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SANEF'S COVID 19 IMPACT ON JOURNALISM REPORT (INTERIM)

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EXECUTIVE SUMMARY

For many years, South Africa's news industry and in particular, its print media, has bucked international trends by managing to stay afloat by claiming a slice of an ever reducing pie of advertising revenue. The Covid-19 pandemic has effectively taken that pie away and what is left is a news industry desperately looking for new ways of sustaining itself while audience demands for timely, credible but free news surges.

This is not a good story to tell. The effect of the lockdown announced on 23 March 2020, and attendant regulations, has had a devastating effect on the established media as this South African National Editors' Forum (SANEF) commissioned research shows with job-losses, the closure of print publications and the looming threat of widespread retrenchments.

The first and most visible casualty was the magazine industry with the closure of two magazine publishers with the loss of 97 jobs at the one publisher and up to 250 at the other. Away from the limelight, small, independent, hyperlocal print publications were also ravaged. This was in the first phase of the lockdown as small publishers were unable to access emergency funding, resulting in the loss of an estimated 300 to 400 journalistic jobs. Workers at three of the so-called Big 4 print media companies were forced to take salary cuts of up to 45% and temporary lay-offs have been widely implemented.

It is not known how many jobs have been lost at community radio stations, some of which have accessed government emergency funding of R10-million for all community media, but the decline in advertising revenue has been substantial.

Neither the regional and national newspapers of the Big 4 South African publishers nor broadcasting was immune to the plunge in advertising, which varies from an estimated 40% to 100%. Added to this was the disappearance of third-stream revenue from such sources as the hosting of events. Subscriber revenue has never been more valuable.

At the same time as advertising revenue has dropped, demand for accurate news from credible sources, online and broadcasting, has soared. For instance, the average audience for Zulu language TV news on SABC, the week after the national disaster was declared, increased 40% and Xhosa News audiences rose by 60%.

Perhaps the biggest upside of this dark period for the industry has been the massive surge in traffic to credible online news sources. Traffic to news websites increased by 72% in March, while these sites saw a 44% growth in unique browsers. Many news websites saw double-digit growth in their audience numbers, with News24, Business Insider, The Citizen, Fin24, SABC and EWN growing their traffic by more than 50% in March.

The crisis brought on by the Covid-19 lockdowns has pushed over the edge operations that were imperiled or survivalist, and arguably have highlighted fissures in the news media industry. How well the news media will emerge from the crisis will depend on the speed of the economic recovery and the attendant increase in advertising revenue. The outlook is for the economy is that it will shrink by at least 6% and 16% in the worst-case scenario, the biggest economic contraction in South Africa's history. Best case is a sharp, short recession followed by a sharp, short recovery.

Some of the ills of the news media will not wane with the crisis, such as the conundrum of print publishers migrating to a less profitable online environment, and the damage wrought by the change in news media business models and the problem of Google and Facebook soaking up the lion's share of online advertising revenue. In any event, the crisis has shown the need for thinking about emergency funding for the news media in the short term and sustainable funding models as it adapts to the new digital realities of the 21st century in the long-term - and the world after the coronavirus.

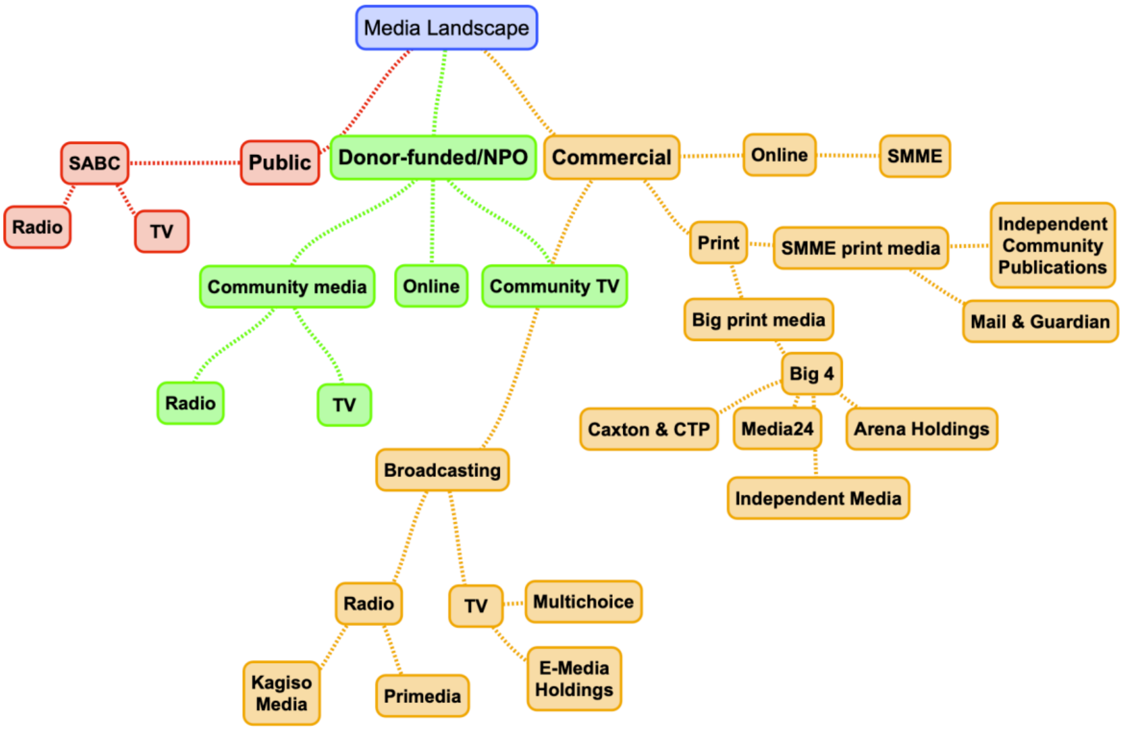
SANEF announced the commissioning of this research on 3 May 2020, World Press Freedom Day, at a webinar hosted by our chairperson Mahlatse Mahlase. The webinar discussed the immediate impact of the virus on our industry, with the understanding that this was only the beginning and that closures of media entities and further retrenchments were still to come. SANEF thus plans to constantly update this research as events unfold. Further, our plan is to look at various ways to assist the industry. This research will thus feed into a series of projects to assist journalists and media entities to survive.

SANEF Management Committee
June 2020

INTRODUCTION

THE MEDIA LANDSCAPE

Figure 1: A helicopter view of the media landscape



[Source: Author]

The graphic shows in broad brush strokes the structure of the South African media, although the delineation of what is public, commercial and donor-funded or non-profit is somewhat misleading. For instance, while the SABC is publicly owned, it is commercially funded, and community radio stations, while non-profit in structure, nonetheless rely on advertising to function.

What differentiates the South African media landscape is the predominance of advertising as a source of finance. The public broadcaster, owing to public resistance to paying licence fees, derived 70% its revenue from advertising in the 2018/19 financial year and another 6% from sponsorships.[1] Most of the news media is reliant on advertising, with few donor-funded, online outlets.

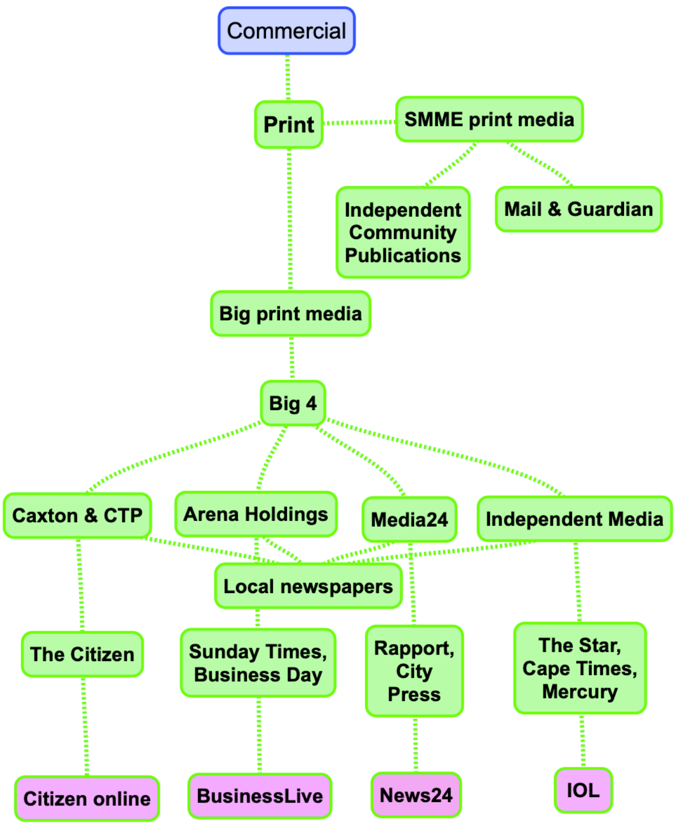
Categorising news media into commercial and non-commercial by source of finance is artificial, since even entities whose purpose is largely non-commercial, such as community radio stations, seek financial sustenance outside of donations and government's limited funding. The overlap between online and print news media is great: few online-only organisations exist, though they compete fiercely for audiences with the theoretically much-better resourced online outlets of the legacy media organisations.

[1] SABC, "SABC Annual Report 2018/19" (SABC, September 30, 2019), 35, http://www.sabc.co.za/sabc/wp-content/uploads/2019/10/SABC_AR_2019_.pdf.

The newspaper industry and many radio stations are situated in the private sector and rely on advertising, as does the country's sole free-to-air national TV station, e-tv. Dominating online media are websites of three of the traditional print media houses, known as the "Big 4", Independent Media, Media24, and Arena Holdings. The remaining one of the Big 4, Caxton & CTP is also present online, with a business website, *Moneyweb* and the online news site of its only national newspaper, *The Citizen*, as well as websites belonging to its local newspapers. Broadcasters have online news sites, the SABC being one, along with Primedia, owner of several radio stations, which runs *Eyewitness News* (EWN).

