

COMPETITION COMMISSION OF SOUTH AFRICA
In the matter of
MEDIA AND DIGITAL PLATFORMS MARKET INQUIRY ("MDPMI")
held in hybrid format at
Dtic Campus, Sunnyside Pretoria and virtually via MS TEAMS
on 13 March 2024

Chairperson: Chief Economist and Acting Deputy Commissioner:
Competition Commission: Mr. James Hodge

PANEL MEMBER:

Ms. Paula Fray

Day 8:

Kagiso Media Radio/Jacaranda FM

Reuters Institute for the Study of Journalism

START OF PROCEEDINGS ON 13 MARCH 2024

CHAIRPERSON: Welcome to day eight of the Media and Digital Platforms Marketing Inquiry. Today we start with Kagiso media from 10 to 12 and then from 12 to 1 we have the Reuters Institute for the Study of Journalism. So welcome Kagiso and welcome Nicholas Grubb the CEO of Kagiso. Please introduce your team and then you're welcome to start your presentation.

NICHOLAS GRUBB - KAGISO MEDIA: Miss Fray, I'll call you James
10 and Paula if that's okay, from this point on. Thanks very much for
having us, just to introduce the team, to my left is Yusuf Nabee,
Yusuf is helping us with some regulatory work and is here to
complete my sentences if I start to go off the reservation. Anthea
Carstens to my right is our head of audience engagement which
means that she oversees effectively finding audiences for our digital
properties and so that's an editorial and also kind of technical task to
make sure that every piece of content we produce finds its
appropriate digital audience, so she's a journalist by training and will
also speak to some of the slides. Mark Botha is from our sales
20 house, Mediamark. Mark is the head of digital there so if there are
questions or content relating to the adtech stack or the monetisation
of digital, Mark is here to address those. And our extended
delegation who won't be presenting but are here also to pick up on
questions, Vuyani Dombo is our head of finance for the portfolios, he
works with me at Kagiso Media Radio head office and Thabang

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Nthaudi is representing Jacaranda, he's the head of finance for Jacaranda. Apologies from Deirdre King, the MD who has taken ill and Andrew Pike the technical manager who is on leave at the moment but Thabang is here to cover Jacaranda specific questions as we all are because we represent East Coast Radio and Jacaranda anyway and we're quite operationally involved. And then, sorry my introduction, I'm the CEO of the Kagiso Media Radio Group. So thank you for your time this morning.

CHAIRPERSON: Thanks Nicholas. I don't know if you've got the
10 presentation up and then we'll run through that, we won't interrupt you while you're presenting but we do have plenty of time so go in to as much detail as you need and then we'll have questions afterwards.

NICHOLAS GRUBB - KAGISO MEDIA: Thank you. Maybe to continue the theme of introductions, I'll talk a little bit about Kagiso Media as a business and Kagiso Media Radio which you know, we are a subsidiary of Kagiso Media. So the broad Kagiso Media business is a majority black owned South African media company and it started life with predominant assets in broadcasting and then
20 expanded those assets to include media sales, content creation, for example Juta and Urban Brew Studios and specialised publishing, sorry that's the Juta aspect and Urban Brew Studios. So the interests of Kagiso Media expand quite a lot of different media types but Kagiso Media Radio is one of the biggest subsidiaries within that, so we own and operate two regional stations, as you know with

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current regulations, we are restricted in owning and controlling more than two FM licences and so we're proud that our two licences are East Coast Radio and Jacaranda FM and they are sizeable stations reaching sizeable markets in Gauteng, Mpumalanga and North West Province and in KZN respectively. We have small strategic investments underneath the control line in terms of Kaya FM, OFM, Heart FM and Gagasi. It's important to note though that we're not speaking on their behalf today, we don't have any operational control within those brands. We're going to speak on behalf of

10 Jacaranda and East Coast in our group experience of radio. Mediamark is an independent company so it's not a subsidiary of Kagiso Media Radio but it is a component of Kagiso Media and it represents not only our radio brands and radio inventory but also a variety of external third party digital and radio clients and sales inventory on their behalf to the advertising market and as I say, Mark is the representative here from Mediamark. So that's a brief introduction to us as a brand. I think before I go into the inquiry relevance, I think what struck me in the last few days is that the relevance of our presentation as broadcasters to this enquiry we see

20 as twofold. I think the first is sharing our direct experiences as producers of news, similar to I guess many of the other submissions that have been made and the interdependence that we have with these social media and platforms like Google, so certainly that will perpetuate some of the themes that have already I guess seen, you would have seen coming out of other media houses but also I think

it's instructive to look at radio and the way that radio is operated as a comparison to the way that some of these platforms operate in the international and local markets. Firstly I mean it's been said before and perhaps it's a bit of a cliché but we as radio people certainly believe that radio is the original social media and why we say that is because we have long provided as a medium, social connection for people to aggregate, communities to aggregate around communities of geography or communities of interest and so on. We also provide a curated and created mix of entertainment, music for example,

10 many of our radio stations are music, in fact our two stations are predominantly music driven, information and news which we convey to our audiences and I think that what's important to note is that as much as we are a platform that provides this access to our audiences that draws from all these dispirit sources to create a product and serve that to our audiences, we actually pay for all of that content or at least where we don't pay for that content we appropriately credit that content. So, for example, in the case of the music that we play which is a large portion of our output, there are a variety of royalties that we owe to a variety of collection societies

20 that pay for the rights to use that music. In the case of our news content, we subscribe to news-wise services to augment the work that our journalists who we fund and direct so by way of context, we invest well over ten million rand or spend more than ten million rand a year in terms of funding our newsrooms across the group and we have well over 20 staff and it's more if you consider social media

staff and so on that work adjacent to news in order to resonate that content. We fund our own news gathering content but then we also pay for additional news content from news-wise and where we attribute or use a story that's already been published for example, that will be done with the appropriate credit to make sure that that message, the credit is given to the originating media house. We also make sure that as a broadcaster and a responsible broadcaster we provide a safe environment for our audiences to interact. We contribute to the MDDA in terms of furthering media diversity as

10 entities within, you know as licence broadcasters, we have obligations like that. We have commitments to training that are not just SETA obligations but in many cases part of our licence conditions and also part of our commitment to our community. We have guidelines and protocols that ensure that we have appropriate investment and empowerment of historically disadvantaged groups. As local companies of course we comply to B-BBEE requirements and the list goes on. I think the point that I make is that as local market broadcasters these and other obligations are part of our contract with our communities to operate in those spaces but they

20 also come with the responsibility of utilising a frequency which belongs to South Africa. Most of these activities are enshrined in our licence conditions and we are subject to yearly compliance checks via the regulator, ICASA and we have to provide reports and data in detail to show that we are doing what we said we would do. Those are adjudicated, those are sent back to broadcasters, they are

published on the ICASA website, it's a very transparent process. Sometimes a slow process but it is a very transparent process. And then in addition to these yearly compliance checks, we are also, as broadcasters accountable to our audiences. So we are, there is a provision for self-regulation within the ECA, in fact we have to make sure that we have to make sure that we have some sort of regulatory mechanism to make sure that we are accountable to audiences via the code of conduct, of course we have the Broadcasting Complaints Commission which is the membership of which is funded
10 by the broadcasters, television and radio and their ambit recently was expanded to include the digital content that is produced by those broadcasters and they regulate effectively a code of conduct which is again publicly available and listeners have accountability or consumers of digital content have accountability. Hopefully what's obvious to the Commission by now from last weeks' submissions is that, and we hope to elaborate on this further today is that social media platforms that are under scrutiny in this particular inquiry, they don't have the same obligations. They don't have the same safeguards and they also don't have the same sense of audience
20 responsibility in terms of safeguarding the dialogue that happens in those spaces that licenced broadcasters have. So on that note we welcome the inquiries I guess expansion of your invitation to broadcasters because whilst news might not be 100% of what we do, it's certainly a component but also hopefully it will serve to highlight some of the regulatory or kind of environmental disparities

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between the way that we have to operate as essentially a similar if you like, platform for audiences to engage. Further to that of course, like any media company, we are a two-sided business, we need to aggregate audiences in order to drive interest from advertisers which is virtually 100% our income, is advertising income and I think the other points of the slide have been made, perhaps it's relevant to say that we do produce quite a lot of news content. So whilst it may be a smaller proportion of our total output, it's still 30,000 minutes of radio news content in a year and over 6,000 digital news articles

10 annually and then we obviously publish those into our own environments but then we resonate them through and Anthea will elaborate a little bit on this. We resonate that content also and find audiences via platforms like Facebook and social media platforms and as I say we are virtually entirely reliant on advertising income across our digital and terrestrial platforms. So today what we're going to just talk a bit about and obviously there is a lot of detail in the two submissions, the submission and further submissions that we've made, not just in respect to Kagiso Media Radio but we've also contributed via Jacaranda and provided a lot more detail, some

20 of which is proprietorial so we did mark that as confidential but we've obviously provided the inquiry with quite a lot of detail, we'll really just attempt to do an overview today of some of the key narratives. We're going to talk about some trends in news media, how we approach news, why news is important and the value of news beyond its monetary value and then we're going to talk a little bit

about the viable distribution of news content on digital media platforms around the algorithms, our regulatory disparity as we see it, the business model and how that furthers some of the kind of fault lines that we see in the current environment. The inability to negotiate the terms around our engagement with these companies, inadequate compensation for news providers and also some of the technical challenges within the AdTech stack. We'll talk to some degree about viability and then if there's, we'll touch on a couple of points that were raised in the request by the inquiry to cover today

10 that were specific to Jacaranda that we might be able to add a bit of colour and then of course we will talk about how we perceive some of the remedies against some of the issues that we are raising today. So just [speaking simultaneously/interruption] we are on the slide titled the changing landscape with News Media, thank you. To speak quite briefly to some of these trends and again I have seen that a lot of the other organisations have perhaps gone into more detail but it is true that people are consuming and accessing their news, certainly since when I started my career it was mostly through traditional media sources and that obviously that has become

20 exponentially digitised and that has had a profound impact on certainly print media to a lesser extent the consumption of radio and TV which is still consumed fairly widely. Obviously platforms, the aggregation of audiences via social media platforms has been, and aggregators has been also exponential, the content has been increasingly personalised and suggested rather than actively sought

by consumers which I think introduces a dynamic into this conversation that's important. We've seen that people are shifting towards visual and interactive content which again can be a good thing but sometimes could create superficiality in terms of consumption of news but certainly that's a trend as these platforms become increasingly more visual and less text based. We are seeing that there's a lot more misinformation, again this has been widely noted and various international and local situations, again that I'm sure the inquiry is aware of, the environment in fact creates an

10 enabling environment for misinformation to spread because the most compelling incentive in most markets is a financial incentive and so long as the business model supports a way of disseminating information that's advantageous to someone to spread something salacious or clickbaity you know, in order to create more revenue than that will become the prevailing trend in those environments. We have seen that echo chambers and filter bubbles, Anthea will speak some more around this, for me as a former journalist I realise that, you realise very early that there is a need to know and want to know in the public space. People may want to know just about a simple

20 soccer score, they may need to know about water outages in their area. They may want to know about the utterings of a politician that they like and admire but they may need to know what the politician in another party is talking to. I think that news carries a responsibility beyond just the information that people are seeking. It also needs to fully contextualise and provide information that people aren't seeking

but that is important still for a holistic world view. We are seeing a, and then the last point is that, and again could be good, could be bad because perhaps on the one hand my teenagers are getting access to news via TikTok, the other is that it's very short form and that in itself creates some dangers in terms of the way that news is processed. Changing slides, I think again as I have noted, we have a wide amount of output in terms of news across various formats, so we do, of course in addition to our audio news bulletins, we also provide text and video to augment that on our digital platforms and

10 certainly radio, what we've seen is that traditional media has become in some ways, in as much as perhaps when I started my career as a journalist on radio, people were accessing news first to a greater degree, there are still many South Africans that still do, in fact many international audiences that may still do via radio but of course there are a lot of other digital channels where people find news and what's been interesting is to see the evolution of this trend over time because in the beginning suddenly we were at risk of being disintermediated by platforms like Twitter, now X for example, as that news was published and people were alerted to news

20 perhaps through other channels, what we've seen as the spread of misinformation and disinformation has happened is that people have started to gravitate back to some of these traditional platforms where there is trust to validate, verify, engage in a conversation around that news, to really kind of contextualise that news, so commercial and public radio and community radio play an important part in that.

obviously radio is accessible, it's convenient, it's free and it creates a personal theatre of the mind connection with the people that are consuming it. And then the digital platforms as they've evolved have offered us as broadcasters, new opportunities to drive news content onto those platforms, provide access on demand, obviously our radio product is a linear product so people can actually go and look for particular news articles which is helpful, we can go into more depth perhaps in a, via podcast content interviews, expanded digital text based and pictorial content on our website, more depth that we

10 can as a music station perhaps on our linear platforms and digital and radio, we've seen certainly not only in the advertising space but in the content space work pretty well together as a companion media. You can be on digital while you are listening to the radio and so content from the radio feeds well into digital and vice versa. And then for us it's a way also, digital increasingly will become part of our future. As a broadcaster we are seeing that as, there are questions around the long term sustainability of radio, again it's a question of belief, my belief is that radio certainly even in areas where there's been high amounts of free and accessible bandwidth, radio has still

20 remained relevant in the consumption mix but of course we are seeing internationally that there is a slow-down in the take up of radio by younger audiences, we are finding incidentally that many of those audiences start to engage with radio still just later in their life but certainly the time spent with radio in some markets like the US is less than it used to be. So given those trends and the fact that

there's also a lot of competing pressures for advertisers to advertise on these platforms, what happens inevitably is that radio kind of reaches a post-growth point, it's still relevant and accessible to audiences, it maintains relevance to their lives, it's not going to decline like some of the print titles has but it's the relationship with radio perhaps isn't quite as profound or not as much time spent as used to be the case and advertisers have more option and therefore there's less revenue pie to attribute to those traditional media platforms. So whilst we don't feel as a business we're a burning
10 platform at the same time we do need to ensure that digital as a distribution mechanism is a viable one for us and in the future perhaps people won't be accessing their radio content through FM frequencies, they might be doing it through streaming and therefore digital needs to be a viable environment for us if we are going to seamlessly transition the kind of quality and product that we currently create into those markets. I'm going to hand over to Anthea just to talk a little bit about the value of news in the public space.

