*Small fish in the South African media industry have had a torrid 10 years says **Mashilo Boloka.***

Diversity goes global

Since apartheid's demise, the transformation of South African media has been complex and moving in a direction that was not predictable. Contrary to 1993, when the initial intention was to create a competitive and diverse media environment, the focus shifted to consolidation. It was an attempt to survive in the overarching market – a shift that was an outcome of globalisation.

A number of events serve as hallmarks of this shift. In the broadcasting sector, the formation of the Independent Broadcasting Authority (IBA), which later merged with the South African Telecommunications Regulatory Authority (SATRA) to form the Independent Communications Authority of South Africa (ICASA) in 2000, rates high on the list. In the 10 years of its existence, the organisation has succeeded in fostering liberalisation.

This was done through paving the way for more media role players, representing a diversity of interests, which was demonstrated by the licensing of South Africa's first free-to-air television channel, etv, and the issuing of over 100 licences to community and commercial radio stations. ICASA's birth to a significant degree also dismantled the power of apartheid monopolies in the broadcasting industry. The creation of stability, through the development of consistent regulatory procedures and laws to issue licences, monitor and administer frequencies, was another major achievement.

In the print media industry, the launch of new publications such as *Sunday World, ThisDay, Sunday Sun* and *Daily Sun* changed the face of the industry considerably. The sprouting of new titles in the magazine sector including *O Magazine* and *The Media*, has changed the landscape and operations of the magazine industry. The new titles became a challenge, which old players had to contend with.

Though minimal ownership changes in the media industry were also witnessed, the entrance of labour movements and people from historically disadvantaged groups, chiefly women, representing black economic empowerment, brought new owners. The licensing of etv signalled the entry of global media behemoths, particularly Time Warner, who initially bought a 20% stake in the channel's holding company, Midi.

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Newspapers such as the *Mail&Guardian* were taken over by foreign owners. These processes have undoubtedly diversified the South African media industry on both ownership and consumer level.

The appearance of global players completely transformed the way the South African industry operates. While shifts in ownership patterns demonstrate changes within the South African media industry, they further show how companies, which were located in different geographic zones, are rapidly becoming rivals, signified by Irish media mogul Tony O' Reilly's Independent Group, Zimbabwean Trevor Ncube's *Mail&Guardian* Ltd and Time Warner's interest in etv.

Although the above developments reveal some achievements, the South African media industry has in general had a torrid 10 years. Irrespective of granting more radio licences in community and commercial sectors, the appearance of new titles in the print media sector, the success of telecommunication giants MTN and Vodacom, (seen through their expansion into the larger African continent), the industry has had a shake-up and has cast aside ailing products, exemplified by the death of *Pace* and *Tribute* magazines. Weaker products, which survived solely because of rich historical traditions, could no longer have their survival determined by that history alone, having to satisfy the information needs and interests of their consumers.

Difficulties in the broader media industry are further exemplified by the collapse of newly-found post-apartheid stables like Union Alliance Media (UAM); the revoking of Punt Geselsradio's licence by the regulator; etv's desperate request to have its licence amended in 2000, to accommodate tobacco giant Rembrandt in its ownership structure; the much-publicised unsuccessful attempts by New Africa Investment Limited (NAIL) to purchase Kagiso Media; the eventual dissolution of NAIL, resulting in the piecemeal acquisition of its assets by various media role-players including Johnnic; the disappearance of newspaper titles like *Sports Day*; the attempt by P4 radio to streamline its operations in Durban and Cape Town; the lacklustre performance exhibited by greenfield licences, and the ongoing difficulties experienced by many community radio licensees.

The waning interest shown by global media players in the South African market is also a point for concern. Apart from Time Warner, Tony O'Reilly's Independent Newspapers and the purchase of *Mail&Guardian* Ltd by Zimbabwean Trevor Ncube, no huge investment was seen in mainstream media (excluding telecommunications). Time Warner has since significantly reduced its stake in Midi-etv. Although a few joint partnerships have been forged with global companies in the industry, they are relatively insignificant, compared with the early post-apartheid promises and the growth experienced in the South African media market in the last 10 years. Given the challenges posed by factors such as globalisation and technological developments, resulting in the compression of space and time and, more importantly, blurring market

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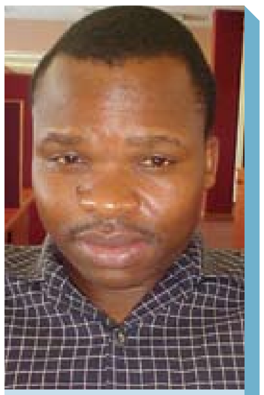
distinctions, this shift is inevitable.

While the above demonstrates the difficult conditions characterising South Africa's post-apartheid media, it is important to note that:

- they are not unique to South Africa, as the collapse of Europe's Kirchmedia can attest;
- they cannot be understood outside the government's neo-liberal policies to attract foreign direct investment;
- they are a result of the new global processes reflected in regional integration. Embodied within this process is the demythologising of core and periphery models, being replaced by the emergence of new centres within peripheries;
- they are also the aftermath of two world events – the Asian market crash in 1998 and the September 11, 2001 attacks in the US. These events declared world markets as risky environments. As a result, cautious approaches relating to investments are frequently adopted.



