Chapter 3

Twenty years of SA media ownership (1994-2014)

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Overview

The powerful political and economic forces that have reshaped the media ownership landscape in the first twenty years of South African democracy are hard to disentangle.

There is no doubt, however, that political pressure for racial ownership transformation, finding its expression in the initially voluntary policy of black economic empowerment (BEE), together with renewed foreign investment (by foreigners investing money into the South African media and South Africans investing in media elsewhere in the world) helped to cause a seismic shift in a landscape that was for decades static – a publicly owned but only nominally independent broadcast sector set against a privately owned and highly concentrated print sector, with Afrikaans and Nationalist Party-supporting newspapers backing apartheid policies and the English-language press mostly opposing apartheid without espousing radical change.

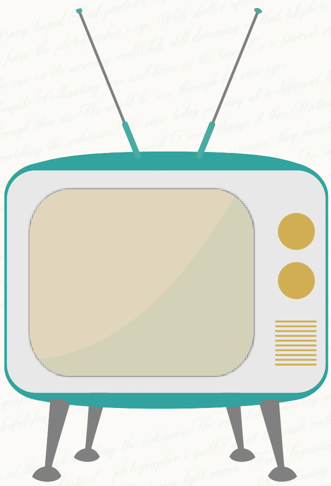
This stand-off seemed set in stone, so much so that in their influential 1984 book, *Total Onslaught: The South African Press Under Attack,* Hachten and Giffard saw the roots of the polarity in colonial times, with the arrival of the first press in South Africa. Writing when they did, they could not envisage anything other than a partisan press in South Africa, and one that was characterised by a conflict between the state and the press.

> The continuing gulf between the population groups has meant that the country's newspapers have never outgrown the stage of a highly partisan press … So conflict between the government of the day and the newspapers has been inevitable.

The lack of media dynamism in the private sector during the apartheid years was reflected in the racially discrete consumption of news as well as the almost total white ownership of the production of news and its lack of diversity. In the public sector, a state monopoly froze out most private sector innovation, with the exception of those who could exploit the homeland system – for example, Radio 702 which, in the 1980s, broadcast from the Bophuthatswana bantustan to Gauteng, and Capital Radio in the Transkei.

As 1994 dawned, the media had been controlled for decades by white interests or by the government of the day – the only innovation represented by the anti-apartheid alternative press which would diminish at the end of apartheid as democracy slowly staunched the supply of funds for 'oppositional' or 'progressive' non-profit organisations. An early casualty was the Afrikaans publication *Vrye Weekblad,* which closed in January 1994. Added to the withdrawal of mainly foreign funding, the loss of senior journalists from alternative media to the better-paying mainstream media, and the sense of a lack of purpose now that democracy had arrived, contributed to the closure of *South, New Nation* and others, including the alternative news agency, the Eastern Cape News Agency. None of the major alternative publications survived, save the *Weekly Mail,* in the form of the *Mail & Guardian,* which staked out a space for itself in the mainstream print media.

In 1994 the press remained a duopoly. The English-language press was controlled by Anglo American and limited in competition by cross-holdings, whereas the Afrikaans-language press similarly seemed monolithic. The South African Broadcasting Corporation (SABC) had a monopoly on broadcasting in the Republic of South Africa (as defined by apartheid) – excluding the homelands where the loophole opened up by the apartheid system was soon exploited by competing independent media. However, these were limited in scope by their distance from major urban areas, which made the physical business of transmission difficult. Except for Radio 702 and Bophuthatswana TV (Bop TV), there was little competition to the SABC, which also owned the signal distributor Sentech. Bop-TV remained an independent entity, but was absorbed into the SABC in the 1990s, while Radio 702 grew to become a successful commercial radio station and the kernel of the media company Primedia.



There were four big media groups in 1994, mostly print-based but with a small interest in the nascent electronic media: Times Media Ltd (TML); the Argus Group; Nasionale Pers; and Perskor. Over the two decades, TML, which was born out of the South African Associated Newspapers (SAAN) group, would be renamed Johncom, then Avusa, and finally Times Media as in the Times Media Group (TMG). The Argus Group would be renamed Independent Newspapers SA and then Independent News and Media SA. Nasionale Pers would be formally renamed Naspers.

In 2014 there are still four big media groups although they have undergone big shifts in ownership and influence: Naspers, TMG and Independent News and Media still exist, while Caxton-CTP replaced Perskor, whose assets it had acquired. Changes in the ownership of the media should be seen not only in the political and economic context but also in the commercial and environmental contexts. The environment in which the press operated has changed dramatically during the two decades with the transfer of advertising revenue from print to broadcasting, specifically TV (which had already begun before 1994) continuing apace. An astonishing decline in newspaper circulations started just after the 1994 election (Hadland 2006: 11), and this has continued in the following two decades, with declining revenues in print that were not being made up by their online offerings (Politicsweb 2013).

In 1991, according to advertising research conducted by Omnicom Media Group (OMD), 22 daily newspapers were published in South Africa, and that number had not changed by mid-2013, whereas the number of major weekly newspapers had increased by three to 28. Consumer magazine titles at 600 and business-to-business publications at 640 had both more than doubled in the same period, although this growth, according to Hadland, could be ascribed to the 'rapid development of the niche, client magazine or contract publishing sector'.

The rise of mostly free and alternative streams of news and entertainment on the Internet is often cited as the cause of the decline, although the causes may be complex and may include cutbacks in newsrooms. Whatever the case, traditional newspapers have inexorably been losing advertising revenue to broadcasting. The threat of TV adspend moving from print to TV motivated the decision in the 1980s to allow the big four newspaper groups to hold shares in a new venture, the Electronic Media Network, or M-Net, the seed of what was to become the MultiChoice satellite network.[4]

In 1991, print publications commanded half of all advertising spend while radio and TV had 46 per cent between them. By the middle of 2013, radio and TV had around 64 per cent, and total print was left with 29 per cent, with most of the growth in TV rather than radio, but definite declines in print (see Table 1).

In 1994, the SABC dominated the airwaves, except for homeland-based radio and TV (notably Radio 702 and Bop-TV). By 2014, the SABC was challenged in English-language broadcasting by several radio stations, such as Radio Highveld, that were privatised from the SABC, mostly in the late 1990s and specifically to stimulate diversity and black ownership. There was a lull after that, until a renewed spate of licensing in 2007 brought further competition in the form of Capricorn, m-power and, more recently, Power-FM. In TV, the SABC had a new commercial competitor in the form of e-tv, ultimately controlled by a black empowerment company, Hosken Consolidated Investments (HCI). More importantly the privately owned

Table 1: Share of above the line advertising expenditure

	1991	2004	mid-2013
Total print	50.2m %	39.6 %	28.7 %
TV	35.1 %	39.6 %	48.0 %
Radio	10.8 %	13.2 %	15.6 %
Total broadcasting	45.9 %	52.8 %	63.6 %
Source: OMD Media Facts			

pay-TV satellite platform MultiChoice had eaten into the SABC's viewership and even its advertising revenue.