Four major non-profit online-only news operations exist, investigative journalism organisation *amaBhungane*, the Bhekisisa Centre for Health Journalism, *GroundUp* and *New Frame*. The *Daily Maverick* is for now the only news website in South Africa which self-identifies as a membership-based organisation, that is reliant on donations from members rather than payment from subscribers, but the organisation also runs advertising and hosts paid events alongside its donations.[2]

Figure 2: The commercial print media



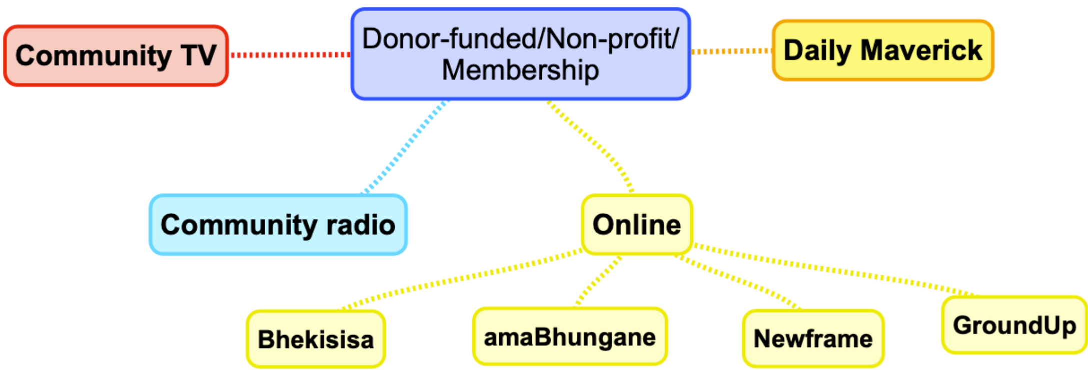
[Source: Author]

[2] Styli Charalambous, "'At 7,000 Members Our Lives Are Already Changed for the Better': How the Daily Maverick Developed Its Membership Program," *Nieman Lab* (blog), August 29, 2019, https://www.niemanlab.org/2019/08/at-7000-members-our-lives-are-already-changed-for-the-better-how-the-daily-maverick-developed-its-membership-program/.

Community radio stations are structured as non-profits, but many if not all rely on advertising from government and the private sector. They range from Soweto's JoziFM with a weekly audience of 571 000 to local and rural stations with smaller audiences. They are, in the words of a Wits Journalism research project into community radio stations, SMMEs, and not wildly profitable ones. "Most of the stations operate on a survivalist level and should be seen as struggling small, medium and micro enterprises."[3] If community radio is a hybrid of profit and non-profit, community TV seems to have, thanks to the expensive nature of the medium, found itself mainly in the commercial space. Cape Town TV founder and station manager Karen Thorn claims CTV is the only truly community TV station, the rest of the originally licensed six community TV stations, such as Soweto TV, are basically commercial. In addition, regulator Icasa (Independent Communications Authority of South Africa) has licensed several regional TV stations, flighted on pay-TV Multichoice.

Local newspapers owned by the Big 4, especially Media24 and Caxton & CTP, are often freesheets and dependent on retail advertising. Community newspapers, by contrast, are independent and often, like many community radio stations, small and survivalist.

Figure 3: Non-profit media



[Source: Author]

The commercial media is characterised by fierce competition as businesses, with no love lost between some members of the Big 4, and with some collaboration at the journalistic level. *amaBhungane* and *Bhekisisa* were both for a time housed at the *Mail & Guardian*, the only independent, commercial print publication in the country. One of the private news media Big 4 collaborated with *amaBhungane* and *Daily Maverick* in investigation of the "Guptaleaks" e-mails that revealed massive State corruption and fraud.

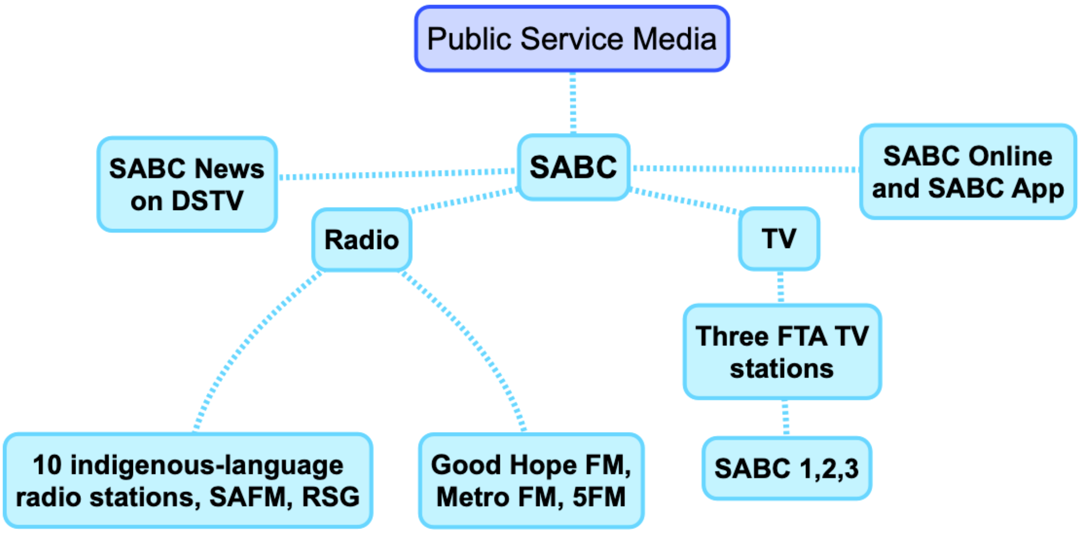
Competition is intense between the broadcast entities, though e-Media runs news channel enca on the Multichoice DSTV platform, and Multichoice also flights SABC channels. Years of no competition in the pay-TV space has entrenched Multichoice, and though it now has rivals in Starsat and e-Media Holding's Open View HD, Multichoice has held lucrative and expensive rights to televise sporting events which gives it commercial advantage.

It is notable that the SABC retains a monopoly on national radio, and has only one competitor in free-to-air TV, a situation that would have been remedied by the long-delayed transfer from

[3] Frans Krüger, "SA's Rich Bag of Big, Small and Eclectic Community Radio Stations - Wits University," Wits University, February 16, 2020, http://www.wits.ac.za/news/latest-news/opinion/2020/2020-02/sas-rich-bag-of-big-small-and-eclectic-community-radio-stations.html.

analogue to digital broadcast transmission, digital terrestrial television, which some observers now see as a waste of time, since the rich have migrated to DSTV or streaming video on demand on broadband fibre to the home, advertisers have followed, and DTT will be a second-class service to the poor.

Figure 4: Public service media in South Africa



[Source: SABC Annual Report]

Note that broadcasting policy splits the SABC's radio and TV stations into public commercial services (PCS) and public broadcasting services (PBS). This means that Good Hope FM, Metro FM and 5FM are supposed to be administered separately and cross-subsidise the indigenous-language stations, but the division can seem artificial, as in the case of the three TV stations, where SABC3 is supposed to cross-subsidise SABC1 and 2, but 1 and 2 are major money-spinners on their own.

Notable too is that the Big 4 are, in financial terms, not so big compared to other firms, with only five firms listed on the JSE in the media sector. Before the Covid-19 crisis, only Multichoice, the unbundled video arm of Naspers had a market capitalisation of more than R3-billion. Multichoice's value by market cap was around R47-billion, far more than the next biggest firm Caxton & CTP, with around R3-billion. Unlisted Media24, still a subsidiary of Naspers, by far the owner of the most newspapers and magazines in South Africa, cannot be measured in this way, but has a turnover of under R5-billion, compared with its parent company's R61-billion in the 2019 financial year.

Discussion of the news media in South Africa is complex. Historically, news media in South Africa has been associated with commercial interest - while not always being entirely or even partly driven by commercial considerations. The ownership of the English-language press by Anglo American Corporation was understood to be to keep the English-language newspapers out of Nationalist Party, apartheid-supporting, hands, and Anglo American Corporation played a key role in setting up the Advowson Trust that protected South African Associated Newspapers.[4]

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[4] Joel Mervis, *The Fourth Estate, A Newspaper Story*, 1st ed. (Johannesburg: Jonathan Ball Publishers, 1989), 434–37.

A strong case can be made for news media, an important part of the broader media which includes entertainment, being a public good – the platforms themselves, the newspapers or websites that contain the news, may not be. If news is a public good by definition, its opposite would be a "private bad", information distorted by political factionalism or narrow commercial interests, a result of capture of a news outlet by some person, party or company. Financial weakness increases the possibility of this happening. Financial sustainability is thus vital.[5]

> Whenever a news organisation runs at a loss—which many newspapers do in parts of Europe (Levy and Nielsen 2010) and most television news channels do in India (Mehta 2015)—it is always worth asking whether owners might be covering those losses through gains made elsewhere, perhaps in politically-sensitive business areas like arms manufacturing, extractive industries, government contracts, real estate development, telecommunication, or the like. Losing a few million a year on a newspaper may be a small price to pay if the influence (real and perceived) that owning it gives can help bring in tens of millions elsewhere. Such captured or instrumentalized media are common around the world, perhaps even the majority of news media (Djankov et al 2003). They are unlikely to hold private or public power effectively to account, and more likely to be used as instruments by proprietors and political patrons. - Rasmus Kleis Nielsen.[6]

Any interventions need to keep in mind the hybrid and complex nature of news media, and the need for long-term financial sustainability.

THE CRISIS

As this study was being prepared shock closures of magazines, leading to the loss of scores of media jobs were announced, and the loss of hundreds more at hyperlocal publishers were revealed, along with a study showing that many of the hundreds of freelance journalists and photographers have been deprived of much or all of their income. At the same time, wide-scale salary cuts to workers in three of the Big 4 Print-and-online media groups were disclosed, and thanks to a dramatic decline in advertising revenue even the broadcast industry had had its forecasts overturned. Retrenchments loomed.

One of the Big 4 publishing houses that has traditionally dominated the print media landscape in South Africa announced the closure of its magazine division and 10 of the division's 12 titles, with one of the remaining two titles, *Farmer's Weekly* possibly retained. The division employs 250 to 300 editorial staff, many of whom may find themselves without work, because while the titles themselves may be sold the staff will not be taken over by the new owners.[7] The announcement by Caxton & CTP came soon after the statement of the closure of Associated Media Publishing (AMP), independent of the Big 4 publishers and a family business started by pioneering women's magazine editor Jane Raphaely in 1982, with reported the loss of 97 jobs.[8] AMP, in a press release, cited as making it impossible to continue trading "… the unexpected and devastating impact of Covid-19,

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[5] Rasmus Kleis Nielsen, "The Changing Economic Contexts of Journalism," in *ICA Handbook of Journalism Studies,* (Routledge, 2018), 15.
[6] Nielsen, 17.
[7] Glenda Nevill, "Caxton Receiving Significant Interest in Magazine Titles on Offer," *The Media Online* (blog), May 8, 2020, //themediaonline.co.za/2020/05/caxton-receiving-significant-interest-in-magazine-titles-on-offer/.
[8] Ruan Jooste, "BUSINESS MAVERICK: An Empire Comes to an End as Associated Media Publishing Closes Its Doors," Daily Maverick, May 1, 2020, https://www.dailymaverick.co.za/article/2020-05-01-an-empire-comes-to-an-end-as-associated-media-publishing-closes-its-doors/.

causing the closure of printing and distribution channels, the global halt on advertising spend as well as the inability to host events for the foreseeable future …"

Print magazines were not granted "essential service" status in terms of government regulations for the first phase of the lockdown and can be regarded as the first media casualty of the lockdown.

