

# Thinking globally, acting locally

Reviving and sustaining South African  
journalism in a post-Covid world

Digital Journalism  
Research Project  
March 2021

# Acknowledgements

2020's tragedy and heartache, its contagion and discombobulation, its weirdness, and all our struggles to adapt, stay healthy, to survive, to cope and emerge as intact as we can, are reflected in the travails of the news media and journalism the world over.

The pandemic has accelerated long-wave trends in media economics that are reshaping journalism everywhere, and which are playing out in South Africa in particularly harsh ways.

Even as the economics of journalism become more complex and challenging, there is an urgent need to step back and explore what approaches, policies and structured interventions can be put in place to secure the long-term future of journalism. As many other countries are realising, without new ways of thinking and funding journalism, there will be less journalism. And in some areas, unless we act, there will be no local journalism done at all.

This report explores what South Africans can learn from other national news media systems in terms of thinking and experiments about novel ways for funding journalism, as South Africa anticipates emerging into a post-Covid world. The report draws mostly on public policy and government intervention to deal with what more and more countries are seeing as an accelerating, overlapping set of market failures in the provision of journalism.

The report also builds on the May 2018 report *Paying the Piper: The sustainability of the news industry and journalism in a time of digital transformation and political uncertainty* that examined the economics of journalism in South Africa and explored commercial and 'bottom up' solutions to key issues faced by the news industry and broader news ecosystem in South Africa. Some of those broader issues are also explored in this report.

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Learning about Australia's media ecosystem close up during Covid times, and exploring how news media ecosystems operate in other countries, from outside of South Africa, has hopefully brought some wider insight to this report. There is much to learn, much to share, and much to do.

**Dr Harry Dugmore**  
March 2021

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# Thinking globally, acting locally: overview and key findings

***“The information vacuum left when communities lose dedicated news coverage can have wide-ranging effects. Local news outlets play an important role in informing community members about local government, elections, and other civic events. They also help to shape community views around common values and beliefs, creating a sense of shared purpose that can be a powerful uniting force within a town or county. Without a source for local news, community members get most of their news from social media, leaving them vulnerable to mis- and disinformation and exacerbating political polarization ...”***

**DAVID ARDIA ET AL. (2020)**

ADDRESSING THE DECLINE OF LOCAL NEWS, RISE OF PLATFORMS, AND SPREAD OF MIS- AND DISINFORMATION ONLINE: A SUMMARY OF CURRENT RESEARCH AND POLICY PROPOSALS

***“... If ever there were an imperative moment for the study of journalism to more assertively make sense of the possibilities and perils of revenue generation or public and philanthropic support for news, it should be now – a moment when the sudden global recession and evisceration of marketing budgets likely will spell doom for many advertising supported news organizations already struggling to survive. A scholarly turn toward business models, however, is easier said than done. It may require collaborating with economists, organizational strategists, or others with the conceptual and methodological tools and skill sets that are missing in journalism research...”***

**SETH C. LEWIS (2020)**

THE OBJECTS AND OBJECTIVES OF JOURNALISM RESEARCH DURING THE CORONAVIRUS PANDEMIC AND BEYOND

## LEARNING FROM THE WORLD TO REVIVE AND SUSTAIN SOUTH AFRICAN JOURNALISM

***This report examines South Africa's news media ecosystem taking an 'outside-in' approach. The report asks: what can South Africa learn from other national news media systems in terms of how journalism is provided to people, and, in particular, how both news-making and news distribution is paid for?***

***What, in other words, can be usefully drawn from global thinking about the economics of journalism that could be applied to or adapted for South Africa?***

The Covid-19 pandemic has diminished the news media's income everywhere. Long-standing advertising-centric business and revenue models of public broadcasters, community media and privately-owned news media have been disrupted and have declined. These falls in revenue long pre-date Covid-19 and in many countries began even before digital technologies widened audiences' choices of mediums, media and journalism outlets.

But 2020 has brought about a particular reckoning for much of the news industry and for local news in particular. Thousands of journalism jobs have been eliminated in the past decade and while some new jobs have been created in digital news provision, the economic realities of 2020's Covid-induced recessions suggests that there will be further cutbacks at news organisations around the world well into the 2020s, as well many more closures of media outlets.

Even while more and more organisations respond by focusing more on audience revenue, the Reuters Institute's most recent annual survey, of 241 news media 'industry leaders' in 43 countries found 41% of respondents believe that subscription and other reader-revenue models "...will only work for a small minority of news publishers". (Newman, 2021)

Worryingly, there might also be the capture of other news organisation by political interests ready to subsidise media they can weaponise for purposes other than journalism. This has become a significant development in a number of African countries, including Kenya and Ghana (Mabweazara, Muneri and Ndlovu (2020). As Web 2.0 and rapid expansion in social media uptake have created new opportunities for more voices, and for more quality journalism, these factors

have also created opportunities for the creation and spread of misinformation, partly via sites purporting to be journalistic.

This confluence of social media, ongoing political and legal pressure on the news media, and the migration of advertisers to their own online platforms (via content Marketing), bespoke real estate portals, whatever was left of classified and legal advertising, is ongoing.

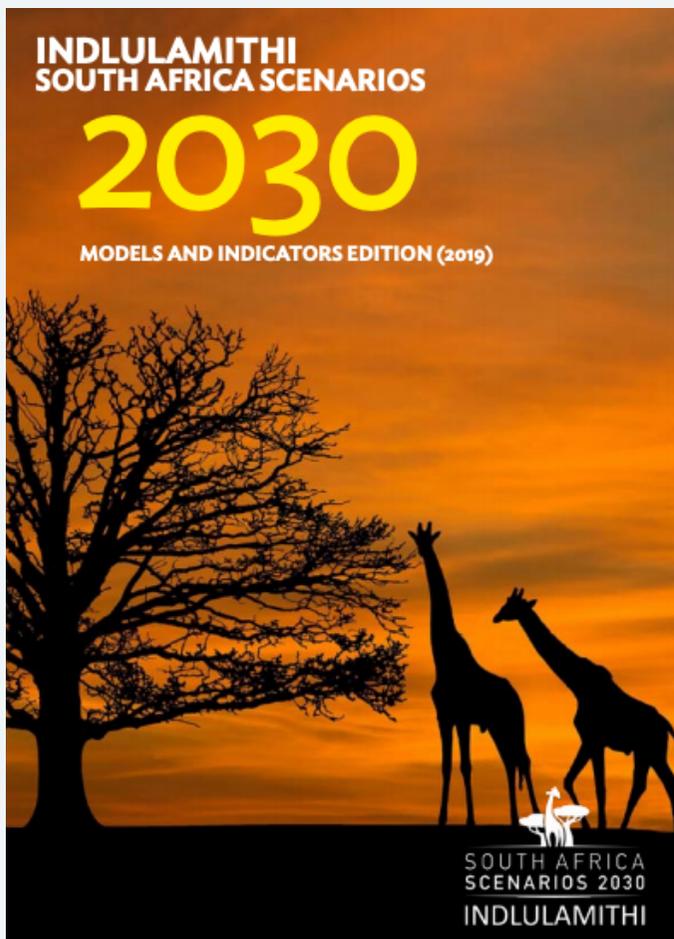
The commanding power of Facebook (and their affiliated companies, WhatsApp and Instagram) and Alphabet, which combines their Google search engine with their YouTube and Google Mail and Google maps properties (to mention just a few) facilities, has continued to attract more advertising market share particularly in those countries with large private sector providers of journalism, i.e. those countries where there is a news industry that is distinctly separate from government provision and patronage.

Questions of how to deal with these issues are being asked with increasing urgency. The pandemic has "comprehensively made the case for faster change towards an all-digital future" (Newman, 2021), and in the future it is clear that "Commercial news organisations no longer offer value to advertisers. Instead of searching for ways to make an obsolete business solvent, efforts should focus on alternative ways to fund public-interest journalism." (Lotz, 2020)

But there are some solutions and certainly a lot of discussion and debate. What can South Africa learn from these debates and from the experiments and search for sustainable solutions that are being tried out elsewhere?

While this report focuses on local news media in particular

**SOME OF THESE AREAS OF CHANGE REQUIRE POLICY CHANGES, GREATER OPENNESS TO INNOVATION, OR GROUNDSWELLS OF CIVIC SUPPORT. ALMOST ALL OF THESE RECOMMENDATIONS REQUIRE SUBSTANTIAL INVESTMENTS TO BE MADE. GOOD JOURNALISM – ETHICAL, BALANCED, VERIFIED, LEGALLY COMPLIANT, IN-DEPTH, CONTEXTUALISED REPORTING – IS EXPENSIVE TO PRODUCE AND DISTRIBUTE. THESE RESOURCE ALLOCATION DECISIONS HAVE TO BE MADE, MORE AND MORE, BY SOCIETIES AS A WHOLE AND NOT JUST BY POLITICAL ELITES.**



***Social compacting and social cohesion have been at the heart of recent South African scenario planning and has become a central theme of recent economic development plans in South Africa. Journalism is key to both.***

– the hardest hit of the constituent parts of national media ecosystems – it also looks at the national news more broadly, and at the role of Public Service Media (PSM) including exploring the financial viability, political pressure and credibility issues that are commonly faced by PSM in many countries.

What, for example, can South Africa and the SABC learn from global policy debates in terms of the future of TV and radio and finding ways to stay relevant in the face of streaming services and social media on mobile devices fragmenting and reducing audiences across all market segments?

Journalism in South Africa, although it has played an out-sized and positive role in the Covid-epidemic and a democracy-rescuing act of herculean proportions in exposing the depth and breath of the Zuma-Gupta faction's corruption and the extent of state capture, has often not been able to articulate grievances from the ground sufficiently well, nor always play its role of speaking truth to (especially local) power, with rare but important exceptions.

Drawing on a wide range of recent academic studies, industry and market research reports and other data from a number of countries, and supplemented with some interview-based research in South Africa in 2019 and 2020, as well as extensive secondary research into media economics and news industry operations around the world, this report updates and expands some of the key findings and recommendations of the *Paying the Piper: The Sustainability of the News Industry and Journalism in South Africa in a time of digital transformation*

*and political uncertainty* report published in May 2018.

The report is grouped into four areas of 'key findings'. Some tentative recommendations, based on a scan of global experiments, new practices, are made under each section. Much of this scanning and research draws more on wealthier and more developed countries, although there are some Global South examples cited. But stable and/or aspiring democracies, like South Africa, have been a point of focus, and in too many developing countries, government control and interference in the news media serve more as a warning of where South Africa does not want to go.

The same goes for direct state support of news media in too many countries: there are some fascinating, useful and important initiatives in some deployments of development aid, and philanthropy for journalism in many developing nations, but far fewer examples of state support for news media that does not compromise the news media's autonomy.

These findings are briefly outlined in in this first section and explored, in some depth, in subsequent sections, that inform these findings and recommendations. Taking note of the recent findings of the SANEF commissioned inquiry into Media Ethics (Satchwell, Bikitsha, Mkhondo, Inquiry into Media Ethics and Credibility, 2021), and the upcoming SANEF report on Media Sustainability and universal access to public interest journalism, the report concludes with a very brief overview of ideas and some strategies used in other countries for shaping public opinion, to induce and influence policies.

**FINDING 1:**

DIRECT AND INDIRECT 'SOCIAL SUBSIDIES'<sup>1</sup> ARE NEEDED FOR AN OPTIMAL BALANCE OF OWNERSHIP MODELS TO ENHANCE NEWS DIVERSITY AND TO FACILITATE *THE DIGITAL TRANSITION* OF BOTH NEWS PROVISION AND OF NEW INDUSTRY REVENUE GENERATION CAPACITY.

- i. To facilitate a multiplicity of voices and wider ranges of views, and to de-concentrate news media ownerships levels, which are high in South Africa, societies and states should encourage and support privately-owned (by commercial companies, civic/community organisation or NGOs) news organisations and Public Service Media. Global best practice suggests privately owned media should be *complemented* by Public Service Media. **Many countries are looking for ways for Public Service Media to better support local private media**, and to find ways of working more in tandem as mutually respectful parts of as a national news 'eco-system'.
- ii. In this mixed model however, there is a growing recognition that there is **a need for direct subsidies for local and regional news going well beyond state support for public service media**. There is also a case made in many countries for direct social funding for large metro level news providers. Some countries provide funds for a second city newspaper, while others allow all news media, regardless of size, to apply various kinds of (usually government funded) grants, and other support of various kinds. Many of these schemes are open to larger news organisations and aim to support the transition into 'all digital futures', a major criticism of many is that larger players often benefit disproportionately from such arrangements.
- iii. Experience in some wealthier countries suggest that when efficiently enacted, news organisations receive direct funding from governments, either for specific digital transition projects, or for training and equipment, or other forms of direct support of local news operations, are then able **to better seek and obtain income from audiences** via forms of paywall/subscriptions or membership income, and via forms of localised digital advertising and sponsorship.
- iv. There is a consensus in many countries that the depth of experience and institutional capacity that still exists in local news media, and the legacies of community connection, local credibility and trust, should not be lost. Because of this, **existing regional and local news organisations should be prioritized for assistance** and interventions to help with the transition to digital, social, mobile provision of news.
- v. At the same time there is wide concern about 'zombie' and 'ghost' papers which continue to operate because of non-commercial agendas, or for only partially commercial reasons, as tax-write-offs. Grants, subsidies and capital support should not prop up these kinds of outlets. **Deciding who gets support (and deciding who does this deciding) is a vexing issue in every country** – but fair mechanisms can be found.
- vi. Because local news is best done by locals, but economies of scale are needed to keep costs low, **back-end infrastructure can be centrally or collectively provided** and heavily subsidized, for potential providers of

<sup>1</sup> This report uses the term 'social subsidy' as a suggested way of thinking about creating 'pools' of funding that while they may rely heavily on the state, can also incorporate commercial and philanthropic funding. It also suggests that subsidies can be aggregated in decentralised ways, perhaps provincial and other more local levels, provided robust arms-length processes can be developed to ensure fair and transparent selection and distributions. The reality in most countries is that government funding is increasingly used to fund news media beyond the national PSM systems.

journalism (and for those already providing news). Private local news franchise models emerging in some countries that might provide some ideas for South Africa.

- vii. Better coordination, economies of scale and effective global cooperation is underdeveloped in philanthropy. Initiatives such as the still-speculative Luminate and BBC Media Action researched proposals, to develop a Global Fund for Public Interest Media, need to be engaged with by South African media, and encouraged at every level.

#### Recommendations:

- **An expanded role and more substantial funding for a re-modelled MDDA** to help media organisations – online, under-funded.
- Creation of **a new MDDA-like funding body specifically to support public interest journalism** and especially the funding of local and hyper-local online and broadcast news.
- Through this new journalism-centric body, or via other mechanisms, the provision of **digital transition funding** – ideally via competitive grants that can be applied to a wide variety of digital initiatives ranging from creating or upgrading websites, to better Content Management Systems (CMS), Customer Relationship Management (CRM) platforms, better audio and visual media creation capacity, (including video and podcasting capacity) and, especially for training for staff at all levels, including journalists, to use these systems.

## FINDING 2:

BOLD POLICY INTERVENTIONS ARE NEEDED TO NARROW MARKET POWER IMBALANCES BETWEEN MULTINATIONAL COMPANIES AND LOCAL NEWS ECOSYSTEMS (AND CHANGE IS POSSIBLE).

- i. Australia, the EU and some other jurisdictions are experimenting with a **variety of legal strategies to decrease the imbalance of market power** between external, large mostly USA-based social media and search companies, whose advertising business models and general modes of operating, have undercut the advertising revenues that news in all mediums relied upon.
- ii. These strategies have mostly taken the form of developing and using copyright protection policy and intellectual property laws, or in Australia's case, competition promoting bodies, i.e. statutory bodies that target anti-competitive market power imbalances, in similar ways to South Africa's competition commission and tribunal. The USA's anti-trust actions aimed at Google are also aimed at reducing imbalances in market power, and the abuse of what have become **de facto monopoly situations arising from 'first mover' gains for many of the large social media and search platforms**, and their long-standing propensity to buy out any and all actual and potential competitors.
- iii. These strategies include compelling these multinational companies, particularly Google and Facebook, to 'pay for news' by entering into payment arrangements with local news media. **But there are strong arguments that many of these policies incorrectly identify the causes of the platforms' impact**, which are less about 'stealing content' and far more about market imbalances that related to their algorithmically-driven, micro-market segmenting systems, which are opaque, and based on data harvested from users' online usage, including users' news consumption.

**LOCAL JOURNALISM, WHEN DONE WELL, CAN INCREASE WHAT UNESCO CALLS SOCIETIES' "MEDIA AND INFORMATION LITERACY" MORE BROADLY AND, AS IMPORTANTLY, INCREASE TRUST IN JOURNALISM OVERALL. AROUND THE WORLD, IT IS CLEAR THAT EXPOSURE TO WELL PROVISIONED LOCAL NEWS ENHANCES THE SENSE OF WHAT NEWS CAN BE, AND WHAT ROLE IT DOES AND CAN PLAY IN SOCIETY.**

- iv. Aggregating this data, based on 'reading off' audience's preferences as expressed in their online activities, including all their searches, online shopping, entertainment and news consumption, and then selling this 'aggregated audience' attention in ways that most news organisations cannot match, is the root cause of the market imbalance.
- v. Many multinationals, including Google and Facebook make substantial profits in local jurisdictions but pay very little tax, through convoluted but relatively conventional externalisation of profits through international taxation schemes and structures. Estimates that Facebook, Google and Microsoft have avoided \$3bn in tax in poorer nations don't mean wealthier nations are getting the tax revenues they are due either. **Getting these companies to pay more in tax may be a more fruitful strategy to fund journalism** as the closely-watched Australian approach may not create the kind of global precedents that many are hoping might emerge. Many countries have even less leverage over these multinationals, even though Australia is a relatively small market for all of them.
- vi. Google and Facebook are **resistant to schemes which limit their autonomy to do business 'their way'**. This is a global issue and includes their fierce protection and secrecy about their internal workings of their systems, i.e. exactly how their algorithms (or more correctly their many thousands of algorithms) 'work' and how they develop their criteria for search priority and placement, and for curating what news (and other material) each user sees in their feeds/streams and search results. This 'black box' secrecy is the same for all the other platforms and

interactive web-based system that Google and Facebook own, and is true for other platforms in general.

- vii. It is clear from the Australian example that to avoid interventions that require some scrutiny of their operating systems and proprietary intellectual property – as they see it – these platforms are prepared, it seems, to contribute large sums of cash, if pushed, to directly support journalism in particular countries. **Countries, and organisations could leverage this**, and work out ways to increase their bargaining power to work out more mutually beneficial deals.
- viii. In other words, in terms of global digital platforms, there are a range of choices to be made on a wide spectrum of forms of collaboration and degrees of confrontation.

#### **Recommendations:**

- That South Africa works closely with SADC countries, other regional groupings and the African Union to investigate an African-wide response to multinational platform power.
- That South Africa (and other countries) change tax laws to enforce a fairer taxation of profits that are clearly made from local advertising in particular, including the possible introduction of special transaction levies.
- That SANEF and other organisations work more directly with government (as Australian news media has done) and with Google and Facebook and other platforms to explore much larger-scale support for public interest journalism.

**FINDING 3:**

EXPANDING THE SCOPE AND MANDATE OF PUBLIC SERVICE MEDIA (PSM) AND ELIMINATING LICENCE FEES, CAN PROVIDE A BETTER COMMON 'BASE-LINE PROVISION' OF JOURNALISM NECESSARY FOR PUBLIC LIFE.

- i. Globally, the discussion about funding PSM is about moving away from licence fees, although some of the voices making this case are private media operators often with anti-communitarian agendas that are anti-PSM for ideological reasons.
- ii. There is a growing sense that licence fees are outdated, impractical and beset with unintended consequences and, in South Africa's case, with corruption and widespread evasion. The key reasons for licences as a revenue source for PSMs have always been the promotion of impartiality and independent from government influence, and to engender a sense of public ownership (and affection) for PSMs. But in South Africa, and in many other countries, licence fees, in the apartheid era, and in different ways in the Mbeki era and then under the ruinous reign of Hlaudi Motsoeneng and the entire tenure of Presidency of Jacob Zuma (2009 to 2018), provided limited protection from interference.
- iii. In the UK, where the concept of license fees for PSMs originated in the 1920s, and for handful of other countries, such fees do provide some levels of autonomy, but in countries where licence fees have been abolished or never implemented, **other mechanisms have been put in place to provide for the necessary sovereignty of Public Service Media.** This can be done in South Africa.
- iv. South Africa has one of the highest 'evasion rates' of TV license fees in the world when compared to those countries who continue with some form of licence fee system. This is reflective of the high levels of poverty and the so-called 'culture of non-payment' that is, for many, a form of protest and resistance. **Between 70% and 80% of South Africans who should pay the licence fee each year fail to do so**, despite the fee being set at very low levels relative to average income, and despite the legal requirement to pay, which are backed up with the threat of fines and legal action.
- v. Licence fees are a particular form of consumption tax. Most countries have opted for one of two mechanisms of revenue collection other than licence fees: either bespoke household capitation levies (as some in civil society and the SABC are proposing) or via direct taxation, where funds are cheaply and reliably collected (and transparently ringfenced and earmarked) by the tax authorities.
- vi. Many countries are trying to use their PSMs to support local media more directly and innovatively. For example, as explored below, the BBC's Local News Partnerships (LNP) in the UK pays for the salaries of 150 'local democracy reporters', hired by local news organisations as per their usual HR processes and criteria. News produced by these reporters is then shared with about 900 print, online or broadcast outlets who, as designated local news partners are "entitled to receive content generated through the News Hub, Shared Data Unit" i.e. through the backend sharing systems developed by the BBC.
- vii. Similar shared-resources models have their private sector counterparts in franchise models in some countries, particularly, the USA, where common backend systems are provided for hyper local news organisation to share some local, regional and national news, and backend systems.

**THE LICENCE FEE IN SOUTH AFRICA IS NO LONGER FIT FOR PURPOSE IN THAT IT DOES NOT PROMOTE THE SENSE OF COLLECTIVE OWNERSHIP OF THE SABC THAT PAYING LICENCE FEES MIGHT HAVE DONE IN THE PAST, OR STILL DOES IN SOME COUNTRIES. RATHER THEY SEED CYNICISM AND ALIENATION FROM WHAT SHOULD BE A MUCH-LOVED, WELL DEFENDED NATIONAL NEWS AND ENTERTAINMENT RESOURCE.**



*The SABC's journalistic role needs to be central to its current planning and proposed 'reinvention'*

**THE SABC IS UNUSUALLY DEPENDANT ON ADVERTISING, GETTING 70% TO 80% OF ITS INCOME FROM ADS, AND LESS THAN 20% FROM THE UNPOPULAR TV LICENCE FEES.**

**Recommendations:**

- As Sweden did in 2019, and Norway began in 2020, this report suggests that now is the time to consider **converting licences fees to bespoke taxes collected by competent tax authorities** (in Norway this 'levy' is called a Public Service Media Tax) via an income-indexed but simply structured tax to reflect South Africa's high levels of income inequality.
- The case needs to be built, over time, for these taxes or special levies to be collected by the South African Revenue Service. Although this report does not make an extended case for this, this appears to makes even more sense in poorer countries.
- Doing this could secure sufficient funding to not only operate the SABC, and make the organisation less dependent on advertising, and not dependant on government handouts. Such income would need to be 'ring-fenced' and reliably transferred to the SABC in dependable, predicible tranches based on longer term 'charters', such as the BBC's 10-year licence fee charter funding mechanisms, or the ABC in Australia's non-licence fee system of direct grants from the government, committed to *triennially*, which allows reasonable long-term planning.
- Repositioning the SABC's news making and news distribution roles, via better integration into national, regional and local news ecosystems and better, cheaper access to digital offerings. This would require the SABC to become more of a 'hub and spoke' system for local media, and possibly, if it gets increased funding, becoming a conduit for ways of funding journalism in local areas, together with the proposed Public Journalism Fund.
- This should include the SABC developing plans – and civil society lobbying to get the SABC the resources – to develop a South African version of the BBC's "Local News Partnerships", and the back-end creative commons systems to share local, regional and national news.
- Recent moves to close regional SABC offices need to be reversed, and the SABC's news provisioning role needs to be elevated and preserved lest a 'customer-centred business model' morphs into anti 'expensive' journalism agenda.

**FINDING 4:**

GREATER COMPETITION AND BETTER REGULATION IN TELECOMS PROVISION ENHANCES DATA AFFORDABILITY – AND POTENTIALLY NEWS ACCESSIBILITY THROUGH ZERO RATING.

- i. Data provision – in terms of levels of access, minimal standards of quality and reliability, and levels affordability – is increasingly seen as part of nations’ ‘social infrastructure’ which is, in the digital era, as important to people’s well-being as access to electricity and other services.
- ii. As such, governments in many countries are expanding, for example, funding for fibre to the home, rolling out more and more public wi-fi provision and spaces, and pushing for cheaper mobile data rates by either promoting genuine competition from private sector providers, or via regulation and various mechanisms related to spectrum allocation.
- iii. Many central governments **provide more coordination and incentives, and sometimes manage, at high levels, national digital infrastructures** to ensure equity of access, and minimal quality standards, and national security, even if they mostly rely on the private sector for delivery.
- iv. Most democracies have far greater levels of competition in the telecoms space than South Africa, including many countries in Africa. **Most often, such competition brings data prices down to more affordable levels.** Exorbitant telecommunications prices in South Africa, still among the highest in the developing world, have long been a brake on economic and social development.
- v. These costs have also contributed to making online journalism unaffordable to many, and reducing these costs, or providing end-users with forms of subsidies to pay these costs, might be pivotal to making news and information more accessible and viable.
- vi. In many countries, **the general public is not aware of how much local news has been lost, and how journalism in all its forms is under threat.** That information, and stronger cases for private, corporate, philanthropic and state support (i.e. what this report calls ‘social funding’) for public interest journalism have to be made more creatively and more often.
- vii. A number of countries have experimented with **zero-rating of news**, despite wide concerns about net-neutrality. There are a number of technical hurdles and it has proved difficult to get these approaches to help smaller, more local news organisations.
- viii. Moreover, initial results do not suggest a big boost in news consumption, **as price is not the only issue that keeps many people away from greater news consumption.** The number of people seeking out and consuming news – including what journalists regards as vital public interest news – and having enough information to participate in civic life and make considered political decisions, seems to be declining in many countries in the world.
- ix. More connected, engaged, responsive, credible, locally resonating news may reverse some of this, but zero-rating of data’s role in such a mix of initiatives is still unclear.

**Recommendations:**

- Data provision – in terms of levels of access, minimal standards of quality and reliability, and levels affordability – needs to be seen as part of the ‘social infrastructure’ which is, in the digital era, as important to people’s well-being as access to electricity and other services. To be ‘off the grid’, communication wise, as we’ve seen in the pandemic, often means a denial of education opportunities, the inability to be economic active from home and/or seek economic opportunities, and indeed being subjected to a lack of access to multiple informational ‘means of life’.
- With the noteworthy data cost concessions made by South Africa’s still dominant ‘duopoly’ recently – under pressure from the South African competition authorities – and in response to the health and educational emergencies South Africa and many nations have had to deal with in 2020, it would seem this is an ideal time

to make the case for much more news and verified information to be zero-rated.