The first South African democratic election of 1994 heralded the dismantling of legislation which was part of the vast mechanism of media censorship control, such as the Internal Security Act, 1979 (Act 32 of 1979). Some apartheid-era anti-free speech laws, such as the National Key Points Act, 1980 (Act 102 of 1980) stayed on the statute book, but fell into disuse or were counter to the new, liberal Constitution. Democracy also meant a new interest by foreign investors who, after years of disinvestment, saw opportunity in South Africa as it reintegrated with the world economy. With normalisation came the desire – in all realms, including media – for racial redress for apartheid's exploitative economic and political exclusion; and civil society began to agitate for greater diversity in, access to, and production of news.

What constitutes 'control' is not always a straightforward calculation.

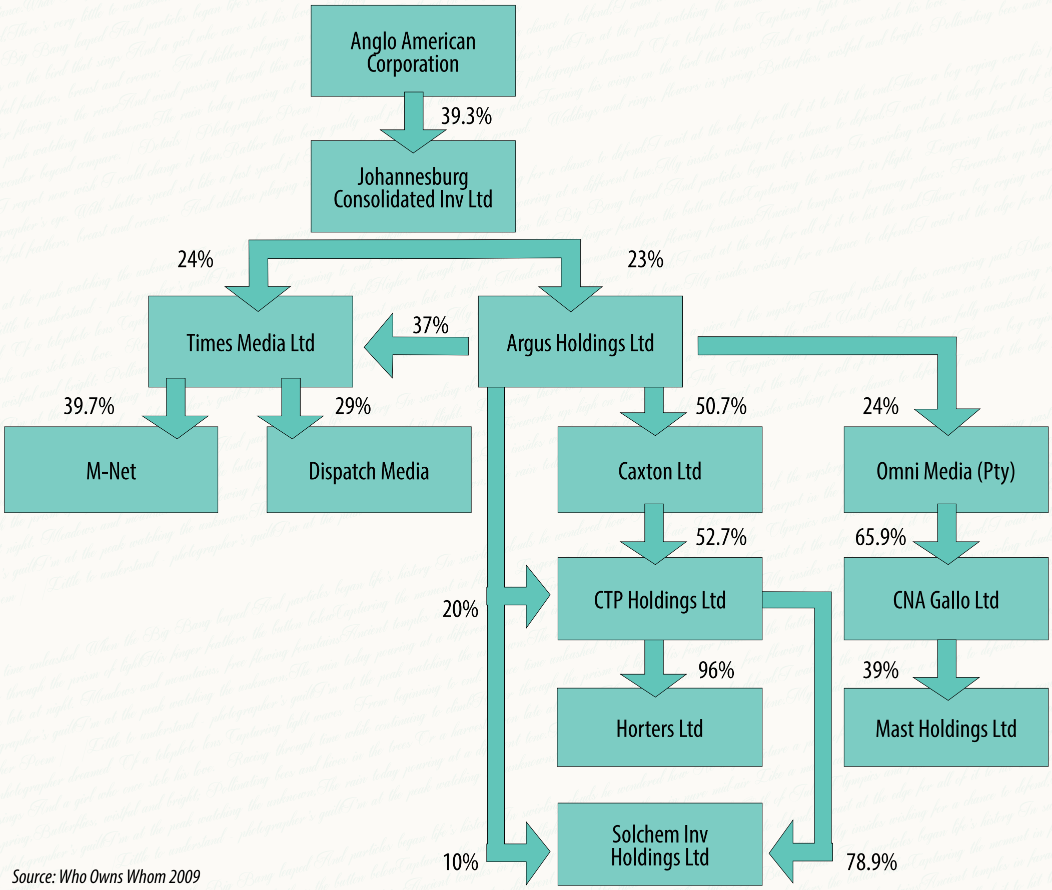
The shake-up in media ownership was aided by the enthusiasm of investors for de-conglomeration or 'unbundling' of the conglomerates that had dominated business in South Africa, their growth aided by years of disinvestment. As Andrew McGregor of *Who Owns Whom* has noted, in 1990 South Africa's three largest investment groupings, Anglo American, Sanlam and Old Mutual, between them controlled three-quarters of the market capitalisation of the Johannesburg Stock Exchange. By 2009, that figure had fallen to 25 per cent. Large modern South African companies tend to have a spread of passive shareholders, with no large investor holding any sizeable portion, although the Government Employees Pension Fund (GEPF), through the Public Investment Corporation (PIC) and by virtue of the massive amount of funding it invests, is often the biggest shareholder.

The desire to unlock value trapped in the subsidiaries of sprawling conglomerates, especially Anglo American Corporation, coincided with the wish to introduce diversity of ownership and control. What constitutes 'control' is not always a straightforward calculation. A discussion paper by the Independent Communications Authority of South Africa (Icasa) – which regulates electronic communications, including broadcasting – has tackled this issue in relation to regulating stakes in broadcasters. Fifty per cent plus one share is sometimes taken to constitute control, but the discussion document numbers at least four categories of control, ranging from 100 per cent to control of proxy votes by management with little visible ownership. In any event, it is clear that control can be exercised by one shareholder with greater voting rights than any other shareholder. The Anglo American chairperson, Harry Oppenheimer, was said to control the giant corporation with only eight per cent of the voting rights.

The dominance of Anglo American in the South African Press, through its subsidiary Johannesburg Consolidated Investment (JCI) Ltd, is dramatically illustrated in Diagram 1, from 1992. Particularly noteworthy is the 37 per cent cross-ownership of Argus Holdings in

TML, which made any real competition between the two groups problematic: if Argus (later to become Independent Newspapers) gained circulation at the expense of TML it would harm its own profitability.

Diagram 1 – The old ownership order (1992)



Source: Who Owns Whom 2009

Foreign direct investment (FDI) and Anglo unbundling

In 1994 the Dublin-based Independent Newspapers (ING) group – later to be renamed Independent News and Media (INM) – bought 31 per cent (a sizeable stake) of the Argus Group from JCI. Anglo American had started to follow the worldwide trend of unbundling ownership of non-core assets to shareholders, and the newspaper groups were the least compatible with the corporation's core business of mining.

Moreover, they had, as *Who Owns Whom* founder Robin McGregor noted, writing in the July 1994 issue of the *Rhodes Journalism Review*, the greatest 'nuisance value' of the non-core investments because of the political nature of the press. Surprisingly, the Irish investment elicited little debate about the externalisation of control to a foreign investor of a major source of political influence. Researcher Sean Jacobs (1999) commented on the deal: despite this major upheaval in the South African media – which in one fell swoop plunged South Africa into the politics of globalisation and multinational media corporations – there is virtually no serious public debate regarding the influence of foreign press ownership on the nature of political debate in South Africa.