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Given the magnitude and inevitability of these problems, one question is: Can the future of the South African media industry be predicted or ascertained? The following factors, shaping the South African media industry, need to be considered:

- Unequal distribution of media access;
- Stiff competition which is intolerant to new entrants;
- Shrinking ad spend throughout the world, compelling companies to diversify in an attempt to draw revenue from a number of streams;
- The relative small size of the South African market;
- Escalating costs on media products vis-à-vis low profit margins and revenues. While it has become expensive for broadcast firms to sustain their survival, attract audiences and maintain their equipment, dwindling advertising revenue continues to pull down profit;
- Unlevelled playing fields in the media industry.

The factors above demonstrate that some of the perennial problems besieging the post-apartheid media industry can be attributed to a somewhat unfriendly regulatory environment. Legislation has been revised or introduced to deal with these issues. Important in this regard is legislation relating to media ownership and control, which saw the foreign media ownership quotas in South Africa increase from 20% to 35%. While this is an important step in attracting foreign direct investment, its effects remain to be seen, given the waning interest by foreign media investors.

Lessons elsewhere have shown that the increase of foreign media ownership caps does not guarantee investment, as is the case in Namibia. Despite the Namibian Communication Commission placing the foreign ownership figure at over 60%, it has not generated the desired interest among foreign investors.

Again, the fact that outside of the sharing of NAIL media assets by a number of companies, no major shakedown has occurred since the policy change, points to another worst-case scenario.

Apart from increasing foreign ownership caps, the legislation has set in process the issuing of commercial licences in secondary towns. While this can be hailed as a positive step to address access in under-served areas, the impact of this move on community radio stations is of concern. Secondary towns have been the happy hunting grounds for many community stations since 1994.

Considering the indifferent performance shown by greenfield licences in the last few years and the eventual collapse of former RadioBop and Radio Big T (the defunct commercial station in the former homeland of Venda), the ability of the South African market to accommodate these commercial licensees remains uncertain.

The belated formation of the Media Development and Diversity Agency (MDDA) to provide much-needed support in the community media sector, both print and electronic, is a significant positive step. Although the MDDA has already started disbursing funds, its survival is dependent on both the consolidation of media diversity in South Africa and the flow of foreign funding. Therefore, instead of viewing the MDDA as an infinite financier, community media should use relief funds as an opportunity to reposition themselves and adopt market models that work to attract advertisers. In this era of shrinking donor funds (both nationally and internationally), this is very important. However, the ability of community media (print and broadcast) to attract advertising depends on the advertisers changing their perception of this medium. Otherwise, all the achievements made since 1993 will be undone in this once promising sector.

The scenarios described above demonstrate how globalisation has shaped the South African media market since the demise of apartheid. Even though access and diversity have improved, the past 10 years have highlighted a few lessons to be learnt about globalisation.

Firstly, globalisation embodies the "big is better" syndrome as demonstrated by the desperate mergers and acquisitions that characterised the last 10 years in South African media. While mergers and acquisitions have been taking place at an alarming rate, and have sacrificed new entrants that could not withstand acute economic pressures, but consolidation has continued to elude the industry.

This can be attributed mainly to the nature of companies operating in the broader media market, particularly those which emerged under the rubric of black economic empowerment. With the exception of a few, these companies are subsidiaries of vertically or multi-sectorally integrated conglomerates. As a result, apart from lacking focus, media assets are not their major revenue-generating streams. It means that the conglomerates are willing to dispose of their media assets at any time they want to raise capital. This has been demonstrated by Kagiso Trust Investment's unsuccessful attempts to sell its media assets to NAIL, the reverse move by Johnnic Holdings to sell Johnnic Communications and the ultimate sale of NAIL's media assets.

Secondly, markets built on ideological inclination or traditions are susceptible to economic pressures, and therefore likely to crash in the face of globalisation. This is important in view of black economic empowerment, which has not only shaped the post-apartheid media, but continues to influence policies governing the media industry as well. Globalisation makes no distinction between black economic empowerment and non-black economic empowerment.

Thirdly, although the globalisation-shaped transformation process in the South African media industry has helped in terms of creating and enhancing a competitive media environment, access and diversity, it has shed many non-performers and annihilated small media caps, creating an environment in which only conglomerates thrive.

Inasmuch as new titles have appeared on the scene, they do not bring a significant percentage of owners into the media market because the majority of new titles come out of conglomerates such as Naspers' Media24, Caxton and Johnnic.

The shifting ownership patterns of South African media bear the inevitability of globalisation. While globalisation guarantees diversity through its open sesame paradigm and "the big is better" syndrome, it is inimical to the small and medium business model that the South African media market could be based on. Therefore, as new media companies emerge, they will be met with resistance and hostile market conditions, which can either lead to their death or absorption by conglomerates.

It is at this time that the protectionist role of organisations such as the Competition Commission and ICASA becomes important. However, their role should not be carried out in a blanket way that will attempt to thwart globalisation, but should integrate the South African media market within the frames of what can be termed "domesticated" globalisation.

As globalisation heightens under the disguise of regional integration, it will continue to affect media ownership patterns in South Africa as elsewhere in the world. As a result, South Africa can only be oblivious to this process at its peril.