Other print publications may follow the magazine closures. Caxton, once more, seems to have moved decisively by closing or merging freesheet titles. The company announced the closure of its *North Eastern Tribune* along with *City Buzz* and that the, "Footprints of certain local newspapers in Gauteng metropolitan areas, Limpopo, Mpumalanga and the South Coast of KwaZulu-Natal needed to be adapted for the company to provide the best solutions for readers, customers and clients in these markets." The term "need to be adapted" probably means in this context that there will be similar mergers and closures of freesheets in those areas.

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.[9]

Notably, once heralded as the savior of print, tabloid newspapers have not proved immune. Media24 has cut back the print edition of its popular tabloid *Daily Sun* to four provinces: Gauteng, Limpopo, North West and Mpumalanga.[10] This is a logical move, made more urgent by the Covid-19-induced crisis, and similar distribution reorganisation has been implemented at other print publications. Cutting unprofitable distribution and therefore circulation may help a publication survive.

Freelance journalists and photographers have already been badly affected, as detailed in the section "Impact on Staff"[11]. An email to the South African Freelance Association (SAFREA) provides anecdotal but nonetheless moving evidence of the anguish the Covid crisis has wrought on freelancers, especially as it is described as "pretty representative of the kind of emails we are getting from members":

> I understand SAFREA staff are struggling to keep up with all the requests but many of us freelancers are reaching the end of our ability to carry on. I think many of us are going to reach a level of desperation. I know many people have asked, as have I, if anyone can give any suggestion that actually works to apply for help. I have heard some suggestions on radio and from friends etc. but these are all second hand guesses. What is really needed is an actual way that works to apply for help.
>
> I have not had a single bit of work, or any form of support or income, for 2 months now, as have many SAFREA members. I have no family support to fall back on. I have no savings account or policy to fall back on. This is literally what some would call "worst case scenario"…
>
> … Unless someone can offer some way forward to get some money somehow right now, it's pretty much over.[12]

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[9] Carol Mohlala, Phone interview, May 21, 2020.
[10] Glenda Nevill, "Daily Sun Changes Footprint, Goes Digital Only in Five Provinces," *The Media Online* (blog), May 4, 2020, https://themediaonline.co.za/2020/05/daily-sun-publishes-last-print-issue-goes-online-only/.
[11] Pg. 19
[12] Lynne Smit, "Situation of Freelance Journalists," May 21, 2020.

Conversations with news media industry leaders reflect concern about the future: none are blithe. While print media consumption has been devastated, broadcasters and online platforms, linked to legacy print operations or not, have seen dramatic uptake in their production of news as citizens seek sources of trustworthy, credible information in the time of uncertainty around the Covid-19 pandemic. Yet the problems identified in a Rhodes University research report, Paying the Piper[13] assessment of the news industry have not been eclipsed but rather intensified.

The pandemic may prove the tipping point for digital migration of news, and at the same time see the loss of jobs in journalism and in the supply chain as well as diminishing the amount of news and shrinking the diversity of the news during the looming Covid-induced global depression. At least some temporary lay-offs will become permanent retrenchments – and retrenchments overall will probably accelerate.

International experience

In economic terms, despite being a developing country in the sense that least half the population is defined as poor, South Africa tends to follow trends in the developed world. Job loss and media closure trends in the West as a result of the Covid-19 crisis looks at least as bad if not worse, at the time of writing, than in this country. Reports on the effect and economic impact of lockdowns on the media quickly became apocalyptic, with phrases like “media extinction event” and “a Darwinian moment” gaining currency.

In the US, it is reported that the pandemic has closed 25 newsrooms – and could close more.[14] News website Axios reports: “Over 500 people in the US news media were laid off last week, indicating that many companies' initial efforts at the start of the pandemic to avoid job cuts, like reducing executive pay, weren't sufficient to protect their workforces.”[15] In Australia, 157 newsrooms have closed – most temporarily, but a handful have been shut down permanently, including Buzzfeed News Australia, showing the effect is not limited to print media.[16]

As the Public Media Alliance (PMA) notes: “While the impact has been particularly difficult for those that purely rely on advertising income, it is even being felt by larger public media organisations.”[17]

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[13] Harry Dugmore, ed., “PAYING THE PIPER: The Sustainability of the News Industry and Journalism in South Africa in a Time of Digital Transformation and Political Uncertainty” (Digital Journalism Research Project, School of Journalism and Media Studies, Rhodes University, South Africa, May 2018), themediaonline.co.za/.../PAYING-THE-PIPER-The-sustainability-of-the-news-industry-a...

[14] Kristen Hare, “The Coronavirus Has Closed More than 25 Local Newsrooms across America. And Counting.,” Poynter, May 20, 2020, https://www.poynter.org/locally/2020/the-coronavirus-has-closed-more-than-25-local-newsrooms-across-america-and-counting/.

[15] Sara Fischer and Scott Rosenberg, “Media Cuts Weigh on Industry Morale,” Axios, May 19, 2020, https://www.axios.com/media-cuts-weigh-on-industry-morale-28bde8f1-54a7-4a81-a689-9a29559bb8c3.html.

[16] Amanda Meade, “More than 150 Australian Newsrooms Shut since January 2019 as Covid-19 Deepens Media Crisis,” *The Guardian*, May 18, 2020, sec. Media, https://www.theguardian.com/media/2020/may/18/more-than-150-australian-newsrooms-shut-since-january-2019-as-covid-19-deepens-media-crisis.

[17] Public Media Alliance, “Global Call Out: COVID-19 Takes Its Toll on Independent Media,” *Public Media Alliance* (blog), May 15, 2020, https://www.publicmediaalliance.org/covid-19-takes-its-toll-on-independent-media/.

The UK's public service broadcaster the BBC faces a loss of 125 million pounds (R2,8 billion) in income even as it reports record audience figures for broadcast and digital news.[18]

The PMA summarises the global situation in a way that applies equally to South Africa:

> As the coronavirus pandemic continues, it is revealing the long-lasting damage it will leave in its wake. On the one hand it has made the value of accurate, trusted and accessible independent news media clearer than ever before. Yet it has also amplified the threats and challenges these organisations face in fulfilling this critical role.[19]

It is hard to disagree with Axios reporters Fisher and Rosenberg when they comment, “The digital era blew up the old business model of the [Print] news industry, and it has spent 25 years searching for a new one.” A model which seems elusive as ever, as online audiences grow but online advertising does not do so sufficiently to make up for the loss of print ad revenue and subscriptions are the only hope, but not yet sufficient to displace ad revenue permanently.[20]

The danger is that in South Africa and elsewhere the strong may get stronger, including the social media giants that soak up much online revenue, and the weak be victims of the competitive destruction that marks major economic downturns. WhatsApp, Facebook, Netflix (and other streaming services) and Zoom are among obvious beneficiaries of the work-from-home reality forced on former office workers.

ECONOMIC REALITIES

The introduction of stringent regulations to combat the 2019 coronavirus (Covid-19) pandemic have hit the economy hard – how hard is premature to say.

It is too early to give definitive figures on the overall impact on the domestic economy of the diversion of spending to healthcare, the lockdown and attendant regulations on movement of people, provision of services and of sales of goods domestically and exports and imports. Estimating the decline in GDP during the lockdown period itself is difficult. However, it is clear that in the short term South Africa’s already anemic economy will be weakened further and may find itself in the ICU.

Standard & Poor in lowering South Africa's sovereign credit rating recently in reaction to the impact of the pandemic on the South African economy estimated the economy will contract 4,5% this year.[21] The IMF forecasts a 5,8% decline. National Treasury has three scenarios for economic growth, each of which depends on how quickly the pandemic lasts. Best case is a 5,4% decline.[22] S&P estimates the Gross Domestic Product per capita, that is South Africa’s economic output divided by the population to give an output per person on average, will fall by one-fifth. That decline in income

[18] Freddy Mayhew, “BBC Faces £125m in Lost Income over Covid-19 as It Reveals Surging Audience for News Coverage,” Press Gazette, May 20, 2020, https://www.pressgazette.co.uk/bbc-faces-125m-in-lost-income-over-covid-19-as-it-reveals-digital-at-heart-of-news-plan/.
[19] Public Media Alliance, “Global Call Out.”
[20] Fischer and Rosenberg, “Media Cuts Weigh on Industry Morale.”
[21] S&P, “South Africa Ratings Lowered To ‘BB-’ From ‘BB’ As COVID-19 Further Impairs Fiscal and Growth Prospects; Outlook Stable,” April 29, 2020, https://www.standardandpoors.com/en_US/web/guest/article/-/view/type/HTML/id/2421651.
[22] National Treasury SA, “Briefing by National Treasury on Financial Implications of Covid-19 on Both the Economy and Budget JT Standing Committee and Select Committee on Finance and Appropriations” (Parliament, April 30, 2020).

will not be equally distributed, since South Africa is an unequal country. S&P points out: "Despite considerable progress on alleviating poverty since the end of apartheid, South Africa remains one of the most unequal societies in the world, with the poorest 60% of the population controlling less than 10% of wealth."[23]

Treasury has spelled out the four economic shocks of Covid-19:[24]