McGregor (1994) contrasted the deal with regulations that prevented more than 20 per cent foreign ownership of a radio licence, but he was the exception in questioning the sale to foreign interests. Instead, political motive was seen by conservative commentators in the mainstream press. Before the democratic elections, the ANC president and soon-to-be first President of the democratic era, Nelson Mandela, had given his blessing to the sale. Tony O'Reilly, INP's CEO, had reportedly become friendly with Deputy President Mbeki and with President Mandela, who had been a guest of the Irish tycoon in the Bahamas. The sale was also seen to be a way of ensuring that in the run-up to the elections the Argus group would support the ANC or even propagandise for it. Martin Williams (1994), writing in the *Witness*, supposed that the new owners would ensure that editors of the Argus newspapers would be favourable to the ANC: '… you can expect Mandela's friend to have his way with the bulk of South Africa's English newspapers. For the ANC it is a brilliant coup.'

But being positively disposed to foreign investment did not mean that President Mandela exempted the Argus in his attack on the press in his 16 December 1997 address to the ANC's 50th National Conference, in which he argued that '… the bulk of the mass media in our country has set itself up as force opposed to the ANC'.

After the initial acquisition, the Irish company quietly added to its interests in the Argus, so that in 1999 it transpired that minority interests only comprised 24 per cent. In April 1999 the Irish holding company bought out the minorities and delisted the company, taking it out of the public spotlight, a move undesirable because transparency of ownership can be considered vital for press freedom.

In the years between 1994 and 1999, the South African arm of the Independent seemed to prove the wisdom of the investment, launching the *Independent on Sunday* as a quality newspaper and the *Business Report* as a focused business insert in all its major titles. The outright acquisition of the local operation meant that INM in Ireland could send back all profits not deemed necessary for local reinvestment to the parent company. The Media Workers' Association of South Africa (Mwasa) contended in its submission to National Treasury in 2013, in response to the Treasury's 2011 cross-border direct investment document, that possible outflows of almost all profits of around R4.5 billion between 1999 and 2011 have dwarfed the initial investment of an estimated R560 million to R725 million. At the same time, the ownership by INM has seen employee numbers drop from 5 223 in 1994 to around 1 500 in 2013. Mwasa also reckons that between 1997 and 1998 the INM benefited from pension fund holidays, whereby the company was allowed to suspend its contribution to the company pension fund. An estimated R200 million pension fund surplus was repatriated to Ireland from the South African company (Mwasa 2013).

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The use of the South African subsidiary as a cash cow for the UK-listed company and the lack of any obvious benefits to the host country caused much resentment. The parent company has been accused of greed. Mwasa (2013) claims that the foreign investment has not resulted in any great technology transfer and that the severe cost-cutting approach of the shareholder, involving massive staff reduction especially after the company was delisted, enabled the Irish company to siphon off billions in profits to the detriment of the local operation. This, it says, has left the quality of the group's newspapers impaired and the circulations of most under pressure, with no viable alternative sources of revenue and an underinvestment in online operations.

FDI is supposed to be more beneficial than small foreign share investments or investments in the bond market. Defined roughly as an investment of more than 10 per cent by a foreign entity in a domestic entity, it is supposed, among other benefits, to be long term and to transfer know-how and technology. It was ironic that one of the first high-profile foreign direct investments after years of disinvestment was in the media sector which, as National Treasury has pointed out, is among those sectors sometimes considered strategic. A strong argument is to be made that, apart from the launch of the Zulu-language daily *Isolezwe* and a few other products, the investment did not contribute to the diversity of media.

At the ownership level it is undeniable that the Irish owners resisted – for almost two decades – any pressure to introduce black ownership into the group. The zero per cent black ownership of the local company INM South Africa (INMSA) contributed to a situation in which the entire newspaper sub-sector could be accused of minimal transformation at the ownership level, with the zero black ownership of Caxton-CTP not making a defence easier.

However, the sale meant that true competition among the big four newspaper groups became possible, with the cosy ownership and cross-ownership between SAAN and the Argus that characterised the apartheid years a thing of the past. Also, in a market economy the fate of the former Aunty Argus (as the company was fondly called) solid, dependable, dull and trustworthy, showed what might happen when a partisan press was replaced with a profit-driven press. Those who criticised the deal on the grounds that the Argus would become too close to the ANC were wrong: those who saw in O'Reilly an owner who would put profit above all else were right.

With hindsight, the sale to the company controlled by the former Irish football player and baked beans king could be considered a poor move by the Anglo American Corporation, although not in the same league as its support of the decision to close the *Rand Daily Mail.* However, some of the other foreign contenders might well have been worse, and it is not clear who else would have been able to buy the Argus at the time, when South Africa was still struggling to emerge from the insularity of the apartheid economy and the conglomeration that this had aided.

In 2012 it became apparent that the investors in Independent News and Media in Ireland wanted to sell the South African subsidiary, and early in 2013 it was clear that a grouping headed by the black empowerment company Sekunjalo was bidding for the group. Most speculation about the nature of the consortium was put to rest in June 2013 by the executive chairperson of Sekunjalo Investments Ltd, Dr Iqbal Survé, a black empowerment pioneer.

The news that the Irish company was to sell the South African arm was greeted by some INMSA journalists, wearied by years of cost-cutting, and by some observers, with relief. That relief was replaced with disquiet when Survé effectively fired a prominent and independent-minded editor in controversial circumstances. The Sekunjalo chairperson offered two different reasons for the removal of Alide Dasnois from the editorship of the *Cape Times,* first for presiding over a decline in circulation and then for not abiding by a group-level decision to lead the paper with the news of the death of Nelson Mandela, relying instead on a 'wrap-around' addition to the newspaper to carry the news. The real reason, it was surmised, was that Dasnois had chosen to lead the paper with a story critical of Sekunjalo. The firing of Dasnois was followed by the departure of several senior staff members, including award-winning business journalist Ann Crotty, and an attack on senior members of the *Cape Times* news staff by the newly appointed group executive editor Karima Brown and

Vukani Mde, group op-ed and analysis editor in an op-ed piece in the *Cape Times* (Brown 2014). As newspaper commentator Gill Moodie reported at the time, an earlier, unedited version of the piece explicitly mentions Dasnois's decision to lead with the Sekunjalo story.

However, at issue is the original piece sent out by Brown and Mde to the titles [before editing and publication] that makes mention of 'four editors' who decided not to change the front of the *Cape Times* on the night of Mandela's death and 'decided they … would run a story that in their view was damaging to [Survé's company] Sekunjalo, as their own "up-yours" message to Dr Survé (Moodie 2014).

Survé himself assured journalists that editorial independence would be respected and accused rival media organisations of being inspired by fear of competition in their critical reporting of his group and the INMSA acquisition.

Long before the events at the *Cape Times,* Anton Harber, head of journalism at the University of the Witwatersrand, had already expressed concern (with what he described as coyness) about the involvement of an unnamed Chinese consortium, possibly government aligned, in the company.

This was among the details finally announced in a Sekunjalo Independent Media (SIM) press release in June 2013 that revealed that a Sekunjalo-led group of investors had paid Independent News and Media of Ireland R2 billion for the local operation – a considerable disinvestment figure. The statement said that the PIC would own 25 per cent of INMSA after the deal; the rest would be held by the SIM consortium, with 75 per cent. This turned out to be 55 per cent, since a mooted 20 per cent investment by the Chinese consortium Interacom was soon in place. The SIM consortium itself would have two distinct groups of investors: a lead shareholder grouping which would hold 63 per cent of SIM, and 'a number of broad-based value adding partners' which would hold 37 per cent.