- Such moves are might not be without unintended ‘net neutrality’ consequences, which this report briefly outlines and explores.
- Further research and greater public debate about zero-rating of news should be a major project for the SABC, and SANEF, to insure a fair balance between for-profit and PSM news media and for a fair balance between rural and local news provision.
- This report further suggests that the distribution of local news in particular should be provided through some form of negotiated, or mandated, or partially subsidized ‘zero rating’ of public interest local news (and some national news) in terms of data costs.

**DATA PROVISION – ACCESS, QUALITY AND RELIABILITY, AS WELL AS AFFORDABILITY – NEEDS TO BE SEEN AS PART OF THE ‘SOCIAL INFRASTRUCTURE’ WHICH IS, IN THE DIGITAL ERA, AS IMPORTANT TO PEOPLE’S WELL-BEING AS ACCESS TO ELECTRICITY FOR EXAMPLE. TO BE ‘OFF THE GRID’, COMMUNICATION WISE, AS WE’VE SEEN IN THE PANDEMIC, OFTEN MEANS A DENIAL OF EDUCATION OPPORTUNITIES, THE INABILITY TO BE ECONOMIC ACTIVE FROM HOME AND/OR SEEK ECONOMIC OPPORTUNITIES, AND INDEED BEING SUBJECTED TO A LACK OF ACCESS TO MULTIPLE INFORMATIONAL ‘MEANS OF LIFE’.**

While there have been some positive developments for the news media in 2020, in terms of massive surges of online viewing and of news consumption, most of the economic fundamentals of news systems of individual news organisations has worsened in South Africa, reflecting what is happening in most countries around the world. This has accelerated long-term negative trends.

While there is talk in many countries that the Covid-19 pandemic impact on economies might precipitate a “media-extinction event,” (Ahmed, 2020) what the Covid pandemic has done in much of Africa and in South Africa is reveal how deeply South African news media, including the SABC, has relied on advertising revenue to fund news media operations.

While this has long been true for low- and middle-income countries, where people don't have as much discretionary spending capacity, Covid-19 saw advertising revenues fall everywhere, and in South Africa, all levels of advertising reduced, at national and local levels, and across mediums. (Ahmed, 2020; Mugisha 2020).

Additionally, for print at least, most South African newspapers had already lost *half or more* of their 1999 readership before Covid hit in 2020. (Dugmore 2018)

As is vividly captured in SANEF's commissioned research *Covid-19's Impact on Journalism Report* by Reg Rumney (Reg has also contributed to this report) large numbers of local and regional print newspapers, and many once-iconic magazines, have closed or transitioned into online-only publications since

the corona virus swept the world, and many of those remaining are facing a very uncertain future. (Rumney 2020)

The reality is that print news media's advertising revenue decline began almost 30 years ago, before the full effect of digital migration. Total print revenue, measured by adspend, comprised 40% of total ad spend in South Africa in 2004 and this had dropped by half to 21% by 2017. (OMD, 2014 and 2018)

By comparison, radio and TV's share of all spending on advertising rose from 53% to 74% in the same period. Online's share of ad spend is now rising more quickly than ever. (OMD, 2014 and 2018).

Yet print media, despite these long-wave slides in audiences and revenues nevertheless remain, in many parts of the world, and in South Africa, primary generators of original news journalism, some of which is then picked up by broadcasting mediums or re-purposed by and for online platforms.

Radio and TV are not immune to rapid shifts in audience preferences and competition for advertising spending. Linear on-demand streaming services are slicing and dicing TV and Radio/Audio audiences into smaller fragments and reducing income for broadcast TV and radio stations, including those of PSMs.

That is why many PSMs have developed a suite of digital apps and websites such as BBC's iPlayer and Australia's ABC iView, as well as digital news apps, to take on the likes of YouTube and Netflix.

The SABC launched its own news app, SABC news, in April 2019, which includes live streaming of the SABC news channel, and the ability to listen, via the app, to all 19 of the SABC's radio stations. While the SABC has plans for both a streaming service and content download services, in addition to bespoke news apps, these dissemination mechanisms require substantial investment and promotion.

Beyond national print and the SABC, other parts of the South African news eco-system are also under intense pressure. Community newspapers and community radio stations too, some of which provide news, are, despite some emergency relief funding in worse shape than ever before.

As many rely on volunteers, and as unemployment increased in most communities in 2020, we need to understand better how these stations are coping.

### ***The 2020s for South African news media: Uncapturing or recapturing?***

As vaccines roll out globally and locally, the world should be able to put aside many of the harshest aspects of Covid-19, as cases, deaths and lockdowns come down. By the end of 2021, early 2022, some kind of normalcy will resume. What 2020 did demonstrate is that governments everywhere can, when push comes to shove, find money for local media, and this was the case in South Africa, where emergency funding 'topped up' MDDA funds allowing each community radio station to receive R45,000 as Covid relief (and opportunities to apply for other Covid related funding.

## A BRIEF OVERVIEW OF SOUTH AFRICA'S NEWS MEDIA ECOSYSTEM

On the upside too, is the invaluable role played by the SABC in the pandemic, as a valued source of news and information, and as a credible voice against misinformation. The national broadcaster is now also a lot less 'captured', i.e. government and the Zuma/Gupta faction of the ANC's overt and covert interference and control (as outlined in *Paying the Piper* and in many other reports, journalism and books) now appears to be less effective and less entrenched, and the public broadcaster was, at least at the start of 2020, briefly on a firmer financial footing due to a multi-billion rand government recapitalisation and 'bail out' in 2019 and 2020.

But Covid-induced lockdowns have had a devastating impact on the SABC's recovery plans. In November 2020, SABC chair Bongumusa Makhathini, in presenting the SABC's annual report, described how the R1bn loss in 2016/7 – which was reduced to R744m in 2017/18 – was 'just' half a billion, R511m to be precise which, while awful, was 20% 'better' than expected when compared to budgeted loss. By early 2021, plans for retrenchments were on hold, again, as multiple political parties including ANC were publicly railing against the SABC Board for their restructuring plans which includes varying levels of job rationalisations.

As is explored below, most global PSMs operate on leaner staffing levels – although hardly ever as lean as private commercial newsrooms – and the SABC continues to face high wage bill to revenue ratios.

In terms of commercial, privately owned media, almost all of the commercial news sector in South Africa is

experiencing sharp declines in revenues, and some are still mired in, or recovering from, their connection to the Zuma-Gupta faction of the ANC's 'media capture' project, which was extensively covered in *Paying the Piper*, and which has now been related further explored in depth in two recent books by Alide Dasnois and Chris Whitfield and Anton Harber respectively.

South Africa has had nine Ministers of Communication (now the Minister of Communications and Telecommunications) in just ten years. It is of course high time the Communication portfolio at Ministerial level is given the stability of an experienced Minister who can develop and then stick around and execute, a coherent vision for not just the media sector in South Africa, but the entire telecommunication sector, and devise and implement the longer-term structural solutions the country needs.

To the great benefit of South Africa's news industry, the heart of the corrupt Gupta-Zuma propaganda empire has been dismantled, with both the family's 24-hour satellite news channel, ANN7, and their print newspaper, New Age, closed down in the middle of 2018 despite an alleged change of ownership and last-minute changes of channel and newspaper names.

The demise of the Gupta-Zuma 'propaganda war machine' happened as the Gupta family fled South Africa, and their British Public Relations firm, Bell Pottinger, was forced in bankruptcy. These sagas are captured in detail in the recent feature-length documentary film INFLUENCE, and by a growing number of books and academic studies.

Unfortunately, Independent Newspapers, which owns more than half the English-language newspapers in South Africa, including some key daily papers in the major cities, is still owned and operated by companies controlled by Iqbal Survé. Although one recent book suggests the newspaper group, purchased in 2013 with a R2billion loan from the Public Investment Corporation, “wasn’t so much to assist the ruling party as to promote himself and his business interests” (Harber 2020) others are firmer in asserting how those operations were a direct part of a broader project of state capture, including capture of the PIC. 2019’s *Paper Tiger – Iqbal Survé and the downfall of Independent Newspapers* provided



voluminous and largely uncontested evidence – as have many *amaBhungane* investigative reports – of the continued support of independent newspapers for the remnants and regrouped Zuma-aligned faction within the ANC. (Dasnois, Whitfield, 2019)

With many experienced journalists having been hounded out

of their positions at various Independent newspapers, and more being side-lined via recent Covid-related retrenchments, the quality of the Independent’s newsprint publications have declined rapidly, as has its size of the audiences, although some of the IOL websites are doing better during the pandemic. *The Pretoria News* newspaper circulation has fallen to about 2000 copies a day in the pandemic.

In early 2021, Survé appointed one of the journalists who was at the heart of the SARS ‘rogue unit’ reporting at the *Sunday Times* (all of which was later retracted by that newspaper) as Editor of the *Pretoria News*. The ‘big lie’ news of an alleged ‘rogue unit’ in SARS was one of the central subterfuge’s of the Zuma-Gupta faction’s successful capture of SARS, in part to prevent scrutiny of their plunder of dozens of State-owned enterprises (and of government funds) by SARS.

As Harber notes, it is important to foreground the broader institutional harm to journalism in South Africa that Survé and his companies, and separately, the Gupta-Zuma families with their media assets before their shut-down, have wreaked since 2013:

*“Survé didn’t just promote himself and drive out good journalists who wouldn’t go along with this. He and the Guptas pulled out of the Newspaper Press Union (now the Newspaper Association of South Africa), the South African National Editors’ Forum, the Audit Bureau of Circulations and the Press Council, systematically undermining the institutions that held together the industry and set the standards for journalism and newspapering. It was destruction in the name of reform, and it accelerated the downward trend of an industry already in trouble. The circulation of these newspapers plummeted, along with the*

*quality of their journalism, and it seemed that the rogues wanted to take down the industry with them.” (Harber 2020)*

This report will return to issues of strengthening the news industries’ institutions as part of a broader set of prescriptions for reviving and sustaining South African journalism in a post-Covid world, in the conclusion. These need to include building up organisations such as SANEF, the Press Council, The Press Ombud, South Africa’s journalism schools, and training institutions.

Overall, journalism the world over and in South Africa, is facing a multifaceted set of interconnected crises: a business model/revenue crisis, a credibility/trust crisis, and a crisis of audience ‘engagement’. All three elements need to be understood and unpacked on their own terms, and understood together.

### Audiences drive change

An insightful recent report *News Media Innovation 2020*, published in Australia (Park, 2020), succinctly captures the key ‘grand themes’ and takeaways for global journalism in terms of what has been learned this century. These include the notion that “innovation in news media has circled through three overlapping cycles: digital-first publishing, social media distribution and now, audience-centred publishing” because “the biggest disruptor is that we live now in a “world of information abundance and having only a finite amount of time to pay it attention”.

The report asserts:

*It has taken a long time to understand that beyond the business model, social distribution and technology, by*



**SIPHIWE NYANDA**  
(ANC)  
May 2009–  
Oct 2010



**ROY PADAYACHIE**  
(ANC)  
Nov 2010–  
Oct 2011



**DINA PULE**  
(ANC)  
Oct 2011–  
Jul 2013



**YUNUS CARRIM**  
(ANC)  
Jul 2013–  
May 2014



**FAITH MUTHAMBI**  
(ANC)  
May 2014–  
Mar 2017



**AYANDA DLODLO**  
(ANC)  
Mar 2017–  
Oct 2017



**MMAMOLOKO KUBAYI**  
(ANC)  
Oct 2017–  
Feb 2018



**NOMVULA MOKONYANE**  
(ANC)  
Feb 2018–  
Nov 2018



**STELLA NDABENI-ABRAHAMS**  
(ANC)  
Nov 2018–  
present

*far the biggest disruption has been to the audience: their habits, needs, and expectations and how they value information. This calls for an audience-focused response and an understanding that just as disruption is at the heart of the business, innovation too has to be at the centre of everything. Business as usual is not an option.”*

JACQUI PARK

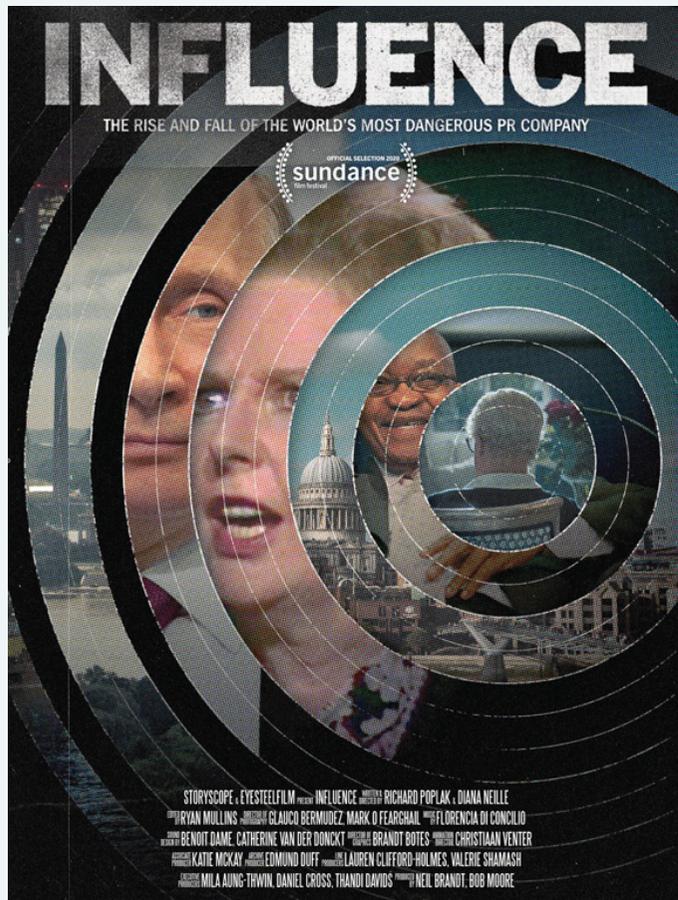
NEWS MEDIA INNOVATION 2020

The complexity and conundrum of relying more directly on audience participation and the revenue from audiences in developing countries, are the high numbers of people living in poverty, and the even higher numbers with low levels of the kind of ‘discretionary’ spending that funds purchases of journalism the world over.

Even in the biggest economy in the world, the USA, 15% of all households are living at or below poverty levels (with about 25% of African American’s living below official poverty levels). In much of the developing world, the numbers of people who are poor or very poor are expected to increase in 2020, and beyond, some years absolute poverty rate reductions.

***There have been nine Ministers of Communications (now the Minister of Communications and Telecommunications) in the ANC government since 2009.***

**TO THE GREAT BENEFIT OF SOUTH AFRICA'S NEWS INDUSTRY, THE HEART OF THE CORRUPT GUPTA-ZUMA PROPAGANDA EMPIRE HAS BEEN DISMANTLED, WITH BOTH THEIR 24-HOUR SATELLITE NEWS CHANNEL, ANN7, AND THEIR PRINT NEWSPAPER, NEW AGE, CLOSED DOWN IN THE MIDDLE OF 2018 DESPITE AN ALLEGED CHANGE OF OWNERSHIP AND LAST-MINUTE CHANGES OF CHANNEL AND NEWSPAPER NAMES.**



In South Africa, about half the population, by official definitions and yardsticks, is poor. But this percentage includes urban and rural areas: official estimates suggest that about 65% of South Africans in rural areas are **very** poor, even taking into account the low threshold 'bands' of income that are used to define poverty by Stats SA and other bodies. It is estimated that the Covid pandemic is pushing a further 1 million people in South Africa below the poverty line in 2020.

Thus, in countries like South Africa with high rates of poverty, as powerful as 'audience-centricity' is as a concept globally, and as much as we might need to engage with an audience-focused response, this might not necessarily mean the ability to get additional revenue from audiences, except perhaps the small minority of South Africans who have higher levels of disposable income.

Audiences **are** prepared to spend on digital media more generally, but in many countries appear less willing to spend money on news products. In terms of commercial news media, global studies reveal two startling consistencies: first, only about 30% of populations are prepared to pay for news products, even in prosperous nations, and second, most people who have subscriptions only have a single digital subscription.

While some consumers in wealthier countries complement their main subscription with other payments for digital news, this is still relatively rare. For example, in the UK, less than 20% of the adults have a digital news subscription, and of those who do, 74% had only one subscription.

This may change as more and more outlets start charging for news (and there are thus fewer 'free options'), as South Africa's most popular online news provider, News24 did from August 2020. Their R75 (US\$4.50) per month online subscription fee on 'premium content' also gives subscribers options to listen to every story through a narration feature, and allows only subscribers to comment after articles, or share an occasional (five a month) articles with others. How many of the News24 1.5 million daily unique visitors have signed up after the first six months is still unclear, but anything more than 5% of that number would be, by global standards, very impressive.

As the Reuters Institute's 2020 report comments:

*"In the last 12 months, more publishers have started charging for content or tightening paywalls and this is beginning to have an impact. Across countries, we have seen significant increases in the percentage paying for online news, including a jump of four percentage points in the United States to 20% and eight points in Norway to 42%.*

*We've also seen increases in Portugal, the Netherlands, and Argentina, with the average payment level also up in nine countries that we have been tracking since 2013."*

### **Ongoing payments for news**

There is little reason to believe that the percentage of the

population who pays for digital news will be higher in South Africa. Indeed, it is likely to be much lower given South Africa's relatively high levels of poverty

The 'winner takes all' first-mover advantage, are strong across many digital product categories, and the situations described by the annual Reuters Digital News reports suggest that similar patterns might play out in South Africa. News24, which draws on other news resources in the Media24 stable is certainly hoping their offering and their popular app will be 'the one' digital subscription chosen, if South Africans follow the UK trend of choosing only one paid-for digital news access.

There is probably a big enough market in South Africa for a few other national news providers to achieve significant digital subscription income via paywalls and combine that with plans to regrow advertising revenue once the economy begins to recover.

But can many – or any – local news outlets ever generate enough cash to operate even a modest newsroom, from audiences paying for content through subscriptions or via membership models?

This would, if global experience is a guide, require deeper engagement with the communities served by the news media in question and this in turn requires a different approach to journalism work, for which there are not the resources to put in place. Greater engagement, more transparency and accountability increase trust, and the annual Reuters reports also suggest that those who trust news outlets more, are more likely to pay for digital news. South Africa actually

ranks relatively high in terms of the proportion of people who agree that they trust most news most of the time, which about half of South Africans (if the surveys conducted are rigorous and representative) say they do.

But despite the travails of journalism in South Africa, there is some good news, and some solid foundations to build on, in terms of how South African journalism compares globally on one vector of audience engagement: trust. Out of 48 countries surveyed, South Africa did surprisingly well on 'trust' measurements, ranking 7th out of 48 countries, with 48% of South Africans saying they "can trust most news most of the time".

This may be reflective of the courageous and effective journalism of the past five years that exposed the depth and venality of the Gupta-Zuma patrimonial network. But it does mean a majority of South Africa's don't believe they can trust 'most news most of the time'

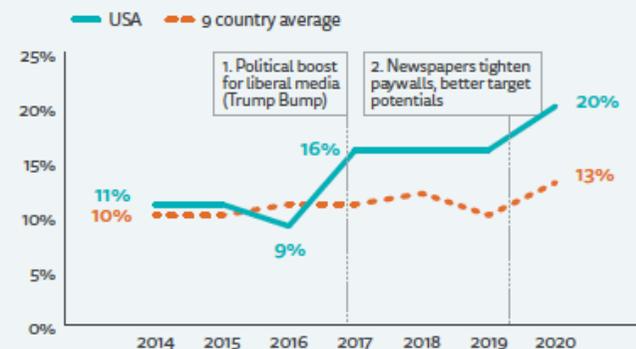
The two countries where the most people agreed that they "can trust most news most of the time", in 2020, were Finland and Portugal, where 56% of people concurred. France and Korea reported the least number of people who agreed with this statement, at just under 25% of respondents.

### **The rage to engage**

Engagement is a multifaceted process based, in the most part, on notions of more substantial multi-channel connection with audiences, and, in its fuller conceptualisation, a deeper listening to audiences and the public.

Although this report supports learning more from the rest

### **PROPORTION THAT PAID FOR ANY ONLINE NEWS IN LAST YEAR (2014-20) - SELECTED COUNTRIES**



**Q7a.** Have you paid for ONLINE news content, or accessed a paid-for ONLINE news service in the last year? Total 2014-20 samples = 2000. Note: 9 country average includes USA, UK, France, Spain, Italy, Germany, Denmark, Japan, and Finland.

***The annual Reuters Digital Journalism Report tracks propensity to pay for online news across a range of countries***

**In Australia only 14% of the population paid for news using any method in 2019 with the number is lower for people who regularly pay for news via an 'ongoing payment', ie subscription or membership service. That works out to only 8% of the Australian adults and, although this double the 2016 rate, is still less than 10% of the population. Many people pay for news in other less regular ways such "methods such as making a donation (3%), paying as part of a print-digital bundle (4%) and making a single one-off payment (2%) have stayed the same over the past twelve months"**

**PARK, ET AL,**  
*DIGITAL NEWS REPORT: AUSTRALIA 2020*

of the world about engagement, it does not explore the foundational concepts that underpin engagement in depth. These notions of engagement reimagines journalism's processes as shifting to be about doing more *with* people and in its more radical incarnations, of journalists and news channels doing much more facilitation of social participation processes and helping find solutions, rather than the more traditional journalistic roles of 'pointing out the problems'.

Engagement thinking also encourages consideration of what it might mean to go 'beyond journalism', through innovations in digital, social and mobile systems that are always-on, 'liquid', 'ambient' and pervasive.

Engagement, it can be argued, is especially important for local news media. There are many projects globally helping smaller news organisations, explore how they can "enable and assist."

Journalists also need to embrace the fact that the future of journalism cannot – and will not – look like the past. Moving forward will require doing some things differently. That means being open to new forms of storytelling like video and augmented reality, finding new ways to engage with your audience – online and In Real Life – as well as a willingness to embrace concepts such as Solutions Journalism i.e. reporting on what's 'working' as much as on what is not working (Radcliffe 2019)

Done right, engagement can enhance news organisations' credibility in communities and enhance levels of trust across

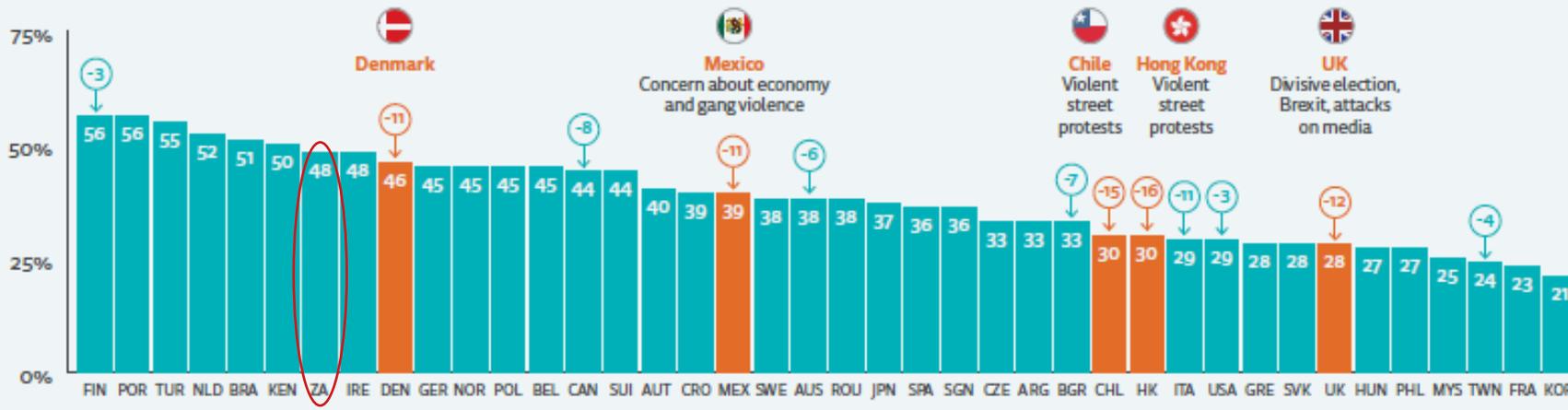


***In many countries, the majority of the minority that pays for news online has only one online subscription. Will that be news24 in South Africa?***

at least local media ecosystems. Email newsletters are often a key channel for establishing a base level of engagement, as are news outlets' social media pages, and of course, the individual journalist's direct engagement with readers on social media. But so too is involving local business and doing the work of linking up and connecting with people with each other.

Greater levels of engagement may be key to restoring news media's audiences and 'brand loyalty', some of which has been lost in the digital disruption.

PROPORTION THAT AGREE THEY CAN TRUST MOST NEWS MOST OF THE TIME – ALL MARKETS



Q6\_1. Please indicate your level of agreement with the following statement: I think you can trust most news most of the time. Base: Total sample in each market = 2000, Taiwan = 1027.

The annual Reuters Digital Journalism Report recently ranked South Africans as the 7th in terms of those who said they trusted 'most news most of the time', among surveyed countries

DESPITE THE SEVERE KNOCK THE ENTIRE NEWSPAPER AND MAGAZINE MEDIA INDUSTRY – AND ALLIED INDUSTRIES LIKE RADIO, TV, FILM, LIVE PERFORMANCE – HAS TAKEN DUE TO THE COVID-19 EPIDEMIC, COVID-19, TRAGIC AND DEVASTATING AS IT HAS BEEN, MIGHT PROVE 'DISRUPTIVE ENOUGH' TO PROVOKE AND ACCELERATE SOME SOCIETY-LEVEL STRUCTURAL REFORM THAT MAY IMPROVE THE PROSPECTS OF THE JOURNALISM PROJECT IN SOUTH AFRICA IN THE LONGER TERM.

# HOW TO RESTORE TRUST IN MEDIA: FIVE PERSPECTIVES

## 1. Listen more

"This emphasis on diversity of voices and awareness of social context should be the starting point for any attempt to regain the public's trust. As the code states at the outset: The media exist to serve society. One way of doing this is to adopt an "ethics of listening". I explore this in my new book *The Ethics of Engagement*. The central theme of my argument is that journalists must reach beyond their usual audiences to include those that normally appear only on the margins of media coverage. And they must review how those voices are reported, and how they appear in the media. This approach will result in a more genuine dialogue and an approach that's more participatory. This could, in turn, contribute to a thorough reassessment of the media's relationship with the public in a way that could rebuild trust".

**Herman Wasserman**

**Public trust in the media is at a new low: a radical rethink of journalism is needed**

*The Conversation* Feb 2021

## 2. Train, engrain, maintain – getting codes to work

"Ensure that conversations are ongoing on current and proposed new codes of ethics and standards, including identifying lacunae, regular updating and revision and the best ways to facilitate and broaden public input into these processes. This includes, the Press Code of the PCSA, the IABSA code, the BCCSA code, the NAB code and the ICASA Code of Conduct for Broadcasters, and all other relevant codes, and there is significant scope for cross-pollination between these bodies' codes. Topics for debate could include the potential benefits of a single co-regulatory code dealing with all content. Notwithstanding that some media sectors are regulated by statute and others not, there may be value in exploring the advisability of coordinated and even uniform jurisprudential approaches to media practice."

**And**

"Open debate on the need for a digital media ethics code and the content and applicability thereof, with special consideration of the 'clickbait' phenomenon".

**Satchwell, Bikitsha, Mkhondo, Inquiry into Media Ethics and Credibility (2021)**

## 3. Practice radical transparency

"The media should develop industrywide standards on how to disclose the ways they collect, report, and disseminate the news. These include labelling news, opinion, and fact-based commentary, and avoiding advertising formats that blur the line between content and commerce. Outlets should also commit to best practices on corrections, fact-checking, anonymous sources, and tracking disinformation."

