The ABC verifies sales figures so that advertisers can trust the circulation figures given to them. Without reliable circu-

lation figures the industry would have no credibility with advertisers and advertising revenues would suffer.

In countries without ABCs it is generally accepted that circulation figures claimed by media owners are considerably inflated. Small commercial and community publishers complain however that they cannot get ABC certificates because it is too costly to have circulation audits, that they do not have sufficient data on their sales and distribution and because it is too complicated. Some even suspect the major players of using the ABC to keep smaller players out of the market.

The industry has however understood that it may be difficult for a small publication to take advantage of sophisticated systems and have come up with a unique solution: the “ABC Grassroots Certificate”. Publishers only have to submit their printing invoices, confirming the exact print run and frequency of each of their publications over the preceding six-month period, and file details of whether their publications are sold or free and how they are distributed. The ABC verifies this and issues a certificate showing the number of papers printed; although this does not prove distribution it at least provides advertisers with some basic information about the titles.

This is an important initiative for small commercial and community publishers. There may well be an argument for the inclusion of an AIP representative on the ABC auditing sub-committee.

The SA Advertising Research Foundation (Saarf) is also an independent body with representatives from media owners and advertisers on its board. The research measures readership so that advertisers have information on which to base their selection of media. Again, any new publication can participate in the research. Having credible reader data available at a far lower cost than doing it themselves opens up the advertising market for them.

The Association for Communication and Advertising (ACA) is the representative body for advertising. Media owners are not represented there. This body looks after the interests of advertising agencies and media-buying agencies.

Media owners benefit from the work of these bodies to the extent that the service to advertisers is improved. The availability of circulation and reader data across all publications levels the playing field and makes it possible for all participants, including new entrants, to compete on an equal footing.

Nonetheless it appears that communication between these industry bodies and smaller print media owners should be improved. Some misunderstandings need to be cleared up. The ABC print verification (the “grassroots” ABC) initiative is appreciated. Small publishers could however also benefit from a better understanding of what these bodies are measuring and what information advertisers need. The

above-mentioned training initiative by the ACA and AAA is welcome in this respect.

The Digital Marketing and Media Association (DMMA) represents the South African digital industry to all sectors including the marketing community, the media, the government and the public, and also acts as the body through which international players can enter the South African market. It is a member-driven voluntary association that seeks to grow the digital industry, and is not a regulatory body.

The DMMA provides a platform for members to engage, interact and address digital issues of common interest to stimulate learning and commerce within the exploding digital environment. It represents more than 250 members including 126 local online publishers and 124 creative, media and digital agencies.

## ■ Recommendations

- 1. Building trust:** The major players should establish internal mechanisms to ensure fair competition where titles compete with community and small commercial publishers. Channels should be established for small competitors to register complaints at a senior level. The importance of the diversity provided by small media should be considered carefully by the major players before entering into new areas. PDMSA should work on industry solutions. The current mistrust based on real or perceived experiences should be rectified.
- 2. Representation:** PDMSA and AIP should investigate and find methods to ensure every community and small commercial newspaper that meets minimum requirements has national advertising sales representation including at national government level. PDMSA should consider additional funding for the AIP specifically for this purpose as well as the facilitation of training opportunities. PDMSA and AIP should facilitate a meeting with the AMF and develop a suitable plan. During presentations the AMF indicated a willingness to enter into discussions with community and small commercial publishers to facilitate advertising sales where possible, so this should be followed up.
- 3. Provincial government support:** PDMSA has over the years proven its commitment to advancing media access and diversity through its annual contributions to the MDDA. Provincial governments must support small commercial and community newspapers with adspend. Given the importance of growing voices in local and regional spheres, the PDMTTT believes provincial governments should also each contribute R1 million p.a. to the MDDA to fund new print and digital media projects.
- 4. Information:** The PDMTTT found widespread mistrust, ignorance and confusion

about the roles of industry bodies such as ABC, Saarf, AMF and DMMA, with small publishers believing these operate in the interests of the major publishers. PDMSA should encourage these bodies to reach out to community and small commercial newspapers to provide basic orientation training on their roles and usefulness. An AIP representative should be included on the ABC auditing sub-committee. AIP should liaise with Saarf to see if they can attend some of the relevant meetings. The AAA school and MDDA initiative in creating a “Community and Small Commercial Media Course” should be popularised.

## References

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# Market challenges for emerging media

The nature of the print media market makes it a difficult one to enter. This is not the fault of the major players or anyone else, but is the case around the world. The submissions and hearings raised the following challenges.

## ■ Market power

Several submissions touched on the issue of the highly concentrated nature of the print media industry in South Africa and the implications this has for meaningful transformation. The submissions also highlighted the impact this concentration has on the ability of new entrants to compete effectively in the media space.

It is no secret that the print media industry is highly concentrated, with the four biggest companies, Media24, TMG, Independent and Caxton, dominating market share. According to a study carried out by the MDDA in 2009, 90% of the market share for mainstream newspapers was controlled by the big four.

Some submissions pointed out that the high level of concentration was not peculiar to South Africa. One submission cited a 2009 paper by Harcourt and Picard which states that “if there are 20 to 50 million persons in a country, there will usually be three to four leading firms”. This seems to imply that South Africa has the right number of big media firms.

What we should not lose sight of however, is the diverse nature of South Africa’s population. Given this diversity, it may be necessary for new players to enter the market in order for it to be well-served. This is relevant particularly with reference to giving a voice to the hitherto unvoiced, from geographical distinctions to language preferences, in relation to mainstream publications in order to be able to provide content that resonates with a wider audience.

A market structure characterised by the domination of a few firms is referred to as an oligopoly. The oligopolistic structure of the print media industry has consequences for the extent of market power that these firms possess as well as how this

power is used to prevent other competitors from entering and gaining ground in the industry. The barriers to entry that exist in this industry and the challenges they present to potential entrants are discussed below.

Industries controlled by oligopolistic companies are also more vulnerable to collusion due to the ease with which co-ordination and the sharing of information can take place. The task team is aware that the Competition Commission is currently investigating a wide range of complaints and will therefore not pronounce on this matter.

## ■ Vertical integration

Besides the highly concentrated nature of the industry, it is also one that is highly vertically integrated, which means that most stages of a product's creation are under a common ownership even if some are separate companies. All the major print groups are thus vertically integrated with ownership across the supply chain. They are therefore generally able to maintain control over the entire value chain process, as they own content production, printing plants, advertising sales agencies as well as newspaper and magazine distributors.

This makes it difficult for community and small commercial publishers, who only operate at one level, that of editorial/content, to compete since they usually rely on their competitors for inputs or as customers. For example, small publishers are obliged to outsource their print jobs to their larger competitors. Similarly, some small companies are unable to take care of their own distribution needs, and rely on services provided by the larger media houses who may also be their competitors.

## ■ Need for information

The problem of information gaps emerged during the hearings, and much of the focus was around advertising and marketing.

It emerged clearly from the presentations received by the PDMTTT that advertising plays a critical role in the print and digital media value chain. Without exception, all commercially viable titles make at least 60% of their revenue from selling advertising space to marketers. It is therefore not surprising that community and small commercial publishers allege that the major players use advertising as another weapon in their arsenal against them.

The allegation against the major players is that they undercut the small ones by offering lower than market-related advertising rates to woo advertisers.

## Market challenges for emerging media

It was claimed that the major players can offer advertisers bouquets across a number of titles in a stable, while small publishers cannot compete because they mostly have only one or at best two titles. While this is a legitimate business strategy, in the context of emerging media products it makes it difficult for small players to compete.

Of serious concern to the community and small commercial publishers is their belief that the major players conspire with advertisers and the rest of the marketing value chain to keep them out of the market. Numerous examples of this were cited. Amongst others, the following concerns are noted:

- Advertising/media agencies depend on the knowledge of white media planners who have never been exposed to the small black-owned community and commercial titles. They are familiar with the traditional big titles and this makes them biased against the small titles.
- The circulation accreditation process is skewed in favour of the major players. The requirements and attendant costs of getting small titles into the circulation accreditation cycle are seen as prohibitive.
- While marketing to the consumer was not raised as an area of serious concern, it was mentioned that the major players dominated street poles with their posters to the detriment of the small players.