The broad-based partners, comprising development trusts and black investors among others, is diverse to say the least, and numerous, in common with many black empowerment transactions of the past. It included politically connected individuals, development trusts, community organisations and a Sekunjalo company. The majority SIM shareholder comprises three groups: 10 per cent is reserved as a special purpose vehicle for employee shares. That means that 53 per cent is shared – in a manner that has not been disclosed – between Sekunjalo Investment Holdings (Pty), an unlisted company controlled by Survé, and three union investment companies: Cosatu investment company Kopano Ke Matlaka, Southern African Clothing and Textile Workers' Union Investments Group (Pty), and the Food & Allied Workers Union's Basebenzi Investments (Pty) (see Diagram 2).

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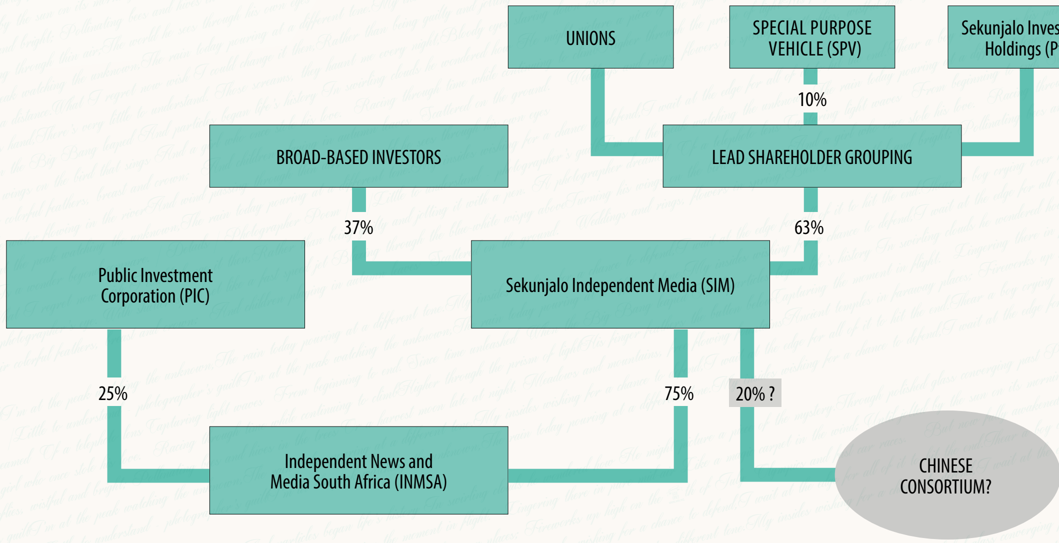
The 25 per cent holding by public-service pensioners was a surprise. Harber noted at the time that the investment did not seem to fit into the mandate of the GEPF:

> 'This is a high-risk, high-price investment in a declining industry – not the kind of thing one normally spends pensioners' money on.'
>
> There is a precedent for the PIC investing in the media though: in November 2013 *Who Owns Whom* recorded the PIC as having a 20 per cent holding in TMG and 11 per cent in Naspers.

Naspers is more than a South African media company however, with a market capitalisation

Diagram 2 - INMSA post Irish disinvestment



that dwarfs other media companies and an international revenue base. The investment in TMG is equally puzzling, and the PIC does not give reasons for its investments.

INM of Ireland exited with a sizeable sum for a total investment that is unknown but was clearly small in relation to the annual outflows of profit in the period 1999 to 2011 and the final sum paid. If the foreign investment in the Argus did well for the foreign investor, however, this does not necessarily mean that the country as a whole lost out, for investment is not a zero sum game, and it was an important signal to other foreign investors at a time when South Africa was desperate for foreign direct investment after years of disinvestment. Yet the investment by the Irish company is unlikely to be viewed positively, because of the R200 million repatriation of pension money and the belief that the company underinvested in its South African operations while taking billions out to finance the other operations of INM. Other foreign investors have not fared as well. The Financial Times (FT) Group, part of the Pearson group that publishes the *Financial Times* and the *Economist*, bought a 50 per cent stake in two Times Media publications, *Business Day* and the *Financial Mail*, to form the BDFM subsidiary in 1997. In 2013 it was announced that the FT Group had sold its 50 per cent holdings in BDFM back to TMG for an undisclosed sum. This partnership arrangement gave the Pearson group a strong decision in editorial matters. In the run-up to the 1999 election, the then *Financial Mail* editor, Peter Bruce, backed a rival of the ANC, the United Democratic Movement, led by Bantu Holomisa. Cyril Ramaphosa, the black chairperson of Johnnic, the holding company of TML, was angered by this. Had he wanted to dismiss Bruce, however, the 50 per cent Pearson stake would have made it difficult. The even split of ownership between the foreign owners and TML meant that neither could make a unilateral decision, and Pearson would almost certainly have supported Bruce, who had ties with the company as a former journalist at the *Financial Times*.

Another foreign investment and disinvestment in the first 20 years was the sale (for an undisclosed sum) by the Guardian Media Group of London of 87 per cent of the *Mail & Guardian,* the only major newspaper independent of the big four publishing houses, to Zimbabwe-born regional publisher Trevor Ncube. The investment by the *Guardian* after the failed attempt by the *Weekly Mail* to launch a daily newspaper, the *Daily Mail*, in the early 1990s probably saved the company from collapse, though there was some criticism in London that the Guardian group would have done better to invest in one of the major media groups. In the end, I surmise that the Guardian is unlikely to have made much on the disinvestment, since the *Mail & Guardian* as a company has struggled to expand beyond its core product, the weekly *Mail and Guardian*.

Another notable example of a venture that did not benefit the foreign investor was the launch in October 2003 of a quality newspaper, *This Day,* by Nigerian media mogul Nduka Obaigbena. The paper closed in October 2004, barely a year after it was launched. Obaigbena was said to have invested millions, the first significant investment from Nigeria into South Africa rather than the reverse, but one that was not to be followed by other big investment inflows from that country. Perceptions are that the paper closed because of poor financial decisions by the owner rather than editorial performance, and the fate of the newspaper illustrated the tough environment for any new entrant into the print media, especially in the light of cosy printing and distribution arrangements between the incumbent print groups. The pity of the failure is that a genuine pan-African media investment faced such an unfriendly welcome. The other pan-African media investment, by Trevor Ncube, was a newspaper that, though not belonging to the big four publishers, was already established.

FDI has been associated with new investment in news media, including print. In 2010 the Gupta family, said to be close to President Zuma, launched a newspaper called *The New Age,* harking back to the brave alternative publication of the 1950s. The financing details were unclear, but foreign money was involved since the Gupta family are from India. The same family has launched the Africa News Network (ANN7) news channel on the DStv platform to compete with the other two general news channels run by e-tv and SABC. Even the vaunted 'bringing home' of the Independent newspaper group was made possible by a Chinese group, Interacom Investment Holding, comprising China International Television Corporation and the China-Africa Development Fund, buying 20 per cent of the company.