**Knight Commission on Trust, Media and Democracy (2019)**

## 4. Suffer, die – and learn to empathise

"Across the globe, digital disruption has fundamentally upended the business of the media: the process of creating, distributing and selling information – especially in the form of journalism. Along the way, trust in the African media has taken a big hit, as surveys have shown: Since 2011, support for media freedom in 31 African countries plummeted by eleven points to 47 percent. At the same time, support for government control has increased by the same amount, to 48 percent, according to Afrobarometer figures.... To address challenges the media faces, including building relationships with the audience, Kenyan journalist Christine Mungai argues that the media needs to learn how to empathize: "Journalism needs to learn how to suffer and, yes, how to die. Only through death – coming to terms with your own wounds and scars – can one truly learn empathy, imagination and courage. Until then, there will only be the sad adolescent bewilderment that this is happening to us."

**Dickens Olewe  
Media in Kenya: The radical shift  
DW Akademie (2020)**

## 5. Involve, quote and listen to young people

"We also found young people were ten times more likely to be seen rather than heard in the news...however, our analysis of these images finds young people are usually only peripherally included in the substance of the story, often acting as visual props to introduce colour or emotion, rather than being an integral part of the story itself. It's likely young people's lack of trust in news organisations is closely linked to their lack of representation. One clear way for news organisations to begin building trust with young people is to start including them in news stories in meaningful ways."

**Tanya Notley & Michael Dezuanni**

**On an average day, only 1% of Australian news stories quoted a young person. No wonder so few trust the media**

*The Conversation* September 2019

# SECTION 1

## DIRECT AND INDIRECT SOCIAL SUBSIDIES ARE NEEDED FOR AN OPTIMAL BALANCE OF OWNERSHIP MODELS TO ENHANCE NEWS DIVERSITY AND TO FACILITATE THE DIGITAL TRANSITION OF BOTH NEWS PROVISION AND OF NEW INDUSTRY REVENUE GENERATION CAPACITY

*... a vibrant and effective media that has the incentives and ability to identify, investigate and publicise the abuse of power, strengthens the community's trust in our system of government. Because its impacts are so pervasive, the benefits of public interest journalism, far exceed the economic rewards that newspapers, broadcasters and other sources of content obtain from investing in it. It is therefore understandable that the financial strains which many segments of the media have experienced in recent years, would raise fears that public interest journalism will become ever harder to fund, reducing its level, both relative to the past and compared to the level which is in the best interests of the community.*

**HENRY ERGAS, JONATHAN PINCUS AND SABINE SCHNITTGER**  
THE CRUCIAL ROLE OF PUBLIC INTEREST JOURNALISM IN AUSTRALIA  
AND THE ECONOMIC FORCES AFFECTING IT

- i. To facilitate a multiplicity of voices and wider ranges of views, and to de-concentrate news media ownerships levels, which are high in South Africa, societies and states should encourage and support privately-owned (by commercial companies, civic/community organisation or NGOs) news organisations and Public Service Media. Global best practice suggests privately owned media should be *complemented* by Public Service Media. **Many countries are looking for ways for Public Service Media to better support local private media**, and to find ways of working more in tandem as mutually respectful parts of as a national news 'eco-system'.
- ii. In this mixed model however, there is a growing recognition that there is **a need for direct subsidies for local and regional news going well beyond state support for public service media**. There is also a case made in many countries for direct social funding for large metro level news providers. Some countries provide funds for a second city newspaper, while others allow all news media, regardless of size, to apply various kinds of (usually government funded) grants, and other support of various kinds. Many of these schemes are open to larger news organisations and aim to support the transition into 'all digital futures', a major criticism of many is that larger players often benefit disproportionately from such arrangements.
- iii. Experience in some wealthier countries suggest that when efficiently enacted, news organisations receive direct funding from governments, either for specific digital transition projects, or for training and equipment, or other forms of direct support of local news operations, are then

able **to better seek and obtain income from audiences** via forms of paywall/subscriptions or membership income, and via forms of localised digital advertising and sponsorship.

- iv. There is a consensus in many countries that the depth of experience and institutional capacity that still exists in local news media, and the legacies of community connection, local credibility and trust, should not be lost. Because of this, **existing regional and local news organisations should be prioritized for assistance** and interventions to help with the transition to digital, social, mobile provision of news.
- v. At the same time there is wide concern about 'zombie' and 'ghost' papers which continue to operate because of non-commercial agendas, or for only partially commercial reasons, as tax-write-offs. Grants, subsidies and capital support should not prop up these kinds of outlets. **Deciding who gets support (and deciding who does this deciding) is a vexing issue in every country** – but fair mechanisms can be found.
- vi. Because local news is best done by locals, but economies of scale are needed to keep costs low, **back-end infrastructure can be centrally or collectively provided** and heavily subsidized, for potential providers of journalism (and for those already providing news). Private local news franchise models emerging in some countries that might provide some ideas for South Africa.
- vii. Better coordination, economies of scale and effective global cooperation is underdeveloped in philanthropy.

Initiatives such as the still-speculative Luminare and BBC Media Action researched proposals, to develop a Global Fund for Public Interest Media, need to be engaged with by South African media, and encouraged at every level.

#### **Recommendations:**

- **An expanded role and more substantial funding for a re-modelled MDDA** to help media organisations – online, radio, TV – grow and develop. The MDDA has always been under-funded.
- Creation of **a new MDDA-like funding body specifically to support public interest journalism** and especially the funding of local and hyper-local online and broadcast news.
- Through this new journalism-centric body, or via other mechanisms, the provision of **digital transition funding** – ideally via competitive grants that can be applied to a wide variety of digital initiatives ranging from creating or upgrading websites, to better Content Management Systems (CMS), Customer Relationship Management (CRM) platforms, better audio and visual media creation capacity, (including video and podcasting capacity) and, especially for training for staff at all levels, including journalists, to use these systems.

**LOCAL JOURNALISM, WHEN DONE WELL, CAN INCREASE WHAT UNESCO CALLS SOCIETIES' "MEDIA AND INFORMATION LITERACY" MORE BROADLY AND, AS IMPORTANTLY, INCREASE TRUST IN JOURNALISM OVERALL. AROUND THE WORLD, IT IS CLEAR, EXPOSURE TO WELL PROVISIONED LOCAL NEWS, ENHANCES THE SENSE OF WHAT NEWS CAN BE, AND WHAT ROLE IT DOES AND CAN PLAY IN SOCIETY.**

The 'weakest link' or the most vulnerable part of the news ecosystem, in almost every country in the world, is regional and local news media, whether privately funded, or community based, or mostly serviced by public broadcasters.

As dire as the situation might be for commercial newspapers at national and large city level, it is worse, wherever you look, at the regional and local level, for a variety of complex reasons that differ from country to country.

In many countries, as in South Africa, local news organisations have been corporatised, and become part of large national chains, losing some of the intimate connection to local society, business, arts, sporting organisations etc. Even some editorial functions have been centralised. This consolidation has however led to substantial economies of scale in terms of ad sales, printing and distribution.

In many countries, these local operations are still very print-centric and are burdened with debt. Most are operating with less than half of their reporters compared to a decade ago, and are not yet making much money from digital.

Many print titles have become free-sheets, relying on advertising that the Covid-lockdowns and recessions have

upended and suspended for the foreseeable future. But the spectre of growing numbers of local 'news deserts' is attracting political and social attention everywhere.

From the 'bottom up', communities and journalists and some media organisations, are trying to find new ways of ensuring that communities have some local reporting of local political and social functioning.

And from the 'top down,' many governments are putting in place more substantial interventions, national news eco-systems than they have for years, which has been dramatically accelerated by the Covid 19 global recession.

### Local news media in South Africa

South Africa's major cities have been fairly well-served by a variety of newspapers, owned by the major media companies, and many more suburban knock-and-drops, plus, often both strong commercial and community radio stations that provide regular news, weather and traffic information.

While this media has often had a middle-class orientation, and has focussed on English and Afrikaans languages, there are a fair amount of news sources for communities in the main cities.

Smaller cities and larger towns in South Africa also had more area news, but often in a similar white, middle-class orientated, and often generated by what were powerful local and regional newspapers, and to a lesser extent regional and local radio stations.

**AS IN THE CASE IN MUCH OF THE WORLD, MOST NEWS ORGANISATIONS ARE STILL WOEFULLY UNDER-PREPARED FOR THIS TRANSITION, EVEN 30 YEARS INTO THE INTERNET ERA AND MORE THAN A DECADE INTO THE ERA OF SOCIAL MEDIA AND MOBILE-CENTRIC ACCESS TO THE INTERNET. IN RESPONSE TO THIS, MANY COUNTRIES ARE PROVIDING FUNDS, FROM CENTRAL GOVERNMENT, LOTTERIES AND THROUGH THE FACILITATION OF PHILANTHROPY, THAT SPECIFICALLY AIMED AT FACILITATING DIGITAL TRANSITIONS FOR NEWS MEDIA AND ESPECIALLY FOR PUBLIC INTEREST JOURNALISM.**

Many of these newspapers were at the heart of local news-gathering and often central to aspects of life of towns of all sizes, playing an important role in developing a sense of often-tenuous social cohesion. Often, they were part of small news ecosystems that included regional papers (and since 1994) community radio. Almost all these local newspapers were also historically concentrated in – and reported on – the wealthier, whiter areas of the country.

Many of these local newspapers, by 2020, developed significant online versions. But over the past decade, many others, particular in more rural areas have either been closed or have merged into regional and national chains, as digital technologies undercut the business model and fragmented audiences.

This decline has been accelerated by the Covid pandemic.

Despite the steep falls in revenue in 2020, Caxton, the largest owner of community papers, still owns or manages 120 local publications across South Africa. In addition, there are 11 papers in the Urban Local Newspapers' stable and seven in Group Editors, owned by the Moolman family. (Caxton 2020)

Independent Media publishes “more than 30 daily and weekly newspapers in the country’s three major metropolitan areas” (IOL, 2020) but these include big city papers. Media24 News publishes more than 60 print titles and about 187,5 million newspapers annually. Arena Media owns five local newspapers in the Eastern Cape. (Arena 2020)

All these businesses are under severe pressure, and it can be expected that many of these titles will not survive for long in their current form.

In addition, the Association of Independent Publishers (AIP) notes 87 additional mostly smaller, community newspapers that are published weekly, 38 that are published fortnightly, and 55 newspapers still published monthly. 97 are published in indigenous languages or a combination of indigenous and English/Afrikaans. 60% of these titles are black owned and 18% are owned by women, according to the AIP. (AIP 2020)

Newspaper sales have been declining steadily over the past two decades, and this decline has accelerated recently. The most recent Audit Bureau of Circulation of South Africa's results for 2020 have showed some of the largest year-on-year declines on record (ABC, 2021).

## Direct government funding for local news

Government funding of journalism is likely to be the key to the future of local journalism everywhere, including in South Africa.

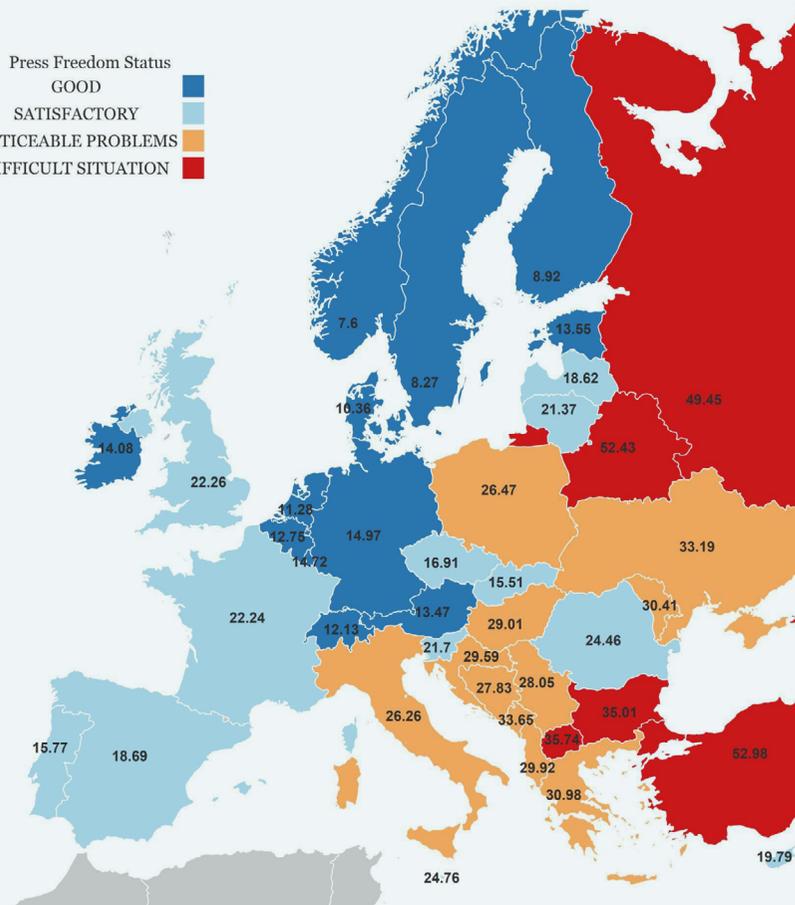
Despite the severe economic downturn and pressure on the South African government for relief spending, there is a strong case to be made for more systematic and substantial funding of news, particularly in terms of the digital provision of news, if there is to be the journalism needed to participate in the economy, politics and society more fully.

As other countries are showing, the source of direct funding for journalism can be from government alone (at national, regional and local levels) or be a combination of government and private funds that are pooled (as per the original MDDA funding mechanism) into an entity. These can then be disbursed into the news ecosystem, creating better mechanisms for philanthropic funding of news.

Despite the long local history of government attempting to use its leverage, via funding and corporate oversight, of the SABC and MDDA, directed funding doesn't have to distort the public sphere, nor allow government undue influence on the news media. As a recent article argues:

*"The five countries that topped the Reporters Without Borders World Press Freedom Index in 2017 were Norway, Sweden, Finland, Denmark and the Netherlands. All five provide direct subsidies to their newspapers (typically targeted at publications with weaker market positions)."* (Greenwell 2020)

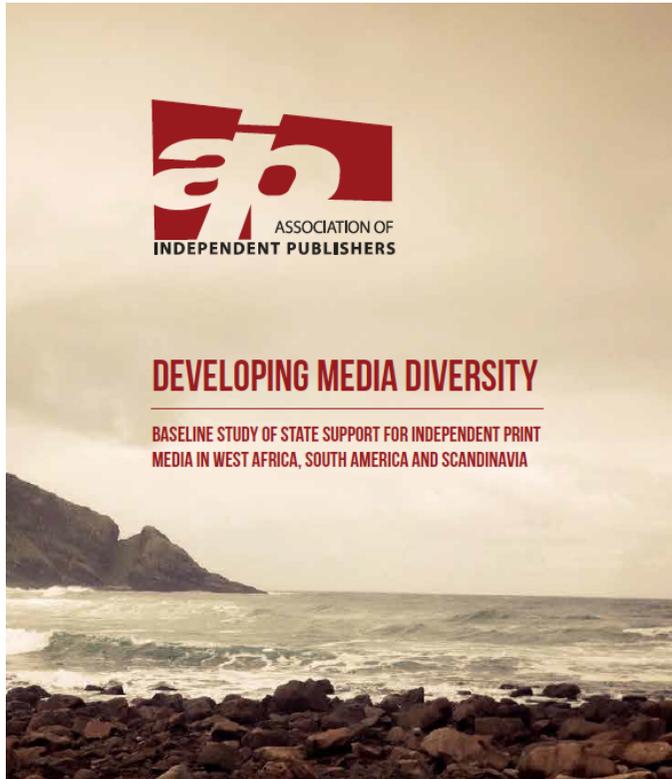
Press Freedom Status  
 GOOD  
 SATISFACTORY  
 NOTICEABLE PROBLEMS  
 DIFFICULT SITUATION



Author: Milos Popovic  
 Source: The World Press Freedom Index 2017, <https://rsf.org/en/ranking>

## The status of press freedom in Europe since 2017

And of ten countries where governments provide direct assistance to their news industry, only Italy has any issues in relation to press freedom – and it still generally ranks in the top third of press freedom indices." (Greenwell 2020)



In a major report in 2014, researcher Julia Plessing examined state media subsidies of the print media in selected African, Latin American and Scandinavian countries, in a study for the Association of Independent Newspapers. This was first in-depth research project to examine this. (Plessing 2014), and there has been little research on this topic since.

The report did not get the coverage and acknowledgement it deserved, and its key point – that state support for journalism outside of just the public broadcast system was, globally, already then becoming a more mainstream idea than we are aware of in South Africa, requires re-emphasising.

This is even more true in 2020. Although Plessing notes that “no one-size-fits-all”, in a later paper she elaborated on the growing ubiquity of such support:

*“... state intervention, in the form of support to media outlets, is not an anomaly, and is practised widely across Europe, North America and even West Africa. Most social-democratic European governments, including Austria, France, Belgium, the Netherlands and the Scandinavian countries, have provided large-scale support to the media sector from the 1960s and 1970s onwards, either directly or indirectly. Moreover, even in places like the United Kingdom and the US, which have always had a great belief in market self-regulation, governments have pumped billions into the press and media houses.”* (Plessing 2017)

As the need for accurate, speedy information grew during the pandemic, Governments everywhere are seemingly more concerned with information provision at least, and news journalism more broadly, and because of the steepness of the economic contraction, with their national media systems

generally. Eminent news media scholar, Victor Pickard of the Annenberg School for Communication at the University of Pennsylvania argues:

*“It is hard to imagine how we can tackle the journalism crisis without a large central public media fund that could address news deserts and various unmet information and communication needs. ... some may criticize public models like the BBC, but these models are certainly less flawed than the commercial model that is currently collapsing in on itself.”*

(INGRAM 2020)

How this is done is worth exploring, in terms of what kind of mechanisms, agencies, and regulations can be put in place, and what kind of elements of news making and distribution should be funded.

Three modes of direct funding stand-out:

- Funding journalist salaries directly.
- Providing direct cash grants for digital transition or other forms of ‘innovation’ via once off, competitive grants.
- Ramping up and directing government advertising budgets to local news media.

Each of these areas are worth examining in some detail.

### Funding the placement of journalists directly

A number of countries have experimented with this kind of ‘pay a journalist’s salary’ idea. For example, Canada has created a Local Journalism Initiative, “a \$50 million, five-year effort created and funded by the Canadian government

to support local and civic journalism for underserved communities". (REF to be added) Much of the money goes toward supporting journalist salaries, allowing selected newsrooms to hire a journalist at low or no cost.

According to a recent Nieman lab report, to administer the fund while "protecting the independence of the press," the Department of Canadian Heritage entrusted seven non-profit organizations, representing various segments of the news industry, with soliciting applications from news outlets, creating independent panels of judges, and administering one-year, renewable grants. (Scire, 2020)

By mid-2020, more than 140 newspapers across Canada were able to hire 168 journalists. "Each position will be funded with a maximum of \$60,000 per year, 5 percent of which can go toward equipment." (Scire, 2020)

What is particularly interesting is that all these organisations have to agree that the journalism done by these subsidised journalists, regardless of who they work for, be "made available to other news outlets through a public portal run by the Canadian Press and a Creative Commons license." (Scire, 2020)

Thus they become, in effect, the 'shared resource' of all 140 newsrooms, a factor that encourages levels of collaboration between organisations that wouldn't necessarily otherwise exist. Funding the placement of journalists directly in newsrooms could be powerful way to provide support to newsrooms across South Africa.

The fund has raised important questions in Canada, some of which go the heart of issues that would need to be faced

if South Africa established a similar set of funds. The same detailed Nieman Lab report warns:

*"All government attempts to support news outlets face a common problem: How do you decide which outlets to support? Do you determine a class of outlets that is eligible for support — like, for example, Sweden, which specifically subsidizes the second-most-popular newspapers in cities in order to try to maintain competing dailies? Or do you set up a system where someone — a non-profit, an association, or the government itself — picks and chooses the outlets who win support?"*

(SCIRE, 2020)

In New Zealand, a more modest project to place eight local journalists, dubbed "Local Democracy Reporters (LDRs)" as part of a 'Local Democracy Reporting' (LDR). (Public Media Alliance 2019)

This is a public private partnership between Radio New Zealand, the NZ Newspapers' Publishing Association (NPA) and New Zealand On Air. It's explicit aim is to "revive local journalism in the country". This is how one article described this initiative:

*"In recent years, local journalism has been facing challenges with newsroom cuts and threats from commercial media organisations. The phrase "Democracy deficit" has been coined to refer to this crisis in local public interest journalism. 29 community or rural newspaper titles have closed in the last two years across the country and regional reporters have been in decline over the past 3-5 years. This has led to a decline in the reporting of local democracy issues, according to the alliance's Memorandum of Understanding (MOU).*

(PUBLIC MEDIA ALLIANCE 2019)

NZ\$1 million was allocated to fund the reporters. (Public Media Alliance 2019)

In Australia, a different approach, but one which could be applied in South Africa, has been to not pay the salary of a full journalist, but to pay for journalism cadets, i.e. learner journalist, and focus that funding on regional and local areas.

In 2018, the Australian government agreed to fund 200 of these journalism cadetships, paying a 'subsidy' of \$40,000 (about R500,000) per year, expecting employers to pay whatever amount extra would make up a full salary (journalists, needless to say, are far better paid in wealthier countries). (Wallbank, 2018).

41 regional companies received these subsidies. In addition, they also created 16 new regional universities' scholarships, also worth up to \$40,000 under the Regional Journalism Scholarships Program. (Wallbank, 2018)

The explicit focus on regional and local journalism is worth noting. The Minister in charge of this, Mitch Fifield said in announcing the scholarships: "The scholarships are aimed at students from rural and regional areas so they can acquire skills and knowledge necessary to operate in the contemporary news media industry and stay living and working outside the major cities." (Wallbank, 2018)

These are just three examples of fully or partially funding journalist or learning journalists' salaries, all from wealthier countries. But this approach – of paying for the placement of journalists but letting the local news organisations do the selection of the candidates, is being explored in other

countries around the world.

### Providing direct cash grants for specific 'digital transition' programmes, and funding other forms of 'innovation'

In Australia, to better support "high quality news, particularly in regional and remote Australia", the government created an AUS\$50 million Public Interest News Gathering (PING) programme in 2020, although only AUS\$13.4 million was 'new money' with money repurposed from unallocated funds from the Government's Regional and Small Publishers Jobs and Innovation Package (RSPJIP). (Australian Government GrantConnect 2020)

In addition to this AUS\$50 million, the government also set aside AUS\$5 million to fund a "Regional and Small Publishers Innovation Fund." The Innovation Fund is administered by the Australian Communications and Media Authority (ACMA) and aims to "support regional and publishers to transition to and compete more successfully in the evolving media environment", and "to stabilise their financial position and increase their revenue so that they are able to operate on a sustainable basis in the medium term." (Australian Government GrantConnect 2020)

It is worth looking at some of the diverse range of needs the scheme is willing to fund:

- purchase or lease of assets and equipment (particularly technology)
- commissioning advice or contracting services from third parties

- acquisition of relevant intellectual property or other rights
- the costs of acquiring new technology to assist with distributing content to a wider audience
- salaries for applicant employees that are directly connected to the production of public interest journalism or to the generation of revenue to fund the production of public interest journalism
- costs of training to upskill staff
- establishment costs of a database of reader or subscriber information
- costs to assist journalists with content production
- pilots or feasibility studies for innovative projects designed to promote the long-term sustainability of the applicant's business and their ability to provide public interest journalism. (Australian Communications and Media Authority 2020)

The Australian Minister for Communication, Cyber-safety and the Arts gave three examples of successful grants in a recent media release:

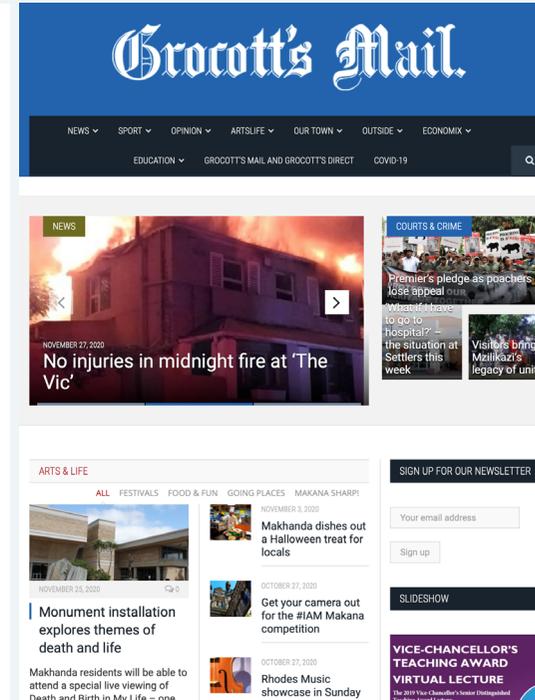
- GJ Adams Trust, publisher of The Shepparton Adviser in Victoria, which will receive up to AUS \$238,086 to increase the reach and production of public interest journalism, both in print and online, by developing a website and engaging new staff.
- The Trustee for Parkes-Brown Family Trust, publisher of the Glasshouse Country & Maleny News in Queensland, which will receive up to AUS\$108,200 to develop a new website portal, digital content publishing and revenue generation platform.
- Newstate Media Newcastle Pty Ltd, publisher of the Newcastle Weekly in New South Wales, which will receive up to AUS\$132,711 to expand its news coverage, employ



new staff and conduct sales training for print and digital media. (Fletcher, 2020)

What this makes clear is that support is aimed (as it is in a number of other countries) at helping news organisations make the digital transition.

At Rhodes University, because local city newspaper, *Grocott's Mail* is used as a teaching platform (and was purchased by Rhodes with donor funds in 2003), the Journalism School paid for the development of *Grocott's Mail*, new content management system and new website. (A previous version



of the CMS had been built with funding from a Knight News challenge grant which was secured in 2008).

For a WordPress site, albeit one with significant additional features and a powerful CMS, total expenditure was about R100,000. And while this hasn't yet helped Grocott's Mail achieve much new revenue, it has proved invaluable during lockdown to get the news out. Together with an email newsletter and extensive use of social media via Grocott's own Facebook page, and linking to the Grahamstown city-wide Facebook page, Grocott's has been able to play a vital news role in what might be, for South Africa's oldest independent newspaper, a post print era. .

### Ramping up and directing government advertising budgets to local news media, provided arm's length distribution mechanisms can be put in place

*"I am sceptical about government bailouts for African media outlets. Perceptions of bias become stronger when governments start using subsidies to rescue media houses. Those considered friendly are likely to enjoy greater benefit at the expense of critical publications. Furthermore, a bailout from the government, particularly the executive, has a direct bearing on the independence of the media and threatens press freedom and free speech. Experts also caution that funding journalists with "public funds and turning every journalist into a quasi-public servant undermines innovation and creativity" (Ntibinyane, 2020)*

As discussed in *Paying the Piper*, during the Zuma presidency, government advertising was a key weapon of media capture and control in South Africa. The government attempted to redirect government spending to media organisations which would parrot the ruling faction's discourse, under the cover of increasing media diversity. This pattern is widely repeated in Africa, resulting in compromised publications that are unable to play an effective monitorial role. (Mabweazara, Muneri and Ndlovu, 2020)

The discussion in *Paying the Piper* focused mainly on national media – newspapers, radio and television. For local media, local government funding in South Africa almost exclusively takes the form of advertising. Government has committed to, but never met, a target of spending 30% of its advertising budget, on local and community media. (Dugmore 2018)

At one level, this is a direct commercial exchange, but it also sets up an unequal power relationship which can be a source of conflicts of interests, ethical compromises and naked corruption.

