



FACULTY OF HUMANITIES

**To:** James Hodge  
Chairperson of the Inquiry  
Online Intermediation Platforms Market Inquiry  
The Competition Commission of South Africa

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**From:** Centre for Data and Digital Communication  
School of Communication  
University of Johannesburg

**Date:** 5/1/2023

**Re: Request for Comments on Inquiry Terms of Reference**

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Dear Mr Hodge

### **Introduction and background**

The Competition Commission of South Africa (the Commission) invited the University of Johannesburg's School of Communication to comment on the Inquiry Terms of Reference that will be looking into Media and Digital Platforms, focusing on the distribution of media content on digital platforms, including search, social media and new aggregation platforms, called the *Media and Digital Platforms Market Inquiry* (MDPMI or Inquiry).

Accordingly, it was communicated that the broad thrust of the MDPMI is on:

- a) the interaction and dependency of South African news media businesses on relevant digital platforms as an intermediary, distributor and link to online users for the dissemination of news content online; and
- b) the impact, thereof, on news media businesses to aggregate, display, create and monetise their news content online.

Furthermore, the main objectives of the inquiry into Media and Digital Platforms have been articulated.

The University of Johannesburg's School of Communication, under which media studies fall, has mandated its Centre for Data and Digital Communication (CDDC) to coordinate comments as per the invite. Therefore, this letter contains our initial comments based on our interpretation of both the focus and objectives of the Inquiry. It is important to note that these comments are not exhaustive but rather high-level initial reflections.

### **Comments on Inquiry Terms of Reference (TOR)**

Below are our comments in line with the objectives of the Inquiry. Further reflections are included in the conclusion section:

*a) Evaluate trends, adoption, and use of digital platforms to aggregate and display news content online and the importance of digital revenue sources for news media companies:*

This TOR is very relevant in a context where the need to evaluate the trends, adoption, and use of digital platforms to aggregate and display news content online has become of greater importance. The Commission should also try to understand the overdependence of digital platforms by news publishers in South Africa and how it complicates the business model of the news publishers.

The production, distribution, and consumption of news have all been significantly changed by digital media. For instance, where once news producers also tended to be its distributors, now consumers and digital platforms have also taken on the role of distributors. In this way and many others, the relationship between news and its audience has become more complicated and layered, with far-reaching impacts for consumers and producers of news, and also for digital platforms. The traditional business paradigm for news producers is no longer viable. Previously news producers were in charge of the news ecosystem, but now digital platforms and consumers are now acting as distributors of news, replacing the traditional practice of newsmakers.

In the Global North, digital platforms have changed the entire news ecosystem by serving a variety of purposes, such as hosting, aggregating, and curating news content, in addition to acting as a distribution channel for news content online. These digital platforms, such as Google News and Apple News, have gained significant traction in recent years, as they provide users with a convenient way to access news from multiple sources in one place. Social media platforms like Facebook and Twitter have also become major sources of news for many people. News organisations have also started to use these platforms to distribute their content and engage with their audiences directly. In most industrialised countries, advertising revenue for news publishers has drastically decreased as a result of the shift to digital distribution, particularly for local news outlets.

These developments and trends have not escaped Global South countries like South Africa. The use of digital platforms to aggregate and display news content online is steadily growing and is likely to increase in the coming years. As more people turn to digital platforms to access and distribute news, news media companies in the country will need to adapt to these changes to

remain relevant and competitive in the digital age. As the digital landscape continues to evolve, it will be essential for news organisations to keep pace with these changes and continue to innovate in their digital offerings. These developments have implications for South Africa on two main levels: digital inequality and public interest/local journalism.

The reality of digital inequality means that the majority of people are locked out of the news platforms as many of them cannot afford data to access these platforms. The platformisation of news has led to the decline of advertising revenue and creation of a competitive environment, thus affecting local news and public service journalism. The viability of public interest journalism is significantly impacted by the commercial relationships between news publishers and major digital platforms. Print and online publications such as the *Daily Maverick*, *News24*, *Mail and Guardian*, *The Sunday Times* and *Business Day* are already experimenting with alternative digital revenue streams like memberships, paywalls, and subscriptions in addition to advertising. These business models have gained popularity because they offer a more stable source of income while also offering viewers exclusive content and an improved user interface.