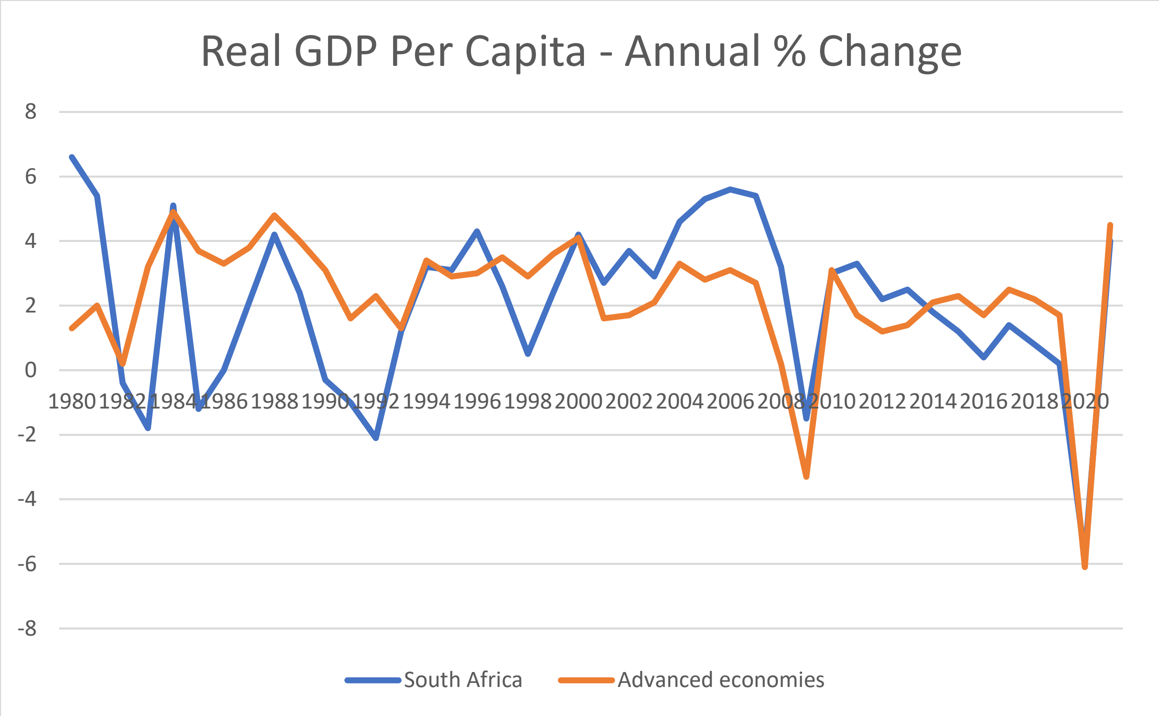
- Health – The pandemic that has forced government to act quickly to beef up health systems and restrict movement and human contact;
- Supply – The economic implications of the early lockdown on supply of goods and services;
- Demand – A collapse in the global economy that will reduce foreign income from particularly exports and tourism; and
- Financial – Global financial markets have frozen and record amounts of capital have flowed out of South Africa and peer countries.

In short, while there will be some bounce-back of supply and demand as the lockdown is phased out, economic activity will shrink overall for the year. The bounce-back and therefore the economic contraction will be determined by the duration of the pandemic. National Treasury has three scenarios. The first produces the annual GDP percentage decline of 5,4% already mentioned; in the second, the slow scenario, the economy contracts by 12,1%, and in the Treasury's "long" scenario the economy contracts 16,1%. In all scenarios, companies will close, and jobs will be lost.[25]

For now, global expectations are of a short, swift contraction in economies worldwide followed by an equally sharp recovery, as in the Global Financial Crisis of 2008 – but much steeper, in line with advanced economies, whose economic growth measured by Gross Domestic Product South Africa tends to track (See Figure 1). However, the economic path ahead could take a different shape, such as a U-shaped pattern, where economic contraction continues for some time before rising.

Figure 5: Short, sharp shock?

[23] S&P, "South Africa Ratings Lowered to 'BB-' from 'BB' As COVID-19 Further Impairs Fiscal and Growth Prospects; Outlook Stable."
[24] National Treasury SA, "Briefing by National Treasury on Financial Implications of Covid-19 on both the Economy and Budget JT Standing Committee and Select Committee On Finance and Appropriations."
[25] National Treasury SA.



[Source: IMF]

It is important to note then that the economic hurt of the Covid-19 pandemic is unfolding, uncertain, unsettling and not confined to South Africa and the effect of the extended lockdown and regulations. A depression in demand for our exports, plus disruptions in global supply chains, will hit the economy as well. Events in global financial markets, plus the effect of the ratings downgrades by both Moody's and S&P, means a decline in the international buying power of the rand, and borrowing by South Africa to offset declines in tax income becomes more expensive and narrows government spending choices.

The economic effects of the lockdown have moved centre stage as the phasing out of the lockdown continues, even displacing to some extent health concerns.

EFFECT ON NEWS ORGANISATIONS

IMMEDIATE EFFECT

Audience change

The Covid-19 pandemic has heightened awareness of the value of credible news and boosted readership, viewership and listenership of broadcasting and online outlets that provide such news. Newspaper readership has been devastated by the decrease in the movement of people. Andrew Gill of Arena Holdings explains that newspaper retail sales e.g. at supermarkets took a big hit thanks to the decline in traffic, while informal street, and door-to-door, sales in e.g. townships dropped to almost zero, thanks to the enforcement of the lockdown. Travel and commercial sales such as at large key hotels and airport lounges, which are excellent exposure points, evaporated.[26]

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[26] Andy Gill, Interview on Arena Holdings experience of the lockdown with Andy Gill MD of Arena Holdings, April 24, 2020.

"What the lockdown has shown is the how valuable the subscriber model is. Print subscriber numbers are down only 2%. This is good for Business Day and the Sunday Times, which have a large subscriber base."[27]

TV has been a notable beneficiary of the lockdown. This comparison, compiled by Richard Lord of MetaMedia, is between the week before the national state of disaster was declared in South Africa and the week after, when people started to self-isolate and work from home. What this illustrates is the thirst for news information.[28]

Figure 6: TV increase during lockdown

Time channel	% Increase
Overall average weekly ratings (SABC & e.tv, all adults 15+)	28,10%
Average 2pm–4pm	15,00%
Average 4pm–6pm	47,90%
Average 6pm–8pm	32,30%

[Source: Marklives.com]

The amount of time people devote to TV in general will change as the strict lockdown is phased out. Of particular significance for this research, however, has been the increase in news consumption. The two indigenous-language news bulletins have climbed firmly in the Top Slot displacing popular shows such as Muvhango, though news was still not as popular as Uzalo, Generations or Scandal in March. Comparing the average audience the week before and the week after the national disaster was declared, shows even more strongly the increase in news consumption.[29]

Table 1: News consumption increase

Programme	Before disaster	After disaster	% increase
isiZulu news	3 453 848	4 825 005	39,70%
isiXhosa news	3 004 022	4 809 780	60,10%

[Source: Marklives]

Looking at the viewing habits of high-income earners in March reveals how important news has become in this time of crisis. Lord remarks: "For the longest time, the top three programmes watched by the high-income earners mirrored that of the main market. But last month we saw a change, with the state of the nation (SONA) address coming in at no. 2, and now, for the second month in a row, we have a new entry, which again drives home the point about how important news content has become during this time."[30]

Table 2: TV viewing by high-income earners

[27] Gill.
[28] Richard Lord, "#CoronavirusSA: Top 10 TV Shows Deciphered — Mar 2020 #Watched • MarkLives.Com," *MarkLives.Com* (blog), April 14, 2020, http://www.marklives.com/2020/04/coronavirussa-top-10-tv-shows-deciphered-mar-2020-watched/.
[29] Lord.
[30] Lord.

High-income earners		
Top 10 TV shows	**Channel**	**LSM 8–10**
Uzalo	SABC 1	1 133 361
SABC News: Covid-19 Lockdown	**SABC 2**	**963 753**
Skeem Saam	SABC 1	887 852
Generations: The Legacy	SABC 1	833 858
Scandal	e.tv	675 857
The Queen	Mzansi	652 128
isiZulu News	SABC 1	582 617
Our Perfect Wedding	Mzansi	548 299
Xhosa News	SABC 1	547 326
Imbewu: The Seed	e.tv	518 027

[Source: Marklives.com]

While free-to-air TV has been validated by the coronavirus, pay-TV in the form of DSTV has been knocked by the unavailability of sport, arguably DSTV's major drawcard and in an era of film and TV-series streaming via the Internet, offset to some extent by Multichoice's own standalone Showmax online service. Netflix and other streaming services are bound to have been beneficiaries of the lockdown, along with social media, competing for the attention of audiences with news.

However, the lockdown and confinement of many South Africans to their homes with the main link to the world outside being a computer screen has as expected boosted online news (see Figure 5). Figures for March from audience measurement platform narratiive show that the coronavirus resulted in a surge in web traffic, most notably the news category. "In particular, massive month on month growth can be seen across News24, Fin24, *Citizen* and *BusinessInsider* who all recorded more than 50% growth in unique browsers. Typical monthly variances in traffic for these top 10 sites is in the region of around 10%, which highlights the massive increase in online browsing during March 2020."[31]

[31] Lana Brdar, "South Africa Online March 2020 Narratiive Media Monitoring," *Narratiive Audience Measurement* (blog), April 29, 2020, https://narratiive.com/market-insights/south-africa-online-march-2020-2/.

Figure 7: Top news sites, March

Web site	Page Views	PV MoM change	unique browsers	UB MoM change
news24.com	135 039 974	140%	12 069 885	103%
iol.co.za	37 510 974	18%	7 684 965	32%
timeslive.co.za	38 340 392	44%	7 389 704	37%
businesstech.co.za	15 329 981	41%	5 592 804	48%
thesouthafrican.com	16 677 085	27%	5 056 594	18%
fin24.com	16 184 580	67%	4 647 893	69%
citizen.co.za	17 262 341	72%	4 608 346	73%
ewn.co.za	20 890 408	51%	4 596 043	44%
businessinsider.co.za	20 820 883	105%	4 586 022	89%
gumtree.co.za	76 415 463	-7%	3 842 035	9%

[Source: narratiive]

In March, the news category of sites saw a 44% increase in unique browsers and a 72% increase page views.

Figure 8: Top news websites, April

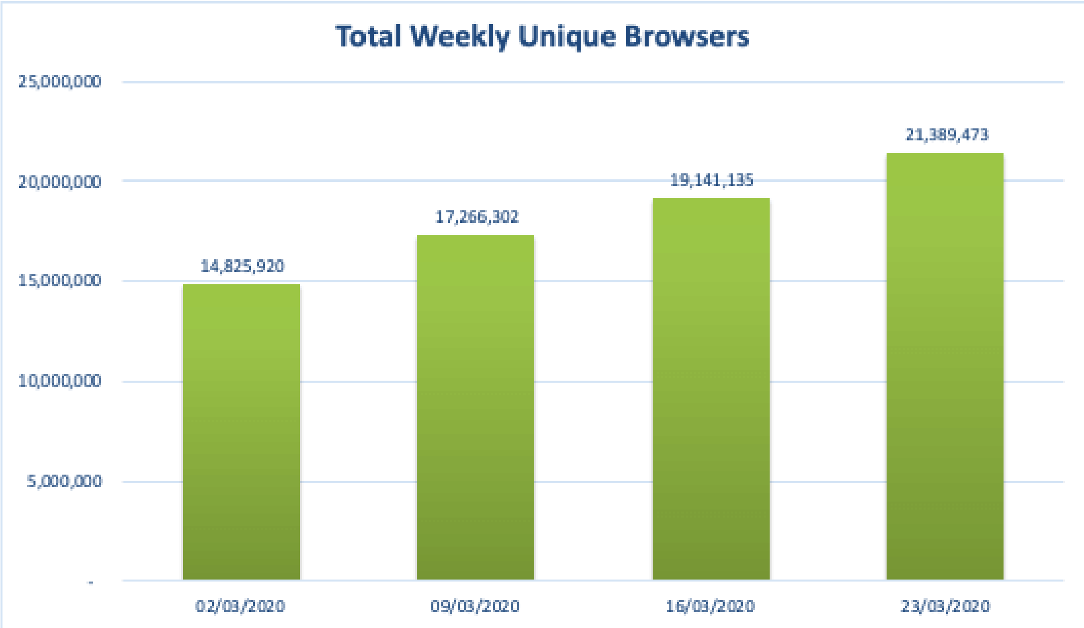
Website	Page views	PV MoM change	Unique browsers	UB MoM change
news24.com	135 860 305	1%	10 978 640	-9%
timeslive.co.za	43 188 140	13%	8 193 661	11%
iol.co.za	34 225 697	-9%	8 137 007	6%
thesouthafrican.com	22 198 638	33%	6 407 726	27%
businesstech.co.za	18 243 699	19%	5 910 517	6%
businessinsider.co.za	24 828 779	19%	5 339 567	16%
citizen.co.za	19 926 782	15%	4 351 863	-6%
fin24.com	15 004 777	-7%	4 246 012	-9%
ewn. co.za	19 581 006	-6%	4 154 725	-10%
dailymaverick.co.za	12 878 758	29%	3 856 712	28%

