AUNTY ARGUS marries an Irish cousin

The entry of Independent Newspapers heralds an era of dynamic press revival says ***ROBIN MCGREGOR***.

AFTER years of controversy, the Anglo American Corporation, is set to sever its links with the English press. Now that Argus Newspapers has been sold, it remains only for Argus Holdings to secure its stake in M-NET by absorbing Times Media and its daily papers (a prerequisite in terms of M-NET shareholders) and Argus Holdings will, I predict, also be sold.

Anglo's association with the press goes back a long way – an incidental acquisition along with the main targets of mining giants Central Mining and JCI.

The Argus Printing and Publishing Co Ltd was formed in 1888 when Thomas Sheffield and F J Dormer agreed to merge the *Cape Argus* and *The Star*. Twenty years later, after various share sales and new issues, the main shareholders were:

• C Distil and E A Walters (address Corner House and presumably nominees for Central Mining)	26.94
• Johannesburg Consolidated Investment Co Ltd	19.51
• O Beit	9.55
•Sir Joseph Robinson	5.55
• S B Joel	4.77
• Estate C J Rhodes	3.95
• Sir Edwin Dunning	3.64
TOTAL	73.91

By 1920, Central Mining & Investment Corporation (Alfred Beit) had 34.27%, JCI 19.98%, Sir Otto Beit 9.45% and the Joel Brothers 9.09%. The combined shareholding of 54.25%, held then by Central Mining and JCI, has not changed materially, but both companies, and therefore the Argus, were absorbed into the Anglo camp in the 1950's.

The historic significance of the Argus' control by mining men almost since its incorporation, is probably simply that Cecil Rhodes had the 6000 pounds sterling needed by F J Dormer when he bought the *Cape Argus* from Saul Solomon in 1881. Thereafter, the paper was seen by other mining men – notably the Joels, Eckstein, Robinson and Barnato as an adequate investment for surplus funds. This pattern was pursued by the mining houses they established, and their interest ensured the Argus of the financial resources it needed to grow. As a result, Argus' acquisitions gave Anglo control of almost the entire English Press including SAAN and more recently, Times Media.

Anglo, following modern world trends, decided earlier this year to unbundle JCI. Their first divestment, predictably, was the investment not only furthest removed from their core business, but one with the most nuisance value. Anglo had been peddling its press interests for some time and attracted several potential buyers, amongst others, management, Canada's Conrad Black and, once rumoured, the ANC.

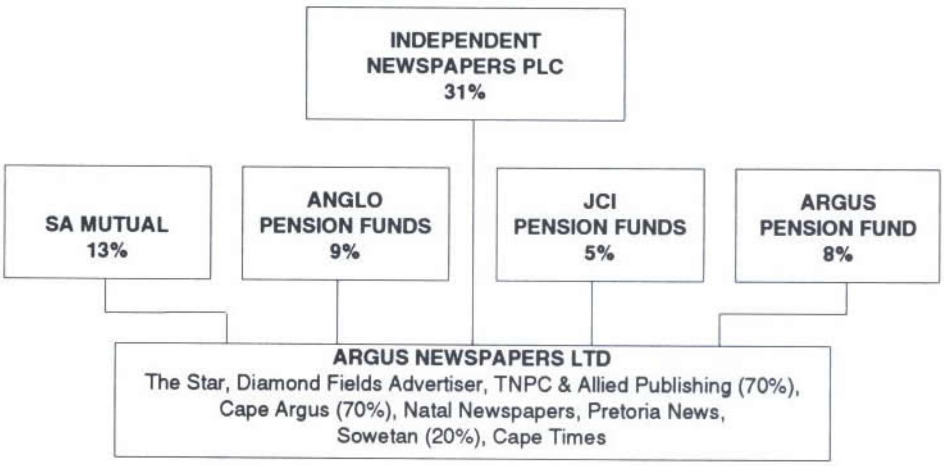
However, it was not until the irreversible abandonment of apartheid was achieved, that a deal was done. This was, of course, Tony O'Reilly and his Independent Newspapers, in February of this year.

The mechanics of the arrangement are that Argus Holdings Ltd, which holds all the shares in Argus Newspapers Ltd, will list Argus Newspapers Ltd as a separate unit on the Johannesburg Stock Exchange. They will issue shares in Argus Newspapers on a one-for-one basis to all shareholders in Argus Holdings Ltd. The two major shareholders in Argus Holdings, Anglo American and JCI, will then immediately onsell 31% of their holdings to Independent Newspapers PLC. The major shareholders in the newly listed Argus Newspapers Ltd are shown in the chart below. This will give Independent Newspapers effective control, as the other four major shareholders would have to combine forces to exceed their 31% and, furthermore, there is probably a shareholders' agreement precluding Anglo and its associates from doing so.

As one could expect, the announcement elicited more criticism than praise. The protagonists were appreciative of the fact that a foreigner was at last investing in South Africa; they were pleased to see a group as influential as Anglo was distancing itself from press control and they felt that the standard of South African journalism would improve with international influence and attendant exposure.

Those supporting the deal also made the point that new governments in Africa have almost invariably shown intolerance of the Press, assuming any criticism to be publicly insulting and consequently imposed strict censorship. It was therefore felt that a foreign-owned Press would be better able to

MAJOR SHAREHOLDERS IN ARGUS NEWSPAPERS LTD.



cope with a contingency of this kind as it would automatically become the focus of international censure.