These business models favour publications owned by large and well-resourced news organisations such as *News24*, *Independent Online (IOL)*, and *TimesLive*, with a customer base able and willing to pay for the content. However, subscription-based models are not always viable to deliver information to, for example, local communities and citizens who are unable or unwilling to pay for such content. In a context, where the majority of South Africans access the internet through social media bundles, paywalled news access is likely to keep a lot of people outside of quality news media ecology. These developments need scrutiny and research in the South African context.

*b) Evaluate whether market features distort competition for advertising revenue, consumer data and subscription fees between news media companies and the relevant digital platforms that display and distribute news media content as intermediaries to consumers, including news aggregators:*

This is a necessary TOR because with the advent of digital platforms, the relationship between legacy media and advertisers has changed fundamentally. The transformation of this relationship has seen media entities being reduced largely to exclusive content producers with little remit on what transpires on the business side of things. Yet traditional media models show that advertising is the lifeblood of the media. It must be noted that competition for consumer attention and related advertising revenue has seen media enterprises falling into a clickbait culture and new forms of 'yellow journalism' to influence consumer metrics and thus attract native advertising but in the process fueling information disorders.

It may be the case that due to these pressures, media organisations end up deliberately subtly endorsing in their reportage, products and ideas of entities that sponsor them. A culture of 'publish first, check later' becomes the order of the day as media organisations are pressured to 'break news' to beat competitors who include citizen journalists. The necessity of fact checking

and verification, which is a core tenet of journalism gets relegated in this competitive enterprise. Perhaps this TOR might have to be extended to include the evaluation of the extent to which these market features also influence information disorders and unethical journalistic cultures.

*c) Evaluate whether the commercial relationship between news media businesses and relevant digital platforms is characterised by imbalances in bargaining power and the impact of such imbalances on competitive outcomes affecting the news media industry, including pricing and non-price outcomes:*

This is a useful TOR which can unpack a lot of covert and overt relationships between digital platforms and news publishers in South Africa. However, we urge the Commission to also look at non-commercial relationship between news publishers and digital platforms. This is also important to investigate the subtle forms of mainstream media capture by the Big Techs in South Africa.

Extant literature from the Global North has underscored the fact that the commercial relationship between news media businesses and relevant digital platforms is characterised by imbalances in bargaining power and the impact of such imbalances on competitive outcomes affect the news media industry. This literature has been documented in Australia, New Zealand, Canada, United Kingdom, United States of America, and many other countries. Anticompetitive behaviours of Big Tech giants like Meta (Facebook), Google, YouTube, and Twitter has been a major topic of policy and regulatory concern. In these jurisdictions, the impact of social media, search and content aggregators and the dominance of Facebook, Twitter and Google as primary distributors of news content has negatively affected the financial sustainability of legacy media organisations and born digital media start-ups. Because of the planetary techno-social infrastructures, Meta and Google are increasingly gleaning the lion's share of digital advertising revenues. This dominance of the infrastructure, digital markets, data mining capabilities and distribution mechanisms have created oligopolistic tendencies, which are adversely affecting the operations of news media across the world.

The situation has not spared the South African news media ecology. Similar trends characterised by imbalances in bargaining power between platforms and publishers are likely to be the order of the day in South Africa. The unequal relationship between Big Tech companies and publishers manifest itself at the level of market, infrastructure, audiences, and analytic systems power. This is even pronounced in the broadcasting sector where platform companies like Netflix, Amazon, Apple, YouTube Premium and Showmax are increasingly eating into the advertising revenue traditionally available to public interest media. In South Africa, the competition between DStv and Netflix has been significantly documented. However, there is insufficient data and nuanced research on what is happening between publishers and platforms in the print, broadcast, and online media sectors.

*d) Evaluate whether competition for the distribution, display and monetisation of news content online between news media businesses through relevant digital platforms is distorted by market features including, but not limited to, ranking algorithms, paid results, search engine optimisation, consumer and social network preferences and commercial relationships with news media companies:*

This TOR is also welcomed. It must however look at the role of recommender systems, instant articles, in-stream advertising revenue and premium content on platforms like YouTube.

News content is increasingly aggregated and curated by digital platforms through algorithms. Digital platforms employ various algorithmic methods to produce and curate news to optimise engagement. Various market factors that may distort competition have an impact on how news media companies distribute, display, and monetise news content online. The key factors include ranking algorithms, paid results, and search engine optimisation. Ranking algorithms may affect how visible news information is to users. If these algorithms are not transparent or unfair, it might result in some news media companies being more exposed than others, which would distort the market. The visibility and exposure of news content can also be impacted by paid results or advertising, which may benefit larger news media organisations with higher advertising expenditures.