ANTHEA CARSTENS – KAGISO MEDIA: Thanks Nick. So yes news as a public good. So the availability of credible news and information
20 is an important component of the democratic discourse. So for us news is so, so important to our audience. We find that after doing some number crunching we've discovered that should we lose news as an area of our site, we could lose up to 35% of our traffic which also proves that our community is interested in it and they need it, it is a want, not just a need. That also speaks to the difference

between need that they want to know and they need to know so an editorial position that we've taken is that our news has to be fair, it has to be balanced, it has to be trustworthy and we need to make sure that we provide information that our users want and need to know. So besides them wanting to know like soccer scores or election results in their local communities, they might need to know about water outages where they're staying or where family is staying, they might need to know about drops in electricity, that type of thing. In order to provide news on that kind of scale, we need a

10 team that is quite big and quite experienced and established as well to sort of get down into the nitty gritty of what we need to be reporting on. So it's so, so important to our traffic. It's so, so important to our business and it's also so important to our, what the product that we provide our listeners. It's become an expectation that the news we provide is of a very high standard and quality. Then large media platforms with reach and influence have a role to play in the provision of credible and diverse news content which is what I've spoken about before. We have a responsibility to our users, we have a responsibility to the public that we provide a good

20 trustworthy and honest product, I think you've spoken enough about licencing as well. Digital platforms, this is a big one, digital platforms are not subject to similar regulation, regulation or licencing and therefore bear no responsibility or accountability to contribute to a vibrant news landscape. So while we are essentially radio stations, we are bound by regulatory bodies, by regulations we are quite strict

when it comes to that aspect and we find that digital platforms don't have the same responsibilities that we do. So their scope of reporting is much wider versus what we are able to do, we also, and this speaks to our editorial guidelines as well where we do not publish news that is salacious or that is, you know, could be sort of have a double meaning or anything like that, it's very trustworthy, it's honest, it's straight to the point and it's balanced. So we choose not to have that option where we provide news that it could be a little bit, sort of where we are unsure what is actually being said but because

10 there's no regulation on that side, how can we compete when public opinion and algorithms favour this kind of content. So it could be argued that these platforms who prescribe to this type of content creation actively contribute to the decline of the news offering in the country. They affect the viability of traditional news media organisations, they promote misinformation and disinformation. They drown out our local voices and we cannot compete with large international news organisations, it's just not possible. Digital platforms act as an important gateway to news content and they bare an active responsibility to ensure that news is fair, truthful and

20 accurate and to promote a vibrant and diverse news offering in the country.

YUSUF NABEE – KAGISO MEDIA: If I may just add. I think what's important is that news as a public good, that's been recognised as very important for a democratic discourse, we see it in our constitution, definitely in the broadcasting legislation, there's been a

very specific emphasis on the need for all broadcasters who are participating in the industry, getting licences, that there is a specific responsibility around news. So the recognition of the value of news without any specific obligation being placed that there's a threat that is potential that the news content may not be carried as strongly as it should simply because there is, it's not necessarily always viable to be able to do it and secondly is the point that Nick and Anthea made about what people want to know versus what they need to know. So there has been a very special regulation or legislation being placed
10 around the need to be able to protect news and I think what has happened in the digital arena is that that hasn't really carried through and as more and more people consume news, there is a threat to the broader news industry as a whole and maintaining the viability of the news industry as well as the value of news not necessarily just to the platform itself or to the audiences but just to the public discourse that's required. So I just wanted to make that point.

ANTHEA CARSTENS - KAGISO MEDIA: Thanks Yusuf. So the availability of credible news content is a key reason why users
20 access Search and social media platforms. So we found that the sources of the BRC Fusion Study in 2022 found that online digital news consumption, the vast majority of consumption occurs via online news sites firstly and then followed closely by social media and the difference between those two elements versus apps, digital PDF copies of publications and any other sites was quite big. Digital

platforms benefit directly and indirectly from the availability of credible news content. It establishes now when you have a credible news offering and it is sort of on one of these, let's say for instance Facebook which is quite widely used here. You establish your credibility and your engagement and your retention for digital and social media platforms. You also drive traffic which can then be monetised directly and indirectly, but if we don't have that kind of visibility on those sites we lose a major amount of traffic and because social media also has algorithms so you might like a page, you might like Jacaranda FM's news page or Facebook page. It doesn't mean that you're necessarily going to be served that content unless we plough extra money into it and direct you through their paid options. So while you might follow a page, it doesn't mean that you necessarily are going to see that and publications that could possibly be creating news that is not exactly truthful or credible could be also using their spend to make sure that they target those users, those Facebook users. So they will be served that content rather than the content that is credible and trustworthy and fair. The process and the system is not exactly fair and doesn't favour news that prescribes to proper editorial guidelines. The value of news content should also be measured based on its overall effect on the platform and not just on the amount of content. So it needs to be measured on its ability to drive traffic and engagement, to direct an indirect monetisation and also opportunity cost of not having credible news. So what are the outcomes if you do not have credible news, if

you don't prescribe to correct editorial guidelines and practices, we are not seeing any, not feedback around that but we're not seeing any recourse. We are not seeing recourse if that does happen, are they being held accountable, how are they being held accountable. We are certainly held accountable if we produce content that is not, that doesn't prescribe to those editorial guidelines but we're not seeing fairness across the industry as a whole and simply because we are a radio station that has a digital offering which is a very important part of our ecosystem, surely those publications who are

10 not tied to the same bodies that we are tied to should have some form of body that they prescribe to where there are guidelines that determine their publishing and the rules that they follow. So the next slide speaks of the consumption which I spoke of earlier, you will see that the BRC Fusion Study noted that 35.3% of news traffic is a website on any device, so this is any online news site specifically. 32.2% is social media. So that is quite a big amount of news content, like the percentage of news consumption in this country, it can't be ignored, social media has a massive impact on content that is shared, content that is consumed and the general promotion of

20 news content across the country, I know we have all been on social media, we've all see the story shared and we have to ask the question, is the little disclaimer underneath it, this might not be true, enough. Is it enough to deter users to keep on sharing, to stop sharing this content? We've seen that they still continue to share, that is just online behaviour, that is typical user behaviour. If

something appears crazy or unbelievable or you know it prescribes, it speaks to people's own belief systems, they're going to share it whether it's real or truthful or honest or not. So we have to hold social media sites more accountable. Are they doing enough to stop the spread of misinformation, are they checking content enough, do they have proper checks and controls and balances in place and are they favouring people who pay versus actual news providers who provide a proper regulated offering or are they favouring money? We have to question that. The rest of the graph shows that a very small
10 percentage comes from news that's on sort of an app or like I said PDF's and anywhere else. So essentially we have to look at what social media sites are doing, what the search algorithms are doing, are they speaking to the content, are they acknowledging the content that is being created and where the source is from, are they acknowledging that you are a trustful and truthful source of news versus, are you spending more on your ads and are you paying to be visible in people's searches or in their Facebook feeds as well as X and everything else.

YUSUF NABEE – KAGISO MEDIA: If I just may add just to the point
20 that Anthea made about the value of news to the platforms. I mean we've noted in the submissions from Meta, Google etcetera about the amount of content, I think they quoted, I think Meta quoted 3%, I think Google quoted 2% in terms of the amount of news that's actually being actively searched and we strongly believe that that's not the right way to look at the value of news content. The study that

Anthea quoted just shows the value of news to those audiences. In our submissions we've quoted several other studies that have directed that actually, what people go to these platforms for is news. So it's not about consumption, it's about the overall value it has to the platform and as Anthea mentioned opportunity costs of not having it means that actually they weren't valued as much. So they might be coming in or looking for news and maybe engaging with many different things, you know the entertainment content is really interesting but valuing news content purely just on the views or on
10 the fact that only 2% of the searchers that are directly searching for news is an indirect value of news that isn't being and we feel very strongly that the value the news needs to be looked at differently.

NICHOLAS GRUBB - KAGISO MEDIA: Ja it's a key theme for us, if you use the example of Jacaranda and our terrestrial signal, I mean our listeners must trust that if something important goes down in their area, they will hear it on Jacaranda. So the proportion of time they are spending consuming news on Jacaranda may be small but the comfort that an audience member has around the fact that they will be alerted to something, they won't miss out on something
20 important and that news exists on that platform can't be underestimated. So looking at it in terms of traffic or money on these sites is not the right metric in our respectful opinion. If they remove news, one of two things will happen. They will either get less traffic or even more dire, they will be more ignorant consumers just by virtue of the dominant position they have in terms of access to these

platforms. We are not experts in algorithms but we are going to try and speak to the algorithmic issue. I think, and we're not experts in algorithms so I think precisely to make the point that it is an opaque situation. The very existence of an SEO industry tells you that there is a whole industry that exists that is worth millions, if no billions of international dollars that it's very existence is to try and make sense of a kind of, of an opaque system by which content reaches audiences at the control of certain dominant players. Certainly our experience is that even when we invest in SEO, even when we pay
10 to boost posts and so on, it's still a little bit of a hit and miss situation in terms of reaching those audiences and remember that on a platform, I'll use Facebook as an example, it's not just about surfacing content to people on Facebook, it's servicing content where people on Facebook have actively said they want to like or follow a particular news brand or entertainment brand or they've said they like Jacaranda News Facebook page, those people should receive the content that they have actively asked for. It's not just a question of you know kind of disseminating it across and putting it into people's timelines randomly although of course that is one of
20 the means to do so. And then we're not necessarily saying that there is influence at work or skulduggery behind the scenes in terms of how they promote certain brands over the other but the point here really is the existence of the opportunity for that to happen and so as long as not only are you the owner of the platform and the owner of the algorithm which you can change at will, so long as those

platforms have a position where they own content platforms and they actually own all the content that you put up onto their sites in the first place. The ability for them to shift traffic towards favourable partners or alliances is there. We don't know if they use it but I think that the very existence of the possibility is a problem. So we have certainly been, as have other publishers that have testified last week and this week, we've certainly been affected by changes to algorithms, we've been tracking audience performance in a given month. An algorithm will change, even if we have notice of an
10 impending change, we don't know the specifics of it and therefore it does have a profound impact on our traffic and that obviously then affects exposure, that affects advertising, it affects our inbound links to our website, it affects all of those things and then we have to invest additionally in terms of boosting posts and so on into that platform. It makes it hard to plan against long term distribution strategies and there is also just no way to engage meaningfully with these platforms in a negotiation or a discussion even in order to start to create more transparency. We may have the means because obviously our income is also spread upon our traditional media
20 platforms so we may have a little more means than a smaller investigative journalism website for example that may have less funding capacity and so whatever we're experiencing would be kind of exacerbated by those kind of players that have smaller budgets. It is worth saying and I didn't say this in the introduction but we are not significant publishers in terms of the list of all the publishers in South

Africa but our websites are the two best performing radio station websites in the digital space so we, you know, within the radio industry we have the top performing publishing platforms. Some of the contributing factors just to continue the pointers that I think we've spoken to are accountability in terms of regulated versus unregulated but this regulatory disparity is an issue obviously in many areas in terms of OTT services, I am sure you would be alive to those too but certainly in the contents space. Even with the BCCSA expansion of its ambit to cover digital content by
10 broadcasters, it can't cover social media because a lot of our content is published on our websites and resonated to social media so it's still accountable but the social media sites themselves, you know, they can't hold them to account. Obviously we are subject to penalties and we invest in editorial oversight to make sure that those things are mitigated but I think the key point here again is and to the points that were made earlier, human behaviour most often is effected by the way that it is incentivised and the very nature of these platforms, certainly the social media platforms, I mean we single them out specifically as a category. You know the incentives
20 there are towards vanity or social equity and monetisation and so long as those are the driving forces, you know, you will find that there will of course be exceptions to that rule, they will be responsible individuals as much as there are responsible companies that actively participate in those platforms but so long as that is the incentive, the average user on those platforms will be incentivised

towards, use those as examples towards vanity or towards monetary incentivisation and content they put on those platforms will be influenced by that whereas we as broadcasters are motivated, we are local, we engage and we live in the communities that we serve and we are also regulated and subject to the local laws and so on. And then in terms of monetisation, so this this issue about the platforms, they incentivise popularity over accuracy and regulated media organisations prioritise, we have to prioritise, we have to prioritise accuracy over popularity because if we lose trust with our
10 audiences we lose the very ability to be sustainable. We could probably boost all of our content tomorrow by putting some untruthful or salacious article on but the long term effects of that for us would be catastrophic. And then obviously in terms of the shaping of public opinion, we are not talking here around like a small impact that is held by these big digital players, the reason why we're here today in the first place is because they have effective kind of monopoly over peoples interaction with the digital space and if they didn't, if they were just another option then it might be concerning, it might affect our business model but it certainly wouldn't be
20 something that the Competition Commission would concern itself with. The reality is that people access digital platforms via a very, very small amount of windows and so long as they have dominance over those windows, what appears in those windows has to be a cause of public concern. I think I have spoken to the algorithm impact but I think that the current controls, you know, we also

recognise that there has been attempts by some of these platforms to create controls, we just don't believe that they are adequate and for I think understandable and obvious reasons but the first being that they are global platforms and therefore even when they've created regulatory, or kind of self-regulation mechanisms, they are prone to international kind of global standards which may be different from the local market conditions or the constitutional protections or any of those things. They also regulate themselves so it's like having your own internal ombudsman rather than having one

10 externally and we know through our own experience in South Africa what that does to credibility of regulation. The standards are different per platform, not only in terms of the standards that they were put on those platforms but also the means by which you can report those issues. Obviously the changes in these areas have been widely publicised on X recently due to the ownership changes there so it also demonstrates that it's subject to change through ownership, not through regulation and that in itself is concerning. There will inevitably, the first thing we learnt in journalism school was that there is bias and effective journalism is managing bias

20 effectively because human bias will always exist and likewise platforms will have bias and it's a question of understanding that and seeing whether the controls are adequate to counteract that. Then there's also lack of recourse for us as content owners within these platforms in terms of also how our content is presented, we don't have even control of what it is presented next to and that kind of

stuff is concerning for us as well and that also means that we are sometimes out of control of the placement of our content and our content is important to us for trust so when you distribute content you want to be able to be at least certain of how it's getting presented and in what context. I have a kind of very rudimentary diagram and I don't intend to spend too much time on this but I have and I'm not sure, some of the slides aren't up on the screen, but I've just tried to demonstrate a value chain or if you like a kind of working model of the broadcast radio industry and I'll hopefully make it clear