The adverse comments have been that the monopoly of English language papers has not been broken – why has the Competition Board not prevented the sales? Staff security is threatened – foreigners will be imported for key jobs. Rationalisation will be tougher than under previous management – O'Reilly has stated that he would rather have fewer than more people and he is known for his concentration on the bottom line. Editorial independence will not be assured – O'Reilly's personal stand on the IRA is said to be law in respect of his Irish papers. The decision to sell to O'Reilly was taken too suddenly – even Richard Steyn, editor-in-chief of *The Star*, was taken by surprise. The papers should not have been sold to foreigners – no foreigner is allowed to own more than 20% of a radio licence, so why this? The inclusion of the sale of the *Cape Times* in the agreement was creating a complete monopoly in the Western Cape – even after a second bid from a black group was made.

All this praise and protest is valid and voices concerns inevitable following a change in press ownership.

However, if one supports free enterprise, a concomitant is minimal state intervention in the market place. First prize to the journalist and the public is a free press, but to expect a free press in an environment where press ownership is restricted, is an anomaly.

Above all, we need investigative journalism. We need corruption of any kind to be vigorously investigated and a responsible self-censoring press to expose it. The only watchdog the public has is the press. The obsession with secrecy that South Africans are guilty of, directly attributable to government arrogance and mismanagement over the past 40 years, has resulted in all the corruption and injustice still being uncovered. It is only a free press which can ensure transparency.

In a free enterprise system, the only state intervention needed is that which ensures the protection of the individual. Thus, union activity to ensure that labour is not exploited should be assured, and legislation must exist to protect the consumer from practices which infringe common interest.

The consideration in respect of the sale of the Argus was the latter. The Competition Board was involved in both the Argus and the *Cape Times* negotiations, and decided not to intervene in either case. The Board's investigation, however, was obscured by two technicalities. It did not have jurisdiction over the sale, as the purchase by Independent Newspapers of a controlling interest in Argus was not an 'acquisition' as defined in the Act as it did not involve 'the takeover by one competitor of another competitor'. Furthermore, in respect of the *Cape Times*, there is actually no change in the status quo as both the *Cape Times* via TML and the *Argus* are ultimately controlled by the Anglo group.

However, the investigations instituted by the Board were comprehensive, and many of the pros and cons mentioned above were raised by interested parties. Had the technicalities not existed and the Board been able to act 'in the common interest', I am not sure that their findings would have been different in the case of the *Argus*. There were no other offers on the table of which I am aware, and the sale does split the control of Argus and Times Media. Admittedly, that split hardly affects the dailies, as only the *Business Day*, the Port Elizabeth papers and the *Cape Times* have separate masters.

However, as far as the *Cape Times* sale was concerned, I believe the decision would have been different had the Board not been influenced by the "ultimate controlling shareholder" argument. By allowing Times Media to sell the *Cape Times* title and its shares in the Natal papers and the *Pretoria News* to Argus Newspapers, concentration of control of English dailies is not only now virtually complete, but irreversible without further drastic legislation. To argue that the sale was a condition precedent to the *Argus* sale, is also unacceptable. Had the *Cape Times* sale been blocked, the decision as to whether Times Media went ahead with the sale to the other offeror would be a separate issue.

One of the submissions highly pertinent in our new-look country was that of Dr Guy Berger head of the Department of Journalism and Media Studies at Rhodes University. He was in support of the sale in principle as it was a move away from concentration in the media – albeit a small one – but he also felt strongly that it was an opportunity to empower black South Africans which should not be missed, particularly as an offer by a consortium of black shareholders, led by accountant Mustaq Brey, had been made. As the *Cape Times* is printed by the *Argus* in terms of the Joint Operating Agreement signed in 1986, and a new printer would be needed, the consortium had gained the support of Nasionale Pers.

The Competition Board ruled, however, and quite rightly, that it cannot recommend to the Minister that he direct Anglo/JCI to sell their shares to a particular person or persons from South Africa's "disadvantaged communities or any other person/persons – however much it may wish to promote their claims and aspirations".

There is some consolation in respect of the sale of the *Cape Times* to Argus, in that the Competition Board was able to introduce the following provisions:

The Argus agreed:

- To continue to publish the *Cape Times* and the *Argus* as separate newspapers.
- The *Cape Times* and the *Argus* shall retain their editorial independence and integrity and the existing editorial differentiation between the two newspapers shall accordingly be maintained and encouraged.
- Within six months from the date of flotation of Argus Newspapers, a separate board of directors shall be appointed for its Cape operations to which shall be appointed, inter alia, a number of non-executive directors who shall:

  —Be independent of any of the major shareholder interests interested in Argus Newspapers Ltd;

  —Be chosen from the Cape region to represent the respective communities served by Argus' newspapers in that region.
- The arrangement shall endure for three years and should the *Argus* wish to terminate it at the end of that period it shall give the Competition Board three months notice of the intention when the Board may review the position.

In conclusion, my own thoughts on the arrival of international (rather than foreign) press participants on the South African media scene are that we are in for a dynamic press revival after years of the mediocre. I look forward immensely to unfettered cut-and-thrust journalism, reminiscent of the best first world reportage.

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