The PDMTT solicited information from specialised industry bodies like the AMF, ABC and AIP in an effort to understand how they function in relation to all the above allegations by community and small commercial publishers. Their presentations and information sessions illuminated an area of significance, namely the lack of understanding of the community and small commercial publishers and the lack of access to market information or the processes used to gather this type of intelligence. From reader demographics to reach and everything in between, the small publishers were not aware of either the existence of the information or processes used to filter it for the media.

The above is discussed in Chapter 5 in the section on advertising industry bodies and reinforces the recommendation on the need for improved communication between these bodies and the community and small commercial publishers.

### ■ Barriers to entry

New entrants in the publishing market seeking to attract readers and to effectively sell to advertisers face significant barriers to being effective participants. In short, these include:

- Access to printing facilities with favourable printing slots

- Affordable printing prices
- Distribution networks
- Access to advertising income
- Access to capital or funding

The printing of publications is capital intensive and the costs associated with the production process are prohibitively high. It is estimated by the MDDA that printing costs can account for up to 50% of the cost of producing small commercial or community newspapers.

Furthermore quality, timing and reliability in the printing process are crucial in securing advertising revenue. The cost of purchasing and maintaining a printing press is prohibitive which means that small commercial publishers need to outsource their printing requirements, often to their competitors who operate vertically integrated operations.

Apart from the difficulty of sourcing the finance to be able to print their publication, small publishers often do not have the last say in securing a favourable print slot. It is common cause that vertically integrated printers ordinarily prioritise the printing of their own newspapers. Timing is extremely important in being able to source advertising revenue. Potential advertisers generally specify when newspapers carrying their advertising inserts have to be out on the streets.

The setting up of a distribution channel that is reliable, timeous and cost effective is another entry barrier. Again, the major print media companies own their own distribution companies and are able to reach a wide customer base regardless of geographic location. For community and small commercial publishers, the situation is very different. Although in urban areas they may have the option of contracting with large distribution firms this is often costly. In rural areas, a larger distribution firm may not be available. Small publishers often do not have the critical mass to set up a reliable and cost-effective distribution infrastructure. And if papers are not delivered on time, this has an adverse effect on the prospects for securing advertising revenue.

The market for print media is defined as a two-sided market: publishers “invest” in developing a readership and then sell it to advertisers. This creates a substantial barrier to entry as it takes time (up to 5 years according to a survey by the MDDA) to establish a readership base, build credibility with advertisers and establish a recognisable brand. Newspapers generate a major portion of revenue from advertisers and it is thus crucial that you are able to attract advertisers if you want to ensure the sustainability of your publication.

The barriers to entry for new digital products, as discussed in Chapter 3, include low broadband access, high costs and lack of knowledge, skills and training.



### ■ The need for new products

Despite the difficulties in entering the media market, since 1994 South Africa has seen a proliferation of new products. These range from radio and television to magazines, newspapers, the internet and other digital products.

At a time when the launch of new mainstream newspapers had become a rarity in many countries, South Africa saw a spate of new launches: at least 17 new mainstream newspapers were launched, with about four not managing to survive. Many new magazines appeared and some also disappeared again. New radio stations, TV channels and regional TV appeared. Internet sites proliferated. Community radio became widespread.

The reader profiles of the old mainstream print media also changed dramatically. This is true almost across the board. Titles like the Sunday Times, The Star, Die Burger, Huisgenoot and You, for example, now have many more black readers. Media24 stated that in 1994 it had 3,8-million readers of whom 43% were black, 39% white, 17% coloured and 1% Indian. In 2011, Media24 newspapers reached 11.7-million readers of whom 71% were black, 16% white, 12% coloured and 2% Indian. Similar trends have been seen with TMG's and Independent's titles.

Looking at community and small independent print media, transformation changes are also observable.

Over the past 6 or 7 years, since AIP first did a survey and sought members, the association has seen an increase from just over 100 to 224 members in terms of newspaper, magazine, digital and news agency titles. The association reports that there is a steady increase in print media titles with black ownership, while white ownership remains stable. The growth is mainly in small commercial print media, not in community print media.

AIP also reports an increase in the number of languages used by the titles which are their members. The language publication of their members is described in the two tables below which show the results of a survey in October 2012. From around 220 members, 97 were publishing in languages other than just English and/or Afrikaans. As can be seen, many members are publishing in multiple languages.

AIP reports that the steady increase in titles with black owners includes many members who have not received funding, although the support for new titles from MDDA funding is also fuelling the growth.

Many new small commercial and community newspapers have appeared and a focus on new and "emerging" markets has improved the choice of products in many respects. Can one assume that in a "normalised" society, the market will take

**■ Print media in languages other than English and Afrikaans  
AIP members – October 2012**

<b>Languages of publication</b>	<b>Number of titles</b>
IsiXhosa	2
Sesotho	1
IsiZulu	10
Xitsonga	2
Tshivenda	1
Sepedi	1
IsiZulu and Xitsonga	1
Sesotho and English	4
IsiSwati and English	2
Setswana and English	6
IsiZulu and English	6
Xitsonga and English	1
IsiXhosa and English	16
IsiSwati, isiZulu and English	2
IsiXhosa, isiZulu and English	2
IsiZulu, Setswana and English	2
Sesotho, isiZulu and English	2
IsiXhosa, Setswana and English	2
IsiXhosa, Sesotho and English	2
IsiZulu, English and Afrikaans	3
Setswana, English and Afrikaans	1
IsiXhosa, English and Afrikaans	9
More than 3 languages	19
<b>TOTAL</b>	<b>97</b>

Source: AIP

care of all needs? Existing companies as well as entrepreneurs are always searching for new opportunities and will pursue those that are commercially viable.

In a developing country it will however take a long time for target markets to become viable in all areas. In the case of South Africa, the race-based exclusions and impediments that targeted black people in the past make any effort to redress the imbalances highly politicised and challenging. Some of the challenges are:

- Rural communities, mainly black, sometimes do not have sufficient media access, particularly regarding small commercial and community newspapers. This

## ■ Number of titles using each language AIP members – October 2012

IsiXhosa	30
IsiZulu	26
Setswana	10
Sesotho	8
Xitsonga	8
IsiSwati	5
Sepedi	4
Tshivenda	4
IsiNdebele	2
<b>TOTAL</b>	<b>97</b>

Source: AIP

is one of the areas the MDDA is attempting to address.

- Several presentations stressed the need for more small commercial and community newspapers in local languages.
- There is also a need to publish mainstream newspapers in black languages, according to submissions to the task team. A number of isiZulu language papers have shown rapid circulation growth.

An important factor is that the adverse trend in print media in general, which is leading to severe cutbacks at all levels, can have a significantly negative impact on the depth, diversity and quality of information provided by newspapers. This is happening in a variety of areas.

Cost-cutting and rising distribution costs force a constant review of distribution routes, so uneconomical routes have to be reduced. This leads to a poorer service to rural towns. As circulation in such areas inevitably declines, they become of less importance to the newsrooms and news coverage increasingly focuses on urban areas.

When this happens, marginalisation of the poor, rural, mainly black communities from the flow of information occurs. Thus one of the key demands for transformation is unlocking the flow of information and access to rural communities.

Financial pressures lead to staff reductions, also in newsrooms. This has an impact on diversity in different ways. Firstly, newspapers may reduce training costs, making it less likely that new journalists will get on-the-job training to improve their skills. Secondly, reducing costs may involve replacing experienced journalists on high salaries with less experienced juniors, resulting in the so-called “dumbing down” of

newsrooms. Thirdly, with fewer journalists, more news is shared between titles and more reliance placed on news agencies, leading to a uniformity in news and opinion. The days of in-depth local news and of scoops seem to be fading away. Some argue that by doing this, newspapers run the danger of becoming less relevant.

Whatever the causes, the need for more local and provincial news seems to be increasing. Local newspapers become more important when national or regional titles do not provide this service, and when mainstream papers in the biggest cities do not provide in-depth coverage of the provinces which are further away.

In the past, debates about diversity have tended to focus on mainstream newspapers. Important as mainstream papers may be for diversity, small commercial and community papers are becoming increasingly important.

In relation to the availability of digital products, it is shocking that South Africa is lagging behind many other African countries with regard to the cost and accessibility of broadband. The need for internet products is growing and the opportunity to provide easy access to information to people who do not have this is vast. This access can potentially change and enhance the lives of many people.