10 what I mean by this and how I think that this is relevant to this discussion but the key thing is that we have control over the way that we firstly fashion and create our product. Our product is a mix, again, similarly I guess to some of these platforms which are more curated rather than created but we do both, we create our own content but a lot of our content is also sourced from third parties as I've mentioned and then we kind of package this mix of presenter editorialising around music and news and information, advertising content and then we distribute it through, in our case Sentech, I know it's also a subject in the Competition Commission enquiry

20 around market dominance but the reality is that they convey they signal and we monitor and we are able to control that as much as we had, we have concerns which is not for today but we are able to at least influence and control that because we are effectively customers of Sentech so when we distribute our signal, our traditional linear signal, we do so through contracts and an SLA and

a framework to engage and to regulate that. And then, of course we then put it out through those, in the case of a traditional radio broadcast, we then distribute the signal out into the frequency, into the air and then listeners are at liberty to access that through receivers. Now we try and influence that to as much as we can, we market the radio station, we create a legacy of brand affinity, we build up those relationships over time and build a value proposition that is important to audiences such that they will choose us on the radio. But now I guess for the purposes of the inquiry what I just
10 want to plant the question in your mind is imagine now that we are providing this content and yet Sentech decides like in this example, like a social media platform that they are going to decide kind of unilaterally which of the people that wanted to hear our signal will receive the signal and if we now want to reach those people we now have to pay to reach those people and we have to employ the services of consultants to help us figure out how we can reach the people that Sentech is ostensibly supposed to distribute to. Now you can of course raise the argument that in the case of Sentech we are paying them and you could say but we are not paying these
20 platforms there, they're doing it for free but we all know the economics of digital is that if something is free then you are for sale, they are monetising it in some way, we may not be paying them but they are earning advertising revenue on the back of that content so effectively it is paid for and yet we have no control over how we get it to the listeners that even the listeners that have elected to

consume us and I think that for us is the very crux of the difference between a broadcaster in control of its value chain and having to, these days because of its market dominance, we have to put content onto these platforms but we are, to a large degree, at their mercy in terms of how that content gets disseminated, so hopefully that illustrates the point. I am going to, in terms of the commercial terms, obviously we've been alive to some of the negotiations or regulatory impositions that have happened in other markets notably Australia and we can see that that is an ongoing and problematic

10 conversation that then started to get some wins for content creators and then it seems to most recently be dialled back again and then it's a conversation around value of news but make no mistake we are reliant on these platforms and also, make no mistake, there are pockets within these platforms of dedicated, enthusiastic, committed people that may further the interests of journalism and so on but it's just again, by the very nature of how it's incentivised, of how it's constructed, the extent to which they own all the elements of the value chain, they moderate themselves, all of these things create an environment that means that that reliance is inherently problematic.

20 As you are aware they dictate the terms in terms of the algorithms, they also control how that gets highlighted and promoted, the cookie removal, obviously these kind of things as much as it's been widely publicised but we're yet to understand because we're not, at least I am not deeply technical and perhaps, I'm sure there are people within our organisation that understand the full implications of that

but it takes a long time to get to grips with those kind of things and again it's a unilateral change on their part and then we have to use specific technical formats in terms of how we distribute which is prescribed by them and then we also have limitations on the amount of data that we are able to extract from that. Now on an operational level, I know this was a question within the Jacaranda submission, on an operational level, you know the Google Analytics to use that as an example, maybe instructive for people that are doing day to day publishing but again there's more analytics that these platforms

10 have around the specifics of the user interaction trended data, certain aspect of the data which on a strategic level is important for us and certainly for us in a linear environment in radio we would have access to that via our currency and so on but we don't have the same level of access to the data. And then also revenue shares are prescribed, they are not so much negotiated. I'm just mindful of time, so we have an hour right, in total, okay. I think the point has been made that we need to invest substantially if we're going to sustain journalism. I've certainly had experience of reaching tight budget situations in a business and often the first place where media

20 owners look is to cut news because there's no direct correlation between input and revenue or at least the correlation takes a little longer in terms of that trust erosion. And so media owners increasingly are under pressure and the danger of that is that you have what's often been called juniorisation of the newsroom. What it is is its actually just the cheapening of the newsroom, its juniorising

because media organisations have fewer budgets and therefore they've got less money to spend and younger people are less expensive, that comes with an experience and in fact creates more requirement for there to be subeditors and editorial oversight at a higher level and often that subediting level is also, in a radio environment it's often the first area to cut because you say well we've got desk editors who can put a bulletin together, put it on air, what could go wrong and we do see and we've had that personal experience of having to create some more, let me call them

10 efficiencies in the newsroom and what that does is it actually takes out that subediting layer and the result of that are grammatical errors or worse, factual errors and lack of fact checking so it always requires investment on our part to make sure that we maintain that credibility. The revenue earned from news content is limited also because news in itself is not a, particularly and I don't know if it's specific and Mark might elaborate to the South African market but news itself is not an attractive area for advertisers to advertise. Not only do you have a high cost of news production but you also have

20 missing child in Cape Town, so understandably from their perspective it's not a go to necessarily. There are obviously advertisers that do and that will advertise around news and we hope that they see the value of that but it's not, it's not as easy to get sponsorship as it is in other areas. Maybe I'll hand over to Mark just to talk a little bit about the adtech stack issues as well.

MARK BOTHA – MEDIAMARK – KAGISO MEDIA: Thanks Nick.

Okay so from an adtech perspective our primary focus in this submission was on Google, this is really where we've seen the most significant impact from day to day business perspective. Through the acquisitions that it's made over the years, Google controls the leading technology used by nearly every publisher and advertiser for the buying and selling of advertising online. With that they effectively take a clip of the ticket at multiple points within the process particularly in programmatic buys. They also, with that, exert a lot of control over the buying and the selling processes, so they effectively control the selling and the buying of inventory from intent by really locking in the publishers and advertisers at both ends of that negotiation. So just to break that down a little bit more, when we refer to the buy side, that really is the publishers that are making the inventory available. Google owns Google Ad Manager which really owns 90% of the market from an international perspective and locally as well. From an advertiser's perspective on the sales side, sorry from the buy side, Google owns the leading advertiser, Ad Servers so that's Google Ad's and Display and DV360 as well as Doubleclick Campaign manager which manages advertisers, ad campaigns and then they also have the leading ad exchange which is AdEx where many of the opening exchange buys are done across the various platforms. So really this dominance has allowed Google to effectively monopolise the digital adtech market diminishing the monetary value of online advertising and thereby putting individual

publishers under massive pressure to consider alternative revenue sources. You're just not really getting the kind of CPM's that you should be getting from the purchase because of the process that's in place and the way that it's actually bought. So as KMR we took a conscious decision quite a while back not to build a level of dependence on the open exchange buys when it really became very clear to us that allocating large portions of our inventory has severely limited a couple of things. So first of all the revenue, the CPM's that we were receiving for the inventory that we were selling
10 was nowhere near what we were able to get it if we were going out and selling it directly so we were giving out a whole lot of inventory into the market that we really weren't making any kind of money that would allow us to sustain ourselves from a digital perspective. It also limited the control of the inventory and how the advertisers were accessing it. What we found is that the exchange, because of the kind of prices that were charged and these are the buy was really starting to become a bit of a backdoor for many of the major clients and not just small clients that were looking to advertise on our site. So it had to be shut in order to get the kind of rates that we really
20 needed to get. And finally then it also restricted our ability to oversee the quality of the advertisements that we were receiving and the volume at which they were bought. So the quality of the advertisements that you run on your platform has a direct impact on the user experience on the platform and then if viewers are being hit with the same ad numerous times throughout a session, it's really

just not good for the traffic that we're bringing in. So ultimately when all was said and done we knew that AdEx would not generate sufficient revenue to sustain the platform or to build a solid digital future but the questions that we really have to ask ourselves ultimately is if we were still able to sell at a decent rate via the market places, what would the picture have looked like then if we were working with both so direct sales and bringing in but it just really wasn't an option for us and then, most importantly, and Nick has mentioned it a couple of times, when you look towards the
10 future, what happens if we had other avenues that we could have considered and what is the risk that we face as more of the audiences shift into the digital space and becomes a real kind of a call revenue generating area for us from an advertising perspective and I think that that's what a lot of the publishers are faced with. So while we're not making insinuations of misconduct one cannot deny that such a high level of dominance, control and access to information is really fertile ground for exploitation.

NICHOLAS GRUBB - KAGISO MEDIA: Thanks Mark. I think with a view to maybe not dealing with every point on the presentation
20 which I'd imagined is read but again just to, in terms of looking at the viability of digital news, maybe just to crystalize some of the points that we've made here. What we've covered already is that news is critical in value to platforms, so it's important to the content platforms, firstly. Secondly that it is critical to a flourishing society wherever that society, so the public good aspect is critical. That it is

a comparatively expensive thing to do because you have to get journalists that are in cars out in areas, you can't just do it on the phone necessarily, they can't work from home and just write articles necessarily, it's an expensive format news to invest in and once you've invested in it, it's transient so it's not like producing a Netflix documentary where you can put it in an archive and you can repurpose it and rewindow it and monetise it through, in most cases once you've produced a news article it may sit there for a bit and have limited archive value but it's not, it's news, it needs to be fresh
10 and once it's not fresh it no longer has value. So that expense that you've put in there is to create content that doesn't live in perpetuity and you can't continue to monetise it. As we've also covered, it's not the most attractive sponsor content. So it's also of the formats, it's easier to sponsor entertainment than it is to sponsor news. So with all of those factors, you look at the market conditions for a news organisation is already under pressure but then when you compound that with the fact that the CPM's and you're aggregating, you know, news survives on local, people want news because its relevant to their lives and in most cases people will consume most avidly the
20 news in their local communities and yet the global business model around aggregating these audiences across these platforms is based on global numbers and so your CPM's are low in comparison to the value of the news in your local market. So that then takes already a precarious and an aspect of a media organisation's output that already has to be protected, in most cases subsidised and puts

it in an operating context that makes it almost impossible to keep its head above water. So I think that really from a viability perspective were the key points that we wanted to make around that. Just in terms of specific issues to Jacaranda, there was a question around looking at what other platforms and how Jacaranda utilises platforms, and this applies just as much, the numbers and in terms of the success on various platforms may differ with East Coast Radio but certainly this is our approach as Kagiso Media Radio and I would imagine that there are many other radio broadcasters that do
10 similar things.

We see ourselves increasingly not just as a business that aggregates people around a transmitter but we aggregate people through a transmitter, through events, through social media platforms, through our websites, through our apps, through the talents that we have on the stations and through the news brands and so on.

So we effectively are trying as much as possible to build an
20 ecosystem across and as I said, that means that we are still in a position as much as our news department is a financial drain on us, we are still able to mitigate that through success in other areas, on other platforms and again we feel for our colleagues that are exclusive in news because they don't have that ability and as I've also made the point, in time as our output becomes increasingly, as

consumption becomes increasingly more digital, we will find ourselves in the same position.

Hopefully within the slide, I am not going to speak to the specific numbers but again we also increasingly are seeing value in data and the ability to analyse data, not necessarily for clients so much as also for our own output and in order to provide relevance to our audiences and our content teams and then we are really, I think the audience expectation is that we are present everywhere they are. So
10 if we chose not to participate in these brands it would also be a situation where audiences would start to see you as a brand with less relevance to them.

There was also a question I think in the one submission from Jacaranda, it was said that the data provided in terms of the analytics was sufficient and we were saying as a KMR submission that it was and I think I've made the point on an operational publishing level it's kind of basic demographic data and consumption data is fine but on a more strategic level when you're using these,
20 when the platforms are so important to you from a distribution point of view, we need a deeper layer of data and I think that was the point we wanted to make there.

I guess, unfortunately because I'm sure this will be the area where the inquiry will need to spend the majority of its time, we're not

necessarily again the regulatory experts around what the solutions are but I think some themes are certainly important to us.

First is the code of conduct to hold them accountable in the same way that we are accountable to our audiences. I think that it's not just important from an ability to compete perspective, it's important on a national level in terms of protecting audiences and in term protecting audiences, also protects advertisers and maybe makes this area more viable. So it actually has an overall positive impact.

10

I think holding them accountable to the codes that are relevant in our markets is important. Again I'm not a lawyer or a constitutional expert but we often say that South Africa has one of the most progressive constitutions in the world, now let's make sure that we apply those things into the way that these operators are obliged to operate.

20

We do need some sort of ability to negotiate, even if it's on a collective basis with these platforms so that those channels need to be opened and in fact mandated. There needs to be standards need around the adtech stack and so on and I think that certainly around the transparency so that we're not shooting in the dark to the same extent as we currently are if I refer you back to that Sentech example, you know, this kind of, we just find it difficult to find the audiences that want to find us on these platforms.

I think independent regulation, obviously that comes with cost bureaucracy and problems in itself but I think independent regulation is important and then really this is a thought starter of an idea but it did occur to us that it would be meaningful to have some sort of, and let's use the example of a programmatic platform where there are verified publishers and those verified publishers, they firstly embody businesses that are investing in journalism into this from a kind of moral and standards and ethical perspective, there are companies
10 that invest in fact checking etcetera. We may not always get it right but at least have those investments and those standards that are accountable to some sort of oversight body, that gives audiences recourse and then make those verified publishers available to advertisers that in turn will derive benefit because they know that by placing their advertising into those spaces they will be in regulated and safe environments and I refer anecdotally to the, I think the Arena Holdings submission around the BNN with the, they had a Shoprite Checkers ad next to that, advertisers don't want that either and as I say if you create an ability for these platforms that are
20 verified to be made available at CPN's that reflect the costs of content creation in those areas and provide those protections, I think that it's a virtuous circle that maybe can stand to mitigate some of the issues that we're experiencing.

And with that I thank you and we are of course available to engage

with questions.

CHAIRPERSON: Thank you very much Nick, I think it's been very useful, certainly very useful for us, the presentation and some of the analogies and also thoughts that you've put into things like remedies. I mean we have said from the start that, and we discussed it yesterday with Google the cut paste world of Australia did this and therefore we must is not where we are. We want to really understand and look at something sustainable as well and
10 radio certainly has to be part of that conversation because ultimately it's all going to be digital.