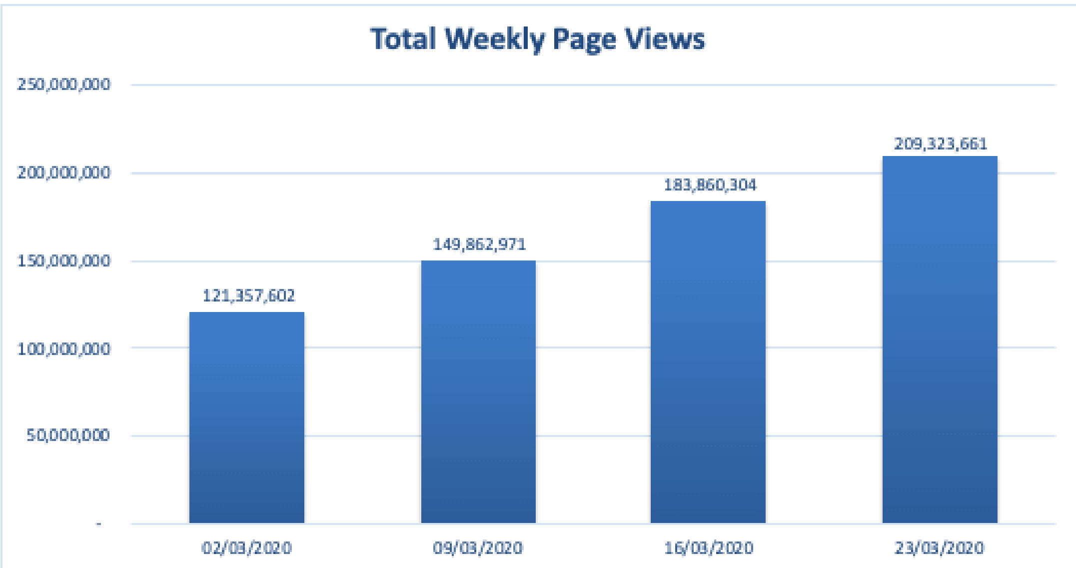
[Source: narratiive]

IAB SA commented in May on the change from March to April: "Overall, the huge growth on website traffic from March somewhat tapered off during April. However, *TimesLive*, The South African, *BusinessInsider* and *Daily Maverick* still experienced double-digit growth in their unique browsers during April. This was due to successful content that attracted strong growth in readership."[32] Also notable is that the Daily Maverick climbed into the top 10 in April. News24 enca.com, dispatchlive.com and sabcnews.com all saw their audience numbers as measured by unique browsers rise by more than 100% in March (See Annex 2).

[32] narratiive, "South Africa Online April 2020," May 8, 2020.

Figure 9: News you can use, March





[Source: narratiive]

News sites with the biggest increase in viewers in March included health24.com, for obvious reasons. As interesting is the increase in the online versions of community newspapers. Some of that continued in April, but viewers started to look for non-Covid distractions.

Figure 10: Biggest sites with high month-on-month change in unique browsers, March

News site	Page Views	PV MoM Change	Unique browsers	UB MoM change
health24.com	7 110 590	177%	2 760 688	177%
enca.com	8 807 227	250%	2 689 664	250%
dispatchlive.co.za	4 907 093	218%	2 057 239	218%
sabcnews.com	2 599 699	163%	1 317 265	163%
techcentral.co.za	874 712	176%	518 641	176%
heartfm.co.za	380 665	162%	144 672	162%
suidkaapforum.com	202 930	235%	109 854	235%
knysnaplettherald.com	276 683	141%	108 947	141%
diepos.co.za	144 194	121%	97 443	121%
joburgeastexpress.co.za	58 476	122%	46 411	120%

[Source: narratiive]

Figure 11: Biggest sites with high month-on-month change in unique browsers, April

Website	Page views	PV% change	Unique browsers	UB% change
smile904.fm	251 564	587%	48 848	559%
channelo.dstv.com	172 925	257%	35 650	315%
heidelbergnigelheraut.co.za	179 129	137%	109 627	174%
taste.co. za	1 425 976	173%	478 000	157%
foodandhome.co.za	408 003	153%	211 768	156%
graaffreinetadvertiser.com	187 863	92%	103 998	150%
sabceducation.co.za	56 624	152%	30 040	145%
benonicitytimes.co.za	332 377	95%	192 780	132%
autoadvisor.co.za	36 943	137%	23 556	122%
leisurewheels.co.za	125 912	191%	53 180	121%

[Source: narrative]

Nathan Geffen of donor-funded news outlet *GroundUp* says that traffic to the website is up substantially, and the organisation is “feeling quite relevant”. As Annexure 2 shows, a number of other sites can say the same.

Advertising change

That the pandemic and regulations have clearly had a devastating effect on the revenue of news media organisations relying on advertising is obvious. Also obvious is that the print media has been hard hit. A glance at newspapers during the lockdown showed no advertising at all. However, broadcasters, online news outlets and even social media companies and Google[33] are likely to have been affected, because most services were halted and sales of goods were limited to a list of "essential goods" which therefore needed no advertising.

One estimate by a broadcasting industry insider is a 40% decline for radio and TV stations, but that is not definitive. Asked for information on advertising declines, the SABC's official response was that the information was commercially sensitive.

"At this stage the SABC is not in a position to divulge its advertising revenue figures as this is commercially sensitive information. However, we can confirm that the Covid-19 pandemic has had a significant impact on every industry globally, including our own. To mitigate the impact of the pandemic on the business, the SABC has been working tirelessly to put measures in place, from an employee health and safety, as well as programming perspective. We can confirm that while we've seen a decline in advertising revenue from traditional spenders, we have seen an increase in Covid-19 -related spending. We are closely monitoring the revenue spend however the full impact of the pandemic will be better understood after a thorough analysis at the end of COVID 19."

However, the presentation by SABC executives to the parliamentary portfolio committee on May 19, 2020, on the SABC gives a better picture of the broadcaster's looming problems.

The updated SABC strategic plan sums up its problems:

> [The] Global slowdown in economic growth and related foreign exchange fluctuations will significantly affect the core business of the SABC, as it needs to acquire content, sports rights and technology.
>
> - The reduction in industry-wide spend by multinational and local advertisers experienced over the last 36 months will continue.
> - The country's overall perilous state of finances will have a negative effect on the SABC's revenue generation efforts, both in terms of advertising revenue and TV licence revenue.[34]

At the portfolio committee meeting, SABC executives are reported to have said that before the Covid-19 crisis the SABC expected an operating loss of R430 million for the 2020/2021 financial year but now revenue is expected to fall by a quarter or upwards of R1.6 billion – a figure the SABC believes to be conservative – while expenditure is only down by about 10%.

The shortfall, the SABC executives said, was "a result of us playing our role as a public broadcaster in making sure that we increase the levels of awareness when it comes to the issue of Covid-19."

They also are reported to have pointed out a huge decline in advertising: "Many of our clients have withdrawn their advertising spend, either to redirect those funds to assist within their efforts to curb

[33] Associated Press, "Plummeting Digital Ad Market May Complicate Life for Google, Facebook - MarketWatch," April 28, 2020, https://www.marketwatch.com/story/as-demand-for-digital-advertising-plummets-google-and-facebook-could-have-shrinking-revenues-2020-04-28.
[34] SABC, "Corporate Plan 2020/21 - 2022/23 Presented to the Parliamentary Communications Portfolio Committee," May 19, 2020.

this virus or because they're concerned about the return on their investments as they're not able to trade during this period."[35]

E-media Holdings, owner of e-tv et al, put out a trading statement in terms of JSE rules on May 19 on the Stock Exchange News Service (SENS) warning that a "loss of advertising revenue in some key industries such as fast foods, alcohol, the motor industry as well as the negative impact on the exchange rate," will hurt the group's performance. A resulting "impairment of goodwill with a value of R2 039.9m" will result in a loss in earnings per share of -425c and -427c".

One Business to Business (B2B), publisher, who does not wish his publication to be named, says, "I would estimate that ad revenue will decline by as much as 30% to 40% for a few months and then will start to recover as the lockdown eases." At the *Citizen* newspaper, publisher Caxton, told staff mid-April that 65% of all ads had been cancelled.[36] An article on Independent Media's salary cuts by *Daily Maverick* quotes Takudzwa Hove, COO of Independent Media, as saying in a letter to staff that, "Early indicators for the month of April per discussions with various commercial heads in the business are that we will miss the revenue targets by as much as 40%-60% in some sectors ..."[37]

Accurate figures on advertising spending for the lockdown period are not yet available, though the consensus is that the decline is across the board. Ad industry expert Chris Botha says accurate estimates of the ad spend decline since the lockdown are impossible. AdDynamics, AC Nielsen research, takes three months to collate. "Suffice to say, business is brutally tough. The print industry is fighting over a very small slice, of a rapidly declining pie with tough aggressive global competitors."[38]

Some advertising vanished entirely during the lockdown. Freesheets normally thick with inserts for major stores and full of other retail advertising and small classifieds shrank to eight pages of news without ads. For broadcasters, the problem is compounded by the time given to official announcements displacing commercial programming. A high-level SABC source notes that the Ministerial briefings have disrupted schedules and have been a "major displacement of revenue at the SABC, but we have to do the right thing."