## ■ Recommendations

- 1. Market information:** The small publishers need to know about and have access to market information and understand the processes used to gather this type of intelligence: from reader demographics to reach and everything in between. PDMSA should encourage the relevant industry bodies to reach out to small publishers (see recommendation 4 in Chapter 5), provide this information and assist them on how to advance their own businesses.
- 2. New products:** There is a need for publications in more black languages. PDMSA may be able to play a role in producing research that would help entrepreneurs make informed business decisions in this regard.
- 3. New digital products:** These are also essential. There is a need for new news products, in particular local and community news, and educational materials (see recommendations in Chapter 3).

# Preferential procurement and enterprise development

Preferential procurement (PP) and enterprise development (ED) are important measures on the BBBEE scorecard by which transformation in business is gauged.

These are measures to enable all sectors of society to partner in the supply chain of the full spectrum of media businesses. They are primarily management, research, sales, editorial, administration, production and distribution but also include support functions within a company such as transport and catering.

Preferential procurement is the sourcing of goods and services from previously disadvantaged black people, with a view to equalising market accessibility for them. The policy aims to open up opportunities to more individuals, particularly those involved in small and medium enterprises. The higher a supplier's BEE score, the more they count towards a company's preferential procurement score.

Enterprise development involves giving support to another business, called a beneficiary. It can include financial support, time in the form of mentoring or discounts: things that are measurable. Support is aimed at assisting or accelerating the development, sustainability, operational and financial independence of the beneficiary. Beneficiaries must qualify on the basis of their own BEE status. The aim is to encourage the establishment and growth of BEE businesses.

## ■ Submissions from major players

Media24 has achieved a PP rating of 18,12 out of 20 and the full 15 points for ED. Media24 undertakes its home delivery of newspapers locally, by using independent and empowered operators. Deliveries of some products to outlying areas could offer further opportunities but the economic viability of such ventures is likely, in most instances, to be marginal. Media24 spent R6,9 million on ED in 2011/12.

Caxton scores 15.61 out of 20 for PP and the full 15 points for ED to which they contribute R60 million for 2012. The Caxton model is to set up partnerships; to get involved in a business and help to build it. The owners of small businesses have a

majority shareholding while benefitting from training and the support of an established media concern.

Independent has achieved 15,4 out of 20 on the scorecard for a definitive procurement policy, with systems in place to monitor and assess new suppliers. The process is weighted towards appointing new suppliers at Level 5 or below. The company achieved the maximum 15 points for ED. It indicated that it continues to seek and outsource to operators who can support their main operations, and that it also identifies and supports business start-ups.

TMG is putting a new procurement policy in place to streamline the process after its procurement scores slipped from 13,5 out of 20 in 2011 to 7 out of 20 in 2012. As with the other major groups, TMG scored the full 15 points on ED with a spend of R95 million for 2012. It said distribution in both urban and rural areas accounted for the bulk of the spending.

Mail & Guardian has a PP scored of 4,8 out of 20 and its ED is listed at 12 out of 15 points. This company outsources its printing and distribution to other major companies, thereby limiting the opportunities which the other major players have scored on. It said its ED emphasis was being given to skills development.

## ■ Ideas for enterprise development

While most major media houses scored well on ED and are variable on PP, there is much focus on distribution and little on the other main drivers of the print and digital media business.

The further broadening of offerings to assist and empower small publishers, improve gender diversification and develop sustainable business skills across the media spectrum must be more vigorously addressed in order to speed up and widen transformation.

There is an acknowledgement that the broad print media industry is not doing well in skills development and needs to do better (see Chapter 8). If this intention is combined with PP and ED issues and if all parties look beyond the rigidly inflexible scorecard measure, contributions to transformation could be quickly elevated to a higher level.

At the hearings, community and small commercial publishers gave ideas on what they felt the major players should be doing in the area of enterprise development: skills transference to themselves. A second area of enterprise development should be digital literacy and training for community and small commercial publishers. A third area is partnerships.

# Preferential procurement and enterprise development

The areas of skills transfer to community and small commercial publishers includes editorial skills, management, media literacy, distribution and printing, administration, sales, brand positioning, audience development and the usage of multi-media platforms. These are dealt with in Chapter 8.

The second area of enterprise development should empower community and small commercial publishers to penetrate and operate in the digital space. Digital training, detailed in Chapter 3, should be made available to them. Major players should help empower community and small commercial publishers to move into mobile as a news business given its low barrier to entry and wide reach.

The third area involves partnerships. Some of the major groups, notably Media24 and Caxton, have over the years entered into partnerships with individuals or small companies. This is sometimes criticised in the event that it becomes a method for the major players to ultimately acquire full ownership. Many partnerships in magazines as well as newspapers have however endured for a long time. The advantages for the small publisher can be substantial, including access to systems, training, capital and resources such as printing and distribution.

The major players often allow their partners considerable latitude in running their businesses within mutually agreed business plans. In the highly contested media terrain of today this may be an appropriate method of developing new and relatively independent community and small commercial media, provided that concerns and fears of takeover are allayed. The major players are best placed to support new ventures until they become viable than individuals operating on their own. The advantage for the major players might be additional income from printing, distribution and advertising sales.

The major groups are all looking for opportunities to expand their local newspapers. If they made a concerted effort to enter into minority partnerships with entrepreneurs instead, it could fast-track development of small commercial and community media and give more communities or local areas their own newspapers and platforms for their voices.

Language remains a transformation issue. The major players can share their content within these partnerships, particularly educational, youth and health content. The community and small commercial publishers can then publish it in other languages.

## MDDA

The involvement of the major players in funding the MDDA is currently an industry-

level contribution to enterprise development. It is therefore appropriate to discuss it here.

The MDDA model of print media development is in practice not an easy one. The intention is to develop media at a local level which, after a period of seed funding, must be able to continue from advertising and other revenue. The funding available does not allow for many or large beneficiaries and there is limited funding for training and skills development. Negotiations are currently taking place between the MDDA and PDMSA regarding contributions, and this should be concluded by the parties concerned.

The role of the MDDA regarding skills development is not sufficiently focused. The small commercial and community print media have a need for specific technical and business skills related to advertising sales; layout and page make-up; distribution; basic enterprise management and the like. MDDA training encompasses some of that but a substantial portion is being spent on broader issues like media literacy training.

Clearly, funding recipients are grateful for MDDA support and would obviously prefer extended support. Positive comments have also been received regarding some workshops provided. Criticism relates to cases of funding given to ventures unlikely to succeed.

After some seven years and total funding from PDMSA members of some R35-million plus some government funding for the administration, it is perhaps time to evaluate the effectiveness of this approach to print media development. If some measure of success can be demonstrated, increased funding from the provincial governments should make it possible to do more skills development work.

MDDA has provided the following information on how many print publications it has funded since inception:

- Funded since MDDA inception: 56 small commercial print media and 41 community print media.
- How many still publishing: 38 small commercial print media and 22 community print media.
- How many are still getting MDDA funding: 27 small commercial print media and 16 community print media.

From this it may be concluded that there are only 11 small commercial print media and 6 community print media who are still publishing without the benefit of MDDA funding.





## ■ Recommendations

- 1. Partnerships:** The major players could consider entering into more partnerships with small publishers, particularly women, in which they take a minority share. They can provide training and logistical support, and earn income from printing and advertising sales. The credibility of such partnerships would be enhanced if the independent partner has the right to buy out his partners eventually.
- 2. Discounts:** The major players should give the benefit of group printing discounts to community and small commercial publishers who group together to negotiate this.
- 3. Internships:** The major players should take in interns, particularly women, from the community and small commercial media across all areas of the business. Business skills are essential and are in short supply.
- 4. Alternative printing:** PDMSA and AIP should raise with Printing SA the idea of an enterprise development project set around the acquisition and usage of flat-bed printers. These are inexpensive and viable for small print runs, thus may be suitable for community and small commercial publishers particularly in rural areas.
- 5. Digital:** PDMSA should help community and small commercial publishers to move into mobile as a news business given its low barrier to entry and wide reach. This should include lobbying for broadband access throughout the country (see recommendations under in Chapter 3).
- 6. MDDA:** As MDDA nears its 10th anniversary, this is a good time to evaluate whether the MDDA model is showing sufficient results in terms of its mandate. Based on the outcomes, PDMSA can review the nature of its continued involvement.