Foreign investment is neither good nor bad in itself, even in a sensitive area such as the news media. What it has done, in an area which is not a natural magnet for high levels of local investment, is supply capital to enable a change in the media landscape. The purchase of the Argus group by Independent Newspapers of Ireland was probably necessary because at the time conglomerate ownership was so concentrated that selling the newspaper group to a domestic investor would only have meant changing ownership from one conglomerate to another. The *Mail & Guardian* newspaper, the only major newspaper independent of the big four groups, exists because the London-based Guardian group invested money at a time when the *Weekly Mail* desperately needed capital. *This Day* failed, but it could have been yet another independent voice. *The New Age,* which hopes to support news values that differ from the mainstream, would not exist without foreign capital. Even new entrants to TV, such as DStv challenger Top TV, have foreign investment.

Black economic empowerment (BEE), regulation and corporate restructuring

Whether the sale by the Guardian group counts as black empowerment is debatable, since black empowerment was clearly meant to benefit those 'previously disadvantaged' by apartheid. Nonetheless, Ncube is the only visibly African media mogul, and stands out among his white peers.

The company most associated with the phenomenon of black economic empowerment is the Times Media Group. Known in 1994 as Times Media Limited, it was, like the Argus group, controlled by Anglo American through Johannesburg Consolidated Investments Ltd, a mining company that controlled or part-owned a grab-bag of interests, including shares in SA Breweries and Toyota.

This was an era where conglomerates were becoming unpopular because they tended to trade at discount to the underlying assets. In other words, the value of all the assets of the diverse companies that made up the conglomerates was higher, lumped together, than investors on the stock exchange were prepared to pay for the shares of the conglomerate. This meant that unbundling, whereby companies passed shares in the companies held by conglomerates directly to the shareholders of those conglomerates, could at a stroke unlock the value in those underlying companies.

Anglo American took the first steps to de-conglomerate, and Johnnic was seen as a handy vehicle for Anglo American to show, in a concrete way, its support for the new democratic dispensation that embraced BEE. In the minds of Anglo executives, this deal was probably intended to mimic the sale of a controlling stake in General Mining Corporation by Anglo to Afrikaner interests in 1964 so as to establish Afrikaner participation in the mining industry. This was to be the platform for creating the Afrikaner mining company Gencor which was to play a key role in Afrikaner empowerment.

Anglo American first divested Johannesburg Consolidated Invested Ltd (or 'Johnnies' as it was known) of the *Argus* and the *Sowetan* newspaper in 1993. These ended up in the stable of the New African Investment Ltd (Nail) group founded by Dr Nthato Motlana. Anglo then split the original JCI into three separate entities, and set about finding black empowerment investors for two of the three entities, Johnnic and JCI Ltd. JCI Ltd focused on mining, while Johnnic contained many of Anglo's industrial holdings, along with Times Media Ltd. JCI Ltd was sold to a consortium headed by Mzi Khumalo, while most of Anglo's holding in Johnnic was sold to a broad consortium of black investors, which included Nail, in two stages, starting with 20 per cent in a highly publicised deal in 1996.

The new BEE-headed Johnnic was an unfocused investment conglomerate, controlled by a group, the National Empowerment Consortium, itself too diverse to be decisive about the direction of the company. What happened to Johnnic proved to be symptomatic of much BEE at the time: rather than focus on building a black version of Sanlam or Gencor, Johnnic itself was unbundled, sold off and restructured in a seemingly endless process in the years that followed, as investors (including the BEE investors) sought to extract monetary value. The stakes in Toyota and South African Breweries were sold off and, crucially, a valuable stake in cellphone service provider MTN was spun off. Over time, holding company Johnnic faded away and TML, renamed Avusa and then more recently TMG, became a 'pure media play', meaning that it was focused on newspapers, books and film. The restructuring continued until the remaining valuable assets that might have cross-subsidised the print media arm, the 50 per cent holding in M-Net/Supersport, were split off to leave a much leaner and smaller entity that was renamed TMG.

The question that is often asked, with an implicit expectation of the answer 'no' is: has BEE or BBBEE in the print sector made a difference?

The fate of TMG can be contrasted with that of Naspers, which went in the opposite direction, building on its MNet stake and diversifying into new media in the form of Internet service provision as well as internationalising its operations. At the time of writing, Naspers had a market capitalisation (the number of its shares multiplied by its share price) of almost R500 billion whereas TMG had a market capitalisation of under R3 billion. Naspers's media interests are housed in a separate company, Media24.

With the restructuring of Johnnic, the 35 per cent BBBEE stake in Johnnic was replaced by an investment by Tokyo Sexwale's Mvelaphanda Group in TML, maintaining the company's BEE ownership status. This was followed by the acquisition of the Universal Hirt & Carter group boosting the BEE holding to around 50 per cent and making Avusa by far the most 'empowered' of the big four print groups at the time. This was especially the case since two groups, Caxton-CTP and INMSA, had zero, and Naspers has kept its BEE percentage at 15 per cent for some time. The Mvelaphanda group sold its stake and the controlling shareholder became the Blackstar private equity company in 2012 when it bought 28 per cent of Avusa.

Motlana's Nail had been part of the original NEC that bought a controlling stake in Johnnic, and it had bought the *Sowetan* in the early days of empowerment, but Nail had used its original stake in Metropolitan Life to become a serial dealmaker, disposing of a valuable stake in MTN along the way, and only when the founder and his long-time associate were ejected from the company in May 1999 (in an apparent shareholder revolt) did the company split into a financial services New Africa Capital company and a focused media company New Africa Media, which shortly retook the name Nail. Nail, under the leadership of BEE businessperson Saki Macozoma, wanted through acquisition (particularly in the broadcasting arena) to create a media company weighty enough to make a difference, and made a bid of R377m for the assets of the successful BEE group Kagiso Media. According to a report in *The Star* in January 2002, Nail controlled the Cape-based Kfm and had a 37 per cent stake in Radio Jacaranda in Gauteng, around 25 per cent of Johannesburg-based Kaya FM, while Kagiso held 43 per cent of Radio Jacaranda, 90 per cent of KwaZulu-Natal's East Coast Radio, and a minority stake in Free State radio station OFM. Nail also had, in addition to 100 per cent of the *Sowetan,* a controlling stake in the *Sunday World,* and other media interests. Nail's ambitions to become a major media group, however, came to naught. Icasa put paid to its ambitions in January 2002 by disallowing its purchase of the assets of Kagiso Media.

Had Icasa granted its approval, Nail would have acquired a controlling interest in East Coast Radio in addition to the controlling interests it already had in the Jacaranda and Cape Town-based KFM radio stations – but Section 49 of the Independent Broadcasting Authority (IBA) Act, 1993 (Act 153 of 1993) provided that one company may not own more than two FM radio stations, and Icasa refused to grant Nail an exemption from this prohibition. Icasa also viewed the black ownership of Nail (less than 5 per cent) with concern because Nail was seeking to take over Kagiso Media, which had a higher percentage of black ownership. Icasa felt the deal would have diluted the empowerment status of Kagiso Media. The decision was the death blow for what remained of Nail, whose assets were gradually sold off. The company continued to linger for a while as a shell on the JSE Securities Exchange.