I just wanted to pick up on the analogy because your presentation has been very different to what we heard yesterday. Google basically told us news has no value and the value you ascribe to it is how many ads are on the same page and that's how we should think about it. I think you've come with a different view that maybe it's an indirect effect, it takes a longer time to see and you face the same challenges that, ja an advertiser doesn't want to be sitting next to the
20 news story that is disheartening and so, I mean I just wanted to get your perspective on Googles submission, coming from someone who yes, is not a search platform but is a content provider and I think similarly what you would say, I mean we haven't had Meta come, they're coming after you but you've seen what they've said globally that news doesn't factor in and people don't engage in,

when they cut it off the engagement doesn't drop, so maybe if you can provide your perspective on their submissions.

NICHOLAS GRUBB - KAGISO MEDIA: Thank you, I'm very pleased to. I think from a personal perspective I think that this position that they're putting forward is a bargaining position and let me use an example of the empirical value that we're seeing of news within our own organisation. We did a market study and these are substantial kind of million rand plus investments and research around audience perception for each of our brands. What was
10 interesting for me is some time, we did it in, we got the results beginning of last year, so we're about to do another one now but what was interesting is that when you ask radio audiences and our radio audiences specifically what they listen to the radio for. What we saw was that news used to always be in the top five. So it's music, talent, kind of content and information that appeals to me, these kind of criteria and what we saw with both of our brands and perhaps and we opined on the fact that it's probably a consequence of the fact that there had been the Covid pandemic and all these things is that news had risen up to the second place for the first time
20 in terms of why people listen to us. Now bear in mind that Jacaranda and East Coast Radio are music driven radio stations, their proposition to audiences, more music you love and KZN's number one hit music station but yet news was important. Also bear in mind that in a total amount of minutes broadcast in a day it's a fraction of the total output that we create every day and also bear in mind that

in terms of news sponsorship as we've made the point, our financial contribution of that content is also a fraction of what we might earn because our advertisers don't necessarily want to be around a news bulletin that's talking about the Covid pandemic or something because it might be the wrong association that they're looking for but yet it's the second most important reason why they come and again it's that point around the fact that we need to at all times create the confidence that if something important is happening, they will hear it here.

10

That if they hear something important has happened, they can turn to us and they will verify it there and so we believe that the same value of news exists on other platforms. The minute I start to become aware that I'm not getting a balanced view on a platform like to use Facebook as an example, that's when I'm going to make sure that I, I don't know, delete the app or go somewhere where I feel perhaps another platform has a more balanced algorithm. I think the impact of that, you can't directly ascribe it to the value of the amount of clicks or the amount of rands that you've made from that content and I think that radio example empirical as we can be in terms of demonstrating that value. If we took news away on our brands we wouldn't earn, lose money or immediately but over time we would leave exponential audience.

20

CHAIRPERSON: You mentioned just the news wire service, so how do you pay for news wire, is it on the basis of ad's or ad revenue or

does it work in a different way and I suppose same for music?

NICHOLAS GRUBB - KAGISO MEDIA: Let me start with music because I can speak to that directly. The specifics of our news wire contract, maybe Vuyani can help me with but the music is a percentage. There's various rights for music so we've got needle time royalties which are payable to performers and record companies and that is based on a Supreme Court directed formula. That looks at your music content, is a formula that talks about music content and then a percentage of revenue. And then likewise
10 SAMRO is also, SAMRO is for publishers of music and that's, it's a different calculation but it's also based on your total income. And then for the news, so different organisation will subscribe to different news services, you know, kind of your Reuters or [01:29:51] or AFP or any of these, some of the international, obviously we don't have [SAPA? 01:29:57] anymore but you've got local providers as well. And the tariffs will vary, some of them will rank you as kind of the size of the news organisation some of them will just be flat or kind of fixed fees all based on our amount of output but I don't know [inaudible 01:30:14] if you want to elaborate.

20 MARK BOTHA – MEDIAMARK – KAGISO MEDIA: Ja thanks Nick. So essentially the cost is driven by the contractual agreement that we have with the news wise service and whatever output that we've agreed to in terms of access and if so it's different for each news or iservice and we have got a few that we subscribe to.

CHAIRPERSON: And maybe I should just add obviously this is a

public hearing so any confidential information, please don't go into it.

MS. PAULA FRAY: I wonder, you're talking about a shift online, could you give us broadly speaking what your audience profile looks like, how many are online consumers versus your radio consumers?

NICHOLAS GRUBB - KAGISO MEDIA: Certainly, I mean again without wanting to go into too much of our digital performance stats but to the extent that some of those are already publicly available on kind of measurements and statistical sites. So maybe to give you an example our past seven day audiences for Jacaranda and East
10 Coast respectively, in other words how many people that listen on air to the traditional radio, that's measured by way of a survey through the Broadcast Research Council, so that's the currency that monitors audience engagement. Jacaranda, give or take a few thousand is sitting at about 1.3 million audience and East Coast Radio just under 1.1 million. By contrast our digital performance varies from month to month in terms of the amount of unique browsers on the sites but will vary between kind of 600 and 800,000 monthly, unique browsers, so that's not page impressions it's unique participants so we've had some months where we've been over a
20 million so some months where it's almost approximated the amount of past seven day audience that we've had. So its's sizeable numbers and yet our ability, there's not a straight line in revenue, if we spike our audiences, it doesn't necessarily mean that there's a commensurate kind of revenue return because as I say, because of some of the CPM issues and those types of things that are prevalent

on those platforms. And then of course people then also and why we say it has a tendency to move digital, it's not that we see the Jacaranda of the future as a publishing entity, far from it. We see that as part of our ecosystem. What I think is likely to happen and this is a personal view is that there will be a, more and more people will access via streaming. What we've seen is that, in South Africa radio listening is more or less settling to our brands, has more or less been still remain strong but mode of listening has changed. So whereas before you might have had upwards of 90% of your audience engaging on an FM transmitter, well if they're still 10 accessing that signal but we've seen some small rises in television which is, you know, through access through DSTV and certainly when people were at home during Covid you can understand those kind of situations, it's easier through open view or through DSTV and then a massive rise in streaming. So that's increasingly becoming a strategically important area of distribution for us and in fact we have some different advertisements that we are able to flight on our streaming platforms than the ones that we do on our FM platforms. So I think that might happen. There is of course a DAB that has 20 been long talked about in the South African landscape, Digital Audio Broadcasting. We remain a little sceptical about whether or not it still has relevance given that that streaming modes of access to signals is becoming so much more pervasive. We're seeing in some international markets that in fact streaming audiences have overtaken FM audiences in like the UK for example, streaming

audiences have become really, really robust and a primary means of accessing radio station content.

CHAIRPERSON: I just wanted to ask about the advertising because I mean radio has remained a bit stronger as you said but with the rise of digital advertising, advertisers may move there. That move may also put pressure on your ad rates, so what has been your experience, more of the indirect effect rather than the direct and we will come to the sort of CPM's in the digital space?

NICHOLAS GRUBB - KAGISO MEDIA: Well I think the first point is
10 that measuring this has been really difficult. It's been quite, it's been quite difficult to determine the extent of the outflow of advertising rands into these organisations because they have different ways of reporting that but I've seen some data which would indicate that the vast majority of digital spend is going to these, I think, one of the submissions from the IAB report was they were quoting 97% of the revenue and digital is going out there. Now obviously in the totally advertising pie as more and more advertisers turn to digital or are mandated by their international brand strategies to spend more on digital. We are seeing that some of that tradition media spend is
20 moving away from print and to some degree away from radio into the digital space and then as I say it's outflowing into out the country into these other digital platforms at a massive rate. I don't know Mark if you want to just elaborate on that.

MARK BOTHA – MEDIAMARK – KAGISO MEDIA: Ja so taking a look at the PWC reports, you know, Google gets 78% of total

revenue of the 14 billion that's out there. Social coming in very closely, well not very closely, quite far off actually at 1.1 billion but you know when we kind of separate out all the different players in the market and where the vast majority of the budget is going it's a very limited group of people or organisations that you're speaking to. So if you take the pie generally what you'd be looking at is kind of a Google sitting at a 75%/70%, Facebook would then be kind of another 20, then you'd have X and then you'd have kind of all the vendors in South Africa probably taking about 15% of the pie. So that's really where the fight is at and we're fighting over a very small piece of the pie with a lot of it kind of sitting beyond our control.

CHAIRPERSON: Is the radio, the total ad spend on radio shrinking or is it stable?

NICHOLAS GRUBB - KAGISO MEDIA: It went, it contracted the total radio market share in the last measured financial year contracted by just under 2% up till July last year. So yes, we are seeing some of those declines, it's always difficult to draw a straight line in looking at the causality of that but certainly the radio markets have shown some recovery since Covid but on a, you know if you were to draw the graph, there's been very marginal growth, in fact no growth at all relative to 2018 when you account for the Covid dip on ad spent. We are only back now to around 2018 level so it is certainly under pressure and our outlook in terms of growth, I think PWC are forecasting around a 2.6%...

MARK BOTHA – MEDIAMARK – KAGISO MEDIA: It's about 2.5%

[inaudible speaking simultaneously]].

NICHOLAS GRUBB - KAGISO MEDIA: 2½% forecast in terms of growth for the radio market in totality which obviously is under inflation, it's a...

MS. PAULA FRAY: My understanding is that from an advertising point of view you're doing a lot of direct sales and trying to keep growing from that perspective.

MARK BOTHA: Ja so a lot of the sales that, I mean the vast majority of the sales obviously happen on the radio side where we
10 do generics and a whole lot of other opportunities for clients to engage but one thing that we drive very hard out in the industry is utilisation of our full ecosystem which is made up of radio, of digital audio, of podcasts, of our social platforms as well and that really is where a lot of the spend is starting to come. So we do NTR campaigns, or Non-Traditional Revenue campaigns and you know when it comes to the kind of digital numbers that we show, that is where a lot of the spend actually sits and we do split it out between what the audio team is selling versus the digital team and it's quite a significant difference at the moment but that really has been kind of
20 what's pulled us through from a digital perspective is those bundled [inaudible 01:40:12] because that's what clients are really looking for. Starting to see a lot more of a shift in terms of the interest in digital and how they actually leverage our platforms and I think when you look at the consumer, them listening to terrestrial versus listening on a smart speaker or anything like that, it only really

makes a big difference to us ultimately consumers once they get the ideal platform that really works for them and they're going to start using it, they don't differentiate between the two and that's the kind of shifts that you will start seeing. I think as we've seen in the digital market it takes one really good piece of tech and things really do turn on their head. That is why the conversation around digital is such an important one for us and ensuring that if this does shift into digital or when it does, that it's a worthwhile space to play.

NICHOLAS GRUBB - KAGISO MEDIA: Maybe if I can just elaborate
10 as well, I mean as I said upfront that if you just take on newsroom costs and you don't look at infrastructure or any of the support services or any of that stuff. So if we say that over ten million rand was spending on journalists, I can tell you that from direct sales of banners and banner adverts and programmatic market places, we would have gone out of business a long time ago. We're not even close to making that number, not even remotely close and as I say that's without factoring in telephone costs, your building, finance people, just on that metric alone we wouldn't be able to sustain the business at all.

20 CHAIRPERSON: And if we threw in advertising on radio around the news bulletin would you still be making or not?

NICHOLAS GRUBB - KAGISO MEDIA: No, unlikely no because news sponsorship happens periodically but it's not necessarily a sustainable situation, it's less predictable. We have the benefit of selling across these other things as Mark says, quite a lot of our

digital revenue which is still meagre compared to our traditional revenues is dependent on bundling it as a kind of full ecosystem buy rather than direct sales and obviously again pure news publisher don't have that benefit.

MS. PAULA FRAY: If I could just, while we are not too far from audience maybe to ask Anthea to speak about audience engagement on social media platforms. So I mean how are audience engaging with the radio station on various social media platforms and what are they talking about, how important is news in that regard?

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ANTHEA CARSTENS – KAGISO MEDIA: So we have quite an active social media audience, I'm going to speak to Jacaranda specifically, our social audience is very active, it's very engaged, it's quite high versus other publications and our other radio station. They are consuming a lot of show content as well as news content. Obviously it's determined by the news, the subject of the news so if it's hyper-local, if it's about their communities, we see a lot of engagement around that, sharing, commenting etcetera but we probably see more activity on our show content and our entertainment content which is concerning because with such an active social media audience, I would expect there to be more sort of engagement around news versus the show content but we're seeing a definite split where they are choosing, not choosing but it also then shows what they are being served on these platforms, that there's a high engagement around shows so reels, we find that there's a lot of

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engagement around reels, any sort of in-studio events, that type of thing, people are engaging, obviously when it comes to, which is expected when we do giveaways etcetera, we find a lot of engagement around that but while we do have some engagement on news, it is not as high as our engagement on our entertainment type of content. So ja, that speaks to me, are we getting enough news served to our audience.

NICHOLAS GRUBB - KAGISO MEDIA: A point that occurred to me as well that I think is really important to make to build off what
10 Anthea has already said is that and to the point that we made earlier on, the value of news. It's not instructive to talk about, if we looked at the total about of news content over a year for example and gave you a percentage to show the value of news based on content but yet when something significant happens like the unrest in KZN for example, or to use an American example because these are American companies largely using these examples, like when people storm the Capitol, you know, if you don't have news, that's 100% of what people want at that point. So if you look at it on a yearly basis, the amount of news output, news consumption may be
20 small but in certain inflection points news becomes the predominant and most important aspect in the content mix and therefore to not have that, I think that just makes it a little clearer in terms of what the omission would be in those circumstances if suddenly East Coast Radio wasn't talking about the looting of the shops and the shopping malls around Durban. That really highlights how news kind

of comes to the fore even though it might not be foreground on a day to day basis. Every now and again it becomes the single most important piece of content.

MS. PAULA FRAY: I just want to clarify, just pick up again, I mean I think that's a really good point that you're making but from what Anthea was saying, Anthea is it possible for you to be able to see whether in fact the reels or the content that focusses on news is not getting, not being shown to people?

ANTHEA CARSTENS – KAGISO MEDIA: We don't have that kind
10 of access to that kind of data and that is what we specifically spoke, one of the biggest problems that we don't have enough data from these platforms for us to build a sufficient strategy around this. So I can sort of get a general oversight of what has performed, what content has performed and I suppose if I sort of broke it down and spent a whole month going through each piece of content that's been posted on social and then comparing it manually I will be able to get that kind of information but the platforms don't necessarily provide that level of depth that we need in order to make a proper strategy decision. So I can't without actually spending significant
20 time and resources trying to break down what they do offer us, I can't sort of offhand just immediately see the split between the different types of content that's been served and what their performance was like.