# Skills development

Skills development is integral to the transformation of print media in a developing country like South Africa and is therefore one of the pillars of the BBBEE code.

The issues are many and varied. The needs of community and small commercial publications are very different from those of established media. Large publications and media groups face their own challenges in meeting transformation targets in adverse economic and industry-related circumstances. And the role of bodies like the SETAs in supporting transformation through training must be considered.

## ■ Small print media

The question can be asked: who, if indeed anybody, should be responsible for training would-be entrepreneurs who want to start small business like newspapers? Normally the answer should be that they themselves are responsible for ensuring that the necessary skills are available to successfully run the business they wish to establish.

In this context however, where the need to develop community and small commercial media has been highlighted, and where considerable funding is being invested in these small projects, it makes sense to consider whether skills development might improve the survival chances of new businesses and how that would enhance transformation.

The Association of Independent Publishers (AIP) investigated this several years ago and their conclusions virtually mirror what was presented during task team hearings. Whilst many community and small commercial newspapers seem to have acquired the necessary skills and are able to develop their businesses, around a third of these are struggling.

What is often needed are: management skills; basic financial management; technical skills relating to newspaper layout, software and production; the importance of sound distribution and how to run distribution; the needs of advertisers regarding reader information; understanding and using industry bodies like the ABC and Saarf; and advertising sales skills and methods.

As one presenter put it: 90% of the small newspaper publishers do not have formal training in the advertising process, in business management and office skills, or in the skills and information needed to pitch for revenue outside of government. Some of the bigger ones have grown to include competent sales teams, marketing teams, designers, consultants and news editors, and marketing managers.

Funding and training will not by themselves ensure success however. As a publisher who had the benefit of training put it: "I have had workshops but no finances to implement what I have learned." Or another: "I can't afford to go to Johannesburg for training." Commercial media cannot survive in non-viable areas. And short-term funding would be wasted in non-commercial newspapers unless advertising is somehow channelled to such newspapers. This is discussed elsewhere in more detail.

It should be acknowledged that from the presentations to the PDMTTT it is apparent that many small publishers have had the benefit of some training, and that the AIP and the MDDA have done a lot in this regard, often supported by staff from the major print media groups who have participated in offering training or allowed small players to participate in their in-house training.

## ■ Big print groups

The status of transformation of the four major groups is a mixed bag. Whilst this section deals with skills development, there must be a link between skills development on the one hand and employment equity and management control on the other. In reviewing the BEE scorecards submitted by the four major groups, this link should be considered.

Firstly, two general comments should be made. There is no doubt that great progress has been made by print media, newspapers in particular, with appointments of a more representative work force and also with appointments of senior black managers, editors and the like. Whilst this change has been slower than expected, it must be acknowledged that these are well-trained, senior people and that they carry full responsibility. In this very competitive environment tokenism does not work. Secondly, the economic conditions and competitive issues of the past five years, as well as the growing impact of digital media, has led to significant job losses and downsizing in general. Budgets have come under severe pressure. This may have contributed to disappointing results as measured by the scorecards.

This having been said, the performance of the major players regarding skills development, employment equity and management control is disappointing, and in

some cases the latest scores are even lower than previous years. Gender equity at senior levels is also not good. It is not implied that no funding is made available for training – in fact two of the major groups (Caxton and Media24) have spent R50m on training black employees in the past year.

Nonetheless the scorecards reveal disappointing results. Out of a possible score of 15, Independent scored 5,08, TMG 7,57, Media24 9,38, Caxton 11,43 and M&G 8,03.

Without sufficient skills development, employment equity and management control through senior appointments will be slow. Transformation is not only about ownership. A transformed media must reflect this across all pillars of transformation as identified in the codes. These BEE scores show why there is a degree of frustration with the progress of the major groups. It does appear from the hearings that some of the groups have begun to increase their focus on skills development more recently.

## ■ SETAs

The fact that print media is split across two SETAs was identified as a problem since inception some three years ago, and again during presentations to the task team. It gives no comfort that, after all this time, one of the objectives of the FP&M SETA is to sign a memorandum of understanding with the Mict SETA with a view “to promote an integrated approach to the broader media sector by the two agencies”.

From data supplied, print media contributed 8% (R22 million) of the total contributions of R275 million received by the FP&M SETA. Comments from presenters did not give comfort that the system is working as a positive force and contributor to the industry. Given the focus on transformation, it is imperative that the SETA system is functioning optimally for this sector.

Community and small commercial publishers are not contributors to the SETAs. The system is impractical for small businesses which lack the ability to develop sophisticated training plans and courses, and at any event do not have the staff numbers to run such courses and claim funding from the SETAs. The SETAs are not in a position to contribute to skills development at this level, nor are they mandated to do so.

A positive development is the work done between Sanef and the SETAs to identify training needs. The industry is however developing and changing so fast that processes like these should not take a year or two. Particularly in the digital field, more speed and flexibility is needed.

## ■ Digital media

Developments in this field are happening fast, as discussed in Chapter 3. The norm seems to be that transformation and employment equity in this area are falling behind even in the large print media groups. Special attention may be required, and this should be a focus for the SETAs. In addition, small commercial print and community media are likely to be left far behind in the digital race unless relevant skills development opportunities are quickly made available.

## ■ Journalism

Formal training for journalists is readily available at some 14 universities, in addition to many other graduate courses which can lead to a qualification in journalism. What is needed are more internship opportunities at the big print media groups as well as small commercial publications. This has been singled out as a special need by Sanef.

## ■ Language

Community and small commercial media should ideally be available in the languages of choice of their readers. There is clearly a need for this as demonstrated by the growth of mainstream newspapers published in isiZulu. A growing number of small newspapers are developing into local language newspapers (see table). In some areas members of the local population are not able to read English newspapers. A problem, the task team was told, is that there are not enough journalists available who are able to write competently in the local languages including even isiZulu.

Perhaps schools and universities should take this into account in planning their courses. Newspapers can play a significant role in indigenous language development, including vocabulary, as demonstrated for example by the Afrikaans newspapers over many years. The growth of digital media will certainly open up vast new opportunities for local languages if there are writers available. This is a matter for the education authorities.

In addition to the need for journalists and writers who are able to work in local languages, there is a deepening concern with what is perceived as the declining standards of education and literacy in our schools. The question is whether young people of the future will be able to read newspapers easily, and whether they will have the reading skills to take advantage of the vast amounts of information that they will be able to access digitally.

### ■ Languages of AIP member titles per province

Province	E	E/A	B+	% B	Total
Eastern Cape	10	6	20	55.6%	36
Northern Cape	0	4	3	42.9%	7
Free State	4	3	12	63.2%	19
Mpumalanga	5	3	11	57.9%	19
Limpopo	5	7	8	40.0%	20
North West	1	4	6	54.5%	11
Gauteng	30	6	6	14.3%	42
Western Cape	10	10	6	23.1%	26
KZN	20	0	24	54.5%	44
<b>Totals</b>	<b>85</b>	<b>43</b>	<b>96</b>	<b>42.9%</b>	<b>224</b>

Publication languages of AIP member titles:

**Key:** E = English, E/A = English and Afrikaans, B+ = Black plus other languages, and %B = percentage of black language titles.

Source: AIP, June 2013

## ■ Print training

For many years the training of printers was done via the apprenticeship system with theoretical training given by technical schools and colleges. Some 15 years ago the theoretical training was taken over by a printing college run and financed by the printing industry. Since this college was closed, no formal print training is available.

Paarl Media have therefore developed the Paarl Media Academy of Print for apprenticeships in eight specialised trades as well as management and leadership development. This is a significant step and the possibility of this developing into a centre for more than just Paarl Media should be investigated.

## ■ Recommendations

- 1. Targets:** The major print media groups should score no less than 12 out of 15 on skills development, with a view to improving employment equity, management control and gender equity scores.
- 2. SETAs:** PDMISA should evaluate whether the industry is receiving sufficient value from the SETAs, and whether the current split between two SETAs is not detrimental to delivery of training in support of transformation. If it is found to be detrimental

tal, more intense lobbying of the Minister of Higher Education should be initiated.