It is ironic that regulations preventing concentration in the broadcasting arena would crush a possible black-led challenger to the big four, and an illustration of the unintended consequences of legislation. The mainstream groups had grown in an environment of little regulation of ownership but harsh regulation of content: the reverse of this situation prevented the growth of a major BEE media group.

That was not the only reason, however, for a failure of the black-owned press to flourish in the 20 years. In general, black companies such as National Sorghum Breweries found, early on in the new era, that patriotism had little effect on black consumers. As democracy took hold it became clear that, with the exception of the Afrikaans press, concentrated in the hands of Naspers, itself now more infused with capitalism than Afrikaner patriotism, newspapers could not easily be considered black or white. A good example is the *Sunday Times*, for many years South Africa's biggest circulation weekend newspaper. According to the 2013 financial results, Times Media's flagship *Sunday Times* has seen black readership grow from 50 per cent in 1992, to 76 per cent in 2002, and to 85 per cent in 2012.

Moreover, print media incumbents were in a strong position to repel invaders of their territory, because of the capital requirements of running newspapers and magazines, including printing costs. Some companies such as Media24 were vertically integrated, with their own printing presses, and others were party to distribution arrangements. Breaking into this closed world, as the *Weekly Mail* was to experience, was no easy task.

The question that is often asked, with an implicit expectation of the answer 'no' is: has BEE or BBBEE in the print sector made a difference? Looking at Table 2, I would say that this answer is simplistic. BEE has changed both the ownership and the employment equity of the big groups, as the BEE levels, measured in terms of the BBEE Codes scorecards, indicate. Now only one group, Caxton, has no black ownership. It is effectively a one-man show, with the quiet media baron Terry Moolman controlling the company (although the controlling share is referred to as the Moolman-Coburn partnership, Moolman's long-time partner Noel Coburn is very much in the background).

Table 2: Listed print media groups

	Turnover	Market capitalisation	Major shareholders	BEE ownership %	BEE level
R-million					
TMG	R3 899	R2 684	Blackstar, PIC	55.64 %	4
INMSA	N/A	N/A	BEE and Chinese Consortia, PIC	Estimated 55 %	N/A
Media24	R7 970	N/A	Naspers Ltd	44.74 %	4
Caxton	R5 984	R8 337	Caxton Ltd, Element One	0 %	5

Source: Who Owns Whom, Sharedata, author's own calculations

Caxton has stepped out of the shadows of the Argus/Independent and TML to become a powerful print media operation, focusing on printing and advertising-heavy free 'community' newspapers. It also owns the *Citizen,* a newspaper that resembles the *Sowetan* in having changed ownership twice during the first 20 years of democracy. At one stage during the restructuring of Johnnic, owner of TML, it seemed that Caxton, in which Johnnic then held around 43 per cent, might take over TML.

The *Sowetan* went from the Argus company to Nail to TMG. The *Citizen,* born out of the illegal and secret apartheid 'total onslaught' against the English-language press, became part of the portfolio of Kagiso Publishing, a subsidiary of Kagiso Trust Investments (KTI), in 1997, when Perskor merged with Kagiso Publishing to give KTI a 15 per cent joint-control stake in the company that published the *Citizen* and had 50 per cent of *Rapport*. In 1998, Caxton bought Perskor, and acquired control of the Citizen, along with the 50 per cent of *Rapport* which it sold in February 1999 to joint owner Naspers. According to a report in the *Citizen* at the time, Caxton also gained '23 regional newspaper titles, 13 consumer magazines through subsidiary Republican Press' and 'electronic media investments in MNet, MIH Holdings and M-Cell' (*The Citizen*, 1997). Perskor was involved in the manufacture of ink and speciality printing for envelopes, cheques, business forms and exercise books, and educational material. The deal enabled Caxton, or more correctly Caxton and CTP Publishers and Printers Ltd, to expand its regional newspaper reach substantially. According to *Who Owns Whom,* the company now has around 170 newspaper titles, excluding *The Citizen*, which is the company's only major metropolitan newspaper.

At the end of 2013, a R2.3-billion bid was made for the untraded listed company ElementOne. Trade in the company's shares on the JSE was stopped in 2009. ElementOne is a leftover from the days of print media company cross-holdings, spun off in a restructuring that saw Johncom sell its stake in M-Net/SuperSport to Naspers to become separated into the publishing arm Avusa and ElementOne, which held some cash as well as a 40 per cent stake in Caxton. Legal disputes prevented shareholders selling their stakes in ElementOne. The bid meant, according to newspaper reports, that Terry Moolman would entrench his control of Caxton.

During the buying and selling and unbundling that characterised the years after 1994, and which saw the end of Perskor, its long-time rival in the Afrikaans newspaper market, Naspers, focused its attention on the electronic media. All the while it maintained and strengthened its position in the Afrikaans print media through wholly owned subsidiary Media24 by acquiring in February 1999 the 50 per cent it did not already own in the Afrikaans Sunday newspaper *Rapport* from Caxton after its acquisition of Perskor. It also grew its printing interests so that it is, with Caxton, one of the biggest printers as well as publishers.

Media24 launched a successful South African tabloid paper, the *Daily Sun*, which is still the biggest daily newspaper in terms of circulation although its circulation has declined (along with that of most newspapers) from previous highs. In May 2012, the Competition Commission approved the acquisition by Naspers subsidiary Media24 Ltd and Paarl Coldset (Pty) Ltd of the 50 per cent of the Witness Printing and Publishing Company (Pty) Ltd, taking Media24's shareholding to 100 per cent, and ending the independence of the newspaper that was for a long time the only substantial publication not in the hands of the big four.

In 2006, Naspers launched broad-based 'retail' BEE schemes, Phuthuma Nathi and Welkom Yizani, aimed at enabling a large number of black South Africans to have shares rather than high-profile, politically connected individuals. The 2006 launch of Media24's Welkom Yizani retail offering gave black individuals and groups 15 per cent of Media24 Holdings. Naspers boasts that largely through the Phuthuma Nathi share schemes more than 100 000 black South African individuals and groups own shares in MultiChoice South Africa. The broad-based approach means that there is no single large BEE shareholder who might want to influence company direction (though most BEE shareholders have tended to be passive investors). The PIC, which represents government pension funds, is, with 11 per cent, the biggest single shareholder in Naspers, which can be regarded as controlled by management, particularly the chief executive, Koos Bekker. According to a report in the *Mail & Guardian* in August 2013, Bekker, who is compensated only in shares and not a salary, controls 'almost 4 per cent of Naspers through a combination of 11.7 million share options he holds directly and a 1.1 per cent stake held by a family trust'. Outside of the big four groups, there has been an explosion of 'business-to-business' publications,

Satellite TV has offered greater diversity, but not much transformation of media content. Digital Terrestrial Television will provide more channels of communication and could open this up to the poor

with OMD research noting a doubling in growth, to around 650, from 1991 to October 2013. This includes specialist trade magazines, but also publications such as *Engineering News,* a family-owned publication and an important source of news about the real economy. Many, if not all, are independent of the big four groups and include magazines such as the SA Institute of Chartered Accountants official journal; and there is little black ownership, other than that of Mafube Publishing, founded by black media pioneer Thami Mazwai.