The average South African internet user spends 9h38 online consuming different media. When examining the top sites visited during the fourth quarter (Q4) of 2022, the dominance of global platform owners is evident as News24.com South African English-language news website ranks seventh with 27.6 million monthly total visits vs Google's 560 million. Alphabet's Google currently has a disproportionate dominance (93%) of all search engine referrals in South Africa and Bing (5.57%) trailing behind. Whilst Meta Platform's dominance is expressed through its dominance of social media and chat platforms (Facebook, Instagram, and WhatsApp) in the South Africa digital sphere. Alphabet, Google, and Meta Platforms combined represent a market concentration that local platforms cannot rival from a size, investment, and capability standpoint.

Search engine optimisation impacts competition. Businesses in the news industry that can optimise their material to appear higher in search results may have an advantage over those that can't, which could lead to a distortion of competition. The above market characteristics (ranking algorithms, paid results, search engine optimisation), can distort competition for the distribution, display, and monetisation of news content online. These elements may lead to imbalances and difficulties for independent or smaller news media outlets, possibly reducing competition and diversity in the digital news environment. In the South African context, it is therefore crucial to evaluate these market characteristics and consider regulatory measures or industry best practices that support healthy competition and guarantee an even playing field for all players.

*e) Evaluate whether the current and future integration of generative AI systems in relevant digital platforms, including the AI review and assimilation of news media content, will impact on the adoption and competition considerations:*

The focus on the topical generative AI tools is important. There is a need to also look at the next generation of AI tools that have the potential to mimic the human voice. There is a need to take stock of the local AI tools being developed by the Artificial Intelligence Institute of South Africa (AIISA) at the University of Johannesburg. The focus thus far has been on AI tools developed from the Global North.

The recent so-called AI arms race has seen the aforementioned platform owners invest billions of dollars in the research and development of generative AI capabilities for current and future competitive dominance in an effort to monetise the widespread adoption and use of generative AI tools. Microsoft invested US\$10 billion in OpenAI, the parent firm of ChatGPT (Q.ai, 2023) while Google invested US\$300 million in Anthropic, an AI start-up and rival to ChatGPT. The integration of AI into Meta Platforms reversed a three-quarter decline in 2022 by boosting traffic and generating more ad revenue. This ad revenue which is diverted from South Africa and local platforms. Furthermore, this is concrete evidence of AI's ability to generate value for the dominant platform owners and further cement their market share.

In light of the forecasted impact of AI in the Fourth Industrial Revolution (4IR), this is an important TOR because it has the potential to shine light on the state of adoption and competition-related issues in the area of public-interest journalism. The technological developments of the past decades have fundamentally impacted the journalistic profession in more ways than one, opening up new possibilities and simultaneously creating a number of concerns for people working in the media industry. The rise of AI, algorithms and recommendation systems have affected journalism at the level of automated content production, data mining, news dissemination and content optimisation.

In recent years, scholars and commentators have highlighted that we are now in the 'AI age', signified by the introduction of ChatGPT by OpenAI. There is no doubt that generative AI has the potential to disrupt journalism by making content—not only text, but also visual imagery—easier to create. Despite their potential, AI tools have limitations. These include bias, nonsense text and ethical transgressions.

In both developed and developing world contexts, there has always been a one-dimensional, almost instrumentalist view of AI and its impact on journalism. The current and future integration of generative AI systems such as ChatGPT in relevant digital platforms, including the AI review and assimilation of news media content has significant copyrights, anticompetitive, ethical, and regulatory implications.

Given that the AI race is dominated by Global North companies, it is highly likely that data colonialism, data mining and structural biases will be reproduced in countries such as South Africa. Therefore, the dependency of South African news media businesses on global digital

platforms has a significant impact on the dissemination, aggregation, display, creation, and monetisation of their news content online. The dominance and dependency results in a degree of loss of control over news content distribution, as global digital platforms act as intermediaries between news media businesses and online users. To rank and appear in searches, ad supported news media businesses are forced to adapt their strategies to meet the demands of these platforms (SEO) which can impact their ability to monetise their content to a wider audience and keep the costs of subscriptions affordable for users.

This also means that global platforms gain a disparate amount of value from content produced at the expense of local providers. While AI systems can improve the efficiency of news content review and assimilation, they also raise concerns about potential bias and the automation of editorial decision-making. This could impact the adoption of AI systems and competition considerations, as news media businesses may need to prioritise adapting their content to meet the requirements of AI systems rather than focusing on their unique editorial voice and perspective. The dominance of these platforms could limit the diversity of voices and perspectives in the digital news landscape, as well as limit the ability of smaller news media businesses to compete effectively in the digital marketplace. For competitiveness, South African news media businesses will need to invest in and integrate AI and focus their efforts on capacitating their platforms to retain and grow their user base in South Africa and the African diaspora.