- 3. Training needs:** PDMSA should lend support to the Sanef/FP&M SETA project to identify training needs and ensure training remains relevant.



# Socio-economic development

Socio-economic development is one of the elements of the BBBEE codes of good practice. It seeks to acknowledge companies for supporting initiatives that help beneficiaries gain sustainable access to the economy. It currently accounts for five points on the scorecard and is an element that the major print media companies have been successful in achieving, probably due to the fact that most companies already had established corporate social investment (CSI) initiatives.

The score for socio-economic development is based on the average annual value of contributions from the commencement date or inception date as a proportion of the average net profit after tax over the same period. Currently, the target stands at 1% of net profit after tax. All of the major players scored 100% on the scorecard. The data on Caxton's status regarding socio-economic development was still in discussion between the task team and Caxton at the time of writing this draft.

During the hearings the task team received presentations from both large and small print media companies about the CSI projects they are involved in.

## ■ Major players

Due to the decentralised nature of the groups and the number of titles, there are multiple projects not only at group level of each company but also at the level of individual titles. Some of the more important or well-known examples are mentioned below.

Media24's initiatives are centred on education and amounted to R21,5 million in value for 2010/11. It donated lapdesks to pupils in rural communities and supports Rachel's Angels Trust which provides mentorships and bursaries to Grade 12 pupils. Trusts run by Media24 have also issued shares in Phuthuma Nathi II to beneficiaries.

Times Media Group spent over R7,5 million in 2012 on their initiatives including the publication of Nalibali storytelling supplements and matric examination aid supplements.

Independent manages and supports a number of CSI projects, mostly directed towards providing assistance to children. They have adopted schools in Gauteng and Limpopo. Their flagship project is The Star Seaside Fund which gives children

the opportunity to visit the coast for the first time.

Each publication and branch under the Caxton umbrella undertakes various projects, including the provision of free and discounted advertising to worthy causes, but the focus is on sustainable development and the conservation of South Africa's natural heritage. Projects include the provision of media support to South African National Parks (SANParks).

Mail & Guardian's socio-economic development initiatives are varied. They range from "The Teacher", an independent education-focused monthly newspaper which they publish, to the sponsorship of various awards and recognition initiatives such as Greening the Future, Investing in the Future, 200 Young South Africans and their annual Book of South African Women.

## ■ Small publishers

Socio-economic development was also identified as an important factor by the community and small commercial publishers who gave submissions to the PDMTTT.

Some publishers identified the desire to improve literacy levels, especially among children, as a motivator in establishing their publications. Some of these distribute their surplus newspapers to schools in the community.

## ■ General

In as far as transformation is concerned, socio-economic development will continue to play a small, albeit important, role. It is difficult to fault the efforts of large companies in contributing to socio-economic development in the communities within which they operate.

## ■ Recommendations

1. **Digital focus:** Given the emphasis placed on education by most of the major players, it is recommended they explore the possibility of extending their initiatives into the digital space. Possible projects could include the provision of digital platforms (mobi, tablet and e-reader) with their educational materials preloaded to schools, the establishment of computer labs and sponsoring digital-based tutoring initiatives. Companies should sponsor career guidance sessions in schools so black students can specifically be exposed to careers in the digital media space.

# Extra attention

While previous chapters cover in some way all the issues that merit attention in shaping a transformation strategy for print and digital media, the PDMTT believes that some of these issues need to be further interrogated on their intangible yet critical implications.

## ■ Gender

Coming from a society that was extremely polarised in terms of race and colour, gender was one of the elements that apartheid indirectly used to further divide the country. While it was not specifically enacted as law, women were accorded a position lower than that of men. This manifested itself at the workplace and print media was not an exception to this.

In terms of the top and senior posts, from boardrooms to offices to newsrooms print media businesses were and are mainly the domain of men. Most editors are men and while women dot the newsrooms and other business offices they hardly set foot in the boardrooms and have virtually no presence at ownership and management levels. Therefore, gender should be an indicator of transformation in the main pillars as contained in the PDMTT terms of reference.

The marginalisation of women is a factor that prevents them from taking their rightful place and making a contribution based on their ability in the print media. Therefore this issue should be addressed as part of the strategy for transformation of the print and digital media.

The PDMTT makes the following recommendations:

- 1. Senior women:** That the major players adopt a strategy that will deliberately promote capable women to senior management levels.
- 2. Skills for women:** That the adopted strategy should empower women with the skills necessary for them to be considered for senior management responsibilities.
- 3. Gender targets:** That the adopted strategy sets specific targets that have to be met in all relevant areas of transformation as identified and accepted by

PDMSA (see recommendations under “management control and employment equity”, “digital media”, “preferential procurement and enterprise development” and “skills development”).

## ■ Disability

The print and digital media is seen in some quarters as not interested in people with disabilities especially when it comes to matters that affect the lives of these people. This lack of interest in covering and reporting on the activities of the disabled is also seen as the reason for denying people with disabilities the opportunity to play a meaningful role in the industry.

Disability has been used to unfairly discriminate and consequently deny people opportunity to take their rightful place in society and business. This was recognised by the authors of the country's generic codes and scorecard.

It was alarming to note, from the presentations, how little has been achieved by the major players in attracting people with disabilities. Being mindful of the specialised needs attendant to addressing this issue, the PDMTTT accepts that it did not have sufficient resources to delve much deeper into it.

The PDMTTT makes the following recommendations:

- 4. Consultations:** That the PDMSA consults with credible structures that represent people with disabilities in relation to providing opportunities for people with disabilities in terms of employment and coverage of their issues. They should put together a plan to address this lack of transformation in a holistic manner.
- 5. Disability audit:** PDMSA members should audit their work environments and staff complement to ensure that disabled-friendly environments are created which would facilitate employing more disabled people.
- 6. Disability target:** PDMSA members should commit to the target set by the code.

## ■ Language

South Africa has emerged from a past where two languages were legislated as official languages of communication. This had the dramatic effect of stymieing the development of the other languages with the result that these majority but marginalised languages did not evolve any further. In fact these marginalised languages fell prey to bastardisation as evidenced by fanakalo and other dilution as in tsotsi taal.

The new democratic dispensation elevated previously marginalised languages so now there are 11 official languages. While the country embraced this change, in-

stitutions have not really given any meaningful effect to the issue.

Most popular and high-circulation national titles are still either in English or Afrikaans. The scenario is the same in urban communities, where there is a mix of languages. In rural communities, where the black languages are predominant, publications are at best in a mix of languages of at worst only in English (see tables and details in Chapters 6 and 8).

This has been interpreted as a deliberate ploy to deny the unvoiced a say. If people are not given the opportunity to consume media in the language of their choice then they are denied a basic right that the constitution of the country guarantees.

The PDMTTT makes the following recommendations:

- 7. Promotion of languages:** PDMSA should commit itself to the promotion of all languages, especially the previously marginalised ones, specifically through encouraging the establishment of titles in the black languages or partnering existing ones.
- 8. Language skills:** PDMSA should collaborate with institutions that promote languages in order to encourage the development of skills necessary to publish in the other languages.

## ■ Research data

Research plays an important part in the media value chain. It is a monitoring mechanism that enables media to detect both positive and negatives trends and how they impact on the business.

It was alleged that some research methodologies were discriminatory and detrimental to the community and small commercial publishers. The PDMTTT invited specialist research institutions to cast more light on this subject. The AMF and Saarf shared useful information and insights.

The PDMTTT recommends:

- 9. Research:** Although research is a specialised area, the industry data gathered by industry bodies should be shared with the small print media (refer to recommendations in Chapter 5).



# Findings and recommendations

The task team, in reaching the findings and conclusions below, engaged in hearings and discussions premised on important issues around assessing transformation.

Firstly, it had to understand the extent to which transformation has already happened. It then looked at where transformation has not occurred and tried to understand why this was so. Then it looked at what could be done to ensure transformation happens in the near future. Finally it had to determine what mechanisms could be used to encourage transformation. In these discussions the issue of a transformation charter came up, both in calls for its need and in the opposition thereto.

After all its hearings and discussions, the team felt that a charter, without even entertaining the notions of its feared threats to media freedom, was not necessary. Instead, a full implementation of the BEE codes, which the industry professes to accept, would ensure transformation.