MS. PAULA FRAY: You're paid to promote content?

ANTHEA CARSTENS – KAGISO MEDIA: Yes we do.

MS. PAULA FRAY: And if that content is news does it then go further?

ANTHEA CARSTENS – KAGISO MEDIA: It does when we do pay, when we do put spend behind content we will find that that there's an increase. We have to also be very specific about the audience that we are targeting. So, depending on our sort of, how deeply our specifics go will determine how much audience we actually gain off of that but we do have to spend to see some significant change.

MARK BOTHA – MEDIAMARK – KAGISO MEDIA: And if I may just
10 add, I think the other issue around that is that even with all that spend and the lack of access to data, there's still a lot of uncertainty as to how the algorithm actually presents that information and that we just do not know, we don't know how that works, even if we had the data, we had all this access etcetera, there is just no understanding of exactly how that algorithm decides that this new story is going to present with that one or the entertainment is going to be prioritised even when there is a big new story of the day or which levels of engagement and how engagement is being factored into these, that's kind of a bit of a black hole. So it's impossible to be
20 able to make those determinations.

ANTHEA CARSTENS – KAGISO MEDIA: And I think it would take significant human resource to actually do that, to get that kind of information out so we're finding that not only do we have to invest monetary value in actually promoting posts but then we'd actually have to invest human resources value so we have to put people on

this task and that's time consuming and then it's SCO as well which is another significant cost for us. So it's very time consuming, very revenue consuming and it's expensive, it's a drain on our resources.

CHAIRPERSON: Can I get back the point that was made which I thought was an interesting point about, well people have chosen to follow you and then does it appear in the feed or not. I mean can you break up on the data you get, how many people have just visited your page, how many people have seen an impression on their feed, so you could monitor what's happening with the feed and how much news is being prioritised?

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ANTHEA CARSTENS – KAGISO MEDIA: We could on a very sort of basic level, we can see so many people saw it, it's reached so many people, so many people are engaged. We can't see if the people who saw it are actual page who have liked our page who are sort of members of our page, we can't see where they've come from, we can't see how they access that information, we don't know if it was just served on their normal timeline, on their newsfeed or if it was shared then they got it from that or if it was because of paid promotion that they saw that. So it's a very high level view of our audience behaviour but we can't get deeper than that and that is exactly, speaking to the point that we don't have enough data.

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CHAIRPERSON: And I think what helps us a lot is specifics like that because it helps us understand because a lot of people come and say we don't have enough data but you know, what data?

ANTHEA CARSTENS – KAGISO MEDIA: I can completely

understand that but like Nick said it's purely, that kind of data is fine for our publishing team for just general, you know working out, what is working on their side and how their work is doing or performing but when it comes to informing strategic decisions and plans, we find that it becomes a problem because we have to then employ people outside of our organisation who specialise in this type of thing in order for us to make our decisions going forward so that's extra expense, we need to get expert opinion and we need to get reports done on it and we do need that external input so that we can move
10 forward.

CHAIRPERSON: And I think what was raised last week is the cost of almost engaging these platforms in terms of turning content into short form or into this form or the APM's or hiring social media specialists. I mean Nicholas you put a figure on sort of ten million plus on journalists, I mean how much do you think it's costing you just to do what you're doing now even though you may want to do more just to sort of be able to provide content through those platforms?

NICHOLAS GRUBB - KAGISO MEDIA: It's hard to say offhand but I
20 mean we have a video, and again of course these entities are used not exclusively for news or for journalism but we have, but to your point, if we were to set up a discreet business that only focussed on this using the current resources that we have, we would need, we've got social media producers in most of our shows. We've got multimedia, at least two multimedia staff per station that focus on

video content. We've got Anthea's team that do inbound, they do subediting on digital. They do the digital leads in terms of overseeing the content, we've got content writers for inbound links, we've got the programme managers or content directors are overseeing the overall content so it's at least double that if not more. When you factor all these things in, I would estimate and then you build in the platform costs, our digital development expenses, please this is, I don't know but I would guesstimate that we're kind of probably around 30 million plus when you look at the total costs.

- 10 VUYANI DOMO – KAGISO MEDIA: I think that the one factor or aspect that Nick didn't cover is all the ancillary services that don't necessarily sit within our environments and I think that adds explanation to that number as well.

CHAIRPERSON: What do you mean by that Vuyani?

VUYANI DOMO – KAGISO MEDIA: As Anthea alluded to, there are some cases where we need to get in specialist services, around stuff like SEO and whatever data mining processes etcetera. So all of those are not necessarily part of our people operations but these are services that we need to tap into from time to time.

- 20 NICHOLAS GRUBB - KAGISO MEDIA: Subscriptions for Google, all of those things.

CHAIRPERSON: And we hear a lot about SEO which is Search Engine Optimisation but what about social media optimisation. I mean I haven't heard as much around sort of how you understand their algorithms as opposed to Google.

ANTHEA CARSTENS – KAGISO MEDIA: I think we can kind of put them in the same basket. It's the same, we have social media managers who sort of take care of our social media on a day to day, they measure general performance but when it comes to the in depth and the in depth stuff and also optimising our social media platforms, we do need to consult with an expert and that would be somebody who does our SEO as well so they perform the same function for both options. But once again this is an expert role that we have to consult externally for, we don't have this in-house.

10 CHAIRPERSON: One cost that was raised last week by let's press or even digital press is the cost of countering misinformation and disinformation, is that a feature of radio as well?

NICHOLAS GRUBB - KAGISO MEDIA: Sorry cost of countering in terms of corrections and so on?

CHAIRPERSON: Ja, fact checking so take your example of the July riots, there would have been a lot of probably misinformation or even disinformation at the time. I mean is your news team trying to see what's going out there and saying that's wrong, I need to inform my audience that this is wrong...

20 NICHOLAS GRUBB - KAGISO MEDIA: Yes, so as I say, we create our own content but then we curate it and all of that content is under oversight and we actively decide what to publish and what to broadcast and that active decision is made by desk editors, subeditors, we've got a full time digital subeditor or digital editor who does a lot of subbing. We've got a news editor in the news team. All

of our oversight structures are there to make sure that journalists are coached, fact checked and that content is verified to the degree possible. So you know, we and again beyond the BCCSA code of conduct, we also ourselves have like a trust manifesto if you like internally around how we perpetuate the trust that our audiences have which spans not just our news output but all of the areas of the kind of promise that we make to our audiences and that's part of our values and part of our sustainability as a brand, the point that I've made. So all of those activities, all the managerial oversight time
10 and money, that's, in terms of resources, that's put into our content in all of its formats needs to have a level of oversight. Is it enough always, do we still see errors creeping into articles, thankfully mostly grammatical errors, not necessarily factual errors but certainly we would like to add more resources if we could to make sure that we made our content more robust and more trustworthy at all times but I'm sure every news organisation would make the same claim.

MS. PAULA FRAY: I wonder if I could just follow up on that misinformation and disinformation. So when I think part of what people are suggesting is that the ecosystem of news is just so full of
20 misinformation and even disinformation is that before you could go out and you could certainly just do your reporting and that would be the cost of delivering news but that cost is increased by the fact that you actually now have this layer of stuff that you have to wade through to make sure that this is what you want to take back to your readers but there's an additional cost that because you serve an

audience and serve them truth you then have to cost of having to make decisions that this is not your story but because everyone believes it, you also have to correct the misinformation and I'm just trying to get a sense whether that is true also for a private radio station like yourself that you're finding all of these additional things you're needing to deal with.

NICHOLAS GRUBB - KAGISO MEDIA: I think it's absolutely true and the opportunity cost is the same thing so for example, I'll use and example that's top of mind, there was an unverified shooting
10 outside, I'm going back a few years now but I remember there was a video sent to us of a shot-out outside of OR Tambo Airport and it was, I mean it was massive on social media, it was shared widely but we took the decision in that moment not to publish it because we couldn't verify it and so on, so you lose traffic in those situations so it's not just the cost of verifying it's also the cost of, as we said earlier in the presentation, prioritising accuracy over clicks and if you look at some of the top performing websites, even publishers in South Africa, one or two of those, there are some very credible news organisations but one or two of those in the top tier prioritise and
20 incentivise journalists purely for clicks and in those circumstances, again the incentive is just to write cheap and easy content that you know will have the desired affect that's based loosely on truth and that's a cheaper content exercise than having to invest in not only the resources to make sure that we have the fact checking but also the opportunity cost of not publishing information that may yet be

verified or has the potential for misinterpretation.

MARK BOTHA – MEDIAMARK – KAGISO MEDIA: In the broadcasting environment there is a cost to getting it wrong and I think that's the key point is that there is an incentive to get it right and to invest the right resources upfront because the cost of getting it wrong can be substantial from, you know, if it's a gross negligence issue it could put the licence under risk or it's having to go back and correct, having to represent at the BCCSA, there's all these potential things that could come from getting it wrong and I think on the digital
10 platforms there is no consequence or cost to getting it wrong so can kind of fix it retrospectively but who actually bears the cost of that? For us we have to put the resources upfront to verify and get it accurate because if you get it wrong there is a real cost coming at the end of that.

CHAIRPERSON: Just staying a little bit with the news and engagement because as I understand Jacaranda always has the Afrikaans news, and you've got investments through a number of others and I know its strategic investments and you don't have operational control but you probably have some insight. How
20 important is radio lease to offering a diversity of voice and also reporting in your own language in the South African context?

NICHOLAS GRUBB - KAGISO MEDIA: Well I mean firstly before we talk about the obvious regulatory or licence issues. I think radio's medium survives because of its local relevance to communities. We talk a lot about accountability, Yusuf correctly talks about the cost to

getting it wrong but for us as Kagiso Media our first contract and primary contract is with our listener and we strive as much as possible not to break that and that's why things like social CSI investment is a key aspect in terms of our operations doing all of these other things that may not necessarily be yielding activities are important in order to build that kind of community connections. So I think the first point we want to make is that we do this because it's a local radio, it survives on its locality and so you need to foster and develop that. Sorry I'm just losing my train of thought. [speaking
10 simultaneously]. And if we were to quote the great Nelson Mandela around speaking to peoples, speak to the head but if you're speaking their local language you're speaking to their heart. Part of forming that local bond is around developing those. So radio stations will do this because it's important for that but there is also a, then the regulatory framework around that so it is also the way that radio stations were licenced, certainly I can speak from the commercial side is that when the ex-SABC stations were sold off and when Greenfields licences were made available operators tendered a whole range of promises and obligations were then converted into
20 licence conditions and news is a primary aspect and language is a primary aspect and music format is a primary aspect in terms of the key components and deliverables of the radio station. That is enshrined, as I say we would do it anyway but it's in fact one of our stations and they don't all have the same licence conditions for the reasons I've just outlined but one of our radio stations actually has a

minimum amount of rand investment into news that's in our licence condition which we now far exceed because that [inaudible 02:03:47] is a finite number which was put in a document 20 years ago, but it's housed in that. And then from a balance point of view, the code of conduct for broadcasters also talks around news and again that lack of balance is adjudicated by the BCCSA if complaints are raised within.

MS. PAULA FRAY: We just wanted to check with you, we've heard from a number of people who have presented that in fact language
10 reduces visibility so as soon as you're publishing not in English it reduces your visibility in Search but it also then brings additional challenges with Adtech not being able to actually be used, so just very quickly on that because we want to move on to others also.

MARK BOTHA – MEDIAMARK – KAGISO MEDIA: Ja so from an advertising perspective, we have had issues getting Afrikaans adverts on to Google platforms so, because it just isn't actually listed as a language that they take it, so ja certainly it is a big blocker from a language perspective.

NICHOLAS GRUBB - KAGISO MEDIA: We're not really seeing a lot,
20 I mean we're on digital as much as we're 50% on Jacaranda Afrikaans in terms of on air content, digital not quite at the same level. There's a more propensity towards English content on Jacaranda's output but we're not seeing massive differences in terms of performance between, from a language point of view.

ANTHEA CARSTENS – KAGISO MEDIA: But we continue to provide

the option because we are bound to do that and our audience expects it.

CHAIRPERSON: Can I just ask on the Adtech, I was just wanting to clarify, have you stopped doing any programmatic advertising now, was that your decision or you've stopped using also Google Ad Manager and all of that or it's still, you use the tech to serve your direct ads.

MARK BOTHA – MEDIAMARK – KAGISO MEDIA: Primarily we use Ad-x so Ad-x is there and it is an option, that's the open
10 exchange. The decision we took though was to set our full prices at a level that was in line with what we feel the traffic is worth and with that it really just falls completely out of the kind of levels that the guys are willing to pay from an open exchange perspective. So we don't see a lot of traction on it, we will see some hits every once in a while but the decision was to, you know, we can't live off those small amounts. From a direct programmatic perspective, absolutely we do campaigns like that, we do that from a digital audio perspective and from a display perspective but that's direct deals but just brought programmatically. We're still operating in it but it's kind of on our
20 terms as opposed to the open exchange.

CHAIRPERSON: We heard that initially Google Ad Manager or it was DoubleClick was given free; do you pay a Commission on even your direct deals?

MARK BOTHA – MEDIAMARK – KAGISO MEDIA: Ja so we do pay for the access to the platform, you got the entry level one, I think

its Ad Manager and then we got, no I think Google Ad Manager is the one where you can actually provide programmatic access so the entry level one is no programmatic access, it's very basic. You can deliver ads in your site and you do get Google Analytics I believe but when you go on to Google Ad Manager you can make your [inaudible 02:07:58] available programmatically and yes you do pay for that service as I understand it.

CHAIRPERSON: Do you pay the same Commission whether it's a direct deal versus a programmatic?

10 MARK BOTHA – MEDIAMARK – KAGISO MEDIA: I'm not 100% sure on that one; I'll need to come back to you.

CHAIRPERSON: Alright thanks, and then just when you were doing more programmatic, we've heard that even though you've got many competitors that could bid on the supply side and the demand side, how much was coming through the Google Adtech of your programmatic?

MARK BOTHA – MEDIAMARK – KAGISO MEDIA: In terms of revenue?