In the United Kingdom a three-month advertising partnership between the government and the newspaper industry was established, including a "branded content element to further amplify public information, campaigns and messaging in a style and tone more familiar to readers" in an attempt to manage public information during the Covid pandemic. (MetroMail 2020)

The campaign was seen as an effective communication strategy. "The three-month 'All in, all together' advertising partnership between the UK government and the newspaper

## SOUTH AFRICA'S EMERGENCY SUPPORT FOR LOCAL MEDIA

With government support, as Covid lockdowns were implemented in March/April 2020, the MDDA created a fund of R60 million to support community media, including community broadcasting stations, which have seen revenues fall even further than the steady declines that took place in the 2010s.

*"In amplifying financial support to the community and small commercial-media sector, the MDDA board has reinforced the message of the government and the agency that no South African lacks the necessary information, both to be active citizens and to protect themselves and their communities,"* MDDA CEO Zukiswa Potye told the Business Day. Funding was granted to 22 community broadcast projects and 10 print media projects. (Phakathi, Business Day, 2020)

But the community media sector has complained that the funding process was problematic. In an open letter to President Ramaphosa, which is worth quoting in full, the AIP said:

*"In all of the relief measures the president has made, independent community media has been sidelined and it is clear that the President does not regard the sector as an important contributor to not only the economy, but the communities it serves.*

*The Media Development and Diversity Agency (MDDA) is yet again playing hide-and-seek at a crucial time. It recently announced an emergency relief fund and gave our members less than three days to apply. The conditions on how the money was to be used, were not only unclear, but completely absurd.*

*The emergency fund was a clear indication that the MDDA is out of touch with realities on the ground.*

*We are to this day not clear how many publications received the grant and if there will be any further relief offered. The MDDA has shown that it does not care about the print sector and is willing to see it die a slow, painful death.*

*I am sure that as the economy is going through the current challenges, it is well known that corporations are to cut advertising spend which is a huge income loss for the community print sector.*

*Something the government, MDDA and the Minister of the Presidency is simply ignoring.*

*Our print members are still waiting to see a directive that will push government departments to place advertising in community newspapers, which was promised to the sector,*

*more than a decade ago.*

*The issue of advertising is a sign of lack of political will by those in power to help keep the sector afloat.*

*We are also very distraught that the money that the Competition Commission set out over a year ago as compensation especially for the community print as a result of the advertising cabal has not in any way reached community print.*

*As a solution to our continuing challenges we propose the following:*

- 1. MDDA provides the emergency fund to all AIP member publications.*
- 2. The Presidency must mandate all government departments to spend at least 30% of their advertising on community media.*
- 3. The money that the Competition Commission fined mainstream media on the advertising irregularities must be made available to community media especially community print and the AIP, with immediate effect.*

*(AIP 2020)*

industry was launched on 17th April [2020] with a cover wrap and homepage takeover across hundreds of titles – both of which recorded Mail Metro Media’s highest ever recall figures.” (MetroMail 2020)

In May this year, the New Zealand government announced plans to spend up to NZ\$9 million on advertising in New Zealand media, to provide cash flow relief to local media businesses. The initiative formed part of the Media Sector Support Package. (New Zealand government, 2020)

In Australia, various voices have urged government to boost its support, across all levels of government, for news media and suggest that government ad spend could be a way of doing this. A recent article noted: “Government advertising spending has dropped dramatically in the past five years across country newspapers”. (Hess & Waller, 2020)

This had represented a major chunk of their revenue. Instead, government advertising funds are often redirected to social media with little regard or thought about the consequences in the wider media ecology. Such communication strategies overlook the fact the local printed newspaper is still an essential service for many in local communities, particularly the elderly who are arguably most at risk from Covid-19.”

## COVID EMERGENCY: A SAMPLE OF INTERNATIONAL RESPONSES

- **Cash assistance to print and online news outlets is not reserved for governments in the countries where those outlets reside, or to particular nation states. The World Association of News Publishers (known as WAN-IFRA) recorded 23 corporate as well as foreign government rescue and aid funds for journalism across the world by mid-April 2020.**
- **Governments opted to aid mainstream news media directly or indirectly. In Denmark, the government voted to recompense news publishers by up to 80% of their lost revenue due to the Covid-19 crisis. Danish media will get relief for advertising that vanished during the Covid crisis between 9 March and 8 June 2020 of kr180 million (R3 157 million).**
- **France chose to go the tax-deduction route, giving a tax credit to first-time subscribers “for at least 12 months, to a newspaper, magazine or online news service” dealing in political or general news.**
- **Austria came up with a special direct subsidy for newspapers and broadcasting affected by the Covid-19 crisis.**
- **The Netherlands announced a Temporary Support Fund for Local Information Provision making available €35 million (R716 million) to help media financially affected by the crisis.**
- **In South Africa, the South African National Editor’s Forum set up a fund to aid journalists whom the Covid-19 crisis caused a loss of income, raising R2,27-million from a handful of corporations and individuals for small donations to 250 applicants.**

## Issues with direct funding

Direct funding attracts a wide range of criticism, some for obvious, if contested reasons. A common complaint is that the generous subsidies too often go into the pockets of newspaper owners, and that the fact of subsidies contributes to clientelism, ie. more general reciprocal support of the government by powerful and favoured elites. And often, cash doesn't go into preparing for the future, but preserving the print-centric models of the past.

From inception, subsidies have, critics suggest, also distorted markets in favour of the dominant mass-market paper, and regional market leaders. Detractors maintain, the stem has not effectively strengthened the press and has simply maintained an illusion of pluralism.

The Nordic states much lauded schemes have been found wanting in encouraging positive change in the structure of the media. A criticism of Danish media relief is that it is rooted in print and has the effect of “preserving rather than transforming the status quo. Often, they actively obstruct innovation in an industry desperate for change.” (Moll, 2020)

The Netherlands does provide – temporary – subsidies, but also provides special funds for innovation and research and sponsorship for special news projects. The fund offers a 50% subsidy up to €100 000 to organisations and individuals for creating digital news platforms, tools for journalists, experimentation with new business models, data journalism and citizen journalism. (Murschetz, 2020)

An emphasis on innovation in the Netherlands and elsewhere –

and a plethora of funding of alternative media forms in Europe – may go some way to answering the criticism of aid that props up the status quo, though key analysts suggest that the lion's share of direct support, still goes to “quality news journalism in print” as well as to public broadcasting.

Nonetheless, like the MDDA in South Africa (although the MDDA has no explicit journalism supporting mandate), media support schemes in Europe are viewed as “chronically underfunded, competitively unfair and inefficiently organized ... [and] are currently under policy review and need a systematic overhaul.” (Murschetz, 2020)

Robert Picard, probably the leading scholar of media economics and of the economics of journalism, has stressed that effective direct subsidy schemes are possible, given two strong provisos: *“There are two critical elements in the design of subsidy schemes that protect them from abuse. The first is that subsidies are disbursed by a body that's at arm's length from the government of the day. Typically, it's an independent statutory commission, but in Belgium, for example, the responsibility is delegated to an industry organisation. The second feature is that subsidies are allocated according to explicit and objective criteria, meaning that even the independent body has very little discretion.”* (Greenwell, 2020)

Other than advertising, government support has also been provided in ways that supported businesses more generally. In the US, news organisations received money from the Paycheck Protection Programme, which aims to help small businesses weather the Coronavirus pandemic.

In South Africa many news companies, along with other firms,

## Coronavirus May Spell the End for Many of Africa's Print Newspapers

By Ntibinyane Ntibinyane | April 27, 2020

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Image: EQRoy / Shutterstock

were supported through the Unemployment Insurance Fund Temporary Employer/Employee Relief Scheme, which aimed to pay workers at firms hit by the Covid-19 crisis. The only proviso being that employers had to have been fully compliant and up to date with UIF payments, before being eligible to claim on behalf of employees.

In the US, the idea of news outlets receiving money from the federal government gave rise to concerns about undue government influence. In South Africa, no questions were raised, given that the relief was not targeted specifically at media companies and was part of a broader Covid-relief response.

According to the recent SANEF report on the impact of Covid-19 on journalism, local broadcasters and both commercial and independent print media, have all been seriously affected.

In the SANEF report Carol Mohlala, executive director of the Association of Independent Publishers, estimates that 300 to 400 journalists' jobs have been lost as small, mostly black-owned independent newspapers, often serving indigenous-language groups in far-flung rural areas, have closed and a further 700 jobs in the value chain, lost.

Fana explained that most owners of community newspapers rely on them "as their main businesses, so many of them are really struggling". (Fana, 2020)

"In Eastern Cape, at some point we had close to 50 local newspapers and now we're sitting at about 18-20 community newspapers. That's not good for the community and it's not

good for democracy." (Fana, 2020)

What can be done, not just to help local media get through their immediate crises, but to shift the eco-system onto a more sustainable basis?

Because the collapse of print advertising and printed newspaper sales has caused the catastrophic decline of local journalism, the primary challenge financially for local publishers – and anyone interested in local journalism – has been to find new sources of revenue in the online environment.

In *Paying the Piper*, it was noted that digital media revenue streams could be classified into five broad categories in South Africa, echoing multiple studies and typologies of income all around the world, including:

Selling 'aggregated' audience attention (currently primarily through digital display ads and via native advertising).

This is the main emerging digital revenue model of most publications, and is likely to remain a feature of almost all digital news outlets, large and small.

- Selling journalistic content and entertainment features, like crosswords, primarily through variations on traditional subscriptions via paywalls, or through distributed content.
  - eCommerce (facilitated online sales of physical and digital products, sometimes linked to journalism);
  - The sale of a wide range (across the world) of 'related' services (such as event hosting, commercial printing and publishing, online dating offerings and other services);
- Philanthropy in the form of institutional grants and various

forms of crowdfunding/small donation, usually through a membership model. (Dugmore, 2018)

The report discussed how commercial media and some community media outlets in South Africa have used some or all of these approaches, in an attempt to remain viable and profitable. But, as explored – with the notable exception of the *Daily Maverick* – this has mostly generated limited success, as both turnover and profits have continued to decline.

## Regional and Local media's online revenue

Historically dependent on print advertising, and to a lesser extent print sales, local journalism and news media organisations in South Africa are increasingly struggling to generate sufficient online revenue to sustain their operations.

Few of the plausible online revenue streams, discussed in *Paying the Piper*, have been suitable for adoption by local media more generally and particularly local media in South Africa, for reasons such as:

- The bulk of online advertising revenue now goes to multinational social media companies, especially Google and Facebook, because of their ability to target market segments
- There is still, generally, very low levels of expenditure on digital advertising in local media, by local businesses outside of the big cities, and by the three tiers of government, all of which had in the past been, among the biggest print advertisers;
- The persistence of the digital divide in South Africa, in the

form of limited access to data and devices.

- High and growing levels of poverty and a lack of disposable income for readers to pay for content, or readers not prioritising expenditure on news and information.
- Payment mechanisms online being limited to banking cards, which are not universally adopted and limited, usually, to making commitments over time, i.e. no options for once off purchases.
- Increased competition with other recreational options on phones, and particularly with social media for limited 'awake time' and attention. (Dugmore, 2018)

This report does not explore 'bottom up' local news revenue initiatives in any detail, not just because *Paying the Piper* covered this 2018 in some depth, and there have not been significant recent developments, but because all of the critical challenges to generating online revenue have been turbo-charged by Covid-19.

## Indirect tax subsidies

Beyond postal subsidies, the most substantial, popular and longest running set of methods, through which governments around the world intervene to support journalism is via tax relief. These measures can range from allowing newspapers to write off investments in different ways, but most commonly work by reducing various kinds of value added taxes on the subscription and sales price of news products.

Books, and newspapers are zero-rated in the UK, Ireland, Belgium, Denmark, Finland, Sweden. Some countries such

as India, Mexico and South Korea zero-rate books but not newspapers or digital subscriptions.

Both the EU and the UK have very recently also zero-rated news products digital subscriptions – in the UK's case this concession was rushed forward earlier in 2020 because of the Covid pandemic.

Indirect tax-based savings can take many forms and there is a lot of experimentation taking place. Many of these provide media companies – particularly large incumbents – with a real boost, but most of these have been implemented in much wealthier countries. For example, the Canadian government announced a \$600 million fund aimed at supporting journalism, partially through a variety of very generous tax breaks as part of a wider set of supports for journalism. (CTVNews 2018)

The Covid-19 induced lock-downs have seen some countries accelerate plans to help their domestic news media, and develop a wide range of inventive new tax and support schemas. Even in the USA, where there is huge public scepticism about additional direct or indirect funding for news media, the Local Journalism Sustainability Act is being discussed in the US Congress. (Navajo-Hopi Observer 2020)

It appears unlikely to be formally debated in an election year but if passed, the Act would see three tax credits aimed at sustaining the local journalism industry:

- A tax credit of up to \$250 a year for subscriptions;
- A refundable credit of up to \$50,000 to help keep journalists' jobs;
- A refundable tax credit that goes to any businesses with

less than 1,000 employees that advertise with local newspapers, up to \$5,000 in the first year and \$2,500 for the four subsequent years.

This particular innovation could reduce the cost of advertising with local media, ie starts to provide some incentives to not advertise via Google or Facebook, as more and more advertisers are doing (and Amazon is now also becoming a significant provider of ad services).

Despite South Africa's lack of tax-based support for journalism, it should be noted that dozens of countries have tax subsidy schemes

But the big question, and the focus of debates in every country deploying these mechanisms, is to what extent do these subsidies support the news industry and particular print publications? And, increasingly, there are a number of secondary questions also occasionally popping into popular national debates about whether governments have any business supporting print in particular, rather than providing tax subsidies or other forms of support to hasten the transition to digital news provision.

Tax subsidies allows consumers to buy news, in print or online, more cheaply, but the price difference, and the ultimate saving for most consumers are relatively small. Price does not seem to be a key reason why, globally, a majority of people still say they won't ever pay for news online. For example, only a very small proportion of South African buy a daily paper and even fewer have a digital subscription. Given that, do these subsidies help and would they help in South Africa?

They might not. Even in wealthy Australia, a recent submission to the Australian AAAC enquiry into journalism came to the conclusion that despite long-standing reduced sales tax or VAT rates in a wide range of countries “..circulations have continued to decline sharply, suggesting that such support has been insufficient to offset wider commercial challenges.” (Foster and Bunting, 2019)

A key problem is that they are not able to respond to cyclical or structural pressures – their value falls both during a temporary downturn and as a result of a long-term structural shift in consumption.” (Foster and Bunting, 2019)

This report further concluded:

*“Moreover, it is not clear how much of the public cost of sales tax reliefs translates into income benefits for news providers. ... Even if newspapers have gained from tax reliefs, those gains may not have been used to support more-valued aspects of their journalism. The continued existence of news sales tax relief, in our view reflects the difficulty of removing such tax benefits once they are in place, rather than any inherent value in this method of support.”*

(Foster and Bunting, 2019)

While this conclusion need not be taken at face-value – there is no doubt tax relief has helped sustain a level of diversity of news media in many wealthy countries – it is unlikely that any exemption from VAT in South Africa would bring down the cost of the digital or physical purchases of news enough, although it might give a bump to some large companies’ revenues.

A few other African countries have experimented with this – Malawi removed VAT on newspapers in 2012 but reimposed it in 2016 – but the marginal impact on sustaining local news has not seen its widespread adoption in middle and lower income countries.

South Africa of course does not provide tax exemptions for news, including none for online subscriptions. In general, very few products are zero-rated and when enlarging the baskets of goods to be considered for such an exception, news products were nowhere to be seen. Might such an exemption or zero-rating help at this stage? Or would a much more obvious zero-rating – of data costs – be more useful? This is explored further below.

### Indirect government support for news via postal subsidies

For decades in the US, support was given to print publications in the form of below-cost, subsidised, postal rates, which was largely content-neutral – it went to every paper delivered by mail – and increased, interestingly, the further the delivery had to be made. Other countries have also experimented with this form of subsidy.

But these kinds of approaches have less relevance and impact in the digital age. As the recent report to the ACCC suggests “Postal subsidies are under pressure as postal organisations seek ways of stemming losses and, in any event, are less and less valuable to news publishers as news consumption

switches from physical newspapers to digital.” (REF to be added)

In South Africa, in any case, the postal service has often been slow and sometimes so dysfunctional that publishers have occasionally had to establish their own distribution and delivery networks for subscriptions. The Post office was on track to lose R2.1b in 2020, coming off a R1b loss in 2019. (ANA, 2020)

Many of the other ways of supporting the media indirectly would appear to be impractical in South Africa. Beside a tax reduction, indirect subsidies might include: “Other instruments used to indirectly support the press are reduced tariffs for telecommunications, electricity, paper or transport. While preferential postal rates lost much of their significance, they still exist in a few countries, e.g. France, Italy, and the US. (Plessing, 2014)

Other ways to indirectly support the press include subsidies for news agencies, journalism schools, journalism research, reading promotion or professional associations.” While South Africa has some of these indirect subsidy features, including about a dozen Journalism Schools, indirect subsidies would appear to have limited practical application in South Africa.

# SECTION 2

## BOLD POLICY INTERVENTIONS ARE NEEDED TO NARROW MARKET POWER IMBALANCES BETWEEN MULTINATIONAL COMPANIES AND LOCAL NEWS ECO-SYSTEMS

***“For the avoidance of doubt, it couldn’t happen to two nicer companies.** There are sound policy reasons to loathe Google and Facebook – for their relentless accumulation and abuse of personal data, for their anti-competitive acquisitions of smaller rivals, for their tax dodging, for their complicity in the spread of highly damaging, often literally lethal misinformation and propaganda.*

*But their alleged theft of news content isn’t one. The crime of Google and Facebook in relation to journalism is to offer a much more targeted way of delivering advertising to consumers than the clumsy method used by old media companies of spraying as many ads as possible at as many eyeballs as possible and using their influence with politicians to prevent competitors from offering consumers more choice.”*

**BERNARD KEANE**

THE GREAT GOOGLE-FACEBOOK HEIST – THE SOVEREIGN RISK  
THAT DARES NOT SPEAK ITS NAME  
AUG 2020

- i. Australia, the EU and some other jurisdictions are experimenting with a variety of legal strategies to decrease the imbalance of market power between external, mostly USA-based social media and search companies, whose advertising business models and general modes of operating, have undercut the advertising revenues that news in all mediums relied upon.
- ii. These strategies have mostly taken the form of developing and using copyright protection policy and intellectual property laws, or in Australia's case, competition promoting bodies, i.e. statutory bodies that target anti-competitive market power imbalances, in similar ways to South Africa's competition commission and tribunal. The USA's anti-trust actions aimed at Google are also aimed at reducing imbalances in market power, and the abuse of what have become *de facto* monopoly situations arising from 'first mover' gains for many of the large social media and search platforms.
- iii. These include compelling these multinational companies, particularly Google and Facebook to 'pay for news' by entering into payment arrangements with local news media. But there are strong arguments everywhere that many of these policies wrongly identify the causes of platform's impact, which are far less about 'stealing content' and far more about market imbalances that related to their algorithmically driven, micro-market segmenting system, which are opaque, based on data harvested from users' online usage, including their news consumption.
- iv. Aggregating this data, based on 'reading off' audience's preferences for everything, including shopping, entertainment and news, and then selling this aggregated audience attention in ways that most news organisations cannot match, is the root cause of the market imbalance.
- v. Many multinationals, including Google and Facebook make substantial profits in local jurisdictions but pay very little tax, through convoluted by fairly conventional externalisation of profits through international taxation structures. Headlines like *Facebook, Google and Microsoft 'avoiding \$3bn in tax in poorer nations'* don't mean wealthier nations are getting much tax revenues either. In the UK in 2019 Facebook paid just £28m tax on revenues of £1.6bn UK (Sweney, 2019)
- vi. Getting these companies to pay more in tax may be a more fruitful strategy to fund journalism as the closely watched Australian model may not create the kind of global precedents people think might emerge, and many other countries have less market power, even though Australia is a relatively small market. Christine Fuchs's, and others, big ideas for 'Online Advertising Taxes' deserve greater scrutiny. (Fuchs, 2018)
- vii. Google and Facebook are resistant to schemes which limit their autonomy to do business 'their way'. This is a global issue and includes their fierce protection and secrecy about their internal workings of their systems, i.e. exactly how their algorithms (or more correctly their many thousands of algorithms) 'work' and how they develop their criteria for search priority and placement, and for curating what news (and other material) each user sees in their feeds/streams and search results. This 'black box' super-secrecy is the same for every platforms and social media provider, and for all the interactive web-based system that Google and Facebook own. (Ahmad, 2020; Arvanitakis, 2017; Moore & Tambini 2018)
- viii. To avoid intervention, that require some scrutiny of their operating systems and proprietary intellectual property – as they see it – these platforms are prepared, it seems, to contribute large sums of cash, if pushed, to directly support journalism in particular countries. Countries, and organisations could leverage this, and work out ways to increase their bargaining power to work out more mutually beneficial deals.
- ix. In other words, in terms of global digital platforms, there are a range of choices to be made on a wide spectrum of collaboration and confrontation options.

#### Recommendations:

- That South Africa (perhaps in tandem other countries) change tax laws to enforce a fairer taxation of profits made by multinationals from local advertising in particular, including the possible introduction of special transaction levies or online advertising taxes to fund journalism
- That South Africa works closely with SADC countries, other regional groupings and the African Union to investigate an African-wide response to multinational platform power.
- That SANEF and other organisations work more directly with government (as Australian media has done) and with Google and Facebook and other platforms to explore much larger-scale support for public interest journalism.

When influential journalist-turned-academic Emily Bell gave a speech in 2016 titled “Facebook is eating the world” many news publishers in many different countries were still hoping that they could work closer with the Social Media and search giants, for them rather than against them. (Bell, 2016)

Though the headline focused on Facebook, Bell was talking about all the new mega-platforms, such as Google, Facebook, Amazon and even growing internet denizens such Instagram, Twitter and Snapchat. The “four horsemen of the apocalypse” that Bell mentioned, all of whom were already competing fiercely for our attention are now the ‘five horsemen’ aka “FAANG”, an acronym for the five prominent American tech giants: Facebook, Amazon, Apple, Netflix and Google, which later become part of rebranded parent company Alphabet, but whose share is still listed under the GOOG abbreviation) Originally, the term FANG was used, with Apple—the second “A” in the acronym—added in 2017. But others prefer GAFAM, to include Microsoft, as in Google, Amazon, Facebook, Apple and Microsoft, and exclude Netflix (Phillippon, 2019)

These are very different companies, with vastly different and inordinately complex business models. They all impact journalism in different ways. Facebook and Google focus hard on the advertising market, and many of these are advertisers that have moved away from print news media and even from digital news media, in terms of ad placement, because both Facebook and Google can more precisely segment the market, and place messages about products and services for sale to a much more targeted set of audience segments at much lower cost.

Google and Facebook make use of news journalism in

different ways: Google ‘serves up’ news with its search results, if there is a search for news, and does some aggregation of news headlines and ‘snippets’ for Google News, and their new news service, *Google News Showcase*, a tab within Google News.

Facebook allows users to share news, as well as allowing publishers to post news to their Facebook pages, and to promote, at a fee, those stories to audiences (although a small number can see them for free via ‘organic reach’).

Apple’s relationship to journalism is a bit different, and the interaction comes mostly through its attempts at aggregation and bundling of news via Apple News. Netflix and Amazon don’t intersect with the news industry as neither Apple, Netflix nor Amazon are as involved in the sale of advertising and the segmenting of target markets for advertisers, although that is changing.

Writing in 2016, Bell argues: “Something really dramatic is happening to our media landscape, the public sphere, and our journalism industry, almost without us noticing and certainly without the level of public examination and debate it deserves. Our news ecosystem has changed more dramatically in the past five years than perhaps at any time in the past five hundred”. (Bell, 2016)

Bell goes on to suggest that news publishers have “lost control over distribution” in the digital age leading to increased platform power.

“There is a far greater concentration of power in [controlling who published what to whom and how that publication is

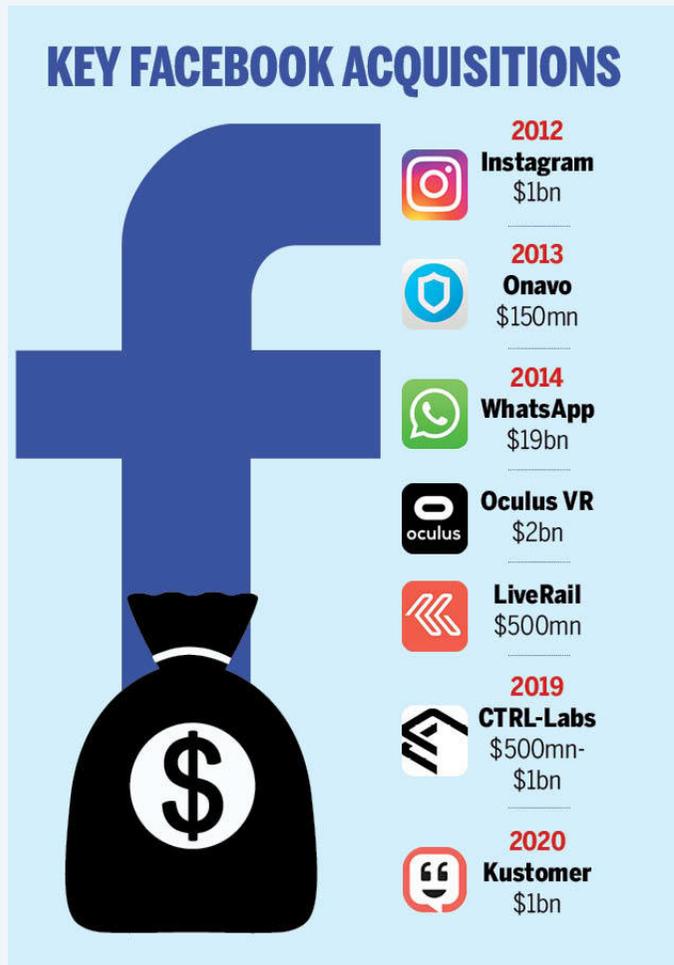
monetised] than there ever has been in the past. Networks favour economies of scale, so our careful curation of plurality in media markets such as the UK, disappears at a stroke, and the market dynamics and anti-trust laws the Americans rely on to sort out such anomalies are failing.” (Bell, 2016)

Facebook is of course by far the largest social media company in the world and doesn’t just own and operate Facebook, with roughly two billion users, but also Instagram, which is becoming increasingly popular, as well as making dozens of other acquisitions in recent years.

Google is no longer directly in the social media space but is used multiple times a day by hundreds of millions of internet users to search for news, which is then ‘serviced up’ in search results. Google does not place ads, it says, when users search for news in the search bar, nor does it place ads in in Google News, its main aggregator, and the new service Google News Showcase, discussed further below.

Both Google and Facebook claim that they send audiences to news websites via clickthroughs and have claimed, loudly and often, in every jurisdiction they operate, that this traffic is far more valuable to news organisation than any value Google or Facebook get from displaying news.

But the news industry in every country, as well as politicians and civil society activists, as they watch larger and larger shares of total digital advertising spend going to Google and Facebook every year (and some to other platforms too), and more and more news organisations are scaling back or closing, are taking action. The EU continues to search for union-wide solutions that will bring money to news



organisations (and hopefully to funding more and better journalism) after Germany and Spain's unsuccessful efforts to enforce payment to news organisations back in 2014. Both took copywrite approaches, and Spain faced aggressive retaliation from Google, which cut off Google News and search off Spanish news services entirely.