The team also took seriously into consideration the minimal impact on transformation which has occurred in some industries where charters have been adopted.

The team felt the full implementation of the BEE codes, and in some cases more than just the minimum of what the codes call for, would be sufficient to ensure transformation in the print and digital media industry.

However, it was important to the team that this would be based on there being a publicly accountable pressure mechanism to ensure adherence, which is in line with the constitutional provisions on media freedom. The print media companies would have to declare their transformation levels for public consumption.

The recommendations and findings below have therefore to be seen and understood in this light, but also taking into consideration that the aim is to generate a faster pace towards the great ideal of a free, independent and commercially viable print and digital media which reflects the hopes and aspirations of all South Africans.

The following factors also inform the findings and recommendations below:

- The print media industry is experiencing its most difficult time in decades. These changes have globally driven the industry toward greater consolidation and concentration of ownership. Concentration of ownership in South Africa is similar to

that in other countries. This is unlikely to change. The very nature of this industry is changing at a tempo which is not subject to control. New media are playing a bigger role in the dissemination of news and information, but these still mostly rely on print media revenues and news sources. On the other hand, the industry remains an important pillar of democracy and a driver of economic development.

- South Africa is not making adequate progress towards low-cost, broadband access, and is also falling into the urban/rural trap whereby rural communities are being left behind in the digital era. All levels of the industry are experiencing a lack of training and development on multimedia platforms, in particular training to address the business and technical challenges of these new platforms.
- Considerable changes have taken place in the transformation of the communications industry over the past two decades. The broadcasting industry has been transformed. Many new print media titles have appeared, mostly aimed at black readers. The readership of the older mainstream titles has changed dramatically, reflecting changes in content. There are many black journalists and editors of important titles. New community and small commercial publishers are starting businesses, mostly black-owned. All these are results of the new dispensation and the policies designed to encourage transformation and the emergence of new players whose entry would ensure diversity of voices. Until this year, however, little real progress was made regarding transformation of print media ownership of the major players. However, Independent and Media24, representing more than 50% of the industry in circulation and revenue, are now fully compliant with the BBBEE codes with regards to ownership.
- The BBBEE scorecards of all four groups, as well as Mail & Guardian, have shown rather poor results for some of the other areas of transformation, particularly over recent years.

Therefore, given the role of print media as mentioned above, it is clear that the industry needs to make more concerted efforts and achieve more visible progress towards transformation.

## ■ Ownership

**Key finding:** Until this year, the print and digital media ownership scenario of the major players has hardly been dented by transformation. However, Sekunjalo Independent Media's purchase of Independent this year is a major change to this picture. Independent and Media24 are now compliant with the BBBEE codes with regards to ownership. The other major players have not made any progress. There is also



negligible black ownership in medium-sized companies, particularly magazines. There is a slowly increasing number of newspaper titles owned by black community and small commercial publishers.

### Recommendations:

1. **Target:** All PDMSA members must individually meet the generic scorecard ownership target of 25% plus 1 or the full points of 20 within three years. It is important that this commitment on ownership be met.
2. **Shareholders:** PDMSA should continue to create opportunities for black ownership to be entrenched by ensuring that black shareholders have a role in determining the direction and discipline of the companies in which they hold shares, especially within the major players.
3. **Shares:** PDMSA should partner with the JSE to embark on a campaign to encourage black people to acquire shares in listed print media houses, which would facilitate transformation of those companies.
4. **Co-ops:** Where feasible, PDMSA should encourage and assist community and small commercial publishers to establish printing and/or distribution co-ops. This development can be facilitated through a dedicated fund.

## ■ Digital media

**Key finding:** Digital media is the game-changer for the transformation of the news media. This demands commitment by both government and industry to provide: 100% broadband penetration, reduced costs and skills development.

### Recommendations:

1. **Broadband:** The delays that have plagued the broadband rollout and the turnover of ministers in the Department of Communications (DOC) have stunted the expected growth of digital. The 100% penetration by 2020 has to be met if the country is not to lag behind in news provision for the people. It is recommended that PDMSA actively advocate for government to meet the 2020 deadline.
2. **Skills:** Digital skills are still in development and there is a need for a centre to impart these skills. PDMSA should take the lead in ensuring that digital business and technical skills are taught. This centre should include scholarships for community and small commercial publishers and have a special focus on training women.
3. **Mentoring:** The industry needs to proactively do digital business job shadowing,

internships, mentoring and on-the-job training across multi-media platforms.

4. **Packaging:** In South Africa, 117% of people have mobile phones. By contrast mobile penetration is 103% in the USA and 123% in the UK. Kenya, considered the silicon valley of Africa, only counts 73% of the population as mobile users. With careful packaging, cell phones can lead community, local and national news. By following the DSTV example where they have kick-started a new wave of satellite television through careful choice of content, price containment packaging and promotion, the media can devise strategies that will package news via digital to reach all readers on the platform and in the language of their choice.
5. **MDDA:** PDMSA must recommend that MDDA include digital media as a priority area, with some of its budget being moved to digital training which cuts across the print and broadcast divide. This would allow small publishers and community broadcasters to produce digital content and then benefit from advertising and exposure on these platforms.
6. **SETAs:** PDMSA must work with the SETAs to produce a set of qualifications for digital media, particularly for business skills, community publishing, management and sales.

## ■ Management control and employment equity

**Key finding:** Progress in increasing the representation of black people, women in particular, is disappointing especially at senior levels. Boards are still dominated by white men. The major print media companies have failed to prioritise management control and employment equity within their operations.

### Recommendations:

1. **Targets:** At least half of all board participants must be black and half of these must be women. This target should be achieved within three years.
2. **EE plan:** PDMSA should commit to a plan which sets out clear annual targets to ensure employment equity in all areas of the businesses, including top management, with a specific focus on the digital space and women as well as the employment of people with disabilities.
3. **Skills:** Investment in training as well as the companies' workplace skills plans should reflect and align with the employment equity plan.

## ■ Revenue streams

**Key finding:** Community and small commercial publishers are finding it difficult to secure sustainable advertising revenue. High levels of mistrust exist, fuelled by alleged anti-competitive behaviour, lack of information and misconceptions around the role of industry bodies.

### Recommendations:

- 1. Building trust:** The major players should establish internal mechanisms to ensure fair competition where titles compete with community and small commercial publishers. Channels should be established for small competitors to register complaints at a senior level. The importance of the diversity provided by small media should be considered carefully by the major players before entering into new areas. PDMSA should work on industry solutions. The current mistrust based on real or perceived experiences should be rectified.
- 2. Representation:** PDMSA and AIP should investigate and find methods to ensure every community and small commercial newspaper that meets minimum requirements has national advertising sales representation including at national government level. PDMSA should consider additional funding for the AIP specifically for this purpose as well as the facilitation of training opportunities. PDMSA and AIP should facilitate a meeting with the AMF and develop a suitable plan. During presentations the AMF indicated a willingness to enter into discussions with community and small commercial publishers to facilitate advertising sales where possible, so this should be followed up.
- 3. Provincial government support:** PDMSA has over the years proven its commitment to advancing media access and diversity through its annual contributions to the MDDA. Provincial governments must support small commercial and community newspapers with adspend. Given the importance of growing voices in local and regional spheres, the PDMTTT believes provincial governments should also each contribute R1 million p.a. to the MDDA to fund new print and digital media projects.
- 4. Information:** The PDMTTT found widespread mistrust, ignorance and confusion about the roles of industry bodies such as ABC, Saarf, AMF and DMMA, with small publishers believing these operate in the interests of the major publishers. PDMSA should encourage these bodies to reach out to community and small commercial newspapers to provide basic orientation training on their roles and usefulness. An AIP representative should be included on the ABC auditing sub-

committee. AIP should liaise with Saarf to see if they can attend some of the relevant meetings. The AAA school and MDDA initiative in creating a “Community and Small Commercial Media Course” should be popularised.

## ■ Market challenges for emerging media

**Key finding:** Some transformation of the mainstream print media has occurred, with the launch of new mainstream papers and increased black readership. However, there is still a need for more diverse media: more community and small commercial print and digital media, and more media in black languages.