Broadcasting, BEE and the private sector

The Naspers focus on electronic media took two approaches: pay-TV and Internet services. Both have paid off well, transforming the staid company into a dynamic multinational, taking advantage of South Africa's new acceptability after 1994 to invest first in Africa and then in the rest of the world.

The pay-TV operation, MIH Holdings Ltd, had its origins in M-Net, or Electronic Media Network, the pay-TV channel formed in 1985 to offset the siphoning of ad revenues from print to TV for the dominant four print groups at the time. M-Net, listed on the JSE Securities Exchange in 1990, owed its success to its ability to persuade South Africans to pay to add to their TV viewing, restricted for many years to three SABC channels. In October 1993, M-Net was divided into two companies. The channel remained M-Net. The subscriber management, signal distribution and cellular telephone businesses, together with a holding in European pay-TV operator FilmNet, were subsumed in a new company called MultiChoice Ltd, later named MIH Holdings Ltd. In December 2002, Naspers unbundled MIH, so the minority interests in MIH Holdings and MIH Limited were swapped for shares in Naspers itself, leaving Naspers as the sole shareholder. M-Net/Supersport was delisted and consolidated under Naspers in 2004, and is now majority owned by Naspers.

Naspers also developed its educational services arm, forming, in January 2000, Educor Holdings Limited. It went into Internet service provision with the launch of M-Web in 1997, but its acquisition of a 47 per cent interest in May 2001 in Tencent Holdings Ltd, the operator of what has become the leading instant messaging platform in China (called QQ), has been enormously profitable for the group. The investment has been described by Bekker himself, along with other investments in emerging markets before the 2009 financial crisis, as 'pure luck'. Naspers strategy means that in the media sector it far outstrips other groups, with a market capitalisation of R368 billion.

The significance of Naspers's early move into pay TV, distributed by satellite through decoders (unlike in the US where cable companies are the medium), is that it has enormously broadened the diversity of news and entertainment. The South African authorities, which moved speedily to privatise some SABC radio stations and license new ones, have not even considered a new free-to-air station after licensing the only private commercial TV operator, e-tv. In the interim, aspiring broadcasters such as Summit TV, now rebranded as Business Day TV, and ANN7 have had to use the MIH platform and its decoders. Naspers's MIH subsidiary is entrenched in this area, having been allowed to grow quietly in the background while commercial free-to-air TV has stagnated.

A big winner of the lack of movement has been e-tv. Midi Television, in which US-based Warner Brothers had a 12 per cent stake, was granted a licence for the new free-to-air private television channel in April 1998. Midi TV originally contained a host of small empowerment entities, along with a holding by Sabido, the investment vehicle of the empowerment investment holding company HCI Ltd. In 1999, Midi applied to the broadcasting regulator to restructure its shareholding structure so that the entire South African shareholding of around 80 per cent was placed into HCI's wholly owned subsidiary Sabido Investments, since the smaller shareholders had forfeited their shares by failing to meet their funding obligations. The growth of e-tv involved not only foreign investment and BEE but also Afrikaner capital. In 2000 the Rembrandt Group was reported to be about to acquire an estimated 26 per cent stake in Midi TV for around R300-million.

In broadcasting generally, government regulation has been the key driver of ownership changes. The IBA, later to be merged with the telecoms regulator and renamed Icasa, was established in 1994, with sweeping powers. One of the first steps of the IBA, to create diversity in broadcast media, was, according to the National Association of Broadcasters, to spur community radio.

From 1994 the IBA processed hundreds of community radio licence applications from diverse groups and sectors of South African society.

Over 100 community sound services exist and although the sector has struggled to access advertising and other forms of financing it is recognised as being a crucial part of the South African broadcasting landscape – in providing diversity for listeners and much needed skills for the commercial radio sector (NAB 2014).

The IBA, in line with the authority's *1995 Triple Inquiry Report*, recommended that the SABC privatise its six regional radio stations (Highveld, Jacaranda, Kfm, East Coast, Algoa and Oranje), and this was approved by Parliament. On top of this, in early 1997 the IBA started to hold hearings for new 'greenfield' commercial radio licences. The former SABC stations, since they had already carved out parts of the market, were easy to profit from. The greenfields stations required capital, and this meant that smaller bidders such as empowerment companies would have to raise debt.

Broadcasting, however, offered an easier transformation path than the print sector because the capital requirements were not great and the dominance of the airwaves by the SABC until privatisation and issuing of new licenses had kept the radio arena under-traded. For a newspaper or magazine, every extra reader costs money: for a broadcaster, every extra listener is free. Producing a newspaper or magazine incurs substantial printing and distribution costs for each copy. Radio stations, which are less capital intensive, could be easily turned around and made profitable. Hence the new BEE owners of radio stations could quickly pay off debt and be in the black. The opening up of the airwaves enabled the creation of an entirely new and profitable listed media company, Kagiso Media, and the growth of Primedia as well as other small aspirants such as Union Alliance Media (which was later dissolved) and African Media Entertainment (AME) (which survived some trying times to remain listed on the JSE). AME has majority stakes in Free State-based OFM and Radio Algoa. Interestingly, the Moolman and Coburn partnership owns 25 per cent of the company.

Alternative media, the Internet and community newspapers

One of the things the new democracy grappled with was the lack of a diversity of voices in the media. Part of the solution to that problem was racial transformation of ownership although black owners are as likely to be distracted from social responsibility desires by the need to profit from their ownership as are white owners. The commercial motive can lead to what media commentator Jane Duncan has called the 'hotelling effect' or race to the bottom of many different media enterprises imitating each other in chasing the same audience. The experience of the alternative media, where in the years after 1994 almost the only survivor of the feisty newspapers that came onto the scene in the mid-1980s was the *Weekly Mail* (in the form of the *Mail & Guardian),* was telling. Though it was formed with a political purpose, the *Weekly Mail* was structured as a company rather than a nonprofit organisation. The other alternative newspapers, heavily dependent on funding, did not make the transition into mainstream media to survive in the new era.

The growth in numbers of community media, in both broadcasting and print, is startling, although there is a big difference between community-owned newspapers and regional 'knock and drops' owned by one of the big four. Commercial community media has its place in hyper-local news, but it is not what is envisaged when talking about media diversity. Community radio was an early winner of the new era, and to this was added, in 2007, the first community TV licence, granted to Soweto TV. OMD records almost 500 community or local newspapers or magazines including local newspapers owned by Caxton and INMSA. The MDDA reports that the Association of Independent Publishers (AIP) represents 230 small, community-based, grassroots publishers around South Africa producing 3.2 million newspapers a year. There are around 165 community radio stations, and a handful of community TV stations.