20 CHAIRPERSON: In terms of share and you can give us a ballpark, you know.

MARK BOTHA – MEDIAMARK – KAGISO MEDIA: I would say in terms of the kind of traffic that we were selling, the share of traffic, it was probably close to I'd say 20/30%, around about there that we were selling from a programmatic perspective, it's a whole lot less now.

CHAIRPERSON: Of that 20% how much was coming through Google, Ad-x or Google Adtech properties?

MARK BOTHA – MEDIAMARK – KAGISO MEDIA: That would be the 30% that we were selling when we were selling aggressively, that would be our Ad-x [inaudible 02:09:20] people actually buying programmatically on the open exchange. The remainder of the stuff was done directly by us.

CHAIRPERSON: We just heard that there were multiple exchanges, multiple supply site providers but you're saying it was all Google?

10 MARK BOTHA – MEDIAMARK – KAGISO MEDIA: Oh so no, look I mean I'm speaking about Ad-x as the primary vendor that we work through but Ad-x obviously has access to be able to work with multiple demand site platforms so we don't, we haven't seen the nature of it, whether it be a [inaudible 02:09:48] or any of the other platforms, again I can look into that. I think that primarily when it was more aggressive it was primarily just coming directly through Ad-x. The reality is that of the agencies and clients we deal with probably 90 to 95% of them work with DV360 as their primary DSP. So that would guarantee where we've got most of the revenue from.

20 CHAIRPERSON: You proposed in the remedies almost some marking of a gold standard and we will come to this sort of let's say Search and social media aspects but Mark do you think if you had that marker on your ad inventory that you will get more traction at the higher rates or do programmatic already know it's Kagiso Media and it's a credible site?

MARK BOTHA – MEDIAMARK – KAGISO MEDIA: Look I mean, I think you've got your private marketplaces that are out there and this is effectively speaking about a possible private marketplace where news publishers are favoured in terms of the uptake of advertising and I certainly think it would make a huge difference. I think that the biggest challenge that any publisher has is that we work within a sea of platforms out there. There are just millions and millions and when you're talking about Google, not Google sorry, when you're talking about digital you're not just competing with the vendors here in

10 South Africa, you're competing globally so for every South African that goes out and goes onto a website, that is a potential individual that can be advertised to. So I think that when you've got open exchange bars happening I think that there's a lot less focus on platforms specifically and more focus on audiences, so it comes in and where in the past the platforms might have had some kind of level of greater access to that revenue, it's considerably less now because it basically comes in and it just splits out across the globe. So if you were creating, I don't like the word, but possibly silos of areas that do get preferential kind of access, I do certainly think it's a

20 really good opportunity.

NICHOLAS GRUBB - KAGISO MEDIA: I mean obviously the solve there would also require a willing advertising community to invest in there and they would need to understand that the CPM's of news organisations will, you know, to maintain that credibility will inevitably need to be higher so I guess there's an appeal there to the

recognition of the brand's safety aspects and the accountability from advertisers which would drive a lot of that value for them but then there would also need to be an appeal to advertise as a sense of kind of nation building and kind of protecting for the state, you know, sustainably because it's still a majority of media models run on advertising not on subscriptions.

CHAIRPERSON: And then that gold standard as you put it, I mean not just on the ad side but let's say on a website or Search so how the website appears or on a social media post, I think Anthea
10 mentioned this may not be true disclaimer, there's a small one at the bottom and it may not work but do you think having a gold standard like this is a verified balanced source of news subject to a press code, would start to change people's behaviour?

MARK BOTHA – MEDIAMARK – KAGISO MEDIA: I mean again these are our opinions, I certainly think so, I think that it, you know we saw to use Twitter as an example when it was still Twitter, I mean whether the verification process was accurate or whether it wasn't, it at least it attempted in some way to differentiate between kind of imposters and people who had a level of kind of I guess
20 consistency if not credibility like they were who they said they were. So I guess that was a start towards something on the consumer, on the audience side that's got a flagged to content to certain providers as perhaps being a little bit more trustworthy and even they have taken that away now so now it's paid for I believe. So anybody can kind of buy the tick. But certainly the way we see this broadly and

conceptually is that you would have some way to differentiate that this is, if not credible in terms of the news content itself but this is from a media organisation that is accountable. I think that's the key point and that you have recourse if this content is not, does not conform to certain standards or the standards that are available on some platform, you have recourse as a consumer and as an advertiser to make your case heard.

CHAIRPERSON: Well thank you, I think we are out of time and we do have the Reuters Institute for the study of journalism next and we
10 can pick up some of these themes. I do want to thank the Kagiso Media team for a very thoughtful presentation and giving the time and thought to the enquiry and what we're trying to do here and also the South African context, I think it's been incredibly useful. Ja, so thank you for your submissions and we look forward to engaging with you further as the inquiry unfolds. I think we would just take a five minute break at this point and then resume with Rasmus Nielsen from the Reuters Institute.

20 ADJOURNMENT

CHAIRPERSON: Welcome back on day eight. We are I think privileged to have the Reuters Institute for the Study of Journalism and Rasmus Nielsen on line. I think a lot of reference throughout this

inquiry has been made to the Reuters Institute and the work it does and the research it does. So Rasmus thank you so much for making the time for us here in South Africa and I know you've got a presentation but I think it is just to explore the insights and research that you are doing that is of relevance to this inquiry and obviously similar ones happening globally. So Rasmus you're welcome to go into your presentation, talk it through and then we won't interrupt you while you're presenting and then we'll have questions for you afterwards.

10 RASMUS NIELSEN - REUTERS INSTITUTE FOR THE STUDY OF JOURNALISM: Thank you so much and thank you for your important work and for the opportunity to contribute to it. I think this is a transformative period for our media around the world that concerns journalists, it concerns the public and it also concerns policy makers so I'm glad that there is a serious attention being paid to this in South Africa as there is elsewhere. So I prepared a very short presentation that draws out a response to some of the questions that we kindly shared with my by email in advance and then I'll go through that quite quickly so that we have plenty of time to let this be
20 guided by the commissioner's interest and any questions or follow-ups that you may have or other areas that you would like to explore. Just very briefly for those who are not familiar with the Reuters Institute for the Study of Journalism, we are part of the University of Oxford where in addition to directing the Institute, I am a Professor in the Department of Political Science and International Relations.

Media and Digital Platforms Market Inquiry

We carry the Reuters name because our core funding comes from the Thomson Reuters Foundation and in addition to that we are supported by more than 30 other funders including media organisations such as the BBC, [inaudible 02:24:25], News24 from South Africa, media regulators in a number of countries [inaudible 02:24:31] the UK, the media commissioner in Ireland, another media regulator [inaudible 02:24:33] and technology companies including Google who makes a large contribution to enable the digital news report that you've asked me to talk a little bit about. So in terms of

10 the questions and how the digital news report speaks to that, let me just pull up my slides and make sure that everyone can see them. Can I get someone to confirm that you can see the title slide?

CHAIRPERSON: Yes we can, thanks Rasmus.

RASMUS NIELSEN - REUTERS INSTITUTE FOR THE STUDY OF JOURNALISM: Thank you so much. So the version to digital news report is the world's largest ongoing, publicly available study of news media use across the world. We covered 46 markets last year on six continents representing more than half of the world's population. It's an online survey and that means that it will underrepresent the

20 media habits and preferences and views of people who don't have access to the internet which tends to be poor people and older people and people in parts of these countries that are poorly served by the internet. This is particularly important to keep in mind in the case of South Africa where of course as you know well, internet penetration is less universal than in some of the other markets that

we cover and some people have primarily mobile access. Furthermore I should say that the survey in South Africa is fielded in English so it's not nationally representative. The respondents are sampled based on interlocking quotas around gender, age and region in South Africa and in the future we will be able to add education as well so it's a sample that reflects the English speaking population in South Africa who has internet access in terms of their age, gender and where in the country they are and the distribution across these factors. The survey is primarily about news and how

10 people use news in different ways. We rely on people's own understanding of what news means to them but we do provide a prompt at the beginning of the survey where we suggest to them that by news we mean national, international, regional and local news and information about topical events accessed by any platform including radio, television, newspapers, news magazines, online, etcetera. In practice for a long time our experience is that the sort of cultural category of news is pretty stable for most people and that most people by news take that term to mean information's produced by a professional journalist working for media organisations that

20 prescribe themselves as news providers, but there is a blurring of the category happening on social platforms in particular and amongst younger people in particular and I will speak a little bit to that point towards the end of the presentation. The two main things I wanted to cover in response to the questions that I was provided with is first the way in which our data speaks to a fraying connection

between much of the public and much of the news industry. In part driven by [inaudible 02:28:02] various digital platforms and then secondly I will talk a little bit about how that platform's base is changing across the world and what that might pertain for the future which I know that the commissioner is very interested in. The starting point I think is to recognise that across the world we are seeing a global shift from direct discovery where people access news offline and online by going direct to news providers. Printed newspapers, broadcasters, websites and active news organisations

10 to a greater reliance and distributed forms of discovery where people rely on social media, on search engines and aggregators and the like where they access news, whether from news providers, creators or other actuaries via intermediaries who do not themselves produce this content but provide an environment where people can chose to offer this information and others can choose to engage with it. This is a fundamental shift we are seeing across the worlds, this is just a simple illustration and point, most people in our survey say they access online news in a couple of different ways, then we ask the follow-up question, what is the main way in which you access news.

20 By now only 22% of respondents across all markets we cover say that going direct to a news site, that is their main way of getting news and 30% identify social as their main form of access with Search a close second at 25%. So the picture overall we have is one in which across the 46 markets we have less than a quarter of internet users identifying going direct to a news site, that was their

main way of getting news and $\frac{3}{4}$ relying on various forms of side door access, most importantly via digital platforms. Looking at South Africa specifically, this is even more pronounced. The number of respondents in South Africa identify going directly to a news site as their main way of getting news is just 19% and there is a much greater reliance on social media in particular and generally a higher reliance on side door access. This is not unique to South Africa, it's quite common across populations that are younger than those seen in Europe and North America where many have their formative
10 experience of using media via social media and mobile media, and it's also common in countries where legacy publishers, for various reasons historically have had a weaker connection with much of the population who may not feel they've served them well and who may opt for social media to a greater extent in part because they see media by people like them and for people like them that they don't believe legacy publishers are offering. In terms of what's driving us over time, I think we should look very closely at sort of the differences in terms of the choices made by different parts of the public. So just a very simple illustration of this ongoing shift using
20 data from South Africa, if we break down the respondents by age and look at different age groups and how many in each group identify social media and respectively television as their main source of news, there are other options, print and the like but these are sort of the two most widely identified. We see two things here, we see first of all as you might expect this very significant gap between how

many younger people versus how many older people rely on social media and conversely a slightly less pronounced but still market difference in how many younger people versus older people who rely on television. The reason I highlight this is just to say that while people's information needs and their interest evolve in the course of their life, their format preferences evolve much less. So when my wife and I settled down and started a family, the things we were interested in when it came to news and information changed to when we were younger but we didn't suddenly start watching linear
10 scheduled television. We continued to be online first. Similarly, we didn't suddenly get landline phone just because we had settled down and gotten ourselves a house and I think we need to sort of think about the demographic changes underway in a similar light, younger people will be interested in other things as they mature but the ways in which they access it are not going to revert to the former preferences of older generations for whom digital is still a supplement. I was asked about the sort of how South Africa sort of compares to other markets and this is a slide from an academic article I wrote with Richard Fletcher my colleague here at Reuter
20 Research where we tried to compare what academics call the degree of platformisation, of new systems across the world. The chart here and the figure on the right is with a [inaudible 02:33:10] to make it more legible, is a chart that shows on one axis how many percent of our respondents in each market say they use social media and essentially the answer is almost everybody, almost

everywhere is using at least one and often more than one social media platform. And then the other access, the percentage of respondents who say that they have access to an online news site or app directly in the last week, not that it's their main source of news, just that they have done it and I think two things become very clear here, one is that there is a new universal uptake of social media, this is the revealed preference of internet users across the world, many have reservations about them, often well-grounded and at the same time almost everybody uses one or more of these

10 platforms for a variety of purposes but we have very, very significant variation from country to country in terms of how that coexists with a direct connection between news publishers and the public ranging from very weak connections in Korea, the Philippines, Japan where aggregators in social media are extremely important, much more so than in South Africa to very high levels of direct connection in Finland, Norway, Denmark and Sweden coexisting with near universal news of social media and South Africa as you can see, you can sort of spot the [inaudible 02:34:25] is sort of in the middle essentially, [inaudible 02:34:28] universal uses social media yes and

20 then a slightly below average in terms of the direct connection between the public and online news providers. The second point I wanted to quickly cover before we open up for questions and follow-ups and take this in any direction that's useful for your work is how then in turn the social media ecology is changing because while the line that we show in growing in terms of how many people say they

rely on social as the main way in which they get online news and the main way in which they get news in general is a consistence of a growth over time in almost all of the countries that we look at. When you look under hood in terms of which social media platforms, that is actually evolving quite a lot. This is the use of different platforms with social functionalities, not in general but for news specifically across 12 markets where we have data going back to 2014 and what we can show with this chart is this, how Facebook still plays an important role because it is so widely used that even while there has

10 been a decline in organic sharing and even though the platform itself has really changed the way in which it features news and reduced the prominence of news both in the feed and on the surfaces is still the single most widely identified social platform when it comes to identifying news but much reduced from a high point to a [inaudible 02:36:02] of 42% of our respondents that got news while using Facebook, it's down to just 28% but meanwhile as the marked decline has happened for Facebook when it comes to news specifically we've seen this growth from a number of other platforms that our, you know, to different degrees social. We have YouTube