### Understanding some other countries' approaches to Digital platform power

Spain, Germany, France – and much of the EU's approach was and is based on copywrite protection but also, especially, European versions of anti-trust laws legislation. By allowing users, when they search for news about a topic to read a 'snippet', in the search results, even though the selection of snippets would link back to original journalism, often meant readers had 'found out enough' and didn't in fact clickthrough.

Thus, much of this earlier protracted fight between Google and European news organisations and government. centred on how much of the headline, and whether one or two line snippets could be used, and what, if any payments should be made if the user read the headline/snippet and did not then follow the link to the original article.

But EU governments also went after the USA-based platforms on other, some of which are similar to those used in Australia.

"The findings of a three-year long investigation of Facebook by Germany's antitrust watchdog, could serve as a guide for a possible FTC investigation because it tackles both data

collection and monopoly concerns. The German regulator found Facebook had abused its market dominance in the way it collects, merges and uses user data across its platforms, including WhatsApp and Instagram. It ordered the company to stop merging data on separate apps without users' deliberate consent. Facebook appealed the order. (Schulze, 2019)

There have been many other approaches, but to return to the EU, even though Google did use the 'nuclear option' in Spain, and would not back down, it might not have impacted on Spanish news organisations as much as first feared. One article argues:

*"Since the Google News Shutdown in Spain, Overall Traffic to News Sites Went Largely Unchanged. Over the long-term, data showing online website traffic trends for Spanish news sites from 2014 up to 2019 seem to have remained largely unchanged, with the total number of unique monthly visitors actually increasing with many publishers. For example, El País, one of the biggest newspapers in Spain, reported 8.5 million unique monthly visitors in October 2014 before the Google News shutdown, whereas in December 2015, that number had increased to 16.6 million.*

*Cutting Out the Middle-Man Benefits News Publishers Because Direct Traffic Is More Valuable Than Referral Traffic. Google News acts as a substitute to publisher landing pages, the traffic to which is generally assumed to be more valuable to publishers than click-throughs to individual articles. So, the closure of Google News may therefore actually increase more valuable traffic to news publisher sites. Other data show that publishers in countries without Google News – such as Denmark and Finland – are doing comparatively*

## SNIPPET TAXES

Governments across Europe, generally at the behest of traditional newspaper publishers, have been pushing for what they call an “ancillary copyright,” but which is much better referred to as a “snippet tax” or a “link tax.” Or, if people are being honest: a Google News tax. The idea is that any aggregator site linking out to other sources with little snippets telling people what’s at the link, has to pay the original publication to link to them.

If you think this goes against the entire concept of the internet, you’re not wrong. Belgium was the first country to try it, and Google responded by removing complaining publications from Google News. In response, the publications then complained that Google News was being mean to them, even though they were the ones complaining.

In Germany, a similar thing happened, whereby Google left the complaining publications in Google News, but without snippets since that was a key aspect of the law. Again, the publishers screamed “unfair” even though they were the ones who had pushed for the law in the first place. When it came time for Spain to try to appease its misguided and angry publishers, the government sought to avoid the tactics that Google had done in the past and thus made it mandatory to pay, saying that sites themselves couldn’t even opt-out of getting payments, even if they didn’t want them.

In response to this, Google broke out the somewhat surprising “nuclear option” and shut down Google News in Spain entirely. It seemed quite obvious that this move would create huge problems for media properties that wanted to be open and wanted people to link to them.

MIKE MASNICK 2015

*well, even while struggling with similar challenges to news publishers in other countries”.*

(MUNTER 2019)

The study (Athey, 2017) as highlighted by Benton writing for The Nieman Lab in 2019 did find, as might be expected, that smaller publishers were harder hit:

*“In this paper, we use Spain as a natural experiment because Google News shut down all together in response to the reform in December 2014. We compare the news consumption of a large number of Google News users with a synthetic control group of similar non-Google News users. We find that the shutdown of Google News reduces overall news consumption by about 20% for treatment users, and it reduces page views on publishers other than Google News by 10%. This decrease is concentrated around small publishers while large publishers do not see significant changes in their overall traffic. We further find that when Google News shuts down, its users are able to replace some but not all of the types of news they previously read. Post-shutdown, they read less breaking news, hard news, and news that is not well covered on their favorite news publishers.”*

(BENTON 2019)

More recently, Google is taking a softer stance and doing more deals with the EU and in Australia but partly because of the pressure created by the Australian government in early 2021. The European parliament has introduced two laws that could change European digital regulations significantly, namely the Digital Services Act (DSA) and the Digital Markets Act (DMA). Parliamentarians working on it told the Financial Times “the laws could be amended as they pass through the

EU parliament to include aspects of the Australian reforms.”

How are we to understand these very different approaches and how might South Africa devise a longer-term strategy and allied shorter-term tactics in ways that will best benefit journalism in South Africa?

## Understanding Australia's approach to Facebook and Google

The longstanding contestation between the Australian Competition Commission (and the Australian government) escalated dramatically in 2020 and early 2021, making world headlines, and the Australian government's forcing of the pace of negotiations, and making a settlement compulsory is being watched all over the world

The Australian approach to Google and Facebook is notable in that it is explicitly designed to compensate publishers for perceived loss of revenue to the search and social media giants AND work out issues to do with sharing data about audiences, including data generated by users when searching for, or consuming, or even liking news. Both companies use the serving up of news via search and the sharing of news to gather substantial additional data about users, and this allows both of them to target ads more precisely and thus make more money from their core business.

It is this latter 'indirect' way of making money that is so tricky for regulators to put a value on how much compensation should be made to the news industry, or how they can be encouraged or forced to share the data with the news

industry.

Commissions on enquiry, media studies scholarship and industry reports everywhere come to the same conclusions: Facebook and Google have massive market power and the news industry is at a "significant competitive disadvantage in their dealing with these tech giants" (Flew 2020)

The key difficulty is precisely the power of the companies in their respective spaces. But added to that, and making the case that Google and Facebook in particular are illegally stealing or in other ways 'appropriating' the journalism produced by news outlets, as opposed to just eating into their previous key income streams, is harder to sustain. These tech giants are hoovering up huge amounts of digital advertising – perhaps over 80% in South Africa, and 70% in Australia (and similar proportions in most countries) which is ruining the news industries revenues, but just as Craig's List and other classified ad operations did before, just like real estate ads going to new aggregators or being served up direct by real estate companies cutting out newspapers, does this have anything to do with the unfair use of journalism?

Their using of news is more complex and the advantage and benefits they receive are arguably more 'indirect'. This has to do, in particular, with data collection – how these companies use the information they glean about the news you search for, or share, to build a more detailed data profile of you, your likes and dislikes etc. This information is extremely valuable, and this is where Facebook and Google 'use' the news to boost their own profits.

As the ABC in Australia reported "Under the mandatory

code proposed by the competition regulator, Google and Facebook would be required to provide media companies with "clear information about the data they collect through users' interactions with news on digital platforms; for example how long users spend on an article, how many articles they consume in a certain period, and other information about user engagement with news content across digital platform services". (Speers 2020)

Some of this data and these metrics are lost when people share news on Facebook for example.

An important issue is the timing of this. Australian scholar, Professor Terry Flew asks about the timing of this 'lifeline' being thrown to the traditional news media businesses.

*Google and Facebook currently account for 70 per cent of the digital advertising market in Australia, which accounts for over 50 per cent of all advertising in Australia (and growing). The value of this advertising was estimated at \$6 billion by the ACCC in 2018. One per cent of these revenues would be \$60 million, which would be OK for an industry in crisis, but is hardly going to turn around the landscape for journalism jobs. Indeed, the Federal government has already made comparable allocations to Australian news organisations, through the Regional and Small Publishers Jobs and Innovation Package, which was allocated \$60m in 2018, and most recently with the recently announced \$50 million Public Interest News Gathering (PING) program."*

(FLEW, 2020)

It's not all about the cash. "The red line for Google was apparently the data sharing. Facebook has now upped the ante, joining the Google approach of trying to harness its

millions of users to pressure the Government. (Speers, 2020)

Facebook and Google have embarked on extensive marketing and PR campaigns to demonstrate that they believe add value to the news industry, by sending audiences to the news websites, particular in the case of Google. Once the readers click through to the story, they point out, news organisations can serve them up their own ads, or make a pitch to these audiences to take out a subscription.

Facebook's Australian boss, Will Easton, "reckons media companies will be worse off. "During the first five months of 2020 Facebook sent 2.3 billion clicks from Facebook's news feed to Australian publishers," he says, suggesting this traffic was worth about \$200 million to the media companies."

"Under the draft code, Google and Facebook would have to provide news organisations with 28 days notice of "significant algorithm changes" to allow them to adapt their business models.

This includes any changes that are "likely to materially affect referral traffic", "affect ranking of news behind paywalls" or result in "substantial changes to the display and presentation of news, and advertising directly associated with news, on digital platform services".

"This advanced notice would give all news media businesses the opportunity to implement strategies to maintain or increase audience reach and engagement with their news on digital platform services".

Digital platforms will also be required to provide news

organisations with "clear information about the nature and availability of user data collected through users' interactions with news on their services". (Hendry 2020) But the code also makes it clear that there is no requirement for "digital platforms to increase sharing of users data with news media businesses". (Hendry 2020)

This is undoubtedly the most sustained attempt anywhere in the world to 'resolve the asymmetry' – or rework the power relationships – between digital platforms and news media.

It is important to note that the Australian government's actions are based (as should South Africa's be, if the country chooses to go this route) on what Prof Terry Flew calls "a comprehensive and meticulously researched report, which went beyond simply reporting the views of competing stakeholders, and grappled with complex questions such as the economic value of data and the nature of monopoly in the provision of ostensibly free goods and services." (Flew 2020)

And as Flew points out, the Australian government had also taken it very seriously – something that requires sustained focus and fortitude.

This might be, as multiple scholars and industry watchers have pointed out, because the Australian centre-right government is close the 'Murdoch media' in Australia, and that this media is extra-ordinarily powerful in Australia.

Overall News Corp controls 70% of newspaper by audience in Australia, their own 24-hour TV news channels, which in a not dissimilar way to the Gupta-Zuma network's ANN7 news channels, viciously attacks the ruling Liberal/National parties

coalition's opponents (and factions in the Liberal party that they don't support).

They dedicate considerable resources to attacking progressive ideas on climate change, immigration, workplace rights and a host of other social issues.

Other major players in the Australian media-scape are also right of centre in most of their worldviews and most of them have also campaigned hard for government to step in and force Google and Facebook to pay them. A big worry is that this will prop up one of the most concentrated news ecosystem in the world (by some reports) and do little to help local and regional journalism.

Dr Lidberg of Monash University says:

*"The cynical interpretation would be that the big dragons, including News Corp, leaned on the government. And the other, more altruistic argument would be, 'Well, the government has understood that quality public interest journalism does play a really important role, especially in times of misinformation'. 'I would say it's probably a bit of both.'"*

(LINDBERG, 2020)

As the same article reports:

*"The multimillion-dollar questions – the value of Australian media content to Google and Facebook, and how the media companies should be compensated – are yet to be determined. The draft code puts forward a range of possibilities, including an annual fixed sum or payment per item of content. It gives Google and Facebook three months to negotiate a deal with media companies before the process*

*is referred to independent arbitration"*

(LINDBERG 2020)

Terry Flew makes a similar point:

*"A key factor in Australia has been the power of News Corporation as the dominant player in the commercial news media market. News Corporation has been an aggressive participant in the policy process, both through its submissions to the ACCC Inquiry, and the reporting on the inquiry and its recommendations. As News Corp is well connected to the government, this has no doubt assisted in giving a sense of urgency to the issue. At the same time, such partisan advocacy is the key weakness facing journalists and news media organisations generally."*

(FLEW 2020)

Google in particular has hit back hard on the data sharing requirements, even if there are multiple reports that they might be willing to concede some payments for news use. A recent post by Google – before its semi-climbdown in early 2021 – shows just how complex the issues are – and how hard the company is fighting:

*"We share general tips on ranking with all website owners already, but this new law would require us to give special notice and explanations to news businesses. This would dramatically worsen how you experience Google Search and YouTube:*

*If we are required to give one group special advice about how to get a higher ranking, they'd be able to game the system at the expense of other website owners, businesses and creators, even if that doesn't provide the best result to you. If we want to keep our algorithms fair for everyone, we would have*

*to stop making any changes in Australia. This would leave Australians with a dramatically worse Search and YouTube experience.*

Additionally, 28-day advance notice is really a 28-day waiting period before we can make important changes to our systems. That's 28 days before we can roll out defences against new kinds of spam or fraud. 28 days of extra delay before we can launch new features that are already available to the rest of the world. And 28 days before we can fix things that break.

To illustrate: in order to give you the most relevant results when you use Search, last year, we launched 3,620 algorithm updates." (Google 2020)

That is part of the problem and something news industry owners want to fix: these 'algorithm updates' made it very hard to rely on either Google or Facebook as long-term drivers of audiences (which all news publishers acknowledge they are) if the 'rules of the game' keep changing.

Google responded and continues to push the line that news media businesses benefit far more than Google does from the relationship, writing in a blog post:

*"The indirect economic value Google gets from news in Google Search is also very small... the 'indirect value' argument ... overestimates the relevance of a small fraction of hard-to-monetise queries and fails to consider that 'indirect value' cuts both ways – Google Search encourages lots of traffic to news publishers from users who weren't originally looking for news content at all." (Google 2020)*

It is also very hard to decide what 'counts' as news. In Australia, to benefit and to participate, the government has decided that, an eligible news media business's annual revenue "must exceed \$150,000, in either the most recent financial year or in three out of the five most recent financial years". This would seem to preclude huge swathes of Australian media.

In addition, from the other criteria outlined, government is grappling with what to include as 'news' and how to define what will or won't be eligible for subsidy. The process is outlined as follows:

*News media businesses wishing to participate in the code would apply to the ACMA. News media businesses would nominate which of their 'news sources' they would like included in the code. These can include news websites, newspapers and other print publications, television programs, radio programs, and other audio or video content made available online.*

*Based on the news sources they nominate, news media businesses can participate in the code if:*

- *They predominantly produce 'core news', and publish this online. The draft code defines 'core news' as journalism on publicly significant issues, journalism that engages Australians in public debate and informs democratic decision making, and journalism relating to community and local events. Some examples of this kind of journalism are political reporting, court, and crime reporting.*
- *They adhere to appropriate professional editorial standards. These can include editorial standards set by the Press Council or the Independent Media Council,*

*editorial standards set in relevant media industry codes, or equivalent internal editorial standards.*

- *They maintain editorial independence from the subjects of their news coverage. News sources are unlikely to meet this test if they are owned or controlled by a party that has a direct commercial interest in the coverage they produce – such as a magazine that mainly produces sponsored or 'advertorial' content, or a publication reporting on a local council, owned by that council. News sources are also unlikely to meet this test if they are owned or controlled by a political advocacy organisation, such as a political party or a union.*
- *They operate primarily in Australia for the purpose of serving Australian audiences.*

(AAAC 2019)

In South Africa, other forms of regulation to increase access to the news (see Bridging the Digital Divide) of domestic firms seems relatively simple compared to taking on the big companies who dominate in internet search, e-commerce, streaming and social media for their effect on news creation and dissemination. Several intertwined but different issues have to be separated out, distinguishing, for example, the threat to news creation from the privacy concerns about intrusive surveillance or the use of social media to undermine democracy or the loss of tax revenue, among others.

South Africa must note that these companies tend to have massive resources and to some extent as great as or greater than media companies to reach citizens. Facebook, for example, which also owns WhatsApp and Instagram, reported revenue of US\$71 billion (R1.2 trillion) and net income of around US\$18.5 billion (R307 billion) in 2019.

**One of Australia's sharpest journalists, Bernard Keene of Crickey, summed up the issues well, but also warning that the proposed regulation might be missing their mark and mis-analysing the core issues:**

***"For the avoidance of doubt, it couldn't happen to two nicer companies. There are sound policy reasons to loathe Google and Facebook – for their relentless accumulation and abuse of personal data, for their anti-competitive acquisitions of smaller rivals, for their tax dodging, for their complicity in the spread of highly damaging, often literally lethal misinformation and propaganda.***

***But their alleged theft of news content isn't one. The crime of Google and Facebook in relation to journalism is to offer a much more targeted way of delivering advertising to consumers than the clumsy method used by old media companies of spraying as many ads as possible at as many eyeballs as possible and using their influence with politicians to prevent competitors from offering consumers more choice.***

***News Corp and Nine, used to being the 800-pound gorillas of Australian media for decades, have been squashed by two 800,000 pound gorillas from the internet.***

***The result is to shut off the flow of ad revenue that once supported news-gathering. If Australians think that's important enough to support, they should pay for journalism, either by buying it or funding it via government. Not abandon the rule of law and steal revenue from successful companies."***

(KEENE 2020)

By comparison the South African total government expenditure for 2018/19 was R1.6 trillion. Alphabet, owner of Google, YouTube and other Google entities, had revenue of US\$162 billion (R2.7 trillion) in 2019 and net income of around US\$34 billion (R563 billion). As has been seen in Europe and now in Australia, these companies fight hard and they have a great deal of market power.

In 2021, after a tense stand-off in January and February, which saw Facebook prohibit the sharing of ALL news (and many other items deemed news), Facebook and Google sat down to enact multimillion deals with news publishers 'caving' according to some, or strategically adapting, and limiting longer term and more global damage to its business model. Google's main 'weapon of deflection' according to some critics, and the vehicle through which it would like to do all the deals with news providers, forced on it by the mandatory bargaining code is Google's NEWS SHOWCASE.

According to Google:

*"News Showcase is designed to bring value to both publishers and readers by providing a licensing program that pays publishers to curate content for story panels across Google services, and gives readers more insights into the stories that matter. Since launching last year, alongside a US \$1 billion global investment, we've more than doubled the number of publications that are part of News Showcase; now, there are over 450 publications across a dozen countries such as the U.K., Germany, Brazil, Argentina, Canada and Japan. Last month, we announced a global deal with Reuters as well as multiple deals with publishers in France, including the country's three top daily newspapers."*

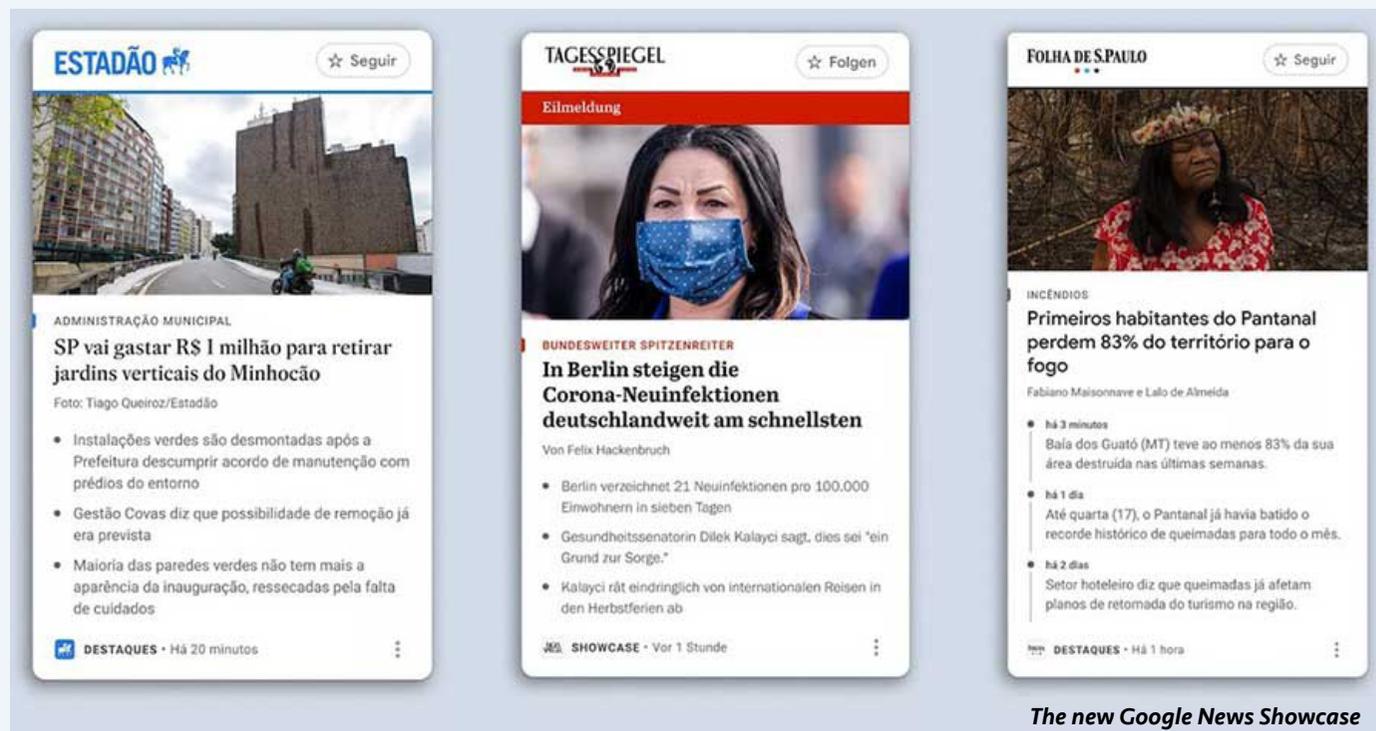
(BEDDOE 2021)

Like Google, they have also launched a bespoke news service, Facebook News, that aims to "divides publishers into four categories: general, topical, diverse, and local news", and is paying for news that appears in Facebook News, but is adamantly refusing to pay for news that news organisations choose to share on their own Facebook pages, or that readers share with their friends.

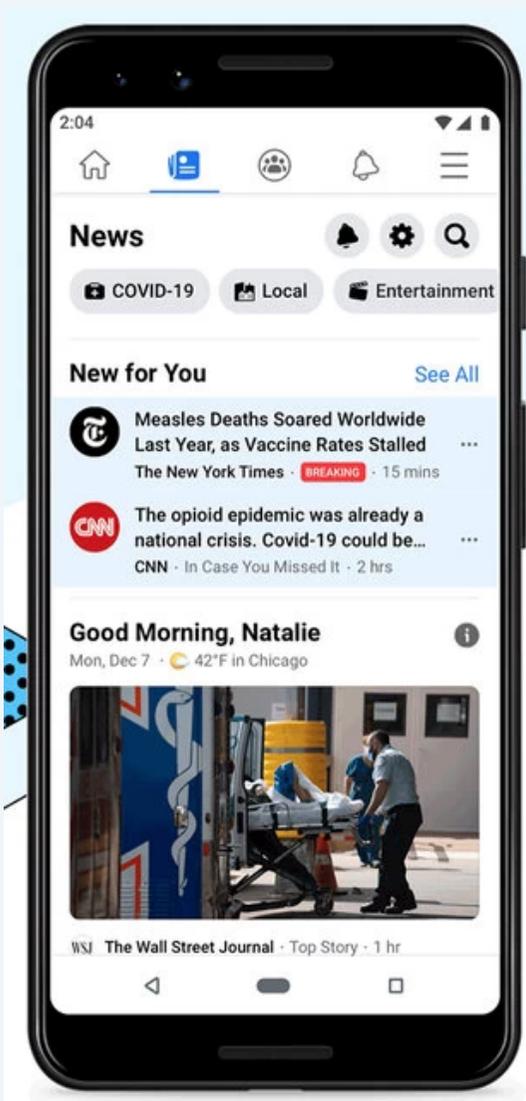
Both Google News Showcase and Facebook News may deliver revenue to news organisations, but both have been created so that these platforms control each deal made, even those

made under pressure of scrutiny by Australia's Competition Authority, and the ability to enforce 'good faith bargaining'. Many commentators and some scholars believe these services could impact on some key principles of the internet – anyone can link to anything – and that these new platforms and deals don't necessarily mean more or better journalism, or more local and regional news.

*"Google has now invited every other country to pursue a similar protection racket. Parliament members in Canada and the European Union have already endorsed measures similar to Australia's. And a basic tenet of the open web –*



The new Google News Showcase



Facebook's new bespoke news service – Facebook News

*that hyperlinks can be freely displayed on any website – just took a body blow. I'd feel better about this if publishers said a single word about how much of their new Google revenue they planned to spend on journalists' salaries or news gathering. They didn't, though, and why would they? Australia's bargaining code doesn't say one word about requiring that any of this money be spent on journalism, either."*

(SANCHEZ, 2021)

### Local solutions drawing on global developments

The co-founder of investigative unit amaBhungane, Sam Sole, is quoted in *Paying the Piper* as suggesting an online advertising tax to finance news. "There is no reason why an online advertising tax could not be used to help fund news production via state subsidies of one kind or another." (Rumney 2019) There is, however, more than one reason: the reality of the apparent reluctance of South Africa's National Treasury to contemplate dedicated taxes, the fact that dedicated taxes can easily be absorbed into the general fiscus, and the principle that too many special taxes complicate what should be a transparent and simple tax system.

Thus the arguments keeps returning to a key question: whether regulating Facebook and Google would go some way to solving the revenue needs of the publishers, or whether the fragmentation of audience and the multiplication of advertising opportunities, encouraged by the Internet itself, is not the actual systemic source of news outlets' problems?

Other issues, like the concentrated nature of news publishing

ownership, and the power of Media24 in the South African eco-system, are not addressed. Additionally, different solutions are needed, especially for local news.

For example, a South African teenager has had to resort to high court action to try to force Facebook to reveal "the identity of an anonymous social media user who threatened to rape and kill her" on the Instagram platform owned by Facebook.

Journalists are routinely threatened and harassed on social media, in South Africa particularly on the Twitter platform, even after the end of the Gupta-motivated attacks at the height of the State capture era. Moreover, for a long time and in particular in 2020, social media has been used to fan the always smoldering flames of xenophobia.

Equally important, Google's wealth has enabled it to offer free services that it can withdraw without consequence. Few Android users in South Africa would want to go without Google Maps, Gmail, Google Docs, Chrome and Google Search.

An illustration of Google's power is the effect of it withdrawing its popular apps at the behest of the US government from Huawei phones, effectively making them less attractive than the products of rival Xiaomi in international markets.

Novelist John Lanchester quotes Jonathan Taplin in the context of the dispute with the Indian government over a Facebook plan to connect remote villages to a version of the internet controlled by Facebook: "Facebook and Google are

the new colonial powers.” (Naughton, 2017)

Nonetheless, it is as well to know the size and nature of the problem. Sam Sole underlined the issues already in 2017: “Technology is not going to save us. Politics might just. Get active. Get organised.” (Rumney 2017)

### Is a digital tax possible?

South Africa should consider some form of taxation on companies such as Google and Facebook who do not pay tax in South Africa though they earn advertising revenue in the country. Despite digital taxes being described as “the new trade war flashpoint,” a tax is feasible and South Africa has the option of imposing one, but shows little sign of considering it.

The Davis Tax Committee has recommended taxing digital transactions in South Africa, but no indication has been given about when or if South Africa will bring in a digital tax. Four African countries, Kenya, Nigeria, Tunisia and Zimbabwe impose a digital services tax ranging from 1.5% to 30% and Egypt is considering implementing a digital tax on social media and digital platform advertising. For a while, digital firms were not subject to VAT, but South Africa has brought them into the net.

Another strategy is to work much more closely with Google and Facebook with an eye to securing some of the funds earmarked by the behemoths in an effort to placate publishers and avoid government regulation.