All but the donor-funded news sites and pay-TV, depend on advertising to a greater or lesser degree. Even our public broadcaster is dependent on advertising to an extent that is quite high compared to other public broadcasters, relying on commercial revenue for close to 80% of its funding. Certainly, small community newspapers of the sort the MDDA has been instrumental in starting around the country especially in rural areas are extremely vulnerable. Carol Mohlala of the Association of Independent Newspapers - representing small community newspapers outside of those owned by Media24, Caxton or Independent Media - has pointed out that these publications have lost 80% of their revenue on average. She said 80 had been forced to close. Anton van Zyl, owner of the *Zoutspanberger* and the *Limpopo Mirror*, in an interview with SABC reports that in the first phase of

[35] Thinus Ferreira, "TV with Thinus: SABC Now Spends Almost Double on Paying Staff than on Content - 40 Cents out of Every Rand Compared to 28; Says Its Revenue Is Already R1.5 Billion under Budget Because of Debilitating Impact of Covid-19 as Advertisers Withdraw Ad Spend.," *TV with Thinus* (blog), May 20, 2020, http://teeveetee.blogspot.com/2020/05/sabc-now-spends-almost-double-on-paying.html.
[36] Fin24, "Citizen Newspaper Sees Income Fall 60% over 21-Day Lockdown," Fin24, April 16, 2020, https://www.fin24.com/Companies/ICT/citizen-newspaper-sees-income-fall-60-over-21-day-lockdown-20200416.
[37] Ferial Haffajee, "NEWS INSIGHT: Iqbal Survé Warns 1500 Staff of Big Salary Cuts – but Is It Really about Covid-19?," Daily Maverick, April 5, 2020, https://www.dailymaverick.co.za/article/2020-04-05-iqbal-surve-warns-1500-staff-of-big-salary-cuts-but-is-it-really-about-covid-19/.
[38] Chris Botha, "Covid-19 Ad Spend Impact - response to email questions," May 4, 2020.

the lockdown, he was aware of only two newspapers publishing in Limpopo. He believed that of the 100 newspapers marketed to advertisers by Capro only 15 were being printed, with the rest online, where there is little money to be made. Van Zyl pointed out a key problem with community newspapers going online: while local newspapers were vital to communities, they could not offer the huge audiences advertisers desired.[39]

While the Association of Independent Publishers has been vocal in complaining of its plight, community radio organisations have not been. The MDDA confirms that community radio has been hit. "Community media has indeed lost most of its advertising from businesses. However, while advertising has declined overall, Government has continued to advertise in the sector owing to the crucial and urgent need to distribute COVID-19 related messages and content. To support the sector with COVID-19 related content generation, the MDDA distributed R10m to 116 publishers and 114 community broadcasters."[40]

How badly affected community media is, is not known, though a loss of most advertising must have devastated some stations. However, the MDDA "has not been made aware of any station that might have closed or jobs lost owing to the pandemic".[41]

The MDDA last year announced funding for the community media sector of R50m. Grantees were approved by the Board on 28 March, 2020, selected from the August/October 2019 call.

Impact on staff

Three of the Big 4 publishers have taken steps to reduce spending on salaries, along with the *Mail & Guardian* (M&G), and some smaller outlets. This, it is hoped, will be offset by the Unemployment Insurance Fund Covid-19 Temporary Employee/Employer Relief Scheme (UIF TERS).

Lutfia Vayej, Group Executive: Marketing and Communication at Independent Media says that a "severe drop in revenue and the extended period of the national lockdown" meant the organisation had to take steps to protect the jobs of our nearly 1 500 staff. Salary cuts were to begin – across the board – in April 2020.

"Salary reductions have been calculated and applied on a sliding scale, with executives in the organisation having the largest percentage reduction," at Independent Media. A *Daily Maverick* report on a letter to staff at Independent and the African News Agency mentioned cuts ranging from zero to 45% of salary, but this has not been confirmed.[42]

Sliding scales of salary cuts are the norm. At the *Citizen* daily newspaper, publisher Caxton announced mid-April that a fall in revenue due to the lockdown would lead to, according to a Fin24 report, "a reduction in staff numbers over the two-week extension of the lockdown and a possible introduction of a temporary cut in salaries". The cut in salaries would be a maximum of 33% for employees earning R 45 000 or more – but not to below R34 000 – down to a 10% cut for employees earning R 9 000 to R 19 999 – but not to below R 9 000. Caxton reportedly told employees that

[39] Anton van Zyl, "Peter Ndoro of SABC Interviewing Anton van Zyl, Limpopo Mirror and Zoutspanberger about Effect of Covid-19 on Community Print Media" (SABC, May 10, 2020), https://youtu.be/_ERDDHn3nXE.
[40] Zukiswa Potye, "Emergency Relief for Community Media from MDDA," May 9, 2020.
[41] Potye.
[42] Haffajee, "NEWS INSIGHT."

annual salary and wage adjustments would be temporarily suspended and over the longer term, staff might have to be cut.[43]

At the *M&G* the maximum is 40% - for the top salary earners to 10%. The CEO has taken a 100% reduction for 3 months.[44] At Arena Holdings, deputy managing director Moshoeshoe Monare confirmed staff were asked to accept a 30% pay cut for three months, except those earning under R10 000 a month.[45]

Staff may also be asked to trade paid leave for keeping their salary level from dropping and companies, if they are not doing so already, may take "pension holidays" – the suspension of company payments to the company pension fund when the assets of the fund are judged to be sufficient to cover the future pension liabilities.

The South African government through the Unemployment Insurance Fund (UIF), made available money to pay workers temporarily laid off because of the Covid-19 crisis. By May 9 the UIF was to have paid out R5,3 billion in Covid-19 benefits to companies, benefiting 1,1 million workers.

Independent Media has applied for UIF relief. "The company qualifies to apply to the UIF temporary relief scheme (TERS) and an application on behalf of our employees, was done to help cover the gap in salary shortfalls. Application to the UIF TERS was done timeously, however, the company still awaits feedback from UIF." Others who have instituted salary cost-saving measures are likely to have done the same. The B2B publisher interviewed stated the firm had applied for and received the UIF's TERS funding for the month of April. "It helped a lot." The company hoped to be funded in May as well and possibly June. Others are likely to have as well.

Freelance journalists, who often do not have contracts and whose work is ad hoc, are usually the first to be cut from operations. Lynne Smit, chair of the Southern African Freelancers' Association (SAFREA), said a survey of 276 people, 90% of them SAFREA members, found that around 60% had lost almost 70% of their income. Some had lost 80% to 100%. Almost a quarter had lost 100% of their income. A fifth of the respondents responded to a question of whether they needed assistance with food in the affirmative.

Many freelancers had been turned down for government relief funding because their work was often non-contractual and ad hoc. SAFREA has 446 members, and it is impossible to say how many more freelancers there are.

Third-stream revenue

Less obvious than the drop in ad revenue and cover price is that third-stream revenue has also been badly affected. Media houses have in recent years broadened revenue by looking at income streams not directly related to the news product, such as event-hosting and out-of-home (billboard)

[43] Fin24, "Citizen Newspaper Sees Income Fall 60% over 21-Day Lockdown."
[44] Hoosain Karjieker, "E-Mailed Answers to Questions," May 5, 2020.
[45] Khulekani Magubane, "ANALYSIS | Associated Media Publishing's Closure Rounds off Nightmare Month for Media Firms | Fin24," May 3, 2020, https://www.fin24.com/Companies/ICT/analysis-associated-media-publishers-closure-rounds-up-nightmare-month-for-media-firms-20200503-2.

advertising. One such is the *Mail & Guardian*, which as the lockdown started reported it had lost 20% of its total revenue thanks to the impossibility of hosting events.[46]

PRINT MEDIA SUSTAINABILITY

SHORT-TERM

The effect on the print media is the most severe, being hit by both an advertising decrease and a drop in revenue from the cover price. For the *Mail & Guardian*, for example, the cover price was 25% of revenue pre-Covid, but thanks to the decline in advertising is now closer to 50% due to the significant decline in advertising revenue, estimated at 70% in April.[47]

Not all news organisations have been affected equally. Media24, the biggest by turnover and publication reach of the Big 4 has probably been affected by ad revenue decreases but a request to the company to share information about the effect of Covid-19 was rejected on the grounds that the company was in the "closed period" , i.e. preparing financial statements for official release when any company information may affect the share price (in this case of Naspers, of which Media24 is a subsidiary) until June.

In contrast to its competitors, Media24 announced no salary cuts or closures and instead announced new appointments.

The *Mail & Guardian*, on the other hand, the small, independent news organisation which is the only surviving alternative newspaper of those started in the mid-1980s, was forced to appeal early to the public to help it pay salaries. The organisation was surprisingly frank about its situation writing in an editorial, "We will likely not be able to pay salaries next month. We know we are not the only ones," as it attempted to ramp up digital subscriptions to pay its bills.[48]

Caxton, one of the Big 4 publishers, apart from its plan for salary cuts at the *Citizen*, responded during the lockdown through the suspension of its freesheets printing for one week of the lockdown as well as contemplating the salary cuts mentioned earlier. It has subsequently continued printing, though the evidence is that advertising in level 4 of the lockdown has not returned significantly.

Businesses already on the brink will be pushed over the edge. Recent years have seen actual closures of magazine titles and at least one magazine publishing house, Ndalo Media, former publisher of *Destiny* magazine, and several magazines. At the time, the end of 2018, the Ndalo closure was described as "a symptom of SA's struggling magazine industry, hit by falling circulation figures as younger readers turn to social media platforms for their fashion, celebrity and health news".[49] *Entrepreneur* magazine closed its online version at the end of last year after shuttering its print version, an event described as "a sign of the times" especially for magazines produced under licence from abroad, as the devaluation of the rand, (at the time at around R14 to the dollar), made them expensive to produce. The rand has moved closer to R20 to the dollar in recent months. The

[46] Editor, "Mail & Guardian Needs Your Help," *The Mail & Guardian* (blog), March 26, 2020, https://mg.co.za/article/2020-03-26-mail-guardian-needs-your-help/.
[47] Hoosain Karjieker, CEO, Mail & Guardian, "E-Mailed Answers to Questions," May 5, 2020.
[48] Editor.
[49] Mudiwa Gavaza, "Dhlomo Closure a Wake-up Call for Media in SA," BusinessLIVE, December 23, 2018, https://www.businesslive.co.za/bt/business-and-economy/2018-12-23-dhlomo-closure-a-wake-up-call-for-media-in-sa/.

recent closure of AMP and most of Caxton's magazine division underlines that the magazine sector has been troubled for a while.

Financial problems may be multifaceted, and stem from the relationship between the paying audience and the content published. Some reflection is needed within the news business of whether journalism is offering what the audience wants and needs.