Community broadcasting and publishing is differentiated from commercial by the nature of ownership and the profit motive. But when a community radio or TV station becomes extremely successful, and raises revenue through advertising that more than covers costs, how and to whom should that money be distributed? The Deputy Minister of Communications, Stella Ndabeni-Abrahams, expressed concern at the commercial nature of some community TV stations in 2013, and threatened to take back licences. She was also reported to have said that community TV should be better regulated than community radio stations.

This investment should be protected and safeguarded by a strong governance model instead of the fluid one prevalent in the community radio environment currently,

she was quoted as saying (Mungadze 2013), suggesting that some community radio stations have also adopted a commercial model.

Satellite TV has offered greater diversity, but not much transformation of media content and has been in effect a monopoly industry until fairly recently. The dominance of DStv, provided through the MultiChoice platform, was presented with a potential challenger in the form of four new licensed pay-TV providers, among them Telkom Media, the majority stake in which Telkom was forced to dispose of to the Chinese Shenzen Media group after not making any headway in launching the channel. DStv has had years in which to entrench itself and its set-top decoder boxes. New competition from free satellite-to-home TV providers has arrived, with Freevision, owned by Sentech, and Openview, owned by e-tv's sister company Platco Digital, both offering one-off payments for decoder boxes and no subsequent subscription payment for receiving their broadcasts.

It does not auger well for the fate of Top TV, the first competitor for MultiChoice. Top TV was launched in 2010 by On-Digital Media, but the channel failed to catch on. On-Digital Media was reportedly taken over by China's StarTimes TV conglomerate and relaunched as StarSat in 2013.

One new and promising area of diversity-enabling media is that of web-based news publications on the Internet. Again, capital requirements for a start-up are not huge, as no presses, or even studios, are necessarily involved, but news is labour-intensive. There have been a few attempts at starting web-based news products, the longest lasting being the independently owned *Daily Maverick.* Moneyweb, a business-based website that was ahead of its time, has been taken into the Caxton stable.

Although the independent *Mail & Guardian* pioneered using the Internet to publish news, the big four news companies have now established a strong presence. According to Politicsweb in September 2013, data showed that measured by unique browsers Media24 had by far the largest online readership of the big newspaper houses. 'Its websites – excluding those of its magazine division, which are recorded separately – were visited by an average of just over half a million Unique Browsers a day in July 2013. The Times Media Group websites had the next largest following, followed by Independent News and Media South Africa, then the Mail & Guardian and then Caxton' (Politicsweb 2013).

Conclusion

It is tempting to quote the author of the Italian novel, *The Leopard:* 'Everything must change, so that nothing can change.' But it would be too cynical.

There has, in one sense, been a massive reshaping of the ownership of the sector, in both the mature markets of the print media and in broadcasting. In another sense, not that much has changed, since four big groups still control the print media even though Naspers, through Media24, has outstripped its peers of 1994. There has been a concentration of ownership as well as streamlining of ownership – and the previously independent Natal Witness ending up owned by one of the big four groups is symbolic. Entering the market is not easy, as shown by the failure of the Nigerian investment *This Day* – which also underlined that the restructuring of the print media has been associated with and driven by foreign investment as much as by BEE, with both negative and positive consequences. Yet the barriers to entry are not so high that new entrants do not take the chance, especially in times of optimism and prosperity. Moreover, some academic research suggests that South Africa may have the right number of big media firms for its population.

Ownership has definitely moved out of the old corporate conglomerate mould that shaped the sector for so many years. A mark of this is the entry of new media moguls, individuals who stand out in directing media companies, such as HCI's Marcel Golding and Johnny Copelyn, Caxton's Terry Moolman (publicity-shy though he may be), Naspers's Koos Bekker, *Mail & Guardian's* owner Trevor Ncube and, lately, INMSA's Iqbal Survé.

In broadcasting, despite massive changes in the regulatory environment, a big push for diversity and BEE, the SABC still dominates the airwaves. In ethnic-language radio it owns Ukhozi FM, and all the other ethnic language stations; the private sector has shown little interest in this market, making it a public service. More pertinently, while regional stations were privatised in the 1990s, the SABC owns all the national radio stations such as Metro FM and 5FM. Ukhozi FM has 20 per cent and Metro FM (also owned by the SABC) has around 18 per cent of the total adult radio listenership. The five national SABC stations and Ukhozi together account for more than half of all adult listenership.

In TV, no new commercial free-to-air terrestrial channel has been licensed to compete with the SABC, and only recently have competitors to DStv or SABC-TV been licensed – without, so far, much noticeable impact on DStv's dominance of satellite TV. The private sector has, on DStv, filled the vacuum created by the failure to liberalise the free-to-air TV sector, creating new demand by offering dozens of channels, specialising in sport, entertainment and news, and including foreign news offerings. The popularity of satellite TV can be witnessed by the proliferation of satellite TV dishes even in relatively poor areas, and the figures bear out the growth, with Naspers's annual report for the year ending March 2013 announcing that subscriber numbers had grown to around 4.5-million.

The private sector has provided – at a price – a greater range of media through satellite TV where the public sector could not do so through free-to-air TV. However, the increase in diversity is limited, with many channels offering entertainment rather than education. More importantly, the market mechanism still fails to provide ethnic-language radio challengers to SABC radio stations. In the print arena apart from two isiZulu language newspapers, INMSA's daily *Isolezwe* and the independent biweekly *Ilanga*, South African non-English and non-Afrikaans speakers are not well served.

We should be cautious about seeing media in isolation, and expecting swift and dramatic change in this sector when there has been little rapid change in the economy as a whole. Although South Africans are better off than they were under apartheid, persistent income inequality, unemployment, and positive but low rates of annual economic growth still bedevil the ability of the country to improve the lot of millions. In this environment it is unrealistic to expect massive change in the media. As the UK academic Clive Barnett has noted, 'One should be wary of an overly media-centric view of the determinants of the democratisation of the media in particular, or of democratisation in South Africa in general' (Barnett 1999).

South African media also stands on the edge of tremendous change. With the growth of broadband Internet access, middle-class South Africans already have the choice of a wide variety of news and opinions. The introduction of digital terrestrial TV and the growth of mobile data (both of which are beyond the scope of this chapter) will provide more channels of communication, even for the poor. Community hyper-local media stands to gain from the decline in traditional national and regional newspapers. The big lesson to be learned from the advent of democracy and the end of apartheid isolationism is that South Africa tracks the developed world in economic terms, and will not escape global media trends – in media ownership as in other areas.

Who Owns Whom was established in 1980 by the late Robin McGregor who first identified the concentration of economic control in the 1980s which was largely voluntarily unbundled – largely voluntarily – in the 1990s. Today the Who Owns Whom file identifies 16 000 company ownership linkages and more than 30 000 cross-directorships across 300 industries in South Africa. Parts of the source material for the chapter on media ownership in the last 20 years was made available from Who Owns Whom.

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