Google announced in October this year that it plans to spend US\$1 billion over the next three years paying publishers for their news. Specifically, the money will license publishers’ content for Google News Showcase. The move has been widely dismissed as a PR stunt by Google to remain “beloved enough to remain underregulated”. (Benton 2020) In return for dispensing US\$1 billion largesse over three years, across the globe, Google’s T’s and C’s include:

*Deciding who gets what and how much, without any obligation to disclose recipients or amounts. . Clearly, they don’t believe that they have an obligation owed equally to everyone who publishes anything on the Internet.*

(BENTON 2020)

Google News Showcase currently has “nearly 200” publishers in Germany, Brazil, Argentina, Canada, the U.K., and Australia, and tend to be a mix of big-name brands and hyper-local sites. Commentators have noted that in each of the six countries, Google is or has been a target of antitrust efforts or other attempts to rein in its market power. As an article in The Niemann lab recently commented:

*“They want the money to “pay” for some small new side product, not their big money-makers (search for Google, the*

*News Feed for Facebook). They want to make sure the deal isn’t: “We’re giving publishers back some of the money they think we steal from them everyday.” It’s: “Let’s partner on something new.”*

(BENTON 2020)

But there is no certainty that what the Australian government is proposing via the now ‘mandatory’ code is going to help the news industry in significant ways and understanding why that might be the case is key for South Africa’s own consideration of a similar approach, or even SADC or African Union, continental wide approaches similar to the EU.

Put differently, both the EU’s attempts to contain and get revenue from the tech giants, built mostly around copyright law; and Australia’s efforts, based on notions of market dominance, unfair competition and competition law and regulation, may not work, or may not help journalism much (particularly local journalism) and may not stop the overall decline in revenues. In other words, these moves might not help ‘fix’ the business models.

These are profoundly difficult questions for South Africa (and indeed all the countries in Africa, and Africa as anorganised political bloc through its regional networks such as ECOWAS or SADC, or via the AU). We’ll have to watch closely how the EU and Australian efforts play out.

## WHO'S WINNING (OR NOT WINNING) IN AUSTRALIA'S BATTLE WITH GOOGLE AND FACEBOOK

With the dust settling on the news media bargaining code battle royale, both Facebook and the Australian government have declared victory.

It's seemingly the end of a series of threats and standoffs that culminated in 11th-hour negotiations between Facebook boss Mark Zuckerberg and Treasurer Josh Frydenberg... after the social media giant banned Australian news on its platform. So who won and who lost?

- Facebook had been dead against the proposed code for months, threatening to block links to news articles over a code it said was unworkable.
- But this week (after banning news), the company had a change of heart.
- It decided the code was, in fact, workable – at least with a few amendments.
- In a series of calls between Mr Zuckerberg and Mr Frydenberg, the social media behemoth negotiated small but important changes that mean there's a good chance the code may never be used at all, said Tama Leaver, a professor of internet studies at Curtin University.
- Among them was the provision that before a digital

platform is made subject to the code, the Treasurer must first take into account whether it has reached commercial agreements with news media businesses.

- “The code will sit in the Treasurer’s desk and he can pull the trigger whenever a platform is big enough to squeeze for money,” Professor Leaver said.
- Google has already struck deals with News Corp, Nine Fairfax, Seven West Media, The Guardian and news company ACM.
- The company is also expected to reach agreements with SBS and the ABC.
- “The Treasurer appears happy with what Google has done by striking deals with the major players,” Professor Leaver said.
- Another last-minute concession gives the company (or Google) at least one month’s notice that it will be subject to the code.
- Will Facebook end up paying less money? It’s likely.
- Under the code, Facebook would have had to negotiate with news producers according to strict rules, Professor Leaver said.
- Now these deals are being struck behind closed doors.
- Within a couple of years the likes of Google and Facebook will devour more than half local ad revenues, leaving only crumbs for traditional media

players.

- “Getting deals done before or around the code means Facebook is still calling a lot of the shots in terms of what the contracts specify,” Professor Leaver said.
- We don’t know how much Facebook will pay news producers, but James Meese, a media law and policy researcher at RMIT University, estimated it could be similar to what it’s currently paying news producers in other countries to use their content in Facebook News.
- Facebook News, which is a tab within the app that features original journalism, is a new feature the company is rolling out in the UK.
- “They were planning to introduce Facebook News here at some point,” Dr Meese said.
- “Paying some money to news producers is business as usual for them.”

Let that sink in: Facebook may end up paying news producers what it would have paid them anyway, without the threat of being subject to the code.

(ABC news Feb 2021)

<https://www.abc.net.au/news/science/2021-02-26/facebook-google-who-won-battle-news-media-bargaining-code/13193106>

# SECTION 3

## PUBLIC SERVICE MEDIA FUNDING IN TRANSITION

*“... public service media organizations have a unique ability and responsibility to reflect our cultures. We know all audiences want to be able to watch big new shows from across the world, but we also know that they want to see their own lives reflected on air and on screen. They want programmes that respond to some of the most important issues currently facing their communities and their societies.*”

*It is therefore vital not to confuse choice with diversity. There may be more and more content on offer to audiences, but less and less of it is truly independent and relevant to their lives and the societies they live in....”*

THE UNIQUE ROLE OF PUBLIC SERVICE MEDIA  
THE EUROPEAN BROADCASTING UNION (EBU)

Globally, the discussion about funding PSMs is moving away from licence fees, although some of the voices making this case are private media operators, often with anti-communitarian agendas.

- i. But there is a growing sense that licence fees are outdated, impractical and rife with unintended consequences (and, in South Africa, tainted with corruption and widespread payment evasion). The key reasons for licences have always been the promotion of impartiality and independence from government influence, and to engender a sense of public ownership (and affection) for PSM. But in South Africa, and in many other countries, licence fees, in the apartheid era, and in different ways in the Mbeki era and then during the Presidency of Jacob Zuma, and under the ruinous reign of SABC CEO Hlaudi Motsoeneng, provided limited autonomy and protection.
- ii. In the UK, where the concept of license fees for PSM originated in the 1920s, and for a handful of other countries, such fees do provide some autonomy. But in countries where it has been abolished or never implemented, other mechanisms have been put in place to provide for the necessary sovereignty of Public Service Media.
- iii. South Africa has one of the highest 'evasion rates' of TV license fees when compared to other countries who continue with some form of license. This is reflective of the high levels of poverty and the so-called 'culture of non-payment' that is, for many, a form of protest and resistance. As this report outlines, 7 out of 10 South Africans don't pay the TV licence fee each year, despite the fee being set at very low levels relative to average income, and despite the legal requirement to pay, backed up with the threat of fines and legal action.

- iv. Licence fees are in effect always a particular form of consumption tax. Most countries have opted for two funding mechanisms other than licence fees – bespoke household capitation levies (as the SABC is proposing) or via direct taxation, where funds are reliably earmarked and collected at low cost by the tax authorities.
- v. Countries are using their PSM to support local media more directly and innovatively. The BBC's Local News Partnerships (LNP) in the UK pays the salaries of 150 'local democracy reporters', but leaves it to the local news organisations to hire the journalists as per their usual processes and criteria. News produced is then shared with hundreds of partners entitled to receive content generated through the News Hub, Shared Data Unit and Local Democracy Reporters, ie various backend sharing systems developed by the BBC.
- vi. These shared models have their private sector counterparts in franchise models in some countries, particularly, the USA, where common backend systems are provided for hyper local news organisation to share some local, regional and national news, and backend systems.

#### Recommendations:

- As Sweden did in 2019, and Norway is doing in 2020, this report suggests that now is the time to consider converting licence fees to bespoke taxes collected by competent tax authorities (in Norway this is called a Public Service Media Tax) via an income-indexed but simply structured tax (to reflect South Africa's high levels of income inequality).
- The case needs to be built, over time, for these taxes or special levies to be collected by the South African Revenue Service. Such

approach makes even more sense in poorer countries.

- Doing this well could secure sufficient funding to run the SABC, and make the organisation less dependent on advertising, and not at all dependant on government handouts. Income collected would need to be 'ring-fenced' and reliably transferred to the SABC in dependable, predictable tranches based on longer term 'charters', such as the BBC's 10- year licence fee charter-funding mechanisms, or the ABC in Australia's non-licence fee system of direct grants from the government, committed to *triennially*, which allows reasonable long-term planning.
- Repositioning the SABC's news making and news distribution roles, via better integration into national, regional and local ecosystems and better, cheaper access to digital offerings. This means the SABC becoming a hub and spoke for local media, and possibly, if it gets increased funding, becoming a conduit for ways of funding journalism in local areas, together with the proposed Public Journalism Fund.
- This should include the SABC developing plans, and civil society lobbying to get the SABC the resources to develop a South African version of the BBC's "Local News Partnerships", and backend creative commons systems to share local, regional and national news.
- Recent moves to close regional SABC offices need to be reversed and the SABC's news provisioning role needs to be elevated and preserved lest a 'customer-centred business model' morphs into an anti-journalism agenda

The SABC has been mired in corruption and long-stretches of poor management, from the Second Thabo Mbeki era (2004-2009), right through to the state capture era of Jacob Zuma (2009 -2017). Despite better management from 2018 onwards, the organisation is still woefully underfunded and, as every South African has been able to see close up in 2020, the long-standing apartheid-era business model – of relying on a mix of commercial revenue and licence fees – is no longer fit for purpose.

Like private news media, the SABC's channels are confronted by competition from a wide range of digitally delivered entertainment and news options, easily accessible on mobile phones. From social media sharing of home-made video clips, a globally burgeoning podcast industry, streaming services like Netflix and subscription services such as DSTV in South Africa, PSM is having to re-invent itself the world over. This brief overview looks fairly exclusively at revenue models and does so in the context of global debates about funding PSM.

Not only do 70% of South Africans currently not pay the licence fees, but commercial revenues have been heavily impacted by poor management, even if 2021 is showing some improvement after the decline of 2020's Covid induced recessions.

Models for such funding vary widely. In almost every country, PSMs are facing similar pressures and similar questions are being asked about Public Service Media. A recent overview shares the bleaker version of this view:

*"Like other traditional media, most public broadcasters now struggle for stable funding and loyal customers. Strapped for cash, they cannot be selective about their statutory duties*

*to inform, educate, and entertain the people. Investment in technology is lacking. Internal morale is usually low. Flagrant politicization is no longer calmly endured by the audience, which deserts them for new platforms. Younger people especially, are unimpressed by public service output, offline and even online.”*

(DRAGOMIR AND THOMPSON 2014)

In the UK and Australia, the resentment by some corporate interests of the public broadcaster focuses on its alleged use of public funds to compete in the private market, especially online. The Australian Broadcasting Corporation faces sustained critique from private media, particularly the right-wing global behemoth News Corp. News Corp’s *Sky TV* in Australia, and the company’s newspapers, which are the main private news organisations and papers in most large and medium-sized Australian cities, are infamous for their aggressive denial of climate change and support for fossil fuels, and some of their columnists are called out for their racism and misogyny with some frequency.

News Corp also forcefully attacks the BBC in the UK and operates the Fox network in the USA, which is widely regarded as a propaganda organisation in thrall to former President Donald Trump’s take-over of the Republican party.

And yet as Emily Bell argues:

*“... do communities need or deserve human reporting and at what scale? So, in other words, this question of like, do we want somebody in the courts every day? Do we want somebody who can go to school board meetings and write about those? What do we think are the four or five things, which really matter for public accountability, how are they*

*covered? And that might mean that these things are not necessarily the most read stories or the most popular, but is it important that we find a mechanism through new types of public or civic media funding...”*

(BELL 2020)

Idealistically, PSMs can and should aspire to achieving these “widely-accepted principles for PSBs” including:

- Universal accessibility (geographic)
- Universal appeal (general tastes and interests)
- Particular attention to minorities
- Contribution to a sense of national identity and community
- Distance from vested interests
- Direct funding and universality of payment
- Competition in good programming rather than numbers
- Guidelines that liberate rather than restrict programme-makers (Network 2012)

The case for public service media in South Africa doesn’t need to be remade here, but in the wake of two decades of digital disruption, systemic political interference, and the Covid Crisis, the question for South Africa – and a key question globally – is what is the most sensible way to fund the public provision of news in terms of debates around the world?

### Shifts in funding Public Service Media

Globally, the SABC is unusual in deriving so much of its revenue from commercial sources – mainly advertising and sponsorship – and so little from licence fees and direct government spending. This is because of overt

commercialisation continued by the new ANC government in the 1990s, from a wider range of policy options. (Skinner 2017; Ngwenya 2021; Duncan 2017). This is unlike the Australian, British and Canadian broadcasting corporations, for example, which share some similar trajectories of development to the SABC, but are very similar to PSM in New Zealand which is also heavily dependent on commercial revenue.

During the State capture era of Hlaudi Motsoeneng, covered in detail in the *Paying the Piper* report, SABC news came under intense pressure, but so did the entire organisation, ‘captured’ as it was by the Zuma-Gupta faction of the ANC. The SABC ordinarily receives little money directly from government.

This is by design. Given how bankrupt the apartheid state was and given that the incoming ANC government in 1994 agreed to repay the apartheid government’s considerable global debt, there was not a lot of money for broadcasting, as important as the new ruling party believed news media to be.

A decision was taken to keep the SABC as a predominantly commercial enterprise, and, in terms of TV and indigenous language radio, to maintain a virtual monopoly of broadcasting, with the exception of expensive private ‘satellite’ TV via continuing the apartheid government’s sweet deal with DSTV (owned by the apartheid era’s largest media companies) and, later, the establishment of just a single free to air broadcaster, e-TV, to rival the SABC. (Duncan 2017)

Government funding has thus never been a big part of the SABC’s revenue strategy. Before the recent large-scale ad-hoc grant, the SABC reports that in the 2018/2019 financial year, advertising revenue accounted for some 78% of total revenue,

with outright government grants making up only 3,3% of income, followed by licence fees at 15%.

Whether these decisions were justified given the realities of South Africa's transition in the 1990s, is a moot point, but the fact remains that the current model is haphazard, provides poor value for money, is prone to corruption, and ultimately is not allowing the SABC to function at its full potential.

When this uncertain, insecure and seemingly ad hoc system of funding, centred on commercial revenue, is combined with political interference, you have an SABC which has, despite the hundreds of dedicated and often brilliant journalists working in the organisation, limped along through the much of the 2000s. If it is to survive into the future, a better, more sustainable and just system that properly funds, properly manages and strongly preserves the independence of the SABC, is required.

Over the last ten years the SABC has declared a small surplus just twice, but it is the size of the losses that is a concern for the fiscus and its citizens. In 2009 financial year alone, the SABC lost almost R1 billion (adjusted for inflation that would, in 2020, be a loss in Zuma's first year as President of South Africa, of around R1,5 billion). In the year to end-March 2017, the SABC again lost more than R1 billion in a single year and the cumulative loss over 10 years comes to more than R3 billion.

In previous years, government guarantees for SABC to obtain loans from commercial funders have sufficed, which has meant that the National Treasury has not had to divert actual budgetary resources to the corporation. But, as with SAA,

those loan guarantees can be triggered and might have to be paid. But the guarantee-issuing route has largely closed, leading to the recent 2019/2020 R3.2 billion-bailout.

But it should be noted, such has been the failure of the commercial-centric model over time, that the R3.2 billion agreed to was less than half of what the SABC requested in its detailed plans. And of the money received, more than R1.3 billion, went immediately to paying Motsoeneng-era debt, leaving very little for proper restructuring, purchases of new programming and new equipment and other key elements of the SABC's strategic plan.

Getting only half the funding asked for doesn't necessarily mean that the SABC deserved more in terms of efficiency and proper value for money accounting but illustrates the extent of the crisis created by the SABC's long term reliance on now steadily declining ad revenue, and minuscule licence fee income.

Part of what the Motsoeneng regime at the SABC did, with deliberate intent, was to over-staff almost every level of the SABC, often with those sympathetic to its desire to give the Zuma government 'sunshine journalism'. Many were hired not for their skills but for their political loyalties. Staffing-wise, there is a strong case to be made that SABC has become seriously bloated, especially at managerial levels, and salaries are high, compared to private sector equivalents. The SABC requires R200 million *per month* just to pay salaries. Some estimates suggest the salary commitment is closer to R300 million per month.

A key finding of the EY report *International perspectives on public service broadcasting* is just how vital "stability

and independence are" when it comes to funding, while acknowledging even though such stability should be a bedrock "... there is no 'one-size-fits-all' approach to funding. The most appropriate funding method will vary between countries depending on cultural, historical and commercial factors, and so a bespoke approach needs to be taken to designing funding for public service broadcasting in each country."

What the report and others do note however is that funding models and methods are regularly examined and can and do change. South Africa's SABC seems to be a once-in-a-generation crisis that is deep and systemic, and which would appear to cry out for a deep rethink about how the SABC is funded.

## PSMs around the world

In most other democracies, funding for public broadcasting runs along a continuum ranging from some combination of licence fee or direct government funding, right through to those where no government funding exists and public broadcasters, or at least some of their channels, must raise their funds commercially, i.e. through selling advertising, getting sponsorships, selling content, or working their assets, such as renting out equipment or studio space.

There are more than 100 organisations around the world that self-identify as public service media. But while many of these organisations are built upon the core values of public media – such as public funding, accountability, accuracy, impartiality and universalism – each varies in structure, in their operation,

and the degree to which they adhere to each value. (Public Media Alliance 2020)

Almost every country has myriad regulations of how the public sector should function. Often these include:

- Having at least one channel prohibited from advertising,
- Setting limits on the amount of advertising commercial broadcasters may carry,
- Requiring “nationally significant events to be broadcast on free-to-air television,” (which can include sporting events)
- Local content requirements and set levels of financial support for local production
- Funding through a licence or general taxation. South Africa provides comparatively little direct support for the SABC but does regulate broadcasting for private and public broadcasters, heavily in some respects – for instance in requiring broadcast services to provide regular news slots and promote local content.

Public funding maintains the majority of broadcasters in the world, though in Chile, for example, TVN has no public funding at all.

Most public broadcasters have *some* commercial income, often from selling programmes to third parties, or hiring out equipment and studios. The BBC and the Canadian Broadcasting Corporation both had commercial income of more than 20% (33% in the case of the CBC) and the BBC famously sells its shows globally.

The Australian Broadcasting Corporation achieves only around 6% from commercial income streams.

While the SABC differs markedly from other public broadcasters in being largely dependent on advertising revenue, it tends to follow the broad trends noted in a study on the balance between providing financial support for public broadcasters and imposing rules on private broadcasters.

In a 2018 study, PWC noted that Australia, Ireland, and the Nordic countries focused on funding public broadcasting, while Canada regulated private channels heavily.

Canada’s regulation of private broadcasters requires dedicated channels for ethnic minorities and a range of other audiences as well as requiring broadcasting of news in English and French.

In terms of licencing, the BBC retains the licence-fee model that inspired the SABC model – though it is under near constant attack. There is potentially a current “long game of political interference in the run-up to the BBC’s Charter Renewal in 2027, with the aim to constrain and reduce the BBC’s remit.” (May 2020). The BBC is popular and there still seems to be a strong majority in support of the licence fee model but is also having to deal with phenomenon of ‘cord cutting’ as people get more news and entertainment on YouTube directly, or via streaming services.

*“Last year The Times reports that figures obtained under a freedom of information request show the number of TV licences bought in the UK fell by 82,000 in the five months to March. While 25.6m homes had TV licences in November, the figure has now fallen to 25.5m. The number of licences issued had been growing for a decade because of a rising population and a crackdown of fee evasion, but in the past two years it has dropped significantly.”*The latest figures support

*anecdotal evidence that younger viewers in particular are ditching the BBC in favour of streaming services such as Netflix, Amazon Prime Video and Disney+,”* The Times says.

(THE WEEK 2020)

In Ghana, the Ghana Broadcasting Corporation with 7 TV channels, and 18 radio channels, has charged a licence fee since the mid 1960s, but this is now a subject of fierce and ongoing debate. *The Ghana Journalists Association* (GJA) felt compelled to issue a statement a few years ago to argue:

*“We appreciate the fact that the law on TV license fee, which was enacted 52 years ago at a time GBC enjoyed monopoly, may have been overtaken by technology and media pluralism, for which reason it may have to be amended. But we also believe that technological advancement and liberalisation of the broadcast industry do not by their sheer force, strip GBC of its character as a public broadcaster that requires financial oxygen such as TV license fee to survive.”*

(GJA 2018).

More recently the debate has broken out with a series of court decisions and now a move to introduce an ‘Digital Access fund’. A recent report confirmed:

*“The government has abandoned the current system of collecting TV licence Information Minister-designate Kojo Oppong Nkrumah has said. Instead, the proposed Digital Access Fund would be used to replace TV license fee. The TV License Fees which was established by the Television Licensing Act – 1966 (NLCD 89) was re-introduced in 2015 to ensure TV owners pay fees. The Akufo-Addo led government in 2018 made the payment mandatory and insisted on prosecuting offenders. Many Ghanaians kicked against it arguing that the money will be given to the state broadcaster (Ghana*

*Broadcasting Corporation), which provides content they see as less useful. “*

*(MODERN GHANA, 2021)*

In New Zealand, the public TV broadcaster, TVNZ, is almost entirely commercially funded despite being State-owned. TVNZ claims to reach more than 2 million New Zealanders through TVNZ 1, 2, DUKE, and its online entertainment platform TVNZ.co.nz as well as its news site 1 NEWS NOW. Recently the ad-free children’s platform HEIHEI was launched with NZ On Air.

New Zealand government’s PSM model is as far from the BBC model as possible while still being committed to funding public broadcasting. The country has a three-pronged system for funding, which is unusual as it includes directly funding production of various journalistic and non-journalistic output.

The country has an On Air “Contestable Fund” through of around the equivalent of R38-million for investing in “authentic New Zealand stories and songs”, an “Innovation Fund” of around R56-million, in which both NZ On Air and Radio New Zealand participate to create “content” for RNZ, as well as funding RNZ itself to the tune of R42-million. The sums may seem small, but the entire country has a population of around five million people, less than some large cities elsewhere in the world.

It must be noted that the idea of spreading public service mandate is not new. The SABC’s ex Digital Head, Izak Minnaar was quoted in 2009 as recommending the focus should shift from public broadcasters to promoting public service media “irrespective of who produces it” since spectrum scarcity is

irrelevant for regulation in a digital environment.

“Also, with all the new platforms, newspapers or broadcasters in South Africa should not be conceptualised as stand-alone sectors anymore. ‘If we need regulation, it should move away from **platform** regulation and towards content regulation. It should move away from regulation as a punitive measure and more towards an incentivised scheme. The implication of what I am saying is that the incentive for the production of PBS content should be spread across all media” (Minnaar 2009)

Namibia’s Namibian Broadcasting Corporation (NBC) was established in 1991 and faces less government interference than many other countries. Namibia is currently the highest ranked country in Africa in terms of media freedom according to the RSF World Press Freedom Index. The NBC gets both a substantial annual grant, and also charges a small licence fee and has also seen non-compliance increase in recent years.

Australia is unusual in that it has two public service broadcasting organizations--the Australian Broadcasting Corporation (ABC) and the Special Broadcasting Service (SBS). Like the SABC in South Africa, the ABC was based on the original BBC model, but the SBS is a ‘distinctively Australian innovation’ (Brown & Althaus, 1996) The ABC was also funded by licence fees but only up to 1973, when funding was replaced by government grants.

The ABC operates six radio networks and two television networks, and the SBS operates one radio and one television network. Both public broadcasters are funded directly by the federal government, although SBS supplements its income by

limited advertising. (Brown & Althaus, 1996)

Funding for the ABC comes overwhelmingly from government, with advertising prohibited. Depending on the year, government funding covers between 90% and 95% of expenditure, with the rest coming from commercial activities.

The Canadian Broadcasting Corporation receives two-thirds of its funding from government. It raises the rest of its revenue from commercial sources such as advertising.

Regulation extends to commercial broadcasters: “Private broadcasters must support local content production” and “at least half shown content must be Canadian in nature.” Moreover, regulation includes blocking US programmes that threaten the revenue of Canadian advertisers.

CBC/Radio-Canada has four sources of direct funding. A breakdown of CBC/Radio-Canada’s 2019-2020 income:

- **Government funding:** \$1,209 million
- **Advertising revenue:** \$253.8 million
- **Subscriber fees:** \$123.5 million
- **Financing and other income:** (includes income from activities such as rental of real estate assets, content sales, leasing of space at transmission sites, host broadcasting sports events and contributions from the Canada Media Fund.) \$127.2 million.

*“According to CBC/Radio-Canada’s 2020 Survey, 83% of Canadians believe that it is a trusted source of information and that there is a clear need and role for the public broadcaster in the future. However, like many public broadcasters around the world, CBC/Radio-*

*Canada is faced with political pressure as an ongoing campaign calls to defund CBC's online news platform and reduce funding for CBC's English TV channels by half. The corporation's main source of funding comes from government grants, which is supported by advertising revenue, subscription fees and additional activities."*

(PUBLIC MEDIA ALLIANCE 2020)

Like in many other countries, including Australia and the UK, the main antagonism comes from right-of-centre and right wing parties. "Fights over CBC's federal grant, which now amounts to \$1.2 billion annually, are nothing new in politics – and especially in Conservative leadership races, where candidates are catering to the party's more hardcore right-wing base. Attacking the CBC is among the most popular things a Tory leadership hopeful can do, even as they frequently give interviews to CBC journalists." (Platt 2020)

Even France's wildy popular France Télévisions, funded by an "audiovisual licence fee" is under political and public pressure to reduce its costs.

### Key arguments for keeping the licence fee

A BBC spokesperson testifying on the future of British broadcasting in 1977 articulated the often-unexamined philosophy behind the broadcasting licence fee: "... the license fee system puts the broadcasters in a more direct relationship with the public than any other system of financing would. It reinforces a frame of mind in the BBC which impels us constantly to ask ourselves the question: 'What ought we to be doing to serve the public better?'"

The article on the Museum of Broadcast TV where this quote is found, also usefully notes three aspects of the value of the licence fee system:

- First, it assigns the costs for broadcasting directly to its consumers.
- Second, this tends to create a mutual and reciprocal sense of responsibility between the broadcasters and the audience members
- (which) third, frees the broadcasters from control and influence by governments (as might be the case where direct government support exists) or advertisers (as might be the case in commercial systems).

This approach needs to be assessed with caution, however since neither a licence fee nor advertising revenue protected the SABC from government control during the Apartheid era.

The same has been true since 1994 – the alleged protections have not stopped the ANC from directly trying, and, under Zuma succeeding in outlandish ways, of having the SABC favour either the party or a faction of the ruling party.

### Key arguments for abolishing the licence fee

The licence fee-model in South Africa dates from the early days of broadcasting – the mid-1920s, predating the private ABC that was nationalised to form the SABC. But from the start, evasion levels have always been high, and the hassle factor for ordinary South Africans has been extra-ordinary. It is a grudge purchase that is mired in complexity and characterised by a collection process that is confrontational and antagonistic for many.

In common with Poland, South Africa has one of the lowest licence fees in the world, at R265 a year. By comparison annual licence fees range from around R700 in Greece to around R8 500 in Switzerland.

In Ghana, the fee is a maximum of R200 – and problems with collection have led to calls for it to be scrapped. But of course many South Africans are poor, and even R22 a month is a significant expense. (In South Africa, in addition, a concessionary rate of R70 is available for those over 70, and disabled persons or war veterans who are on social welfare. The red tape involved is, however, considerable. See 'Easier said than done', below).