Another industry insider, who did not want to be named, commented on the magazine closures: "The double whammy of increased paper prices (imported inflation), readership decline (magazines are too expensive when online is for free) and brand advertising in the doldrums and moving to digital, signal a catastrophic decline for the format – so see this as a rationalisation – but the worry, as always, is about the journalism."

Magazines in the main do not run hard news, but jobs have been lost and it is a mistake to dismiss the "soft news" titles as being unimportant to the news ecosystem. A former magazine contributor, commenting on the closure of AMP and the Caxton magazine division, said, "Those magazines cover industries and things that will no longer be covered or reported on in the way they did. Just terrible. People might go: Oh what's Your Family? A "nothing" magazine. But after Covid-19 it would have been those types of channels that would have brought news and insight through articles to readers about health and life adjustments, safety etc. etc. within a softer approach to people who don't directly engage with so-called "hard news" and that's all gone now."

MEDIUM TO LONGER TERM

In the time of Covid-19, magazines, and in time newspapers, may face what has been called a "media extinction event,"[50] affecting the news industry more than the 2008 global recession, including African newspapers.[51] While closures have been seen already and there is no doubt economic headwinds threaten to blow the industry off course, talk of extinction seems hyperbolic in South Africa where overall media spaces surged post-1994, thanks to the liberalisation of the airwaves and the creation of a number of new, online-only – sometimes donor-funded - news organisations, which have proved their worth in breaking news stories. Moreover, while print's dwindling departure may be hurried up by Covid-19, it has some way to go. Every online reader to a newspaper in 2019, according to PAMS, was outnumbered by 4.5 readers of the print-paper copy. For magazines the similar, much smaller ratio was 2.8.[52] How this fits with the major numbers reported by online sites needs investigation, but it is clear that while it may be close, print's final obituary cannot be written yet.

For regional and some community newspapers, notably the big and powerful chainstores – PicknPay, Checkers, Spar, Game, Massmart - and others will still need retail advertising to pull shoppers into stores. Brand advertising, on the other hand, of the sort found in magazines is likely to suffer more, but some readers will still prefer the tactile experience of print and will be prepared to pay for quality. Arena Holdings, among others, made the *Financial Mail* available as an e-magazines during

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[50] Craig Silverman, "The Coronavirus Will Hurt the News Industry More than the 2008 Financial Collapse Did," March 23, 2020, https://www.buzzfeednews.com/article/craigsilverman/coronavirus-news-industry-layoffs.

[51] Ntibinyane Ntibinyane, "Coronavirus May Spell the End for Many of Africa's Print Newspapers," Global Investigative Journalism Network, April 27, 2020, https://gijn.org/2020/04/27/coronavirus-may-spell-the-end-for-many-of-africas-print-newspapers/.

[52] Gordon Muller, "The Lockdown Chronicles #19: Lizard Slayer and the Path Less-Travelled," *The Media Online* (blog), April 14, 2020, //themediaonline.co.za/2020/04/the-lockdown-chronicles-19-lizard-slayer-and-the-path-less-travelled/.

the lockdown when it was impossible to print the magazine, but have no plans to do this permanently.

There is no doubt, as discussed at length in the Paying the Piper report, that legacy news organisations face a difficult, but in most cases urgent, task of migrating from the old print model, with its high fixed costs but high revenue advertising to the online, low-ad-revenue, environment. While print ad revenue has been losing out to broadcasting for decades[53] online-only news operations, social media, and the phenomenon of disintermediation could shift even more revenue from the legacy organisations if print does not move swiftly. The core problem is that the audience for newspapers has increasingly moved online – a move that may be entrenched by the lockdown, where only online news was available – but advertising revenue has not sufficiently done so, with Google and Facebook, et al, swallowing the bulk of online ad revenue and cheap online advertising bringing in a fraction of the revenue that print ads do.[54]

Paying the Piper noted: "Most media managers interviewed during research for this report anticipate the closure of major newspapers within the next three years, due to the negative impact of the lackluster economy on advertising and product sales. This is perhaps most starkly illustrated in the case of independently-owned local newspapers." This observation was made long before the Covid-19 pandemic, which has only made the looming disaster starker.

While the importance of free-to-air TV broadcasting and radio broadcasting, particularly but not only at the SABC, in serving the populace with information about the pandemic has been underscored, newspapers and their online platforms cannot be ignored. Several problems arise from newspaper closures, along with the loss of much-needed jobs. Diversity suffers, particularly where newspapers are producing local news that national news organisations are unlikely to report or even be aware of. The role of *Grocott's Mail* in bringing to attention of the community and eventually the whole country the Makana municipality's poor management of Makhanda, formerly Grahamstown, spring to mind. Most importantly, newspapers generate the most news, and in South Africa have traditionally set the news agenda. South Africa has 20 daily newspapers, some with weekend editions, a handful of major national weeklies, and used to have more than 430 business-to-business publications, hundreds of newspapers and magazines targeting local communities and around 300 consumer magazines.

News is no longer produced exclusively by newspapers as increasingly broadcasters worldwide have moved into the online space with their own websites. In South Africa, the SABC reaches many South Africans, both through free-to-air channels and through the online avenues of YouTube and its own online app. E-media Holdings' enca.com and Primedia's EWN now compete with the online versions of legacy print publications.

The print media is in one sense a manufacturing operation, with a high cost of sales as well as high operational costs, as opposed to broadcasting, where apart from broadcasting equipment and the cost of transmitters, operational costs, such as salaries, are paramount. For broadcasting every new listener is free and for online operations every new reader is almost free. For print, every new copy sold costs money to print and distribute. Ratios of copies printed to copies sold need to be carefully monitored. Too few printed copies affects the potential for sale: too many copies sold mean high returns of newspapers or magazines that cost money to print but have to be pulped. In that sense print publications are a 19th or 20th century technology, facing obsolescence along with records, CDS, DVDs, videotape and cassette recording.

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[53] Dugmore, "PAYING THE PIPER: The Sustainability of the News Industry and Journalism in South Africa in a Time of Digital Transformation and Political Uncertainty," 42.
[54] Dugmore, 52.

Though online-only non-profit news organisations have sprung up in recent years and have done interesting and important journalism, they do not have print versions and cannot attract the advertising which remains the lifeblood of the news industry. In migrating to the online world, newspapers have also to try to encourage readers to pay a higher price for news, which is not an easy task. This transformation involves, in other words supplying information and knowledge that is truly valuable enough to persuade the audience to pay for it in one form or another. Here, Robert Picard's famous (or infamous) presentation, "Why journalists deserve low pay," applies.[55]

Paywalls have had variable success worldwide. Niche publications, notably financial newspapers the *Wall Street Journal* and the *Financial Times*, seem to have transferred their news operations mainly online successfully – though they have continued to print newspapers. The much-vaunted success story of the *New York Times* needs careful examination, since a great deal of its revenue still comes from its print publication. Domestically, of the Big 4, Arena Holdings has paywalled much of its online content in *BusinessLive* and *TimesLive*, as well as its Afrikaans platform *Vrye Weekblad*; Media24 has a subscription model for its Afrikaans news and may be contemplating a paywall for News24; neither Caxton nor Independent Media have made public any plans to put their online news behind paywalls and rely on advertising. However, rumblings in the market hint at a possible subscription model at Media24. As has been mentioned and needs repeating, the online ad environment does not bring in sufficient revenue, certainly to pay for the kind of newsrooms around the country that have been operated by newspapers and still produce most of the news.

FINDINGS

As this report was being prepared dramatic announcements were being made, and it seems that events in the news media are moving fast as business decisions are made which can no longer be put off. It would be a mistake to focus too much on the severe immediate effect of the lockdown and not on the longer term, however. Whether the recession is V-shaped or more long-lasting, consumers will have less money to spend for at least a year, business confidence will be shaken, government emergency coffers will be almost bare and investors will be wary, affecting the viability of the industry. Donor-funded news media will be unaffected immediately, since donor commitments are long-term. GroundUp's Nathan Geffen says the organisation if safely funded until the end of the year, for example. However, investment funds donors institute to pass on money to non-profits will be hit by a downturn in financial markets, Sam Sole of amaBhungane notes. Also, the need for humanitarian relief at a basic level will be great, and those of us in the media must take care not to be too media-centric.

Closures and shrinking newspaper operations will have a ripple effect through the supply chain. The printing industry, for instance, which generated revenue of R56-billion in 2015 and employed around 50 000 people would be hurt. Media publishing as an industry, encompassing publication of newspapers, magazines and journals in print and digital format was under pressure well before the lockdown, with total revenue shrinking to around R17.5 billion in 2017 compared to R21 billion a year in 2015.

The horizontal supply chain of the newspaper industry stretches from the production of newsprint, through content creation, advertising, to printing, and to distribution. Newsprint paper's recent price increases are probably due to import-parity pricing if not the cost of actual imported product in the wake of the declining foreign exchange buying power of the rand. Distribution may become

[55] Robert G Picard, "WHY JOURNALISTS DESERVE LOW PAY Presentation by Robert G. Picard to the Reuters Institute for the Study of Journalism, RISJ Seminar Series, University of Oxford, May 6, 2009."

cheaper but is still a significant cost. Online news media is a simpler affair but operates in the fiercely competitive attention economy of the digital age, where local news can compete with Netflix, the *New York Times* and pictures of cute kittens and advertising revenue is comparatively low.

It must be stressed, though, that not only are jobs at risk. The flow of verifiable, credible information is as necessary for the health of democracies and economies as blood is for the existence of human bodies. And financial sustainability is an essential underpinning of credible news media. " … There is strong evidence to suggest that financial sustainability is a necessary (even if not sufficient) precondition for editorial autonomy".[56] The alternative is narrowly partisan news media. It is saddening that the monetary cost of the entire industry is in the grand scheme of things so little and its role in ensuring a well-functioning democratic society so large.

So far, the print media has been hardest hit and this threatens to affect the amount of news being produced, with massive closures of community newspapers, and possible shrinking of newsrooms through retrenchment. Freelance journalists, a longstanding part of the supply chain of news content, are exceptionally vulnerable.

Broadcasting will not remain unaffected. The SABC has been affected by advertising revenue declines. The corporation would have received its full bailout amount of R3,2 billion cannot ask for more from the cash-strapped fiscus. Private media houses would have to stand in line with other worthy recipients of rescue money, such as the unemployed whose numbers will be swelled.

Online news, like broadcasting and print, has seen some decline in ad revenue, already small in relation to print. Big platforms have been cross-subsidised by print, in the sense of having news produced ultimately for newspapers published online as well. They face the challenge now of converting lockdown readers to long-term customers and monetizing increasing readership.