20 growing significantly, we have the of course Meta owned WhatsApp growing in importance, we have Instagram growing in importance, we have what used to be Twitter, now X sort of roughly stable over time and then we have the sort of rapid growth of TikTok in recent years. It looks like a sort of steady growth of social overall but actually what is happening underneath the hood is a much more

complicated and constantly evolving environment. The second question then is when we look at the demographics that I showed for news and look specifically at younger people as important for the future, I'm sorry the chart isn't coming out quite right here but the blue line here is Facebook, the magenta line is Instagram and the black line is TikTok and this is looking specifically at the 18 to 24 year old respondents for the same 12 markets as before and the change we see for younger people is that Facebook is in marked decline for user overall, Instagram bracket growth and TikTok
10 bracket growth and again it's not just a change in the overall [inaudible 02:37:28] but also a dramatic change in younger people's preferences that suggest that the future will look very social but with different platforms playing different roles. What do people have in mind when they say they get news in these platforms, then this is the final piece of evidence I want to share before recapping and then we open up? We ask people to identify when they say they've used a particular social network for news, when it comes to news on that network which of these sources do you generally pay most attention to, the numbers here wrap up to more than 100 percentage points
20 because of course people can pay attention to different kinds of sources. What we find is a complicated picture but I think one that is interpretable in the following way. On the older social platforms, Twitter, Facebook and YouTube, mainstream news still play a quite prominent role and often in the case of Twitter and Facebook in particular are the most frequently named types of sources that

people say they pay the most attention to but then when you move towards the more visually lit platforms, in particular the newer platforms often with a younger user base, Instagram, Snapchat and TikTok, there is a much greater prominence for personalities, influencers, celebrities and creators as sources of news that people say they pay attention to and on many of these platforms these are more prominent and more widely relied upon than mainstream news outlets and mainstream journalists. So a change in the role of distributed access versus direct access but also a change in which
10 platforms and which mix of platforms play a role and a change in what sources people say they pay attention to on these different platforms. Where does that leave us, just a quick recap and then I'll stop monologging. I mean the first point is very clear, the platform shifts are having a profound impact, we are seeing a continued move to more digital, mobile and platform dominated media environment across the world globally and in South Africa. This is unwelcome from the point of view of publishers but I think we need to be clear that revealed public preferences, one of the main drivers of this, people can rely on print, broadcasts and publishers websites
20 if they want to but many do not and I think we have to recognise that this is the direction of travel and it's driven by the choices that citizens make in terms of how they use media and what sources they rely on. Younger people are pointing toward the future, younger people in particular are much more likely to identify digitally, especially social media as their main source of news and they are

unlikely to significantly change to prefer legacy mode sort of access and they often pay attention to different sources that they may feel a represent respect and reflect their values and interests to a greater degree than legacy news publishers and journalists do. And finally while overall social has grown more important, it's important to recognise that the social media space continues to change and even as Facebook, when it comes to news, it's becoming relatively less important, still the most or one of the most important platforms for news, as a way to access news, many other platforms are growing
10 in importance pointing to a more complicated platform environment. So with that I will stop sharing my slides and I look forward to questions and follow-ups, thank you.

MS. PAULA FRAY: Thank you very much Rasmus, it was really interesting, I'm just reading your full digital news report, it's also kind of brought up a couple of questions that we might ask beyond your presentation. We are I think interested also in your, the research that Reuters has been doing around AI possibly if we have time to get to that. I'm not sure if you had an opportunity to listen to any of the presentations, I mean one of the big things that we're grappling with
20 is the value of news and thank you for your explanation in terms of how people actually, what they understand by news on the different platforms. What are your thoughts generally in terms of the way news travels from traditional news sites right, because you're familiar with it here in South Africa, Media24 to going online because sometimes there isn't a direct line between this is a News24 story

but the discussions online are prompted by it. Do you have a sense of how news travels?

RASMUS NIELSEN - REUTERS INSTITUTE FOR THE STUDY OF

JOURNALISM: Thank you, I think to start with the first part of your

question around the value of news and then move to the second part

about how it travels. The way I think as a scientist about the value of

news is a twofold one is what we might think of the public value and

the other one is the commercial value. So if you think of the public

value of news, again the pure view of scientific evidence on this is

10 largely done in a few sort of privileged parts of the world that are not

representative of the global experience but if we take it as a guidance

then it does suggest that independent professionally produced news

reporting has very significant public value, it helps people

understand politics better, it makes people more likely to engage in

the political process by voting for example, it helps people engage

more over their local communities, it helps ensure that elect officials

are more likely to vote in accordance with the interests and ideals of

their constituents. It can help reduce corruption and mismanagement

in the public sector. Though we also need to recognise that while

20 there are many sort of salutary document effect, there are also a

number of less comfortable findings that complicate the picture

around the public value of news so for example it is well

documented in research that people who pay attention to the news

tend to have a completely distorted view of the level of violent crime

in their society wildly exaggerating the levels of violent crime, it's

also well known that following the news tend to lead people to vastly exaggerate the problems associated with migration just as news more broadly has often been found to perpetuate and reinforce a number of stereotypes around race, religion, gender and class. Some evidence of public value but perhaps a more complicated picture sometimes that journalists and editors and campaign organisations would like to see. In terms of the commercial value of news, I mean this is uncomfortable for publishers to contemplate but I think we need to sort of start with the three main ways in which that

10 commercial value is realised. The starting point is, the biggest investment that people make in news is the time they spent engaging with it and in the online environment that time is very limited. I don't have this kind of data from South Africa but broadly speaking across the world all news and information providers and this is a very broad category that includes websites such as weather.com but also news organisations are estimated to account for about 3% of the time that people spend online, 3%. Of course since the advertising that publishers sell isn't part about selling the attention of the audience that gathers around their news, if they

20 capture just 3% of the attention collectively, then the advertising revenues will not be what they were in a pre-digital environment where news publishers occupied the commanding heights of the information environment and where neither audiences nor advertisers had many other opportunities to access information or buy the attention of audiences. The attention share is low, the

advertising share is low, I think it's clear that the competition for advertising is then impacted by other factors too, there are dominant players who can offer very cheap targeted advertising at scale and there are real issues around how they've exercised their market power and there are well grounded concerns that are being investigated across the world and I know that you're looking at that as well but that side of it doesn't, shouldn't lead us to not recognise the first part of it that the share of attention is very low and as a consequence it's a weaker advertising proposition than it was in the
10 past. And then finally of course in addition to paying attention and that attention in turn is being monetised around advertising, people can pay money for news and there we have to recognise that across the world most people do not feel that any news is worth paying for, even those who do pay for news generally consume more news that's free at the point of consumption from other sources than they do from sources they pay for and generally the media number of sources people pay for is one. So we're seeing very real success of some individual publishers who build up a significant base of subscribers and this is very encouraging because ten years ago
20 there was this sort of view that news wanted to be free and there wasn't any business models and no one could stand out on the internet and merit payment, that's clearly not true. At the same time I think we have to recognise that right now from the point of view of the public, the value proposition of most news publishers is very unclear. News can come across as completely commodified,

generic, ubiquitous, easily substitutable. That means most people are not willing to pay for it and even pay attention to it and that means that advertisers aren't really interested, all that interested in it either so this is a very serious challenge even though the public value is there with some complications, the commercial value is greatly, greatly reduced from what it was in the past. Then in terms of how things travel, it's very hard to really bottom out the relationship between stories and incidents that originate with genuine original reporting and independent efforts by news
10 organisations and then sort of generate online conversation. It is certainly one of the things that contribute to online conversations but the platforms where there's been most independent studies because it used to be one of the fewer platforms that made some data accessible to researchers is what used to be called Twitter, now X, and the study I'm thinking of which sadly now is ten years old. I'm sorry, that's how academics often work, from 2014 found that less than 1% of Twitter content is news media related. That's not nothing because social media are very big spaces and often that means that news related content has generated conversation that involved
20 hundreds of thousands of people generate millions of [inaudible 02:49:19] and in that sense they are important and they contribute to conversations and social media but what we need to remember of course is that social media are almost unimaginably large and vast and complicated spaces and that even hundreds of thousands or millions of [inaudible 02:49:38] and engaging participants can

sometimes be a very small drop in the bucket in terms of the overall environment and then of course news media also sometimes report on things they see on social media rather than the other way around. I think it's really hard to bottom out. I still think that news media and the work of journalists is very important also online and also parts of social media and that it creates public value in addition to whatever commercial value it might have but I think the case for it sort of, the wider public importance is pretty weak and I can't say I've seen very much of it to suggest that news and journalism is more than a few
10 percent of what happens online.

MS. PAULA FRAY: Thank you. Some of the submissions made have pointed to not really understanding how the algorithms work or not being informed around the algorithms but also for those who are particularly looking at social media, you know the selection of what goes on to feeds and which updates are privileged and which updates aren't privileged. I know those are two separate issues but have you, I mean do you have any insight into how the algorithms actually impact, what people get to see or not get to see and then we can go to social media.

20 RASMUS NIELSEN - REUTERS INSTITUTE FOR THE STUDY OF JOURNALISM: It's largely opaque both to publishers, members of the public and to researchers. We live in what scholars call the black box society where we are increasingly reliant on complicated proprietary for profit systems that operate in ways that may be explained to us at a relatively high level of generality and in turn

create a sort of a whole industry of search engine optimisation, expert social media optimisation, experts and the like who build some expertise in terms to try and sort of define how these things work, what might play well, what might play less well and publishers to invest in this industry and I think generally see a return on investment in that space but at a fundamental level, there is a profound information asymmetry between the companies that operate these algorithms and then everybody else. My personal impression is that these algorithms are often pretty opaque to the

10 people inside the companies but they're certainly less opaque than they are to those of us outside and academic research can, with a few exceptions of privileged data access which to my knowledge has only happened in the United States with very limited number of researchers involved, have done great work but it's still, it's a drop in the bucket in terms of our understanding. We are largely I think limited to sort of natural experiments and sort of black box testing to get some understanding of how these things work. We at the Institute have tried to do some things like that for example look at

20 what are the measurable differences in terms of the ideological diversity and degree of concentration of what news sources perform well when access via search engines or social media as compared to access via going directly to a news site or app. So there are ways of shedding some light on this, it's pretty expensive and technically complicated work and I'm happy to speak to some of our findings that's useful but I have to say I feel like we are in the foothills of

really understanding this from a scientific point of view and I completely understand why both citizens and publishers are frustrated by the sense that someone in California sort of twiddles a knob and then what we see and then what public debate looks like might change quite dramatically overnight in a country thousands of kilometres away from California.

MS. PAULA FRAY: Thank you, I mean I'm sure you're familiar with Facebook's approach to news and what's happened in Canada and also what Facebook has said subsequent to the Australian agreement. I just wondered if you could comment on social media platforms particularly and their ability to basically inform or influence what we are seeing on those platforms.

RASMUS NIELSEN: I mean they can make their own decisions about what we see and do not see and in part that's what they do for a living and what many of us rely on them to do, we may not like every aspect of how they do it but it's part of the value proposition that they offer as a business and for users. Forgive me for not being familiar with the details of the legal context in South Africa but in most countries I am familiar with, they are free to do so as they see fit, they are private companies and they have an often constitutionally protected freedom to do business and they are exercised in enabling speech of scale and that speech too is often protected from various forms of political interference and pressure and there are concerns, the biggest of them sometimes abuse that for commercial purposes and that can merit consideration from

competition authorities and anti-trust measures and the like but generally the idea that someone else should be able to tell them what they should or should not feature is I think not aligned with the sort of general legal framework in much of the world right now. In principle they can do anything they want and sometimes they do. I think the sort of wider context of some of the sort of regular foreign policy developments we see around the world is that some actors in society have long asserted that platforms derive great commercial benefit from news and feel that that ought to be shared in a different way. Platforms have argued that they actually derive very little commercial benefit from news and they believe that the cure in terms of trade which essentially are, publisher provide content and platforms in return provide traffic are equitable and the platforms generally have been willing to pay only for very specific kinds of content on very specific circumstances, so they've long paid for example for licencing image rights and for licencing access to the [inaudible 02:56:57] feed of news agencies in many countries, this is more than ten years of record of paying for some source and some content but not all content and all sources. In an environment where in some countries the political situation is such that politicians have decided that the platforms should pay for news. Some of the platforms have decided that in that case they will just feature less news and anyone with a basic understanding of economics I think can't be surprised by that. if you make something more expensive for a private business that they don't believe is in their interest to

provide then they will provide less of it and that doesn't mean that it's necessarily wrong to do these things but it's just important to recognise that the decisions that some of these companies have taken I think were eminently foreseeable and they sort of effectively suggest that as much in advance and now they've acted accordingly and I think the worrying part of it is I think less about the sort of commercial self-interest of one set of companies to another set of companies but more about what it means for a society in which, as I've shown, more and more people rely more and more on social
10 media for news and information and if publishers and journalists are less and less present in this space, that vacuum, however small it might be will be filled by other voices, some of those other voices will have other interests and agendas than those of news publishers and I think generally people will probably see less and less news that is reported and provided by journalists and more and more other stuff and some of that stuff will be very good but some of it may be more ambiguous or even malicious.

MS. PAULA FRAY: Thank you. Can we then maybe go back just a step, you know, in an environment in which more and more
20 consumers are satisfied with free news and not necessarily want to pay, what kind of online news payment landscape are you seeing, what are the changes and where are we going?

RASMUS NIELSEN - REUTERS INSTITUTE FOR THE STUDY OF JOURNALISM: The general direction of travel is a winner takes most market wherein, with a few exceptions in most of the countries that

we look at that have sort of relatively mature markets around paid digital news provision. A small number of upmarket, national general interest news providers account for the vast majority of digital news subscriptions and the percentage of people in the population who have committed to paying one, and in a few cases two or three providers is a sizeable but still small minority in most cases sort of around 10% or so of the adult internet using population and this can be quite a lucrative business for those few winners who succeed in that market, the New York Times famously is the poster child of this

10 development but I think it's important to recognise that actually in continental Europe there are a number of titles that are similarly upmarket national general interest newspapers that are doing very well, [inaudible 03:00:22] in Sweden, Helsingin Sanomat in Finland, NRC in the Netherlands, Le Monde in France and a number of others and there are also new entrants that operate on a similar model that are doing quite well. In that sense for them, they have managed to stand out in terms of the quality of the journalism they do, they have invested in their digital product so that the user experience is comparable to what people have grown accustomed to

20 from using Netflix and Spotify and other relatively seamless apps and they have convinced a sizeable number of people that their journalism is worth paying for and that's great for them and it's great for those parts of the public who are generally affluent, highly educated, politically interested, middle aged and older, people like me essentially, often white, often male who find that journalism

worthwhile and are willing and able to pay for it. What's happening meanwhile is that this is a fundamental transformation in the business of news which in most of the world historically was dominated by local and regional newspapers who had a very strong position, if not a monopoly position and considerable market power both as information providers in a local community and as advertising platforms in a local community and now they have neither and they are struggling to attract attention and they are struggling to attract advertisers and they are struggling to convince
10 people that their journalism is worth paying for. So in that sense there's a fundamental transformation where a few generally lead oriented, nationally oriented winners are often doing quite well even though the historic [inaudible 03:02:02] industry at the regional and local level are in most cases really struggling to convince the public and advertisers that what they do is worthwhile.