Despite being relatively inexpensive,, SABC's evasion rate is among the highest in the world: 69% for the 2018/19 financial year, a slight improvement on 72% for the 2017/18 financial year

Even taking into account South Africa's so-called 'culture of non-payment' and the broader context of generalised poverty caused by some of the highest levels of unemployment in the world, this consistently high rate of evasion does suggest the license fee model is simply not working. The two key alternatives are a substantial tweak where fewer South Africans pay a lot more directly to the SABC or the scrapping of the licence fee regime altogether. There are good cases to be made for both approaches.

As BBC News notes: "Poland has a relatively low TV licence fee (57 euros) but a high evasion rate of 65%. The withdrawal of the TV licence is under discussion."

The BBC quotes a programming analyst:

*“When you have that high level of evasion the cost of enforcing the licence and collecting the revenue is so great that it’s actually more efficient for a government to fund the public broadcaster from general taxation.”*

According to the Broadcasting Act of 1999, those who do not pay their TV licences face a fine not exceeding R500 or imprisonment of up to six months

While this legislated recourse is available to the SABC, the organisation acknowledges that it would be difficult and impractical to implement “due to socio-economic and political factors.” Instead, the SABC utilises the services of debt collection agencies and attorneys to collect licence fees in arrears.

### Finding new ways to fund the SABC

For viewers electing not to pay their licence fees – whether out of protest or out of penury, this involves a digital or postal onslaught that escalates into the levels of harassment and threats of legal action that you would expect from an organisation that is paid purely on contingency (commission is paid only for successful collections).

More funding through general tax is a possibility. Repeated resolutions at ANC conferences have been adopted to directly fund operations of the SABC, most recently what the ANC calls the “public service mandate” of the SABC.

However, this is unlikely in the wake of the damaging

## EASIER SAID THAN DONE – ‘CONCESSIONS’ FOR POOR AND AGED SOUTH AFRICANS

**Pensioners in South Africa are eligible for a concessionary TV licence of just R74 per annum. Getting it however, is an exercise in wrangling red tape.**

**According to the official guidance on getting a concessionary licence, here are the hoops pensioners need to jump through to apply for the concession, which is no guarantee that it will in fact be granted.**

**When you are applying for a television authorisation as a pensioner who is a beneficiary of the concessionary TV licence, you need to do the following:**

**You would be required to fill in the form, after which you will pay the full annual fee of R74.00. There are also certain documents that you are also expected to provide:**

- **Valid proof of identity which could be a National ID or Passport**

- **Proof of your physical address and postal address together**
- **Valid contact numbers**
- **If you are receiving a social grant from the State, then you need to submit a letter that you were given from the Department of Social Development. This letter is expected to indicate the date from which you started receiving the grant.**
- **However, if you are 70 years old or older, you will have to submit a duly completed and certified affidavit which can be a sworn/solemn statement confirming your living conditions.**

<https://briefly.co.za/25608-sabc-tv-licence-pensioners-discount-2020.htm>

economic effects of the Covid-19 crisis on South Africa and the resulting fiscal constraints. Put simply, lower tax revenue and higher borrowing costs will deter – for a while at least – the South African government from putting much more money into the public broadcaster. But the case nonetheless needs to be made!

More revenue from licence fees through better collection is always a possibility, although the experience to date suggests that it is going to cost even more money to go after non-compliant viewers. The costs of collecting from a recalcitrant citizenry has caused many countries to abolish licensing altogether.

Poland, with one of the lowest fees and highest evasion rates in Europe, is considering scrapping the €57 licence fee, with Romania and Sweden having done so as recently as 2017 and 2019, respectively. Brazil and China, for example have never had licence fees, nor has Nigeria, Spain or the USA, while the following countries have all scrapped licence fees at various points since the 1950s:

- Australia (in the 1970s)
- Belgium (2001)
- Canada (early 1950s)
- Cyprus (late 1990s)
- Finland (2013)
- Hungary (2002)
- Iceland (2007)
- Indonesia (1990s)
- Israel (2015)
- Malaysia (2000)
- Netherlands (2000)
- Romania (2017)
- Singapore (2011)
- Soviet Union (1961)
- Sweden (2019)

Employing debt-collectors to go after 70% of your audience and employing other strong-arm tactics to cajole payment from poor South Africans, is not going to endear your brand to the very viewers with whom the SABC claims to be developing a more 'customer centric' relationship with over time .

### Creating a special tax (collected by SARS) to fund the SABC (instead of licence fees)

In January 2019, Sweden's public service media companies switched to a tax-based funding model. The old radio and TV

TV licence regimes across the world

Licence fee	Abolished	No TV licence fee in history
Albania	Australia	Andorra
Austria	Belgium	Belarus
Bosnia and Herzegovina	Bulgaria	Brazil
Croatia	Canada	China
Czech Republic	Cyprus	Estonia
Denmark	Finland	Georgia
Egypt (part of phone bill)	Gibraltar	Iran
France	Hungary	Latvia
Germany	Hong Kong	Luxembourg
Ghana	Iceland	Lithuania
Greece (part of electricity bill)	India	Monaco
Ireland	Indonesia	Nigeria
Italy (part of electricity bill)	Israel	Russia
Japan	Liechtenstein	Spain
Mauritius	Malaysia	Ukraine
Montenegro	Malta	United States
Namibia	Netherlands	Vietnam
Pakistan	New Zealand	
Poland	North Macedonia	
Portugal (part of electricity bill)	Norway (now part of income tax)	
Serbia (part of electricity bill)	Portugal	
Slovakia	Romania	
Slovenia	Singapore	
South Africa	Sweden	
South Korea	Taiwan	
Swaziland		
Switzerland		
Turkey (part of electricity bill)		
United Kingdom		

licences were scrapped in favour of a flat income-based public broadcasting tax of 1% per person over the age of 18, capped at 1,347 Swedish krona (approximately R2 517) per year.

The administration of the fee is done by the Swedish Tax Agency on behalf of the country's three public broadcasters. It is kept outside the state budget. Sweden's parliament decides on the allocation of fees to the programme companies for the licence period.

As Sweden did in 2019, and Norway was doing in 2020, this year might be the time to seriously consider converting licence fees to bespoke taxes collected by competent tax authorities (in Norway this is called a Public Service Media Tax) with an income-indexed but simply structured tax, to reflect South Africa's high levels of income inequality.

Denmark is currently making the same moves, shifting, over

2019 to 2022, to a tax based system, although also, at the same time, forcing a reduction in the number of funded TV channels and a reduction in the number of radio channels (EY, 2020). Finland moved to an entirely tax-funded model in 2013.

Doing this could secure sufficient funding to run the SABC, and make the organisation less dependent on advertising, and not have to rely on government handouts. Such income would need to be 'ring-fenced' and reliably transferred to the SABC in dependable, predictable tranches. As is explored, these can be based on longer term 'charters', such as the BBC's 1-year licence fee charter funding mechanisms, or the ABC in Australia's non-licence fee system of direct grants from the government, committed to triennially, which allows reasonable medium-term planning.

Although SARS and the treasury in South Africa seem opposed to any forms of specialised or 'bespoke' ear-marked

taxes, that is the case in many countries which make an exception for funding Public Service Media.

### **Ways forward with PSM funding in South Africa**

It is clear that the objectives of PSM could be achieved through distributed public service mandates. New Zealand provides one example of the PSM as being achieved at least partly through a funding agency with the caveat of a competent, energetic and well-resourced regulator.

The ability of the regulator has implications for all other possible futures for the SABC, but so does the political context and the willingness of the governing party to change the governance of the corporation to ensure administrative and institutional independence. Also, vitally important is greater public discussion both of the public service remit of the SABC and of its ability to perform in terms of that remit rather than simply the finances of the corporation.

## A NEW WAY OF WORKING

The Local News Partnership was created in 2017 specifically to help address the drop off in levels of local political coverage by providing valuable new training, the guarantee of political reporters and a base level of local political coverage, right across the UK. In doing so, it has also achieved something else of value – a new way of working between the BBC and the local news industry, and indeed between the many different players that make up the local news industry itself.

The challenges facing the UK local news industry have been well documented over the years – sometimes fairly, and other times with excessive foreboding. However, the fact remains that at the time of the launch of the Local News Partnership, regional news advertising revenues (print and online) had fallen by 35% over the five years from 2012 to 2017, while revenues from advertising and sales of printed newspapers in the UK dropped by 50% between 2007 and 2017.

The Cairncross Review also estimated that the number of full-time frontline journalists in the UK had fallen from 23,000 in 2007 to 17,000 in 2017. Inevitably, a by-product of any restructuring is that some coverage falls out of the picture. And for local news organisations rightly focused on their commercial operation, it follows that coverage which delivers less towards this objective – in terms of audiences and advertising – will go first.

This has been the direction of travel for coverage of local government authorities for a number of years and the result has been tangible – far fewer journalists at council meetings and reduced levels of attention paid to thousands of decisions that have affected the lives of local communities. This reduction in the levels of local and regional government scrutiny has happened at the same time as the UK has become more politically devolved and socially fragmented.

It is in this context that the Local News Partnership was

created as a means to ensure that the decisions and actions local politicians and officers take on our behalf get covered. Many voices in the industry recognised the need for an outside intervention to help fill the gaps that had appeared in the local democratic landscape.

It is against this backdrop that the Local News Partnership (LNP) was formally established in 2017 and the first Local Democracy Reporter started work in January 2018. It was the result of a period of negotiation and agreement between the BBC, the News Media Association (on behalf of the wider local news industry) and central Government. The stated aims were ambitious and clear and outlined in a joint letter between the Director of News, BBC and the CEO of the NMA in May 2016.

Through a number of identified initiatives, the Local News Partnership would: a) Increase coverage of underreported issues in UK public services and institutions b) Improve the overall quality and breadth of UK local news c) Enhance the relevance of news services to local communities.

The review concluded:

- There is no doubt that the Local News Partnership has been a positive development and a welcome intervention in the UK local news industry. Every stakeholder we spoke to as part of this review, and who has spoken up about it over the years, recognises the impact it has had on the level and quality of local government coverage.
- At the same time this additional content has helped to strengthen the notion of public scrutiny of public services – building a stronger relationship between local news organisations and their audiences in the process. In this way, it is our conclusion that the LNP has achieved the objectives set out for it in the very beginning in the agreement between the BBC and NMA, and that it has transitioned from being an innovative new programme of work within the BBC, to a core part of the BBC Nations & Regions offer.



### Local Democracy Reporting Service

The Local Democracy Reporting Service created up to 150 new journalism jobs to help fill a gap in the reporting of local democracy issues across the UK.

- The nature of any review, as we pore over the details of the programme and how it works, is that a few simple truths get overlooked. In this case, we believe it speaks volumes that: x Every Supplier we spoke to said, unequivocally, that they would re-tender next time round. Every LDR we surveyed said they were satisfied or highly satisfied with their role
- In this report we have highlighted the areas where we believe the LNP could make important improvements. In the main these are about increasing the opportunities it provides – to smaller companies looking to take part directly, to journalists seeking to enter the scheme and to do their best work, and to the wide range of media companies, big and small, print and broadcast, who make up the local news industry.
- We have also called out where the wider BBC can and should extract more value from the LNP than it currently does and we expect this to continue to improve over time.

The full report can be accessed: A Review of the BBC Local News Partnership <http://downloads.bbc.co.uk/aboutthebbc/reports/reports/lnp-review-2020.pdf>

## SECTION 4

# DATA MUST FALL: LOWERING THE COSTS OF DATA AND INCREASING ACCESS TO NEWS

***“Data prices are anti-poor.*** *The providers of smartphones and the services that run on them have a responsibility to enable the use of those devices. If they are selling a device that needs data simply for it to function, they have a duty to provide at least the basic level of data that the devices need. Data is increasingly becoming an essential service not far behind water and electricity, as it represents access to the tools to participate in the modern economy”*

**ARTHUR GOLDSTUCK**

(QUOTED BY TSHEGOFATSO MATHE IN

“FROM DATA MUST FALL TO DATA FOR ALL” MAIL & GUARDIAN, DEC 2019)

***“52% of Africans covered by mobile broadband do not use it, mainly because of its cost.*** *Reducing the cost of data and terminals needs to therefore be one of the top priorities for operators in 2021”*

**QUENTIN VELLUET**

THREE WAYS AFRICA’S DIGITAL ECONOMY CAN IMPROVE IN 2021

- i. Data provision – in terms of levels of access, minimal standards of quality and reliability, and levels affordability – is increasingly seen as part of nations’ ‘social infrastructure’ which is, in the digital era, as important to people’s well-being as access to electricity and other services. To be ‘off the grid’, communication wise, as many countries have seen up close during in the pandemic, often means a denial of education opportunities and grave restrictions on the ability to be economically active, or ‘work from home’ and/or seek economic opportunities. Being ‘data poor’ reduces the ‘means of life’ and more countries are seeing this as a violation of fundamental human rights.
- ii. As such, governments in many countries are expanding funding for connectivity, subsidising fibre to the home, rolling out more public wi-fi provision and pushing for cheaper mobile data rates by either promoting competition or via regulation and various mechanisms related to spectrum allocation. Central governments provide more coordination and incentives, and sometimes manage, at high levels, national digital infrastructures to ensure equity of access, and minimal quality standards, and national security, even if they mostly rely on the private sector for delivery.
- iii. Most democracies have far greater levels of competition in the telecoms space than South Africa, including many countries in Africa. Most often, such competition brings data prices down to more affordable levels. Exorbitant telecommunications prices in South Africa, still among the highest in the developing world, have long been a significant brake on economic and social development.
- iv. These costs have also contributed to making accessing journalism unaffordable to many, and reducing these costs, or providing end-users with subsidies to pay these costs, might be pivotal to making news and information more accessible and viable
- v. In many countries, the public is not aware of how much local news has been lost, and how much journalism is under threat. That information, and stronger cases for private, corporate, philanthropic and state support (i.e. what this report calls ‘social funding’) for public interest journalism have to be made more creatively and more often.
- vi. A number of countries have experimented with zero-rating of news, despite wide concerns about net-neutrality. There are a number of technical hurdles however, and it has proved difficult to ensure that smaller, more local news organisations, are able to benefit. Moreover, initial results do not suggest a big boost in news consumption, as price is not the only issue keeping people away from greater news consumption.
- vii. The number of people concerned about and actively seeking out and consuming news – including what journalists regards as vital public interest news – to have ‘enough information’ to participate in civic life and make considered political decisions, seems to be declining in most countries in the world. The plethora of digital, social, TV and radio entertainment content – more TV series were produced in 2020 than ever before – and of streaming services and sports channels vied for people’s time on unprecedented scales.
- viii. More connected, engaged, responsive, credible, locally-resonating news may go some way to reversing the trends of declining news consumption, but the role of zero-rating in such a mix of initiatives is unclear.

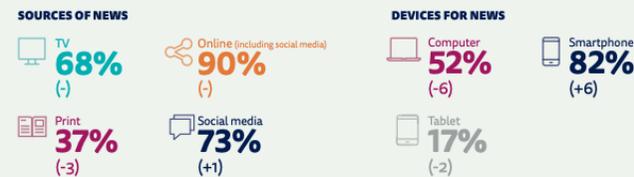
### Recommendations:

- Data provision – in terms of levels of access, minimal standards of quality and reliability, and levels of affordability – needs to be seen as part of the ‘social infrastructure’ which is, in the digital era, as important to people’s well-being as access to electricity and other services. To be ‘off the grid’, communication-wise, as we’ve seen in the pandemic, often means a denial of education opportunities, the inability to be economically active from home and/or seek economic opportunities, and indeed being subjected to a lack of access to multiple informational ‘means of life’.
- With the noteworthy data cost concessions made by South Africa’s still dominant ‘duopoly’ recently – under pressure from the South African competition authorities – and in response to the health and educational emergencies South Africa had to deal with in 2020, this would seem like an ideal time to make a case for more news and verified information to be zero-rated or in other ways subsidised in the consumer’s hands.
- Such moves are not without possible unintended consequences, which suggests that further research and carefully constructed pilot projects might be necessary.
- Further research and greater public debate about zero-rating of news should ideally be a major project for the

SABC, and SANEF, to ensure a fair balance between for-profit and Public Service Media-provided news, and between rural and urban provision of news.

- This report further suggests that the distribution of local news, in particular, should be provided through some form of negotiated, or mandated, or partially subsidised 'zero rating' of public interest local news (and some national news) in terms of data costs.

More than any other country in Africa, except for Kenya, South Africa is now well and truly a mobile phone nation, with very high level of access. Mobile phones have become the main device for news consumption after radio in most countries and in some countries, especially among young people, mobile news consumption exceeds radio/TV news consumption.



In contrast with many wealthier nations which are developing fibre options quickly and rolling out broadband to the home through fibre and wireless modes, fast, reliable broadband to the home (and other methods of achieving similar levels connectivity) has only reached about 10% of South African households, and regular access and installation remains expensive and in truth, way of reach of about 80% of the population. Just before Covid-hit about 1.6 million households (out of about 17.1 million households in total) had fibre to the home.

South Africa could and should, as part of its economic revival plans, be focussing more on some combination of providing more and better incentives for private providers, enforcing provisioning requirements of spectrum licencing, and contributing more direct state investment, in digital infrastructure across the country.

In Australia, for example, the National Broadband Network (NBN), a national wholesale open-access data network project' – has become the largest infrastructure project in Australia's, costing 55 billion Australian dollars (about R700b) which is, even in Australian terms, an enormous investment, , but which has seen reliable, fast internet provided to residents across Australia. The cost is fairly expensive with a recent report suggesting "consumers in Australia pay some of the world's highest prices for access to broadband internet, with rankings compiled by the Commonwealth Parliamentary Library in 2019 placing Australia in last place when it comes to broadband affordability among OECD nations" (Lane, 2020). While these affordability issues need to be worked out, the 10-year infrastructure project allowed Australia to weather the demands of Covid-lockdowns relatively well.

In New Zealand, their Ultra-Fast Broadband project will see fibre-to-the-home networks reaching almost 90% of the population by the end of 2022/23. New Zealand has focussed more on public-private partnerships, as opposed to South Africa's almost entirely private-sector led fibre and mobile data/satellite solutions.

Although these two examples are from more developed countries, with much higher per capita GDP compared to South Africa, more global scans of digital infrastructure plans and roll-outs show governments are prepared to invest heavily and work across a variety of public/private partnership modes, to give more citizens cheaper, reliable and fast access to the internet.

The World Bank believes it will cost \$100billion to "achieve universal access to broadband connectivity in Africa by



from an early stage in post-apartheid South Africa in the telecommunications arena, and needs to be bolstered to prevent regulatory capture.

South Africa has some of the highest quality connectivity, in terms of areas covered, reliability of networks and speed, on the African continent, but some of the least affordable prices compared to both its African neighbours and to developing countries globally. Despite recent mandatory data price reductions by the dominant operators, data pricing in South Africa remains high compared to income. According to the recent *The State of ICT in South Africa* report, most South Africans still cannot afford to go online often or for any great length of time due to high data costs, but also due to the affordability of internet-enabled phones. Many South Africans are poor in absolute and relative terms and this includes being data poor. (Chinembiri 2020)

The report notes: “due to lack of regulation and an inherently imperfect market, even after the reduction, prices remain anti-poor” and that “the price reduction also does not provide any relief to the nearly half of South Africans that remain offline. Any strategy to reduce prices has to be accompanied by one to bring the unconnected online.” (Chinembiri 2020)

The various #Datamustfall social media campaigns, ongoing since 2016, and persistent complaints about high data costs, did lead to the South Africa’s Competition Commission, at the behest of Ebrahim Patel, then economic development minister, launching an inquiry in August 2017. (McLeod, 2017)

The Commission published its final report at the end of 2019, finding that international benchmarking showed South

African mobile data prices to be unconscionably high, with mobile prepaid data prices performing poorly in international comparisons, particularly compared to other African countries. (Data Services 2020, p 13, 14)

Moreover, it concluded that the two dominant mobile network operators, Vodacom and MTN, had much higher prices for 1GB data in South Africa than in most other African countries in which they also operated. In a sense, these companies have been subsidising their continent-wide expansion with profits made off the back of South African consumers by charging South African residents higher prices. Because competition, and ICASA as regulator, have been constrained for various reasons, the two companies operate, in effect, as a duopoly. (Data Services 2020, p 15).

The Competition Commission also observed evidence of “excessive pricing” thanks to “a lack of effective competitive constraints on pricing levels.” And as if that were not enough, the inquiry also remarked on opaque and ‘anti-poor’ retail data pricing structures, (Data Services 2020, p 15) in part likely to be caused by inadequate competition in the mobile data market and “the lack of data alternatives for the poor relative to the wealthy, such as fibre to the home (FTTH) and Wi-Fi in the workplace”. (Data Services 2020, p 18)

The Competition Commission recommended Vodacom and MTN cut mobile data prices by 30% to 50% within two months of the publication of the report, cease anti-poor pricing of mobile data, offer all pre-paid customers “a lifeline package of daily free data”, and within three months, agree on an industry-wide zero-rating of public benefit organisations and educational institutions. (Data Services 2020, p 29, 30)



The directive by the competition authorities had a noticeable effect: both companies cut mobile data prices, reducing for instance their monthly 1GB bundle prices by about a third to just under R100, include free data packages, and zero-rated PBOs and educational institutions, the latter albeit after a court challenge by a South African NGO. (Jooste, 2020)

Simply reducing data prices by itself is not the panacea when it comes to regulation in this area. Quality advantages of the big networks may well negate price competition. (Data Services 2020, p 22)

Also, it has been pointed out that without intervention to remove “underlying bottlenecks in the wholesale market” which include “the costs of roaming and facilities leasing”, the two big mobile operators may simply be able to use the lower prices to increase market share at the cost of the newer entrants (Telkom and Cell C).

That kind of regulation is the preserve of the Independent Communications Authority of South Africa (ICASA), whose lack of effective action to reduce costs made it necessary to use the Competition Commission’s muscle. (Gillwald, 2020) ICASA continues to be considered ineffective, its autonomy undermined by the state and corporate interests, with a politically tainted process of appointing councillors, and inadequate technocratic skills or proper leadership. (Gillwald et al., 2018, p. 34)

Alison Gillwald, adjunct Professor at Nelson Mandela School of Public Governance, University of Cape Town, has outlined just how profound ICASA’s failures are:

*“... The regulator has failed for more than a decade to*

*finalise this critical determination. It has undertaken the market review three times at enormous public expense, twice to completion. Last year it made an interim finding on markets but failed to propose remedies for dominance.”*

*(GILLWALD, 2020)*

But, and it is important to emphasise, Gillwald does note the fine balance that has to be struck. Too much regulatory uncertainty could undermine what is a very robust network, easily comparable to global standards.

Vodacom and MTN’s dominance gives them the liquidity to reinvest in their network infrastructure, extending coverage and improving quality. Gillwald also points out some counter-intuitive and unwelcome outcomes if the dominant duopoly in mobile is forced to reduce prices to such an extent that competition is further eroded: “If the communications authority doesn’t address the wholesale issues urgently, the outcome could be that Vodacom and MTN, with dramatically reduced prices, will attract price-sensitive users from the late entrant networks.

This would leave Cell C and Telkom Mobile unable to compete on either price or quality. With dominant operators’ prices more attractive, and late entrants unable to address critical quality challenges, this will intensify the factors driving subscribers to the dominant operators networks”. (Gillwald, 2020)

Moreover, without supporting licensing of additional spectrum – very much on the table for 2021 (Mzekandaba, 2020) – the mobile operators will be put under pressure as the introduction of 5G looms. (Malinga, 2020)

The Competition Commission itself believes that cutting data costs is one strategy:

*The Commission is of the view that one cannot focus exclusively on trying to fix mobile competition as a solution to high data prices. Insufficient competition amongst mobile operators has been a persistent concern for decades, proving difficult to change effectively through interventions and also dependent on competitor firm performance.*

*The Commission therefore considers that efforts to extend the reach of alternative infrastructure such as fixed line or fixed wireless into poorer areas, even if only in the form of public Wi-Fi, remains an important solution to high data prices now and in the future.*

(DATA SERVICES 2020, P27)

### Expanding digital infrastructure for journalism specifically – cheaper data and the idea of zero-rated news

The issue of digital inequality has come to the fore in the general South African news media thanks to the educate-at-home necessity of the Covid-19 lock-down and the difficulties poorer learners and students encounter in navigating online education.

As is argued further below, society-wide mobilisation is needed for more news websites to be zero-rated. While 39 educational PBOs out of around 1 000 websites, including many educational sites, are now zero-rated for access by the major mobile operators, no news sites are – even though some, such as *amaBhungane*, are listed by the SA Revenue Service as PBOs. Access to Wikipedia is now zero-rated, which

is a great start that news journalism must build on.

Around the world, zero-rating is often used to offer free access to big social media sites such as Facebook although for many, this violates the principle of net neutrality. In any case, it does not solve the overall problem of highly priced and poor-quality data, or for South Africa and many other African countries, the underlying problems of poverty and inequality that make choosing between food and internet access a reality.

On the other hand, as a way of increasing access to the news – for other African countries too – as well as to educational and health websites, the argument for zero-rating is persuasive, mirroring the reduced postal charges for newspapers of the United States over the past 150 years.

These moves are not without controversy however, summarised by in a recent CIMA report:

*“For those concerned with press freedom and freedom of expression, net neutrality ensures the creation and flourishing of a news and information environment that produces a diversity of views. By contrast, zero-rating inherently preferences access to certain websites or internet services by making them free of charge, in effect determining which content is available, particularly to lower-income users. Some proponents of zero-rating, however, have been willing to condone its violation of net neutrality principles by pointing to the countervailing benefits of access.”*

(O’MALEY & KAK, 2018)

As the report points out that this has created ongoing and often strident debate. “Some internet is better than none”

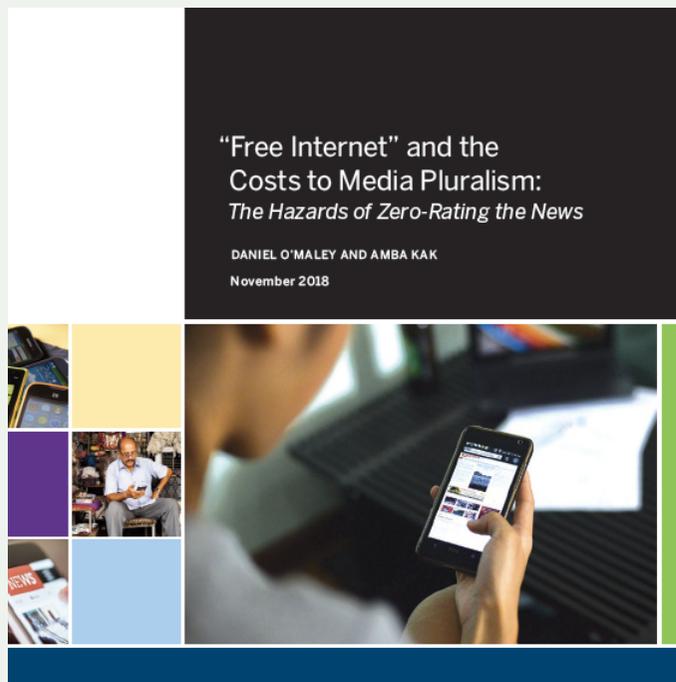
arguments have been met with “this is poor internet for poor people”. (O’Maley & Kak, 2018)

The authors however warn that zero-rating alone may not be a successful strategy to grow news audiences and increase journalism’s reach. Looking at country exemplars that are similar to South Africa, such as the Philippines, Burma, India and Jamaica, they found zero-rated offerings did not significantly increase the audience reach of key news outlets in each of these countries. They conclude: “there appears to be little evidence that they are truly extending access to new news consumers.” (O’Maley & Kak, 2018)

This is partly because there are many “technical barriers that can be hard for many news organizations to overcome. In particular, smaller independent news organizations that are not tech savvy may not be able to participate, making the offerings less diverse than what is available on the internet”. (O’Maley & Kak, 2018)

Another significant challenge is that zero-rating of news often forces news outlets to provide very limited ‘data light’ version of stories. As the CIMA report suggests “... since zero-rating does not provide full access to the internet, users are prevented from further investigating a story on their own to determine its accuracy or veracity.” (O’Maley & Kak, 2018)

A significant objection is that zero-rating can often “strengthen the market dominance of large platforms by helping them lock-in new consumers in developing markets”. (O’Maley & Kak, 2018). This may have long-term and detrimental impacts on pluralistic news ecosystems.