### Recommendations:

1. **Market information:** The small publishers need to know about and have access to market information and understand the processes used to gather this type of intelligence: from reader demographics to reach and everything in between. PDMSA should encourage the relevant industry bodies to reach out to small publishers (see recommendation 4 in previous section), provide this information and assist them on how to advance their own businesses.
2. **New products:** There is a need for publications in more black languages. PDMSA may be able to play a role in producing research that would help entrepreneurs make informed business decisions in this regard.
3. **New digital products:** These are also essential. There is a need for new news products, in particular local and community news, and educational materials (see recommendations under “digital media”).

## ■ Preferential procurement and enterprise development

**Key finding:** The major players all met their enterprise development targets. Preferential procurement scores were more varied. There are opportunities to link efforts in these areas to helping to build the businesses of community and small commercial publishers.

### Recommendations:

1. **Partnerships:** The major players could consider entering into more partnerships with small publishers, particularly women, in which they take a minority share. They can provide training and logistical support, and earn income from printing

and advertising sales. The credibility of such partnerships would be enhanced if the independent partner has the right to buy out his partners eventually.

- 2. Discounts:** The major players should give the benefit of group printing discounts to community and small commercial publishers who group together to negotiate this.
- 3. Internships:** The major players should take in interns, particularly women, from the community and small commercial media across all areas of the business. Business skills are essential and are in short supply.
- 4. Alternative printing:** PDMSA and AIP should raise with Printing SA the idea of an enterprise development project set around the acquisition and usage of flat-bed printers. These are inexpensive and viable for small print runs, thus may be suitable for community and small commercial publishers particularly in rural areas.
- 5. Digital:** PDMSA should help community and small commercial publishers to move into mobile as a news business given its low barrier to entry and wide reach. This should include lobbying for broadband access throughout the country (see recommendations under “digital media”).
- 6. MDDA:** As MDDA nears its 10th anniversary, this is a good time to evaluate whether the MDDA model is showing sufficient results in terms of its mandate. Based on the outcomes, PDMSA can review the nature of its continued involvement.

## ■ Skills development

**Key finding:** The performance of the major players regarding skills development is dismal. In some cases scores have even dropped from previous years. Without sufficient skills development, employment equity and management control through senior appointments becomes slow. This performance explains why there is a degree of frustration with the progress of the major groups.

### Recommendations:

- 1. Targets:** The major print media groups should score no less than 12 out of 15 on skills development, with a view to improving employment equity, management control and gender equity scores.
- 2. SETAs:** PDMSA should evaluate whether the industry is receiving sufficient value from the SETAs, and whether the current split between two SETAs is not detrimental to delivery of training in support of transformation. If it is found to be detrimental, more intense lobbying of the Minister of Higher Education should be initiated.

- 3. Training needs:** PDMSA should lend support to the Sanef/FP&M SETA project to identify training needs and ensure training remains relevant.

## ■ Socio-economic development

**Key finding:** All the major companies have achieved maximum scores on the score-card for socio-economic development.

### Recommendations:

- 1. Digital focus:** Given the emphasis placed on education by most of the major players, it is recommended they explore the possibility of extending their initiatives into the digital space. Possible projects could include the provision of digital platforms (mobi, tablet and e-reader) with their educational materials preloaded to schools, the establishment of computer labs and sponsoring digital-based tutoring initiatives. Companies should sponsor career guidance sessions in schools so black students can specifically be exposed to careers in the digital media space.

## ■ Extra attention

**Key finding:** Insufficient progress has been made with regard to gender equity by the major players. Little or no effort is made to employ disabled people, which is a seriously disadvantaged group. There is no evidence of attempts at innovation regarding any black language besides isiZulu. Small publishers have inadequate access to industry research that could help develop their businesses.

### Recommendations:

- 1. Senior women:** That the major players adopt a strategy that will deliberately promote capable women to senior management levels.
- 2. Skills for women:** That the adopted strategy should empower women with the skills necessary for them to be considered for senior management responsibilities.
- 3. Gender targets:** That the adopted strategy sets specific targets that have to be met in all relevant areas of transformation as identified and accepted by PDMSA (see recommendations under “management control and employment equity”, “digital media”, “preferential procurement and enterprise development” and “skills development”).
- 4. Consultations:** That the PDMSA consults with credible structures that represent

people with disabilities in relation to providing opportunities for people with disabilities in terms of employment and coverage of their issues. They should put together a plan to address this lack of transformation in a holistic manner.

5. **Disability audit:** PDMSA members should audit their work environments and their staff complement to ensure that disabled-friendly environments are created which would facilitate employing more disabled people.
6. **Disability target:** PDMSA members should commit to the target set by the code.
7. **Promotion of languages:** PDMSA should commit itself to the promotion of all languages, especially the previously marginalised ones, specifically through encouraging the establishment of titles in the black languages or partnering existing ones.
8. **Language skills:** PDMSA should collaborate with institutions that promote languages in order to encourage the development of skills necessary to publish in the other languages.
9. **Research:** Although research is a specialised area, the industry data gathered by industry bodies should be shared with the small print media (refer to recommendations under “revenue streams”).

## Overall BBBEE status

The PDMTT recommends that print media use the transformation targets set out in this report, even in areas where these targets might coincide with or vary from the BBBEE code.

The companies must achieve at least a minimum of Level 4 Contributor status on the current scorecard in 3 years. If the PDMTT’s recommendations are all implemented, companies could reach Level 2.

## Implementation and monitoring

It is recommended that PDMSA announces what the targets are and make a commitment to meeting them.

Within each company, the monitoring of transformation progress should be done by the Social and Ethics Committee (in terms of section 72 of the Companies Act, read with Companies Regulation 43) of the board, or a similar board subcommittee for those companies who do not fall under this regulation.

On an annual basis PDMSA should collate the company information and announce the status of the industry towards achieving those targets.





# Print and Digital Media Transformation Task Team Terms of Reference

**25 September 2012**

## 1. Background

The history of South Africa is one of subjugation of one race by another, of the oppression and abuse of the majority by a minority. It is also a history of heroic struggles to free all from the vestiges of colonialism and race-obsessed policies.

These struggles were based on a need to free the unfree, to overthrow the racist system and to create instead a nation equal in all respects. The advent of victory in the early 1990's brought hope that a new society would be built and emerge from the ashes of this ignominious past.

Such a new society can however only come about through proactive actions in all sectors of society designed to redress the imbalances of the past. The media, as a key pillar in nation building, had played a key role in both propping up the apartheid regime and system, and also in fighting it.

Thus, efforts to transform the South African society have to include transformation of the media in all its facets. This would include issues such as ownership, distribution, diversity of views, skills and the languages of publications.

In recognition of this, and in line with the national priorities of transformation, Print and Digital Media SA, formerly Print Media SA, have called on a group of people to form the Print and Digital Media Transformation Task Team. The PDMTTT is chaired by Nkwenkwe Nkomo.

It will take submissions from industry players and identified stakeholders and then produce a report which will form the blueprint for transformation of print and digital media in the country.

## 2. Objectives

To assist the industry to develop a common vision and strategy for transformation.

The First Objective of the PDMTT is to research, study and make findings on transformation of all areas of print and digital media, for mainstream, small commercial and community media. It will look at quantitative indicators such as:

- Ownership
- Management control and employment equity
- Skills development
- Preferential procurement and enterprise development
- Socio-economic development

It will look at qualitative indicators relating to diversity of media ownership including:

- The low levels of black ownership within many large media groups
- The extent to which concentration and market power results in anti-competitive behaviour that blocks new entrants
- The need to develop new media products for regions and communities

The Second Objective of the PDMTT is to recommend areas of transformation, methodology of implementing transformation, targets and the mechanism to monitor and enforce transformation as well as sanctions for non-compliance.

The process for the finalisation of the recommendations will be completed by the end of April 2013.

### **The Action Plan of the PDMTT:**

1. Desktop and other research of the state of the industry in relation to transformation.
2. Review of relevant legislation and applicable codes for the industry.
3. Submissions by industry players and identified key stakeholders.
4. PDMTT writes and edits draft Report.
5. Discussions with industry players.
6. Produce final Report.
7. Release the findings and recommendations for transformation and possible other additional measures if deemed necessary. These could include making a recommendation on the place and need for transformation in a democracy in which freedom of the press and editorial independence, diversity of voices and access to information by all are key to the realisation of full citizenship and protection of human dignity as contemplated in the Constitution.