Big winners for new users during the lockdown will be social media companies, especially Facebook. Social media may also have been affected by lower ad revenue but have resources so much greater than local media they will be able to shrug it off. The same applies to Google, which may have seen a decline in ad revenue too. Netflix, and other streaming services, along with YouTube will have seen audience growth during the lockdown. This is symptomatic of what may happen in the news media generally, that is that the stronger participants in the industry become even stronger at the expense of the weaker. This might be acceptable in industries less central to information flows that support democracy, but the news media is not breakfast cereal or aluminium production.

For domestic news media, the key word in the immediate period is "survival". The crisis will widen existing cracks in the business models of some news media companies. Or to quote the director of Italian fact-checking site Pagella Politica, in turn quoted by Mohamed Nanabhay, Deputy Chief Executive Officer of the Media Development Investment Fund, "A crisis will magnify any problems you already have within your organisation."

Those organisations entering the crisis with serious cash-flow problems will have difficulty surviving. In the short term, media organisations will have to focus on survival as Mohamed Nanabhay, Deputy Chief Executive Officer of the Media Development Investment Fund, pointed out in a Wits Journalism webinar. And that means cutting costs across the organisation and conserving cash immediately as well as building and managing cash reserves.

[56] Nielsen, "The Changing Economic Contexts of Journalism."

The crisis will dislocate business projections, so downside scenarios need to be re-forecast. Revenue is likely to fall by 30% to 70%. The impact will not be short term, and the expectation it will last three to 18 months.[57]

Cutting costs inevitably means cutting staff because it is the biggest cost item. Which of the media organisations plan retrenchments is unknown, as are any plans to close news platforms. However, the SABC seems a likely candidate, given that the corporation already last year walked back from a decision to retrench staff, and the financial situation, as explained, isn't getting easier.

- The crisis has highlighted the vulnerability of news media to downturns in advertising. One answer worldwide has been seen in getting the audience to pay for the news through subscriptions, particularly online subscriptions, and for a handful of big legacy companies, including the *Financial Times*, the *Wall Street Journal* and the *New York Times* this has seemed to be the answer. The tradeoff for a publisher is that going behind too aggressive a paywall to force readers to pay diminishes traffic and therefore visibility and influence, while too porous a paywall or none at all is not sufficiently remunerated by online advertising.

- Another, promising answer is to build closer relationships with readers through membership models, and asking them to support the news organization through among other things donations. According to the *Daily Maverick*, this has proved a successful path. How many others can follow remains to be seen. Globally, legacy media organisation *The Guardian* has also adopted a membership model, but the newspaper has for some time been supported by the Scott Trust.

- Government funding presents itself as another solution to news, particularly public service news, but the South African government has so far resisted direct funding of the SABC public broadcaster and the effect of the crisis on government finances would seem to quash any plans to fund any other news media, though this has been an option in other countries. News media is highly politicised and State intervention is tricky, especially with South Africa's history of the misuse of the public broadcaster. Nonetheless, in the medium term greater state involvement, carefully calibrated, in providing or supporting news media beyond the community media could be considered.

No magic answer presents itself to the trials of the news media during this period. However, brought to the surface have been fundamental questions of how to fund the news media sustainably. *Limpopo Mirror* owner Anton van Zyl, for instance, has pointed out how going online for local media is not viable because of the small audiences. He has also noted that advertisers should exercise more social responsibility in how and where they place their ads rather than being driven only by purely commercial considerations.[58] The question to be asked, of government, of the private sector, of civil society is whether we value news media enough to find a way to pay for it.

Since news is a public good, the structure of the organizations that produce it may need reimagining, particularly as the evidence is that categories of non-profit and profit-driven are slippery in the news media. The idea of news media organisations as "social enterprises" run with the rigour of commercial entities but not designed to return profits to investors is worth investigating.

[57] Mohamed Nanabhay, "MDFI Presentation during Wits Journalism Webinar," https://journalism.co.za/news/covid19-midweek-webinar-series/.

[58] Anton van Zyl, "Peter Ndoro of SABC Interviewing Anton van Zyl, Limpopo Mirror and Zoutspanberger about Effect of Covid-19 on Community Print Media."

RESCUE FUNDS

Since government is responsible for the economic crisis, government should be the first port of call for emergency funding. News organisations have been able, in theory and practice, to tap the UIF funds for temporary employee relief. The UIF has released an initial list of companies that have accessed the TER, though not the amounts. Several small companies identifiable as media companies have received grants. Government-guaranteed loans are also available.

SANEF has listed other government funds have been available to media companies. Some of these will not apply.

Google and Facebook have made emergency funding available to the news media.

Applications for the Google Journalism Emergency Relief Fund are now closed. The Google fund was for "small and medium-sized news organizations producing original news for local communities during this time of crisis." To be eligible applicants had to have a digital presence and have been in operation for at least a year. The target was newsrooms employing 2 - 100 full-time journalists.[59]

Facebook made available through the US-based International Center for Journalists (ICFJ) $140 000 in grants to South African publishers. The rest, $250 000, were to fund a video training program for 10 000 journalists across the continent covering COVID-19 through video reporting. The $140 000 fund would be administered through the ICFJ and distributed in two tranches:

- Two grants of $35,000 for publishers with 40 or more staff members
- Seven grants of $10,000 for publishers with less than 40 staff members.

The FB funds were for South African independent non-profit or for-profit local news organisations two years or older and were not to be part of a business consortium, large media groups, or government-funded, and had to employ at least five full-time journalists.

Applications closed 19 May 2020.[60]

The Google and Facebook initiatives are truly welcome, but since the real problem for online news is the diversion of ad revenue, the South African government could take direction from other countries considering tapping the social media giant and Google for funds that could be used to enhance local media, as their policies unfold. This is in a sense a separate project, and though pressing cannot be rushed into for geopolitical and legal reasons.

In the meantime, news organisations could lobby for a special media relief fund, created through grants from the private sector, especially the CSI budgets of big corporations. This would have to balance the need for urgent with thoughtful action to reduce the possibility of unintended consequences. The news business is perforce politically infused. Hence, such a fund would have to be governed by an impeccably independent body, possibly with membership of the Press Council as a prerequisite for deciding what is and what is not a journalistic organisation worthy of funding. The details have yet to be worked out, but the idea must be put into the public arena for consideration.

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[59] Google, "Journalism Emergency Relief Fund," Google News Initiative, 2020, https://newsinitiative.withgoogle.com/journalism-emergency-relief-fund/.

[60] ICFJ, "Facebook South Africa COVID-19 Local News Relief Fund Application," International Center for Journalists, 2020, https://www.icfj.org/our-work/facebook-south-africa-covid-19-local-news-relief-fund-application-5.

While news organisations are clearly worth preserving, a thought must be given to individual journalists displaced by the wake of the Covid-19 destruction. Some funding could be directed towards individuals to help them cope with retrenchment and retrain for new work. South Africa no longer has a journalism union to fend for journalists. Funders could take a leaf from SAFREA, the association for freelancers, which has used R100 000 of its own funds to employ some freelance journalists to work for SAFREA and for NGOs as a way of providing relief. SAFREA's Lynne Smit notes, "This crisis has also showed people the benefits of belonging to a registered NGO, rather than just a Facebook group, for example." SAFREA is one of the few NGOs that does serve the interests of journalists, along with the Press Council, SANEF, the National Community Radio Forum, and the Association of Independent Publishers. If the future for journalists proves to be as trying as many fear, it would be well to find funding for these organisations as well as news media.

Conclusion

The news industry has been roiled along with other industries by the Covid-19 lockdown and regulations, with the pandemic accelerating changes long coming in print media while at the same time bringing a surge in audiences to online publications.

Publishers have resorted to temporary layoffs, salary cuts, pension holidays and conversion of paid leave to salary – closures of magazines and newspapers along with reorganisation of distribution. A return to a "new normal" may not prevent further job losses. So far, none of the major newspapers have been closed, but a lot depends on the way the ending of the lockdown is handled, the length and severity of the Covid-crisis-induced depression, and whether the lockdown has changed audience behaviour. Will those who became accustomed to reading online news stop reading newspapers altogether? Will the constant decline in newspaper circulation level off? Will publishers be able to convert enough readers to subscribers or members to be able to wean their operations off ad revenue?

The problem for legacy organisations that have relied on revenue from print publications and are still major producers and distributors of news, is the difficulty of migrating to an online environment where Google and Facebook, et al, devour most online ad revenue.

Retrenchments and shrinking of news staff have so far been confined to print, but broadcasting has also been hit by a decline in advertising and what levels of ad revenue will return to in a depressed economy is uncertain.

To be sure, nimble new entrants can still hope to carve a niche, as evidenced by recent applications by mainly hyperlocal outlets to the South African Press Council. Advertising will return to some as yet unknown extent and circulations may find their own flattening of the curve at some stage, while more of the online audience may be persuaded to pay for their news. But the Covid-19 crisis has been devastating. The effect can be calculated in jobs lost – still difficult at this stage to ascertain with any certainty – and most importantly in the shrinking of the vital-for-society news ecosystem as the country and the world copes with an unprecedented economic decline. A case can be made for funding the news media in the short term, but the crisis should focus our minds on funding news for the longer term in the absence of robust business models that protect this vital part of our democracy and economy.

ANNEXURE 1: CONTACTS

People contacted for comment and background and primary news sources

Media organisations
SAFREA, chair, Lynne Smit
Press Council, executive director, Latiefa Mobara
Association of Independent Publishers, Executive Director, Carol Mohlala
National Association of Broadcasters, CEO, Nadia Bulbulia
NCRF Gauteng, General Secretary, Bongani Maluleke

Community Media
MDDA, CEO, Zukiswa Potye,
NCRF Gauteng, General Secretary, Bongani Maluleke

News Media
Arena Holdings, MD, Andrew Gill
Daily Maverick, founder, Branko Brkic
Independent Media, Group Executive: Marketing and Communication, Lutfia Vayej
Media24, insiders for background information
SABC, CEO, Madoda Mxakwe
amaBhungane, co-founder, Sam Sole
GroundUp, founder, Nathan Geffen
Caxton & CTP, insiders for background information
M&G, CEO, Hoosain Karjieker
Cape Town TV, station manager, Karen Thorne
Business to Business (B2B) publisher, who does not which his publication to be named

Other
Park, Group MD, Chris Botha
Wits Journalism Webinar
National Treasury documents
Parliamentary Monitoring Group website

Unsuccessful attempts to contact:
Primedia, CEO, Geraint Crwys-Williams
Caxton & CTP, MD - Caxton Local Media and coldset printing, Jaco Koekemoer
Caxton and CTP Publishers, general manager, Anton Botes
Media24, CEO, Ishmet Davidson