MS. PAULA FRAY: And in a country like South Africa with high levels of inequality, a very, very young audience, I mean what kind of models should we be looking at?

RASMUS NIELSEN - REUTERS INSTITUTE FOR THE STUDY OF
20 JOURNALISM: I don't mean to dodge the question but I always say that it's not my job to tell people how to do their jobs and I think that applies both for publishers and policy makers. It's a difficult market and I think the, I'm glad that you raised the question of inequality because while many of the titles that are most successful right now are very respected and highly regarded by many journalists, we

need to be very clear that they are generally lead oriented. If we look at which kinds of news providers have a record of being more successful with the broader public and less privileged parts of the public and younger people. Some of them are commercial enterprises, the VOX Media publishing group in the United States stands out as being successful even as many of its contemporary and peers such as [inaudible 03:03:24] sort of burned out effectively and at a local level in parts of Europe and North America we are seeing more explicitly niche oriented publishers that pick a locale
10 and or a community and say we are for this place and these people and who do not operate with core structure that is what we had for an old school sort of 1990's newspaper. Here in the UK there is something called Meld Media, in Canada a group called Outlier Media and it's hard work but they are in think increasingly successful at a small scale and then of course, finally, it's important to recognise that there are responses to this situation that are not market based so the historic response has been public service media which sat in parts of the world there's essentially state controlled broadcasters and not really oriented towards independent,
20 generally independent public service provision and in other parts of the work are faced and sort of constant attacks on their funding structure and often in part motivated by commercial rivals but public service provision is a possible intervention, it's entirely up to citizens and the officials whether they believe that is a reasonable and justified intervention or not, research can't answer that, research can

just point out that it can work if done well. The other is non-profit provision that is in part or in whole reliant on philanthropic sources of funding whether individual donations or foundations. On the non-profit side I always say when I talk to journalism [inaudible 03:05:15] that non-profit is a tax status, not an aspiration. Non-profits too need to generate the revenue to cover their cost, I know this because this is how we operate, the Reuters Institute as well, I know that from experience. I think we just need to sort of recognise very clearly that while the non-profit sector can be important and in the United States relatively important, in most of the world there is very little tradition of philanthropic support and non-profit support for independent journalism and even in the United states there is more philanthropic funding going to ballet companies and opera than there is to journalism and I think that gives sort of a sense of what scale and scope of support one can reasonably expect for non-profit solutions. So I'm glad your raised it, I am personally, I think this is by far the most concerning part of the development we are seeing in our world, much of the public doesn't see journalism as serving people like them and much of journalism doesn't see any commercial incentives for serving most of the public and this points to a very different world from the brief moment in time where journalism could at least aim and claim to serve the whole public and point towards a future in which people who are privileged like myself will be very well served and other parts of the public will rely on other sources of information that may not include very much original reporting if any at all.

CHAIRPERSON: Rasmus just to question, almost related to that but also to your earlier point, I mean, is where we are partly a product of the sort of dilution in the digital space and you can say competition for retention and other content now that this has created less interest in news and put us in a bit of a vicious cycle, and related to that is, would efforts to promote news media on some of these platforms start to change that dynamic or potentially change that dynamic both in terms of obviously not just maybe getting more visibility but changing people's attitude to news and the verifiable news because I think your research also shows that people are anxious about misinformation and things being curated for them.

RASMUS NIELSEN - REUTERS INSTITUTE FOR THE STUDY OF JOURNALISM: Thanks, people are very anxious and I think in many cases, rightly so and they are very sceptical towards platforms just as they are often sceptical towards journalism and news providers and many other institutions, whether that is paralysing cynicism or informed scepticism, it probably depends on the context. I think the [Carecross? 03:08:16] Review which was done here in the UK about five years ago which I still think is a really inspiration one, well done pieces of the public policy review, they came across as a debt of gratitude for doing that report included as one of the recommendations, the idea of introducing a news quality obligation on information intermediaries. I think it's worth remembering that the news industry in the UK at the time but perhaps they've changed their mind since but at the time were very sceptical of the idea that

one would sort of politically mandate something as quality news and tell sort of commercial companies to feature more of that from either a third party information providers. I think as frustrating as it is in these situations where each of us personally may have a fairly sort of clearly formed and stable conception of what constitutes quality news, I think we need to sort of really wrestle with the fact that we live in irreducibly diverse societies where people often disagree vigorously and where what one person thinks is quality may from another point of view may either something they're very sceptical of
10 or something they violently disagree with or something that they think is irrelevant. I do think there is a sort of reasonable concern about the social engineering in this space and what that would mean for already low public confidence in political decision makers in media companies and in platform companies if the public got the sense that sort of the fix was in and these types of actions should come together and decide that this is what's good for you, eat your spinach. So I can see the sort of, the draw of the idea but I think what the idea would necessitate would be a very clear definition of what quality is, a very clear basis, a transparent basis on how that
20 definition is justified and grounded and even then I suspect that there will be many people who would be, perhaps feel that this was quite top down and perhaps rightly so. And that leads me to the second part of your question which was the first part of how you asked it which is the direction of travel and whether the sort of digital dilution as you put it is part of the current travels of the news

industry, it clearly is. I mean there is no question that when an industry moves from a low choice environment where they have high market power to a high choice environment where they have low market power but that has a dramatic impact on their revenues and thus their ability to invest in news even as others are thriving in that environment by creating value in different ways. That is a contributing factor no doubt, what I would say is a further sort of contributing factor is something I think Paula has alluded to in her previous question which is, what are the incentives that have been

10 set up now for those news providers to succeed and in the winner takes most market that I'm describing, part of the sort of dynamic right now is that news publishers are being commercially rewarded for doubling down on further serving an already well served minority of the public and very privileged and well served part of the public. And we live in a world in which if you are smart and convincing it seems to be the case that you can go to big investors and convince them that college educated English speaking internationally oriented internet users are poorly served with news and raise quite a lot of money to do even more journalism. I mean it's a wild proposition to

20 me, there's never been a more luxuriously served part of the public than people like me, everyone and his mother wants to make money by doing journalism for me and in that sense I think the risk right now is that the, what in the industry is sometimes called the flight to quality is really is a doubling down on a lead orientation that points back to the parts of journalism and a retreat from the idea of

journalism being for everybody and a retreat to the historical role is the origins of many story newspapers that they are for the few, not the many and that they are serving the most economically and politically privileged parts of the public and that they are doing so while also proclaiming loudly to everyone who wants to listen that doing so is in the public interest even as there may be large parts of the public, even the majority of the public who do not agree with that and that I think is quite worry development.

CHAIRPERSON: Rasmus I'm interested in that response and as
10 Paula said, in our context of high inequality but also a legacy media that has come out in, you know, again of probably just say white elite that has been served in English or Afrikaans and so the legacy media is there and one of our objectives is to see how one can deconcentrate even the media market, so that legacy media is going to chase that group more narrowly, what are the options for changing the concentration because, sorry I know these questions are long and convoluted but you're very effective in breaking them down but as you rightly pointed out, one of the reason people are fleeing to social media is to find voices that represent them. Are
20 there ways of getting those voices that represent them also being journalistic standards, not just other people or celebrities?

RASMUS NIELSEN - REUTERS INSTITUTE FOR THE STUDY OF JOURNALISM: Thanks, I'm very glad that you are thinking about this because I think some of the most sort of talked about recent policy initiatives around the world are essentially using collectively binding

decisions to double down on the winner takes most dynamic by using the power of public policy to further reward the few winners in the news publishing space while doing very little for other actors especially new entrants. So I'm very glad that you're thinking very hard about this. A few years ago I had the privilege of chairing the working group on the sustainability, the economic sustainability of journalism that the forum for information democracy that Reporters without Borders has created set up and we published a report called the New Deal for Journalism that tries to look at what we consider to

10 be evidence based policy options for elected [inaudible 03:16:04] citizens should they decide to make intervention this space. I will sort of briefly mention sort of two that I think can in different ways address this issue of wrecking them with the historical inequalities and the poor record of many existing players are serving the whole public and less privileged public in particular. One is and this just happens to be an accident in my native Denmark, I'm not here as a flag waving patriot but as a scholar, in my native Denmark the direct subsidies that are provided to independent private publishers are structured in a way that privileges smaller players who benefit

20 relatively more from this pool than bigger players and this is not an accident, this is a choice because the objective of the subsidy is to increase the diversity of provision both at the national and the local level. So there are special provisions to ensure that important but smaller parts of the national public also have an opportunity to engage with news publishers that are oriented towards their values

and interests even though they may not be fully commercially sustainable, they still mostly have commercial revenues but they benefit from slightly higher subsidies than other more successful national publishers who also get subsidies but less and especially at the local and regional level. The subsidies are effectively, they are always a minority of revenues, none of these are sort of welfare recipients if you see what I mean, they're not sort of living on the dole but they are proportionately more important for smaller local providers and in some cases those local providers would probably
10 not exist and would not be sustainable on a commercial basis without the subsidies in question. This is a public policy decision and it's up to elected officials and citizens to decide what they believe that's merited, whether that's a good use of public funds, whether it's more important than other uses of public funds and whether it can be done in a way where citizens and journalists can have reason to believe it will be done without compromising at its whole integrity and be a tool for media capture which of course is always a fear and I know that there is a very recent concern with this in South Africa as well. And the second part is public service provision; again I want to
20 be very clear that public service provision can go wrong in many ways. Public service media can be captured by the state. Public service media can end up duplicating the world of commercial providers thus effectively threatening diverse rather than contributing to it. Public service media can end up super serving the same privileged audience that private publishers are serving very well.

That said when set-up with a clear remit, genuine independence and freedom to use all available channels to reach the public and a clear requirement to provide universal service, public service media can reduce information equality. This is not an opinion, this is a statement of fact, it's well documented by research and again, it's a political question for elected officials and for citizens who choose their representatives. Whether they believe that public service interventions are merited and whether they believe that in their societal context, one can have confidence that that can be genuinely independent or whether it will just become an organ of the governing party.

CHAIRPERSON: Rasmus I know we are out of time. I don't know if you've just got a few more minutes, we just wanted to [speaking simultaneously] ask about the AI. I mean we saw a report on a recent study your institute has done about publishers stopping the crawlers of different AI companies and that may be just one instance but I don't know if we can just benefit, I think we've seen the usual debate, the concerns about AI, the concerns about the use of the content but also the fear of the future with what say integrated Search and AI might do to traffic and might impact on publishers even more. I don't know if you have done work in this and we can just benefit from you insights.

RASMUS NIELSEN - REUTERS INSTITUTE FOR THE STUDY OF JOURNALISM: It's a fraught moment I think, I think the, we had a moment where leaving aside the sort of commercial self-interest of

the companies who develop this, some of whom are already very dominant in other parts of the information environment and the importance's are scrutinised, their role and their commercial incentives from the point of view of news provision, the way I would sort of think about broadly speaking is that over time I expect that much of the public will behave as what I think of AI [inaudible 03:21:25] and many of us I think will come to, pay no more attention to the contributions of generative AI to some of the content that we see that we right now pay to the role of dynamic numeral networks in social media ranking algorithms or machine learned ranking signals as part of the search engine rankings and will be very sceptical of AI in general but may come to appreciate some of the specific cases and contributions. I think the news industry, many journalists I think are worried personally and I think they are probably in most cases right to be worried even though others are very enthusiastic and they too are right but it's going to be I think quite another challenging round for a lot of professional journalists in terms of the implications for job security and their professional opportunities even as some with, I think, do great journalism, create a lot of value and do very well for themselves. More broadly I think publishers at this stage are primarily thinking about AI as an external threat over which they have little control and an internal opportunity to incrementally rationalise and cut cost. A sort of AI incrementalism if you will, use these tools, do what they already do, just slightly cheaper and slightly faster and slightly more of it. The big question I think is what

I think of sort of AI experimentalism, new entrants, big incumbent platforms and individual citizens, I think in the coming years we will see great creativity in emerging properties, the kind of things that we haven't predicted and that no one I think right now has the imagination to predict and I suspect that this will be quite big and for most publishers quite challenging. It's clearly the case that many publishers have seen their social media referrals decline in recent years and I think the big worry now is that Search is next and if that is the case then a lot of publishers are going to be in extremely
10 difficult positions because they have a very weak direct connection with the public and they will really struggle to sustain their business, even as much of the public may come to feel that generative AI is yet another of these things that isn't quite as amazing as the sales person were claiming in their pitch but is sort of kind of useful for some purposes, even as it's kind of worrying for other purposes. So I think it's going to be quite challenging even though I am glad to see that a number of publishers are being very future [inaudible 03:24:16] of this, I think it's important to give a shout out here to the Daily Maverick in South Africa which I think is internationally
20 respected for how they think about this and they are not alone. Scroll in India, another small news organisation and a challenging environment that's doing interesting work and many western organisations in more privileged contexts are investing significant resources in figuring out what these tools can do for them and how they can use them for their purposes rather than be victims of

circumstance as these tools develop by others and used by the public and third parties in ways that will again I think challenge journalism. I think there is no sugar coating that but this is going to be another challenge to the profession and the industry and I think we'll see another shake out as a result of that.

CHAIRPERSON: Rasmus thank you very much, we won't take more of your time, I think it has been incredibly insightful and the institute does incredible work and we are certainly a beneficiary of that as well but I think you've given us a lot of food for thought for this
10 inquiry as we go forward and ja, we hope to also engage as we continue on the journey at strategic points, I think it would help us to have some [speaking simultaneously]...

RASMUS NIELSEN - REUTERS INSTITUTE FOR THE STUDY OF JOURNALISM: Please do and thank you so much for your important work and I can't say how encouraged I've been by the questions and the curiosity and the probing, this is a space as I'm sure you've experienced in your hearing so far where there are a lot of confident assertions and I am just really encouraged by the nuance and interest with which you've approached this, so any way we can help,
20 please do let us know. It's important work and if we can support it then we bow to the opportunity.

CHAIRPERSON: Thank you so much Rasmus and for the public tomorrow we start with Caxton Media and then move to the Campaign for Free Expression, that will be tomorrow's hearing. Thank you.

RASMUS NIELSEN - REUTERS INSTITUTE FOR THE STUDY OF
JOURNALISM: Thank you very much. Bye.

END OF PROCEEDINGS ON 13 MARCH 2024