### 3. Scope

The PDMTTT has a transparent mandate to research transformation and recommend the best practice for SA and how this should be implemented, monitored and enforced. Its mandate is specific to the print and digital media but reference may be made to electronic and broadcast media if and when relevant. The indicators to be looked at are:

- Ownership
- Management control and employment equity
- Skills development
- Preferential procurement and enterprise development
- Socio-economic development
- Other industry-related areas

These will be looked at across all areas of the industry, including content, advertising, printing and distribution. This will be in relation to newspapers, magazines and digital, for mainstream, small commercial and community publishing (through their industry bodies).

It should also define what transformation is and set threshold and benchmarks for transformation with regard to staffing, turnover, enterprise development and areas of focus for same. It should also determine whether such benchmarks should be lower or higher than the generic codes benchmarks.

### 4. Projection and Funding

The PDMTTT will consist of seven members, of which a quorum will be four members.

The PDMTTT must aim to complete its assignment within 6 to 7 months.

The PDMTTT's expenses and fees will be disbursed through the PDMSA but managed through the Project Director.

### 5. Roles and Responsibilities

The Chairperson will set out the budget deliverables and activities and these will be approved by the PDMTTT.

The PDMTTT will assign responsibilities to staff and will be responsible for the issuing of reports.

## 6. Reporting

The Project Director will submit regular updates about the PDMTT's progress, as well as about funds and the resources required, to the PDMSA.

## 7. Key Milestones

### First month:

- Appoint PDMTT Chairperson and other members
- Confirm terms of reference and formulate implementation procedure
- Develop and approve detailed review plan with resource and research requirements and budgets

### Second and Third months:

- Desktop and other research of the state of the industry in relation to transformation
- Review relevant legislation and applicable codes for the industry

### Fourth and Fifth months:

- Submissions and Presentations by industry and identified key stakeholders

### Sixth and Seventh months:

- Draft the Report, second round of consultations, finalisation and release of Report

## 8. Costs

The PDMTT assisted by the Project Director and PDMSA will agree on a budget for the following expenses:

- Professional fees
- Travel, car hire and accommodation
- Incidental expenses
- Administrative support and services
- Staging of hearings
- Incidental costs

# Members of the Print and Digital Media Transformation Task Team

### **Nkwenkwe Nkomo – Chairperson**



He is chairman of Draftfcb South Africa, chairman of the Advertising Standards Authority of South Africa (ASA), chairman of the AAA School of Advertising and chairman of Marketing Advertising Communication South Africa (MAC SA). He also serves on the board of Sibikwa Arts and is a member of Inqanawwe Steering Committee.

### **Neo Bodibe – Spokesperson**



She is the head of the National Union of Metalworkers of South Africa's (Numsa) Policy and Research Institute. She has held positions at the Presidency's Policy Co-ordination and Advisory Services Unit and at the Competition Commission. Her areas of interest and experience include public policy, economic development, political economy and competition policy.

**Anastacia Martin**



She is the founding head of the Digital Media and Marketing Association (DMMA) Education and Transformation project. She has spent 20 years in media with leadership positions at BDFM, Sunday Times, Sowetan and Ster Kinekor. She is presently the publisher of both print and online for the Mail & Guardian Group and a board member of PDMSA

**Jan Malherbe**



He has extensive experience in print media. He was CEO of Media24 Newspapers, and a director of Media24 and many group companies as well as industry bodies such as SAARF, ABC, SAPA (chairman) and PDMSA (President and Fellow). He received the highest award in the Naspers group (Phil Weber award). Now retired, he retains some interest in print media as non-executive chairman of CT Media.

# Print and Digital Media Transformation Task Team staff

**Mathatha Tsedu** – Project Director



**Elizabeth Barratt** – Researcher and editor



**Nomasiko Ndebele** – Administrator







# List of submissions

### Submissions register:

1. Advertising Media Forum (AMF)
2. African National Congress (ANC)
3. Alex Pioneer
4. Association for Communication and Advertising (ACA)
5. Association of Independent Publishers (AIP)
6. Azanian People's Organisation (Azapo)
7. BDFM Publishers (Pty) Ltd
8. Bushbuckridge News
9. Cape Flats News
10. Capro (Pty) Ltd
11. Caxton and CTP Publishers and Printers Limited (CTP Limited)
12. Centre for Economics Journalism in Africa (CEJA)
13. Competition Commission of South Africa
14. Congress of South African Trade Unions (Cosatu)
15. Cosmo City Chronicle
16. Democratic Alliance (DA)
17. Die Horison
18. Dumile Mateza
19. Eastern Cape Communication Forum (ECCF)
20. EC Today
21. Education, Training and Development Practices SETA (ETDP)
22. Fibre Processing and Manufacturing SETA (FP&M)
23. Genderlinks
24. Highway Africa
25. iLanga
26. Independent Media Trust and Media Workers' Association of SA (Mwasa)
27. Independent News & Media South Africa
28. Inner City Gazette

29. KZN News
30. Leseding Media
31. LiN Media
32. Lowveld Bulletin
33. Mail & Guardian Media Ltd
34. Mamas and Papas
35. Maputaland Mirror
36. Media Development and Diversity Agency (MDDA)
37. Media Information and Communication Technologies SETA (Mict)
38. Media Monitoring Africa (MMA)
39. Media Policy and Democracy Project
40. Media24
41. Milele Group
42. Muslim Views
43. National Council of Trade Unions (Nactu)
44. Ngofo News
45. Pan Africanist Congress of Azania (PAC)
46. Right2Know (r2k)
47. Seipone
48. Shellique Carby
49. Skawara News
50. South African National Editors' Forum (Sanef)
51. The Eye News
52. ThisAbility
53. Times Media Group (TMG)
54. UmAfrika
55. Zithethele
56. Ziwaphi News

# Broad-Based Black Economic Empowerment

The Broad-Based Black Economic Empowerment Act and the BEE strategy document of South Africa serve as guideline and driver for developing Codes of Good Practice that describe measurement criteria, targets, audit requirements and definitions.

The aim of the Act is: "To establish a legislative framework for the promotion of black economic empowerment; to empower the Minister to issue codes of good practice and to publish transformation charters; to establish the Black Economic Empowerment Advisory Council; and to provide for matters connected therewith." (taken from Act 53/2003)

The Broad-Based Black Economic Empowerment Act (53/2003): Codes of Good Practice on Black Economic Empowerment was gazetted on 9 February 2007. It was put in place to replace earlier editions of the Act. The transitional period between narrow-based BEE and broad-based BBBEE expired in 2008.

## ■ Objectives of the Act

The objectives of this Act are to facilitate broad-based black economic empowerment by:

- a) promoting economic transformation in order to enable meaningful participation of black people in the economy;
- b) achieving a substantial change in the racial composition of ownership and management structures and in the skilled occupations of existing and new enterprises;
- c) increasing the extent to which communities, workers' cooperatives and other collective enterprises own and manage existing and new enterprises and increasing their access to economic activities, infrastructure and skills training;
- d) increasing the extent to which black women own and manage existing and new enterprises, and increasing their access to economic activities, infrastructure and skills training;
- e) promoting investment programmes that lead to broad-based and meaningful participation in the economy by black people in order to achieve sustainable de-

- velopment and general prosperity;
- f) empowering rural and local communities by enabling access to economic activities. land, infrastructure, ownership and skills; and
  - g) promoting access to finance for black economic empowerment. (taken from Act 53/2003)

## ■ The measurement of BBBEE

Broad-Based Black Economic Empowerment is currently measured using seven pillars, each with a relative weighting. This is referred to as the “generic scorecard”. The scorecard is due to change in 2014.

### **Direct Empowerment:**


- 1. Ownership – 20%
- 2. Management – 10%

### **Human Resources Empowerment:**

- 3. Employment Equity – 15%
- 4. Skills Development – 15%

### **Indirect Empowerment:**

- 5. Preferential Procurement – 20%
- 6. Enterprise Development – 15%
- 7. Socio-economic Development – 5%

A stylized sunburst logo consisting of several short, radiating lines of varying lengths and colors (grey, blue, yellow, pink) emanating from a central point.

print  
and  
digital  
media

TRANSFORMATION TASK TEAM