Unequal competition and bargaining power between news publishers in South Africa and AI developers in the Global North is also likely to further accentuate already existing power imbalances. As this latest technological fad continues to evolve, there is need to focus on this strand of research in South Africa. Recent research on AI and journalism in South Africa has focused on instrumental uses of analytic systems, personalisation tools and automated fact checking systems.

*f) Evaluate the impact of the quality and consumer choice of South African news media, as well as the impact on news media companies that are small and medium-size enterprises (“SMEs”) and/or businesses owned by historically disadvantaged persons (“HDPs”):*

This TOR is necessary owing to the ongoing transformation endeavours to redress historical imbalances in national politics and economics. As shown in point (b) of the TOR, market features distort competition for revenue and consumer data. This has an impact on news quality as the new relationship between the media and platforms fuels information disorders. The ability of platform companies to filter and deliver news content based on user metrics has an effect on the quality of information circulating because it creates filter bubbles.

Algorithms determine the ‘top news’ and influence consumer choice in a manner that shepherds users towards particular content. In this scenario, diversity of opinion is stifled, thus platforms create echo chambers that disempower citizens by limiting their ability to make informed choices. This has a long-term impact on democracy as citizens’ access to information is influenced

by factors other than their own will and choice. This might also need to be evaluated. Further to the above, small to medium media enterprises are disadvantaged because they already have limited access to resources, which affects the quantity and quality of information they produce. As a result, they feature less on search engines and do not generate the necessary traffic to influence advertising decisions.

This further curtails their growth and exacerbates the problem of lack of diversity. Grassroots media, such as community newspapers and community broadcasting stations are among those worst affected, yet they play a fundamental role in championing local, needs based development. The TOR might, therefore, need to include an evaluation of how the performance of these SMEs and enterprises owned by HDPs has an influence on South Africa's development and democracy agenda.

*g) Determine appropriate remedies where an adverse effect on competition or the purposes of the Act are found as set out in section 43C(3) of the Act.*

Whilst there is precedence on this TOR based on the Australian and European Union model, South Africa has an opportunity to provide leadership in the Southern African Development Community (SADC) region and indeed at a continental level with regards to proposing appropriate remedies for context specific anticompetitive behaviours between news publishers and digital platforms.

It is important to pay attention to the appropriate remedies in light of the Australian model and the European Union's Digital Services Act and Digital Markets Act, which are likely to shape the direction of regulation of digital platforms in the foreseeable future. Given the fact that the South African commercial media has been historically concentrated, and this behavior has gradually migrated to online and digital platforms, it is imperative that regulatory initiatives are developed and enforced to address the adverse effect of competition. Globally it has emerged that digitisation has had adverse impact to news producers and advertisers and to the markets for news and services such as Internet search, search advertising, social media, and display advertising. Indeed, large tech companies possess considerable bargaining power in dealing with local news organisations. Therefore, there must be regulations and/or code of conduct governing the use of the content produced by news media business organisations by digital platforms. This must be monitored by relevant authorities in line with the supreme law of the land. There is need to learn from the Australian collective bargaining code. The Competition Commission of South Africa, the Independent Communication Authority of South Africa and the Films and Publications Board of South Africa have a role to play in this ever-evolving digital media landscape.

### **Concluding remarks**


In conclusion, we would like to commend the Commission for embarking on this long overdue process. It has the potential to chart the way forward in terms of recommending appropriate remedies for regulating the relationship between news publishers and digital platforms in South Africa. We strongly believe the inquiry is pivoted on the right set of TORs. We have recommended



areas where the commission can tighten its TORs in light of the ever-changing digital media ecosystem. There is already anecdotal evidence in the South African context which suggests that there exist market features in digital platforms that distribute news media content which impede, distort, or restrict competition, or undermine the purposes of the Competition Act, and which have material implications for the news media sector of South Africa.

As the School of Communication and the Centre for Data and Digital Communications, we stand ready to render our support to this noble initiative. This constitutes part of our academic citizenship and public service mandate as the School and Centre. We hope to continue to be consulted in future whenever similar initiatives have arisen within the Commission. We are keen to partner the Commission in its inquiry and publicising of its report and recommendations.

Sincerely,



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