This wide-ranging report also suggests an alternative, which has been tried in South Africa in recent years: providing everyone with minimum free airtime. The report suggests people could be offered “equal rating, which entails giving mobile users a limited amount of data to consume—without restricting the type of data or websites the free data could count toward – in return for watching an advertisement. This would “enable access to the ‘full internet’ on a limited basis, and also provide a subsidy (for those willing to watch advertisements), and therefore should address most of the concerns of net neutrality advocates” about internet service providers limiting what content is easily available.” (O’Maley & Kak, 2018)

While this report suggests that zero-rating of news is an important way forward for South Africa, we need to see it as part of basket of solutions and heed lessons from the rest of the world, noting that “the global debate concerning the benefits of zero-rating is far from settled. While some countries have banned it entirely, in other place it remains a staple of mobile network offerings”. (O’Maley & Kak, 2018)

This is particularly the case because South Africa needs to encourage smaller and more local news providers, and not just make it easier to access big national providers. As the CIMA reports concludes:

*“What this research demonstrates is that zero-rating has the potential to distort the news market in ways that can*

*be detrimental to pluralism and, in particular, to smaller upstart news producers. It also impacts and might enhance the broader anxiety about how the platformization of news is affecting diversity. As regulators consider the advantages and disadvantages of these strategies to connect the unconnected, particularly in developing countries, the impact on news media plurality must be taken into account.”*

*(O’MALEY & KAK, 2018)*



# SECTION 5

## THINKING GLOBALLY AND TAKING ACTION LOCALLY

*“South Africa is a country that includes, and is predominantly populated by, the economically marginalised and the poor. Yet, voice(s) from this sector are habitually excluded. The segment of society that enjoys the largest representation of mediated voice is but a small section of the citizenry. How then are we to know what is going on in our world when we are presented with such a limited picture? Additionally, when so under-informed about a broader spectrum of realities, how can we realistically initiate national discourse aimed at societal coherence, economic development or meaningful promotion of social justice? In simple terms, how can we solve our own problems when we have very little idea of what is really going on.”*

**REID & MCKINLEY**

2020

Rick Turner argued for “The Necessity of Utopian Thinking” in his influential 1970s book, *The Eye of Needle*. Turner suggested: “Unless we can see our society in the light of other possible societies we cannot even understand how and why it works as it does, let alone judge it... most people experience only one society in depth ... and the present nearly always seems to be at least fairly permanent. In order to theorise about society, perhaps the first step (psychologically) we have to make is to grasp the present as history.” (Turner 1972)

In the light of current global crises in news media business models and Public Service media systems, what does it mean to understand the present as history and see our society in the light of other actual and possible societies, in terms of the news media and of journalism?

How are others thinking imaginatively and ‘idealistically’ to envision what journalisms could become? In South Africa given our current starting points, i.e. our history up to now, our ‘path dependencies’ rooted in both national history and the institutional histories of media, what can we let go of to see the present as ‘less permanent’?

A first point would be not to over-identify journalism – at its core, the provision of verified information to the public – with its *current* modes of production and delivery. The media is shifting globally from print and broadcast mediums, and ‘analogue’ systems, to digital, mobile and social modes, and journalism is being swept along in those currents.

This is a forty to fifty -year process and we are probably only about ‘half-way’ into this long transition, that will always be unevenly played-out, in different countries and indeed maybe

have no ‘end’, in the sense that there will always be niche non-digital media, such as broadcast radio, some print collectors of music on vinyl.

The same processes are transforming advertising and marketing, the nature of much commerce, people’s privacy and democratic systems. And of course, the ways in which we connect with other, form and maintain relationships, i.e. all the fundamental facets of human society.

As we move deeper into the 2020s and 2030s, it is clear that there will be far less printed news, and far fewer people will be getting their news via scheduled linear broadcast media, except perhaps when commuting. Far more people will come to news, and find news, and have news ‘find them’ via social sharing platforms, i.e. most of us will increasingly consume ‘social news’ (Hurcombe, 2019). Even as radio and TV news will remain important components of most nations’ news ‘machinery’ and journalism eco-systems for a long time to come, they will become more non-linear, streamed, always-on and ‘ambient’ in their news provision. (Hermida, 2010; Deuze & Witschge, 2018) This is of course true for South Africa, and will become more of a reality as the digital divide is narrowed, data prices fall, and 4G and 5G become ubiquitous over the next decade.

As Andrew Jaspén, founder of *The Conversation* wrote in 2014, about newspapers in particular, but more and more applicable to other formats too: “Newspapers are not journalism. They were simply the easiest and cheapest way to deliver journalism to readers. But that is over”. (Jaspén, 2012)

## Beyond journalism?

It might not be enough to think just ‘beyond newspapers’ and print. We also have to increasingly think ‘beyond journalism’ too. The crafting of journalism, the distribution of ‘the news’ and the consumption of journalism are all changing quickly, affecting audiences and the economics of individual enterprises, but most of all perhaps, affecting journalists and everyone else working in, or connected to, the news industry.

Deuze and Witschge have argued:

*“Working in this environment demands journalists today to be committed well beyond what any profession could ask for – without most of the securities, comforts, and benefits enjoyed by being a member of a profession. Journalists are expected to reskill, deskill, and upskill their practices and working routines, generally without any direct say in the way the organizations they engage with operate. In doing so, they vulnerably move inside and outside of newsrooms and news organizations large and small, trying to both make a difference and to make ends meet in an exceedingly competitive market. In this context, understanding journalism means to appreciate journalists’ personal drive beyond the institutional protections and privileges of the profession. In today’s post-industrial journalism, the affective and at times passionate engagement with newswork is expected in a profoundly precarious context and as such asks for rearticulation.”*

(DEUZE & WITSCHGE, 2017)

So, while an additional argument for idealism is that it helps us better imagine, in various best-case scenarios, what journalism could be, i.e. how its practices and work routines

can best be ‘rearticulated’, we need to be mindful that we are doing this imaging within in this ‘profoundly precarious context’. Revenue models rejuvenation, and more funding national and regional levels of government and from donors, are needed to reduce this precarity.

Part of a maximalist vision for journalism would see everyone in South Africa having much easier and more regular access to all the verified information they need, and having the time and resources to process that information to make informed decisions in areas that matter to them.

This would include political decisions to help, at the very least, voting decisions at local, regional and national levels, and information to facilitate some civic or political or social participation. People everywhere also ‘use’ the news to get information about economic opportunities, such as where jobs might be coming available, what job or career to follow, the education of their children, and advice on health and safety, within and beyond pandemics.

So while it true that we cannot easily conjure up the cash to stabilise the SABC, or wish into being the funds to keep small regional newspapers going in their traditional manner, we can help all our news media imagine, and learn from the world’s imagining, new, better ways of operating that still provide communities with the truths they need to know. .

This is not to undermine the reality that much of the broader work that journalism does in society facilitating social learning and social connection and about promoting and covering leisure activities, sports, community affairs, weddings and funerals, arts, culture, entertainment and

crime. 'Leisure journalism' is just as vital to societies as informational 'hard news' journalism, even if these category distinctions are often harder to make in the digital, social, mobile era.

## Nation building

Arguably South Africa has become 'protest capital of the world' partly because of the relatively elite nature of South African media, and its inability to articulate and raise the issues and demands of ordinary South Africans with sufficient depth and candour.

But this debate about journalism roles is always a very live debate in both developing and developed countries as levels of polarisation and inequality increase everywhere, and social distancing is recognised as not just something that happens in a pandemic.

Because post-1994 democratic South Africa has not been able to shift far enough out of the 'path dependencies' set by apartheid economic practices and patterns and segregated spatial arrangements, race, poverty and inequality continue undermine attempts to enhance social cohesion. As this report has pointed out, the provision of local and hyperlocal journalism can play a key role in increasing trust in journalism and in social institutions.. Trust in turn is a core element of social cohesion and the basis of building the kind of social compacts that are referenced in many South African planning documents.

Around the world, it has also become clear that exposure to

well-provisioned local news enhances audience's sense of the positive role that journalism can and does play in society and reduces the space for misinformation.

Indeed, journalism and the news industry can and should be a bedrock institution for the fostering of social cohesion, civic-mindedness and social values.

In a November 2020 interview, former US President Barack Obama cited the decline of local news as key factor for the rapid deterioration of civic discourse in American politics. In addition to social media companies not taking responsibility for fact-free information posted on their platforms, and presented as truth, Obama laments the demise of a "common baseline of fact and of a common story":

*"Even as late as 2008, typically when I went into a small town, there's a small-town newspaper, and the owner or editor is a conservative guy with a crew cut, maybe, and a bow tie, and he's been a Republican for years. He doesn't have a lot of patience for tax-and-spend liberals, but he'll take a meeting with me, and he'll write an editorial that says, 'He's a liberal Chicago lawyer, but he seems like a decent enough guy, had some good ideas'; and the local TV station will cover me straight. But you go into those communities today and the newspapers are gone. If Fox News isn't on every television in every barbershop and VFW hall, then it might be a Sinclair-owned station, and the presuppositions that exist there, about who I am and what I believe, are so fundamentally different, have changed so much, that it's difficult to break through."*

(OBAMA 2020)

## Engaging, fixing, healing, hoping

Globally, there is a wave of interest and on-the-ground action in a 'pivot' to audience-centricity and the kind of 'engaged' journalism that listens and facilitates in society, i.e. goes further than just 'alerting and alarming' and the more traditional 'monitorial role', i.e. the kind of 'watchdog journalism' that remains important but often does not lead to anything changing.

This could be particularly important in a high-crime country such as South Africa. As South Africa rolls out billions in investment under the *South African Economic Reconstruction and Recovery Plan*, good journalism can also help prevent or help expose corruption and mismanagement in implementation, as it has done in 2020 with the waves of PPE purchasing that got diverted to various 'connected parties'.

In South Africa, journalism helps government and society understand where government itself is being looted, making it, in times of proposed infrastructural investment, even more essential! Few things corrode social cohesion faster than corruption and the palpable sense of unfairness that permeates so much of South African life.

It remains the case that it is largely the work of independent journalists that has brought nefarious efforts to contaminate the information ecology to light, while simultaneously calling out the inadequacies of internet communications companies who are often complicit in driving diversionary stories and harmful content.

In that light, the time has come for serious consideration to

be given to financial contributions to be made to journalism from funds recovered from asset forfeitures, especially when criminal investigations are spurred on, or initiated by public interest journalism in the first place.

Of course to play these more facilitative roles, the news industry has to continue the work of transformation that has arguably begun to get the news media more in sync with South Africa in terms of its own workplace diversity and representivity, across racial, gender and age demographics, could be accelerated and funding for these kinds of shifts should also always be front of mind.

## Journalism as a vital and vibrant part of national economies in the digital age

The *South African Economic Reconstruction and Recovery Plan* published in October 2020 does not say anything about the current deepening crisis in journalism, nor does it make any specific mention of South Africans creative industries more generally.

While the South African President, Cyril Ramaphosa, in a speech launching the plan in October 2020 did promise:

*"Grant-making programmes are being expanded in the creative, cultural and sports sector, and funding has been allocated to protect jobs in cultural institutions such as museums and theatres" (Ramaphosa, October 2020) and while this is to be welcomed, there is scope for learning from the world in terms of developing these creative sectors more imaginatively and for making better and stronger cases for bolstering independent journalism specifically.*

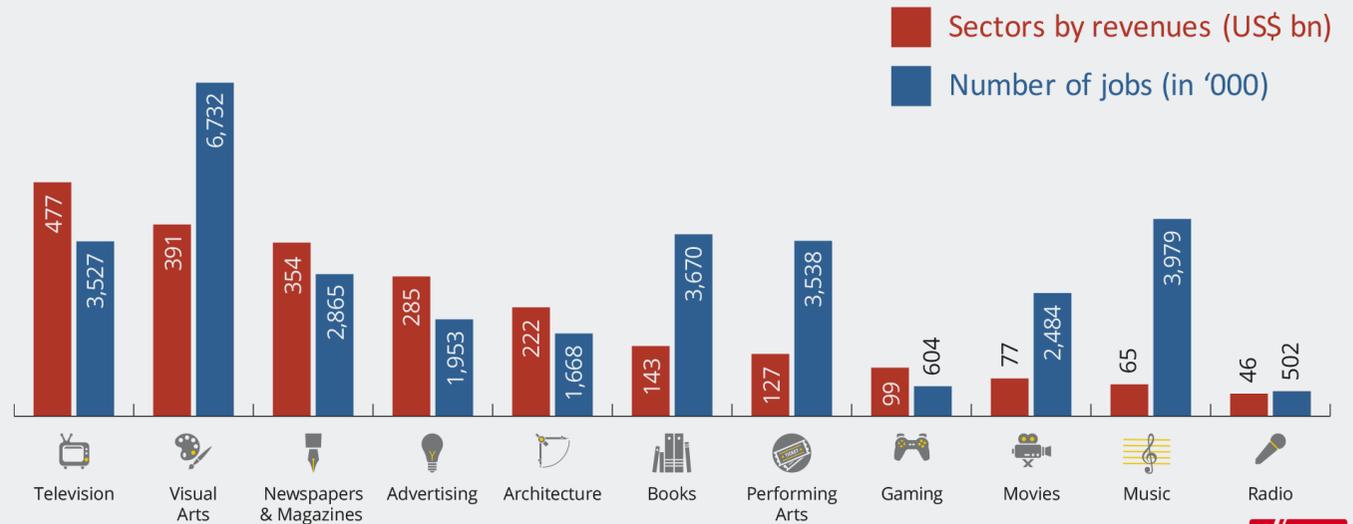
This is because South Africa already has a strong basis for promoting creative and cultural industries more broadly, something noticed and commented on in a late 2020 report promoting the idea that Australia should urgently develop a “National Arts, Culture and Creativity Plan”. The report argues such a plan could emulate other countries, including South Africa, and might “provide a framework to efficiently address the policy, legislative, regulatory and investment settings that span the cultural and creative industries.”

Entitled *Australia’s Cultural and Creative Economy A 21st Century Guide* (ANA Insight Oct 2020), the report urges Australia to look to other nations in terms of thinking about the role and potential of Creative Industries, including journalism, across various media channels, as a driver of economic growth:

*“Other nations have strategically combined these industries that rely on individual creativity and have the potential for wealth and job creation through the generation of intellectual property. Many of our neighbours and trading partners have seen this potential and responded with national strategies for cultural and creative industries – from India to New Zealand, South Africa to Singapore, Indonesia to China. Their efforts are building on a well-established evidence base for the benefits of this approach, such as the United Kingdom’s initiatives since the 1990s which by 2018 had seen the creative industries sector growing more than five times faster than the national economy, up 7.4% on the previous year.”*

(ANA, 2020)

In South Africa, the creative and cultural industries overall contribute about 1.7% of GDP (South African Cultural



Source: EY, December 2015



**Global CCI contribution by sector**

Observatory May 2020) compared to the 6% plus in Australia, and while the South African proportion sounds small, agriculture only contributes 2.8% of South African GDP in the most recent measured year. And agriculture is discussed and planned for – and subsidised and supported – in South Africa, and by pretty every government economic plan around the world.

Moreover, in line with trends in the rest of the world, the creative and cultural industries are also one of the fastest growing sectors of the economy, even as journalism and print media workforces have shrunk. In South Africa, the broader creative and cultural industries sector has grown by 2.4% in recent years, i.e. much faster than the economy more broadly,

according to detailed analysis done by the South African Cultural Observatory, even if such industries have been hard hit in 2020 and 2021.

But globally, even as the pandemic has dramatically reduced the incomes of those working in theatre, live music, and other performance arts, the gaming sector is booming for example. And demand for all kinds of creative content – podcasts, documentaries, dramatic TV series, feature films – is expanding. There is also a noticeable increase in demand for accessible, trust-worthy journalism.

Deliberate government action to stimulate this sector, if done systematically and over the long term, can have outsized benefits. The ANA report cites the incredible success of the decision South Korea took in the early 1990s to spend 1% of the national budget “supporting the cultural and creative industries, with the intention of building their international reputation. In 2019, the ‘Korean Wave’ (Hallyu) effect provided an estimated US \$12.3 billion boost to the South Korean economy and has transformed its global influence.” (ANA,2020) far exceeding the ambitions of its creators.

South Korea has also invested heavily in digital infrastructure that continues to underpin the provision of news, via both public and private media (even though their print news media struggles, as is the case in most countries, with the digital transition as their main internet service provider provides news free of charge).

As part of a broader Cultural and Creative Economy strategy (and perhaps South Africa should also develop a much clear ‘2030’ or longer-term set of plans, and fund them properly)

boosting the broader journalism ecosystem could help South Africa recover. But to do this, a better case needs to be made that a properly funded news ecosystem, across local, regional, provincial and national levels, can and should be a vital component of this recovery.

### Public Service Media in the digital age

As this report described, wherever they are set up, Public Service Media (PSM) or Public Service Broadcasters as they were known in pre-digital age, are expected to Inform and educate the nation, provide news that is fair and balanced promote cultures and national values, and often, enhance nationhood itself. These multiple roles are sometimes contradictory, often at odds with those in power, and usually in some kind tension with private commercial media.

As the SANEF Report on Covid-19’s impact on journalism report makes clear, and as was explored in Paying the Piper, South Africa’s news media, and the media more generally, is unusually depend on advertising revue, and is not yet particularly advanced in terms of digital transitions, with some notable exceptions.

For example, in the UK, newspapers get about half their income from cover price/subscription income, i.e. directly from their audiences, and half from advertising. And UK is considered an outlier globally – in many more developed countries, revenue directly from audiences, especially for print products, is the main source of income for those news outlets.

But in South Africa, the reverse is true. Subscription and street sale income, and, with the exception of DStv, i.e. revenue from audiences, makes up much less than 50% of most media revenues.

Even the SABC is unusually dependant on advertising, getting close to 80% of its income from ads, and far less than from the unpopular and poorly collected TV licence fees. And revenues from digital offerings do not make up a significant fraction of any South African news organisations revenues yet, with the possible exception of the Daily Maverick.

With advertising spending radically curtailed in 2020, the entire media sector in South Africa has contracted. Venerable magazines have closed, and many newspapers are on their last legs.

But even as digital news, and radio stations and TV channels have seen spikes in viewership in 2020, revenues have fallen as advertising income has fallen. The future is of course digital, and every media organisation needs a regularly reviewed and renewed digital transition strategy, and this includes all news organisations.

As in the case in much of the world, most news organisations are still woefully under-prepared for this transition, even 30 years into the internet era and more than a decade into the era of social media and mobile-centric access to the internet. In response to this, many countries are providing funds, from central government, lotteries and through the facilitation of philanthropy specifically aimed at facilitating digital transitions for news media and especially for public interest journalism.

### Listening, giving voice, holding power to account ‘from below’

Even through all forms and types of journalism are under financial pressure – as can be seen in global and local collapse of the magazine industry – there are particular consequences for social order and for national prosperity, in the rapid decline of the what used to be called ‘hard news’ or ‘public interest journalism’ i.e. the more monitorial, more investigative journalism that usually challenges and ‘speaks’ to power in society.

Ideally, as Julie Reid and Dale McKinley argue in *Tell Our Story: Multiplying Voices in the News Media*, the news media could help people make better sense of their lives and their options if it more closely reflected people’s reality. This would require the news media to be more diverse itself and to deal carefully and systematically with its intrinsic biases.

To counter this, we need to explore various “institutional realignments” away from these shortcomings, and towards forms of journalism that better serves all South Africans. Reid and McKinley argue:

*“South Africa is a country that includes, and is predominantly populated by, the economically marginalised and the poor. Yet, voice(s) from this sector are habitually excluded. The segment of society that enjoys the largest representation of mediated voice is but a small section of the citizenry. How then are we to know what is going on in our world when we are presented with such a limited picture? Additionally, when so under-informed about a broader spectrum of realities, how can we realistically initiate*



*national discourse aimed at societal coherence, economic development or meaningful promotion of social justice? In simple terms, how can we solve our own problems when we have very little idea of what is really going on."*

(REID & MCKINLEY, 2020).

Any idealistic vision of journalism in South Africa has to make a lot of assumptions about the possibility of change in society and in the social system, because of the reality that all media systems are embedded in and enabled by the social systems they inhabit.

Journalism is a key part of the core institutions of any society, but the South African national project is, post-1994, trying to recreate society in more democratic, participatory, inclusive ways, with a fairer economy that provides more employment for more people. This remains as true today as it did in 1994, and it is imperative that the journalism project is as much part of that change, and that vision, as possible.

Jane Duncan's prescient words in 2015 are as valid today:

*"For nearly two decades into democracy, and in spite of huge gains for media transformation, the social inequalities that exist in broader society continue to be reproduced in and through the media. The distributional rewards of this transformation have been spread unequally across society, and this is especially so with respect to the press as it has a smaller and more upmarket footprint than broadcasting. South Africa's public sphere, which should have provided a common space for deliberative debates on the pressing issues of the day, is still very much an elite public sphere. This is dangerous as it can lead to a society that is unable to see itself."*

In addition to the recommendations briefly outlined in each section, and at the risk of restating some of them into other words, we need to consider these 'moves' to transform our public sphere, and to have the journalism capable of informing and facilitating our deliberations.

- i. Developing **reframing strategies and lobbying efforts** so the potential economic contribution of Journalism and Creative Industries to GDP is taken more seriously in economic planning.
- ii. Making a better case for journalism and the news industries' **pivotal role in promoting social cohesion**, forging social compacts, and exhorting and renewing positive values and norms in society.
- iii. Moving beyond 'Partially Enabled Survival' through establishing South African **Journalism Innovation funding mechanisms** via new journalism-specific grant making mechanism to fund a deep and wide 'digital transition' for South African news media. As outlined above, this should be separate from the MDDA, which should fund media development more broadly.
- iv. Supporting the 'reinvention' of the SABC's funding models, moving to a **custom-built graduated tax**, collected by SARS, for news and information provision that charges wealthier South Africans more than poorer South Africans, and automatically provides news to elderly or indigent South Africans for free.
- v. Reshaping the South African local news ecosystem via placing the SABC at the centre of national plan to

**integrate local and regional news with the SABC's regional news desks and** help the SABC work more

closely with regional media, possibly as a conduit for funding, including, as the BBC has done, funding rural and regional journalists post directly.

vi. **Zero-rate essential news sources**, particularly in non-metro areas, for news provision.

vii. Find ways **to both work closely with and challenge**

Google, Facebook, Netflix and other digital platforms to find ways to help fund and support news operations – and do more to prevent the spread of disinformation – in South Africa and the world.

viii. Help South African journalism schools further **refine their 'convergence' education**, to include more listening skills, inculcating 'facilitating dispositions' and a better understandings of news media economics.

ix. Support and extend the mandate of the Competition Commission's scoping study into "Competition in the Digital Economy" that seeks to examine "digital markets and intends conducting proactive investigations against conduct, by dominant online firms, that may be excluding rivals and entrenching dominance".

President Cyril Ramaphosa wrote recently about the many roles of journalism in a democracy, and in **this** democracy. It is worth quoting at length:

*"We owe a debt of gratitude to South Africa's hardworking and tenacious journalists. They have kept our people informed by disseminating key health messages about social*

*distancing and hygiene. They have done so under extremely trying conditions, often with limited resources.*

*"They have told the stories of the effects of lockdown on the lives of people and their businesses. They have been out in the villages, towns and cities, bringing stories of ordinary people and drawing national attention to problems being experienced in hospitals and clinics, prompting government action... They have fulfilled their watchdog role by unearthing acts of corruption and maladministration, sparking a massive national debate and leading to a number of high-profile investigations. Through this reporting they have earned people's trust.*

*"A free press is not an end in itself. It is a means by which democracy is secured and upheld. During this pandemic, our media has played not just its traditional watchdog role, but exercised its civic duty in supporting the national effort to contain the coronavirus.*

*"Given the importance of the media to the health of our democracy, it is a great concern that like all other sectors of the economy, the coronavirus crisis has hit our media houses hard. Some publications lost as much as 60% of their income in the early days of the lockdown. A number of companies have had to implement salary cuts, reduce staff numbers or reduce hours worked. Regrettably, some publications have even been forced to close, among them some of South Africa's most established and well-known magazine titles.*

*"The job losses that have resulted from the lockdowns have exacerbated a crisis for media companies already facing challenges like loss of advertising revenues, falling circulation*

*and market share being taken by mobile-first news and other technologies. These financial difficulties are being faced across the board, from online titles to traditional broadsheets to the public broadcaster."*

The President went on to suggest there **is** a view in at least some parts of government, that journalism needs to be helped and supported:

*"We need more journalists, not less. That is why the loss of even a single journalist is not just a loss to the industry, but to the country.*

*"We need our media veterans, who bring with them vast experience and institutional memory, and are able to offer critical reportage and informed analysis. At the same time, we need more young journalists in the profession who are tech-savvy, abreast with new trends in storytelling and in touch with the concerns of a youthful population."*

The President suggested some solutions, some of which have been touched on in this report:

*"As a society we owe the media our full support. Whether it is electing to pay for content, supporting crowd-funded journalism, paying our SABC licence fees or simply buying a newspaper, we can all play our part to support this industry in crisis. As government, despite the gloomy economic climate, we will continue to extend advertising spend to publications and broadcasters, especially community media. "The private sector must also continue to support the industry through advertising and working with media houses in the production of innovative content in line with global media trends. Local philanthropic and donor organisations should also come on board and support public interest*

*journalism ventures, as is the case in many democracies. As we begin the great task of rebuilding our economy in the aftermath of the pandemic, the media industry will need our support more than ever.*

*“The free press was once described as ‘the unsleeping guardian of every other right that free men and women prize’. As we salute their role in this pandemic, let us do what we can to ensure that the free and diverse media in our country is able to survive and thrive.*

*(PRESIDENT CYRIL RAMAPHOSA, 2020)*

In most countries, there is a dawning realisation, and sometimes a shock awaking, that the time has come to change the way journalism is funded. Mixed ownership and funding models will ensure that public, community and private news media continue to co-exist and hopefully

compliment each other, but the formidable subsidies of advertising, the original ‘rivers of gold’ for news are only going to continue to diminish.

The next decade will see some of the biggest global platforms’ regulated, and somewhat contained, but their business models won’t change much, and local advertising will earn less revenue for news media going forward. State funding, corporate munificence, better coordinated and more sizeable philanthropy, easier and more effective ways of gathering audience revenue, need to be researched, built into strategies – and made to happen.

Much can be saved, and much can be built. The histories we come to write about this present time, these early 2020s, must record how we made, or least started, these profound processes of change.

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