THE BIG FOUR
Shaping the South African media landscape, and beyond.

The nationalism surrounding the repurchase of one of South Africa's biggest media groups is all the more surprising for the fact of the foreign ownership of the Independent Newspaper Group surfaced for two decades.

By Reg Rumney

In February 2014 President Jacob Zuma at a special function in Cape Town spoke of the "return of the largest media group to South African ownership" as a milestone of the first 20 years of freedom and democracy. Why President Jacob Zuma considered a R2-billion disinvestment from South Africa an achievement was explained further in his speech, when he noted the disinvestment would contribute "... to that important national task of promoting the diversity of ownership, content, management and staffing of our media industry".

During his speech, the President also noted without comment that the new owners of Independent News and Media South Africa (INMSA) included investors from the People's Republic of China. Restoring South African ownership, then, was not as important in itself as the implied commitment of the new owners to certain racial changes in the group.

For some, the purchase of INMSA from the Irish owners by a consortium headed by black empowerment company Sekunjalo Investment Holdings (Pty) Ltd was indeed cause for celebration for a different reason. For instance, the trade union Media Workers Association of South Africa, to crudely summarise its submission to the National Treasury in 2013, accused the Dublin-based INM of simply exploiting its wholly-owned subsidiary as a cash cow without any thought of reinvesting profits. It could be held out as an example of the failure of foreign direct investment to contribute to South African media development.

Yet when the investment in the Argus came to light in 1994, few thought to question the sale of control of one of South Africa's largest print media groups to foreign interests. By contrast, as Who Owns Whom founder Robin McGregor noted at the time, foreigners could not own more than 20% of a South African radio station.

It is notable that the sale of a large stake in the Argus was one of the first new foreign direct investments in South Africa after apartheid, preceding the sale of a 30% stake in monopoly fixed-line telecoms provider Telkom by three years. Yet it was not the only foreign direct investment in South Africa by a foreign media company. The Guardian group of London bought 10% of the *Weekly Mail*, a small, independent former alternative newspaper in the early 1990s and gradually raised that stake. The Pearson group, owner of the *Financial Times*, re-established an old connection with South Africa by buying from Times Media Ltd (now the Times Media Group) 50% of *Business Day* and the *Financial Mail*, to form joint venture BDFM in 1996.

Indeed, a close look at the media industry in the first 20 years of democracy shows that foreign direct investment has been instrumental in ownership transformation, though perhaps not in the explicitly racial manner that transformation is most often viewed. It has been more important than black economic empowerment, in both its initial voluntary form and its legislated form of Broad-Based Black Economic Empowerment.

The biggest and possibly the most impressive challenge to the dominance of the newspaper products of the Big 4 media groups, INMSA, Times Media Group, Media24 (owned by Naspers) and Caxton-CTP came in the form of *This Day*, an upmarket newspaper started in Johannesburg in 2003 by Nigerian newspaper magnate Nduka Obaigbena. *This Day* failed after one year, possibly for business reasons un-associated with the newspaper, since the owner had invested unwisely in unprofitable retail outlets. It represented the first major investment in South Africa by a country in which South Africa was heavily invested, via telecommunications operate MTN.

The *New Age* newspaper, launched in December 2010 with an emphasis on covering "positive news", is owned by the Gupta family, which is of Indian origins, and said to have close ties to the President. Whether the money used to launch the *New Age* is foreign or not is unknown, but it has been reported that the *Times of India* has a stake in the newspaper. A pro-ANC newspaper could deflect criticism that the mainstream media has an anti-ANC bias, an idea which even Nelson Mandela expressed.

It is not only inward investment that has been important for South African media, however.

In 2014, the Times Media Group announced acquisitions that signalled a shift in the strategy of the South African media group. In 2013 TMG bought a 32% interest in Ghana's Multimedia Group and in 2014 acquired a 49% Interest in Radio Africa Limited in Kenya. It also invested in two radio stations in South Africa, signalling that it sees itself as a media group, not only a newspaper group and not only a South African operation.

With one significant exception, South African media groups have in the first 20 years of democracy been focused internally rather than on investing abroad. That one exception, Naspers, formerly the Afrikaans Press group Nasionale Pers, now dwarfs its competitors in the media sector of the JSE. At the beginning of July 2014, Naspers market capitalisation was R555-billion, compared to TMG's around R2,5-billion and Caxton-CTP's around R6-billion. Michael Moritz, chairman of Silicon Valley venture capital firm Sequoia Capital, has compared *The New York Times*' strategy to cope with a changing media environment unfavourably with Naspers, observing that Naspers decided to swim with the tide, embracing first TV and then online publishing; *The New York Times* took the low road, and tried to fight the tide. As a result, he wrote a May 2014, Naspers' market value is around 100 times what it was worth in 1994 at $44-billion, while shares of *The New York Times* traded for about the same nominal value as in the mid 1980s, and had a market value of around $2 billion.

Naspers is now a media group in the widest sense of the word, with significant revenue from media platforms, such as its digital satellite TV service DSTV, and from internet service provision, notably through Chinese operation Tencent, rather than content-generation. It dominates the print media through its subsidiary Media24, but that is a smaller part of its revenue than its TV and online businesses. Its involvement in the original South African satellite TV service, the single channel M-Net, offering mainly films, was the springboard. Here it was originally part of a consortium with three other print groups, all of whom managed not to stay on the satellite TV bandwagon.

DSTV first invested steadily in Africa, as well as in other emerging markets, with its digital satellite TV offerings, when other groups were still mainly focused on South Africa.

Foreign investment has been an important and under-rated factor in reshaping South Africa's media in the first 20 years of democracy – but not only inward investment. Outward investment by South African companies in the continent in general has been a significant source of revenue, as well as geographical risk spreading. Only Naspers has so far aggressively expanded on the continent and beyond through it television interests. That may now change, and other companies may now follow, if political pressures in African countries do not prevent this.

Foreign direct investment will be vital in reshaping the media landscape in other African countries, whose nascent media companies need capital to provide new voices and new competition.

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